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## **JAVO BEVERAGE ANNOUNCES RECORD THIRD QUARTER REVENUE**

*Reaches 12,162 Total Beverage Dispenser Locations, a 30% Year-over-Year Increase*

*Gross Profit Margin Expands to 55%, an Increase of 1440 Basis Points*

*Company Executes Termsheet for \$4.1 Million to Fund Planned Growth*

**SAN DIEGO, CA – November 10, 2009** -- Javo® Beverage Company, Inc. (OTC BB: JAVO), a leading provider of premium dispensable coffee and tea-based beverages to the foodservice industry, announced today its unaudited financial results for the third quarter and first nine months of 2009.

### **Financial Highlights for the Third Quarter**

- Net sales increased 11% to \$6.3 million from \$5.7 million in the third quarter 2008.
- Dispensed products revenue was \$6.0 million, up 41% over the third quarter 2008.
- The Company's total base of beverage dispensers at the end of the quarter was 12,162, an increase of 2,817 or 30% from the same period in 2008.
- Gross profit margin for the quarter expanded to 55% from 41% in the third quarter of 2008, an increase of 1440 basis points from the year ago period.
- Excluding variable costs, selling and marketing expenses declined \$356 thousand year-over-year.
- Net loss was \$2.5 million for the quarter, a \$159 thousand improvement over the third quarter of 2008. Excluding non-cash items related to the retirement of debt, the Company had a net loss of \$1.1 million in the third quarter of 2009, a \$269 thousand improvement versus year ago.

### **Financial Highlights for the First Nine Months of 2009**

- Net sales for the first nine months increased 11% to \$18.0 million from \$16.2 million in the first nine months of 2008.
- Dispensed products revenue for the first nine months of 2009 was \$16.7 million, up 31% over the same period in 2008.
- Gross profit margin for the first nine months of 2009 expanded to 53% from 43% in the prior year period, an increase of 970 basis points.
- Selling and marketing expenses were \$6.5 million compared to \$5.4 million in the first nine months of 2008. Excluding variable marketing allowances related to national accounts, selling and marketing expenses declined by \$353 thousand compared to the same period a year ago.
- Net loss was \$10.4 million, compared to \$6.7 million in the first nine months of 2008. Excluding non-cash items, the Company's net loss of \$1.6 million was \$1.3 million lower than the same nine month period in 2008.

### **Quarter Review**

For the third quarter of 2009, total revenue increased to \$6.3 million, up 11% from revenue of \$5.7 million in the same quarter in 2008. Net sales from dispensed products, the Company's primary source of revenue, grew to \$6.0 million, a 41% increase compared to the prior year quarter. This improvement was due to an increase in beverage dispensing locations serving Javo's coffee and tea products to a quarter-ending total of 12,162, a 30% year-over-year increase. The Company's revenue from bulk ingredients and packaged coffee and tea mixes, which do not utilize dispensing equipment, was \$451 thousand, representing a decline of \$919 thousand or 67% versus the second quarter of 2008. Non-dispensed product sales were lower, primarily, due to the transition of a large packaged coffee account to toll extraction that had the effect of lowering revenue but not effecting gross profit.

For the third quarter of 2009, gross profit increased 51% to \$3.5 million from \$2.3 million in the same period of 2008. Gross profit margin for the quarter expanded by 1440 basis points to 55% as the Company continued to benefit from operating leverage derived from the integration of several manufacturing processes, a reduction in the average ingredient cost per unit and a favorable shift in product mix to dispensed products. In addition, the Company's higher sales level allowed it to realize cost savings in packaging materials and freight charges.

Third quarter 2009 sales and marketing expenses were \$2.4 million, or 37% of revenue, compared to \$2.1 million in the third quarter of 2008. The increase was primarily due to variable marketing and promotion

expenses related to the Company's national account business. Excluding variable expenses for commissions and marketing allowances, fixed selling and marketing costs declined \$356 thousand compared to the year ago quarter and decreased as a percent of revenue to 17% compared to 25%, in the third quarter of 2008.

General and administrative expenses for the third quarter of 2009 declined to \$2.4 million, or 38% of revenue, compared to \$2.6 million, or 46% of revenue, for the same period last year. The improvement in G&A costs as a percentage of sales is a result of reduced department payroll and lower legal and accounting expenses. Excluding non-cash depreciation and amortization and stock-based compensation, general and administrative expenses decreased \$250 thousand compared to the year ago period. The Company expects that general and administrative expenses will increase modestly during the remainder of 2009, primarily in non-cash depreciation and amortization expenses.

For the third quarter of 2009, other income/expense items totaled \$1.2 million compared to \$279 thousand in the same quarter of 2008. The increase was primarily due to a \$978 thousand decrease in non-cash derivative income reported for the revaluation of the Company's warrants issued in connection with its Senior Convertible Debt.

The Company's net loss for the quarter was \$2.5 million, or \$0.01 per share, compared with \$2.7 million, or \$0.02 per share, in the same quarter of the previous year.

### **Liquidity and Capital Resources**

As of September 30, 2009, the Company had cash and cash equivalents of \$506 thousand compared to \$905 thousand as of December 31, 2008.

Subsequent to the end of the third quarter, the Company executed a termsheet for a financing with a current lender to provide \$4.1 million for working capital in exchange for a \$4.0 million promissory note carrying interest at 12% and issuance of 15.0 million shares of its common stock. The \$4.0 million promissory note requires no interest or principal payments until the maturity date at the end of its sixty-six month term. While the material terms of this transaction have been agreed upon by the parties, the closing is subject to Company board approval, execution of definitive documents and absence of any material adverse changes prior to closing. Management anticipates this closing to occur in the very near term.

The Company anticipates that the net proceeds from this transaction will be allocated to, among other things, growing its base of Company-owned dispensers and, combined with its current cash and cash equivalents, vendor financing, cash flow from increased sales and gross profits, will provide adequate capital to fund operations and required capital expenditures over the next year.

In addition, the financing would provide for the availability of additional loan(s) of up to \$3.5 million under the same terms, which could be used solely for the payment of interest and/or principal on the Company's existing \$12.0 million in promissory notes issued in April, 2009. Post closing, final details of the offering will be disclosed in a Company Form 8-K filing, and made available in the Investor Relations section of the Company's website under "SEC Filings"

### **Management Comment**

Cody C. Ashwell, chairman and CEO of Javo Beverage Company, said, "Our third quarter results reflect solid progress for our business. Net sales, gross margin and net loss improved despite the tough conditions for iced coffee sales over the summer. Despite this challenge, we grew our revenue and total beverage dispenser locations and entered into important new customer relationships, including Travel Centers of America who operates 230 retail locations across the country. Importantly, our gross margin expanded by 1440 basis points and G&A expense improved 800 basis points compared to the same period last year, underscoring our ability to leverage our operations as we achieve greater scale."

Gary Lillian, president of Javo Beverage Company, added, "The, unseasonably cool and wet weather, particularly in the Northeast this summer caused consumption of iced coffee to be reduced by approximately 35%. Since iced coffee dispensers represent the majority of our total customer locations, this weather-related anomaly reduced annual revenue for an average dispensing location for this year by roughly \$500. Besides this unique situation, installed dispenser productivity at a location will vary based on several factors, key among these are: product mix; seasonality, with productivity varying between the winter and the summer beverage seasons; and our user base, where productivity varies between customer-owned and Javo-owned dispensers. Based on the current mix of these factors in our business we have a range of annual dispenser values of between \$2,000 and \$6,000 and an average annual value of approximately \$2,750."

Mr. Lillian continued, "Specialty coffee and tea beverage consumption continues to grow, and we remain well positioned to benefit from activities by McDonald's® and other industry leaders. By offering a propriety and cost-effective operating system to provide fresh hot and iced coffee beverages without the extraordinary costs associated with on-site barista style preparation, Javo occupies a unique niche in the marketplace. Bottom line, we enable foodservice operators to quickly and easily upgrade their coffee and tea beverage menus."

Ashwell concluded, "As we look at the remainder of 2009 and into 2010, we are pleased with our business direction. Considering the positive industry trends, our enhanced product portfolio and our ability to deliver

increasingly attractive gross margins, we believe we are well positioned to drive improved top and bottom lines results.”

## **Outlook**

The outlook for Javo specialty coffee and tea beverages, which are primarily sold in the health care and convenience sectors of the foodservice market, continues to be positive for the remainder of 2009 and into 2010. These sectors of the foodservice market have been among the least impacted by the weak economy and there remains significant opportunity to increase penetration rates for these popular beverage menu items to much higher levels.

Moving into the fall and winter season, fourth quarter demand will be led by hot coffee. Management expects that several factors will contribute to the Company’s growth in its dispensed coffee revenue in the fourth quarter of 2009 compared to the same period a year ago:

- Product sales to approximately 2,800 more coffee dispenser locations at the beginning of the fourth quarter compared to year ago.
- Consumption of hot coffee in the fourth quarter is typically 25-30% higher than in the spring/summer.
- Continued heavy promotion by McDonald’s® for its specialty coffee and tea beverages, driving demand for iced coffee at our installed foodservice locations.

## **Conference Call**

Management of Javo Beverage will host a conference call today at 4:30 pm EST to discuss the Company’s financial results and achievements. Those who wish to participate in the conference call may telephone (888) 567-1602 from the U.S. or (201) 604-5049 for international callers. A digital replay of today’s conference call will be available by telephone approximately 1 hour after the completion of the call. It will be available for 90 days and may be accessed by dialing (888) 632-8973 from the U.S. or (201) 499-0429 for international callers. At the prompt, dial replay code “60770241#”.

## **About Javo® Beverage Company, Inc.**

Based in Vista, California, Javo® Beverage Company (OTC Bulletin Board: JAVO) is an innovator and leader in the manufacture of coffee and tea-based dispensed beverages, drink mixes and flavor systems. The company has successfully commercialized a proprietary brewing technology that yields fresh brewed coffees and teas that are flavorful, concentrated and stable, with broad applications in the foodservice, food manufacturing and beverage industries. For foodservice operators, Javo makes it possible to serve great tasting hot coffees and cold specialty coffee beverages from convenient dispenser-based systems. Javo also assists food and beverage processors seeking authentic and robust coffee and tea flavors through its

development and supply of customized ingredients for packaged foods and ready-to-drink beverages. The company supplies a growing list of national and international foodservice operations, specialty coffee retailers, restaurant chains and food manufacturers. For information about Javo Beverage Company, please visit [www.javobeverage.com](http://www.javobeverage.com).

## **Forward-looking statements**

This release contains forward-looking statements made by or on behalf of Javo® Beverage Company, Inc. All statements that address events or operating performance that the Company expects will occur in the future, including statements relating to revenue growth, dispenser location growth, annual revenue per dispenser, volume growth, share of sales, future profitability or statements expressing general optimism about future operating results, and future financings are forward-looking statements. These forward-looking statements are based on management's current views and we cannot assure that anticipated results will be achieved. These statements are subject to numerous risks and uncertainties, including those set forth in the Company's risk factors contained in the Company's most recent annual report on Form 10-K and in subsequent quarterly reports on Form 10-Q, copies of which are available from the Company without charge and from the SEC's website at [www.sec.gov](http://www.sec.gov). Readers are cautioned not to place undue reliance on forward-looking statements and are encouraged to review the risk factors that could affect actual results. The Company disclaims any intent to update forward-looking statements.

**JAVO BEVERAGE COMPANY, INC.  
CONDENSED BALANCE SHEETS**

	<b>September 30, 2009 Unaudited</b>	<b>December 31, 2008</b>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$506,240	\$905,344
Restricted cash	140,000	4,777,000
Total cash, restricted cash and cash equivalents	646,240	5,682,344
Accounts receivable, less allowances	3,248,910	1,526,120
Inventory, net of reserve for obsolescence	1,193,326	785,713
Prepaid expenses	249,816	103,607
Total current assets	5,338,292	8,097,784
Property and equipment, net	11,894,705	11,365,253
Intangibles, net	2,270,134	761,979
Deposits	23,858	23,858
Total assets	\$19,526,989	\$20,248,874
<b>LIABILITIES AND STOCKHOLDERS' DEFICIT</b>		
Current liabilities:		
Accounts payable and accrued expenses	\$3,369,349	\$6,386,952
Accrued payroll and related benefits	259,066	250,369
Accrued short-term interest payable	656,333	259,629
Lines of credit	3,045,030	5,816,230
Warrants payable	18,801	56,771
Current portion of long-term debt and capital leases	465,859	5,128,747
Total current liabilities	7,814,438	17,898,698
Long-term debt and capital leases, net of current portion	22,746,016	10,577,674
Unamortized discount on long-term debt	(7,734,034)	(6,197,748)
Accrued long-term interest payable	9,607	15,504
Total liabilities	22,836,027	22,294,128
Commitments and contingencies	--	--
Stockholders' deficit:		
Preferred stock, \$0.001 par value, 10,000,000 shares authorized, 2,362,746 shares issued and outstanding as of September 30, 2009 and 2,147,952 as of December 31, 2008. 150,000 shares have been reserved for the Junior A Participating Preferred Stock.	2,363	2,148
Common stock, \$0.001 par value, 300,000,000 shares authorized, 283,803,342 shares issued and outstanding as of September 30, 2009, 186,403,648 shares issued and outstanding as of December 31, 2008.	283,803	186,404
Additional paid in capital	72,818,423	62,595,575
Deferred compensation	(1,605,375)	(2,577,133)
Accumulated deficit	(74,808,252)	(62,252,248)
Total stockholders' deficit	(3,309,038)	(2,045,254)
Total liabilities and stockholders' deficit	\$19,526,989	\$20,248,874

**JAVO BEVERAGE COMPANY, INC.**  
**CONDENSED STATEMENT OF OPERATIONS**  
**UNAUDITED**

	<b>Three Months Ended</b>		<b>Nine Months Ended</b>	
	<b>September 30,</b>		<b>September 30,</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
Net sales	\$6,305,287	\$5,659,906	\$17,998,771	\$16,231,257
Cost of sales	(2,840,968)	(3,365,333)	(8,455,802)	(9,202,085)
Gross profit	3,464,319	2,294,573	9,542,969	7,029,172
Operating expenses:				
Selling and marketing	(2,356,316)	(2,096,371)	(6,540,510)	(5,365,999)
General and administrative	(2,408,888)	(2,602,931)	(7,021,506)	(6,318,972)
Total operating expenses	(4,765,204)	(4,699,302)	(13,562,016)	(11,684,971)
Loss from operations	(1,300,885)	(2,404,729)	(4,019,047)	(4,655,799)
Other income (expenses):				
Interest income	1,223	32,487	17,949	135,092
Interest expense	(1,233,839)	(1,305,435)	(7,724,482)	(4,083,279)
Income (expense) from derivatives	12,454	990,050	37,971	1,831,525
Other income	--	271	1,350,132	40,941
Gain/(loss) on disposal of assets	(3,661)	3,441	(70,584)	(10,000)
Total other expense	(1,223,823)	(279,186)	(6,389,014)	(2,085,721)
Net loss	\$(2,524,708)	\$(2,683,915)	\$(10,408,061)	\$(6,741,520)
Basic profit (loss) per share	\$(0.01)	\$(0.02)	\$(0.04)	\$(0.04)
Weighted average number of shares outstanding, basic	283,803,342	160,461,880	253,048,184	158,018,075

Calculation of Net Loss before Non-cash Expenses for Three Months and Nine Months Ending September 30, 2009	2009		2008	
	3rd Quarter	9 Months	3rd Quarter	9 Months
Net Loss per Q	<u>(2,524,708)</u>	<u>(10,408,061)</u>	<u>(2,683,915)</u>	<u>(6,741,520)</u>
Add Back Non-Cash Expenses				
Operating Expenses				
Depreciation & Amortization *	815,715	2,343,997	594,810	1,245,435
Deferred Compensation	222,875	847,342	739,630	1,462,890
Subtotal Operating Expense	<u>1,038,590</u>	<u>3,191,339</u>	<u>1,334,440</u>	<u>2,708,325</u>
Other Expense				
Debt Discount in Interest Expense				
Senior Convertible Debt		4,887,392	942,674	2,979,191
8 Year Notes	371,062	816,601	-	-
Derivative (Income) Expense	(12,454)	(37,971)	(990,050)	(1,831,525)
Subtotal Other Expense	<u>358,608</u>	<u>5,666,022</u>	<u>(47,376)</u>	<u>1,147,666</u>
Net Income (Loss) before Non-Cash Expenses	<u><b>(1,127,510)</b></u>	<u><b>(1,550,700)</b></u>	<u><b>(1,396,851)</b></u>	<u><b>(2,885,529)</b></u>