



## GRUPO LALA REPORTS FIRST QUARTER 2017 RESULTS

**Mexico City, April 24<sup>th</sup>, 2017** – Grupo LALA, S.A.B. de C.V., a Mexican Company focused on healthy and nutritious foods, (“LALA”) (BMV: LALA B), today reported results for the first quarter 2017. The following information has been presented based on International Financial Reporting Standards (IFRS) and in nominal terms.

The following chart provides an abridged Income Statement, in millions of pesos. The margin for each figure represents its ratio to net sales and the percentage change from the quarter ended March 31<sup>st</sup>, 2017, as compared with the same period in 2016:

P&L	1st. Q '16	% Sales	1st. Q '17	% Sales	Var. %
<b>Net Sales</b>	\$ 12,509	100.0%	\$ 14,799	100.0%	18.3%
<b>Gross Profit</b>	4,960	39.7%	5,362	36.2%	8.1%
<b>Operating Income</b>	1,557	12.4%	1,254	8.5%	(19.5)%
<b>EBITDA<sup>(1)</sup></b>	1,889	15.1%	1,725	11.7%	(8.7)%
<b>Net Income<sup>(2)</sup></b>	1,111	8.9%	704	4.8%	(36.6)%

(1) EBITDA is defined as operating income before depreciation and amortization.

(2) Net Income refers to Consolidated Net Income.

### QUARTER HIGHLIGHTS

**18.3% increase** in Net Sales, closing at **14,799** million pesos

**8.1% increase** in Gross Profit, to reach **5,362** million pesos

**1,725** million pesos EBITDA<sup>(1)</sup>  
**8.7% below** the same period last year

## Message from Management

### Scot Rank, Grupo LALA's CEO:

*“The highlight of the first quarter of 2017 for Grupo Lala was the acceleration of organic sales, which contributed to a total sales increase of 18% versus the first quarter last year. Input cost and the incorporation of recently acquired businesses continue to pressure EBITDA margins, although actions initiated since the exchange rate volatility of last year, have contributed to two straight quarters of EBITDA growth”.*





## CONSOLIDATED RESULTS FOR THE FIRST QUARTER 2017

First quarter 2017 net sales increased 18.3%, to 14,799 million pesos. Sales from ongoing operations contributed by 10.9%, driven by higher volume, an improved sales mix and pricing actions. Inorganic growth from last year acquisitions contributed another 7.4% to the growth.

### LALA Segments

Looking at sales by segment, our product mix continues evolving towards our value-added portfolio, as shown by the 38.6% growth of the “Other Dairy Products” category, which includes Yoghurt, Cream, Cheese and Deserts. Milk Category growth of 11.4% was fueled by an overall good performance in our portfolio and in particular, by the introduction of LALA 100 in Mexico®.

Segmento	1st. Q '16	1st. Q '17	% Variation
Milk <sup>(3)</sup>	\$ 8,143	\$ 9,068	11.4%
Other Dairy Products <sup>(4)</sup>	3,581	4,965	38.6%
Beverages and Others <sup>(5)</sup>	785	766	(2.4%)

(3) Milk: Pasteurized, UHT and Functional Milks, Pasteurized and UHT dairy-based beverages, and Powdered Milk.

(4) Other Dairy Products: Cream, Butter, Cream-based spreads, Yoghurt, Cheese, Ice Cream and Desserts.

(5) Beverages and Others: Beverages, Juices, Cold cuts and Other income.

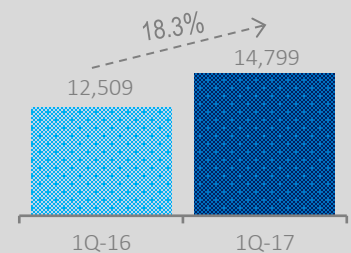
### Consolidated Results

During the first quarter of 2017, the consolidated Cost of goods increased 25.0% compared to the same period of 2016, this was the result of a hike in raw material and energy costs in Mexico, and the effect of fixed costs related to the recent expansion of our plants in the U.S. Gross margin increased 8.1% and represented 36.2% of net sales.

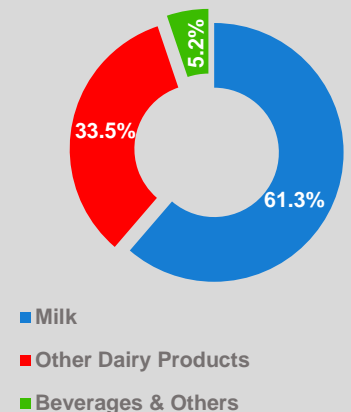
Operating Income decreased 19.5%, compared to the first quarter of 2016, this contraction is attributed to an increase in operating expenses, due to the integration of our business in Central America and the U.S.

As a result, EBITDA for the first quarter of 2017 ended in 1,725 million pesos a 345-basis point EBITDA margin contraction, compared to the first quarter of 2016.

### 1Q 2017 Sales (MXN\$ mm)



### Sales by Segment



### 8.1% Gross Margin Increase





Consolidated net income for the quarter finished at 704 million pesos, negatively affected by 234 million pesos in financial losses driven by the 9.7% appreciation of the Mexican peso during the quarter and the impact it had in our hedging instruments.

**Quarterly EBITDA improvement**

In the third quarter of 2016 our margins were compressed due to the Mexican peso depreciation, input cost inflation, the consolidation of the acquired businesses in Central America and the U.S., and some one-time impacts related to the integration of new businesses, as well as a corporate restructure program. Since then, we have implemented productivity projects, portfolio management and pricing actions to offset these impacts, and for the second consecutive quarter EBITDA has improved.

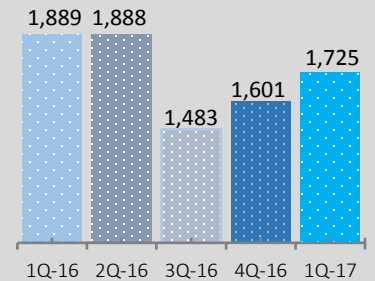
**LALA in the U.S.**

During the first quarter of 2017, the net sales of Lala U.S. reached 870 million pesos, driven by the expansion of the Drinkable Yoghurt business. The EBITDA for the period was negative 35 million pesos, 111 million pesos better than the previous quarter. As we shared with investors last year, we expect the business to perform at break-even EBITDA in the second half of 2017.

P&L	3rd. Q'16	4th. Q'16	1st. Q'17
Net Sales	\$548	\$ 840	\$870
EBITDA <sup>(1)</sup>	(80)	(146)	(35)
EBITDA/Net Sales	(14.6%)	(17.4%)	(4.0%)

(1) EBITDA is defined as operating income before depreciation and amortization.

**EBITDA EVOLUTION**  
(MXN\$ mm)



**LALA Delicias**

Our First Indulgent Yoghurt





## FINANCIAL POSITION

### Cash, Short Term Investments and Financial Instruments

Grupo Lala’s cash, short-term investments and financial instruments decreased by 5,556 million pesos, to close at 3,526 million pesos. The reduction was due to the acquisition of Productos Lácteos La Perfecta S.A., the U.S. Branded Business and other investments in operating assets.

### Non-Current Assets

Ending balance for non-current assets increased by 6,445 million pesos, to 23,718 in the first quarter of 2017. This growth was the result of acquisitions and investments in technology, equipment and increased manufacturing capacities.

### Intangible and Other Assets

Ending balance for intangible and other assets increased by 2,981 million pesos, to 5,608 million pesos at March 31<sup>st</sup>, 2017. This increase is explained by the recording of Goodwill, Trademarks and other intangibles related to acquisitions from last year.

### Total Debt

At March 31<sup>st</sup>, 2017, the Company’s total debt was 1,195 million pesos. The 1,108 million pesos increase was due to a short term loan used to fund working capital needs. This loan was fully paid on April of this year.

**3.5 billion pesos**

Cash and investments, as of  
March 31<sup>st</sup>, 2017



### New Fresh Cheese



Innovative Packing Technology





Key Financial data

As of March 31<sup>st</sup>, 2017, the Company's key financial ratios were as follows:

Financial Metrics	1st Q '16	1st. Q '17
EBITDA <sup>(1)</sup> / Interest Paid	377.5x	253.9x
Net Debt / EBITDA <sup>(1)</sup>	(1.3)x	(0.3)x

Stock Market Indicators	1st Q '16	1st. Q '17
Book Value per Share <sup>(6)</sup>	\$10.11	\$11.26
Earnings Per Share <sup>(7)</sup> (12 months)	\$1.64	\$1.50
Shares Outstanding <sup>(8)</sup>	2,475.9	2,475.9

- (1) EBITDA is defined as operating income before depreciation and amortization.
- (6) Shares used for Book Value ratio, are based on the weighting outstanding shares of the last twelve months.
- (7) EPS as of the last twelve months.
- (8) Millions of shares at the end of the year.

1Q-17  
Earnings per share  
**\$1.50** pesos

Grupo LALA would like to announce that **Mauricio Gárate Meza** became the **General Counselor** of the company in March of 2017





## 1Q-2017 Relevant Events

- February 14<sup>th</sup>, 2017 - [Grupo LALA announced a cash dividend payment on Coupon No. 11 of the dividend declared on April 29<sup>th</sup>, 2016. The payment was done on February 23<sup>rd</sup>, 2017 in the amount of \\$0.135 Mexican pesos for each LALA share outstanding at the date of payment.](#)
- February 22<sup>nd</sup>, 2017- [Grupo LALA earnings release for the 4Q 2016.](#)

\*\*\*Click on the linked title to access the detail information of each relevant event\*\*\*

### Sell-side analyst coverage

As of March 31<sup>st</sup>, 2017, the Company is covered by the following 16 financial institutions: J.P. Morgan, BBVA Bancomer, Barclays, Citigroup, Goldman Sachs, Santander, Credit Suisse, UBS, Bank of America Merrill Lynch, BTG Pactual, Vector Casa de Bolsa, GBM Grupo Bursátil Mexicano, INVEX Banco, Intercam, Actinver and Banorte-Ixe.

### Share buyback program

As of March 31<sup>st</sup>, 2017, the Company's share buyback program had a balance of 19,546,064 shares, at an average price of \$31.19 per share for a total balance of 600.4 million pesos.

### About LALA

Grupo LALA, (BMV: LALA B), Mexican company focused on healthy and nutritious foods, has a history of more than 65 years of experience in the production, innovation and marketing of milk and dairy products under the highest quality standards. The Company operates 21 production plants and 159 distribution centers in Mexico, United States and Central America, supported by more than 34,000 employees. Grupo LALA's fleet of approximately 7,500 vehicles distributes its more than 600 products to nearly 500,000 points of sale. LALA's portfolio is led by its two main brands: LALA® and Nutri Leche®.

For more information, visit: [www.grupolala.com](http://www.grupolala.com)

Grupo LALA trades on the Mexican Stock Exchange under the ticker symbol "LALA B"

This press release contains certain forward-looking statements about the Company's results and outlook. However, actual results may vary materially from these estimates. The information on future events contained in this press release should be read together with a summary of these risks, which are included in the Annual Report. That information, as well as future reports issued by the Company or any of its representatives, whether verbally or in writing, may vary materially from actual results. These projections and estimates, which were prepared with reference to a specific date, should not be considered as fact. The Company has no obligation whatsoever to update or revise any of these projections and estimates, whether as a result of new information, future events, or other associated events.

## INVITACIÓN CONFERENCIA TELEFÓNICA

Tuesday, April 25<sup>th</sup>, 2017  
at 11:00am EST / 10:00am CST  
Led by:

**Scot Rank,**  
Chief Executive Officer  
and  
**Alberto Arellano**  
Chief Financial Officer

Webcast:  
[Grupo LALA Presentación](#)

To participate, please  
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**GRUPO LALA, S.A.B. DE C.V.**  
**CONSOLIDATED INCOME STATEMENT FOR THE THREE MONTHS**  
**ENDED MARCH 31<sup>st</sup>, 2016 AND 2017**  
**(In thousands of nominal pesos)**

	For the three months ended			
	March 31,			
	2016		2017	
<b>Net sales</b>	\$ 12,508,871	100.0%	\$ 14,799,454	100.0%
Cost of goods sold	7,548,581	60.3%	9,436,963	63.8%
<b>Gross profit</b>	<u>4,960,290</u>	<b>39.7%</b>	<u>5,362,491</u>	<b>36.2%</b>
Other income (expenses), net	4,591	0.0%	(12,723)	(0.1)%
Operating expenses	<u>3,398,415</u>	27.2%	<u>4,120,839</u>	27.8%
<b>Operating Income</b>	<u>1,557,284</u>	<b>12.4%</b>	<u>1,254,375</u>	<b>8.5%</b>
Net of financial (income) expenses				
Net of financial income	(78,463)	(0.6)%	(24,552)	(0.2)%
Exchange rate (profit) loss	12,116	0.1%	155,819	1.1%
Financial instruments	<u>7,811</u>	0.1%	<u>102,346</u>	0.7%
<b>Financial income, net</b>	<u>(58,536)</u>	<b>(0.5)%</b>	<u>233,613</u>	<b>1.6%</b>
Share in the results of associated companies	1,890	0.0%	670	0.0%
<b>Income before taxes</b>	<u><b>1,617,710</b></u>	<b>12.9%</b>	<u><b>1,021,432</b></u>	<b>6.9%</b>
Income tax expense	<u>506,363</u>	4.0%	<u>317,124</u>	2.1%
<b>Net consolidated income</b>	<u><b>1,111,347</b></u>	<b>8.9%</b>	<u><b>704,308</b></u>	<b>4.8%</b>
Non-controlling interest	14,670	0.1%	23,002	0.2%
Depreciation and amortization	331,899	2.7%	470,828	3.2%
<b>EBITDA</b>	<u><b>\$ 1,889,183</b></u>	<b>15.1%</b>	<u><b>\$ 1,725,203</b></u>	<b>11.7%</b>



**GRUPO LALA, S.A.B. DE C.V.**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AT MARCH 31<sup>st</sup>, 2016 AND 2017**  
**(In thousands of nominal pesos)**

	As of March 31, 2016	As of March 31, 2017
<b>ASSETS</b>		
Cash and cash equivalents	\$ 7,327,572	\$ 2,512,313
Investments in financial instruments	1,755,295	1,014,131
Accounts receivable	3,192,470	4,258,689
Taxes and other accounts receivable	2,242,526	3,316,657
Related parties	116,136	41,158
Inventories	3,596,014	3,954,298
Prepaid expenses	306,491	466,333
<b>Current assets</b>	<b>18,536,504</b>	<b>15,563,579</b>
Investments in associates	113,803	107,905
Property, plant and equipment, net	14,223,361	17,648,879
Intangible and other assets	2,626,719	5,608,023
Deferred income tax	308,952	353,170
<b>Non-current assets</b>	<b>17,272,835</b>	<b>23,717,977</b>
<b>Total assets</b>	<b>\$ 35,809,339</b>	<b>\$ 39,281,556</b>
<b>LIABILITIES</b>		
Short-term bank loans	\$ 52,795	\$ 1,057,067
Suppliers	3,944,248	5,015,677
Related parties	2,255,747	1,140,002
Taxes and other accounts payable	2,039,516	2,232,902
<b>Current liabilities</b>	<b>8,299,908</b>	<b>9,542,880</b>
Long-term liabilities		
Long-term debt	34,285	138,368
Deferred income tax and other taxes payable	1,279,361	471,595
Other accounts payable	752,734	714,636
<b>Long-term liabilities</b>	<b>2,066,380</b>	<b>1,324,599</b>
<b>Total liabilities</b>	<b>10,366,288</b>	<b>10,867,479</b>
<b>SHAREHOLDERS EQUITY</b>		
Capital Stock	1,492,866	1,490,081
Net premium in share placement	13,707,014	13,109,425
Retained earnings	8,843,141	12,785,420
Income of the year	1,096,677	681,306
<b>Equity attributable to equity holders of the parent</b>	<b>25,139,698</b>	<b>28,066,232</b>
Non-controlling interest	303,353	347,845
<b>Total shareholders equity</b>	<b>25,443,051</b>	<b>28,414,077</b>
<b>Total liabilities and shareholders equity</b>	<b>\$ 35,809,339</b>	<b>\$ 39,281,556</b>





**GRUPO LALA, S.A.B. DE C.V.**  
**CONSOLIDATED CASH FLOW STATEMENT FOR THE THREE MONTHS**  
**ENDED MARCH 31<sup>st</sup>, 2017**  
**(In thousands of nominal pesos)**

As of March 31, 2016    As of March 31, 2017

**Operating activities:**

<b>Income before taxes</b>	\$	1,617,712	\$	1,021,432
Depreciation, amortization, and trademarks impairment		331,899		470,828
Changes in net financial expenses (income)		(82,186)		21,356
Results from the sale of property, plant and equipment		6,015		26,840
Other items		23,912		25,937
<b>Total</b>		<b>1,897,352</b>		<b>1,566,393</b>

**Changes in operation assets and liabilities**

Accounts receivable		33,452		(221,301)
Inventories		(451,801)		(90,475)
Related parties		967,770		1,197,357
Suppliers		(346,071)		24,773
Taxes, other accounts receivable and prepaid expenses		(428,281)		(1,480,007)
Other assets and liabilities		(267,795)		(24,844)
<b>Total</b>		<b>(492,726)</b>		<b>(594,497)</b>

**Net cash flow provided by operating activities**

**1,404,626**                      **971,896**

**Investing activities**

Acquisition of property, plant, equipment, and intangibles		(564,289)		(976,554)
Proceeds from sale of property, plant, and equipment		5,249		18,331
Investments in Financial instruments		(462,581)		(515)
Business acquisitions, net of cash received		(835,569)		0
Interest collected		88,066		26,863
<b>Net cash flow used in Investing activities</b>		<b>(1,769,124)</b>		<b>(931,875)</b>

**Financing activities**

Net of loans and payment of loans from related parties		0		0
Net of financing and payment of financing		21,768		(1,162,325)
Repurchase of shares		20,661		(300,331)
Capital stock increase		16,500		0
Dividends paid to equity holders of the parent		(333,511)		(331,545)
Dividends paid to non-controlling interest		0		0
Future exchange contracts collected		0		0
<b>Net cash flows provided (used) in financing activities</b>	\$	<b>(274,582)</b>	\$	<b>(1,794,201)</b>

**Net increase of cash and equivalents**

**(639,080)**                      **(1,754,180)**

Adjustments to cash due to exchange rate fluctuations		(18,323)		392
Cash and equivalents at beginning of the year		7,984,975		4,266,101
<b>Cash and equivalents at the end of the year</b>	\$	<b>7,327,572</b>	\$	<b>2,512,313</b>

For more information:

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EMPRESA SOCIALMENTE RESPONSABLE