



Becle, S.A.B. de C.V. Reports Fourth Quarter and Full Year 2019 Unaudited Financial Results

Mexico City, Mexico, February 27, 2020 /BUSINESSWIRE/ -- BECLE, S.A.B. de C.V. ("Cuervo", "BECLE" or the "Company") (BMV: CUERVO) today announced financial results for the quarter and full year ended December 31, 2019.

All figures in this release are derived from the Interim Consolidated Financial Statements of the Company as of December 31, 2019, and for the three-month and twelve-month periods then ended, which are prepared in accordance with International Financial Reporting Standard (IFRS).

Fourth Quarter 2019 Highlights

- Volume increased 6.4% on an underlying basis to 7.6 million nine-liter cases;
- Net sales increased 5.2% on an underlying basis to P\$10,434 million pesos;
- Gross profit decreased 8.3% to P\$5,312 million pesos. Gross margin was 50.9%;
- EBITDA increased 1.6% to P\$2,259 million pesos. EBITDA margin was 21.6% and;
- Consolidated net income decreased 30.6% to P\$1,429 million pesos, resulting in earnings per share of P\$0.40.

Full Year 2019 Highlights

- Volume increased 7.5% on an underlying basis to 22.1 million nine-liter cases;
- Net sales increased 9.2% on an underlying basis to P\$29,348 million pesos;
- Gross profit decreased 3.2% to P\$15,666 million pesos; Gross margin was 52.7%;
- EBITDA increased 0.4% to P\$6,096 million pesos. EBITDA margin was 20.5% and;
- Consolidated net income decreased 7.8% to P\$3,718 million pesos, resulting in earnings per share of P\$1.04.

All abovementioned increases and decreases have been determined in comparison to the corresponding period in the preceding year.

Management Commentary

Becle finished 2019 with strong underlying volume and net sales growth during the fourth quarter, delivering consistent top line growth driven by solid performance in the U.S. and Canada, and Mexico regions. For the full year 2019, the Company generated 7.5% and 9.2% underlying volume and net sales growth, respectively. The Company continued to see strong depletion trends in the U.S. and Canada while efficiently managing distributor's tequila inventories across all geographies. Growth was once again led by the premiumization trend toward super premium tequilas across all regions as well as increased pricing in the Mexican region. Despite cost pressures, fourth quarter underlying net sales and volume grew 5.2% and 6.4%, respectively, contributing to EBITDA growth. The Company remains well positioned in the global spirits industry, with strong brands in high growth regions and categories.

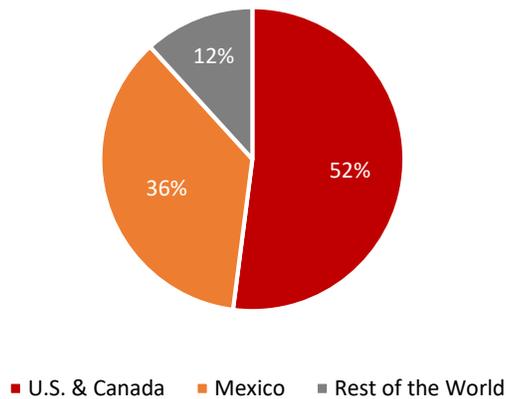
Fourth Quarter 2019 Results

Volume by Region 4Q19 (in 000s nine-liter cases)

Region	4Q19	4Q18	4Q18 PF*	(Var. % YoY) PF*	(Var.% YoY)
U.S. & Canada	3,914	3,800	3,630	7.8%	3.0%
Mexico	2,771	2,614	2,612	6.1%	6.0%
<u>Rest of the World</u>	<u>883</u>	<u>889</u>	<u>874</u>	<u>1.0%</u>	<u>-0.7%</u>
Total	7,568	7,303	7,116	6.4%	3.6%

* Pro forma for the non-renewal of the distribution agreement for the The Cholula Food Company in April of 2019. For comparison purposes only.

Volume breakdown by region 4Q19



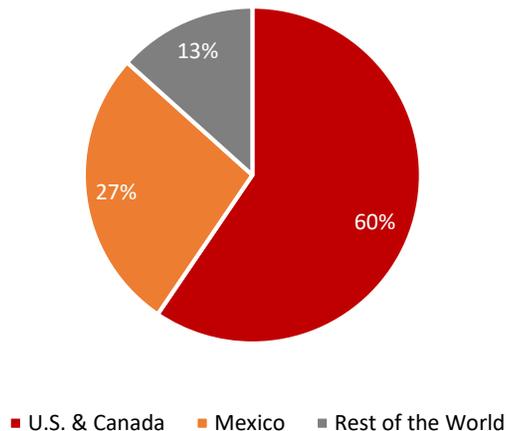
During the fourth quarter of 2019, total volume increased 6.4% on an underlying basis to 7.6 million nine-liter cases (+3.6% reported). The year-over-year growth reflected 7.8% increase in the U.S. and Canada on an underlying basis (+3.0% reported), driven by strong consumer take-away and depletion trends, led by continued strong performance of tequila; a 6.1% increase in Mexico on an underlying basis (+6.0% reported), driven by continued strong shipments of tequila partially offset by a deceleration of the non-alcoholic beverage portfolio; and an 1.0% increase in the Rest of the World (RoW) region on an underlying basis (-0.7% reported).

Net Sales by Region 4Q19 (in MXN\$ millions)

Region	4Q19	4Q18	4Q18 PF*	(Var. % YoY) PF*	(Var.% YoY)
U.S. & Canada	6,207	6,404	6,081	2.1%	-3.1%
Mexico	2,836	2,422	2,420	17.2%	17.1%
<u>Rest of the World</u>	<u>1,391</u>	<u>1,442</u>	<u>1,419</u>	<u>-2.0%</u>	<u>-3.5%</u>
Total	10,434	10,268	9,920	5.2%	1.6%

* Pro forma for the non-renewal of the distribution agreement for the The Cholula Food Company in April of 2019. For comparison purposes only.

Net sales breakdown by region 4Q19



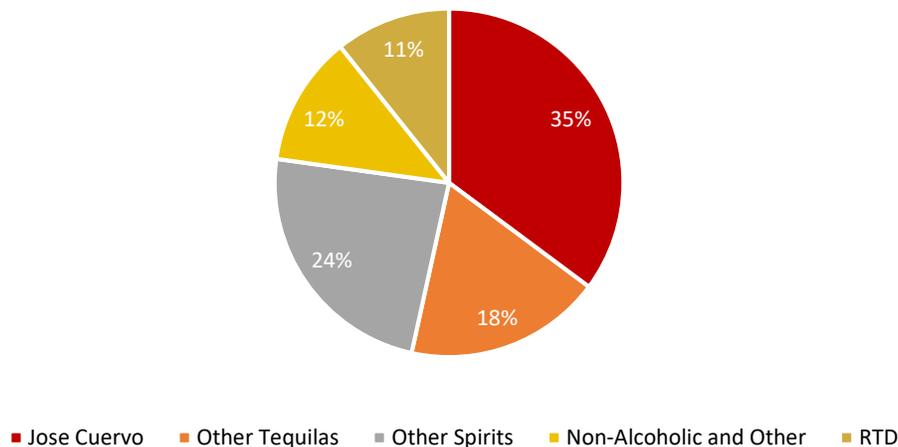
Fourth quarter 2019 net sales increased 5.2% on an underlying basis to P\$10,434 million pesos (+1.6% reported). Net sales in Mexico increased 17.2% on an underlying basis (+17.1% reported), primarily driven by the strong volume growth in super premium tequilas as a result of the price increases implemented in the last twelve months. In the same period, U.S. and Canada net sales increased 2.1% on an underlying basis (-3.1% reported), primarily reflecting the non-renewal of the distribution agreement for the The Cholula Food Company and the Mexican peso appreciation against the U.S. dollar on a year on year comparison. Net sales of the RoW region decreased by 2.0% on an underlying basis (-3.5% reported) when compared to the fourth quarter of 2018.

Volume by Category 4Q19 (in 000s nine-liter cases)

Category	4Q19	4Q18	4Q18 PF*	(Var. % YoY) PF*	(Var.% YoY)
Jose Cuervo	2,644	2,425	2,425	9.1%	9.1%
Other Tequilas	1,373	1,244	1,244	10.4%	10.4%
Other Spirits	1,785	1,693	1,693	5.4%	5.4%
Non-Alcoholic and Other	960	1,180	993	-3.3%	-18.7%
<u>RTD</u>	<u>806</u>	<u>761</u>	<u>761</u>	<u>5.8%</u>	<u>5.8%</u>
Total	7,568	7,303	7,116	6.4%	3.6%

* Pro forma for the non-renewal of the distribution agreement for the The Cholula Food Company in April of 2019. For comparison purposes only.

Volume breakdown by category 4Q19



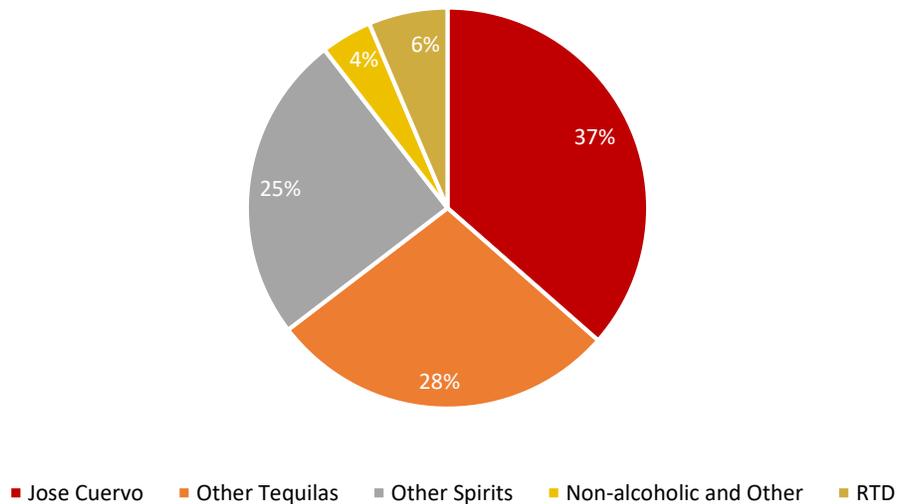
Volume of Jose Cuervo increased 9.1% compared to the same period in 2018 and represented 34.9% of total volume for the fourth quarter of 2019. Other Tequila brands represented 18.1% of total volume, with volume increasing 10.4% compared to the prior year period. Other Spirits brands represented 23.6% of total volume in the period and experienced a 5.4% increase in volume over the fourth quarter of 2018. Volume of Non-alcoholic and Other represented 12.7% of total volume and volume decreased 3.3% on an underlying basis (-18.7% reported) compared to the prior year period primarily driven by the non-renewal of the distribution agreement for the The Cholula Food Company brand in April of this year. Volume of ready-to-drink (RTD) represented 10.6% of total volume and grew by 5.8% compared to the prior year period.

Net Sales by Category 4Q19 (in MXN\$ millions)

Category	4Q19	4Q18	4Q18 PF*	(Var. % YoY) PF*	(Var.% YoY)
Jose Cuervo	3,825	3,613	3,613	5.9%	5.9%
Other Tequilas	2,949	2,643	2,643	11.6%	11.6%
Other Spirits	2,554	2,612	2,612	-2.2%	-2.2%
Non-alcoholic and other	437	766	419	4.4%	-43.0%
<u>RTD</u>	<u>669</u>	<u>633</u>	<u>633</u>	<u>5.6%</u>	<u>5.6%</u>
Total	10,434	10,268	9,920	5.2%	1.6%

* Pro forma for the non-renewal of the distribution agreement for the The Cholula Food Company in April of 2019. For comparison purposes only.

Net sales breakdown by category 4Q19



Net sales of Jose Cuervo increased 5.9% compared to the same period in 2018 and represented 36.7% of total net sales for the fourth quarter of 2019. Net sales of Other Tequila brands increased 11.6% compared to the prior year period and represented 28.3% of total net sales. Other Spirits brands represented 24.5% of total net sales in the period and decreased 2.2% compared to the fourth quarter of last year. Net sales of Non-alcoholic and Other represented 4.2% of total net sales and increased 4.4% on an underlying basis (-43.0% reported) compared to the prior year period reflecting the non-renewal of the distribution agreement for the The Cholula Food Company. Net sales of RTDs represented 6.4% of total net sales and increased 5.6% compared to the prior year period.

Gross profit during the fourth quarter of 2019 decreased 8.3% over the same period in 2018 to P\$5,312 million pesos. Gross margin was 50.9% for the fourth quarter of 2019 compared to 56.4% for the fourth quarter of 2018, primarily reflecting agave price increases in COGS and to a lesser degree the Mexican peso appreciation against the U.S. Dollar impacting our net sales.

Advertising, marketing and promotion (AMP) expenses decreased 14.5% to P\$2,156 million pesos when compared to the fourth quarter of 2018. As a percentage of net sales, AMP decreased to 20.7% from 24.6% in the prior year period. This decrease reflects the planned timing of AMP spend relative to the prior year period.

Distribution expenses decreased 20.4% to P\$344 million when compared to the fourth quarter of 2018. As a percentage of net sales, distribution expenses decreased to 3.3% from 4.2% in the prior year period, mainly driven by lower fuel costs.

Selling and administrative (SG&A) expenses increased 8.5% to P\$807 million pesos when compared to the fourth quarter of 2018. As a percentage of net sales, SG&A increased to 7.7% from 7.2% in the prior year period, driven by inflation, backfilling of strategic personnel positions and investments in our route to market structures.

Operating income during the fourth quarter of 2019 decreased 1.1% to P\$2,038 million pesos compared to the same period last year. Operating margin decreased to 19.5% as compared to 20.1% in the prior year period.

EBITDA in the fourth quarter of 2019 increased 1.6% to P\$2,259 million pesos compared to the fourth quarter of 2018. EBITDA margin was 21.6% for the fourth quarter of 2019 versus 21.7% in the same period of last year.

Net financial results were a gain of P\$17 million pesos during the fourth quarter of 2019, a decrease of 95.2% compared to the fourth quarter of 2018, driven by an exchange gain that was partially offset by net interest expense.

Consolidated net income in the fourth quarter of 2019 decreased 30.6% to P\$1,429 million pesos, compared to P\$2,059 million pesos in the prior year period. Net margin was 13.7% for the fourth quarter of 2019, compared to 20.1% in the fourth quarter of 2018. Earnings per share were P\$0.40 in the fourth quarter of 2019, compared to P\$0.58 in the same period of the prior year.

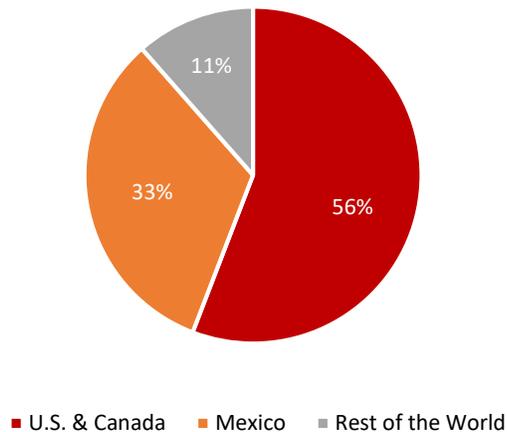
Full Year 2019 Results

Volume by Region for Full Year 2019 (in 000s nine-liter cases)

Region	2019	2019 PF*	2018	2018 PF*	(Var.% YoY) PF*	(VAR.% YOY)
U.S. & Canada	12,460	12,269	12,016	11,359	8.0%	3.7%
Mexico	7,297	7,294	6,746	6,735	8.3%	8.2%
<u>Rest of the World</u>	<u>2,560</u>	<u>2,549</u>	<u>2,518</u>	<u>2,473</u>	<u>3.1%</u>	<u>1.7%</u>
Total	22,317	22,112	21,279	20,566	7.5%	4.9%

* Pro forma for the non-renewal of the distribution agreement for the The Cholula Food Company in April of 2019. For comparison purposes only.

Volume breakdown by region 2019



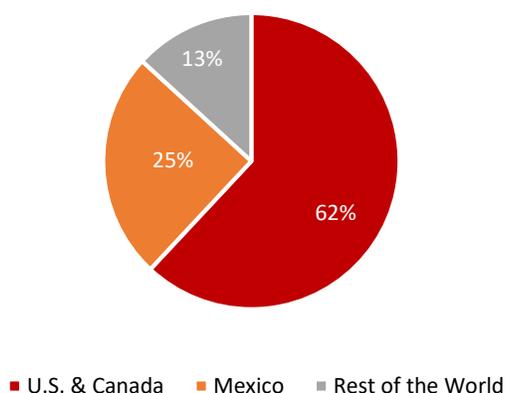
During the full year of 2019, total volume growth was 7.5% to 22.1 million nine-liter cases on an underlying basis (+4.9% reported). Reflecting an underlying 8.0% increase in the U.S. and Canada (+3.7 reported), 8.3% underlying increase in sales volumes in Mexico (+8.2% reported) and a 3.1% underlying increase in the RoW region (+1.7% reported).

Net Sales by Region for Full Year 2019 (in MXN\$ millions)

Region	2019	2019 PF*	2018	2018 PF*	(Var.% YoY) PF*	(Var.% YoY)
U.S. & Canada	18,514	18,176	18,018	16,820	8.1%	2.8%
Mexico	7,248	7,245	6,258	6,248	16.0%	15.8%
<u>Rest of the World</u>	<u>3,943</u>	<u>3,927</u>	<u>3,882</u>	<u>3,818</u>	<u>2.9%</u>	<u>1.6%</u>
Total	29,705	29,348	28,158	26,886	9.2%	5.5%

* Pro forma for the non-renewal of the distribution agreement for the The Cholula Food Company in April of 2019. For comparison purposes only.

Net sales breakdown by region 2019



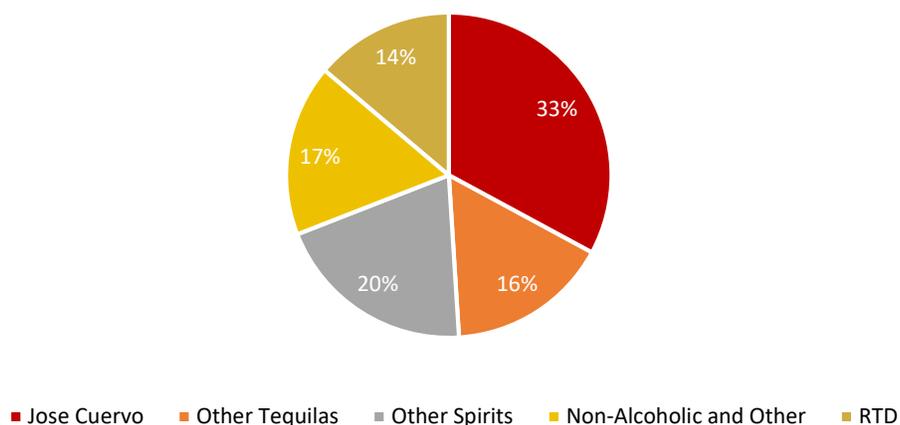
Net sales during the full year 2019 increased 9.2% to P\$29,348 million pesos on an underlying basis (+5.5% reported) compared to the same period in 2018, driven by volume growth, higher average net selling prices per case and price increases, primarily reflecting the favorable sales mix toward premium spirits brands. Net sales in U.S. and Canada increased an underlying 8.1% (+2.8 reported) versus the same period last year, driven by both volume growth and favorable sales mix. Mexico net sales increased by 16.0% (+15.8 reported) on an underlying basis over the prior year period as a result of volume growth and higher average net selling prices per case as a result of favorable sales mix and price increases. Net sales of the RoW region increased 2.9% on an underlying basis (+1.6% reported) over the full year of 2018, also reflecting volume growth and a higher sales mix of premium spirits brands.

Volume by Category for Full Year 2019 (in 000s nine-liter cases)

Category	2019	2019 PF*	2018	2018 PF*	(Var.% YoY) PF*	(VAR.% YOY)
Jose Cuervo	7,296	7,296	6,692	6,692	9.0%	9.0%
Other Tequilas	3,574	3,574	3,268	3,268	9.3%	9.3%
Other Spirits	4,452	4,452	4,236	4,236	5.1%	5.1%
Non-Alcoholic and Other	3,929	3,724	4,274	3,562	4.6%	-8.1%
<u>RTD</u>	<u>3,067</u>	<u>3,067</u>	<u>2,808</u>	<u>2,808</u>	<u>9.2%</u>	<u>9.2%</u>
Total	22,317	22,112	21,279	20,566	7.5%	4.9%

* Pro forma for the non-renewal of the distribution agreement for the The Cholula Food Company in April of 2019. For comparison purposes only.

Volume breakdown by category 2019

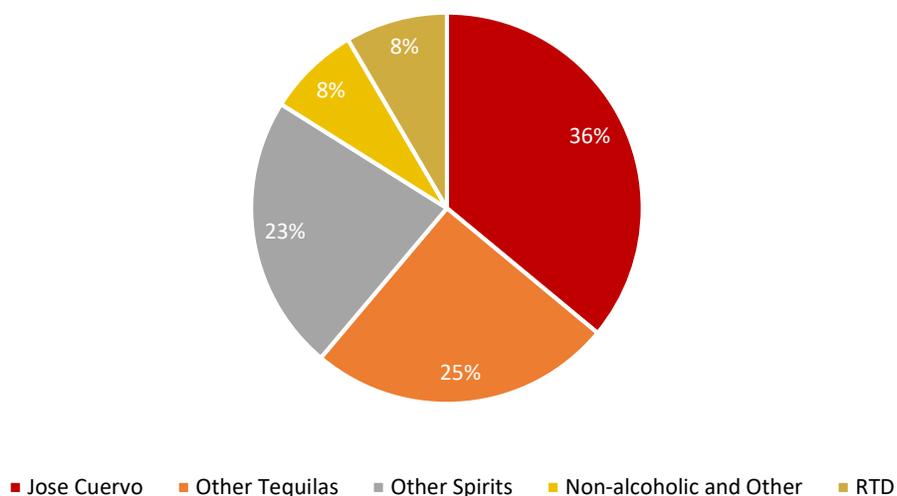


Volume of Jose Cuervo grew 9.0% versus the prior year and represented 32.7% of total volume for the full year of 2019. The Company's Other Tequila brands represented 16.0% of total volume and increased 9.3% compared to the prior year. The Company's Other Spirits brands represented 19.9% of total volume in the period and increased 5.1% over the full year of 2018. Volume of Non-alcoholic and Other represented 17.6% of total volume, growing 4.6% on an underlying basis compared to the prior year (-8.1% reported) driven by the non-renewal of the distribution agreement for the The Cholula Food Company brand in April of 2019. Volume of ready-to-drink (RTDs) represented 13.7% of total volume and increased by 9.2% compared to the prior year period.

Net Sales by Category for Full Year 2019 (in MXN\$ millions)

Category	2019	2019 PF*	2018	2018 PF*	(Var.% YoY) PF*	(VAR.% YOY)
Jose Cuervo	10,697	10,697	9,592	9,592	11.5%	11.5%
Other Tequilas	7,463	7,463	6,573	6,573	13.5%	13.5%
Other Spirits	6,765	6,765	6,582	6,582	2.8%	2.8%
Non-Alcoholic and Other	2,273	1,916	3,110	1,838	4.3%	-26.9%
<u>RTD</u>	<u>2,507</u>	<u>2,507</u>	<u>2,302</u>	<u>2,302</u>	<u>8.9%</u>	<u>8.9%</u>
Total	29,705	29,348	28,158	26,886	9.2%	5.5%

Net sales breakdown by category 2019



Net sales of Jose Cuervo represented 36.0% of total net sales for the full year of 2019 and reported an increase in net sales of 11.5% compared to 2018. The Company's Other Tequila brands represented 25.1% of total net sales and increased net sales 13.5% compared to the prior year. The Company's Other Spirits brands represented 22.8% of total net sales in the period and reported a 2.8% increase in net sales compared to the full year of 2018. Net sales of Non-alcoholic and Other represented 7.7% of total net sales with net sales increasing 4.3% on an underlying basis (-26.9% reported) compared to the prior year driven by the non-renewal of the distribution agreement for the The Cholula Food Company brand in April of 2019. Net sales of ready-to-drink (RTDs) represented 8.4% of total net sales and reported an increase of 8.9% compared to the prior year.

Gross profit during the full year of 2019 decreased 3.2% over the same period in 2018 to P\$15,666 million pesos. Gross margin was 52.7% for the full year of 2019 compared to 57.5% for the full year of 2018. Gross margin was negatively impacted primarily by increases in third-party agave supply costs and lower production efficiencies; reflecting the impact of higher demand of super premium tequila along with the industry-wide sourcing of younger agave plants, affecting our distilling efficiency, and to a lesser degree the Mexican peso appreciation against the U.S. Dollar impacting our net sales.

AMP expenses decreased 2.4% to P\$6,425 million pesos compared to the full year of 2018. As a percentage of net sales, AMP decreased to 21.6% from 23.4% in the prior year period, in line with the Company's investment strategy.

Distribution expenses decreased 16.2% to P\$1,041 million when compared to 2018. As a percentage of net sales, distribution expenses decreased to 3.5% from 4.4% in the prior year period, mainly driven by lower fuel costs.

Selling and administrative (SG&A) expenses increased 6.9% to P\$2,950 million pesos when compared to the full year of 2018. As a percentage of net sales, SG&A expenses increased 10 basis points to 9.9% from 9.8% in 2018, driven by inflation, backfilling of strategic personnel positions and investments in our route to market structures.

During the full year of 2019, operating profit decreased 2.4% to P\$5,410 million pesos compared to the prior year. Operating margin decreased to 18.2% as compared to 19.7% in the prior year period.

EBITDA for the full year of 2019 increased by 0.4% to P\$6,096 million pesos compared to P\$6,074 million pesos during the full year of 2018. EBITDA margin decreased to 20.5% compared to the 21.6% of 2018.

Net financial results were a loss of P\$263 million pesos during the full year 2019, primarily driven by a net interest expense and partially offset by a net foreign exchange gain during the year.

Consolidated net income in the full year of 2019 was P\$3,718 million pesos, a 7.8% decrease compared to the prior year period. Net margin was 12.5% for the full year. Earnings per share were P\$1.04 compared to P\$1.13 in 2018.

Financial position and cash flow

As of December 31, 2019, cash and cash equivalents were P\$9,628 million pesos and total financial debt was P\$9,391 million pesos. During 2019, net cash from operating activities was P\$2,372 million pesos positive, and the Company used P\$1,758 million pesos in net investing activities. Cash used in financing activities was P\$2,609 million pesos for the year ended December 31, 2019.

IFRS 16: Leases

IFRS 16 was issued on January 2016 and replaces existing lease guidance, including IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases – Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. Subsequently, the lessee recognizes an amortization expense of the assets by right of use and an interest expense on the lease liabilities. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases and only some disclosure requirements are added. For lessees, IFRS 16 also modifies its cash flows presentation related to leases, since cash flow outflows from operating activities are reduced and outflows of cash flows from financing activities increased.

The Company adopted IFRS 16 initially on January 1, 2019, using the modified retrospective approach. Therefore, the cumulative effect of adopting IFRS 16 was recognized as an adjustment to the opening balance (increase in assets and liabilities). As of January 1, 2019, with no restatement of comparative information.

Conference Call

The Company plans to host a conference call for investors at 8:30 a.m. Mexico City Time (9:30 a.m. US Eastern Time) tomorrow, Friday, February 28th, 2020, to discuss the Company's fourth quarter and full year 2019 unaudited financial results. Interested parties may also listen to a simultaneous webcast of the conference call by logging onto the Company's website at <https://engage.vevent.com/rt/beclesadecvao~02282020> or www.becle.com.mx.

Fourth Quarter 2019 Unaudited Financial Results Conference Call and Webcast Details:

Date: Friday, February 28, 2020

Time: 8:30 a.m. Mexico City Time (9:30 a.m. EST)

Participants: Juan Domingo Beckmann (CEO)
Fernando Suárez (CFO)

Dial-In: Mexico Toll-free 01 800 9269-157
U.S. Toll-free 1-(855) 493-3490
Toll/International 1-(720) 405-2153

Conference ID: **6367745**

Webcast: <https://engage.vevent.com/rt/beclesadecvao~02282020> or www.becle.com.mx

*Those participating via the webcast will be unable to participate in live Q&A

About Becele

Becele is a globally renowned company in the spirits industry and the world's largest producer of tequila. Its extraordinary portfolio of over 30 spirits brands, some of them owned, some of them agency brands distributed only in Mexico, has been developed throughout the years to participate in key categories with high growth potential, serving the world's most important alcoholic beverage markets and attending key consumer preferences and tendencies. The portfolio strength of Becele is based in the profound legacy of its iconic internally developed brands such as Jose Cuervo®, combined with complementary acquisitions such as Three Olives®, Hangar 1®, Stranahan's®, Bushmills®, Pendleton® and Boodles®, as well as a relentless focus on innovation that during the years has created renowned brands such as 1800®, Maestro Dobel®, Centenario®, Kraken®, Jose Cuervo® Margaritas and B:oost®, among others. Some of Becele's brands are sold and distributed in more than 85 countries.

EBITDA

EBITDA is a measure used in the Company's financial analysis that is not recognized under IFRS but is calculated from amounts that derive from the Company's Financial Statements. We calculate EBITDA as net income plus depreciation and amortization, income tax expense, and interest expense, less interest income, plus foreign exchange gain (loss) .

EBITDA is not an IFRS measure of liquidity or performance, nor is EBITDA a recognized financial measure under IFRS. We believe that EBITDA can be useful to facilitate comparisons of operating performance between periods on a combined basis, but these metrics may be calculated differently by other issuers. EBITDA should not be construed as alternatives to (i) net income as an indicator of the Company's operating performance or (ii) cash flow from operating activities as a measure of the Company's liquidity.

Disclaimer

This press release contains certain forward-looking statements which are based on Becele's current expectations and observations. Actual results obtained may vary significantly from these estimates. The information related to future performance contained in this press release should be read jointly with the risks included in the "Risk Factors" section of the Annual Report filed with the Comision Nacional Bancaria y de Valores (Mexican National Banking and Securities Commission). This information, as well as future statements made by Becele or by any of its legal representatives, either in writing or verbally, may vary significantly from the actual results obtained. These forward-looking statements speak only as of the date on which they are made, and no assurance can be made as to the actual results obtained. Becele undertakes no obligation and does not intend to update or review any of such forward-looking statements, whether as a result of new information, future developments and other related events.

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Consolidated Income Statement

	Fourth quarter ended December 31, 2019			Fourth quarter ended December 31, 2018		Year over year variance	
	(U.S. \$) ⁽¹⁾	(Pesos)	% of net sales	(Pesos)	% of net sales	\$	%
(Figures in millions, except earnings per share amounts)							
Net sales	541	10,434		10,268		166	1.6
Cost of goods sold	266	5,122	49.1	4,477	43.6	645	14.4
Gross profit	276	5,312	50.9	5,791	56.4	(479)	(8.3)
Advertising, marketing and promotion	112	2,156	20.7	2,522	24.6	(366)	(14.5)
Distribution	18	344	3.3	432	4.2	(88)	(20.4)
Selling and administrative	42	807	7.7	744	7.2	63	8.5
Other (income) expenses, net	(2)	(34)	-0.3	31	0.3	(65)	(207.1)
Operating income	106	2,038	19.5	2,062	20.1	(24)	(1.1)
Financing results, net	(1)	(17)	-0.2	(350)	-3.4	333	(95.2)
Equity method	0	0	0.0	9	0.1	(9)	(100.0)
Income before income taxes	107	2,055	19.7	2,402	23.4	(348)	(14.5)
Income taxes	32	625	6.0	343	3.3	282	82.2
Consolidated net income	74	1,429	13.7	2,059	20.1	(630)	(30.6)
Non-controlling interest	0	8	0.1	8	0.1	NM	NM
Controlling interest	74	1,421	13.6	2,051	20.0	(630)	(30.7)
				-		-	
Depreciation and amortization	11	220		162			
EBITDA	117	2,259	21.6	2,224	21.7	35	1.6
Earnings per share	0.02	0.40		0.57			
Shares (in millions) used in calculation of earnings per share	3,586	3,586		3,585			

(1) U.S. dollars translated at 19.2790 Mexican pesos solely for the convenience of the reader

Consolidated Income Statement

	Twelve months ended December 31, 2019			Twelve months ended December 31, 2018		Year over year variance	
	(U.S. \$) ⁽¹⁾	(Pesos)	% of net sales	(Pesos)	% of net sales	\$	%
(Figures in millions, except earnings per share amounts)							
Net sales	1,576	29,705		28,158		1,547	5.5
Cost of goods sold	745	14,039	47.3	11,975	42.5	2,064	17.2
Gross profit	831	15,666	52.7	16,183	57.5	(518)	(3.2)
Advertising, marketing and promotion	341	6,425	21.6	6,580	23.4	(155)	(2.4)
Distribution	55	1,041	3.5	1,242	4.4	(201)	(16.2)
Selling and administrative	157	2,950	9.9	2,759	9.8	191	6.9
Other (income) expenses, net	(8)	(160)	-0.5	60	0.2	(219)	(368.0)
Operating income	287	5,410	18.2	5,543	19.7	(133)	(2.4)
Financing results, net	14	263	0.9	387	1.4	(124)	(32.1)
Equity method	0	0	0.0	9	0.0	(9)	(100.0)
Income before income taxes	273	5,147	17.3	5,146	18.3	1	0.0
Income taxes	76	1,430	4.8	1,113	4.0	316	28.4
Consolidated net income	197	3,718	12.5	4,033	14.3	(315)	(7.8)
Non-controlling interest	0	6	0.0	8	0.0	NM	NM
Controlling interest	197	3,712	12.5	4,025	14.3	(313)	(7.8)
Depreciation and amortization	36	685		531			
EBITDA	323	6,096	20.5	6,074	21.6	22	0.4
Earnings per share	0.06	1.04		1.12			
Shares (in millions) used in calculation of earnings per share	3,586	3,586		3,585			

(1) U.S. dollars translated at 18.8452 Mexican pesos solely for the convenience of the reader

Statement of financial position

(Figures in millions)	(U.S. \$) ⁽¹⁾	December 31, 2019 (Pesos)	December 31, 2018 (Pesos)
Assets			
Cash and cash equivalents	511	9,628	12,028
Trade receivable	493	9,295	8,536
Inventories, net	549	10,353	8,190
Other current assets	126	2,374	2,502
Total current assets	1,679	31,650	31,256
Non-current inventories	409	7,710	6,832
Property, plant and equipment, net	369	6,945	5,506
Right-of-use assets	109	2,046	0
Deferred income tax	70	1,314	1,454
Intangible assets and trademarks, net	755	14,230	14,664
Goodwill	332	6,253	6,354
Other assets	31	577	646
Total non-current assets	2,073	39,075	35,456
Total assets	3,753	70,725	66,711
Liabilities and stockholders' equity			
Short term senior notes	2	46	48
Trade payable	116	2,183	2,594
Leases	24	446	0
Accruals	124	2,333	2,348
Other liabilities	89	1,680	102
Total current liabilities	355	6,687	5,092
Long term senior notes	496	9,345	9,745
Non-current leases	90	1,703	0
Environmental reserve	6	118	121
Other long-term liabilities	10	191	314
Deferred income taxes	217	4,089	3,568
Total non-current liabilities	820	15,445	13,748
Total liabilities	1,174	22,133	18,840
Controlling interest	2,575	48,520	47,805
Non-controlling interest	4	73	67
Total stockholders' equity	2,578	48,592	47,872
Total liabilities and stockholders' equity	3,753	70,725	66,711

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Cash flows statement

(Figures in millions)	(U.S. \$) ⁽¹⁾	Twelve months ended December 31, 2019	Twelve months ended December 31, 2018
		(Pesos)	(Pesos)
Operating activities:			
Income before income taxes	273	5,147	5,146
Adjustment from Items not implying cash flow:			
Depreciation and amortization	36	685	531
Loss on sale of property, plant and equipment	5	95	57
Interest income	(10)	(191)	(193)
Equity method on associate		0	9
Gain on the sale of The Cholula Food Company	(1)	(19)	0
Unrealized foreign exchange	(12)	(218)	(151)
Interest expense	29	543	443
Subtotal	321	6,042	5,842
Changes in:			
Trade receivables	(56)	(1,064)	(1,426)
Related parties	3	57	129
Other receivables	(5)	(99)	(580)
Inventories	(184)	(3,461)	(2,861)
Prepayments	(4)	(74)	(85)
Trade payables	(20)	(371)	284
Other assets	16	294	177
Other accounts payable	77	1,460	(369)
Income taxes paid or recoverable	(24)	(461)	(1,123)
Employee benefits	2	46	(170)
	126	2,372	(181)
Investment activities:			
Property, plant and equipment	(108)	(2,038)	(811)
Intangible assets	(10)	(189)	(189)
Acquisition of subsidiaries, net of cash	0	0	(4,218)
Sale of The Cholula Food Company	14	266	0
Interest income	10	191	193
Investment in associate	0	0	(231)
Sale of property, plant and equipment	1	12	8
	(93)	(1,758)	(5,248)
Financing activities:			
Dividends paid	(104)	(1,962)	(1,819)
Repurchase of shares, net	8	155	(231)
Acquisition of minority interest	(1)	(21)	0
Principal lease payments	(13)	(251)	0
Interest paid	(28)	(530)	(432)
	(138)	(2,609)	(2,482)
Net cash used in financing activities	(138)	(2,609)	(2,482)
Net decrease in cash and cash equivalents	(106)	(1,996)	(7,911)
Effects of exchange rate change on cash	(21)	(404)	(61)
Cash and cash equivalents:			
At beginning of the period	638	12,028	19,996
At end of period	511	9,628	12,028

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Quarterly Cholula 2018 and 2019 top line by region

Supplemental Information (unaudited)

Quarterly volume by region 2018 (in 000s nine-liter cases)

Region	Q1	Q2	Q3	Q4
U.S. & Canada	164	170	153	170
Mexico	3	3	2	3
<u>Rest of the World</u>	<u>8</u>	<u>11</u>	<u>11</u>	<u>15</u>
Total	175	184	166	187

Quarterly net sales by region 2018 (in MXN\$ millions)

Region	Q1	Q2	Q3	Q4
U.S. & Canada	285	314	277	323
Mexico	3	2	2	2
<u>Rest of the World</u>	<u>11</u>	<u>16</u>	<u>15</u>	<u>23</u>
Total	298	332	293	348

Quarterly volume by region 2019 (in 000s nine-liter cases)

Volume	Q1	Q2	Q3	Q4
U.S. & Canada	178	13	-	-
Mexico	3	0	-	-
<u>Rest of the World</u>	<u>9</u>	<u>2</u>	<u>-</u>	<u>-</u>
Total	189	15	-	-

Quarterly net sales by region 2019 (in MXN\$ millions)

NSV	Q1	Q2	Q3	Q4
U.S. & Canada	319	17	-	-
Mexico	3	0	-	-
<u>Rest of the World</u>	<u>13</u>	<u>3</u>	<u>-</u>	<u>-</u>
Total	334	21	-	-