



## GRUPO LALA REPORTS THIRD QUARTER 2014 RESULTS

### QUARTER HIGHLIGHTS

**227 million peso year-on-year** increase in **Net Sales**, closing at **11,329 million pesos**.

**LALAB** was added into the to the **Mexican Bolsa's IPC index** with a ranking at **28/35**, for the 2014-2015 period.

Mexico City, October 27, 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 third 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 to net sales and the percentage change from the quarter ended September 30, 2014, as compared with the same period in 2013:

	Q3 13	MARGIN %	Q3 14	MARGIN %	VAR %
Net Sales	\$ 11,101.3	100.0%	\$ 11,328.7	100.0%	2.0%
Gross Profit	3,958.4	35.7%	4,013.8	35.4%	1.4%
Operating Income	1,125.0	10.1%	1,114.4	9.8%	(0.9)%
EBITDA <sup>(1)</sup>	1,358.3	12.2%	1,365.8	12.1%	(0.6)%
Net Income <sup>(2)</sup>	906.6	8.2%	754.9	6.7%	(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.

### MESSAGE FROM MANAGEMENT

Arquímedes Celis, Grupo LALA's CEO, commented: "A sluggish economy in the first nine months of the year resulted in a challenging consumer environment. While reduced demand has impacted our Company's growth, LALA remains focused on the future ahead. Throughout the year, we have implemented different strategies related to growth, innovation and operational efficiencies that will help us to weather the current environment and achieve our medium and long-term objectives."

**October, 2014**

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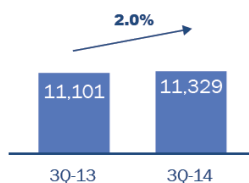
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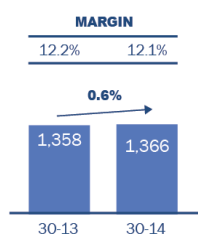


## CONSOLIDATED RESULTS FOR THE THIRD QUARTER 2014

### SALES (MXN\$mm)



### EBITDA (MXN\$mm)



**2,393.2 million pesos**  
9M-2014 Net Income  
**27% growth vs.**  
9M-2013

Third quarter net sales increased by 227.4 million pesos year on year; from 11,101.3 million pesos in the third quarter of 2013 to 11,328.7 million pesos for the same period in 2014. This increase is due to price increases implemented during the last quarter of 2013 and to the value added product mix effect. The increase in sales was partially offset by a contraction in sales volume, due to a weak macroeconomic and consumption environment.

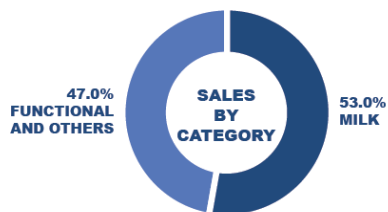
Third quarter 2014 gross profit increased by 1.4%, or 55.4 million pesos, to reach 4,013.8 million pesos, with a 35.4% gross margin, as compared to the 35.7% gross margin reported for the same period in 2013. This slight decrease of 0.3 percentage point in gross margin is attributed to increases in certain raw material prices, due to Mexican peso/US dollar depreciation over the last twelve months.

Operating expenses as a percentage of sales increased by 0.7 percentage points; from 25.6% in the third quarter of 2013 to 26.3% for the same period in 2014. This 138.9 increase is primarily attributable to a lower operating leverage resulting from the slowdown in sales growth, and to a lesser extent the negative impacts of Hurricane Odile on operations in Baja California Sur. This variation was partially offset by a 72.9 million peso net increase in Other Income from the sale of certain non-strategic assets and a benefit from a positive resolution on pending contingencies.

EBITDA increased by 0.6%, to 1,365.8 million pesos, as compared to 1,358.3 million pesos for the same period in 2013. EBITDA margin as a percentage of sales decreased by 0.1 percentage points; from 12.2% in the third quarter of 2013 to 12.1% for the same period in 2014. The contraction in EBITDA margin is primarily attributable to a negative impact on the Company's cost structure due to peso/dollar depreciation and to reduced operating leverage resulting from a slowdown in top-line growth.

Third quarter 2014 operating income decreased by 0.9%, or 10.6 million pesos, to reach 1,114.4 million pesos, as compared to 1,125.0 million pesos for the same period in 2013. This was primarily due to the increases in costs and expenses previously described.

Third quarter consolidated net income from continuing operations reached 754.9 million pesos; a 151.7 million pesos year-on-year decrease from third quarter 2013 net income of 906.6 million pesos. This was due to the 10.6 million pesos decrease in operating income, to the 9.2 million pesos negative variation on financial income (expenses), the 4.1 million pesos decrease in the shares in the results of associated companies, and the 127.8 million pesos increase in taxes on earnings due to a higher effective tax rate than the same quarter in 2013.



**60.4 million pesos**  
In Net Interest Income

**33.5%**  
Effective tax rate

**2,018.6 million pesos**  
CAPEX 9M-2014

**8,846.4 million pesos**  
Cash as of September 30, 2014

### Net Sales by Category

Grupo LALA's product sales are divided into two categories: Milk, and Functional Dairy Products and Others. Third quarter 2014 Milk category sales represented 53.0% of total sales, as compared to Milk sales representing 55.2% of total sales for the same period in 2013. Functional Dairy Products and Others represented 44.8% and 47.0% in the third quarter of 2013 and 2014, respectively.

## NON OPERATING RESULTS

### Net Financial (Income) Expenses

Third quarter 2014 Net Financial Income decreased by 9.2 million pesos, closing with a financial profit of 22.8 million pesos, as compared with 32.0 million pesos for the same period of the prior year. This decrease was due to the 7.3 million pesos increase in the exchange rate loss due to peso/dollar depreciation, as well as to 109.6 million pesos net-loss effect on financial instrument gains related to LALA's forwards instruments as part of the hedging strategy that the Company has in place. These effects were offset by the 107.6 million pesos positive variation from the interest net profit resulting from debt payments and cash flow generation.

### Taxes on Earnings

Third quarter taxes on earnings reached 380.8 million pesos; a 127.8 million pesos increase year-on-year. This increase in the effective tax rate compared to the same quarter of last year is due to an adjustment made in tax provisions during the third quarter of 2013.

## FINANCIAL POSITION

### Capital Investments

The Company invested 2,018.6 million pesos in CAPEX between January and September of 2014, 77.1% of which was earmarked for organic growth and the remaining 22.9% for maintenance CAPEX. Investments related to organic growth included 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 7,894.4 million pesos to reach 8,846.4 million pesos as of September 30, 2014, an increase from a balance of 952.0 million pesos as of September 30, 2013. This increase is primarily due to proceeds from the Company's October 2013 IPO, and, to a lesser extent, to cash flow generated throughout the last twelve months.

### Inventories

As of September 30, 2014, the Inventories reached 2,884.1 million pesos; a 293.1 million pesos increase as compared to 2,591.0 million pesos balance as of September 30, 2013. This increase is primarily due to weather related seasonal effects, and, to a lesser extent, to the Company's inorganic growth.



### Deferred Income Tax

Based on IFRS accounting standards, Grupo LALA's financial statement presents 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 September 30, 2014, Grupo LALA's deferred Income Tax balance increased by 313.5 million pesos. This same effect can be observed on liabilities for deferred Income Tax and other tax liabilities as an increase of 246.9 million pesos.

### Suppliers

As of September 30, 2014, the Company's balance with suppliers was 2,443.5 million pesos; a 323.3 million pesos increase from 2,120.2 million pesos as at September 30, 2013. This increase is mainly attributable to an improved negotiation process.

### Debt

As of September 30, 2014, total debt decreased by 4,194.3 million pesos, closing at 88.2 million pesos, as compared with 4,282.5 million pesos reported on September 30, 2013. This decrease was due to debt payments made 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 September 30, 2014 is related to a financial leases required for the Company's successful operation.

**98% decrease**  
in 3Q-2014  
Total Debt

### Related Parties

As of September 30, 2014, the balance of payables to related parties decreased by 1,639.4 million pesos, closing at 1,142.6 million pesos, as compared with 2,782.0 million pesos reported on September 30, 2013. This is primarily attributable to a 100 million dollar payment made to the company that was spun-off by Grupo LALA in June 2013, and due to the settlement of liabilities arising from the dividends declared on April 2013.

### Shareholders' Equity

A 15,856.5 million peso increase in Shareholders' Equity as of September 30, 2014 is the net result of the Company's October 16, 2013 IPO and to the spin-off of discontinued operations.

**22,587.6 million pesos**  
Total Shareholders' Equity

### Key Financial Highlights

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

Financial Metrics	3Q-14
EBITDA <sup>(1)</sup> / Interest Paid	195.1x
Net Debt / EBITDA <sup>(1)</sup>	(1.6)x
EV / EBITDA <sup>(1)</sup>	13.3x
Stock Market Indicators	3Q-14
Book Value per Share	\$8.73
EPS <sup>(3)</sup> (12 month)	\$1.26
Shares Outstanding*	2,474.4
Share Price, September 30, 2014	\$32.75

(3) EPS is Earnings per Share LTM.

\* Millions of shares.

Earnings Per Share  
**\$1.26 pesos**



## CONFERENCE CALL INVITATION

Tuesday, October 28,  
2014, at 2:00pm 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):**  
**01 877 705 6003**

**International:**  
**1 201 493 6725**

### Third Quarter-2014 Relevant Events

- On September 4, 2014 Grupo LALA announced in accordance to Article 106 of the Mexican Securities Market Law that based on LALA's business plan the Company is considering different growth strategies. Any related updates will be reported to the market in a timely manner.
- On September 1, 2014, Grupo LALA published a statement commenting that the Company had no knowledge of reason behind the unusual trading volume of its shares on August 29, 2014 due to the fact that LALA's shares are traded based on market conditions. The Company also communicated that to its knowledge this extraordinary trading was not in response to any trades made by a member of the Company's Board and/or executive officers.

### Third Quarter-2014 Relevant Events

- LALAB was added into the Mexican Bolsa's IPC Index, with a ranking at 28/35, for the period from September 2014 to August 2015.

### Analyst Coverage

- As of October 27, 2014, the Company is covered by the following fifteen brokerage firms: JP Morgan, Morgan Stanley, BBVA Bancomer, Barclays, Citi, Goldman Sachs, Santander, Credit Suisse, UBS, Vector Casa de Bolsa, GBM Casa de Bolsa, Banco Ve por Más, Invex Banco, Grupo Financiero Interacciones y Punto Casa de Bolsa.

### Share Buyback Program

- As of September 30, 2014, the Company's Share Buyback Program had a balance of 362,061 shares, at an average Price of \$27.06 for a total of 9.8 million pesos.

#### 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 160 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 "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.



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

	For the three months ended					For the nine months ended				
	September 30,					September 30,				
	2013		2014			2013		2014		
<b>Net sales</b>	\$ 11,101,298	100.0%	\$ 11,328,722	100.0%		\$ 32,064,328	100.0%	\$ 33,408,897	100.0%	
Cost of goods sold	7,142,924	64.3%	7,314,908	64.6%		20,612,756	64.3%	21,394,251	64.0%	
<b>Gross profit</b>	<u>3,958,374</u>	<b>35.7%</b>	<u>4,013,814</u>	<b>35.4%</b>	<b>-0.2%</b>	<u>11,451,572</u>	<b>35.7%</b>	<u>12,014,646</u>	<b>36.0%</b>	
Net of other income	(11,877)	(0.1)%	(84,750)	(0.7)%		(26,091)	(0.1)%	(128,698)	(0.4)%	
Operating expenses	2,845,230	25.6%	2,984,143	26.3%	0	8,393,468	26.2%	8,874,580	26.6%	
<b>Operating Income</b>	<u>1,125,021</u>	<b>10.1%</b>	<u>1,114,421</u>	<b>9.8%</b>	<b>-10,600</b>	<u>3,084,195</u>	<b>9.6%</b>	<u>3,268,764</u>	<b>9.8%</b>	
Net of financial (income) expenses										
Net of financial income	47,267	0.4%	(60,355)	(0.5)%	-107.6	126,041	0.4%	(207,831)	(0.6)%	
Exchange rate loss (profit)	7,943	0.1%	15,197	0.1%	7	(2,085)	(0.0)%	(306)	(0.0)%	
Financial instruments	(87,232)	(0.8)%	22,360	0.2%		(108,797)	(0.3)%	(2,989)	(0.0)%	
	(32,022)	(0.3)%	(22,798)	(0.2)%	9,224	15,159	0.0%	(211,126)	(0.6)%	
Share in the results of associated company	2,570	0.0%	(1,531)	(0.0)%	-4,101	(20,994)	(0.1)%	(268)	(0.0)%	
<b>Income before taxes</b>	<u>1,159,613</u>	<b>10.4%</b>	<u>1,135,688</u>	<b>10.0%</b>	<b>-15,723</b>	<u>3,048,042</u>	<b>9.5%</b>	<u>3,479,622</u>	<b>10.4%</b>	
Tax on earnings	252,971	2.3%	380,791	3.4%	127,820.0	950,625	3.0%	1,086,413	3.3%	
Discontinued operations	0	0.0%	0	0.0%		205,635	0.6%	0	0.0%	
<b>Net consolidated income</b>	<u>906,642</u>	<b>8.2%</b>	<u>754,897</u>	<b>6.7%</b>	<b>-151,745</b>	<u>1,891,782</u>	<b>5.9%</b>	<u>2,393,209</u>	<b>7.2%</b>	
Non-controlling interest	6,385	0.1%	6,682	0.1%	8,202	24,996	0.1%	22,898	0.1%	
Depreciation, amortization and trademarks impairment	233,306	2.1%	251,390	2.2%	18,084	813,897	2.5%	740,133	2.2%	
<b>EBITDA</b>	<u>\$ 1,358,327</u>	<b>12.2%</b>	<u>\$ 1,365,811</u>	<b>12.1%</b>	7484	<u>\$ 3,898,092</u>	<b>12.2%</b>	<u>\$ 4,008,897</u>	<b>12.0%</b>	



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

	As of September 30, 2013	As of September 30, 2014
<b>ASSETS</b>		
Cash and cash equivalents	\$ 952,008	\$ 7,755,880
Investments in financial instruments	0	1,090,494
Accounts receivable	2,560,928	2,702,657
Taxes and other accounts receivable	1,523,036	2,068,501
Related parties	159,787	101,338
Inventories	2,591,038	2,884,111
Prepaid expenses	154,970	313,049
<b>Current assets</b>	<b>7,941,767</b>	<b>16,916,030</b>
Investments in associates	121,756	96,356
Property, plant and equipment, net	9,523,984	11,208,066
Intangible and other assets	1,276,527	1,338,211
Deferred income tax	0	313,470
<b>Non-current assets</b>	<b>10,922,267</b>	<b>12,956,103</b>
<b>Total assets</b>	<b>\$ 18,864,034</b>	<b>\$ 29,872,133</b>
<b>LIABILITIES</b>		
Short-term bank loans	\$ 2,576,169	\$ 30,601
Suppliers	2,120,199	2,443,503
Value added tax payable	0	22,440
Related parties	2,782,014	1,142,639
Taxes and other accounts payable	1,198,876	1,514,722
<b>Current liabilities</b>	<b>8,677,258</b>	<b>5,153,905</b>
Long-term liabilities		
Long-term debt	1,706,328	57,643
Deferred income tax and other taxes payable	1,246,624	1,493,516
Other accounts payable	502,725	579,453
<b>Long-term liabilities</b>	<b>3,455,677</b>	<b>2,130,612</b>
<b>Total liabilities</b>	<b>12,132,935</b>	<b>7,284,517</b>
<b>SHAREHOLDERS EQUITY</b>		
Capital Stock	1,419,819	1,492,652
Net premium in share placement	0	13,690,728
Retained earnings	3,181,563	4,736,921
Income of the year	1,866,786	2,370,311
<b>Equity attributable to equity holders of the parent</b>	<b>6,468,168</b>	<b>22,290,612</b>
Non-controlling interest	262,931	297,004
<b>Total shareholders equity</b>	<b>6,731,099</b>	<b>22,587,616</b>
<b>Total liabilities and shareholders equity</b>	<b>\$ 18,864,034</b>	<b>\$ 29,872,133</b>



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

	As of September 30, 2013	As of September 30, 2014
<b>Operating activities:</b>		
<b>Income before taxes from continuing operations</b>	\$ 3,048,042	\$ 3,479,622
Depreciation, amortization and trademarks impairment	813,897	740,133
Changes in net financial expenses (income)	16,644	(212,334)
Loss on sale of property, plant, equipment and intangibles	14,074	(6,091)
Other items	76,512	57,473
<b>Total</b>	<b>3,969,169</b>	<b>4,058,803</b>
<b>Changes in operation assets and liabilities</b>		
Accounts receivable	(216,625)	(273,663)
Inventories	(167,907)	(253,112)
Related parties	415,718	880,596
Suppliers	165,395	93,337
Taxes, other accounts receivable and prepaid expenses	(1,214,118)	(1,813,997)
Other assets and liabilities	(321,782)	276,577
<b>Total</b>	<b>(1,339,319)</b>	<b>(1,090,262)</b>
<b>Net cash flow provided by continuing operating activities</b>	<b>2,629,850</b>	<b>2,968,541</b>
Net cash flow provided by discontinued operating activities	540,221	0
<b>Net cash flow provided by operating activities</b>	<b>3,170,071</b>	<b>2,968,541</b>
<b>Investing activities</b>		
Acquisition of property, plant equipment, and intangibles	(882,508)	(2,035,838)
Proceeds from sale of property plan, and equipment	17,710	28,753
Investments in Financial instruments	0	(1,081,740)
Other investments	0	0
<b>Net cash flow used in continuing investing activities</b>	<b>(864,798)</b>	<b>(3,088,825)</b>
Net cash flow used in discontinuing investing activities	(403,253)	0
<b>Net cash flow used in investing activities</b>	<b>(1,268,051)</b>	<b>(3,088,825)</b>
<b>Financing activities</b>		
Net of loans and payment of loans from related parties	(244,764)	48,891
Net of financing and payment of financing	(487,347)	(651,379)
Repurchase of shares	0	(9,797)
Dividends paid to equity holders of the parent	(750,970)	0
Dividends paid to non-controlling interest	(29,891)	0
Future exchange contracts collected	108,797	46,235
<b>Net cash flows used in continuing financing activities</b>	<b>(1,404,175)</b>	<b>(566,050)</b>
Net cash flows used in discontinued financing activities	(206,794)	0
<b>Net cash flows used in financing activities</b>	<b>\$ (1,610,969)</b>	<b>\$ (566,050)</b>
<b>Net increase of cash and equivalents</b>	<b>291,051</b>	<b>(686,334)</b>
Adjustments to cash due to exchange rate fluctuations	(708)	162
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>	<b>1,318,666</b>	<b>7,755,880</b>
Cash and equivalents at the end of the year of discontinued operations	366,658	0
<b>Cash and cash equivalents t the end of the year of continuing operations</b>	<b>\$ 952,008</b>	<b>\$ 7,755,880</b>