



Becle, S.A. de C.V. and
subsidiaries

FINANCIAL REPORT
TO BOND HOLDERS

Third quarter 2016



Mexico City, Mexico, November 28, 2016. – Becele S.A. de C.V. and Subsidiaries (formerly JB y Compañía, S.A. de C.V. and Subsidiaries) (which we refer collectively as “Jose Cuervo”) announced today its operating and financial results for the third quarter 2016 and 2015.

Recent Developments

Jose Cuervo paid in May 11th, 2016 interest of \$ 9,375,000 USD (second payment, the next interest payment is due on November 13, 2016).

Operating and Financial Highlights

September YTD 2016 resulted in a total 9 liter case volume or 11.1 million, 2.6% less same period last year. The latter mainly driven by a 2015 higher base as Q4 orders were anticipated due to system’s maintenance. This impact is traceable mainly to alcoholic Jose Cuervo Margarita Mix in USA and partially offset by the addition of Bushmills whisky which was acquired on February 27, 2015.

For the third quarter specifically, net sales (less excise taxes) were MXP 4,078 million, 8.9% higher than same quarter last year.

September YTD 2016, net sales (less excise taxes) totaled MXP 11,685 million, 14.0% more than the same period of the previous year. This increase is mainly driven by Tequila volume mix, incorporation of Irish whisky sales and the positive impact of foreign exchange on international sales.

Operating income in the third quarter was MXP 1,599 million, 23.1% higher than same quarter last year.

September YTD operating income was MXP 3,639 million, 24.3% higher than the same period of last year. The increase comes from positive revenue growth, adequate expense control, and the combined impact of peso denominated cost and expenses and US dollar denominated international sales.

Comprehensive Financial Result

September YTD 2016, net interest expense was MXP 255.6 million, compared to MXP 43.0 million same period last year, due to the Bond incurred by the company in May for the purchase of 100% shares of The “Old Bushmills Distillery” on February 27, 2015.

In the third quarter the company recorded a foreign exchange gain of MXP 9.1 million compared to a foreign exchange loss of MXP 320.4 million last year.

September YTD the company recorded a foreign exchange loss of MXP 225.7 million compared to a foreign exchange loss of MXP 377.4 million for September YTD 2015. Lower FX loss is explained by a higher US dollar denominated long-term leverage of the company and a lower depreciation of the Mexican Peso against the US Dollar during 2016 for the same period.

In the third quarter 2016 the company recorded a comprehensive financial result loss of MXP 71.0 million compared to a comprehensive financial result loss of 337.0 last year.



September YTD, the company recorded a comprehensive financial loss of MXP 481.3 million, compared with a comprehensive financial loss of MXP 420.3 million in the same quarter last year.

Sale of the Shares of Tequila Don Julio (TDJ)

The sale of the shares of TDJ on February 27, 2015 resulted in a net gain MXP 3,254.0 million.

Controlling Net Income

In the third quarter 2016 controlling income was MXP 1,132.5 million compared to MXP 1,048.5 million same period last year.

Controlling net income, September YTD 2016 totaled MXP 2,216.0 million, MXP 1,843.0 lower than same period last year, explained by the gain of the sales of Tequila Don Julio shares in February 2015 and by higher comprehensive financial loss this year traceable to the Bond incurred by the Company behind the purchase of Bushmills.

Balance Sheet Highlights

As of September 30, 2016, the cash balance position of the company reached MXP 4,565.5 million. Approximately 90% of this cash position is US dollar denominated.

Inventories were MXP 2,895.1 million.

Non-current inventory, which includes whisky maturing inventory and agave plantation, was MXP 3,760.4 million.

Property, plant and equipment totaled MXP 2,970.8 million, MXP 147 million higher than December 31, 2015.

Intangible assets, trademarks and goodwill totaled MXP 8,437.3 million.

Long term debt was MXP 9,637.1 million for 2016. The latter is due to the Bond contracted for the acquisition of 100% shares of The Old Bushmills Distillery.

Cash Flow Highlights

In the third quarter 2016, the cash flow from operating activities was MXP 4,955.4 million.

Net cash provided by operating activities resulted in MXP 2,954.1 million.

Net cash used in investment activities was MXP (371.8) million.

Net cash paid for financing activities was MXP (1,142.6) million.

Net cash flow (cash and cash equivalents) increased MXP 1,439.7 million.

The company cash position ended at MXP 4,565.5 million.



Becle, S. A. de C. V. and subsidiaries
(Formerly JB y Compañía, S. A. de C. V. and subsidiaries)

Consolidated Statement of financial position

As of September 30, 2016

(Thousands of Mexican pesos)

	September 30	December 31		September 30	December 31
	<u>2016</u>	<u>2015</u>		<u>2016</u>	<u>2015</u>
Assets			Liabilities and Stockholders' Equity		
Current assets:			Current liabilities:		
Cash and cash equivalents	\$ 4,565,465	3,125,809	Short-term interest payable	\$ 139,142	43,016
Accounts receivable, net (note)	1,788,995	3,400,891	Trade accounts payable	1,491,784	1,527,861
Related parties (note)	2,910,381	3,266,684	Other liabilities	139,462	711,046
Other receivables (note)	1,643,170	593,704	Accruals	488,084	620,813
Inventories, net (note)	2,895,131	2,484,649	Employee statutory profit sharing	403	11,617
Prepayments (note)	<u>232,938</u>	<u>135,307</u>	Related parties	<u>94,580</u>	<u>235,991</u>
Total current assets	14,036,080	13,007,044	Total current liabilities	2,353,455	3,150,344
Non-current inventory	3,760,428	3,204,807	Senior notes 144-Reg S	9,637,055	8,490,206
Property, plant, and equipment, net (note)	2,970,816	2,823,789	Deferred income taxes and employee statutory profit sharing	<u>821,137</u>	<u>821,137</u>
Employee benefits	93,706	102,848	Total liabilities	<u>12,811,647</u>	<u>12,461,687</u>
Intangible assets and trademarks	3,530,246	3,536,486	Stockholders' equity:		
Goodwill	4,907,064	4,907,065	Controlling interest:		
Other assets	106,406	84,118	Capital stock	5,831,831	6,827,245
Security deposits	2,808	2,808	Retained earnings	10,438,315	8,222,427
			Cumulative translation effect	<u>295,801</u>	<u>157,606</u>
			Total controlling interest	16,565,947	15,207,278
			Non-controlling interest	<u>29,960</u>	<u>-</u>
			Total stockholders' equity	16,595,907	15,207,278
	<u>\$ 29,407,554</u>	<u>27,668,965</u>		<u>\$ 29,407,554</u>	<u>27,668,965</u>



Becle, S. A. de C. V. and subsidiaries
(Before JB y Compañía, S. A. de C. V. and subsidiaries)

Consolidated Statements of Income

For the periods of nine and three months ended September 30, 2016 and 2015

(Thousands of Mexican pesos)

	<u>Nine months period enden September 30,</u>		<u>Three months period enden September 30,</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Net sales	\$ 11,685,240	10,252,673	4,078,367	3,744,471
Cost of goods sold	<u>(4,949,823)</u>	<u>(4,615,675)</u>	<u>(1,651,162)</u>	<u>(1,729,575)</u>
Gross profit	<u>6,735,417</u>	<u>5,636,998</u>	<u>2,427,205</u>	<u>2,014,896</u>
Total Expenses:				
Advertising, marketing and promotion	1,907,804	1,651,743	388,716	372,617
Distribution	292,892	273,172	100,674	93,776
Sales	214,001	171,629	72,180	48,930
Administration	<u>682,009</u>	<u>612,081</u>	<u>266,367</u>	<u>200,286</u>
Total expenses	<u>3,096,706</u>	<u>2,708,625</u>	<u>827,937</u>	<u>715,609</u>
Operating income	<u>3,638,711</u>	<u>2,928,373</u>	<u>1,599,268</u>	<u>1,299,287</u>
Other (expenses) income, net	<u>30,960</u>	<u>(48,523)</u>	<u>112,640</u>	<u>328,082</u>
Comprehensive financial results:				
Interest income (expense), net	(255,592)	(42,958)	(80,129)	(16,558)
Foreign exchange (loss) gain, net	<u>(225,750)</u>	<u>(377,375)</u>	<u>9,133</u>	<u>(320,451)</u>
Comprehensive financial results, net	<u>(481,342)</u>	<u>(420,333)</u>	<u>(70,996)</u>	<u>(337,009)</u>
Income from continuing operations, before discontinued operations	<u>3,188,329</u>	<u>2,459,517</u>	<u>1,640,912</u>	<u>1,290,360</u>
Sale of investment in joint venture and trademarks, net	-	3,253,963	-	-
Income from continuing operations, before income taxes	<u>3,188,329</u>	<u>5,713,480</u>	<u>1,640,912</u>	<u>1,290,360</u>
Income taxes	<u>972,439</u>	<u>1,652,267</u>	<u>508,386</u>	<u>240,653</u>
Consolidated net income	2,215,890	4,061,213	1,132,526	1,049,707
Non-controlling interest	<u>-</u>	<u>(2,337)</u>	<u>-</u>	<u>(1,180)</u>
Controlling net income	<u>\$ 2,215,890</u>	<u>4,058,876</u>	<u>1,132,526</u>	<u>1,048,527</u>
Other comprehensive income:				
Cumulative translation effect	<u>138,195</u>	<u>-</u>	<u>81,634</u>	<u>-</u>
Comprehensive income	<u>\$ 2,354,085</u>	<u>4,058,876</u>	<u>1,214,160</u>	<u>1,048,527</u>



Beclé, S. A. de C. V. and subsidiaries
(Formerly JB y Compañía, S. A. de C. V. and subsidiaries)

Consolidated statements of cash flows

For the periods of nine months ended September 30, 2016 and twelve months ended December 31, 2015

(Thousands of Mexican pesos)

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities:		
Income before income taxes and non-controlling interest	\$ 3,188,329	7,108,310
Items relating to investing activities:		
Depreciation and amortization	228,866	262,728
Gain on sale of property, plant and equipment	(8,666)	(10,107)
Gain on sale of joint venture available for sale	-	(3,253,963)
Interest income	(17,685)	(10,053)
Sale of shares under common control	-	(154,779)
Long-term debt amortization	-	5,159
Translation effect	144,433	216,094
Item relating to financing activities:		
Interest expense	273,278	135,231
Unrealized gain	<u>1,146,850</u>	<u>896,863</u>
Subtotal	4,955,405	5,195,483
Accounts receivable	1,611,896	194,522
Related parties	356,303	(905,984)
Other receivables	(1,049,466)	(83,711)
Inventories	(966,103)	(203,280)
Security deposits	-	(1,103)
Prepayments	(97,631)	11,758
Trade accounts payable	(36,077)	28,293
Other liabilities	(571,584)	(312,791)
Accruals	(132,729)	(26,215)
Income taxes paid	(972,439)	(1,810,462)
Accounts payable to related parties	(141,411)	134,581
Employee statutory profit sharing	(11,214)	(396)
Changes in direct employee benefits	<u>9,142</u>	<u>(261,914)</u>
Net cash provided by operating activities	2,954,092	1,958,781
Cash flows from investing activities:		
Investment in property, plant and equipment	(381,070)	(435,310)
Business acquisition	-	(10,664,773)
Mergers	-	(318,353)
Proceeds from sale of joint venture and trademark	-	4,656,252
Increase in other non current assets	(22,288)	-
Proceeds from sale of property, plant and equipment	13,841	17,046
Proceeds from sale of shares under common control	-	57,762
Interest collected	<u>17,685</u>	<u>10,053</u>
Net cash (used in) investing activities	(371,832)	(6,677,323)
Cash surplus to be applied in financing activities	<u>2,582,260</u>	<u>(4,718,542)</u>
Cash flows from financing activities:		
Proceeds from loans	-	7,631,200
Common stock reimbursement	(2,201,904)	-
Cash inflow from increase in capital stock	1,206,490	-
Non-controlling interest contributions	29,960	-
Dividends paid from previous year	-	(1,032,063)
Dividends paid	-	(1,025,029)
Payments on loans	-	(995,439)
Interest paid	<u>(177,150)</u>	<u>(135,231)</u>
Net cash used in financing activities	<u>(1,142,604)</u>	<u>4,443,438</u>
Net increase (decrease) in cash and cash equivalents	1,439,656	(275,104)
Cash and cash equivalents:		
At beginning of year	3,125,809	3,322,162
Cash received from mergers	<u>-</u>	<u>78,751</u>
At end of year	\$ <u>4,565,465</u>	\$ <u>3,125,809</u>