

# Earnings Results

fourth quarter  
2019 ↙

## 4Q19 Results Webcast

Date: Thursday, January 30th, 2020

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

Qualitas Controladora cordially invites you to its fourth quarter and twelve months 2019 earnings results conference call.

Hosted by:

Mr. José Antonio Correa, Chief Executive Officer

Mr. Bernardo Risoul, Chief Financial Officer

Dial-in:

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To join us online, click the following: <https://www.webcaster4.com/Webcast/Page/1164/32808>

The report and presentation will also be available at: <http://qinversionistas.qualitas.com.mx>



## Qualitas reports fourth quarter and twelve months 2019 results

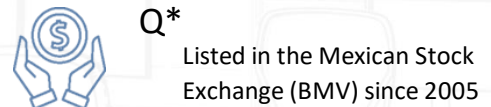
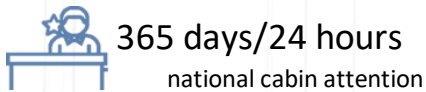
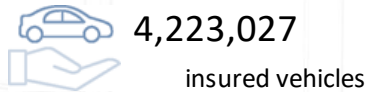
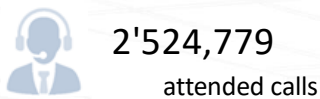
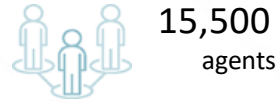
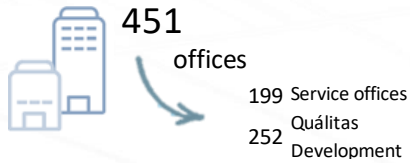
**Mexico City, January 30<sup>th</sup> 2019** - Qualitas Controladora S.A.B. de C.V. ("Qualitas", "Q", or "the company") (BMV: Q \*), announces its unaudited financial results for the fourth quarter and twelve months ended December 31<sup>st</sup>, 2019.

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

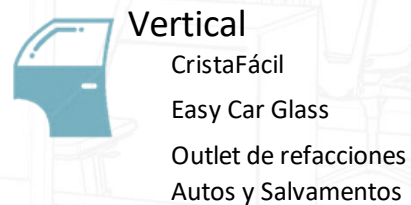
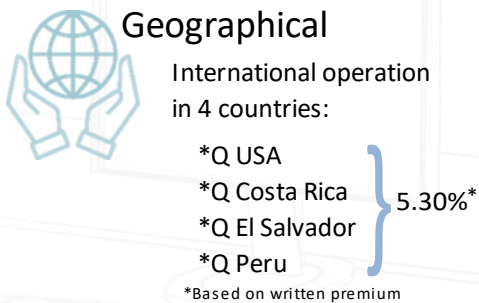
### Highlights

- Written premiums grew 11.7% during 4Q taking our full year growth to 4.9%, despite the decrease in new car sales in Mexico. Important to notice the recovery in growth during the second half of the year (+ 11.6% vs - 1.9% during first half).
- As of December 2019, the company had 4.2 million insured units, which represents an 8.9% growth or 345,547 units more than the prior year.
- Earned premiums grew 10.6% or \$907 million in the quarter, and 9.7% for the last 12 months, standing at \$34,899 by the end of the year.
- Underwriting result in the 4th quarter reached \$1,179 million, up 49% vs same period year ago. Full year underwriting result stands at \$4,409 million which represents the highest underwriting result in the company's history, and 2.5 times that of 2018.
- The comprehensive financial income delivered \$842 million for the quarter, taking our full year performance to \$2,882 or 68% above year ago.
- The quarter combined ratio was 83.6% which is 363 bps below than last year's, taking the cumulative combined ratio to 86.5%, the lowest one since Qualitas became public in 2005. This was driven by an historically low 59.3% loss ratio.
- The resulting Net Income for the quarter stands at \$1,534 million pesos, more than twice that of 4th quarter 2018. Net income for the year was \$5,358 million, up \$2,930 million versus what we reported in 2018, assuring 2019 as a new record year for the company.
- Earnings per share stands at \$12.61 pesos that compares to \$5.58 pesos last year. Our year's net margin was 14%, resulting in a stellar 12 months Return on Equity of 47.3%, well above our mid/long term goal. Price to earnings stand at 6.3, below our historic average and price book value stands at 2.49.
- Recently, S&P Global Ratings revised Qualitas outlook from "stable" to "positive", due to a stronger financial profile; ratings affirmed.

## Qualitas in figures



### SUBSIDIARIES



## Financial highlights (MM MXN)

Income Statement	Quarterly			Cumulative		
	4Q19	4Q18	Δ %/bp	2019	2018	Δ %/pb
Premiums written	10,939	9,797	11.7%	36,196	34,495	4.9%
Net premiums written	10,891	9,753	11.7%	35,991	34,183	5.3%
Premiums earned	9,472	8,565	10.6%	34,899	31,810	9.7%
Acquisition cost	2,288	2,031	12.6%	7,780	7,464	4.2%
Loss cost	5,462	5,336	2.4%	20,687	21,048	(1.7%)
<b>Technical result</b>	<b>1,722</b>	<b>1,198</b>	<b>43.8%</b>	<b>6,432</b>	<b>3,298</b>	<b>95.0%</b>
Operating expenses	544	407	33.7%	2,029	1,568	29.4%
<b>Underwriting result</b>	<b>1,179</b>	<b>791</b>	<b>49.1%</b>	<b>4,409</b>	<b>1,734</b>	<b>154.3%</b>
Comprehensive financial income	842	133	532.0%	2,882	1,717	67.9%
Investment income	722	370	94.9%	2,408	1,253	92.1%
Income Taxes	487	266	82.9%	1,934	1,023	89.0%
<b>Net result</b>	<b>1,534</b>	<b>658</b>	<b>133.3%</b>	<b>5,358</b>	<b>2,428</b>	<b>120.7%</b>
Controlling interest	1,533	543	182.4%	5,354	2,426	120.7%
Non-controlling interest	1	2	(48.5%)	4	3	55.2%
<b>Cost ratios</b>						
Acquisition ratio	21.0%	20.8%	18	21.6%	21.8%	(22)
Loss ratio	57.7%	62.3%	(464)	59.3%	66.2%	(689)
Operating ratio	5.0%	4.2%	82	5.6%	4.5%	106
Combined ratio	83.6%	87.3%	(363)	86.5%	92.5%	(605)
Combined ratio adjusted*	87.6%	90.8%	(320)	87.4%	94.6%	(718)
<b>Balance Sheet</b>						
Assets	63,041	56,642	11.3%	63,041	56,642	11.3%
Invested assets or float**	31,768	28,034	13.3%	31,768	28,034	13.3%
Technical reserves	35,896	36,173	(0.8%)	35,896	36,173	(0.8%)
Total liabilities	49,477	47,537	4.1%	49,477	47,537	4.1%
Stockholders' equity	13,564	9,104	49.0%	13,564	9,104	49.0%
<b>Profitability ratios</b>						
Return on investments	9.5%	0.2%	932	8.2%	4.7%	355
ROE for the period	47.6%	26.5%	2,111	23.1%	28.9%	(576)
LTM ROE	47.3%	28.5%	1,873	47.3%	28.5%	1,873

\* 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 or float = investments in debt + overnight + loans portfolio

## Written premiums

BUSINESS LINE	4Q19	4Q18	Δ \$	Δ %	2019	2018	Δ \$	Δ %
Traditional	6,662	6,000	662	11.0%	22,182	19,808	2,374	12.0%
<i>Individual</i>	2,988	2,544	444	17.4%	10,771	9,144	1,627	17.8%
<i>Fleets</i>	3,674	3,456	218	6.3%	11,411	10,664	747	7.0%
Financial institutions	3,711	3,409	302	8.9%	12,066	13,015	(949)	(7.3%)
Foreign subsidiaries	553	373	181	48.5%	1,909	1,563	346	22.1%
<b>Total</b>	<b>10,939</b>	<b>9,797</b>	<b>964</b>	<b>11.7%</b>	<b>36,196</b>	<b>34,495</b>	<b>1,702</b>	<b>4.9%</b>

Figures in million pesos

Note: Figures may vary due to consolidation effects. 2018 figures may vary from those reported before due to a reclassification of accounts.

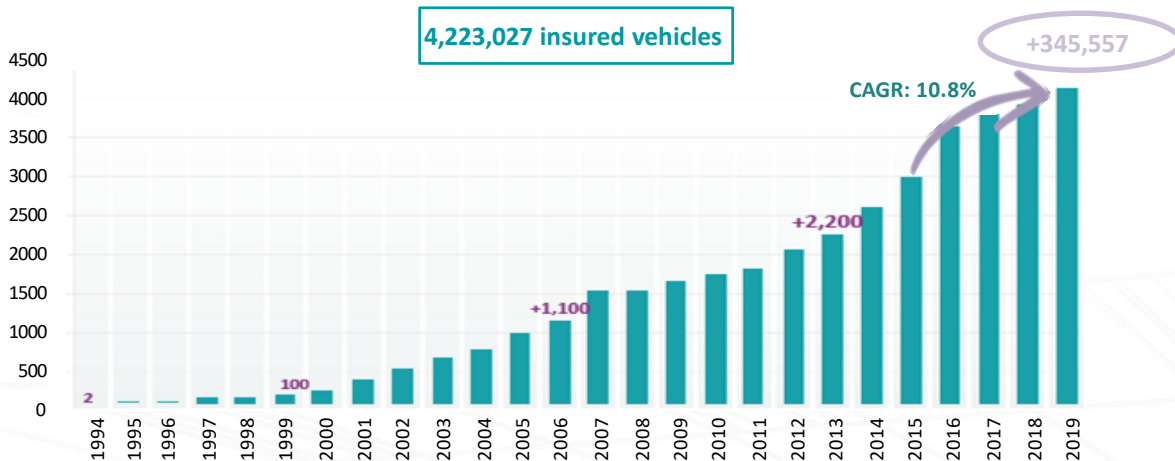
Written premiums stand at \$10,939 million, with a growth of 11.7% in the quarter. This was driven by a double digit growth through our traditional segment and the recovery of the financial institutions under a higher tariffs level during the second half of the year, despite new car sales decrease.

Our geographical subsidiaries had a 48.5% growth when compared to last year's same period, standing at \$533 million by the end of the year; they currently represent 5.3% of the total written premiums. In our subsidiary in Peru, where we started operations at the beginning of the 2Q19, we managed to more than triple the number of insured units during the year.

## Insured units

According to AMDA latest figures, new car sales decreased 7.7% during 2019, with 1.3 million units sold, which represents 112,192 units less than the previous year.

Despite the above, we managed to increase 8.9% the number of our insured units, standing at 4,223,027 units, which represents 345,557 more vehicles versus last year. Qualitas has grown annually in terms of insured units in each of its 25 years of operation which is a consistency rarely seen in any business globally and a true reflection of our commitment towards our stakeholders.



Note: Figures in thousands of units

CAGR: Compound annual growth rate of the last 5 years.

Qualitas insured units are distributed as following:

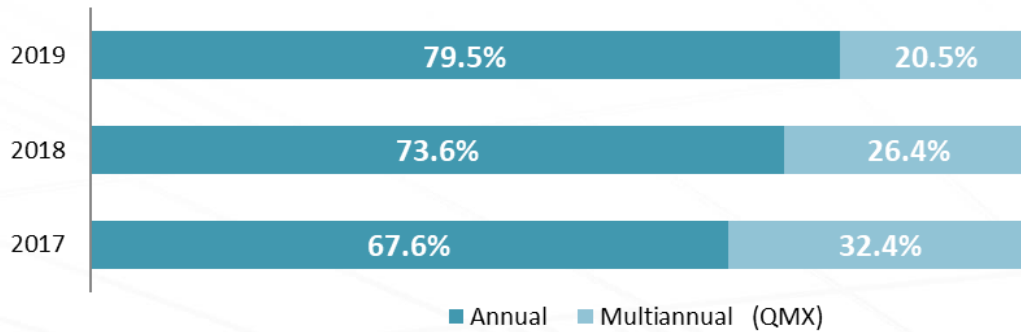
Business line	2019	2018	Δ units	Δ %
Automobiles	2,793	2,603	190	7.3%
Trucks	1,067	1,002	64	6.4%
Tourists	97	776	21	27.2%
Motorcycles	138	112	26	23.2%
El Salvador	19	16	4	22.5%
Costa Rica	60	53	7	13.7%
USA	18	16	3	17.5%
Peru	31	NA	NA	NA
<b>Insured vehicles</b>	<b>4,223</b>	<b>3,877</b>	<b>346</b>	<b>8.9%</b>

Note: Figures in thousands of units

## Earned premiums

Earned premiums grew 10.6% in the quarter, which represents \$907 million more when compared to 4Q18. In the last 12 months, earned premiums grew 9.7%, standing at \$34,889 million by the end of the year. Regarding our annual and multiannual policies, our portfolio continues to reflect the actions we have taken:





This mix lowers our risk by providing more flexibility to adjust tariffs in the annual policies, which we find more convenient during volatile times.

### Acquisition cost & ratio

The acquisition in the quarter closed at \$2,288 million, 12.6% increase when compared to 4Q18. The acquisition ratio was 21%, 18 bp higher quarter vs quarter. The net acquisition cost ended the year at \$7,780 million pesos, which represents a 4.2% increase vs last year.

The 12.6% increase during the quarter, is explained by higher commissions paid to our agents and promoters, directly related with written premiums and who are in charge of issuing through our traditional segment. In addition, during the fourth quarter, there was an increase in the commissions paid to financial institutions, tied to the growth recovery on this segment during the second half of 2019.

### Loss cost & ratio

Car theft continued with a positive trend in the last quarter of the year; according to OCRA latest figures, the industry reported an 11% decrease for the year, and for Qualitas this reduction was higher, with robberies down 20%. In addition, Qualitas is recovering 51% of its stolen units which is 10 percentage points above last year and compares with the 44% industry average.

In addition, during 2019 there were fewer meteorological events and with a lower impact, which benefited the company by the number of claims attended and the severity in some of them.

The above, made possible a 57.7% loss ratio during the quarter, taking the 12 months' loss cost to \$20,687 million, a 1.7% decrease when compared to 2018, and leading to an annual loss ratio of 59.3%, the lowest one since 2007. While we cannot fully reconcile actions leading to the industry robberies decrease, Qualitas results were driven by the efforts in technological innovation to increase recovery, unit inspections before insuring them to avoid fraud, and the service we provide to our policyholders on risk prevention

## Operating cost & ratio

The operating cost and ratio closed at \$544 million and 5% for the quarter, which means an increase of 82 bp when compared to same period year ago. For the year, operating expenses and ratio stood at \$2,029 million and 5.6%, a 29.4% increase when compared to the same period year ago.

The drivers behind the rise, are an increase of more than 100% related to the employee profit sharing account, which is directly related with Qualitas net profit. As well as, higher commissions paid to office directors and agents as part of our efforts to align the incentives, increase growth and reduce claims, besides an increase in the variable income linked to performance.

## Underwriting result

Driven by the second lowest loss ratio in a decade, and a consistently low operating and acquisition cost, combined ratio closed at 83.6%, which is 363 bps below than 4Q18, taking the cumulative combined ratio to 86.5%, the lowest one since Qualitas became public in 2005.

Underwriting result in the 4th quarter reached \$1,179 million pesos, up 49% vs same period year; Full year underwriting result stands at \$4,409 million which represents the highest underwriting result in the company's history, and 2.5 times higher than 2018.

Operating margin for the period and 12 months was 12.4% and 12.6%, that compares to a 9.2% and 5.5% respectively during 2018.

## Comprehensive financial income

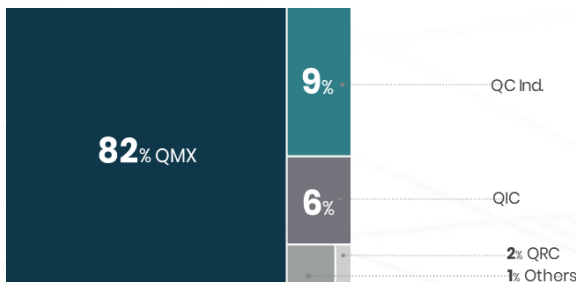
During this quarter Mexico's Central Bank, once again, decreased the benchmark interest rate in 50 bp, ending the year in 7.25%. Despite this, the comprehensive financial income delivered \$842 million for the quarter, significantly ahead to a low comparable last year quarter, taking our full year performance to \$2,882 or +68% above year ago.

These results reflect our decision to skew our portfolio to fixed income to benefit from the high interest rate as well as the recovery of our equity portfolio as well as a change in our investment strategy to find better investment opportunities, quantitative and qualitatively speaking.

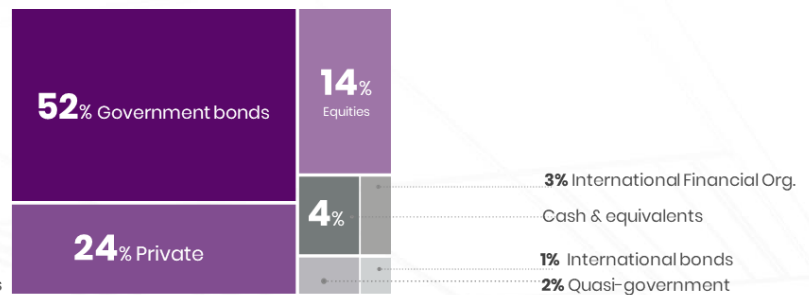
We close the year with \$32,500 million pesos in investments (float), up \$3,500 million vs last year, which should continue benefiting our business from what is still an attractive rate. The composition of the investment portfolio continues skewed in fixed income (84%) and the remaining in equity (16%). The cumulative ROI stood at 7.8%.



## Portfolio by subsidiary



## Total portfolio



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

## Net income

The resulting net income for the quarter stands at \$1,534 million, more than twice that of 4Q18; net income for the year was \$5,358 million, up \$2,930 million versus what we reported in 2018 which was our previous record year. The latest, assures 2019 as a new record year for the company, with the highest net income reported since Qualitas was founded.

These results were driven by an historically low loss ratio, and a strict operating & acquisition cost control policy. The net margin for the period and 12 months was 14.0% and 14.8% respectively. Taking this into account, Qualitas reported an ROE of 47.3%, well above our mid/long term goal. The ROE is composed of an 28.6% operating ROE and an 18.7% financial ROE.

## Subsidiaries

Qualitas Controladora has operations in United States, Peru, Costa Rica and El Salvador, as well as vertical subsidiaries related with the daily operation of our Mexican subsidiary, such as: Easy Car Glass & CristaFacil, related with crystal and windshields repair and replacement; Outlet de Refacciones related to spare parts and unit's repairs; and Autos y Salvamentos related with those units that are declared total losses.

During 2019, Qualitas started operations in Peru, acquired 100% of the equity in Easy Car Glass and Cirstafacil, and we changed the organizational structure to properly staff and fund our subsidiaries. Today our geographical subsidiaries represent 5.3% of the holding company's total written premiums, distributed as following:

	Written premiums			
	2019	2018	%QC*	Var(%)
<b>Q IC</b>	57,646	49,057	3.1%	18%
<b>Q CR</b>	24,335	22,524	1.3%	8%
<b>Q ES</b>	8,737	3,450	0.5%	153%
<b>Q P</b>	8,648	7,593	0.5%	14%

Figures in thousands of USDs

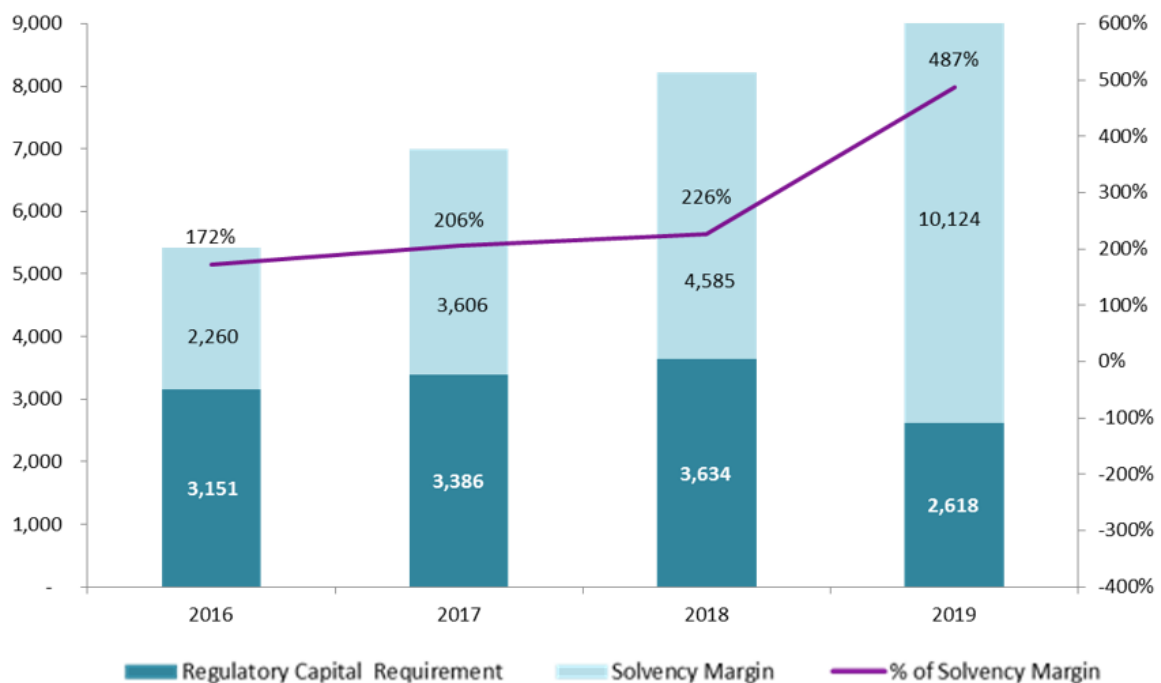
\*As a proportion of the total written premiums of Qualitas Controladora

## Technical reserves

The technical reserves reached \$35,896 million, a 0.8% decrease with respect to what was reported in the same period of the previous year.

## Solvency margin

The Regulatory Capital Requirement totaled \$2.6 billion pesos at the end of the year and the Solvency Margin was \$10.1 billion pesos, that represents a percentage of solvency margin of 487%. Solvency Margin will be allocated to fund our internal guideline of having a 50% safety margin target, as well as covering needed investments in our businesses and subsidiaries that will support future growth.



\* The calculation of the required regulatory capital varies in the countries where Qualitas operates

## Stock performance (Q\*)

Qualitas was the issuer with the best performance of the entire Mexican Market during 2019, with a 91.9% appreciation, that compares with the IPC performance of 4.6%. In terms of liquidity, we moved 18 positions in the S&P/BMV marketability index, from position 46 in January to number 28 by the end of December. Q\* is considered a high liquidity stock.

Our market value went from \$18 billion pesos at the end of 2018 to \$33.7 billion pesos by the end of the year.

The daily average traded volume during the quarter was \$3.4 million USD. During 2019, we traded a daily average of 2.3 million USD, which represents an increase of 60% in comparison with 2018.

	Q*	IPC
4Q	12.0%	1.2%
YTD	91.9%	4.6%
12M	91.9%	4.6%

	Daily average 2019			
	Traded Volume	CP	Volume (MM MXN)	Volume (MM USD)
1Q19	383,556	47.71	17.8	0.9
2Q19	628,623	53.89	32.4	1.6
3Q19	975,749	70.89	59.7	3
4Q19	823,428	79.4	65.1	3.4

	Daily average*		
	Traded Volume	Volume (MXN)	Volume (USD)
4Q	823,428	65,122,006	3,456,582
YTD	707,539	44,116,458	2,341,638
12M	707,539	44,116,458	2,341,638

Figures: traded volume is expressed in shares

Regarding our financial metrics, earnings per share stand at \$12.6 which reflects a 126% increase year over year. Price to earnings stand at 6.3 below our historic average, and Price book value stands at 2.49.

## Share buyback program

On April 22, 2019, Qualitas Shareholders Assembly approved \$650 million that may reach a maximum of \$ 700 million for the repurchase of shares.

During the fourth quarter, we traded 14 million shares and bought 2.2 million additional shares, closing the year with 11.7 million shares bought.

**QUALITAS CONTROLADORA, S.A.B. DE C.V.**  
**Consolidated Balance Sheet as of December 31st 2019**  
 Figures in Mexican pesos

	<b>2019</b>	<b>2018</b>
<b>Assets</b>		
<b>Investments</b>	<b>32,679,162,965</b>	<b>29,514,120,638</b>
<b>Securities and Derivatives Transactions</b>	<b>29,734,663,562</b>	<b>24,180,484,202</b>
<b>Securities</b>	<b>29,734,663,562</b>	<b>24,180,484,202</b>
Government	16,905,033,869	12,408,556,211
Private Companies: Fixed Rate	8,066,964,603	7,170,635,380
Private Companies: Equity	4,249,140,753	4,476,830,583
Foreign	513,524,338	272,447,269
(-) Value Impairment	0	147,985,241
Restricted Securities	-	-
<b>Derivatives</b>	-	-
<b>Overnight</b>	928,649,547	3,564,954,308
<b>Loans Portfolio (Net)</b>	<b>288,703,495</b>	<b>288,516,423</b>
Current Loan Portfolio	294,917,014	292,962,406
Non-performing Loan	31,103,559	38,234,471
(-) Loan Loss Provisions	37,317,078	42,680,455
<b>Property (Net)</b>	1,727,146,361	1,480,165,706
<b>Investments Related to Labor Obligations</b>	69,748,067	64,157,805
<b>Cash and Cash Equivalents</b>	<b>1,782,733,365</b>	<b>970,574,073</b>
Cash and Banks	1,782,733,365	970,574,073
<b>Debtors</b>	<b>23,187,992,909</b>	<b>21,234,399,558</b>
Premiums	22,444,970,618	20,335,621,158
Premiums P&C Subsidy	-	-
Federal Agencies Debts	168,794,249	118,319,870
Agents and Claims Officers (Adjusters)	127,611,154	163,837,543
Accounts Receivable	0	0
Bonds for Claims Debtors	-	-
Other	628,284,517	759,062,439
(-) Allowance for Doubtful Accounts	181,667,629	142,441,452
<b>Reinsurers and Re-Bonding Companies</b>	<b>134,668,172</b>	<b>169,852,087</b>
Insurance and Bonds Intitutions	11,536,502	4,003,129
Retained deposits	-	-
Amounts Recoverable from Reinsurance	139,254,466	167,952,418
(-) Loan Loss Provisions for Foreign Reinsurers and Reinsurance and Bonding Brokers	1,804,984	1,942,086
(-) Provisions for Penalties	0	0
(-) Provisions for Penalties	14,317,812	161,374
<b>Permanent Investments</b>	<b>46,546,839</b>	<b>46,547,184</b>
Subsidiary	0	0
Associates	0	0
Other permanent investments	46,546,839	46,547,184
<b>Other Assets</b>	<b>5,140,158,767</b>	<b>4,641,966,089</b>
Furniture and Equipment (Net)	1,020,839,357	840,269,537
Miscellaneous	4,030,285,379	3,716,327,841
Amortizable Intangible Assets (Net)	56,222,255	52,944,230
Long-lived Intangible Assets (Net)	32,811,776	32,424,480
<b>Total Assets</b>	<b>63,041,011,084</b>	<b>56,641,617,432</b>

**QUALITAS CONTROLADORA, S.A.B. DE C.V.**  
**Consolidated Balance Sheet as of December 31st 2019**  
 Figures in Mexican pesos

	2019	2018
<b>Liabilities</b>		
<b>Technical Reserves</b>	<u><b>35,896,006,797</b></u>	<u><b>36,172,656,871</b></u>
<b>Unearned Premiums</b>	<u><b>26,531,703,229</b></u>	<u><b>25,879,437,151</b></u>
Property and Casualty Insurance	26,531,703,229	25,879,437,151
<b>Reserve for Outstanding Obligations</b>	<u><b>9,364,303,568</b></u>	<u><b>10,293,219,720</b></u>
Expired Policies and Claims Occurred Pending of Payment	8,514,356,035	9,201,910,161
Occurred but not Reported and Adjustment Costs assigned to Claims	165,451,354	118,161,422
Deposit Premiums	684,496,179	973,148,137
<b>Reserves Related to Labor Obligations</b>	309,934,038	235,400,731
<b>Creditors</b>	<u><b>5,751,411,385</b></u>	<u><b>5,131,555,986</b></u>
Agents and Adjusters	1,889,100,841	1,579,451,303
Funds for Losses Management	20,241,488	7,872,253
Bonding for recognition of Liabilities Creditors	-	-
Miscellaneous	3,842,069,056	3,544,232,429
<b>Reinsurers and Re-Bonding Companies</b>	<u><b>113,252,481</b></u>	<u><b>136,876,566</b></u>
Insurance and Bond Companies	89,900,506	113,524,591
Retained Deposits	23,351,975	23,351,975
Other	-	-
<b>Funding Obtained</b>	<u>-</u>	<u>-</u>
<b>Other Liabilities</b>	<u><b>7,406,025,193</b></u>	<u><b>5,860,744,684</b></u>
Provisions for employee profit sharing	615,319,889	472,010,923
Income Tax Provisions	2,121,064,837	1,296,305,825
Other Obligations	3,696,712,634	3,197,464,898
Deferred Credits	972,927,832	894,963,039
<b>Total Liabilities</b>	<u><b>49,476,629,894</b></u>	<u><b>47,537,234,837</b></u>
<b>Stockholders' Equity</b>		
<b>Paid-in Capital</b>		
<b>Capital Stock</b>	<u><b>2,465,797,276</b></u>	<u><b>2,521,766,611</b></u>
Capital Stock	2,535,727,486	2,595,391,662
(-) Non Subscribed Capital Stock	-	-
(-) Non Displayed Capital Stock	-	-
(-) Repurchased Shares	69,930,209	73,625,051
<b>Earned Capital</b>		
<b>Reserves</b>	<u><b>613,980,439</b></u>	<u><b>429,973,816</b></u>
Legal	435,022,416	313,746,968
For Repurchase of shares	31,660,219	19,622,378
Other	147,297,804	96,604,469
<b>Valuation Surplus</b>	264,932,412	164,822,696
<b>Permanent Investments</b>	-	-
<b>Retained Earnings</b>	4,718,334,673	3,377,690,694
<b>Net Result</b>	5,354,108,327	2,425,508,960
<b>Translation effect</b>	136,926,871	170,955,031
<b>Non Monetary Assets Result</b>	-	-
<b>Remeasurements for Benefits granted to Employees</b>	5,346,338	5,262,929
<b>Controlling Interest</b>	13,559,426,337	9,095,980,737
<b>Non-Controlling Interest</b>	4,954,853	8,401,858
<b>Total Stockholders' Equity</b>	<u><b>13,564,381,190</b></u>	<u><b>9,104,382,595</b></u>
<b>Total Liabilities and Stockholders' Equity</b>	<u><b>63,041,011,084</b></u>	<u><b>53,165,716,204</b></u>



**QUALITAS CONTROLADORA S.A.B. DE C.V.**  
**Consolidated Income statement ended December 31st 2019**  
 Figures in Mexican pesos

	2019	2018
<b>Premiums</b>		
Written	36,196,441,030	34,494,936,475
(-) Ceded	205,168,739	311,919,528
<b>Net Written Premiums</b>	<b>35,991,272,291</b>	<b>34,183,016,947</b>
<b>(-) Net Increase of Unearned</b>	<b>0</b>	<b>0</b>
<b>Premiums Reserve</b>	<b>1,092,620,549</b>	<b>2,373,407,394</b>
<b>Earned Retained Premiums</b>	<b>34,898,651,742</b>	<b>31,809,609,553</b>
<b>(-) Net Acquisition Cost</b>	<b>7,779,749,689</b>	<b>7,463,947,580</b>
Agents Commissions	2,563,594,498	2,289,824,448
Agents' Additional Compensation	714,409,865	568,353,397
Reinsurance and Rebonding Commissions	-	-
(-) Reinsurance Commissions	5,109,487	8,790,165
Excess of Loss Coverage	6,251,151	6,609,938
Other	4,500,603,662	4,607,949,962
<b>(-) Net Claims Cost and Other</b>		
<b>Contractual Liabilities</b>	<b>20,686,915,891</b>	<b>21,047,502,096</b>
Claims and Other Contractual Obligations	20,784,625,985	21,047,502,096
(-) Losses on non-proportional reinsurance	97,710,094	-
Claims	-	-
<b>Technical Income (Loss)</b>	<b>6,431,986,162</b>	<b>3,298,159,878</b>
<b>(-) Net Increase in Other Technical Reserves</b>	<b>-</b>	<b>-</b>
<b>Result of Analog and Related Operations</b>	<b>6,763,723</b>	<b>3,727,848</b>
<b>Gross Income (Loss)</b>	<b>6,438,749,885</b>	<b>3,301,887,726</b>
<b>(-) Net Operating Expenses</b>	<b>2,028,975,528</b>	<b>1,567,616,227</b>
Administrative and Operating Expenses	309,718,291	352,443,229
Employees' compensation and benefits	1,287,812,260	819,958,310
Depreciation and Amortization	431,444,978	395,214,688
<b>Operating Income (Loss)</b>	<b>4,409,774,356</b>	<b>1,734,271,499</b>
<b>Comprehensive Financing Result</b>	<b>2,882,093,681</b>	<b>1,716,905,561</b>
Investments	1,150,119,934	1,089,084,815
Sale of Investments	(84,461,253)	48,902,086
Fair Valuation of Investments	361,395,637	(573,274,142)
Surcharges on Premiums	474,272,414	443,464,633
Debt Issuance	-	-
Financial Reinsurance	-	-
Loan Interests	42,047,999	48,823,791
(-) Preventive Penalties for Amounts Recoverable from Reinsurance	-137,102	208,153
(-) Preventive Penalties for Credit Risks	(4,124,390)	6,946,635
Other	926,993,900	641,991,901
Foreign Exchange Rate Fluctuation	7,463,558	25,067,265
(-) Monetary Position Result	-	-
<b>Participation in Permanent Investments Result</b>	<b>-</b>	<b>-</b>
<b>Income (Loss) Before Taxes</b>	<b>7,291,868,038</b>	<b>3,451,177,060</b>
<b>(-) Provision for Income Taxes</b>	<b>1,933,799,019</b>	<b>1,023,116,320</b>
<b>Income (Loss) Before Discontinued Operations</b>	<b>5,358,069,019</b>	<b>2,428,060,740</b>
<b>Discontinued Operations</b>	<b>-</b>	<b>-</b>
<b>Net Income (Loss)</b>	<b>5,358,069,019</b>	<b>2,428,060,740</b>
Controlling Interest	5,354,108,327	2,425,508,960
Non-Controlling Interest	3,960,692	2,551,780
<b>Net Income (Loss)</b>	<b>5,358,069,019</b>	<b>2,428,060,740</b>

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

	<b>4Q 2019</b>	<b>4Q 2018</b>
<b>Premiums</b>		
Written	10,938,581,447	9,796,714,994
(-) Ceded	47,968,748	44,174,424
<b>Net Written Premiums</b>	<b>10,890,612,698</b>	<b>9,752,540,570</b>
<b>(-) Net Increase of Unearned Premiums Reserve</b>	<b>1,418,703,577</b>	<b>1,187,482,908</b>
<b>Earned Retained Premiums</b>	<b>9,471,909,121</b>	<b>8,565,057,662</b>
<b>(-) Net Acquisition Cost</b>	<b>2,288,060,880</b>	<b>2,031,183,395</b>
Agents Commissions	758,856,524	639,012,947
Agents' Additional Compensation	262,214,117	205,112,227
Reinsurance and Rebonding Commissions	-	-
(-) Reinsurance Commissions	752,705	2,815,925
Excess of Loss Coverage	1,583,840	1,509,367
Other	1,266,159,104	1,188,364,779
<b>(-) Net Claims Cost and Other</b>		
<b>Contractual Liabilities</b>	<b>5,461,871,680</b>	<b>5,336,119,715</b>
Claims and Other Contractual Obligations	5,463,896,668	5,336,119,715
(-) Losses on non-proportional reinsurance	2,024,988	-
Claims	-	-
<b>Technical Income (Loss)</b>	<b>1,721,976,562</b>	<b>1,197,754,551</b>
<b>(-) Net Increase in Other Technical Reserves</b>	-	-
<b>Result of Analog and Related Operations</b>	<b>1,354,000</b>	<b>0</b>
<b>Gross Income (Loss)</b>	<b>1,723,330,562</b>	<b>1,197,754,551</b>
<b>(-) Net Operating Expenses</b>	<b>544,290,584</b>	<b>407,021,976</b>
Administrative and Operating Expenses	72,405,663	81,176,258
Employees' compensation and benefits	349,470,714	218,938,685
Depreciation and Amortization	122,414,207	106,907,033
<b>Operating Income (Loss)</b>	<b>1,179,039,977</b>	<b>790,732,575</b>
<b>Comprehensive Financing Result</b>	<b>842,442,109</b>	<b>133,306,347</b>
Investments	273,424,751	236,790,802
Sale of Investments	(99,830,808)	(41,986,756)
Fair Valuation of Investments	340,252,542	(406,311,291)
Surcharges on Premiums	120,771,832	119,835,844
Debt Issuance	-	-
Financial Reinsurance	-	-
Loan Interests	10,873,651	9,587,490
(-) Preventive Penalties for Amounts Recoverable from Reinsura	(206,783)	153,356
(-) Preventive Penalties for Credit Risks	(588,351)	6,388,187
Other	207,354,792	192,110,908
Foreign Exchange Rate Fluctuation	(11,199,785)	29,820,893
(-) Monetary Position Result	-	-
<b>Participation in Permanent Investments Result</b>	<b>-</b>	<b>-</b>
<b>Income (Loss) Before Taxes</b>	<b>2,021,482,087</b>	<b>924,038,922</b>
<b>(-) Provision for Income Taxes</b>	<b>487,059,599</b>	<b>266,326,710</b>
<b>Income (Loss) Before Discontinued Operations</b>	<b>1,534,422,487</b>	<b>657,712,213</b>
<b>Discontinued Operations</b>	<b>-</b>	<b>-</b>
<b>Net Income (Loss)</b>	<b>1,534,422,487</b>	<b>657,712,213</b>
Controlling Interest	1,533,464,181	661,808,093
Non-Controlling Interest	958,307	-4,095,881
<b>Net Income (Loss)</b>	<b>1,534,422,487</b>	<b>657,712,213</b>

## 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 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

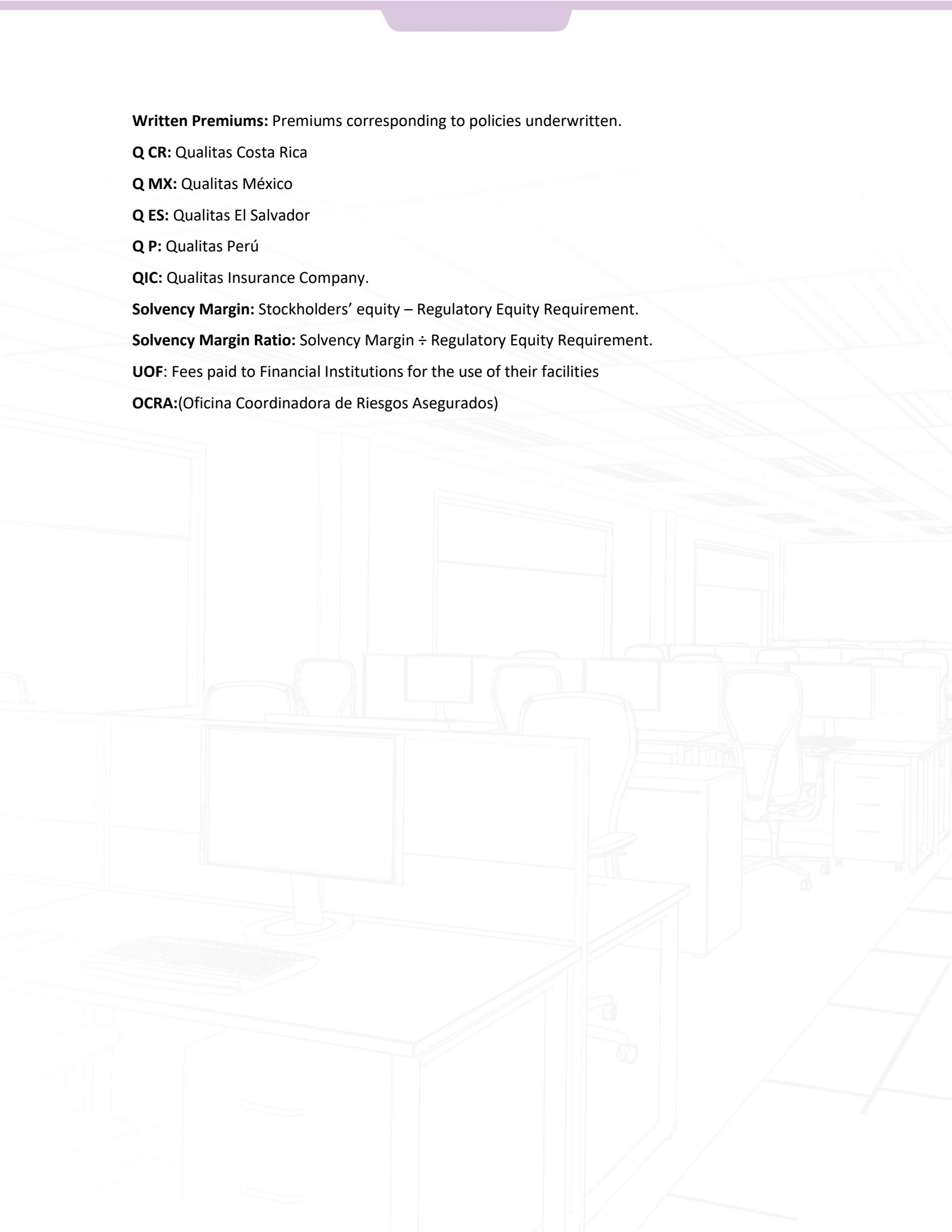
**QIC:** Qualitas Insurance Company.

**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><b>Analyst:</b> Enrique Mendoza</p> <p><b>E-mail:</b> emendoza@actinver.com.mx</p> <p><b>Target price:</b> 84.50 MXN</p> <p><b>Recommendation:</b> Hold</p>	 <p><b>Analyst:</b> Gilberto García</p> <p><b>E-mail:</b> gilberto.garcia@barclays.com</p> <p><b>Target price:</b> 82.00 MXN</p> <p><b>Recommendation:</b> -</p>	 <p><b>Analyst:</b> Martín Hernández</p> <p><b>E-mail:</b> martin.hernandez.omalas@bbva.com</p> <p><b>Target price:</b> 85.00 MXN</p> <p><b>Recommendation:</b> Hold</p>	 <p><b>Analyst:</b> Martín Lara</p> <p><b>E-mail:</b> martin.lara@miranda-gr.com</p> <p><b>Target price:</b> 95.00 MXN</p> <p><b>Recommendation:</b> Buy</p>	 <p><b>Analyst:</b> Ernesto Gabilondo</p> <p><b>E-mail:</b> ernesto.gabilondo@baml.com</p> <p><b>Target price:</b> 90.00 MXN</p> <p><b>Recommendation:</b> Buy</p>
 <p><b>Analyst:</b> Inigo Vega</p> <p><b>E-mail:</b> inigo.vega@nau-securities.com</p> <p><b>Target price:</b> 56.00 MXN</p> <p><b>Recommendation:</b> Buy</p>	 <p><b>Analyst:</b> Armando Rodríguez</p> <p><b>E-mail:</b> armando.rodriguez@signumresearch.com</p> <p><b>Target price:</b> 86.76 MXN</p> <p><b>Recommendation:</b> Hold</p>	 <p><b>Analyst:</b> Eduardo López</p> <p><b>E-mail:</b> elopez@vepormas.com</p> <p><b>Target price:</b> 104.1 MXN</p> <p><b>Recommendation:</b> Buy</p>	 <p><b>Analyst:</b> -</p> <p><b>E-mail:</b> -</p> <p><b>Target price:</b> 80.80 MXN</p> <p><b>Recommendation:</b> -</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)

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*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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Voters must go to [voting.institutionalinvestor.com](http://voting.institutionalinvestor.com) to participate.

Participants must now opt into the CEO- José Antonio Correa, CFO- Bernardo Risoul and Investors Relations- Santiago Monroy & Andreina Incandela, ballot to vote for Qualitas, followed by our executives and IRs.

WE GREATLY APPRECIATE YOUR ACTIVE PARTICIPATION IS VERY IMPORTANT FOR US