



JB y Compañía, S.A. de C.V.  
and subsidiaries

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FINANCIAL REPORT  
TO BOND HOLDERS  
THIRD QUARTER 2015



Mexico City, Mexico, November 13, 2015. – JB y Compañía, S.A. de C.V. and Subsidiaries (which we refer collectively as “Jose Cuervo”) announce today its operating and financial results for the third quarter and the first nine months of 2015.

### **Recent Developments**

As reported in Second Quarter 2015 release, on July 16, 2015, as part of an internal corporate restructuring plan, approvals were obtained for the 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”), with Becele surviving the merger. The merger will be effective as of November 14, 2015 and as a result of the merger, Becele will assume all the assets, property and rights of the Merged Companies, as well as their liabilities, obligations and responsibilities. In particular, Becele will assume all obligations of JB y Compañía, S.A. de C.V. as issuer under the indenture dated as of May 13, 2015 (the “indenture”) governing in 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 will be merged with and into other subsidiary guarantors under the Indenture. Starting from the Fourth Quarter and Full Year Report of 2015, all operating and financial information will be presented by Becele.

As part of its financial commitments, today JB y Compañía, S.A. de C.V. and Subsidiaries made its first interest payment of its 3.750% Senior Notes due 2025, totaling USD 9.375 million. The next interest payment is due on May 13, 2016, from this interest payment on; all payments will be done by Becele as aforementioned.

### **Operating and Financial Highlights:**

For the first nine months of the year, total volume was 11.346 million 9 liter cases, 26.9% higher than same period of last year. Growth was mainly driven by the addition of Bushmills whisky in February, strong growth of Jose Cuervo Margarita Mix and a good performance of tequilas in the NAFTA region.

Third quarter net sales less excise taxes (“net sales”) totaled MXN 3,744.5 million, 79.3% higher than the same quarter of 2014. For the nine months, net sales were MXN 10,252.7 million which represents a 41.3% year-over-year growth rate. These increases are mainly driven by the tequilas, margaritas and Irish whisky categories.

In the third quarter, operating income totaled MXN 1,299.3 million a 748.9% increase in comparison with same quarter of 2014. For the nine months of the year, operating income was MXN 2,928.4 million, 118.9% higher than the same period of last year. Both increases are due to the strong performance in revenues for the quarter and cumulative, as well as an adequate expense control. Operating margin was 34.7% in the third quarter and 28.6% for the nine months of 2015. Year to date, operating margin has been better than 2014.



## **Comprehensive Financial Result**

Net interest expenses were MXN 207.3 million and MXN 248.9 million for the third quarter and nine months of 2015, respectively. These figures are higher than those registered in 2014 due to the long term financing incurred by the company for the purchase of 100% shares of Bushmills.

For the third quarter and for the nine months of 2015, the company recorded foreign exchange losses of MXN 320.4 and MXN 377.4 million, respectively. These losses compared with foreign exchange gains of MXN 89.7 million for the third quarter and MXN 74.4 million for the nine months of 2014. These losses are explained by the net US dollar long-term leverage of the company and the depreciation of the Mexican Peso against the US dollar.

The company recorded in the third quarter of 2015 a comprehensive financial loss of MXN 527.8 million, compared with a comprehensive financial gain of MXN 83.2 million in the same period of last year. For the first nine months of 2015, the company registered a comprehensive financial loss of MXN 626.3 million compared with a comprehensive financial gain of MXN 72.0 million. In both cases the financial losses are related to the net US dollar denominated debt of the company and the Mexican Peso depreciation.

## **Net Income**

For the third quarter of 2015, consolidated net income totaled MXN 691.8 million, 220.9% higher than the same period of 2014. Net income for the nine months was MXN 3,853.0 million, which represents an increase of 277.9% in comparison with the same period of 2014. This increase is significantly explained by the sale of Tequila Don Julio shares.

## **Balance Sheet Highlights**

As of September 2015, the cash balance position of the company reached MXN 4,282.1 million; this represents an increase of 29.0% in comparison with the same period of 2014. Approximately 83% of this cash position is US dollar denominated.

For the nine months of the year, inventories were MXN 5,984.0 million, 112.7% higher than the first nine months of 2014. The increase is mainly explained by the bulk Irish whisky inventories related to Bushmills acquisition.

Property, plant and equipment totaled MXN 2,870.7 million as of September 2015, 122.8% more than the same period of last year. The increase is due to Bushmills acquisition, as well as MXN 264.2 million of capital expenditures as of September 2015.

Intangible assets grew 1,090.1% in comparison with the first nine months of 2014, totaling MXN 8,139.4 million. This increase is mainly driven by the record of the brand and goodwill associated with Bushmills acquisition, partially compensated by the sale of Tequila Don Julio shares.



As of September 30, 2015 long term debt was MXN 8,503.7 million, 100% more compared to none in 2014. This increase is due to the issuance of USD 500 million 144 A – Regulations S 10 year bond.

### **Cash Flow Highlights**

For the first nine months of the year, cash flow from operating activities was MXN 5,891.2 million and net cash from operating activities after working capital investments was MXN 2,235.3 million. Net cash used in investing activities as of September 2015 was MXN 9,436.4 million and net cash received from financing activities was MXN 8,161.0 million. As a result, as of September, 2015 cash and cash equivalents increased MXN 960 million.

### **Conference Call Information:**

**Jose Cuervo** Third Quarter of 2015 Conference Call will be held on: **Monday November 23, 2015 at 11:00 AM Eastern Time (10:00 AM Mexico City Time)**. To participate in the conference call, please dial:

México	01-800-0362000
USA	1-855-3781619
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](http://www.ircuervo.com)



JB y Compañía, S. A. de C. V. and subsidiaries

Consolidated Statement of financial position

September 30, 2015, 2014 and December 2014

(Thousands of Mexican pesos)

	<u>September 2015</u>	<u>September 2014</u>	<u>December 2014</u>		<u>September 2015</u>	<u>September 2014</u>	<u>December 2014</u>
<b>Assets</b>				<b>Liabilities and Stockholders' Equity</b>			
Current assets:				Current liabilities:			
Cash and cash equivalents	\$ 4,282,124	3,319,117	3,322,162	Note payable to bank	\$ -	947,398	995,439
Accounts receivable, net	1,837,556	1,233,991	2,843,333	Short-term interest payable	123,244	-	-
Related parties	2,623,099	1,517,063	2,360,700	Trade accounts payable	1,254,211	1,083,234	956,766
Other receivables	1,067,003	1,356,502	509,993	Other liabilities	739,016	72,876	1,023,837
Inventories, net	5,983,987	2,813,922	3,670,728	Accruals	864,179	668,828	647,028
Investment in joint venture available for sale	-	712,430	824,416	Employee statutory profit sharing	507	334	12,013
Prepayments	200,337	184,416	147,065	Related parties	-	-	101,410
				Dividend payable	-	855,023	1,032,063
Total current assets	15,994,106	11,137,441	13,678,397	Total current liabilities	2,981,157	3,627,693	4,768,556
Investment in associated companies	154,779	154,779	154,779	Senior notes 144-Reg S	8,503,650	-	-
Property, plant, and equipment, net	2,870,714	1,288,187	1,541,211	Employee benefits	17,308	-	-
Employee benefits	-	23,848	19,082	Deferred income taxes and employee statutory profit sharing	266,791	314,854	247,018
Intangible assets and trademarks	8,139,364	683,902	685,532	Total liabilities	11,768,906	3,942,547	5,015,574
Other assets	15,063	73,022	78,645	Stockholders' equity:			
Security deposits	2,141	1,614	1,705	Controlling interest:			
				Capital stock	6,618,143	6,384,863	6,384,863
				Retained earnings	8,758,256	3,005,962	4,730,380
				Total controlling interest	15,376,399	9,390,825	11,115,243
				Non-controlling interest	30,862	29,421	28,534
				Total stockholders' equity	15,407,261	9,420,246	11,143,777
	\$ 27,176,167	13,362,793	16,159,351		\$ 27,176,167	13,362,793	16,159,351



JB y Compañía, S. A. de C. V. and subsidiaries

Consolidated Statements of Income

Three months July to September 2015, 2014 and accumulative nine months, as of September 2015, 2014

(Thousands of Mexican pesos)

	9 months September 2015	9 months September 2014	3 months July to September 2015	3 months July to September 2014
Net sales	\$ 10,252,673	7,254,357	3,744,471	2,088,757
Cost of goods sold	<u>(4,615,675)</u>	<u>(3,224,587)</u>	<u>(1,729,575)</u>	<u>(1,078,808)</u>
Gross profit	<u>5,636,998</u>	<u>4,029,770</u>	<u>2,014,896</u>	<u>1,009,949</u>
Total Expenses:				
Distribution	273,172	236,822	93,776	72,527
Advertising, marketing and promotion	1,651,743	1,691,169	372,615	526,731
Sales	171,629	163,729	48,930	50,735
Administration	<u>612,081</u>	<u>600,564</u>	<u>200,287</u>	<u>206,892</u>
Total expenses	<u>2,708,625</u>	<u>2,692,284</u>	<u>715,608</u>	<u>856,885</u>
Operating income	<u>2,928,373</u>	<u>1,337,486</u>	<u>1,299,288</u>	<u>153,064</u>
Other (expenses) income, net	<u>(214,505)</u>	<u>(26,655)</u>	<u>162,100</u>	<u>52,641</u>
Comprehensive financial results:				
Interest expense, net	(248,881)	(2,423)	(207,316)	(6,490)
Foreign exchange (loss) gain, net	<u>(377,375)</u>	<u>74,399</u>	<u>(320,451)</u>	<u>89,672</u>
Comprehensive financial results, net	<u>(626,256)</u>	<u>71,976</u>	<u>(527,767)</u>	<u>83,182</u>
Equity in associates	<u>16,666</u>	<u>80,363</u>	<u>-</u>	<u>25,000</u>
Income from continuing operations, before discontinued operations	<u>2,104,278</u>	<u>1,463,170</u>	<u>933,621</u>	<u>313,887</u>
Sale of investment in joint venture and trademarks, net	3,403,279	-	-	-
Income from continuing operations, before income taxes	<u>5,507,557</u>	<u>1,463,170</u>	<u>933,621</u>	<u>313,887</u>
Income taxes:				
Current	<u>1,652,267</u>	<u>440,021</u>	<u>240,653</u>	<u>96,324</u>
Total income taxes	<u>1,652,267</u>	<u>440,021</u>	<u>240,653</u>	<u>96,324</u>
Consolidated net income	3,855,290	1,023,149	692,968	217,563
Non-controlling interest	<u>(2,337)</u>	<u>(3,474)</u>	<u>(1,180)</u>	<u>(1,969)</u>
Controlling net income	\$ <u>3,852,953</u>	<u>1,019,675</u>	<u>691,788</u>	<u>215,594</u>



**JB y Compañía, S. A. de C. V. and subsidiaries**

Consolidated statements of cash flows

Nine months ended on September 30, 2015 and Year ended on December 31, 2014

(Thousands of Mexican pesos)

	<u>September 2015</u>	<u>December 2014</u>
Cash flows from operating activities:		
Income before income taxes and non-controlling interest	\$ 5,507,557	4,209,623
Items relating to investing activities:		
Depreciation and amortization	140,885	171,475
Investment in associates	(16,666)	(191,153)
Loss on sale of property, plant and equipment	10,511	5,684
Interest income	(16,641)	(34,558)
Items relating to financing activities: Interest expenses	<u>265,522</u>	<u>33,731</u>
Subtotal	5,891,168	4,194,802
Accounts receivables	1,005,777	(550,909)
Related parties	(262,399)	(1,206,783)
Other receivables	(557,010)	1,529,086
Inventories	(2,313,259)	(949,220)
Prepaid expenses	(53,708)	(43,325)
Trade accounts payable	297,445	380,636
Other liabilities	(284,821)	29,371
Accruals	217,151	193,808
Income taxes paid	(1,628,475)	(1,174,298)
Accounts payable to related parties	(101,410)	32,869
Changes in direct employee benefits and employee statutory profit sharing paid	(11,507)	9,298
Net periodic cost from termination and retirement benefits and payments	<u>36,390</u>	<u>13,584</u>
Net cash provided by operating activities	<u>2,235,342</u>	<u>2,458,919</u>
Cash flows from investing activities:		
Investment in property, plant and equipment	(1,492,593)	(524,196)
Stock acquisition between parties under common control	-	(152,261)
Proceeds from sale of property, plant and equipment	11,638	25,851
Investment in Intangible Bushmills	(8,035,224)	-
Interest collected	16,641	34,558
Other assets	63,130	(49,521)
Cash collected from loans granted	<u>-</u>	<u>16,550</u>
Net cash used in provided by investing activities	<u>(9,436,408)</u>	<u>(649,019)</u>
Cash to be obtained from financing activities (Cash surplus to be applied in financing activities)	<u>(7,201,066)</u>	<u>1,809,900</u>
Cash flows from financing activities:		
Bond Offering 144A-Reg S	8,503,650	469,914
Sale of investment in joint venture and Trademarks	1,418,955	-
Cummulative Translation Effect	154,968	-
Dividends paid	(1,032,063)	(208,833)
Payments on loans	(995,439)	(408,987)
Additional capital by merger	253,235	-
Interest paid	<u>(142,278)</u>	<u>(24,743)</u>
Net cash received from financing activities	<u>8,161,028</u>	<u>(172,649)</u>
Net cash increase in cash and cash equivalents	959,962	1,637,251
Cash and cash equivalents:		
At Beginning of year	3,322,162	1,684,911
At end of year	<u>\$ 4,282,124</u>	<u>3,322,162</u>