

# Earnings Results

1st Quarter

2018



Quálitas

## QUÁLITAS REPORTS RESULTS FOR THE FIRST QUARTER OF 2018

**Mexico City, April 19<sup>th</sup>, 2018** – 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, 2018.

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

### 1Q18 highlights:



#### Operating figures

- ✓ During the quarter the company **opened 7 new ODQs** (Quálitas Development Offices) in Mexico.
- ✓ **Insured vehicles** increased 1.9% in the quarter, reaching a total of **3.9 million units**. In the first three months of the year 73,949 vehicles were added to the portfolio.
- ✓ As of December (latest data available), Quálitas kept its leading position in the Mexican Automobile Insurance Industry with **31.3% market share**.

#### Income Statement and Balance Sheet

- ✓ **Written premiums** decreased 2.6% in the quarter, due to the slowdown in new car sales in Mexico and the drop in Quálitas Insurance Company (QIC) sales of 19.2%. Total written premiums reached \$9,046 million.
- ✓ **Earned premiums** had a 14.4% growth, this related to the amount of revenue recorded in the current period but comes from multiannual policies issued in past years. Earned premiums amounted to \$7,675 million.
- ✓ **Claims cost** increased 8.9% during the quarter. This increase is lower than earned premiums' growth because, even though car robbery is still affecting claims cost, in this first three months of the year there were no weather factors that impacted this item. In 1Q18 Quálitas assisted 362,357 claims, 922 less events than in the same period of last year.
- ✓ In the quarter, **acquisition cost** decreased 1.3% and **operating expenses** increased 137.2%, both variations caused by the slowdown in written premiums, as this resulted in lower commissions paid to Financial Institutions and less policy fees to reduce operation costs.

- ✔ The company registered an **underwriting margin** (underwriting result / earned premiums) of 4.9% and a **combined ratio** of 90.7%. Therefore, **underwriting result** amounted to \$379 million, figure that compares to the \$20 million registered last year.
- ✔ **Integral financing result** totaled \$490 million in the quarter, an increase of 39.8% as a result of an assertive investments portfolio management, the hike of 25 basis points in the reference rate of Banxico in February in Mexico, and an increase of \$2,325 million in the float. The cash or financial assets per share reached \$62.85 pesos.
- ✔ As a result of the underwriting and financial profitability, **net income** for the quarter was \$590 million, an increase of 112.4% when compared to the first three months of 2017. With this result, the company registered a **LTM ROE** of 32.9%.
- ✔ **Q\* stock** had a price increase of 37.9% in the quarter. The daily average traded volume was 806 thousand shares and \$1.9 million USD.
- ✔ The company improved 7 places in the **marketability index** of the Mexican Stock Exchange. It moved from the 54<sup>th</sup> place in December 2017 to the 47<sup>th</sup> as of March 2018.



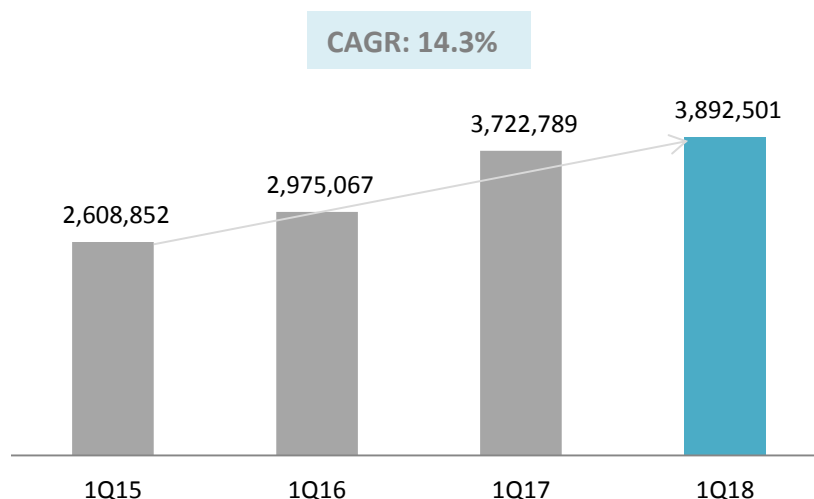
## Financial highlights of the first quarter (MM MXN)

QUARTERLY			
INCOME STATEMENT	1Q18	1Q17	Δ %/bp
Written Premiums	9,046	9,287	(2.6%)
Net Written Premiums	8,882	9,265	(4.1%)
Earned Premiums	7,675	6,706	14.4%
Acquisition Cost	2,022	2,049	(1.3%)
Claims Cost	4,859	4,462	8.9%
<b>Technical Result</b>	<b>794</b>	<b>195</b>	<b>306.5%</b>
Operating Expenses	416	175	137.2%
<b>Underwriting Result</b>	<b>379</b>	<b>20</b>	<b>NA</b>
Integral Financing Result	490	350	39.8%
Investment Income	382	273	39.7%
Income Taxes	278	92	200.8%
<b>Net Result</b>	<b>590</b>	<b>278</b>	<b>112.4%</b>
Acquisition Ratio	22.8%	22.1%	65
Claims Ratio	63.3%	66.5%	(322)
Operating Ratio	4.6%	1.9%	271
Combined Ratio	90.7%	90.5%	13
Combined Ratio Adjusted <sup>1</sup>	95.1%	99.7%	(463)
<b>BALANCE SHEET</b>			
Assets	54,730	45,201	21.1%
Investments	28,727	23,018	24.8%
Invested Assets or float <sup>2</sup>	28,281	22,180	27.5%
Technical Reserves	34,691	29,710	16.8%
Total Liabilities	46,582	38,886	19.8%
Stockholders' Equity	8,148	6,315	29.0%
<b>PROFITABILITY RATIOS</b>			
Return on Investments	5.6%	5.2%	45
Quarterly ROE (annualized)	29.3%	17.9%	1,139
LTM ROE	32.9%	20.8%	1,207

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

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

## Insured Vehicles



CAGR: Compound Annual Growth Rate

Business Line	1Q18	1Q17	Δ units	Δ %
Automobiles	2,652,194	2,561,599	90,595	3.5%
Trucks	981,233	894,491	86,742	9.7%
Tourists	70,191	82,894	(12,703)	(15.3%)
Motorcycles	110,871	104,776	6,095	5.8%
El Salvador	13,650	12,939	711	5.5%
Costa Rica	49,248	46,882	2,366	5.0%
USA	15,114	19,208	(4,094)	(21.3%)
<b>Insured Vehicles</b>	<b>3,892,501</b>	<b>3,722,789</b>	<b>169,712</b>	<b>4.6%</b>

Insured vehicles increased 4.6% when compared to March 2017, reaching a total of 3,892,501 units in the portfolio. During the quarter, the company insured 73,959 additional units, a quarterly increase of 1.9%.

The lower growth in insured vehicles mostly corresponds to the deceleration of new car sales in Mexico. According to the Mexican Association of Automotive Dealers (AMDA), new car sales decreased 10.8% in the quarter, with sales of 337 thousand zero kilometers vehicles, 41 thousand less units than in 2017.

Likewise, Quálitas Insurance Company (QIC) portfolio decreased in 702 units during the quarter. In this subsidiary, the company is looking for a more moderate growth and therefore maintain capital requirements in an optimal level.

## Written Premiums

Segment	1Q18	1Q17	Δ \$	Δ %
Individual	2,336	1,933	402	20.8%
Fleets	2,776	2,469	307	12.4%
Financial Institutions	3,485	3,923	(438)	(11.2%)
Foreign subsidiaries	390	468	(78)	(16.7%)
Other	60	494	(434)	(87.9%)
<b>Total</b>	<b>9,046</b>	<b>9,287</b>	<b>(241)</b>	<b>(2.6%)</b>

Period	1Q18	%	1Q17	%
Annual	6,431	71.1%	6,244	67.2%
Multiannual	2,615	28.9%	3,042	32.8%

Note: Figures of 2017 may vary from those reported before due to a reclassification of accounts.

During the quarter written premiums totaled \$9,046 million, 2.6% decrease when compared to the amount recorded in 1Q17.

Drop in sales is related to the slump in the Financial Institutions segment and sales in pesos of the foreign subsidiaries.

Individual and Fleets segments continued to show a double digit growth. Sales through these segments imply lower acquisition costs than the Financial Institutions segment and most of the policies are annual products.

In Quálitas México written premiums fell 2.0%, this subsidiary continues to represent 95% of total sales. Subsidiaries located in Central America kept growing in US dollars; 5.4% in Costa Rica and 7.2% in El Salvador.

In the US, *Quálitas Insurance Company* (QIC) sales decline 19.2% as a consequence of the strategy to moderate the expansion and to control capital requirements. The company is aiming to keep these requirements in an optimal level. QIC sales are on par with the annual budget.

## Ceded Premiums, Earned Premiums and Reinsurance

The company registered ceded premiums of \$164 million during the quarter. It is worth mentioning that Quálitas holds a catastrophic reinsurance agreement for its subsidiaries.

## Earned Premiums

Earned premiums for the quarter totaled \$7,675 million, a growth of 14.4% when compared to the \$6,706 million recorded in 1Q17.

The rise in earned premiums is related to the amount of revenue recorded in the current period but comes from multiannual policies issued in past years.

## Net Acquisition Cost

Net acquisition cost for the quarter amounted to \$2,022 million, a decrease of 1.3% when compared to the \$2,049 million recorded in 1Q17.

The contraction in this cost is mainly explained by lower commissions and compensations paid to Financial Institutions due to a slowdown of sales in this segment.

The acquisition ratio for the quarter was 22.8% and compares to the 22.1% registered the same period last year.

## Net Claims Cost

Net claims cost reached \$4,859 million in the quarter, an increase of 8.9% when compared to the first quarter of 2017. During the quarter, the company assisted 362,357 claims, 992 less events than in the same period of last year.

Throughout the quarter there were no weather factor as rains, hail or hurricanes that affected claims cost. Nevertheless, car robbery to insurance companies in Mexico had a hike of 3% according to the Coordinator Office of Insured Risks (*Oficina Coordinadora de Riesgos Asegurados*, OCRA, as per its acronym in Spanish).

Agreements with medical providers and having an in-house legal structure have proven to be key for cost controls. This measures have helped to reduce average cost per claim for the medical and legal expenses coverages despite inflation in México remains above 5%.

For, collision and third party liability, the most important coverages within the claims cost, the number of claims are decreasing but average costs is still increasing above inflation.

Within collision, the largest expense is spare parts, and this product is a dollarized commodity. Although in the quarter the US dollar had a depreciation of 6.89% against the Mexican peso, the price of spare parts has not yet reflected this adjustment.

To improve service and to shorten response time, the company implemented chatbots, an artificial intelligence program that responds to customer concerns through text messages on Quálitas' website.

Claims ratio for the quarter was 63.3%, against the 66.5% recorded during 1Q11. The ratio improved 322 basis points.

## Operating Expenses

Operating expenses had an increase of 137.2%, totaling \$416 million. This is mainly explained by higher administrative expenses, less revenues from policy fees due to lower premiums sales and the employee profit sharing.

Operating ratio for the quarter was 4.6% and compares to 1.9% reported same period of last year.

Depreciation and amortization registered during the quarter increased 33.8%, for a total of \$91 million.

### Underwriting Result

Underwriting profit for the quarter was \$379 million, figure that favorably compares to the \$20 million registered in 1Q17. Also, the combined ratio increased from 90.5% to 90.7%. However, the underwriting margin (underwriting result /earned premiums) improved from 0.3% to 4.9%.

### Integral Financing Result

During the 1Q18 integral financing result reached \$490 million, an increase of 39.8% when compared to the \$350 million registered in the first quarter of 2017. This result derives from a disciplined investments portfolio management, the revenues that come from the premiums financial surcharges and the increase of \$2,325 million in the float or financial assets during the quarter.

In the quarter, the debt portfolio had a good return as it is mainly composed by liquid and short term instruments, and benefitted from the 25 basis points hike in México's interest rate in February.

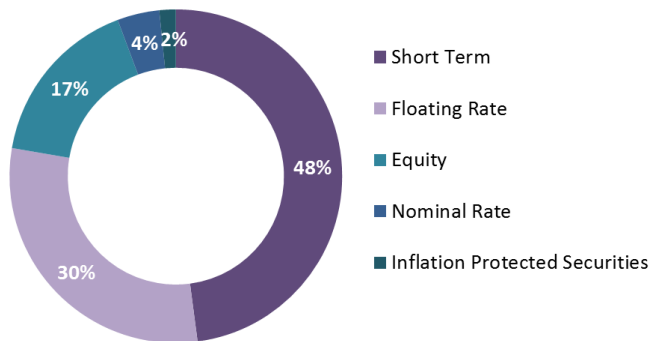
The equity portfolio has showed a defensive position as it had a positive return while the Mexbol or IPC Index had a negative performance. During the quarter the allocation in equities moved from 18% of the total portfolio to 17%. The strategy for this type of instruments remains focused in companies that generate value in the long run.

The return on investment for the quarter was 5.6%, figure lower than Banxico's reference interest rate of 7.5%.

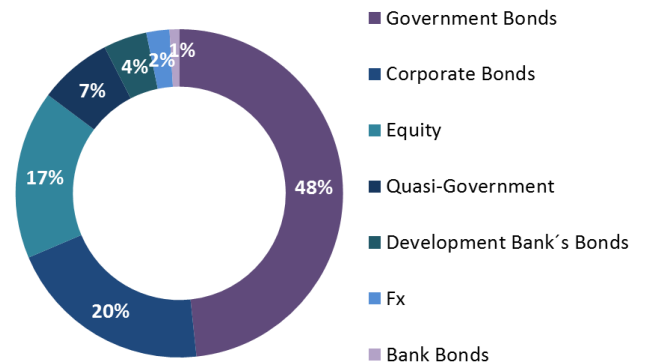
17% of the portfolio is invested in equities; figure lower than the 35% of the established internal limit.



### Portfolio by type of risk



### Portfolio by type of issuer



### Taxes

During the quarter the company recorded \$278 million in taxes, figure 200.8% higher when compared to the same period in 2017.

### Net Result

As a consequence of the underwriting and financial profitability of the quarter, net result amounted to \$590 million from January to March, an increase of 112.7% and a LTM ROE of 32.9%. This return comes from an operating ROE of 12.1% and a financial ROE of 20.8%.

### Investments

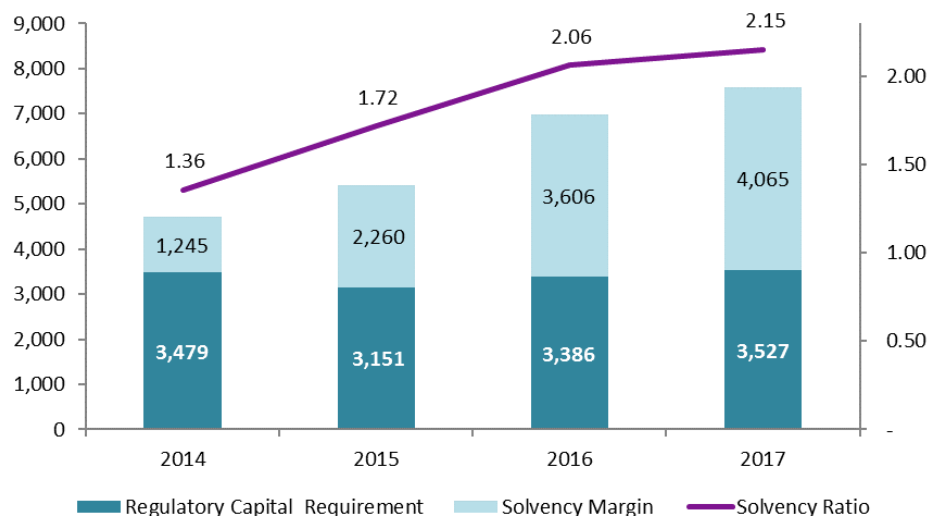
Investments amounted to \$28,727 million, an increase of 24.8%. This item comprises: securities, overnight, cash and cash equivalents, loans portfolio and property.

### Technical Reserves

Technical Reserves reached \$34,691 million, an increase of 16.8% as a consequence of a 12.4% hike in unearned premiums and 30.0% in the reserve for outstanding obligations.

## Solvency

Quálitas recorded a solvency margin of \$4,065 million, which represents a solvency ratio of 2.15.



## Share Buyback Program

	1Q18	1Q17	Δ %
Shares traded in the quarter	14,940,757	4,498,985	232.1%
Balance of repurchased shares	15,585,615	8,903,072	75.1%

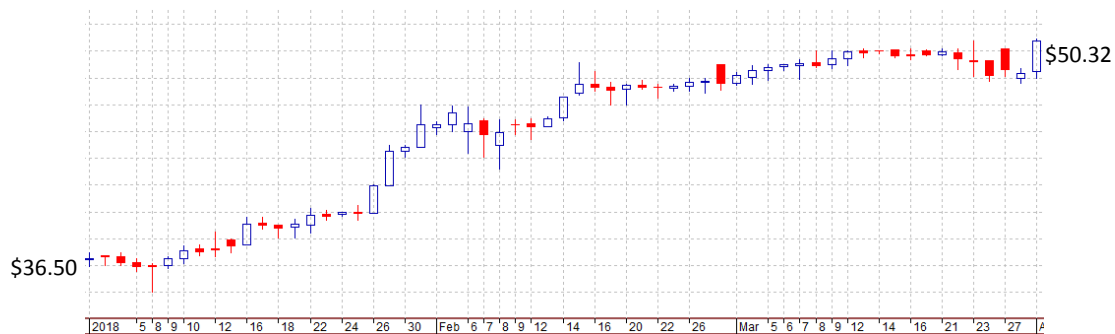
Figures in shares

The invested amount in repurchased shares as of March 2018 was \$611 million. No shares from the buyback program have been canceled. The designated amount for the share buyback program is \$600 million and it can reach a maximum of \$650 million considering the surplus derived from its operation.

## Performance of the stock (Q\*)

	Daily average						
	Traded Volume	Δ%	Peso (MXN) Volume	Δ%	Dollar (USD) Volume	Δ%	Q* Return
1Q18	806,137	51.5%	36.4	126.3%	1.94	145.5%	37.9%

Figures: traded volume is expressed in number of shares, peso and dollar volume in millions.  
 Δ%: percentage change vs. the same period of 2017



The company moved from the 54<sup>th</sup> place in December 2017 to the 47<sup>th</sup> as of March 2018 in the marketability index of the Mexican Stock Exchange (BMV).

## Sustainability

Quálitas is aware that for keeping business continuity, it has to focus on both, the financial and the non-financial dimension of the company, and also to follow-up its sustainability model and its commitments with stakeholders.

During the quarter the company ran some campaigns addressing different stakeholders:

- » **“Q Transparencia”** was launched as a new whistleblower channel to report anomalies or illegal actions observed in the company. The confidentiality of the tool is guaranteed as it is operated by a third party, it also has the possibility of maintaining anonymity during the complaint process. Additionally, the user can directly revise the status of its case on the website and will receive advice from a professional on corporate complaints. The topics that may be reported through Q Transparencia are; fraud, adulteration or robbery of information, harassment, discrimination or mistreatment, improper use of goods, services or information and acts of corruption or non-transparent agreements with suppliers/customers.
- » Within the road safety campaign (**Conducta Vial Quálitas**), the company, Universum and Cinema Park made an alliance to present “Tour Camino a la Seguridad” (Path to Safety Tour), a short film that is presented in cinemas to raise awareness among Mexican population about the importance of prevention and reduction of accidents.
- » The company continued with its Quálitas **DNA Campaign**, **“The Quálitas’ values that live in you”** to reinforce employees’ knowledge and compliance of the Code of Ethics and corporate values.

- » **Q certification** program to assure that employees are trained in Personal Data Protection, Code of Ethics and Conduct, Money Laundering Prevention and Conflict of Interest Policy matters.
- » As part of the **health day** program for employees, in the metropolitan offices in Mexico, eye tests and examinations were carried out. Also, employees were invited to the “Weight Loss Challenge” as a vehicle to improve their health.



## Guidance 2018

	2018
Written Premiums growth	8 - 12%
Earned Premiums growth	16 - 20%
Ratios	
Acquisition	23 - 24%
Claims	68 - 69%
Operating	2 - 3%
Combined	93 - 96%
Underwriting Margin ( <i>underwriting result/ earned premiums</i> )	1.5% - 2.5%
Return on Investments	Annual average of Banxico's interest rate* + 320/350 million pesos of Premiums Surcharge
Average Invested Assets, <i>float</i>	\$27,000 - \$28,000 million

\* As of the date of this report Banxico's interest is 7.50%.

Note: Guidance may vary due to changes in macroeconomic conditions of the countries in which Quálitas operates.

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

	2018	2017
<b>Assets</b>		
<b>Investments</b>	<b>28,726,872,221</b>	<b>23,017,879,302</b>
<b>Securities and Derivatives Transactions</b>	<b>24,459,782,990</b>	<b>20,089,407,233</b>
<b>Securities</b>	<b>24,459,782,990</b>	<b>20,089,407,233</b>
Government	11,913,497,953	7,021,996,889
Private Companies: Fixed Rate	8,193,371,201	8,549,758,936
Private Companies: Equity	4,108,657,178	4,101,126,104
Foreign	305,767,891	416,525,304
Value impairment	61,511,232	-
<b>Derivatives</b>	-	-
<b>Overnight</b>	2,130,448,504	1,209,125,874
<b>Loans Portfolio (Net)</b>	<b>730,583,449</b>	<b>406,918,591</b>
Current Loan Portfolio	704,998,572	390,974,245
Non-performing Loan	28,436,626	19,267,242
Loan Loss Provisions	2,851,749	3,322,896
<b>Property (Net)</b>	1,406,057,277	1,312,427,605
<b>Investments Related to Labor Obligations</b>	60,909,491	69,416,107
<b>Cash and Cash Equivalents</b>	<b>1,399,263,230</b>	<b>601,374,461</b>
Cash and Banks	1,399,263,230	601,374,461
<b>Debtors</b>	<b>19,766,095,867</b>	<b>18,086,258,230</b>
Premiums	18,625,645,450	17,005,305,280
Premiums P&C Subsidy	-	-
Federal Agencies Debts	252,283,385	57,343,951
Agents and Adjusters	146,801,300	158,856,279
Accounts Receivable	4,695,000	4,695,000
Bonds for Claims Debtors	-	-
Other	854,527,083	944,627,563
(-) Allowance for Doubtful Accounts	117,856,351	84,569,843
<b>Reinsurers and Re-Bonding Companies</b>	<b>152,671,550</b>	<b>123,962,643</b>
Insurance and Bonds Intitutions	148,546	4,833,390
Retained deposits	-	-
Amounts Recoverable from Reinsurance	154,269,146	120,728,363
(-) Loan Loss Provisions for Foreign Reinsurers and Reinsurance and Bonding Brokers	1,573,915	1,514,335
(-) Provisions for Penalties	172,227	84,775
<b>Permanent Investments</b>	<b>48,308,164</b>	<b>50,174,320</b>
Associates	1,761,325	3,628,481
Other permanent investments	46,546,839	46,545,839
<b>Other Assets</b>	<b>4,576,314,121</b>	<b>3,252,335,910</b>
Furniture and Equipment (Net)	811,990,333	661,684,865
Foreclosed Assets (Net)	-	-
Miscellaneous	3,683,147,348	2,516,326,540
Amortizable Intangible Assets (Net)	51,029,455	43,311,929
Long-lived Intangible Assets (Net)	30,146,985	31,012,575
<b>Total Assets</b>	<b>54,730,434,644</b>	<b>45,201,400,972</b>

**QUALITAS CONTROLADORA, S.A.B. DE C.V.**  
**Consolidated Balance Sheet as of March 31st**

Figures in Mexican pesos

	2018	2017
<b>Liabilities</b>		
<b>Technical Reserves</b>	<b>34,690,889,714</b>	<b>29,710,460,517</b>
<b>Unearned Premiums</b>	<b>25,160,526,355</b>	<b>22,381,128,337</b>
Property and Casualty Insurance	25,160,526,355	22,381,128,337
<b>Reserve for Outstanding Obligations</b>	<b>9,530,363,359</b>	<b>7,329,332,180</b>
Expired Policies and Claims Occurred Pending of Payment	8,612,191,768	6,711,099,701
Occurred but not Reported and Adjustment Costs assigned to Claims	87,422,655	41,503,832
Deposit Premiums	830,748,936	576,728,647
<b>Reserves Related to Labor Obligations</b>	228,681,422	192,140,915
<b>Creditors</b>	<b>5,599,421,051</b>	<b>4,360,911,117</b>
Agents and Adjusters	1,585,297,054	1,307,433,961
Funds for Losses Management	4,854,353	8,011,939
Bonding for recognition of Liabilities Creditors	-	-
Miscellaneous	4,009,269,644	3,045,465,217
<b>Reinsurers and Re-Bonding Companies</b>	<b>137,815,082</b>	<b>103,909,150</b>
Insurance and Bond Companies	121,905,069	103,909,150
Retained Deposits	15,910,013	-
Other	-	-
<b>Funding Obtained</b>	-	-
<b>Other Liabilities</b>	<b>5,925,247,578</b>	<b>4,518,490,844</b>
Provisions for employee profit sharing	499,082,728	269,938,682
Income Tax Provisions	1,503,003,731	1,108,130,410
Other Obligations	3,076,272,326	2,569,358,635
Deferred Credits	846,888,793	571,063,117
<b>Total Liabilities</b>	<b>46,582,054,846</b>	<b>38,885,912,543</b>
<b>Stockholders' Equity</b>		
<b>Paid-in Capital</b>		
<b>Capital Stock</b>	<b>2,591,897,638</b>	<b>2,624,056,908</b>
Capital Stock	2,684,887,926	2,684,887,926
(-) Non Subscribed Capital Stock	-	-
(-) Non Displayed Capital Stock	-	-
(-) Repurchased Shares	92,990,288	60,831,018
<b>Earned Capital</b>		
<b>Reserves</b>	<b>416,760,671</b>	<b>283,114,160</b>
Legal	210,935,306	146,406,366
For Repurchase of shares	117,264,049	110,459,552
Other	88,561,316	26,248,242
<b>Valuation Surplus</b>	124,151,859	82,455,953
<b>Permanent Investments</b>	-	-
<b>Retained Earnings</b>	4,243,873,717	2,853,013,465
<b>Net Result</b>	587,554,021	274,947,828
<b>Translation effect</b>	134,843,793	156,040,497
<b>Non Monetary Assets Result</b>	-	-
<b>Controlling Interest</b>	8,099,081,699	6,273,628,811
<b>Non-Controlling Interest</b>	49,298,099	41,859,618
<b>Total Stockholders' Equity</b>	<b>8,148,379,798</b>	<b>6,315,488,429</b>
<b>Total Liabilities and Stockholders' Equity</b>	<b>54,730,434,644</b>	<b>45,201,400,972</b>

**QUALITAS CONTROLADORA S.A.B. DE C.V.**  
**Consolidated Income statement for the three months ended March 31st**  
 Figures in Mexican pesos

	<b>2018</b>	<b>2017</b>
<b>Premiums</b>		
Written	9,045,938,278	9,286,630,056
(-) Ceded	163,698,184	21,963,214
<b>Net Written Premiums</b>	<b>8,882,240,095</b>	<b>9,264,666,842</b>
<b>(-) Net Increase of Unearned Premiums Reserve</b>	<b>1,207,551,513</b>	<b>2,558,684,820</b>
<b>Earned Retained Premiums</b>	<b>7,674,688,582</b>	<b>6,705,982,021</b>
<b>(-) Net Acquisition Cost</b>	<b>2,021,558,700</b>	<b>2,048,713,867</b>
Agents Commissions	570,887,651	561,396,006
Agents' Additional Compensation	126,755,384	98,860,215
Reinsurance and Rebonding Commissions	-	-
(-) Reinsurance Commissions	3,245,854	2,278,146
Excess of Loss Coverage	1,132,468	14,979,020
Other	1,326,029,051	1,375,756,772
<b>(-) Net Claims Cost and Other Contractual Liabilities</b>	<b>4,859,005,684</b>	<b>4,461,916,325</b>
Claims and Other Contractual Obligations	4,859,005,684	4,461,916,325
(-) Losses on non-proportional reinsurance Claims	-	-
<b>Technical Income (Loss)</b>	<b>794,124,198</b>	<b>195,351,829</b>
<b>(-) Net Increase in Other Technical Reserves</b>	<b>-</b>	<b>-</b>
<b>Gross Income (Loss)</b>	<b>794,124,198</b>	<b>195,351,829</b>
<b>(-) Net Operating Expenses</b>	<b>415,503,079</b>	<b>175,204,304</b>
Administrative and Operating Expenses	105,243,520	(31,358,106)
Employees' compensation and benefits	219,201,117	138,503,413
Depreciation and Amortization	91,058,442	68,058,997
<b>Operating Income (Loss)</b>	<b>378,621,119</b>	<b>20,147,525</b>
<b>Comprehensive Financing Result</b>	<b>489,533,458</b>	<b>350,193,520</b>
Investments	306,623,623	209,316,404
Sale of Investments	118,079,220	109,133,036
Fair Valuation of Investments	(166,106,674)	(80,979,146)
Surcharges on Premiums	100,749,776	67,644,890
Debt Issuance	-	-
Financial Reinsurance	-	-
Loan Interests	12,063,287	9,773,898
(-) Preventive Penalties for Amounts Recoverable from Reinsurance	(160,018)	203,060
(-) Preventive Penalties for Credit Risks	(538,215)	(75,460)
Other	145,876,671	63,084,760
Foreign Exchange Rate Fluctuation	(28,450,679)	(27,652,722)
(-) Monetary Position Result	-	-
<b>Participation in Permanent Investments Result</b>	<b>-</b>	<b>-</b>
<b>Income (Loss) Before Taxes</b>	<b>868,154,577</b>	<b>370,341,045</b>
<b>(-) Provision for Income Taxes</b>	<b>277,705,419</b>	<b>92,321,897</b>
<b>Income (Loss) Before Discontinued Operations</b>	<b>590,449,159</b>	<b>278,019,148</b>
<b>Discontinued Operations</b>	<b>-</b>	<b>-</b>
<b>Net Income (Loss)</b>	<b>590,449,159</b>	<b>278,019,148</b>
Controlling Interest	587,554,021	274,947,828
Non-Controlling Interest	2,895,137	3,071,321
<b>Net Income (Loss)</b>	<b>590,449,159</b>	<b>278,019,148</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

**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 + 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





# We invite you to join us in our **1Q18 Webcast**

**Friday, April 20th  
9:00 am Mexico City Time (10:00 am EST)**

Hosted by:

»Wilfrido Castillo, Head of Investor Relations

For the webcast please enter to the following link:

<http://qualitas.transmision.com.mx/>

To participate by telephone, please dial:

»Mexico: 01 55 2881 4630

»US & Canada: +1 (855) 257-7489

»United Kingdom: +44 (20) 8089-1873

The replay will be available on our website after the event

Qualitas (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. Qualitas is listed on the Mexican Stock Exchange (BMV) under the ticker “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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