



## » GRUPO LALA REPORTS THIRD QUARTER 2015 RESULTS

Mexico City, October 26, 2015 – Grupo LALA, S.A.B. de C.V., the Mexican Company focused on healthy and nutritious foods, (“LALA”) (BMV: LALAB), today reported results for the third quarter 2015. 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, 2015, as compared with the same period in 2014:

	3rd. Q '14	% Sales	3rd. Q '15	% Sales	Var. %
<b>Net Sales</b>	\$ 11,329	100.0%	\$ 12,176	100.0%	7.5%
<b>Gross Profit</b>	4,014	35.4%	4,714	38.7%	17.4%
<b>Operating Income</b>	1,114	9.8%	1,404	11.5%	26.0%
<b>EBITDA<sup>(1)</sup></b>	1,366	12.1%	1,695	13.9%	24.1%
<b>Net Income<sup>(2)</sup></b>	755	6.7%	976	8.0%	29.3%

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

(2) Net Income refers to Consolidated Net Income.

## Message from Management

Scot Rank, Grupo LALA’s CEO, commented:

*"The Company achieved strong financial results in the third quarter, and continued to make significant investments in projects that will support LALA’s sustained profitable growth for the future." He added: "The investments made and the projects we’ve completed in the first nine months of the year will help strengthen our foundation so we can continue building on our successful business model."*

## HIGHLIGHTS

7.5% increase in Net Sales reaching 12,176 million pesos

180 basis point EBITDA<sup>(1)</sup> margin expansion closing at 13.9%

29.3% increase in Net Income<sup>(2)</sup> closing at 976 million pesos

6.0% year on year increase in Milk segment and 14.1% year on year increase in Other Dairy Products

Nutri Lety, First dairy product produced at LALA’s San Benito, Nicaragua Plant, for the Central American consumer.



+

SÚMALE UN VASO DE LALA A TU DÍA





## CONSOLIDATED RESULTS FOR THE THIRD QUARTER 2015

Third quarter 2015 net sales increased by 7.5% year on year, from 11,329 million pesos in the third quarter of 2014 to 12,176 million pesos for the same period in 2015. This increase was due to increased volume driven by the different business and sales strategies that the Company has been implementing in Mexico. It was also due to organic growth in the Company's Central American operations and to inorganic growth related to the consolidation of the Eskimo, S.A. business into LALA's operations, which represented 2.4 percentage points of LALA's total growth in the quarter.

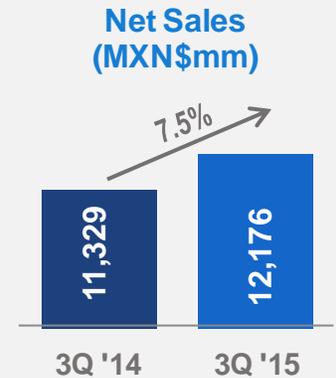
Sales have been divided into three segments based on product type in order to better reflect LALA's product mix:

Segment	3Q '14 *	3Q '15 *	% Variation
Milk <sup>(3)</sup>	7,434	7,883	6.0%
Other Dairy Products <sup>(4)</sup>	3,233	3,690	14.1%
Beverages and Others <sup>(5)</sup>	662	603	(8.9)%

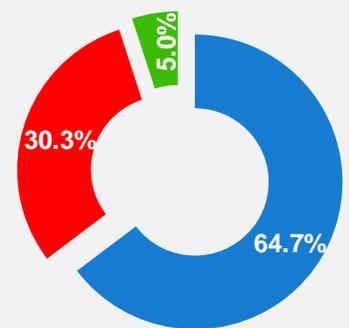
- (3) **Milk:** Pasteurized, UHT and functional milks, pasteurized and UHT dairy-based beverages, and powdered milk.
- (4) **Other Dairy Products:** Cream, butter, cream-based spreads, yoghurt, cheese, ice cream and desserts.
- (5) **Beverages and Others:** Beverages, tea, juices, cold cuts and other income.

Third quarter 2015 gross profit increased by 17.4%, to reach 4,714 million pesos with a 38.7% gross margin, as compared to the 35.4% gross margin reported for the same period in 2014. The improvement in gross margin is due to the increase in volumes as well as to a favorable product mix and conversion cost savings due to the productivity investments made year on year, as well as to improved control of raw material costs. This was partially offset by increases in certain raw material costs due to the depreciation of the Mexican peso relative to the US dollar.

**38.7%**  
Gross Margin



### Sales by Segments



- Milk
- Other Dairy Products
- Beverages & Others





Operating expenses as a percentage of sales increased by 1.0 percentage points, from 26.3% in the third quarter of 2014 to 27.3% for the same period in 2015. This variation in costs was partially attributable, to non-recurring transformation-related expenses, as well as to SAP implementation costs for Eskimo S.A. business to consolidate with the Company's operation.

Third quarter 2015 operating income increased by 26.0%, to reach 1,404 million pesos. Therefore, third quarter 2015 EBITDA increased by 24.1% to 1,695 million pesos, as compared to 1,366 million pesos for the same period in 2014. EBITDA margin increased by 180 basis points, from 12.1% in the third quarter of 2014 to 13.9% for the same period in 2015.

Third quarter consolidated net income increased by 221 million pesos, reaching a total of 976 million pesos. This increase was due to the 290 million pesos increase in operating income and to the 8 million pesos increase in net financial income. This effect was partially offset by the 76 million pesos increase in income tax due to the increase in pre-tax profit.

**26.0%**

Increase in Operating Income

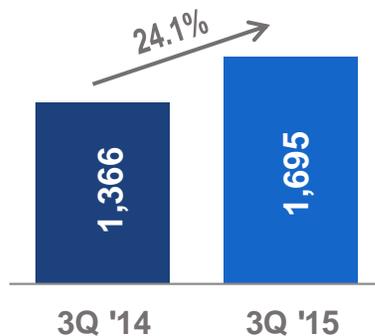
Net income increased by

**221 million pesos**

**EBITDA  
(MXN\$mm)**

**MARGIN**

12.1%	13.9%
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New LALA Coffee with Milk presentation 1L





## NON-OPERATING RESULTS

### Net financial expenses (Income)

Third quarter 2015 net financial income increased by 8 million pesos, closing with a 31 million pesos profit as compared to the 23 million pesos profit for the same period in 2014. This was due to a 22 million pesos favorable impact on financial instruments due to the cancellation of the forward contract derivative instrument that the Company had active for hedging purposes, and to the 1 million pesos increase in net interest income. This was partially offset by a 15 million pesos exchange-related loss due to peso/dollar depreciation.

**61 million pesos**

Net Interest Income

### Tax on earnings

Tax on earnings for the third quarter 2015 amounted to 457 million pesos; a 76 million pesos year on year increase, due to the 297 million pesos increase in pre-tax profit for the third quarter of 2015.

**31.9%**

Effective tax rate

## INNOVATION & NEW PRODUCTS



**Nutri Leche**  
Lactose Free  
UHT 1.0L



**Nutri Lety**  
(Nicaragua)  
UHT 1.0L



**Grekos Fresa**  
Granola  
150g



**Grekos Natural**  
Granola  
150g



**Yoghurt LALA**  
Granola  
190g



**Yoghurt LALA**  
Granola  
100g





## FINANCIAL POSITION

### CAPEX

For the nine months ended September 30, 2015, the Company deployed 1,622 million pesos in CAPEX, 53.6% of which was directed towards investments in property, plant and equipment, among others. The remaining 46.4% was directed towards operational maintenance.

### Cash, short-term investments and financial instruments

Grupo LALA's cash, short-term investments and financial instruments increased by 1,225 million pesos, from 8,846 million pesos at September 30, 2014 to 10,071 million pesos at September 30, 2015. This increase is primarily due to the 5,614 million pesos in net cash operations generated by the Company over the last twelve months, with a benefit of a significantly improved working capital position.

### Accounts receivable

Grupo LALA's accounts receivable increased by 504 million pesos, from 2,703 million pesos at September 30, 2014 to 3,207 million pesos at September 30, 2015. This is mainly attributable to increased sales in the modern channel and, to a lesser extent, to the integration of the Eskimo S.A. accounts receivables into the consolidated Company.

### Intangible and other assets

The 658 million pesos increase in intangible and other assets is primarily due to acquisitions made over the past twelve months.

### Accounts payable

Accounts payable at the end of September 2015 closed at 3,611 million pesos, representing a 1,168 million pesos increase compared with 2,443 million at the end of September 2014. This increase is primarily attributable to an improved working capital position.

CAPEX  
9M-2015  
**1,622 million pesos**

**10,071 million pesos**  
Cash as of  
September 30, 2015



Commercial Strategy  
"SUMA TAPAS"  
focused on the  
Traditional Channel

**47.8%**  
Increase in  
Accounts Payable





### Taxes and other accounts payable

Taxes and other accounts payable increased by 917 million pesos, from 1,515 million pesos at September 30, 2014 to 2,431 million pesos at September 30, 2015. This is primarily due to the dividend the Company declared in February 2015, which to date has been partially paid in line with the release calendar. To a lesser extent, this variation is due to the reclassification of assets and liabilities in line with applicable accounting standards.

### Total debt

At the end of the third quarter 2015, the Company's total debt decreased by 30 million pesos, closing at 58 million pesos. This decrease was due to debt payments made over the last twelve months. The Company's debt balance as of September 30, 2015 is related to financial leases required for the Company's operation.

### Key financial data

As of September 30, 2015, the Company's key financial ratios were as follows:

Financial Metrics	3rd. Q '14	3rd. Q '15
EBITDA <sup>(1)</sup> / Interest Paid	195.2x	527.9x
Net Debt / EBITDA <sup>(1)</sup>	(1.6)x	(1.5)x
EV / EBITDA <sup>(1)</sup>	13.3x	13.7x
ROE <sup>(6)</sup>	14.6%	15.3%

Stock Market Indicators	3rd. Q '14	3rd. Q '15
Book Value per Share <sup>(7)</sup>	\$8.73	\$9.63
Earnings Per Share <sup>(8)</sup> (12 months)	\$1.25	\$1.46
Shares Outstanding*	2,474.4	2,474.4

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

(6) ROE is defined as Return on Equity.

(7) Shares used for Book Value ratio, are based on the weighting outstanding shares of the last twelve months.

(8) EPS as of the last twelve months.

\* Millions of shares at the end of each quarter.

**58 million pesos**

Total Debt as of  
3Q-2015

Earnings per Share  
**\$1.46 pesos**





## 3Q-2015 Relevant Events

- **August 17, 2015** – Grupo LALA announced a payment on Coupon No. 5 of the dividend declared on February 16, 2015. Said payment was made on August 26, 2015 in the amount of \$0.1275 Mexican pesos for each LALA share outstanding at the date of payment.

### Sell-side analyst coverage

As of September 30, 2015, the Company is covered by the following 21 financial institutions: J.P. Morgan, Morgan Stanley, BBVA Bancomer, Barclays, Citigroup, Goldman Sachs, Santander, Credit Suisse, UBS, Bank of America Merrill Lynch, Scotiabank, BTG Pactual, Vector Casa de Bolsa, GBM Grupo Bursátil Mexicano, Casa de Bolsa Ve por Más, INVEX Banco, Intercam, Actinver, Casa de Bolsa Interacciones, Banorte-Ixe and Punto Casa de Bolsa.

### Share buyback program

As of September 30, 2015, the Company's share buyback program had a balance of 872,129 shares, at an average price of \$26.92 for a total of 23 million pesos.

### About LALA

Grupo LALA, (BMV: LALAB), 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 17 production plants and 165 distribution centers in Mexico 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 "L0041LA 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.



## CONFERENCE CALL

Tuesday,  
**October 27, 2015**  
 at 12:00am ET / 10:00am  
 Mexico City Time  
 Led by:

**Scot Rank,**  
 Chief Executive Officer  
 and  
**Gabriel Fernández**  
 Chief Financial Officer

**Webcast:**  
<http://public.viavid.com/index.php?id=116441>

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





**GRUPO LALA, S.A.B. DE C.V.**  
**CONSOLIDATED INCOME STATEMENT FOR THE THREE AND NINE MONTHS**  
**ENDED SEPTEMBER 30, 2014 AND 2015**  
(In thousands of nominal pesos)

	For the three months ended				For the six months ended			
	September 30,		September 30,		September 30,		September 30,	
	2014	2015	2014	2015	2014	2015	2014	2015
<b>Net sales</b>	\$ 11,328,722	100.0%	\$ 12,176,182	100.0%	\$ 33,408,897	100.0%	\$ 35,653,300	100.0%
Cost of goods sold	7,314,908	64.6%	7,462,370	61.3%	21,394,251	64.0%	21,706,078	60.9%
<b>Gross profit</b>	<b>4,013,814</b>	<b>35.4%</b>	<b>4,713,812</b>	<b>38.7%</b>	<b>12,014,646</b>	<b>36.0%</b>	<b>13,947,222</b>	<b>39.1%</b>
Other income (expenses), net	(84,750)	(0.7)%	(13,576)	(0.1)%	(128,698)	(0.4)%	2,957	0.0%
Operating expenses	2,984,143	26.3%	3,323,382	27.3%	8,874,580	26.6%	9,793,506	27.5%
<b>Operating Income</b>	<b>1,114,421</b>	<b>9.8%</b>	<b>1,404,006</b>	<b>11.5%</b>	<b>3,268,764</b>	<b>9.8%</b>	<b>4,150,759</b>	<b>11.6%</b>
Net of financial (income) expenses								
Net of financial income	(60,355)	(0.5)%	(61,158)	(0.5)%	(207,831)	(0.6)%	(178,253)	(0.5)%
Exchange rate (profit) loss	15,197	0.1%	30,490	0.3%	(306)	(0.0)%	59,125	0.2%
Financial instruments	22,360	0.2%	(16)	(0.0)%	(2,989)	(0.0)%	17,806	0.0%
<b>Financial income, net</b>	<b>(22,798)</b>	<b>(0.2)%</b>	<b>(30,684)</b>	<b>(0.3)%</b>	<b>(211,126)</b>	<b>(0.6)%</b>	<b>(101,322)</b>	<b>(0.3)%</b>
Share in the results of associated companies	(1,531)	(0.0)%	(1,406)	(0.0)%	(268)	(0.0)%	8,384	0.0%
<b>Income before taxes</b>	<b>1,135,688</b>	<b>10.0%</b>	<b>1,433,284</b>	<b>11.8%</b>	<b>3,479,622</b>	<b>10.4%</b>	<b>4,260,465</b>	<b>11.9%</b>
Income tax expense	380,791	3.4%	457,013	3.8%	1,086,413	3.3%	1,341,296	3.8%
<b>Net consolidated income</b>	<b>754,897</b>	<b>6.7%</b>	<b>976,271</b>	<b>8.0%</b>	<b>2,393,209</b>	<b>7.2%</b>	<b>2,919,169</b>	<b>8.2%</b>
Non-controlling interest	6,682	0.1%	9,911	0.1%	22,898	0.1%	29,024	0.1%
Depreciation and amortization	251,390	2.2%	291,348	2.4%	740,133	2.2%	857,491	2.4%
<b>EBITDA</b>	<b>\$ 1,365,811</b>	<b>12.1%</b>	<b>\$ 1,695,354</b>	<b>13.9%</b>	<b>\$ 4,008,897</b>	<b>12.0%</b>	<b>\$ 5,008,250</b>	<b>14.0%</b>





**GRUPO LALA, S.A.B. DE C.V.**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AT SEPTEMBER 30, 2014 AND 2015**  
(In thousands of nominal pesos)

	As of September 30, 2014	As of September 30, 2015
<b>ASSETS</b>		
Cash and cash equivalents	\$ 7,755,880	\$ 8,632,478
Investments in financial instruments	1,090,494	1,438,627
Accounts receivable	2,702,657	3,207,082
Taxes and other accounts receivable	2,068,501	2,348,271
Related parties	101,338	110,401
Inventories	2,884,111	2,729,872
Prepaid expenses	313,049	327,381
<b>Current assets</b>	<b>16,916,030</b>	<b>18,794,112</b>
Investments in associates	96,356	108,917
Property, plant and equipment, net	11,208,066	13,183,617
Intangible and other assets	1,338,211	1,996,120
Deferred income tax	313,470	271,035
<b>Non-current assets</b>	<b>12,956,103</b>	<b>15,559,689</b>
<b>Total assets</b>	<b>\$ 29,872,133</b>	<b>\$ 34,353,801</b>
<b>LIABILITIES</b>		
Short-term bank loans	\$ 30,601	\$ 32,231
Suppliers	2,443,503	3,611,463
Financial instruments liability	22,440	0
Related parties	1,142,639	1,113,785
Taxes and other accounts payable	1,514,722	2,431,460
<b>Current liabilities</b>	<b>5,153,905</b>	<b>7,188,939</b>
Long-term liabilities		
Long-term debt	57,643	25,412
Deferred income tax and other taxes payable	1,493,516	1,380,610
Other accounts payable	579,453	723,387
<b>Long-term liabilities</b>	<b>2,130,612</b>	<b>2,129,409</b>
<b>Total liabilities</b>	<b>7,284,517</b>	<b>9,318,348</b>
<b>SHAREHOLDERS EQUITY</b>		
Capital Stock	1,492,652	1,492,652
Net premium in share placement	13,690,728	13,690,728
Retained earnings	4,736,921	6,686,826
Income of the year	2,370,311	2,890,145
<b>Equity attributable to equity holders of the parent</b>	<b>22,290,612</b>	<b>24,760,351</b>
Non-controlling interest	297,004	275,102
<b>Total shareholders equity</b>	<b>22,587,616</b>	<b>25,035,453</b>
<b>Total liabilities and shareholders equity</b>	<b>\$ 29,872,133</b>	<b>\$ 34,353,801</b>





**GRUPO LALA, S.A.B. DE C.V.**  
**CONSOLIDATED CASH FLOW STATEMENT FOR THE NINE MONTHS**  
**ENDED SEPTEMBER 30, 2014 AND 2015**  
(In thousands of nominal pesos)

	As of September 30, 2014	As of September 30, 2015
<b>Operating activities:</b>		
<b>Income before taxes from continuing operations</b>	\$ 3,479,622	\$ 4,260,465
Depreciation, amortization, and trademarks impairment	740,133	857,491
Changes in net financial expenses (income)	(212,334)	(160,715)
Results from the sale of property, plant and equipment	(6,091)	735
Other items	57,473	49,492
<b>Total</b>	<b>4,058,803</b>	<b>5,007,468</b>
<b>Changes in operation assets and liabilities</b>		
Accounts receivable	(273,663)	(608,260)
Inventories	(253,112)	94,563
Related parties	880,596	734,059
Suppliers	93,337	1,350,048
Taxes, other accounts receivable and prepaid expenses	(1,813,997)	(982,009)
Other assets and liabilities	276,577	(57,051)
<b>Total</b>	<b>(1,090,262)</b>	<b>531,350</b>
<b>Net cash flow provided by operating activities</b>	<b>2,968,541</b>	<b>5,538,818</b>
<b>Investing activities</b>		
Acquisition of property, plant, equipment, and intangibles	(2,035,838)	(1,512,619)
Proceeds from sale of property, plant, and equipment	28,753	28,419
Investments in Financial instruments	(1,081,740)	337,463
<b>Net cash flow used in investing activities</b>	<b>(3,088,825)</b>	<b>(1,146,737)</b>
<b>Financing activities</b>		
Net of loans and payment of loans from related parties	48,891	(6,374)
Net of financing and payment of financing	(651,379)	(35,490)
Repurchase of shares	(9,797)	(6,216)
Dividends paid to equity holders of the parent	0	(946,067)
Dividends paid to non-controlling interest	0	(29,676)
Future exchange contracts collected	46,235	(163,847)
<b>Net cash flows provided (used) in financing activities</b>	<b>(\$566,050)</b>	<b>(\$1,187,670)</b>
<b>Net increase of cash and equivalents</b>	<b>(686,334)</b>	<b>3,204,411</b>
Adjustments to cash due to exchange rate fluctuations	162	13,779
Cash and equivalents at beginning of the year	8,442,052	5,414,288
<b>Cash and equivalents at the end of the year</b>	<b>\$ 7,755,880</b>	<b>\$ 8,632,478</b>

For more information:

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