



GRUPO LALA REPORTS SECOND QUARTER 2017 RESULTS

Mexico City, July 24th, 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 second 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 June 30th, 2017, as compared with the same period in 2016:

P&L	2nd. Q '16	% Sales	2nd. Q '17	% Sales	Var. %
Net Sales	\$ 12,903	100.0%	\$ 14,967	100.0%	16.0%
Gross Profit	5,050	39.1%	5,787	38.7%	14.6%
Operating Income	1,543	12.0%	1,634	10.9%	5.9%
EBITDA⁽¹⁾	1,888	14.6%	2,096	14.0%	11.0%
Net Income⁽²⁾	1,101	8.5%	1,148	7.7%	4.3%

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

(2) Net Income refers to Consolidated Net Income.

QUARTER HIGHLIGHTS

16.0% increase in **Net Sales**, closing at **14,967** million pesos

14.6% increase in **Gross Profit**, to reach **5,787** million pesos

2,096 million pesos **EBITDA⁽¹⁾**
11.0% above the same period last year

Message from Management

Scot Rank, Grupo LALA's CEO:

“I would like to highlight the positive performance of our operation in Mexico in the second quarter of 2017, where sales growth and productivity improvements allowed us to increase total Company EBITDA by 11.0%.”





CONSOLIDATED RESULTS FOR THE SECOND QUARTER 2017

Sales continued growing in the second quarter 2017 at significant rates, fueled by organic growth in Mexico and Central America, and inorganic growth from the U.S. Net sales for the quarter grew 16.0% vs. the same period last year, ending in 14,967 million pesos. Commercial initiatives, product mix, and pricing added 9.7 points; while the acquisition of the U.S. Branded business contributed 6.3 points of inorganic growth.

LALA Segments

Looking at sales by segment, we continue with an important growth on the value-added portfolio to enrich our mix sales, as shown by the 27.5% growth of the “Other Dairy Products” Category, which was driven by innovation, new installed capacity and acquisitions. Milk Category growth was 11.7%; to reach 9,054 million pesos.

Segment	2nd. Q '16	2nd. Q '17	% Variation
Milk ⁽³⁾	\$ 8,108	\$ 9,054	11.7%
Other Dairy Products ⁽⁴⁾	3,997	5,093	27.5%
Beverages and Others ⁽⁵⁾	797	820	2.7%

(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.

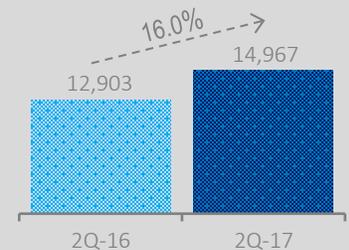
(5) Beverages and Others: Beverages, Juices, Cold Cuts and Others.

Costs and Expenses

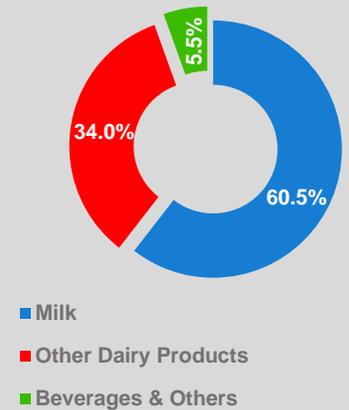
During the second quarter of 2017, the consolidated Cost of Goods increased 16.9% compared to the same period of 2016, primarily due to the integration of the U.S business and its plants running at low capacity, as well as raw material inflation in Mexico. Gross Profit increased 14.6%, closing at 5,787 million pesos, representing 38.7% of net sales.

Operating expenses grew 18.3%, slightly below the 21.3% from previous quarter. This result includes nine percentage points of inorganic growth in expenses from the consolidation of the U.S. business.

2Q 2017 Sales (MXN\$ mm)



Sales by Segment



14.6% Gross Profit Increase





Consolidated Results

Double digit Sales and Gross Profit growth increased operating income by 5.9% compared to the second quarter of 2016.

Solid performance in Mexico compensated the costs associated with emerging businesses in the U.S. and Central America, and as a result, EBITDA had a positive performance in the second quarter of 2017 ending in 2,096 million pesos; an 11.0% EBITDA expansion compared to the second quarter of 2016.

Consolidated net income for the quarter finished at 1,148 million pesos, 4.3% higher than second quarter of 2016. This number was impacted by a lower net financial income driven by lower interest income from a lower cash position year over year, and the exchange rate losses on forwards purchased in Q1 2017.

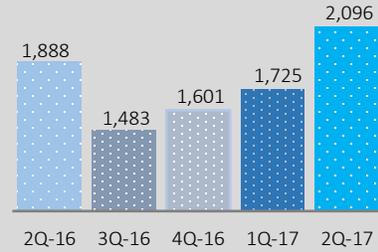
Quarterly EBITDA improvement

Significant EBITDA improvement for this quarter reflects the effectiveness of the initiatives implemented over the last six months. In the Mexican business, we have been able to reach solid margin levels due to solid sales growth and productivity improvements.

For the Central America business, we concluded the integration process of recently acquired businesses, and our results are expected to meet 2017 margin expectations.

Finally, in the U.S. business EBITDA losses continue to decline as we prepare for the geographic expansion of the specialty milk business.

EBITDA EVOLUTION (MXN\$ mm)



Soy Vita

Fastest growing brand in the largest segment of the plant based dairy alternatives





LALA in the U.S.

During the second quarter of 2017, the net sales of Lala U.S. reached 815 million pesos. The decline in sales compared to the first quarter 2017 is due to the appreciation of the Mexican peso.

The EBITDA for the quarter was negative 30 million pesos. In line with what we have announced at the beginning of the year, we expect the business to perform at break-even EBITDA in the second half of 2017.

P&L	3rd. Q'16 ⁽²⁾	4th. Q'16	1st. Q'17	2nd. Q'17
Net Sales	\$548	\$ 840	\$870	\$815
EBITDA ⁽¹⁾	(80)	(146)	(35)	(30)
EBITDA/Net Sales	(14.6%)	(17.4%)	(4.0%)	(3.6%)

(1) EBITDA is defined as operating income before depreciation and amortization
 (2) Figures include 2 months of consolidated results in 3Q 2016

FINANCIAL POSITION

Cash, Short Term Investments and Financial Instruments

Grupo Lala's cash, short-term investments and financial instruments decreased by 6,594 million pesos, to close at 2,229 million pesos. The reduction was mainly as result of the U.S. acquisition. We continue to drive working capital optimization across our markets to ensure we maintain a healthy cash generation structure.

Non-Current Assets

Our non-current assets increased from 17,652 to 23,929 million pesos reflecting our investments in technology, distribution, manufacturing capabilities, and the U.S. acquisition.

Intangible and Other Assets

Ending balance for intangible and other assets increased by 2,910 million pesos, to 5,549 million pesos at June 30th, 2017. This increase is explained by the recording of Goodwill, Trademarks and other intangibles related to acquisitions from last year.

LALA Delicias

Our first indulgent yoghurt



23,929 million pesos

Non-Current assets, as of June 30th, 2017





Total Debt

Total debt at the end of June 30th, 2017 decreased from 260 million pesos to 96 million pesos.

Key Financial data

As of June 30th, 2017, the Company's key financial ratios were as follows:

Financial Metrics	2nd. Q '16	2nd. Q '17
EBITDA ⁽¹⁾ / Interest Paid	509.8x	214.3x
Net Debt / EBITDA ⁽¹⁾	(1.2)x	(0.3)x
Earnings Per Share ⁽⁶⁾ (12 months)	\$1.69	\$1.51

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

(6) EPS as of the last twelve months.

2Q-17
Earnings per share
\$1.51 pesos

Grupo LALA would like to announce that **Mariana Rojo Granados** became the **Investor Relations Officer** of the Company in May of 2017





2Q-2017 Relevant Events

- May 15th, 2017 -** [Grupo LALA announced a cash dividend payment on Coupon No. 12 of the dividend declared on April 28th, 2017. The payment was done on May 24th, 2017 in the amount of \\$0.135 Mexican pesos for each LALA share outstanding at the date of payment.](#)
- April 24th, 2017-** [Grupo LALA earnings release for the 1Q 2017.](#)

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

Sell-side analyst coverage

As of June 30th, 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 June 30th, 2017, the Company's share buyback program had a balance of 19,036,064 shares, at an average price of \$31.39 per share for a total balance of 583.7 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 160 distribution centers in Mexico, United States and Central America, supported by more than 34,000 employees. Grupo LALA's fleet of approximately 7,000 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

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, July 25th, 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 #: 13665199





GRUPO LALA, S.A.B. DE C.V.
CONSOLIDATED INCOME STATEMENTS
ENDED JUNE 30th, 2016 AND 2017
(In thousands of nominal pesos)

	For the three months ended				For the six months ended			
	June 30,		June 30,		June 30,		June 30,	
	2016		2017		2016		2017	
Net sales	\$ 12,902,969	100.0%	\$ 14,967,515	100.0%	\$ 25,411,840	100.0%	\$ 29,766,969	100.0%
Cost of goods sold	7,853,104	60.9%	9,180,254	61.3%	15,401,685	60.6%	18,617,217	62.5%
Gross profit	5,049,865	39.1%	5,787,261	38.7%	10,010,155	39.4%	11,149,752	37.5%
Other income (expenses), net	(26,194)	(0.2)%	(26,874)	(0.2)%	(21,603)	(0.1)%	(39,597)	(0.1)%
Operating expenses	3,532,608	27.4%	4,179,970	27.9%	6,931,023	27.3%	8,300,809	27.9%
Operating Income	1,543,451	12.0%	1,634,165	10.9%	3,100,735	12.2%	2,888,540	9.7%
Net of financial (income) expenses								
Net of financial income	(69,578)	(0.5)%	(15,012)	(0.1)%	(148,041)	(0.6)%	(39,564)	(0.1)%
Exchange rate (profit) loss	(15,355)	(0.1)%	53,420	0.4%	(3,239)	(0.0)%	209,239	0.7%
Financial instruments	(4,279)	(0.0)%	(66,055)	(0.4)%	3,532	0.0%	36,291	0.1%
Financial income, net	(89,212)	(0.7)%	(27,647)	(0.2)%	(147,748)	(0.6)%	205,966	0.7%
Share in the results of associated companies	(4,208)	(0.0)%	196	0.0%	(2,318)	(0.0)%	866	0.0%
Income before taxes	1,628,455	12.6%	1,662,008	11.1%	3,246,165	12.8%	2,683,440	9.0%
Income tax expense	527,823	4.1%	514,298	3.4%	1,034,186	4.1%	831,422	2.8%
Net consolidated income	1,100,632	8.5%	1,147,710	7.7%	2,211,979	8.7%	1,852,018	6.2%
Non-controlling interest	10,411	0.1%	21,441	0.1%	25,081	0.1%	44,443	0.1%
Depreciation and amortization	344,229	2.7%	461,455	3.1%	676,128	2.7%	932,283	3.1%
EBITDA	\$ 1,887,680	14.6%	\$ 2,095,620	14.0%	\$ 3,776,863	14.9%	\$ 3,820,823	12.8%



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

	As of June 30, 2016	As of June 30, 2017
ASSETS		
Cash and cash equivalents	\$ 7,811,949	\$ 2,229,564
Investments in financial instruments	1,011,586	0
Accounts receivable	3,354,025	4,319,212
Taxes and other accounts receivable	2,387,439	2,840,283
Related parties	134,308	44,233
Inventories	3,775,944	4,424,043
Prepaid expenses	355,864	482,173
Current assets	18,831,115	14,339,508
Investments in associates	109,754	119,720
Property, plant and equipment, net	14,614,300	17,873,765
Intangible and other assets	2,639,373	5,549,621
Deferred income tax	289,198	385,762
Non-current assets	17,652,625	23,928,868
Total assets	\$ 36,483,740	\$ 38,268,376
LIABILITIES		
Short-term bank loans	\$ 82,446	\$ 27,786
Suppliers	3,876,066	4,730,197
Related parties	1,590,577	2,139,648
Taxes and other accounts payable	2,922,761	2,392,320
Current liabilities	8,471,850	9,321,468
Long-term liabilities		
Long-term debt	177,780	68,083
Deferred income tax and other taxes payable	441,859	516,892
Other accounts payable	763,854	707,146
Long-term liabilities	1,383,493	1,292,121
Total liabilities	9,855,343	10,613,589
SHAREHOLDERS EQUITY		
Capital Stock	1,492,866	1,490,153
Net premium in share placement	13,707,014	13,126,038
Retained earnings	8,957,255	10,910,735
Income of the year	2,186,898	1,807,575
Equity attributable to equity holders of the parent	26,344,033	27,334,501
Non-controlling interest	284,364	320,286
Total shareholders equity	26,628,397	27,654,787
Total liabilities and shareholders equity	\$ 36,483,740	\$ 38,268,376



GRUPO LALA, S.A.B. DE C.V.
CONSOLIDATED CASH FLOW STATEMENT FOR THE SIX MONTHS
ENDED JUNE 30th, 2016 AND 2017
(In thousands of nominal pesos)

	As of June 30, 2016	As of June 30, 2017
Operating activities:		
Income before taxes	\$ 3,246,165	\$ 2,683,440
Depreciation, amortization, and trademarks impairment	676,128	932,283
Changes in net financial expenses (income)	(160,765)	(40,879)
Results from the sale of property, plant and equipment	(5,601)	2,797
Other items	53,711	50,295
Total	3,809,638	3,627,936
Changes in operation assets and liabilities		
Accounts receivable	(119,930)	(316,763)
Inventories	(606,001)	(608,898)
Related parties	740,999	1,136,263
Suppliers	67,876	(136,242)
Taxes, other accounts receivable and prepaid expenses	(1,418,965)	(1,743,772)
Other assets and liabilities	198,346	163,715
Total	(1,137,675)	(1,505,697)
Net cash flow provided by operating activities	2,671,963	2,122,239
Investing activities		
Acquisition of property, plant, equipment, and intangibles	(1,793,533)	(1,947,765)
Proceeds from sale of property, plant, and equipment	37,069	104,217
Investments in Financial Instruments	275,666	1,000,000
Business acquisitions, net of cash received	(835,569)	(11,708)
Interest collected	151,201	71,643
Net cash flow used in investing activities	(2,165,166)	(783,613)
Financing activities		
Net of loans and payment of loans from related parties	(191,102)	0
Net of financing and payment of financing	190,807	(2,266,838)
Repurchase of shares	23,470	(283,645)
Capital stock increase	16,500	0
Dividends paid to equity holders of the parent	(668,095)	(709,340)
Dividends paid to non-controlling interest	(29,400)	(49,000)
Future exchange contracts collected	0	0
Net cash flows provided (used) in financing activities	\$(657,820)	\$(3,308,823)
Net increase of cash and equivalents	(151,023)	(1,970,197)
Adjustments to cash due to exchange rate fluctuations	(22,003)	(66,340)
Cash and equivalents at beginning of the year	7,984,975	4,266,101
Cash and equivalents at the end of the period	\$ 7,811,949	\$ 2,229,564

For more information:

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