

# Earnings Results

4<sup>th</sup> Quarter

2018



Quálitas

## QUÁLITAS REPORTS RESULTS FOR THE FOURTH QUARTER OF 2018

**Mexico City, January 30<sup>th</sup>, 2019** – Quálitas Controladora, S.A.B. de C.V. (“Quálitas”, “Q”, or “the Company”) (BMV: Q\*), announces its unaudited financial results for the fourth quarter ended December 31<sup>st</sup>, 2018.

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

### 4Q18 & 2018 highlights:



#### Operating figures

- ✔ By the end of 2018, Quálitas had **190 Service Offices** and **228 ODQs** in the four countries in which it operates. During the quarter, the company opened, **three Service Offices and two ODQs** in Mexico.
- ✔ Insured Units increased 1.5%, reaching **3,877,470** vehicles.
- ✔ According to the latest AMIS figures, Quálitas continues to be the leader of the Mexican Automobile Insurance Industry with **29.4% market share**.

#### Income Statement and Balance Sheet

- ✔ **Premiums written** increased 2.1% in the quarter and 2.0% on a cumulative basis. Quálitas has managed to continue growing despite the 7.1% drop in sales of new cars in Mexico during the year.
- ✔ **Premiums earned** showed a 6.5% growth in the quarter and 11.0% during 2018, both increases are superior to premiums written growth due to the recognition of revenue from multiannual policies issued in past years.
- ✔ **Claims cost** increased by 3.7% in the quarter and 9.7% this year. During the year more than 1.5 million claims were attended in the four countries where the company operates. The number of stolen vehicles in the Mexican insurance industry increased by 2.9% while the recovery by 6.0%.

- ✔ The company increased its **underwriting margin** (underwriting result / earned premiums) posting a 9.2% in 4Q18 and 5.5% for the year. The **underwriting result** reflects an increase above 100% going from \$778 million to \$1,734 million.
- ✔ The cumulative **comprehensive financing result** stands at \$1,717 million, showing 6% decrease mainly due to the soft performance on the overall Mexican market faced during the last quarter of the year. The reference rate of Mexico's Central Bank stood at 8.25% by the end of the year. The cash per share reached \$66.52 pesos or a 15.3% increase versus the figure reported in 2017.
- ✔ **The income before taxes** of the quarter was \$924 million a 2.4% decrease versus 2017, which was reduced by the payment of \$266 million in taxes resulting in a **net income** for the quarter of \$658 million, a decrease of 21.9% when compared to the same quarter of 2017 and achieved a cumulative net profit of \$2,428 million, figure 17.7% higher than the one registered last year. With this result, **12-month ROAE** stands at 28.5%.
- ✔ **Q\* stock** had a price increase of 13.3% in 2018, being one of the shares with the highest returns of the Mexican Stock Exchange. The daily average trade for the year was 607 thousand shares and 1.5 million US dollars.
- ✔ **Q\*** is considered a **high liquidity** stock, finishing the year in the **48<sup>th</sup>** position of the **Marketability Index** of the Mexican Stock Exchange (BMV). As of September 24<sup>th</sup>, Q\* was included in the **FTSE BIVA** an index of the *Bolsa Institucional de Valores* (Institutional Securities Exchange).



## Financial highlights

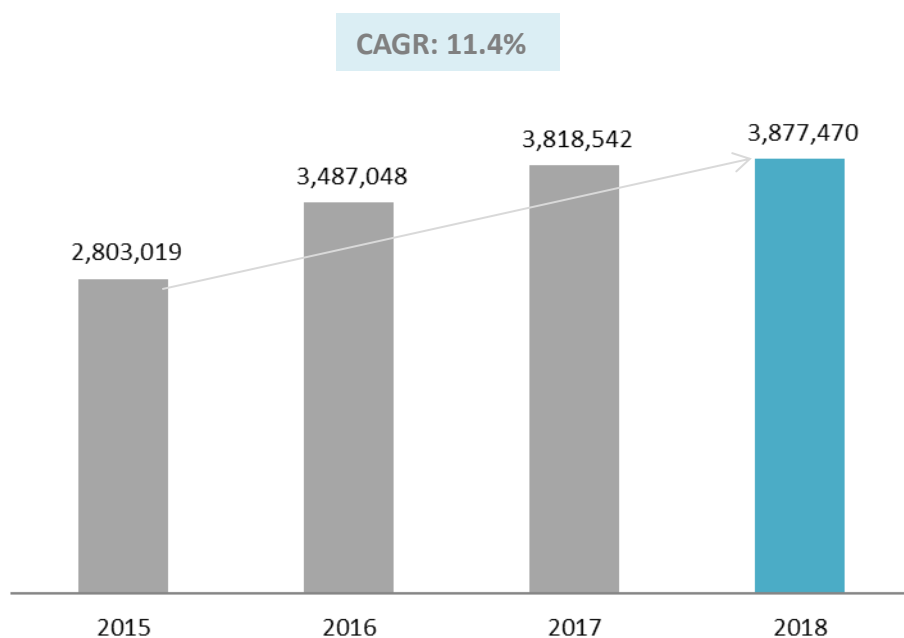
(MM MXN)

INCOME STATEMENT	4Q18	4Q17	Δ %/bp	2018	2017	Δ %/pb
Premiums Written	9,797	9,596	2.1%	34,495	33,820	2.0%
Net Premiums Written	9,753	9,517	2.5%	34,183	33,604	1.7%
Premiums Earned	8,565	8,044	6.5%	31,810	28,668	11.0%
Acquisition Cost	2,031	2,139	(5.1%)	7,464	7,851	(4.9%)
Claims Cost	5,336	5,145	3.7%	21,048	19,184	9.7%
<b>Technical Result</b>	<b>1,198</b>	<b>759</b>	<b>57.7%</b>	<b>3,298</b>	<b>1,633</b>	<b>101.9%</b>
Operating Expenses	407	291	39.7%	1,568	855	83.4%
<b>Underwriting Result</b>	<b>791</b>	<b>468</b>	<b>69.0%</b>	<b>1,734</b>	<b>778</b>	<b>122.8%</b>
Integral Financing Result	133	479	(72.1%)	1,717	1,829	(6.1%)
Investment Income	14	398	(96.4%)	1,268	1,518	(16.5%)
Income Taxes	266	104	156.6%	1,023	544	88.1%
<b>Net Result</b>	<b>658</b>	<b>843</b>	<b>(21.9%)</b>	<b>2,428</b>	<b>2,064</b>	<b>17.7%</b>
Controlling Interest	662	844	(21.5%)	2,426	2,056	18.0%
Non-Controlling Interest	(4)	(1)	325.2%	3	7	(65.5%)
Acquisition Ratio	20.8%	22.5%	(165)	21.8%	23.4%	(153)
Claims Ratio	62.3%	64.0%	(166)	66.2%	66.9%	(75)
Operating Ratio	4.2%	3.0%	112	4.5%	2.5%	202
Combined Ratio	87.3%	89.5%	(220)	92.5%	92.8%	(26)
Combined Ratio Adjusted*	90.8%	94.2%	(342)	94.6%	97.3%	(272)
<b>BALANCE SHEET</b>						
Assets	56,642	51,059	10.9%	56,642	51,059	10.9%
Investments & Real Estate	29,514	26,735	10.4%	29,514	26,735	10.4%
Invested Assets or float	28,936	25,956	11.5%	28,936	25,956	11.5%
Technical Reserves	36,173	32,843	10.1%	36,173	32,843	10.1%
Total Liabilities	47,537	43,108	10.3%	47,537	43,108	10.3%
Stockholders' Equity	9,104	7,951	14.5%	9,104	7,951	14.5%
<b>PROFITABILITY RATIOS</b>						
Return on Investments	0.2%	6.5%	(628)	4.6%	6.5%	(186)
ROE for the period	30.3%	45.7%	(1,539)	28.5%	29.5%	(96)
LTM ROE	28.5%	29.5%	(96)	28.5%	29.5%	(96)

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	2018	2017	Δ units	Δ %
Automobiles	2,603,025	2,616,672	(13,647)	(0.5%)
Trucks	1,002,330	946,390	55,940	5.9%
Tourists	76,058	69,810	6,248	9.0%
Motorcycles	111,765	106,742	5,023	4.7%
El Salvador	15,890	13,671	2,219	16.2%
Costa Rica	52,842	49,441	3,401	6.9%
USA	15,560	15,816	(256)	(1.6%)
<b>Insured Vehicles</b>	<b>3,877,470</b>	<b>3,818,542</b>	<b>58,928</b>	<b>1.5%</b>

Insured vehicles increased 1.5% when compared to December 2017, reaching a total of 3,877,470 units in the four countries in which it operates. Vehicles under Quálitas' insurance increased by almost 59 thousand units. Automobiles insured by Quálitas in Mexico decreased by almost 14 thousand units mainly because of multiannual policies coming to an end and a lower vehicle uptake from financial institutions.

According to the Mexican Association of Automotive Dealers (AMDA), new car sales dropped 7.1% on a cumulative basis, 1.4 million new vehicles were sold from January to December 2018, representing 109 thousand less units than in 2017.

Quálitas Insurance Company (QIC) policyholder portfolio decreased by 1.6% during the year. Quálitas will continue with its strategy of sustainable growth that maintains capital requirements at optimal levels.

## Premiums Written

Segment	4Q18	4Q17	Δ \$	Δ %	2018	2017	Δ \$	Δ %
Individual	2,533	1,993	540	27.1%	9,057	7,450	1,608	21.6%
Fleets	3,412	3,292	121	3.7%	10,662	9,294	1,368	14.7%
Financial Institutions	3,402	3,819	(417)	(10.9%)	12,994	14,733	(1,738)	(11.8%)
Foreign subsidiaries	373	468	(95)	(20.3%)	1,563	1,537	25	1.7%
Other	77	24.4	52	NA	218	806.3	(589)	(73.0%)
<b>Total</b>	<b>9,797</b>	<b>9,596</b>	<b>201</b>	<b>2.1%</b>	<b>34,495</b>	<b>33,820</b>	<b>675</b>	<b>2.0%</b>

Period	4Q18	%	4Q17	%	2018	%	2017	%
Annual	7,336	74.9%	7,055	73.5%	25,397	73.6%	22,874	67.6%
Multiannual	2,461	25.1%	2,541	26.5%	9,098	26.4%	10,947	32.4%

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

NA: Not applicable

During the quarter premiums written totaled \$9,797 million, a 2.1% increase when compared to the amount booked in 4Q17. Quálitas delivered an increase of 2.0% premiums written in a cumulative basis. The company managed to overcome the headwind of a declining new car sales industry throughout the year by adjusting its strategy and focusing on growing in the traditional segment mainly promoted by agents.

The combined Individual and Fleets segments grew 12.5% during the quarter and 17.8% in 2018. Both segments imply a lower acquisition cost than Financial Institutions due to commissions paid. Most of the policies in these segments have an annual duration, achieving a portfolio that adapts more quickly to the environment and the volatile situation.

In Quálitas Mexico premiums written rose 1.8% during the quarter and 2.2% YTD. This subsidiary continues to represent approximately 95% of total sales. Regarding underwriting in dollars, the Costa Rica subsidiary decreased 3.9% and El Salvador increased 8.6% during the year.

In the US, *Quálitas Insurance Company* (QIC) sales in US dollars increased 0.2% YTD, as a consequence of the strategy to balance growth and to control capital requirements. The company is aiming to maintain these requirements at an optimal level. QIC sales are on par with the annual budget.

## Premiums Ceded, Premiums Retained and Reinsurance

The company registered premiums ceded for \$44 million during the quarter and \$312 on a cumulative basis. Quálitas holds a catastrophic reinsurance agreement for its subsidiaries.

## Premiums Earned

During the fourth quarter, earned premiums reached \$8,565 million, an increase of 6.5% over the same period of the previous year. Cumulatively, Quálitas registered 31,810 million, presenting an increase of 11.0%.

The percentage growth of the earned premium is higher than the written premium derived from a greater release of reserves related to multiannual policies issued in previous periods.

## Net Acquisition Cost

Net acquisition cost for the quarter amounted to \$2,031 million, a decrease of 5.1% when compared to 4Q17. On a cumulative basis the company registered a decline of 4.9%, closing at \$7,464 million.

The reduction in this cost is mainly explained by the contraction of new car sales in Mexico, within the Quálitas portfolio the sale through Financial Institutions implies higher commissions and compensations. Fees paid to the different distributors decreased by 14% during 2018 mainly driven by a 19% decrease in UDI, which is the commission paid to financial institutions for the use of their facilities.

The acquisition ratio for the quarter was 20.8% and 21.8% for the year.

## Net Claims Cost

A net claims cost of \$5,336 million was recorded for the quarter, a 3.6% increase versus the same period of a year ago and 21,048 as of December 2018, increasing 9.7%. During the year, Quálitas served 1,535,997 claims in the countries where it operates. This increase is mainly explained due to an 8% growth in paid claims and a 9% increase of claims personnel remuneration.

Regarding collision coverage, the average cost increased 6% during the year and the number of claims affecting this coverage decreased 2% it is worth noting that the cost of this coverage has a direct relation with the exchange rate. The peso appreciated 1% in the last 12 months resulting in an average exchange rate of 19.17<sup>2</sup> pesos per dollar.

According to the Coordinator Office of Insured Risks (*Oficina Coordinadora de Riesgos Asegurados*, OCRA, as per its acronym in Spanish) during the year, car robbery to insurance companies in Mexico continued to increase. A total of 93,354 vehicles were stolen in that period, 2.9% more when compared to 2017. Nevertheless, car recovery increased by 6.0%.

The total theft coverage decreased its average cost by 1% while the number of claims affecting this coverage increased 10%.

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<sup>2</sup> Figure in units



Agreements with medical suppliers and having an in-house legal structure have proven to be key for cost controls. These measures have helped reduce average cost per claim for the medical and legal expenses coverages, in 5% and 11% respectively; despite inflation in Mexico being 4.83%.

Claims ratio for the quarter was 62.3% and 66.2% for the year.

### Operating Expenses

The operating expenses figures were above prior year base, it showed an increase of 39.7% in the quarter and 83.4% in a cumulative basis. Mainly explained by a \$134 million one-time benefit in 2017 for the reimbursement of premiums by a reinsurance company, and during 2018 higher fees paid to office representatives and employee profit sharing.

Operating ratio for the quarter was 4.2% and 4.5% YTD.

### Underwriting Result

Underwriting profit for the quarter was \$791 million, a 69.0% increase versus 4Q17. The underwriting result for the year reached \$1,734 million an increase of \$956 million versus 2017. The combined ratio stood at 87.3% for the quarter and at 92.5% for the year, the underwriting margin (underwriting result /earned premiums) was 9.2% and 5.5% respectively.

Achieving an underwriting result above 2 times higher than in 2017 reflects great pricing discipline and a correct cost containment program to maintain profitable the operations of the company.

### Comprehensive Financial Income

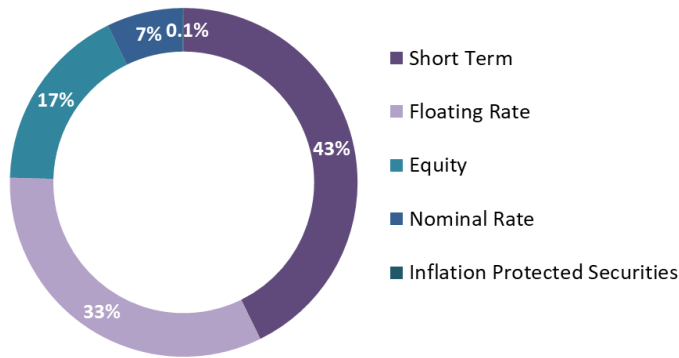
During the 4Q18 the comprehensive financial income reached \$133 million, a decrease of 72.1% and amounted to \$1,717 for 2018, figure 6.1% lower than the one registered last year. The decrease that the investment portfolio suffered the last quarter is mainly explained by the volatility and soft performance of the Mexican market.

Equity portfolio has shown a defensive position with a return significantly above of the Mexbol or IPC Index' performance that by December 31<sup>st</sup> had a negative return of 15.6%. Compared to the 4Q17, allocation in equities moved from 18% of the total portfolio to 17%, figure lower than the 35% established as an internal limit. The strategy for this type of instruments remains focused in companies listed in the Mexican Stock Exchange that generate long term value.

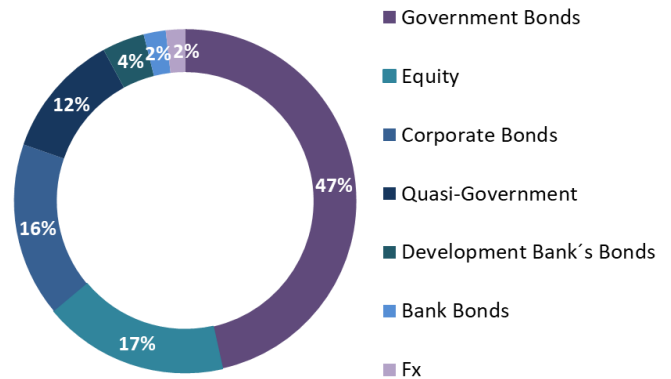
The return on investment for the quarter was 0.2% and 4.6% YTD.



### Portfolio by type of risk



### Portfolio by type of issuer



### Taxes

During the quarter the company recorded \$266 million and \$1,023 million taxes for the year; figures are significantly above same periods of 2017 behind a particularly low effective tax rate reflecting some deferred taxes corrections. We believe 2018 effective tax rate of 28.8% is more in line with the on-going operation of our business.

Effective tax rate	4Q	Year
2018	29.6%	28.8%
2017	11.0%	26.3%

### Net Result

The net result for the quarter amounted to \$658 million, figure almost 22% below the reported during the same quarter of the previous year. With an underwriting result of \$1,734 million, a comprehensive financial income of \$1,717 million and \$1,023 million in taxes, the company registered a net result of \$2,428 million, an increase of 17.7% that favorably compares to the amount registered in by the end of 2017.

The LTM ROAE was 28.5%. This return comes from an operating ROAE of almost 14.4% and a financial ROAE of 14.2%.

### Investments

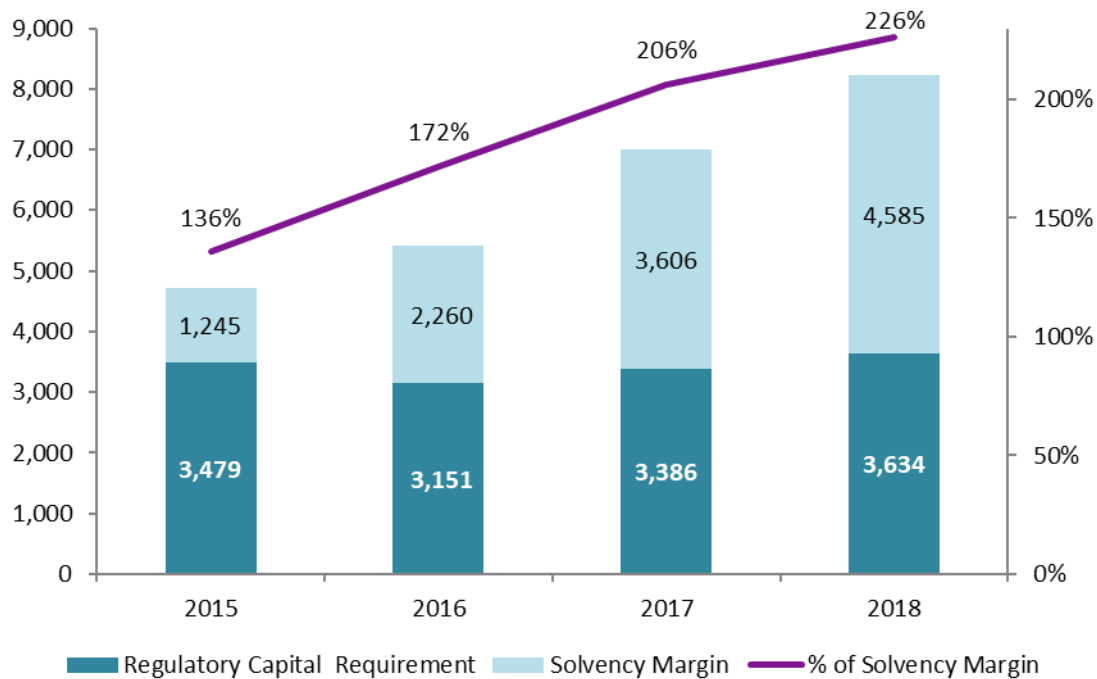
Investments amounted to \$28,936 million, an increase of 11.5%. This item comprises: securities, overnight, cash and cash equivalents, loans portfolio and property.

### Technical Reserves

Technical Reserves reached \$36,173 million, an increase of 10.1% as a consequence of a 7.4% hike in unearned premiums reserves and 17.8% in the reserve for outstanding obligations.

## Solvency

Quálitas recorded a solvency margin of \$4,585 million, which represents a solvency margin of 226%. The company paid a cash dividend of \$304.5 million in April.



## Share Buyback Program

	4Q18	4Q17	Δ %	2018	2017	Δ %
Shares traded in the quarter	2.1	9.4	(77.1%)	39.9	58.5	(31.8%)
Balance of repurchased shares	12.3	8.6	42.7%	12.3	8.6	42.7%

*Figures in million shares*

The main objective of the Share Buyback Program is to give liquidity to the stock by performing as a second market maker, purchasing and selling its own shares at market value. During the fourth quarter this program executed 8.6% of Q\* operations and 26.2% in a cumulative basis.

The remaining resources for the Share Buyback Program as of the end of December 2018 was 11.1. No shares from the buyback program have been canceled after the General Shareholders' Meeting held on April 18<sup>th</sup> where it was approved to cancel 15 million shares, 3.3% of the former 450 million shares outstanding, that were in the companies' treasury, since then 435 million shares conform the stockholders' equity.

## Performance of the stock (BMV: Q\*)

	Daily average						
	Traded Volume	Δ%	Peso (MXN) Volume	Δ%	Dollar (USD) Volume	Δ%	Q* Return
4Q18	404,905	(23.2%)	17,565,561.6	3.4%	886,419.8	(1.1%)	(17.1%)
Year	606,567	31.0%	28,844,694.8	100.3%	1,505,016.8	97.4%	13.3%

Figures: traded volume is expressed in number of shares, peso and dollar volume in monetary units.

Δ%: percentage change vs. the same period of 2017

\* Return vs 2Q18



Source: SiBolsa

The company moved from the 54<sup>th</sup> place in December 2017 to the 48<sup>th</sup> as of December 2018 in the marketability index of the Mexican Stock Exchange (BMV). Since March, Q\* is classified as a high marketability stock.

Since September 24<sup>th</sup>, Q\* is part of the sample of the FTSE BIVA of BIVA (*Bolsa Institucional de Valores*, Institutional Securities Exchange as per its acronym in Spanish) which is an index designed to reflect the performance of Mexican liquid companies, which are components of the FTSE Mexico All Cap Index.

## Sustainability

Quálitas considers that being sustainable in environmental, social and governance matters is crucial for its business continuity. It is very focused on the financial and non-financial dimensions of the company. The corporate sustainability strategy is becoming more aligned to the core business of the company always in line with its corporate social responsibility model and its commitments with all stakeholders.

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

- » To promote the Corporate Code of Ethics and Conduct a campaign was carried out aimed to create awareness of this document among our agents and promoters.
- » We continued with the project of spreading road safety messages and infographics through various communication channels, including the Quálitas Road Safety website. In addition, this quarter we published articles to promote safe driving among pregnant women.
- » We were present in discussion panels on topics such as Mandatory Insurance as an instrument of protection, Physical-Mechanical Inspection and Vehicle Verification and Technologies for Road Safety.
- » Within Quálitas Road Safety Campaign we continued with the projections of the “**Road to Safety Tour**”, this quarter we made the “**Road Show**” presentation in a school in Mexico City where we had an assistance of 2,880 people counting students, teachers and administrative staff.
- » To increase our employees' knowledge of financial education and budgeting topics, we continue with the Financial Education Program, carrying out different workshops and delivering financial culture materials.
- » During December we carried out a toy collection in all of our offices to deliver them to underprivileged children on “Día de Reyes”.

## Guidance 2019

	2019e
Premiums Written growth	5-7%
Premiums Earned growth	7-9%
Ratios	
Acquisition	22-24%
Claims	68-69%
Operating	3-4%
Combined	93-97%
Underwriting Margin ( <i>underwriting result / premiums earned</i> )	3-4%
Return on Investments	Annual average of Banxico's interest rate* + 320/350 million pesos of Premiums Surcharge
Average Invested Assets, <i>float</i>	\$29,000-\$30,000 million

\* As of the date of this report Banxico's interest is 8.250%.

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



# Webcast Invitation 4Q18

Wednesday, January 30th  
8:00 am Mexico City Time (9:00 am EST)

To participate by telephone, please dial:

- »Mexico: (01 800) 5630 645
- »US & Canada: (888) 339 2688
- »International: (617) 847 3007
- »Password #: 805 835 57

For the webcast please enter to the following link:

<https://www.webcaster4.com/Webcast/Page/1164/28936>

The replay will be available on our page after the event.

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

	<b>2018</b>	<b>2017</b>
<b>Assets</b>		
<b>Investments</b>	29,514,120,638	26,734,929,884
<b>Securities and Derivatives Transactions</b>	<u>24,180,484,202</u>	<u>24,379,186,062</u>
<b>Securities</b>	<u>24,180,484,202</u>	<u>24,379,186,062</u>
Government	12,408,556,211	11,371,416,494
Private Companies: Fixed Rate	7,170,635,380	8,566,640,973
Private Companies: Equity	4,476,830,583	4,106,985,405
Foreign	272,447,269	347,654,422
(-) Value Impairment	147,985,241	13,511,232
Restricted Securities	-	-
<b>Derivatives</b>	-	-
<b>Overnight</b>	3,564,954,308	539,749,905
<b>Loans Portfolio (Net)</b>	<u>288,516,422.58</u>	<u>401,388,167.32</u>
Current Loan Portfolio	292,962,406	374,437,585
Non-performing Loan	38,234,471	30,343,004
(-) Loan Loss Provisions	42,680,455	3,392,422
<b>Property (Net)</b>	1,480,165,706	1,414,605,750
<b>Investments Related to Labor Obligations</b>	64,157,805	59,827,988
<b>Cash and Cash Equivalents</b>	<u>970,574,073</u>	<u>746,632,032</u>
Cash and Banks	970,574,073	746,632,032
<b>Debtors</b>	<u>21,234,399,558</u>	<u>19,244,075,159</u>
Premiums	20,335,621,158	18,213,615,893
Premiums P&C Subsidy	-	-
Federal Agencies Debts	118,319,870	131,553,979
Agents and Claims Officers (Adjusters)	163,837,543	134,814,171
Accounts Receivable	0	4,695,000
Bonds for Claims Debtors	-	-
Other	759,062,439	880,279,595
(-) Allowance for Doubtful Accounts	142,441,452	120,883,479
<b>Reinsurers and Re-Bonding Companies</b>	<u>169,852,087</u>	<u>88,684,481</u>
Insurance and Bonds Intitutions	4,003,129	4,322,290
Retained deposits	-	-
Amounts Recoverable from Reinsurance	167,952,418	86,125,830
(-) Loan Loss Provisions for Foreign Reinsurers and Reinsurance and Bonding Brokers	1,942,086	1,733,933
(-) Provisions for Penalties	161,374	29,706
<b>Permanent Investments</b>	<u>46,547,184</u>	<u>48,364,995</u>
Associates	0	1,818,156
Other permanent investments	46,547,184	46,546,839
<b>Other Assets</b>	<u>4,641,966,089</u>	<u>4,136,765,930</u>
Furniture and Equipment (Net)	840,269,537	824,290,745
Miscellaneous	3,716,327,841	3,228,074,147
Amortizable Intangible Assets (Net)	52,944,230	51,957,254
Long-lived Intangible Assets (Net)	32,424,480	32,443,785
<b>Total Assets</b>	<u><u>56,641,617,432</u></u>	<u><u>51,059,280,470</u></u>

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

	<b>2018</b>	<b>2017</b>
<b>Liabilities</b>		
<b>Technical Reserves</b>	<b><u>36,172,656,871</u></b>	<b><u>32,843,345,756</u></b>
<b>Unearned Premiums</b>	<b><u>25,879,437,151</u></b>	<b><u>24,106,291,723</u></b>
Property and Casualty Insurance	25,879,437,151	24,106,291,723
<b>Reserve for Outstanding Obligations</b>	<b><u>10,293,219,720</u></b>	<b><u>8,737,054,033</u></b>
Expired Policies and Claims Occurred Pending of Payment	9,201,910,161	8,049,950,518
Occurred but not Reported and Adjustment Costs assigned to Claims	118,161,422	72,276,161
Deposit Premiums	973,148,137	614,827,354
<b>Reserves Related to Labor Obligations</b>	235,400,731	216,485,721
<b>Creditors</b>	<b><u>5,131,555,986</u></b>	<b><u>4,678,402,066</u></b>
Agents and Adjusters	1,579,451,303	1,473,920,976
Funds for Losses Management	7,872,253	5,618,558
Bonding for recognition of Liabilities Creditors	-	-
Miscellaneous	3,544,232,429	3,198,862,532
<b>Reinsurers and Re-Bonding Companies</b>	<b><u>136,876,566</u></b>	<b><u>67,367,583</u></b>
Insurance and Bond Companies	113,524,591	48,793,218
Retained Deposits	23,351,975	15,910,013
Other	-	2,664,352
<b>Funding Obtained</b>	<u>-</u>	<u>-</u>
<b>Other Liabilities</b>	<b><u>5,860,744,684</u></b>	<b><u>5,302,846,172</u></b>
Provisions for employee profit sharing	472,010,923	368,132,732
Income Tax Provisions	1,296,305,825	1,108,672,626
Other Obligations	3,197,464,898	3,042,713,088
Deferred Credits	894,963,039	783,327,726
<b>Total Liabilities</b>	<b><u>47,537,234,837</u></b>	<b><u>43,108,447,298</u></b>
<b>Stockholders' Equity</b>		
<b>Paid-in Capital</b>		
<b>Capital Stock</b>	<b><u>2,521,766,611</u></b>	<b><u>2,683,091,335</u></b>
Capital Stock	2,595,391,662	2,684,887,926
(-) Non Subscribed Capital Stock	-	-
(-) Non Displayed Capital Stock	-	-
(-) Repurchased Shares	73,625,051	1,796,591
<b>Earned Capital</b>		
<b>Reserves</b>	<b><u>429,973,816</u></b>	<b><u>299,706,486</u></b>
Legal	313,746,968	210,935,306
For Repurchase of shares	19,622,378	88,771,180
Other	96,604,469	-
<b>Valuation Surplus</b>	164,822,696	155,018,914
<b>Permanent Investments</b>	-	-
<b>Retained Earnings</b>	3,377,690,694	2,518,628,729
<b>Net Result</b>	2,425,508,960	2,056,233,236
<b>Translation effect</b>	170,955,031	184,042,491
<b>Non Monetary Assets Result</b>	-	-
<b>Remeasurements for Benefits granted to Employees</b>	5,262,929	7,613,329
<b>Controlling Interest</b>	9,095,980,737	7,904,334,519
<b>Non-Controlling Interest</b>	8,401,858	46,498,652
<b>Total Stockholders' Equity</b>	<b><u>9,104,382,595</u></b>	<b><u>7,950,833,171</u></b>
<b>Total Liabilities and Stockholders' Equity</b>	<b><u>56,641,617,432</u></b>	<b><u>51,059,280,470</u></b>



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

	<b>2017</b>	<b>2016</b>
<b>Premiums</b>		
Written	9,796,714,994	9,596,045,109
(-) Ceded	44,174,424	79,389,338
<b>Net Written Premiums</b>	<b>9,752,540,570</b>	<b>9,516,655,771</b>
<b>(-) Net Increase of Unearned Premiums Reserve</b>	<b>1,187,482,908</b>	<b>1,472,842,578</b>
<b>Earned Retained Premiums</b>	<b>8,565,057,662</b>	<b>8,043,813,193</b>
<b>(-) Net Acquisition Cost</b>	<b>2,031,183,395</b>	<b>2,139,392,976</b>
Agents Commissions	639,012,947	640,651,212
Agents' Additional Compensation	205,112,227	129,607,380
Reinsurance and Rebonding Commissions	-	-
(-) Reinsurance Commissions	2,815,925	424,571
Excess of Loss Coverage	1,509,367	4,016,390
Other	1,188,364,779	1,365,542,565
<b>(-) Net Claims Cost and Other Contractual Liabilities</b>	<b>5,336,119,715</b>	<b>5,145,116,432</b>
Claims and Other Contractual Obligations	5,336,119,715	5,145,116,432
(-) Losses on non-proportional reinsurance Claims	-	-
<b>Technical Income (Loss)</b>	<b>1,197,754,551</b>	<b>759,303,785</b>
<b>(-) Net Increase in Other Technical Reserves</b>	<b>-</b>	<b>-</b>
<b>Result of Analog and Related Operations</b>		
<b>Gross Income (Loss)</b>	<b>1,197,754,551</b>	<b>759,303,785</b>
<b>(-) Net Operating Expenses</b>	<b>407,021,976</b>	<b>291,458,303</b>
Administrative and Operating Expenses	81,176,258	(11,725,289)
Employees' compensation and benefits	218,938,685	208,986,062
Depreciation and Amortization	106,907,033	94,197,530
<b>Operating Income (Loss)</b>	<b>790,732,575</b>	<b>467,845,482</b>
<b>Comprehensive Financing Result</b>	<b>133,306,347</b>	<b>478,562,810</b>
Investments	236,790,802	272,088,708
Sale of Investments	(41,986,756)	58,061,799
Fair Valuation of Investments	(406,311,291)	(115,529,887)
Surcharges on Premiums	119,835,844	95,067,252
Debt Issuance	-	-
Financial Reinsurance	-	-
Loan Interests	9,587,490	11,825,844
(-) Preventive Penalties for Amounts Recoverable from Reinsura	153,356	213,035
(-) Preventive Penalties for Credit Risks	6,388,187	820,846
Other	192,110,908	63,700,023
Foreign Exchange Rate Fluctuation	29,820,893	94,382,952
(-) Monetary Position Result	-	-
<b>Participation in Permanent Investments Result</b>	<b>-</b>	<b>-</b>
<b>Income (Loss) Before Taxes</b>	<b>924,038,922</b>	<b>946,408,292</b>
<b>(-) Provision for Income Taxes</b>	<b>266,326,710</b>	<b>103,808,389</b>
<b>Income (Loss) Before Discontinued Operations</b>	<b>657,712,213</b>	<b>842,599,903</b>
<b>Discontinued Operations</b>	<b>-</b>	<b>-</b>
<b>Net Income (Loss)</b>	<b>657,712,213</b>	<b>842,599,903</b>
Controlling Interest	661,808,093	843,563,172
Non-Controlling Interest	-4,095,881	-963,269
<b>Net Income (Loss)</b>	<b>657,712,213</b>	<b>842,599,903</b>

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

	2018	2017
<b>Premiums</b>		
Written	34,494,936,475	33,819,940,707
(-) Ceded	311,919,528	215,952,678
<b>Net Written Premiums</b>	<b>34,183,016,947</b>	<b>33,603,988,029</b>
(-) <b>Net Increase of Unearned Premiums Reserve</b>	0	0
<b>Earned Retained Premiums</b>	<b>31,809,609,553</b>	<b>28,667,733,478</b>
<b>(-) Net Acquisition Cost</b>	<b>7,463,947,580</b>	<b>7,850,765,635</b>
Agents Commissions	2,289,824,448	2,190,917,148
Agents' Additional Compensation	568,353,397	435,961,223
Reinsurance and Rebonding Commissions	-	-
(-) Reinsurance Commissions	8,790,165	1,820,189
Excess of Loss Coverage	6,609,938	56,842,099
Other	4,607,949,962	5,168,865,354
<b>(-) Net Claims Cost and Other Contractual Liabilities</b>	<b>21,047,502,096</b>	<b>19,183,573,927</b>
Claims and Other Contractual Obligations	21,047,502,096	19,183,573,927
(-) Losses on non-proportional reinsurance Claims	-	-
<b>Technical Income (Loss)</b>	<b>3,298,159,878</b>	<b>1,633,393,916</b>
<b>(-) Net Increase in Other Technical Reserves</b>	-	-
<b>Result of Analog and Related Operations</b>	<b>3,727,848</b>	-
<b>Gross Income (Loss)</b>	<b>3,301,887,726</b>	<b>1,633,393,916</b>
<b>(-) Net Operating Expenses</b>	<b>1,567,616,227</b>	<b>854,952,733</b>
Administrative and Operating Expenses	352,443,229	(163,549,425)
Employees' compensation and benefits	819,958,310	690,760,651
Depreciation and Amortization	395,214,688	327,741,507
<b>Operating Income (Loss)</b>	<b>1,734,271,499</b>	<b>778,441,182</b>
<b>Comprehensive Financing Result</b>	<b>1,716,905,561</b>	<b>1,829,192,521</b>
Investments	1,089,084,815	978,849,168
Sale of Investments	48,902,086	671,659,825
Fair Valuation of Investments	(573,274,142)	(511,386,846)
Surcharges on Premiums	443,464,633	326,603,507
Debt Issuance	-	-
Financial Reinsurance	-	-
Loan Interests	48,823,791	43,433,110
(-) Preventive Penalties for Amounts Recoverable from Reinsurance	208,153	422,658
(-) Preventive Penalties for Credit Risks	6,946,635	(6,841)
Other	641,991,901	251,604,753
Foreign Exchange Rate Fluctuation	25,067,265	68,844,821
(-) Monetary Position Result	-	-
<b>Participation in Permanent Investments Result</b>	-	-
<b>Income (Loss) Before Taxes</b>	<b>3,447,449,212</b>	<b>2,607,633,704</b>
<b>(-) Provision for Income Taxes</b>	1,023,116,320	544,012,870
<b>Income (Loss) Before Discontinued Operations</b>	2,424,332,892	2,063,620,833
<b>Discontinued Operations</b>	-	-
<b>Net Income (Loss)</b>	<b>2,424,332,892</b>	<b>2,063,620,833</b>
Controlling Interest	2,425,508,960	2,056,233,236
Non-Controlling Interest	2,551,780	7,387,598
<b>Net Income (Loss)</b>	<b>2,428,060,740</b>	<b>2,063,620,833</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 = [(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).

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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.*

## Analysts

Institution	Analyst	E-mail	Target Price	Recommendation
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Barclays	Gilberto García	gilberto.garcia@barclays.com	55.0 MXN	-
BBVA Research	Rodrigo Ortega	r.ortega@bbva.com	34.9 MXN	Buy
Grupo Bursátil Mexicano	Jorge Benitez	jjbenitez@gbm.com.mx	-	-
Interacciones	Manuel González	mjgonzalez@interacciones.com	56.6 MXN	Buy
Merrill Lynch	Ernesto Gabilondo	ernesto.gabilondo@baml.com	59.0 MXN	Buy
Nau Securities	Iñigo Vega	inigovega@nau-securities.com	56.0 MXN	Buy
Signum Research	Armando Rodríguez	armando.rodriguez@signumresearch.com	57.0 MXN	Buy
Ve por Más	Marisol Huerta	mhuerta@vepormas.com	-	-
Bloomberg (consenso)			56.65 MXN	-

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