



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

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FINANCIAL REPORT  
TO BOND HOLDERS

Second quarter 2016



Mexico City, Mexico, August 29, 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 second quarter 2016 and 2015.

### **Recent Developments**

On November 14, 2015, as part of an internal corporate restructuring plan, the previously announced and approved merger of JB y Compañía, S.A. de C.V., Romo Hermanas S.A. de C.V. and Comercializadora Cacu S.A. de C.V. (together, the “Merged Companies”) with an into Becele S.A. de C.V. (“Becele”) took effect, with Becele surviving the merger. As a result of the merger, Becele assumed all the assets, property and rights of the Merged Companies, as well as their liabilities, obligations and responsibilities. In particular, Becele assumed all obligations of JB y Compañía S.A. de C.V. as issuer under the indenture dated May 13, 2015 (the “Indenture”) governing the company’s 3.750% Senior Notes due 2025. In addition, as part of the internal corporate restructuring plan, certain subsidiary guarantors under the Indenture were merged with and into other subsidiary guarantors under the Indenture.

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

### **Operating and Financial Highlights**

In the second quarter, total volume was 4,002 9 liter cases, 5.2% less than the same period last year.

At the YTD 2016, total volume was 7.029 million 9 liter cases, 3.5% less than same period of last year, mainly driven by lower volume of non 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 second quarter, net sales less excise taxes (“net sales”) were MXP 4,160.6 million, 20.2% higher than same quarter last year.

At the YTD 2016, net sales less excise taxes (“Net Sales”) totaled MXP 7,606.9 million, 16.9% 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 export sales.

Operating income in the second quarter was MXP 1,188.5 million, 10.2% higher than same quarter last year.

Operating income for the YTD was MXP 2,039.4 million, 25.2% 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 export sales.

Operating margin for the second quarter was 28.6% compared to 31.2% in the same quarter last year.

Operating margin for the YTD was 26.8%, 1.8 margin point higher than the same period in 2015.



### **Comprehensive Financial Result**

In the second quarter 2016, net interest expense was MXP 93.8 compared to 33.0 same period last year.

At the YTD 2016, net interest expense was MXP 175.5 million, compared to MXP 41.6 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 second quarter the company recorded a foreign exchange loss of MXP 175.4 million compared to a foreign exchange loss of MXP 62.7 million last year.

At the YTD, The Company recorded a foreign exchange loss of MXP 234.9 million compared to a foreign exchange loss of MXP 56.9 million for the second quarter YTD 2015. This FX loss is explained by the higher US dollar denominated long-term leverage of the company and the depreciation of the Mexican Peso against the US Dollar.

For the second quarter 2016 the company recorded a comprehensive financial result loss of MXP 269.2 million compared to a comprehensive financial result loss of 95.7 last year.

At the YTD, The Company recorded a comprehensive financial loss of MXP 410.3 million, compared with a comprehensive financial loss of MXP 98.5 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 3,403.3 million.

### **Controlling Net Income**

For the second quarter 2016 controlling income was MXP 619.7 million compared to MXP 524.7 million same period last year.

Controlling net income for the YTD 2016 totaled MXP 1,083.4 million, MXP 2,077.8 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 due to higher leverage in US dollars and the depreciation of the Mexican peso.

### **Balance Sheet Highlights**

As of June 30, 2016, the cash balance position of the company reached MXP 4,526.4 million. Approximately 90% of this cash position is US dollar denominated.

Inventories were MXP 3,183.2 million.

Non-current inventory, which includes whisky maturing inventory and agave plantation, was MXP 5,432.7 million.



Property, plant and equipment totaled MXP 2,918.1 million, MXP 94.3 million higher than December 31, 2015.

Intangible assets, trademarks and goodwill totaled MXP 6,598.6 million.

Long term debt was MXP 9,342.6 million for 2016. Is due to the Bond contracted for the acquisition of 100% shares of The Old Bushmills Distillery.

### **Cash Flow Highlights**

In the second quarter 2016, the cash flow from operating activities was MXP 2,774.1 million.

Operating activities and working capital investments used MXP (943.9) million.

Net cash used in investment activities was MXP (242.9) million.

Net cash paid from financing activities was MXP (186.6) million.

Net cash flow (cash and cash equivalents) increased MXP 1,400.6 million.

The company cash position ended at MXP 4,526.4 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

June 30, 2016 and December 31, 2015

(Thousands of Mexican pesos)

		<b>June 30</b>	<b>December 31</b>			<b>June 30</b>	<b>December 31</b>
		<u>2016</u>	<u>2015</u>			<u>2016</u>	<u>2015</u>
<b>Assets</b>				<b>Liabilities and Stockholders' Equity</b>			
Current assets:				Current liabilities:			
Cash and cash equivalents	\$	4,526,409	3,125,809	Current installments of notes			
Accounts receivable, net		1,696,697	3,400,891	payable to banks	\$	46,293	43,016
Related parties		3,319,404	3,266,684	Trade accounts payable		1,678,887	1,527,861
Other receivables		1,772,446	593,704	Other liabilities		143,436	711,046
Inventories, net		3,183,234	2,484,649	Accruals		994,912	620,813
Prepayments		<u>203,759</u>	<u>135,307</u>	Employee statutory profit sharing		461	11,617
				Related parties		<u>81,586</u>	<u>235,991</u>
Total current assets		14,701,949	13,007,044	Total current liabilities		2,945,575	3,150,344
Non-current inventory		5,432,664	5,448,949	Long-term debt, excluding current			
Property, plant, and equipment, net		2,918,052	2,823,789	installments		9,342,606	8,490,206
Employee benefits		96,673	102,848	Deferred income taxes and employee			
Intangible assets and trademarks		3,530,009	3,536,486	statutory profit sharing		<u>1,226,831</u>	<u>1,226,831</u>
Goodwill		3,068,617	3,068,617	Total liabilities		<u>13,515,012</u>	<u>12,867,381</u>
Other assets		111,443	84,118	Stockholders' equity:			
Security deposits		2,808	2,808	Controlling interest:			
				Capital stock		6,492,756	6,492,756
				Additional paid-in capital		334,489	334,489
				Retained earnings		9,305,791	8,222,427
				Cumulative translation effect		<u>214,167</u>	<u>157,606</u>
				Total stockholders' equity		16,347,203	15,207,278
				Commitments and contingent			
				liabilities			
	\$	<u>29,862,215</u>	<u>28,074,659</u>		\$	<u>29,862,215</u>	<u>28,074,659</u>



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

Consolidated Statements of Comprehensive Income

Three months from April to June 2016, 2015 and accumulative six months as of June 2015, 2014.

(Thousands of Mexican pesos)

	<u>6 months</u> <u>June 2016</u>	<u>6 months</u> <u>June 2015</u>	<u>3 months</u> <u>April to June 2016</u>	<u>3 months</u> <u>April to June 2015</u>
Net sales	\$ 7,606,873	6,508,202	4,160,574	3,462,111
Cost of goods sold	<u>(3,298,661)</u>	<u>(2,886,100)</u>	<u>(1,611,106)</u>	<u>(1,305,104)</u>
Gross profit	<u>4,308,212</u>	<u>3,622,102</u>	<u>2,549,468</u>	<u>2,157,007</u>
Expenses:				
Advertising, marketing and promotion	1,519,088	1,279,126	960,072	744,308
Distribution	192,218	179,396	100,161	89,167
Sales	141,821	122,699	91,038	73,802
Administration	<u>415,642</u>	<u>411,795</u>	<u>209,680</u>	<u>171,372</u>
Total expenses	<u>2,268,769</u>	<u>1,993,016</u>	<u>1,360,951</u>	<u>1,078,649</u>
Operating income	<u>2,039,443</u>	<u>1,629,086</u>	<u>1,188,517</u>	<u>1,078,358</u>
Other expenses, net	<u>(81,680)</u>	<u>(376,605)</u>	<u>(7,549)</u>	<u>(187,299)</u>
Comprehensive financial results:				
Interest, net	(175,463)	(41,564)	(93,777)	(33,024)
Foreign exchange (loss) gain, net	<u>(234,883)</u>	<u>(56,924)</u>	<u>(175,445)</u>	<u>(62,725)</u>
Comprehensive financial results, net	<u>(410,346)</u>	<u>(98,488)</u>	<u>(269,222)</u>	<u>(95,749)</u>
Equity in associated companies	<u>-</u>	<u>16,666</u>	<u>-</u>	<u>16,666</u>
Sale of investment in 2015 and equity method in associated in 2014.	<u>-</u>	<u>3,403,279</u>	<u>-</u>	<u>-</u>
Income before income taxes	<u>1,547,417</u>	<u>4,573,938</u>	<u>911,746</u>	<u>811,976</u>
Income taxes, net	<u>464,053</u>	<u>1,411,614</u>	<u>291,973</u>	<u>287,215</u>
Consolidated net income	<u>\$ 1,083,364</u>	<u>3,162,324</u>	<u>619,773</u>	<u>524,761</u>
Non-controlling interest	<u>-</u>	<u>(1,157)</u>	<u>-</u>	<u>(1,157)</u>
Controlling net income	<u>\$ 1,083,364</u>	<u>3,161,167</u>	<u>619,773</u>	<u>523,604</u>
Other comprehensive income:				
Cumulative translation effect	<u>56,561</u>	<u>-</u>	<u>64,347</u>	<u>(223,182)</u>
Comprehensive net income	<u>\$ 1,139,925</u>	<u>3,161,167</u>	<u>684,120</u>	<u>300,422</u>



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

Consolidated statements of cash flows

Years ended December 31, 2015 and June 30, 2016

(Thousands of Mexican pesos)

	<b>June 30</b>	<b>December 31</b>
	<b><u>2016</u></b>	<b><u>2015</u></b>
<b>Cash flows from operating activities:</b>		
Income before income taxes, non-controlling interest and discontinued operations	\$ 1,547,416	7,108,310
<b>Items relating to investing activities:</b>		
Depreciation and amortization	143,578	180,688
Gain on sale of property, plant and equipment	(4,635)	(10,107)
Gain on sale of joint venture available for sale	-	(3,253,963)
Interest income	(11,164)	(123,098)
Sale of shares under common control	-	(154,779)
Long-term debt amortization	-	5,159
Translation effect	56,561	216,094
<b>Item relating to financing activities</b>		
Interest expense	186,627	248,276
Unrealized gain	855,675	-
<b>Subtotal</b>	<b>2,774,058</b>	<b>4,216,580</b>
Accounts receivable	1,704,195	194,522
Related parties	(52,720)	(905,984)
Other receivables	(1,178,742)	(83,711)
Inventories	(682,300)	(203,280)
Security deposits	-	(1,103)
Prepayments	(68,451)	11,758
Trade accounts payable	151,026	28,293
Other liabilities	(567,610)	(312,791)
Accruals	374,099	(26,215)
Income taxes paid	(464,053)	(1,810,462)
Accounts payable to related parties	(154,405)	134,581
Employee statutory profit sharing	(11,156)	(396)
Changes in direct employee benefits	6,175	(261,914)
<b>Net cash provided by operating activities</b>	<b>(943,942)</b>	<b>(3,236,702)</b>
<b>Cash flows from investing activities:</b>		
Investment in property, plant and equipment	(233,206)	(353,270)
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	(20,848)	-
Proceeds from sale of property, plant and equipment	-	17,046
Proceeds from sale of shares under common control	-	57,762
Interest collected	11,164	123,098
<b>Net cash (used in) investing activities</b>	<b>(242,890)</b>	<b>(6,482,238)</b>
<b>Cash surplus to be applied in financing activities</b>	<b>1,587,226</b>	<b>(5,502,360)</b>
<b>Cash flows from financing activities:</b>		
Proceeds from loans	-	8,528,063
Dividends paid	-	(2,057,092)
Payments on loans	(169,718)	(995,439)
Interest paid	(16,908)	(248,276)
<b>Net cash used in financing activities</b>	<b>(186,626)</b>	<b>5,227,256</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>1,400,600</b>	<b>(275,104)</b>
<b>Cash and cash equivalents:</b>		
At beginning of year	3,125,809	3,322,162
Cash received from mergers	-	78,751
<b>At end of year</b>	<b>\$ 4,526,409</b>	<b>3,125,809</b>