

Earnings Results

1Q17

QUÁLITAS REPORTS RESULTS FOR THE FIRST QUARTER OF 2017

Mexico City, April 25th, 2017 – Quálitas Controladora, S.A.B. de C.V. (“Quálitas”, “Q”, or “the Company”) (BMV: Q*), announces its unaudited financial results for the first quarter ended March 31st, 2017.

Note: Figures in this document are stated in million of current Mexican pesos except where otherwise specified and may vary due to rounding.

1Q17 Highlights

Operating figures

- » During the first quarter the Company **opened 2 Service Offices** (Guaymas and Iztapalapa) and **6 new ODQs** (Quálitas Development Offices) in Mexico.
- » **Insured vehicles** increased 25.1%, reaching 3.72 million insured units. During the first quarter 234,022 additional units were insured.

Income Statement and Balance Sheet

- » **Written premiums** increased 46.4% mainly driven by the Financial Institutions and Fleets segments.
- » The net increase in Unearned Premiums grew 95.6% resulting in a 33.6% growth in **Earned Premiums**.
- » **Claims cost** rose 48.8% due to an increase in car theft in Mexico and the spare parts costs, which are priced in dollars. During the quarter 363,349 claims were assisted.
- » Despite of a strong growth in written premiums, the **operating expenses** remained at the same level of 1Q16.
- » The Company registered a **combined ratio** of 90.5% and an **operating result** of \$20 million, amount 95.7% lower than the one reported in 1Q16.
- » **Investment income** amounted to \$350 million, an increase of 339.3% that is mainly related to the 37.1% growth in **financial assets**.
- » **Net income** for the quarter was \$278 million, figure 24.6% lower than the amount registered during the first quarter of 2016.

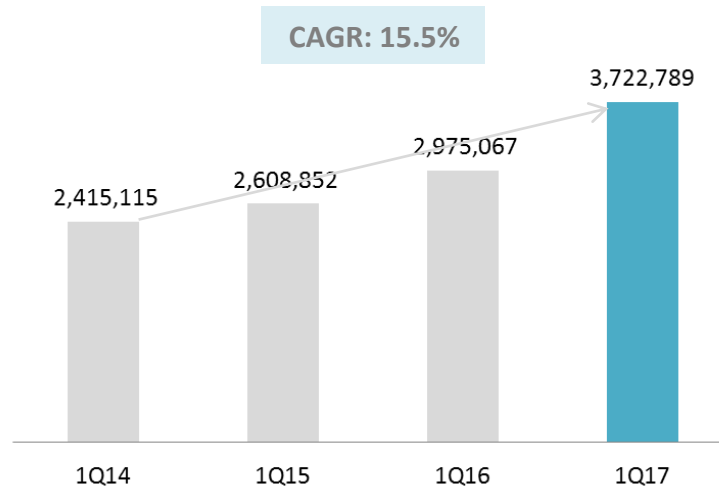
Financial Highlights and comparative analysis without Solvency II adoption benefits

As of January 1st, 2016, Q MX began to operate under Solvency II quantitative models. Due to the adoption of this new methodology, during the first quarter of 2016 the Company registered a benefit that affected some items of the Financial Statements. For information purposes, a comparison chart taking out the benefit from the main items of the Income Statement and Balance Sheet is shown hereunder.

INCOME STATEMENT	1Q17	1Q16	Δ %/bp	Without SII benefit	
				1Q16	Δ %
Written Premiums	9,287	6,343	46.4%	6,343	46.4%
Net Written Premiums	9,265	6,326	46.4%	6,326	46.4%
Earned Premiums	6,706	5,018	33.6%	4,963	35.1%
Acquisition Cost	2,049	1,378	48.7%	1,378	48.7%
Claims Cost	4,462	3,000	48.8%	3,039	46.8%
Technical Result	195	641	(69.5%)	547	(64.3%)
Operating Expenses	175	175	0.0%	166	5.7%
Operating Result	20	466	(95.7%)	381	(94.7%)
Investment Income	350	80	339.3%	80	339.5%
Income Taxes	92	177	(47.8%)	150	(38.4%)
Net Result	278	369	(24.6%)	311	(10.6%)
Acquisition Ratio	22.1%	21.8%	34	21.8%	34
Claims Ratio	66.5%	59.8%	676	61.2%	531
Operating Ratio	1.9%	2.8%	(88)	2.6%	(73)
Combined Ratio	90.5%	84.3%	622	85.6%	492
BALANCE SHEET	1Q17	1Q16	Δ %/bp	1Q16	Δ %/bp
Activos	45,201	31,423	43.8%	31,427	43.8%
Investments	23,018	17,336	32.8%	17,336	32.8%
Financial Assets	22,180	16,174	37.1%	16,174	37.1%
Technical Reserves	29,710	20,553	44.6%	21,319	39.4%
Total Liabilities	38,886	26,093	49.0%	26,631	46.0%
Stockholders' Equity	6,315	5,330	18.5%	4,797	31.7%
PROFITABILITY RATIOS					
Return on Investments ¹	5.2%	0.9%	432	0.9%	432
LTM ROE	20.8%	14.6%	617	14.2%	656

¹ The 1Q16 Return on Investments varies from the 0.7% reported last year due to a reclassification of overnight premiums.

Insured Vehicles



CAGR: Compound Annual Growth Rate

Business Line	mar-17	mar-16	Δ units	Δ %
Automobiles	2,561,599	2,012,019	549,580	27.3%
Trucks	894,491	731,569	162,922	22.3%
Tourists	82,894	92,129	(9,235)	(10.0%)
Motorcycles	104,776	88,577	16,199	18.3%
El Salvador	12,939	13,689	(750)	(5.5%)
Costa Rica	46,882	30,090	16,792	55.8%
USA	19,208	6,994	12,214	174.6%
Insured Vehicles	3,722,789	2,975,067	747,722	25.1%

Insured vehicles increased 25.1% when compared to the previous year, reaching a total of 3,722,789 insured units in the portfolio. During the quarter 234,022 units were insured.

Written Premiums

Segment	1Q17	1Q16	Δ \$	Δ %
Individual	1,959	1,498	461	30.8%
Fleets	2,437	1,677	760	45.3%
Financial Institutions	3,938	2,681	1,257	46.9%
Subsidiaries	468	266	202	76.1%
Other	485	221	263	119.0%
Total	9,287	6,343	2,944	46.4%

Period	1Q17	%	1Q16	%
Annual	6,247	67.3%	4,177	65.9%
Multiannual	3,040	32.7%	2,166	34.1%

During the quarter written premiums totaled \$9,287 million, an increase of 46.4% when compared to the \$6,343 million recorded in 1Q16.

The \$2,944 million increase in this item was mainly driven by a 46.9% growth in Financial Institutions along with a 45.3% increase in Fleets.

In Mexico, despite the negative impact on real wages, a lower consumer confidence and a high comparison base after a record year, new vehicles sales continued to grow. This mainly related to car loans and its conditions.

Written premiums growth, in pesos, was 45.1% in Q MX, 56.4% in Q CR and Q ES registered an increase of 11.8%. In QIC written premiums rose to US\$15.7 million, 96.1% increase when compared with the same period last year.

Ceded Premiums, Earned Premiums and Reinsurance

The Company registered ceded premiums of \$22.0 million during the quarter, an increase of 30.5% when compared to the 1Q16.

It is worth mentioning that Quálitas holds a catastrophic reinsurance agreement for its subsidiaries.

Earned Premiums

Earned premiums for the quarter totaled \$6,706 million, an increase of 33.6% when compared to the \$5,018 million recorded in the same period of 2016.

Net Adquisition Cost

Net adquisition cost amountes to \$2,049 million, an increase of 48.7% when compared to the \$1,378 million recorded in 1Q16.

This increase is mainly explained by the commissions and compensations paid to the agents, in addition to costs related to the use of facilities (UOF) paid to Financial Institutions.

The adquisition ratio for the quarter was 22.1% compared to the 21.8% recorded the same period last year.

Net Claim Cost

Net claims cost reached \$4,462 million during the quarter, an increase of 48.8% when compared to the same period last year.

In claims per coverage, the item with higher increases, in amount and also in average cost, was theft. According to the Coordinator Office of Insured Risks (*Oficina Coordinadora de Riesgos Asegurados*, OCRA, as per its acronym in Spanish), theft of insured vehicles increased 32% in Mexico. Quálitas, having the largest market share in trucks and cars insurance, has been affected by this upward trend in theft.

The cost containment measures in medical expenses and roadside assistance have allowed the Company to register a lower average cost than in 2016. In collision, average cost increases above inflation mainly driven by the relation of the spare parts costs to the dollar.

Claims ratio for the quarter was 66.5%, figure higher than the 59.8% recorded during 1Q16.

Operating Expenses

Despite the strong growth in written premiums, operating expenses remained at the same level of 1Q16. This mainly explained by increases in policy fees and operational efficiency related to economies of scale.

Operating ratio for the quarter was 1.9%, figure lower than the 2.8% reported in the same period last year.

Depreciation and amortization during the quarter increased 19.7%, growing by \$11 million.

Operating Result

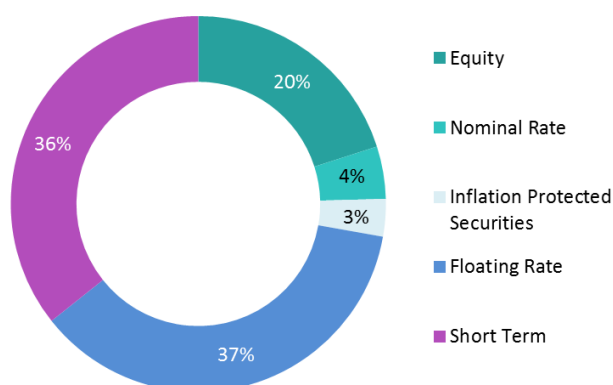
Although operating expenses remained at the same level as in the first quarter of the previous year, claims cost grew above the increase in earned premium and acquisition cost grew above the increase in written premium, causing a decrease of 95.7% in the operating result. Operating income amounted to \$20 million.

Investment Income

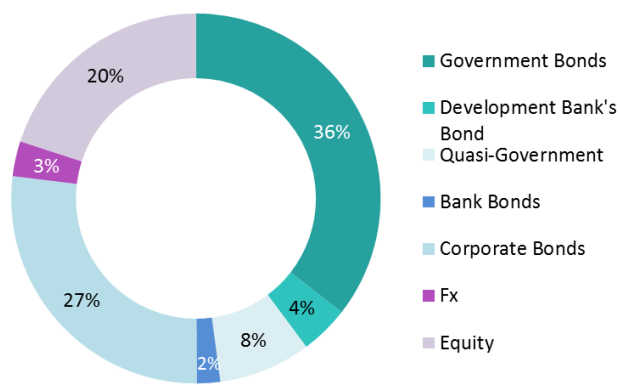
The investment income for the quarter reached \$350 million, a 339.3% growth when compared to the same quarter of 2016. This was due to a 37.1% growth in financial assets and the strategy of maintaining a liquidity position considering the global uncertainty environment and possible increases in the reference rate in Mexico.

20% of the portfolio is invested in equities, figure lower than the 35% of the established internal limit and to the 25% invested in the fourth quarter of 2016.

Portfolio by type of risk



Portfolio by type of issuer



Taxes

During the quarter the Company recorded \$92 million in taxes, a decrease of 47.8% compared to the same quarter of the previous year.

Net Result

Net income for the quarter was \$278 million, 24.6% lower than the \$369 million registered in the same period of the previous year. It is worth mentioning that in 1Q16 a profit of \$58 million was registered due to the adoption of Solvency II.

Investments

Investments amounted to \$23,018 million, an increase of 37.3%, as a result of growth in written premiums and investment income. This item includes securities, overnight investments, loan portfolio and real estate.

Technical Reserves

Technical Reserves reached \$29,710 million, an increase of 44.6%, due to the growth of written premiums in the last twelve months.

Solvency

Quálitas recorded a solvency margin of \$2,475 million, which represents a percentage of 78.2%.

	Regulatory Capital Requirement*	Solvency	Solvency Margin Ratio
Q MX	2,744	2,119	77.2%
<i>Q MX (Regulatory)</i>	2,744	1,489	54.3%
<i>Q MX (Financial)</i>		630	23.0%
Q ES	49	49	99.6%
Q CR	88	40	45.5%
Q IC	282	149	52.9%
Total	3,164	2,357	
Q Cash		118	
Q	3,164	2,475	78.2%

* Regulatory Capital Requirement computation differs in the countries where Quálitas has operations.

- » FX Peso-USD March 2017: 18.80
- » FX Colon-USD March 2017: 554.48

Share Buyback Program

	1Q17
Shares traded in the quarter	4,501,285
Balance of repurchased shares	8,903,072

The amount invested in repurchased stocks as of March 2017 was \$244.9 million. No shares from the buyback have been canceled.

QUALITAS CONTROLADORA, S.A.B. DE C.V.
Consolidated Balance Sheet as of March 31, 2017
 Figures in Mexican pesos

	2017	2016
Assets		
Investments	23,017,879,302	16,769,292,620
Securities and Derivatives Transactions	20,089,407,233	14,627,277,629
Securities	20,089,407,233	14,627,277,629
Government	7,021,996,889	3,062,241,205
Private Companies: Fixed Rate	8,549,758,936	8,271,701,494
Private Companies: Equity	4,101,126,104	2,920,975,270
Foreign	416,525,304	371,485,398
Restricted Securities	-	874,263
Derivatives	-	-
Overnight	1,209,125,874	882,713,852
Loans Portfolio (Net)	406,918,591	257,215,182
Current Loan Portfolio	390,974,245	240,406,665
Non-performing Loan	19,267,242	18,182,444
Loan Loss Provisions	3,322,896	1,373,927
Property (Net)	1,312,427,605	1,002,085,957
Investments Related to Labor Obligations	69,416,107	66,263,918
Cash and Cash Equivalents	601,374,461	461,582,195
Cash and Banks	601,374,461	461,582,195
Debtors	18,086,258,230	11,758,490,123
Premiums	17,005,305,280	10,922,425,165
Premiums P&C Subsidy	-	-
Federal Agencies Debts	57,343,951	137,727,744
Agents and Adjusters	158,856,279	49,081,951
Accounts Receivable	4,695,000	59,097,103
Bonds for Claims Debtors	-	-
Other	944,627,563	666,326,428
(-) Allowance for Doubtful Accounts	84,569,843	76,168,268
Reinsurers and Re-Bonding Companies	123,962,643	54,455,779
Insurance and Bonds Intitutions	4,833,390	-
Retained deposits	-	-
Amounts Recoverable from Reinsurance	120,728,363	55,488,227
(-) Loan Loss Provisions for Foreign Reinsurers and Reinsurance and Bonding Brokers	1,514,335	1,020,890
(-) Provisions for Penalties	84,775	11,558
Permanent Investments	50,174,320	48,266,115
Subsidiaries	-	-
Associates	3,628,481	2,753,481
Other permanent investments	46,545,839	45,512,634
Other Assets	3,252,335,910	2,264,266,770
Furniture and Equipment (Net)	661,684,865	511,651,372
Foreclosed Assets (Net)	-	-
Miscellaneous	2,516,326,540	1,713,652,096
Amortizable Intangible Assets (Net)	43,311,929	38,963,301
Long-lived Intangible Assets (Net)	31,012,575	-
Total Assets	45,201,400,972	31,422,617,520

QUALITAS CONTROLADORA, S.A.B. DE C.V.
Consolidated Balance Sheet as of March 31, 2017
 Cifras en pesos mexicanos

	2017	2016
Liabilities		
Technical Reserves	<u>29,710,460,517</u>	<u>20,552,678,382</u>
Unearned Premiums	<u>22,381,128,337</u>	<u>15,437,151,350</u>
Property and Casualty Insurance	22,381,128,337	15,437,151,350
Reserve for Outstanding Obligations	<u>7,329,332,180</u>	<u>5,115,527,032</u>
Expired Policies and Claims Occurred Pending of Payment	6,711,099,701	4,337,448,282
Occurred but not Reported and Adjustment Costs assigned to Claims	41,503,832	310,583,221
Deposit Premiums	576,728,647	467,495,529
Reserves Related to Labor Obligations	192,140,915	175,367,510
Creditors	<u>4,360,911,117</u>	<u>2,843,664,484</u>
Agents and Adjusters	1,307,433,961	928,516,730
Funds for Losses Management	8,011,939	1,600,000
Bonding for recognition of Liabilities Creditors	-	-
Miscellaneous	3,045,465,217	1,913,547,754
Reinsurers and Re-Bonding Companies	<u>103,909,150</u>	<u>34,268,016</u>
Insurance and Bond Companies	103,909,150	34,248,372
Retained Deposits	-	19,644
Funding Obtained	<u>-</u>	<u>-</u>
Other Liabilities	<u>4,518,490,844</u>	<u>2,486,984,013</u>
Provisions for employee profit sharing	269,938,682	57,880,934
Income Tax Provisions	1,108,130,410	164,529,819
Other Obligations	2,569,358,635	1,726,347,937
Deferred Credits	571,063,117	538,225,322
Total Liabilities	<u>38,885,912,543</u>	<u>26,092,962,404</u>
Stockholders' Equity		
Paid-in Capital		
Capital Stock	<u>2,650,305,150</u>	<u>2,564,801,729</u>
Capital Stock	2,684,887,926	2,684,887,926
(-) Non Subscribed Capital Stock	-	-
(-) Non Displayed Capital Stock	-	-
(-) Repurchased Shares	34,582,776	120,086,197
Earned Capital		
Reserves	<u>256,865,918</u>	<u>253,602,979</u>
Legal	146,406,366	118,602,979
For Repurchase of shares	110,459,552	135,000,000
Other	-	-
Valuation Surplus	82,455,953	20,884,601
Permanent Investments	-	-
Retained Earnings	2,853,013,465	1,980,428,203
Net Result	274,947,828	362,282,700
Translation effect	156,040,497	112,468,016
Non Monetary Assets Result	-	-
Controlling Interest	6,273,628,811	5,294,468,230
Non-Controlling Interest	41,859,618	35,186,886
Total Stockholders' Equity	<u>6,315,488,429</u>	<u>5,329,655,116</u>
Total Liabilities and Stockholders' Equity	<u>45,201,400,972</u>	<u>31,422,617,520</u>

QUALITAS CONTROLADORA S.A.B. DE C.V.
Consolidated Income statement for the first quarter
 Cifras en pesos mexicanos

	2017	2016
Premiums		
Written	9,286,630,056	6,343,070,937
(-) Ceded	21,963,214	16,834,847
Net Written Premiums	9,264,666,842	6,326,236,090
(-) Net Increase of Unearned Premiums Reserve	2,558,684,820	1,308,125,081
Earned Retained Premiums	6,705,982,021	5,018,111,009
(-) Net Acquisition Cost	2,048,713,867	1,377,581,936
Agents Commissions	561,396,006	390,819,271
Agents' Additional Compensation	98,860,215	83,825,695
Reinsurance and Rebonding Commissions	-	-
(-) Reinsurance Commissions	2,278,146	2,626,581
Excess of Loss Coverage	14,979,020	19,284,582
Other	1,375,756,772	886,278,969
(-) Net Claims Cost and Other Contractual Liabilities	4,461,916,325	2,999,576,257
Claims and Other Contractual Obligations	4,461,916,325	2,999,576,257
(-) Losses on non-proportional reinsurance Claims	-	-
Technical Income (Loss)	195,351,829	640,952,816
(-) Net Increase in Other Technical Reserves	-	-
Gross Income (Loss)	195,351,829	640,952,816
(-) Net Operating Expenses	175,204,304	175,202,538
Administrative and Operating Expenses	-31,358,106	-16,346,002
Employees' compensation and benefits	138,503,413	134,712,281
Depreciation and Amortization	68,058,997	56,836,260
Operating Income (Loss)	20,147,525	465,750,278
Comprehensive Financing Result	350,193,520	79,712,147
Investments	209,316,404	162,662,326
Sale of Investments	109,133,036	1,998,644
Fair Valuation of Investments	-80,979,146	3,683,544
Surcharges on Premiums	67,644,890	41,714,693
Debt Issuance	-	-
Financial Reinsurance	-	-
Loan Interests	9,773,898	8,001,422
(-) Preventive Penalties for Amounts Recoverable from Reinsura	203,060	1,373,927
(-) Preventive Penalties for Credit Risks	-75,460	1,020,890
Other	63,084,760	13,906,481
Foreign Exchange Rate Fluctuation	-27,652,722	-149,860,147
(-) Monetary Position Result	-	-
Participation in Permanent Investments Result	-	-
Income (Loss) Before Taxes	370,341,045	545,462,425
(-) Provision for Income Taxes	92,321,897	176,920,372
Income (Loss) Before Discontinued Operations	278,019,148	368,542,053
Discontinued Operations	-	-
Net Income (Loss)	278,019,148	368,542,053
Controlling Interest	274,947,828	362,282,700
Non-Controlling Interest	3,071,321	6,259,353
Net Income (Loss)	278,019,148	368,542,053

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

CAGR: Compound Annual Growth Rate = [(End of Period Figure / Beginning of Period Figure) ^ (1/ Number of periods)]

Combined Ratio: Acquisition Ratio + Operating Ratio + Claims 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.

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

Claims Ratio: Claims 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.

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

Premiums finance charge: 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 Mexico

Q ES: Quálitas El Salvador

QIC: Quálitas Insurance Company

Solvency Margin: Stockholders' equity – Regulatory Equity Requirement.

Solvency Margin Ratio: Solvency Margin ÷ Regulatory Equity Requirement

Quálitas (Q) is the largest auto insurance company in Mexico in terms of market share, with operations in El Salvador, Costa Rica and USA. Its specialized business model, based exclusively in auto insurance, has allowed the Company to provide top quality service under the largest network in the country. Quálitas is listed on the Mexican Stock Exchange (BMV) under the ticker “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 involves 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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