



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

FINANCIAL REPORT
TO BOND HOLDERS

First quarter 2016



Mexico City, Mexico, May 30, 2016. – Becele S.A. de C.V. and Subsidiaries (formerly JB y Compañía, S.A. de C.V. and Subsidiaries) (which we refer collectively as “Jose Cuervo”) announced today its operating and financial results for the first quarter 2016 and 2015.

Recent Developments

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

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

Operating and Financial Highlights

In the first quarter 2016, total volume was 3.027 million 9 liter cases, 1.1 % less than same period of last year, mainly driven by lower volume of non alcoholic Jose Cuervo Margarita Mix in USA and partially offset by the addition of Bushmills whisky which was acquired on February 27, 2015.

For the first quarter of 2016, net sales less excise taxes (“Net Sales”) totaled MXP 3,446.3 million, 13.1% more than the same quarter of the previous year. This increase is mainly driven by Tequila volume mix, one month of Irish whisky sales and the positive impact of foreign exchange on export sales.

Operating income for the first quarter was MXP 850.9 million, 54.5% higher than the same period of last year. The increase comes from positive revenue growth, adequate expense control, and the combined impact of peso denominated cost and expenses and US dollar denominated export sales.

Operating margin for the first quarter was 24.7%, 6.6 margin point higher than the same quarter 2015.

Comprehensive Financial Result

In the first quarter 2016, net interest expense was MXP 81.7 million, compared to MXP 8.5 million same quarter last year, due to the bridge loan term financing incurred by the company for the purchase of 100% shares of The Old Bushmills Distillery on February 27, 2015. This bridge loan was paid with the proceeds of the bond issued on May 2015.

The company recorded a foreign exchange loss of MXP 59.4 million compared to a foreign exchange gain of MXP 5.8 million for the first quarter 2015. This FX loss is explained by the higher US dollar denominated long-term leverage of the company and the depreciation of the Mexican Peso against the US dollar.



The company recorded a comprehensive financial loss of MXP 141.1 million, compared with a comprehensive financial loss of MXP 2.7 million in the same quarter last year. The company net debt position is MXP 5,176.7 million, all denominated in US dollars.

Sale of the Shares of Tequila Don Julio (TDJ)

The sale of the shares of TDJ on February 27, 2015 resulted in a net gain MXP 3,403.3 million.

Controlling Net Income

Controlling net income in the first quarter of 2016 totaled MXP 463.6 million, MXP 2,174.0 lower than last year, explained by the gain of the sales of Tequila Don Julio shares in February 2015 and by higher comprehensive financial loss this year due to higher leverage in US dollars and the depreciation of the Mexican peso.

Balance Sheet Highlights

As of March 31, 2016, the cash balance position of the company reached MXP 3,411.0 million. Approximately 90% of this cash position is US dollar denominated.

Inventories were MXP 2,398.3 million.

Non-current inventory, which includes whisky maturing inventory and agave plantation, was MXP 5,439.8 million.

Property, plant and equipment totaled MXP 2,845.6 million, MXP 21.8 million higher than December 31, 2015.

Intangible assets, trademarks and goodwill totaled MXP 6,599.2 million.

Long term debt was MXP 8,587.7 million for 2016. This increase is due to the bridge loan contracted for the acquisition of 100% shares of The Old Bushmills Distillery.

Cash Flow Highlights

In the first quarter 2016, the cash flow from operating activities was MXP 877.8 million.

Operating activities and working capital investments used MXP 503.6 million.

Net cash used in investment activities was MXP 84.2 million.

Net cash paid from financing activities was MXP 4.8 million.

Net cash flow (cash and cash equivalents) increased MXP 285.2 million.

The company cash position ended at MXP 3,411.0 million.



Conference Call Information:

Jose Cuervo 2016 first quarter results Conference Call will be held on: Friday June 3, 2016 at 4:00 PM Eastern Time (3:00 PM Mexico City Time). To participate in the conference call, please dial:

México	01-800-0362000
USA	1-855-3781619
Canada	1-844-6525913
UK	0-800-3763592
Others	+52-5530031112

Access Code: 8526472

If you are unable to participate live, the conference call audio will be available on www.ircuervo.com



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

Consolidated Statement of financial position

(Thousands of Mexican pesos)

	March 31	December 31		March 31	December 31
	<u>2016</u>	<u>2015</u>		<u>2016</u>	<u>2015</u>
Assets			Liabilities and Stockholders' Equity		
Current assets:			Current liabilities:		
Cash and cash equivalents	\$ 3,410,977	3,125,809	Current installments of notes payable to banks	\$ 125,980	43,016
Accounts receivable, net	2,360,153	3,400,891	Trade accounts payable	1,465,453	1,527,861
Related parties	3,295,585	3,266,684	Other liabilities	427,407	711,046
Other receivables	1,799,231	593,704	Accruals	717,157	620,813
Inventories, net	2,398,271	2,484,649	Employee statutory profit sharing	11,617	11,617
Prepayments	<u>156,736</u>	<u>135,307</u>	Related parties	<u>271,329</u>	<u>235,991</u>
Total current assets	13,420,953	13,007,044	Total current liabilities	3,018,943	3,150,344
Non-current inventory	5,439,799	5,448,949	Long-term debt, excluding current installments	8,587,706	8,490,206
Property, plant, and equipment, net	2,845,637	2,823,789	Deferred income taxes and employee statutory profit sharing	<u>1,226,831</u>	<u>1,226,831</u>
Employee benefits	100,465	102,848	Total liabilities	<u>12,833,480</u>	<u>12,867,381</u>
Intangible assets and trademarks	3,530,610	3,536,486	Stockholders' equity:		
Goodwill	3,068,617	3,068,617	Controlling interest:		
Other assets	87,675	84,118	Capital stock	6,492,756	6,492,756
Security deposits	2,808	2,808	Additional paid-in capital	334,489	334,489
			Retained earnings	8,686,019	8,222,427
			Cumulative translation effect	<u>149,820</u>	<u>157,606</u>
			Total stockholders' equity	15,663,084	15,207,278
			Commitments and contingent liabilities		
	<u>\$ 28,496,564</u>	<u>28,074,659</u>		<u>\$ 28,496,564</u>	<u>28,074,659</u>



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

Consolidated Statements of Comprehensive Income

Three months January to March 2016, and 2015.

(Thousands of Mexican pesos)

	<u>3 months</u> <u>March 2016</u>	<u>3 months</u> <u>March 2015</u>
Net sales	\$ 3,446,299	3,046,091
Cost of goods sold	<u>(1,687,555)</u>	<u>(1,580,996)</u>
Gross profit	<u>1,758,744</u>	<u>1,465,095</u>
Expenses:		
Advertising, marketing and promotion	559,016	534,818
Distribution	92,057	90,229
Sales	50,783	48,897
Administration	<u>205,962</u>	<u>240,423</u>
Total expenses	<u>907,818</u>	<u>914,367</u>
Operating income	<u>850,926</u>	<u>550,728</u>
Other expenses, net	<u>(74,131)</u>	<u>(189,306)</u>
Comprehensive financial results:		
Interest income	(81,686)	(8,540)
Foreign exchange (loss) gain, net	<u>(59,438)</u>	<u>5,801</u>
Comprehensive financial results, net	<u>(141,124)</u>	<u>(2,739)</u>
Sale of investment in 2015 and equity method in associated in 2014.	<u>-</u>	<u>3,403,279</u>
Income before income taxes	<u>635,671</u>	<u>3,761,962</u>
Income taxes, net	<u>172,080</u>	<u>1,124,399</u>
Total income taxes	<u>172,080</u>	<u>1,124,399</u>
Consolidated net income	<u>\$ 463,591</u>	<u>2,637,563</u>
Other comprehensive income:		
Cumulative translation effect	<u>(7,786)</u>	<u>223,182</u>
Comprehensive income	<u>(7,786)</u>	<u>223,182</u>



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

Consolidated statements of cash flows

Three months as of March 31, 2016 and year ended December 31, 2015

(Thousands of Mexican pesos)

	<u>March 2016</u>	<u>December 2015</u>
Cash flows from operating activities:		
Income before income taxes	\$ 635,671	7,108,310
Items relating to investing activities:		
Depreciation and amortization	72,148	262,728
Gain on sale of property, plant and equipment	(1,391)	(10,107)
Gain on sale of joint venture available for sale	-	(3,253,963)
Interest income	(6,104)	(10,053)
Sale of shares under common control	-	(154,779)
Long-term debt amortization	-	5,159
Translation effect	(7,786)	216,094
Item relating to financing activities		
Interest expense	87,790	135,231
Unrealized gain	97,500	-
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Subtotal	877,828	4,298,620
Accounts receivable	1,040,738	194,522
Related parties	(28,900)	(905,984)
Other receivables	(1,205,527)	(83,711)
Inventories	95,528	(203,280)
Security deposits	-	(1,103)
Prepayments	(21,429)	11,758
Trade accounts payable	(62,407)	28,293
Other liabilities	(283,639)	(312,791)
Accruals	96,344	(26,215)
Income taxes paid	(172,080)	(1,810,462)
Accounts payable to related parties	35,338	134,581
Employee statutory profit sharing	-	(396)
Changes in direct employee benefits	2,383	(261,914)
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Net cash provided by operating activities	(503,651)	(3,236,702)
Cash flows from investing activities:		
Investment in property, plant and equipment	(92,605)	(435,310)
Business acquisition	-	(10,664,773)
Mergers	-	(318,353)
Proceeds from sale of joint venture and trademark	-	4,656,252
Increase in other non current assets	2,319	-
Proceeds from sale of property, plant and equipment	-	17,046
Proceeds from sale of shares under common control	-	57,762
Interest collected	6,104	10,053
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Net cash used in investing activities	(84,182)	(6,677,323)
Cash surplus to be applied in financing activities (Cash to be obtained from financing activities)	<hr/>	<hr/>
	289,995	(5,615,405)
	<hr/>	<hr/>
Cash flows from financing activities:		
Proceeds from loans	-	8,528,063
Dividends paid	-	(2,057,092)
Payments on loans	-	(995,439)
Interest paid	(4,827)	(135,231)
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Net cash used in financing activities	(4,827)	5,340,301
Net increase (decrease) in cash and cash equivalents	285,168	(275,104)
Cash and cash equivalents:		
At beginning of year	3,125,809	3,322,162
Cash received from mergers	-	78,751
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At end of year	\$ 3,410,977	3,125,809