

Earnings Results

third quarter
2019 ↙

3Q19 Results Webcast

Date: Friday, October 18th, 2019

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

Quálitas Controladora cordially invites you to its third quarter and nine months 2019 earnings results conference call.

Hosted by:

Mr. José Antonio Correa, Chief Executive Officer

Mr. Bernardo Risoul, Chief Financial Officer

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Quálitas reports third quarter 2019 results

Mexico City, October 17th 2019 - Quálitas Controladora S.A.B. de C.V. ("Quálitas", "Q", or "the company") (BMV: Q *), announces its unaudited financial results for the third quarter ended September 30th, 2019.

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

3Q19 Highlights

- Quálitas has a network of more than 15,000 agents, 1,207 adjusters, and 5,128 employees.
- During the third quarter, the company expanded its coverage network in Mexico by opening 12 new offices, to reach a total of 179 service offices, 243 Quálitas Development Offices (ODQs) and 4 administrative offices. Also, during the third quarter 2 service offices became ODQs.
- Quálitas USA acquired a new office in San Diego to unify operations and increase the coverage network in that country.
- In 3Q19, 114,130 units were added to the portfolio, closing with 4,224,062 insured units. This represents an increase of 6.4% compared to the third quarter of 2018.
- According to the latest AMIS figures, Quálitas continues to be the leader in the Mexican auto insurance market with 27.6% market share.
- The Q* stock had a yield of 31.5% during the third quarter of the year, reaching a cumulative yield as of September of 71.4%. The daily average traded volume and amount during the quarter was 975,749 shares and 3 million dollars respectively.
- The issuer raised nine positions in the marketability index, moving from position 44 at the end of the second quarter of the year, to the 35th place where it stands today. Q* is considered a high liquidity stock.
- Cash per share reached \$71.56, which is 11.2% higher than in the same period of the previous year.
- The company reported a 12-month ROE of 43.5% well above our long-term target of between 18-24%.

Income Statement and Balance Sheet

- Written premium increased 11.5%, taking our year-to-date to a positive ground with a growth of 2.3%. The aforementioned driven by the growth of 12.9% in the traditional

segment (individual and fleets) compared to the same period of the previous year. The total written premium was \$ 8,615 million, \$ 891 million above than what was reported in 3Q18.

- The earned premium increased 11.8%, reaching an amount of \$ 8,742 million.
- Diverse factors such as the decrease in robberies, meteorological events and the claims attended, resulted in a loss ratio of 59.5%, which means a decrease of 12.4% percentage points compared to 3Q18.
- The acquisition ratio ended at 21.8%, which means an increase of 72 bp, driven by an increase in the commissions paid to agents.
- The operating ratio increased 244 bp compared to 3Q18, positioning it at 6.4%, mainly explained by an increase in the provision of the employee profit sharing, as well as a comparable lower base in 3Q18, due to an investment reserve release.
- The company closed with a combined ratio of 87.8%, well below of our target for the year.
- The operating result reached \$ 1,118 million, which represents 4.2 times the \$264 million recorded during the same last year's period. Quálitas recorded an operating margin of 12.8%.
- The Comprehensive Financial Income for the quarter amounted to \$ 739 million, an increase of 51.1% compared to 3Q18. The ROI was 8.4%, exceeding the current reference rate, after having suffered a 50 bp reduction during the quarter, standing at 7.75%.
- Net income for the quarter was \$1,324 million, 142.9% more versus same period year ago. Cumulative net income stands at \$3,823 million pesos, more than doubling versus 3Q18. Quálitas closed with a net margin of 15.4%.

Financial highlights (MM MXN)

	Quarterly			Cumulative		
	3Q19	3Q18	Δ %/bp	9M19	9M18	Δ %/pb
Income Statement						
Premiums written	8,615	7,725	11.5%	25,258	24,698	2.3%
Net premiums written	8,555	7,694	11.2%	25,101	24,430	2.7%
Premiums earned	8,742	7,822	11.8%	25,427	23,245	9.4%
Acquisition cost	1,869	1,626	15.0%	5,492	5,433	1.1%
Loss cost	5,202	5,629	(7.6%)	15,225	15,711	(3.1%)
Technical result	1,670	567	194.4%	4,710	2,100	124.2%
Operating expenses	552	307	80.0%	1,485	1,161	27.9%
Underwriting result	1,118	264	323.1%	3,230	944	242.4%
Comprehensive financial income	739	489	51.1%	2,040	1,584	28.8%
Investment income	617	370	66.6%	1,671	1,253	33.4%
Income Taxes	533	208	155.9%	1,447	757	91.2%
Net result	1,324	545	142.9%	3,823	1,770	116.0%
Controlling interest	1,322	543	143.6%	3,821	1,764	116.6%
Non-controlling interest	1	2	(39.8%)	3	7	(54.8%)
Cost ratios						
Acquisition ratio	21.8%	21.1%	72	21.9%	22.2%	(36)
Loss ratio	59.5%	72.0%	(1,245)	59.9%	67.6%	(771)
Operating ratio	6.4%	4.0%	244	5.9%	4.7%	118
Combined ratio	87.8%	97.1%	(929)	87.6%	94.5%	(689)
Combined ratio adjusted*	87.2%	96.7%	(946)	87.3%	96.0%	(864)
Balance Sheet						
Assets	58,835	53,166	10.7%	58,835	53,166	10.7%
Investments & Real Estate	30,413	28,350	7.3%	30,413	28,350	7.3%
Invested assets or float**	30,413	27,989	8.7%	30,413	27,989	8.7%
Technical reserves	34,794	34,850	(0.2%)	34,794	34,850	(0.2%)
Total liabilities	46,626	44,719	4.3%	46,626	44,719	4.3%
Stockholders' equity	12,209	8,447	44.5%	12,209	8,447	44.5%
Profitability ratios						
Return on investments	8.4%	5.4%	304	7.3%	6.2%	113
ROE for the period	45.2%	26.5%	1,873	23.3%	28.9%	(553)
LTM ROE	43.5%	34.1%	937	43.5%	34.1%	937

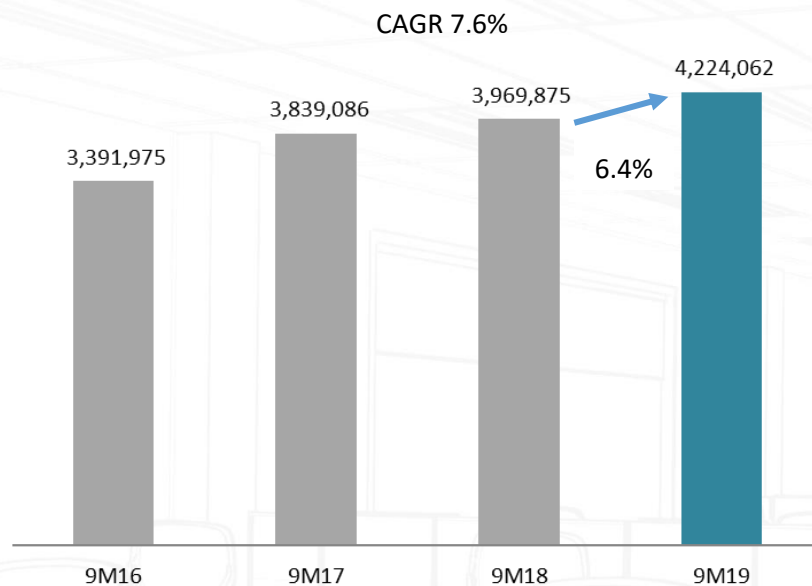
* Adjusted Combined Ratio refers to the sum of the acquisition, loss and operating costs, divided by earned premiums and it is presented for comparison reasons with international indices.

**Invested Assets, float = investments in debt + overnight + cash + discount and rediscount instruments.

Insured vehicles

According to the latest AMDA (Mexican Association of Automotive Distributors) figures, new cars sales in Mexico continues to fall, with a decrease of 9.8% during 3Q19 with 314,885 vehicles sold, 34 thousand units less than same period year ago, reaching a cumulative decrease of 7.5% during the year.

Despite the weak performance, Quálitas portfolio had an increase of 6.4% when compared to 9M18. During this quarter, 114,130 units were added to our portfolio, reaching a new record of 4,224,062 insured units.; this also represents an increase of 2.7% vs 2Q19.



CAGR: Compound Annual Growth Rate

Business line	9M19	9M18	Δ units	Δ %
Automobiles	2,769,293	2,654,777	114,516	4.3%
Trucks	1,109,791	1,042,035	67,756	6.5%
Tourists	90,648	73,547	17,101	23.3%
Motorcycles	142,449	119,367	23,082	19.3%
El Salvador	18,733	14,159	4,574	32.3%
Costa Rica	54,265	50,701	3,564	7.0%
USA	16,713	15,289	1,424	9.3%
Perú	22,170	NA	NA	NA
Insured vehicles	4,224,062	3,969,875	254,187	6.4%

Written premiums

Segment	3Q19	3Q18	Δ \$	Δ %	9M19	9M18	Δ \$	Δ %
Traditional	5,015	4,442	573	12.9%	15,468	13,775	1,694	12.3%
<i>Individual</i>	2,716	2,181	536	24.6%	7,845	6,536	1,310	20.0%
<i>Fleets</i>	2,298	2,261	37	1.6%	7,623	7,239	384	5.3%
Financial institutions	3,121	2,911	210	7.2%	8,378	9,592	(1,214)	(12.7%)
Foreign subsidiaries	455	339	116	34.1%	1,354	1,190	164	13.8%
Other	25	33	(8)	(24.2%)	58	142.0	(84)	(59.2%)
Total	8,615	7,725	890	11.5%	25,258	24,698	560	2.3%

**Figures of 2018 may vary from those reported before due to a reclassification of accounts.*

During the quarter, written premiums reached \$ 8,615 million, an increase of 11.5% compared to the recorded in 3Q18, mainly driven by a 12.9% growth in the traditional segment (individual and fleet), and by the recovery in the issuance through financial institutions, which posted a 7.2% growth during the quarter.

Change of trend is explained by the stabilization of new pricing implementation and the strengthening of the commercial relation to ensure Quálitas service and proposals are properly considered. While there is still work to be done, we are happy on how this has evolved.

Regarding our annual and multiannual policies, our portfolio continues to reflect the actions we have taken; today we have 81% annual and 19% multiannual that compares to 55% and 45% respectively during the same period 4 years ago. This mix lowers our risk by providing more flexibility to adjust tariffs, which we find more convenient during volatile times

On the other hand, foreign subsidiaries begin to take a relevant role, representing 5.3% of total written premiums an increase of 90 bp against the same period of the previous year, a growth that gives an optimistic outlook for international subsidiaries.

Earned premiums

Earned premiums reached \$ 8,742 million, an increase of 11.8% compared to the \$7,822 million reported during the same period of 2018. In cumulative terms, earned premiums have grown 9.4%, standing at \$25,427 million. This increase is due to the recognition of multiannual policies issued in previous years, as well as double-digit growth of written premiums through the traditional segment.

Net acquisition cost

The net acquisition cost was \$ 1,869 million, 15% higher than the \$ 1,626 million recorded in the third quarter of 2018. The acquisition ratio in the quarter was 21.8% versus the 21.1% recorded in the same period last year, which means a 72 bp increase in this period.

This 15% increase is mainly driven by higher commissions paid to agents and promoters, responsible for the issuance through the traditional segment.

Net loss cost

During the first 9 months of the year, we continue to see a positive trend in the decrease in robberies, which has benefited the entire industry and hence, our company. According to the latest figures reported by OCRA, the theft of insured vehicles in Mexico from January to September decreased 9% for the industry and 19% for Quálitas. Similarly, there is an increase in the recovery of stolen units.

Additionally, so far this year there have been 29 relevant meteorological events, such as heavy rains, hurricanes and tropical depressions, representing a decrease of 6.5% compared to what was reported. In this sense, during 3Q19, 390,660 claims were attended, including those attended in our subsidiary in Peru, which was not included in the same period of the previous year.

All of the above, coupled with decades of efforts to prevent risks, increase recovery, and reduce fraud, made a 59.5% loss ratio possible, the second quarter with the lowest ratio since 2016. The loss cost was \$ 5,202 million, representing a decrease of 7.6% compared to 3Q18.

Operating expenses

Operating expenses stood at \$ 552 million, reaching an operating ratio of 6.4%, that is 245 bp above what reported in the same period of 2018. It is important to note that, within the operating expenses is included the forecast of the employee profit sharing, which is directly related to profits. This forecast had an increase of 160.4% compared to 3Q18, and explains much of the increase in the operating ratio.

Similarly, this expense includes fees paid to our regional directors, linked to the issuance and collection of premiums, which increased 33.7%

Underwriting result

As a result of low claims and adequate cost control, underwriting result reached \$1,118 million, more than 4 times what recorded during 3Q18. Quálitas closed the third quarter of the year with a combined ratio of 87.8%, well below our target for the year.

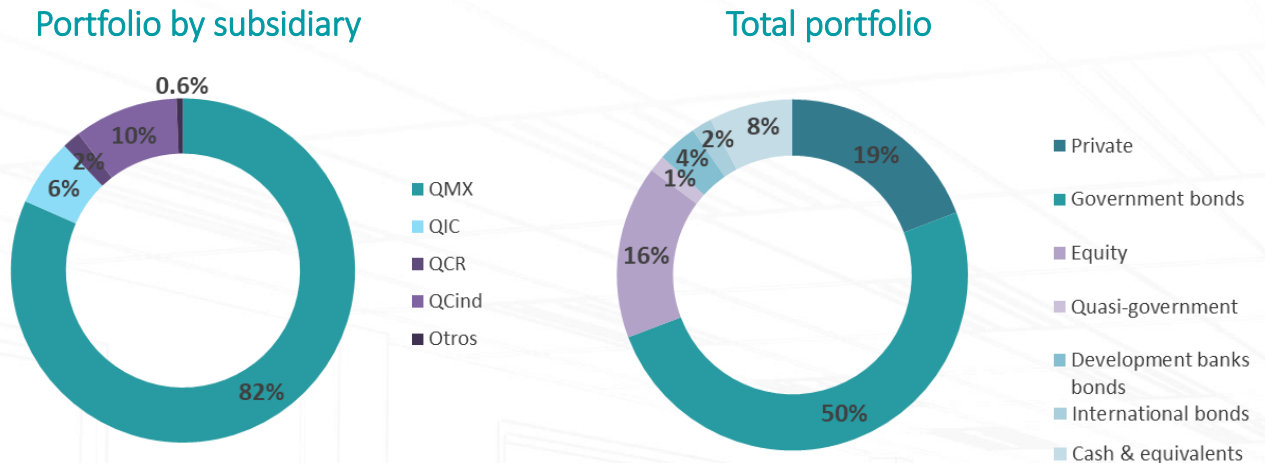
The company recorded an operating margin (operating result / earned premium) of 12.8%.

Comprehensive financial income

During the third quarter of the year, Mexico's Central Bank decreased the reference rate by 50 bp, from 8.25% to 7.75%. Although the reduction was expected, and these occurred in the middle and end of the quarter, this has direct implications in our financial performance.

However, the Comprehensive financial income for the quarter closed at \$739 million, an increase of 51.1% compared to the \$489 million recorded in 3Q18. This result derives from a good return on our equity investment portfolio, partially recovering from poor performance during the first quarter of the year, and to a lower extent, to the company's strategy to lock in interest rates.

During the quarter, invested assets or float increased by 8.7% compared to the same period of the previous year, remaining at \$30,413 million during 3Q19. Likewise, the composition of the investment portfolio closed the quarter with 84% in fixed income and the remaining 16% in equity, which means 2.8 percentage points less compared same period year ago.



Rating differences in sovereign debt could vary between countries. Variations by exchange rate could generate differences

Investments and taxes

Investments reached \$30,413 million, a 7.3% increase over the same quarter of the previous year. This item comprises securities, overnight, loans portfolio and real estate investments.

During the quarter, the company paid taxes for \$533 million and recorded a quarterly tax rate of 28.7% and a 12-month tax rate of 27.7%; same rate reported in 3Q18.

Net income

Net income for the quarter was \$1,324 million, an increase of 142.9% compared to the same period last year; the cumulative net income stands at \$3,823 million, doubling what reported in the same period last year. The company reported a net margin (net income / written premium) of 15.4%.

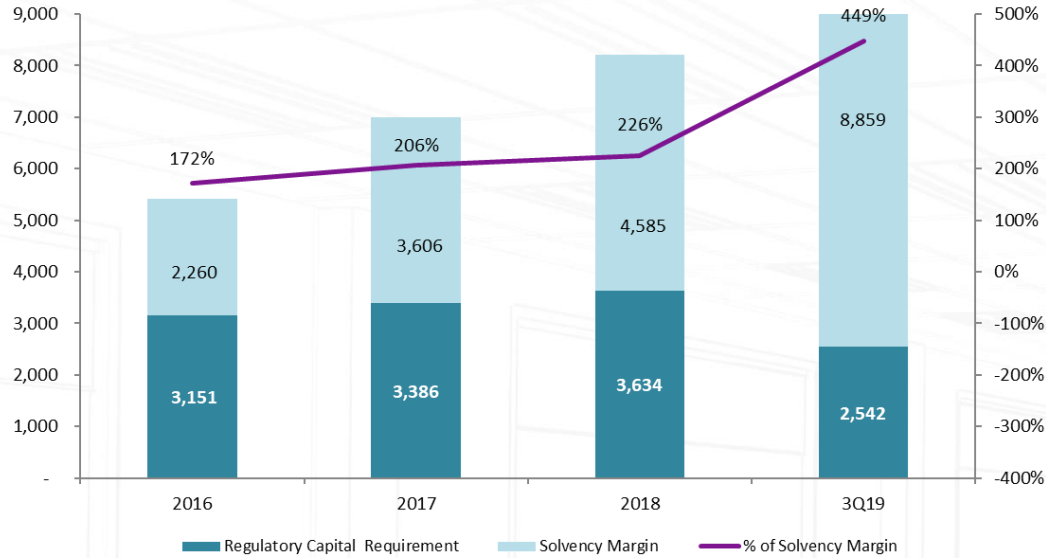
The above establishes a new milestone for the company and traces the way to make 2019 an historical year. Quálitas reported a 12-month ROE of 43.5% well above our long-term target of between 18-24%. The ROE is composed of an operating ROE of 28.2% and a financial ROE of 15.3%.

Technical reserves

The technical reserves reached \$34,794 million, a 0.2% decrease with respect to what was reported in the same period of the previous year, due to a 5.9% decrease in the reserve of outstanding obligations to be fulfilled, reflecting the downward trend in claims and our portfolio composition, more skewed to annual policies.

Solvency

The regulatory capital requirement stood at \$2,542 million, with a solvency margin of \$8,859 million and a percentage solvency margin of 449%. These figures already reflect some investments made, including the funding of the stock repurchase program, the Peru operation acquisition and set up costs, a new office in San Diego, the capitalization to CristaFácil, among others. We will continue investing as well on fueling some of our businesses for future growth.



Stock performance (Q*)

During this quarter, our stock performance was 31.5%, reaching a cumulative yield of 71.4%, well above the Mexbol yield. Q* positioning itself as the second best performing stock in the entire Mexican Stock Exchange.

	Q*	IPC
3Q	31.5%	(0.3%)
YTD	71.4%	3.3%
12M	42.1%	(13.1%)

In addition, Q* moved from place #44 in the second quarter of the year up to place #35 in the marketability index with a daily average traded volume of \$3 million USD, which represents an increase of 84.14% vs 2Q19.

Daily average* 2019				
	Traded Volume	CP	Volume (MXN)	Volume (USD)
1Q19	383,556	47.71	17,848,793	929,403
2Q19	628,623	53.89	32,436,483	1,644,018
3Q19	975,749	70.89	59,729,019	3,027,320

Daily average*			
	Traded Volume	Volume (MXN)	Volume (USD)
3Q	975,749	59,729,019	3,027,320
YTD	668,909	37,114,609	1,881,126
12M	591,245	31,488,311	1,595,961

Figures: traded volume is expressed in number of shares..

Share buyback program

On April 22, 2019, Quálitas Assembly of Shareholders approved \$650 million that may reach a maximum of \$ 700 million considering the surpluses derived from the operations, for the repurchase of shares.

During the third quarter of the year, we operated 21.8 million shares and bought 3.5 million shares, achieving an accumulated of 9.4 million shares at the end of September 2019.

	3Q19	9M19
Shares traded in the period	21.8	34.4
Balance of repurchased shares	9.4	9.4

Millions of shares

Subsidiaries

Quálitas includes operations in the USA, Central America and Peru, as well as some vertical integrated business. While accounting for ~5% of our business, they play an important role in our portfolio as there is important upside that we expect to capitalize by accelerating growth in the next years.

During 9M19 our subsidiaries posted results in line with expectations. Geographically, written premiums grew +13.8% and bottom line delivered \$46.8M or +867.5% vs same period year ago

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

	2019	2018
Assets		
Investments	<u>30,412,509,114</u>	<u>28,349,595,518</u>
Securities and Derivatives Transactions	<u>26,269,517,578</u>	<u>26,521,610,254</u>
Securities	<u>26,269,517,578</u>	<u>26,521,610,254</u>
Government	13,633,464,389	13,137,671,473
Private Companies: Fixed Rate	7,672,888,634	8,371,351,745
Private Companies: Equity	4,512,618,067	4,852,094,641
Foreign	450,546,487	307,207,402
(-) Value Impairment	0	146,715,007
Restricted Securities	-	-
Derivatives	-	-
Overnight	2,345,840,088	129,773,584
Loans Portfolio (Net)	<u>300,514,582</u>	<u>290,062,155</u>
Current Loan Portfolio	304,760,665	293,337,090
Non-performing Loan	33,319,525	29,980,270
(-) Loan Loss Provisions	37,565,609	33,255,205
Property (Net)	1,496,636,866	1,408,149,524
Investments Related to Labor Obligations	68,476,115	63,262,693
Cash and Cash Equivalents	<u>2,240,432,045</u>	<u>1,101,460,638</u>
Cash and Banks	2,240,432,045	1,101,460,638
Debtors	<u>21,142,947,190</u>	<u>19,334,452,104</u>
Premiums	20,172,571,660	18,372,503,806
Premiums P&C Subsidy	-	-
Federal Agencies Debts	277,375,788	116,280,872
Agents and Claims Officers (Adjusters)	134,559,092	134,106,425
Accounts Receivable	0	4,695,000
Bonds for Claims Debtors	-	-
Other	729,882,535	806,509,281
(-) Allowance for Doubtful Accounts	171,441,885	99,643,280
Reinsurers and Re-Bonding Companies	<u>190,875,966</u>	<u>153,604,566</u>
Insurance and Bonds Intitutions	42,878,149	3,187,947
Retained deposits	-	-
Amounts Recoverable from Reinsurance	157,945,478	152,357,539
(-) Loan Loss Provisions for Foreign Reinsurers and Reinsurance and Bonding Brokers	2,011,767	1,788,730
(-) Provisions for Penalties	0	0
(-) Provisions for Penalties	7,935,894	152,190
Permanent Investments	<u>46,546,839</u>	<u>48,308,164</u>
Subsidiary	0	0
Associates	0	1,761,325
Other permanent investments	46,546,839	46,546,839
Other Assets	<u>4,733,538,100</u>	<u>4,115,032,521</u>
Furniture and Equipment (Net)	925,853,356	829,766,874
Miscellaneous	3,720,583,252	3,200,404,149
Amortizable Intangible Assets (Net)	52,907,266	53,968,384
Long-lived Intangible Assets (Net)	34,194,227	30,893,115
Total Assets	<u><u>58,835,325,368</u></u>	<u><u>53,165,716,204</u></u>

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

	2019	2018
Liabilities		
Technical Reserves	34,794,354,019	34,849,780,059
Unearned Premiums	25,304,292,380	24,769,688,482
Property and Casualty Insurance	25,304,292,380	24,769,688,482
Reserve for Outstanding Obligations	9,490,061,639	10,080,091,578
Expired Policies and Claims Occurred Pending of Payment	8,622,792,046	9,211,813,238
Occurred but not Reported and Adjustment Costs assigned to Claims	169,682,806	100,368,765
Deposit Premiums	697,586,787	767,909,575
Reserves Related to Labor Obligations	270,176,425	251,779,493
Creditors	5,279,305,201	4,654,148,858
Agents and Adjusters	1,550,199,027	1,391,213,516
Funds for Losses Management	13,572,531	5,003,441
Bonding for recognition of Liabilities Creditors	-	-
Miscellaneous	3,715,533,643	3,257,931,901
Reinsurers and Re-Bonding Companies	98,574,417	108,941,606
Insurance and Bond Companies	75,222,442	93,031,593
Retained Deposits	23,351,975	15,910,013
Other	-	-
Funding Obtained	-	-
Other Liabilities	6,183,602,711	4,854,179,353
Provisions for employee profit sharing	534,164,789	302,213,499
Income Tax Provisions	1,475,566,191	783,233,154
Other Obligations	3,283,590,361	2,894,440,574
Deferred Credits	890,281,369	874,292,126
Total Liabilities	46,626,012,773	44,718,829,369
Stockholders' Equity		
Paid-in Capital		
Capital Stock	2,479,108,939	2,524,002,735
Capital Stock	2,535,727,486	2,595,391,662
(-) Non Subscribed Capital Stock	-	-
(-) Non Displayed Capital Stock	-	-
(-) Repurchased Shares	56,618,547	71,388,927
Earned Capital		
Reserves	777,051,087	446,791,582
Legal	435,022,416	313,746,968
For Repurchase of shares	210,380,751	33,682,862
Other	131,647,920	99,361,752
Valuation Surplus	205,381,658	105,180,946
Permanent Investments	-	-
Retained Earnings	4,724,087,263	3,403,828,586
Net Result	3,820,644,146	1,763,700,867
Translation effect	193,781,736	146,479,574
Non Monetary Assets Result	-	-
Remeasurements for Benefits granted to Employees	5,262,929	7,613,329
Controlling Interest	12,205,317,759	8,397,597,618
Non-Controlling Interest	3,994,837	49,289,218
Total Stockholders' Equity	12,209,312,596	8,446,886,836
Total Liabilities and Stockholders' Equity	58,835,325,368	53,165,716,204

QUALITAS CONTROLADORA S.A.B. DE C.V.
Consolidated Income statement for the nine months ended September 30th
 Figures in Mexican pesos

	2019	2018
Premiums		
Written	25,257,859,583	24,698,221,481
(-) Ceded	<u>157,199,991</u>	<u>267,745,104</u>
Net Written Premiums	25,100,659,593	24,430,476,377
(-) Net Increase of Unearned Premiums Reserve	0	0
	(326,083,028)	1,185,924,485
Earned Retained Premiums	25,426,742,620	23,244,551,892
(-) Net Acquisition Cost	5,491,688,809	5,432,764,185
Agents Commissions	1,804,737,974	1,650,811,501
Agents' Additional Compensation	452,195,748	363,241,170
Reinsurance and Rebonding Commissions	-	-
(-) Reinsurance Commissions	4,356,782	5,974,240
Excess of Loss Coverage	4,667,311	5,100,571
Other	3,234,444,558	3,419,585,183
(-) Net Claims Cost and Other Contractual Liabilities	15,225,044,211	15,711,382,380
Claims and Other Contractual Obligations	15,320,729,317	15,711,382,380
(-) Losses on non-proportional reinsurance Claims	95,685,105	-
	-	-
Technical Income (Loss)	4,710,009,600	2,100,405,326
(-) Net Increase in Other Technical Reserves	-	-
Result of Analog and Related Operations	5,409,723	3,727,848
Gross Income (Loss)	4,715,419,323	2,104,133,174
(-) Net Operating Expenses	1,484,684,944	1,160,594,250
Administrative and Operating Expenses	237,312,628	271,266,971
Employees' compensation and benefits	938,341,546	601,019,625
Depreciation and Amortization	309,030,770	288,307,655
Operating Income (Loss)	3,230,734,379	943,538,924
Comprehensive Financing Result	2,039,651,572	1,583,599,214
Investments	876,695,183	852,294,013
Sale of Investments	15,369,555	90,888,842
Fair Valuation of Investments	21,143,094	(166,962,851)
Surcharges on Premiums	353,500,583	323,628,789
Debt Issuance	-	-
Financial Reinsurance	-	-
Loan Interests	31,174,348	39,236,301
(-) Preventive Penalties for Amounts Recoverable from Reinsurance	69,681	54,797
(-) Preventive Penalties for Credit Risks	(3,536,039)	558,448
Other	719,639,108	449,880,992
Foreign Exchange Rate Fluctuation	18,663,343	(4,753,628)
(-) Monetary Position Result	-	-
Participation in Permanent Investments Result	-	-
Income (Loss) Before Taxes	5,270,385,951	2,527,138,138
(-) Provision for Income Taxes	1,446,739,419	756,789,611
Income (Loss) Before Discontinued Operations	3,823,646,531	1,770,348,527
Discontinued Operations	-	-
Net Income (Loss)	3,823,646,531	1,770,348,527
Controlling Interest	3,820,644,146	1,763,700,867
Non-Controlling Interest	3,002,385	6,647,661
Net Income (Loss)	3,823,646,531	1,770,348,527

QUALITAS CONTROLADORA S.A.B. DE C.V.
Consolidated Income statement for the third quarter
 Figures in Mexican pesos

	3Q 2019	3Q 2018
Premiums		
Written	8,615,451,916	7,724,738,136
(-) Ceded	<u>59,998,997</u>	<u>30,336,663</u>
Net Written Premiums	8,555,452,920	7,694,401,473
(-) Net Increase of Unearned Premiums Reserve	(186,339,491)	-128,068,008
Earned Retained Premiums	8,741,792,411	7,822,469,481
(-) Net Acquisition Cost	1,869,235,449	1,626,008,304
Agents Commissions	615,689,453	537,821,079
Agents' Additional Compensation	157,604,739	111,639,480
Reinsurance and Rebonding Commissions	-	-
(-) Reinsurance Commissions	2,635,255	958,165
Excess of Loss Coverage	1,764,306	1,415,114
Other	1,096,812,206	976,090,796
(-) Net Claims Cost and Other Contractual Liabilities	5,202,392,290	5,629,168,605
Claims and Other Contractual Obligations	5,250,708,066	5,629,168,605
(-) Losses on non-proportional reinsurance Claims	48,315,776	-
-	-	-
Technical Income (Loss)	1,670,164,672	567,292,572
(-) Net Increase in Other Technical Reserves	-	-
Result of Analog and Related Operations	0	3,727,848
Gross Income (Loss)	1,670,164,672	571,020,420
(-) Net Operating Expenses	552,294,328	306,803,109
Administrative and Operating Expenses	119,203,825	11,169,534
Employees' compensation and benefits	322,013,587	194,587,040
Depreciation and Amortization	111,076,916	101,046,535
Operating Income (Loss)	1,117,870,344	264,217,311
Comprehensive Financing Result	738,740,676	488,928,112
Investments	293,998,276	268,928,121
Sale of Investments	(975,445)	(22,201,395)
Fair Valuation of Investments	59,862,471	(29,489,318)
Surcharges on Premiums	119,167,027	115,667,163
Debt Issuance	-	-
Financial Reinsurance	-	-
Loan Interests	11,451,276	8,339,848
(-) Preventive Penalties for Amounts Recoverable from Reinsura	(179,432)	(83,214)
(-) Preventive Penalties for Credit Risks	(1,149,587)	1,562,034
Other	233,357,427	162,039,704
Foreign Exchange Rate Fluctuation	20,550,626	(12,877,190)
(-) Monetary Position Result	-	-
Participation in Permanent Investments Result	-	-
Income (Loss) Before Taxes	1,856,611,021	753,145,423
(-) Provision for Income Taxes	533,035,680	208,328,749
Income (Loss) Before Discontinued Operations	1,323,575,341	544,816,674
Discontinued Operations	-	-
Net Income (Loss)	1,323,575,341	544,816,674
Controlling Interest	1,322,454,208	542,954,828
Non-Controlling Interest	1,121,133	1,861,845
Net Income (Loss)	1,323,575,341	544,816,674

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 Mexico.

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 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.

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: Quálitas Costa Rica

Q MX: Quálitas México

Q ES: Quálitas El Salvador

Q P: Quálitas Perú

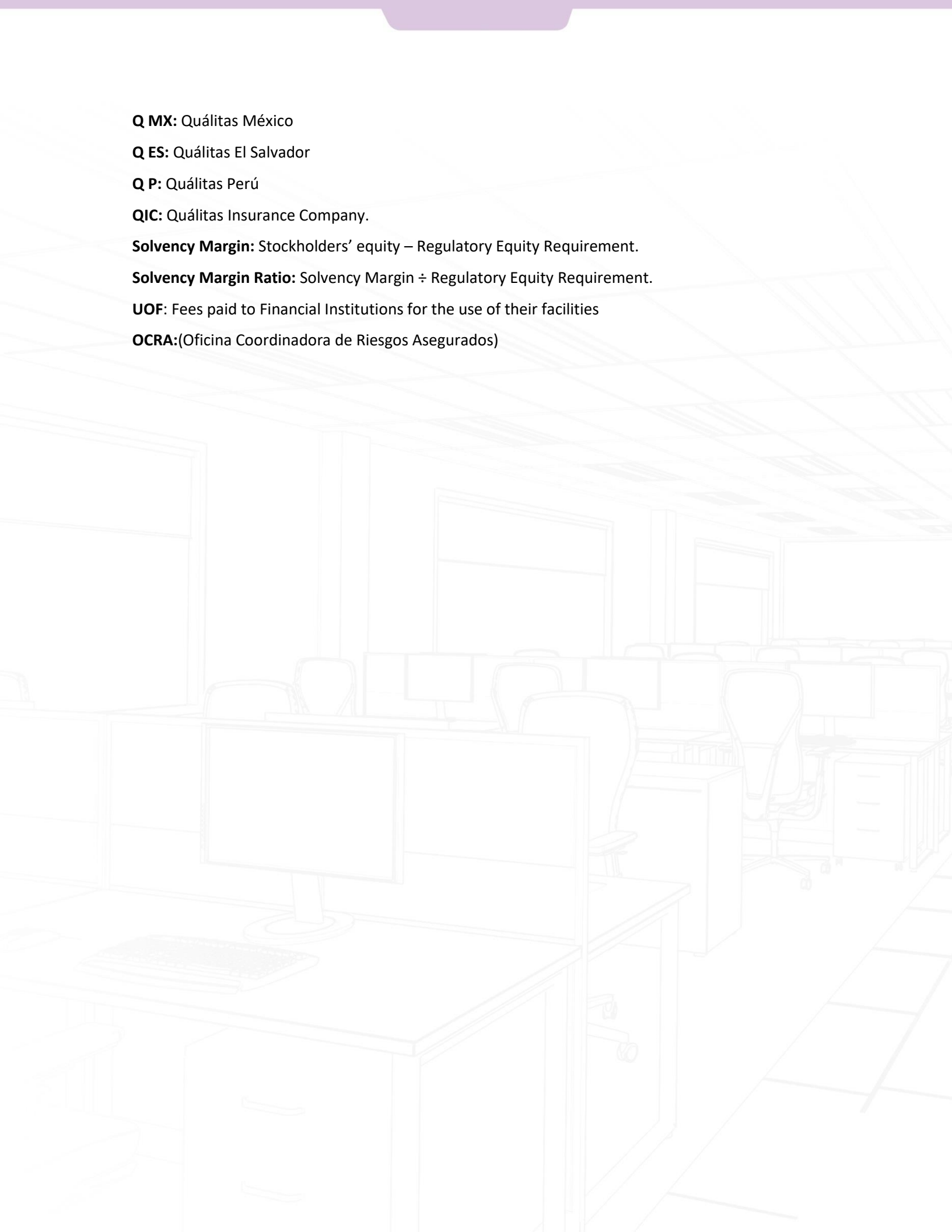
QIC: Quálitas Insurance Company.

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)



About us:

Quálitas 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. Quálitas 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. Words such as "estimate," "project," "plan," "believe," "expect," "anticipate," "intend," and similar expressions may identify such forward-looking statements. The Company wants to caution readers that any forward-looking statement in this document or made by the company's management involve risks and uncertainties that may change based on various important factors not under the Company's control. Forward-looking statements relate to the company's current situation only as of their dates of publication

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