



## GRUPO LALA REPORTS FIRST QUARTER 2018 RESULTS

Mexico City, April 23<sup>rd</sup>, 2018 – Grupo LALA, S.A.B. de C.V., Mexican Company focused on healthy and nutritious foods, (“LALA”) (BMV: LALA), today reported results for the first quarter 2018. The following information has been presented based on International Financial Reporting Standards (IFRS) and in nominal terms.

### Quarter Highlights

- ✔ Total revenues grew 23.5%, to 18,276 million pesos, while EBITDA increased 17.8% ending in 2,033 million pesos
- ✔ Comparable sales and EBITDA increased 2.8% and 4.2% respectively, against a strong base in 2017
- ✔ Operations in Brazil behaved in line with our plans, while gaining market share in key categories

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 March 31<sup>st</sup>, 2018, as compared with the same period in 2017:

P&L	As reported		As reported			Comparable <sup>(1)</sup>		
	1Q'17	% Sales	1Q'18	% Sales	Var. %	1Q'18	% Sales	Var. %
Net Sales	14,799	100.0%	18,276	100.0%	23.5%	15,212	100.0%	2.8%
Gross Profit	5,362	36.2%	6,617	36.2%	23.4%	5,615	36.9%	4.7%
Operating Income	1,254	8.5%	1,435	7.8%	14.4%	1,267	8.3%	1.0%
EBITDA <sup>(2)</sup>	1,725	11.7%	2,033	11.1%	17.8%	1,797	11.8%	4.2%
Net Income	704	4.8%	502	2.7%	(28.7)%	762	5.0%	8.2%

(1) Comparable means, with respect to a year-over-year comparison, the change in a given measure excluding the effects of the acquisition of Brazil in Q4 2017

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

### MESSAGE FROM MANAGEMENT

Scot Rank, Grupo LALA's CEO, commented:

“I'm pleased to announce that the integration of Vigor in Brazil is on track. Vigor is gaining market share in key categories, and improving operating margin. We expect both trends to continue throughout 2018.

In this quarter, we initiated the reconfiguration of our business in the U.S. to prepare it for profitable growth.

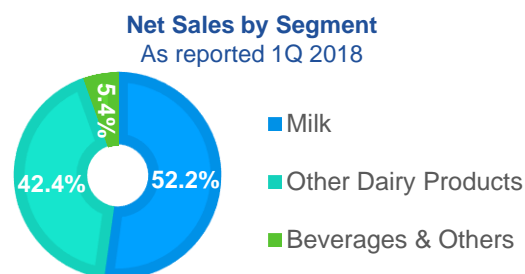
Finally, although 1Q sales growth in Mexico and Central America were impacted by calendar effects, EBITDA margin in the region increased 40 basis points to 13%, demonstrating the strength of the business fundamentals in this region.”

## CONSOLIDATED RESULTS FOR THE FIRST QUARTER 2018

**Net Sales:** Reported net sales in the first quarter 2018 increased by 23.5% year on year, reaching 18,276 million pesos, which is a combination of organic growth, plus the acquisition of Vigor. Meanwhile, in comparable figures, Lala increased its net sales by 2.8%, to reach 15,212 million pesos. This slow-down in growth was mainly driven by: 1) The negative impact in Mexico of the official Easter Holiday which fell during the last week of March, where sales tend to decrease for Dairy products; and 2) A strong comparable base from last year with sales increasing 11.4% in 1Q due to the timing of pricing actions and a favorable 2017 calendar.

**Net Sales by Segment:** Milk sales grew 5.3%, reflecting the innovation initiatives we had in the quarter, such as “Lala Organica”, and the investments made last year, which enabled us to increase the production capacity of Lala 100 in Mexico. Additionally, the milk formula category, under the Nutrileche brand also showed an improvement compared to last year. Other Dairy Products grew above all categories, with a 56.1% reported growth, driven by the acquisition of Brazil whose portfolio has a high mix of Value-Added dairy products. Beverages & Others augmented in 27.9% driven mainly by the Cold Cuts category.

Net Sales <i>MXN\$ in million</i>	As Reported		
	1Q'17	1Q'18	Var. %
Milk	9,068	9,548	5.3%
Other Dairy Products	4,965	7,748	56.1%
Beverages & Others	766	980	27.9%

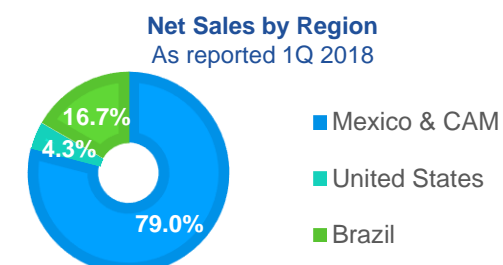


**Net Sales by Region:** The sales in Mexico and Central America increased 3.6% to finish in 14,426 million pesos, driven by milk formula, yoghurt and ice-cream categories.

The U.S business reported net sales of 786 million pesos, a 9.6% decrease, explained mainly by: 1) the FX rate impact that negatively affected our sales by 7%, and 2) the sales contraction faced in the low-margin Cultured business which we have explained in previous quarters.

Brazil reported net sales of 3,064 million pesos attributable to the strong performance in greek yoghurt and cheeses, especially in cream cheese and *requejiao*, where the market share continues to expand year over year, as a result of new product launches and initiatives at the point of sale.

Net Sales <i>MXN\$ in million</i>	As Reported		
	1Q'17	1Q'18	Var. %
Mexico & Central America	13,929	14,426	3.6%
United States	870	786	(9.6)%
Brazil	N.A.	3,064	N.A.



**Costs and Gross Profit:** During the first quarter of 2018, the reported costs increased by 23.5%, in line with sales, to end in 11,658 million pesos, resulting in a Gross Margin of 36.2%

On a comparable basis, Gross Profit grew 4.7% compared to last year, representing 36.9% on sales, a 70-basis points expansion versus the same period last year, where productivity initiatives and product mix offset inflation in raw materials.

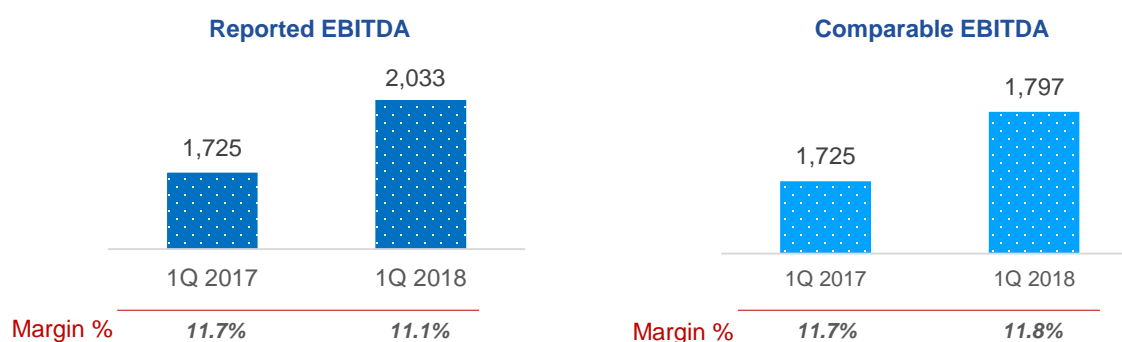
**Expenses and Operating Profit:** Reported operating expenses grew 24.8%, ending at 5,143 million pesos. This reflects mainly the expenses associated with the closing of Floresville plant, and secondly, the increase in our Marketing and Trade investments, as well as Selling expenses.

As a result, reported operating income stands at 1,435 million pesos, a 14.4% increase, while the comparable operating income grew 1.0% versus the first quarter of 2017. Without the effect of the Floresville plant closing, the comparable growth was 8.2%

**EBITDA:** Reported EBITDA in the first quarter closed at 2,033 million pesos, a 17.8% increase and 60 basis points of margin contraction, compared to the same period last year. This is due to lower margins in the Brazilian business, which stand at around half of those in Mexico. We are implementing initiatives to accelerate top line growth of our portfolio, as well as productivities in costs and expenses that will allow us to continue to expand margins in the medium term.

Comparable EBITDA results show an increase of 4.2% vs the first quarter of 2017, finishing in 1,797 million pesos. This result reflects the productivity initiatives in our business in Mexico and Central America, which allowed us to offset the costs of reconfiguring the facilities in Lala US, and slightly expand our margin by 10 basis points to finish at 11.8%.

Without the effect of the Floresville closing, the comparable growth in EBITDA was 6.6%.



**EBITDA by region:** In Mexico and Central America, EBITDA reached 1,879 million pesos, a 6.8% growth compared to the first quarter of last year. This growth is a combination of topline acceleration and the productivity initiatives we have been implementing over the year, which has allowed us to expand our margins by 40 basis points to 13.0%.

The U.S. business continues with negative EBITDA, losing 82 million pesos in the quarter. This result includes a charge of 41 million pesos, related to the closing of the Promised Land facility in Texas, as we transitioned to 100% Extended Shelf Life product now produced in our Colorado facility. Without this charge, EBITDA loss would have been 41 million pesos, which shows a modest progression in our margins compared to the last two quarters.

In Brazil we closed the quarter in line with our Annual Plan, with an EBITDA of 236 million pesos, which represents 7.7% of sales. These results were driven by:

- 1) Market share gains in key categories;
- 2) Improved pricing facilitated by the strength of our brands; and
- 3) Reduction of material costs, transformation and operational expenses.

These results also include 14 million pesos expenses related to the integration of Vigor to Lala.

EBITDA <i>MXN\$ in million</i>	As Reported		As Reported		
	1Q'17	% Sales	1Q'18	% Sales	Var. %
Mexico & Central America	1,760	12.6%	1,879	13.0%	6.8%
United States	(35)	(4.0)%	(82)	(10.4)%	N.A.
Brazil	N.A.	N.A.	236	7.7%	N.A.

**Financial Expenses:** During the period, the Company recorded financing expenses of 637 million pesos, compared to 234 million pesos a year ago. This increase of 403 million pesos reflects the interest expense related to the acquisition of Vigor, and a better result from our FX coverage instruments.

**Taxes:** As shown in our results, taxes of the period were 297 million pesos. The effective tax rate of the Company increased by 6.2 percentage points primarily due to the impact of lower net income because of higher debt, and the related inflationary adjustment of the outstanding debt.

Projects are in place to continue optimizing our tax structure in the four regions.

**Net Income:** Reported net income decreased 28.7%, with a contraction of 210 basis points in margin, for a total of 502 million pesos, mainly attributable to higher financial expenses. Meanwhile in comparable figures, the net income increased by 8.2% to end at 762 million pesos.

## CONSOLIDATED FINANCIAL POSITION

**Capital Investment:** During 11Q8, the Company invested 1,050 million pesos, mainly behind expansion and maintenance investments. We expect our 2018 full year CapEx investment to be below 3.0 billion pesos, including Brazil, compared with 3.7 billion pesos in 2017.

**Cash and Financial Instruments:** As of March 31<sup>st</sup>, 2018, we had a cash position of 4,228 million pesos, including the cash balance of Vigor denominated in Brazilian Reals, an increase of 701 million pesos compared to March 31<sup>st</sup>, 2017.

**Total Debt:** By the end of this quarter, Total Debt decreased by 2,307 million pesos from Q4 2017 to end in 28,664 million pesos. Short-term debt was 13,200 million pesos and long-term debt was 15,464 million pesos. The Net Debt ended at 24,437 million pesos with a Net Debt to EBITDA ratio of 2.7x.

As of March 31<sup>st</sup>, we had refinanced 12,375 million pesos of the 23,673 million pesos Bridge Loan. We will conclude the refinancing of the remaining 11,298 million pesos Bridge Loan by the end of 2Q 2018 .

The following table shows the composition of the Company's debt by currency, interest rate and year of maturity as of March 31<sup>st</sup>, 2018.

Currency	% Total Debt	% weighted avg. Cost of debt	Average maturity
Mexican Pesos	85%	TIIE + 0.7%	3.8 years
Brazilian Reals	15%	CDI + 0.7%	1.4 years

**Local Bonds:** On March 12<sup>th</sup>, the Company successfully issued local bonds (*Certificados Bursátiles*) in the Mexican Securities Market for a total of 10,000 million pesos; of which 6,000 million will pay a fixed annual rate of 9.17%, with a maturity in 2028, and 4,000 million will pay a floating rate of TIIE 28 + 50 bp, with a maturity in 2023. The funds from this placement were used to refinance part of the debt incurred in October 2017 for the acquisition of Vigor.

**Key Financial Data:** As of March 31<sup>st</sup>, 2018, the Company's key financial ratios were as follow:

Financial Metrics	1Q 2017	1Q 2018
Net Debt / EBITDA	(0.3)x	2.7x
EBITDA / Interest Paid	253.9x	6.7x
Earnings per Share (12 months)	\$ 1.50	\$ 1.23
Book Value	\$ 11.26	\$ 11.57
Outstanding shares (in million)	2,475.9	2,475.9
ROIC %	14.6%	10.1%

## 1Q 2018 Relevant Events

- On February 26<sup>th</sup>, 2018, Grupo Lala reported 4Q and full year 2017 results
- Last March 12<sup>th</sup>, the Company successfully issued ten thousand million pesos in local bonds (*Certificados Bursátiles*) at 5 and 10 years

## Subsequent Events

- On April 17<sup>th</sup>, the Company successfully issued three thousand million pesos in local bonds (*Certificados Bursátiles*) at 3 years

## Sell-side analyst coverage

In accordance with the provisions of article 4.033.01 subsection VIII of the BMV's rules of procedure on maintenance requirements, we report that the Broker/Credit Institutions which provide coverage analysis of our securities are: Actinver, Bank of America Merrill Lynch, Banorte-IXE, Barclays, BBVA Bancomer, BTG Pactual, Citigroup, Credit Suisse, GBM Grupo Bursatil Mexicano, Goldman Sachs, Intercam, INVEX Banco, JP Morgan, Santander, UBS, and Vector.

## Share buyback program

As of March 31<sup>st</sup>, 2018, the Company's share buyback program had a balance of 22,527,628 shares, at a weighted average price of \$28.31 per share for a total balance of \$679,352,286 pesos.

The Board of Directors approved to increase the operativity of the repurchase from this date.

## Contact – Investor Relations

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## 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, dairy products and beverages under the highest quality standards. The Company operates 31 production plants and 173 distribution centers in Mexico, Brazil, United States and Central America, supported by more than 38,000 employees. Grupo LALA's fleet of approximately 7,000 vehicles distributes its more than 600 products to more than 578,000 points of sale. LALA's portfolio is led by its three main brands: LALA®, Nutri Leche® and Vigor®.

For more information, visit: [www.lala.com.mx](http://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 March 24<sup>th</sup>, 2018, at  
11:00am EST / 10:00am CST**



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



**Webcast:**

[Grupo LALA Presentation](#)

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

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(Toll-free)

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

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(Toll-free)

**International:**  
+1 412 317 6671

**PIN #: 13678434**

**GRUPO LALA, S.A.B. DE C.V.**  
**Consolidated Income Statements**  
**ended March 31<sup>st</sup>, 2017 and 2018**  
**(In thousands of nominal pesos)**

	For the three months ended				For the three months ended			
	March 31,				March 31,			
	2017		2018		2017		2018	
<b>Net sales</b>	\$ 14,799,454	100.0%	\$ 18,275,482	100.0%	\$ 14,799,454	100.0%	\$ 18,275,482	100.0%
Cost of goods sold	9,436,963	63.8%	11,658,174	63.8%	9,436,963	63.8%	11,658,174	63.8%
<b>Gross profit</b>	<u>5,362,491</u>	<b>36.2%</b>	<u>6,617,308</u>	<b>36.2%</b>	<u>5,362,491</u>	<b>36.2%</b>	<u>6,617,308</u>	<b>36.2%</b>
Other income (expenses), net	(12,723)	(0.1)%	39,363	0.2%	(12,723)	(0.1)%	39,363	0.2%
Operating expenses	4,120,839	27.8%	5,143,374	28.1%	4,120,839	27.8%	5,143,374	28.1%
<b>Operating Income</b>	<u>1,254,375</u>	<b>8.5%</b>	<u>1,434,571</u>	<b>7.8%</b>	<u>1,254,375</u>	<b>8.5%</b>	<u>1,434,571</u>	<b>7.8%</b>
Net of financial (income) expenses								
Net of financial income	(24,552)	(0.2)%	545,918	3.0%	(24,552)	(0.2)%	545,918	3.0%
Exchange rate (profit) loss	155,819	1.1%	66,697	0.4%	155,819	1.1%	66,697	0.4%
Financial instruments	102,346	0.7%	23,853	0.1%	102,346	0.7%	23,853	0.1%
<b>Financial income, net</b>	<u>233,613</u>	<b>1.6%</b>	<u>636,468</u>	<b>3.5%</b>	<u>233,613</u>	<b>1.6%</b>	<u>636,468</u>	<b>3.5%</b>
Share in the results of associated companies	670	0.0%	944	0.0%	670	0.0%	944	0.0%
<b>Income before taxes</b>	<u>1,021,432</u>	<b>6.9%</b>	<u>799,047</u>	<b>4.4%</b>	<u>1,021,432</u>	<b>6.9%</b>	<u>799,047</u>	<b>4.4%</b>
Income tax expense	317,124	2.1%	297,218	1.6%	317,124	2.1%	297,218	1.6%
<b>Net consolidated income</b>	<u>704,308</u>	<b>4.8%</b>	<u>501,829</u>	<b>2.7%</b>	<u>704,308</u>	<b>4.8%</b>	<u>501,829</u>	<b>2.7%</b>
Non-controlling interest	23,002	0.2%	23,909	0.1%	23,002	0.2%	23,909	0.1%
Depreciation and amortization	470,828	3.2%	598,083	3.3%	470,828	3.2%	598,083	3.3%
<b>EBITDA</b>	<u>\$ 1,725,203</u>	<b>11.7%</b>	<u>\$ 2,032,654</u>	<b>11.1%</b>	<u>\$ 1,725,203</u>	<b>11.7%</b>	<u>\$ 2,032,654</u>	<b>11.1%</b>
Effective income tax rate	31.0%		37.2%		31.0%		37.2%	

**GRUPO LALA, S.A.B. DE C.V.**  
**Consolidated Statement of Financial Position**  
**at March 31<sup>st</sup>, 2017 and 2018**  
**(In thousands of nominal pesos)**

	As of March 31, 2017	As of March 31, 2018
<b>ASSETS</b>		
Cash and cash equivalents	\$ 2,512,313	\$ 4,218,589
Investments in financial instruments	1,014,131	9,040
Accounts receivable	4,258,689	6,683,047
Taxes and other accounts receivable	3,316,657	3,198,576
Related parties	41,158	53,444
Inventories	3,954,298	5,536,854
Prepaid expenses	466,333	513,454
<b>Current assets</b>	<b>15,563,579</b>	<b>20,213,004</b>
Investments in associates	107,905	127,300
Property, plant and equipment, net	17,648,879	22,794,202
Intangible and other assets	5,608,023	27,558,022
Long term recoverable taxes	-	1,722,555
Deferred income tax	353,170	799,052
<b>Non-current assets</b>	<b>23,717,977</b>	<b>53,001,131</b>
<b>Total assets</b>	<b>\$ 39,281,556</b>	<b>\$ 73,214,135</b>
<b>LIABILITIES</b>		
Short-term bank loans	\$ 1,057,067	\$ 13,200,602
Suppliers	5,015,677	7,305,131
Financial instruments liability	97,232	124,582
Related parties	1,140,002	1,268,599
Taxes and other accounts payable	2,232,902	2,973,982
<b>Current liabilities</b>	<b>9,542,880</b>	<b>24,872,896</b>
Long-term liabilities		
Long-term debt	138,368	15,463,751
Deferred income tax and other taxes payable	471,595	1,399,882
Taxes payable in the long term	-	804,321
Other accounts payable	714,636	2,314,214
<b>Long-term liabilities</b>	<b>1,324,599</b>	<b>19,982,168</b>
<b>Total liabilities</b>	<b>10,867,479</b>	<b>44,855,064</b>
<b>SHAREHOLDERS EQUITY</b>		
Capital Stock	1,490,081	1,489,656
Net premium in share placement	13,109,425	13,028,355
Retained earnings	12,785,420	12,964,556
Income of the year	681,306	477,920
<b>Equity attributable to equity holders of the parent</b>	<b>28,066,232</b>	<b>27,960,487</b>
Non-controlling interest	347,845	398,584
<b>Total shareholders equity</b>	<b>28,414,077</b>	<b>28,359,071</b>
<b>Total liabilities and shareholders equity</b>	<b>\$ 39,281,556</b>	<b>\$ 73,214,135</b>



**GRUPO LALA, S.A.B. DE C.V.**  
**Consolidated Cash Flow Statement**  
**for the 3 months ended March 31<sup>st</sup>, 2017 and 2018**  
**(In thousands of nominal pesos)**

	As of March 31, 2017	As of March 31, 2018
<b>Operating activities:</b>		
Income before taxes	\$ 1,021,432	\$ 799,047
Depreciation, amortization, and trademarks impairment	470,828	598,083
Changes in net financial expenses (income)	21,356	498,764
Results from the sale of property, plant and equipment	26,840	(1,279)
Result on disposal of Associates	0	11,781
Other items	25,937	(944)
<b>Total</b>	<b>1,566,393</b>	<b>1,905,452</b>
<b>Changes in operation assets and liabilities</b>		
Accounts receivable	(221,301)	57,683
Inventories	(90,475)	(346,944)
Related parties	1,197,357	1,173,917
Suppliers	24,773	(87,635)
Taxes, other accounts receivable and prepaid expenses	(1,480,007)	(1,101,395)
Other assets and liabilities	(24,844)	136,718
<b>Net cash flow provided by operating activities</b>	<b>971,896</b>	<b>1,737,796</b>
<b>Investing activities</b>		
Acquisition of property, plant, equipment, and intangibles	(976,554)	(1,111,796)
Proceeds from sale of property, plant, and equipment	18,331	46,684
Investments in Financial instruments	(515)	0
Business acquisitions, net of cash received	0	(113,230)
Interest collected	26,863	84,422
Cash received on the sale of investments	0	(12,094)
<b>Net cash flow used in investing activities</b>	<b>(931,875)</b>	<b>(1,106,014)</b>
<b>Financing activities</b>		
Net of financing and payment of financing	(1,162,325)	(2,390,174)
Repurchase of shares	(300,331)	(60,898)
Dividends paid to equity holders of the parent	<b>(331,545)</b>	<b>(377,571)</b>
<b>Net cash flows provided (used) in financing activities</b>	<b>(1,794,201)</b>	<b>(2,828,643)</b>
<b>Net increase of cash and equivalents</b>	<b>(1,754,180)</b>	<b>(2,196,861)</b>
Adjustments to cash due to exchange rate fluctuations	392	(317,932)
Cash and equivalents at beginning of the year	4,266,101	6,733,382
<b>Cash and equivalents at the end of the period</b>	<b>\$ 2,512,313</b>	<b>\$ 4,218,589</b>