

**VISION**  
**TRADITION**  
**FUTURE**

**BECLE**  
ANNUAL REPORT  
2017

# BECLE

INTERNATIONAL  
SPIRITS  
COMPANY

WE ARE AN INTERNATIONALLY RENOWNED SPIRITS COMPANY AND THE LARGEST TEQUILA COMPANY IN THE WORLD. WE WERE BORN OUT OF THE VISION OF DON JOSÉ MARÍA GUADALUPE DE CUERVO Y MONTAÑO MORE THAN 250 YEARS AGO, NURTURED BY A LEGACY OF 11 GENERATIONS AND GROUNDED IN A HERITAGE THAT TODAY IS PRESENT IN MORE THAN 85 COUNTRIES, REPRESENTED BY MORE THAN 30 BRANDS IN VARIOUS CATEGORIES, LED BY GLOBALLY RECOGNIZED NAMES LIKE JOSÉ CUERVO, 1800, MAESTRO TEQUILERO DOBEL, BUSHMILLS AND KRAKEN.

THE COMPANY'S CURRENT STRUCTURE, LED BY ITS MAJORITY SHAREHOLDER, JUAN FRANCISCO BECKMANN VIDAL, AND ITS CHIEF EXECUTIVE OFFICER, JUAN DOMINGO BECKMANN LEGORRETA, REFLECTS THE CONSTRUCTION OF AN INNOVATIVE, GLOBAL SPIRITS COMPANY SUSTAINED BY THE TRADITIONS OF A CENTURIES-OLD COMPANY, WITH AN ATTRACTIVE GROWTH PROFILE AND THE FINANCIAL ASSETS NEEDED TO FURTHER EXPAND ITS PORTFOLIO OF DEVELOPING BRANDS.

# CONTENTS

4

CORPORATE  
STRUCTURE

8

KEY  
RESULTS

10

MESSAGE TO  
SHAREHOLDERS

14

BEVERAGE  
PORTFOLIO

24

OPERATING  
PERFORMANCE

30

SUSTAINABILITY

38

ETHICS AND  
CORPORATE  
GOVERNANCE

FINANCIAL INFORMATION

CONSOLIDATED AND COMBINED STATEMENTS  
OF FINANCIAL POSITION 46

CONSOLIDATED AND COMBINED STATEMENTS  
OF COMPREHENSIVE INCOME 47

CONSOLIDATED AND COMBINED STATEMENTS  
OF CASH FLOW 48

CONSOLIDATED AND COMBINED STATEMENTS  
OF CHANGES IN SHAREHOLDERS' EQUITY 50

# CORPORATE STRUCTURE

**1**  
LARGEST TEQUILA PRODUCER  
IN THE WORLD

**3**  
LARGEST PRODUCER OF IRISH  
WHISKY IN THE WORLD

**+30**  
BRANDS ON THE MARKET  
IN NINE CATEGORIES

**+85**  
COUNTRIES IN OUR  
DISTRIBUTION NETWORK

Jose Cuervo

TEQUILA  
1800

BUSHMILLS

THE  
KRAKEN  
RUM

TEQUILA  
CENTENARIO

TEQUILA  
MAESTRO  
DOBEL

**JOSE CUERVO MEXICO**  
HEADQUARTERS  
AND OPERATIONS

**PROXIMO  
CANADA**  
ONTARIO,  
CANADA

**PROXIMO  
INTERNATIONAL**  
NEW JERSEY  
UNITED  
STATES

**OLD BUSHMILLS  
DISTILLERY**  
NORTH IRELAND  
AND UNITED  
KINGDOM

**JC DISTRIBUTION**  
DUBLIN,  
IRELAND  
DISTRIBUTION  
TO THE REST  
OF THE WORLD



**IDP**  
INDIANA,  
COLORADO  
AND CALIFORNIA,  
UNITED STATES

**PROXIMO UK**  
LONDON,  
UNITED KINGDOM  
DISTRIBUTION  
IN THE UNITED  
KINGDOM

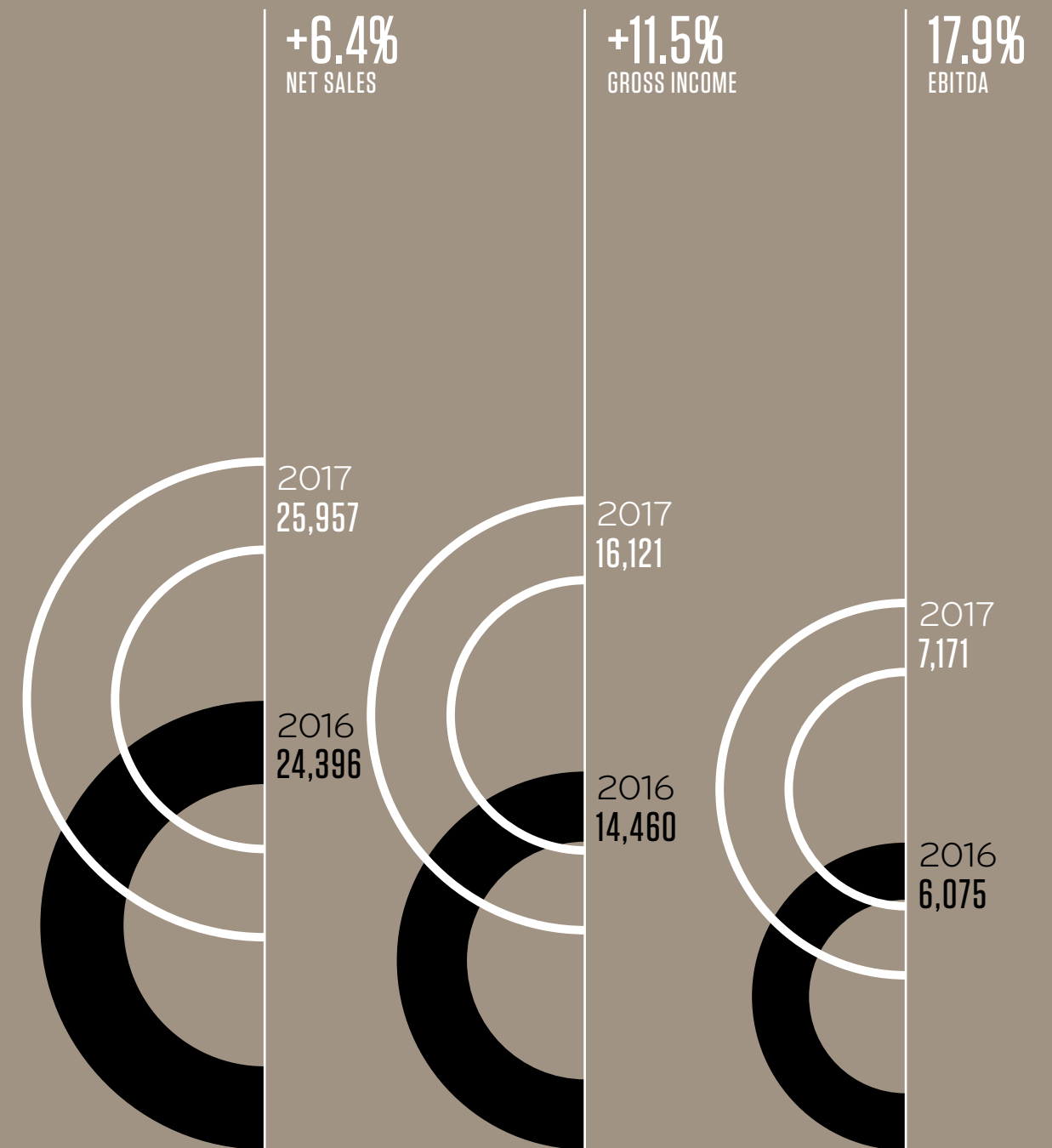
**PROXIMO  
AUSTRALIA**  
SIDNEY,  
AUSTRALIA

	MEXICO	UNITED STATES AND CANADA	REST OF THE WORLD
MILLIONS OF 9 LITER CASES	6,355	11,844	2,293
MILLIONS OF MXN IN SALES	5,786	16,974	3,199
ANNUAL SALES GROWTH (%)	15.3	2.6	18.6

\$ 25,957,942  
NET SALES

+ 6.4%  
GROWTH IN SALES VS. 2016

20.5  
MILLION 9-LITER CASES



# KEY RESULTS

(PS.\$MM)	2016	2017	% CHG.
NET SALES	24,396	25,958	6.4
COST OF GOODS SOLD	9,936	9,837	(1)
GROSS INCOME	14,460	16,121	11.5
ADVERTISING, MARKETING AND PROMOTION	6,039	5,644	(6.5)
DISTRIBUTION	750	918	22.4
SALES AND ADMINISTRATIVE EXPENSE	2,208	2,623	18.8
OTHER (EXPENSE) INCOME, NET	(160)	201	15.5
OPERATING INCOME	5,624	6,736	19.8
NET COMPREHENSIVE FINANCING RESULT	936	773	(17.4)
OTHER NON-RECURRENT INCOME (EXPENSE)	-	-	(100)
PRETAX EARNINGS	4,688	5,955	27
TOTAL INCOME TAX	1,540	758	(50.8)
CONSOLIDATED NET INCOME	3,148	5,197	65.1
EBITDA	6,075	7,171	17.9



# MESSAGE TO OUR SHAREHOLDERS

## DEAR SHAREHOLDERS:

Pursuant to the terms of Article 44, section XI of the Mexican Securities Market Act and Article 172 of the General Business Corporations Law, in my capacity as Chief Executive Officer of Beclé, S.A.B. de C.V. (the “company”), I am pleased to present this consolidated annual report of the operations and activities of the company for the fiscal year ended December 31, 2017.

In 2017, Beclé continued the trajectory of solid, sustained growth that it has shown in recent years. It celebrated a number of achievements during the year, including a successful initial public offering and the recently announced acquisition of the brand assets of Pendleton Whisky.

We have built a global spirits company, with an attractive growth profile and the assets needed to further expand our growing brand portfolio.

Total sales volume for the company grew by 0.3% in 2017, from 20.4 million nine-liter cases in 2016 to 20.5 million in the past year, reflecting a 6.4% rise in volume within Mexico and a 13.1% growth in the rest of the world (RoW), offset in part by a 4.6% reduction in the United States and Canada caused by a dip in volume in the first half of the year, which is attributed to the Buy-in in the quarter of 2016 ahead of the price increase effective of January 1, 2017.

Growth in the Tequila category was robust across our entire portfolio, and the company’s Premium brands are showing a brisk pace of expansion. These Premium brands have driven a rise in average net sales per case, both in Tequila category as in other spirits.

Gross income in 2017 rose 11.5%, from P\$ 14.46 billion pesos in 2016 to P\$ 16.12 billion in 2017. The gross margin--gross income to sales--was 62.1% for the full year 2017, compared to 59.3% for 2016. This margin was improved primarily by a benign pricing accounted for price increases in the United States and Mexico, vertical integration and a more profitable product mix.

Our goal is to continue expanding the business and building our international presence by focusing on key strategies for maintaining our industry leadership in development of the Tequila category, investing in innovation, developing products and upgrading them to premium category, and expanding and diversifying the business through organic and nonorganic growth initiatives.

Our brand portfolio positions us as a key player in some of the fastest-growing categories of the liquor industry. We are convinced that our singular heritage serves as a fundamental pillar of brand value, business culture and strategic philosophy.

None of these achievements would have been possible without our solid Corporate Governance, our experienced executives, and the support of our clients and shareholders. To all of them, we are deeply grateful.

**AS CHIEF EXECUTIVE OFFICER OF THE  
COMPANY, I REITERATE TO YOU MY  
COMMITMENT TO LEAD THIS COMPANY IN  
CONTINUING TO MEET ITS ECONOMIC TARGETS,  
AND ABOVE ALL COMPLETING  
THE PROJECTS AND OBJECTIVES SET  
BY THIS ADMINISTRATION.  
SINCERELY,**

**JUAN DOMINGO  
BECKMANN LEGORRETA**  
CHIEF EXECUTIVE OFFICER OF  
BECLE, S.A.B. DE C.V.





# BEVERAGE PORTAFOLIO



BECE OPERATES, PRODUCES, SELLS AND DISTRIBUTES BEVERAGES IN MORE THAN 85 COUNTRIES. OF MORE THAN 30 BRANDS OF DISTILLED ALCOHOLIC BEVERAGES –SOME OF THEM OUR OWN BRANDS, DISTRIBUTED WORLDWIDE, AND OTHERS OWNED BY THIRD PARTIES DISTRIBUTED ONLY IN MEXICO-, AS WELL AS READY-TO-DRINK COCKTAILS AND NON-ALCOHOLIC BEVERAGES.



BUSHMILLS

853,957  
9-LITER CASES

\$1,438,420  
NET SALES FIGURES  
IN THOUSANDS OF MEXICAN PESOS

THE WORLD'S OLDEST  
IRISH WHISKEY

AND THE SECOND LARGEST IN THE  
UNITED STATES, POSITIONING US AS  
ONE OF THE WORLD'S TOP PRODUCERS  
OF IRISH WHISKEY.



RED BUSH



ORIGINAL



SINGLE MALT  
10 YEARS



SINGLE MALT  
16 YEARS



SINGLE MALT  
21 YEARS





683,554  
9-LITER CASES

\$1,032,557  
NET SALES FIGURES  
IN THOUSANDS OF MEXICAN PESOS

## THE THIRD TOP-SELLING SUPER-PREMIUM RUM IN THE WORLD

AN EXAMPLE OF OUR PRODUCT  
INNOVATION, KRAKEN HAS GROWN IN  
SALES VOLUME AND SUCCESSFULLY  
PARTICIPATES IN THE U.S. MARKET.



KRAKEN GHOST



KRAKEN DARK LABEL



TEQUILA  
**1800**

1800

1,307,134  
9-LITER CASES

\$3,302,367  
NET SALES FIGURES  
IN THOUSANDS OF MEXICAN PESOS

**OUR SECOND TOP-SELLING INTERNATIONAL TEQUILA BRAND**

A SUPER-PREMIUM TEQUILA WITH AN EXCELLENT POSITION IN THE U.S. MARKET, AND ONE OF MEXICO'S OLDEST AND MOST ICONIC BRANDS.



BLANCO



REPOSADO



CRISTALINO



MILENIO

# Jose Cuervo®

6,718,227  
9-LITER CASES

\$9,499,584  
NET SALES FIGURES  
IN THOUSANDS OF MEXICAN PESOS

## THE WORLD'S TOP SELLING TEQUILA

AN INTERNATIONAL LEADERS IN TERMS OF SALES VOLUME. THE MAIN MARKETS FOR SALES OF JOSÉ CUERVO TEQUILA ARE THE UNITED STATES, MEXICO AND CANADA.



JOSÉ CUERVO  
ESPECIAL SILVER



TRADICIONAL  
SILVER



TRADICIONAL  
REPOSADO



RESERVA DE  
LA FAMILIA



250  
ANIVERSARIO



# OPERATING PERFORMANCE

WITH OPERATING EXCELLENCE,  
WE WERE ABLE TO MET THE GOALS  
WE SET FOR OURSELVES AT THE  
START OF THE YEAR.





## NET SALES GREW 6.4%, SPURRED ON BY VOLUME GROWTH AND HIGHER AVERAGE SALES PRICES PER CASE

In 2017, our total volume grew 0.3%, from 20.4 million nine-liter cases in 2016 to 20.5 million in 2017, reflecting a 6.4% increase in sales volume in Mexico and a 13.1% rise in the Rest of the World (RoW), offset in part by a 4.6% reduction in the United States and Canada caused by a dip in volume in the first half of the year, which is attributed to the Buy-in in the quarter of 2016 ahead of the price increase effective of January 1, 2017.

Sales volume for the José Cuervo brand rose 1.7% over 2016, and accounted for 32.8% of total volume for the full year 2017. The company's other Tequila brands contributed 15.0% of total volume, and grew 9.0% compared to the previous year. The company's Other Alcoholic Beverage brands made up 18.3% of total volume in the year, and sales volume of these products dropped by 0.9% compared to 2016. The sales volume of Non-Alcoholic and Other Beverages accounted for 20.9% of total volume, and declined by 3.8% from 2016. Volume of ready-to-drink (RTD) beverages made up 13.0% of the total and was 3.2% lower than in 2016.

Net sales for the full year 2017 advanced 6.4%, from P\$ 24.40 billion in 2016 to P\$ 25.96 billion in 2017, fueled by higher volume and higher average prices per case. Net sales in the United States and Canada grew 2.6% year-to-year, largely because of price increases and a more profitable sales mix, partially offset by a negative foreign-exchange effect. Sales in Mexico grew 15.3% from 2016 to 2017, as a result both of higher volume and higher average net sales prices per case. Net sales in the RoW for the year 2017 grew 18.6% compared to 2016.

Net sales for the José Cuervo brand accounted for 36.4% of total net sales for the company in 2017, and increased 6.4% over 2016. Other Tequila Brands accounted for 22.6% of total net sales, and rose 18.6% in the year. Other Alcoholic Beverages contributed another 19.9% of total net sales in the year, and saw a 2.2% growth over the full year 2016. Net sales of Non-Alcoholic and Other beverages made up 12.7% of net sales and grew 1.5% from 2016 to 2017. Net sales of Ready-to-Drink (RTD) beverages accounted for 8.2% of total sales and were 3.0% higher in 2017 than in 2016.

## CONSOLIDATED NET INCOME TOTALLED P\$ 5.20 BILLION PESOS, A 65.1% ADVANCE

Gross income in 2017 rose 11.5%, from P\$ 14.46 billion in 2016 to P\$ 16.12 billion in 2017. The gross margin--gross income to sales--was 62.1% for the full year 2017, compared to 59.3% for 2016. This margin was improved primarily by a benign pricing accounted for price increases in the United States and Mexico, vertical integration and a more profitable product mix.

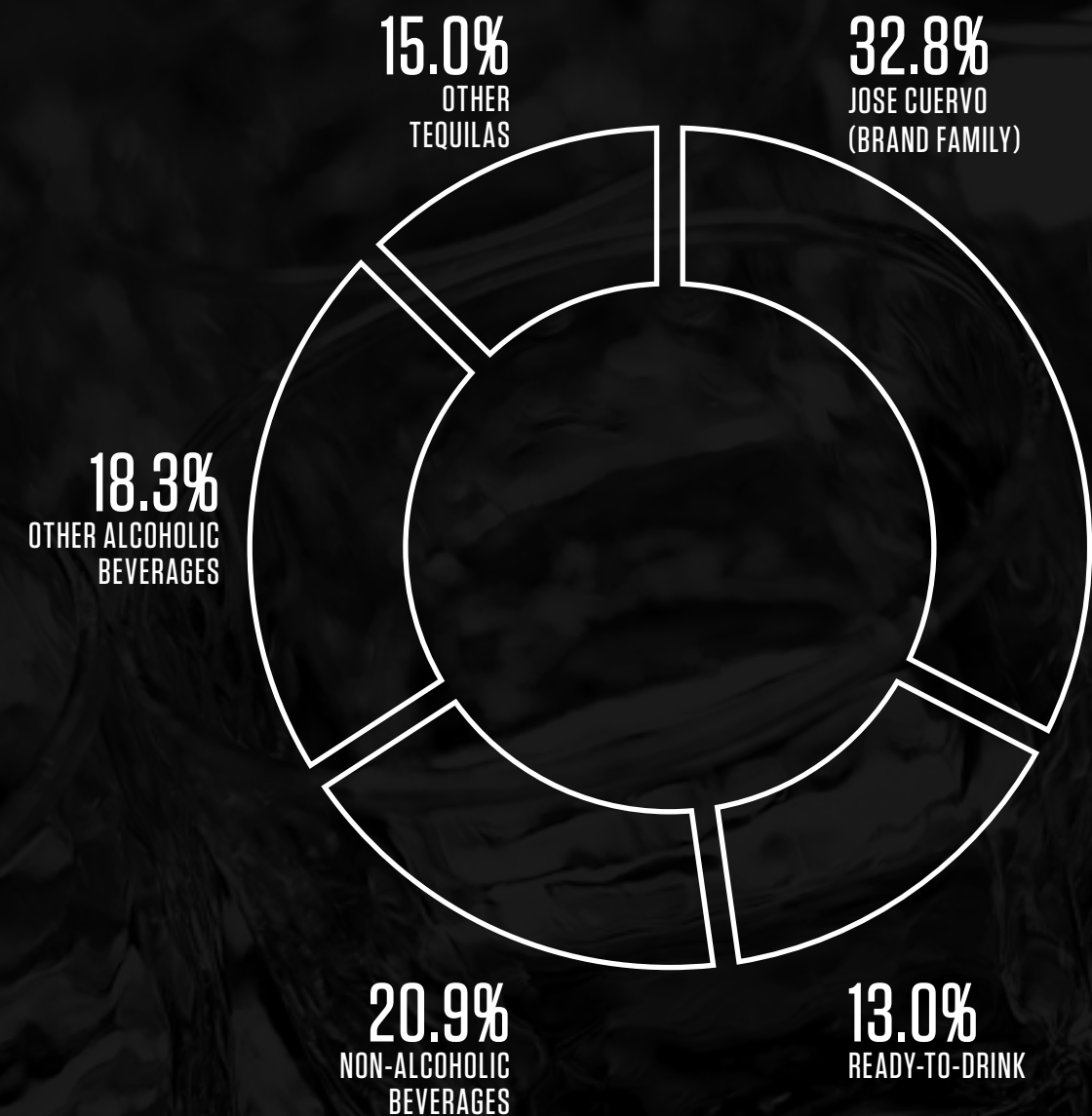
In 2017, operating income grew 19.8%, to P\$ 6.74 billion, from P\$ 5.62 billion in 2016. The operating margin (in proportion to sales) rose to 25.9%, from 23.1% the year before. The increase in the operating margin reflects the higher gross margin and lower AMP costs, partially offset by higher SG&A expense and distribution costs, all in proportion to net sales.

EBITDA for the full year 2017 gained 17.9%, rising from P\$ 6.07 billion in 2016 to P\$ 7.16 billion in 2017. Net Comprehensive Financing Result totaled P\$ 773 million in 2017, and was primarily the product of the Mexican peso's revaluation against the U.S. dollar and its impact on the company's cash position and net interest expense. During the full year 2017 the company invested P\$ 1.20 billion in capital expenditures. Consolidated net income for 2017 totaled P\$ 5.20 billion, a 65.1% growth compared to the year before.

Consolidated net income benefited from an extraordinarily favorable tax impact, representing a net benefit of P\$ 766 million, owing to:

- a) A tax loss at Becele due to foreign-exchange and inflation effects on its cash position
- b) The enactment of the tax reform in the United States
- c) Partially offset by changes in the estimation of tax accounts receivable.

## SAES VOLUME BRAND





# SUSTAINABILITY



WE ARE CONVINCED THAT OUR SUCCESS IS ONLY COMPLETE IN AN ECONOMICALLY, SOCIALLY AND ENVIRONMENTALLY SUSTAINABLE CONTEXT. THEREFORE, AS PART OF OUR CORPORATE CULTURE, WE ARE COMMITTED TO SOCIALLY RESPONSIBLE MANAGEMENT, AND TO CONTINUOUSLY IMPROVING OUR INTERNAL PRACTICES.



## WE ARE COMMITTED TO GENERATE A POSITIVE IMPACT FOR OUR STAKEHOLDERS AND OUR COMMUNITIES

### EXCEPTIONAL PRODUCT QUALITY

One of our core objectives is guaranteeing outstanding quality in all our products. To this end, we comply with laws and standards in every country where we are present, in every phase of the product lifecycle, from production to distribution, import, labeling and marketing.

Our goal is to exceed our consumers' expectations; our foundation is excellence in all of our operations, products and services.

To meet and exceed this commitment, our production facilities have earned various certifications that guarantee the quality and excellence of our products and operations:

- ISO 9001 Versión 2015– Issued by Lloyd's Register
- ISO 17025: 2005– Issued by the Mexican Accreditation Entity
- HACCP– Issued by Det Norske Veritas
- Good Manufacturing Practices– Issued by the Federal Commission for Protection against Sanitary Risk
- Kosher certification – Issued by Kosher Maguen David
- Customs Trade Partnership against Terrorism (CTPAT)– Issued by US Customs and Border Protection

### RESPONSIBLE CONSUMPTION

We promote the responsible, moderate consumption of alcoholic beverages, in order to safeguard the health of our consumers. We oppose the informal alcohol market, discourage drinking while driving, avoid alcohol consumption by minors and encourage an absolute respect for abstinence.

### FUNDACIÓN DE INVESTIGACIONES SOCIALES S.C. (FISAC)

For many years now, we have been an active partner in the work of the Fundación de Investigaciones Sociales, A.C. (FISAC), a nonprofit social research organization that since 1981 has been promoting campaigns to raise social awareness about the risks associated with excess alcohol consumption. The institution carries out campaigns—published in the media, billboards, written material and elsewhere, to promote the message of prevention and encourage a culture of moderation and responsible consumption. Its campaigns have four main axes: no drinking behind the wheel, zero alcohol consumption for minors, respect for abstinence, and moderation in consumption.

# WE CREATE SYNERGIES WITH THE COMMUNITIES WHERE WE OPERATE, IN ORDER TO MAXIMIZE POSITIVE SOLUTIONS TO SOCIAL CHALLENGES

## PROTECTING THE ENVIRONMENT

We respect and thoroughly protect our planet and its resources. All of our operations are aligned with our Comprehensive Environmental Plan, in order to fulfill our commitment to sustainability. The plan involves a set of key performance indicators to reduce our consumption of water and energy and our generation of waste and hazardous emissions. We have Clean Industry Certification from the Mexican Federal Environmental Protection Agency (PROFEPA) at our three plants.

## CERTIFICATIONS

- ISO 14001: 2004 Environmental Standard- Issued by Global Standard
- Self-Management STPS- issued by the Ministry of Labor and Social Planning
- Clean Industry- Issued by the Federal Environmental Protection Agency
- Voluntary Environmental Compliance Program- issued by the Ministry of the Environment and Territorial Development.

## OTHERS

- Socially Responsible Company (ESR) Distinction - issued by the Mexican Center for Philanthropy

## WASTE MANAGEMENT AND COMPOSTING

We have two composting centers at Rancho San Juan (in the Altos region of Jalisco) where 22,465 metric tons of compost were produced between January and December 2016, and 18,926 metric tons between January and July 2017. The Rancho Todos Santos composting center (in the Tequila region) produced 1,500 metric tons of compost between July and December 2016, and 204,236 metric tons between January and June 2017.





## CLEAN COUNTRYSIDE REFORESTING PROGRAM

Our bottling and composting facilities, as well as our waste management processes, comply with all industry regulations and standards on health, management and quality contained in:

- General law on ecological balance and environmental protection
- General law on prevention and comprehensive management of waste
- Regulation of the general law on prevention and comprehensive management of waste
- State law on ecological balance and environmental protection
- State law on comprehensive waste management

Our composting centers comply with the following standards:

- NOM-161-SEMARNAT-2011
- NAE-SEMADES-007/2008

Our containers comply with the following standards:

- NOM-052-SEMARNAT-2005
- NOM-053-SEMARNAT-1993
- NOM-055-SEMARNAT-2003

We make an effort to collect and restore ground water sources, and in 2017 we planted more than 1,092 trees and a large quantity of progressive flora. Some of the actions we took to guarantee this were:

- Reforesting in Tequila, Jalisco, coordinated by the Operations Unit and Reforestemos México, A.C.
- Reforestation in the municipality of Tequila, camp for young adults in the 2005 Ruta del Tequila Fundación José Cuervo.
- Donation of operations, Unito EXTRA, A.C. in Guadalajara, to reforest Bosque de la Primavera.
- Reforesting agreement with the CONAFOR Agricultural Unit in 2005
- Reforesting in the Tequila and La Laja communities, with the help of employees, family members and community in 2011.
- Reforestation of land in the Tequila region in 2005.

As a company internationally recognized for Social Responsibility in the liquor industry, we will maintain our commitment to having a positive impact on our stakeholders and our communities



# ETHICS AND CORPORATE GOVERNANCE

HONESTY AND TRANSPARENCY ARE THE  
BASIS FOR BECLE'S SOLID RELATIONS  
WITH ITS STAKEHOLDERS.



We have an Internal Ethics Committee that guarantees compliance and ethical performance throughout the company, through various practices such as:

**CODE OF CONDUCT**

**SUPPLIER CODE OF ETHICS**

**USE OF COMPANY INFORMATION AND PROPERTY**

**ANNUAL CERTIFICATION OF CODE OF CONDUCT**

The annual certification of our Code of Conduct reiterates employees' commitment to complying with its principles.

Our Code of Conduct is a guide for the daily behavior expected of all our employees. The main spheres it addresses are: human treatment, health, safety and wellness, conflicts of interest, key principles for consumption of alcoholic beverages, anti-corruption policies, and proprietary information.

## CORPORATE GOVERNANCE

Our Corporate Governance is made up of the Board of Directors and the Audit and Corporate Practices Committee.

The Board is currently made up of 7 regular members and 3 alternates. Board members are elected for terms of 1 year, may be re-elected and must remain in their post until a successor has been chosen and taken possession of the office. Board members are elected by shareholders in the annual meeting. All current board members and alternates were elected or ratified in their positions on January 25, 2017.

In accordance with the Securities Market Act and the company's corporate bylaws, at least 25% of board members must be independent, and their qualification as independent is the responsibility of the Shareholders' Meeting that appoints them, subject to observations by the CNBV.

Main responsibilities of the Board of Directors:

- Establish the general strategy for the conducting the business and the corporations controlled by the Company
- Oversee the management and direction of the company and the corporations it controls, with the support of one or more committees.
- Ensure that the resolutions of the Shareholders' Meetings are executed, which may be done by the Committee responsible for audit activities.
- Represent the Company and take any legal action and adopt any decisions it deems necessary or convenient to fulfilling the corporate purpose.

Main responsibilities of the Audit and Corporate Practices Committee:

- Supervise the work of external auditors hired by the Company
- Analyze the external auditors' report and inform the Board of Directors of any irregularity relating to internal controls
- Supervise transactions with related parties
- Supervise the activities of the Chief Executive Officer
- Present an Annual Report to the Board of Directors

## BOARD OF DIRECTORS

**JUAN FRANCISCO BECKMANN VIDAL**  
CHAIRMAN

**JUAN DOMINGO BECKMANN LEGORRETA**  
REGULAR MEMBER

**NELLO RAIMUND TREVISAN\***  
INDEPENDENT REGULAR MEMBER

**MICHAEL VERDON CHEEK**  
INDEPENDENT REGULAR MEMBER

**ROGELIO MIGUEL REBOLLEDO ROJAS**  
INDEPENDENT REGULAR MEMBER

**JOHN RANDOLPH MILLIAN**  
INDEPENDENT REGULAR MEMBER

**RICARDO CERVERA LOMELÍ**  
INDEPENDENT REGULAR MEMBER

**ÁNGEL ABARRATEGUI DÍEZ**  
ALTERNATE BOARD MEMBER

**DANIEL ELGUEA SOLÍS**  
ALTERNATE BOARD MEMBER

**CARLOS JAVIER VARA ALONSO**  
INDEPENDENT REGULAR MEMBER

**PEDRO PABLO BARRAGÁN BARRAGÁN**  
SECRETARY

## AUDIT AND CORPORATE PRACTICES COMMITTEES

**RICARDO CERVERA LOMELÍ**  
CHAIRMAN

**ROGELIO MIGUEL REBOLLEDO ROJAS**  
MEMBER

**JOHN RANDOLPH MILLIAN**  
MEMBER

## BECLE SENIOR MANAGEMENT

**JUAN DOMINGO BECKMANN LEGORRETA**  
CHIEF EXECUTIVE OFFICER

**ANGEL ABARRATEGUI**  
EXECUTIVE CEO

**MARK TEASDALE**  
CEO OF PRÓXIMO INTERNATIONAL

**LUIS FERNANDO FELIX**  
GENERAL DIRECTOR, MEXICO AND LATAM

**DANIEL ELGUEA SOLÍS**  
GENERAL DIRECTOR,  
ADMINISTRATION AND FINANCE

**PEDRO PABLO BARRAGÁN BARRAGÁN**  
GENERAL DIRECTOR, LEGAL AFFAIRS

**LUIS CARLOS DE PABLO**  
DIRECTOR, CORPORATE FINANCE

**CARLOS HUMBERTO SUÁREZ**  
DIRECTOR, INSTITUTIONAL RELATIONS

\* UNTIL MARCH 21, 2018



# FINANCIAL INFORMATION

Attached to this report, for your consideration, is the following financial information on the Company as of December 31, 2017, and for the year then ended

CONSOLIDATED STATEMENTS  
OF FINANCIAL POSITION  
OF COMPREHENSIVE INCOME  
OF CHASH FLOWS  
OF CHANGES IN SHAREHOLDERS' EQUITY



**CONSOLIDATED AND COMBINED STATEMENT  
OF FINANCIAL POSITION**

AS OF DECEMBER 31, 2017 AND 2016 (THOUSANDS OF PESOS)

	2017	2016
<b>Assets</b>		
Cash and cash equivalents	19,996	5,128
Accounts receivable, net	7,260	6,396
Inventories, net	7,419	5,943
Other current assets	1,923	2,258
Total current assets	36,598	19,725
Non-current inventories	3,878	3,178
Property, plant and equipment, net	5,280	4,641
Intangible and brand assets, net	11,365	11,771
Goodwill	6,274	5,992
Other Assets	1,537	380
Total Long-Term Assets	28,335	25,963
Total Assets	64,933	45,688
<b>Liabilities and Shareholders' Equity</b>		
Short-term expiration of bank documents payable	48	53
Accounts payable	2,106	2,407
Provisions	2,087	1,708
Other liabilities	862	288
Total Short-Term Liabilities	5,103	4,457
Long-term debt	9,781	10,207
Environmental reserve	125	118
Other long-term liabilities	119	95
Deferred income tax	2,820	2,759
Total Long-Term Liabilities	12,844	13,179
Total Liabilities	17,947	17,636
Total controlling equity	46,931	28,022
Non-controlling equity	54	30
Total Shareholders' Equity	46,985	28,052
Total Liability and Shareholders' Equity	64,933	45,688

**CONSOLIDATED AND COMBINED STATEMENT  
OF COMPREHENSIVE INCOME**

AS OF DECEMBER 31, 2017 AND 2016 (THOUSANDS OF PESOS)

	2017	2016
<b>Net Sales</b>	25,958	24,396
Cost of Goods Sold	9,837	9,936
Gross Earnings	16,121	14,460
Advertising, Marketing and Promotion	5,644	6,039
Distribution	918	750
Sales & Administrative Expense	2,623	2,208
Other (Expenses) Revenue, Net	201	(160)
Operating Income	6,736	5,624
Comprehensive Financing Result	773	936
Pretax Income	5,955	4,688
Total Income Tax	758	1,540
Consolidated net income	5,197	3,148
Non-controlling equity	4	-
Majority net income	5,193	3,148
Other comprehensive Income, Net of Taxes	284	2,299
Comprehensive income	5,478	5,446
Depreciation and Amortization	435	451
EBITDA	7,171	6,075

**BECLE, S.A.B. DE C.V. AND SUBSIDIARIES (PREVIOUSLY JB Y COMPAÑÍA, S.A. DE C.V. AND SUBSIDIARIES)**  
**CONSOLIDATED AND COMBINED STATEMENT OF CASH FLOW**  
AS OF DECEMBER 31, 2017 AND 2016 (THOUSANDS OF PESOS)

	2017	2016
<b>Operating activities:</b>		
Pretax income	5,955,241	4,688,195
Related parties with investment activities:		
Depreciation and amortization	435,015	451,470
Loss from sale of property, plant and equipment	4,289	17,120
Loss from equity in associated company	7,522	0
Interest income	(109,760)	(49,362)
Amortization of debt costs	11,882	10,601
Effects of conversion of operating entries	(8,351)	367,595
Related parties with investment activities		
Interest expense	485,492	394,201
Unrealized foreign-exchange (gain) loss, net		
Subtotal	6,781,330	5,879,820
Changes in:		
Accounts receivable	(716,034)	(1,103,832)
Related parties	5,218	(266,389)
Other accounts receivable	354,235	(628,122)
Advance payments	4,466	(243,147)
Inventories	(2,103,078)	(1,555,886)
Accounts payable	(355,900)	631,920
Other assets	(183,006)	80,198
Other liabilities	542,711	(510,089)
Provisions	243,639	554,235
Income taxes paid	(1,677,287)	(1,137,928)
Employee profit-sharing	(2,051)	4,778
Changes in direct employee benefits	(8,380)	56,073
Net cash flow from operating activities	2,885,863	1,761,631

	2017	2016
<b>Investment activities</b>		
Acquisition of property, plant and equipment, net	(1,066,014)	(828,931)
Acquisition of intangible services, net	17,265	(205,429)
Acquisition of businesses, net of cash	(189,576)	-
Investment in associated company	(31,166)	(66,364)
Other equity movements	1,184	(75,325)
Proceeds from the sale of property, plant and equipment	3,982	-
Interest income	109,760	49,362
Net cash flow used in investment activities	(1,154,565)	(1,126,687)
Financing activities		
<b>Loans obtained</b>	-	-
Increase in capital stock	1,722,174	1,206,491
Dividends paid	(2,599,716)	-
Reduction in capital stock	-	(2,201,905)
Non-controlling equity	-	29,966
Stock subscription premium	16,275,119	-
Stock repurchase	(1,947,711)	-
Interest expense	(380,382)	(361,729)
Net cash flow generated by (used in) financing activities	13,069,484	(1,327,177)
Net increase (reduction) in cash and cash equivalents	14,800,782	(692,233)
Adjustment to cash flow and equivalents due to exchange-rate fluctuations	63,545	1,680,988
Cash and cash equivalents		
At start of year	5,128,137	4,139,382
Cash obtained from business acquisition and merger	3,427	
At end of year	19,995,891	5,128,137

## CONSOLIDATED AND COMBINED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

YEARS ENDED DECEMBER 31, 2017, 2016, 2015 AND 2014 (THOUSANDS OF PESOS)

	Capital social	Prima en emisión de acciones	Total	Utilidades retenidas	Otro resultado integral	Total participación controladora	Participación no controladora	Total del capital contable
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
Reduction in capital stock due to merger (note 18(a))	107,893	-	107,893	(318,961)	-	(211,068)	(28,534)	(239,602)
Dividends (note 18(c))	-	-	-	(1,025,029)	-	(1,025,029)	-	(1,025,029)
Sale of commonly held shares (note 1/))	-	-	-	(97,017)	-	(97,017)	-	(97,017)
Comprehensive income, net	-	-	-	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
Reduction in capital stock (note 18(a))	(916,010)	(183,202)	(1,099,212)	-	-	(1,099,212)	-	(1,099,212)
Reduction in capital stock (note 18(a))	(1,102,693)	-	(1,102,693)	-	-	(1,102,693)	-	(1,102,693)
Increase in capital stock (note 18(a))	1,206,491	-	1,206,491	-	-	1,206,491	29,966	1,236,457
Effects of merger (note 1e))	(3,547,120)	3,547,120	-	-	-	-	-	-
Other capital movements	-	-	-	(75,325)	-	(75,325)	-	(75,325)
Comprehensive income, net	-	-	-	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
Dividends declared (note 18(c))	-	-	-	(2,599,716)	-	(2,599,716)	-	(2,599,716)
Capitalization of stock subscription premium (note 18 (a))	3,547,120	(3,547,120)	-	-	-	-	-	-
Increase in capital stock (note 18(a))	1,722,174	16,275,119	17,997,293	-	-	17,997,293	-	17,997,293
Stock repurchase (note 18(a))	-	-	-	(1,947,711)	-	(1,947,711)	-	(1,947,711)
Other capital movements	-	-	-	(18,483)	-	(18,483)	19,667	1,184
Comprehensive income, net	-	-	-	5,193,185	284,199	5,477,384	4,445	5,481,829
<b>Balances as of December 31, 2017</b>	<b>11,622,553</b>	<b>16,426,406</b>	<b>28,048,959</b>	<b>12,745,476</b>	<b>6,136,797</b>	<b>46,931,232</b>	<b>54,078</b>	<b>46,985,310</b>

# BEEGLE

DIRECTOR, CORPORATE FINANCE  
LUIS CARLOS DE PABLO GOMEZ DEL CAMPO  
[lcdepablo@cuervo.com.mx](mailto:lcdepablo@cuervo.com.mx)

INVESTOR RELATIONS  
GILBERTO TONELLO  
+52 (55) 5803 2954  
[gtonello@cuervo.com.mx](mailto:gtonello@cuervo.com.mx)  
[ir@cuervo.com.mx](mailto:ir@cuervo.com.mx)



**BECLE**  
**.COM.MX**