



GRUPO LALA REPORTS FOURTH QUARTER AND FULL YEAR 2017 RESULTS

Mexico City, February 26th, 2018 – 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 fourth quarter and full year 2017. The following information has been presented based on International Financial Reporting Standards (IFRS) and in nominal terms.

Quarter Highlights

- Revenues grew 23.7%, while comparable revenues grew 7.3% for the fourth quarter of 2017
- EBITDA expanded by 47.4% ending in 2,360 million pesos, while on a comparable basis, EBITDA increased 23.7% in the quarter

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

P&L	As reported		As reported			Comparable ⁽¹⁾		
	4Q'16	% Sales	4Q'17	% Sales	Var. %	4Q'17	% Sales	Var. %
Net Sales	\$ 14,354	100.0%	\$ 17,751	100.0%	23.7%	\$ 15,403	100.0%	7.3%
Gross Profit	5,230	36.4%	6,474	36.5%	23.8%	5,748	37.3%	9.9%
Operating Income	1,099	7.7%	1,859	10.5%	69.2%	1,526	9.9%	38.8%
EBITDA⁽²⁾	1,601	11.2%	2,360	13.3%	47.4%	1,981	12.9%	23.7%
Net Income	1,228	8.6%	479	2.7%	(61.0)%	667	4.3%	(45.7)%

(1) Comparable means, with respect to a year-over-year comparison, the change in a given measure excluding the effects of (i) acquisition of Brazil in Q4 2017, and (ii) one-off effects derived from the Brazil integration

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

Message from Management

Scot Rank, Grupo LALA's CEO:

“Through the acquisition of Vigor in the fourth quarter of 2017, Grupo LALA made significant progress towards its aspiration to become the preferred dairy company in the Americas. Today LALA can reach over 600 million potential consumers in seven countries, with nutritious, value added dairy products of the highest quality, produced in one of our 32 production facilities.”

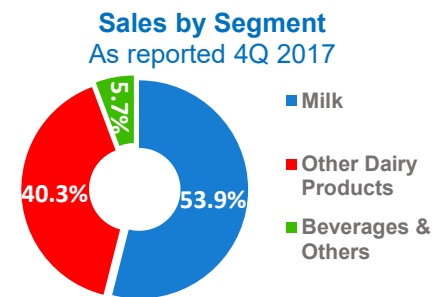


CONSOLIDATED RESULTS FOR THE FOURTH QUARTER 2017

Net Sales: Reported net sales in the fourth quarter 2017 increased by 23.7% year on year, reaching 17,751 million pesos, which incorporate organic growth, plus the two months consolidated from Vigor. Meanwhile, in comparable figures, LALA increased its net sales by 7.3 percentage points, driven by a combination of volume, product mix and pricing.

LALA Segments: Looking at sales by segment, Milk sales grew by 6.8%, Other Dairy Products grew above all categories, with a 54.0% reported growth, and a 7.2% comparable increase, driven by innovation and the acquisition of Brazil, whose portfolio has a high mix of Value-Added dairy products, and Beverages and Others products increased by 37.3%

Segment	4Q'16	As reported		Comparable ⁽¹⁾
		4Q'17	Var. %	Var. %
Milk ⁽²⁾	\$ 8,988	\$ 9,576	6.8%	5.5%
Other Dairy Products ⁽³⁾	4,649	7,162	54.0%	7.2%
Beverages and Others ⁽⁴⁾	717	1,013	37.3%	29.4%



(1) Comparable means, with respect to a year-over-year comparison, the change in a given measure excluding the effects of (i) acquisition of Brazil in Q4 2017, and (ii) one-off effects derived from the Brazil integration

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

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

(4) Beverages and Others: Beverages, Juices, Cold Cuts and Others (packaging and milk by-products)

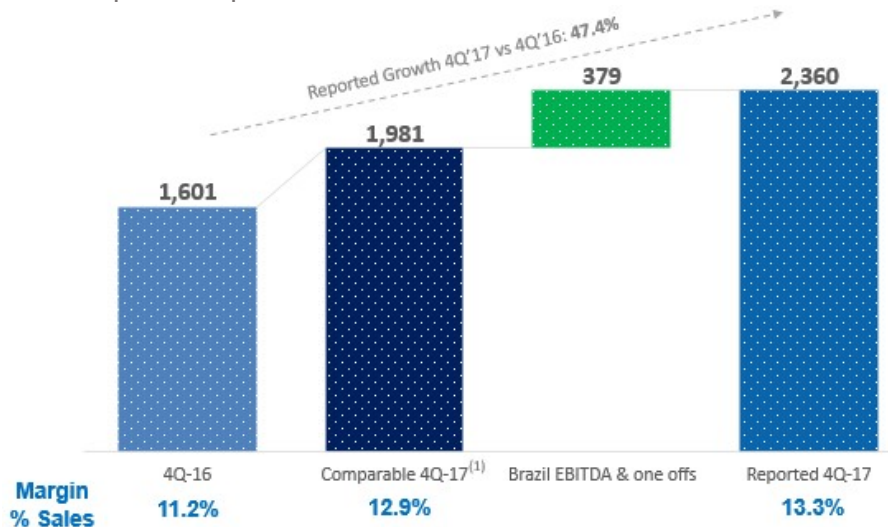
Costs and Expenses: During the fourth quarter of 2017, the reported Cost of Goods increased by 23.6%, in line with our sales growth, resulting in a Gross Profit of 6,474 million pesos. On a comparable basis, Gross Profit grew 9.9% versus last year, representing 37.3% over sales.

Reported operating expenses increased by 23.2% ending in 5,187 million pesos, which included M&A and integration expenses from the acquisition of Vigor.

Operating Income: Ended in 1,859 million pesos, a 69.2% increase, which includes the one-off effect of the sale of Itambé in Brazil. The comparable operating income grew a solid 38.8% compared to the fourth quarter of 2016, which includes some one-time productivity gains in the quarter.

EBITDA: The reported EBITDA in the fourth quarter grew by 47.4%, ending in 2,360 million pesos, a 210-basis points margin expansion compared to the same period of last year. This EBITDA incorporated 379 million pesos from Brazil, explained by: 1) Two-month consolidation of Vigor, 2) M&A expenses, and 3) A one-off gain generated by the difference between Itambé's book value and its divestiture price.

Comparable EBITDA results show a significant increase of 23.7% vs the fourth quarter 2016, ending in 1,981 million pesos. This improvement is driven mainly by the productivity initiatives in our businesses in Mexico and Central America, as well as solid topline performance, which allowed us to expand our EBITDA margin from 11.2% to 12.9%, a 170-basis points expansion.



Financing expenses: The financing expenses in Q4 reflect the debt related to the acquisition of Vigor, with an interest payment of 461 million pesos in the quarter.

Taxes: Fourth quarter 2016 had a non-recurring tax benefit in Mexico of 494 million pesos, which explained the negative effective tax rate last year. As for Q4 2017, there are multiple one-time events that increased our tax amount to 920 million pesos; main explanations as follow: a) An under accrual of tax rate between Q1 to Q3; 2) The incorporation of Brazilian taxes linked to the divestiture of Itambé; c) Taxes related to the FX Coverage gain from the acquisition of Vigor.

Net income: Reported net income decreased by 61.0% to 479 million pesos. The comparable net income decreased by 45.7% to end in 667 million pesos.



CONSOLIDATED RESULTS FOR THE FULL YEAR 2017

The following chart provides an abridged Income Statement, in millions of pesos. The margin for each figure represents its ratio to net sales from the year ended December 31st, 2017, as compared with the same period in 2016:

P&L	As reported		As reported			Comparable ⁽¹⁾		
	2016	% Sales	2017	% Sales	Var. %	2017	% Sales	Var. %
Net Sales	\$ 53,468	100.0%	\$ 62,540	100.0%	17.0%	\$ 60,192	100.0%	12.6%
Gross Profit	20,295	38.0%	23,378	37.4%	15.2%	22,652	37.6%	11.6%
Operating Income	5,248	9.8%	6,175	9.9%	17.7%	5,842	9.7%	11.3%
EBITDA⁽²⁾	6,861	12.8%	8,045	12.9%	17.3%	7,666	12.7%	11.7%
Net Income	4,193	7.8%	3,338	5.3%	(20.4)%	3,526	5.9%	(15.9)%

(1) Comparable means, with respect to a year-over-year comparison, the change in a given measure excluding the effects of (i) acquisition of Brazil in Q4 2017, and (ii) one-off effects derived from the Brazil integration

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

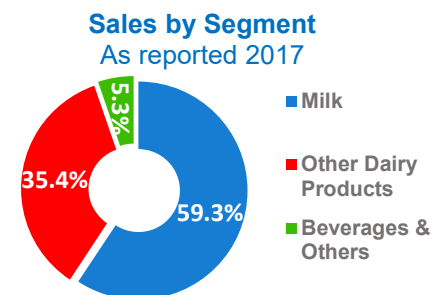
Full Year 2017 Highlights

- Revenues grew 17.0%, while comparable revenues grew 12.6% in 2017
- Operating income increased 17.7% to end in 6,175 million pesos. Comparable figures ended in 5,842 million pesos, a 11.3% expansion compared to 2016
- EBITDA grew 17.3% ending in 8,045 million pesos, while on a comparable basis, it increased 11.7% in the year

During 2017, reported net sales increased by 17.0% to 62,540 million pesos. Organic growth accounted for 12.6%, while the operations of the recently acquired business in Brazil contributed another 4.4 percentage points.

LALA Segments: Sales by segment highlight the accelerated growth in Other Dairy products, through expansion in cheese, cream and yoghurt; but also, the addition of Vigor's Value-Added dairy portfolio.

Segment	2016	As reported		Comparable ⁽¹⁾
		2017	Var. %	Var. %
Milk⁽²⁾	\$ 33,835	\$ 37,067	9.6%	9.2%
Other Dairy Products⁽³⁾	16,612	22,168	33.4%	20.3%
Beverages and Others⁽⁴⁾	3,021	3,305	9.4%	7.5%



(1) Comparable means, with respect to a year-over-year comparison, the change in a given measure excluding the effects of (i) acquisition of Brazil in Q4 2017, and (ii) one-off effects derived from the Brazil integration

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

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

(4) Beverages and Others: Beverages, Juices, Cold Cuts and Others.

Full year 2017 gross profit increased by 15.2% to end in 23,378 million pesos, representing 37.4% of net sales. Comparable gross profit grew 11.6%, closing at 22,652 million pesos.

Operating expenses closed at 17,850 million pesos, a 18% increase compared to full year 2016. The comparable expenses grew 12.2% mainly due to costs related to our businesses in Central America and the U.S.

Operating income increased by 17.7 percentage points to end in 6,175 million pesos; while the comparable growth was 11.3%, due to the already mentioned sales and gross profit improvement.

Full year EBITDA closed at 8,045 million pesos, a 17.3% growth compared to 2016, while comparable EBITDA increased 11.7% to end at 7,666 million pesos.

Net income for the year ended in 3,338 million pesos, a 20.4% decrease, affected mainly by the costs associated to the debt for the acquisition of Vigor, as well as the net effects of the monetary balance sheet accounts combined with the Itambé's divestiture. On a comparable basis, the decrease was 15.9% to end in 3,526 million pesos.

LALA's Portfolio



LALA by region

Mexico and Central America net sales increased by 9.3% to end at 56,938 million pesos. The EBITDA for the region in 2017 closed at 7,910 million pesos, representing 13.9% of net sales, and an increase of 11.6% compared to previous year. This result in reflects the strong productivity initiatives, innovation, and strengthen of our portfolio in the region.

The U.S. reported net sales of 3,254 million pesos, driven mainly by the initiatives in the Drinkable Yogurt business and the expansion of Promised Land specialty milk. EBITDA of -244 million pesos resulted from high fixed costs structure in the Colorado facility, which produces Promised Land milk and Cultured products (cottage cheese, sour cream and dips). Growth in Promised Land milk sales and a restructuring of Colorado costs will allow us to meet breakeven at the EBITDA level by the end of 2018.

The Brazilian business had net sales of 2,348 million pesos in November and December, and an EBITDA of 379 million pesos, which includes one-offs of the Brazil acquisition; the sale of Itambé and M&A expenses.

<i>MXN\$ in million</i>	2016	2017	Var. %
Total Grupo LALA			
Net Sales	53,468	62,540	17.0%
EBITDA	6,861	8,045	17.3%
EBITDA Margin %	12.8%	12.9%	
Mexico and CAM			
Net Sales	52,080	56,938	9.3%
EBITDA	7,087	7,910	11.6%
EBITDA Margin %	13.6%	13.9%	
U.S.⁽¹⁾			
Net Sales	1,388	3,254	134.4%
EBITDA	-226	-244	NA
EBITDA Margin %	-16.3%	-7.5%	
Brazil⁽²⁾			
Net Sales	NA	\$2,348	NA
EBITDA	NA	\$379	NA
EBITDA Margin %		16.1%	

(1) Figures include 5 months of consolidated results in 2016

(2) Figures include 2 months of consolidated results in 2017

FINANCIAL POSITION

CAPEX

For the twelve months ended December 31st, 2017 the Company invested in comparable figures 3.7 billion pesos in property, plant and equipment, and other capital expenditures.

Cash, Short Term Investments and Financial Instruments

As of December 31st, 2017, we had a cash balance of 6,740 million pesos, including the cash balance of Vigor denominated in Brazilian reals, an increase of 1,456 million pesos as compared to December 31st, 2016.

Intangible and Other Assets

Ending balance for intangible and other assets increased from 5,998 to 29,292 million pesos at December 31st, 2017. This growth is explained by the Trademarks and other intangibles related to the Brazilian acquisition.

Total Debt

As of December 31st, 2017, total short-term debt was 28,626 million pesos and long-term debt was 2,345 million pesos, for a total debt of 30,971 million pesos. This debt considers: a) The bridge loan with three financial institutions used to finance Vigor's acquisition; b) The Brazilian acquired debt, denominated in Reals, amounted to 6,538 million pesos; and c) The refinancing of Working Capital Instruments in Brazil to lower cost alternatives.

The following charts set forth the Company's debt profile by currency as of December 31st, 2017.

Currency	Total Debt ⁽¹⁾	% Total Debt
Mexican Pesos	\$24,433	78.9%
Brazilian reals	\$6,538	21.1%
Total Debt	\$30,971	100.0%

(1) Figures in MXN\$ '000 000.

Key Financial data

As of December 31st, 2017, the Company's key financial ratios were as follows:

Financial Metrics	2016	2017
EBITDA⁽²⁾ / Interest Paid	274.1x	13.0x
Net Debt / EBITDA⁽²⁾	(0.4)x	2.7x
Earnings Per Share⁽³⁾ (12 months)	\$ 1.67	\$ 1.31

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

(3) EPS as of the last twelve months.



4Q-2017 Relevant Events

- October 23th, 2017-** [Grupo LALA earnings release for the 3Q 2017](#)
- October 26th, 2017-** [Grupo LALA concludes acquisition of Vigor Alimentos](#)
- December 4th, 2017-** [Grupo LALA finishes the sale of 50% of Itambé](#)

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

Sell-side analyst coverage

As of December 31st, 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-lxe and J.P Morgan.

Share buyback program

As of December 31st, 2017, the Company's share buyback program had a balance of 20,327,394 shares, at a weighted average price of \$29.61 per share for a total balance of 620.9 million pesos.

About LALA

Grupo LALA is a 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 32 production plants and 176 distribution centers in Mexico, Brazil, United States and Central America, supported by more than 38,000 employees. Grupo LALA's fleet of approximately 6,500 vehicles distributes its more than 600 products to nearly 628,600 points of sale. LALA's portfolio is led by its two main brands: LALA® and Nutri Leche®.

For more information, visit: www.lala.com.mx

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, February 27th, 2018
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 #: 13676310

www.lala.com.mx





GRUPO LALA, S.A.B. DE C.V.
CONSOLIDATED INCOME STATEMENTS
ENDED DECEMBER 31st, 2016 AND 2017
(In thousands of nominal pesos)

	For the three months ended				For the six months ended			
	December 31,				December 31,			
	2016		2017		2016		2017	
Net sales	\$ 14,354,402	100.0%	\$ 17,751,304	100.0%	\$ 53,467,693	100.0%	\$ 62,540,248	100.0%
Cost of goods sold	9,124,731	63.6%	11,277,714	63.5%	33,173,169	62.0%	39,162,742	62.6%
Gross profit	5,229,671	36.4%	6,473,590	36.5%	20,294,524	38.0%	23,377,506	37.4%
Other income (expenses), net	(80,910)	(0.6)%	(572,824)	(3.2)%	(83,639)	(0.2)%	(646,883)	(1.0)%
Operating expenses	4,211,296	29.3%	5,186,930	29.2%	15,129,974	28.3%	17,849,700	28.5%
Operating Income	1,099,285	7.7%	1,859,484	10.5%	5,248,189	9.8%	6,174,689	9.9%
Net of financial (income) expenses								
Net of financial income	(47,004)	(0.3)%	465,338	2.6%	(249,485)	(0.5)%	404,397	0.6%
Exchange rate (profit) loss	(68,489)	(0.5)%	(11,394)	(0.1)%	(46,809)	(0.1)%	230,672	0.4%
Financial instruments	11,245	0.1%	6,700	0.0%	149	0.0%	7,812	0.0%
Financial income, net	(104,248)	(0.7)%	460,644	2.6%	(296,145)	(0.6)%	642,881	1.0%
Share in the results of associated companies	(768)	(0.0)%	38	0.0%	(6,292)	(0.0)%	2,393	0.0%
Income before taxes	1,202,765	8.4%	1,398,878	7.9%	5,538,042	10.4%	5,534,201	8.8%
Income tax expense	(25,263)	(0.2)%	920,182	5.2%	1,344,790	2.5%	2,196,301	3.5%
Net consolidated income	1,228,028	8.6%	478,696	2.7%	4,193,252	7.8%	3,337,900	5.3%
Non-controlling interest	22,809	0.2%	32,542	0.2%	65,004	0.1%	99,015	0.2%
Depreciation and amortization	501,937	3.5%	500,729	2.8%	1,612,866	3.0%	1,870,597	3.0%
EBITDA	\$ 1,601,222	11.2%	\$ 2,360,213	13.3%	\$ 6,861,055	12.8%	\$ 8,045,286	12.9%



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

	As of December 31, 2016	As of December 31, 2017
ASSETS		
Cash and cash equivalents	\$ 4,266,101	\$ 6,733,382
Investments in financial instruments	1,017,149	6,422
Accounts receivable	4,082,293	6,946,619
Taxes and other accounts receivable	3,006,837	5,057,770
Related parties	45,202	46,874
Inventories	3,897,223	5,340,926
Prepaid expenses	242,499	383,707
Current assets	16,557,304	24,515,700
Investments in associates	105,926	126,507
Property, plant and equipment, net	17,857,702	23,410,299
Intangible and other assets	5,998,062	29,291,547
Deferred income tax	313,088	546,456
Non-current assets	24,274,778	53,374,809
Total assets	\$ 40,832,082	\$ 77,890,509
LIABILITIES		
Short-term bank loans	\$ 2,218,939	\$ 28,626,238
Suppliers	5,329,201	8,180,315
Financial instruments liability	0	88,255
Related parties	145,941	460,349
Taxes and other accounts payable	2,563,078	2,998,758
Current liabilities	10,257,159	40,353,915
Long-term liabilities		
Long-term debt	156,481	2,345,224
Deferred income tax and other taxes payable	684,659	1,478,491
Taxes payable in the long term	0	896,911
Other accounts payable	746,909	2,475,398
Long-term liabilities	1,588,049	7,196,024
Total liabilities	11,845,208	47,549,939
SHAREHOLDERS EQUITY		
Capital Stock	1,491,486	1,489,969
Net premium in share placement	13,408,351	13,088,939
Retained earnings	9,633,946	12,148,053
Income of the year	4,128,248	3,238,885
Equity attributable to equity holders of the parent	28,662,031	29,965,846
Non-controlling interest	324,843	374,724
Total shareholders equity	28,986,874	30,340,570
Total liabilities and shareholders equity	\$ 40,832,082	\$ 77,890,509



GRUPO LALA, S.A.B. DE C.V.
CONSOLIDATED CASH FLOW STATEMENT FOR THE TWELVE MONTHS
ENDED DECEMBER 31st, 2016 AND 2017
(In thousands of nominal pesos)

	As of December 31, 2016	As of December 31, 2017
Operating activities:		
Income before taxes	\$ 5,538,042	\$ 5,534,201
Depreciation, amortization, and trademarks impairment	1,612,866	1,870,597
Changes in net financial expenses (income)	(30,521)	479,233
Results from the sale of property, plant and equipment	(26,856)	(48,279)
Result in the disposal of investments	0	(488,107)
Other items	106,343	(2,393)
Total	7,199,874	7,345,252
Changes in operation assets and liabilities		
Accounts receivable	(566,015)	(854,702)
Inventories	(543,150)	(378,589)
Related parties	(43,719)	56,641
Suppliers	157,612	884,892
Taxes, other accounts receivable and prepaid expenses	(2,808,934)	(2,526,990)
Other assets and liabilities	171,498	12,152
Net cash flow provided by operating activities	3,567,166	4,538,656
Investing activities		
Acquisition of property, plant, equipment, and intangibles	(3,004,372)	(3,816,255)
Proceeds from sale of property, plant, and equipment	148,729	225,361
Investments in Financial instruments	280,709	1,753,614
Business acquisitions, net of cash received	(5,414,079)	(22,354,685)
Interest collected	275,231	170,889
Cash received on the sale of investments	0	3,222,652
Net cash flow used in investing activities	(7,713,782)	(20,798,424)
Financing activities		
Net of loans and payment of loans from related parties	(193,101)	0
Net of financing and payment of financing	2,096,080	20,057,951
Repurchase of shares	(247,485)	(320,930)
Capital stock increase	16,500	0
Dividends paid to equity holders of the parent	(1,334,889)	(1,463,210)
Dividends paid to non-controlling interest	(29,400)	578,525
Net cash flows provided (used) in financing activities	\$ 307,705	\$ 18,852,336
Net increase of cash and equivalents	(3,838,911)	2,592,568
Adjustments to cash due to exchange rate fluctuations	120,037	(125,287)
Cash and equivalents at beginning of the year	7,984,975	4,266,101
Cash and equivalents at the end of the period	\$ 4,266,101	\$ 6,733,382

For more information:

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