



## GRUPO LALA REPORTS THIRD QUARTER 2017 RESULTS

**Mexico City, October 23<sup>rd</sup>, 2017** – Grupo LALA, S.A.B. de C.V., a Mexican Company focused on healthy and nutritious foods, (“LALA”) (BMV: LALA), today reported results for the third 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 September 30<sup>th</sup>, 2017, as compared with the same period in 2016:

P&L	3rd. Q '16	% Sales	3rd. Q '17	% Sales	Var. %
<b>Net Sales</b>	\$ 13,701	100.0%	\$ 15,022	100.0%	9.6%
<b>Gross Profit</b>	5,055	36.9%	5,754	38.3%	13.8%
<b>Operating Income</b>	1,048	7.7%	1,427	9.5%	36.1%
<b>EBITDA<sup>(1)</sup></b>	1,483	10.8%	1,864	12.4%	25.7%
<b>Net Income<sup>(2)</sup></b>	753	5.5%	1,007	6.7%	33.7%

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

(2) Net Income refers to Consolidated Net Income.

### QUARTER HIGHLIGHTS

**9.6% increase** in **Net Sales**, closing at **15,022** million pesos

**1,864** million pesos **EBITDA<sup>(1)</sup>**  
**25.7%** above the same period last year

**33.7% increase** in **Net Income**, to reach **1,007** million pesos

## Message from Management

### Scot Rank, Grupo LALA’s CEO:

*“2017 has been a year with strong sales performance, productivity improvements, and some challenges in the U.S. dairy market. I remain confident that our business and operational fundamentals are solid, and that Grupo LALA has the capacity to successfully expand our footprint in the Americas”.*





## CONSOLIDATED RESULTS FOR THE THIRD QUARTER 2017

Third quarter 2017 net sales increased by 9.6% year on year, from 13,701 million pesos in third quarter of 2016 to 15,022 million pesos for the same period in 2017. This increase was due to 7.8 percentage points from organic growth in Mexico and Central America, which came from pricing, improving our sales mix, and volume growth. The inorganic growth added 1.8 percentage points as a result of the expansion of our business in the US, where we consolidated results starting August 2016.

### LALA Segments

Looking at sales by segment, Other Dairy Products continue growing above all segments, with 12.8% increase driven by strong performance in Cream and Cheese. The Milk segment increased 9.0% versus last year, with growth coming from LALA 100® and Nutrileche®.

Segment	3 <sup>rd</sup> . Q '16	3 <sup>rd</sup> . Q '17	% Variation
Milk <sup>(3)</sup>	\$ 8,595	\$ 9,368	9.0%
Other Dairy Products <sup>(4)</sup>	4,385	4,948	12.8%
Beverages and Others <sup>(5)</sup>	722	706	(2.2%)

**(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.

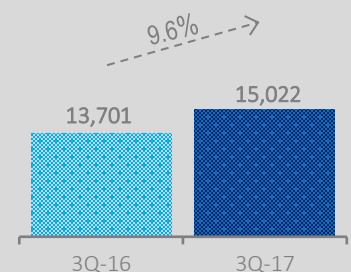
**(5) Beverages and Others:** Beverages, Juices, Cold Cuts and Others.

### Costs and Expenses

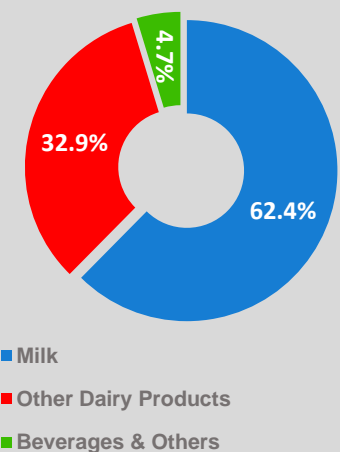
During the third quarter of 2017, the consolidated Cost of Goods Sold increased by 7.2% compared to the same period of 2017, reflecting some pressure in the price of milk as of September. Although milk price and some input costs increased, we continue with solid Gross Profit growth of 13.8% versus last year, which represents and expansion to 38.3% over sales.

Operating expenses augmented by 9.4%, but continue flat as a percentage of sales. The breakdown of this **expenses' increase comes from 6.9% due to** the organic business, mainly selling and distribution, and 2.5% from the inorganic business behind the U.S. acquisition.

### 3Q 2017 Sales (MXN\$ mm)



### Sales by Segment



### 13.8% Gross Profit Increase





### Consolidated Results

Operating income grew 36.1% compared to the third quarter of 2016, due to the already mentioned sales and gross profit solid growth.

Good performance in Mexico driven by topline growth and productivity improvements, compensated the costs associated with emerging business in the U.S., and as a result, EBITDA grew in the third quarter of 2017, ending in 1,864 million pesos; a 25.7% expansion compared to the same period of last year. As you might recall, in October of last year, we decided to provision a corporate restructuring reserve of 100 million pesos; without this effect, the proforma growth would have been 17.8% year on year.

The consolidated net income for the quarter reached 1,007 million pesos, which represents a growth of 33.7% versus last year. This result was mainly due to the increase in operating income, as well as an optimized effective tax rate from projects aiming at reducing non-deductible expenses, and maximizing Tax incentives programs on the transportation front.

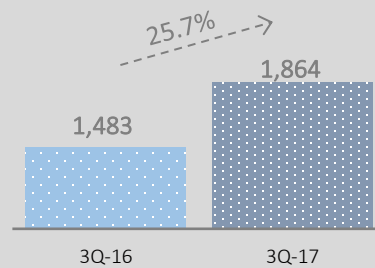
### LALA in the U.S.

During the third quarter of 2017, the net sales of LALA U.S. reached 42 million dollars, driven by Drinkable Yoghurt and Promised Land® specialty milk. Conversely, we are facing a steep sales contraction in Other Categories, which include our Cultured business, conformed by sour cream, dips, and cottage cheese products.

EBITDA for the quarter in the US was negative 3.7 million dollars.

The Drinkable Yogurt Business, which we manufacture in our Omaha facility, has turned the corner and is positive EBITDA year to date on a fully loaded basis. Contrary, the Promised Land® and Culture businesses produced in our Colorado facility lose money.

### EBITDA GROWTH (MXN\$ mm)



### Promised Land

Implementing national roll-out





The recently formed Management team of LALA US, is implementing turnaround plans that will be launched beginning of Q1 2018, that will put us in a path towards profitability. Plans include, a complete reconfiguration of our Manufacturing Strategy in Culture and Specialty Milks, as well as a Promised Land® Portfolio uplift, which incorporates new packaging designs and pricing brackets.

While we acknowledge these results are disappointing, we are convinced that investing in expanding our distribution in both Drinkable Yogurt and Promised Land® is the right thing to do in the midterm, as well as the fastest way to gain scale and to become profitable. Given the latter, we believe our break-even EBITDA plan will likely come with a one-year lag, versus what we originally anticipated.

P&L in USD	3 <sup>rd</sup> . Q'16 <sup>(2)</sup>	4 <sup>th</sup> . Q'16	1 <sup>st</sup> . Q'17	2 <sup>nd</sup> . Q'17	3 <sup>rd</sup> . Q'17
<b>Net Sales</b>	\$40.5	\$42.5	\$42.6	\$43.8	\$42.0
<b>EBITDA<sup>(1)</sup></b>	(11.5)	(6.8)	(1.4)	(0.9)	(3.7)
<b>EBITDA/ Net Sales</b>	(28.3%)	(16.1%)	(3.3%)	(2.0%)	(8.8%)

\* Company Data, in USD ('000 000), **excluding intercompany charges**  
 (1) EBITDA is defined as operating income before depreciation and amortization  
 (2) Proforma Figures: include estimated figures for July 2016 as reference to be comparable

## FINANCIAL POSITION

### Cash, Short Term Investments and Financial Instruments

They decreased by 3,285 million pesos, from 6,263 million pesos to 2,978 million pesos, reflecting the acquisitions made over the past twelve months.

### Non-Current Assets

Our non-current assets increased from 23,040 to 24,447 million pesos reflecting our investments in manufacturing capabilities, and the U.S. acquisition.

### Panela Sliced Cheese

Ideal for people looking for easy food preparation, with great taste and texture



### Sour Cream

New squeeze container easy to serve





**Intangible and Other Assets**

Ending balance for intangible and other assets decreased by 458 million pesos, to 5,643 million pesos at September 30<sup>th</sup>, 2017. This drop is explained by variations in the exchange rate and the adjustments originated in the Purchase Price Allocation of the acquisitions.

**Total Debt**

Total debt at the end of September 30<sup>th</sup>, 2017 decreased from 2,268 million pesos to 86 million pesos.

**Key Financial data**

As of September 30<sup>th</sup>, 2017, the Company's key financial ratios were as follows:

Financial Metrics	3 <sup>rd</sup> . Q '16	3 <sup>rd</sup> . Q '17
EBITDA <sup>(1)</sup> / Interest Paid	371.5x	284.1x
Net Debt / EBITDA <sup>(1)</sup>	(0.6)x	(0.4)x
Earnings Per Share <sup>(6)</sup> (12 months)	\$1.59	\$1.61

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

(6) EPS as of the last twelve months.

New Cold Cuts Facility opened during 3Q 2017



**86 million pesos**

Total debt, as of September 30<sup>th</sup>, 2017

3Q-17  
Earnings per share  
**\$1.61** pesos





### 3Q-2017 Relevant Events

-  **July 24<sup>th</sup>, 2017-** [Grupo LALA earnings release for the 2Q 2017](#)
-  **August 1<sup>st</sup>, 2017-** [Grupo LALA concludes negotiations with Vigor in Brazil](#)
-  **August 4<sup>th</sup>, 2017-** [LALA to acquire Vigor Alimentos](#)
-  **August 15<sup>th</sup>, 2017-** [Grupo LALA announces dividend payment](#)
-  **September 21<sup>st</sup>, 2017-** [Update on the acquisition of the company in Brazil](#)

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

#### Sell-side analyst coverage

As of September 30<sup>th</sup>, 2017, the Company is covered by the following 16 financial institutions: Actinver, Bank of America Merrill Lynch, Barclays, BBVA Bancomer, BTG Pactual, Citigroup, Credit Suisse, GBM Grupo Bursatil Mexicano, Goldman Sachs, Intercam, INVEX Banco, Santander, UBS, Vector Casa de Bolsa, Banorte-Ixe and J.P Morgan.

#### Share buyback program

As of September 30<sup>th</sup>, 2017, the Company's share buyback program had a balance of 19,702,394 shares, at an average price of \$30.90 per share for a total balance of 603.3 million pesos.

#### About LALA

Grupo LALA, (BMV: LALA), 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 22 production plants and 157 distribution centers in Mexico, United States and Central America, supported by more than 34,000 employees. Grupo LALA's fleet of approximately 6,500 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"**

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.

## CONFERENCE CALL INVITE

Tuesday, October 24<sup>th</sup>, 2017  
at 11:00am EST / 10:00am CST  
Led by:

**Scot Rank**  
Chief Executive Officer  
**Alberto Arellano**  
Chief Financial Officer  
and  
**Mariana Rojo**  
Investor Relations Officer

**Webcast:**  
[Grupo LALA Presentation](#)

To participate, please dial-in ten minutes ahead of the scheduled time.

**Mexico:**  
01 800 522 0034

**United States:**  
+1 877 705 6003  
(Toll-free)

**International:**  
+1 201 493 6725

To access the replay service (2 days), please dial:

**United States:**  
+1 844 512 2921  
(Toll-free)

**International:**  
+1 412 317 6671

**PIN #: 13671784**





**GRUPO LALA, S.A.B. DE C.V.**  
**CONSOLIDATED INCOME STATEMENTS**  
**ENDED SEPTEMBER 30<sup>th</sup>, 2016 AND 2017**  
(In thousands of nominal pesos)

	For the three months ended September 30,				For the nine months ended September 30,			
	2016		2017		2016		2017	
<b>Net sales</b>	\$ 13,701,451	100.0%	\$ 15,021,975	100.0%	\$ 39,113,291	100.0%	\$ 44,788,944	100.0%
Cost of goods sold	8,646,753	63.1%	9,267,811	61.7%	24,048,438	61.5%	27,885,028	62.3%
<b>Gross profit</b>	<b>5,054,698</b>	<b>36.9%</b>	<b>5,754,164</b>	<b>38.3%</b>	<b>15,064,853</b>	<b>38.5%</b>	<b>16,903,916</b>	<b>37.7%</b>
Other income (expenses), net	18,874	0.1%	(34,462)	(0.2)%	(2,729)	(0.0)%	(74,059)	(0.2)%
Operating expenses	3,987,655	29.1%	4,361,961	29.0%	10,918,678	27.9%	12,662,770	28.3%
<b>Operating Income</b>	<b>1,048,169</b>	<b>7.7%</b>	<b>1,426,665</b>	<b>9.5%</b>	<b>4,148,904</b>	<b>10.6%</b>	<b>4,315,205</b>	<b>9.6%</b>
Net of financial (income) expenses								
Net of financial income	(54,440)	(0.4)%	(21,377)	(0.1)%	(202,481)	(0.5)%	(60,941)	(0.1)%
Exchange rate (profit) loss	24,919	0.2%	32,827	0.2%	21,680	0.1%	242,066	0.5%
Financial instruments	(14,628)	(0.1)%	(35,179)	(0.2)%	(11,096)	(0.0)%	1,112	0.0%
<b>Financial income, net</b>	<b>(44,149)</b>	<b>(0.3)%</b>	<b>(23,729)</b>	<b>(0.2)%</b>	<b>(191,897)</b>	<b>(0.5)%</b>	<b>182,237</b>	<b>0.4%</b>
Share in the results of associated companies	(3,206)	(0.0)%	1,489	0.0%	(5,524)	(0.0)%	2,355	0.0%
<b>Income before taxes</b>	<b>1,089,112</b>	<b>7.9%</b>	<b>1,451,883</b>	<b>9.7%</b>	<b>4,335,277</b>	<b>11.1%</b>	<b>4,135,323</b>	<b>9.2%</b>
Income tax expense	335,867	2.5%	444,697	3.0%	1,370,053	3.5%	1,276,119	2.8%
<b>Net consolidated income</b>	<b>753,245</b>	<b>5.5%</b>	<b>1,007,186</b>	<b>6.7%</b>	<b>2,965,224</b>	<b>7.6%</b>	<b>2,859,204</b>	<b>6.4%</b>
Non-controlling interest	17,114	0.1%	22,030	0.1%	42,195	0.1%	66,473	0.1%
Depreciation and amortization	434,801	3.2%	437,585	2.9%	1,110,929	2.8%	1,369,868	3.1%
<b>EBITDA</b>	<b>\$ 1,482,970</b>	<b>10.8%</b>	<b>\$ 1,864,250</b>	<b>12.4%</b>	<b>\$ 5,259,833</b>	<b>13.4%</b>	<b>\$ 5,685,073</b>	<b>12.7%</b>
Effective income tax rate	30.8%		30.6%		31.6%		30.9%	



**GRUPO LALA, S.A.B. DE C.V.**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AT SEPTEMBER 30<sup>th</sup>, 2016 AND 2017**  
**(In thousands of nominal pesos)**

	As of September 30, 2016	As of September 30, 2017
<b>ASSETS</b>		
Cash and cash equivalents	\$ 5,234,920	\$ 2,788,912
Investments in financial instruments	1,027,589	188,997
Accounts receivable	3,901,684	4,306,450
Taxes and other accounts receivable	2,776,338	3,039,681
Related parties	38,487	69,766
Inventories	3,456,178	4,111,166
Prepaid expenses	297,313	334,344
<b>Current assets</b>	<b>16,732,509</b>	<b>14,839,316</b>
Investments in associates	106,634	121,235
Property, plant and equipment, net	16,529,558	18,380,722
Intangible and other assets	6,100,307	5,642,503
Deferred income tax	303,810	302,862
<b>Non-current assets</b>	<b>23,040,309</b>	<b>24,447,322</b>
<b>Total assets</b>	<b>\$ 39,772,818</b>	<b>\$ 39,286,638</b>
<b>LIABILITIES</b>		
Short-term bank loans	\$ 2,102,020	\$ 22,062
Suppliers	4,368,487	4,923,592
Related parties	1,124,010	1,641,837
Taxes and other accounts payable	3,352,349	2,509,104
<b>Current liabilities</b>	<b>10,946,866</b>	<b>9,096,595</b>
Long-term liabilities		
Long-term debt	165,712	63,818
Deferred income tax and other taxes payable	372,597	563,985
Other accounts payable	779,431	698,801
<b>Long-term liabilities</b>	<b>1,317,740</b>	<b>1,326,604</b>
<b>Total liabilities</b>	<b>12,264,606</b>	<b>10,423,199</b>
<b>SHAREHOLDERS EQUITY</b>		
Capital Stock	1,492,866	1,490,059
Net premium in share placement	13,707,014	13,106,506
Retained earnings	9,083,825	11,131,827
Income of the year	2,923,029	2,792,731
<b>Equity attributable to equity holders of the parent</b>	<b>27,206,734</b>	<b>28,521,123</b>
Non-controlling interest	301,478	342,316
<b>Total shareholders equity</b>	<b>27,508,212</b>	<b>28,863,439</b>
<b>Total liabilities and shareholders equity</b>	<b>\$ 39,772,818</b>	<b>\$ 39,286,638</b>





**GRUPO LALA, S.A.B. DE C.V.**  
**CONSOLIDATED CASH FLOW STATEMENT FOR THE NINE MONTHS**  
**ENDED SEPTEMBER 30<sup>th</sup>, 2016 AND 2017**  
**(In thousands of nominal pesos)**

	As of September 30, 2016	As of September 30, 2017
<b>Operating activities:</b>		
<b>Income before taxes</b>	\$ 4,335,277	\$ 4,135,323
Depreciation, amortization, and trademarks impairment	1,110,929	1,369,868
Changes in net financial expenses (income)	(238,619)	(25,217)
Results from the sale of property, plant and equipment	(13,777)	16,073
Other items	83,393	75,660
<b>Total</b>	<b>5,277,203</b>	<b>5,571,707</b>
<b>Changes in operation assets and liabilities</b>		
Accounts receivable	(404,462)	(290,148)
Inventories	(134,589)	(290,540)
Related parties	672,232	842,209
Suppliers	168,220	(166,248)
Taxes, other accounts receivable and prepaid expenses	(2,008,243)	(2,196,937)
Other assets and liabilities	291,413	331,550
<b>Total</b>	<b>(1,415,429)</b>	<b>(1,770,114)</b>
<b>Net cash flow provided by operating activities</b>	<b>3,861,774</b>	<b>3,801,593</b>
<b>Investing activities</b>		
Acquisition of property, plant, equipment, and intangibles	(2,484,676)	(2,813,364)
Proceeds from sale of property, plant, and equipment	61,871	126,172
Investments in Financial instruments	275,666	988,292
Business acquisitions, net of cash received	(5,598,400)	0
Interest collected	197,650	93,170
<b>Net cash flow used in investing activities</b>	<b>(7,547,889)</b>	<b>(1,605,730)</b>
<b>Financing activities</b>		
Net of financing and payment of financing	1,932,608	(2,279,033)
Repurchase of shares	5,981	(303,272)
Capital stock increase	16,500	0
Dividends paid to equity holders of the parent	(1,002,144)	(1,086,246)
Dividends paid to non-controlling interest	(29,400)	(49,000)
Future exchange contracts collected	0	0
<b>Net cash flows provided (used) in financing activities</b>	<b>\$ 923,545</b>	<b>\$ (3,717,551)</b>
<b>Net increase of cash and equivalents</b>	<b>(2,762,570)</b>	<b>(1,521,688)</b>
Adjustments to cash due to exchange rate fluctuations	12,515	44,499
Cash and equivalents at beginning of the year	7,984,975	4,266,101
<b>Cash and equivalents at the end of the period</b>	<b>\$ 5,234,920</b>	<b>\$ 2,788,912</b>

For more information:

**Mariana Rojo**

**Estefanía Vázquez**

Investor Relations

Tel: +52 (55) 9177- 5900

[investor.relations@grupolala.com](mailto:investor.relations@grupolala.com)