



**CASA CUERVO
BEYOND TEQUILA**



2016 ANNUAL REPORT

INTERNATIONAL COMPANY OF DISTILLED BEVERAGES

CASA CUERVO –WITH OVER 250 YEARS OF FAMILY TRADITION– WAS BORN FROM THE VISION OF DON JOSÉ MARÍA GUADALUPE DE CUERVO Y MONTAÑO, WHO RECEIVED A DECREE FROM KING CHARLES IV TO PRODUCE AND SELL VINO DE MEZCAL, CURRENTLY KNOWN AS TEQUILA. THIS TRADITION LIVES ON THROUGH THE DIRECTION OF ITS MAJOR SHAREHOLDER –JUAN FRANCISCO BECKMANN VIDAL– AND ITS CEO –JUAN DOMINGO BECKMANN LEGORRETA–. CASA CUERVO OWNS THE OLDEST DISTILLERY OF TEQUILA IN MEXICO, “LA ROJEÑA”, WHICH IS A FAMILY INSIGNIA AND CONTINUES OPERATING AND PRODUCING THIS SPIRIT.

Casa Cuervo is the largest producer of tequila and the third largest of Irish whiskey worldwide, due to its sales volumes. With a family tradition of 11 generations, the Company produces, markets and distributes in over 85 countries a portfolio of more than 30 brands of alcoholic beverages, Ready to Drink cocktails, as well as non-alcoholic beverages. Among the most important are: 1800®, Maestro Tequilero®, Maestro Tequilero® Dobel®, Centenario®, Kraken®, Bushmills®, Jose Cuervo® Margaritas and B:ooost®.

Since February 2017, the shares of Casa Cuervo (Becele, S.A.B. de C.V.), are traded on the Mexican Stock Exchange (BMV) under the ticker symbol CUERVO.

CONTENT

A LEGACY OF SUCCESS	5
2016 RELEVANT EVENTS	12
2016 FINANCIAL HIGHLIGHTS	14
MESSAGE FROM THE CEO	16
BEYOND TEQUILA	19
STRONG FOOTPRINT	36
PRODUCTION AND BOTTLING FACILITIES	40
COMPETITIVE ADVANTAGES	42
OPERATING AND FINANCIAL PERFORMANCE	44
CORPORATE GOVERNANCE	46
MANAGEMENT DISCUSSION AND ANALYSIS	50
FINANCIAL STATEMENTS	53
INVESTOR INFORMATION	62



**A LEGACY OF
SUCCESS**



1758

Casa Cuervo is born



1795

King Charles IV issues a royal decree in Spain granting Mr. José Antonio de Cuervo land ownership and the first license to produce and distribute tequila



1873

The first three tequila barrels are exported



1880

First Company to bottle tequila in glass bottles

Jose Cuervo

1900

Jose Cuervo brand is established



1940

Leader in the tequila industry



1948

Margarita's cocktails are created



1974

Jose Cuervo promotes tequila's certificate of origin and exports 500,000 boxes



1989

Positioning of products' portfolio in 42 countries



1994

2 million boxes exported



1999

5 million boxed sold



2004

Cuervo has presence in over 85 countries and is the first Company in its industry to obtain the Socially Responsible Company (ESR) distinction granted by Cemefi



2007

Proximo Spirits is established

Acquisition of Three Olives



2010

250 years of history

Acquisition of Hangar 1

Acquisition of Stranahan's



2011

Acquisition of Boodles Gin



2013

Beginning of distribution of Jose Cuervo brand in the United States through Proximo Spirits

7 million boxes exported



2015

Acquisition of OBD (Old Bushmills Distillery)



2016

Casa Cuervo and Proximo Spirits merger

Launch of Ready to Drink beverages, Jose Cuervo Especial Paloma and Kraken Cola



2017

Initial Public Offering in the Mexican Stock Exchange: Becle, S.A.B de C.V.



2016 RELEVANT EVENTS

2016, YEAR OF
PREPARATION
AND REORGANIZATION
BEFORE THE INITIAL
PUBLIC OFFERING IN
THE MEXICAN STOCK
EXCHANGE

0.84x LEVERAGE RATIO
ADJUSTED EBITDA
\$5,132 MILLION
PESOS NET DEBT

\$6,075 MILLION
PESOS
ADJUSTED EBITDA
+25% VS 2015

+32%
INCREASE IN
SALES

MERGER
PROXIMO - BECLE

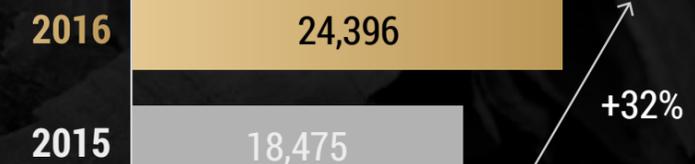
SALSAS CHOLULA
SPLIT UP



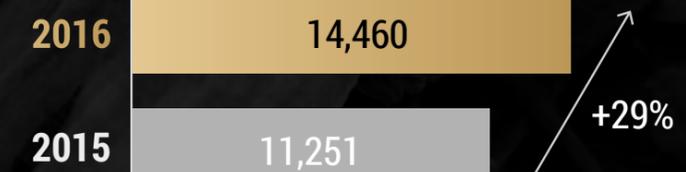
2016 FINANCIAL HIGHLIGHTS

(PS.\$MM)	2015	2016	Variation %
Net Sales	18,475	24,396	32
Cost of Sales	7,224	9,936	38
Gross Profit	11,251	14,460	29
Advertising, Marketing and Promotion	4,123	6,039	47
Distribution	727	750	3
Sales and Administration Expenses	1,677	2,208	32
Other (expenses) Income, Net	104	(160)	(254)
Operating Income	4,620	5,624	22
Comprehensive Financing Cost	448	936	109
Other Non-recurrent Expenses	3,446	-	(100)
Income before Taxes	7,619	4,688	(39)
Total Income Tax	2,310	1,540	(33)
Net Income	5,308	3,148	(41)
EBITDA	7,991	5,484	(31)
Adjusted EBITDA	4,864	6,075	25
Other Comprehensive Results, Net Taxes	1,709	2,298	34
Net Comprehensive Result	7,017	5,446	(22)

NET SALES



GROSS PROFIT



ADJUSTED EBITDA





MESSAGE FROM THE CEO

Dear Shareholders,

I am pleased to present our Annual Report 2016, in which we present the operational and financial results of a great year for Jose Cuervo, Company with 250 years of family tradition, global leader in tequila, with a market share of 30%.

2016 excellent performance is the result of our diverse strategies, such as the solid expansion and geographical diversification, investment in innovation and brand development, as well as the synergies consolidation from the Bushmills acquisition, among others; coupled with our vertical integration from production to distribution, which has allowed us to become a global company of Spirits.

The Tequila category in Mexico continues to show its leadership with a growth of 9% in volume and 17% in value. Thus, at the end of the year, our brand Jose Cuervo grew by 31% against 2015 and currently represents 37% of the Company's total net sales. On the other hand, the rest of our categories of distilled beverages grew in double digits, with annual increases in volume of 11% for Other Tequilas, 15% for Other Alcoholic Beverages and 15% in RTDs. This is mainly due to the "premiumization" strategy led by the Cristalinos segment.

In 2016, net sales amounted to \$24.39 billion pesos, compared to \$18.47 the previous year, an increase of 32%, of which 68% corresponded to the United States and Canada, 21% to Mexico and 11% to the "Rest of the World". For its part, the total volume was 20.4 million 9 liter boxes, representing a 12% increase. These results also reflect a strong profitability shown in Adjusted EBITDA of \$6.07 billion, 25% above 2015.

The performance of the United States and Canada responds mainly to the good behavior of our brands Jose Cuervo, Maestro Dobel, Kraken and Bushmills, to the development of the "premiumization" trend and of the crystalline category, in which we focused significant efforts in 2016. Sales in the US & Canada region include anticipated sales from the fourth quarter of 2016 arising from the announcement of a price increase effective January 1, 2017 in the US in Jose Cuervo Tequilas, Margaritas and Ready to Drink, which caused many of the Company's customers in those markets to anticipate purchases.

2016 was a year of preparation and reorganization for Becele, prior to the successful Initial Public Offering on the Mexican Stock Exchange –for a total amount of \$18,635,602,436 that represents 15% of the Company's share capital– completed in February 2017. Likewise, we carried out the merger with our international distributors –Proximo–, the incorporation of 78% of Maestro Tequilero as Becele's brand and the split up of Salsas Cholula.

All these achievements would not have been possible without a solid Corporate Governance, our experienced managers and the support of clients and shareholders. We thank all of you for your trust.

We remain committed to pursue greater profitability for our investors, leading the development of the tequila category through brand building, innovation, product development and "premiumization", as well as seeking greater expansion and diversification in other categories of our business.

Juan Domingo Beckmann Legorreta
Chief Executive Officer





BEYOND TEQUILA

DIQUE 5
CAP. 66 M³

Jose Cuervo

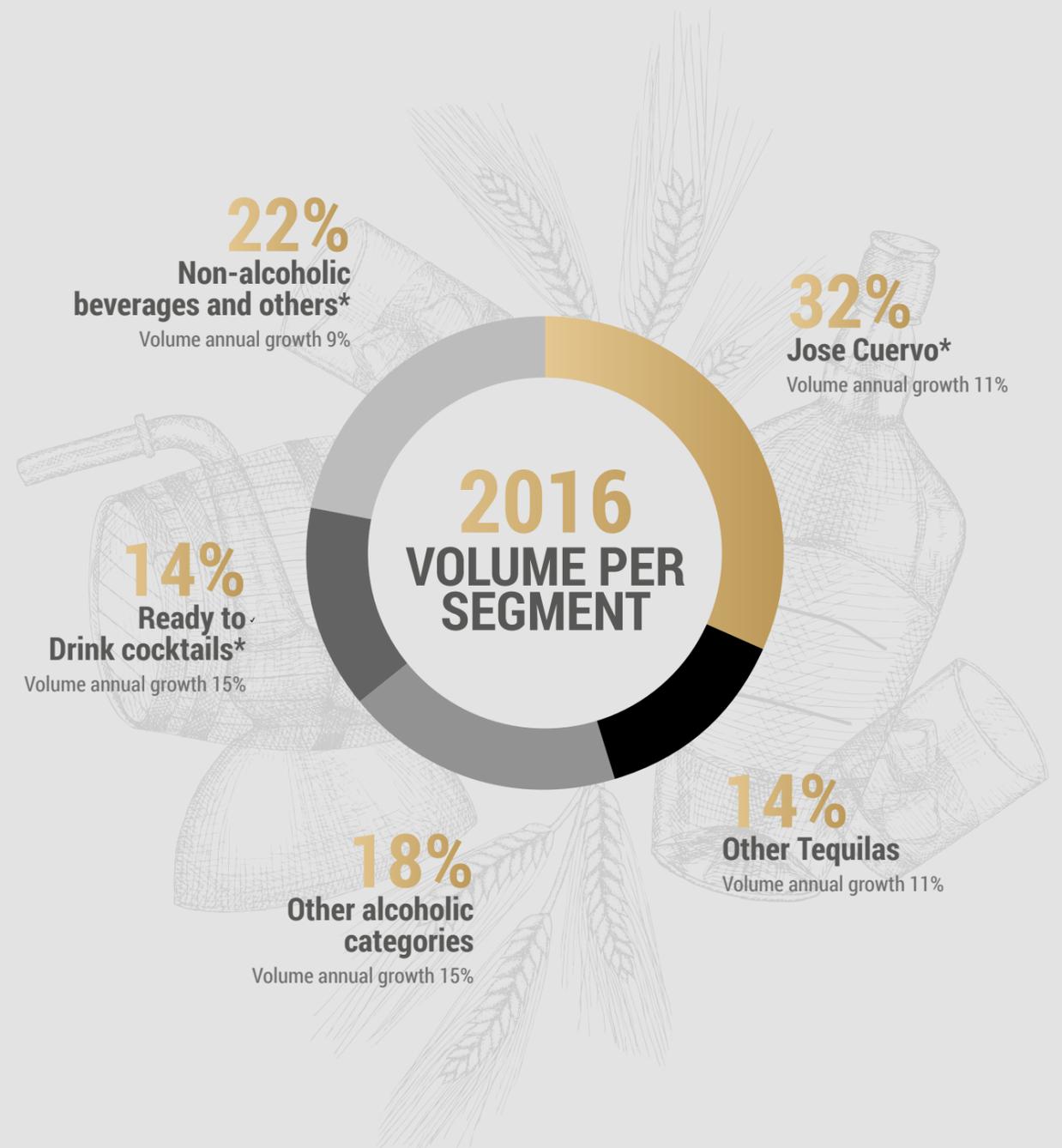


AT **CASA CUERVO** WE OPERATE, PRODUCE, MARKET AND DISTRIBUTE TO OVER 85 COUNTRIES

We have a portfolio of 9 categories and over 30 brands of distilled alcoholic beverages –some of them we own and distribute worldwide, and some others are owned by third parties and distributed only in Mexico– ready-to-serve cocktails (Ready to Drink) and non-alcoholic beverages.

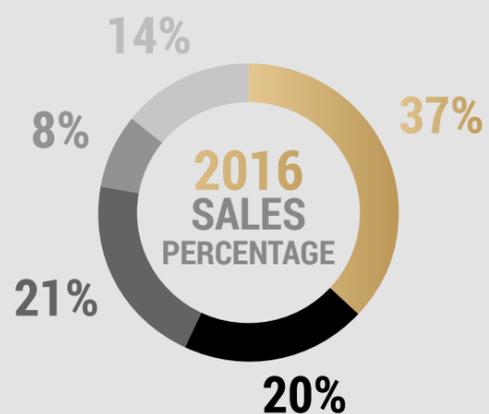
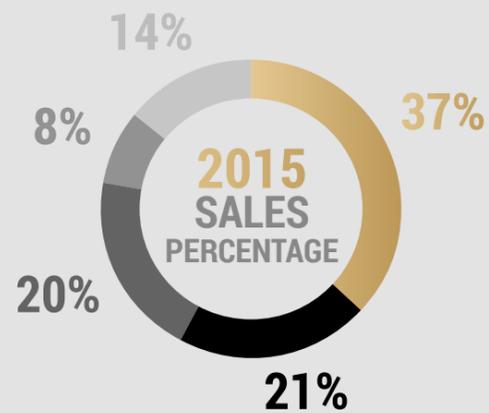
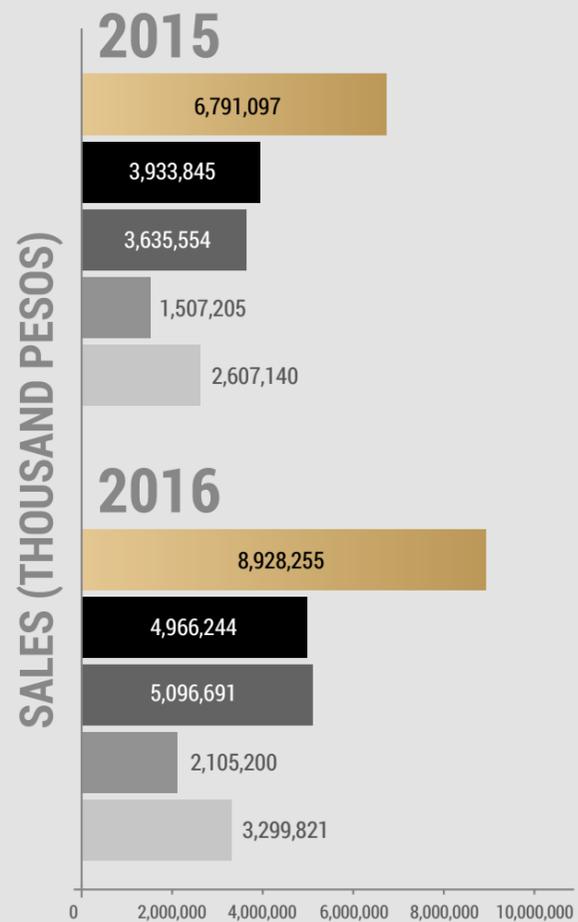
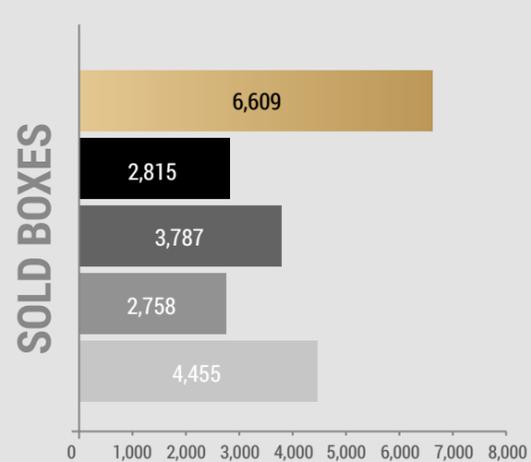
AMONG THE FASTEST GROWING BRANDS ARE:
JOSE CUERVO, 1800, CENTENARIO, BUSHMILLS AND KRAKEN

2016 VOLUMEN PER SEGMENT



*Part of the volume corresponds to anticipated sales arising from the price increase effective January, 2017.

2016 NET SALES PER SEGMENT



■ Jose Cuervo Annual Growth 31%	■ Ready to Drink cocktails Annual Growth 40%
■ Other tequilas Annual Growth 26%	■ Non-alcoholic beverages and others Annual Growth 27%
■ Other alcoholic categories Annual Growth 40%	

DISTILLED ALCOHOLIC BEVERAGES

Within the category of distilled liquors, by volume and sales, we are the world's leading tequila producer with over twice the sales of our closest competitor, and the third largest producer of Irish whiskey worldwide. It is noteworthy that in 2016, all categories of distilled beverages increased in double-digits.

We have one of the largest tequila portfolios in the market, composed of five well-known brands, which covers different price segments. At year's end 2016, it represented 57% of our sales value.

Our main Tequila brand in terms of volume is **Jose Cuervo**, including its sub-brands –Jose Cuervo Especial (Gold and Silver), Jose Cuervo Tradicional, Jose Cuervo Reserva de la Familia and Jose Cuervo Platino–. Furthermore, we have other worldwide recognized brands, such as: **1800**, **Centenario** and **Maestro Tequilero Dobel**.

In the whiskey category, our **Bushmills** brand has positioned itself in sales volume as the third brand of Irish whiskey in the world and the second in the United States, and represented 5% of our sales value in 2016.

In the rum category, in 2009 we launched our brand of premium rum **Kraken**, one of our most innovative brands, developed entirely by Jose Cuervo. This brand has maintained double-digit growth, and has had great success in markets such as the United States, Australia and Canada, and in 2016 it represented 4% of sales value.

In the vodka segment, we have presence with our brands, **Three Olives** –premium vodka manufactured with the highest standards–, **Hangar 1** –acquired in 2010 and whose growth in sales volume has been important until 2016– and **Oso Negro**, with a Long tradition in Mexico.



VOLUME AND SALES LEVEL

9 liter boxes
1,167,234

Sales (thousand pesos)
2,831,601,487

Volume share
6%

TEQUILA 1800®

OUR SUPER PREMIUM TEQUILA, ONE OF THE OLDEST AND MOST REPRESENTATIVE BRANDS OF TEQUILA IN MEXICO

It is considered the second tequila brand of 100% agave worldwide by sales volume.



Tequila 1800 includes the following products: 1800 Milenio, 1800 Blanco, 1800 Cristalino, 1800 Añejo, 1800 Reposado and Essential 1800.

Jose Cuervo®

JOSE CUERVO IS THE MOST WIDELY DISTRIBUTED PREMIUM TEQUILA BRAND WORLDWIDE IN TERMS OF SALES VOLUME

Jose Cuervo has presence in over 85 countries, the main ones being the United States and Canada.

The most popular brands in the international market are Jose Cuervo Especial and Jose Cuervo Especial Silver, and in the Mexican market, Jose Cuervo Especial.



The Jose Cuervo product line includes Jose Cuervo Especial, Jose Cuervo Especial Silver, Jose Cuervo Tradicional Silver, Jose Cuervo Tradicional Reposado, Jose Cuervo Platino, Jose Cuervo Reserva de la Familia and Jose Cuervo 250 Aniversario.



VOLUME AND SALES LEVEL

9 liter boxes
6,608,944

Sales (thousand pesos)
8,928,255,105

Volume share
32%



BUSHMILLS IRISH WHISKEY HAS A LONG TRADITION, DATING BACK TO 1608

Currently, its main markets are the United States and Europe, where it distributes approximately 99% of its production.

Bushmills' total production is carried out at the ancient distillery in the settlement of the same name at the north coast of Northern Ireland, with a production capacity of approximately five million 9L boxes of whiskey and bottling capacity of three million 9L boxes per year.

VOLUME AND SALES LEVEL

9 liter boxes
744,972

Sales (thousand pesos)
1,282,788,849

Volume share
4%



Bushmills includes the brands Bushmills Original, Black Bush, Bushmills 10 year Old Single Malt, Bushmills 16 year Old Single Malt, Bushmills 21 year Old Single Malt and Bushmills Steamship, this last one launched in 2016.



KRAKEN'S LAUNCH TOOK PLACE IN 2009, AS A BRAND OF SPICED DARK RUM

Product created 100% by Jose Cuervo and example of innovation, whose growth has been successful. Its sales volume and market share in the United States has been very important for the Company.



Kraken products include Kraken and Kraken Ghost rums, as well as the Ready to Drink Kraken Cola. Moreover, in 2016 we launched in the United States the brand with low alcohol content, Kraken Dark Label.



VOLUME AND SALES LEVEL

9 liter boxes
663,073

Sales (thousand pesos)
954,650,709

Volume share
3%



MAESTRO TEQUILERO®

AS AN ULTRA-PREMIUM TEQUILA,
IT IS THE NEWEST TEQUILA BRAND
IN OUR PORTFOLIO

Maestro Tequilero Dobel was established in 2005, and includes tequilas reposados and double distillation tequilas. It is manufactured through an exclusive process and has packaging that are distinguished by their design.



Maestro Tequilero Dobel includes the brands Maestro Tequilero Blanco, Maestro Tequilero Reposado, Maestro Tequilero Añejo, Maestro Dobel Diamante (first crystalline tequila made with a blend of reposado, aged and extra aged), Maestro Tequilero Atelier and Maestro Tequilero Humito (first smoked tequila).

READY TO DRINK BEVERAGES

For many years now, we have developed several Ready to Drink cocktails, including Jose Cuervo Authentic Margarita, which participates in the category of most popular cocktails in the United States, besides other beverages such as: Jose Cuervo Especial Paloma, Kraken Cola and Golden Margaritas. This beverage category is focused on meeting the needs of those consumers who do not have the time to prepare a drink.



NON-ALCOHOLIC BEVERAGES

They are the necessary supplement for some of our alcoholic beverages, such as Sangrita Viuda de Sánchez, which we have enjoyed with tequila for many years, B:boost or the Jose Cuervo Margarita Mix, the perfect basis to prepare margaritas.



STRONG FOOTPRINT

Our operations are divided in three geographic regions: Mexico, United States and Canada, and the “Rest of the World”, which includes over 85 markets –the most important ones are Brazil, Japan, United Kingdom, Spain, Greece and Australia–.



Share of total
29%
Mexico
Annual growth 6%

Share of total
61%
United States and Canada
Annual growth 15%

Share of total
21%
Mexico
Annual growth 14%

Share of total
68%
United States and Canada
Annual growth 40%

Share of total
10%
“Rest of the World”
Annual growth 10%

Share of total
11%
“Rest of the World”
Annual growth 29%

■ Mexico ■ United States and Canada ■ “Rest of the World”

OUR PRESENCE IN MEXICO

9 PRODUCT CATEGORIES

29%
VOLUME SHARE

NET SALES
\$5,018,480 (000)



OPERATIONS UNIT GUADALAJARA, JALISCO

Rojeña and Los Camichines Distilleries
EDISA Bottling Company

AGRICULTURAL TEQUILA, JALISCO

Agave plantations



14% SALES ANNUAL GROWTH

MAIN BRANDS

Jose Cuervo®

TEQUILA CENTENARIO®

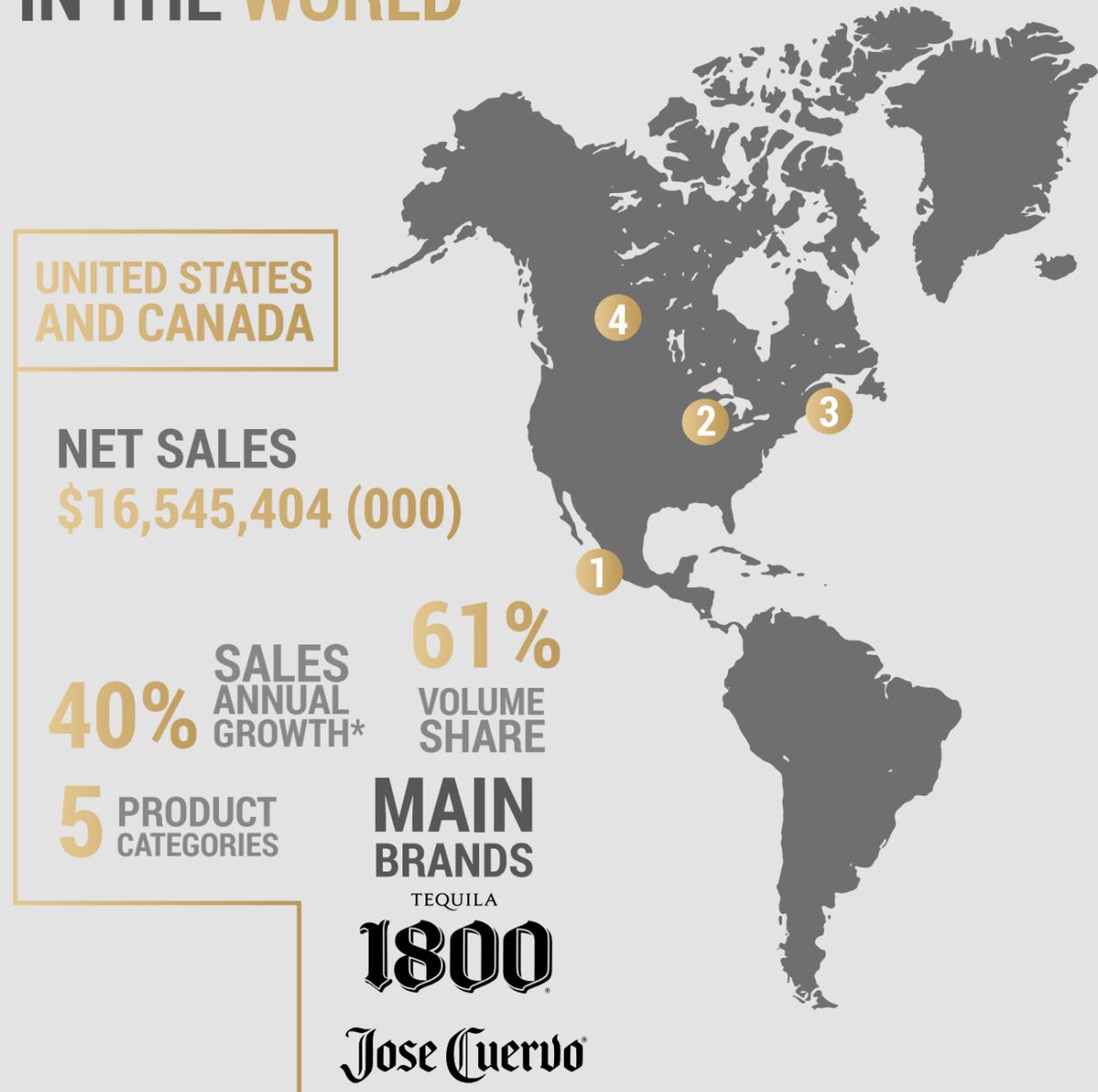
BUSHMILLS

MAESTRO TEQUILERO®

TEQUILA 1800®

The KRAKEN RUM

OUR PRESENCE IN THE WORLD



*Part of sales corresponds to anticipated sales arising from the price increase effective January, 2017.

1 **JOSE CUERVO MEXICO**
Headquarters and operations

2 **PROXIMO DISTILLERY**
Indiana, United States
Colorado, United States
California, United States

3 **PROXIMO INTERNATIONAL**
New Jersey, United States

4 **PROXIMO CANADA**
Ontario, Canada

5 **OLD BUSHMILLS DISTILLERY**
Northern Ireland,
United Kingdom

6 **JC MASTER DISTRIBUTION**
Dublin, Ireland
Distribution to the
"Rest of the World"

7 **PROXIMO UK**
London, United Kingdom
Distribution in the United Kingdom

PRODUCTION AND BOTTLING FACILITIES

PRODUCTION

Currently, at Jose Cuervo we have two tequila distilleries: Los Camichines, located in La Laja, Jalisco, which specializes in the production of tequila and 100% agave tequila, and La Rojeña in Tequila, Jalisco –the oldest distillery in Mexico– which produces 100% agave tequila. Both are part of the territory that includes the Certificate of Origin. Furthermore, we have a tequila processing and bottling plant (EDISA), in the state of Jalisco.

In Northern Ireland, we own a distillery and bottling company dedicated to the production and packaging of our Bushmills Irish whiskey. In the United States we have two distilleries, one of whiskey in Colorado –where our Stranahan’s brand is produced– and another one of vodka in California for the production of Hangar 1, as well as a bottling plant in Indiana.



COMPETITIVE ADVANTAGES

WE ARE THE LARGEST TEQUILA PRODUCER WORLDWIDE

We are the largest tequila producer worldwide, generating sales in 2016 for \$13.89 billion pesos and leaders in the two largest markets of tequila globally, United States and Mexico, as well as in the “Rest of the World”.

MEXICO

33% TEQUILA TOTAL VOLUME SALES

23% SALES VALUE

UNITED STATES

53% TEQUILA TOTAL VOLUME SALES

65% SALES VALUE

“REST OF THE WORLD”

14% TEQUILA TOTAL VOLUME SALES

12% SALES VALUE

Net sales in the United States and Canada include anticipated sales in the fourth quarter of 2016, due to the announcement of a price increase in the United States effective January 1, 2017 in Jose Cuervo, Margaritas and Ready to Drink Beverages (RTDs), which caused many of the Company's customers in those markets to anticipate purchases.

During 2016 and according to our premiumization trend, we continued to invest in our portfolio of brands that are our most valuable asset, such as ultra-premium and prestige tequilas like Maestro Tequilero Dobel and Reserva de la Familia.

Our diversified brands portfolio of alcoholic distilled beverages comprises multiple categories, tastes and prices throughout the Company's key markets, focusing on a broad range of consumers, which is undoubtedly a competitive advantage.

We have increased our presence in the most profitable distilled spirits markets in the world due to organic growth and strategic acquisitions, such as that of Bushmills in 2015. We are well positioned to maintain the international expansion with our key brands such as tequila and whiskey, which still have a low penetration outside our main markets.

Undoubtedly, one of our competitive advantages is our vertically integrated model, which ranges from agave cultivation, distilleries, processing and packaging facilities and maturation warehouses to storerooms and distribution centers. This model has allowed us to control the supply of key inputs, as well as the quality at each stage of production, from raw materials to commercialization. Likewise, it allows us to operate at lower costs than the third party market.

We control our distillation and bottling processes. During 2016, we carried out the progress and strengthening of all the Company's internal processes at the national level, –financial, agricultural and operational–, which has been one of our pillars for the year's sound results.

Moreover, this year we began the implementation of the Lean Manufacturing strategy with the main objective of improving service and simplifying processes.

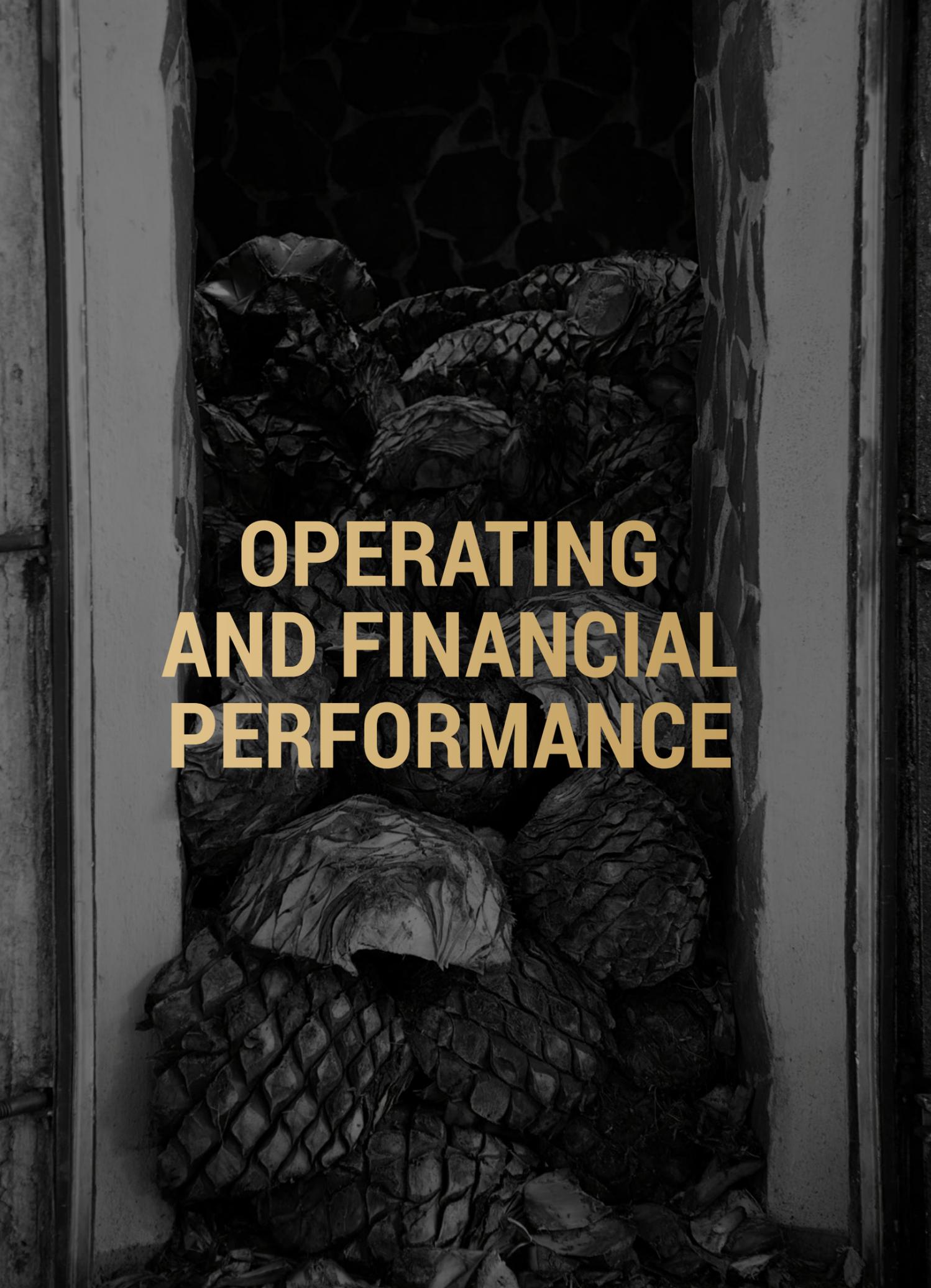
We have a strong and efficient direct route-to-market vertically integrated model operating in our largest markets: Mexico, the United States, Canada, the United Kingdom and the Republic of Ireland, which operates based on each market's needs. For the “Rest of the World”, we distribute through third parties.

The distribution in Mexico is considered the second network of distilled alcoholic beverages by sales value and the ninth for the United States.

In the case of Mexico, approximately 80% of the total sales volume of the Company's distributed products is concentrated in our distribution center at Guadalajara, Jalisco, which operates as a distribution central resupplying four distribution centers and 16 transport centers located in Mexico. In Jose Cuervo we do not own a fleet; we outsource the service, which gives us efficiency and flexibility to adjust the distribution to the market's seasonality. It is worth mentioning that in the case of bulk tequila, this is sent from our production plant to the United States in tank cars owned by the Company.

The route-to-market model has been key for our brands' success in the United States. In 2008, Proximo began distributing 1800 in such country, increasing volume and sales from that moment in an important way. In 2016 we executed the merger with Proximo, which supplements our vertically integrated model –from production to commercialization– in our largest market.

In the “Rest of the World”, distribution is carried out through independent distributors in over 85 markets where we have presence.



OPERATING AND FINANCIAL PERFORMANCE

WE CLOSED **2016** WITH A TOTAL VOLUME OF **20.4 MILLION 9 LITERS BOXES**, REPRESENTING A **GROWTH OF 12%** COMPARED TO 2015. LIKEWISE, NET SALES WERE **\$24.39 BILLION PESOS**, A **32% INCREASE** AGAINST **\$18.47 BILLION PESOS** IN 2015, RESULTS ABOVE THE INDUSTRY

The previous results are the outcome of a solid strategy, based on various factors such as product development and innovation, brand building and the business' expansion and diversification.

We have continued our strategy of expanding and developing brands seeking to penetrate markets where there is potential for organic growth, such as the United States, Europe and Asia Pacific, where the consumption of tequila is still low.

During the year, we maintained leadership in the development of the tequila "premiumization" trend in the United States and Mexico, with the development of the "crystalline" category –Maestro Tequilero Dobel and 1800 Cristalino–, as well as in the expansion of premium and ultra-premium products.

During 2016, we remained focused on innovation combining organic growth, brand expansion and improvement, which has allowed us to extend our offer of super-premium, ultra-premium and prestige segments.

Our path of inorganic growth is shown in the recent acquisition of Bushmills, which has increased our presence in Europe, as well as the diversification of new product categories.

In 2016, we defined the synergies derived from the Bushmills Acquisition in 2015, as well as the merger with Proximo, which have allowed us to better control our brand's distribution in Europe and the United States.

The Bushmills acquisition awards us several opportunities; first, to expand the brand in those markets in which it is not yet fully developed and second, to take advantage of markets in which the brand is already consolidated to facilitate the growth of our various brands.

In 2016, the integration of Proximo –the ninth largest distributor of distilled alcoholic beverages by sales value and the tenth by volume in the United States– was carried out with Jose Cuervo. This operation has allowed us to strengthen and integrate our distribution platform to the United States, Canada, the United Kingdom and the Republic of Ireland, as well as to align and integrate our advertising, marketing and promotion strategies in North American markets. Since Proximo took over the distribution of Jose Cuervo Especial, the brand has been revitalized in the United States, transforming a downward volume trend to a growth trend for the second consecutive year.

Simultaneously with the integration of Proximo, in 2016, we conducted a split up from Beclé to separate the Cholula brand's proprietary subsidiary and operations.

WE WILL CONTINUE OUR STRATEGY
TO DIVERSIFY BRANDS AND
MAINTAIN OUR DEVELOPMENT AS A
GLOBAL SPIRITS COMPANY

CORPORATE GOVERNANCE

The Board of Directors is currently comprised by seven proprietary directors and three alternate directors. Each director is elected for a term of one year, can be reelected and must remain in office until his successor has been elected and taken possession of his position. Board members are elected by the shareholders at the annual meeting. All current proprietary and alternate directors were elected or ratified in their positions on January 25, 2017.

Pursuant to the Securities Market Law and the Company's bylaws, at least 25% of all directors must be independent and such independence is qualified by the Shareholders' Meeting that appoints them, subject to observations by the CNBV.

BOARD OF DIRECTORS

Pursuant to the Securities Market Law and the Company's by-laws, the Board of Directors must be responsible for establishing the general strategy for conducting the business and for legal entities controlled by the Company; for which it may rely on one or more committees.

The Board of Directors will be responsible for monitoring the compliance with resolutions of the Shareholders' Meetings, which may be carried out through the Committee that performs the audit functions.

In addition, the Board of Directors has the Company's representation and is empowered to enter into any legal acts and adopt any determinations that are necessary or convenient to achieve the corporate purpose.

The Board of Directors' sessions shall be considered validly installed and held if a majority of its members are present. The resolutions adopted at these meetings will

be considered valid if they are approved by a majority of the Board of Directors members present that do not have a conflict of interest. If necessary, the Chairman of the Board of Directors may cast a quality vote.

The sessions of the Board of Directors may be called by (i) 25% of the members; (ii) the Chairman of the Board of Directors or the Vice-Chairman of the Board; (iii) the Chairman of the Audit Committee or the Corporate Practices Committee; and (iv) the Secretary of the Board of Directors. Calls for Board of Directors' meetings must be made in writing and notified to the other directors at least one business day prior to the date set for holding the meeting. In other cases, they must be notified by certified mail or any other electronic means, confirming their receipt, to the address, places or electronic means that the own directors or the Secretary have indicated in writing for that purpose. However, the call will not be necessary if all the directors or their alternates are present at the meeting.

Juan Francisco Beckmann Vidal
CHAIRMAN

Juan Domingo Beckmann Legorreta
PROPRIETARY DIRECTOR

Nello Raimund Trevisan
INDEPENDENT PROPRIETARY DIRECTOR

Michael Verdon Cheek
INDEPENDENT PROPRIETARY DIRECTOR

Rogelio Miguel Rebolledo Rojas
INDEPENDENT PROPRIETARY DIRECTOR

John Randolph Millian
INDEPENDENT PROPRIETARY DIRECTOR

Ricardo Cervera Lomelí
INDEPENDENT PROPRIETARY DIRECTOR

Ángel Abarrategui Diez
ALTERNATE DIRECTOR

Daniel Elguea Solis
ALTERNATE DIRECTOR

Carlos Javier Vara Alonso
INDEPENDENT PROPRIETARY DIRECTOR

Pedro Pablo Barragán Barragán
SECRETARY

AUDIT AND CORPORATE PRACTICES COMMITTEE

The Board of Directors is supported by the Audit and Corporate Practices Committee, in the management, conduct and execution of the Company's affairs.

The main functions of the Committee include the supervision of the Company's external auditors, the analysis of their reports, and reporting to the Board on any irregularities related to internal controls, as well as supervising the performance of related party transactions and the Chief Executive Officer's activities and submitting an annual report to the Board of Directors.

Ricardo Cervera Lomelí
CHAIRMAN

Rogelio Miguel Rebolledo Rojas
MEMBER

John Randolph Millian
MEMBER

MANAGEMENT TEAM

Juan Domingo Beckmann (25 years)
CHIEF EXECUTIVE OFFICER

Ángel Abarrategui (6 years)
CHIEF EXECUTIVE OFFICER

Mark Teasdale (9 years)
PRESIDENT AND PROXIMO'S CEO

Luis Fernando Felix (15 years)
CHIEF EXECUTIVE OFFICER MEXICO AND LATAM

Daniel Elguea (4 years)
CHIEF FINANCIAL AND ADMINISTRATIVE OFFICER

Cristóbal Mariscal (16 years)
CHIEF LEGAL COUNSEL

Pedro Pablo Barragán Barragán
CHIEF LEGAL COUNSEL

Carlos Humberto Suárez
INSTITUTIONAL RELATIONS DIRECTOR

Guillermo Francke (1 year)
DIRECTOR OF AGRICULTURAL OPERATIONS

Alejandro Coronado (18 years)
DIRECTOR OF OPERATIONS

Eduardo Amaya (6 months)
DIRECTOR OF HUMAN RESOURCES

Jorge Scoria (13 years)
AUDIT DIRECTOR

José Luis Giusti (8 years)
PROCUREMENT DIRECTOR

Luis Carlos de Pablo (16 years)
INVESTOR RELATIONS DIRECTOR

Scott Niemiec (8 years)
VICE-PRESIDENT PROXIMO OPERATIONS

Gordon Dron (2 months)
MANAGING DIRECTOR OF EMEA/APAC
REGIONS OF JOSE CUERVO MD

Colum Egan (14 years)
MASTER DISTILLER AND RESPONSIBLE
FOR BUSHMILLS (HEAD OF SITE)



MANAGEMENT DISCUSSION AND ANALYSIS ON THE COMPANY'S OPERATIONAL RESULTS AND FINANCIAL SITUATION

SALES VOLUME

There was double digit growth in volume in the US and Canada as well as in "Rest of the World", showing growth of 15% and 10%, respectively in full year figures. In Mexico, the only Market in the world we consider mature for Tequila, we continue growing above market rates and capturing share with an annual growth of 6%.

We had double digit growth in volume in all the Categories where we participate. With annual growth rates of: 11% for Jose Cuervo, 11% for Other Tequilas, 15% in Other Spirits and 15% in RTDs.

Sales in the US & Canada region include anticipated sales from the fourth quarter of 2016 arising from the announcement of a price increase effective January 1, 2017 in the US in Jose Cuervo Tequilas, Margaritas and Ready to Drink that made some of our clients to purchase ahead in the fourth quarter of 2016.

With these growth rates, we provide continuity to our strategy to diversify categories and continue our development as a global spirits company.

NET SALES

For the full year 2016, the Company had its best sales reaching \$24,396 million Pesos, this represents a 32% relative to last year.

In terms of Net Sales Value, U.S & Canada grew 40% versus last year. Net Sales in the region represented 68% of the total Net Sales of the Company in 2016. Mexico represented 21% of total Net Sales and had a growth of 14% respective to 2015. "Rest of the World" represented 11% of total Net Sales and had a growth of 29%. The dynamic growth was heavily supported on the performance of the US & Canada segment where our brands Maestro Dobel, Kraken and Bushmills that grew in terms of Net Sales above the average of the region.

Our brand Jose Cuervo continued dominating the portfolio with 37% of total Net Sales and 31% growth versus prior year. Our Other Tequila brands grew 26% and represented 20% of total Net Sales.

Other Spirits Brands grew in 2016 40% versus 2015, and represented 21% of the total Net Sales value.

GROSS PROFIT

During 2016, Gross Profit was of \$14,460 million Pesos, this represented an increase of 29% versus 2015. In 2016, Cost of Goods sold increased 38% versus last year, this was mainly driven by the price increases in third party agave purchases and accounting effects derived from an increase in the inventory position in Proximo traceable to the US price increase, which had a non-cash impact of \$183 million Pesos. Likewise, in the fourth quarter of 2016 we registered an obsolete product destruction for \$50 million Pesos.

OPERATING PROFIT

Operating Profit of 2016 was of \$5,624 million Pesos, this represented an increase of 22% versus prior year. The decrease in the growth rate of the Operating Profit with respect to Net Sales growth is mainly explained mainly by the increase in Cost of Goods mentioned before (and its respective causes), as well as from an increase in Advertising, Marketing and Promotion (AMP) Expense. Said increase in AMP comes from the investment in developing brands, and its effectiveness is reflected in volume growth, in brands such as Maestro Tequilero, Centenario, 1800 Cristalino, Bushmills and Kraken.

ADJUSTED EBITDA

The adjusted EBITDA for 2016 was of \$6,075 million Pesos, this represents a growth of 25% versus 2015.

In 2016 the Net Comprehensive Income was of \$5,446 million Pesos. It is important to notice that in 2015, the Company had a non-recurrent income of \$3,446 million Pesos from the sale of TDJ, normalizing the results for 2015 the growth of the Comprehensive Net Income from 2015 to 2016 was of 18%.

Capex for 2016 was \$829 million Pesos and it mostly corresponded to maintenance investment as well as to the acquisitions of casks.

NET DEBT

At 2016 year end, Net Debt was of \$5,132 million Pesos, this implies a Net Leverage Ratio¹ of 0.84x Adjusted EBITDA.

¹ Defined as Net Debt divided by Adjusted EBITDA.



**CONSOLIDATED
AND COMBINED
FINANCIAL
STATEMENTS**

JOSE ZUERO
ALAMBIQUE
No 1
CAP. 10,000 LTS

ALAMBIQUE
No 2
CAP. 10,000 LTS

CONSOLIDATED AND COMBINED STATEMENTS OF FINANCIAL POSITION

December 31, 2016, 2015 and 2014
(Thousands of Mexican pesos)

	2016	2015	2014
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 5,128,137	4,139,382	4,157,861
Accounts receivable, net	6,396,412	5,292,580	4,258,422
Related parties receivable	197,555	92,715	165,504
Other receivables	1,376,853	748,731	607,977
Inventories, net	5,942,639	4,352,119	3,866,747
Investment in joint venture available for sale	–	–	1,209,940
Prepayments	683,564	440,417	341,677
Total current assets	19,725,160	15,065,944	14,608,128
Non-current inventory	3,178,318	3,212,952	859,746
Investment in associates and joint venture	66,364	–	154,779
Property, plant, and equipment, net	4,640,601	3,996,758	2,342,477
Employee benefits, net	94,927	151,000	116,991
Intangible assets and trademarks, net	11,771,208	10,404,997	5,945,836
Goodwill	5,992,347	5,505,628	382,683
Other assets	219,022	299,220	313,136
	\$ 45,687,947	38,636,499	24,723,776

	2016	2015	2014
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current liabilities:			
Current installments of notes payable to banks	\$ 53,142	45,714	1,036,889
Trade accounts payable	2,407,235	1,775,315	958,029
Other liabilities	256,565	766,654	1,042,344
Accruals	1,708,428	1,269,991	1,158,932
Employee statutory profit sharing	16,395	11,617	12,013
Related parties	14,851	176,400	88,861
Dividend payable	–	–	1,032,063
Total current liabilities	4,456,616	4,045,691	5,329,131
Long-term debt, excluding current installments	10,206,842	8,490,206	2,282
Environmental reserve	117,760	97,024	82,991
Other long-term debt	95,062	–	–
Deferred income taxes	2,759,236	2,356,717	1,318,069
Total liabilities	17,635,516	14,989,638	6,732,473
Stockholders' equity:			
Net controlling shareholders' investment	10,051,666	11,047,080	10,939,187
Retained earnings	12,118,201	9,045,778	5,178,332
Other comprehensive income	5,852,598	3,554,003	1,845,250
Total controlling interest	28,022,465	23,646,861	17,962,769
Non-controlling interest	29,966	–	28,534
Total stockholders' equity	28,052,431	23,646,861	17,991,303
Contingencies and commitments			
Subsequent events			
	\$ 45,687,947	38,636,499	24,723,776

CONSOLIDATED AND COMBINED STATEMENTS OF COMPREHENSIVE INCOME

Years ended December 31, 2016, 2015 and 2013
(Thousands of Mexican pesos)

	2016	2015	2014
Net sales	\$ 24,396,212	18,474,841	15,313,797
Cost of goods sold	9,935,796	7,224,253	6,236,950
Gross profit	14,460,416	11,250,588	9,076,847
Expenses:			
Advertising, marketing and promotion	6,038,909	4,122,709	3,455,524
Distribution	750,008	726,773	612,499
Selling	771,720	592,818	554,652
Administrative	1,436,312	1,083,801	1,002,751
Other (income) expenses, net	(160,440)	104,279	75,878
Total expenses	8,836,509	6,630,380	5,701,304
Operating profit	5,623,907	4,620,208	3,375,543
Financial results:			
Interest income	(49,362)	(7,874)	(31,940)
Interest expense	394,201	136,465	38,654
Foreign exchange loss (gain), net	590,873	319,207	(422,856)
Financial results, net	935,712	447,798	(416,142)
Gain on sale of joint venture	-	3,446,312	-
Profit before income taxes	4,688,195	7,618,722	3,791,685
Income taxes:			
Current	1,284,998	1,936,022	1,033,566
Deferred	255,459	374,247	119,764
Total income taxes	1,540,447	2,310,269	1,153,330
Net income	3,147,748	5,308,453	2,638,355
Non-controlling interest	-	-	(2,587)
Controlling net income	\$ 3,147,748	5,308,453	2,635,768

	2016	2015	2014
Other comprehensive income:			
Foreign operations - Foreign currency translation reserve	\$ 2,253,065	1,703,277	865,200
Employee benefits, net of income taxes	45,530	5,476	4,254
Other comprehensive income, net of income tax	2,298,595	1,708,753	869,454
Net comprehensive income	\$ 5,446,343	7,017,206	3,507,809
Other comprehensive income:			
Equity in other comprehensive income of other entities	\$ 5,446,343	7,017,206	3,505,222
Non-controlling interest	-	-	2,587
Basic earnings per share	\$ 0.34	-	-

CONSOLIDATED AND COMBINED STATEMENTS OF CASH FLOWS

Years ended December 31, 2016, 2015 and 2014
(Thousands of Mexican pesos)

	2016	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES:			
Income before income taxes	\$ 4,688,195	7,618,722	3,791,685
Adjustments for:			
Depreciation and amortization	451,470	244,129	283,912
Loss (gain) on sale of property, plant and equipment	17,120	10,564	(13,162)
Gain on sale of joint venture available for sale	-	(3,446,312)	-
Interest income	(49,362)	(7,874)	(31,940)
Sale of shares under common control	-	(154,779)	-
Long-term debt amortization	10,601	5,159	-
Translation effect	367,595	362,947	92,382
Items relating to financing activities:			
Interest expense	394,201	136,465	38,654
Unrealized foreign exchange loss	1,680,988	851,565	69,972
Subtotal	7,560,808	5,620,586	4,231,503
Changes in:			
Accounts receivable	(1,103,832)	(1,034,158)	(914,733)
Related parties	(266,389)	160,328	(163,668)
Other receivables	(628,122)	(140,754)	1,645,965
Prepayments	(243,147)	(98,740)	(46,387)
Inventories	(1,555,886)	(966,398)	(799,952)
Trade accounts payable	631,920	817,286	11,701
Other assets	80,198	200,771	(90,997)
Other liabilities	(510,089)	(536,672)	37,951
Accruals	554,235	125,092	59,677
Income taxes paid	(1,137,928)	(1,889,429)	(1,033,566)
Employee statutory profit sharing	4,778	(396)	3,941
Changes in direct employee benefits	56,073	(34,010)	(106,581)
Dividend payable	-	-	146,973
Net cash from operating activities	3,442,619	2,223,506	2,981,827

	2016	2015	2014
CASH FLOWS FROM INVESTING ACTIVITIES:			
Investment in property, plant and equipment	(828,931)	(543,692)	(840,227)
Investment in intangible assets	(205,429)	(41,025)	(5,170)
Business acquisition	-	(10,664,773)	-
Investment in associate	(66,364)	-	-
Mergers	-	(239,602)	-
Proceeds from sale of joint venture available for sale	-	4,656,252	-
Other stockholders' movements	(75,325)	-	-
Proceeds from sale of property, plant and equipment	-	-	26,324
Proceeds from sale of shares under common control	-	57,762	-
Increase in other non-current assets	-	-	27,300
Interest collected	49,362	7,874	31,940
Net cash used in investing activities	(1,126,687)	(6,767,204)	(759,833)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from loans	-	7,631,200	399,942
Cash inflow from increase in capital stock	1,206,491	-	-
Dividends paid	-	(2,057,092)	(208,833)
Decrease in share capital	(2,201,905)	-	-
Non-controlling interest	29,966	-	-
Stock acquisition under common control	-	-	(152,261)
Payments on loans	-	(1,036,889)	(444,917)
Interest paid	(361,729)	(90,751)	(29,652)
Net cash (used in) from financing activities	(1,327,177)	4,446,468	(435,721)
Net increase (decrease) in cash and cash equivalents	988,755	(97,230)	1,786,273
Cash and cash equivalents:			
At January 1	4,139,382	4,157,861	2,371,588
Cash received from mergers	-	78,751	-
At end of year	\$ 5,128,137	4,139,382	4,157,861

CONSOLIDATED AND COMBINED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

Years ended December 31, 2016, 2015 and 2014
(Thousands of Mexican pesos)

	Capital Stock	Share premium	Total	Retained earnings	Other comprehensive income	Total controlling interest	Non-controlling interest	Total shareholders' equity
Balances as of December 31, 2013	10,604,698	334,489	10,939,187	2,903,659	975,796	14,818,642	25,947	14,844,589
Dividends	–	–	–	(208,833)	–	(208,833)	–	(208,833)
Acquisition of shares under common control	–	–	–	(152,262)	–	(152,262)	–	(152,262)
Net comprehensive income	–	–	–	2,635,768	869,454	3,505,222	2,587	3,507,809
Balances as of December 31, 2014	10,604,698	334,489	10,939,187	5,178,332	1,845,250	17,962,769	28,534	17,991,303
Decrease in shareholders' equity by merger	107,893	–	107,893	(318,961)	–	(211,068)	(28,534)	(239,602)
Dividends	–	–	–	(1,025,029)	–	(1,025,029)	–	(1,025,029)
Sale of shares under common control	–	–	–	(97,017)	–	(97,017)	–	(97,017)
Net comprehensive income	–	–	–	5,308,453	1,708,753	7,017,206	–	7,017,206
Balances as of December 31, 2015	10,712,591	334,489	11,047,080	9,045,778	3,554,003	23,646,861	–	23,646,861
Decrease in shareholders equity	(916,010)	(183,202)	(1,099,212)	–	–	(1,099,212)	–	(1,099,212)
Decrease in shareholders equity	(1,102,693)	–	(1,102,693)	–	–	(1,102,693)	–	(1,102,693)
Increase in shareholders equity	1,206,491	–	1,206,491	–	–	1,206,491	29,966	1,236,457
Margin effect	(3,547,120)	3,547,120	–	–	–	–	–	–
Other stockholders' movements	–	–	–	(75,325)	–	(75,325)	–	(75,325)
Net comprehensive income	–	–	–	3,147,748	2,298,595	5,446,343	–	5,446,343
Balances as of December 31, 2016	\$ 6,353,259	3,698,407	10,051,666	12,118,201	5,852,598	28,022,465	29,966	28,052,431

CORPORATE COMMUNICATIONS

INVESTOR RELATIONS

Luis Carlos de Pablo

lcdepablo@cuervo.com.mx

ir@cuervo.com.mx

5258.7000

CORPORATE COMMUNICATIONS

Carlos Humberto Suárez

csuarez@cuervo.com.mx

5258.7000