

Earnings Results

2nd Quarter

2018



Quálitas

QUÁLITAS REPORTS RESULTS FOR THE SECOND QUARTER OF 2018

Mexico City, July 19th, 2018 – Quálitas Controladora, S.A.B. de C.V. (“Quálitas”, “Q”, or “the Company”) (BMV: Q*), announces its unaudited financial results for the second quarter ended June 30th, 2018.

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

2Q18 & YTD highlights:



Operating figures

- ✔ During the quarter, two ODQs were upgraded to Service Offices. Quálitas closed the first half of the year with 186 Service Offices and 227 ODQs in the four countries in which it operates.
- ✔ Insured Unites increased 3.2%, amounting to **3,931,433** vehicles.
- ✔ According to AMIS figures, Quálitas kept the top position in the Mexican Automobile Insurance Industry with **30.1% market share**.

Income Statement and Balance Sheet

- ✔ **Premiums written** increased 5.6% in the quarter, boosting a 1.1% growth in the semester. During 2018 new car sales in Mexico have dropped 8.4%.
- ✔ **Premiums earned** had a 12.9% growth in the quarter and 13.7% in the first half, both increases are superior to premiums written growth due to the recognition of revenue from multiannual policies issued in past years.
- ✔ **Claims cost** increased 11.2% during the quarter and 10.1% in the first six months of the year. These as a result of the 4.9% hike in car robbery in Mexico, weather factors, and spare parts cost that are linked to the US dollar. During the first half, Quálitas assisted 741,783 claims, 738 more events than in the same period of last year.

- ✔ The company improved its **underwriting margin** (underwriting result / earned premiums) posting a 3.9% in 2Q18 and 2.1% in 2Q17. The YTD margin improved from 1.2% in 2017 to 4.4% in the current year. Therefore, **underwriting result** amounted to \$301 million for the quarter and \$679 million on a cumulative basis.
- ✔ **Integral financing result** totaled \$605 million in the quarter, an increase of 26.5%. YTD it showed a 32.1% expansion, totaling \$1,095 million. This as a result of a consistent discipline in the portfolio management, the hike in the interest rate in Mexico that reached 7.75%, and an increase in the float. The cash or financial assets per share reached \$65.30 pesos.
- ✔ **Q* stock** had a price increase of 34.5% in the semester. The daily average traded volume was 808 thousand shares and \$2.0 million US dollars.
- ✔ The company improved 14 places in the **marketability index** of the Mexican Stock Exchange. It moved from the 54th place in December 2017 to the 40th as of June 2018, now it is considered a high marketability stock.
- ✔ In the General Shareholders' Meeting held on April 18th was approved to **cancel** 15 million shares that were in the companies' treasury. With this change Quálitas' capital stock is currently represented by 435 million shares. Also, shareholders approved \$605 million for the **share buy-back program**.
- ✔ In April the Company paid a **cash dividend** of \$0.70 (seventy cents) per share, a total amount of \$304.5 million.



Financial highlights

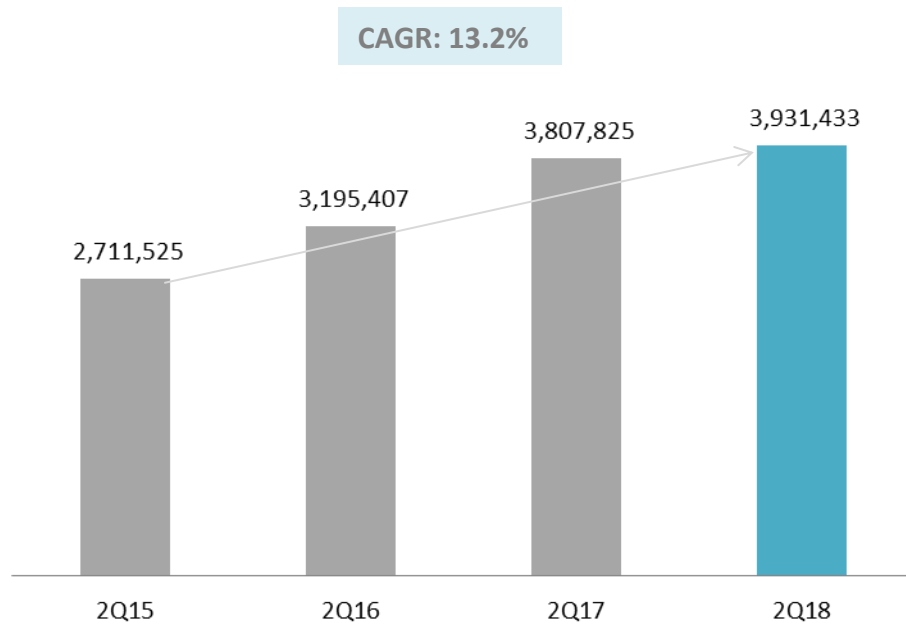
(MM MXN)

INCOME STATEMENT	2Q18	2Q17	Δ %/bp	2018	2017	Δ %/pb
Premiums Written	7,928	7,506	5.6%	16,973	16,793	1.1%
Net Premiums Written	7,854	7,469	5.2%	16,736	16,734	0.0%
Premiums Earned	7,747	6,863	12.9%	15,422	13,569	13.7%
Acquisition Cost	1,785	1,905	(6.3%)	3,807	3,954	(3.7%)
Claims Cost	5,223	4,699	11.2%	10,082	9,161	10.1%
Technical Result	739	258	186.0%	1,533	454	237.9%
Operating Expenses	438	112	290.1%	854	288	196.9%
Underwriting Result	301	146	105.9%	679	166	308.7%
Integral Financing Result	605	479	26.5%	1,095	829	32.1%
Investment Income	501	419	19.6%	883	692	27.5%
Income Taxes	271	156	73.4%	548	248	120.8%
Net Result	635	468	35.6%	1,226	746	64.2%
Controlling Interest	633	466	35.9%	1,221	741	64.8%
Non-Controlling Interest	2	3	(28.6%)	5	6	(16.3%)
Acquisition Ratio	22.7%	25.5%	(278)	22.7%	23.6%	(88)
Claims Ratio	67.4%	68.5%	(105)	65.4%	67.5%	(214)
Operating Ratio	5.5%	1.5%	403	5.0%	1.7%	332
Combined Ratio	95.7%	95.5%	20	93.2%	92.9%	29
Combined Ratio Adjusted ¹	96.1%	97.9%	(175)	95.6%	98.8%	(318)
BALANCE SHEET						
Assets	53,204	45,568	16.8%	53,204	45,568	16.8%
Investments & Real Estate ²	28,435	23,418	21.4%	28,435	23,418	21.4%
Invested Assets or float ²	28,405	22,630	25.5%	28,405	22,630	25.5%
Technical Reserves	35,408	30,304	16.8%	35,408	30,304	16.8%
Total Liabilities	45,169	39,087	15.6%	45,169	39,087	15.6%
Stockholders' Equity	8,035	6,480	24.0%	8,035	6,480	24.0%
Controlling Interest	7,988	6,436	24.1%	7,988	6,436	24.1%
Non-Controlling Interest	47	45	6.6%	47	45	6.6%
PROFITABILITY RATIOS						
Return on Investments	7.1%	7.6%	(50)	6.5%	6.3%	20
ROAE for the period	31.5%	29.3%	217	30.7%	23.8%	697
LTM ROAE	35.2%	17.0%	1,821	35.2%	17.0%	1,821

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	jun-18	jun-17	Δ units	Δ %
Automobiles	2,644,980	2,615,933	29,047	1.1%
Trucks	1,018,275	925,447	92,828	10.0%
Tourists	72,641	75,810	(3,169)	(4.2%)
Motorcycles	115,088	108,075	7,013	6.5%
El Salvador	13,941	13,256	685	5.2%
Costa Rica	50,710	49,596	1,114	2.2%
USA	15,798	19,708	(3,910)	(19.8%)
Insured Vehicles	3,931,433	3,807,825	123,608	3.2%

Insured vehicles increased 3.2% when compared to June 2017, reaching a total of 3.9 million units in the four countries in which it operates. Vehicles under Quálitas' insurance increased by more than 123 thousand units.

According to the Mexican Association of Automotive Dealers (AMDA), new car sales dropped 8.4% in the first half of the year. 680 thousand vehicles zero kilometers were sold from January to June 2018, 62 thousand less units than in 2017.

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

Premiums Written

Segment	2Q18	2Q17	Δ \$	Δ %	2018	2017	Δ \$	Δ %
Individual	2,164	1,734	430	24.8%	4,450	3,634	816	22.4%
Fleets	2,130	1,668	462	27.7%	4,887	4,153	735	17.7%
Financial Institutions	3,122	3,577	(454)	(12.7%)	6,676	7,518	(841)	(11.2%)
Foreign subsidiaries	462	414	48	11.5%	851	882	(30)	(3.4%)
Other	49	113	(64)	(56.4%)	109	607	(498)	(82.1%)
Total	7,928	7,506	421	5.6%	16,973	16,793	181	1.1%

Period	2Q18	%	2Q17	%	2018	%	2017	%
Annual	5,685	71.7%	4,806	64.0%	12,116	71.4%	11,051	65.8%
Multiannual	2,242	28.3%	2,701	36.0%	4,858	28.6%	5,742	34.2%

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

During the quarter premiums written totaled \$7,928 million, a 5.6% increase when compared to the amount recorded in 2Q17. The recovery in sales helped to offset the negative figure of the first quarter and to post a 1.1% YTD growth.

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. These short-term products allow the company to adapt promptly to current conditions.

In Quálitas Mexico premiums written rise 5.6% during the quarter and 1.4% YTD. This subsidiary continues to represent approximately 95% of total sales. Subsidiaries located in Central America kept growing in US dollars; 17.7% Costa Rica and 1.8% El Salvador.

In the US, *Quálitas Insurance Company* (QIC) sales in US dollars declined 2.2% during the quarter and 10.9% during the first half of the year, as a consequence of the strategy to moderate the expansion and to control capital requirements. The company is aiming to maintain these requirements in an optimal level. QIC sales are on par with the annual budget.

Premiums Ceded, Premiums Retained and Reinsurance

The company registered premiums ceded for \$74 million during the quarter and \$237 on cumulative basis. Quálitas holds a catastrophic reinsurance agreement for its subsidiaries.

Premiums Earned

During the second quarter premiums earned totaled \$7,747 million and showed a 12.9% increase. For the semester Quálitas registered \$15,422 million, a 13.7% hike.

The rise in premiums earned, above the growth in premiums written, is related to the amount of revenue recorded in the current period coming from multiannual policies issued in past years. Average duration of Quálitas' multiannual policies is 3.7 years.

Net Acquisition Cost

Net acquisition cost for the quarter amounted to \$1,785 million, a decrease of 6.3% when compared to the 2Q17. On a cumulative basis the company registered a decline of 3.7%, amounting to \$3,807 million.

The downturn in this cost is mainly explained by the contraction of sales through the Financial Institution segment as this channel implies superior commissions and compensations. The decline in premiums written in this segment responds to a slowdown in new car sales and automobile financing in Mexico.

The acquisition ratio for the quarter and YTD was 22.7%.

Net Claims Cost

Net claims cost reached \$5,223 million in the quarter, an increase of 11.2% when compared to the second quarter of 2017, for the semester claims cost totaled \$10,082 million a 10.1% rise. The company assisted from January to June 741,783 claims, 738 more events than in the same period of last year. It is worth to highlight that claims cost increments are lower than the growth in premiums earned.

In the claims cost breakdown per coverage, for collision, the Mexican peso appreciated 9% in the last 12 months, thus resulting in an average exchange rate of 18.73 pesos per US dollar. The improvement of the peso against the dollar should help the Company to maintain or decrease costs as spare parts prices are linked to the dollar.

During the second quarter Quálitas registered claims related to heavy rains and floods that affected different regions of Mexico.

According to the Coordinator Office of Insured Risks (*Oficina Coordinadora de Riesgos Asegurados*, OCRA, as per its acronym in Spanish) during the semester, car robbery to insurance companies in Mexico continued to increase, 45,556 units were stolen in that period, 4.9% more than in the first half of 2017.

OCRA also reported that states with higher theft rates are the State of Mexico, Jalisco, Mexico City and Puebla. Nevertheless, these states also present higher recovery rates. Quálitas achieved to lower its average theft cost by 4%.

Agreements with medical providers and having an in-house legal structure have proven to be key for cost controls. These measures have helped to reduce average cost per claim for the medical and legal expenses coverages, in 7% and 6% respectively, despite inflation in México is 4.65%.

Claims ratio for the quarter was 67.4% and 65.4% YTD, improving 105 and 214 basis points respectively.

Operating Expenses

Operating expenses had an increase of 290.1% in the quarter and 196.9% in the semester. This is mainly explained by higher administrative expenses, less revenues from policy fees due to lower premiums sales and a cumulative increase of 35.5% in the personnel remuneration.

Also, due to a decrease in the claims ratio, employee profit sharing and honorarium paid to service office representatives had an important increase. The compensation to service offices is based on a collection-claims matrix, in which their remuneration depends on the net collection and claims ratio of their portfolios.

Operating ratio for the quarter was 5.5% and 5.0% for the first half of the year.

Underwriting Result

Underwriting profit for the quarter was \$301 million, figure 105.9% higher than in 2Q17. YTD amount totals \$679 million representing a 308.7% hike. Quarterly and cumulative results favorably compare to last year's figures. The combined ratio stood at 95.7% for the quarter and at 93.5% for the first half, the underwriting margin (underwriting result /earned premiums) was 3.9% and 4.4% respectively.

To have a YTD underwriting result 4 times higher than in 2017 reflects great pricing discipline and a correct cost containment program to maintain profitable the operations of the Company.

Integral Financing Result

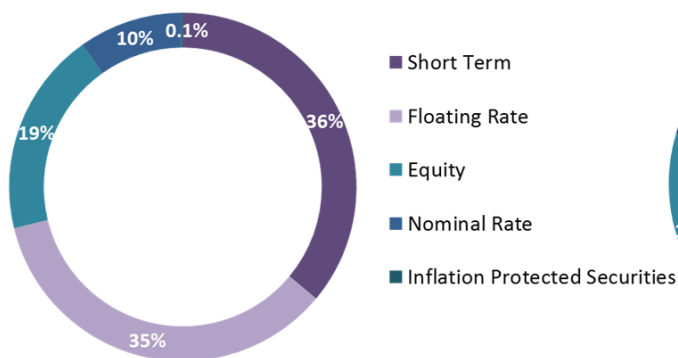
During the 2Q18 integral financing result reached \$605 million, an increase of 26.5% and amounted to \$1,095 for the first six months, figure 32.1% higher. This results derive from a disciplined investments portfolio management, and a flexibility strategy to benefit from Banxico's interest rates hikes. Mexico's interest rate currently stands at 7.75%.

During the quarter, debt portfolio had a good return as it is mainly composed by liquid, variable rate, and short term instruments.

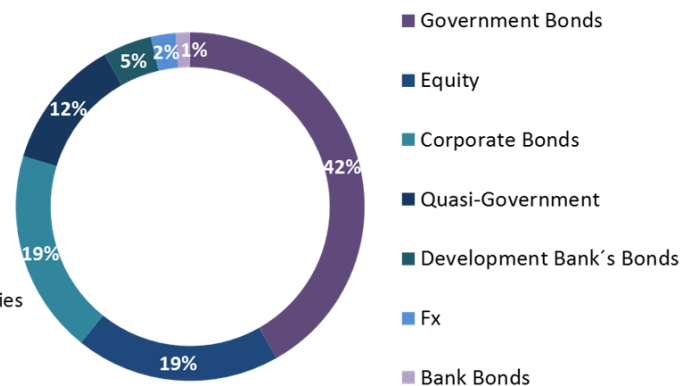
Equity portfolio has shown a defensive position as it had a positive return while the Mexbol or IPC Index had a negative performance for the quarter and for the semester. Compared to the 2Q17, allocation in equities moved from 22% of the total portfolio to 19%, figure lower than the 35% established internal limit. 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 7.1% and 6.5% YTD, figure lower than Banxico's average reference interest rate of 7.46%.

Portfolio by type of risk



Portfolio by type of issuer



Taxes

During the quarter the company recorded in taxes \$271 million and during the first half of the year \$548 million, figures 73.4% and 120.8% higher when compared to the same periods in 2017.

Net Result

With an underwriting result of \$301 million, an integral financing result of \$605 million and \$271 million taxes, the Company registered a quarterly net result of \$635 million, an increase of 35.6%. On cumulative basis net result improved 64.2% to register \$1,226 million in this item, that favorably compares to the \$746 million recorded last year.

The LTM ROAE was 35.2%. This return comes from an operating ROAE of 13.4% and a financial ROAE of 21.8%.

Investments

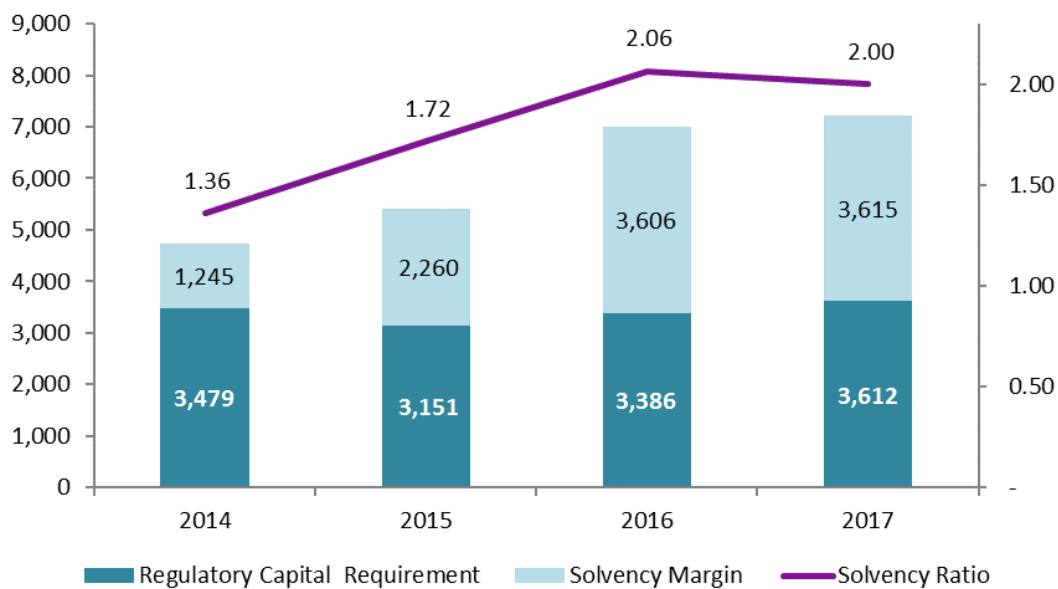
Investments amounted to \$28,435 million, an increase of 21.4%. This item comprises: securities, overnight, cash and cash equivalents, loans portfolio and property.

Technical Reserves

Technical Reserves reached \$35,408 million, an increase of 16.8% as a consequence of a 11.1% hike in unearned premiums and 33.7% in the reserve for outstanding obligations.

Solvency

Quálitas recorded a solvency margin of \$3,615 million, which represents a solvency ratio of 2.0. The Company paid a cash dividend of \$304.5 million in April.



Share Buyback Program

	2Q18	2Q17	Δ %
Shares traded in the quarter	15	4	320.7%
Balance of repurchased shares	10	9	8.5%

Figures in shares

The invested amount in repurchased shares as of June 2018 was \$503 million. In the General Shareholders' Meeting held on April 18th it was approved to cancel 15 million shares that were in

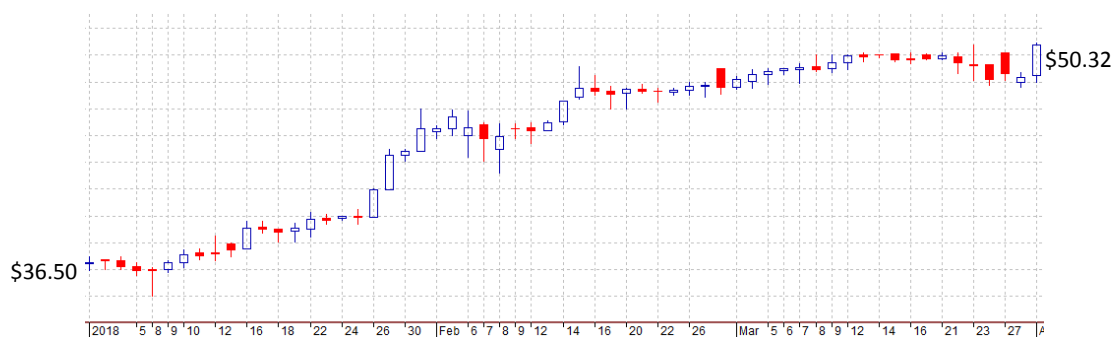
the companies' treasury. Also shareholders approved a reconstitution of a share buy-back program.

The designated amount for the share buyback program is \$550 million and it can reach a maximum of \$605 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
2Q18	811,153	130.1%	41,411,733.2	278.0%	2,039,665.33	237.6%	(3.8%)
Year	808,726	82.6%	38,986,230.8	187.9%	2,041,765.31	193.2%	34.5%
12M	644,519	39.4%	14,537,180.8	3.9%	776,074.44	7.4%	62.8%

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



The company moved from the 54th place in December 2017 to the 40th as of June 2018 in the marketability index of the Mexican Stock Exchange (BMV). Since March Q* is classified as a high marketability stock.

Sustainability

Quálitas is aware that for keeping business continuity, the correct functioning of its operations, and its adaption capabilities across the years, it has to focus on both, the financial and non-financial dimension of the company. Also it has to help and support the society in the corresponding matters, always in line with its corporate social responsibility model and its commitments with stakeholders.

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

- » Amidst the framework of the **Quálitas Road Safety Campaign**, the Company continued with **“Tour Camino a la Seguridad”** (Path to Safety Tour), a project aimed to promote road safety through interactive platforms and to raise awareness amongst the Mexican population about the importance of prevention and reduction of car accidents.
- » Also in this quarter there were more presentations of **“Road Show”**, a theatre play for youngsters between 15 and 18 years old in which different testimonies of car accident victims are presented. This effort aims to promote responsible driving.
- » The Company sponsored 6 thousand **driving manuals** that will be distributed in schools and universities in Mexico City and Nuevo León. Also, Quálitas made a media tour to raise awareness about the importance of using security systems to keep kids safe in the car.
- » Quálitas, hand in hand with CONDUSEF, carried out a **Financial Education Program** to create an insurance and saving culture amongst its agents and employees. The program included the distribution of educational material and workshops to train financial education advisers.
- » The Company promoted the **Savings Account** program within its employees after the distribution of profit sharing.
- » 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.
- » Quálitas employees received a 50% support for summer courses or different activities in the vacation season for their children between 6 and 12 years old.
- » In training matters, the Company continued to promote different academic options that an online University offers. Quálitas pays a percentage of the tuition.
- » As part of **Health days**, the company had a **“Weight loss challenge”** in which employees that decided to participate were supervised and coached by specialists to have a healthier lifestyle and an appropriate weight.

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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 average Banxico's reference interest rate is 7.46%.

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 June 30th
 Figures in Mexican pesos

	2018	2017
Assets		
Investments	28,435,327,428	23,418,499,177
Securities and Derivatives Transactions	25,486,969,788	20,943,514,961
Securities	25,486,969,788	20,943,514,961
Government	12,783,781,322	6,593,697,731
Private Companies: Fixed Rate	7,887,486,388	9,849,814,266
Private Companies: Equity	4,609,213,134	4,117,854,493
Foreign	322,051,176	337,065,899
(-) Value Impairment	115,562,232	-
Restricted Securities	-	45,082,572
Derivatives	-	-
Overnight	1,187,135,918	706,671,475
Loans Portfolio (Net)	356,249,731	451,709,208
Current Loan Portfolio	329,222,654	435,966,873
Non-performing Loan	29,415,684	18,817,242
Loan Loss Provisions	2,388,607	3,074,907
Property (Net)	1,404,971,992	1,316,603,532
Investments Related to Labor Obligations	62,051,819	70,554,292
Cash and Cash Equivalents	1,474,819,157	646,490,363
Cash and Banks	1,474,819,157	646,490,363
Debtors	19,165,763,790	17,981,018,739
Premiums	18,146,698,508	16,961,909,329
Premiums P&C Subsidy	-	-
Federal Agencies Debts	169,681,530	87,335,111
Agents and Adjusters	128,921,811	118,159,820
Accounts Receivable	4,695,000	4,695,000
Bonds for Claims Debtors	-	-
Other	836,326,040	889,140,476
(-) Allowance for Doubtful Accounts	120,559,099	80,220,997
Reinsurers and Re-Bonding Companies	160,192,977	100,752,814
Insurance and Bonds Intitutions	4,806,666	5,788,485
Retained deposits	-	-
Amounts Recoverable from Reinsurance	157,422,285	96,340,315
(-) Loan Loss Provisions for Foreign Reinsurers and Reinsurance and Bonding Brokers	1,871,944	1,318,682
(-) Provisions for Penalties	164,030	57,304
Permanent Investments	48,308,164	50,175,320
Associates	1,761,325	3,628,481
Other permanent investments	46,546,839	46,546,839
Other Assets	3,857,745,510	3,300,234,144
Furniture and Equipment (Net)	819,200,724	775,120,421
Miscellaneous	2,956,047,071	2,451,978,006
Amortizable Intangible Assets (Net)	50,007,236	43,332,427
Long-lived Intangible Assets (Net)	32,490,480	29,803,290
Total Assets	53,204,208,845	45,567,724,849

QUALITAS CONTROLADORA, S.A.B. DE C.V.
Consolidated Balance Sheet as of June 30th

Figures in Mexican pesos

	2018	2017
Liabilities		
Technical Reserves	<u>35,407,856,988</u>	<u>30,304,336,336</u>
Unearned Premiums	<u>25,092,646,536</u>	<u>22,586,741,662</u>
Property and Casualty Insurance	25,092,646,536	22,586,741,662
Reserve for Outstanding Obligations	<u>10,315,210,452</u>	<u>7,717,594,674</u>
Expired Policies and Claims Occurred Pending of Payment	8,937,268,556	7,045,823,796
Occurred but not Reported and Adjustment Costs assigned to Claims	103,232,035	47,190,153
Deposit Premiums	1,274,709,861	624,580,725
Reserves Related to Labor Obligations	240,386,640	201,820,481
Creditors	<u>4,855,111,910</u>	<u>4,439,438,721</u>
Agents and Adjusters	1,507,860,600	1,287,764,669
Funds for Losses Management	7,729,302	6,851,112
Bonding for recognition of Liabilities Creditors	-	-
Miscellaneous	3,339,522,008	3,144,822,940
Reinsurers and Re-Bonding Companies	<u>93,342,678</u>	<u>95,394,834</u>
Insurance and Bond Companies	77,432,665	79,484,821
Retained Deposits	15,910,013	15,910,013
Other	-	-
Funding Obtained	-	-
Other Liabilities	<u>4,572,028,226</u>	<u>4,046,436,252</u>
Provisions for employee profit sharing	227,115,080	154,247,144
Income Tax Provisions	573,345,754	532,878,500
Other Obligations	2,908,806,737	2,697,136,891
Deferred Credits	862,760,655	662,173,717
Total Liabilities	<u>45,168,726,442</u>	<u>39,087,426,624</u>
Stockholders' Equity		
Paid-in Capital		
Capital Stock	<u>2,534,665,540</u>	<u>2,657,024,423</u>
Capital Stock	2,595,391,662	2,684,887,926
(-) Non Subscribed Capital Stock	-	-
(-) Non Displayed Capital Stock	-	-
(-) Repurchased Shares	60,726,121	27,863,503
Earned Capital		
Reserves	<u>524,046,791</u>	<u>305,989,726</u>
Legal	313,746,968	210,935,306
For Repurchase of shares	119,809,138	95,054,419
Other	90,490,685	-
Valuation Surplus	116,574,432	76,583,923
Permanent Investments	-	-
Retained Earnings	3,403,828,586	2,518,484,525
Net Result	1,220,746,038	740,776,355
Translation effect	188,193,566	136,932,050
Non Monetary Assets Result	-	-
Controlling Interest	7,988,054,954	6,435,791,001
Non-Controlling Interest	47,427,450	44,507,223
Total Stockholders' Equity	<u>8,035,482,404</u>	<u>6,480,298,224</u>
Total Liabilities and Stockholders' Equity	<u>53,204,208,845</u>	<u>45,567,724,849</u>

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QUALITAS CONTROLADORA S.A.B. DE C.V.
Consolidated Income statement for the second quarter

Figures in Mexican pesos

	2017	2016
Premiums		
Written	7,927,545,067	7,506,272,363
(-) Ceded	<u>73,710,257</u>	<u>37,345,019</u>
Net Written Premiums	7,853,834,809	7,468,927,345
(-) Net Increase of Unearned Premiums Reserve	106,440,980	606,211,378
Earned Retained Premiums	7,747,393,829	6,862,715,966
(-) Net Acquisition Cost	<u>1,785,197,181</u>	<u>1,905,186,595</u>
Agents Commissions	542,102,771	507,549,808
Agents' Additional Compensation	124,846,306	102,669,066
Reinsurance and Rebonding Commissions	-	-
(-) Reinsurance Commissions	1,770,221	(1,228,372)
Excess of Loss Coverage	2,552,989	33,775,356
Other	1,117,465,336	1,259,963,993
(-) Net Claims Cost and Other Contractual Liabilities	<u>5,223,208,092</u>	<u>4,699,118,557</u>
Claims and Other Contractual Obligations	5,223,208,092	4,699,118,557
(-) Losses on non-proportional reinsurance Claims	-	-
Technical Income (Loss)	738,988,556	258,410,814
(-) Net Increase in Other Technical Reserves	-	-
Gross Income (Loss)	738,988,556	258,410,814
(-) Net Operating Expenses	<u>438,288,063</u>	<u>112,350,944</u>
Administrative and Operating Expenses	154,853,917	(128,292,462)
Employees' compensation and benefits	187,231,468	161,247,811
Depreciation and Amortization	96,202,678	79,395,594
Operating Income (Loss)	300,700,494	146,059,871
Comprehensive Financing Result	<u>605,137,645</u>	<u>478,521,566</u>
Investments	276,742,269	244,669,573
Sale of Investments	(4,988,984)	445,059,017
Fair Valuation of Investments	28,633,142	(361,916,413)
Surcharges on Premiums	107,211,851	76,954,742
Debt Issuance	-	-
Financial Reinsurance	-	-
Loan Interests	18,833,166	10,675,346
(-) Preventive Penalties for Amounts Recoverable from Reinsura	298,029	(195,653)
(-) Preventive Penalties for Credit Risks	(465,371)	(247,989)
Other	141,964,618	65,334,284
Foreign Exchange Rate Fluctuation	36,574,241	(2,698,626)
(-) Monetary Position Result	-	-
Participation in Permanent Investments Result	-	-
Income (Loss) Before Taxes	<u>905,838,138</u>	<u>624,581,437</u>
(-) Provision for Income Taxes	270,755,443	156,105,617
Income (Loss) Before Discontinued Operations	635,082,695	468,475,820
Discontinued Operations	-	-
Net Income (Loss)	635,082,695	468,475,820
Controlling Interest	633,192,017	465,828,527
Non-Controlling Interest	1,890,678	2,647,293
Net Income (Loss)	<u>635,082,695</u>	<u>468,475,820</u>

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

	2018	2017
Premiums		
Written	16,973,483,345	16,792,902,420
(-) Ceded	<u>237,408,441</u>	<u>59,308,233</u>
Net Written Premiums	16,736,074,904	16,733,594,186
(-) Net Increase of Unearned Premiums Reserve	1,313,992,494	3,164,896,199
Earned Retained Premiums	15,422,082,411	13,568,697,988
(-) Net Acquisition Cost	<u>3,806,755,881</u>	<u>3,953,900,462</u>
Agents Commissions	1,112,990,422	1,068,945,814
Agents' Additional Compensation	251,601,690	201,529,281
Reinsurance and Rebonding Commissions	-	-
(-) Reinsurance Commissions	5,016,075	1,049,774
Excess of Loss Coverage	3,685,457	48,754,376
Other	2,443,494,387	2,635,720,764
(-) Net Claims Cost and Other Contractual Liabilities	<u>10,082,213,776</u>	<u>9,161,034,882</u>
Claims and Other Contractual Obligations	10,082,213,776	9,161,034,882
(-) Losses on non-proportional reinsurance Claims	-	-
Technical Income (Loss)	1,533,112,754	453,762,644
(-) Net Increase in Other Technical Reserves	-	-
Gross Income (Loss)	1,533,112,754	453,762,644
(-) Net Operating Expenses	<u>853,791,141</u>	<u>287,555,248</u>
Administrative and Operating Expenses	260,097,436	(159,650,568)
Employees' compensation and benefits	406,432,585	299,751,224
Depreciation and Amortization	187,261,120	147,454,591
Operating Income (Loss)	679,321,613	166,207,396
Comprehensive Financing Result	<u>1,094,671,102</u>	<u>828,715,086</u>
Investments	583,365,892	453,985,978
Sale of Investments	113,090,237	554,192,053
Fair Valuation of Investments	(137,473,533)	(442,895,559)
Surcharges on Premiums	207,961,627	144,599,632
Debt Issuance	-	-
Financial Reinsurance	-	-
Loan Interests	30,896,453	20,449,244
(-) Preventive Penalties for Amounts Recoverable from Reinsurance	138,011	7,407
(-) Preventive Penalties for Credit Risks	(1,003,586)	(323,449)
Other	287,841,289	128,419,044
Foreign Exchange Rate Fluctuation	8,123,562	(30,351,348)
(-) Monetary Position Result	-	-
Participation in Permanent Investments Result	-	-
Income (Loss) Before Taxes	<u>1,773,992,715</u>	<u>994,922,482</u>
(-) Provision for Income Taxes	548,460,862	248,427,514
Income (Loss) Before Discontinued Operations	1,225,531,854	746,494,968
Discontinued Operations	-	-
Net Income (Loss)	1,225,531,854	746,494,968
Controlling Interest	1,220,746,038	740,776,355
Non-Controlling Interest	4,785,815	5,718,613
Net Income (Loss)	<u>1,225,531,854</u>	<u>746,494,968</u>



We invite you to join us in our **2Q18 Webcast**

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

Hosted by:

»Wilfrido Castillo, Head of Investor Relations

To participate by telephone, please dial:

»Mexico: (01 800) 5630 645

»US & Canada: (888) 339 2688

»International: (617) 847 3007

»Password #: 483 359 12

For the webcast please enter to the following link:

<https://www.webcaster4.com/Webcast/Page/1164/26104>

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

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 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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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
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