



## GRUPO LALA REPORTS SECOND QUARTER 2014 RESULTS

Mexico City, July 28, 2014 – Grupo LALA, S.A.B. de C.V., Mexico’s leader in healthy and nutritious foods, (“LALA”) (BMV: LALAB), today reported results for the second quarter 2014. The following information has been presented based on International Financial Reporting Standards (IFRS), and in nominal terms.

The following table provides an abridged Income Statement, in millions of pesos. The margin for each figure represents its ratio with net sales and the percentage change from the quarter ended June 30, 2014, as compared with the same period in 2013:

	Q2 13	MARGIN %	Q2 14	MARGIN %	VAR %
Net Sales	\$ 10,552.4	100.0%	\$ 10,972.6	100.0%	4.0%
Gross Profit	3,815.5	36.2%	3,999.4	36.4%	4.8%
Operating Income	971.6	9.2%	1,090.9	9.9%	12.3%
EBITDA <sup>(1)</sup>	1,327.0	12.6%	1,338.9	12.2%	0.9%
Net Income <sup>(2)</sup>	722.2	6.8%	842.6	7.7%	16.7%

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

(2) Net Income refers to Net Income from Continuing Operations.

### QUARTER HIGHLIGHTS

**4.0% year-on-year** increase in **Net Sales**, closing at **10,973 million pesos**

**16.7% year-on-year** increase in **Net Income<sup>(2)</sup>** closing at **843 million pesos**

**LALAB** added to the MSCI and FTSE indexes, which will take effect on June 2, 2014 and June 20, 2014, respectively.

For more information:

**Antonio Zamora**  
CFO

Tel.: +52 (55) 9177- 5900  
[investor.relations@grupolala.com](mailto:investor.relations@grupolala.com)

**Enrique González**  
Investor Relations

Tel.: +52 (55) 9177- 5928  
[investor.relations@grupolala.com](mailto:investor.relations@grupolala.com)

Samara Building, Tower A - 14th floor  
Av. Santa Fe #94, Zedec Santa Fe  
ZIP code. 01210, Mexico D.F.

### MESSAGE FROM MANAGEMENT

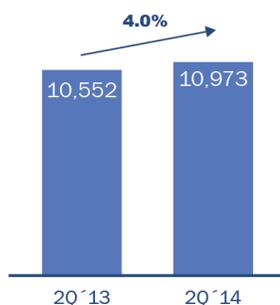
Arquímedes Celis, Grupo LALA’s CEO, commented: *"The current macroeconomic climate, characterized by slow economic growth and a deceleration in consumption, was an important factor impacting results for the first half of the year. This has also translated into low sales growth, affecting our results and overall profitability."* He added: *"Our strategy for the second half of the year will therefore be to maintain our focus on innovation and product development, as we continue to strengthen and consolidate LALA’s business model, supported by this year’s important productivity-related investments and expansion plans."*

July, 2014



## CONSOLIDATED RESULTS FOR THE SECOND QUARTER 2014

### SALES (MXN\$mm)



Second quarter net sales increased by 4.0%, year-on-year; from 10,552.4 million pesos in the second quarter of 2013 to 10,972.6 million pesos for the same period in 2014. This increase is due to the effect from a higher value added product mix and to a price increase implemented during the last quarter of 2013. The growth in sales was offset by a general slowdown in consumer demand, by the effects of the Holly Week, where consumption in dairy products decrease due vacation seasonality, and to an unfavorable comparison due to an aggressive promotion strategy implemented in the consumer industry during the same period of 2013.

Second quarter 2014 gross profit increased by 4.8%, or 183.9 million pesos, to reach 3,999.4 million pesos, with a 36.4% gross margin, as compared to the 36.2% gross margin reported for the same period in 2013. This slight improvement in gross margin is attributed to the value added product mix effect as well as to the cost efficiencies achieved during the quarter. This margin expansion was partially offset by the increases in certain raw material prices, as well as by Mexican peso/US dollar depreciation.

Operating expenses as a percentage of sales decreased by 0.5 percentage points; from 27.1% in the second quarter of 2013 to 26.6% for the same period in 2014. This decrease is primarily attributable to an impairment charge on some trademarks which were operated by the spun-off Company which was recognized during the second quarter 2013. These trademarks were sold at the end of 2013. Another effect which decreased operating expenses was a reduction in the variable portion of operating expenses, due to lower SG&A expenses. These were partially offset by the increase in distribution expenses due to higher fuel prices and additional third-party freight costs.

### EBITDA (MXN\$mm)



The EBITDA increased by 0.9%, to 1,338.9 million pesos, as compared to 1,327.0 million pesos for the same period in 2013. EBITDA margin as a percentage of sales decreased by 0.4 percentage points; from 12.6% on the second quarter of 2013 to 12.2% for the same period in 2014. The contraction in EBITDA margin was due to reduced operating leverage resulting from a slowdown in top-line growth.

Second quarter 2014 operating income increased by 12.3%, or 119.3 million pesos, to reach 1,090.9 million pesos, as compared to 971.6 million pesos for the same period in 2013. This was primarily due to the previously mentioned trademark impairment charge in second quarter 2013, operating expenses.

Second quarter consolidated net income from continuing operations reached 842.6 million pesos; a 120.4 million pesos year-on-year increase from a second quarter 2013 net income of 722.2 million pesos. This was due to the increase in operating income, and to the 86.7 million pesos decrease in taxes on earnings. These effects were partially offset by the negative variation of 84.8 million pesos in Net Financial Income, which will be further explain within this release.

**Net Income growth of 842.6 million pesos**



### Net Sales by Category

Grupo LALA's product sales are divided into two categories: Milk, and Functional Dairy Products and Others. Second quarter 2014 Milk category sales represented 53.7% of total sales, as compared to Milk sales representing 54.4% of total sales for the same period in 2013. Functional Dairy Products and Others represented 45.6% and 46.3% in the second quarter of 2013 and 2014, respectively. This is due to the Company's strengthened presence within the Functional Dairy Products and Others category, and to LALA's successful penetration of less-mature markets, which represent greater opportunity for expansion.



**105.8 million pesos**  
in Net Interest Income

**1,130.3 million pesos**  
CAPEX H1-2014

**8,861.6 million pesos**  
Cash as of June 30, 2014

## NON OPERATING RESULTS

### Net Financial (Income) Expenses

The Net Financial Income during the second quarter of 2014 presented a negative variation of 84.8 million pesos, closing with a financial profit of 104.9 million pesos, as compared with 189.7 million pesos in the same period of the prior year. This decrease was due to the 184.3 million pesos negative variation on exchange profits impacted by the exchange rate effect on transactions related to the June 2013 US operation spin-off process. In addition, there was a 6.3 million pesos decrease on financial instrument gains. Said financial income decrease was partially offset by the 105.8 million pesos positive variation from the interest net profit resulting from debt payments and cash flow generation.

## FINANCIAL POSITION

### Capital Investments

The Company invested 1,130.3 million pesos in CAPEX during the second quarter of 2014, of which 78.2% was earmarked for organic growth and the remaining 21.8% for maintenance CAPEX. Investments related to organic growth were focused on new plants, distribution efficiencies, commercial strategies and production capacity, among others.

### Cash, Short-term Investments and Financial Instruments

Grupo LALA's Cash, Short-Term Investments and Financial Instruments increased by 8,101.0 million pesos to reach 8,861.6 million pesos as of June 30, 2014, an increase from a balance of 760.6 million pesos as of June 30, 2013. This increase is primarily due to proceeds generated from the Company's October 2013 IPO, and, to a lesser extent, to cash flow generated throughout the last twelve months.

### Intangible and Other Assets

The Company's Intangible and Other Assets balance increased by 33.4%, from 1,017.8 million pesos at June 30, 2013 to 1,357.8 million pesos at June 30, 2014. This increase is primarily attributable to investments in trademark licensing.



### Deferred Income Tax

Based on IFRS accounting standards, Grupo LALA's financial statement will present the Company's deferred income taxes separately, when this item was previously presented as part of the net balance. Moving forward, deferred income taxes will be presented separately within the asset and liabilities line. As of June 30, 2014, Grupo LALA's deferred Income Tax balance increased by 302.9 million pesos. This same effect can be observed on liabilities for deferred Income Tax and other tax liabilities.

### Debt

As of June 30, 2014, total debt decreased by 4,385.6 million pesos, closing at 95.6 million pesos, as compared with 4,481.2 million pesos reported on June 30, 2013. This decrease was due to debt repayment completed over the last twelve months, and to the pre-payment of debt using the proceeds derived from the Company's IPO. The Company's debt balance as of June 30, 2014 is related to a financial leases required for the Company's successful operation.

### Related Parties

As of June 30, 2014, the balance of payables to related parties decreased by 2,052.6 million pesos, closing at 1,250.3 million pesos, as compared with 3,302.9 million pesos reported on June 30, 2013. This is primarily attributable to a 100 million dollar payment made to the company that was spin-off on June 2013, and due to the settlement of liabilities arising from the dividends declared on April 2013.

### Shareholders' Equity

An 8,312.8 million pesos increase in Shareholders' Equity as at June 30, 2014 is the net result of the Company's October 16, 2013 IPO and to the spin-off of discontinued operations.

### Key Financial Highlights

As of June 30, 2014, the Company's key financial ratios were as follows:

Financial Metrics	2Q-14
EBITDA <sup>(4)</sup> / Interest Paid	59.4x
Net Debt / EBITDA <sup>(4)</sup>	(1.6)x
Stock Market Indicators	2Q-14
Book Value per Share	\$7.51
EPS <sup>(3)</sup> (12 month)	\$1.39
Shares Outstanding*	2,474.4
Share Price, June 30, 2014	\$34.15

(3) EPS is Earnings per Share LTM.

\* Millions of shares.

**98% decrease**  
in 2Q-2014  
Total Debt

**21,836.7 million pesos**  
Total Equity

Earnings Per Share  
**\$1.39 pesos**



**CONFERENCE CALL  
INVITATION**

**Tuesday, July 29, 2014, at  
1:00pm ET / 12:00pm  
Mexico City Time, which  
will be led by Arquímedes  
Celis, Chief Executive  
Officer and Antonio  
Zamora, Chief Financial  
Officer of Grupo LALA.**

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

**Mexico:  
01 800 522 0034**

**United States  
(Toll Free):  
01 877 407 9039**

**International:  
1 201 689 8470**

**Second Quarter-2014 Relevant Events**

- LALAB added to the MSCI and FTSE international indexes, taking effect on June 2, 2014 and June 20, 2014, respectively.
- On May 11, 2014, Grupo LALA launched the nation-wide “*Drink a Glass of LALA a Day*” media campaign, which was created to improve Mexican’s health awareness and habits but also to drive consumers to our LALA’s products.

**Analyst Coverage**

- As of July 28, 2014, the Company is under coverage by the following brokerage firms: JP Morgan, Morgan Stanley, BBVA Bancomer, Barclays, Citi, Goldman Sachs, Santander, Vector Casa de Bolsa, GBM Casa de Bolsa, Banco Ve por Más y Punto Casa de Bolsa.

**About LALA**

Grupo LALA, (BMV: LALAB), Mexico’s leader in healthy and nutritious foods, has a history of more than 60 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 161 distribution centers in Mexico and Central America, supported by more than 31,000 employees. Grupo LALA’s fleet of approximately 7,300 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 “LALAB”**

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.



**GRUPO LALA, S.A.B. DE C.V.**  
**CONSOLIDATED INCOME FOR THE THREE AND SIX MONTHS**  
**ENDED JUNE 30, 2013 AND 2014**  
(In thousands of nominal pesos)

For the three months ended  
June 30,

For the six months ended  
June 30,

	2013		2014		2013		2014	
<b>Net sales</b>	\$ 10,552,370	100.0%	\$ 10,972,589	100.0%	\$ 20,963,031	100.0%	\$ 22,080,175	100.0%
Cost of goods sold	6,736,883	63.8%	6,973,176	63.6%	13,469,832	64.3%	14,079,343	63.8%
<b>Gross profit</b>	<b>3,815,487</b>	<b>36.2%</b>	<b>3,999,413</b>	<b>36.4%</b>	<b>7,493,199</b>	<b>35.7%</b>	<b>8,000,832</b>	<b>36.2%</b>
Net of other income	(10,861)	(0.1)%	(12,087)	(0.1)%	(14,214)	(0.1)%	(43,950)	(0.2)%
Operating expenses	2,854,696	27.1%	2,920,576	26.6%	5,548,237	26.5%	5,890,442	26.7%
<b>Operating Income</b>	<b>971,652</b>	<b>9.2%</b>	<b>1,090,924</b>	<b>9.9%</b>	<b>1,959,176</b>	<b>9.3%</b>	<b>2,154,340</b>	<b>9.8%</b>
Net of financial (income) expenses								
Net of financial income	29,702	0.3%	(76,149)	(0.7)%	78,772	0.4%	(147,477)	(0.7)%
Exchange rate profit	(197,793)	(1.9)%	(13,507)	(0.1)%	(10,127)	(0.0)%	(15,506)	(0.1)%
Financial instruments	(21,564)	(0.2)%	(15,239)	(0.1)%	(21,564)	(0.1)%	(25,349)	(0.1)%
	(189,655)	(1.8)%	(104,895)	(1.0)%	47,081	0.2%	(188,332)	(0.9)%
Share in the results of associated company	921	0.0%	0	0.0%	(23,565)	(0.1)%	1,264	0.0%
<b>Income before taxes</b>	<b>1,162,228</b>	<b>11.0%</b>	<b>1,195,819</b>	<b>10.9%</b>	<b>1,888,530</b>	<b>9.0%</b>	<b>2,343,936</b>	<b>10.6%</b>
Tax on earnings	439,999	4.2%	353,236	3.2%	697,654	3.3%	705,622	3.2%
<b>Net income from continuing operations</b>	<b>722,229</b>	<b>6.8%</b>	<b>842,583</b>	<b>7.7%</b>	<b>1,190,876</b>	<b>5.7%</b>	<b>1,638,314</b>	<b>7.4%</b>
Discontinued operations	97,225	0.9%	0	0.0%	205,635	1.0%	0	0.0%
<b>Net consolidated income</b>	<b>625,004</b>	<b>5.9%</b>	<b>842,583</b>	<b>7.7%</b>	<b>985,241</b>	<b>4.7%</b>	<b>1,638,314</b>	<b>7.4%</b>
Non-controlling interest	7,595	0.1%	10,163	0.1%	18,611	0.1%	16,216	0.1%
Depreciation, amortization and trademarks impairment	355,381	3.4%	247,933	2.3%	580,591	2.8%	488,743	2.2%
<b>EBITDA</b>	<b>\$ 1,327,033</b>	<b>12.6%</b>	<b>\$ 1,338,857</b>	<b>12.2%</b>	<b>\$ 2,539,767</b>	<b>12.1%</b>	<b>\$ 2,643,083</b>	<b>12.0%</b>



**GRUPO LALA, S.A.B. DE C.V.**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AT JUNE 30, 2013 Y 2014**  
(In thousands of nominal pesos)

	As of June 30, 2013	As of June 30, 2014
<b>ASSETS</b>		
Cash and cash equivalents	\$ 739,026	\$ 7,814,799
Investments in financial instruments	21,564	1,046,826
Accounts receivable	2,524,853	2,357,422
Taxes and other accounts receivable	1,386,789	1,327,470
Related parties	82,554	74,407
Inventories	3,034,920	3,377,850
Prepaid expenses	277,974	354,561
<b>Current assets</b>	<b>8,067,679</b>	<b>16,353,335</b>
Investments in associates	120,560	40,693
Property, plant and equipment, net	9,507,117	10,619,712
Intangible and other assets	1,017,822	1,357,824
Deferred income tax	0	302,935
<b>Non-current assets</b>	<b>10,645,499</b>	<b>12,321,164</b>
Discontinued operations	10,219,085	0
<b>Total assets</b>	<b>\$ 28,932,264</b>	<b>\$ 28,674,499</b>
<b>LIABILITIES</b>		
Short-term bank loans	\$ 2,421,586	\$ 30,180
Suppliers	2,073,287	2,053,341
Value added tax payable	0	0
Related parties	3,302,856	1,250,296
Taxes and other accounts payable	1,347,294	1,321,596
<b>Current liabilities</b>	<b>9,145,024</b>	<b>4,655,413</b>
Long-term liabilities		
Long-term debt	2,059,584	65,453
Deferred income tax and other taxes payable	1,198,152	1,477,647
Other accounts payable	478,417	639,286
<b>Long-term liabilities</b>	<b>3,736,152</b>	<b>2,182,386</b>
Discontinued operations	2,527,270	0
<b>Total liabilities</b>	<b>15,408,446</b>	<b>6,837,799</b>
<b>SHAREHOLDERS EQUITY</b>		
Capital Stock	1,434,544	1,492,652
Net premium in share placement	4,250,925	13,691,891
Retained earnings	6,615,172	4,696,045
Income of the year	966,630	1,622,098
<b>Equity attributable to equity holders of the parent</b>	<b>13,267,271</b>	<b>21,502,686</b>
Non-controlling interest	256,547	334,014
<b>Total shareholders equity</b>	<b>13,523,818</b>	<b>21,836,700</b>
<b>Total liabilities and shareholders equity</b>	<b>\$ 28,932,264</b>	<b>\$ 28,674,499</b>



**GRUPO LALA, S.A.B. DE C.V.**  
**CONSOLIDATED CASH FLOW STATEMENT FOR THE SIX MONTHS**  
**ENDED JUNE 30, 2013 Y 2014**  
(In thousands of nominal pesos)

	As of June 30, 2013	As of June 30, 2014
	<u>                    </u>	<u>                    </u>
<b>Operating activities:</b>		
<b>Income before taxes from continuing operations</b>	\$ 1,888,530	\$ 2,343,936
Depreciation, amortization and trademarks impairment	580,591	488,743
Changes in net financial expenses (income)	56,623	(164,521)
Loss on sale of property, plant, equipment and intangibles	10,073	(7,441)
Other items	60,574	37,071
<b>Total</b>	<u><b>2,596,391</b></u>	<u><b>2,697,788</b></u>
<b>Changes in operation assets and liabilities</b>		
Accounts receivable	(178,744)	82,913
Inventories	(616,284)	(731,620)
Related parties	811,368	936,683
Suppliers	208,517	(135,482)
Taxes, other accounts receivable and prepaid expenses	(1,098,693)	(784,698)
Other assets and liabilities	(87,529)	204,078
<b>Total</b>	<u><b>(961,365)</b></u>	<u><b>(428,126)</b></u>
<b>Net cash flow provided by continuing operating activities</b>	<u><b>1,635,026</b></u>	<u><b>2,269,662</b></u>
Net cash flow provided by discontinued operating activities	540,221	0
<b>Net cash flow provided by operating activities</b>	<u><b>2,175,247</b></u>	<u><b>2,269,662</b></u>
<b>Investing activities</b>		
Acquisition of property, plant equipment, and intangibles	(459,121)	(1,312,854)
Proceeds from sale of property plan, and equipment	11,675	22,861
Investments in Financial instruments	0	(1,037,385)
Other investments	0	2,200
<b>Net cash flow used in continuing investing activities</b>	<u><b>(447,446)</b></u>	<u><b>(2,325,178)</b></u>
Net cash flow used in discontinuing investing activities	(403,253)	0
<b>Net cash flow used in investing activities</b>	<u><b>(850,699)</b></u>	<u><b>(2,325,178)</b></u>
<b>Financing activities</b>		
Net of loans and payment of loans from related parties	(288,754)	28,812
Net of financing and payment of financing	(220,251)	(640,413)
Repurchase of shares	0	(5,936)
Dividends paid to equity holders of the parent	(500,647)	0
Dividends paid to non-controlling interest	(29,891)	0
Future exchange contracts collected	0	46,200
<b>Net cash flows used in continuing financing activities</b>	<u><b>(1,039,543)</b></u>	<u><b>(571,337)</b></u>
Net cash flows used in discontinued financing activities	(206,794)	0
<b>Net cash flows used in financing activities</b>	<u><b>\$ (1,246,337)</b></u>	<u><b>\$ (571,337)</b></u>
<b>Net increase of cash and equivalents</b>	<u><b>78,211</b></u>	<u><b>(626,853)</b></u>
Adjustments to cash due to exchange rate fluctuations	(851)	-400
Cash and equivalents at beginning of the year	1,028,323	8,442,052
<b>Cash and equivalents at the end of the year</b>	<u><b>1,105,683</b></u>	<u><b>7,814,799</b></u>
Cash and equivalents at the end of the year of discontinued operations	366,657	0
<b>Cash and cash equivalents t the end of the year of continuing operations</b>	<u><b>\$ 739,026</b></u>	<u><b>\$ 7,814,799</b></u>