



## **Becle, S.A.B. de C.V. Reports Second Quarter 2020 Unaudited Financial Results**

Mexico City, Mexico, July 22, 2020 /BUSINESSWIRE/ -- BECLE, S.A.B. de C.V. (“Cuervo”, “BECLE” or the “Company”) (BMV: CUERVO) today announced financial results for the quarter ended June 30, 2020.

All figures in this release are derived from the Interim Consolidated Financial Statements of the Company as of June 30, 2020, and for the six-month period then ended, which are prepared in accordance with International Financial Reporting Standard (IFRS).

### **Second quarter 2020 highlights**

- Volume increased 10.7% on an underlying basis to 6.2 million nine-liter cases;
- Net sales increased 25.0% on an underlying basis to P\$8,689 million pesos;
- Gross profit increased 21.3% to P\$4,617 million pesos. Gross margin was 53.1%, a decrease in margin of 1.5 percentage points year over year;
- Operating profit increased 74.4% to P\$2,175 million pesos. Operating margin was 25.0%, an improvement in margin of 7.1 percentage points year over year;
- EBITDA increased 69.3% to P\$2,355 million pesos. EBITDA margin was 27.1%, an improvement in margin of 7.1 percentage points year over year;
- Consolidated net income increased 69.3% to P\$1,451 million pesos. Net margin was 16.7%, an improvement in margin of 4.4 percentage points year over year and;
- Earnings per share were P\$0.40.

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

### **Management commentary**

During the second quarter of 2020, Becle faced challenges across all regions due to the COVID-19 pandemic, including the shutdown of the on-premise channel, liquor sales prohibitions and restrictions. Despite these challenges, the Company benefited from its strong brand portfolio, presence in the right categories, important over-indexing to the off-premise channel and consumer shift from on-premise to “at home” consumption in key markets.

The Company reacted quickly to this new environment by implementing a contingency plan with firm cost control. The U.S. and Canada region in particular performed remarkably well as consumers have been turning to trusted, well-established brands and formats. We are confident with our ability to maintain our long-term strategy of growth and our ability to premiumize the portfolio of brands.

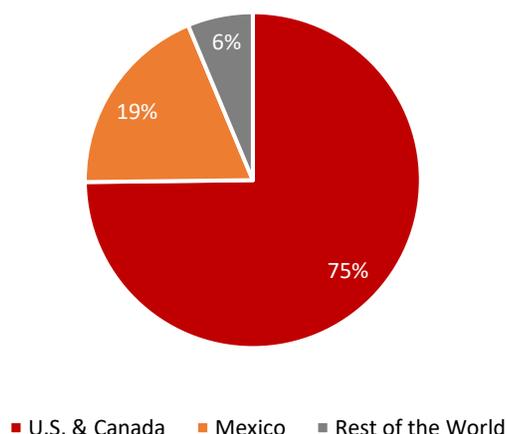
## Second quarter 2020 results

### Volume by region 2Q20 (in 000s nine-liter cases)

Region	2Q20	2Q19	2Q19 PF*	(Var. % YoY) PF*	(Var.% YoY)
U.S. & Canada	4,666	3,496	3,483	33.9%	33.5%
Mexico	1,141	1,529	1,528	-25.4%	-25.4%
<u>Rest of the World</u>	<u>392</u>	<u>590</u>	<u>587</u>	<u>-33.2%</u>	<u>-33.5%</u>
Total	6,199	5,615	5,599	10.7%	10.4%

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

### Volume breakdown by region 2Q20



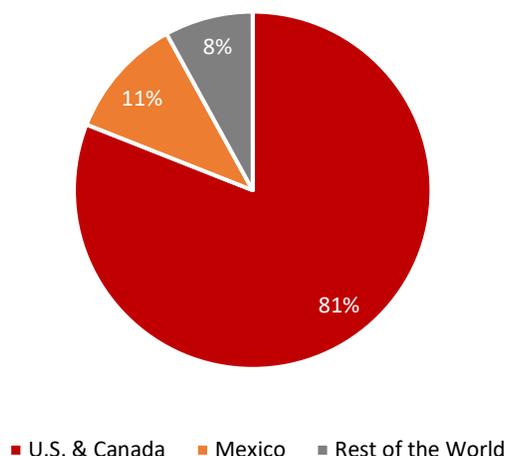
During the second quarter of 2020, total volume increased 10.7% on an underlying basis to 6.2 million nine-liter cases (+10.4% reported). The year over year growth reflected a 33.9% increase in the U.S. and Canada on an underlying basis (+33.5% reported), driven by strong consumer take-away and depletion trends, and continued strong performance of the Tequila and ready-to-drink category; a 25.4% decrease in Mexico on an underlying and reported basis, mainly due to a challenging macro environment and consumer take-away trends, coupled with sales restrictions in various channels in the region ; and an 33.2% decline in the Rest of the World (RoW) region on an underlying basis (-33.5% reported) mainly derived by the impact of COVID-19 through the LATAM, EMEA and APAC regions.

### Net sales by region 2Q20 (in MXN\$ millions)

Region	2Q20	2Q19	2Q19 PF*	(Var. % YoY) PF*	(Var.% YoY)
U.S. & Canada	7,093	4,725	4,707	50.7%	50.1%
Mexico	934	1,383	1,383	-32.5%	-32.5%
<u>Rest of the World</u>	<u>662</u>	<u>861</u>	<u>858</u>	<u>-22.9%</u>	<u>-23.1%</u>
Total	8,689	6,969	6,948	25.0%	24.7%

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

### Net sales breakdown by region 2Q20



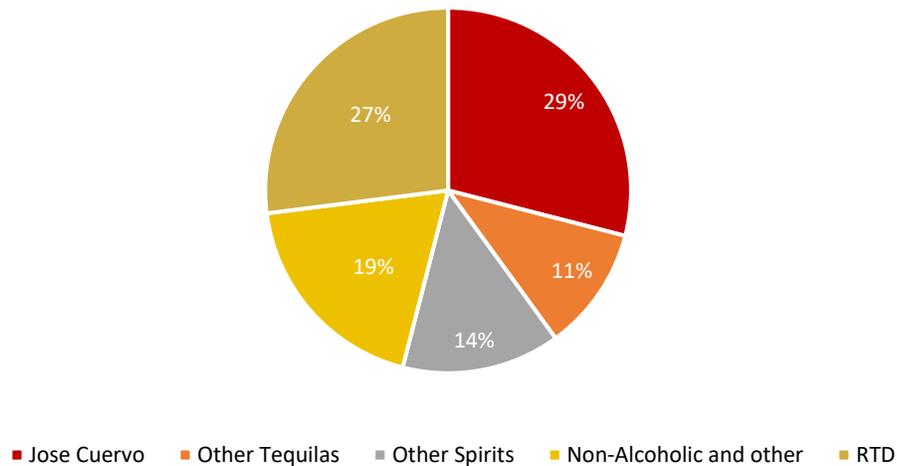
Second quarter 2020 net sales increased 25.0% on an underlying basis to P\$8,689 million pesos (+24.7% reported). U.S. and Canada net sales increased 50.7% on an underlying basis (50.1% reported), primarily reflecting the strength of our largest brands within the region leading an acceleration in depletions and shipments, and the Mexican peso depreciation against the U.S. dollar on a year over year comparison. In the same period, net sales in Mexico decreased 32.5% on an underlying and reported basis, primarily due to a challenging macro environment and consumer take-away trends, coupled with sales restrictions in various channels in the region, resulting in a deteriorated mix, partially offset by year on year price increases in our portfolio. Net sales of the RoW region decreased by 22.9% on an underlying basis (-23.1% reported) when compared to the second quarter of 2019 mainly derived from sales restrictions through the region, partially offset by Mexican peso depreciation against the U.S. Dollar.

### Volume by category 2Q20 (in 000s nine-liter cases)

Category	2Q20	2Q19	2Q19 PF*	(Var. % YoY) PF*	(Var.% YoY)
Jose Cuervo	1,816	1,794	1,794	1.2%	1.2%
Other Tequilas	663	762	762	-13.0%	-13.0%
Other Spirits	832	913	913	-8.9%	-8.9%
Non-alcoholic and other	1,201	1,080	1,064	12.9%	11.3%
<u>RTD</u>	<u>1,686</u>	<u>1,065</u>	<u>1,065</u>	<u>58.3%</u>	<u>58.3%</u>
Total	6,199	5,615	5,599	10.7%	10.4%

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

### Volume breakdown by category 2Q20



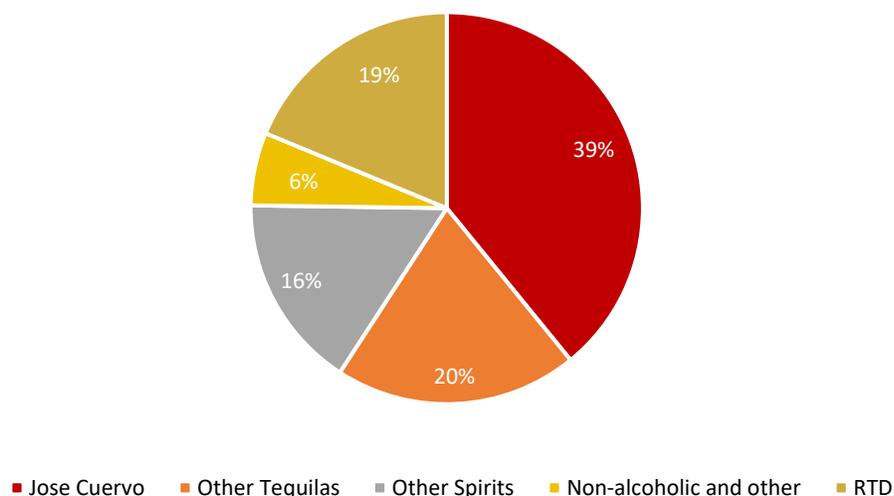
Volume of Jose Cuervo increased 1.2% compared to the same period in 2019 and represented 29.3% of total volume for the second quarter of 2020. Other Tequila brands represented 10.7% of total volume, with volume decreasing 13.0% compared to the prior year period. Other Spirits brands represented 13.4% of total volume in the period and experienced an 8.9% decrease in volume over the second quarter of 2019. Volume of Non-alcoholic and other represented 19.4% of total volume and increased 12.9% on an underlying basis (+11.3% reported) compared to the prior year period. Volume of ready-to-drink (RTD) represented 27.2% of total volume and grew by 58.3% compared to the same prior year period.

### Net sales by category 2Q20 (in MXN\$ millions)

Category	2Q20	2Q19	2Q19 PF*	(Var. % YoY) PF*	(Var.% YoY)
Jose Cuervo	3,365	2,674	2,674	25.8%	25.8%
Other Tequilas	1,803	1,599	1,599	12.8%	12.8%
Other Spirits	1,380	1,331	1,331	3.6%	3.6%
Non-alcoholic and other	516	500	479	7.8%	3.3%
<u>RTD</u>	<u>1,624</u>	<u>865</u>	<u>865</u>	<u>87.8%</u>	<u>87.8%</u>
Total	8,689	6,969	6,948	25.0%	24.7%

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

### Net sales breakdown by category 2Q20



Net sales of Jose Cuervo increased 25.8% compared to the same period in 2019 and represented 38.7% of total net sales for the second quarter of 2020. Net sales of Other Tequila brands increased 12.8% compared to the prior year period and represented 20.8% of total net sales. Other Spirits brands represented 15.9% of total net sales in the period and increased 3.6% compared to the second quarter of last year. Net sales of Non-alcoholic and other represented 5.9% of total net sales and grew 7.8% on an underlying basis (+3.3% reported) compared to the prior year period. Net sales of RTDs represented 18.7% of total net sales and increased 87.8% compared to the same prior year period.

Gross profit during the second quarter of 2020 increased 21.3% over the same period in 2019 to P\$4,617 million pesos. Gross margin, although sequentially improving quarter over quarter, was 53.1% for the second quarter of 2020 compared to 54.6% for the second quarter of 2019. This gross margin decrease, primarily reflects year over year agave price increases in COGS, partially offset by a Mexican peso depreciation against the U.S. Dollar. This depreciation supported our net sales, driving a higher weight to the U.S. and Canada business as a percentage of total net sales.

Advertising, marketing and promotion (AMP) expenses decreased 14.2% to P\$1,374 million pesos when compared to the second quarter of 2019. This AMP expense decrease reflects the Company's efforts to rephase such expenses and adjust rapidly to on-premise closures. As a percentage of net sales, AMP decreased to 15.8% from 23.0% in the same prior year period.

Distribution expenses increased 22.4% to P\$287 million when compared to the second quarter of 2019, mainly driven by higher volume. As a percentage of net sales, distribution expenses decreased to 3.3% from 3.4% in the prior year period, explained logistics and fuel costs reductions.

Selling and administrative (SG&A) expenses increased 9.3% to P\$791 million pesos when compared to the second quarter of 2019. As a percentage of net sales, SG&A decreased to 9.1% from 10.4% in the same prior year period, driven by SG&A cost control.

Operating income during the second quarter of 2020 increased 74.4% to P\$2,175 million pesos compared to the same period last year. Operating margin increased to 25.0% as compared to 17.9% in the same prior year period.

EBITDA in the second quarter of 2020 increased 69.3% to P\$2,355 million pesos compared to the second quarter of 2019. EBITDA margin was 27.1% for the second quarter of 2020 versus 20.0% in the same period of last year.

Net financial results were a loss of P\$214 million pesos during the second quarter of 2020 compared to a loss of P\$88 million pesos in the same period of last year. This loss was mainly derived from the Mexican peso appreciation versus the U.S. Dollar when compared to the first quarter of 2020. As a result of its exposure to the exchange rate risk between the U.S. dollar and the Mexican Peso, as of January 1<sup>st</sup>, 2020, the Company has designated its US\$500 million Senior Notes as a hedge against its net investments in its U.S. operations. Derived from this adoption, all foreign exchange gains and losses associated with the Company's Senior Notes have been recognized as a P\$270 million pesos gain in the Other comprehensive income line (which will be reflected in the company's equity in the Consolidated Statement of Financial Position and in the Consolidated Statement of Comprehensive Income) and not in the Income statement for the three months ended June 30, 2020 (see IFRS 9; IFRIC 16: Net Investment Hedge Disclosures).

Consolidated net income in the second quarter of 2020 increased 69.3% to P\$1,451 million pesos, compared to P\$858 million pesos in the prior year period. Net margin was 16.7% for the second quarter of 2020, compared to 12.3% in the second quarter of 2019. Earnings per share were P\$0.40 in the second quarter of 2020, compared to P\$0.24 in the same period of the prior year.

## **Financial position and cash flow**

As of June 30, 2020, cash and cash equivalents were P\$8,261 million pesos and total financial debt was P\$11,456 million pesos. During the first six months of 2020, the Company generated net cash from operating activities of P\$903 million pesos, and the Company used P\$3,140 million pesos in net investing activities which includes the increase in equity participation of Eire Born Spirits LLC (“EBS”, P\$1,531 million pesos). Cash used in financing activities was P\$391 million pesos for the six-month-period ended in June 30, 2020.

## **Increase in equity participation of Eire Born Spirits**

During April 2020, the Company completed the exercise of its option to acquire an incremental 29% stake in the equity interests of EBS and, as a result, reached a cumulative 49% stake in the equity interests of EBS. EBS owns and markets the Proper No. Twelve Irish Whiskey brand.

## **Capital allocation: Cash dividend and share repurchase program**

On June 22, 2020, during the Company’s Shareholders Meeting the following actions were approved: i) a cash dividend payment of P\$0.3081 per share, payable as of July 2, 2020; ii) the cancellation of the total amount of treasury shares, representing 28.4 million shares; and iii) the authorization of a share repurchase program extension up to P\$2 billion pesos.

## **Credit ratings affirmation**

During the second quarter of 2020, Fitch Ratings and S&P Global Ratings affirmed Becele’s investment grade long-term foreign and local currency ratings of “BBB+” and “BBB”, respectively, both with a “Stable Outlook”.

## **MSCI index addition**

On May 12<sup>th</sup>, Morgan Stanley announced equity indices rebalance of Morgan Stanley Capital International (MSCI) *Barra* as of June 1<sup>st</sup>, 2020, according to which Becele’s shares were included in the MSCI Mexican composite effective on this date.

## **IFRS 9; IFRIC 16: Net Investment Hedge Disclosures**

### **Financial instruments to hedge net investments in foreign operations**

Beginning January 1, 2020, the Company designated a US\$500 million senior notes as hedging instrument for its net investment in Sunrise Holdings, Inc., which is a sub-holding entity of the U.S. operations 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 has such investment.

The Company formally designated and documented the hedging relationship, setting the objectives, risk-hedging strategy, identification of the hedging instrument, hedged item, nature of the risk to be hedged, and effectiveness assessment methodology. Since the exchange rate hedging relationship is clear, the method the Company used to assess the effectiveness consisted of a qualitative effectiveness test by comparing the critical terms between the hedging instruments and the hedged items.

### **Accounting policy**

#### **Net investment hedge in a foreign operation**

The Company applies hedge accounting to the foreign exchange risk resulting from its investments in foreign operations because of changes in exchange rates arising between the functional currency of that operation and the functional currency of the holding company, regardless of whether the investment is held directly or through a sub-holder. The change in exchange rates is recognized in other comprehensive income as part of the translation effect when the foreign operation is consolidated.

To this end, the Company designates the debt denominated in foreign currency as hedging instruments; therefore, the exchange effects arising from such debt are recognized in other comprehensive income, in the line of translation effects, to the extent that the hedge is effective. When the hedge is not effective, exchange rate differences are recognized in foreign exchange gain or loss in the income statement.

## Conference Call

The Company plans to host a conference call for investors at 9:00 a.m. Mexico City Time (10:00 a.m. E.T.) on, Thursday, July 23<sup>rd</sup>, 2020, to discuss the Company's second quarter 2020 unaudited financial results. Interested parties may also listen to a simultaneous webcast of the conference call by logging onto the Company's website at <http://public.viavid.com/index.php?id=140752> or [www.becle.com.mx](http://www.becle.com.mx).

### Second Quarter 2020 Unaudited Financial Results Conference Call and Webcast Details:

Date: Thursday, July 23, 2020

Time: 9:00 a.m. Mexico City Time (10:00 a.m. E.T.)

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

Dial-In: Mexico Toll-free 01 800 522 0034  
U.S. Toll-free 1-877-407-0792  
Toll/International 1-201-689-8263

Conference ID: 13706950

Webcast: <http://public.viavid.com/index.php?id=140752> or [www.becle.com.mx](http://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 Statements

	Second quarter ended June 30, 2020			Second quarter ended June 30, 2019		Year over year variance	
	(U.S. \$) <sup>(1)</sup>	(Pesos)	% of net sales	(Pesos)	% of net sales	\$	%
(Figures in millions, except per share amounts)							
<b>Net sales</b>	<b>378</b>	<b>8,689</b>		<b>6,969</b>		<b>1,720</b>	<b>24.7</b>
Cost of goods sold	177	4,072	46.9	3,164	45.4	907	28.7
<b>Gross profit</b>	<b>201</b>	<b>4,617</b>	<b>53.1</b>	<b>3,805</b>	<b>54.6</b>	<b>812</b>	<b>21.3</b>
Advertising, marketing and promotion	60	1,374	15.8	1,601	23.0	(227)	(14.2)
Distribution	12	287	3.3	234	3.4	53	22.4
Selling and administrative	34	791	9.1	724	10.4	67	9.3
Other (income), net	(0)	(11)	-0.1	(2)	0.0	(8)	401.9
<b>Operating income</b>	<b>95</b>	<b>2,175</b>	<b>25.0</b>	<b>1,247</b>	<b>17.9</b>	<b>928</b>	<b>74.4</b>
Financial results	9	214	2.5	88	1.3	126	142.3
<b>Income before income taxes</b>	<b>85</b>	<b>1,961</b>	<b>22.6</b>	<b>1,159</b>	<b>16.6</b>	<b>803</b>	<b>69.3</b>
Income taxes	22	510	5.9	301	4.3	209	69.3
<b>Consolidated net income</b>	<b>63</b>	<b>1,451</b>	<b>16.7</b>	<b>858</b>	<b>12.3</b>	<b>594</b>	<b>69.3</b>
Non-controlling interest	0	2	0.0	11	0.2	NM	NM
<b>Controlling interest</b>	<b>63</b>	<b>1,450</b>	<b>16.7</b>	<b>846</b>	<b>12.1</b>	<b>604</b>	<b>71.3</b>
				-		-	
Depreciation and amortization	8	180		144			
<b>EBITDA</b>	<b>103</b>	<b>2,355</b>	<b>27.1</b>	<b>1,391</b>	<b>20.0</b>	<b>964</b>	<b>69.3</b>
<b>Earnings per share</b>	<b>0.02</b>	<b>0.40</b>		<b>0.24</b>			
<b>Shares (in millions) used in calculation of earnings per share</b>	<b>3,591</b>	<b>3,591</b>		<b>3,587</b>			

(1) U.S. dollars translated at 22.97 Mexican pesos solely for the convenience of the reader.

## Consolidated Income Statements

	Six months ended June 30, 2020			Six months ended June 30, 2019		Year over year variance	
	(U.S. \$) <sup>(1)</sup>	(Pesos)	% of net sales	(Pesos)	% of net sales	\$	%
(Figures in millions, except per share amounts)							
<b>Net sales</b>	<b>605</b>	<b>13,894</b>		<b>12,247</b>		<b>1,647</b>	<b>13.5</b>
Cost of goods sold	287	6,588	47.4	5,657	46.2	931	16.5
<b>Gross profit</b>	<b>318</b>	<b>7,306</b>	<b>52.6</b>	<b>6,589</b>	<b>53.8</b>	<b>716</b>	<b>10.9</b>
Advertising, marketing and promotion	114	2,617	18.8	2,667	21.8	(49)	(1.9)
Distribution	21	475	3.4	454	3.7	21	4.7
Selling and administrative	68	1,556	11.2	1,416	11.6	140	9.9
Other (income), net	(1)	(32)	-0.2	(181)	-1.5	150	(82.4)
<b>Operating profit</b>	<b>117</b>	<b>2,689</b>	<b>19.4</b>	<b>2,234</b>	<b>18.2</b>	<b>455</b>	<b>20.3</b>
Financial results, net	(9)	(215)	-1.5	125	1.0	(340)	(272.2)
<b>Profit before income taxes</b>	<b>126</b>	<b>2,904</b>	<b>20.9</b>	<b>2,109</b>	<b>17.2</b>	<b>795</b>	<b>37.7</b>
Income taxes	33	755	5.4	548	4.5	207	37.7
<b>Consolidated net income</b>	<b>94</b>	<b>2,149</b>	<b>15.5</b>	<b>1,561</b>	<b>12.7</b>	<b>588</b>	<b>37.7</b>
Non-controlling interest	0	2	0.0	(1)	0.0	NM	NM
<b>Controlling net income</b>	<b>93</b>	<b>2,147</b>	<b>15.5</b>	<b>1,561</b>	<b>12.8</b>	<b>586</b>	<b>37.5</b>
Depreciation and amortization	15	354		304		-	
<b>EBITDA</b>	<b>132</b>	<b>3,043</b>	<b>21.9</b>	<b>2,538</b>	<b>20.7</b>	<b>505</b>	<b>19.9</b>
<b>Earnings per share</b>	<b>0.03</b>	<b>0.60</b>		<b>0.44</b>			
<b>Shares (in millions) used in calculation of earnings per share</b>	<b>3,591</b>	<b>3,591</b>		<b>3,587</b>			

(1) U.S. dollars translated at 22.97 Mexican pesos solely for the convenience of the reader.

## Consolidated Statements of Financial Position

	June 30, 2020	December 31, 2019	
(Figures in millions)	(U.S. \$) <sup>(1)</sup>	(Pesos)	(Pesos)
<b>Assets</b>			
Cash and cash equivalents	360	8,261	9,628
Trade receivables - Net	300	6,896	9,295
Related parties	2	54	103
Recoverable income tax	14	328	782
Other recoverable taxes and receivables	57	1,317	637
Inventories	564	12,964	9,438
Available for sale assets	0	1	0
Biological assets	49	1,135	915
Prepayments	52	1,197	851
<b>Total current assets</b>	<b>1,400</b>	<b>32,154</b>	<b>31,650</b>
Inventories	278	6,394	4,991
Biological assets	146	3,357	2,719
Investments in associates	79	1,811	267
Property, plant and equipment - Net	390	8,966	6,945
Intangible assets	739	16,984	14,230
Goodwill	314	7,217	6,253
Right-of-use assets	84	1,925	2,046
Deferred income tax	63	1,445	1,314
Employee benefits - net	11	245	251
Other assets	4	97	59
<b>Total non-current assets</b>	<b>2,109</b>	<b>48,441</b>	<b>39,075</b>
<b>Total assets</b>	<b>3,508</b>	<b>80,595</b>	<b>70,725</b>
<b>Liabilities</b>			
Short-term Senior Notes	2	56	46
Trade payables	169	3,893	2,183
Related parties	3	68	68
Lease liabilities	20	451	446
Other accounts payable	111	2,560	3,945
Dividends payable	48	1,106	0
<b>Total current liabilities</b>	<b>354</b>	<b>8,135</b>	<b>6,687</b>
Long-term Senior Notes	496	11,400	9,345
Lease liabilities	66	1,506	1,703
Environmental reserve	6	142	118
Other long-term liabilities	15	346	191
Deferred income taxes	202	4,634	4,089
<b>Total non-current liabilities</b>	<b>785</b>	<b>18,028</b>	<b>15,445</b>
<b>Total liabilities</b>	<b>1,139</b>	<b>26,163</b>	<b>22,133</b>
Stockholders' equity attributable to Controlling interest	2,366	54,358	48,520
Non-controlling interest	3	74	73
<b>Total stockholders' equity</b>	<b>2,370</b>	<b>54,432</b>	<b>48,592</b>
<b>Total liabilities and stockholders' equity</b>	<b>3,508</b>	<b>80,595</b>	<b>70,725</b>

(1) U.S. dollars translated at 22.97 Mexican pesos solely for the convenience of the reader.

## Consolidated Statements of Cash Flow

(Figures in millions)	Six months ended June 30, 2020		Six months ended June 30, 2019
	(U.S. \$) <sup>(1)</sup>	(Pesos)	(Pesos)
<b>Operating activities:</b>			
Income before income taxes	126	2,904	2,109
Adjustment from items not implying cash flows:			
Depreciation and amortization	15	354	304
Loss on sale of property, plant and equipment	1	32	15
Items not implying cash	3	59	0
Interest income	(4)	(97)	(110)
Unrealized foreign exchange profit	(20)	(470)	(255)
Interest expense	9	212	277
Subtotal	132	3,032	2,339
<b>(Increase) decrease in:</b>			
Trade receivables	124	2,843	2,952
Related parties	2	49	(108)
Other recoverable taxes and receivables	(23)	(536)	(569)
Inventories	(134)	(3,086)	(1,893)
Biological assets	(39)	(895)	15
Prepayments	(7)	(167)	(83)
Other assets	5	107	2
<b>Increase (decrease) in:</b>			
Trade accounts payable	65	1,489	(178)
Other accounts payables	(77)	(1,767)	(255)
Employee benefits	1	21	4
Income taxes paid or recoverable	(8)	(187)	(400)
Net cash from operating activities	39	903	1,827
<b>Investing Activities:</b>			
Property, plant and equipment	(73)	(1,672)	(800)
Intangible assets	(1)	(20)	(45)
Investment in associates	(67)	(1,543)	0
Interest income	4	97	110
Sale of property, plant and equipment	0	0	7
Net cash flows used in investing activities	(137)	(3,140)	(742)
<b>Financing activities:</b>			
Repurchase of shares - Net	5	115	107
Principal and interest lease payments	(10)	(236)	(242)
Interest paid	(12)	(270)	(181)
Net cash used in financing activities	(17)	(391)	(2,277)
Net (decrease) increase of cash and cash equivalents	(114)	(2,628)	(1,193)
Cash and cash equivalents at beginning of year:			
At beginning of the period	419	9,628	12,028
Effects of exchange rate changes on cash and cash equivalents	55	1,261	(279)
<b>Cash and cash equivalents at end of period</b>	360	8,261	10,557

(1) U.S. dollars translated at 22.97 Mexican pesos solely for the convenience of the reader.

Supplemental Information (unaudited)

**Becle's volume and net sales by region of The Cholula Food Company products  
Quarterly 2019**

**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)**

Net Sales	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	-	-