ANNUAL REPORT PREPARED IN ACCORDANCE WITH THE GENERAL PROVISIONS APPLICABLE TO ISSUERS OF SECURITIES AND OTHER PARTICIPANTS OF EXCHANGE MARKETS, ISSUED BY THE NATIONAL BANKING AND SECURITIES COMMISSION OF MEXICO, FOR THE FISCAL YEAR ENDED DECEMBER 31, 2020.[1]

BECLE, S.A.B. DE C.V.

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Col. Zedec Santa Fe,

Ciudad de México, 01210

TICKER SYMBOL: "CUERVO"

Securities Representing the Capital Stock of the Issuer

Characteristics	Stock Exchange in which our Shares are registered
Single Series Shares of Common Stock	Bolsa Mexicana de Valores, S.A.B. de C.V. *(Mexican Stock Exchange)*

The securities of the Issuer are registered in the National Securities Registry (*Registro Nacional de Valores).*

Registration in the National Securities Registry (*Registro Nacional de Valores)* does not imply certification on the soundness of the securities or the solvency of the Issuer, or the accuracy or veracity of the information contained in this Annual Report, and it does not validate the acts that, in its case, would have been performed in contravention of the *applicable law*.

[1] Legal disclaimer: This document is an English translation of a Spanish-language document and is provided for information purposes only. In the event of any discrepancy, the text of the original Spanish-language document shall prevail. The Spanish-language document is available on www.ircuervo.com

[Translation for informational purposes only]

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EXHIBITS

This Report contains information on the industry, the demographic conditions, the market conditions (including forecasts in that respect) and the competition, which derives in part from internal studies and research, public information, and industry publications. The statements of the Company are based on information that comes from independent sources which the Company considers reliable and statistics commonly used in Mexico, including, among others, *The International Wine and Spirits Research*. Typically, government and industry publications specify that the information included in such publications comes from sources that are considered reliable, but that there is no guarantee that such information is accurate and complete. Although the Company does not have reasons to think that this type of information is inaccurate in any material sense, it has not verified such information in an independent manner and, therefore, cannot guarantee that it is correct, accurate and complete. Likewise, the most updated information published by *The International Wine and Spirits Research* to the date of this Report is as of December 31, 2019, which is duly specified throughout that document.

1) OVERVIEW

A) GLOSSARY OF TERMS AND DEFINITIONS

Unless defined otherwise in this Report, terms with initial capital letters used in this Report that are listed below will have the following meanings, which will be equally applicable in singular or plural form:

Terms	Definitions
"2025 Notes"	USD 500 million 3.750% senior notes due 2025 issued by the Company on May 13, 2015.
"Agave" or "Blue Agave"	*Blue Agave Tequilana Weber.*
"Annual Report", "Report" or "Document"	Annual Report filed in accordance with the General Provisions Applicable to Issuers of Securities and to Other Participants in the Mexican Securities Market, for the fiscal year ended December 31, 2019.
"Appellation of Origin"	Declaratoria General de Protección a la Denominación de Origen "Tequila" (*General Declaration of Protection to the Appellation of Origin "Tequila"*).
"Applicable Law"	Laws, regulations, decrees, circular letters, and other legal regulations of a federal, state and/or municipal nature that are in force in Mexico.
"Audited Financial Statements" or "Financial Statements"	Audited consolidated financial statements as of December 31, 2020 and 2019, audited by PricewaterhouseCoopers, S.C., and as of December 31, 2018, audited by KPMG Cárdenas Dosal, S.C.
"Australian Dollar" or "AUD"	Legal tender in Australia.
"Becle," "Company," "Group," "Issuer," "Jose Cuervo," "our," "us," or "we"	Becle, S.A.B. de C.V. and its subsidiaries, unless otherwise defined in this *Annual Report*.
"BMV"	Bolsa Mexicana de Valores, S.A.B. de C.V. (*Mexican Stock Exchange*).
"British Pound" or "Pound Sterling"	Legal tender in the United Kingdom.
"Bushmills"	The "Old Bushmills" Distillery Company Limited.
"Bushmills Acquisition"	Acquisition by JC Overseas, Ltd., a subsidiary of Casa Cuervo, S.A. de C.V., of the entire capital stock of Bushmills for an amount of USD 718.7 million (MXN 10,665.0 million).
"Business Day"	Any day that is not a Saturday, or Sunday and in which credit institutions in Mexico and New York are open to the public, according to the calendar published by the *CNBV* for such purpose.
"CAGR"	Compound Annual Growth Rate; calculation: *(Last year/First year) Exponential (1/n) - 1 where "n" is the difference of years.*
"Canadian Dollar" or "CAN"	Legal tender in Canada.
"CETES"	Certificados de la Tesorería de la Federación *(Federal Treasury Certificates)*.
"CNBV"	Comisión Nacional Bancaria y de Valores *(National Banking and Securities Commission)*.
"CNBV Regulations"	Disposiciones de carácter general aplicables a las emisoras y a otros participantes del Mercado de Valores (*General provisions applicable to issuers of securities and other participants of exchange markets*), issued by the *CNBV*; according to their

	modification from time to time. The Sole Circular Letter of Issuers.
"CNIT"	Cámara Nacional de la Industria Tequilera *(National Chamber of the Tequila Industry).*
"COFECE"	Comisión Federal de Competencia Económica *(Mexican Antitrust Commission).*
"CRT"	Consejo Regulador del Tequila *(Tequila Regulatory Council).*
"Day"	With uppercase or with lowercase, calendar day.
"Diageo"	Diageo plc, and its affiliates.
"Dollar", U.S. Dollar or "USD"	Legal tender in the United States of America.
"Don Julio"	Tequila Don Julio, S.A. de C.V. or the business related to Tequila Don Julio, S.A. de C.V., unless otherwise defined in this *Annual Report*.
"EBITDA"	Net income *plus* depreciation and amortization, income tax expense, interest expense, *less* interest income, plus foreign exchange loss (gain), net, less gain on sale of joint venture, *less* equity method in joint venture profit on sales and plus loss in joint venture. This metric is not defined by *IFRS*, which should not be deemed as a substitute for operating income shown in the *Financial Statements*, nor as an alternative to cash flow from operating activities.
"ERP"	The Company's own Enterprise Resource Planning system.
"EURO" or "EU"	Legal tender in the majority of countries that comprise the European Union.
"GDP"	Gross Domestic Product.
"i2i"	Island2island Beverage Co.
"IFRS"	International Financial Reporting Standards issued by the International Accounting Standards Board.
"Indeval"	S.D. Indeval, S.A. de C.V., an authorized securities depositary institution.
"Initial Public Offering"	The primary initial public offering for subscription and payment of 548,105,954 Shares (including 71,492,081 shares subject to overallotment options) that the Company carried out on February 8, 2017.
"IWSR"	The International Wine and Spirits Research, the leading source of data and analysis on the global beverage alcohol market.
"Maestro Tequilero"	Maestro Tequilero, S.A. de C.V., unless otherwise defined in this *Annual Report*.
"Mexican Peso." "$" or "MXN"	Legal Tender in *Mexico.*
"Mexico"	United Mexican States or Mexico or, unless otherwise defined in this Annual Report, the Company's market other than (i) the *United States and Canada* region and (ii) *Rest of World* region as defined in this Document.
"NAFTA"	North American Free Trade Agreement signed by Mexico, Canada and the United States that came into force in January 1994.
"Pound Sterling" or "GBP"	Legal tender in the United Kingdom.

"Proximo"	Proximo Spirits, Inc., Proximo Spirits Holdings, Inc., Proximo Distribution Holdings Limited, and their respective subsidiaries, unless otherwise specified or the context otherwise requires.
"Proximo Merger"	Merger that became effective on October 13, 2016 of *Sunrise Holdings* with and into Becle, S.A. de C.V., which survived.
"RNV"	Registro Nacional de Valores *(National Securities Registry)* of the *CNBV*.
"Rest of World"	Refers to the Company's markets outside of *Mexico* and the *United States and Canada* regions.
"Shares"	Nominative, ordinary, shares of common stock, no par value, representing the variable portion of our capital stock.
"Sunrise Holdings"	Sunrise Holdings, S.A. de C.V.; the parent company of *Proximo*.
"United States" or "U.S."	United States of America.
"United States and Canada"	Refers to the Company's markets other than the *Mexico* and *Rest of World* regions.
"USMCA"	United States-Mexico-Canada Agreement, which, if approved, will replace *NAFTA*.

B) SUMMARY

The following is a brief summary that contains a description of the activities and the financial and operating position of the Company, which is not intended to be detailed or act as a substitute for the information contained in the remainder of this Annual Report. This summary does not contain all the information that could be material for investors. You should read this entire Document carefully, including the sections entitled "Summary of Financial Position," "Risk Factors," "Selected Financial Information" and "Management's Discussion and Analysis of Financial Condition and Results of Operations," together with our Financial Statements and the notes to those financial statements, included elsewhere in this Report.

Our Company

We are a globally recognized spirits company and the largest producer of tequila in the world. Our unique portfolio of over 30 spirits brands, some of which we own and distribute worldwide, and others that we distribute for third parties in Mexico, has been developed over the years to participate in key categories with strong growth profiles, target the most relevant spirits markets in the world and address key consumer preferences and trends. The strength of our brand portfolio is based on the profound heritage of our internally developed iconic brands such as the *Jose Cuervo* family of brands, jointly with complementary acquisitions such as *Three Olives*, *Hangar 1*, *Stranahan's*, *Bushmills, Boodles and Pendleton*, as well as a key focus on innovation, which over the course of the years has allowed us to develop globally recognized brands internally such as *1800*, *Maestro Dobel*, *Centenario*, *Kraken*, *Jose Cuervo Margaritas* and *b:oost*, among our various brands, some of which are marketed and distributed in over 85 countries. We are one of the oldest companies in Mexico and we have been led by the same family for eleven generations, a legacy and heritage that still define our business, brands and culture. Our history dates back more than 250 years, having been founded in 1758. In 1795, the King of Spain Charles IV granted a Royal Warrant (Cédula Real) to Jose María Guadalupe de Cuervo y Montaño to produce and sell "Vino de Mezcal," which is now known as tequila. This is generally considered the first license to sell tequila. In addition, we have been at the forefront of the tequila evolution for centuries—our first export to the U.S. was in 1852, in 1880 we became the first distiller to bottle tequila in glass bottles and in 1945 margaritas were invented using *Jose Cuervo* tequila.

We operate as a producer, marketer and distributor of internationally recognized branded spirits, ready-to-drink cocktails and non-alcoholic beverages. We are the leading producer of tequila globally by sales volume with over twice the market share of our nearest competitor and in 2019, according to *IWSR*, we were the third largest producer of Irish whiskey in the world by volume and retail sales. We generate most of our sales and profits in the United States, which we believe is the most profitable and dynamic market in the spirits industry. In addition to being our domestic market, Mexico is also our second-most relevant market in terms of sales volume and by sales value. Our acquisition of *Bushmills* and the growth of Kraken uniquely positions us for the continued growth of our non-Americas business.

In the United States, Mexico, Canada, the United Kingdom, the Republic of Ireland and Australia, we control and operate a direct distribution model. In particular, in Mexico and the United States, we have the second and tenth-largest distribution networks of spirits by sales value, respectively. In the case of Mexico, we distribute directly to supermarkets, price clubs, wholesalers and convenience stores through our own sales force, reaching a high percentage of stores that sell alcoholic beverages in the country. In addition, our promotion team visits the 2,316 most important supermarkets and wholesalers to oversee all aspects relating to display and promotion at our points of sale. In the United States, there is a three-tier system implemented by federal and state laws known as "tied house" laws, rules and regulations, which restrict the nature and extent of dealings between spirits importers, producers and wholesalers on the one hand and spirits retailers on the other hand. These "tied house" laws, rules and regulations prohibit transactions and relationships that are common in the spirits industry in many other countries, as well as in other consumer products businesses in the United States. As a result, in twenty two U.S. states, we distribute primarily through wholesalers associated with one of three major distribution companies (Republic National

Distributing Company, Southern Glazer's Wine and Spirits and Johnson Brothers Liquor Company). In twelve U.S. states, we distribute through independent distributors that do not belong to the above-mentioned distribution companies, and in the remaining sixteen U.S. states, the relevant state controls all distribution of full-strength spirits. In countries where we currently do not have direct distribution capabilities, our strategy is generally based on country-by-country distribution agreements that are exclusive for the relevant brand or brands.

For the year ended December 31, 2020, our consolidated net sales were MXN 35,036 million; operating profit was MXN 6,893 million and net income was MXN 5,152 million. In 2020, the United States represented 70% of our net sales, Mexico represented 19% and markets outside of Mexico and the United States, which, collectively, constitute our *Rest of World* region, represented 11%.

Our tequila portfolio represented 62.27% of our net sales for the year ended December 31, 2020. Our flagship tequila brand is *Jose Cuervo* (including sub-brands *Jose Cuervo Especial* (Gold and Silver), *Jose Cuervo Tradicional, Jose Cuervo Reserva de la Familia* and *Jose Cuervo Platino*), which, with over 19% of the global tequila market share volume and over twice the size of its nearest competitor according to *IWSR*, we believe is the best-known tequila brand in the world. Jose Cuervo brand products are sold in more than 85 countries. In addition to the *Jose Cuervo* brand family, we have successfully developed other internationally recognized and marketed tequila brands, including *1800*, *Centenario* and *Maestro Dobel*. With a portfolio composed of four brands, we compete in most tequila price segments. In our two most important markets, the United States and Mexico, we are the market leaders with a 23.64% and 43.30% share, respectively, of each country's total tequila volume in 2019, according to *IWSR*.

The table shown sets forth the sales volume and sales value for our various brands during 2020.

Family	9-liter cases		Sales (in thousands of MXN)	Sale Share
Jose Cuervo	7,325,097	$	12,770,832	36.45%
1800	1,873,233		5,444,485	15.54%
Other Tequilas	1,862,975		3,686,156	10.52%
Tequila Portfolio	**11,061,305**	$	**21,901,473**	**62.51%**
Bushmills	764,979	$	1,412,136	4.03%
Kraken	894,620		506,400	4.30%
Other alcoholic beverages	2,684,390		4,301,505	12.28%
Non-Tequila Portfolio	**4,343,989**	$	**7,220,041**	**20.61%**
Ready-to-serve cocktails	4,889,683	$	4,472,828	12.77%
Other non-alcoholic beverages	3,359,598		1,441,797	4.11%
Total	**23,654,576**	**$**	**35,036,139**	**100.0%**

We are vertically integrated across our entire tequila supply chain, from the sourcing of raw materials to the distillation, aging, bottling and distribution of the finished product. *Blue Agave* is the most important raw material used in the production of tequila, and we believe that we currently have the largest *Blue Agave* plantation in Mexico within the *Appellation of Origin* region. We believe our vertically integrated supply chain strategy is a cornerstone of our value proposition, as it allows us to ensure product quality and consistency as well as to control the sourcing of *Blue Agave*.

In Mexico, we operate two modern tequila distilleries and a state-of-the-art processing and bottling facility. Our *La Rojeña Distillery* is the oldest in Mexico and is 100% dedicated to the production of Tequila. Our *Los Camichines Distillery* is the largest in Mexico and is specialized in the production of Tequila. Our *EDISA* bottling plant has automatic bottling lines allowing us to have an important installed annual capacity.

Additionally, in the United States, following the *Proximo Merger*, we operate two distilleries (one for whiskey in the state of Colorado and one for vodka in the state of California) and three bottling plants (in the states of Colorado, California, and Indiana). Finally, as a consequence of the *Bushmills* acquisition, we operate an Irish whiskey distillery and bottling facility in Northern Ireland.

In February 2015, in line with our strategy of expanding into other high-growth spirit categories and incorporating iconic brands to our portfolio, we acquired 100% of the shares of *Bushmills*, including its brands and production and bottling facilities located in Northern Ireland. Irish whiskey, the first type of whiskey created in the world, has recently experienced substantial growth in key markets and within the spirits market is one of the categories with the lowest competition (in terms of the number of participants in the category). *Bushmills* is the third-largest Irish whiskey brand in the world and the fourth in the United States by sales volume in 2019, according to *IWSR*. The *Bushmills* brand has particularly strong recognition in EMEA (Europe, Middle East, Africa) and U.S. markets, where it is distributed, based on its strong heritage as a traditional whiskey maker. This heritage dates to 1608, when Sir Thomas Phillips was granted a license to distill by a concession of the King of England, making *Bushmills*, to our knowledge, the oldest Irish whiskey distillery in the world. *Bushmills* represented 4.0% and 4.5% of our net sales for the year ended December 31, 2020 and 2019, respectively.

Also, on June 30, 2017, Proximo Australia PTY, Ltd, a subsidiary of JC Overseas, Ltd., acquired from L.I.P.S. PTY Limited, the capital stock of island2island Beverage Co. PTY, Ltd, (*i2i*) for MXN 189,576 (AUD 12,343) (figures expressed in thousands).

i2i was founded in 2007, and since that year it has continued to expand its portfolio. *i2i* is based in Sydney and has sales infrastructure in each of Australia's states. It also has a strong presence both in consumer centers and with distributors, highlighting the two most important chains: *Woolworths* and *Coles*.

In 2015, Casa Cuervo, S. A. de C. V. appointed *i2i* as distributor of the *Jose Cuervo, 1800, Bushmills, The Kraken* and *Boodles brands*.

The acquisition of *i2i* was an essential step in ensuring the future growth of the *Company*'s portfolio in the region.

Also, on February 22, 2018, the *Company* completed the acquisition of the *Pendleton Whisky* brand assets from Hood River Distillers, Inc. *Pendleton Whisky* is one of the main super-premium whiskey brands in the United States. *Becle* agreed to pay USD 212.8 million (MXN 3,999,259) for these assets. *Pendleton Whisky* was launched in 2003 and has since increased its annual volume to more than 368,750 nine-liter equivalent cases according to IWSR in 2019. In addition to the main *Pendleton Whisky* presentation, the acquisition included the *Pendleton Midnight, Pendleton 1910,* and *Pendleton Directors' Reserve* presentations.

In order to complement our leading tequila and Irish whiskey categories, over the years we have introduced innovations by creating new brands, improving packaging and launching line extensions. We believe our principal strengths are innovation and speed, as well as responsiveness. In the rum category, in 2009 we internally developed and launched *Kraken*, a premium rum that is currently one of the most dynamic brands in the segment. *Kraken* represented 4.18% and 4.37% of our net sales for the years ended December 31, 2020 and 2019, respectively.

In the vodka segment, we are present with our *Three Olives*, *Hangar 1* and *Oso Negro* brands; in gin with *Boodles*; in ready-to-drink cocktails with *Jose Cuervo* and *1800*; and in nonalcoholic beverages with *b:oost*, *Jose Cuervo Margarita Mix* and *Sangrita Viuda de Sanchez*. As of the date of this *Annual Report*, we sell over 30 brands around the world, including brands that we own and brands owned by third parties but that we distribute in Mexico, on an agency basis.

On October 1, 2016, our shareholders approved our merger with *Sunrise Holdings* (the parent company of Proximo) (the *"Proximo Merger"*). The foregoing was carried out through the merger of *Sunrise Holdings* with and into *Becle*, which is the surviving entity. The merger became effective on October 13, 2016 and, at that time, all assets, shares and rights, as well as all liabilities, obligations and responsibilities of *Sunrise Holdings* were transferred to us. *Proximo*, a U.S. spirits producer, importer and international distributor, was founded in 2007 by the Beckmann family, and started with the distribution of *1800* branded products in the United States in 2008. In 2013 it took over the distribution of the *Jose Cuervo* brand from Diageo plc (together with its affiliates, *"Diageo"*). In the United States, *Proximo* today is the tenth-largest spirits distributor by value and eleventh-largest spirits distributor by volume according to *IWSR*. It manages more than 14 premium brands of tequilas, rums, gins, vodkas, whiskeys, liqueurs, ready-to-drink cocktails and non-alcoholic beverages. *Proximo*'s distribution network spans the entire territory of the United States, Canada and the United Kingdom, and its team has broad experience in the spirits industry.

Tequila and the *Appellation of Origin*

Tequila must be distilled from one specific type of agave, the *Blue Agave Tequilana Weber*, planted and grown only in the territory of the *Appellation of Origin* for Tequila. The region within Mexico includes the entire state of Jalisco and some municipalities of the neighboring states of Guanajuato, Nayarit and Michoacán, as well as some municipalities in the state of Tamaulipas. By regulation, tequila cannot be produced from any other type of agave or in any other region in the world.

There are two types of tequila: (i) tequila distilled from at least 51% *Blue Agave* sugars, which we refer to as "Tequila," and (ii) tequila distilled from 100% *Blue Agave* sugars, which we refer to as "100% Tequila". Tequila may be bottled outside of the *Appellation of Origin* for Tequila, provided that it is bottled by a certified bottler. All 100% Tequila must be bottled within the territory of the *Appellation of Origin*.

The *Appellation of Origin* for Tequila was first formally recognized in Mexico in 1974 with the issuance of a General Declaration of Protection of the *Appellation of Origin* "Tequila" on December 9, 1974 and later modified in 1997 and 2001. To this date, the Tequila *Appellation of Origin* is protected in 55 countries through international treaties; in some cases, under the figure of Denomination of Origin; in others, under the figures of the *Geographical Indication*, the *Certification Mark* or *Collective Mark*.

The production of tequila is subject to a specific regulation, which sets standards that producers must meet in order to produce and bottle tequila. The ownership and control over the *Appellation of Origin* for Tequila belongs to the Mexican state and is regulated and protected by the Mexican government. Our operations are in compliance with the applicable regulation to the *Appellation of Origin*, and therefore we are entitled to use the word *"tequila"* and *"100%-Agave tequila"* to name our products.

There are five types of tequila products, generally defined by aging process: (i) *blanco (silver or white tequila)*, which may be subject to a shorter maturation process of two months; (ii) *joven (gold)*, which is the result of a blend of white tequila with aged, extra aged or ultra-aged tequilas (it may also be white rested tequila); (iii) *reposado (aged)*, which has a minimum aging of two months; (iv) *añejo (extra aged)*, which has a minimum aging of 12 months; and (v) *extra añejo (ultra-aged)*, which has a minimum aging of 36 months.

Our Competitive Strengths

We believe the following competitive strengths differentiate us from our competitors and contribute to our ongoing success:

- Worldwide leader in tequila.
- Recognized brand portfolio focused on fast-growing categories.

- Established presence in the most profitable and dynamic spirits markets in the world.
- Vertically integrated model and robust route-to-market strategy and own distribution capabilities.
- Track record of profitable growth and resilient cash flow generation.
- Heritage built upon continued value creation and consistent family leadership.

Worldwide leader in tequila

We are the largest tequila producer in the world. According to *IWSR*, in 2019 our brands accounted for 29.9% and 24.0% of the world's tequila sales volume and retail sales value on a global basis, respectively. In 2019, we generated tequila retail sales value of approximately USD 2.055 billion within the USD 9.518 billion global tequila market, according to *IWSR*. We are the undisputed leader in the largest tequila markets in the world: the United States, where we accounted for 23.6% of total tequila sales volume and 18.8% of total tequila retail sales value in 2019, and Mexico, where we had a 43.3% share of total tequila sales volume and 43.0% of total tequila retail sales value in 2019, according to *IWSR*. We are also the leader in the *Rest of World* region, where our products accounted for 31.7% of total tequila sales volume in 2019, according to *IWSR*.

Our tequila portfolio includes strong and long-established brands, including three of the six largest tequila brands by sales volume worldwide in 2019, according to *IWSR*: *Jose Cuervo*, *1800* and *Centenario*. In 2019, our flagship *Jose Cuervo* brand family sold more nine-liter cases than any other tequila brand, according to *IWSR*. Our *1800* brand is the second-largest brand of 100% Tequila by sales volume in the world, according to *IWSR*. In addition, and in line with the current industry's trend for premium products in the spirits categories, we continue to develop our fast-growing portfolio of *ultra-premium* and *prestige* tequila brands, which today includes *Maestro Dobel* and *Reserva de la Familia*, among others.

Over time, we have received several international awards for the quality of our tequila from various countries and cities, including Madrid in 1907, Spain in 1907, Paris in 1909, London in 1910, Barcelona in 1912, Rome in 1923 and Rio de Janeiro in 1923. Today, we continue to actively participate in the *Mayahuel Godess Award* in Mexico, which can be considered the most expert panel on tequilas in Mexico. Our tequilas have been recognized and evaluated in their different categories - such as whites, reposado, aged, ultra-aged and crystalline - for a long time and to this day.

Recognized brand portfolio focused on fast-growing categories

We believe that our brands are our most valuable and important assets. Over the years, we have built a unique portfolio of over 30 brands in 9 different categories across spirits, and other ready to drink cocktails and nonalcoholic beverages, led by globally recognized brands with leading market positions in fast-growing categories, such as *Jose Cuervo*, *1800*, *Centenario*, *Bushmills* and *Kraken*, among others.

Our world-leading tequila brands, which include *Jose Cuervo*, *1800* and *Centenario*, among others, hold leading market positions in most of the markets in which they are currently distributed. Our tequila portfolio is composed of five brands and covers most price segments, appealing to a broad range of consumers.

Our core tequila business is complemented by a diversified portfolio of attractive spirits brands covering multiple categories and prices across our key markets. Our *Bushmills* brand has been built on years of heritage and positions us as one of the leading Irish whiskey producers in the world, one of the fastest-growing in terms of volume in the global spirits market from 2014 to 2019 with a CAGR of 10.3%, according to *IWSR*. In the United States, *Kraken*, an internally developed rum, is enjoying a dynamic expansion, with volume and sales growth at rates above the rum category's rates. We have also acquired a brand portfolio focused on premium segments, including *Three Olives* and *Hangar 1* vodkas and *Stranahan's* whiskey, among others. We believe our brand portfolio allows us to capture consumption across different price points and address changes in consumption trends, which provides resiliency to our cash flow generation across different economic cycles.

We believe that our brand portfolio positions us as a key player in some of the most dynamic categories in the spirits industry. For example, global tequila sales, which represented 62.27% of our net sales as of December 31, 2020, achieved a compound annual growth rate ("CAGR") of 10.5% between 2014 and 2019, according to *IWSR*. The Irish whiskey category, where we compete through our *Bushmills* brand and which represented 4.0% of our net sales as of December 31, 2019, achieved a CAGR of 12.1% in terms of global retail value between 2014 and 2019 according to *IWSR*; likewise, it participates with the *Sexton and Proper - Number Twelve* brands. In April 2020, the *Company* acquired an increased interest of 29% in the capital stock of *Eire Born Spirits*, reaching 49% in the company that owns the *Proper Number Twelve* brand. We believe that many of our brands are well-aligned to the demographic and consumer trends that are driving, and are expected to continue to drive the consumption of spirits in our key markets, including a prevailing premiumization trend, and consumers' preferences for brands and products with a unique heritage and provenance, as well as for products with innovative and distinctive features, among others.

We continuously invest in marketing, advertising and promotion to support our brands and develop their value and recognition. We understand that consumers require more than a good product with which to be identified. Therefore, we seek to innovate in the creation of different personalities and cultures for each brand, which allows us to interact with consumers at multiple levels through different media platforms.

The strength and success of our brands have enabled us, and we believe that in the future they will allow us, to better penetrate existing markets and enter new markets.

Established presence in the most profitable and dynamic spirits markets in the world

We are a global spirits company and our products are sold in over 85 countries across the world. Over the years, we have consistently increased our international exposure through a combination of organic growth and targeted acquisitions. For the year ended December 31, 2020 we generated 81% of our net sales outside of Mexico, compared to 76% in 2019 and 78% in 2018.

We are a leading and well-established participant in the United States, the second-largest spirits market by retail sales value globally in 2019, behind only China, according to *IWSR*, and which we believe represents the most profitable, dynamic and trend-setting spirits market in the world. For the year ended December 31, 2020, our sales volume in the United States amounted to approximately 15.2 million nine-liter cases, while our consolidated net sales amounted to MXN 24.6 billion, accounting for 70% of our total consolidated sales volume. Also, with the integration of *Proximo* following the *Proximo Merger*, we are benefiting from *Proximo*'s firsthand experience gained in the U.S. consumer market, which we believe will allow us to continue enhancing our reach.

We believe we are well-positioned to capture growth from further international expansion. First, we believe that our key categories remain underpenetrated within spirits and outside of our core markets, such as tequila, which represented 0.9% of spirits retail sales in the European Union in 2019 as compared to 38% for Mexico and 11.6% for the United States; or Irish whiskey, which represented 5.0% of whiskey sales globally in 2019, according to *IWSR*. We believe that a 1% increase in the net sales market share of tequila in the European Union and of Irish whiskey in the global whiskey market could represent approximately a USD 540 million and USD 739 million revenue opportunity for the industry, respectively, based on estimates and *IWSR* data for 2019.

Vertically integrated model, robust route-to-market strategy and own distribution capabilities

We operate an integrated platform with unique route-to-market distribution. In tequila, in particular, we run an integrated model, which includes the cultivation of agave, distillation, processing and bottling, aging, warehousing and distribution. This vertical integration allows us to control our supply of critical inputs and quality at each stage of the production process, from raw materials to distribution to the final consumer.

- ***Agriculture and supply***. We operate our own agave plantations in order to control the agricultural process with the goal of (i) securing our sufficient supply of *Blue Agave*; (ii) controlling the profile and quality of the product; and (iii) having visibility into the cost of raw materials.

  We believe that we are the largest private producer of *Blue Agave* in Mexico, according to the plantation registry held by the *CRT*.

  We also maintain relationships with independent agave producers, allowing us to acquire agave at market prices under our quality standards and strengthening our ties with local communities.

  The fact that the regulation forbids producing tequila outside the territory of the *Appellation of Origin* for Tequila, coupled with our experience in the production of agave, gives us significant competitive advantages from the early stages of the production chain.

- ***Distillation and bottling processes***. We control our distillation and bottling processes. This control, coupled with the fact that tequila distillation – and in the case of 100% Tequila also bottling – must take place within the *Appellation of Origin*, provides us with a unique advantage throughout the production chain. We have five distilleries and five bottling facilities in Mexico, Northern Ireland and the United States. Furthermore, our internal policies provide for prudent and timely capital investments to increase capacity and to modernize and maintain our plants in line with technological developments and the most rigorous standards, to ensure their efficient and sustainable operation.

- ***Route-to-market distribution***. We have a direct "route-to-market" model. In 2020, more than 94.2% of our global sales were generated through direct distribution, whereas in 2007 they represented only 25%.

  In the United States, Mexico, Canada, the United Kingdom, the Republic of Ireland, Australia, China and Spain, we control and operate a direct distribution model. In particular, in Mexico and the United States, we have the second and ninth-largest distribution networks of spirits by sales value, respectively. In the case of Mexico, we distribute directly to supermarkets, price clubs, wholesalers and convenience stores through our own sales force.

  With *Proximo*, we integrated the platform entrusted with distributing our products in the United States, Canada, the United Kingdom and the Republic of Ireland. We have our own distribution network in the United States, which makes us the country's tenth-largest spirits distributor by sales value and volume, according to *IWSR* in 2019. We have a large warehouse located in the Midwest corridor to optimize the transportation of our products, as well as third-party warehouses in Denver, Colorado, Oakland, California, Hebron, Kentucky, and in the state of Indiana. As a result of our distribution capabilities in the United States, we are able to (i) focus on our strategic priorities; (ii) assure manufacturers of the continuity of their brand distribution in the medium term; and (iii) improve the exposure and positioning of our own brands, developing brand loyalty among consumers. This is demonstrated by the sales growth that our flagship brand, *Jose Cuervo Especial*, has experienced since *Proximo* took over its distribution in the United States in July 2013, reversing a decline in tequila sales.

  Distribution in our *Rest of World* region is carried out by third-party distributors. We devote significant time and attention to the management of our relationships with our distributors to ensure that they will adequately represent our objectives and goals in the applicable local market.

Track record of profitable growth and resilient cash flow generation

Our strong track record of sales growth has been achieved through a combination of organic initiatives and strategic acquisitions. For the year ended December 31, 2020, our consolidated net sales amounted to MXN 35,036 million, compared to MXN 29,705 million as of December 31, 2019 and MXN 28,158 million as of December 31, 2018. This evolution represents a *CAGR* of 11.5% between 2018 and 2020. For the year ended December 31, 2020 our consolidated *EBITDA* amounted to MXN 7,607 million, compared to MXN 6,096 million as of December 31, 2019 and MXN 6,074 million as of December 31, 2018.

Our business generated an *EBITDA* margin of 22% as of December 31, 2020.

We believe our strong cash flow generation ability will enable us to continue to support initiatives to grow our existing business, pursue value-enhancing and complementary acquisitions in the spirits sector and create value for our shareholders.

Heritage built upon continued value creation and consistent family leadership

The heritage of our company today results from more than two centuries of family tradition with product leadership and innovation. We were founded in 1758, and in 1795 the King of Spain Charles IV granted a Royal Warrant to José María Guadalupe de Cuervo y Montaño, to produce and sell *"Vino de Mezcal*," which is now known as tequila. This is generally considered the first license to sell tequila. *La Rojeña*, our flagship distillery, is the oldest distillery in Mexico and continues to produce tequila after 250 years. The *Old Bushmills Distillery*, located in the village of Bushmills, is the oldest distillery in Ireland, which has maintained the same philosophy of operation for over 400 years. We are convinced that the uniqueness of our heritage is a fundamental pillar of our brand equity, business culture and strategic philosophy.

Our management has been led for more than 250 years by eleven generations of the Cuervo family. Including our current Chief Executive Officer, Juan Domingo Beckmann Legorreta.

We also have strong principles of corporate governance and our senior management team has a solid track record with experience in companies belonging to the distilled alcoholic beverage and consumer goods industries. Our key senior management team has, on average, over 10 years of experience with consumer product companies of international stature. Collectively, they have demonstrated a track record of producing profitable growth and market share expansion.

Corporate Responsibility

We are convinced that our success will only be complete in a context of economic, social and environmental sustainability. Therefore, we have publicly committed to implement socially responsible management and continuous internal improvements as part of our corporate culture.

For fifteen consecutive years, we have met the standards established by the *Centro Mexicano para la Filantropía, A.C.* (Mexican Center for Philanthropy; "CEMEFI") in the key areas of corporate social responsibility. Since 2007, we have been afforded the distinction of *Empresa Socialmente Responsable* (Socially Responsible Company), in recognition of the actions we carry out to promote our employees' quality of life, as well as in the areas of ethics and corporate governance, community engagement, and other actions of each strategic area.

Our actions and initiatives in each strategic area include:

The Community

Our shareholders have supported the Tequila, Jalisco community for many years through Fundación Jose Cuervo, A.C. (the Jose Cuervo Foundation). These efforts focus on producing a positive impact on the lives of individuals and families of the community, through programs that promote values, art, culture and education, among others. In addition, our shareholders have actively promoted tourism in Tequila, a

"Magical Town," thereby supporting its independent and sustained long-term growth. We expect to continue supporting the communities in which we operate in a manner consistent with our past practices.

Further, in all of our premises we strive to exceed legal standards and provide a safe, inclusive and respectful work environment.

Responsible Consumption

We actively participate in campaigns and programs to prevent the harmful use of alcoholic beverages and promote responsible consumption, while promoting a balanced and healthy way of life.

One of our corporate goals is to promote responsible consumption, so we continually carry out campaigns to avoid and prevent the harmful use of alcoholic beverages, namely: (i) combating the informal market and the consumption of beverages that may not meet sanitary controls and quality standards; (ii) discouraging drinking and driving; (iii) preventing the sale of alcoholic beverages to minors; and (iv) promoting respect for abstinence in the consumption of alcoholic beverages. As an example, in 2001 we created *"Imagina Cuervo"* with the aim of creating awareness about responsible drinking through the creativity and talent of university students in Mexico. *Imagina Cuervo* seeks to become the first platform to look for real and tangible solutions to problems related to the harmful use of alcoholic beverages, through incentives and supporting young people's ideas.

Environmental Sustainability

We consider it essential that our growth takes place in the context of effective responsibility and environmental sustainability. To date, we have made significant investments in improving waste disposal, water conservation and the reduction of greenhouse gas emissions. We comply with applicable environmental regulations and, if possible, exceed such standards. Our facilities have received environmental certifications such as Clean Industry certifications, *ISO 9000* and *HACCP*.

Share Performance in the Mexican Securities Market

The following chart shows the maximum and minimum quoted prices of the Shares in the *BMV*.

Monthly Performance

2020	Maximum	Minimum	Closing	Shares (Daily Average Volume)	Shares Traded Monthly	Amount (MXN)
January	35.56	33.43	35.04	1,336,220	29,396,846	1,005,085,885
February	35.90	29.97	29.97	1,920,955	36,498,148	1,236,638,207
March	32.20	27.50	28.99	2,368,560	49,739,756	1,486,387,490
April	38.01	27.87	36.97	3,525,825	70,516,509	2,440,296,850
May	38.87	35.52	38.40	7,712,999	154,259,986	5,788,887,740
June	44.50	38.77	44.26	3,093,618	68,059,590	2,800,730,870
July	46.78	40.35	44.59	1,748,909	40,224,918	1,731,617,939
August	44.71	40.23	41.81	2,142,893	45,000,745	1,870,990,020

September	45.13	40.83	45.13	1,217,484	25,567,166	1,096,220,460
October	47.65	43.39	44.53	1,676,750	36,888,501	1,687,068,720
November	49.24	43.50	47.39	2,202,495	41,847,397	1,980,130,760
December	50.33	47.03	49.94	1,156,180	25,435,970	1,242,199,830

Monthly Performance

2019	Maximum	Minimum	Closing	Shares (Daily Average Volume)	Shares Traded Monthly	Amount (MXN)
January	24.71	24.23	24.43	2,834,678	62,362,916	1,553,500,550
February	27.46	26.11	27.12	2,908,129	55,254,443	1,390,942,818
March	30.29	29.32	29.88	2,725,337	54,506,733	1,547,816,300
April	30.75	29.07	29.79	1,778,100	35,562,007	1,051,945,469
May	29.86	28.30	28.61	3,134,497	68,958,925	2,127,508,380
June	30.00	29.45	29.78	2,006,613	40,132,252	1,191,022,000
July	28.64	27.93	28.43	2,155,020	49,565,456	1,415,484,200
August	28.34	28.00	28.11	3,217,988	70,795,744	2,053,373,030
September	29.28	28.72	29.09	1,542,263	30,845,268	900,593,439
October	33.92	33.10	33.24	2,506,118	57,640,722	1,790,366,450
November	33.87	33.01	33.09	1,111,029	22,220,583	741,697,221
December	35.25	34.75	35.16	1,060,560	21,211,209	727,039,773

2018	Maximum	Minimum	Closing	Shares (Daily Average Volume)	Shares Traded Monthly	Amount (MXN)
January	34.10	31.50	33.86	1,219,233	26,823,131	886,851,8899
February	34.77	32.16	34.77	1,157,107	21,985,037	740,656,192
March	36.90	35.46	36.90	2,115,777	42,315,546	1,542,570,096
April	36.49	31.68	31.68	2,312,532	48,563,166	1,682,902,854
May	32.36	30.31	32.36	2,655,595	58,423,088	1,831,729,026
June	31.96	28.43	28.73	3,090,353	64,897,406	1,944,351,569
July	30.25	25.97	25.97	5,889,131	129,560,880	3,550,975,769
August	27.05	25.60	27.05	5,062,619	116,440,240	3,035,065,462
September	30.33	27.13	30.33	2,854,224	57,084,477	1,643,404,119
October	31.34	24.69	24.95	3,240,426	74,529,787	2,035,741,614
November	25.61	22.40	25.61	3,438,573	68,771,467	1,627,956,474
December	26.26	23.39	26.26	1,669,446	31,719,483	780,082,651

The quoted prices of the Shares may be affected by the Company's financial condition, results of operations, resource requirements and future prospects, including other economic and financial factors and market conditions. See "1) *Overview*-c) *Risk Factors*". The Company cannot guarantee that the quoted prices of the Shares will remain within the margins indicated above.

SUMMARY OF FINANCIAL INFORMATION

The tables below present our summary of consolidated financial information that derives from and should be read together with the Company Audited Financial Statements and notes thereto included elsewhere in this Annual Report. In addition, the summary financial information should be read together with our management's explanations included in "Selected Consolidated Financial Information," and "Management's Discussion and Analysis of Financial Condition and Results of Operations."

The financial information for the years ended December 31, 2020 and 2019 for the years then ended, as well as December 31, 2018 for the year then ended, has been derived from Audited Financial Statements prepared in accordance with International Financial Reporting Standards ("IFRS").

Becle, S.A.B. de C.V. and Subsidiaries
Consolidated Statements of Comprehensive Income, by expense function
For the years ended December 31, 2020, 2019 and 2018
(Figures expressed in thousands of Mexican Pesos, except earnings per share)

	As of December 31,		
	2020	**2019**	**2018**
Net sales.	$ 35,036,139	$ 29,704,781	$ 28,158,210
Cost of sales	16,790,114	14,039,147	11,974,906
Gross Income	18,246,025	15,665,634	16,183,304
Expenses:			
Advertising, marketing, and promotion	6,688,049	6,424,715	6,580,182
Distribution	1,379,692	1,040,914	1,241,703
Sales	1,404,296	1,195,568	937,774
Administration	1,972,970	1,754,087	1,821,079
Other expenses (income) – Net	(91,595)	(159,790)	59,625
Total expenses	11,353,412	10,255,494	10,640,363
Operating Income	6,892,613	5,410,140	5,542,941
Interest revenue	(143,666)	(191,321)	(193,097)
Interest expense	544,809	528,551	431,558
Changes in fair value of financial instruments	(303,739)		
Foreign exchange income (loss) - Net	(58,997)	(74,461)	148,561
Comprehensive financing result	38,407	262,769	387,022
Interest in associated companies	-	-	(9,445)
Earnings before taxes	6,854,206	5,147,371	5,146,474
Income taxes	1,702,162	1,429,518	1,113,474
Consolidated net income	$ 5,152,044	$ 3,717,853	$ 4,033,000
Other comprehensive income, net of taxes:			
Items that will be subsequently re-classified to income (loss)			
Transactions abroad – Allowance for foreign currency translation	$ 1,913,777	$ (1,145,931)	$ (1,040,587)
Items that will not be subsequently re-classified to income (loss)			
Changes in fair value of investments in shares at fair value through other comprehensive income – net of income taxes	26,931	(46,513)	-
Employee benefits – net of income taxes	35,243	25,713	72,238

Other comprehensive income	$ 1,975,951	$ (1,166,731)	$ (968,349)
Consolidated comprehensive income	$ 7,127,995	$ 2,551,122	$ 3,064,651
Net income attributable to:			
Controlling interest	$ 5,146,020	$ 3,712,022	$ 4,024,879
Non-controlling interest	6,024	5,831	8,121
	$ 5,152,044	$ 3,717,853	$ 4,033,000
Comprehensive income attributable to:			
Controlling interest	$ 7,121,971	$ 2,545,291	$ 3,056,530
Non-controlling interest	6,024	5,831	8,121
	$ 7,127,995	$ 2,551,122	$ 3,064,651
Basic and diluted earnings per common share (Mexican Pesos)	$ 1.43	$ 1.04	$ 1.12

Becle, S.A.B. de C.V. and Subsidiaries
Consolidated Statements of Financial Position
as of December 31, 2020, 2019 and 2018
(Figures expressed in thousands of Mexican Pesos)

	As of December 31,		
Assets	2020	2019	2018*
CURRENT ASSETS:			
Cash and cash equivalents	$ 7,646,318	$ 9,628,169	$ 12,027,931
Accounts receivable	9,213,715	9,294,939	8,536,421
Related parties	57,214	103,294	96,870
Recoverable taxes	624,405	782,106	1,055,771
Other taxes and accounts receivable	1,291,221	637,217	544,593
Inventories	11,193,822	9,438,092	7,716,151
Financial instruments valued at fair value	303,739	-	-
Biological assets	291,882	915,393	473,543
Advance payments	1,004,644	850,902	804,562
Total current assets	31,626,960	31,650,112	31,255,842
NON-CURRENT ASSETS:			
Inventory	5,959,914	4,990,747	4,399,291
Biological assets	4,895,421	2,719,349	2,432,679
Investments in associates	1,567,796	230,383	228,136
Investments in shares at fair value	11,969	36,748	83,261
Property, plant, and equipment - Net	10,169,488	6,944,677	5,506,305
Intangible assets	15,447,299	14,229,951	14,663,673
Goodwill	6,891,070	6,253,088	6,353,738
Lease assets	2,351,770	2,046,169	-
Deferred Income Taxes	2,357,279	1,313,980	1,454,055
Employment benefits – Net	234,809	250,939	269,798
Other assets	67,893	58,792	64,611
Total non-current assets	49,954,708	39,074,823	35,455,547
Total assets	$ 81,581,668	$ 70,724,935	$ 66,711,389
Liabilities			
SHORT-TERM LIABILITIES			
Short-Term Senior Notes	$ 48,833	$ 46,131	$ 48,182

Accounts payable	3,062,436	2,182,716	2,593,980
Related parties	169,551	68,382	48,801
Lease liabilities	617,268	445,582	-
Other accounts payable	4,809,560	3,944,604	2,400,690
Total short-term liabilities	8,707,648	6,687,415	5,091,653
LONG-TERM LIABILITIES			
Long-term Senior Notes	9,907,075	9,344,657	9,745,014
Lease liabilities	1,843,873	1,702,822	-
Environmental allowance	126,414	117,924	121,125
Other long-term liabilities	508,401	190,823	314,036
Deferred income tax	5,743,187	4,089,090	3,567,750
Total liabilities	26,836,598	22,132,731	18,839,578
Shareholders' Equity			
Capital stock	11,283,642	11,514,467	11,622,553
Stock issue premium	14,486,570	15,364,892	16,426,406
Capital allowances	4,302,893	5,758,171	5,602,893
Capital gains (losses)	18,615,653	11,880,337	8,984,722
Other comprehensive income	5,977,668	4,001,717	5,168,448
Parent Company stake	54,666,426	48,519,584	47,805,022
Non-parent Company stake	78,644	72,620	66,789
Total shareholders' equity	54,745,070	48,592,204	47,871,811
Commitments and contingences	-	-	-
Total	81,581,668	70,724,935	66,711,389

* Certain re-classifications have been made to the consolidated financial statements of the previous year to adapt them to reporting for the year 2019. Such re-classifications did not impact the operating results previously reported, capital gains (losses) or cash flows. The most significant re-classification made is on biological assets, which were re-classified in the balance sheet when a line related to biological assets was created in order to substitute the account connected to inventories. For comparative purposes, the amounts of the previous year have been re-classified to be adjusted to the current year reporting.

Other Financial Information
as of December 31, 2020, 2019 and 2018

(Figures expressed in thousands of Mexican Pesos)

	As of December 31,		
	2020	2019	2018
Operating Income	$ 6,892,613	$ 5,410,140	$ 5,542,941
EBITDA(1)	$ 7,607,072	$ 6,095,566	$ 6,073,629
Cash flow generated by operating activities	$ 3,745,850	$ 2,369,189	$ (179,220)
Cash flow used in investment activities	$ (5,069,794)	$ (1,758,028)	$ (5,247,994)
Net cash flow (used in) generated by financing activities	$ (1,318,393)	$ (2,609,424)	$ (2,481,510)
Net cash flow(2)	$ (2,642,337)	$ (1,998,263)	$ (7,908,724)
Operating margin(3)	20%	18%	20%
EBITDA margin (1)(4)	22%	21%	22%
Debt ratio (5)	1.31	1.54	1.61

Other Data
as of December 31, 2020, 2019 and 2018

	As of December 31,		
	2020	2019	2018
Volume[(6)]			
United States[(6)]	15,230,400	12,459,698	12,015,517
Mexico[(6)]	6,237,311	7,296,706	6,745,734
Rest of World[(6)]	2,186,864	2,560,427	2,517,598
Total volume[(6)]	23,654,576	22,316,831	21,278,849

(1) For the Company's purposes, *EBITDA* represents the net income *plus* depreciation and amortization, income taxes, interest expense, *less* interest revenue, plus loss (gain) in foreign exchange, net, less income on joint venture sales and plus loss of interest in associated companies. The Company reports its *EBITDA* since it is a generally accepted indicator of the available funds to service its debt. However, *EBITDA* is not recognized by *IFRS* as financial items or as indicators of liquidity or performance. Although EBITDA provides useful information, it must not be assessed on an isolated basis, or be considered as a substitute for the Company's net income when assessing the Company's operating performance, or as a substitute of the cash flows generated by the Company's operations when assessing its liquidity. The Company calculates its *EBITDA* differently than other issuers do, which may affect the comparison of such information. The following table contains a calculation of *EBITDA*:

EBITDA
for the years ended December 31, 2020, 2019 and 2018
(Figures expressed in thousands of Mexican Pesos)

		As of December 31,		
		2020	2019	2018
Net Income		$ 5,152,044	$ 3,717,853	$ 4,033,000
Plus:	Depreciation and Amortization	714,459	685,425	530,688
Plus:	Income taxes	1,702,162	1,429,518	1,113,474
Plus:	Interest expense	544,809	528,551	431,558
Less:	Interest revenue	143,666	191,321	193,097
Less:	Changes in fair value of financial instruments	303,739	-	-
Plus/Less:	Net foreign exchange loss (gain)	(58,997)	(74,461)	148,561
Less:	Earnings in the results of associated companies	-	-	-
Plus:	Loss from interest in an associated company	-	-	9,445
	EBITDA	$ 7,607,072	$ 6,095,565	$ 6,073,629
		22%	21%	22%

(2) The net cash flow is equal to the sum of (i) the cash flow generated by operating activities, (ii) the cash flow used in investment activities and (iii) the net cash flow generated by (used in) financing activities.
(3) The operating margin represents the operating income-to-sales ratio.

(4) The *EBITDA* margin represents the *EBITDA*-to-sales ratio.
(5) The debt ratio represents the total debt ratio at the end of the period divided by *EBITDA* of the last 12 months of the period.
(6) The sales volume represents the number of 9-liter cases sold.

(C) RISK FACTORS

Any investment in the Company's Shares involves a high degree of risk. Investors should carefully consider the risks described in this section, as well as the other information contained in this Report, including the Company's Financial Statements, before making any investment decision. The Company's activities, financial condition, results of operations, cash flows and/or prospects could be materially and adversely affected by any of these risks. The market price of the Company's Shares could decline due to any of these risks or other factors, and investors could lose all or a portion of their investment. The risks described in this section are those that in the Company's current opinion may adversely affect the Company. There may be additional risks and factors that the Company is not currently aware of or does not currently consider material, which could also materially adversely affect its business, financial condition, results of operations, cash flows, projects and/or the market price of its Shares. In this section, expressions to the effect that a particular risk or uncertain factor may, could or will have a "material adverse effect" on the Company, or could or will "materially and adversely affect" the Company, mean that such risk or uncertain factor could have a material adverse effect on the Company's business, financial condition, results of operations, cash flows, projects and/or the market price of the Company's Shares.

Risk Factors Related to the SARS-CoV2 (COVID 19) Pandemic

COVID-19 may have a material adverse effect on the business, financial condition and results of operations of the Company

In early 2020, a public health emergency measure was launched worldwide, derived from the respiratory disease COVID-19, which was designated by the World Health Organization as a pandemic. Due to the COVID-19 pandemic, the economies of the world were materially affected, with direct consequences for the economic growth of most countries, and therefore possible financial crisis with high volatility both in global financial markets, as well as in business, labor and social stability, and with a significant impact on the financial statements of entities around the world.

In 2020, the Company effectively faced the challenges related to the COVID-19 pandemic, mainly due to continued strong performance in the United States of America and Canada, which has generated solid volume and sales growth, and its favorable status and leadership in the high-growth Tequila and ready-to-serve beverage categories have positioned the Company well in the current environment. On the other hand, the Mexico and Rest of the World (RoW) regions have declined in operations compared to 2019 due to a challenging macro environment, takeaway consumer trends and sales constraints; however, the Company's management expects to improve its operations primarily as a result of reduced sales constraints in various channels in these regions. While challenges and uncertainty remain ahead in these unprecedented times, the Company is confident in its ability to premiumize its brand portfolio and maintain its long-term growth strategy.

The increased level of uncertainty caused by COVID-19 increases the need for the Company's management to apply its best judgment in assessing the economic and market environment, as well as its impact on the assumptions used to calculate significant estimates, particularly the estimate of the recoverable amount of indefinite-lived intangible assets.

Risk Factors Relating to Our Business and Industry

Adverse economic, political and business conditions or other developments, as well as other risks in the countries in which we operate, may significantly and negatively affect our sales, profitability and results of operations

Global economic and political conditions, as well as economic and political conditions specific to the United States, Canada and major European, Latin American (including Mexico) and Asia Pacific markets in which we do business may substantially affect our sales and profitability. Although we believe the adverse worldwide economic conditions experienced over recent years are improving, the degree and pace of recovery is uncertain and is expected to vary around the globe. Instability in global credit markets, including uncertainty related to sovereign debt issues in certain countries in the European Union, the instability in the geopolitical environment in many parts of the world and other disruptions may continue to put pressure on global economic conditions. We are subject to risks associated with adverse economic conditions, including economic slowdown, inflation and the disruption, volatility and tightening of credit and capital markets. Additionally, changes in economic and financial conditions in the countries in which we operate and market our products may impact consumer confidence and consumer spending.

The extent of the recovery in the financial markets continues to remain uncertain, and there can be no assurance that market conditions will continue to improve in the near future. Even as the economy recovers in certain markets, consumers may choose to curtail spending, make more value-driven and price-sensitive purchasing choices, and have more at-home drinking occasions rather than at restaurants, bars and hotels. In addition, governments may impose taxes and implement other austerity measures to manage the economic conditions in ways that adversely affect our business. Continuation or further worsening of these financial and macroeconomic conditions, or one or more of the related trends noted above, could significantly adversely affect our sales, profitability and results of operations and could require us to realize brand impairment charges to reflect any decline in the fair value of our brands.

Our business is also subject to a variety of risks and uncertainties related to trading in many different countries, including political, economic or social upheaval, the introduction of import, investment or currency restrictions, including tariffs and import quotas, and restrictions on the repatriation of earnings and capital. Political, fiscal or social unrest, potential health issues (including pandemic issues) and terrorist threats or acts may also occur in various places around the world, which will have an impact on trade, tourism and travel. These disruptions can affect our ability to import or export products and to repatriate funds, as well as affecting the levels of consumer demand, and therefore affect our activities, financial condition, results of operations, cash flows and prospects, as well as the market price of our shares.

Demand for our products may be adversely affected by changes in consumer preferences and tastes

Maintaining our competitive position depends on our continued ability to offer products that appeal to consumers. Consumer preferences may shift due to a variety of factors, including changes in demographic and social trends, vacation and leisure activity patterns, and a downturn in economic conditions, which may reduce consumers' willingness to purchase our products. Our continued success will depend on our ability to anticipate and respond effectively to shifts in consumer behavior and tastes. In addition, concerns about the health effects of alcohol consumption (including concerns from negative publicity), negative dietary effects of alcohol consumption, regulatory action or any litigation or customer complaints against companies in the spirits industry may also have an adverse effect on our business. The competitive position of our brands could also be affected adversely by any failure to achieve consistent, reliable quality in the product or service levels to customers (including the containers in which beverages are sold).

In addition, both the launch and ongoing success of new products is inherently uncertain, especially as to their appeal to consumers. The failure to launch a new product successfully can give rise to inventory write-offs and other costs and can affect consumer perception of other existing brands. Growth in our business has been based on both the launch of new products and the growth and acquisition of existing products. There can be no assurance as to our continuing ability to develop and launch successful new products or variants of existing products or as to the profitable lifespan of newly or recently developed products.

Any significant changes in consumer preferences or any failure by us to anticipate and react to such changes could result in reduced demand for our products and affect our activities, financial condition, results of operations, cash flows and prospects, as well as the market price of our shares.

If the social acceptability of our products declines or governments adopt policies against alcoholic beverages or if we face negative publicity, our business could be materially adversely affected

Our ability to market and sell our alcoholic beverage products depends heavily on both society's attitudes toward drinking and governmental policies that flow from those attitudes. In recent years, increased social and political attention has been directed at the spirits industry. The recent attention has focused largely on public health concerns related to the harmful use of alcohol, including drinking and driving, underage drinking and health consequences from the misuse of alcoholic beverages. Alcohol critics in the United States and Europe increasingly seek governmental measures to make alcoholic beverages more expensive, less available and more difficult to advertise and promote. If the social acceptability of alcoholic beverages were to decline significantly, sales of our products could materially decrease. Our sales would also suffer if governments ban or restrict advertising or promotional activities, increase the legal drinking age, limit hours or places of sale, increase taxes on alcoholic beverages or take other actions designed to discourage alcohol consumption. In addition, press articles or other public media covering our business, brands, products, personnel, operations, organization, performance or prospects may adversely affect our business, regardless of the accuracy of the substance of the communication. Since we are a branded consumer products company, adverse publicity can hurt our business, as consumers may steer away from our brands or products that receive bad press.

We face competition that may reduce our market share or margins

We face substantial competition from several international companies as well as local and regional companies in the countries in which we operate. We compete with alcoholic beverage companies across a wide range of consumer drinking occasions. The spirits industry has consolidated significantly over the past two decades, resulting in spirits companies, including our main competitors, which own multiple brands and have global reach, creating an extremely competitive environment. Within a number of categories, consolidation or realignment is still possible. Consolidation is also taking place among our customers in many countries. The entry of new competitors into our markets, a change in the level of marketing undertaken by competitors or in their pricing policies, unanticipated actions by competitors or customers, further consolidation of our customers or competitors, the introduction of new or competing products or brands, and operational or other limitations in the distribution of our products could lead to downward pressure on prices or a decline in our market share which would have a significant adverse impact on our business.

Our retailers and wholesalers offer products that compete directly with ours for shelf space, promotional displays and consumer purchases. Pricing (including price promotions and discounts, aggressive marketing, new product introductions and other competitive behavior by other suppliers, or by distributors or retailers who sell their products) and policies or decisions of retailers through which our products are offered, targeting one or more of our brands could also adversely affect the sales of our products and our financial results. During an economic slowdown, consumers tend to increase their price sensitivity and make more of their purchases in discount stores and other off-site establishments. Therefore, the effects of these competitive activities may be more pronounced in a difficult economic climate, affecting our financial condition and results of operation.

Potential liabilities and costs from litigation directed at the spirits industry could adversely affect our business

Litigation and complaints from consumers or government authorities resulting from beverage quality, illness, injury, the harmful use of alcohol, illegal sales or targeted advertising and promotion of alcoholic beverages to underage consumers, and health concerns or other issues stemming from the harmful use of alcohol may affect our industry. If such litigation resulted in fines, damages or reputational damage to us or our brands, our business could be materially adversely affected.

Regulatory decisions and the legal and regulatory environment in the countries in which we operate could limit our business activities or increase our operating costs or liabilities

As a global spirits company, our business is subject to extensive regulatory requirements in the countries in which we operate, including in regard to production, product liability, distribution, importation, marketing, promotion, labeling, packaging and advertising, as well as, more generally, labor, competition and antitrust matters, trade and pricing practices, sales, pensions, anti-corruption, anti-money laundering, sanctions and environmental issues. Regulatory decisions or changes in legal and regulatory requirements may cause us to incur material costs or liabilities that could adversely affect our business. Governmental bodies in the countries in which we operate may impose new taxes, new labeling, product or production requirements, new limitations on the advertising or promotional activities used to market alcoholic beverages, new restrictions on retail outlets, other restrictions on marketing, promotion and distribution, restrictions on the locations, times or occasions where alcoholic beverages are sold or consumed or other restrictions on the age at which alcohol may be consumed, which directly or indirectly limit the sales of our products. Regulatory authorities in the jurisdictions in which we operate may also have enforcement power that can subject us to actions such as product recall, seizure of products, suspension, investigation or revocation of licenses required to conduct our business, financial penalties and other sanctions which may cause us to incur material costs and adversely affect our sales and reputation.

Tax increases and changes in other fiscal regulations could adversely affect demand for our products

Distilled spirits are subject to import duties or excise taxes in many countries in which we operate. Many states in the United States and other jurisdictions are considering excise tax increases and some governments have already substantially increased excise tax rates on spirits brands. Further increases in import duties or excise taxes could result in higher sales prices and adversely affect our sales and profit margin, sales, financial position or results by reducing overall consumption or encouraging consumers to switch to lower-taxed or lower-cost categories of alcoholic beverages. We may also become subject to tax disputes relating to income tax matters, among other things, in different markets which, if resolved adversely, could cause us to incur material costs.

Alcohol tax liabilities resulting from the fraudulent acts of others could adversely affect our business

There are alcohol tax liabilities associated with the cross-border sale of alcoholic beverages, especially within the European Union. The removal of internal borders within the European Union and the resulting end of customs inspections have facilitated the emergence and development of "gray markets." The significant differences in the rates at which alcohol is taxed in different member states could lead to the falsification of administrative documents for the purpose of evading taxes. While we have implemented measures for approving new customers and conduct reasonable audits of our customers regularly to ensure that their operations are legitimate, there can be no assurance that fraudulent acts on the part of our customers will necessarily be uncovered. In those circumstances, we could be held liable for the payment of alcohol taxes. In addition, the development of gray markets further increases competition. As a result of tax evasion, operators in the gray market can offer products at a significantly reduced-price level, putting downward pressure on the prices of our products.

We may not be able to protect our intellectual property rights

The success of the branded goods industry in general and our business in particular depends, in large part, on our ability to protect our current and future trademarks, brand names and trade names and to defend our intellectual property rights. We have invested considerable resources in protecting our intellectual property rights, including registering trademarks, industrial designs and domain names. We cannot, however, ensure that the measures we have taken to protect our intellectual property rights will be sufficient or that third parties will not infringe or misappropriate our intellectual property rights. Given the attractiveness of our brands to consumers, we are subject to the risk of third parties manufacturing counterfeit or similar products or using our trademarks or brand names. We cannot be certain that the steps we take to prevent, detect and eliminate counterfeit products will be effective in preventing material loss of profits or erosion of brand equity resulting from lower-quality or even dangerous counterfeit product reaching the market. Moreover, certain countries in which we operate offer less intellectual property protection than is available in Europe and North America, and, in general, securing effective intellectual property protection requires the allocation of significant resources. If we are unable to protect our intellectual property against infringement or misappropriation, this could materially harm our activities, financial condition, results of operations, cash flows and prospects, as well as the market price of our shares.

The Appellation of Origin "Tequila" could deteriorate

The *Appellation of Origin* "Tequila" dates from 1974. The territory of the *Appellation of Origin* includes the entire state of Jalisco and some border municipalities of the neighboring states of Guanajuato, Nayarit and Michoacán, as well as some municipalities in the state of Tamaulipas. *The Appellation of Origin* imposes strict standards for the cultivation of *Blue Agave* within its regions and the production of Tequila.

Likewise, Mezcal has *Appellation of Origin* since 1995. Mezcal can only be produced in the states of Oaxaca, Guerrero, Zacatecas, Durango, San Luis Potosi, Tamaulipas, Guanajuato and Puebla.

The *Appellations of Origin* "Tequila" and "Mezcal" are critical to protect our brands. While we carry out our best efforts to strictly comply with all regulations imposed by the Mexican authorities in order to ensure the protection of our products, we might inadvertently breach such regulations, or *Appellations of Origin* may deteriorate or decrease their standards, which could affect the perception of our consumers, and, therefore, our sales, even if we maintain the quality of our products.

Contamination or other circumstances could harm the integrity of, or customer support for, our brands and adversely affect the sales of those brands

The success of our brands depends upon the positive image that consumers have of those brands, and contamination, whether arising accidentally or through deliberate third-party action or other events that harm the integrity of, or consumer support for, those brands, could adversely affect their sales. Other than *Blue Agave*, of which we produce a majority of what we use in our operations, we purchase many of the raw materials for the production of our products from third-party producers in the domestic or international market. We have a quality validation process for raw materials at the time of their receipt; however, our process is carried out by sampling and, therefore, provides reasonable, and not total, assurance in terms of compliance with quality standards. Contaminants in those raw materials or defects in the distillation or fermentation process could lead to low beverage quality or contamination of the beverages, leading to involuntary or voluntary recalls, or illness among, or injury to, our consumers and may result in reduced sales of the affected brand or all our brands.

An increase in the cost of raw materials or energy could affect our profitability

In the ordinary course of business, we buy raw materials for the production of our products in Mexico and internationally. The prices of those raw materials fluctuate and are largely determined by global supply and demand, as well as other factors over which we have no control, including exchange rates. Commodity price changes may result in unexpected increases in the cost of raw materials, glass bottles and other packaging materials for our products. In addition, energy cost increases may result in higher transportation, freight and other operating costs. We have experienced significant increases in commodity costs and energy costs, and these costs could continue to rise. We may not be able to increase our prices to offset these increased costs without suffering reduced volume, sales and operating profit.

Our operating results may be adversely affected by disruption to one of our key production or storage facilities

Our business would be adversely affected if there were a failure of any of our major distillation, bottling or storage facilities, or of any of our third-party production, bottling or distillation facilities. In particular, the production for the global marketplace of our tequila products, which accounted for 62% of our net sales in 2020, takes place in only two distillation facilities located in Mexico and these products are bottled at two bottling facilities, one located in Mexico and the other located in the United States. Our capacity to supply our tequila products would be negatively impacted by the prolonged closure, destruction or other inoperability of any of these facilities, whether for reasons attributable to us or to third parties, including general unrest or acts directed against us. Such a disruption and loss of capacity could result in legal liabilities and reputational damage and would adversely affect our results of operations. Likewise, the loss of our aged Irish whiskey stored in Northern Ireland would adversely affect our financial results. Having said the foregoing, the *Company* has insurance covering all sudden, accidental, and unforeseen risks that cause material and moral damages.

Our inability to obtain key raw materials from third-party suppliers could affect our financial results

Our ability to produce and sell our products hinges, largely, on the availability of quality raw materials, including water, electricity, *Blue Agave* and sugar for Tequila, barley for Irish whiskey, grain whiskey for American whiskey, barrels for aging and other packaging materials (such as glass, bottle stoppers, labeling and other materials). Without sufficient quantities of any of our key input materials, our operations and financial results could suffer. If any of our key suppliers failed to meet our timing, quality or capacity requirements, ceased doing business with us, or increased its prices and we could not develop alternative cost-effective sources of supply, our activities, financial condition, results of operations, cash flows and prospects, as well as the market price of our shares, could be adversely affected.

In addition, in case of any shortage of key raw materials or an increase in the cost of labor or other operating costs, our results may be adversely affected, mainly due to the possible inability to transfer the cost increase or cost of scarcity to our consumers, through price increases, without affecting consumer demand and our sales.

Water is an essential raw material in the production of tequila products, and it is extremely important for our operations. Water is essential not only as an ingredient in the production of tequila, but also as a source of steam for the distillation process and is an important element for the rest of our beverages, alcoholic as well as nonalcoholic. Furthermore, the quality and quantity of available water is important for the supply of *Blue Agave*. The state of Jalisco has a limited amount of water. If climate patterns change and droughts become more extreme, or our water supply is affected by any other factor, there could be a water scarcity or lack of high-quality water which, in turn, could affect our costs and production capacity. In the context of tequila, we have obtained concessions for the use of water in our production facilities as required under *applicable law*. However, we may be subject to actions or claims by relevant authorities that could affect our access to necessary water concessions. The loss or limitation of our water sources or supply could adversely affect our activities, financial condition, results of operations, cash flows and prospects, as well as the market price of our shares.

Specifically, our inability to produce a sufficient amount of Blue Agave could affect our financial results

As of this date, the Tequila category represents the majority of our sales by volume and value. Tequila is distilled from *Blue Agave*. We produce the majority of our *Blue Agave* input in our plantations. Our ability to produce our tequila products hinges on having available sufficient quantity of *Blue Agave*. Without sufficient quantities of *Blue Agave* at competitive prices, our operations and financial results could suffer. The average growth cycle of the *Blue Agave* is seven years, and it must be planted and produced in the territory of the *Appellation of Origin* for Tequila in Mexico. If this region were to experience severe weather variations or natural disasters, such as droughts, torrential rains, earthquakes, pestilence or other occurrences, we might not be able to produce readily a sufficient supply of *Blue Agave* and there could be a decrease in our production of tequila or an increase in its cost which could adversely affect our activities, financial condition, results of operations, cash flows and prospects, as well as the market price of our shares.

Acts of God could adversely affect our business

From time to time, different regions of Mexico (and, in particular, the Pacific and Central regions), and certain areas of the other countries in which we operate, experience torrential rains and hurricanes (particularly during the months of July through September), as well as earthquakes. Natural disasters such as these may impede operations, damage buildings necessary to our operations and adversely affect the demand levels of our customers. Also, any of these events could force us to increase our capital expenditures to put our facilities back in operation. Accordingly, the occurrence of natural disasters in the locations where we have facilities could adversely affect our business, results of operations and financial condition.

While we carry insurance to cover our assets against natural disasters and other risks, we cannot assure you that losses caused by damage to our business infrastructure will not exceed the pre-established limits on any of our insurance policies and, therefore, have a material adverse impact on our business, results of operations and financial condition. In addition, even if we receive insurance proceeds, any repairs resulting from a natural disaster are likely to take significant time, which would likely materially and adversely affect our activities, financial condition, results of operations, cash flows and prospects, as well as the market price of our shares.

Physical and regulatory effects resulting from climate changes may negatively affect our operations and financial performance

There is a growing concern that carbon dioxide and other greenhouse gases in the atmosphere may have an adverse impact on global temperatures, weather patterns and the frequency and severity of extreme weather and natural disasters. In the event that such climate changes have a negative effect on agricultural productivity, we may be subject to decreased availability or less favorable pricing for certain raw materials that are necessary for our products, such as sugar and *Blue Agave*. Changes in frequency or intensity of weather can also disrupt our supply chain, which may affect production operations, insurance costs and coverage and delivery of our products to customers. In addition, as water is one of the major components of our products, the quality and quantity of the water available for use is important to our ability to operate our business. If hydrologic cycle patterns change and droughts become more common and severe, there may be a scarcity of water in our production regions. As water becomes scarcer and the quality of available water deteriorates, we may be affected by increasing production costs or capacity constraints. While uncertainties exist in the legislative and regulatory processes regarding climate change, additional regulatory requirements may increase our operational costs, due to the higher cost of compliance.

We could have insufficient or surplus product by inaccurately forecasting demand, production or other circumstances affecting our inventory

The *Blue Agave* plant is a critical raw material in the production of our tequilas and takes five to eight years to reach maturity for harvest. We also store tequila reserves at our facilities in Mexico and hold substantial reserves of Irish whiskey at the *Bushmills* facility. Aged tequilas, such as reposado and añejo, must be matured for at least two and twelve months, respectively, while Irish whiskey must be matured for at least three years. The loss of all or a portion of our *Blue Agave* plants (for example, as a result of plague, disease, drought, or torrential rains) may not be replaceable and, consequently, may lead to a substantial decrease in supply of those products. Similarly, any loss of all or a portion of our inventory of tequilas or whiskeys in reserve (for example, as a result of contamination, fire or other natural disaster or destruction resulting from negligence or the acts of third parties) may also lead to a substantial decrease in the supply of those products.

There are inherent risks of imprecision in forecasting the quantity of *Blue Agave* plants to begin cultivating in a given year in order to meet consumer demand in the future. Likewise, similar risks are inherent in predicting the necessary inventory of Irish whiskey to store for future consumption in a given year. The forecasting strategies we use to balance product supply with fluctuations in consumer demand may not be effective for particular years, products or markets. This could lead either to an inability to supply future demand, resulting in a loss of sales and market share, or to future surplus inventory, resulting in decreased profit margin.

Our business is subject to seasonality, which could result in volatility in our operating results from quarter to quarter

Like our competitors in the beverage industry, our operations are characterized by seasonal fluctuations in demand. Our operations are subject to varying seasonality in accordance with the consumption habits of the various geographies in which we operate. In Mexico, we generally have higher sales in September and December of each year. In the United States, we typically experience relatively higher sales during the early summer, from May 5 through July 4. In our *Rest of World* market, consumption of Irish whiskey typically increases during November and December, causing an increase in sales during the fourth quarter. Although the impact of seasonality on an annual basis may be limited when considering our overall operations, our operating results may vary significantly from quarter to quarter, making comparability difficult between periods and our net sales and profitability may be lower in certain quarters of the fiscal year.

Termination of our rights to distribute and market agency brands included in our portfolio could adversely affect our business

In addition to the brands we own, we also market and distribute products on behalf of other brand owners in selected markets. Our rights to sell these agency brands are based on contracts with the various brand owners, which have varying lengths, renewal terms, termination rights and other provisions. We earn a margin for these sales (therefore, our gross profit derived from these sales typically represents a smaller proportion of the relevant sales value, as well as sales value less excise taxes, than our gross profit derived from sales of our own brands) and also gain distribution cost efficiencies in some instances. Therefore, the termination of our rights to distribute agency brands included in our portfolio could adversely affect our business.

Our inability to maintain good relationships with unions could have an adverse effect on our financial condition

Certain events such as the Senate's ratification of Convention 98 concerning the right to free association and collective bargaining, the labor chapter of the United States-Mexico-Canada Agreement, which could replace *NAFTA*, and the initiatives submitted to the Congress to amend the *Ley Federal del Trabajo* (Federal Labor Law), have caused a destabilization of the collective labor environment in Mexico which, among other things, has been manifested in around 45 strikes in the city of Matamoros, Tamaulipas. Most of the companies that have been affected by these strikes have responded to the demands of the unions with significant wage and significant benefit increases. Additionally, the creation of new labor unions for the purpose of disputing collective bargaining agreements with the current unions, the 16.21% increase in the general minimum wage and 100% in the minimum wage applicable in the municipalities of the northern border strip of the country have contributed to such instability.

Approximately 9% of our workforce is represented by labor unions. If we become involved in labor-related disputes that result in work stoppages, strikes or other disruptions, we would experience increases in operating costs, potential decreases in our sales and our relationships with our customers could be damaged, which could adversely affect our activities, financial condition, results of operations, cash flows and prospects, as well as the market price of our shares.

An increase in labor costs could adversely affect our results of operations

Our results may be adversely affected as a result of increases in labor costs. A shortage in the labor pool or other general inflationary pressures or changes in *applicable laws* and regulations could increase labor costs, which could have an adverse effect on our activities, financial condition, results of operations, cash flows and prospects, as well as the market price of our shares.

In the last year, a number of bills have been introduced (approved on April 13 by the Mexican Congress and on April 20 by the Senate) that could affect the outsourcing and insourcing schemes that are now a common practice among companies, and even if labor obligations are complied with in a timely manner, if these changes occur, the Company will have to review and adjust the structure of service companies under the new regulations.

Our failure to attract and retain qualified personnel could adversely affect our business

Our success depends in part on the efforts and abilities of our senior management team and key employees. There is no guarantee that we will continue to be able to recruit, retain and develop the capabilities which we require to deliver our strategy. The loss or retirement of senior management or other key personnel or the inability to identify, attract and retain qualified personnel in the future may make it difficult to manage the business and could adversely affect our activities, financial condition, results of operations, cash flows and prospects, as well as the market price of our shares.

Our estimate of the amount of our pension obligations is based on assumptions that may change in the future

We have substantial retirement benefit obligations under pension and other schemes for our employees, as described in the notes to our *audited consolidated financial statements*. The pension obligations are for the most part covered by funded plans. Retirement benefit obligations, which are not covered by funded plans, are recorded as liabilities in our consolidated *financial statements*. The amount of these liabilities is based on certain actuarial assumptions, which include, for example, discounting factors, demographic trends, pension trends, future salary trends and expected returns on plan assets. If actual developments were to deviate from these assumptions, this could result in a substantial increase in the liability for the retirement benefit obligations on our consolidated *financial statements*.

Our acquisition strategy and integration of acquired brands may not be successful, in which case our results of operations could be negatively impacted

From time to time, we acquire additional brands that we believe are a strategic fit. We may not be able to successfully produce, market or sell the products of brands we acquire, and integrating acquired brands so they conform with our trade practice standards may prove challenging. Our ability to grow the volumes and maintain or increase the profit margins on brands we acquire is important for our future performance. Acquisitions may also expose us to unknown liabilities and may lead us to incur additional debt and related interest expense and increase our contingent liabilities. Likewise, the aforementioned acquisitions may originate an impairment of the brands, as well as the *"goodwill"* related to such transaction. We also may not be able to find suitable targets for acquisitions on acceptable terms and conditions.

Our future growth opportunities through mergers, acquisitions or joint ventures may be impacted by antitrust laws and other challenges in integrating acquisitions

We may pursue further acquisitions in the future. We do not know if we will be able to successfully complete any acquisitions (including, among other reasons, because of antitrust restrictions) or whether we will be able to successfully integrate any acquired business into our business or retain key personnel, suppliers or distributors. Also, there can be no assurance that a challenge on antitrust grounds in connection with any acquisition that we may pursue in the future will not be made. If any such challenge is made, we may be required to sell or divest a portion of our business or prevented from consummating a specific acquisition. Our ability to successfully grow through acquisitions depends upon our ability to identify, negotiate, complete and integrate suitable acquisitions and to obtain any necessary financing. These efforts could be expensive and time consuming, disrupt our ongoing business and distract management.

Systems change programs may not deliver the benefits intended and systems failures could lead to business disruption

The long-term information technology strategy that we have undertaken includes certain change programs designed to improve the effectiveness and efficiency of company-wide operating, administrative and financial systems and processes, principally the development of a common global technology platform using SAP. These programs may cost more than originally anticipated and may not deliver the expected operational benefits. There may be disruption caused to production processes and possibly to administrative and financial systems as further changes to such processes are affected. They could also lead to adverse customer or consumer reactions. Any failure of information systems could adversely impact our ability to operate. As with all large systems, our information systems could be penetrated by an outside party intent on extracting information, corrupting information or interrupting business processes. Such unauthorized access could disrupt our business or lead to loss of assets.

We have engaged in related party transactions which could possibly create potential conflicts of interest and result in less favorable terms for us

In the ordinary course of business, we enter into transactions with affiliates and related parties. In particular, we have entered, and will continue to enter, into transactions with affiliates for the distribution of our products in international markets and for the distribution of related party agency brands in Mexico. These related party transactions have higher potential for conflicts of interest than transactions with non-affiliated third parties.

The failure to extend a material portion of our expiring distribution agreements, or a material change in our existing distribution arrangements, could negatively affect our operations and financial performance

In all markets, other than Mexico, the United States, Canada, the United Kingdom, the Republic of Ireland and Australia, we generally rely on distribution arrangements with third-parties to distribute our products. These distribution partners are selected on a market-by-market basis and generally are exclusive for the relevant brand or brands. If we are unable to extend a material portion of these agreements or find suitable alternative arrangements, the international distribution of our products could be disrupted, which would negatively affect our operations and financial performance.

Risks Relating to Mexico

Adverse economic and political conditions in Mexico may materially adversely affect our business, financial condition, results of operations, cash flows, prospects and/or the market price of our shares

The *Company* is organized under the laws of Mexico. An important portion of our production operations are conducted in Mexico and our business is therefore significantly dependent upon the performance of the Mexican economy. As a result, our business, financial condition, results of operations, cash flows, prospects and the market price of our shares may be materially adversely affected by the general condition of the Mexican economy, over which we have no control. Mexico has experienced economic crises in the past, caused by internal and external factors, characterized by exchange rate instability (including large devaluations), high inflation, high domestic interest rates, economic contraction, a reduction of international capital flows, a reduction of liquidity in the banking sector and high unemployment rates. Such conditions could have a material adverse effect on our business, financial condition, results of operations, cash flows, prospects and the market price of our shares.

The Mexican Government does not currently restrict the ability of Mexican companies or individuals to convert *Mexican Pesos* into *U.S. Dollars* (except for certain restrictions related to cash transactions involving *U.S. Dollar* payments to a Mexican bank) or other currencies. The *Mexican Peso* has been subject to significant devaluations against the *U.S. Dollar* in the past and may be subject to significant fluctuations in the future. Severe devaluations or depreciations of the *Mexican Peso* may result in governmental intervention to establish restrictive exchange control policies, as has occurred before in Mexico and other Latin American countries. In addition, fluctuations in the exchange rate between the *Mexican Peso* and the *U.S. Dolla*r affect *the U.S. currency* value of securities traded on the *BMV*, including our shares. Accordingly, fluctuations in the value of the *Mexican Peso* against other currencies, particularly the *U.S. Dollar*, may have a material adverse effect on our business, financial condition, results of operations, cash flows, prospects and the market price of our shares. *See "Exchange Rates."*

In 2009, following the major effects of the global economic crisis in 2008, Mexico's GDP declined by 6.1%, which represented the largest percentage decline reported since 1932, according to World Bank statistics. However, GDP in 2017 and 2018 grew by 2.3% and 2.0%. In 2019 it fell 0.4% and in 2020 it fell by 8.5%. In the event that the national economy suffers a new recession, the inflation index or interest rates will increase substantially. If the rating of Mexican government bonds is downgraded, or the national economy is affected by any other cause, the Company's activities, financial condition, results of operations, cash flows and/or prospects, as well as the market price of its Shares, could be materially and adversely affected.

The *COVID-19* outbreak in 2020 caused the Mexican health authorities to take actions that severely restricted economic activity. The epidemiological outbreak evidenced risks for the continuity of the businesses of the *Company* in Mexico and in other parts of the world. Such risks may consist of a substantial reduction in the supply of key goods and services for the *Company* to conduct its operations, such as the sale of its products through different channels, due to the impossibility for some distributors of the *Company* to keep selling these freely, as a result of the actions taken by the governments of the different countries in order to reduce the contagion. Lastly, it may consist of limitations on the transit of the products of the *Company* in Mexican territory.

The *Company* is addressing and has complied with all guidelines issued by the competent authorities; however, no assurance can be given that there will be no new *COVID-19* or other outbreaks in Mexico or foreign markets where the *Company* performs its productive activities, or what the length and severity of such pandemics will be, which could force local and federal authorities to adopt emergency measures that compromise the continuity of the businesses of the *Company*, with the resulting impact in the activities, financial position, results of operation, cash flows, and outlook of the *Company*, and on the market price of its Shares.

Changes in Mexican federal governmental policies could materially adversely affect our business, financial condition, results of operations, cash flows, prospects and the market price of our shares

The Mexican Government has exercised, and continues to exercise, significant influence over the Mexican economy. Mexican governmental actions concerning the economy and state-owned enterprises could have a significant effect on Mexican private sector entities in general, and us in particular, as well as on market conditions, prices and returns on Mexican securities, including our shares.

The last presidential and congressional elections were held in July 2018. Andres Manuel Lopez Obrador, candidate of the National Regeneration Movement, or Morena, party, was elected President of

Mexico and took office on December 1, 2018. Likewise, congressional elections in Mexico will be held on June 6, 2021. Those elections will determine whether the strategic coalition of *Juntos Haremos Historia,* led by Morena, with *Partido del Trabajo* and *Partido Encuentro Social* will continue to hold the majority, as they presently do.

Changes in the policies of the Mexican government that involve or affect the Company could adversely and significantly affect its activities, its financial situation, results of operations, its cash flow and its expectations, as well as the price of its shares in the stock market.

The Company cannot predict whether the new administration and legislature will implement the government's policies in the future, considering that the current coalition in control of an absolute majority in the congress may maintain those policies and therefore continue to implement substantial changes to existing Mexican laws, policies and regulations, and whether such changes, if any, could have a material effect on the Company's business, its activities, financial condition, results of operations, cash flows and/or prospects, as well as the market price of the Company's securities. As a consequence of the foregoing, there is no assurance that the political environment in Mexico will not affect the Company's securities.

The aforementioned coalition will control an absolute majority of the legislature, which could result in further reforms and secondary legislation in key sectors of the Mexican economy. As is the case with any change of administration in which governmental policy or new governmental regulations are implemented, the Company cannot predict whether and to what extent such policies may affect it, nor whether its operations, financial condition, results of operations or the legal framework under which it operates will be affected by such measures.

New and unanticipated tax reforms may be approved

Mexican tax legislation is frequently amended, and therefore we cannot be certain that the current tax framework will not be amended in a way that might adversely affect us, our business, financial condition, results of operations, cash flows, prospects and the market price of our shares.

On November 12, 2020, the Federal Executive presented a bill before the Mexican Congress containing several amendments to the Federal Labor Law, the Social Security Law, the Law of the National Workers' Housing Fund Institute, the Federal Tax Code, the Income Tax Law and the Value Added Tax Law, in order to regulate the subcontracting and outsourcing of personnel in Mexico.

The initiative was approved on April 13 by the Chamber of Deputies and on April 20 by the Senate; therefore, only the approval and publication by the Federal Executive is pending.

The approved reform will affect the operation of companies in Mexico, as it will eliminate the possibility of having service providers within the same group or through third parties outsourcing their personnel, even if they comply with all their tax, labor and social security obligations.

In general, the approved reform consists of the following:

- Labor outsourcing schemes are prohibited by law.
- As the only exception, it is established that the rendering of specialized services or the execution of specialized works, which are not part of the corporate purpose or the economic activity of the beneficiary of the services, will not be considered as subcontracting of personnel. This exception includes those complementary or shared services or works provided between companies in the same corporate group.
- The contractor must register in the public registry of specialized services of the Ministry of Labor and Social Welfare in order to operate as a provider of specialized services.
- Economic sanctions are established for employers that benefit from subcontracting and fail to comply with the new applicable provisions.

- For tax purposes, it is established in general that the vouchers issued in connection with the illegal subcontracting of personnel will not be effective for tax purposes. In other words, the expense will not be deductible for income tax purposes and the corresponding value added tax will not be creditable.
- The contractors of the specialized services referred to above will be jointly and severally liable for the contributions payable by the contractor derived from the remunerations for the work, to guarantee that the contributions are withheld and paid on time.
- The use of simulated schemes for the rendering of specialized services or the execution of specialized works, as well as the subcontracting of personnel is established as the precedent to the commission of the crime of tax fraud and its equivalents.
- The amount of employee profit sharing (PTU) paid to employees will be limited to a maximum of three months of the employee's salary or the average of the profit sharing received in the last three years, whichever is the most favorable to the employee.

The reform is expected to be published in the Official Gazette of the Federation on May 1, 2021 and become effective the day after its publication, with the exception of the reforms to the Federal Tax Code, Income Tax Law, Value Added Tax Law and the obligation for contractors to be registered in the registry of the Ministry of Labor and Social Welfare, which will become effective on August 1, 2021.

The Company cannot guarantee that the current political situation or future events in Mexico, including the approval of new reforms to legislation to which the Company is or would be subject, including the National Water Law and the Sustainable Forestry Development Law, will not have a material adverse effect on its business, financial condition, results of operations, cash flows, prospects and/or the market price of its Shares.

Developments in Mexican class action laws, including the strengthening of such laws, could adversely affect our operations

Since 2011, Mexico's legal framework has expressly permitted class action lawsuits in connection with the consumption of goods and services and environmental matters. These laws may result in our customers and other market participants (including organizations seeking to protect the environment) initiating class action lawsuits against us. Due to the lack of judicial precedent in the interpretation and application of these laws, we cannot predict whether any class action lawsuits would be filed against us, the outcomes of any actions brought under such laws, including the scope of any liability and the impact of such liabilities on our business, financial condition, results of operations, cash flows, prospects and the market price of our shares.

Fluctuations in the value of the Mexican Peso against the U.S. Dollar and other currencies may have an adverse effect on our financial condition and results of operations

As of December 31, 2020, 2019 and 2018, 100% of our total debt outstanding was denominated in *U.S. Dollar s*. In the event of a devaluation or depreciation of the *Mexican Peso*, the sales and profit from sales to the Mexican market would be affected negatively. However, revenue from sales of tequila outside of Mexico would benefit from being sold in *U.S. Dollars*, and we sell the great majority of our tequila and of *Bushmills* outside of Mexico. We believe a devaluation of the *Mexican Peso* would not negatively affect our results of operations or threaten our liquidity, but this situation could change if we became more dependent on the *Mexican Peso* in the future. While the interest on amortization of the foreign currency-denominated debts is less than the profit generated from sales outside of Mexico, we will maintain a natural hedge for *U.S. Dollar* -denominated debt.

As of January 1, 2020, the Company designated a bond as a hedging instrument in order to mitigate the exchange rate risk.

The *Banco de Mexico* (Mexican Central Bank; "Banxico") may participate in the exchange rate market to minimize volatility and support an orderly market. *Banxico* and the Mexican Government have also promoted market-based mechanisms for stabilizing foreign exchange rates and providing liquidity to the exchange market. The *Mexican Peso* is, however, currently subject to significant fluctuations against the *U.S. Dollar* and may be subject to such fluctuations in the future.

The decision by the Federal Reserve of the United States to increase applicable interest rates for bank reserves could also affect the exchange rate of the *Mexican Peso* relative to the *U.S. Dollar*.

Fluctuations in currency rates may adversely affect our ability to acquire assets denominated in other currencies and may also adversely affect the performance of the investments in such assets. Therefore, the *U.S. Dollar* -denominated value of our investments may be adversely affected by reductions in the value of the *Mexican Peso* relative to the *U.S. Dollar*.

Our functional currency is the Mexican Peso, except for some of our subsidiaries that carry out their operations in the United States of America ("USA"), the United Kingdom ("UK"), Europe ("EU"), Canada ("CAN") and Australia ("AUS"), where the functional currencies are their local currency, specifically, the *American Dollar* ("USD"), the *Pound sterling* ("GBP"), the *Euro* ("EURO"), the *Canadian Dollar* ("CAD") and the *Australian Dollar* ("AUD"), respectively. Transactions denominated in foreign currencies are converted into the respective functional currency of our subsidiaries at the prevailing exchange rate on the date of the relevant transaction. Monetary assets and liabilities denominated in foreign currencies as of the date of the consolidated *financial statements* are converted into the functional currency at the exchange rate of that date. We are exposed to currency risk on sales, purchases and debts denominated in a currency other than the functional currency of our relevant subsidiaries.

Although most of our cash flows are generated in foreign currencies and provide an economic hedge without requiring underwritten derivatives and related hedge accounting for our cash outflows denominated in foreign currencies, we may not have economic hedges over all of our exposure to relevant foreign currencies. In addition, we have monetary assets and liabilities denominated in foreign currencies for which we seek to minimize our net exposure by buying and selling foreign currency at "spot" exchange rates, but there is no assurance that our purchases eradicate our exposure to foreign exchange volatility.

Severe devaluation or depreciation of our functional currencies may also result in disruption of the international foreign exchange markets. This may limit our ability to transfer or to convert *Mexican Pesos* into *U.S. Dollars* and other currencies or to make timely payments of interest and principal on our securities and *U.S. Dollar*-denominated debt and may adversely affect our financial position and results of operations.

An increase in interest rates in the United States could adversely impact the Mexican economy and may have a negative effect on our financial condition or performance

A decision by the U.S. Federal Reserve to increase applicable interest rates for banks' reserves may lead to a general increase in interest rates in the United States. This, in turn, may redirect the flow of capital from emerging markets into the United States because investors may be able to obtain greater risk-adjusted returns in larger or more developed economies than in Mexico. Thus, companies in emerging market economies such as Mexico could find it more difficult and expensive to borrow capital and refinance existing debt. This may negatively affect our potential for economic growth and our ability to refinance our existing debt and could materially adversely affect our business, financial condition, results of operations, cash flows, prospects and the market price of our shares.

Any renegotiation of trade agreements or other changes in foreign policy by the new presidential administration in the United States could adversely affect imports and exports between Mexico and the United States, including international trade, and other economic and geopolitical effects may adversely affect us

For the past several years, there has been uncertainty regarding U.S. policies with respect to trade, tariffs, immigration and foreign affairs with respect to Mexico. The new U.S. administration could lead to a number of changes in the relationship between Mexico and the United States.

In addition, other U.S. governmental policies could also adversely affect the economic situation in Mexico. The current relationship between the Mexican and U.S. governments, as well as political and economic factors in each country, could result in changes in international trade and investment policies, including new or higher taxes on products imported from Mexico into the United States.

The events described above could affect the Company's business, financial condition, results of operations, cash flows and/or prospects, as well as the market price of its securities. Other economic and geopolitical effects could adversely affect the Company.

Given that Mexico's economy is heavily influenced by the U.S. economy, the implementation of the T-MEC and/or other governmental policies in the U.S. that the Federal administration may adopt could adversely affect the economic situation in Mexico. On September 30, 2018, Mexico, Canada and the United States reached an agreement on the terms and conditions of the T-MEC, which replaces NAFTA. On June 19, 2019, Mexico became the first country to ratify the T-MEC, followed by the United States on January 16, 2020 and Canada on March 13, 2020. The T-MEC includes a 16-year sunset clause, under which the terms of the treaty will expire, or be suspended, after 16 years, and is subject to review every six years, at which time the United States, Mexico and Canada may decide whether to extend the T-MEC. The implementation of the new terms of the T-MEC could have an adverse effect on the Mexican economy, including the level of imports and exports, that could significantly affect the Company's business and operating results. Other economic and geopolitical effects, including those related to U.S. policy with respect to trade, tariffs and immigration, could adversely affect the Company.

Inflation in Mexico, along with government measures to curb inflation, may have an adverse effect on our investments

Mexico's current level of inflation remains higher than the annual inflation rates of its main trading partners. High inflation rates can adversely affect our business, financial condition and results of operations. If Mexico again experiences high inflation in the future, we may not be able to adjust the prices we charge our clients to offset its negative effects.

The increase in violence in Mexico has adversely impacted, and may continue to adversely impact, the Mexican economy and may have a negative effect on our financial condition or performance

Over the past several years Mexico has experienced a significant increase in violence relating to organized crime. This increase in violence has had an adverse impact on economic activity in Mexico. Also, social instability in Mexico and adverse social or political developments in or affecting Mexico could materially adversely affect us and our financial performance. In addition, violent crime may increase our insurance and security costs. We cannot assure you that the levels of violent crime in Mexico, over which we have no control, will not increase or will decrease. An increase in violent crime could have a material adverse effect on our business, financial condition, results of operations, cash flows, prospects and the market price of our shares.

High interest rates may increase our financing costs

The year-average interest rates on 28-day Mexican Government treasury securities were 5.69%, 7.22%, 8.17%, 7.25% and 4.24% for 2016, 2017, 2018, 2019 and 2020, respectively.

We are subject to different disclosure and accounting standards than companies in other countries

A principal objective of the securities laws of the United States, Mexico and other countries is to promote full and fair disclosure of all material corporate information, including accounting and financial information. However, there may be less or different publicly available information about foreign issuers of securities than is regularly published by or about United States issuers of listed securities. We are subject to reporting obligations in respect of our shares in Mexico. The disclosure standards imposed by the *CNBV* or the *BMV* may be different than those imposed by securities exchanges in other countries or regions such as the United States. As a result, the level of information that is available may not correspond to what non-Mexican investors are accustomed to. In addition, accounting standards and disclosure requirements in Mexico differ from those of the United States.

Events and the perception of risk in other countries, especially the United States and emerging market countries, may materially adversely affect the market price of Mexican securities, including that of our shares

The market price of securities issued by Mexican companies is affected to varying degrees by economic and market conditions in other countries, including the United States, China and other Latin American and emerging market countries. Therefore, investors' reactions to developments in these other countries may have an adverse effect on the market value of securities of Mexican issuers. Crises in the United States, China or other emerging market countries may reduce investor interest in securities issued by Mexican companies, including those issued by us.

In the past, the development of adverse economic conditions in other emerging market countries resulted, in general, in capital flight and, as a consequence, in a decrease in the value of foreign investments, and this has held true in the case of Mexico. The financial crisis that originated in the United States during the third quarter of 2008 triggered a recession of global scale. This adversely affected the Mexican economy and Mexican capital markets, both directly and indirectly, and led to, among other things, fluctuations in the trading prices of securities issued by publicly owned companies, scarcity of credit, spending cuts, slowdown in the global economy, exchange rate volatility and inflationary pressures. Recent turmoil in other large economies, such as those in Europe and China, could also have such an effect. Any of these factors, if they were to occur again, would negatively affect the market value of our shares and make it more difficult for us to access capital markets and finance our operations in the future, which could have a material adverse effect on our business, financial condition, results of operations, cash flows, prospects and the market price of our shares.

Further, the Mexican economy is affected by international economic and market conditions generally, and especially by economic and market conditions in the United States. For example, share prices on the *BMV* have traditionally been sensitive to fluctuations in U.S. interest rates and activity on the major U.S. securities exchanges.

In addition, as a result of NAFTA, the USMCA and the increased levels of economic activity between Mexico and the United States, the Mexican economy has been increasingly linked to the U.S. economy in recent years. The existence of adverse economic conditions in the United States or other similar events could have an adverse effect on the economic situation in Mexico, which could, in turn, have a material adverse effect on the Company's business. As a result of the talks to renegotiate NAFTA, on November 30, 2018 (as amended on December 10, 2019) the United States, Canada and Mexico signed the United States-Mexico-Canada Agreement ("T-MEC") which was approved by the Mexican Senate, the United States Senate and the Canadian Parliament. Increased or perceived increased economic protectionism in the United States and other countries could lead to decreased levels of trade, investment and economic growth, which in turn could have a negative impact on the Mexican economy. These economic and political consequences could adversely affect the Company's business and results of operations.

The Company cannot assure you that developments in the United States, emerging market countries or elsewhere will not have a material adverse effect on the Company's business, financial condition, results of operations, cash flows, prospects and/or the market price of its Shares. In addition, there may be some uncertainty due to the United Kingdom's exit from the European Union ("Brexit"). The United Kingdom left the European Union on January 31, 2020 and the transition period that was in effect between them ended on December 31, 2020. On December 24, 2020, the United Kingdom and the European Union agreed to a post-Brexit trade and cooperation contract containing new rules governing (among other things) trade, travel and migration. Brexit is likely to have a major impact on macroeconomic conditions in the United Kingdom, the European Union and the rest of the world. The long-term effects of Brexit on capital markets, foreign exchange markets and macroeconomic policies and conditions are uncertain and, as a result, there is likely to continue to be a period of instability and volatility in global financial markets. As a result, Brexit may adversely affect political, regulatory, economic or market conditions and contribute to instability in global political institutions, regulatory agencies and financial markets, negatively impacting the Company's business, results of operations and financial condition.

Risks Relating to Our Shares

If financial analysts do not issue reports about our business, or if they issue negative reports about our business, the price of the shares and their trading volume may decrease

The market for our shares depends, in part, on the research and reports issued by financial analysts about us and our business. If one or more of the financial analysts covering our shares reviews our shares downwards or publishes inaccurate or unfavorable information on our business, the price of our shares may decline. If one or more of these analysts ceases to cover us or publish reports about us regularly, demand for our shares could decline, which may cause a decline in the price of our shares and their trading volume.

We are controlled by one family

The majority of our outstanding shares are owned by the Beckmann family. Therefore, the Beckmann family has the ability to appoint a majority of the members of our board of directors and to approve any matters requiring action by shareholders. The interests of our majority shareholders may conflict with the interests of our other shareholders.

Future issuances of shares or sales of shares by our majority shareholders, or the perception that such sales may occur, may result in a decrease in the market price of our shares

In the future, we may issue additional shares or securities convertible into shares to finance future projects and other general corporate purposes. In addition, our majority shareholders may dispose of their interests in us.

Such issuances or sales or the prospect of any such issuances or sales could result in a dilution of shareholders' economic and voting rights in us or a negative market perception, and potentially in a lower market price of our shares.

Future offerings of securities with preferred rights over our shares could limit our operational and financial flexibility and adversely affect the market price and dilute the value of our shares

We may issue debt instruments in the future with preferred rights over our shares. Such debt instruments could include covenants that may restrict our operational flexibility and limit our ability to distribute dividends to our shareholders. In addition, we may issue convertible or exchangeable securities in the future with preferred rights over our shares, including privileges with respect to the payment of dividends or distributions, which could result in a dilution of the value of our shares. Because our decision to offer new debt securities in the future is dependent upon market conditions and other factors that are outside of our control, we cannot predict or estimate the amount, time or nature of such securities, which may have the effect of reducing the market price of our shares or diluting their value.

We may incur additional debt in the future which may affect our financial condition and our ability to generate enough cash to meet our payment obligations

As of December 31, 2020, 2019 and 2018 we held MXN 9,956 million, MXN 9,391 million and MXN 9,793 million, respectively, of total indebtedness. In 2015, we issued USD 500 million (MXN 7,631 million) in the aggregate coupon rate of 3.750% senior notes, which are long-term, fixed rate obligations that mature in 2025. In the future, we may incur additional debt that may have the following effects:

• Limit our ability to pay our creditors.

• Increase our vulnerability to economic and industry conditions in general.

• Require us to use an important portion of our cash flow to repay indebtedness, which could place us at a disadvantage with respect to our competitors with less outstanding debt.

• Limit our flexibility to plan or to react to business and industry changes.

• Affect our ability to make acquisitions or implement expansion plans.

• Limit available cash for the payment of dividends.

• Limit our ability to obtain additional financing.

• Limit our ability to provide guarantees.

• Increase the cost of additional financing.

In addition, upon the occurrence of a change of control (as defined in the indenture governing the *2025 Notes*), we will be required to offer to purchase all outstanding notes at 101% of their principal amount plus accrued and unpaid interest to the date of repurchase. Upon such a change of control, we may not have sufficient funds available to repurchase all of the 2025 notes tendered pursuant to this requirement. A failure to repurchase the *2025 Notes* would be a default under the indenture governing the *2025 Notes*. In order to avoid the obligations to repurchase the *2025 Notes*, we may have to avoid certain change of control transactions that would otherwise be beneficial to us or our shareholders.

Dividends may be lower than in the past or we may determine not to pay dividends. Similarly, dividends may be paid in Mexican Pesos

The payment of dividends and the amount thereof are generally subject to shareholder approval at a general shareholders' meeting based on a recommendation by our board of directors. Therefore, so long as the Beckmann family remains our majority shareholder, it will have the ability to decide if any dividends are paid, and to determine the relevant amounts. The payment of dividends and the adoption of a dividend policy will depend on a series of factors, including the results of operations, financial condition, cash flow requirements, business prospects, tax implications, financing terms and conditions that may restrict the ability to pay dividends, and other factors that our board of directors and our shareholders may take into account. We cannot assure you that any dividend will be paid or that a dividend policy will be approved, or its terms and the time frame of approval if it is approved.

In addition, pursuant to Mexican law, the payment of dividends is subject to Mexican withholding tax and to the losses in previous years being paid or absorbed and dividends may only be paid after at least 5% of our net income is set aside as legal reserves and accumulated legal reserves are equivalent to at least 20% of our capital stock. Additional amounts maybe assigned to other reserve accounts as determined by our shareholders, including amounts to be assigned to our share repurchase fund. Any excess, if any, may be distributed as dividends.

We will make any dividend distributions to holders of our shares in *Mexican Pesos*. Any significant fluctuations in the exchange rates between *Mexican Pesos* and *U.S. Dollars* or other currencies could have an adverse impact on the *U.S. Dollar* or other currency equivalent amounts holders of our shares receive from the conversion. In addition, the amount paid by us in *Mexican Pesos* may not be readily convertible into *U.S. Dollars* or other currencies. While the Mexican Government does not currently restrict the ability of Mexican or foreign persons or entities to convert *Mexican Pesos* into *U.S. Dollars* or other foreign currencies, the Mexican Government could institute restrictive exchange control policies in the future. Future fluctuations in exchange rates and the effect of any exchange control measures adopted by the Mexican Government on the Mexican economy cannot be predicted.

Our by-laws contain provisions that may restrict or delay a change of control, and provide penalties, including shareholders' rights restrictions, against acquisition of our shares or the execution of agreements regarding our shares in violation of our by-laws

Our by-laws provide that any transaction resulting in the acquisition of more than 10% of our shares by any person or group of persons acting in concert requires the approval of our board of directors. If you wish to acquire more than 10% of our capital stock, you will not be able to do so without the prior approval of our board of directors. These provisions in our by-laws may discourage, delay or impede a change of control or a change in our management, which could affect our minority shareholders and the price of our shares. Generally, any person or group of persons that seek to acquire control of the *Company* must carry out such acquisition through a public tender offer in accordance with applicable provisions of the *Ley del Mercado de Valores* (Mexican Securities Market Law; "LMV"). Purchases under a tender offer are required to be made ratably to all tendering shareholders. This provision could discourage possible future purchasers of our shares, or of a significant percentage of our shares, and, accordingly, could adversely affect the liquidity and price of our shares.

Any person who, in violation of our by-laws, acquires, or enters into any agreement for the acquisition of, shares requiring prior authorization will be responsible for paying liquidated damages to us up to an amount equal to the price of all the shares they own, directly or indirectly, plus an amount equal to the purchase price of the shares that were subject to the prohibited transaction. In the event that the transactions that gave rise to the unauthorized acquisition of shares representing 10% or more of our capital stock, or the relevant agreement, do not provide for economic consideration, the liquidated damages shall be equal to the higher market value of such shares, on the date of submission of the request to the board of directors or the date that occurs three *business days* after the board of directors learns about the prohibited acquisition. Further, any shares acquired in violation of our by-laws will not grant any voting rights and the transfer of such shares will not be registered in our stock registry book, and any entries previously recorded of transfers, for which the corresponding authorizations were not obtained, will be canceled, and the records and listings referred to in Article 290 of the *LMV* will not be valid; therefore, such records and listings will not prove the ownership of the shares, give the right to attend the shareholders' meetings or legitimize the exercise of any action, including those of a procedural nature.

We are a holding company and, even if we produce income of our own, we depend on dividends and other resources from subsidiaries to pay dividends, if we decide to do so

We are a holding company and our operations are conducted mainly through our subsidiaries. As a result, our ability to fund our operations and pay dividends, if we decide to do so, primarily depends on the ability of our subsidiaries to generate earnings and to pay dividends to us. Our subsidiaries are separate and distinct legal entities. Any payment of dividends, distributions, loans or advances by our subsidiaries is limited by general provisions of Mexican law regarding allocation of corporate profits, including those regarding mandatory employee profit sharing. If a shareholder were to assert a claim against us, the enforcement of any related judgment would be limited to the available assets of our subsidiaries. Payment of dividends by our subsidiaries will also be contingent upon our subsidiaries' earnings and business considerations. Additionally, our right to receive any assets of any of our subsidiaries as an equity holder of those subsidiaries, upon their liquidation or reorganization, will be effectively subordinated to the claims of our subsidiaries' creditors, including trade creditors. Failure to comply with the requirements to maintain our shares listed on the *BMV* may result in the suspension of trading in our shares.

Failure to comply with the requirements to maintain our shares listed on the BMV may result in the suspension of trading in our shares

Under Mexican law, we must comply with certain requirements to maintain our shares listed on the *BMV*. Such regulations provide that our public float may not be less than 12% of our capital stock. Failure to comply with such requirements authorizes the *CNBV* and the *BMV* to suspend the listing and trading of our shares. If our shares are delisted, there may not be an active market for our shares, and you may not be able to sell our shares at favorable prices or at all.

Payment of judgments entered against us in Mexico will be in Mexican Pesos

Under Article 8 of the *Ley Monetaria de los Estados Unidos Mexicanos* (Mexican Monetary Law), an obligation which is payable in Mexico in a currency other than the *Mexican Peso* as a result of an action initiated in Mexico or of the enforcement in Mexico of a judgment obtained elsewhere, may be satisfied in *Mexican Pesos* at the exchange rate in effect on the date when payment is made. Such exchange rate currently is determined by *Banxico de México* every *business day* in Mexico and published the following *business day* in the Mexican Official Gazette. It is unclear, however, whether the applicable exchange rate applied by a Mexican court to determine the amount owed will be the rate prevailing at the time when the judgment is rendered or when the judgment is paid. Provisions purporting to limit our ability to discharge obligations in Mexico as described above or purporting to give any legitimate party an additio nal course of action seeking indemnity or compensation for possible deficiencies arising out of or resulting from variations in exchange rates may not be enforceable in Mexico.

Risk factors related to forward-looking statements

This *Annual Report* contains forward-looking statements. Example of such forward-looking statements include, among others: (i) statements regarding the *Company*'s results of operations and financial position; (ii) statement of plans, objectives, or goals, including those related to the *Company*'s operations; and (iii) statements of underlying assumptions to such statements. Words such as “advises,” “anticipates,” “attempts,” “believes,” “considers,” “contemplates,” “could,” “depends,” “estimates,” “expect,” “forecasts,” “foresees,” “goal,” “intends,” “may”, “objective,” “plans,” “potential,” “predicts,” “projects,” “seeks,” “should,” “suggest,” “will be,” “will have,” “would have,” and other similar expressions, have the purpose of identifying the projections and forward-looking statements, but are not the only means to identify such projections and statements.

By their very nature, forward-looking statements involve inherent risks and uncertainties, both general and specific, and risks exist that the predictions, forecasts, projections and other forward-looking statements will not be achieved or will differ from actual results. We caution investors that a number of important factors could cause actual results to differ materially from (and be more negative than) the plans, objectives, expectations, estimates and intentions expressed or implied in forward-looking statements, including the following factors:

1. The *Company*'s capacity to execute its corporate strategies.
2. The competitive environment in which we operate, especially the competition in the industry in which the *Company* operates.
3. Losses, including uninsured or uninsurable losses beyond the insurance policies purchased by the Company.
4. Our capacity to maintain or increase the *Company's* sales and revenues.

5. The *Company's* capacity to successfully participate in strategic acquisitions and to successfully expand into new markets in Mexico or abroad.
6. The *Company's* capacity to sell or to dispose of any of its products in any other way.
7. The integration of entities that the Company may acquire in the future.
8. The *Company's* ability to successfully enter into strategic acquisitions.
9. The *Company's* capacity to generate cash flows sufficient to satisfy any present or future service debt obligation.
10. The economic performance, as well as the politics and business of Mexico, the United States, and the rest of the countries in which the *Company's* operates.
11. Limitations in the *Company's* access to financing sources on competitive terms.
12. The performance of the financial markets and the *Company's* capacity to pay or refinance its financial obligations, as necessary.
13. Restrictions on the convertibility of currencies and remittances.
14. Limitations to interest rates and the regulations regarding the *Company's* credits and transactions.
15. The amount and profitability of any additional investments.
16. Fluctuations in foreign exchange rates, interest rates and inflation.
17. The effect of changes in accounting principles, new legislation, intervention by regulatory authorities, government directives and monetary or fiscal policy in Mexico, the United States and the United Kingdom.
18. Amendments to the laws that have an effect on the industry in which we participate, absence of permits such as those related to Appellation of Origin, brands, licenses, and other administrative provisions that may affect our operations.
19. Implementation of a price control by the Mexican government, import tariffs and other measures to facilitate the access to raw materials used by the *Company*.
20. Loss of key personnel.
21. Terrorist and criminal activities, as well as geopolitical events.
22. Other risk factors discussed under *"Risk Factors"* and elsewhere in this *Annual Report*.

If one or more of these factors or uncertainties materializes, or if underlying assumptions prove to be incorrect, actual results may vary materially from those described herein as anticipated, believed, estimated, expected, forecasted or intended.

Prospective investors should read the sections of this *Document* entitled "*Summary*," "*Risk Factors*," "*Our Business*" and "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" for a more complete discussion of the factors that could affect our future performance, the price of our shares in the future and the markets in which we operate.

In light of these risks, uncertainties and assumptions, the forward-looking events described in this *Report* may not occur. Any forward-looking statements speak only as of the date of this *Annual Report* and we undertake no obligation to update or revise any forward-looking statement, whether as a result of new information or future events or developments. Additional factors affecting our business emerge from time to time and it is not possible for us to predict all of these factors, nor can we assess the impact of all such factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statement. We cannot assure you that our plans, intentions or expectations will be achieved. In addition, you should not interpret statements regarding past trends or activities as assurances that those trends or activities will continue in the future. All written, oral and electronic forward-looking statements attributable to us or persons acting on our behalf are expressly qualified in their entirety by this cautionary statement.

Risk due to adoption of new accounting standards

The Company has applied the following standards and amendments for the first time for the reporting year beginning January 1, 2020:

- Definition of material amendments to IAS 1 and IAS 8.
- Definition of business amendments to IFRS 3.
- Benchmark interest rate reform: amendments to IFRS 9, IAS 39 and IFRS 7 (phase1).
- Revised Conceptual Framework for Financial Reporting.

As of May 31, 2020, the following standards and interpretations were issued, but are not mandatory for annual periods ending December 31, 2020.

- Rental concessions related to COVID-19 Amendments to IFRS 16: As a result of the COVID-19 pandemic, rental concessions have been granted to lessees, beginning June 1, 2020.
- Classification of liabilities as current or non-current Amendments to IAS 1: The amendments could affect the classification of liabilities, particularly for entities that previously considered management's intentions in determining the classification and for some liabilities that may be converted to equity.
- Property, plant and equipment: Revenue before intended use - Amendments to IAS 16: The amendment to IAS 16 Property, plant and equipment (PP&E) prohibits an entity from deducting from the cost of a PP&E item any revenue received from the sale of items produced while the entity is preparing the asset for its intended use.
- Annual improvements to IFRS 2018-2020, which were finalized in May 2020:
- IFRS 9 Financial Instruments: clarifies which commissions and fees should be included in the 10% test for derecognition of financial liabilities.
- IFRS 16 Leases: modification of illustrative example 13 to remove the illustration of lessor payments in relation to leasehold improvements, to eliminate any confusion about the treatment of lease incentives.
- IAS 41 Agriculture: elimination of the requirement for entities to exclude cash flows for taxes when measuring fair value under IAS 41. This amendment is intended to align with the standard's requirement to discount after-tax cash flows.

The aforementioned amendments had no impact on the amounts recognized in prior periods and are not expected to significantly affect current or future periods.

Risk management

The Company's risk management is mainly controlled by a central treasury department according to the policies approved by the board of directors. The Treasury identifies, assesses, and covers financial risks in close cooperation with our business units. The Board of Directors provides written principles for general risk management, as well as policies that cover specific areas, such as exchange rate risk, interest rate risk, credit risk, and investment of excess liquidity. Note 3 of the *Consolidated Financial Statements* for the fiscal year 2020 attached as an Exhibit 1 to this provides an overview of the Company's management of the different type of risks it faces.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Group's accounts receivable and the Group's bank deposits with financial institutions. The carrying amount of financial assets represents the maximum credit exposure.

If wholesalers are independently rated, these ratings are used. Otherwise, if there is no independent rating, the risk management area assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are established based on internal or external ratings in accordance with limits set by the Board of Directors. Compliance with credit limits by wholesalers is regularly monitored by management.

For certain receivables, the Group can obtain collateral in the form of promissory notes which can be called upon if the counterparty is in default in accordance with the terms of the agreement. The Group applies the simplified IFRS 9 approach to measure ECL which uses an estimate of lifetime expected losses for all accounts receivable.

Receivables

The Group's exposure to credit risk is mainly influenced by the individual characteristics of each customer. More than 75% of them have maintained business relationships with the Group for several years, and no impairment losses have been recognized against these customers. In monitoring credit risks, customers are grouped according to their credit characteristics, including whether they are wholesale, retail or end customers, and their geographic location, industry, years in business, maturity and past financial difficulties. From time to time, the Group requires collateral in the EMEA and APAC markets in connection with trade receivables.

On that basis, the estimate of credit losses is determined as follows:

	Current and 60 days	**61+ days**	**90+ days**	**120+ days**	**Total**
December 31, 2020					
Expected loss (%)	2.60%	5.11%	14.17%	14.92%	
Gross accounts receivable	$ 9,015,911	$ 95,310	$ 188,858	$ 22,430	$ 9,322,509
Estimated credit losses	(4,876)	(9,182)	(6,600)	(88,136)	(108,794)

	Current and 60 days	**61+ days**	**90+ days**	**120+ days**	**Total**
December 31, 2019					
Expected loss (%)	1.55%	6.90%	13.06%	14.22%	
Gross accounts receivable	$ 9,073,641	$ 92,964	$ 132,419	$ 67,469	$ 9,366,493
Estimated credit losses	(20,439)	(5,196)	(1,726)	(44,193)	(71,554)

	December 31,		
	2020 (US)	2020 (MXN)	2019 (MXN)
Gross receivables	$ 467,324	$ 9,322,509	$ 9,366,493
Less: allowance for credit losses	(5,454)	(108,794)	(71,554)
	$ 461,870	$ 9,213,715	$ 9,294,939

The reconciliation of the allowance for credit losses is as follows:

	December 31,		
	2020 (US)	2020 (MXN)	2019 (MXN)
Opening balance at January 1	$ 3,587	$ 71,554	$ 74,825
Increase in receivables	2,189	43,672	8,453
Accounts receivable write-off	(460)	(9,183)	(11,348)
Foreign exchange effect	138	2,751	(376)
Closing balance at December 31	$ 5,454	$ 108,794	$ 71,554

As of December 31, 2020 and 2019, the maximum credit risk exposure for accounts receivable by type of counterparty is as follows:

	December 31,		
	2020 (US)	2020 (MXN)	2019 (MXN)
Wholesalers	$ 374,388	$ 7,468,557	$ 6,921,335
Retailers	87,282	1,741,169	2,418,053
Other	5,654	112,783	27,105
Total	$ 467,324	$ 9,322,509	$ 9,366,493

As of December 31, 2020, the Group's largest customer accounted for 16.8% of the total value of trade receivables (9.5% as of December 31, 2019).

The Group has no customers classified as "high risk", for which special credit conditions have been applied.

In Mexico and the rest of the world, the Company distributes directly to channels, self-service stores, price clubs, wholesalers and convenience stores through its own sales force, covering a high percentage of the stores that sell alcoholic beverages in the country. In addition, the promotional force reaches the 2,630 main stores and self-service wholesalers to control the display and promotion at the point of sale.

In the United States of America, there is a three-tier system implemented by federal and state laws that limits the nature and scope of relationships between beverage alcohol suppliers, wholesalers and retailers. These laws and provisions prohibit transactions and relationships that are common in the alcoholic beverage industry in other legal jurisdictions, as well as in other consumer sectors in the United States of America. In 23 states, the Company distributes primarily through wholesalers associated with three major distributor networks; in 10 states the Company distributes through independent distributors, and in the remaining 17 states (and certain local jurisdictions), the state (or the relevant local authority) controls the distribution of distilled spirits.

In the rest of the world, the Company distributes through local companies (IMCs) and third-party distributors. The IMCs sell to customers in and outside the trade in the country of incorporation. In countries where we do not have local IMCs, the Company enters into strategic distribution agreements with local distributors in each country.

In countries where the Company does not currently have the ability to operate a direct distribution model, in general terms, the Company's distribution strategy consists of entering into distribution agreements in each country.

The Group uses a matrix to measure the ECL of wholesalers, retailers and others under a customer portfolio approach. Impairment percentages are calculated separately for exposures in different segments based on common credit risk characteristics, geographic region, duration of the customer relationship and type of product purchased.

Cash and cash equivalents

The Group's investments in debt instruments are low risk. The credit ratings of the investments are continuously monitored to be aware of any credit deterioration. The Group limits its exposure to credit risk by investing only in Mexican government, corporate and bank debt with maturities of less than 90 days and only with counterparties that have a global credit rating of BBB- to AAA and local ratings of AA to AAA. The objective of the Group's treasury policy is to mitigate its exposure to risk, guarantee operational requirements and obtain the best market conditions, even when it does not seek to maximize the return on its investments.

Fair value estimates

Financial instruments in the statement of financial position are recorded at fair value based on the following hierarchy.

- Level 1 fair values are derived from quoted prices (unadjusted) in active markets for identical liabilities or assets;

- Level 2 fair values are derived from inputs other than quoted prices included in Level 1, but which include inputs that are observable directly at quoted prices or indirectly derived from these prices; and

- Level 3 fair values are derived from valuation techniques that include indicators for assets or liabilities that are not based on observable market information.

	Amortized Cost	Fair Value Through Profit (Loss)	Fair Value Level 1	Fair Value Level 2	Fair Value Level 3
December 31, 2020					
Financial assets:					
Cash equivalents	$ 2,840,570				
Receivables	9,213,715				
Related parties	57,214				
Other taxes and other receivables	1,291,221				
Financial instruments at fair value through profit (loss)		303,739			303,739
Equity investments at fair value		11,969		11,969	
Financial liabilities:					
Senior Notes	$9,955,908				
Payables	3,062,436				
Related parties	169,551				
Other payables	4,809,560				
Other long-term liabilities*	367,964	140,437			140,437
December 31, 2019					
Financial assets:					
Cash equivalents	710,923				
Receivables	9,294,939				
Related parties	103,294				
Other taxes and other receivables	637,217				
Equity investments at fair value		36,748		36,748	
Financial liabilities:					
Senior Notes	$ 9,390,788				
Payables	2,182,716				
Related parties	68,382				
Other payables	3,944,604				
Other long-term liabilities*	28,463	162,360			162,360

Changes in other long-term liabilities are as follows:

	December 31,		
	2020 (US)	2020 (MXN)	2019 (MXN)
Balance at January 1	$ (8,139)	$ (162,360)	$ (301,204)
Increase	1,099	21,923	138,844
Balance at December 31	$ (7,040)	$ (140,437)	$ (162,360)
Deferred income tax			
Balance at January 1	$ 2,512	$ 50,114	$ 74,479
Decrease in deferred income taxes	(280)	(5,590)	(24,365)
Balance at December 31	$ 2,232	$ 44,524	$ 50,114
Changes in other long-term liabilities - Net of taxes			
Decrease	$ 1,099	$ 21,923	$ 138,844
Decrease in deferred income taxes	(280)	(5,590)	(24,365)
Changes in other long-term liabilities	$ 819	$ 16,333	$ 114,479

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

The Group's approach to managing liquidity is to ensure, to the extent possible, that it will have sufficient liquidity to meet its obligations as they fall due, both under normal and stressed conditions, without incurring additional financing costs or risking damage to the Group's reputation.

Normally, the Group ensures that it has sufficient cash on hand to cover expected operating expenses for a period of sixty-days days, which includes the payment of its financial obligations. This excludes the possible impact of extreme circumstances that are not reasonably foreseeable, such as natural disasters.

The Company believes that cash generated by its operations is sufficient to fund its operating and capital requirements in the short term.

Prudent liquidity risk management involves maintaining sufficient cash and marketable securities and the availability of funds through an adequate amount of uncommitted lines of credit to meet obligations as they become due and close out market positions. Due to the dynamic nature of the business, Group Treasury makes sure it is maintaining available lines of credit.

In order to preserve liquidity during the health contingency caused by COVID-19, the Company implemented the following measures: a) restriction of operating expenses to the minimum necessary; and b) extension of the payment term to some suppliers.

Liquidity risk exposure

The following table includes a summary of the remaining contractual maturities of non-derivative financial liabilities at the reporting date. Amounts are gross and undiscounted and include contractual interest payments and exclude the impact of netting arrangements.

	Contractual cash flows				
	Book Value	**Total**	**1 month - 1 year**	**1-3 years**	**Over 3 years**
December 31, 2020					
Senior Notes	9,955,908	11,875,000	375,000	1,125,000	10,375,000
Receivables	3,062,436	3,062,436	3,062,436		
Payables	169,551	169,551	169,551		
Other accounts payable	4,809,560	4,809,560	4,809,560		
Lease liabilities	2,461,141	4,199,469	541257	1289432	2,368,780
Other long-term liabilities	$ 508,401	$ 508,401			$ 508,401
December 31, 2019					
Senior Notes	$ 9,390,788	$ 11,618,141	$ 374,534	$ 746,588	$ 10,497,019
Receivables	2,182,716	2,182,716	2,182,716	-	-
Payables	68,382	68,382	68,382	-	-
Other accounts payable	3,944,604	3,944,604	3,944,604	-	-
Lease liabilities	2,148,404	4,751,889	461,276	1,163,303	3,127,310
Other long-term liabilities	190,823	190,823			190,823

Operational risk

The Blue Agave plant is the most important raw material in the production of Tequila and takes six to eight years to reach harvest maturity, which is the optimum age when most of the sugars have been concentrated in the “pineapple” of the plant.

Blue Agave must be planted and produced in the territory of the Tequila Denomination of Origin in Mexico. Agave plantations are exposed to: a) climatic risks, such as severe weather variations or natural disasters, droughts, unusually cold weather, torrential rains, floods and earthquakes; and b) agricultural risks, such as seed and soil selection risks, unhealthy seeds or soil nutrient deficiencies, improper application of fertilizers and herbicides, bacterial risks, disease outbreaks, pests and other events. If any of the risks occur, it could have a material adverse effect on the supply of Blue Agave, affecting our tequila production or increasing our costs.

The Company has strategically distributed its Blue Agave plantations throughout the Tequila Appellation of Origin territory to minimize the risks of shortages arising from weather conditions or crop diseases. This geographic diversification and vertical integration, together with quality optimization processes, help to guarantee the Group’s current and future supply of Blue Agave and, therefore, the production of tequila to meet annual demand.

As there is no formal market for the purchase of Blue Agave, the Company’s policy is to vertically integrate to meet internal production requirements without relying on external suppliers. However, due to variability in growing conditions, from time to time, the Company rebalances its Blue Agave plantations to ensure consistency in plant age and growth throughout the Tequila Appellation of Origin territory in which the Company operates plantations. In order to meet its production requirements during this inventory rebalancing period, the Company has had to acquire Blue Agave from third parties.

The Company leases the land on which its Blue Agave and mezcal plants are grown, but reserves full control of all processes and investments related to their cultivation. The Agave Azul and mezcal plantations are not affected by title restrictions of any kind, nor have they been pledged as collateral for financial liabilities.

The Company also stores some reserves of aged tequilas at its facilities in Mexico. It has significant reserves of Irish whiskey at the Bushmills facility and has substantial volumes of aged U.S. and Canadian whiskey at various locations in the United States and Canada. Aged tequilas, such as reposado and añejo, must be matured for at least twelve months, while Irish whiskey and Canadian whiskey must be matured for at least three years. American whiskey has more complex aging requirements. Any loss of all or a portion of our inventory of tequilas or whiskeys in reserve (for example, as a result of contamination, fire or other natural disaster or destruction resulting from negligence or acts of third parties) may also lead to a significant decrease in the supply of those products**.**

Market risk

Market risks are the risks that changes in market prices, exchange rates and floating interest rates will affect the Group's revenues or the value of its financial instruments. The objective of market risk management is to identify, evaluate, control and review risk exposure within acceptable parameters in order to optimize profitability.

Foreign exchange risk

As a global distributor of distilled beverages, the Company is exposed to the risk of transacting in multiple currencies. In particular, the Company is exposed to the fluctuation of the U.S. dollar, the British pound and the euro against the Group's functional currency, which is the Mexican peso.

Part of the Group's cash outflows are committed in foreign currencies; however, a significant portion of the Group's cash inflows are generated in foreign currencies, providing an economic hedge without contracting derivative financial instruments; therefore, hedge accounting is not applied.

With respect to other monetary assets and liabilities denominated in foreign currencies, for which no hedge is generated, the Group's policy is to ensure that its net exposure is maintained at an acceptable level. The Group buys and sells foreign currencies at spot exchange rates when necessary to address short-term imbalances*.*

Hedging of net investment in foreign entities

Effective January 1, 2020, the Company designated a US$500 million bond (senior notes) as a hedging instrument for its net investment in Proximo US, which is a sub-holding company organized under the laws of the United States of America, with the objective of mitigating the exchange rate risk arising between the functional currency of these operations and the functional currency of the holding company that holds such investment. The Company formally designated and documented the hedging relationship, establishing the objectives, the hedging strategy, the identification of the hedging instrument, the hedged item, the nature of the risk to be hedged and the effectiveness evaluation methodology. Since the exchange rate hedging relationship is clear, the method the Company used to assess effectiveness consisted of a qualitative effectiveness test by comparing the critical terms between the hedging instruments and the hedged items. There was no ineffectiveness to be recorded as hedges of net investments in foreign entities.

Effects of hedge accounting on financial position and performance

The effects of hedging instruments related to foreign currency on the Group's financial position and performance are as follows:

Net investment in foreign operation.

		December 31, 2020 (MXN)
Carrying value (Senior Notes)	US	500,000
Hedge ratio		1:1
Change in the carrying value of the Senior Notes as a result of foreign currency movements since January 1, recognized in Other Comprehensive Income		551,750
Revaluation of the hedged item to determine the effectiveness of the coverage included in Other Comprehensive Income	Ps	(3,270,437)

The Company maintains the hedging transactions described below:

As of January 1, 2020

Holding Company	Functional currency	Hedging instrument	Notional amount		Covered positions	Net assets of foreign operations	
			(Ps)	**(USD)**		**(Ps)**	**(USD)**
Becle, S.A.B. de C.V.	Mexican pesos	Senior Notes	9,422,600	$500,000	Proximo US	16,445,123	$872,643

As of December 31, 2020

Holding Company	Functional currency	Hedging instrument	Notional amount		Covered positions	Net assets of foreign operations	
			(Ps)	**(USD)**		**(Ps)**	**(USD)**
Becle, S.A.B. de C.V.	Mexican pesos	Senior Notes	9,974,350	$500,000	Proximo US	19,715,560	$988,313
Revaluation of Senior Notes due to foreing exchange fluctuations recognized in OCI since january 1.			551,750			3,270,437	115,670

Hedge effectiveness

Hedge effectiveness is determined at the inception of the hedging relationship, and through periodic prospective effectiveness assessments, to ensure that there is an economic relationship between the hedged item and the hedging instrument.

Summarized quantitative data on the Group's exposure to foreign exchange risk in the presentation currency (translated into Mexican pesos), considering the respective functional currencies of the entities comprising the Group as of December 31, 2020 and 2019, are shown below:

	December 31, 2020			December 31, 2019		
	US$	**Euro**	**Other**	**US$**	**Euro**	**Other**
Cash and cash equivalents	$ 1,808,511	$ 8,082	$ -	$ 4,484,549	$ 7,898	$ -
Receivables	1,219,129	6,411		2,495,204	42	-
Payables	(477,549)	(18,512)	(63)	(455,487)	(33,822)	(164)
Lease liabilities	(333,124)	-		(411,500)	-	-
Senior Notes	(9,974,350)	-		(9,422,600)	-	-

The following disclosures provide a sensitivity analysis for the Group's foreign currency exposures, effective December 31, 2020 and 2019. A +/- 10% change in the U.S. dollar against the reporting currency would have affected the measurement of instruments denominated in a foreign currency and affected losses or gains by the amounts shown below. This analysis assumes that all other variables, especially interest rates, remain constant.

Currency	Change	Effect OCI	Effect P&L
December 31, 2020			
US$	+10%	$ -	$ 776,353
	-10%	-	(776,353)
December 31, 2019			
US$	+10%	$ -	$ 491,595
	-10%	-	(491,595)

The exchange rates used as of December 31, 2020 and 2019 are shown below:

	Average Exchange Rate		Closing Exchange Rate December 31,	
	2020	**2019**	**2020**	**2019**
USD	$21.4887	$19.2968	$19.9487	$18.8452
GBP	27.5149	24.5813	27.1270	24.8262
EUR	24.4900	21.5590	24.4702	21.2155

Interest rate risk

The Group is not exposed to interest rate risk because the financial liabilities it holds cause a fixed rate. The interest rate profile of the Group's interest-bearing financial instruments, as reported to the Group's management, is as follows:

	December 31,		
	2020 (US)	**2020 (MXN)**	**2019 (MXN)**
Fixed rate instruments			
Financial Liabilities	$ 499,076	$ 9,955,908	$ 9,390,788

Amounts shown above represent principal value of long-term debt, principal amount net of debt issuance costs.

Risk management

The Group's objectives when managing capital are:

- To safeguard its ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, and.
- To maintain an optimal capital structure to reduce the cost of capital.

To maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Like others in the industry, the Group monitors capital on the basis of the following leverage ratio: Net debt divided by total "equity" (as shown in the statement of financial position, including non-controlling interests).

During 2020, the Group's strategy remained unchanged compared to 2019. The ratio of net debt to equity at December 31, 2020 and 2019 was as follows:

	2020 (US)	**2020 (MXN)**	**2019 (MXN)**
Net debt	$ 499,076	$ 9,955,908	$ 9,390,788
Equity	2,744,293	54,745,070	48,592,204
Net debt to equity ratio	18.2%	18.2%	19.3%

D) OTHER SECURITIES

As of the filing date of this *Annual Report*, the *Company* does not have other securities registered in the *RNV*. In accordance with the LMV and the *Sole Circular Letter of Issuers*, the *Company* is required to provide the *CNBV* and the *BMV*, both quarterly and annual financial information, and information regarding relevant events and other kinds of information. As of the date of this *Report*, the *Company* has complied, in an appropriate and timely manner, with the filing of reports regarding relevant events and the rest of the information required by *applicable law*.

The *2025 Notes* issued by the *Company* in the international markets during 2015 are listed on the Official List of the Irish Stock Exchange and are negotiated in the Global Exchange Market, the regulated securities market of the Irish Stock Exchange. With respect to these securities, the *Company* is required to submit to Citibank, N.A. (as beneficiary) financial information and statements on a quarterly and annual basis on its compliance with obligations, in addition to information published in the stock exchange or securities regulatory agency. As of the date of this *Report*, the *Company* has adequately and timely complied with the filing of reports on relevant events and the rest of the information required by *applicable law*. See *"Management's Discussion and Analysis of Financial Condition and Results of Operations– Liquidity and Capital Sources".*

E) SIGNIFICANT CHANGES TO THE RIGHTS OF SECURITIES REGISTERED IN THE NATIONAL SECURITIES REGISTRY

No significant modification to the rights of the Company's securities registered in the *RNV* has taken place in the last three years.

F) PUBLIC INFORMATION

The *Company* will provide copies of this document to any shareholder and/or investor that proves its capacity in terms of the *applicable law* and who requests it from the *Company*'s Investor Relations Director. Mariana Rojo Granados is in charge of Investor Relations department. Ms. Rojo is located at our main offices: Guillermo González Camarena No.800-4, Col. Santa Fe, C.P. 01210, Mexico City, Mexico. She is reachable at (5255) 5258-7000 or by email: marojo@cuervo.com.mx/ alrubio@cuervo.com.mx.

Investors may consult the public documents that have been filed to the *CNBV* and the *BMV*, including periodical information regarding the *Company*'s financial position and results, and certain relevant events that the *Company* discloses through the *BMV*. This information is available to the public at the *BMV*'s Information Center located in the Stock Exchange Center (*Centro Bursátil*), at Paseo de la Reforma No. 255, Colonia Cuauhtémoc, C.P. 06500, Mexico City.

The *Company* has a website that contains general information on the Company, the address of which is www.ircuervo.com. The said webpage contains information of the Company that is not a part of this document.

2) THE ISSUER

A) BUSINESS DESCRIPTION

Overview

The *Company* was incorporated by means of public instrument number 74,489, dated November 5, 2002, before notary public number 137 of Mexico City, recorded in the Public Registry of Commerce under electronic commercial folio number 295,310, under the name *"Becle"* as a *Sociedad Anónima de Capital Variable* (variable capital stock corporation) of perpetual existence. We are headquartered in Mexico City. Our principal offices are located at Guillermo González Camarena #800-4, Col. Zedec Santa Fe, Mexico City, Mexico 01210. Our primary telephone number is +52 55 5258 7000.

By means of public instrument number 117,951, dated January 25, 2017, before Carlos de Pablo Serna, notary public number 137 of Mexico City, recorded in the Public Registry of Commerce under electronic commercial folio number 295,310, the bylaws of the *Company* were fully amended to become a *Sociedad Anónima Bursátil de Capital Variable)* (variable capital publicly traded corporation), and therefore, adopt the legal regime of Title II, Chapter II of the *LMV*, the foregoing, subject to the condition that the *Initial Public Offering* of the *Company* was approved, which occurred on February 9, 2017.

We are one of the oldest companies in Mexico and we have been led by the same family for 11 generations, a legacy and heritage that still defines our business, brands and culture. Our history dates back more than 250 years, having been founded in 1758. In 1795, the King of Spain, Charles IV, granted a *Royal Warrant* ("Cedula Real") to Jose María Guadalupe de Cuervo y Montaño to produce and sell "*Vino de Mezcal*," which is now known as tequila. This is generally considered the first license to sell tequila.

Our first export to the U.S. was in 1852; in 1880 we became the first distiller to bottle tequila in glass bottles, and in 1945 margaritas were invented using *Jose Cuervo* tequila.

The current structure of the *Company* reflects the results of the *Proximo Merger*. In 2007, we founded Proximo as an independent distribution company in the United States that began by distributing local brands. In 2008, Proximo began to distribute *1800* in the United States, taking the brand from sales of under 400,000 cases to over 900,000 cases in five years. Our direct presence in the United States, which we believe is the most profitable, dynamic and trend-setting spirits market in the world, has allowed us to get closer to its consumers. This has been reflected in our advertising campaigns, which resonate with consumers and make our brands more attractive. Proof of this is the growth that our flagship brand, *Jose Cuervo*, has had since Proximo took over its United States distribution in 2013.

Pendleton Acquisition

On December 13, 2017, the *Company* announced that it had reached an agreement with Hood River Distillers, Inc., to acquire the license to use the intellectual property attached to the *Pendleton* brand of perpetual existence. *Pendleton* is one of the leading super premium whiskey brands in the United States. The *Company* agreed to pay USD 212.8 million (MXN 3,999.259 million) for these assets. *Pendleton Whisky* was launched in 2003 and since then increased its annual sales volume to more than 250,000 nine-liter equivalent cases. In addition to the main *Pendleton Whisky* presentation, the acquisition included the *Pendleton Midnight*, *Pendleton 1910*, and *Pendleton Directors' Reserve* presentations.

In the month of February, 2018, the *Company* completed the acquisition of the assets of the *Pendleton* brand. Starting on such date, the *Company* began consolidating the net assets in its consolidated statement of financial position.

Acquisition of Black Dirt Distilling

On May 7, 2018, the *Company* reached an agreement to acquire 100% of the shares of *Black Dirt Distilling* ("BDD"). BDD is a distiller and bottler of bourbon and brandy headquartered in New York state.

The total consideration paid was USD 11.4 million (MXN 222.043 million), and the fair value of the acquired assets, assumed liabilities and goodwill, determined and recognized as of the acquisition date, were USD 9.9 million (MXN 192.752 million), USD 0.6 million (MXN 12.555 million), and USD 2.1 million (MXN 41,846 million), respectively.

The Company started consolidating the net assets of BDD in its consolidated statement of financial position as of September 30, 2018.

Australia Distributor Acquisition

On June 30, 2017, Proximo Australia PTY, Ltd., a subsidiary of JC Overseas, Ltd., acquired from L.I.P.S. PTY Limited, the capital stock of *i2i*. That company was founded in 2007, and since that year has continued expanding its portfolio.

i2i is based in the city of Sydney and has sales infrastructure in each of Australia's states. It also, has a solid presence both in consumer centers and with distributors, with Woolworths and Coles being the two that stand out the most.

In 2015, Casa Cuervo, S. A. de C. V. appointed *i2i* as distributor of the *Jose Cuervo*, *1800*, *Bushmills*, *The Kraken* and *Boodles* brands. The acquisition of *i2i* was an essential step in ensuring the future growth of the *Company*'s portfolio in the region.

Maestro Tequilero Contribution

On September 23, 2016, our shareholders subscribed and paid a capital increase that was funded by contributing to the *Company* 78.09% of the shares in Maestro Tequilero, S.A. de C.V. ("Maestro Tequilero/Dobel Contribution"), which our shareholders personally owned. As a result of and as of the date of this contribution, *Maestro Tequilero* is a subsidiary of *Becle*. See "*Description of Our Capital Stock and Corporate By-laws*."

Maestro Tequilero / Dobel was established in 2005 and includes products such as *Maestro Tequilero Blanco, Maestro Tequilero Reposado, Maestro Tequilero Añejo, Maestro Dobel Diamante, Maestro Tequilero Atelier* and *Maestro Tequilero Humito.*

The brand's trade name changed to Maestro Dobel in November 2019.

Bushmills Acquisition

We completed the acquisition of *Bushmills* from *Diageo* during the first quarter of 2015, which gave us the opportunity to enter the Irish whiskey market, one of the fastest growing categories within the spirits industry. The *Bushmills* acquisition represents a new step in our ongoing diversification of product categories and geographical segments.

Investment in associates

Virginia Black

The Company, through its subsidiary Proximo US, owns a 19.3% equity interest in Virginia Black (VB), a Delaware domiciled limited liability company. The Company acquired this equity interest pursuant to a subscription agreement and an amended and restated limited liability company agreement entered into on January 8, 2016, and concurrently, the Company entered into a license and distribution agreement with VB pursuant to which the Company agreed to produce, market, promote and distribute VB's products, and to participate in a profit-sharing agreement with VB.

Based on management's analysis performed as of the acquisition date, the Company concluded that it did not unilaterally control VB, but had significant influence through its power to participate in VB's financial and operating decisions, in accordance with IAS 28, and accordingly, the Company recorded its investment in VB using the equity method.

On October 23, 2019, VB and the Company entered into a settlement and release agreement (the Settlement Agreement), as part of which the Company agreed to rescind and waive many rights evidencing that the Company had significant influence over VB. As a result of the Settlement Agreement, the Company evaluated whether it no longer had significant influence over VB and concluded that the Company should discontinue using the equity method to value its investment in VB. Management concluded that determining the carrying value was the best estimate of the fair value of the investment and, as such, no gain or loss was recognized for the loss of significant influence. Management further determined that the loss of significant influence over VB resulted in this investment qualifying as an equity instrument and accordingly should be valued in accordance with IFRS 9.

In 2019, management performed a fair value analysis and determined that the fair value of the Company's investment in VB was US$1.95 million, which, compared to the carrying value of US$4.4 million, as of the same date, resulted in a loss being recorded in ORI of US$2.45 million. As of December 31, 2020, the fair value of the Company's investment in VB was US$0.6 million (MXN 11.969 million).

Eire Born Spirits

The Company, through its subsidiary Proximo US, entered into an agreement on July 11, 2018 with Eire Born Ventures LLC (EBV), a Delaware domiciled limited liability company, to form Eire Born Spirits, LLC (EBS), a limited liability company also based in Delaware. The primary purpose of EBS is to develop, market, and distribute a new brand of Irish whiskey under the Proper No. Twelve trademark. On July 11, 2018, the Company entered into a license and distribution agreement with EBS to exclusively acquire the rights to produce, market, promote, and distribute certain products under this brand worldwide.

The Company performed an assessment under IFRS 10, IAS 28 and IFRS 11 to determine whether the Company had control, significant influence or joint control over EBS, and concluded that this investment should be valued by the equity method. As of December 31, 2020 and 2019, the Company owns a 49% and 20% equity interest, respectively, in EBS. As of December 31, 2020, the Company's investment in EBS amounted to MXN. 226,142. The Company's equity interest in the net assets, profit or loss and other comprehensive income of EBS, under the equity method, for this investment for the year ended December 31, 2019, was immaterial.

As of December 31, 2020 and 2019, EBS's assets comprise intellectual property, cash and royalty's receivable. EBS's liabilities are trade payables to marketing vendors. EBS's expenses comprise marketing services and materials, and its sole source of revenue is royalties. EBS has not declared dividends since it was established.

The Company had the right to purchase 29% of EBS's equity interest from EBV if a product case shipment threshold (as defined in the contracts) was reached in any 12-calendar month period after July 11, 2018. This threshold was reached in November 2019. The Company exercised this option on February 28, 2020, and settled the transaction on April 24, 2020. As of December 31, 2020, the Company owns 49% equity interest in EBS, the value of the EBS investment is MXN 1,564,892 and the equity method for the year ended December 31, 2020 was US$3.6 million.

The Company will have the right, but not the obligation, to purchase the 51% equity interest in EBS from EBV if a certain number of cases of the EBS products defined in the contracts are sold in any 12-calendar month period following July 11, 2018. This threshold was reached in November 2020, and consequently, the Company has recognized a financial asset at fair value through profit or loss of US$15.2 million as of December 31, 2020, and if the Company wishes to exercise the 51% option, then it must give written notice within 90 days following the end of the 12-month period in which the 51% option trigger is achieved.

The Company holds other minor investments of MXN 2,904 and MXN 4,241, as of December 31, 2020 and 2019, respectively.

Our Strategies

Our objective is to continue expanding our business and increasing our global presence, cash flow generation and profitability by focusing on the following key strategies:

- Continue to lead the development of the tequila category.
- Brand building.
- Continue investing in innovation, product development and 'premiumization.'
- Expansion and diversification of business through organic and inorganic growth initiatives and route-to-market expansion.

Continue to lead the development of the tequila category

We aim to continue the development and expansion of tequila consumption globally by leveraging our leading market share in the tequila category. We are focused on continuing to penetrate existing markets where tequila consumption offers significant growth potential, such as in the United States. The U.S. spirits market is estimated to be the largest profit pool in the world and the consumption of tequila remains low when compared to other spirits categories.

Our marketing and distribution strategies are also geared to targeting other geographies where our *Jose Cuervo* brands have some presence but where tequila consumption remains low, such as in Europe and the Asia Pacific region. For example, with the acquisition of *Bushmills* and island2island, we have strengthened our distribution platform in the United Kingdom, the Republic of Ireland and the Asia-Pacific region, and we are currently implementing initiatives to grow our tequila sales in the European area.

Additionally, we also seek to continue to lead and develop the premiumization trend in tequila through brand positioning in Mexico and the United States. We created the category of "cristalino" products (products that are aged or extra-aged and are filtered to appear crystalline) and we are continuing to develop the premium and ultra-premium segments in the category. For instance, in Mexico, where the tequila category has high levels of penetration, we have identified and expanded a consumer segment that has demonstrated strong demand for more refined, trend-setting, premium products. Our focus on premiumization is well represented by *Maestro Dobel* and *1800 Cristalino* tequila, which are *"cristalino"* tequilas launched in 2009 and 2015, respectively. These tequilas address the ultra-premium segment and tap into one of the clear pockets of growth within the tequila category.

Brand building

We promote the development of our brands through unique positioning and marketing strategies for each product, trying to distinguish each brand and avoid overlaps in positioning. We intend to prioritize and focus on owning premium brands, which provide enhanced profitability and allow for direct brand equity control. One of our primary objectives is to ensure that our brands are associated with quality, innovation and style to drive their increasing value and durability over time. Brand building requires substantial time and important investments in positioning brands and familiarizing consumers by rolling out marketing programs that help us build each of the brands' images. With the goal of expanding our brand portfolio across the most attractive spirits categories and premium segments such as Irish whiskey and spiced rum, we plan to continue investing in positioning *Bushmills* and *Kraken* to build and develop these important brands.

We believe in sustained long-term investment as the foundation of our brands' value — for example, with new and better packaging and successful advertising campaigns. Also, we believe in innovation within existing brands with "premium" variants that improve the perception of our existing brands. Our marketing and distribution strategies are currently focused on enhancing the image of our products as premium brands, a strategy that is expected to grow sales volume and enhance pricing. Our investments in marketing, promotion and distribution have historically increased along with our sales. We believe that we can leverage the benefits of being a global organization in order to drive marketing effectiveness.

Likewise, we focus on demographic changes in consumers and we design new ways of approaching and generating ties with the different generations, considering their specific characteristics. We actively participate in social media and digital campaigns, seeking to address the preferences of current generations and raising brand awareness within this segment.

Continued investment in innovation, product development and premiumization

Innovation is part of our DNA, and we have successfully built our product portfolio through a combination of organic growth, including the development of existing as well as new products and brands, and disciplined inorganic growth, through complementary and value-generating acquisitions.

We believe we are among the most innovative companies in our industry, from creating new categories and brands to launching line extensions. Examples of our innovation include our creation of the ready-to-drink margarita mix category, where we have utilized the *Jose Cuervo* brand name to launch *Jose Cuervo Margarita Mix*, a non-alcoholic mixer that is the top selling margarita mix globally, as well as several ready-to-drink cocktails, such as *Jose Cuervo Authentic Margaritas*, *Jose Cuervo Golden Margaritas* and *1800 Ultimate Margaritas*. At the same time, we have successfully developed and launched new brands across various categories and price points, including *Maestro Dobel*, *Kraken* rum, *Creyente* mezcal and *b:oost*, among others. We have also developed product line extensions such as 1800 *Cristalino* and *Bushmills Steamship*. Our track record of inorganic growth is evidenced by acquisitions such as *Bushmills* Irish whiskey, which represented a step toward further category and geographic diversification, *Stranahan's* Colorado whiskey, and the vodkas *Hangar 1*, *Three Olives* and *Pendleton*.

We are focused on maintaining and increasing our efforts on product innovation to expand our offering price in the "super-premium," "ultra-premium" and "prestige" segments. We are a consumer-oriented company, and we understand the importance of developing new products and extensions of our existing brands, continuing as a company that sets trends and understands and anticipates the changing tastes and consumer preferences.

We have extensive experience in successfully launching new products in the market and will continue to invest in product development and innovation, with the intention of enhancing our ability to respond to the shifting preferences and needs of consumers.

Expansion and diversification of business through organic and inorganic growth initiatives and route-to-market expansion

We have identified key markets that can provide us with solid organic growth opportunities. We increased our distribution and marketing efforts in markets in which we are present but not leaders. We also focus on entering new markets that we believe offer significant potential for the penetration of our products.

We intend to continue expanding the offering of our brands in existing segments and in those segments where we are not actively participating today. In addition, we believe that our distribution platform is highly efficient. Our critical mass and efficiency allow us to enrich and grow our portfolio with products and categories of greater value and profitability that, at the same time, help to optimize our cost base. Therefore, we will continue to explore new options to leverage our distribution network.

While our priority is the organic growth of our portfolio, we continuously look for innovation and evaluate business opportunities that meet our strict standards, while maintaining financial discipline and creating value for our shareholders. We believe that the beverage industry offers opportunities for consolidation and expansion and we continuously evaluate opportunities that would allow us to expand our product offering and geographical reach in markets that allow for profitability and scale.

Our expanded presence in Europe obtained through the acquisition of *Bushmills* allows us to increase our focus on that region by generating opportunities to enhance our route-to-market strategy, further penetrate existing markets and tap into new ones.

B) BUSINESS DESCRIPTION

i) Our Company

We are a globally recognized spirits company and the largest producer of tequila in the world. Our unique portfolio of over 30 spirits brands, some of which we own and distribute worldwide, and others that we distribute for third parties in Mexico, has been developed over the years to participate in key categories with strong growth profiles, target the most relevant spirits markets in the world and address key consumer preferences and trends. The strength of our brand portfolio is based on the profound heritage of our internally developed iconic brands such as the *Jose Cuervo* family of brands, jointly with complementary acquisitions such as *Three Olives*, *Hangar 1*, *Stranahan's*, *Bushmills* and *Boodles*, as well as a key focus on innovation, which over the course of the years has allowed us to internally develop globally recognized brands such as *1800*, *Maestro Dobel*, *Centenario*, *Kraken*, *Jose Cuervo Margaritas* and *b:oost*, among our various brands, some of which are marketed and distributed in over 85 countries. We are one of the oldest companies in Mexico and we have been led by the same family for eleven generations, a legacy and heritage that still define our business, brands and culture.

We operate as a producer, marketer and distributor of internationally recognized branded spirits, ready-to drink cocktails and non-alcoholic beverages. Within spirits, we are the leading producer of tequila globally by sales volume with over twice the market share of our nearest competitor, and were the third largest producer of Irish whiskey in the world by volume and retail sales according to *IWSR*. We generate most of our sales and profits in the United States, which we believe represents the most dynamic and profitable market in the spirits industry. In addition to being our domestic market, Mexico is also our second most relevant market in terms of sales. Our recent acquisition of *Bushmills* uniquely positions us for a continued growth of our non-Americas business.

In the United States, Mexico, Canada, the United Kingdom, the Republic of Ireland and Australia we control and operate a direct distribution model. In particular, in Mexico and the United States, we have the second and ninth largest distribution networks of spirits by sales value, respectively, in accordance with *IWRS* in 2019. In the case of Mexico, we distribute directly to supermarkets, price clubs, wholesalers and convenience stores through our own sales force, reaching a high percentage of stores that sell alcoholic beverages in the country. In addition, our promotion team visits the 2,316 most important supermarkets and wholesalers to oversee all aspects relating to display and promotion at our points of sale. In the U.S., there is a three-tier system implemented by federal and state laws known as "tied house" laws, rules and regulations, which restrict the nature and extent of dealings between spirits importers, producers and wholesalers on the one hand and spirits retailers on the other hand. These "tied house" laws, rules and regulations prohibit transactions and relationships that are common in the spirits industry in many other countries, as well as in other consumer products businesses in the United States. In 22 U.S. states, we distribute primarily through wholesalers associated with one of three major distribution companies (Republic National Distributing Company, Southern Glazer's Wine and Spirits, and Johnson Brothers Liquor Company); in 12 U.S. states, we distribute through independent distributors; and in the remaining 16 U.S. states, the relevant state controls all distribution of full-strength spirits. In countries where we currently do not have direct distribution capabilities, our strategy is generally based on country-by-country distribution agreements that are exclusive for the relevant brand or brands.

Geographic Regions and Operating Segment

We view our operations in terms of three geographic regions and one operating segment. The three geographic regions are *Mexico*, the *United States and Canada* and *Rest of World*, and the operating segment is *Global Travel Retail*. For 2020, *Mexico* accounted for 19% of our net sales, the *United States and Canada* accounted for 70% and *Rest of World* accounted for 11%.

Mexico

Our tequila portfolio is the largest by sales volume in *Mexico*, including *Jose Cuervo*, *Gran Centenario*, *1800* and *Maestro Dobel*, among other brands. We are also present in eight other categories: rum, vodka, gin, American whiskey, Irish whiskey, mezcal, liqueurs and ready-to-drink cocktails.

Our tequila brands are first or second in each formal price segment. We are focused on maintaining our sales volume and market share by value.

In *Mexico*, we have our own distribution company, which is one of the largest distributors of premium spirits by sales volume and retail sales according to *IWSR*. For a description of our distribution activities in Mexico, see "*—Distribution Network—Mexico*."

United States

According to *IWSR*, during 2019 the United States was the third largest spirits market by retail sales value globally, behind China and India, and we believe the United States represents the most profitable, dynamic and trend-setting spirits market in the world. Our tequila portfolio, including *Jose Cuervo* and *1800*, among other brands, is the largest by sales volume in the United States and the third largest, respectively, according to *IWSR* in 2019. We are the leader in the tequila category in the United States, with a 23.6% market share by sales volume in 2019 according to *IWSR*. In the United States, the *Jose Cuervo* brand led the tequila category with a 15.7% share of this segment by sales volume. Although the tequila category represents a relatively small category in the United States, only 8.3% of the total spirits industry by volume, we believe it presents good potential for growth with expected tequila growth rates above the spirits average, according to *IWSR*.

Our portfolio in the United States includes additional brands such as *Kraken* rum, *Stranahan's Colorado* whiskey, *Hangar 1* vodka, as well as *Boodles* gin and *Three Olives* vodka, and *Pendleton* and *Sexton* whiskies.

Rest of World

Our products are sold in over 85 markets in our *Rest of World* region. The largest markets by sales are Brazil, Japan, the United Kingdom, Spain, Greece and Australia. We expect to continue to focus on expanding our sales penetration in markets selected to drive growth of the *Jose Cuervo*, *1800*, *Bushmills*, and *Kraken* brands. We selectively choose key markets to drive growth. The focus in these markets will be on growing market share and increasing penetration of target consumer groups.

We believe there is a large sales volume opportunity in tequila outside of the Mexican and U.S. markets, which may provide a growth platform for the *Jose Cuervo* and *1800* brands.

We generally distribute our products in this region (except in the United Kingdom, Northern Ireland and Australia) through a strategic alliance and a distribution arrangement that is exclusive for the relevant brand or brands with an established premium brand distributor in each market.

The Bushmills Business

Bushmills has a great tradition of whiskey making dating back to 1608, when the area was granted a license to distill by a concession of the King of England. All aspects of the brand's production are carried out in the town of Bushmills at the *Old Bushmills Distillery*, on the northern coast of Northern Ireland. The on-site facilities include a malt whiskey distillery, 17 maturation warehouses, a blending and vatting area, bottling lines, cased goods warehousing and dispatch. Annually, the facility is capable of producing approximately 5 million liters of 100% ABV (Alcohol By Volume) proof whiskey and is capable of bottling over 3 million nine-liter cases of whiskey annually. As part of the acquisition agreement, we retained key employees as well as the distillation processes and know-how, which will help us continue *Bushmills*' great tradition of whiskey making.

Bushmills Irish whiskey is the third largest Irish whiskey in the world by sales volume and the fourth largest in the United States by sales volume. The *Bushmills* brand's main markets are the United States and Europe, according to *IWSR* in 2019. In the year ended December 31, 2019, *Bushmills* sold 821,520 nine-liter cases, according to *IWSR* in 2019. Worldwide, Irish whiskey was the third fastest-growing spirits category by sales from 2014 to 2019, and had a CAGR of 10.3% in terms of sales volume, according to *IWSR*.

Product and brand portfolio

Internationally, we offer an array of brands and ready-to-drink cocktails that span across all price segments, allowing us to effectively compete with the strongest portfolio of tequila brands in this growing category. We also offer labels in nine other categories: rum, vodka, gin, Canadian whiskey, US whiskey, Irish whiskey, mezcal, liqueurs and ready-to-drink cocktails.

We own the majority of the brands we offer, while others are agency brands, which we distribute on an ongoing basis for other spirits companies in Mexico. Certain of the agency brands are owned by our affiliates and related parties while others are owned by third parties. The agreements for related party agency brands provide us with the exclusive rights to market and distribute, and in certain cases manufacture and produce, the brand in Mexico. We generally pay all costs associated with the manufacture and distribution of related party agency brands, usually including all marketing and promotional costs, although in certain cases the brand owner makes a contribution to marketing and promotional expense.

Company Brands

Tequilas

Jose Cuervo

Jose Cuervo tequila is the most widely distributed and leading premium tequila brand in the world based on sales volume. The primary markets for the sale of *Jose Cuervo* tequila are the United States and Mexico. The brand is sold in more than 85 other countries. The largest markets by sales in our *Rest of World* region include Brazil, Japan, the United Kingdom, Spain, Greece and Australia.

Jose Cuervo Especial Gold, Jose Cuervo Especial Silver, Jose Cuervo Tradicional and *Jose Cuervo Reserva de la Familia* tequilas are the flagships of the *Jose Cuervo* brand internationally. Together they comprise the largest brand by volume both in the United States and the *Rest of World* region. *Gran Centenario*, *Jose Cuervo Especial* and *Jose Cuervo Tradicional* are the flagships of the Jose Cuervo brand in Mexico. According to *IWSR* in 2019, *Jose Cuervo* is the second tequila market leader by value and the leading tequila brand by volume within the tequila category in Mexico.

The *Jose Cuervo* brand includes tequilas for all major consumption occasions, allowing us to compete with a strong portfolio of tequilas in this competitive and growing segment. For example, *Jose Cuervo Especial Gold* is a premium tequila often used in tequila-based cocktails; *Jose Cuervo Tradicional Silver* and *Jose Cuervo Tradicional Reposado* are super-premium tequilas often used as aperitifs; and *Jose Cuervo Reserva de la Familia* is an ultra-premium tequila often consumed after dinner.

Jose Cuervo brand tequila products include *Jose Cuervo Especial Gold*, *Jose Cuervo Especial Silver*, *Jose Cuervo Tradicional Silver*, *Jose Cuervo Tradicional Reposado, Jose Cuervo Tradicional Cristalino*, *Jose Cuervo Tradicional Añejo*, *Jose Cuervo Platino*, *Jose Cuervo Reserva de la Familia* and *Jose Cuervo 250 Aniversario*.

Gran Centenario

The Gran Centenario brand includes a variety of super-premium tequilas. *Gran Centenario Silver* is the leader in sales by sales volume in the blanco 100% Tequila category in Mexico. *Gran Centenario Reposado* is the leading super-premium brand by sales volume among wholesalers in Mexico. We also offer *Gran Centenario Azul*, a lower-proof tequila intended for mixing in cocktails, marketed toward younger legal drinking age consumers to encourage them to switch from rum- and vodka-based cocktails. In 2020, Gran Centenario Azul Baby Mango flavor was launched in the market, a flavored tequila option to compete directly with Smirnoff Tamarindo, which had great growth in the market.

Gran Centenario Leyenda and *Gran Centenario Azul Gran Reserva* tequilas are aspiring products that help build the brand in *Global Travel Retail* stores.

The *Gran Centenario* brand includes products such as *Gran Centenario Silver*, *Gran Centenario Azul*, *Gran Centenario Reposado*, *Gran Centenario Añejo*, *Gran Centenario Azul Gran Reserva* and *Gran Centenario Leyenda del Tequilero*.

1800 Tequila

1800 tequila was the best-selling super-premium tequila in the United States in 2019 based on sales volume, according to *IWSR*, and is one of the oldest and most iconic brands in the Mexican market.

The *1800* brand has a history of product and marketing innovation. The brand's latest innovations include *1800 Cristalino*, a clear añejo tequila, introduced in 2015 to compete in the ultra-premium segment (the second fastest growing tequila segment).

The *1800* tequila product line includes *1800 Blanco*, *1800 Reposado*, *1800 Añejo*, *1800 Cristalino*, *1800 Essentials*, *1800 Select Silver*, *1800 Milenio* and *1800 Coconut*.

Maestro Dobel

Established in 2005, *Maestro Tequilero / Dobel* is the newest tequila brand in our distribution portfolio. It is an ultra-premium tequila inspired by the art of producing a great tequila.

Developed with the intention of breaking existing category paradigms, *Maestro Tequilero / Dobel* uses unique manufacturing processes and packaging and is distinguished by its design. *Maestro Dobel Diamante* is the first clear tequila in the market that is a blend of reposado, añejo and extra añejo tequilas. We recently introduced *Maestro Dobel 50* in clear and extra añejo products. Maestro Dobel's most recent innovation is "Pavito," a tequila that uses the same production process as mezcal de pechuga, with a third distillation that gives it a special flavor due to the seasonal spices it uses.

Maestro Tequilero product offerings include *Maestro Tequilero Blanco*, *Maestro Tequilero Reposado*, *Maestro Tequilero Añejo*, *Maestro Dobel Diamante*, *Maestro Tequilero Atelier*, *Maestro Tequilero Humito* and *Maestro Dobel 50*.

Ready to-Drink Cocktails

Ready-to-drink cocktails are pre-mixed alcoholic beverages sold in single and multi-serving formats and flavors, including brands such as *Jose Cuervo Authentic Margaritas*, *Jose Cuervo Golden Margaritas* and *1800 Ultimate Margaritas*. We have leveraged the strong market positions of the *Jose Cuervo* and *1800* tequila brands to expand our cocktail offerings, an example of which is the launch of *Jose Cuervo Especial* cans in 2016.

Jose Cuervo Authentic Margaritas, which we launched in 1993, is the leading margarita brand in the world in the ready-to-drink cocktail category, and is available in seven different regular flavors, as well as two additional flavors in the low-calorie line, in order to satisfy different consumer needs. These products are focused on meeting the needs of those consumers who do not have the time or the ability to mix their own cocktails and are perfect to be enjoyed anywhere, anytime. The base for these products is exclusively *Jose Cuervo Especial Gold*. These products are currently in the process of being re-launched into the market with new and improved premium packaging.

Irish Whiskey

Bushmills

The *Bushmills* brand's main markets are the United States and Europe. We seek to expand the geographic scope of the distribution of the *Bushmills* brand and to increase its sales and market share.

In the United States, the largest market for Irish whiskey, *Bushmills* has embarked upon a revitalized marketing support program since the brand was acquired. This program focuses on *Black Bush* as the leading variant to grow and capture share not only from Irish whiskeys, but from other whiskeys, which also represent a broader business opportunity. The program includes a new television and digital advertisement campaign, new premium packaging, new offering sizes and innovation in new product offerings.

Bushmills' portfolio includes six 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*, which we launched in 2016. *Bushmills* is uniquely positioned in the category as the only brand that produces and offers single malt and blended products.

Pendleton

Pendleton Whisky is one of the leading super-premium whiskey brands in the United States. The brand is recognized as the second whiskey in the Super-Premium Canadian Whisky segment in the United States market, according to *IWSR*.

Pendleton Whisky was launched in 2003 and has since increased its annual sales volume to more than 250,000 nine-liter equivalent cases in 2016. In addition to the main expression of Pendleton Whisky, the brand includes the *Pendleton Midnight*, *Pendleton 1910*, and *Pendleton Directors' Reserve Expression S*.

Rum

Kraken

Kraken was launched in 2009 as the first black spiced rum brand, developed entirely by us, and is a leading example of our product innovation. *Kraken* has grown in sales volume and market share in the United States.

Kraken rum product offerings include *Kraken*, *Kraken Ghost* and ready-to-drink *Kraken Cola*. In 2016, we launched the lower-proof edition *Kraken Dark Label*.

Castillo Rum

Ron Castillo is one of the oldest rums in the standard segment in Mexico. *Ron Castillo* captures value for the *Company* by introducing new consumers to our portfolio through value pricing. The *Ron Castillo* rum includes products such as *Ron Castillo Imperial Blanco* and *Ron Castillo Imperial Añejo*.

Vodka

Three Olives

In 2007, we acquired *Three Olives*, a premium vodka made with the highest standards of production that celebrates the martini tradition.

Three Olives is produced from winter wheat harvested in England. It is a high-quality vodka with tradition for those consumers seeking a return to the classics. Quadruple distilling removes natural impurities, yielding a vodka of exceptional purity and smoothness.

Three Olives has been a leader in the flavored vodka market growing in the United States and has recently introduced new premium packages that present an updated and unified brand image. The introduction of new flavors has recently focused on natural yet uncommon flavors like grapefruit and apple-pear. We have also launched a new promotional campaign to maximize sales opportunities to millennial consumers looking for an affordable vodka brand with premium image and values.

Hangar 1

Founded in Alameda, California, *Hangar 1* vodka began production in 2001 in an old World War II aircraft hangar, the inspiration for the brand's name. *Hangar 1* introduced its unflavored *Straight* vodka in 2002 and has since gone on to redefine the flavored vodka category by incorporating just-harvested fruits purchased from California farms. Its core line of flavored extensions includes *Mandarin Blossom*, *Makrut Lime* and *Buddha's Hand Citron*.

We acquired *Hangar 1* in 2010 and have since grown the brand from sales volume of 19,124 nine-liter cases in 2010 to 16,704 nine-liter cases in 2020. We are currently constructing a new distillery and visitor center to promote the *Hangar 1* brand in another hangar near the original location.

Götland

Götland vodka's liquid is imported from the United States. We believe that due to its quality and pricing strategy, *Götland* has been able to tap into a niche of consumers who are seeking high-quality vodka at a price slightly above prices in the premium segment.

Oso Negro

Oso Negro vodka has a rich tradition in Mexico. *Oso Negro* vodka is well recognized and holds the leadership position by volume share in the standard segment in the Mexican market. According to our internal estimates, we believe *Oso Negro* vodka has the second-highest brand awareness among vodka brands in Mexico.

The liquid for *Oso Negro* is imported from the United States and bottled at our EDISA bottling plant. The *Oso Negro* line includes unflavored traditional vodka, as well as a lime-flavored version. In addition to vodkas, the *Oso Negro* brand also includes a gin offering.

Other Company Brands

In addition to the foregoing brands, we own the following brands: *Boodles* gin, *Stranahan's* whiskey, *Creyente* mezcal, *Rompope Santa Clara* eggnog cream, the *Sperrys* series of cream alcohol-based cocktails, the low proof Damiana flower-infused tequila liqueur *Agavero* and *Pomar* cider.

Boodles Gin

Boodles gin begins as a clean spirit distilled from British wheat and is then infused with a number of traditional herbs and spices including nutmeg, sage and rosemary. These ingredients add a mellow but herbal quality to *Boodles*, which balances out the essential piney notes from juniper.

Boodles contains no citrus botanicals—a practical decision made by distillers who expected a gin cocktail to include a slice of lemon or lime. *Boodles* is suitable for any proper drink including a *Boodles* & Tonic, Churchill Martini, Tom Collins or further mixology for those so inclined.

We acquired *Boodles* in 2011 and have since grown the brand from sales volume of 11,594 nine-liter cases in 2012 to 53,349 nine-liter cases in 2020.

Stranahan's

Our American single malt whiskey is produced from barley to bottle, so that we have control of the process every step of the way. Using only the finest resources, *Stranahan's* whiskey is made from three ingredients: 100% malted barley, yeast and Rocky Mountain water, together with time in the barrel. The barrels are hand-selected by our master distiller, ensuring that every batch of *Stranahan's* is of the highest quality and distinction.

Not everyone is accustomed to the idea of a single malt whiskey coming from the United States; however, *Stranahan's* has been proudly making whiskey in Denver, Colorado for over 10 years.

We acquired *Stranahan's* in 2010 and have since grown the brand from sales volume of 5,835 nine-liter cases in 2011 to 12,097 nine-liter cases in 2020.

Creyente

Creyente Joven mezcal, which we launched in 2016, is the union of two extraordinary mezcals from the regions of Tlacolula and Yautepec in the Mexican state of Oaxaca. The result is a perfect blend, made with 100% *Agave Espadín* (Agave angustifolia).

The three principal parts of our *Creyente* mezcal are represented in a new mythological animal. Its soft, velvety and complex body is embodied by the elusive jaguar while sweet, fruity and herbal notes are represented by agile and elegant antelope legs. The sublime flavor of smoked mesquite wood unifies these elements and comes to life in a traditional Mexican symbol, the Golden Eagle. The result of this mixture is a mild-flavored and complex mezcal.

Creating *Creyente* mezcal begins with the selection and collection of the best *Agave Espadín* from the regions of Tlacolula and Yautepec. After cutting the plant's leaves, its core is cooked in an artisanal manner with mesquite wood in a conical earthen oven for three days, giving it its characteristic aroma and smoky flavor. Its core is then manually crushed in a stone mill, extracting its juice, and then fermented in wooden vats. After fermentation, the mezcal from each region is distilled in small copper stills. Finally, the mezcals from both regions are combined to create this mystical expression.

Tincup

Tincup, which we launched in 2011, is a classic American whiskey, consisting of a blend of "high-rye" bourbon, distilled and aged in the state of Indiana, and a small amount of Colorado single malt whiskey, which is then cut with Rocky Mountain water.

This whiskey is available in the United States, Canada, Mexico and the United Kingdom. We launched our first nationally televised advertisement campaign in the United States in 2015. This campaign showcased the brand's personality and the consumer to which it is directed: young people who enjoy outdoor experiences and the camaraderie of activities like mountaineering, skiing, trekking and fishing, among others.

Non-Alcoholic Beverages

Our non-alcoholic offerings are mainly related to our core tequila business. *Sangrita Viuda de Sánchez* is one of Mexico's oldest and best-known tequila chasers and *Jose Cuervo Margarita Mix* is the best-selling margarita mix in Mexico.

Sangrita Viuda de Sánchez

Sangrita Viuda de Sánchez is Mexico's top-selling sangrita brand. We believe the success of this brand is due to its respect for the essence of the original recipe, including its use of real orange juice and chili peppers. Consumption of *Sangrita Viuda de Sánchez* is mainly concentrated in the northern region of Mexico.

Traditionally, *Sangrita Viuda de Sánchez* has been a chaser for tequila. However, it is also a mixer for a wide variety of modern drinks and cocktails such as *Rojeña* (sangrita, light beer and lemon juice) and *Vampiro* (sangrita, tequila and soda).

Jose Cuervo Margarita Mix

Jose Cuervo Margarita Mix is a non-alcoholic margarita mix brand. It is distributed in convenience stores that do not sell spirits, wine or beer, which increases our distribution footprint. We anticipate that innovation with new flavors and packaging will generate growth and increase our market share. Both of the brand's flavors, regular lemon margarita and tamarind margarita, enjoy steady growth in the Mexican and international markets.

b:oost

In 2002, we entered a segment of the energy drink market through the introduction of *b:oost Active Energy* products to our Mexican distribution network. In a relatively short period of time, *b:oost Active Energy* has become the third-largest brand in this segment by sales volume. In 2017, the *Company* appointed Jumex as its national distributor. Jumex has extensive experience and scope to distribute brands in the miscellaneous channel. In a relatively short period of time, *b:oost Active Energy* has become the fourth largest brand in this segment by sales volume, and the third in the premium segment.

The *b:oost Active Energy* brand line includes *b:oost Active Energy*, *b:oost Active Energy Pop* and *b:oost Active Energy Mango*.

400 Conejos

On December 31, 2018, through a shareholders' meeting of Crista La Santa, S.A.P.I. de C.V., the increase to the variable part of the capital stock was approved, for 197,315,075 shares with a nominal value of one *Mexican Peso* each, which was subscribed by the *Company*; as a result of such contribution, as of such date, the *400 Conejos* brand was integrated as the group's own brand.

400 Conejos mezcal is a young mezcal, made of 100% *Agave Espadín* with an incredibly smooth flavor, subtle aromas of tropical fruit, a moderate smoky note and slightly herbaceous flavors. As a result, it is currently the best-selling Mezcal brand in Mexico, with more than 30% market share and a very good position among consumers.

400 Conejos is produced in the municipality of Santiago Matatlán in the state of Oaxaca, also known as the *"World Capital of Mezcal."*

Every morning, the Mezcalero Master combs through the fields to ensure the utmost quality of the *Agave*. After selecting the *Agave*, it is harvested and moved to conical wood-fired ovens. Once the *Agave* cores have been baked, they are ground on a stone wheel pulled by a horse. From there, the mezcal undergoes fermentation, double distillation and hand bottling.

Third-Party Agency Brands

Ron Matusalem

Ron Matusalem, a brand of great heritage, is the second oldest Cuban rum brand. It is currently produced in the Dominican Republic using the original Cuban formula. *Ron Matusalem* is one of the fastest growing rums in the Mexican market.

Ron Matusalem rum includes products such as *Ron Matusalem Platino*, *Ron Matusalem Clásico*, *Ron Matusalem Gran Reserva*, *Ron Matusalem Gran Reserva 18* and *Ron Matusalem Gran Reserva 23*. These five different varieties cover all internal price segments: premium, super-premium and ultra-premium. The brand is also relevant across many major consumption occasions. For example, *Ron Matusalem Platino* is intended to be used in the creation of rum-based cocktails while *Ron Matusalem Gran Reserva 18* and *23* are intended to be used as aperitifs, as well as for dinner and evening occasions. We believe the *Ron Matusalem* portfolio competes and adds value in the growing rum category.

Other Third-Party Agency Brands

We also distribute *Jägermeister*, *Licor 43*, *Licor Orochata*, *Licor Zoco Pacharán, Sambuca Vaccari*, *Martin Millers* gin and *Stolichnaya* vodka in the Mexican market on an ongoing basis for other spirits companies. The terms of the relevant distribution agreements are as follows:

- *Jägermeister* – The agreement has perpetual existence and may be terminated at the end of every third year by giving six months' advance written notice.
- *DZ Licores, S.L. regarding Licor 43, Licor Orochata, Licor Zoco ("Pacharán")* and *Martin Millers Gin* – The agreement was recently amended in 2019 to establish an indefinite term as of June 30, 2020, with special conditions for an early termination.
- *Sambuca Vaccari* – the agreement expires on June 30, 2021.

Raw materials

Tequila Production

Blue Agave Production

The main raw material used in manufacturing tequila is *Blue Agave*, which must be planted and grown in the territory of the *Appellation of Origin* for Tequila and certified by the *CRT*.

Our vertical integration of the *Blue Agave* agriculture process allows us to gain control over critical inputs such as land selection, sprout (*hijuelo*) selection, agricultural land labors, fertilizers and herbicides, field maintenance and harvest.

We lease the land we use for plantations but take full control of all agricultural processes and investments. We have developed proprietary agricultural technology, which is reflected in all the inputs applied to the *Blue Agave*. For seed selection, we choose the sprouts from the healthiest plants between two and four years of age. Maintenance of the plantations is a critical task to avoid diseases and pests. The *Blue Agave* plant must be harvested at its optimal age when most of the sugars are concentrated in the *Blue Agave* pine.

As part of our proprietary technology, we have developed application formulas, algorithms and systems to determine the optimal level of crop inventory, as well as a proprietary *ERP* to control proper growing processes and to ensure that quality standards are met. Under our crop inventory system, the plantation amount depends on (i) the expected *Blue Agave* demand growth based on demand estimates and estimates of the relative demand for Tequila and 100% Tequila, (ii) the projected agave yield represented by the weight of the plant and its sugar content and (iii) the agricultural cycle expressed in years to harvest the mature plant. Depending on the particular soil and climate conditions of each region, the agricultural cycle varies from approximately five to eight years for plants to reach maturity for harvest.

To minimize any shortage risks arising from climate conditions or crop diseases and pests, we have strategically distributed our *Blue Agave* plantations across six different geographical areas, all located in the territory of the *Appellation of Origin* for Tequila.

We believe that our inventory of *Blue Agave*, together with *Blue Agave* that is available on the market, will be sufficient to satisfy our production requirements for the next seven years, which is the average *Blue Agave* growing cycle.

Suppliers

We generally have longstanding relationships with our suppliers. We generally purchase our supplies using short-and mid-term arrangements. It is customary for us to have at least three suppliers for each major ingredient or raw material when the nature of the product supply allows it. We have a permanent program of dual sourcing development for the supply of our main dry goods and ingredients. This program allows us to have supply alternatives for packaging and raw materials. With this strategy, we limit the risk of dependence on any supplier and incentivize competition among them, which we believe translates to increased quality, service and value. We constantly evaluate specific parameters for current and potential suppliers in order to guarantee competitive market conditions. For the year ended December 31, 2020, approximately 80% of our supply procurement was through our 126 largest suppliers.

Most of our transactions with suppliers in Mexico are denominated in *Mexican Pesos*. All purchases for production in the United Kingdom are denominated in *British Pounds* and purchases for production in the United States are denominated in *U.S. Dollars*. For 2020, 82% of expenditures for industrial suppliers in Mexico were *Mexican Peso*-denominated. We do not presently enter into forward contracts or other derivatives to hedge exposure to fluctuations in energy and other commodities prices.

In addition to *Blue Agave*, other important raw materials used in the production of tequilas are (i) energy and, in the case of Tequila, sugar for distillation, (ii) oak casks for maturation and (iii) bottling and packaging materials.

In addition to malted barley, other important raw materials used in the production of Irish whiskey are (i) energy; (ii) oak casks for maturation; and (iii) bottling and packaging materials.

Energy and Distillation Materials

Energy supply is generally controlled by the Mexican government; private sector suppliers are only allowed to operate in the country in certain circumstances. We obtain most of our required energy supply from the government at set prices. Sugar and dextrose have formal markets and are available from a wide range of suppliers.

Maturation Materials

We generally use American oak casks to age our tequila products. We have not encountered material difficulties procuring the necessary supply of these casks. We also use French oak and port casks to age certain products. We use a relatively small number of these casks and have not encountered material difficulties procuring the necessary supply.

Bottling and Packing Materials

We require bottling and packaging materials both for our tequila products and for other products, which we acquire in bulk from third parties. The principal packaging materials are glass, caps, labels and cartons (corrugated boxes). Glass and packaging suppliers in the Mexican market are generally large Mexican or international companies. This supply channel is well diversified and reliable.

Bushmills Production

The principal raw materials used in manufacturing *Bushmills* Irish whiskey are malted barley and water. We also purchase whiskey produced from maize to blend with the whiskey produced from malted barley at the distillery. We believe these materials are generally readily available and currently none is in short supply. We implement different purchasing techniques depending on the availability and source of the raw material, such as centralized negotiation, long-term contracts and, if appropriate, spot buying.

The principal raw materials used in bottling and packaging our Irish whiskey products are glass, caps, labels and cartons (corrugated boxes). Glass and packaging suppliers in the Irish market are generally large Irish or international companies. This supply channel is well diversified and reliable. We generally use new and used American oak barrels to age our Irish whiskey. These oak barrels are sourced from various suppliers in the United States and are readily available.

We continuously seek to diversify the supply of these raw materials to increase competition, secure supplies and improve contingency plans.

Co-packing and Bottling Agreements

We have co-packing agreements with third parties for the production of rum liquid, mixers and cider. For example, as the distributor of *Ron Matusalem*, we have agreements with J. Armando Bermudez & Company (now Govelit) and Alza Investments, LLC, for the production of *Ron Matusalem* rum liquid in the Dominican Republic; with Grupo Jumex for the production of *b:oost Active Energy products* in Guadalajara, Jalisco; and with Valle Redondo, S.A. de C.V. for the production of *Pomar* cider.

We lease certain land for the cultivation of *Blue Agave* from one of our shareholders. This land does not represent a significant proportion of our total leased land.

One of our bottling facilities in the United States bottles vodka for a third party.

Our distillery and bottling facility in Northern Ireland has an annual sales commitment of 1 million liters (100% alcohol) of malt whiskey and assembles up to 500,000 bottling cases. In addition, it has a commitment to purchase 2 million liters (100% alcohol) of grain whiskey. These obligations arose from *Diageo*'s acquisition of *Bushmills* from Pernod Ricard and can only be terminated with 10 years' advance notice.

Quality Assurance

We believe that consistent and improving quality assurance is integral to our success. It is our view that quality must be present at all stages in the production process and must be a priority for everyone involved in the production process. In the case of tequila, quality starts with the selection of the lands and seeds of the *Blue Agave* for the new plantation and continues through the distillation and maturation of the tequila and the bottling process.

We seek to ensure that our production facilities and other properties are up to date. We have a food safety and quality management system implemented across all our units certified to GMPs (Food Safety) and ISO 9000 through which it seeks to ensure the high quality of its products and processes. *Jose Cuervo* products are kosher certified by Kosher Maguen David and the Company is *HACCP* certified by Det Norske Veritas GL. These certifications support continuous improvement across all of our operating procedures. Our quality management system is regularly audited by internal management teams as well as by an external accreditation agency.

Inventory

Because some tequila, Irish whiskey and rum varieties are aged for different periods of time, we maintain substantial inventories of maturing tequila, Irish whiskey and rum in warehouse facilities. Additionally, we keep a large inventory of growing *Blue Agave* plants. Production of maturing inventory is generally scheduled to meet demand years into the future and production schedules and cask inventory are adjusted from time to time to bring inventories in balance with estimated future demand.

Marketing and Branding

We believe that global brands are our most valuable and important asset. We utilize marketing and promotions as our main investment to protect the market positions of our brands and create future demand. We believe that the *Jose Cuervo* brand demonstrates that a longstanding brand, when properly managed, marketed, advertised and promoted, becomes timeless. There are few globally recognized spirits brands and it takes time, consistency and significant capital investment to have a new brand achieve a global scale.

Strategic and effective marketing and branding are fundamental to our business and we believe they are key to our future growth. Our worldwide marketing and promotion expenditure for 2020 totaled MXN 6,688 million.

We believe that we can leverage the benefits of being a global organization in order to drive marketing effectiveness, which is essential to compete against larger competitors. We believe that constant and consistent focus on brand positioning, visibility, consumer messaging and communication, quality and pricing are key factors in creating and maintaining a global brand.

We believe that brands must be managed centrally to ensure strategic positioning and to ensure that marketing strategies are applied consistently across all markets. Our brands' core marketing and positioning must be consistent and reliable. However, applications and messaging may vary across regions or markets. We develop our brands globally but act locally to maximize consumer demand.

Mexico

Marketing and branding activities in Mexico are coordinated by *Mexico Distribution*, a decentralized business unit focused on marketing strategy and brand leadership, revenue, marketing and promotional investment and brand contribution in the Mexican market.

United States

We have personnel dedicated to the marketing and branding of each of our brands that are distributed in the U.S. This experienced marketing team has a high level of expertise in the spirits market and implements local execution of our global brand strategies. The execution of these strategies is divided into two components: (1) enhancing long-term brand health and value through broad-based marketing campaigns and (2) growing sales through tactical promotional activities.

Rest of World

The marketing of our brands in this region is managed centrally by our International Distribution business unit. Brand strategies are developed and implemented by our marketing teams in cooperation with our distribution partners. We determine the strategic direction and supply support materials in the form of marketing collateral, social media platforms and marketing and promotional materials.

Key Campaigns

We focus on marketing the specific attributes of each of our brands that differentiate us from competing products in the same category and segment.

Channels

Our main marketing channels include

- Traditional advertising through television, radio and print; internet, social media and other digitally based communications.
- Visitation of our facilities and experiential events.
- On-site promotion, including sponsorship of premier events.
- Out-of-home billboard displays.
- Celebrity endorsements; and international sponsorship programs.

Our marketing teams are constantly pursuing new ways to communicate the value of our brands to consumers. For example, we continue to increase our use of digital communication, including through social media platforms.

Local Distributors

The local distributors for our brands play a significant role in the consistent and constant application of the tactical aspects of our marketing plan. Distributors implement tactical marketing and promotional investment of the branding and sales strategy and oversee its application through their dealings with retailers and wholesalers. We devote significant attention and time to properly managing our relationships with our distributors with the aim of ensuring that the distributors properly implement the marketing and branding strategies of our brands in local markets.

Seasonality

Our different operating segments are subject to varying seasonality, causing increases in sales during certain months of the year, in accordance with the consumption habits of the various geographies in which we operate. In the *Mexico* region, for example, we generally have higher sales between the "national holidays" until Christmas (i.e., between September 15 and December 31 of each year). As a result, our sales in that segment increase slightly before September 15 (when we begin distributing our products) through December. In the *United States*, we typically experience relatively higher sales during the early summer, from May 5 through July 4. In our *Rest of World* region, consumption of Irish whiskey increases during November and December, causing an increase in sales during the fourth quarter. Given the different consumption habits of our various operating segments, the impact of seasonality on an annual basis is minimized when considering our overall operations. However, the first and third quarter of each year generally feature lower net sales and profit relative to those of the second and fourth quarters.

ii) Distribution Channels

Distribution network

We have a robust global distribution network. Our global reach and distribution scale in our leading markets allow us to efficiently distribute our products in the major spirits markets worldwide. Our products are distributed to independent wholesalers and retail outlets worldwide, including major grocers, convenience stores, hotels, restaurants and duty-free shops.

Mexico

In Mexico, we distribute our own brands as well as certain agency brands and third parties through our own extensive distribution network. Our sales volume of distribution has more than doubled in size over the past 12 years and our network currently distributes 6,237,311 nine-liter cases of spirits on an annual basis.

The hub of our Mexican distribution network is its distribution center in Guadalajara, Jalisco, which holds approximately 85% of the total sales volume of product in our distribution network. This distribution center serves to replenish the inventory of the rest of the logistics network with nodes in the State of Mexico, Nuevo León, Baja California, Puebla and Yucatán.

We do not own our transportation fleet for the delivery of finished goods; instead, we contract with major carriers for the transportation of product to distribution centers, wholesalers and retailers. The only exception to this is the transportation of bulk tequila from our production facilities in Mexico to our bottling facility in the United States, for which purpose we own bulk train tanks. We contract with rail transportation service companies to arrange for the transportation of these bulk train tanks.

United States, Canada, United Kingdom, Republic of Ireland, Australia, China and Spain

We have a strong distribution network and an experienced team of sales representatives. In the United States, we sell spirits to wholesalers in open states, to state liquor commissions in those states that control alcohol sales and to provincial liquor boards in all Canadian provinces. We have a distribution unit based in London that sells our products to wholesalers and retailers in the United Kingdom, and we have a distribution unit based in Dublin that sells our products to wholesalers and retailers in the Republic of Ireland, as well as a distribution unit in Australia since 2017.

In 2007, we founded *Proximo* as an independent distribution company in the United States that began by distributing local brands. In 2008, *Proximo* began to distribute *1800* in the United States, taking the brand from sales of under 400,000 cases to over 900,000 cases in five years. Our direct presence in the United States, which we believe is the most profitable, dynamic and trend-setting spirits market in the world, has allowed us to get closer to its consumers. This has been reflected in our advertising campaigns, which resonate with consumers and make our brands more attractive. Proof of this is the growth that our flagship brand, *Jose Cuervo*, has had since Proximo took over its United States distribution in 2013. Today, Proximo distributes over 15,230 million nine-liter cases per year.

The majority of the total sales volume of products distributed in the United States is distributed through our distribution center in Lawrenceburg, in the state of Indiana.

We do not own a fleet of trucks for the distribution of our finished products; instead, we hire logistics or trucking companies that handle delivery to the distribution centers of the state governments or distributors in open states.

Rest of World

In the *Rest of World* region, we manage a network of third-party distributors in over 85 markets. We maintain strategic alliances with these established third-party distributors through distribution agreements that are exclusive for the relevant brand or brands. These distribution partners are carefully selected on a market-by-market basis to ensure appropriate levels of high-quality distribution in each country. We work with the third-party distributors to seek to ensure that our brands are appropriately represented in each market and that commercial performance targets and controls are achieved.

We regularly review our distribution strategy in the region to ensure that we have the best distribution models by market for our growing brand portfolio. Our subsidiary *Jose Cuervo Master Distributor* ("JCMD") is devoted to the distribution of our products in over 85 markets outside of North America. JCMD consists of a team of 15 professionals. JCMD's headquarters are located in Dublin, Ireland and its operations are divided into three regions: Europe/Middle East/Africa, Asia-Pacific and Central and South America. The acquisition of *Bushmills* generated economies of scale that allowed us to leverage its presence and market penetration.

The *Bushmills* brand is distributed to the territories where we do not have a distribution unit directly from the factory, through outsourced logistics services.

iii) Intellectual Property

We own a large portfolio of trademarks, registered designs, copyrights, know-how and domain names. We believe that our trademarks, which include the brand names under which our products are sold, distinguish our products as leading spirits to the consumer. Our business is therefore substantially dependent on the maintenance and protection of our trademarks and all related intellectual property rights. We believe that our trademarks are registered or otherwise protected in all necessary commercial respects in the markets in which we operate.

We own the trademarks to the majority of brands that we use in our business. In particular, we own trademark registrations for our *Jose Cuervo*, *1800* and *Gran Centenario* brands of tequila. The *Jose Cuervo* trademark and related trademarks are registered in more than 150 countries.

Our registered designs are largely aimed at supporting our brand protection by covering drawings and designs for bottles. We prefer to protect our formulae and production processes as trade secrets. This is common practice in the spirits industry.

Our key brands are:

<u>Cuervo Brands</u>

- *Jose Cuervo: Jose Cuervo Especial (Reposado & Silver); Jose Cuervo Tradicional (Reposado, Plata, Cristalino, Añejo); Reserva de la Familia (Platino, Reposado, Extra Añejo); Jose Cuervo 250 aniversario*; *Jose Cuervo Margarita Mix (Limon, Tamarindo)*; *Jose Cuervo Paloma (RTD)*. It has a term for the trademark registration rights until April 30, 2029.
- *Centenario* (*Gran Centenario Plata, Gran Centenario Reposado, Azul Centenario, Azul Centenario Baby Mango, Gran Centenario 40, Gran Centenario Leyenda).* It has a term for the trademark registration rights until July 31, 2029.
- *Tequila 1800 (1800 Blanco, 1800 Reposado, 1800 Añejo, 1800 Cristalino, 1800 Milenio, 1800 Essentials).* It has a term for the trademark registration rights until February 24, 2027.
- *Maestro DOBEL (Maestro Dobel Blanco, Maestro Dobel Blanco Humito, Maestro Dobel Pavito, Maestro Dobel Reposado, Maestro Dobel Diamante, Maestro Dobel Añejo, Maestro Dobel Atelier, Maestro Dobel 50 Cristalino, Maestro Dobel 50 Ediciones, Maestro Dobel Grandes Maestros).* The trademark registration rights are valid until January 11, 2023.
- *Bushmills (Black Bush, Bushmills 10, Bushmills 12, Bushmills 16, Bushmills 21).* It has a term for the trademark registration rights until November 27, 2024.
- *Boodles, Boodles Rose, Boodles Mulberry.* It has a term for the trademark registration rights until October 24, 2024.

- *Creyente (Espadin, Cuishe, Tobala).* It has a term for the trademark registration rights until March 4, 2023.
- *Sangrita Viuda de Sanchez.* It has a term for the trademark registration rights until August 11, 2030.
- *b:oost.* It has a term for the trademark registration rights until April 10, 2022.
- *Ron Castillo.* It has a term for the trademark registration rights until September 2, 2022.
- *Pendleton.* The trademark registration rights are valid until March 20, 2028.
- *400 Conejos.* It has a term for the trademark registration rights until November 13, 2027.
- *Oso Negro (Vodka & Gin).* It has a term for the trademark registration rights until November 15, 2022.
- *Agavero.* It has a term for the trademark registration rights until July 3, 2021.

Proximo Brands

- *Hangar 1.* It has a term for the trademark registration rights until January 12, 2030.
- *Three Olives.* It has a term for the trademark registration rights until February 12, 2028.
- *Stranahan's.* It has a term for the trademark registration rights until July 19, 2023.
- *Kraken.* It has a term for the trademark registration rights until March 28, 2028.
- *Tin Cup.* It has a term for the trademark registration rights until September 4, 2023.
- *The Sexton.* It has a term for the trademark registration rights until June 9, 2027.
- *Old Camp Whisky.* The trademark registration rights are valid until November 08, 2027.
- *Proper No. Twelve.* It has a term for the trademark registration rights until May 8, 2028.
- *Owney's Rum.* The trademark registration rights are valid until January 15, 2028.
- *Bentwing.* It has a term for the trademark registration rights until January 23, 2028.
- *Black Dirt Whisky.* The trademark registration rights are valid until December 25, 2022.

Likewise, in accordance with the distribution agreements that we have entered into in connection with the third-party brands that we distribute in Mexico, we have a limited license under which, subject to its terms, we may use the relevant brand. Such brands include:

- *Licor 43.* It has a term for the trademark registration rights until April 1, 2025.
- *Zoco.* It has a term for the trademark registration rights until September 29, 2027.
- *Vaccari.* It has a term for the trademark registration rights until December 19, 2028.
- *Martin Miller.* It has a term for the trademark registration rights until May 30, 2025.
- *Jägermeister.* It has a term for the trademark registration rights until February 7, 2025.
- *Ron Matusalem.* It has a term for the trademark registration rights until September 28, 2023.

Research and Development

Innovation forms an important part of our growth strategy, playing a key role in positioning our brands for continued growth in both the developed and emerging markets. The Company's innovation strategy is implemented primarily through new product development programs and upgrades of existing brands, jointly with specific procedures.

iv) Main Clients

The *Company* maintains a strong relationship with its clients and strives to understand and meet their specific needs. It has a diversified list of clients in the countries where it operates, which includes hypermarkets; price clubs; self-service chains and other large retailers; convenience stores; institutional clients, including restaurants and fast-food chains; vending machine operators; and traditional customers (sundries, grocery stores, etc.).

Based on the diversified and broad customer base previously mentioned, the Company is not dependent on only one of them, as there is no single one that represents 10% or more of the Company's total consolidated sales.

v) Regulation Permits and Environmental Matters

Our business is subject to extensive national and local regulatory requirements regarding production, product liability, distribution, importation, promotion, labeling, advertising, labor, health and safety, pensions and environmental issues, mainly in the countries where it carries out most of its activities (Mexico, the United States and Northern Ireland).

Mexico

Appellation of Origin

The production of tequila is protected by the *Appellation of Origin* for Tequila regulation, which sets standards that producers must meet in order to produce "tequila" and is based on the Mexican Law of Industrial Property and the Declaration issued by the *Instituto Mexicano de Propiedad Intelectual* (Mexican Institute of Industrial Property; "IMPI"), and the illegal use thereof is sanctioned in terms of the *applicable law*.

The *Appellation of Origin* for Tequila was first formally recognized in Mexico in 1974 with the issuance of a General Declaration of Protection of the Appellation of Origin for "Tequila," which was later superseded by a declaration published in the Mexican Official Gazette on October 13, 1977 (hereinafter, the "Declaration") and further amended thereafter. Pursuant to the Mexican Law of Industrial Property, the *Appellation of Origin* will remain in effect until the conditions that motivated its enactment cease to exist and the IMPI makes a declaration to that effect. As a result, our operations presume that the *Appellation of Origin* will remain in effect indefinitely.

The *Appellation of Origin* for Tequila has been acknowledged by the United States and officially recognized by the constituent countries of the European Union, among other countries. Currently, there are discussions for additional formal recognition by certain countries in the Asia-Pacific region.

Ownership and control over the *Appellation of Origin* for Tequila belongs to the Mexican state and is regulated and protected by the government of Mexico. Authorization from the IMPI is granted for a 10-year period (subject to extensions), counted from the date of submission of the application before the IMPI and the term may be extended for equal periods.

Any authorization may become ineffective if the authorization: (i) is nullified (such as when it is granted contrary to *applicable law* or based on false information and documentation); (ii) is canceled (such as when it is used in a manner contrary to the Declaration); or (iii) expires.

The *Company* has all the necessary authorizations, which are effective and were issued by the competent authority in favor of Tequila Cuervo, S.A. de C.V. and of Casa Cuervo, S.A. de C.V. to use the *Appellation of Origin*, with respect to the production of tequila in its different categories and kinds.

Regulatory aspects corresponding to the production of tequila.

In order to carry out our production activities, we must obtain various permits, licenses and certifications.

As a preliminary matter, the production of tequila on an industrial and commercial level is regulated by the *Norma Oficial Mexicana* (Official Mexican Standard) NOM-006-SCFI-2012, Alcoholic Beverages-Tequila- Specifications (the "NOM-Tequila"). The *NOM-Tequila* standard applies to all processes and activities relating to the supply of *Blue Agave*, as well as the production, bottling, marketing, information and other commercial practices relating to tequila.

The production of tequila may only be carried out by an authorized producer. In order to be an authorized producer, an individual or legal entity must have the corresponding authorizations issued by the *Dirección General de Normas de la Secretaría de Economía* (General Standards Office of the Ministry of Economy; "DGN") and the IMPI. Therefore, in addition to obtaining authorization from the *IMPI* to use the *Appellation of Origin* for Tequila described above, it is necessary to obtain authorization to produce tequila from the *DGN* in accordance with numeral 6.7 of the *NOM-Tequila* and pursuant to the procedures in effect at the time the application is submitted.

Furthermore, in addition to the authorizations from the *IMPI* and the *DGN*, any party that produces and markets tequila must obtain the prior authorization of the *CRT*. The *CRT*'s authorization is established upon issuance of a Certificate of Conformity to Standard ("Certificate of Conformity"), which must be renewed annually pursuant to the provisions of the NOM-Tequila. Parties may only apply to receive a Certificate of Conformity after receiving the necessary authorizations from the *IMPI* and *DGN* described above.

In order to comply with applicable regulations and become an "authorized producer," various steps in processing tequila must comply with regulations of the *CRT*. For example, the facilities of the authorized producer must be located in the *Appellation of Origin* territory, *Blue Agave* fields and plants must be certified by the *CRT* and the distillation process must be supervised by the *CRT*.

In addition, the *NOM-Tequila* prescribes various requirements that must be satisfied in the production process, such as statistical metrics relating to quality control, the use of the specific installations and specifications regarding the characteristics of water used in the production process.

We comply with all applicable requirements and certifications necessary for the production and bottling of tequila and, to the extent we partner with third parties for certain steps in our production process, we ensure that they also comply with any such requirements.

Regulatory aspects corresponding to the marketing of tequila

Pursuant to the *NOM-Tequila* and as described above, marketing tequila is prohibited without the prior issuance of a Certificate of Conformity, issued by the *CRT*.

Relevant law provides that the bulk distribution of tequila may only be conducted by individuals or legal entities that are "authorized producers" in compliance with the *NOM-Tequila* and under the supervision of the *CRT*.

With regard to the bottling of tequila, the *NOM-Tequila* provides that any third-party bottling company must have a *Certificado de Aprobación de Envasadores de Tequila* ("CAE") (Certificate of Approval of Bottlers of Tequila). That certificate is granted by the Ministry of Economy of Mexico after it obtains sufficient evidence that the existence, functioning and operation of the bottling facilities will comply with applicable regulations.

Companies that receive a CAE must make detailed quarterly reports to the *Organismo Evaluador de la Conformidad* (Conformity Assessment Organization) describing shipments of tequila from their installations, inventory and other metrics.

Applicable law provides that all tequila must be identified with a number and an official trademark that includes a registration (assigned by the Conformity Assessment Organization) identifying the relevant "authorized producer." An official trademark is a distinctive mark that allows consumers to verify that the product has complied with the official standards applicable under Mexican law.

With respect to labeling, tequila bottlers must comply with the specific labeling requirements contained in the *NOM-Tequila* in addition to any requirements imposed by laws of the country to which the tequila may be exported. The *NOM-Tequila* primarily requires each bottle to have a legible label that features certain information, such as: (i) the word "tequila;" (ii) indication of the category and class to which the tequila belongs; (iii) the quantity of content; (iv) the alcohol content; and (v) the legend "Made in Mexico," among other applicable requirements.

We have the necessary certifications and authorizations to market tequila inside of the national territory in accordance with applicable regulatory requirements.

Regulation applicable to the export of tequila

Exporting tequila requires compliance with certain provisions of the NOM-Tequila. In particular, it is necessary to have an export certificate issued by the Conformity Assessment Organization.

Each export certificate is only valid for a specified lot composed of up to four different types of categories, classes, alcohol content or brands.

If the Conformity Assessment Organization or the competent Agency determines a non-compliance of the respective obligations, it will not issue the export certificate.

Each export certificate must be issued in a sufficient number of duplicates to allow for its submission to various relevant regulators, to accompany the corresponding shipment and to be delivered to authorities in countries to which the tequila is destined.

Additionally, the brand under which the export in question will be made must be duly registered before the *IMPI*.

Each application for an export certificate must comply with the following requirements: (i) the applicant must be an "authorized producer," as described above, and have a Certificate of Conformity in accordance with the NOM-Tequila; (ii) the trademark of the tequila to be exported must be duly registered with the *IMPI*; and (iii) when applicable, any third-party bottler employed in the production process must have a CAE, as described above.

Health specifications and health and commercial labeling rules applicable to all alcoholic beverages marketed in Mexico

In addition to the production and marketing of tequila, we are dedicated to importing and marketing various alcoholic beverages. Those activities and those products, in addition to tequila and its marketing, are subject to health regulations pursuant to the *Ley General de Salud* (General Health Law; "GHL"). These regulations relate to training, education, sampling, verification and, as applicable, application of safety measures and sanctions exercised by the Ministry of Health in accordance with Mexican laws, rules and regulations, and together with the participation of relevant producers, marketers and consumers.

Marketing alcoholic beverages in Mexico must comply with the *Reglamento de Control Sanitario de Productos y Servicios* (Regulation of Health Control of Products and Services; "Health Control Regulation") and by the Norma Oficial Mexicana NOM-142-SSA1/SCFI-2014 ("NOM-142").

The objective of the *Health Control Regulation* is to establish the health specifications applicable to the processing, import and export, as well as the activities, services and establishments of various products, which include alcoholic beverages.

The regulation specifies the beverages that are included in the law's definition of "alcoholic beverages," as well as the applicable classification according to the beverage's alcohol content (low, medium or high) pursuant to certain parameters established therein.

With respect to *NOM-142*, its purpose is to establish health specifications applicable to various products, which include alcoholic beverages that are marketed in national territory.

All individuals and legal entities dedicated to the production and importation of alcoholic beverages must comply with the *Health Control Regulation*, and only those that produce alcoholic beverages solely for export are exempt.

One of the various requirements by the *NOM-142* is the obligation of producers to demonstrate that a product has not been adulterated during its preparation and bottling, as well as during the course of its marketing, before sold or otherwise consumed.

The regulation also provides that bottling must be done in sanitary receptacles, prepared with materials resistant to the various stages of the production process, in such a manner that they do not react with the product or alter its physical, chemical or other sensory characteristics.

In addition, labels for alcoholic beverages must feature warning legends concerning health risks, disclosing the identity of the applicable importer, indicating the alcohol content and including certain other information for consumers.

Lastly, it is expressly established that the verification units authorized and approved by the Ministry of Economy of Mexico may assess the compliance of the provisions in *NOM-142* by those bound by it.

Mexican Standards "NMX"

The Mexican Standards ("NMX") are technical documents that permit the establishment of certain quality specifications relating to processes, products, services and systems for distilled alcoholic beverages. We and other companies in the industry utilize the *NMX* as guidelines or points of reference in the production of alcoholic beverages.

In particular, we and other companies often refer to the *NMX* when determining the composition of our products in terms of alcohol, sugar, aldehyde, ester, methanol or other content.

Tax regulations on alcoholic beverages

Alcoholic beverages are subject to the payment of import duties and special taxes in a majority of markets worldwide. Most countries apply special taxes to distilled alcoholic beverages, although their form varies substantially. Any changes in applicable import duties or special taxes may have a considerable impact on our sales.

In Mexico, for the purpose of the *Ley del Impuesto Especial sobre Producción y Servicios* (Law of the Special Tax on Production and Services; "LIEPS"), taxes are imposed on individuals or legal entities that sell or import goods, including alcoholic beverages, into Mexico.

In terms of *LIEPS*, manufacturers, producers, bottlers and importers of alcoholic beverages must be registered in the Roll of Alcoholic Beverage Taxpayers that is maintained by the Ministry of Finance and Public Credit.

Taxpayers producing bottled alcoholic beverages must attach seals to each bottle of up to 5,000 milliliters immediately after its bottling, unless the beverage is solely destined for export. The seal is a distinctive sign of compliance with tax and health regulations. For imported alcoholic beverages, taxpayers must attach applicable seals or tags prior to receiving the products in Mexico.

In order to maintain control over the required seals, bottlers and importers of alcoholic beverages must submit quarterly reports to the *Secretaría de Hacienda y Crédito Público* (Ministry of Finance and Public Credit) in the months of April, July, October and January of the relevant year, detailing specific information about the seals and tags that were obtained, used, destroyed or otherwise not employed during the preceding quarter.

There are additional tax regulations applicable to the production and bottling of alcoholic beverages. The *LIEPS* provides that manufacturers, producers and bottlers must submit an annual report every January to the *Servicio de Administración Tributaria de México* (Mexican Tax Administration Service) that details the characteristics of the equipment they will use for the production, distillation, bottling and storage of relevant products, as well as the containers used for the storage thereof when it is not a question of equipment.

Regulations applicable to the advertising and sale of alcoholic beverages

The advertising and sale of distilled alcoholic beverages is subject to various restrictions in different international markets. These restrictions span from a ban on the sale of alcoholic beverages in some countries to regulations of the style of advertisements and media depictions in others.

In Mexico, the *GHL* requires that advertising relating to the existence, quality and characteristics, as well as to promote the use, sale or consumption, directly or indirectly, of alcoholic beverages, among other regulated products, is subject to regulation by the Ministry of Health.

The *GHL* further establishes various minimum requirements to be observed, which include: (i) limiting advertising to providing information as to the characteristics, quality and technique of preparation of the product; (ii) preventing advertising from presenting alcoholic beverages as “health” products, or associating them with civic or religious celebrations; (iii) preventing alcoholic beverages from being associated with creative, sports, household or work activities; and (iv) preventing the advertisement from depicting the product being ingested or consumed.

Any party responsible for the advertisement of alcoholic beverages must prove, when so required by the Health Ministry, the assertions that it makes in its advertising campaigns relating to quality, origin, purity and conservation, among other things, as well as any objectives or goals to which it directs its advertising, for which it must submit technical and scientific verification requested by the Ministry of Health.

Additionally, the advertising of alcoholic beverages is subject to certain specific requirements relating to the format and medium of transmission provided in the *GHL* in Advertising Matters.

Any advertising of alcoholic beverages that is transmitted by radio or television is subject to schedule restrictions that correspond to the alcohol content of the relevant beverage. In addition, each advertisement must be accompanied by an approved message encouraging social responsibility when consuming alcoholic beverages.

Any advertisement in printed media must include precautionary legends relating to the product’s consumption, which legends must form an integral part of the advertisement and must be plainly visible.

Advertising alcoholic beverages requires a permit granted by the *Comisión Federal para la Protección contra Riesgos Sanitarios* (Federal Commission for Protection against Health Risks; “COFEPRIS”). Any request for a permit must be submitted in accordance with the regulation in advertising matters and must comply with any applicable requirements established therein. Permits are granted indefinitely unless the characteristics of the respective advertisement or publicity change.

As part of our membership in the *Comisión para la Industria de Vinos y Licores, A.C*. (Commission for the Wine and Liquor Industry; "CIVYL"), we benefit from a self-regulation agreement in relation to the advertisement of alcoholic beverages with the Ministry of Health (through *COFEPRIS*).

As part of that agreement, we pledged: (i) not to disseminate advertising messages that are not authorized by *COFEPRIS*; (ii) to comply with design, production and dissemination requirements applicable to alcoholic beverages; (iii) to comply fully with the principles and obligations included in the *GHL* and its regulations in advertising matters; and (iv) to abstain from advertising and otherwise promoting the consumption of alcoholic beverages in places that are generally attended by minors, among other commitments assumed by producers and marketers of alcoholic beverages on the subject of manufacturing, design, production and broadcasting of advertising material of its products.

Regulation applicable in matters of the use of water

The *Ley de Aguas Nacionales* (Law of National Waters; "LAN"), applicable throughout Mexico, provides that, in conformity with the public nature of water resources, the exploitation and use of national waters by individuals or legal entities requires a concession granted by the Federal Executive directly or through a Commission associated with certain Basin Organizations.

Article 82 of the *LAN* expressly confirms that the exploitation and use of national waters in industrial, aquaculture, tourism and other productive activities may be carried out by individuals or legal entities that have obtained the requisite concession and operate in accordance with applicable regulations.

Industrial use is defined as the use of national waters in factories or companies that effect the extraction, conservation or conversion of raw materials or minerals, the finishing of products or the production of goods, as well as the water that is used in industrial parks, boilers, cooling apparatuses, washing, baths or other services, any brine used for the extraction of any type of substance and the water – even in the form of steam – used for the generation of electrical energy or for any other use or conversion.

Concessions granted in accordance with the *LAN* may range from five to 30 years, and the specific duration is determined by the competent authority taking into consideration the conditions of the source of supply, the order of priority of existing uses in the corresponding region and any expectation of increases in those uses.

Concessions may be extended for consecutive equal time periods as long as: (i) holders have not become subject to any of the grounds for termination provided in the *LAN*; (ii) holders comply with the requirements established in the *LAN*; and (iii) such extension is requested within the last five years prior to expiration of the concession.

In addition, a discharge permit, issued by a competent authority, is required to permanently or intermittently discharge wastewater.

Furthermore, any party discharging wastewater must comply with certain additional obligations, such as: (i) treating the wastewater prior to its discharge when necessary to comply with the provisions of the corresponding discharge permit; (ii) operating and maintaining, itself or through third parties, the installations necessary for the handling and, as applicable, the treatment of the wastewater, as well as to ensure the quality control of such water prior to its discharge; (iii) informing the relevant authority of the contaminants present in the wastewater generated by the industrial process or service being operated, in addition to those specified in the corresponding permit; and (iv) complying with any other applicable legal provisions.

We have obtained all necessary concessions for the use of water in our production activities and for each of the installations that require it on the basis of their characteristics and operations.

Our concessions are sufficient to address our demand for water in order to carry out our activities and are in full force and effect in accordance with their terms. Likewise, we have permits to discharge wastewater, with comparable duration to that of our water concessions.

Landholding

The *NOM-Tequila* features various requirements applicable to the *Agave* and the fields where it is cultivated for the production of tequila.

First, the land destined for that purpose must be registered in the Registry of Planting of Lands (the "Registry") maintained by the Conformity Assessment Organization. Any owner or holder of *Agave* plantations must update or confirm its registry of plantations and fields of *Agave* annually, including by indicating their condition, their dates of registration and changes, if any, in inventory of *Blue Agave*. The owner or holder of *Agave* is responsible for the registration of this identification in such registry.

We have various fields utilized in the cultivation of *Blue Agave*. Those fields are duly recorded in the Registry in compliance with the provisions of the NOM-Tequila. Furthermore, with respect to the *Agave* that we acquire from third parties, we comply with our obligation to verify and ensure that the plantations have been appropriately recorded in the Registry.

International Regulations

In many countries, the sale of alcohol is only permitted through licensed outlets, both for on- and off-premise consumption. Throughout most of the European Union, the sale of alcohol for off-premise consumption is accomplished through state-controlled outlets and an establishment must be licensed by the state to sell alcohol for on-premise consumption. In the United States, one of our largest markets by sales and volume, the distribution and sale of alcoholic beverages is highly regulated through the imposition of a three-tier system. In the United States, the importer or producer, as the case may be, sells either to a wholesaler (in open states) or to state liquor commissions (in controlled states). Wholesalers or state liquor commissions, as the case may be, sell the product to retailers for off-premise consumption and restaurants and bars for on-premise consumption. Establishments must be licensed by the relevant state for on-premise consumption. Some state liquor commissions have their own retail outlets.

This three-tier system is enforced in part by various federal and state "tied house" laws, rules and regulations, which restrict the nature and extent of dealings between spirits importers, producers and wholesalers on the one hand and spirits retailers on the other hand. These "tied house" laws, rules and regulations prohibit transactions and relationships that are common in the spirits industry in many other countries, as well as in other consumer products businesses in the United States.

In Northern Ireland, the sale of alcoholic beverages is regulated by Licensing Order No. 1996. We currently have licenses: (i) for sales on restaurant premises and (ii) for sales carried out in gift shops located within restaurant facilities. Information available at the public office responsible for such licenses confirms that both licenses are currently in full force and effect.

Antitrust Regulation

The *Ley Federal de Competencia Económica* (Mexican Economic Competition Law; "LFCE") and its related regulations regulate free competition, antitrust matters, monopolies and monopolistic practices, and require Mexican Government approval for certain mergers and acquisitions. The *LFCE* grants the government the authority to establish price controls for products and services of national interest through presidential decree.

On May 23, 2014, a new *LFCE* was published in the *Diario Oficial de la Federación* (Mexican Official Gazette) and became effective on July 7, 2014. This law was issued in order to implement the recent amendment to article 28 of the Mexican Constitution regarding antitrust matters, whereby the Mexican Government was entitled to establish the *COFECE* in substitution of the former *Comisión Federal de Competencia* (Mexican Federal Antitrust Commission), which will have all powers necessary to fulfill its purpose, regulate access to essential materials and order any sale of assets, rights, ownership interests or shares of economic firms, as necessary to eliminate any anti-competitive effects. Mergers and acquisitions and other transactions that may restrain trade or that may result in monopolistic or anti-competitive practices or combinations must be approved by the *COFECE*.

The *Proximo Merger* was conducted in accordance with all applicable antitrust regulations. Nevertheless, the current *LFCE* could potentially limit our future business combinations, mergers and acquisitions; however, we do not believe that this legislation will have a material adverse effect on our current business operations.

Social responsibility

We believe that social responsibility is a key aspect of good corporate citizenship. We are committed to active participation in key industry and government bodies, especially on the issue of responsible drinking, including tackling underage drinking as well as drinking and driving, while also looking for innovative ways to communicate with consumers on these topics.

In Mexico, we are a member of the *Cámara Nacional de la Industria Tequilera* (National Chamber of the Tequila Industry; "CNIT"), the *CIVYL* and the *Fundación de Investigaciones Sociales A.C.* (Foundation of Social Investigations; "FISAC"). Through these organizations we promote the responsible consumption of our products by developing industry programs with the goal of preventing, among other things, the consumption of alcoholic beverages by minors, the consumption of alcoholic beverages by pregnant women and drinking and driving. We also participate in similar organizations internationally. In addition, we are actively involved in government-sponsored initiatives, the goal of which is generally to achieve an effective practical solution that meets regulatory objectives.

In addition, we support *Fundación José Cuervo* (Jose Cuervo Foundation), which develops a variety of social programs in the areas where we operate. These programs are focused on the promotion of, among other things, family values, Mexican traditions, responsible consumption of alcoholic beverages and education, among other things.

In addition, for 11 consecutive years, we have met the standards established by the *Centro Mexicano para la Filantropía*, A.C. (Mexican Center for Philanthropy) in the key areas of corporate social responsibility. Since 2007, we have been afforded the distinction of *Empresa Socialmente Responsable* (Socially Responsible Company), in connection with our commitment to promote our employees' quality of life, as well as in the areas of ethics and corporate governance, community engagement, care and preservation of the environment and responsible consumption.

We consider it essential that our growth takes place in the context of effective responsibility and environmental sustainability. To date, we have made significant investments in the treatment and disposal of sewage water, improving waste disposal, water conservation and the reduction of greenhouse gas emissions. We comply with applicable environmental regulations and, if possible, exceed such standards. Our facilities have received environmental certifications such as *ISO 9000* and *Hazard Analysis and Critical Control Points* ("HACCP").

vi) Organizational Structure and Employees

Senior Management

Our senior management is organized in a four-tier matrix structure. At the top of the structure is the board of directors. The Chief Executive Officer is the second tier, and the Chief Operating Officer is the third tier. The final tier of senior management is a group of directors, each of which is responsible for either a business unit or centralized corporate functions.

A majority of the members of our senior management team have, on average, eleven years of experience. Their background is mainly in fast-moving consumer goods or beverages industries working with large companies and leading brands in the Mexican and international markets.

Workers and Employees

In Mexico, we have unionized workforces at each of our distilleries, bottling facilities and warehouses. Our merchandisers in Mexico are also unionized. We believe we have a sound relationship with our unionized workers. We have not had a labor-related stoppage of our operations in the last 19 years. We have individual collective union contracts for each distillery and bottling facility in Mexico.

As of September 30, 2020, we had approximately 8,080 employees worldwide. We believe we have sound employee relationships, and our turnover rates are lower than those of other larger consumer goods companies in Mexico.

The following table sets forth the number of employees by division as of December 31, 2020:

Division	**As of December 31, 2020**
Integrated Supply Chain Division	6,701
Proximo Distillers	255
Mexico and Latin America Commercial Division	608
Proximo USA	229
Proximo Canada	29
Proximo UK	23
Proximo Australia	30
JC Master Distribution	40
Corporate and Management	165
Total Employees	**8,080**

It is important to note that 9% (755) of the *Company*'s 8,080 employees are unionized and 91% (7,325) are not unionized.

vii) Environmental Performance

The alcoholic beverage industry is regulated by a wide range of environmental laws and regulations, mainly in the fields of water, air, waste management and noise. We conduct an ongoing program designed to comply with applicable environmental laws and regulations. We believe we are in compliance with substantially all applicable environmental laws and regulations, as well as specific permits and decrees. The Group is highly committed to compliance with environmental regulations. However, we cannot predict whether future changes in environmental laws and regulations, or other future performance requirements, might increase the cost of operating our facilities and conducting our business.

All of our facilities located in Jalisco are parties to the Environmental Voluntary Program established by the Environmental Ministry of the State of Jalisco. Likewise, they are registered in the clean industry program established by the *Procuraduría Federal de Protección al Ambiente* (Federal Environmental Protection Agency; "PROFEPA") in Mexico.

In Northern Ireland, our facilities operate through an *Environmental Management System* that complies with the applicable *BS EN ISO 14001: 2004* certification.

Our facilities also have the required permit for wastewater discharges dated October 28, 2009, issued by the *Water Management Unit of the Environment Agency* of Northern Ireland.

viii) Industry

Market and industry data (other than with respect to our financial results and performance) used throughout this Report are based on independent industry publications, government publications, reports by market research firms or other published independent sources.

Some data are also based on our estimates, which are derived from our review of internal surveys and analyses, as well as independent sources. Although we believe these sources are reliable, we have not independently verified the information and cannot guarantee its accuracy or completeness. In addition, these sources may use different definitions of the relevant markets than those we present. Data regarding our industry are intended to provide general guidance but are inherently imprecise. Though we believe these estimates were reasonably derived, you should not place undue reliance on estimates, as they are inherently uncertain. The sources for figures and statements included in this Report have been referenced alongside the relevant figures or statements.

The market and industry data used in this Document have primarily been derived and extrapolated from reports provided by the International Wine and Spirits Research ("IWSR"). IWSR measures the volume of sales at the last point of sale and includes data for both the on-trade and off-trade distribution channels. The on-trade distribution channel includes hotels, catering, bars, clubs and restaurants where the products are consumed on premises. The off-trade distribution channel includes discounters, supermarkets, wholesalers, hypermarkets and small local retailers where the products are consumed off-premises. To collect its data, IWSR states that it uses all available published statistics (e.g., government, associations, foreign trade, press articles) and conducts face-to-face interviews in annual market visits with researchers.

We operate as a producer, marketer and distributor of internationally recognized spirits, ready-to-drink cocktails and non-alcoholic beverages and other products. Spirits products represented 96% of our net sales for 2020. Within the spirits industry, we believe we are the largest producer of tequila in the world. We also compete in the American whiskey, Irish whiskey, mezcal, vodka, rum and gin categories, among others. We distribute and sell our products in over 85 countries globally, and we generate most of our sales value in the United States, Canada and Mexico. Together, these three markets represented 87% of our net sales for 2019.

Overview of the Global Spirits Market

Market Size

According to *IWSR*, global spirits consumption reached 3.8 billion nine-liter cases and approximately USD 413.318 billion in retail sales value in 2019. Baijiu, a local Chinese white spirit, represents the single largest spirits category globally, accounting for approximately 30.4% of sales volume and 44.8% of retail sales value in 2019, followed by vodka with 14.1% volume and 10.5% of retail sales value, and whiskey with 16.6% of volume and 17.9% of retail sales value. Tequila, our single largest spirits category, represented 1.2% of the total sales volume and 2.3% of the total retail sales value of spirits globally. The relative importance of each category within individual national markets varies significantly, driven by local traditions, consumer preferences and specific trends. Excluding local spirits, tequila accounts for 2.1% of total spirits market sales volume and 4.4% of total spirits market retail sales value on a global level in 2018. The *Company* believes that tequila and Irish whiskey remain underrepresented categories within spirits.

Based on *IWSR* data, The United States represents the third-largest market when measuring by sales volume, but the second largest in retail value, behind only China, with approximately USD 54.949 billion in retail sales in 2019 (13.3% of global value), reflecting a higher average selling price point and greater purchasing power of the local consumer.

Market Growth and Drivers

IWSR estimates that between 2014 and 2019, the global spirits industry has decreased at a CAGR of 1.4% when measured by sales volume and 7.5% when measured by retail sales value. The higher growth in retail value compared to sales volume achieved by the global spirits industry reflects a trend of premiumization in consumption, with consumers trading up towards higher-priced products.

Growth rates varied significantly between spirits categories and geographies, driven by a number of factors including economic outlook across different geographic markets; changes in consumer preferences; changes in government regulations and other government initiatives; as well as other category or market-specific factors.

Tequila, our main spirits category, experienced a CAGR of 5.2% in terms of volume between 2014 and 2019, ahead of the overall spirit market. The Irish whiskey category, which represented 4.0% of our net sales in 2020, has been the fastest-growing category in terms of volume in the global spirits market with a CAGR of 10.3% between 2014 and 2019. We are also a relevant player in other spirits categories, including mezcal, vodka, rum and gin, among others.

We believe growth in the global spirits market is driven by several factors, including cyclical factors such as *GDP* growth, levels of disposable income and consumer sentiment, as well as more structural drivers such as changes in consumer preferences. Other factors can have an impact on spirits consumption, including changes in government regulation or other government initiatives.

Spirits consumption is discretionary in nature and, as a result, growth in the spirits market tends to be correlated to the overall performance of the economy. Consumer spending, consumer confidence and growth in levels of disposable income are all key drivers of growth in the spirit market. A positive economic environment has an impact on spirits consumption both in terms of higher sales volume (consumption per capita) as well as growth in average selling price, as consumers can afford to pay higher prices and trade up to more premium alternatives.

Overview of our Key Spirits Categories

Tequila

Tequila is a high-quality, artisanal spirit that must be made from one specific type of agave, the *Blue Agave*, planted and grown only in the territory of the *Appellation of Origin* for Tequila. This region of Mexico includes the entire state of Jalisco and some border municipalities in the neighboring states of Guanajuato, Nayarit and Michoacán, as well as some municipalities in the state of Tamaulipas. By regulation, tequila cannot be produced from any other type of agave or in any other region.

There are two types of tequila: (i) tequila distilled from at least 51% *Blue Agave* sugars, which we refer to as "Tequila," and (ii) tequila distilled from 100% *Blue Agave* sugars, which we refer to as "100% Tequila." Tequila may be bottled outside of the *Appellation of Origin* for Tequila, provided that it is bottled by a certified bottler authorized by the Mexican Minister of Economy. 100% Tequila must be bottled in the territory of the *Appellation of Origin*.

There are five tequila classes, generally defined by maturation period: (i) blanco (silver), which does not require any maturation process; (ii) joven (gold), which is either a tequila with softeners (*abocantes*) added to it or a blend of white tequila with aged, extra-aged or ultra-aged tequila; (iii) reposado (aged), which has a minimum maturation process of two months; (iv) añejo (extra-aged), which has a minimum maturation process of 12 months; and (v) extra añejo (ultra-aged), which has a minimum maturation period of 36 months.

Tequila can generally be consumed on its own or mixed into cocktails, with the margarita being the most widely known tequila-based cocktail. We are focusing intently on expanding awareness of the category's versatility.

According to *IWSR* data, global sales of tequila reached approximately USD 9.518 billion in retail sales value and 34.6 million nine-liter cases in 2019. Also, according to *IWSR*, the two largest markets for tequila are Mexico and the United States. In 2019, Mexico accounted for 26.6% and 15.1% of global tequila consumption in sales volume and retail sales value terms, respectively, while the United States accounted for 58.2% and 67.0%, respectively.

The tequila category (excluding mezcal) experienced positive developments between 2014 and 2019 in its key markets. In Mexico, sales volume grew at a CAGR of 2.6% and retail sales value grew at a CAGR of 13.5%. In the United States, sales volume grew at a CAGR of 7.3% and retail sales value grew at a CAGR of 10.5%. Products positioned in the premium and super premium segments of tequila outperformed the broader category, with a combined growth of 13.0% and 14.5% in sales volume and retail value in global terms, respectively, over the same period, according to *IWSR*. These growth rates compare favorably with the *CAGR*s experienced by the overall spirits industry between 2014 and 2019 of 1.4% and 7.5% in sales volume and retail sales value, respectively. According to *IWSR*, tequila is expected to continue outpacing the overall industry. We believe the recent growth in tequila consumption has been driven by a number of factors related to changing consumer preferences and demographic trends. The tequila category is favorably aligned with the increasing preferences of consumers for premium alcoholic drinks and for products with perceived superior quality, heritage, provenance and innovative features.

We believe we are the largest tequila producer in the world, with a share of global sales volume of 29.9% in 2019 and number one positions in both Mexico and the United States. Our share of the global tequila market is more than twice that of our nearest competitor.

We compete in the tequila category with a comprehensive brand portfolio covering a broad range of tequila types, classes and price segments, which includes three of the five largest tequila brands by sales volume worldwide, according to *IWSR*: *Jose Cuervo*, *1800* and *Centenario*. Our brands enjoy leading market positions in both Mexico and the United States, as illustrated in the table below.

Irish whiskey

Irish whiskey is a variety of whiskey made in Ireland. Whiskey is a type of distilled alcoholic beverage made from fermented grain mash. Various grains (which may be malted), including barley, corn (maize), rye and wheat, are used for different varieties of whiskey. Whiskey is typically aged in wooden casks.

According to the *Irish Whiskey Act of 1980*, which established key regulations with regard to the definition of Irish whiskey and its production, Irish whiskey must be distilled and aged in Ireland, which includes the Republic of Ireland and Northern Ireland.

Consumption of Irish whiskey is global. According to *IWSR* data, the United States, Russia and the Republic of Ireland represented the three largest markets for Irish whiskey in 2019, and accounted for 2.0%, 5.1% and 4.9% of worldwide sales volume, respectively. *Global travel retail* is an important channel with sales in duty free retail locations representing 5.5% of global retail sales value in 2019.

Compared to other whiskey categories (including Scotch whisky, American whiskey, Canadian whisky, among others), Irish whiskey remains underrepresented in many markets, where it accounts for a small but growing share of total spirits and whiskey consumption. In 2019, the category represented 2.6% of global whiskey in sales volume terms and 5.0% in retail sales value terms, and the overall sales value of the whiskey market was approximately USD 73.907 billion in 2019.

The Irish whiskey category has experienced strong sales volume growth in recent years. The category was the fastest growing in terms of volume in the global spirits market between 2014 and 2019, with an 10.3% sales volume CAGR. We believe Irish whiskey benefitted from the growth in the broader whiskey segment, as well as from specific attributes that set it apart from other whiskey varieties including taste, versatility and provenance, among others.

Overview of our Key Geographic Spirits Markets

United States

According to *IWSR* data, the United States represents the third largest spirits market in the world in volume terms and the second largest in retail sales value terms behind only China. In 2019, the U.S. spirits market reached 243 million nine-liter cases and approximately USD 54.949 billion in retail sale value and accounted for 8.7% and 13.3% of global spirits consumption in sales volume and retail sales value terms, respectively.

Vodka is the largest spirits category in the United States, accounting for approximately 32.6% of sales volume consumption in 2019, followed by American whiskey (15.1%) and Canadian whiskey (9.9%). Tequila currently accounts for approximately 8.3% of total sales volume.

We believe the U.S. spirits market to represent the largest profit pool in the world. Average retail prices across most spirits categories in the U.S. tend to be higher than average retail prices at a global level according to *IWSR*. In addition, we believe the U.S. to be the most dynamic and trend-setting spirits market in the world.

According to *IWSR* in 2019, the spirits market in the United States grew at a CAGR of 3.0% between 2014 and 2019 in sales volume terms and 4.9% in retail sales value terms. We believe the growth in retail sales reflects the shift towards premium spirits with higher price points, driven by growing disposable income and a structural change in consumer preferences in favor of products that are perceived as having higher quality or innovative features. For example, average sale prices to consumers for a nine-liter case of tequila in the United States increased from USD 273.00 in 2014 to USD 316.00 in 2019. Between 2014 and 2019, the combined retail sales of the premium and super premium segments in the United States grew at a CAGR of 13.1% and sales volume grew at a CAGR of 12.6% during the same period, outpacing the broader market.

Tequila and Irish whiskey experienced some of the highest growth rates in sales volume between 2014 and 2019 with 7.3% and 14.0% CAGRs, respectively.

The spirits market in the United States is relatively fragmented, with the three largest spirits companies accounting for approximately 36.6% of total volume in 2019.

We compete in the U.S. spirits market with a diversified product and brand portfolio in the tequila, Irish whiskey, vodka, American whiskey, rum and gin categories. Our tequila portfolio is the largest by sales volume in the United States, including *Jose Cuervo* and *1800*, among other brands. We are the leader in the tequila category in the United States, with a 23.6% market share by sales volume in 2019. The tequila category still represents a relatively small category in the United States, with only 8.3% of the total spirits industry by sales volume, according to *IWSR* in 2019. Nevertheless, we believe we present good potential for growth with expected tequila growth rates above the spirit average.

In the United States, we have our own distribution company, and we are the ninth largest spirits distributor by value and the tenth largest distributor of spirits by volume.

Mexico

Spirits consumption in Mexico reached 34 million nine-liter cases and approximately USD 3.750 billion retail sales value in 2019. Excluding cane liquor Tequila is the single largest spirits category, accounting for approximately 26.8% of sales volume and 38.4% of sales value in 2019, followed by Scotch whisky with 17.1% of sales volume and 26.5% of sales value.

The spirits market in Mexico grew at a CAGR of 3.6% between 2014 and 2019 in sales volume terms and 9.3% in retail value terms. Key drivers of the growth in value included rising levels of disposable income and a trend toward premiumization in the market across spirits categories, driven in particular by younger consumers.

Tequila experienced growth in retail sales value between 2014 and 2019 with a CAGR of 13.5%. This positive performance was driven by major producers successfully capturing a share of younger consumers through the premiumization of their tequila offerings, targeted marketing initiatives and innovation, among other factors.

Our tequila portfolio is the largest by sales in Mexico, including *Jose Cuervo*, *Gran Centenario*, *1800* and *Maestro Dobel*, among other brands. We are also present in eight other beverage categories, both alcoholic and non-alcoholic: Irish whiskey, rum, vodka, gin, whiskey, mezcal, liqueurs and ready-to-drink cocktails. Our tequila brands are first or second in each formal price segment and we have leading brands in rum, vodka and whiskeys.

In Mexico, we have our own distribution company, and we are one of the largest distributors of premium spirits by sales volume.

Rest of World

Our products are sold in over 85 markets outside of Mexico and the United States which, collectively, represent our *Rest of World* region. The largest markets by sales in the region include Brazil, Japan, the United Kingdom, Spain, Greece and Australia. According to *IWSR*, we are the leading tequila producer in the *Rest of World* region, with a 31.7% share of tequila sales volume in 2019. We also hold strong positions in Irish whiskey through our *Bushmills* brand.

We generally distribute our products in the *Rest of World* region through a strategic alliance and a distribution arrangement that is exclusive for the relevant brand or brands with an established premium brand distributor in each market.

Competition

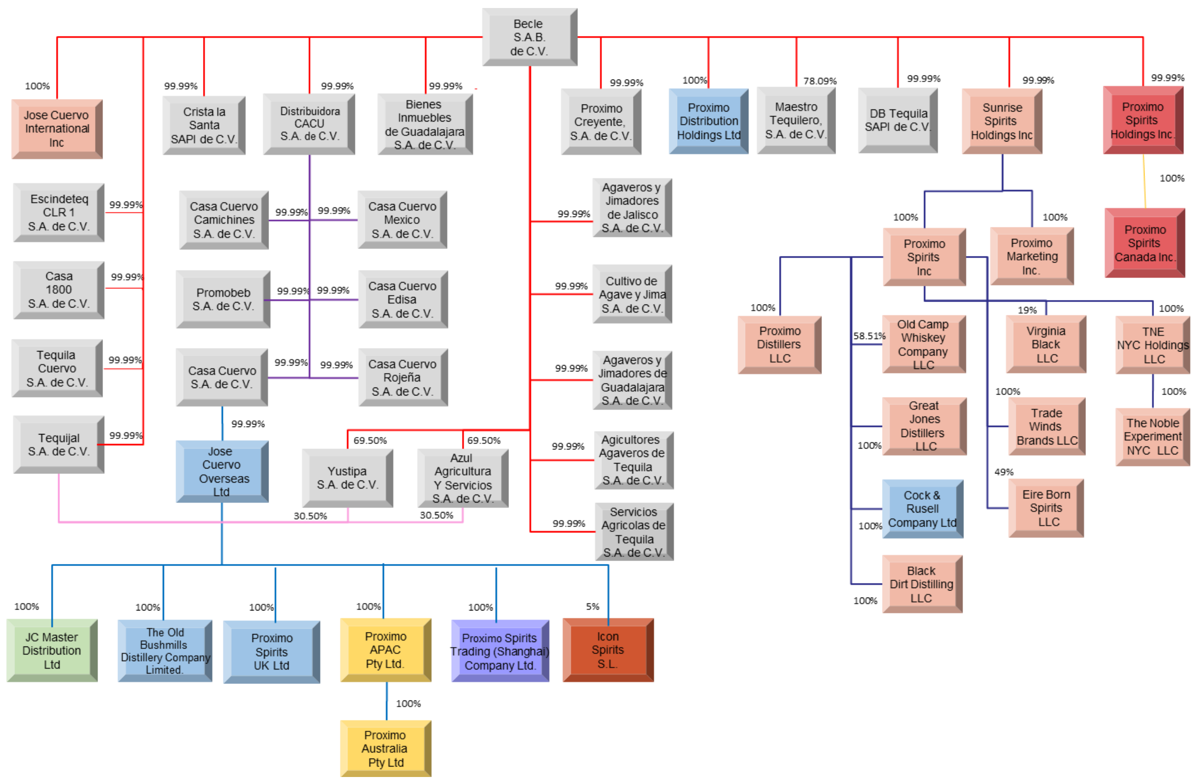
The spirits industry is highly competitive. It has seen significant consolidation during the past two decades, resulting in spirits companies that own multiple brands and have global reach. We believe that further industry consolidation and further acquisitions of smaller, regional and local companies and brands by the global market participants are likely to take place in the future. We also believe that our position as a global company, our brands' performance and our marketing and promotion strategies will enable us to compete effectively and grow in relation to our main competitors. We compete on the basis of brand image, product quality, price, service and innovation in response to consumer preferences. Our continued leadership in the tequila category further positions us to maintain our footholds in the market and attract new consumers.

We consider our main global competitors to be Diageo, Beam Suntory, Pernod Ricard, Brown-Forman, Campari, Grants and Bacardi. We also face competition from local competitors in the markets in which we participate.

On the other hand, our main competitors in the United States are Diageo *(Don Julio*, *Smirnoff, Captain Morgan*), Beam Suntory (*Sauza*, *Sauza Hornitos*), Bacardi (*Cazadores tequila*), Pernod Ricard (*Absolut*, *Jameson*, *Altos*), Brown-Forman (*El Jimador*, *Herradura*), Campari (*Skyy*, *Espolon*, *Cabo Wabo*), Patron and William Grant & Sons Ltd. (*Tullamore Dew*, *Milagro*, *Sailor Jerry*).

Corporate structure

Becle is the holding company of the Combined Entities. The diagram below shows a simplified corporate structure of *Becle* and its subsidiaries as of December 31, 2020 and gives effect to the *Proximo Merger* among different Companies of the Group carried out in November 2019. Various intermediate holding companies that have no material assets or operations have been omitted for presentation purposes.



ix) Main Assets

Production and distribution facilities

We currently own and operate two tequila distilleries in two locations and a processing and bottling facility in one location in Mexico, all located within the territory of the *Appellation of Origin* for Tequila. The distilleries located in Mexico are mainly dedicated to the distillation of tequila. The processing and bottling facility is involved in the production of all products (tequila, rum, vodka, eggnog, *Sangrita Viuda de Sanchez*, margarita mix, etc.). We also own a production and bottling facility located in Northern Ireland dedicated to the production of *Bushmills* Irish whiskey, as well as two distilleries (one for whiskey in Colorado and one for vodka in California) and a bottling facility in the state of Indiana.

We also operate facilities in Mexico and Northern Ireland that are dedicated to other parts of the production process such as distribution centers, maturation sites and warehouses. Some of these facilities are located at or near the production facility where the actual product is made.

Our distilleries in Mexico are specialized between the production of tequila and 100% tequila. We realize that prudent and timely capital expenditures and periodic maintenance expenditures are required in order to continuously upgrade and maintain our plants with up-to-date technology and standards to operate efficiently.

The production and distribution facilities have various insurance policies that seek to minimize the risks to which they are exposed.

Tequila Distilleries

The *Los Camichines Distillery*, located in La Laja, Jalisco, specializes in the production of tequila and 100% tequila using modern industrial processes. The production process generally consists of the extraction of *Blue Agave* syrup through crushing, *Blue Agave* juice hydrolysis, fast fermentation and distillation by column and pot still. This distillery is the largest in the industry with a daily production of 165,000 liters of Tequila and 85,000 liters of 100% Tequila. It also has capacity to store 23 million liters and to mature 3.3 million liters.

The *La Rojeña Distillery*, the oldest distillery in Mexico, located in Tequila, Jalisco, specializes in the production of 100% tequila. The production site is composed of two facilities: *"Old Rojeña,"* which is our historic flagship production facility, and *"Rojeña 2,"* which is a state-of-the-art modern production facility. The two facilities have the same production process: cooking, crushing and milling, slow fermentation and double copper pot still distillation. *Rojeña 2* has been fully standardized and completely automated. The two facilities have a combined daily production capacity of 55,000 liters of 100% Tequila. The *La Rojeña Distillery* has a combined storage capacity of 8.5 million liters and a combined maturation capacity of 5 million liters. In addition, the *La Rojeña Distillery* also has a visitor center.

We are committed to the highest standards of quality in each of our distilleries. We are also committed to maintaining high standards of environmental compliance. The *Los Camichines* and *Old Rojeña distilleries* are equipped with a system to recover alcohol from fermentation and are equipped to burn methane gas, a by-product of the anaerobic part of the distillation process, in its boilers. It also has a vinasse treatment plant that complies with the highest standards for water disposal in Mexico.

The *Company*, also committed to its highest quality and sustainability standards, is in the process of building and engineering for its new distillery, always seeking to respect processes and recipes of the *Company*, with the most cutting-edge technology in the Tequila production process, with the start-up planned for the second half of 2021.

Each distillery is about 50 kilometers away from our processing and bottling facility in the state of Jalisco's capital city of Guadalajara.

Processing and Bottling Facility

The processing plant and the bottling plant are located together at our *EDISA* facility. The processing plant performs the chilled filtering of all tequilas we produce. The facility also produces gin, rum, vodka, sangrita and eggnog, which are then sent to the bottling plant.

The tequila produced at the *Los Camichines* and *La Rojeña distilleries*, along with the gin, rum, vodka, sangrita and eggnog produced at the processing plant, is bottled at *EDISA*, where we bottle all of our products for the Mexican market and for our more than 85 export markets. The line is capable of producing the highest selling SKUs of our most important brands, which are *Jose Cuervo Especial*, *1800*, *Jose Cuervo Tradicional* and *Gran Centenario Azul*. *EDISA* also has a water treatment plant to treat water from the cleaning activities that complies with the highest standards for water disposal in Mexico.

Distribution and Warehousing Facilities for Mexican Market

We operate warehouses at the bottling facilities and distribution centers in Guadalajara and other Mexican cities with a joint capacity of over 30,000 square meters. We also lease additional warehousing space from third parties in connection with our distribution activities in Mexico. In order to meet our customers' needs in terms of quality, timing and quantity, our main distribution center in Guadalajara holds

80% of the volume of our products and serves as a buffer which we use to replenish small distribution centers in Mexico City, Monterrey, Merida and Tijuana and a network of 16 cross-docks throughout the country, which provides nationwide coverage.

Old Bushmills Distillery and Related Facilities

All aspects of the *Bushmills* brand's production are carried out in the town of Bushmills, on the northern coast of Northern Ireland. The on-site facilities include a malt whiskey distillery, 17 maturation warehouses, a blending and vatting area, packaging and bottling lines, cased goods warehousing and dispatch. The facility site covers approximately 26 hectares and also houses an award-winning visitors center, a bar and a restaurant.

Capital Investments

We seek to ensure that our production facilities are up to date and make capital expenditures we deem necessary to upgrade and maintain our production facilities.

We recently completed an important capital investment program in Mexico, the primary components of which were: (1) the installation of new distillation towers in each Mexican distillery to improve the quality of distillation; (2) the installation of new vinasse treatment plants at each tequila distillery and a new wastewater plant at the *EDISA* bottling plant to comply with stricter environmental regulations; (3) the procurement of additional casks and expansion of maturation warehouse space in Mexico to allow us to better meet our demand forecast; (4) the installation of new state-of-the-art bottling line in the *EDISA* bottling plant to improve the quality and efficiency in the bottling process and to better allow us to meet our demand forecast; (5) the opening of a new distribution center in the metropolitan area of Guadalajara with greater capacities than the current one to handle future sales growth; (6) replacement of extraction system at *Los Camichines* plant, seeking greater process efficiency; (7) bottler, replacement of a labeling machine for high-precision and cutting-edge technology; and (8) new distillery in Tequila.

The bottling facility at Lawrenceburg, in the state of Indiana, was acquired in 2011. In 2013, investments in tanks and other equipment were made to allow the facility to bottle *Jose Cuervo Especial*. In 2014, investments were made to bottle ready-to-drink cocktails and margarita mix products. Our facilities in the United States have the capacity to meet our projected demand for the near term.

The *Bushmills* facility, acquired in February 2015, receives adequate maintenance services in the ordinary course of business. However, we expect to make investments in the future relating to its visitors center as well as conducting a significant expansion in the facility's capacity for distillation and maturation.

We expect to continue with prudent capital investments for cost containment, maintenance and capacity expansion as demand absorbs the current excess capacity in distilleries and bottling facilities.

Guarantees

As of the date of this report, the Company has not pledged any assets as collateral under any financing, either its own or from third parties.

x) Litigation

We are subject to lawsuits, arbitrations, claims and other legal proceedings in the ordinary course of our business. Some of the legal actions include claims related to intellectual property, taxation, environmental and product liability matters. A substantial adverse judgment or other unfavorable resolution of these matters could have a material adverse effect on our business, financial condition and results of operations. The *Company* considers that it has solid arguments of defense in the lawsuits and arbitrations in which it is the defendant. Our management believes that there are no legal proceedings and arbitrations that could have a material adverse effect on our activities, financial position, results of operations, cash flows and prospects or in the price of our shares.

We are not party to any of the cases contemplated by Articles 9 and 10 of the *Ley de Concursos Mercantiles* (Bankruptcy Act; "LCM"), nor have we been involved in bankruptcy proceedings in the past.

xi) Description of our Capital Stock and Corporate By-laws

At the ordinary general shareholders' meeting held on April 30, 2019, the cancellation of 34,400,000 shares was approved. Likewise, as a result of the Share cancellation, the reduction in capital stock of the *Company* was approved, for the nominal sum of MXN 108,086,388.98 (One hundred eight million, eighty-six thousand, three hundred eighty-eight & 98/100 MXN), that is, a reduction to the capital stock at the rate of MXN 3.14204619137236 for each cancelled share.

The shares may be owned by, issued to, and paid for by Mexican or foreign investors.

On November 25, 2019, the Merger between Becle, S.A.B. de C.V., as surviving entity, and Lanceros, S.A. de C.V.; Sunrise Distillers, S.A.P.I. de C.V.; José Cuervo, S.A. de C.V.; Tequila Cuervo la Rojeña, S.A. de C.V.; Ex Hacienda Los Camichines, S.A. de C.V.; and Corporativo de Marcas GJB, S.A. de C.V., in its character of merged companies and which took effect between the Parties on November 30, 2019. As a result of such merger, the capital stock of the *Company* will remain in the amount of MXN 11,373,075,105.25 (Eleven billion, three hundred seventy-three million, seventy-five thousand, one hundred five & 25/100 MXN), of which the amount of MXN 50,000.00 (Fifty thousand & 00/100 MXN) corresponds to the minimum fixed portion of the capital stock of the *Company*, and the amount of MXN 11,373,025,105.25 (Eleven billion, three hundred seventy-three million, twenty-five thousand, one hundred five & 25/100 MXN) corresponds to the variable portion, which is represented by 3,619,639,691 shares, of which the amount of 15,913 shares correspond to the fixed part of the capital stock of the *Company*, and 3,619,623,778 shares correspond to the variable part. It is pending recording in the Public Property Registry in Mexico.

At the ordinary general shareholders' meeting held on June 22, 2020, the cancellation of 28,463,390 shares was approved. Likewise, as a result of the cancellation of shares, the reduction of the capital stock in the nominal amount of MXN 89,433,286.14 (Eighty-nine million, four hundred thirty-three thousand, two hundred eighty-six & 14/100 MXN), that is, a reduction in the capital stock at the rate of MXN 3.14204619137 for each cancelled share, was approved. Subsequent to the aforementioned transaction, no change in the Company's capital stock has been made.

xii) Dividends and Dividend Policy

The declaration, amount and payment of dividends must be approved, with the previous recommendation of our board of directors, by an affirmative vote of a majority of our shareholders in an ordinary general shareholders' meeting. Pursuant to *applicable law*, the *Company* can only pay dividends (1) charged to retained earnings reflected in the *financial statements* approved by the shareholders in a general shareholders' meeting; (2) once the losses from previous fiscal years have been recovered or otherwise absorbed; (3) as long as the shareholders approve the payment of dividends with retained earnings; and (4) we are required to allocate 5% of our net income to a legal reserve fund until such legal reserve fund equals 20% of our capital stock. Considering that the *Company* is controlled by the Beckmann family, the controlling shareholders have the exclusive capacity, regardless of the vote of other shareholders, to determine, as applicable, the payment of any dividend.

Our ability to pay dividends may be adversely affected by the terms of our future indebtedness, applicable tax law and the ability of our subsidiaries to generate income and pay dividends to us.

Although we currently do not have a formal dividend policy and there are no plans to adopt such a policy, we intend to declare dividends annually, and pay such dividends in one or more installments during each year. Any future declaration, amount and payment of dividends, and any future adoption of a formal dividend policy, will be subject to any requirements under *applicable law* and will depend on various factors, including our operating results, financial condition, cash requirements, future projects, tax obligations and current or future contractual commitments, as well as the ability of our subsidiaries to pay us dividends and other factors that our board of directors and shareholders may consider relevant. We cannot assure investors that any dividend will be paid or its amount.

In 2018, the payment of a cash dividend to shareholders was approved for up to MXN 1,819,121,150.00 (One billion, eight hundred nineteen million, one hundred twenty-one thousand, one hundred fifty & 00/100 MXN), covered on May 9, 2018.

On April 30, 2019, the payment of a cash dividend to shareholders was approved for up to MXN 2,000,000,000.00 (Two billion & 00/100 MXN), to be covered by May 10, 2019.

On June 22, 2020, the payment of a cash dividend to the shareholders for up to MXN 1,115,355,900.00 (One billion, one hundred fifteen million, three hundred fifty-five thousand, nine hundred thousand & 00/100 MXN) was approved, to be paid by July 2, 2020.

In addition, on April 27, 2021, the Company approved the payment of a cash dividend to shareholders of up to MXN $1,545,613,200.00 (one billion five hundred and forty-five million six hundred and thirteen thousand two hundred & 00/100 pesos), to be paid no later than August 5, 2021.

Our majority shareholders have the faculty to determine whether we pay any dividend.

3) FINANCIAL INFORMATION

A) SELECTED FINANCIAL INFORMATION

The following tables contain selected consolidated financial and operating information of the *Company* as of the dates and for the periods indicated. These tables should be read in conjunction with the Company's *Financial Statements* and the notes thereto included in this *Report*, and are subject to the complete information contained therein.

The selected financial information corresponding to the years ended December 31, 2020, 2019 and 2018 has been derived from the *Company Audited Financial Statements*, which were prepared in accordance with *IFRS*.

Investors should read this information in conjunction with the information included in the sections entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the Company's Audited Financial Statements, which are included in this Report.

It is important to note that there are uncertain factors or events that may cause the information presented not to be indicative of the Company's future performance; therefore, such information should be read in conjunction with the section "1) General Information-c) Risk Factors-Risks Related to Forward-Looking Statements."

Becle, S.A.B. de C.V. and Subsidiaries
Consolidated Statements of Comprehensive Income, by expense function
For the years ended December 31, 2020, 2019 and 2018
(Figures expressed in Thousands of Mexican Pesos, except earnings per share)

	As of December 31,		
	2020	**2019**	**2018**
Net sales.	$ 35,036,139	$ 29,704,781	$ 28,158,210
Cost of sales	16,790,114	14,039,147	11,974,906
Gross Income	18,246,025	15,665,634	16,183,304
Expenses:			
Advertising, marketing, and promotion	6,688,049	6,424,715	6,580,182
Distribution	1,379,692	1,040,914	1,241,703
Sales	1,404,296	1,195,568	937,774
Administration	1,972,970	1,754,087	1,821,079
Other expenses (income) – Net	(91,595)	(159,790)	59,625
Total expenses	11,353,412	10,255,494	10,640,363
Operating Income	6,892,613	5,410,140	5,542,941
Interest revenue	(143,666)	(191,321)	(193,097)
Interest expense	544,809	528,551	431,558
Changes in fair value of financial instruments	(303,739)		
Foreign exchange income (loss) - Net	(58,997)	(74,461)	148,561
Comprehensive financing result	38,407	262,769	387,022
Interest in associated companies	-	-	(9,445)
Earnings before taxes	6,854,206	5,147,371	5,146,474
Income taxes	1,702,162	1,429,518	1,113,474
Consolidated net income	$ 5,152,044	$ 3,717,853	$ 4,033,000

Other comprehensive income, net of taxes:			
Items that will be subsequently re-classified to income (loss) Transactions abroad – Allowance for foreign currency translation	$ 1,913,777	$ (1,145,931)	$ (1,040,587)
Items that will not be subsequently re-classified to income (loss)			
Changes in fair value of investments in shares at fair value through other comprehensive income – net of income taxes	26,931	(46,513)	-
Employee benefits – net of income taxes	35,243	25,713	72,238
Other comprehensive income	$ 1,975,951	$ (1,166,731)	$ (968,349)
Consolidated comprehensive income	$ 7,127,995	$ 2,551,122	$ 3,064,651
Net income attributable to:			
Controlling interest	$ 5,146,020	$ 3,712,022	$ 4,024,879
Non-controlling interest	6,024	5,831	8,121
	$ 5,152,044	$ 3,717,853	$ 4,033,000
Comprehensive income attributable to:			
Controlling interest	$ 7,121,971	$ 2,545,291	$ 3,056,530
Non-controlling interest	6,024	5,831	8,121
	$ 7,127,995	$ 2,551,122	$ 3,064,651
Basic and diluted earnings per common share (Mexican Pesos)	$ 1.43	$ 1.04	$ 1.12

Becle, S.A.B. de C.V. and Subsidiaries
Consolidated Statements of Financial Position
as of December 31, 2020, 2019 and 2018
(Figures expressed in thousands of Mexican Pesos)

	As of December 31,		
Assets	2020	2019	2018*
CURRENT ASSETS:			
Cash and cash equivalents	$ 7,646,318	$ 9,628,169	$ 12,027,931
Accounts receivable	9,213,715	9,294,939	8,536,421
Related parties	57,214	103,294	96,870
Recoverable taxes	624,405	782,106	1,055,771
Other taxes and accounts receivable	1,291,221	637,217	544,593
Inventories	11,193,822	9,438,092	7,716,151
Financial instruments valued at fair value	303,739	-	-
Biological assets	291,882	915,393	473,543
Advance payments	1,004,644	850,902	804,562
Total current assets	31,626,960	31,650,112	31,255,842
NON-CURRENT ASSETS:			
Inventory	5,959,914	4,990,747	4,399,291
Biological assets	4,895,421	2,719,349	2,432,679
Investments in associates	1,567,796	230,383	228,136
Investments in shares at fair value	11,969	36,748	83,261
Property, plant, and equipment – Net	10,169,488	6,944,677	5,506,305
Intangible assets	15,447,299	14,229,951	14,663,673
Goodwill	6,891,070	6,253,088	6,353,738
Lease assets	2,351,770	2,046,169	-

Deferred Income Taxes	2,357,279	1,313,980	1,454,055
Employment benefits – Net	234,809	250,939	269,798
Other assets	67,893	58,792	64,611
Total non-current assets	49,954,708	39,074,823	35,455,547
Total assets	$ 81,581,668	$ 70,724,935	$ 66,711,389
Liabilities			
SHORT-TERM LIABILITIES			
Short-Term Senior Notes	$ 48,833	$ 46,131	$ 48,182
Accounts payable	3,062,436	2,182,716	2,593,980
Related parties	169,551	68,382	48,801
Lease liabilities	617,268	445,582	-
Other accounts payable	4,809,560	3,944,604	2,400,690
Total short-term liabilities	8,707,648	6,687,415	5,091,653
LONG-TERM LIABILITIES			
Long-term Senior Notes	9,907,075	9,344,657	9,745,014
Lease liabilities	1,843,873	1,702,822	-
Environmental allowance	126,414	117,924	121,125
Other long-term liabilities	508,401	190,823	314,036
Deferred income tax	5,743,187	4,089,090	3,567,750
Total liabilities	26,836,598	22,132,731	18,839,578
Shareholders' Equity			
Capital stock	11,283,642	11,514,467	11,622,553
Stock issue premium	14,486,570	15,364,892	16,426,406
Capital allowances	4,302,893	5,758,171	5,602,893
Capital gains (losses)	18,615,653	11,880,337	8,984,722
Other comprehensive income	5,977,668	4,001,717	5,168,448
Parent Company stake	54,666,426	48,519,584	47,805,022
Non-parent Company stake	78,644	72,620	66,789
Total shareholders' equity	54,745,070	48,592,204	47,871,811
Commitments and contingences	-	-	-
Total	81,581,668	70,724,935	66,711,389

* Certain re-classifications have been made to the consolidated *financial statements* of the previous year to adapt them to the year 2019 reporting. Such re-classifications did not impact the operating results previously reported, capital gains (losses) or cash flows. The most significant re-classification made is on biological assets, which were re-classified in the balance sheet when a line related to biological assets was created in order to substitute the account connected to inventories. For comparative purposes, the amounts of the previous year have been re-classified to be adjusted to the current year reporting.

Other Financial Information
as of December 31, 2020, 2019 and 2018

(Figures expressed in thousands of Mexican Pesos)

	As of December 31,		
	2020	2019	2018
Operating Income	$ 6,892,613	$ 5,410,140	$ 5,542,941
EBITDA(1)	$ 7,607,072	$ 6,095,566	$ 6,073,629
Cash flow generated by operating activities	$ 3,745,850	$ 2,369,189	$ (179,220)
Cash flow used in investment activities	$ (5,069,794)	$ (1,758,028)	$ (5,247,994)
Net cash flow (used in) generated by financing activities	$ (1,318,393)	$ (2,609,424)	$ (2,481,510)

Net cash flow[2]	$	(2,642,337)	$	(1,998,263)	$	(7,908,724)
Operating margin[3]		20%		18%		20%
EBITDA margin [1][4]		22%		21%		22%
Debt ratio [5]		1.31		1.54		1.61

Other Data
as of December 31, 2020, 2019 and 2018

	As of December 31,		
	2020	2019	2018
Volume[6]			
United States[6]	15,230,400	12,459,698	12,015,517
Mexico[6]	6,237,311	7,296,706	6,745,734
Rest of World[6]	2,186,864	2,560,427	2,517,598
Total volume[6]	23,654,576	22,316,831	21,278,849

(1) For the Company's purposes, *EBITDA* represents the net income *plus* depreciation and amortization, income taxes, interest expense, *less* interest revenue, plus loss (gain) in foreign exchange, net, less income on joint venture sales and plus loss of interest in associated companies. The Company reports its *EBITDA* since it is a generally accepted indicator of the available funds to service its debt. However, *EBITDA* is not recognized by *IFRS* as financial items or as indicators of liquidity or performance. Although EBITDA provides useful information, it must not be assessed on an isolated basis, or be considered as a substitute for the Company's net income when assessing the Company's operating performance, or as a substitute of the cash flows generated by the Company's operations when assessing its liquidity. The Company calculates its *EBITDA* differently than other issuers do, which may affect the comparison of such information. The following table contains a calculation of *EBITDA*:

EBITDA
for the years ended December 31, 2020, 2019 and 2018
(Figures expressed in thousands of Mexican Pesos)

		As of December 31,					
			2020		2019		2018
Net Income		$	5,152,044	$	3,717,853	$	4,033,000
Plus:	Depreciation and Amortization		714,459		685,425		530,688
Plus:	Income taxes		1,702,162		1,429,518		1,113,474
Plus:	Interest expense		544,809		528,551		431,558
Less:	Interest revenue		143,666		191,321		193,097
Less:	Changes in fair value of financial instruments		303,739		-		-
Plus/Less:	Net foreign exchange loss (gain)		(58,997)		(74,461)		148,561
Less:	Earnings in the results of associated companies		-		-		-
Plus:	Loss from interest in an associated company		-		-		9,445
	EBITDA	$	7,607,072	$	6,095,565	$	6,073,629
			22%		21%		22%

(2) The net cash flow is equal to the sum of (i) the cash flow generated by operating activities, (ii) the cash flow used in investment activities and (iii) the net cash flow generated by (used in) financing activities.
(3) The operating margin represents the operating income-to-sales ratio.
(4) The *EBITDA* margin represents the *EBITDA*-to-sales ratio.

(5) The debt ratio represents the total debt ratio at the end of the period divided by *EBITDA* of the last 12 months of the period.
(6) The sales volume represents the number of 9-liter cases sold.

B) FINANCIAL INFORMATION BY BUSINESS LINE, GEOGRAPHIC ZONE, AND EXPORT SALES

Becle is an international manufacturer and distributor of spirits and other distilled beverages. The segment information presented is consistent with the management reports provided to the Management Committee (the chief operating decision maker or MCOM). The Management Committee considers the business from a geographic perspective based on the location of sales to third parties and the analysis of the business is presented by geographic segment. The MCOM reviews segment results on a basis that more closely highlights segment results, and therefore is segment profit.

MCOM considers its operations in terms of three operating segments: (i) Mexico, (ii) the United States of America and Canada and (iii) the rest of the world.

In Mexico, the Company's operations consist of the production and distribution of its own brands, as well as the production and distribution of certain third-party brands where it has the role of agent.

In the United States of America and Canada, the Company distributes its products exclusively through its subsidiaries. Proximo US sells the Company's products to wholesalers, when possible, and to state and local liquor authorities, when required by law. Proximo Canada makes all of its sales to liquor authorities in each province.

In the rest of the world markets, the company manages a network of third-party distributors, wholesalers and retailers covering more than 85 countries. These distributors are carefully selected on a market-by-market basis to ensure high levels of quality distribution in each country. Local distributors implement marketing promotion, which focuses on niche markets, such as sales promotions, point-of-sale displays and other print media.

The following information corresponds to the last three fiscal years:

		2020			
		U.S. and Canada	Mexico	Rest of World	Total
Sales	$	24,630,618	6,604,460	3,801,061	35,036,139
Cost of sales		11,147,810	3,982,129	1,660,176	16,790,114
Gross income		13,482,808	2,622,332	2,140,885	18,246,025
Advertising, marketing, and promotion		5,078,955	785,853	823,241	6,688,049
Distribution		885,714	341,605	152,373	1,379,692
Earnings per segment	$	7,518,139	1,494,873	1,165,271	10,178,283

		As of December 31, 2020			
		U.S. and Canada	Mexico	Rest of World	Total
Total assets	$	25,677,864	27,982,039	27,921,765	81,581,668
Total liabilities		5,950,073	18,401,784	2,484,741	26,836,598

		2019			
		U.S. and Canada	Mexico	Rest of World	Total
Sales	$	18,513,817	7,248,229	3,942,735	29,704,781
Cost of sales		8,012,232	4,466,143	1,560,772	14,039,147
Gross income		10,501,585	2,782,086	2,381,963	15,665,634
Advertising, marketing, and promotion		4,393,260	1,112,250	919,205	6,424,715
Distribution		546,020	359,761	135,133	1,040,914
Earnings per segment	$	5,562,305	1,310,075	1,327,625	8,200,005

		As of December 31, 2019			
		U.S. and Canada	Mexico	Rest of World	Total
Total assets	$	20,743,151	26,005,854	23,975,930	70,724,935
Total liabilities		4,063,229	16,352,048	1,717,454	22,132,731

		2018			
		U.S. and Canada	Mexico	Rest of World	Total
Sales	$	18,018,254	6,257,645	3,882,311	28,158,210
Cost of sales		6,747,899	3,799,299	1,427,708	11,974,906
Gross income		11,270,355	2,458,346	2,454,603	16,183,304
Advertising, marketing, and promotion		4,263,949	1,171,790	1,144,443	6,580,182
Distribution		761,977	327,010	152,716	1,241,703
Earnings per segment	$	6,244,429	959,546	1,157,444	8,361,419

		As of December 31, 2018			
		U.S. and Canada	Mexico	Rest of World	Total
		U.S. and Canada	Mexico	Rest of world	Total
Total assets	$	19,939,616	23,852,284	22,919,489	66,711,389
Total liabilities		3,928,964	13,337,993	1,572,621	18,839,578

C) INDEBTEDNESS

As of December 31, 2020, our total indebtedness attributable to our *2025 Notes* was MXN 9,956 million (USD 500 million in aggregate principal amount), bearing interest at a rate of 3.750%.

The net proceeds from the *2025 Notes* were primarily used for the acquisition of 100% of the shares in *Bushmills.*

We had long-term debt of MXN 9,907 million, MXN 9,345 million and MXN 9,745 million for 2020, 2019 and 2018, respectively. The Company is in compliance with the payment of interest on the aforementioned debt.

Senior Notes

On May 6, 2015, the Company issued senior notes in the international markets for US$500 million (MXN 7,631 million), maturing in May 2025 and bearing interest at a fixed rate of 3.75% per annum. Interest is payable semiannually beginning in May 2015, and certain subsidiaries of the Company act as guarantors.

The main obligations and cases of early maturity to which the *Company* is subject, pursuant to the base documents of the issuance of the *2025 Notes* are, among others, the following, with the understanding that this summary is indicative, and does not include the appropriate definitions or the scope and exceptions to such obligations and that the *2025 Notes* provide the suspension of certain restrictions, provided certain conditions are met and there is no default:

Affirmative and Negative Covenants

i. Not to incur additional debt, if the maximum allowed amounts are reached.

ii. Not guaranteeing other financing, unless the same guarantees are granted simultaneously on a prorata basis and in favor of the holders of the *2025 Notes*, subject to certain exceptions.

iii. Not to carry out sales of substantially all its assets or consolidations or mergers in which the *Company* is the merged entity, except for certain permitted exceptions.

Causes of Early Maturity

i. Default of principal or interest payments.

ii. Default of other obligations under the *2015 Notes* indenture or the *2025 Notes*.

iii. Default in the payment of principal or interest (including in the case for acceleration) of any other financing granted to the *Company*, for an amount greater than USD 25 million.

iv. Default in the payment of a ruling issued against the *Company* or any of its subsidiaries, for an amount exceeding USD 25 million.

v. Certain cases related to commercial bankruptcy.

The terms of the *2025 Notes* further provide that, upon the occurrence of a change of control, each holder of the *2025 Notes* will have the right to require us to repurchase all or any part of such holder's notes at a price equal to 101% of the principal amount thereof, plus accrued and unpaid interest, if any, to the purchase date. Their net proceeds were used to refinance then-outstanding debt.

The principal and interest of the Senior Notes will be fully and unconditionally guaranteed by certain subsidiaries of *Becle*.

Contractual obligations and Commercial Commitments

The following table sets forth our material contractual obligations and commercial commitments as of December 31, 2020.

				Contractual cash flows		
December 31, 2020		Carrying value	Total	1 month to 1 year	1 to 3 years	More than 3 years
Senior Notes	$	9,955,908	$ 11,875,000	$ 375,000	$ 1,125,000	$ 10,375,000
Accounts payable		3,062,436	3,062,436	3,062,436		
Related parties		169,551	169,551	169,551		
Other accounts payable		4,809,560	4,809,560	4,809,560		
Lease liabilities		2,461,141	4,199,469	541,257	1,289,432	2,368,780
Other long-term liabilities		508,401	508,401			508,401

Our most relevant contractual obligations and commercial commitments as of December 31, 2020 are as follows:

- In 2016, the *Company* and Tampico Renewable Energy, S.A.P.I. de C.V. entered into a three-year power purchase agreement starting June 15, 2017.
- On February 2, 2020, the Company and Iberdrola Clientes, S.A. de C.V. signed a three-year power purchase agreement, from the date on which electricity is first supplied, which, since the issuance of the Financial Statements, has not occurred.
- On February 23, 2021, the Company gave notice of the exercise of its option to complete the Transaction, which will be funded by a combination of the net proceeds of the Facility plus cash on hand. The Transaction is still subject to certain regulatory conditions, as well as other customary closing conditions. The details of the Transaction remain confidential and the Company anticipates making an additional announcement at closing. Although the Facility matures in March 2022, it may be prepaid on any interest payment day without penalty.
- On March 26, 2021, the Company drew down US$150 million (equivalent to Ps. 3,107 million**) under a new term loan facility (the "Facility").
- The net proceeds of the Facility, plus cash on hand, will be used to fund the incremental acquisition of the capital stock of Eire Born Spirits LLC ("EBS"), a transaction expected to close in the second quarter of this year (the "Transaction").
- On April 23, 2021, the Company completed the exercise of its call option to acquire an additional interest in EBS. EBS owns and markets the Proper No. Twelve Irish Whiskey brand.

The Company is committed to maintaining a strong balance sheet with financial flexibility to achieve its long-term growth strategy. As of December 31, 2020, pro forma for the proceeds of the Facility, the Company had Ps. 10,753 million in cash and cash equivalents. The Company's net leverage ratio (defined as Net Debt/EBITDA) as of the same date, also pro forma for the proceeds of the Credit Facility, was 0.3x.

**For the reader's convenience, figures were converted using an exchange rate of $20.71 pesos per U.S. dollar.

D) MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The historical financial information presented in this section is derived from the Combined Entities' historical financial statements. For additional information about our historical financial performance and the basis of presentation of our Financial Statements, see "Summary of Financial Information," "Selected Financial Information" and our Financial Statements and the notes thereto, included elsewhere in this Annual Report.

You should also read this discussion and analysis together with our Financial Statements, "Summary of Financial Information," and "Selected Financial Information," included elsewhere in this Document.

This section contains forward-looking statements that reflect our plans, estimates and beliefs and involve risks, uncertainties and assumptions. Our actual results could differ materially from those discussed in the forward-looking statements. Factors that could cause or contribute to these differences include, but are not limited to, those discussed below and elsewhere in this Report.

i) Results of Operations

Overview

We are a globally recognized spirits company and the largest producer of tequila in the world (*IWSR* as of December 31, 2018). Our unique portfolio of over 30 spirits brands, some of which we own and distribute worldwide, and others that we distribute for third parties in Mexico, has been developed over the years to participate in key categories with strong growth profiles serving the more integrated spirits markets, and address key consumer preferences and trends. The strength of our brand portfolio is based on the profound heritage of our internally developed iconic brands such as the *Jose Cuervo* family of brands, jointly with complementary acquisitions such as *Three Olives*, *Hangar 1*, *Stranahan's*, *Bushmills*, *Boodles* and *Pendleton*, as well as a key focus on innovation, which over the course of the years has allowed us to internally develop globally recognized brands such as *1800*, *Maestro Dobel*, *Centenario*, *Kraken*, *Jose Cuervo Margaritas* and *b:oost*, among our various brands, some of which are marketed and distributed in over 85 countries. We are one of the oldest companies in Mexico and we have been led by the same family for 11 generations, a legacy and heritage that still define our business, brands and culture. Our history dates back more than 250 years, having been founded in 1758. In 1795, the King of Spain, Charles IV, granted a Royal Warrant ("Cédula Real") to Jose María Guadalupe de Cuervo y Montaño to produce and sell "*Vino de Mezcal*," which is now known as tequila. This is generally considered the first license to sell tequila. In addition, we have been at the forefront of the tequila evolution for centuries—our first export to the U.S. was in 1852. In 1880 we became the first distiller to bottle tequila in glass bottles and in 1945 margaritas were invented using *Jose Cuervo* tequila.

We operate as a producer, marketer and distributor of internationally recognized branded spirits, ready-to drink cocktails and non-alcoholic beverages. We are the leading producer of tequila globally by sales volume with over twice the market share of our nearest competitor and were the third-largest producer of Irish whiskey in the world by volume and retail sales in 2019, according to *IWSR*. We generate most of our sales and profits in the United States, which we believe represents the most dynamic and profitable market in the spirits industry. In addition to being our domestic market, Mexico is also our second most relevant market in terms of sales and profitability. Our recent acquisition of *Bushmills* uniquely positions us for the continued growth of our Rest of Worlds business.

In Mexico, the United States, Canada, the United Kingdom, the Republic of Ireland and Australia, we control and operate a direct distribution model. In Mexico and the United States, we have the second and ninth largest distribution networks of spirits by sales value, respectively. In the case of Mexico, we have over 4,200 points of sale, managing over 30 brands (including third-party-owned brands that we distribute such as Jägermeister and The Macallan) in eight categories. In countries where we currently do not have direct distribution capabilities, our strategy is generally based on country-by-country distribution agreements that are exclusive for the relevant brand or brands. In 24 U.S. states, we distribute primarily through wholesalers associated with one of five major distribution companies (Breakthru Beverage Group, Republic National Distributing Company, Southern Glazer's Wine and Spirits, Young's Market Company and Johnson Brothers Liquor Company), and in nine U.S. states, we distribute through independent distributors, other than those previously mentioned. In the remaining 17 U.S. states, the relevant state controls all distribution of full-strength spirits.

We view our operations in terms of three geographic regions. The three geographic regions are *Mexico*, the *United States and Canada* and *Rest of World*, and the operating segment is *Global Travel Retail*. For 2020, *Mexico* accounted for 19% of our net sales, the *United States and Canada* accounted for 70% and *Rest of World* accounted for 11%.

As of the closing of 2020, the *Company* reported a total sold volume of 23.7 million 9-liter cases. It recorded total sales of MXN 35.036 billion, a net income of MXN 5.152 billion and an *EBITDA* of MXN 7.607 billion (meaning an *EBITDA* margin of 22%). As of December 31, 2020, the *Company* had total assets of MXN 87.582 billion and capital stock of MXN 54.745 billion.

Impact of *COVID-19*

The *COVID-19* pandemic has influenced our business, financial condition and results of operations for the first and second quarter ended March 31 and June 30, 2020, respectively. Given the differences in macroeconomic contexts and adverse effects or restrictions on consumption caused by the *COVID-19* virus in the different regions where the *Company* operates, it is hard to predict the magnitude of the impact in the third quarter and the rest of 2020. The uncertainty with respect to future market behavior has become the most common variable in the industry. Some public spirits companies have removed their estimates of financial and/or operating metrics for 2020.

We cannot guarantee that the conditions of the bank financing, capital or other financial markets will not continue to deteriorate as a result of the pandemic; or that access to capital or other sources of financing of the *Company* will not be restricted, which would have an adverse effect on the availability and the terms of future credits, renewals, or refinancing. Likewise, the deterioration of world economic conditions as a result of the pandemic may ultimately reduce the demand for the products of the Company in their different segments as customers reduce or postpone their expenses.

The social distancing and *"stay at home"* measures, and other guidelines to limit the contagion of the *COVID-19* pandemic that have been implemented or recommended by the government entities of Mexico and of other countries, have affected the capacity of the employees, suppliers and clients to perform their duties and carry out their business as they had been doing. The Mexican Government ordered the suspension of all non-essential economic activities from March 30, 2020 to April 30, 2020, and then it extended such suspension, until May 30, 2020 for the majority of Mexican territory, including the largest metropolitan areas. Furthermore, the federal government has established a local four-color traffic light monitoring system, based on which the activities that may be carried out and the applicable restriction for their performance will be determined for each state and on a weekly basis. The agro-industry is not included in the suspension since it is considered an essential economic activity. However, the *Company* has continued operating its essential businesses, promoting the *"stay at home"* policy when possible, to take safety and precautionary measures for its employees. The *Company* has adopted strict health controls and precautions for the personnel that needs to work onsite in the operation of its essential activities.

As a result of the social distancing policies applied or recommended by the governments of Mexico and of other countries, the sale of the products of the *Company* has been affected in several channels due to the impossibility for some of its distributors to continue freely selling them. Lastly, we have also observed a transit limitation for the products of the *Company* through Mexican territory and in other countries.

The magnitude of the impact on our businesses will depend on the duration and extension of the *COVID-19* pandemic, and the impact of the actions of the federal, state and local governments, and of foreign governments, which include the continuation of the social distancing policies or their reactivation in the future, in addition to the behavior of consumers as a response to the *COVID-19* pandemic and the aforementioned government actions. Due to the changing and uncertain nature of this situation, the *Company* is incapable of estimating the total impact that the *COVID-19* pandemic will have on it, but it may have a material adverse effect on its business, its financial condition, or results of operations in the short, medium or long term.

Post-pandemic COVID-19 logistical issues

While world trade is showing signs of recovery after a deep COVID-19-induced slump, the World Trade Organization (WTO) has warned that any recovery could be interrupted by the effects of the current pandemic as it moves into a second wave in some countries and even a possible third wave.

The WTO has revised its forecast to a 9.2% decline in the volume of world trade in goods by 2020, followed by a 7.2% increase in 2021, growth that is seen more as a "weak recovery" scenario rather than a "rapid return to a normal trend."

The main difference between the COVID-19 trade decline and the 2008–2009 financial crisis is that the economic context is different, due to the fact that the volume of global trade in goods is only expected to decline by about twice global GDP, rather than six times, as it did during the 2009 collapse.

According to the United Nations Conference on Trade and Development report entitled "Review of Maritime Transport in 2020," COVID-19 affected world trade by reducing seaborne traffic by 0.5% in 2020 compared to 2019. Consequently, there is a shortage of containers today (their production fell by 40% in the first half of the year), and moreover, of the 180 million around the world, many are poorly distributed after confinement. Some are stored in ports that do not need them and vice versa.

This may lead to a risk in distribution and supply costs in international markets.

Economic Environment in Mexico and the World

We are exposed to the world economic environment through our operations in more than 85 countries. As a result of our geographic and market diversity, we are in a favorable position to face current volatility in the global environment, mitigating exposure to the localized volatility of a single geographic area. In addition, the elasticity of alcoholic beverage products in relation to reductions in economic growth is lower than the elasticity of other fast-moving consumer products and capital goods.

While we are based in Mexico, we are a global enterprise, operating an international business on a large scale. This protects us from global volatility that would impact the Mexican economy while allowing us to capitalize on the strength of our primary market, the United States.

The U.S. economy grew at a rate of 2.2% in 2019 and contracted 3.5% during 2020. With respect to the Mexican economy, it decreased 3% and 8.5% in 2019 and 2020, respectively. The variations observed in the evolution of both economies were the result of the effects of the COVID-19 pandemic.

This recovery was due, in large part, to an increased demand for exports resulting from greater industrial production in the United States, leading to growth in many sectors of the Mexican economy.

Basis of Presentation

Company Audited Financial Statements

Exhibit 1 to this Report contains the audited consolidated financial statements of the Issuer as of December 31, 2020, 2019 and 2018 and for the periods then ended, as well as the notes that include a summary of significant accounting policies and other explanatory information, which were prepared in accordance with International Financial Reporting Standards, their amendments and interpretations, as issued by the International Accounting Standards Board.

EBITDA

We calculate *EBITDA* as net income *plus* depreciation and amortization, income tax expense, and interest expense, *less* interest income, *plus* foreign exchange loss (gain), net, *less* gain on sale of joint venture, *less* equity method in joint venture.

EBITDA is a measure of the Company's ability to service its debt, although it is not recognized under *IFRS*. Although such measure provides useful information, *EBITDA* should not be considered as an alternative item to (i) the Company's net income, when evaluating its operating performance, or (ii) cash flows generated by the Company's operations, when evaluating its liquidity.

We believe that *EBITDA* can be useful to facilitate comparisons of operating performance between periods on a consolidated basis, but these metrics may be calculated differently by other issuers and therefore comparability may be affected.

Currency, Foreign Exchange and Other Information

Unless otherwise specified, financial information included in this Annual Report is presented in *Mexican Pesos*. This *Document* contains conversions of amounts denominated in *U.S. Dollars*, *Canadian Dollars, Australian Dollars, Euro* and *Pounds sterling*, to *Mexican Pesos*, at the specified exchange rates, exclusively for the reader's convenience purposes. These conversions should not be construed as representations that the *U.S. Dollars*, *Canadian Dollars*, *Australian Dollars*, *EURO* and *Pounds sterling* amounts are effectively equivalent to their corresponding amounts in *Mexican Pesos* or could be converted, now or in the future to *Mexican Pesos* at the specified rate or at all.

Unless otherwise indicated, the exchange rates used for purposes of convenience translations are (i) regarding any information contained in any of the consolidated statements of financial position included in this *Document*, and (ii) regarding financial information other than the information contained in any of the consolidated statements of financial position included in this *Report*, the average exchange rate used for the relevant period, which consists of the simple average of the exchange rates during the relevant period, both in accordance with the following:

	Average exchange rate			Exchange rate at closing December 31,		
	2020	2019	2018	2020	2019	2018
USD	$ 21.4887	19.2968	19.2614	$ 19.9487	18.8452	19.6829
GBP	27.5149	24.5813	25.6737	27.1270	24.8262	25.0135
EURO	24.4900	21.5590	22.6729	24.4702	21.2155	22.5271
	======	======	======	======	======	====

In this *Report*, where information is presented in thousands, millions or billions of *Mexican Pesos*, in thousands, millions or billions of *U.S. Dollars* or in thousands, millions or billions of *British Pounds*, amounts of less than one thousand, one million, or one billion, as the case may be, have been rounded to the nearest integer unless otherwise specified. All percentages have been rounded to the nearest percent, one-tenth of one percent or one-hundredth of one percent, as the case may be. In some cases, amounts and percentages presented in tables in this *Report* may not add up due to such rounding adjustments.

Net Sales

Our sales are made in the respective currency of each market.

Sales volume, net sales and corresponding growth rates in our various geographic regions as of December 31, 2020, 2019 and 2018 are described in the following tables:

Volume – Region (thousands of 9-liter cases)	**Years ended December 31,**		
	2020	**2019**	**2018**
Total	**23,655**	**22,317**	**21,280**
Growth %	*6.0%*	*4.9%*	*3.9%*
United States	15,230	12,460	12,016
Growth %	*22.2%*	*3.7%*	*1.5%*
Mexico	6,238	7,297	6,746
Growth %	*14.5%*	*8.2%*	*6.2%*
Rest of World	2,187	2,560	2,518
Growth %	*14.6%*	*1.7%*	*9.8%*

Net Sales – Region (cifras en miles de pesos)	**Years ended December 31,**		
	2020	**2019**	**2018**
Total	**$ 35,036,139**	**$ 29,704,781**	**$ 28,158,210**
Growth %	*17.9%*	*5.5%*	*8.5%*
United States	24,630,618	18,513,817	18,018,254
Growth %	*33.0%*	*2.8%*	*6.2%*
Mexico	6,604,460	7,248,229	6,257,645
Growth %	*-8.9%*	*15.8%*	*8.2%*
Rest of World	3,801,061	3,942,735	3,882,311
Growth %	*-3.6%*	*1.6%*	*21.4%*

Cost of Sales

We manufacture our products in Mexico, the United States and Northern Ireland. The main components of our cost of sales are:

Raw materials

- Agave-related (rent, labor costs, fertilizers), which are quoted in *Mexican Pesos*.
- Water, electricity, agave and sugar for tequila, which are quoted in *Mexican Pesos*.

- Water, electricity, barley and grain whiskey for Irish whiskey, which are quoted in *Pounds sterling*.
- Water, electricity, grain, and grain whiskey for American whiskey, which are quoted in *U.S. Dollars*.
- Barrels for aging tequila, whiskey and rum, which are mainly quoted in *U.S. Dollars*.
- Packaging materials (such as glass, bottle closures, labeling and other materials) which are generally quoted in the applicable local currency of each bottling facility.
- General expenses (expenses relating to distilleries and bottling facilities), which are incurred in the applicable local currency of each bottling facility.
- Other manufacturing expenses.

	Year ended December 31,		
(Figures in thousands of Mexican Pesos)	**2020**	**2019**	**2018**
Net Sales	**35,036,139**	**29,704,781**	**28,158,210**
Growth %	*17.9%*	*5.5%*	*8.5%*
Cost of Sales	16,790,114	14,039,147	11,974,906
As % of sales	*47.9%*	*47.3%*	*42.5%*
Gross Income	18,246,025	15,665,634	16,183,304
Margin %	*52.1%*	*52.7%*	*57.5%*
Growth %	*16.5%*	*-3.2%*	*0.4%*

Operating Expenses

We operate decentralized distribution networks in Mexico, the United States, Canada, the United Kingdom, the Republic of Ireland and Australia. In all other markets, we export directly to third-party distributors. We export tequila from Mexico, Irish whiskey from Northern Ireland and *Proximo* brands from the United States. The majority of our expenses are paid locally in the respective currency of each distributor.

The main components of our sales, development and management expenses are:

- Distribution expenses (freight and storage), which we incur in connection with the delivery of our products to our clients; and
- Investments in advertising (publicity, marketing, and promotions), which are costs associated with our investment in our brands and include publicity, marketing, market research, public relations, relationships with supermarkets, wholesalers and institutions, as well as expenses, relating to sales, marketing and administration (salaries, benefits and bonuses).

	Year ended December 31,		
(Figures in thousands of Mexican Pesos)	**2020**	**2019**	**2018**
Overhead			
Advertising, marketing, and promotion	6,688,049	6,424,715	6,580,182
Distribution	1,379,692	1,040,914	1,241,703

Sales		1,404,296	1,195,568	937,774
Management		1,972,970	1,754,087	1,821,079
Other (income) expenses, net		-(91,595)	(159,790)	59,625
Total Overhead		**11,353,412**	**10,255,494**	**10,640,363**
	Growth %	*10.7%*	*-3.6%*	*13.4%*
	As % of sales	*32.4%*	*34.5%*	*37.8%*

Interest Expense/Income; Currency Fluctuations

We generate income in *Mexican Pesos, U.S. Dollars, Canadian Dollars, Australian Dollars, Euros* and *Pounds sterling*, in connection with sales to our clients. We incur expenses in various local currencies, as previously discussed.

In Mexico, we utilize all Mexican currency generated from our sales to fund our Mexican operations and, from time to time, we convert *U.S. Dollars* to *Mexican Pesos* to cover local expenses and working capital needs. Therefore, we maintain, for the most part, a short position in *Mexican Pesos* and a long position in foreign currency, primarily *U.S. Dollars*. In Europe, we use *British Pounds* we receive in the production and distribution of our products. Similarly, we utilize *EUROS* and *British Pounds* for marketing investments and administrative expenses. We maintain any excess *EUROS* and *British Pounds* generated by our whiskey exports in the Republic of Ireland. Any excess cash generated by tequila exports are maintained in the United States. Consequently, our ordinary course operations provide a measure of protection against currency fluctuations.

Our financial expenses are primarily composed of:

- Interest expense associated with our principal amount of outstanding debt and applicable interest rates.
- Interest income generated by our excess cash position, as well as interests generated by the investments carried out by the *Company*.
- Net exchange rate gain (loss), which includes net gains or losses related to foreign currency exchange transactions.

	Year ended December 31,		
(Figures in thousands of Mexican Pesos)	**2020**	**2019**	**2018**
Interest revenue	$ (143,666)	$ (191,321)	$ (193,097)
Interest expenses	544,809	528,551	431,558
Changes in fair value of financial instruments	(303,739)		
Net foreign exchange gain (loss)	(58,997)	(74,461)	148,561
Total	38,407	262,769	387,022

Taxes

The sale of alcoholic beverages is subject to various sales, value added, excise and special taxes on import and income tax.

In Mexico, applicable value added, general tax on the import and excise taxes, both federal and statewide, are *ad valorem* and paid against our cash flows. The taxes arise upon invoicing and are payable when payment is collected. The income tax is calculated based on the accrual, invoicing and/or collection, whichever happens first. The current value-added tax rate is 16% and the excise tax rate is 53% for alcoholic beverages with 20% ABV (Alcohol By Volume) proof and higher, at federal level, and 4.5% at the state level, while the income tax rate is 30% on taxable income.

In the United States, states impose various sales taxes that are generally incurred by consumers upon retail purchase, and excise taxes are further imposed at the federal level. Such excise taxes typically are based on the alcohol content of the relevant product. The income tax is calculated based on invoicing and applies at both the federal and state levels. The sales tax rate varies from state to state but generally ranges from 4.5% to 9.5%. For income tax, it is accrued at a rate of 21% at the federal level and an average rate range of 5% and 12% at the state level.

In the United Kingdom and the Republic of Ireland, value-added taxes are incurred upon invoicing and excise taxes are based on the alcohol content of the relevant products, while the income tax is based on billing. The income tax in England is 19% on the taxable income and in the Republic of Ireland is 12.5%.

In Australia, the sales and service tax is incurred upon invoicing, the same as the income tax, and they are calculated by applying the rates of 10% to sales value and 30% to taxable income, respectively.

The main component of our tax expense consists of income tax in Mexico. Our tax expense is integrated by income tax incurred and deferred, calculated pursuant to the requirements of International Accounting Standards 12 – "Income Taxes," in which the said Standards form part of the accounting framework of the *IFRS*, and *IFRIC 23* rules of interpretation in force as of 2019, as explained in more detail in Note 18 to the *Company Audited Financial Statements*.

Deferred tax represents the effects of income taxes that will be reversed for or by us in the years in which applicable deductible and taxable temporary differences materialize, respectively.

		Year ended December 31,				
(Figures in thousands of Mexican Pesos)		**2020**		**2019**		**2018**
Income taxes						
On tax base	$	1,152,059	$	796,390	$	782,180
Deferred		550,102		633,128		331,294
Total Income Taxes	$	**1,702,161**	$	**1,429,518**	$	**1,113,474**
As % of Earnings before taxes		*24.8%*		*27.8%*		*21.6%*
Net Income	$	5,152,044		3,717,853		4,033,000
As % of Net Sales		*14.7%*		*12.5%*		*14.3%*

EBITDA

The following table presents a reconciliation of our consolidated net income to *EBITDA* for the years ended December 31, 2020, 2019 and 2018:

EBITDA
as of December 31, 2020, 2019 and 2018
(Figures expressed in Thousands of Mexican Pesos)

Year ended December 31,

		2020	2019	2018
Net Income		$ 5,152,044	$ 3,717,853	$ 4,033,000
Plus:	Depreciation and amortization	714,459	685,425	530,688
Plus:	Income taxes	1,702,162	1,429,518	1,113,474
Plus:	Interest expenses	544,809	528,551	431,558
Less:	Interest revenue	143,666	191,321	193,097
Less:	Changes in fair value of financial instruments	303,739		
Plus/Less:	Net loss (earnings) on foreign exchange	(58,997)	(74,461)	148,561
Less:	Earnings on joint venture sale	-	-	-
Plus:	Loss on interest in associate	-	-	9,445
	EBITDA	$ 7,607,072	$ 6,095,565	$ 6,073,629
		22%	21%	22%

i) Results of Operations

The results of year ended December 31, 2020 compared to year ended December 31, 2019.

	Year ended December 31,	
(Figures in thousands of Mexican Pesos)	**2020**	**2019**
Net sales	$ 35,036,139	$ 29,704,781
Cost of sales	16,790,114	14,039,147
Gross Income	18,246,025	15,665,634
Expenses	11,353,412	10,255,494
Operating income	6,892,613	5,410,140
Comprehensive financial result	38,407	262,769
Interest in the results of associates	-	-
Earnings before income taxes	6,854,206	5,147,371
Net income	5,152,044	3,717,853

Net Sales

The Company recorded net sales of MXN 35,036 million in 2020, which represents a growth of 17.9% compared to the previous year.

In terms of net sales, the *United States and Canada* region grew 33% year over year. The *United States and Canada* represented 70% of our net sales in 2020, Mexico accounted for 19% of our net sales, and it decreased 9.0% with respect to 2019. The *Rest of World* region represented the remaining 11% of our net sales and it decreased 4.0%.

The dynamism of the United States market was due to the performance of the *Jose Cuervo, 1800, Maestro Dobel, Gran Centenario* and *Kraken* brands, which grew in terms of sales above the average growth of our sales in the region.

In 2020, the *José Cuervo* brand continued dominating the portfolio of the Company with 36% of the total net sales and grew 19.4% year over year, due to the strength of our brands in the most dynamic regions for the tequila category in the world. Our other tequila brands grew 40.5% and represented 25.8% of the total net sales.

The sum of our *Other Alcoholic Beverages* category grew 7% year over year in 2020, and represented 21% of the year's net sales. This was due to the strategy of the *Company* in different categories of Spirits, highlighting the growth of Irish and American Whiskey. We consider that the overall growth of our portfolio is due to the fact that it is present in the most dynamic categories in the fastest growing regions in the world; boosted by the constant strategic investment of resources in the brands of the *Company*.

The following chart shows the volumes, sales and growths of the categories and regions:

	Volume (Thousands of 9-liter cases)			Net Sales (Figures in millions of Mexican Pesos)		
Category	2020	2019	% Growth	2020	2019	% Growth
Jose Cuervo	$ 7,325	$ 7,296	0.4%	$ 12,771	$ 10,697	19.4%
1800	1,873	1,504	24.5%	5,444	3,921	38.8%
Other Tequilas	1,863	2,069	-12.5%	3,686	3,543	4.0%
Tequila Portfolio	$ **11,061**	$ **10,869**	**1.3%**	$ **21,901**	$ **18,161**	**20.6%**
Bushmills	$ 765	$ 815	-6.1	$ 1,412	$ 1,343	5.1%
Kraken	895	828	1.9%	1,506	1,298	6.0%
Other alcoholic beverages	2,684	2,808	-2.7%	4,302	4,125	4.3%
Non-Tequila Portfolio	$ **4,344**	$ **4,451**	**-2.5%**	$ **7,220**	$ **6,766**	**6.7%**
Ready-to-serve cocktails	$ 4,890	$ 3,074	60.7%	$ 4,473	$ 2,509	78.3%
Non-alcoholic beverages and others	3,360	3,922	-14.2%	1,442	2,270	-36.5%
Total	**$ 23,655**	**$ 22,316**	**6.0%**	**$ 35,036**	**$ 29,706**	**17.9%**
USA	$ 15,230	$ 12,460	22.2%	$ 24,631	$ 18,514	33.0%
Mexico	6,238	7,297	-14.5%	6,604	7,248	-8.8%
Rest of World	2,187	2,560	1-14.6%	3,801	3,943	-3.6%
Total	$ 23,655	$ 22,317	**6.0%**	$ 35,036	$ 29,705	**17.9%**

Cost of Sales

In 2020, cost of sales increased 19.6% compared to the same period of the previous year, while sales increased 17.6%. Mainly reflected by the increase in agave prices in cost of sales and, to a lesser extent, the appreciation of the Mexican peso against the U.S. dollar impacting our net sales.

In 2019, cost of sales increased 17.2% compared to the same period of the previous year, while sales increased 5.5%. The above was due to increases in the price of agave purchased from third parties.

Gross Profit

During 2020, gross profit totaled MXN 18,246 million, which represented an increase of 16.5% compared to 2019. During the year, the cost of sales increased 19.6% over the previous year. Mainly reflected by higher agave prices in cost of sales and to a lesser degree the appreciation of the Mexican peso against the U.S. dollar impacting our net sales.

In 2019, gross profit was MXN 15,666 million, which represented a decrease of 3.2% compared to 2018. During 2019, cost of sales increased 17.2% over the previous year.

General Expenses

Our general expenses increased 10.7%, from 2019 to 2020. This increase is mainly reflected by higher distribution expenses, as well as higher selling, administrative and marketing expenses.

As of the closing of 2019, operating expenses decreased 3.6%, compared to 2018. This adjustment was primarily caused by reduced distribution expenses.

Operating Profit

As a result of the factors previously discussed, our operating profit increased by 27.4%, from 2019 to MXN 6,893 million for 2020.

As a result of the factors previously discussed, our operating profit decreased by 2.4%, from 2018 to MXN 5,410 million for 2019.

Comprehensive Financing Result

Financing result includes interest expense which is primarily a result of the issuance of the *2025 Notes*, and the exchange rate fluctuation resulting from translating the transactions and balances denominated in foreign currency to another. Likewise, it includes gains derived from the change in the fair value of financial instruments, along with hedging effects totaling MXN 551.8 million.

Income Taxes

The effective income tax rate to which we were subject during 2020 was 24.8%. The reduction of 5.2 percentage points with respect to the statutory rate of 30% applicable in Mexico resulted mainly from the following permanent entries, the nature of which is not expected to be reversed in future periods: (i) non-deductible expenses and, on the other hand, the effective rate was benefited by (ii) deductible inflationary losses, (iii) combination effect of statutory rates from foreign jurisdictions, and (iv) Others.

In 2019, the effective income tax rate to which we were subject was 27.8%. The 2.2 percentage point reduction with respect to the statutory rate of 30% applicable in Mexico is mainly due to the following permanent entries, the nature of which is not expected to be reverted in future periods: (i) Non-deductible expenses, and on the other hand, the effective tax rate benefitted from, (ii) deductible inflationary losses, (iii) the effect of the combination of statutory rates from foreign jurisdictions and (iv) Others.

Net Income

Given the preceding, net income in 2020 was Ps. 5,152 million, higher than that reported in 2019 of MXN 3,718 million and 2018 of MXN 4,025 million.

As a result of the above, in 2019 comprehensive net income was MXN 3,712 million, lower than the MXN 4,025 million reported in 2018 and MXN 5,193 million in 2017.

ii) Liquidity and Capital Sources

Liquidity and Capital Sources for 2020

The Company's net cash flow from operating activities totaled $3,745 million for the year ended December 31, 2020. Additional cash flow was primarily generated by the increase in working capital from inventories, accounts receivable and income tax payments.

Investments in property, plant and equipment and investments in associates and joint ventures generated net cash provided by investing activities of (MXN 5,070) million.

Net cash used in financing activities during the year ended December 31, 2020 was (MXN 1,318) million derived primarily from dividend payments, interest payments, lease payments and share repurchases.

For 2020, the decrease in cash and cash equivalents was (MXN 2,642) million while cash and cash equivalents at closing was $7,646 million. See the Company's Audited Financial Statements for further information on the Company's liquidity and capital assets.

Liquidity and Capital Sources for 2019

Net cash flow provided by operating activities was MXN 2,369 million for 2019. This cash flow was generated mainly from the increase in working capital in inventories, accounts receivable and income tax payments.

Net cash flow used in investing activities was MXN (1,758) million, mainly due to capital expenditures in the year.

Net cash flow from financing activities during 2019 was MXN (2,609) million, derived mainly from the payment of dividends, payment of interest, and share repurchases.

For 2019, the net decrease in cash and cash equivalents was MXN (1,998) million, which resulted in a cash and cash equivalent balance of MXN 9,628 million.

See the Company's Audited Financial Statements for further information on the Company's liquidity and capital assets.

Liquidity and Capital Sources for 2018

Net cash flow provided by operating activities was MXN (179,220) million for fiscal 2018. This cash flow was generated mainly from the increase in working capital in inventories, accounts receivable and income tax payments.

Net cash flow used in investing activities was MXN (5,248) million, mainly due to the acquisition of the *Pendleton Whisky* brand.

Net cash flow used in financing activities during fiscal 2018 was MXN (2,482) million, mainly as a result of dividend payments, payment of interest and share repurchases.

For 2018, the net decrease in cash and cash equivalents was MXN (7,909) million, which resulted in a cash and cash equivalent balance of MXN 12,028 million.

See our *Financial Statements* for additional information on our liquidity and capital sources.

Cash Policy

The Company's liquidity arises both from goods sold to customers in the ordinary course of business, which is obtained within approximately 50 days of sale, and from resources used for inventory build-up and payments to commercial and administrative suppliers.

Treasury Policies

The main responsibility of the Treasury department consists of identifying, assessing and hedging financial risks in close cooperation with the business units of the *Company*. Likewise, the Treasury department concentrates the funds generated from the operation of the Group in the ordinary course of business, and it is entrusted with managing such funds to guarantee, to the extent possible, that it will have sufficient liquidity to comply with its obligations when due, both under normal conditions and stress situations, without incurring additional financial costs, or running the risk of damaging the reputation of the Group.

Cash Resources

The *Company* keeps its funds both in Mexican and in foreign currency. The foreign currency position represents most of the funds of the *Company*, since most of the operations come from overseas sales, specifically in the United States. This condition provides a natural hedge for the obligations of the Company in *U.S. Dollars* and in any other currency, with the cash flow received from sales in such currencies.

Dividends

In 2020, the total amount of dividends paid was MXN 1,106 million.

In 2019, the total amount of dividends paid was MXN 1,962 million.

In 2018, the total amount of dividends paid was MXN 1,819 million.

Capital Expenditures

Our internal policies provide for prudent and timely capital investments to maintain and continuously improve our distillery and bottling facilities, in line with technological developments and the most rigorous standards, to ensure their efficient and sustainable operation.

During 2020, 2019 and 2018, our capital expenditures in property, machinery and equipment were MXN 3,544 million, MXN 2,038 million and MXN 811 million, respectively.

During this period, the Company implemented a modernization program for its distilleries and bottling plants in Mexico and the United States. In Mexico, construction was completed on the stillage treatment plants at the distilleries and the wastewater treatment plant at the bottling plant. Distillation columns were installed in the distilleries, a new state-of-the-art bottling line was installed, the barrel storage capacity was expanded and the corresponding barrels were acquired. In the United States, we adapted and expanded the bottling capacity of the bottling plant we operate in the state of Indiana to handle the processing of Jose Cuervo Especial, Margaritas and Margarita Mix. In Northern Ireland, a new aging cellar was built at the distillery.

iii) Internal Control

We take seriously the application of internal controls that ensure the operation and the appropriate use and safekeeping of the material, intangible and monetary resources of the *Company*. There are policies and procedures, an authorization matrix, a letter of conflict of interest, a code of conduct and an ethics line managed by an external third party.

We have adopted internal control policies and procedures designed to provide transparency and facilitate the flow of financial information for the preparation of our *financial statements*. We believe that our efficient organizational structure provides us with the necessary tools to accurately and effectively implement such policies and internal control procedures.

Internal control policies and procedures of our subsidiaries are authorized by our Chief Executive Officer and the officers responsible for the organizational and business goals of each of our subsidiaries. Such policies and procedures promote the clear and correct flow of information for the preparation of financial information of each of our subsidiaries, as well as on an individual and consolidated basis.

Our different operational processes are subject to periodic internal audits. The Head of Internal Audit at *Becle* reports periodically to our Audit and Corporate Practices Committee, which provides management with reasonable assurance that our operations are subject to, and in compliance with, the rules set forth by Management and that our *financial statements* comply with *IFRS*. Minor issues detected at our subsidiaries are discussed and resolved by the relevant officers.

Quantitative and Qualitative Information Concerning Market Risk

We primarily incur external financing for acquisitions and, in special cases, for investment projects or working capital. We obtain such financing in *U.S. Dollars* to manage our excess cash flows and balances with those of such financing.

To date, we have not entered into any derivative instruments to hedge currency or interest rate risks. Given the origin and geographical diversity of our sales and operating expenses, we believe we have an Economic Hedge for exchange rate volatility.

Any excess cash we receive is generally denominated in *Mexican Pesos, U.S. Dollars, Pounds Sterling* or *EUROS*. We deposit such *U.S. Dollars* in bank accounts outside of Mexico in order to be invested in various short-term instruments.

We believe our assets and operations are adequately insured through international insurance brokers and policies from reputable insurance companies.

E) CRITICAL ACCOUNTING POLICIES

The preparation of our *financial statements* in conformity with *IFRS* requires us to make estimates of events that may not be quantified with precision and that affect certain reported amounts. The estimates include opinion elements with a certain degree of uncertainty and materiality and, therefore, they may be critical. The estimates may be modified in the future due to changes in the assumptions under which they were determined or changes in the economic environment.

The most important estimates of the *Company* are the inventories reserves and accounts receivable; retirement benefits of the employees; useful life of property, machinery and equipment; impairment of long-lived assets; intangible assets; and contingencies.

The *Company* has adopted *IFRS 9 "Financial Instruments"* and *15 "Revenue from Contracts with Customers"* prospectively, recognizing the effect of the initial adoption of this standard as from January 1, 2018. *IFRS 9* replaces the "incurred loss" model with an "expected credit loss" model.

Under IFRS 15 the amount in the estimate of expected returns at the date of the *financial statements* is therefore updated in both assets and liabilities.

The estimates that the *Company* considers may cause a significant effect on the financial information, due to the degree of uncertainty in the future, are mentioned below.

1. Recognition of deferred tax assets

Management exercises its judgment to determine whether an estimate is required on the recoverability of deferred tax assets. Management is also responsible for the estimates of corporate taxes payable or receivable. The *Company* must calculate income taxes in each of the jurisdictions in which it operates and calculate the amount that must be recognized as tax assets or liabilities in many countries in which the *Company* is subject to tax audits that, given their nature, are often very complex and may take several years to resolve. The tax calculations and tax provisions are based on the judgment and interpretation of the management of the specific tax law of the country, and the probability of payment. However, actual tax liabilities may differ from the provision and, in such cases, the *Company* will be required to make an adjustment in a subsequent period that may have a material impact on the aggregate income of the *Company* for the year. The assessment of deferred asset recoverability requires that judgments be made with respect to the availability of future cumulative income based on 3-to 5-year forecasts.

2. Business combination – purchase price assignment

For business combinations, *IFRS* requires that a calculation of the fair value assigned to the purchase price at fair value of the acquired assets and liabilities be made. Any difference between the consideration paid and the fair value of the acquired identifiable net assets is recognized as goodwill or income in the income statement if it is a bargain. The calculation of fair value is made on the date of acquisition.

Given the nature of fair value on the date of acquisition, the assignment of the purchase price and the measurements of fair value require significant judgments based on a broad array of complex variables as of the acquisition date. The management of the *Company* uses all available information to make determinations of fair value.

3. Estimate of the useful life of registered trademarks and other indefinite life intangible assets

The *Company* assesses the fair value of the intangible assets with an indefinite life at the end of each period. Such assessment is carried out through annual impairment tests, or where there are indications of impairment. The determination of the recoverable value of intangible assets with an indefinite life entails important judgments, such as the estimate of future results, and the discount rate applied to forecasts. The management of the *Company* considers that the forecasts used to determine the fair value reasonably reflects the prevailing economic conditions in the operating environment of the *Company*.

4. Determination of fair value of biological assets

IAS 41 requires that all biological assets be valued using a fair value calculation that requires the management to make judgments and assumptions. The *Company* considers that its biological assets may be measured at historical cost and at fair value.

Mature biological assets are those considered that can be measured at fair value using a revenue approach, considering that the only existing market is for plants that have reached the specifications for their harvest, characterized by sugar content and average weight. *Blue Agave* plants grow at a different pace and may have considerable dispersion in plant quality and weight, which affects their price. Additionally, given *Agave* price trends, sometimes there may be more demand than plants available and vice versa, which may increase (reduce) prices and, therefore, fair value. The *Agave* maturity cycle goes from six to eight years. Based on this, the *Company* considers that, on average, a plant with more than five years is susceptible to being harvested or marketed and, accordingly, these plants are measured at fair value with the methodology explained above. Immature biological assets are recorded at historical cost, which approximates fair value, given that the price that would be paid for immature biological assets would be very similar to their cost. For mature biological assets, a variation of +/- 1% in the discount rate or a variation of +/- 10% in the purchase price would be irrelevant.

5. Determination of lease term

When determining the term of a lease, the management of the *Company* considers all facts and circumstances that create an economic incentive to exercise an extension option. The extension options (or periods subsequent to termination options) are only included in the term of the lease if there is a reasonable certainty that the lease will be extended (or not terminated). For leases on *Blue Agave* plantation lands, the lease terms are aligned with the estimated harvest period.

4) MANAGEMENT

A) INDEPENDENT AUDITORS

Our *consolidated financial statements* as of December 31, 2020 and 2019, and for the year ended on such date included in this *Report*, were audited by PricewaterhouseCoopers, S.C., and as of December 31, 2018 and for the years ended on such dates – also included in this *Document* – have been audited by KPMG Cárdenas Dosal, S.C., both independent auditors, in accordance with the International Standards on Auditing, as stated in their report appearing herein.

Our independent auditors were appointed by our board of directors based on their experience and quality of service, upon prior favorable opinion by the audit and corporate practices committee, which is a liaison between the board of directors, and the independent auditors.

During our history, our independent auditors have not issued a qualified or negative opinion, nor have they refrained from giving an opinion in connection with our *audited consolidated financial statements*.

The approved fees for the audit of the *financial statements* as of December 31, 2019 added up to MXN 36,629,444.00.

In connection with other non-audit-related services, the fees paid added up to MXN 10,057,934.00, representing 26.59% of the fees approved for the audit of the *financial statements*.

B) RELATED PARTY TRANSACTIONS

In the ordinary course of our business, we engage and may engage in the future in a number of transactions with our shareholders and with companies owned or controlled, directly or indirectly, by us or our majority shareholders, subject to the approval of the board of directors. In addition, pursuant to our corporate by-laws and to the *LMV*, transactions with related persons are reviewed by our audit and corporate practices committee, which is comprised of independent members.

Pursuant to the *LMV* and our corporate by-laws, our board of directors has the following obligations relating to transactions between related parties: (i) to approve the guidelines for the use and enjoyment of the assets that comprise our holdings and that of the legal entities that we control, on the part of related persons; (ii) to approve, individually, transactions with related parties, apart from certain exceptions that will not require the approval of the board of directors; (iii) to establish the guidelines with regard to the granting of any type of loans or guarantees to related persons; and (iv) to grant dispensations to the members of the board of directors, relevant directors or persons with authority in order that they may take advantage of business opportunities for themselves or in favor of third parties, which initially belong to us or to the legal entities that we control or over which we may have a significant influence.

For the purposes of the *LMV*, "related persons or related parties" include those that, with regard to the corresponding company, satisfy any of the following criteria: (i) persons that control or have significant influence over a legal entity that forms a part of the business group or consortium to which such entity belongs, as well as the members of the board of directors and relevant directors of the members of that group or consortium; (ii) the persons who have power of command over a legal entity that forms part of a business group to which such entity belongs; (iii) any spouse, common-law wife or common-law husband and persons having a relationship of consanguinity or civil relationship up to the fourth degree or a relationship by marriage up to the third degree, with individuals who fit into any of the hypotheses indicated in the preceding clauses (i) and (ii), as well as the partners and co-owners of the individuals mentioned in those clauses with whom business relationships are maintained; (iv) the legal entities that are a part of the business group or consortium to which such entity belongs; and (v) the legal entities over which any of the persons referred to in the preceding clauses (i) to (iii) exercise control or significant influence.

Given that related party transactions are recurrent in the *Company*, we seek to generate a high-level authorization matrix that would allow: (i) for such transactions to be carried out; (ii) on an arm's-length basis; (iii) free of conflicts of interest; and (iv) in compliance with applicable stock exchange regulations. As a result of the foregoing, our board of directors recently approved, with the prior sign-off of the audit and corporate practices committee, the policy with respect to related party transactions.

We believe that all transactions with related parties have been made in the ordinary course of business, in terms and conditions of operations between unrelated parties, and are on terms no less favorable to us than would have been obtained with unrelated parties. In addition, we believe we have access to other sources of materials and services in the event that our related persons cease to offer them under competitive terms.

As of December 31, 2020, we have engaged in various other related party transactions in the ordinary course of business during that period.

A summary of accounts receivable and payable with related parties is shown below:

	December 31, 2020 (MXN)		2019 (MXN)		2018 (MXN)
Accounts receivable:					
Shareholders	$ 42,415	$	26,391	$	53,517
Rones del Caribe, S.A. de C.V.	87		30,008		34,435
Salsas de Jalisco Cacu, S.A. de C.V.	-		33,874		-
Other	14,712		13,021		8,918
	$ 57,214	$	103,294	$	96,870
Accounts payable:					
Eire Born Spirits, LLC	$ 124,586	$	43,301	$	-
Salsas de Jalisco Cacu, S.A. de C.V.	-		-		32,283
Maison Villevert SAS	40,018		-		-
Aeroservicios Ejecutivos Corporativos, S.A. de C.V.	4,344		11,467		11,875
Other	603		13,614		4,643
	$ 169,551	$	68,382	$	48,801

The following is a summary of the main transactions with related parties:

	December 31, 2020		2019		2018
Revenues					
Administrative Services:					
Eire Born Spirits LLC (2)	$ 200,901	$	-	$	-
Salsas de Jalisco Cacu, S.A. de C.V. (1)	29,795		27,390		4,355
Grupo Consultoria Santa Fe, S.A. de C.V. (1)	9,105		2,531		5,793
Tequila Espíritu de México, S.A. de C.V. (1)	1,612		2,807		4,029
Matusalem and Matusalem Florida, Inc. (1)	2,957		1,167		1,262
Administración Acuario, S.A. de C.V. (1)	1,086		940		551
Rones Habanos, S.A. de C.V. (1)	8		-		-
Rones del Caribe, S.A. de C.V. (1)	8		-		-
	$ 245,472	$	34,835	$	15,990
Finished product sales:					
Matusalem and Matusalem Florida, Inc. (1)	$ 11,217	$	13,805	$	15,768
Tequila Espíritu de México, S.A. de C.V. (1)	6		181		209
Grupo Consultoria Santa Fe, S.A. de C.V. (1)	122		-		-
Administración Acuario, S.A. de C.V. (1)	-		61		-
	$ 11,345	$	14,047	$	15,977
Interest income:					
Rones del Caribe, S.A. de C.V. (1)	$ 1,001	$	1,260	$	1,202
Taberna del tequila, S.A. de C.V. (1)	113		125		123
	$ 1,114	$	1,385	$	1,325
Rental income:					
Rones Habanos, S.A. de C.V. (1)	$ 67	$	-	$	-
Rones del Caribe, S.A. de C.V. (1)	67		-		-
	$ 134	$	-	$	-
Other revenues:					
Salsas de Jalisco Cacu, S.A. de C.V. (1)	$ -	$	5,133	$	49,326

	December 31, 2020		December 31, 2019		December 31, 2018	
Gastos						
Administrative Services:						
Grupo Consultoria Santa Fe, S.A. de C.V. (1)	$	5,040	$	5,040	$	-
Tequila Espíritu de México, S.A. de C.V. (1)		1,097		-		-
Matusalem and Matusalem Florida, Inc. (1)		-		1,167		-
Administración Acuario, S.A. de C.V. (1)		-		940		-
	$	6,137	$	7,147	$	-
Finished product purchases:						
Matusalem and Matusalem Florida, Inc. (1)	$	22,568		-		-
Salsas de Jalisco Cacu, S.A. de C.V. (1)		-		275,616		567,172
	$	22,568	$	275,616	$	567,172
Royalties:						
Eire Born Spirits LLC (2)	$	290,172	$	87,185	$	-
Taberna del tequila, S.A. de C.V. (1)		40,521		-		-
Rones Habanos, S.A. de C.V. (1)		6,594		8,768		9,067
Salsas de Jalisco Cacu, S.A. de C.V. (1)		-		-		80,417
	$	337,287	$	95,953	$	89,484
Rental expenses:						
Desarrollo Inmobiliario Polanco, S.A. de C.V. (1)	$	43,986	$	90,463	$	86,396
Inmuebles rústicos Santo Domingo, S.A. de C.V. (1)		7,553		14,751		1,720
Bienes Inmuebles de Tequila, S.A. de C.V. (1)		1,866		1,801		1,727
	$	53,405	$	107,015	$	89,843
Services rendered:						
Aeroservicios Ejecutivos Corporativos, S.A. de C.V. (1)	$	81,335	$	110,988	$	105,722
Eire Born Spirits LLC (2)		6,976		-		-
Desarrollo Inmobiliario Polanco, S.A. de C.V. (1)		6,559		6,281		7,836
Administración Acuario, S.A. de C.V. (1)		6,218		7,537		6,243
Grupo Consultoria Santa Fe, S.A. de C.V. (1)		3,697		2,343		15,194
Tequila Espíritu de México, S.A. de C.V. (1)		4,387		654		3,431
	$	109,172	$	127,803	$	138,426
Interest expense:						
Destileria Todos Santos, S.A. de C.V. (1)	$	273	$	-	$	-

(1) Affiliated

(2) Associated

On January 27, 2020, the Company purchased real estate assets of its tequila manufacturing facilities from Desarrollo Inmobiliario Polanco, S.A. de C.V. for MXN 335,000.

Compensation of key management personnel.

As of December 31, 2019 and 2018, the Company has entered into certain other related party transactions in the ordinary course of business during such period.

Key members of management received the compensation shown below during those periods, which are included in administrative expenses in the accompanying consolidated statements of income:

	December 31,		
	2020 (MXN)	**2019 (MXN)**	**2018 (MXN)**
Short-term benefits	$ 149,349	$ 125,282	$ 103,320
Long-term benefits	-	19,483	-
Termination benefits	-	6,788	4,363
	$ 149,349	$ 151,553	$ 107,683

Licensing Agreements

Since Casa Cuervo, S.A. de C.V. has the necessary authorizations to utilize the *Appellation of Origin* for Tequila, a large amount of the trademarks held by us or our subsidiaries are licensed in favor of Casa Cuervo, S.A. de C.V. As a result, we have developed a format for licensing agreements between subsidiaries that hold our trademarks and Casa Cuervo, S.A. de C.V. Below is a brief summary of the principal terms and conditions of those contracts (collectively, the *"Licensing Agreements"*):

Licensing Agreements are intended to grant, on a non-exclusive basis, the right and license to use the licensed trademarks for certain products covered by them. Each of them is entered into for an indefinite term from the date of signature, until either party gives written notice to the other party of its intention to terminate it, with a specific term of advance notice. In the event that the licensee violates any of its obligations subject to the respective *Licensing Agreement*, the same shall be rescinded subject to the terms of the relevant agreement.

In exchange for granting the rights to use and license of the trademarks that are the subject of each Licensing Agreement, the licensee must pay to the licensor 5% of the net sales, the latter understood to be the total sales billed of the products corresponding to each *Licensing Agreement*, less any returns, discounts or commercial credits received by the licensor. This royalty is reviewed periodically to comply with the tax laws regarding transfer pricing.

Each licensee agrees to settle in peace and indemnify each licensor for any and all of the responsibilities, liabilities, losses, injuries, expenses, claims, complaints or actions of any nature to which each licensor may be subject in connection with or arising out of the use of the trademarks that are the object of each *Licensing Agreement*.

Licensees may not transfer the corresponding *Licensing Agreement*, or the rights derived therefrom, in part or in whole.

Distribution Agreements

We have entered into distribution agreements with respect to the *Matusalem* brand, which is owned by its shareholders. The terms and conditions of the distribution agreement are based on market conditions.

Related Party Transactions with the Company's Directors

Since 2009, the Company has entered into agreements with Vace Partners for the provision of financial advisory services. Two of the members of the Company's Board of Directors are themselves partners of Vace Partners. These contracts were entered into on market terms. The Company believes that the amounts paid and payable under these contracts to Vace Partners are comparable to those that would be paid to third parties for these types of services.

C) MANAGEMENT

In accordance with the provisions of the *Company*'s by-laws, the management is entrusted to a board of directors. We are subject to several provisions on corporate practices contained in its by-laws and in the *LMV*, which are described in this section. This description is not intended to be comprehensive and it is subject to the full text of the *Company*'s by-laws, the applicable provisions of the *LMV*, the general provisions issued by the *CNBV,* and the rules issued by the *BMV*.

The Board of Directors

Our board of directors is comprised of nine regular members and three alternates. Each board member is elected for the term of one year, can be re-elected and shall remain in office until his successor has been elected and taken possession of his seat. The alternate members may take the place of the regular members and of the independent members only if they have this capacity. The board members are elected or ratified by the annual shareholders' meeting. All of the current regular members and alternates were elected or ratified in their positions at the shareholders' meeting held on April 27, 2021. Of the 11 members of our board of directors, eight are independent, representing 72.7% of our board, and three are not independent members, representing 27.3% of our board of directors (in each case, excluding alternates).

Pursuant to the *LMV* and to our corporate by-laws, at least 25% of the board members shall be independent and that independence is qualified at the shareholders' meeting that appoints them, subject to the observations of the *CNBV*. The *Company*'s Board of Directors is composed of 11 regular members, 10 of which are male and a female, and five male alternates representing 90.9% of the total members of the board of directors (with 9.1% related to female representation).

Indicated below are the names of the current members of our board of directors:

Name	Position
Juan Francisco Beckmann Vidal	Chairman
Juan Domingo Beckmann Legorreta	Board Member
John Randolph Millian	Independent Board Member
Ricardo Cervera Lomelí	Independent Board Member
Alexander Gijs Van Tienhoven	Independent Board Member
Sergio Visintini Freschi	Independent Board Member
Karen Virginia Beckmann Legorreta	Board Member
Ronald Anderson	Independent Board Member
Alberto Torrado Martínez	Independent Board Member
Luis A. Nicolau Gutiérrez	Independent Board Member
Hernando Carlos Luis Sabau García	Independent Board Member
Carlos Javier Vara Alonso	Independent Alternate Board Member
Fernando Suárez Gerard	Alternate Board Member
Arsenio Farell Campa	Alternate Independent Board Member
José Antonio Alonso Espinosa	Alternate Board Member
Luis Fernando Félix Fernández	Alternate Board Member

Mr. Sergio Rodríguez Molleda serves as the Board's secretary.

Our Alternate Secretary is Mrs. Cynthia Corro Origel.

Below is information about our board members.

Juan Francisco Beckmann Vidal holds a degree in Accounting from Instituto Tecnológico de Monterrey (ITESM) and holds a master's degree in Business Administration from the same institution. In addition, he has completed various postgraduate programs in Business Administration at Stanford University. Mr. Beckmann Vidal joined the Company in 1964. After holding various positions in the areas of operations, finance, sales and marketing, as well as in the international division, he was named Vice-Chairman and, subsequently, in 1972, he was named Chairman of the Board of Directors of the Company. He is an independent member of the Board of Directors of Grupo Financiero Banamex, Grupo Peñoles, and Grupo Aeroméxico, among other companies. In addition, he is a member of Consejo Coordinador Empresarial (E), Consejo Mexicano de Comercio Exterior (COMCE), Consejo Mexicano de Negocios and of the Instituto Mexicano para la Competitividad (IMCO). Mr. Beckmann Vidal is also involved in various non-profit organizations, including Asociación de Adopte una Obra de Arte, A.C., Antiguo Colegio de San Ildefonso, Museo Nacional de Arte, A.C. (MUNAL), Museo Dolores Olmedo, Papalote Museo del Niño, Fondo Mexicano para la Conservación de la Naturaleza, Asociación a Favor de lo Mejor, A.C., Hospital Infantil de México Federico Gómez, Operación Sonrisa, ITESM (Mexico City) and the Jose Cuervo Foundation.

Juan Domingo Beckmann Legorreta holds a degree in Business Administration from Universidad Anáhuac. Mr. Beckmann Legorreta began his professional career at the Company as Manager of Tequila Centenario. Subsequently, as Manager of New Product Development, he launched the Jose Cuervo Reserva de la Familia brand and developed a solid track record with regard to innovation, not o nly in the category of tequila but also in rum, vodka, liqueurs and energy drinks. Since 2002, he serves as Chief Executive Officer of the Company. Under his management, we have received the Premio Nacional de Exportación and the Premio Nacional de Calidad. Mr. Beckmann Legorreta has 28 years of industry experience.

John Randolph Millian holds a bachelor's degree, magna cum laude, in Global Economic Policy from the University of Colorado and a master's degree in Business Administration from the Tuck School of Business. He has held various positions at Diageo LAC, American Express, Shering-Plough and PepsiCo International. He directed the LAC business for Diageo for more than 13 years. Mr. Millian has been a member of various organizations, including President of the Council of Amcham São Paulo, the Baptist International Advisory Board, the Advisory Board of the Tuck School of Business for Latin America and the Caribbean and Apoyo Seguro.

Ricardo Cervera Lomelí holds a bachelor's degree in Economics, graduated with honors, from the Instituto Tecnológico Autónomo de México (ITAM), and a master's degree in Business Administration from Yale University, where he was elected member of the Dean's Advisory Council. In 1998, Mr. Cervera received Mexico's Premio Nacional Banamex de Economía. Mr. Cervera has over 17 years of Investment Banking experience, having worked at Salomon Brothers in New York, Salomon Smith Barney in New York, Citigroup in New York and Mexico and, since 2009, as Founding Partner of VACE PARTNERS. Mr. Cervera is also Founding Partner, Shareholder and member of the Board of Directors of Fideicomiso Hipotecario. Throughout his career, Mr. Cervera has originated and executed mergers and acquisitions, equity and debt transactions worth over USD 50 billion in the United States, Mexico, Latin America and Europe. Mr. Cervera is a member of the Technical Committee of Fondo Capital Infraestructura, member of the Board of Directors of Procorp and member of the Investment Committee of DIJ Properties.

Alexander Gigs Van Tienhoven holds a bachelor's degree in Economics, graduated cum laude from Wharton School of the University of Pennsylvania. He participated in the Stanford Executive Program of Stanford University in 1999. Mr. Van Tienhoven worked for two years in UBS at Zurich where he held the position of Head of Wealth Management for Latin America, and before that, for almost 28 years in Citibank NA and Citibanamex, where he held a number of positions, among them Head of Corporate and Investment Banking for Citibank Mexico, Chairman and Managing Director of Citibank Portugal, Managing Director of Private Banking of Citi Banamex in Mexico and, more recently, as Managing Director of Wealth and Investment Management for Mexico and Latin America. Mr. Van Tienhoven has been a Director of Aeroméxico, Citibanamex and San Luis Rassini. Currently, he is Director of Banco Finterra, Chairman of the Executive Board of the Wharton School in Latin America, Director of the Fundación Internacional para la Libertad, and of the Council of the Americas/Americas Society in New York.

Sergio Visintini Freschi holds a degree in Electronic Engineering from the Universidad Iberoamericana (UIA), and earned a master's in Business Administration (majoring in Finance) from the Instituto Panamericano de Alta Dirección de Empresas (IPADE Business School). He is an experienced executive with an extensive background in the financial sector, as well as in companies of diverse sectors. Mr. Visintini began his professional career at Richardson Marrell (now Procter & Gamble), later joining as Vice President of Finance and Chief Financial Officer, and as member of the Board of Industrias Peñoles. He was Vice President of Finance and Chief Financial Officer for several years at Grupo Nacional Provincial. After this, he worked at Rassini for more than 10 years, where he acted as Vice President of Finance and Chief Financial Officer, as well as a member of the Board of Rassini. Since 2015, Mr. Visintini is an independent member of the Board of Metlife Mexico, one of the leading insurance companies in Mexico.

Karen Virginia Beckmann Legorreta has a background in communications, business and marketing. Ms. Beckmann has built a career as an entrepreneur, and is currently Founder and Chief Executive Officer of PP Marcas, engaged in the production and marketing of luxury footwear, with Crane and Kalaca, premium industry brands in its portfolio. She is the first woman to be a member of Becle's Board of Directors.

Ronald Anderson is an executive with international experience in various strategic roles throughout the world, perfecting the developed and developing markets. Born in the United Kingdom, he started his career in the retail sector, and then took a sales position with Gillette. Mr. Anderson worked at Diageo for more than 25 years, holding several executive and senior management positions throughout the whole business, mainly outside the United Kingdom, or with global responsibilities. In the United States, he led the creation and negotiation of leading market routes in the industry, he became the first Customer Service Officer in the Board of Directors. He held a similar position in the Board of Directors as VP of Sales of Bacardi, before becoming a consultant for McKinsey & Co. and a series of new companies.

Alberto Torrado Martínez graduated with a degree in accounting from the Instituto Tecnológico Autónomo de México (ITAM) and holds a master's degree from the *Instituto Panamericano de Alta Dirección de Empresas* (IPADE), as well as several diplomas from Harvard and Wharton Universities. Mr. Torrado opened his first Domino's Pizza, after which he obtained the master franchise of the chain for Mexico, which later became Alsea. Alsea has been a public company since 1999 and has received several awards such as "*Empresa Socialmente Responsable*" (Socially Responsible Company). It has been part of the sustainability index of the Mexican Stock Exchange since 2013, and since 2018 it was included in the Dow Jones Sustainability Index. Similarly, Mr. Torrado holds the position of president of the *Va por mi Cuenta* foundation, which is dedicated to providing food to more than 5,000 people a year and has also served as a member of the Board of Directors of the Mexican Stock Exchange and Banco Santander, among other companies.

Luis A. Nicolau Gutierrez is a member of the board of directors of Coca-Cola FEMSA, S.A.B. de C.V.; Gentera S.A.B. de C.V.; Grupo Posadas, S.A.B. de C.V.; GCC, S.A.B. de C.V.; GCC, S.A.B. de C.V. (formerly Grupo Cementos Chihuahua), Grupo Coppel, S.A. de C.V., Six Sigma Networks, S.A. de C.V. (KIO Networks); Morgan Stanley Casa de Bolsa, S.A. de C.V.; and Fondo Ignia, as well as a member of the Executive Committee of Ritch, Mueller, Heather y Nicolau, S.C. and of the Investment and Finance Committees of *Promotora Social México, A.C.* Previously, Mr. Nicolau was a member of the board of directors of *Grupo Modelo, S.A.B. de C.V., Grupo Vitro, S.A.B. de C.V.*; *Grupo MVS Comunicaciones, S.A. de C.V.*; *Grupo Financiero Credit Suisse México, S.A. de C.V.*; *J.P. Morgan Grupo Financiero, S.A. de C.V.*; *Grupo Financiero Santander México, S.A. de C.V.*; *Papalote Museo del Niño* and The Indian Mountain School. Mr. Nicolau holds a law degree from *Escuela Libre de Derecho*. In addition, he holds a Master of Law degree from Columbia University as a Fulbright Scholar.

Hernando Carlos Luis Sabau García holds a bachelor's degree in actuarial science from the Universidad Nacional Autónoma de México. He also holds an M.A. in Economics from the University of Manchester and a Ph.D. in Economics from the Australian National University. He began his career as Manager of Actuarial Studies. Subsequently, he participated in various companies and organizations in management positions, until he became a Partner of *SAI Consultores, S.C.*, where he has worked for more than 20 years. In addition, he has worked in the teaching area, giving several lectures in various prestigious institutions. Mr. Sabau has extensive experience as a member of several Boards of Directors, including Mexder, *Mercado Mexicano de Derivados, Grupo Financiero Monex, S.A.,* and *Contraparte Central de Valores de México, S.A. de C.V*., among others.

Carlos Javier Vara Alonso graduated from the Instituto Tecnológico Autónomo de México (ITAM) with a degree in Economics. He received a master's degree in Economics from Yale Graduate School and a master's degree in Business Administration from the Yale School of Management. He worked for five years at McKinsey & Co. in Mexico City, Madrid and Caracas. For the last 19 years, he has worked in Investment Banking as Head of the Mexico Office and Head of Latin America at Salomon Smith Barney and Citigroup. He is Founding Partner and Chief Executive Officer of VACE PARTNERS. He is a founding Partner of FHipo and a member of the Board of Concentradora Hipotecaria (the FHipo management company). He is a member of the Board of Directors and of the Finance Committee of Grupo Gigante. He is a member of the Board of Directors of Hoteles Presidente and of México Power Group. He was a member of the Board of Directors of Aeroméxico. He is member of the New Growth Fund Investment Committee. As an Investment Banker, he has completed transactions worth more than USD 100 billion.

Fernando Suárez Gerard holds a bachelor's degree in Economics from the Instituto Tecnológico Autónomo de México (ITAM) and a master's in Business Administration (majoring in Finance) from the UCLA Anderson School of Management in Los Angeles, California. He began his professional career in investment banking at Salomon Brothers. Then he worked with Grupo Televisa (BMV: TLEVISA; NYSE: TV) as Corporate Financing Director. Mr. Suárez was one of the founding executives of the publicly traded Mexican airline Volaris (BMV: VOLAR-A, NYSE: VLRS). At this company, he acted as Chief Financial Officer for more than 12 years, and ultimately as Executive Vice President of Management and Finance. Mr. Suarez joined Becle as Chief Financial and Management Officer in October 2018.

Luis Fernando Felix holds a degree in business administration from Universidad Iberoamericana. Mr. Felix began his professional career in the marketing area of Richardson-Vicks Company. He later joined Kimberly Clark de México, S.A.B. de C.V., where he held the position of Group Product Manager. He also served as Director of Global Business at Warner-Lambert. In 2001, he joined the Company as Marketing Director and later became Sales Director for the Self-Service channel. Since 2009 he has held the position of General Manager Mexico, and as of July 2015 he was given responsibility for the LATAM operation. Mr. Felix has also held positions at Pfizer and Procter & Gamble and has over 15 years of experience in the industry.

José Antonio Alonso Espinosa studied at the Universidad Iberoamericana in Mexico City with a degree in International Relations. He is currently Chairman of the Board and Chief Executive Officer of Grupo JAAE, a private equity fund which has invested in several equity funds. Until May 2011, he served as Chairman of the Board and Chief Executive Officer of Quinta Real Hotels and Resorts, a Mexican company dedicated to luxury hospitality, which he helped to expand for 11 years. During that period he also chaired more than 20 Boards of Directors in the hotel industry. Prior to this, he was involved in various roles, most notably as president of Grupo Espalse S.A., which is a holding company for franchises in the fast-food industry. He also collaborated with Chase Manhattan Bank in New York City as a debt arbitrator, as well as in the area of internal control and private banking. Mr. Alonso is a member of the board of the Amparo Foundation in Puebla. In addition to his philanthropic work, he has contributed to the publication of several articles in foreign newspapers.

Arsenio Farell Campa is an attorney by the *Universidad Iberoamericana* and has worked since 1973 in the law firm *Bufete Farell, S.C.* until today. He has been a practicing attorney for the past 45 years and in his extensive career has collaborated with several companies, including Teléfonos de México, S.A.B. de C.V.; Gruma, S.A. de C.V.; Minera Fresnillo, S.A. de C.V.; Industrias Peñoles, S.A. de C.V.; and Montepio Luz Saviñon I.A.P., among others. He is currently a member of the Board of Directors of the Mexican Association of Automobile Distributors, Club Yates Acapulco and Yates, S.A.

Authority of the Board of Directors

The board of directors is our legal representative and is authorized to jointly take any action in connection with our operations not expressly reserved to our shareholders.

Among other things, the board of directors is authorized to:

- Approve our general business strategy.
- With prior input from the audit and corporate practices committee, approve: (1) transactions with related parties, subject to certain limited exceptions; (2) the election of our Chief Executive Officer, his compensation and removal for justified causes and policies for the description of duties and comprehensive remuneration of other executive officers; (3) the guidelines applicable to our internal controls and internal audits and those of our subsidiaries; (4) our *consolidated financial statements* and those of our subsidiaries; (5) unusual or non-recurring transactions and any transactions or series of related transactions during the same fiscal year that involve (a) the acquisition or sale of assets with a value equal to or exceeding 5% of our consolidated assets or (b) the granting of guarantees or the assumption of liabilities, equal to or exceeding 5% of our consolidated assets; and (6) contracts with internal external auditors.
- Call shareholders' meetings and execute their resolutions.
- Create, as applicable, special committees and grant them power and authority, provided that the committees will not have the authority which, under our by-laws and applicable regulation, is expressly reserved for the shareholders or our board of directors.
- Submit to the general shareholders' meeting: (i) the annual report of the Chief Executive Officer (including the annual *audited financial statements* of the *Company*); (ii) the opinion of the board of directors with respect to the report of the Chief Executive Officer; and (iii) a report on the accounting policies and criteria applied in the preparation of the financial information.
- Issue an opinion regarding the initial offering price of our shares being sold in the global offering.
- Approve policies relating to the disclosure of information.
- Determine the measures to be taken if irregularities are detected.
- Exercise general powers of the *Company* in order to achieve our corporate purpose.

Meetings of the board of directors will be validly convened and held if a majority of our members are present. Resolutions at the meetings will be valid if approved by a majority of the members of the board of directors, unless the *Company*'s by-laws demand a higher number of votes. The chairman of the board of directors has a tie-breaking vote. Despite our board's authority, our shareholders may at any time override decisions adopted by the board pursuant to decisions validly adopted at a shareholders' meeting.

The general meetings of our board of directors may be called by (1) 25% of our board members, (2) the chairman of the board of directors, (3) the chairman of the audit committee and the corporate practices committee or (4) the secretary of the board.

The *LMV* imposes a duty of care and a duty of loyalty on our directors. For further information, see "The Mexican Securities Market—The LMV."

Members of the board and, if applicable, the secretary of the board of directors with a conflict of interest must abstain from participating and being present during the deliberation and voting of the matter at the relevant board meeting, without this affecting the necessary quorum for that particular meeting.

Members of our board of directors and the secretary of the board will breach their duty of loyalty to us and be liable for damages caused to us or our subsidiaries if, while having a conflict of interest, they vote or make a decision with respect to our assets or those of our subsidiaries or if they fail to disclose such conflict of interest, unless confidentiality duties prevent them from disclosing it.

Audit and Corporate Practices Committee

The *LMV* imposes the obligation to have an audit committee, comprised of at least three independent members appointed by the board of directors (except in the case of companies controlled by a person or group holding 50% or more of the outstanding capital stock, in which case the majority of the members of the audit committee must be independent). The Audit and Corporate Practices Committee (together with the board of directors, which has additional responsibilities) replaces the auditor that was previously required pursuant to the *Ley General de Sociedades Mercantiles* (General Corporation Law; "LGSM").

We established an audit and corporate practices committee at our general shareholders' meeting held on January 25, 2017. We consider the members of that committee to be independent board members in accordance with the *LMV* and at least one of its members qualifies as a financial expert. The parameters of quality of independence and financial expertise pursuant to Mexican laws differ from those of the New York Stock Exchange, NASDAQ Stock Market or the securities laws of the United States.

The principal duties of the audit and corporate practices committee include supervising our independent auditors; analyzing the reports of the aforementioned auditors; reporting to the board of directors on any existing internal controls and any irregularities relating to the internal controls; as well as supervising the execution of transactions with related parties, the activities of the Chief Executive Officer, the function of the internal audit and the delivery of an annual report to the board of directors. The committee is also responsible for issuing opinions to the board of directors in relation to the performance of our key executives, the operations with related parties, the requests for opinions of independent experts, calling the shareholders' meeting and supporting the board of directors in the preparation of reports for the annual shareholders' meeting.

Our audit and corporate practices committee is comprised of the following three members:

Name	Position
Sergio Visintini Freschi	Chairman
John Randolph Millian	Member of the Board
Ricardo Cervera Lomelí	Member of the Board

Top level executives

Below is a list of our top-level executives, their main responsibilities, experience in the business, including other directorships in which they have served, and their years of service in their current position or with our subsidiaries.

Name	Position	Tenure of Service
Juan Domingo Beckmann	Chief Executive Officer	30 years
Michael Keyes	President and Chief Executive Officer of Proximo Internacional	2 years
Luis Fernando Félix	Chief Executive Officer Mexico and LATAM	19 years
Fernando Suárez Gerard	Chief Financial and Management Officer	2 years
Sergio Rodríguez Molleda	Legal Officer	8 months
Iván Ramos Abreu	Chief Audit Officer	23 years

Gordon Dron	Chief Executive Officer of the EMEA/APAC Regions of José *Cuervo* Master Distribution	5 years
Daniel Loria	Chief Human Resources Officer	2 years
Mauricio Giordano Ferreira	Global Chief Operating and Supply Chain Officer	1 year

Juan Domingo Beckmann Legorreta, see "Management—The Board of Directors."

Michael Keyes is an experienced industry veteran with over three decades of experience in our industry. Mr. Keyes comes from Brown-Forman Corporation, a global alcohol beverage company, where he held various senior-level positions in Sales and Marketing, as well as performing Finance duties. In these positions, Mr. Keyes generated sustained growth in brand value, sales performance and financial results.

Luis Fernando Félix, see the section "Management – Board of Directors."

Fernando Suárez Gerard, see the section "Management – Board of Directors."

Mr. Rodríguez Molleda studied law at the Instituto Tecnológico Autónomo de México (ITAM). Mr. Rodríguez has extensive experience, having joined Teléfonos de México in 1994, where he served as Legal Director of International Affairs and Secretary of the Board of Directors of all the Group's companies. At the same time, he served as attorney of the Board of Trustees of the Club Universitario Nacional and was a member of its board of directors until 2006. Subsequently, he joined Industrias Peñoles, S.A.B. de C.V. in 2008 as Legal Director, where he was involved in several negotiations and legal strategies that had a positive impact on the business.

Iván Ramos Abreu holds a Bachelor's degree in Accounting from the Universidad Nacional Autónoma de México. Mr. Ramos joined the Company in 1998 and has held various positions within the audit area both in Mexico and abroad.

Gordon Dron studied Business at Edinburgh Napier University. He began his career with Rothmans in 1982, and in 1988 he joined Diageo, where he became Director of Market Development for Southeast Asia. In 1996, he spent two years in the European market with United Distillers. He later worked for Imperial Tobacco and in 2006 transitioned to William Grant & Sons, where he was Head of Europe, Middle East, and Africa markets. In 2013, he established a consulting firm where he began to work closely with Proximo and Jose Cuervo Master Distribution. Since August 1, 2016, he has been the Managing Director for the EMEA and APAC regions of Jose Cuervo Master Distribution.

Mauricio Giordano Ferreira is a Mechanical Engineer (FEI-SP), with post-graduate work in Industrial Engineering and Marketing at the Universidade Estadual de Campinas (Unicamp) and the Escola Superior de Propaganda e Marketing (ESPM), respectively. He obtained a master's in Business Administration from Fundação Dom Cabral (FDC) in Brazil. Mr. Ferreira developed his career in the consumer goods companies Unilever and Mondelez, and benefited from more than 30 years of experience in building and managing integrated supply chains. In his last assignments at Mondelez, he was Vice President of Supply Chain for Africa, the Middle East and Asia, where he led the team to operate at the highest levels of service with positive impacts in cost and cash flow, following the implementation of an operations optimization program. Prior to that, he was in charge of the operations in Australia and New Zealand, between 2013 and 2015. Between 2011 and 2013, he led strategic operations and projects in the Mexican market. He spent most of his career at Unilever in Brazil and the United Kingdom, where he worked for 19 years. Starting August 12, 2019, he joined the Company as Global Chief Operating and Supply Chain Officer.

Daniel Loria obtained a degree in Communication Sciences from the Instituto Tecnológico y de Estudios Superiores de Monterrey (ITESM), an institution where he worked in several academic and management positions. He has a master's in Organizational Communication from the California State

University (CSU), which he obtained under the prestigious Fulbright Program. He recently received an advanced certification for Executive Coaching and Organizational Consulting program from the New York University (NYU). Mr. Loria has been a member of the Board of Directors of the National Conference for Christians and Jews (NCCJ) in Greensboro, North Carolina. His previous experience includes several leadership positions in Human Resources management, both locally and internationally, in different companies such as Kellogg Company, Novartis, and RSA Insurance Group (formerly Royal and Sun Alliance). He acted as Global Vice President of Human Resources for MIllicom in the Telecommunications division, and Consultant and Executive Coach in Talent and Organizational Development, and in the field of Diversity and Inclusion, for different companies.

In the year ended December 31, 2020, the total compensation paid by the *Company* to its officers for services provided by them in any capacity was approximately MXN 149.3 million.

Remuneration of Board Members, Secretary and Top-Level Executives

The compensation of our board members, secretary and members of our committees is determined at the general shareholders' meeting. To date, the latest meeting approved net payment to each member of the board of directors of USD 3,500.00 for each session of the board he attends and USD 1,750.00 for each session of a committee he/she attends.

MAIN SHAREHOLDERS

The following table establishes the distribution of our capital stock as of the date of this *Annual Report*.

Shareholder	***Shares***	***Outstanding Capital (%)***
Juan Domingo Beckmann Legorreta and members of his immediate family	1,827,023,486	50.88%
Karen Virginia Beckmann Legorreta	1,278,910,251	35.61%
Public Investors	485,242,564	13.51%
Total Subscribed and paid-in shares	3,591,176,301	100%

In the last three fiscal years, there have been no significant changes in the ownership percentages maintained by our majority shareholders.

Currently, the only shareholders that hold more than 10% of our capital stock are Juan Domingo Beckmann Legorreta and members of his immediate family. It may be considered that, for certain purposes, such people exercise control and significant influence on the *Company* and, as a result, have the power of command over it. No other board member holds more than 1% of our capital stock.

With the exception of that described in this section, no other individual or legal entity, including foreign governments, has a shareholder interest exceeding 10% of the capital stock and to date there exists no commitment, to our knowledge, that could imply a change of control in our shares.

In the last fiscal year, we have not been the object of any public offering seeking to effect a change of control, nor have we made any offer to cause a change of control of another company with shares publicly traded on the *BMV* or any other stock exchange.

Additional information related to directors and shareholders

Our Code of Conduct, as previously mentioned, was renewed and updated at the beginning of 2021. This Code guides employees and stakeholders, including members of the Board of Directors and Senior Management, on the expected behavior in areas that could cause ethical and legal problems if handled incorrectly. In this sense, the Company's business relationships are based on a commitment to always act in an ethical, honest and transparent manner.

The main topics included in the Code of Conduct are, among others: respect, inclusion and an environment free of harassment; respect for human rights; well-being, health and safety; conflicts of interest; basic principles for the responsible consumption of alcoholic beverages; environmental protection; as well as anti-corruption guidelines, personal data protection, use of privileged information and Company assets, and confidentiality of information.

D) DESCRIPTION OF OUR CAPITAL STOCK AND CORPORATE BY-LAWS

The following is a summary of certain significant provisions of our by-laws and of Mexican law. This description should be considered a summary; for a more complete review, you should read our by-laws and applicable Mexican law.

General Description

We were incorporated by means of public instrument number 74,489, dated November 5, 2002, before Carlos de Pablo Serna, notary public number 137 of Mexico City, recorded in the Public Registry of Commerce under electronic commercial folio number 295,310, under the name *"Becle"* as a *Sociedad Anónima de Capital Variable* (variable capital stock corporation) of perpetual existence. The address of our main office is Guillermo González Camarena No. 800, Floor 4, Col. Santa Fe, Zip Code 01210, Mexico City. Our main phone line is (5255) 5258 -7000.

By means of public instrument number 117,951, dated January 25, 2017, before Carlos de Pablo Serna, notary public number 137 of Mexico City, recorded in the Public Registry of Commerce under electronic commercial folio number 295,310, the by-laws of the *Company* were fully amended, to become a *Sociedad Anónima Bursátil de Capital Variable)* (variable capital publicly traded corporation), and therefore, adopt the legal regime of Title II, Chapter II of the *LMV*, the foregoing subject to the condition that the Initial Public Offering of the *Company* were approved, which occurred on February 9, 2017.

Changes in our Capital Stock

The fixed and variable portions of our capital stock may be increased or decreased by means of a resolution adopted by the shareholders holding at least 60% of the shares at a general shareholders' meeting and, if the fixed portion increases or decreases, simultaneously with the increase or decrease, our corporate by-laws shall be amended to reflect the resulting capital stock. The variable portion of our capital stock may increase or decrease without requiring the revision of our corporate by-laws. Increases or decreases in the fixed or variable portion of our capital stock must be recorded in our capital variations registry book, which we are obliged to maintain pursuant to the *LGSM*. New shares cannot be issued unless the shares issued and outstanding at the time of the issuance are fully paid in, except under certain limited circumstances.

Voting rights

All shares representing our capital stock have full voting rights. Each share entitles its holder to vote at any shareholders' meeting.

Shareholders' Meetings

Notices of our general shareholders' meetings shall be published in an electronic system hosted by the Ministry of Economy of Mexico, at least 15 calendar days prior to the date of the corresponding meeting. From the time of the publication of the call to the shareholders' meeting, the information and the documents relating to each of the items of the specific agenda of the general shareholders' meeting must be available to the shareholders. Each call to meeting must indicate the place, the time and the agenda of the general meeting and must be signed by the person issuing the call.

For the shareholders or their representatives to be entitled to attend the general shareholders' meetings and vote thereat, they must submit their share certificates and/or, as applicable, certifications of the share certificates at least 24 (twenty-four) hours before the date and time specified for the Meeting, counted in *business days*, deposited at a securities deposit institution with the respective concession, in terms of the *Securities Market Law*. Such certifications will be exchanged for a certificate issued by the *Company* in which the name and the number of shares that the Shareholder represents will be noted. Such certifications will serve as admission cards for the Meetings.

The shareholders may be represented at the meetings by agents appointed by means of a power of attorney, or by mandate granted in terms of the common legislation, or by means of the proxy forms prepared by us and made available to the shareholders by means of the securities market intermediaries or at our offices, at least 15 calendar days in advance of the holding of the corresponding meeting.

Pursuant to our by-laws in force, general shareholders' meetings may be ordinary or extraordinary. The general shareholders' meetings are those called to discuss any matter that is not reserved to the extraordinary shareholders' meetings. An ordinary shareholders' meeting must be held at least once a year within the first four months following the closing of each fiscal year, to discuss, among other things, the approval of our *financial statements*; the report prepared by the Chief Executive Officer, together with the report of the board of directors on our *financial statements*; the appointment of the members of the aforementioned board of directors and the determination of their remuneration; the appointment of the chairman of the audit and corporate practices committee; the determination of the distribution of profits; the determination of the maximum amount of resources for the acquisition of shares; and the approval of relevant transactions.

The extraordinary shareholders' meetings are those called to consider any of the following matters, among others: change of our duration; early dissolution; increase or decrease of our fixed capital stock, as well as the capital increase in the terms of article 53 of the *LMV* for the purpose of carrying out a public offering; change of our corporate purpose; change of our nationality; transformation; merger with another entity or spin-off; issuance of preferred shares; amortization of our own shares and issuance of beneficial shares; issuance of bonds, obligations or debt instruments, capital instruments or those having the characteristics of both, provided that they are convertible into shares of another company; amendment of our corporate by-laws; cancellation of the registration of our shares at the *RNV* and in national or foreign securities exchanges in which they are registered, not including quotation systems or in informal stock exchanges; and any other matters for which a special shareholders' meeting is required pursuant to applicable Mexican law or our by-laws.

The general shareholders' meetings shall be held at our corporate domicile, namely Mexico City, Mexico. The board of directors, the chairman of the board of directors or the chairman of the audit and corporate practices committee, the vice president of the board of directors or the secretary of the board of directors may call any shareholders' meeting. In addition, the shareholders who hold shares representing 10% of our capital stock shall have the right to request that the chairman of the board of directors, or of the committees that perform the duties of audit and corporate practices, call a general shareholders' meeting at any time.

Quorums

In order for an ordinary general shareholders' meeting to be considered legally held upon first or subsequent call to meeting, at least 51% of our ordinary shares must be represented at the meeting and its resolutions shall be valid when taken by the majority of votes of the shares represented at that meeting.

In order for a special general shareholders' meeting to be considered legally held upon first call, at least 75% of our capital stock must be represented in the meeting. In the event of a second or subsequent call to meeting, the extraordinary general shareholders' meeting may be considered legally held when at least 50% of our capital stock is represented at the meeting. For the resolutions of the extraordinary general meeting to be valid, they must always be adopted with the favorable vote of the number of the shares that represent at least 50% of our capital stock.

Dividends and Distributions

Generally, at an annual ordinary general shareholders' meeting, the board of directors presents the *financial statements* prepared by the Chief Executive Officer corresponding to the preceding fiscal year to the shareholders for their approval. Once the general shareholders' meeting approves those *financial statements*, it shall determine the distribution of the net profits of the preceding fiscal year, if any.

The law requires that, prior to the payment of any dividend, five percent, at minimum, be separated from the net profits of any company to form the reserve fund, until it amounts to one-fifth of the capital stock. The reserve fund must be re-established in the same manner when it decreases for any reason. Additional amounts may be allocated to other reserve funds as determined by the shareholders, including the amount allocated for the repurchase of shares. The balance, as applicable, may be distributed as a dividend.

All of the shares outstanding at the time of the declaration of a dividend or other distribution have the right to participate in that dividend or distribution.

Appointment of Board Members

Our board of directors is currently comprised of seven regular members and three alternates. Each board member is elected for the term of one year, may be re-elected and shall remain in office until his/her successor has been elected and has taken possession of his seat. The board members are appointed by the shareholders at the annual meeting. All of the current regular board members and alternates were elected or ratified in their positions on January 25, 2017.

Pursuant to the *LMV* and our by-laws, at least 25% of the board members must be independent and that independence is qualified at the same shareholders' meeting that appoints them, subject to observations by the *CNBV*.

Board of Directors

Pursuant to the *LMV* and our by-laws, the board of directors shall handle the establishment of the general strategies for conducting our business and the legal entities that we control, as well as the supervision of our management and operation and the legal entities that we control, for which it may rely on one or more committees.

The board of directors shall be responsible for overseeing compliance with the resolutions of the shareholders' meeting, which it may carry out through the committee that performs the audit duties.

In addition, the board of directors represents us and is empowered to enter into any legal acts and to adopt any decisions that may be necessary or appropriate in order to achieve our corporate purpose.

The meetings of the board of directors shall be considered validly called and held if a majority of its members are present. The resolutions adopted in those sessions shall be considered valid if approved by the majority of the members of the board of directors who do not have a conflict of interest. If necessary, the chairman of the board of directors may cast a deciding vote.

The meetings of our board of directors may be called by: (i) 25% of the members; (ii) the chairman of the board of directors or the vice president thereof; (iii) the chairman of the audit or corporate practices committee; and (iv) the secretary of the board of directors. Notice of these meetings must be in writing and made available to the members of our board of directors by certified mail or any electronic means with acknowledgement of receipt to the address or electronic means designated by the relevant member at least one *business day* in advance of the corresponding meeting. Notice is not required if all the members or their respective alternates are present at the meeting. The meetings of the board of directors shall be held at the *Company*'s address, or at any other place as the board of directors may determine or as required, and may be held by telephone, provided that the secretary prepares the corresponding act, which must in all cases be signed by the chairman and the secretary obtains the signatures of the directors who participated. The *LMV* imposes duties of diligence and loyalty upon the board members. The duty of diligence, in general, requires that the board members obtain sufficient information and be sufficiently prepared to act in our best interest. The duty of diligence is fulfilled, primarily, by seeking and obtaining all of the information that may be necessary in order to take decisions (including by means of the hiring of independent experts), attending meetings of the Board and disclosing relevant information in the possession of the respective board member to the board of directors. The failure to fulfill the duty of diligence by a board member subjects the corresponding board member to joint and several liability, together with other responsible board members, with regard to the damage and loss caused to us and to our subsidiaries.

The duty of loyalty consists primarily of a duty to act to our benefit and includes primarily the duty to maintain the confidentiality of the information that the board members receive in relation to the performance of their duties, abstaining from discussing or voting in matters in which the board member has a conflict of interest and abstaining from taking advantage of business opportunities that belong to us. In addition, the duty of loyalty is not fulfilled in the event that a shareholder or group of shareholders is inappropriately favored or if, without the express approval of the board of directors, the board member takes advantage of a corporate opportunity that belongs to us or to any of our subsidiaries.

The duty of loyalty is likewise not fulfilled if a board member uses our assets or approves the use of our assets in violation of any of our policies, divulges false or misleading information, orders the non-recording or prevents the recording of any transaction in our records, which may affect our *financial statements*, or causes important information not to be disclosed or modified.

The failure to fulfill the duty of loyalty subjects the corresponding board member to joint and several liability with all of the board members who have failed to fulfill such duty, with regard to the damage and loss caused to us and to the persons we control. Liability also exists if damage or loss is caused as a result of benefits obtained by board members or third parties resulting from activities executed by the board members.

Claims for non-fulfillment of the duty of diligence or the duty of loyalty may be instituted solely in our favor (as a derivative action), and not that of the shareholders, and solely by us or shareholders representing at least 5% of the outstanding shares.

As a protective measure for the board members, with regard to the violations of the duty of diligence or the duty of loyalty, the *LMV* establishes that liabilities derived from the failure to fulfill the duty of diligence or the duty of loyalty shall not be applicable in the event that the board member acted in good faith and (a) in compliance with the *applicable law* and our corporate by-laws; (b) on the basis of facts and the information provided by the officials, independent auditors or external experts, whose capability and credibility cannot be subject to reasonable doubt; and (c) chooses the most appropriate alternative in good faith or when the negative effects of that decision cannot be reasonably foreseen, according to the information available. The Mexican courts have not interpreted the meaning of that provision and, therefore, the scope and significance of the same is uncertain.

Pursuant to the *LMV* and our by-laws, our Chief Executive Officer and our key officers must also act in favor of the *Company* and not in favor of a shareholder or group of shareholders. Primarily, our Chief Executive Officer and our key officers must submit to the board of directors the approval of the principal business strategies and the business of the companies that we control; implement the resolutions of the board of directors; comply with the provisions relating to the repurchase and offering of our shares; verify the execution of contributions of capital; comply with any provision relating to the declaration and payment of dividends; submit proposals to the audit committee relating to systems of internal control; prepare all material information relating to our activities and the activities of the companies that we control; disclose all material information to the public; maintain adequate accounting and record-keeping systems, as well as mechanisms of internal control; and prepare and submit the annual *financial statements* to the board for its approval.

Audit and Corporate Practices Committee

We have an audit and corporate practices committee, which supports the board of directors in the management, conducting and execution of our business, and which performs the audit and corporate activities set forth by the *LMV* and analyzes and evaluates any transactions in which we might have a conflict of interest. The committee that performs the functions of audit and corporate practices must be comprised solely of independent board members and must consist of at least three board members.

Dissolution or Liquidation

Prior to our dissolution or liquidation, one or more liquidators must be appointed at an extraordinary shareholders' meeting. All of the shares of the capital stock fully paid in and outstanding shall have the right to equitable participation in any distribution resulting from the liquidation.

Registration and Transfer

Our shares are registered with the *RNV*, as required under the *LMV* and the *CNBV regulation*. Shares are evidenced by certificates issued in registered form, which are to be deposited with *Indeval* at all times. Accounts may be maintained at *Indeval* by brokers, banks and other Mexican and non-Mexican financial institutions and entities authorized by the *CNBV* to be participants at *Indeval*. In accordance with Mexican law, only persons listed in our stock registry, and holders of certificates issued by *Indeval* coupled with certificates issued by *Indeval* participants, will be recognized as our shareholders. Under the *LMV*, certifications issued by *Indeval*, together with certifications issued by *Indeval* participants, are sufficient to evidence ownership of our shares and to exercise rights in respect to those shares, at shareholders' meetings or otherwise.

Preemptive Rights

Under our by-laws, our shareholders have preemptive rights for all share issuances or capital stock increases, except in the cases noted below. Generally, if we issue additional shares of capital stock, our stockholders will have the right to purchase the number of shares necessary to maintain their existing ownership percentage. Stockholders must exercise their preemptive rights within the time periods set forth by our shareholders at the meeting approving the relevant issuance of additional shares. This period may not be less than 15 days following the publication of the relevant notice in the electronic system established by the Ministry of the Economy of Mexico or any other legally permitted means.

Pursuant to Mexican law, shareholders may not waive their preferential right in advance and the preferential rights may not be represented by an instrument that is negotiable separately from the corresponding share. The preferential rights do not apply to (i) shares issued in relation to mergers; (ii) shares issued in relation to the conversion of convertible securities, whose issuance may have been approved by our shareholders; (iii) shares issued in relation to the capitalization of accounts specified on our general balance sheet or dividends in shares; (iv) the placement of shares deposited in our treasury as a result of the repurchase of those shares by us on the *BMV*; and (v) shares that are placed as part of a public offering pursuant to article 53 of the *LMV*, in the event that the issuance of such shares has been approved in a general shareholders' meeting.

It is possible that foreign shareholders may not be able to exercise the preferential subscription rights in the event of future capital increases unless certain conditions are met. We are not obligated to adopt any measure, or to obtain any authorization necessary, in order to permit that exercise. See "Risk Factors—Preemptive rights may be unavailable to non-Mexican shareholders."

Amortization

Our by-laws establish that we are able to amortize our shares with distributable profits without reducing our capital stock in the event that this is approved by means of a resolution in an extraordinary general shareholders' meeting. The amortization must be carried out pursuant to the terms established in an extraordinary general shareholders' meeting, pro rata or in relation to shares selected in a group.

Minority Shareholder Rights

Pursuant to the *LMV* and the *LGSM*, our by-laws include certain protections for minority shareholders. These protections for minority shareholders include:

1. Holders owning at least 10% of the total of our outstanding share capital with voting rights may: (i) request the calling of a shareholders' meeting; (ii) request that the resolutions relating to any matter of which they were not sufficiently informed be deferred; and (iii) appoint or remove one member of the board of directors as well as his respective alternate.
2. Holders that are owners of at least 20% of our outstanding share capital may judicially challenge the resolutions adopted in a shareholders' meeting, provided that certain requirements are fulfilled, such as: (i) that the resolution violates the *applicable law* or our corporate by-laws; (ii) that the challenging shareholder did not attend the meeting or did not vote in favor of that resolution; and (iii) that the challenging shareholder submits a document to the court that guarantees the payment of any damage that may result from the suspension of the resolution adopted in the event that the aforementioned court rules against the challenging shareholder.
3. In addition, shareholders who are owners of at least 5% or more of our capital stock may institute civil liability action, provided in the *LMV*, against any or all of our board members or relevant directors, for damage and loss caused to us by failure to fulfill their duties of diligence and loyalty. This liability shall be exclusively in our favor and actions to require it have a limitation of five years.
4. Holders owning at least 10% of our outstanding share capital may require us to register and list our shares in a stock exchange or other recognized market. Furthermore, we are required to cooperate with such shareholders in case they intend to sell their shares through a public offering.

The rights granted to the minority shareholders pursuant to Mexican law are different from those granted in the United States and in many other jurisdictions. The duties of diligence and loyalty of the board members has not been the subject of extensive judicial interpretation in Mexico, contrary to many states of the United States where the duties of diligence and loyalty developed by judicial decisions helps to define the rights of the minority shareholders.

As a result of these factors, in practice, it may be more difficult for our minority shareholders to exercise rights against us, our board members or majority shareholders than it would be for the shareholders of a company in the United States.

Restrictions on Certain Acquisitions

According to our by-laws, any transfer of more than 10% of our shares, carried out in one or more transactions by any person or group of persons acting jointly, requires the prior approval of our board of directors, except for certain transfers permitted pursuant to our by-laws.

For the aforementioned purpose, a request for authorization must be submitted in writing addressed to the chairman and to the secretary of our board of directors. The aforementioned request must contain the following information: (i) the number and class of our shares that are owned by the person or group of persons that intends to make the purchase; (ii) the number and class of shares or the rights thereto that are the subject of the purchase; (iii) the identity and nationality of each of the potential purchasers; and (iv) a declaration as to whether there is an intention to acquire a significant influence (as that term is defined in the *LMV*) or control (as that term is defined in our corporate by-laws) over us. The board of directors shall issue its decision within a term not to exceed three months from the date of submission of the corresponding request or the date on which the entirety of the additional information that may have been required is received, as applicable.

The measures described above shall not apply to transfers made by means of one or more of the following acts: (a) the transfer by inheritance, succession or between blood relatives or relatives by affinity up to the third degree, of shares, by any means, including assignments, donations or any other disposals, directly or through any corporation, trust or its equivalent, vehicle, entity, company and other form of economic or mercantile association, under the laws of any jurisdiction and however such companies or vehicles are denominated and in all the above-mentioned cases, which are under the control of the person who directly or indirectly is the owner or beneficiary of such shares prior to the transfer, b) increases in the percentages of shareholding due to reductions or increases in capital stock agreed upon by the Company's Shareholders' Meeting, c) mergers of the Company with other companies, unless they are due to a merger with companies belonging to another business group different from the one headed by the Company, d) acquisitions in compliance with a final and unappealable judgment declared by a jurisdictional authority, and e) the donation of shares free of charge received by the descendants of their forebears in a straight line, or received by the forebears from their descendants in a straight line, provided that the shares received are not donated by the forebear to another descendant in a straight line without limitation of degree.

Delisting or Cancellation of Registration with the *RNV*

In the event that we decide to cancel the registration of our shares at the *RNV* or our registration is canceled by the *CNBV*, we shall be obliged to carry out a public offering to purchase the entirety of the shares that are outstanding, in the possession of minority shareholders, before proceeding with the aforementioned cancellation. That offer shall be extended solely to those persons who do not belong to the group of shareholders that exercises control over us. The shareholders that exercise *"control,"* as defined in the corresponding provisions of the *LMV*, are those that own the majority of our shares, have the capability to control the results of the decisions taken at the shareholders' meetings or have the potential to appoint or revoke the appointment of the majority of the members of the board of directors or equivalent officers, or may control, directly or indirectly, our management, strategy or principal policies.

In the event that upon the conclusion of the public offering to purchase, shares still remain in the hands of the investing public, we could be required to establish a trust with a duration of six months and to contribute resources to that trust in an amount sufficient to purchase, at the same price offered in the public offering to purchase, the entirety of the shares that are in the hands of the investing public and that have not been sold as a result of the offer.

Unless the *CNBV* grants authorization to the contrary, the offering price, in the event of cancellation of registration at the *RNV*, shall be that which is the highest of (i) the weighted average of the closing prices of those shares on the *BMV* during the last 30 days of operation and (ii) the book value of those shares reported in the most recent quarterly report submitted to the *CNBV* and the *BMV*.

Voluntary cancellation of the registration shall be subject, among others, to (i) the prior authorization of the CNBV, and (ii) the favorable vote of at least 95% of the shares representing the capital stock, gathered at an extraordinary general shareholders' meeting.

Additional Aspects

Forfeiture of Shares

As required by Mexican law, our by-laws provide that any non-Mexican shareholder shall be considered as a Mexican citizen with respect to shares held by it, property rights, concessions, participations and interests we own, and rights and obligations derived from any agreements we have with the Mexican government. Non-Mexican shareholders shall be deemed to have agreed not to invoke the protection of their governments, under penalty, in case of breach of such agreement, of forfeiture to the Mexican Government of such interest or participation.

Mexican law requires that such a provision be included in the by-laws of all Mexican corporations unless such by-laws or *applicable law* prohibit ownership of shares by non-Mexican persons.

Share Repurchase

Pursuant to our by-laws, we may repurchase our own shares from the *BMV* at any time at the market price then in force. Any purchase on these terms must conform to the applicable law in Mexico. The maximum amount authorized for the repurchase of shares must be approved by an ordinary general shareholders' meeting. The ownership and voting rights corresponding to the repurchased shares may not be exercised during the period in which we are the holder of those shares. The same shall not be considered as outstanding shares for the purposes of any quorum or any voting in any shareholders' meeting during that period.

Conflicts of Interest

Pursuant to the *LGSM*, a shareholder that, in a certain transaction, holds an interest (on its own behalf or on behalf of another) that is in conflict with ours, shall be obliged to abstain from any deliberation relating to that transaction. A shareholder that violates this provision shall be liable for the damage and loss when, without his/her vote, the majority necessary for the validity of the decision would not have been achieved.

Any member of the board of directors or of the committee that performs the duties of audit or corporate practices that has a conflict of interest with us must give notification of that conflict and abstain from any deliberation or vote in relation to the same. The failure of any member of the board of directors or of the aforementioned committee to fulfill this obligation may result in liability for the damage and loss caused by that board member.

Withdrawal Rights

Pursuant to the *applicable regulation* and our by-laws, whenever shareholders approve a change in our corporate purpose, nationality or corporate form, any shareholder entitled to vote that voted against the approval of such matter is entitled to withdraw its shares, as applicable, and receive the value of his/her contributions, so long as the shareholder exercises its appraisal rights within 15 days following the adjournment of the meeting at which the relevant change was approved.

5) <u>CAPITAL MARKETS</u>

A) SHAREHOLDER STRUCTURE

As of the date of this *Document*, the shares representing the capital stock of the *Company* are 3,591,176,301 single series, common, ordinary, registered shares, no par value, which are registered in the *RNV*. Such shares started trading on the *BMV* on February 9, 2017, when the *Company* made its *Initial Public Offering*.

B) SHARE PERFORMANCE IN THE MEXICAN SECURITIES MARKET

The following chart shows the maximum and minimum trading prices of our Shares in the *BMV*:

Monthly Performance

2020	Maximum	Minimum	Closing	Shares (Daily Average Volume)	Shares Traded Monthly	Amount (MXN)
January	35.56	33.43	35.04	1,336,220	29,396,846	1,005,085,885
February	35.90	29.97	29.97	1,920,955	36,498,148	1,236,638,207
March	32.20	27.50	28.99	2,368,560	49,739,756	1,486,387,490
April	38.01	27.87	36.97	3,525,825	70,516,509	2,440,296,850
May	38.87	35.52	38.40	7,712,999	154,259,986	5,788,887,740
June	44.50	38.77	44.26	3,093,618	68,059,590	2,800,730,870
July	46.78	40.35	44.59	1,748,909	40,224,918	1,731,617,939
August	44.71	40.23	41.81	2,142,893	45,000,745	1,870,990,020
September	45.13	40.83	45.13	1,217,484	25,567,166	1,096,220,460
October	47.65	43.39	44.53	1,676,750	36,888,501	1,687,068,720
November	49.24	43.50	47.39	2,202,495	41,847,397	1,980,130,760
December	50.33	47.03	49.94	1,156,180	25,435,970	1,242,199,830

Monthly Performance

2019	Maximum	Minimum	Closing	Shares (Daily Average Volume)	Shares Traded Monthly	Amount (MXN)
January	24.71	24.23	24.43	2,834,678	62,362,916	1,553,500,550
February	27.46	26.11	27.12	2,908,129	55,254,443	1,390,942,818
March	30.29	29.32	29.88	2,725,337	54,506,733	1,547,816,300
April	30.75	29.07	29.79	1,778,100	35,562,007	1,051,945,469
May	29.86	28.30	28.61	3,134,497	68,958,925	2,127,508,380
June	30.00	29.45	29.78	2,006,613	40,132,252	1,191,022,000
July	28.64	27.93	28.43	2,155,020	49,565,456	1,415,484,200
August	28.34	28.00	28.11	3,217,988	70,795,744	2,053,373,030
September	29.28	28.72	29.09	1,542,263	30,845,268	900,593,439
October	33.92	33.10	33.24	2,506,118	57,640,722	1,790,366,450

November	33.87	33.01	33.09	1,111,029	22,220,583	741,697,221
December	35.25	34.75	35.16	1,060,560	21,211,209	727,039,773

2018	Maximum	Minimum	Closing	Shares (Daily Average Volume)	Shares Traded Monthly	Amount (MXN)
January	34.10	31.50	33.86	1,219,233	26,823,131	886,851,8899
February	34.77	32.16	34.77	1,157,107	21,985,037	740,656,192
March	36.90	35.46	36.90	2,115,777	42,315,546	1,542,570,096
April	36.49	31.68	31.68	2,312,532	48,563,166	1,682,902,854
May	32.36	30.31	32.36	2,655,595	58,423,088	1,831,729,026
June	31.96	28.43	28.73	3,090,353	64,897,406	1,944,351,569
July	30.25	25.97	25.97	5,889,131	129,560,880	3,550,975,769
August	27.05	25.60	27.05	5,062,619	116,440,240	3,035,065,462
September	30.33	27.13	30.33	2,854,224	57,084,477	1,643,404,119
October	31.34	24.69	24.95	3,240,426	74,529,787	2,035,741,614
November	25.61	22.40	25.61	3,438,573	68,771,467	1,627,956,474
December	26.26	23.39	26.26	1,669,446	31,719,483	780,082,651

The trading prices of the *Company*'s shares may be affected by the financial position, the results of operations, funding requirements and outlook of the *Company*, including other economic and financial factors and market conditions. See *"1) Overview – c) Risk Factors"*. We cannot assure that the trading prices of the Shares will be maintained within the aforementioned margins.

C) MARKET MAKER

No market maker services were provided to the Company.

6) RESPONSIBLE PERSONS

We, the undersigned, declare under oath that, within the scope of our respective duties, we prepared the information regarding the Company contained in this annual report, which, to the best of our knowledge, reasonably reflects its condition. Likewise, we state that we are not aware of relevant information that has been omitted or misrepresented in this annual report or that it contains information that may mislead investors.

Becle, S.A.B. de C.V.

____

Juan Domingo Beckmann Legorreta

Chief Executive Officer

____

Fernando Suárez Gerard

Chief Financial Officer

____

Sergio Rodríguez Molleda

Legal Officer

The undersigned declares under oath that the *financial statements* contained in this annual report for the fiscal years ended December 31, 2020 and 2019 were audited on March 9, 2020, in accordance with the International Standards on Auditing.

Likewise, I declare that I have read this annual report and based on my reading and within the scope of the audit work performed, I am not aware of relevant errors or inconsistencies in the financial information included, and whose source comes from the *audited financial statements* mentioned in the previous paragraph, or financial information that has been omitted or misrepresented in this annual report or that it contains financial information that may mislead investors.

However, the undersigned was not hired, and I did not perform additional procedures in order to express my opinion regarding other information contained in this annual report that does not come from the *financial statements* audited by him.

PricewaterhouseCoopers, S.C.

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C.P.C. José Luis Guzmán Ortiz

Audit Partner

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[*]

Legal representative

The undersigned states under oath that the consolidated financial statements contained in this annual report for the fiscal years ended December 31, 2018, 2017 and 2016 were audited on March 22, 2019, in accordance with the International Standards on Auditing.

Likewise, I state that I have read this annual report and based on my reading and within the scope of the audit work performed, I am not aware of relevant errors or inconsistencies in the information included, the source of which comes from the *audited financial statements* mentioned in the previous paragraph, or of information that has been omitted or misrepresented in this annual report or that it contains information that may mislead investors.

However, the undersigned was not hired and did not perform additional procedures to state his opinion regarding other information contained in this annual report that does not come from the consolidated financial statements audited by him.

KPMG Cárdenas Dosal, S.C.

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Miguel León Vadillo

Audit Partner

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[●]

Legal representative

Exhibit 1

FINANCIAL STATEMENTS

AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2020 AND 2019, PREPARED BY PRICEWATERHOUSECOOPERS, S.C.; AND AS OF DECEMBER 31, 2018, 2017 AND 2016, PREPARED BY KPMG CÁRDENAS DOSAL, S.C.

Exhibit 2

STATEMENT OF THE INDEPENDENT AUDITOR

Exhibit 3

REPORT OF THE AUDIT AND CORPORATE PRACTICES COMMITTEE FOR FISCAL YEAR 2019, AND REPORT OF THE STATUTORY AUDITOR OF THE ISSUER FOR FISCAL YEARS 2020, 2019 AND 2018