



## GRUPO LALA REPORTS FIRST QUARTER 2016 RESULTS

**Mexico City, April 25, 2016** – 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 2016. 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, 2016, as compared with the same period in 2015:

P&L	1st. Q '15	% Sales	1st. Q '16	% Sales	Var. %
Net Sales	\$ 11,630	100.0%	\$ 12,509	100.0%	7.6%
Gross Profit	4,532	39.0%	4,960	39.7%	9.5%
Operating Income	1,366	11.7%	1,557	12.4%	14.0%
EBITDA <sup>(1)</sup>	1,641	14.1%	1,889	15.1%	15.1%
Net Income <sup>(2)</sup>	944	8.1%	1,111	8.9%	17.8%

(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:

*“With the results achieved during the first quarter of 2016, we insist on being enthusiastic about the opportunities for growth and expansion that LALA has, by always seeking to align the Company strategy with consumer trends towards healthier food habits”.*

## HIGHLIGHTS

**7.6%** increase in Net Sales, closing at **12,509 million pesos**

**100bps EBITDA<sup>(1)</sup> margin** expansion reaching a **15.1%** margin

**17.8%** increase in Net Income<sup>(2)</sup> closing at **1,111 million pesos**

### Mission:

*“Nourishing your life, is our passion”*

### Vision:

*“To be the favorite dairy company in the Americas”*



**LALA FRESCA**

COMO DE LA VACA  
A TU MESA

[www.grupolala.com](http://www.grupolala.com)





## CONSOLIDATED RESULTS FOR THE FIRST QUARTER 2016

First quarter 2016 net sales increased by 7.6% year on year, from 11,630 million pesos in the first quarter of 2015 to 12,509 million pesos for the same period in 2016. This increase was due to volume growth driven by the different business and sales strategies that the Company implemented. It was also due to organic growth in Central America and inorganic growth resulting from the acquisition of Productos Lácteos La Perfecta, S.A., which accounted for 1.1 percentage point of total growth, consolidating its results since January 28, 2016.

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

Segment	1st. Q '15	1st. Q '16	% Variation
Milk <sup>(3)</sup>	\$ 7,705	\$ 8,143	5.7%
Other Dairy Products <sup>(4)</sup>	3,261	3,581	9.8%
Beverages and Others <sup>(5)</sup>	664	785	18.2%

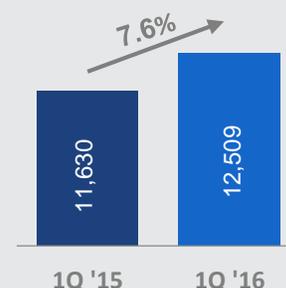
(3) **Milk:** Pasteurized, UHT and functional milks, pasteurized and UHT dairy-based beverages, and powdered milk.

(4) **Other Dairy Products:** Cream, butter, cream-based spreads, yoghurt, cheese, ice cream and desserts.

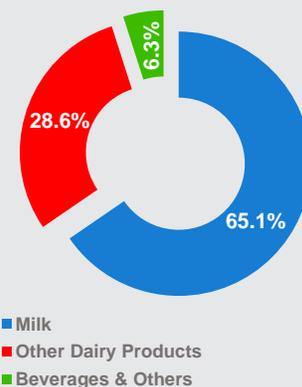
(5) **Beverages and Others:** Beverages, tea, juices, cold cuts and other income.

First quarter 2016 gross profit increased by 9.5%, to reach 4,960 million pesos with a 39.7% gross margin, as compared to the 39.0% gross margin reported for the same period in 2015. The improvement in gross margin is due to the increase in sales as a result of volume expansion as well as to a favorable product mix and conversion cost savings as a result of the productivity investments made, 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.

### Net Sales (MXN\$mm)



### Sales by Segment



### Gross Margin 39.7%





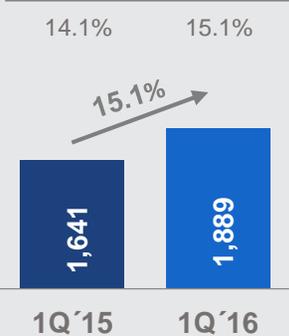
Operating expenses as a percentage of sales increased by 0.2 percentage points, from 27.0% in the first quarter of 2015 to 27.2% for the same period in 2016. This variation was mainly attributable, to non-recurring transformation-related expenses, as well the costs incurred for the acquisition process of Productos Lácteos La Perfecta S.A. This was partially offset by savings and efficiencies reached during the quarter, as well as improved SG&A control.

First quarter 2016 operating income increased by 14.0%, to reach 1,557 million pesos. Therefore, first quarter 2016 EBITDA increased by 15.1% to 1,889 million pesos, as compared to 1,641 million pesos for the same period in 2015. EBITDA margin expansion reached 100 basis points, from 14.1 % in the first quarter of 2015 to 15.1% for the same period in 2016.

First quarter consolidated net income increased by 168 million pesos, reaching a total of 1,111 million pesos. This growth was due to the 191 million pesos increase in operating income and to the positive variation of 57 million pesos in net financial income. This effect was offset by the 78 million pesos increase in income tax due to the pre-tax profit growth.

**EBITDA  
(MXN\$mm)**

**MARGIN**



**168 million pesos**  
increase in Net Income



Lactose-Free  
Oaxaca Cheese  
400g





## NON-OPERATING RESULTS

### Net financial expenses (Income)

First quarter 2016 net financial income presented a positive variation of 57 million pesos, closing with a 58 million pesos profit as compared to the 1 million pesos income for the same period in 2015. This variation was due to a 34 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 in 2015, to the 22 million pesos increase in net interest income and to the decrease of 1 million pesos in exchange-related loss.

### Tax on earnings

Tax on earnings for the first quarter 2016 amounted to 506 million pesos; a 78 million pesos year on year increase, due to the 246 million pesos growth in pre-tax profit for the first quarter of 2016.

## Our Natural Products Commitment



*Lala has the commitment from its milk producers so that cows are not injected with growth hormone rBST.*



New Image UHT Milk 1L





## FINANCIAL POSITION

### CAPEX

For the three months ended March 31, 2016, the Company deployed 564 million pesos in CAPEX, 60% of which was directed towards investments in property, plant and equipment, among others. The remaining 40% was directed towards operational maintenance.

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

Grupo LALA's cash and short-term investments increased by 986 million pesos, from 8,097 million pesos at March 31, 2015 to 9,083 million pesos at March 31, 2016. This increase is primarily due to the 5,514 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 403 million pesos, from 2,789 million pesos at March 31, 2015 to 3,192 million pesos at March 31, 2016. This is mainly attributable to increased sales in the modern trade channel and, to a lesser extent, to the integration of Productos Lácteos La Perfecta S.A. accounts receivables into the consolidated Company.

### Inventories

The increase of 588 million pesos in the inventory account is mainly a result of the opportunities taken in the procurement and storage of some raw materials.

### Accounts payable

Accounts payable at the end of March 2016 closed at 3,944 million pesos, representing a 1,795 million pesos increase in comparison with 2,149 million at the end of March 2015. This increase is primarily attributable to an improved working capital position.

CAPEX  
3M-2016

**564 million pesos**

**9,083 million pesos**

Cash as of  
March 31, 2016

Accounts payable

**47 days**





### Taxes and other accounts payable

Taxes and other accounts payable decreased by 508 million pesos, from 2,548 million pesos at March 31, 2015 to 2,040 million pesos at March 31, 2016. This variation is mainly attributable to the effect of the reclassification between short-term liabilities, as well as a result of improved management in the payable taxes balances.

### Total debt

At the end of the first quarter 2016, the Company's total debt increased by 14 million pesos, closing at 87 million pesos. The total debt increase is a result of the debt consolidation from Productos Lácteos La Perfecta, S.A. This increase, was offset by the debt payments made over the last twelve months.

### Key financial data

As of March 31, 2016, the Company's key financial ratios were as follows:

Financial Metrics	1st. Q '15	1st. Q '16
EBITDA <sup>(1)</sup> / Interest Paid	774.2x	377.5x
Net Debt / EBITDA <sup>(1)</sup>	(1.4)x	(1.3)x

Stock Market Indicators	1st. Q '15	1st. Q '16
Book Value per Share <sup>(6)</sup>	\$9.16	\$10.11
Earnings Per Share <sup>(7)</sup> (12 months)	\$1.30	\$1.65
Shares Outstanding*	2,474.4	2,475.9

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

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



## 87 million pesos

Total Debt as of  
1Q-2016

Earnings per share

## \$1.65 pesos



Sliced Manchego  
Lactose-Free Cheese  
400g





## 1Q-2016 Relevant Events

- **January 28, 2016** - Grupo LALA reports that it has entered into an agreement to acquire 100% of the shares of capital of Productos Lácteos La Perfecta, S.A. ("La Perfecta" or the "Company"). With this transaction, Grupo LALA expands its operations in Central America.
- **February 10, 2016** - Grupo LALA announced the payment of a dividend of 0.54 pesos per share. This dividend will be paid in 4 exhibitions against delivery of the coupon, on February 25, May 25, August 25 and November 24, 2016.

### Sell-side analyst coverage

As of March 31, 2016, the Company is covered by the following 19 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, Itaú BBA, Vector Casa de Bolsa, GBM Grupo Bursátil Mexicano, INVEX Banco, Intercam, Actinver y Banorte-Ixe.

### Share buyback program

As of March 31, 2016, the Company's share buyback program had a balance of 1,150,125 shares, at an average price of \$27.73 per share for a total balance of 32 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 19 production plants and 166 distribution centers in Mexico and Central America, supported by more than 33,000 employees. Grupo LALA's fleet of approximately 7,000 vehicles distributes its more than 600 products to nearly 550,000 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.



## CONFERENCE CALL

**Tuesday, April 26, 2016**  
at 11:00am EST / 10:00am CST  
Led by:

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

### Webcast:

[Grupo LALA Presentation](#)

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

### México:

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:

+1 877 870 5176  
(Toll-free)

### International:

+1 858 384 5517

**PIN #: 13634390**





**GRUPO LALA, S.A.B. DE C.V.**  
**CONSOLIDATED INCOME STATEMENT FOR THE THREE MONTHS**  
**ENDED MARCH 31, 2015 AND 2016**  
(In thousands of nominal pesos)

	For the three months ended			
	March 31,			
	2015		2016	
<b>Net sales</b>	\$ 11,630,439	100.0%	\$ 12,508,871	100.0%
Cost of goods sold	7,098,653	61.0%	7,548,581	60.3%
<b>Gross profit</b>	<b>4,531,786</b>	<b>39.0%</b>	<b>4,960,290</b>	<b>39.7%</b>
Other income (expenses), net	20,508	0.2%	4,591	0.0%
Operating expenses	3,145,208	27.0%	3,398,415	27.2%
<b>Operating Income</b>	<b>1,366,070</b>	<b>11.7%</b>	<b>1,557,284</b>	<b>12.4%</b>
Net of financial (income) expenses				
Net of financial income	(56,516)	(0.5)%	(78,463)	(0.6)%
Exchange rate (profit) loss	13,041	0.1%	12,116	0.1%
Financial instruments	42,133	0.4%	7,811	0.1%
<b>Financial income, net</b>	<b>(1,342)</b>	<b>(0.0)%</b>	<b>(58,536)</b>	<b>(0.5)%</b>
Share in the results of associated companies	4,401	0.0%	1,890	0.0%
<b>Income before taxes</b>	<b>1,371,813</b>	<b>11.8%</b>	<b>1,617,710</b>	<b>12.9%</b>
Income tax expense	428,191	3.7%	506,363	4.0%
<b>Net consolidated income</b>	<b>943,622</b>	<b>8.1%</b>	<b>1,111,347</b>	<b>8.9%</b>
Non-controlling interest	9,551	0.1%	14,670	0.1%
Depreciation and amortization	274,649	2.4%	331,899	2.7%
<b>EBITDA</b>	<b>\$ 1,640,719</b>	<b>14.1%</b>	<b>\$ 1,889,183</b>	<b>15.1%</b>





**GRUPO LALA, S.A.B. DE C.V.**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AT MARCH 31, 2015 AND 2016**  
(In thousands of nominal pesos)

	As of March 31, 2015	As of March 31, 2016
<b>ASSETS</b>		
Cash and cash equivalents	\$ 6,316,711	\$ 7,327,572
Investments in financial instruments	1,780,612	1,755,295
Accounts receivable	2,789,335	3,192,470
Taxes and other accounts receivable	2,206,608	2,242,526
Related parties	97,015	116,136
Inventories	3,008,187	3,596,014
Prepaid expenses	290,329	306,491
<b>Current assets</b>	<b>16,488,797</b>	<b>18,536,504</b>
Investments in associates	104,765	113,803
Property, plant and equipment, net	12,573,779	14,223,361
Intangible and other assets	1,974,835	2,626,719
Deferred income tax	270,190	308,952
<b>Non-current assets</b>	<b>14,923,569</b>	<b>17,272,835</b>
<b>Total assets</b>	<b>\$ 31,412,366</b>	<b>\$ 35,809,339</b>
<b>LIABILITIES</b>		
Short-term bank loans	\$ 31,462	\$ 52,795
Suppliers	2,149,054	3,944,248
Related parties	1,346,120	2,255,747
Taxes and other accounts payable	2,547,879	2,039,516
<b>Current liabilities</b>	<b>6,263,900</b>	<b>8,299,908</b>
Long-term liabilities		
Long-term debt	41,694	34,285
Deferred income tax and other taxes payable	1,514,184	1,279,361
Other accounts payable	609,226	752,734
<b>Long-term liabilities</b>	<b>2,165,104</b>	<b>2,066,380</b>
<b>Total liabilities</b>	<b>8,429,004</b>	<b>10,366,288</b>
<b>SHAREHOLDERS EQUITY</b>		
Capital Stock	1,492,652	1,492,866
Net premium in share placement	13,690,728	13,707,014
Retained earnings	6,580,606	8,843,141
Income of the year	934,070	1,096,677
<b>Equity attributable to equity holders of the parent</b>	<b>22,698,056</b>	<b>25,139,698</b>
Non-controlling interest	285,306	303,353
<b>Total shareholders equity</b>	<b>22,983,362</b>	<b>25,443,051</b>
<b>Total liabilities and shareholders equity</b>	<b>\$ 31,412,366</b>	<b>\$ 35,809,339</b>





**GRUPO LALA, S.A.B. DE C.V.**  
**CONSOLIDATED CASH FLOW STATEMENT FOR THE THREE MONTHS**  
**ENDED MARCH 31, 2015 AND 2016**  
(In thousands of nominal pesos)

	As of March 31, 2015	As of March 31, 2016
<b>Operating activities:</b>		
<b>Income before taxes</b>	\$ 1,371,812	\$ 1,617,712
Depreciation, amortization, and trademarks impairment	274,649	331,899
Changes in net financial expenses (income)	(15,071)	(82,186)
Results from the sale of property, plant and equipment	4,401	6,015
Other items	16,711	23,912
<b>Total</b>	<b>1,652,502</b>	<b>1,897,352</b>
<b>Changes in operation assets and liabilities</b>		
Accounts receivable	(96,762)	33,452
Inventories	(216,535)	(451,801)
Related parties	827,200	967,770
Suppliers	192,402	(346,071)
Taxes, other accounts receivable and prepaid expenses	(153,542)	(428,281)
Other assets and liabilities	(232,022)	(179,729)
<b>Total</b>	<b>320,741</b>	<b>(404,660)</b>
<b>Net cash flow provided by operating activities</b>	<b>1,973,243</b>	<b>1,492,692</b>
<b>Investing activities</b>		
Acquisition of property, plant, equipment, and intangibles	(743,645)	(564,289)
Proceeds from sale of property, plant, and equipment	4,532	5,249
Investments in Financial instruments	3,182	(462,581)
Bussiness acquisitions, net of cash received	0	(835,569)
<b>Net cash flow used in investing activities</b>	<b>(735,931)</b>	<b>(1,857,190)</b>
<b>Financing activities</b>		
Net of loans and payment of loans from related parties	(2,030)	0
Net of financing and payment of financing	(6,763)	21,768
Repurchase of shares	(13,217)	20,661
Capital stock increase	0	16,500
Dividends paid to equity holders of the parent	(315,490)	(333,511)
<b>Net cash flows provided (used) in financing activities</b>	<b>\$ (337,500)</b>	<b>\$ (274,582)</b>
<b>Net increase of cash and equivalents</b>	<b>899,812</b>	<b>(639,080)</b>
Adjustments to cash due to exchange rate fluctuations	2,611	(18,323)
Cash and equivalents at beginning of the year	5,414,288	7,984,975
<b>Cash and equivalents at the end of the year</b>	<b>\$ 6,316,711</b>	<b>\$ 7,327,572</b>

For more information:

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