



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

FINANCIAL REPORT
TO BOND HOLDERS
SECOND QUARTER 2015



Mexico City, Mexico, August 27th, 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 second quarter and the first six months of 2015.

Recent Developments

On November 2, 2014, **Jose Cuervo** and Diageo terminated by mutual consent the distribution agreement for vodka Smirnoff in Mexico.

On February 27, 2015, **Jose Cuervo** sold its 50% of the shares of Tequila Don Julio to Diageo. Concurrently with this transaction, **Jose Cuervo** acquired from Diageo 100% of the shares of Old Bushmills Distillery Company (“**Bushmills**”), owner and producer in Northern Ireland of Bushmills Irish whisky. To finance said acquisition the company draw a USD 500 million short term bridge loan.

On May 13, 2015, **Jose Cuervo** issued USD 500 million 10 year Senior Notes 144 A - Regulation S, to refinance the short term facility. The long term facility expires in May 12, 2025 and has a 3.750% annual interest coupon with interest payments every six months.

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 and into Becele, S.A. de C.V. (“**Becele**”), with Becele surviving the merger. The merger is expected to become 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 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.

Operating and Financial Highlights:

Total volume in the first six months of 2015 was 7.282 million 9 liter cases, 23.4% more than same period last year. This increase is mainly derived from robust sales in NAFTA, the addition of Jose Cuervo Margarita Mix, and the addition of Bushmills volume sold starting February 27, 2015.

For the second quarter of 2015, net sales less excise taxes (“**net sales**”) totaled MXN 3,390.5 million, 16.2% more than the same quarter of the previous year. For the first six months of 2015, net sales were MXN 6,508.2 million, which represents 26.0% year over year growth. In both cases, quarterly and cumulative, net sales growth was mainly driven by the NAFTA region revenues.

Operating income for the second quarter was MXN 775.0 million, which represents an increase of 23.5% in comparison with the same quarter of 2014. For the first half of the year, operating income totaled MXN 1,629.1 million, an increase of 37.5% when compared to the same period of last year.



Operating margin was 22.9% in the second quarter and 25.0% for the first six months of 2015, both margins favorable compare with 21.5% and 22.9% for the second quarter and the first six months of 2014, respectively. This performance is mainly explained by the robust sales growth in the NAFTA region partially reduced by an 8.6% growth in total expenses for the first half of the year.

Comprehensive Financial Result

Interest expenses grew 430.6% and 266.5% in the quarter and for the first six months, respectively, in comparison with last year expenses. These increases are attributable to the financing incurred by the company for the purchase of 100% shares of Bushmills.

For the second quarter of 2015, interest income was 14.0% higher than previous year but for the first half of the year was 2.4% lower than 2014.

Foreign exchange loss increased 559.5% and 272.7% in the second quarter and first half of 2015, respectively. These increases are mainly explained by the higher leverage of the company due to the Bushmills acquisition and the impact of the depreciation of the Mexican peso against the US dollar, partially compensated by the cash balance in US dollars of the company.

As a result, the company registered a comprehensive financial expense in the first six months of MXN 98.5 million compared to MXN 11.2million same period of last year.

Net Income

Consolidated net income in the second quarter of 2015 was MXN 165.2 million, 59.1% lower than the same period of the prior year. The decline is due to the previously explained increase in the comprehensive financial results as well as, non-recurring other expenses due to the early termination of Smirnoff distribution, the sale of Tequila Don Julio shares and the Bushmills acquisition. For the first half of the year, consolidated net income equaled MXN 3,162.3 million, 292.5% more than 2014. This increase is mainly explained by the profit on the sale of Tequila Don Julio shares.

Balance Sheet Highlights

The cash balance position of the company increased 23.0% year over year accounting MXN 3,267.4 million by June 30, 2015. Of this cash position, approximately 87% is US dollar denominated.

Inventories grew 102.8% in comparison with the same semester of the prior year, registering MXN 5,920.4 million. These inventories reflect the bulk Irish whisky inventories acquired with the 100% shares of Bushmills.

Property, plant and equipment account for MXN 2,908.0 million at the end of the first semester, 113.7% more than the previous year. This increase is due to the land and fixed assets acquired with Bushmills. It includes also MXN 236.5 million of capital expenditures as of June 2015.



Intangible assets were MXN 8,022.8 million as of the end of the first six months of the year, an increase of 1,286.9% when compared to 2014. This figure reflects the sale of Tequila Don Julio shares and record of brand and goodwill associated with the Bushmills acquisition.

As of June 30, 2015, all short term debt was fully paid. Long term debt at the end of the period registered MXN 7,783.8, 100% more than the previous year. This is due to the payment of short term debt and the issuance of USD 500 million 144 A - Regulation S 10 year bond.

Cash Flow Highlights

For the first six months of 2015, cash flow from operating activities totaled MXN 4,688.0 million and net cash from operating activities after working capital investments was MXN 1,843.2 million.

Net cash used in investing activities was MXN 9,433.3 million. Net cash received from financing activities was MXN 7,535.3 million.

Cash and cash equivalents in the first semester decreased MXN 54.8 million compared to 2014 full year surplus of MXN 1,637.3 million.

Conference Call Information:

Jose Cuervo Second Quarter of 2015 Conference Call will be held on: **Thursday September 3, 2015 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
Canada	1-844-6525913
UK	0-800-3763592
Others	+52-5530031111

Access Code: 8526472

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



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

Consolidated Statements of Financial Position

June 30, 2015, 2014 and December 2014

(Thousands of Mexican pesos)

	<u>June 2015</u>	<u>June 2014</u>	<u>December 2014</u>		<u>June 2015</u>	<u>June 2014</u>	<u>December 2014</u>
Assets				Liabilities and equity			
Current assets:				Current liabilities:			
Cash	\$ 3,267,369	2,656,079	3,322,162	Notes payable to banks	\$ -	927,843	995,439
Accounts receivable, net	1,163,659	1,372,189	2,843,333	Short-term interest payable	38,919	-	-
Related parties	3,108,036	2,611,258	2,360,700	Trade accounts payable	1,448,516	1,237,370	956,766
Other receivables	973,044	936,157	509,993	Other liabilities	690,832	57,852	1,023,837
Inventories, net	5,920,355	2,919,500	3,670,728	Accruals	911,988	1,012,770	647,028
Investment in joint venture available for sale	-	687,388	824,416	Employee statutory profit sharing	581	375	12,013
Prepayments	147,023	184,086	147,065	Related parties	-	-	101,410
				Dividend payable	-	855,023	1,032,063
Total current assets	14,579,486	11,366,657	13,678,397	Total current liabilities	3,090,836	4,091,233	4,768,556
Investment in associated companies	154,779	154,779	154,779				
Property, plant and equipment, net	2,907,972	1,360,455	1,541,211	Senior Notes 144A-Reg S	7,783,800	-	-
Employee benefits	1,017	27,454	19,082	Deferred income taxes and employee statutory profit sharing	263,551	314,854	247,018
Intangible assets and trademarks	8,022,767	578,455	685,532	Total liabilities	11,138,187	4,406,087	5,015,574
Other assets	53,709	119,482	78,645	Equity			
Security deposits	46	1,488	1,705	Controlling interest:			
				Capital stock	6,384,863	6,384,863	6,384,863
				Retained earnings	8,167,035	2,790,368	4,730,380
				Total controlling interest	14,551,898	9,175,231	11,115,243
				Non-controlling interest	29,691	27,452	28,534
				Total stockholders' equity	14,581,589	9,202,683	11,143,777
	\$ 25,719,776	13,608,770	16,159,351		\$ 25,719,776	13,608,770	16,159,351



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

Consolidated Statements of Income

Three months from April to June 2015, 2014 and accumulative six months, as of June 2015, 2014.

(Thousands of Mexican pesos)

	6 months June 2015	6 months June 2014	3 months April to June 15	3 months April to June 14
Net Sales	\$ 6,508,202	5,165,600	3,390,479	2,917,213
Cost of goods sold	<u>(2,886,100)</u>	<u>(2,145,779)</u>	<u>(1,573,863)</u>	<u>(1,152,387)</u>
Gross profit	<u>3,622,102</u>	<u>3,019,821</u>	<u>1,816,616</u>	<u>1,764,826</u>
Total expenses	<u>1,993,016</u>	<u>1,835,399</u>	<u>1,041,588</u>	<u>1,137,069</u>
Operating income	<u>1,629,086</u>	<u>1,184,422</u>	<u>775,028</u>	<u>627,757</u>
Other expenses	<u>(376,605)</u>	<u>(79,296)</u>	<u>(376,150)</u>	<u>(73,831)</u>
Comprehensive financial results:				
Interest expenses	(62,049)	(16,932)	(45,335)	(8,544)
Interest income	20,485	20,999	11,719	10,282
Foreing exchange loss, net	<u>(56,924)</u>	<u>(15,273)</u>	<u>(48,257)</u>	<u>(7,317)</u>
Comprehensive financial results, net	<u>(98,488)</u>	<u>(11,206)</u>	<u>(81,872)</u>	<u>(5,579)</u>
Equity in associated companies	<u>16,666</u>	<u>55,363</u>	<u>-</u>	<u>27,863</u>
Income from continuing operations before discontinuing operations	<u>1,170,659</u>	<u>1,149,283</u>	<u>317,006</u>	<u>576,210</u>
Sale of investment in joint venture and trademarks, net	3,403,279	-	-	-
Income after discontinuing operations before income taxes	<u>4,573,938</u>	<u>1,149,283</u>	<u>317,006</u>	<u>576,210</u>
Income taxes:				
Current	1,411,614	343,697	151,801	172,016
Deferred	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total income taxes	<u>1,411,614</u>	<u>343,697</u>	<u>151,801</u>	<u>172,016</u>
Consolidated net income	<u>3,162,324</u>	<u>805,586</u>	<u>165,205</u>	<u>404,194</u>
Non-controlling interest	<u>(1,157)</u>	<u>(1,505)</u>	<u>(987)</u>	<u>(1,271)</u>
Controlling net income	\$ <u>3,161,167</u>	<u>804,081</u>	<u>164,217</u>	<u>402,923</u>



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

Consolidated statements of cash flow

Six months as of June 30, 2015 and Year ended December 31, 2014

(Thousands of Mexican pesos)

	<u>June 2015</u>	<u>December 2014</u>
Cash flows from operating activities:		
Income before income taxes and non-controlling interest	\$ 4,573,938	4,209,623
Items relating to investing activities:		
Depreciation and amortization	92,265	171,475
Investment in associates	(16,666)	(191,153)
Gain on sale of property, plant and equipment	(3,073)	5,684
Interest income	(20,485)	(34,558)
Items relating to financing activities: Interest expenses	<u>62,049</u>	<u>33,731</u>
Subtotal	4,688,028	4,194,802
Accounts receivables	1,679,674	(550,909)
Related parties	(747,336)	(1,206,783)
Other receivables	(463,051)	1,529,086
Inventories	(2,249,627)	(949,220)
Prepaid expenses	42	(43,325)
Trade accounts payable	491,750	380,636
Other liabilities	(333,005)	29,371
Accruals	264,960	193,808
Income taxes paid	(1,395,081)	(1,174,298)
Accounts payable to related parties	(101,410)	32,869
Security Deposit	1,659	-
Changes in direct employee benefits and employee statutory profit sharing paid	(11,432)	9,298
Net periodic cost from termination and retirement benefits and payments	<u>18,065</u>	<u>13,584</u>
Net cash provided by operating activities	<u>1,843,236</u>	<u>2,458,919</u>
Cash flows from investing activities:		
Investment in property, plant and equipment	(1,464,953)	(524,196)
Stock acquisition between parties under common control	-	(152,261)
Proceeds from sale of property, plant and equipment	8,999	25,851
Investment in Intangible assets and trademark Bushmills	(8,022,767)	-
Interest collected	20,485	34,558
Other assets	24,936	(49,521)
Cash collected from loans granted	<u>-</u>	<u>16,550</u>
Net cash used in investing activities	<u>(9,433,299)</u>	<u>(649,019)</u>
Cash surplus to be applied in financing activities	<u>(7,590,063)</u>	<u>1,809,900</u>
Cash flows from financing activities:		
Bond Offering 144A-Reg S	7,783,800	469,914
Sale of investment in joint venture and trademarks	1,526,614	-
Cummulative translation effect	275,488	-
Dividends paid	(1,032,063)	(208,833)
Payments of loans	(995,439)	(408,987)
Interest paid	<u>(23,130)</u>	<u>(24,743)</u>
Net cash received from financing activities	<u>7,535,270</u>	<u>(172,649)</u>
Net cash (decrease) increase in cash and cash equivalents	(54,793)	1,637,251
Cash and cash equivalents:		
At Beginning of year	<u>3,322,162</u>	<u>1,684,911</u>
At end of year	\$ <u><u>3,267,369</u></u>	<u><u>3,322,162</u></u>