



## GRUPO LALA REPORTS SECOND QUARTER 2016 RESULTS

**Mexico City, July 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 second 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 June 30, 2016, as compared with the same period in 2015:

P&L	2nd. Q '15	% Sales	2nd. Q '16	% Sales	Var. %
Net Sales	\$ 11,847	100.0%	\$ 12,903	100.0%	8.9%
Gross Profit	4,702	39.7%	5,050	39.1%	7.4%
Operating Income	1,381	11.7%	1,543	12.0%	11.8%
EBITDA <sup>(1)</sup>	1,672	14.1%	1,888	14.6%	12.9%
Net Income <sup>(2)</sup>	999	8.4%	1,101	8.5%	10.1%

(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:**

*“During the first half of 2016, our focus on the four strategic priorities, allowed us to achieve important accomplishments, highlighting: a solid top-line growth, the agreement to acquire the branded business of Laguna Dairy to enter the US market and the strategic agreement with Florida Bebidas Company for the production, distribution and sell of LALA® products in Costa Rica”.*

## HIGHLIGHTS

**8.9%** increase in Net Sales, closing at **12,903 million pesos**

**50bps EBITDA<sup>(1)</sup> margin** expansion reaching a **14.6%** margin

**10.1%** increase in Net Income<sup>(2)</sup> closing at **1,101 million pesos**

**Agreement to acquire** the branded business of **Laguna Dairy Company** in the **United States**

**Strategic agreement** with Florida Bebidas, S.A. company to manufacture, distribute and sell **LALA®** products in **Costa Rica**.





## CONSOLIDATED RESULTS FOR THE SECOND QUARTER 2016

Second quarter 2016 net sales increased by 8.9% year on year, from 11,847 million pesos in the second quarter of 2015 to 12,903 million pesos for the same period in 2016. This increase was mainly due to organic growth driven by the different commercial and sales strategies that the Company implemented. It was also due to the inorganic growth resulting from the acquisition of Productos Lácteos La Perfecta, S.A., which accounted for 1.5 percentage point of total growth.

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

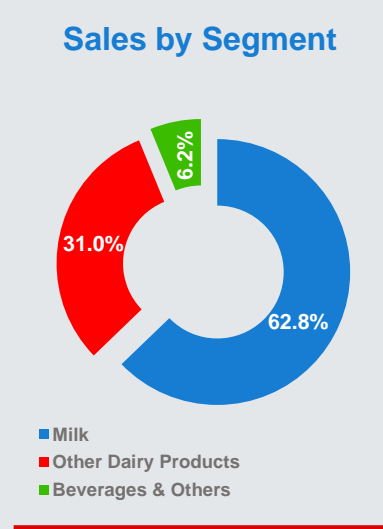
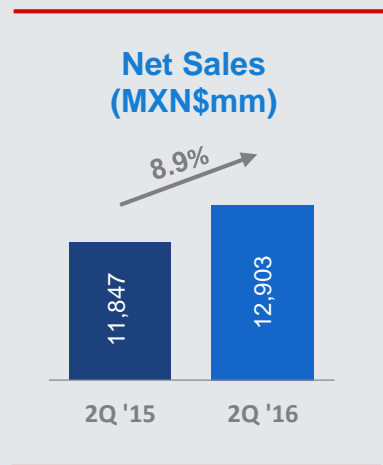
Segment	2nd. Q'15	2nd. Q'16	% Variation
Milk <sup>(3)</sup>	\$ 7,636	\$ 8,109	6.2%
Other Dairy Products <sup>(4)</sup>	3,557	3,997	12.4%
Beverages and Others <sup>(5)</sup>	654	797	21.9%

(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.

Second quarter 2016 gross profit increased by 7.4%, to reach 5,050 million pesos with a 39.1% gross margin, as compared to the 39.7% gross margin reported for the same period in 2015. The growth in gross profit is mainly due to the increase in sales as a result of volume expansion as well as to a favorable product mix effect and, to a lesser extent to the conversion cost savings as a result of the productivity investments made. The 60 basis point gross margin contraction is largely as a result of the increase in certain raw material prices due to the depreciation of the Mexican peso relative to the US dollar.





Operating expenses as a percentage of sales decreased by 0.7 percentage points, from 28.1% in the second quarter of 2015 to 27.4% for the same period in 2016. The decline in operating expenses as a percentage of sales was mainly attributable to, a higher operating leverage as a results of the sales growth and to the efficiencies and savings reached from initiatives and projects to improve SG&A control implemented during the quarter. This was partially offset by non-recurring transformation-related expenses and the costs incurred for the acquisition processes occurred during the quarter.

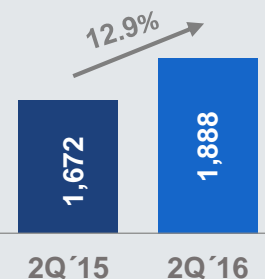
Second quarter 2016 operating income increased by 11.8%, to reach 1,543 million pesos. Therefore, second quarter 2016 EBITDA increased by 12.9% to 1,888 million pesos, as compared to 1,672 million pesos for the same period in 2015. EBITDA margin expansion reached 50 basis points, from 14.1 % in the second quarter of 2015 to 14.6% for the same period in 2016.

Second quarter consolidated net income increased by 102 million pesos, reaching a total of 1,101 million pesos. This growth was due to the 162 million pesos increase in operating income and to the positive variation of 20 million pesos in net financial income. This effect was offset by the 72 million pesos increase in income tax due to the pre-tax profit growth and, to the decrease of 9 million pesos in the results of associated companies.

**EBITDA  
(MXN\$mm)**

**MARGIN**

14.1%      14.6%



**102 million pesos**  
increase in Net Income



Promotion Strategy  
with national reach





## NON-OPERATING RESULTS

### Net financial expenses (Income)

Second quarter 2016 net financial income presented a positive variation of 20 million pesos, closing with an 89 million pesos profit as compared to the 69 million pesos profit for the same period in 2015. This positive variation was due to a 31 million pesos favorable impact in exchange-related losses and 9 million pesos profit in net interest income. This was offset by the decrease of 20 million pesos from the financial instruments profit, due to the cancellation of the forward contract derivative instrument that the Company had active for hedging purposes in 2015.

### Tax on earnings

Tax on earnings for the second quarter 2016 amounted to 528 million pesos; a 72 million pesos year on year increase, due to the 173 million pesos growth in pre-tax profit for the second quarter of 2016.

## New milk that provides a fresh and natural alternative with greater nutritional contribution



Net Interest Income  
**70 million pesos**





## FINANCIAL POSITION

### CAPEX

For the six months ended June 30, 2016, the Company deployed 1,794 million pesos in CAPEX, 62.0% of which was directed towards investments in property, plant and equipment, among others. The remaining 38.0% was directed towards operational maintenance.

### Net Cash Flow from Operations

For the past twelve months, Net Cash Flow from Operations increased 2,620 million pesos to close at 6,125 million pesos by June 30, 2016 from 3,505 during the same period in 2015. The 74.8% growth in Net Cash Flow from Operations was mainly achieved from the increase in pre-tax profit and the improved working capital structure.

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

Cash and short-term investments increased by 909 million pesos, from 7,915 million pesos at June 30, 2015 to 8,824 million pesos at June 30, 2016. This increase is primarily due to the Net Cash Flow from Operations generated by the Company over the last twelve months, with a benefit of a significantly improved working capital position.

### Accounts receivable

Accounts receivable increased by 440 million pesos, from 2,914 million pesos at June 30, 2015 to 3,354 million pesos at June 30, 2016. This was 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 784 million pesos in inventories is mainly a result of the opportunities taken in the procurement and storage of some raw materials.

### Accounts payable

Accounts payable by June 30, 2016 closed at 3,876 million pesos, representing a 1,683 million pesos increase in comparison with 2,193 million pesos at the end of June 2015. This increase is primarily attributable to an improved working capital management.

CAPEX  
6M-2016

**1,794 million pesos**

**2,620 million pesos**

increase in Net Cash Flow  
from Operations

**8,824 million pesos**

Cash as of  
June 30, 2016

Accounts payable  
**45 days**





### Taxes and other accounts payable

Taxes and other accounts payable increased by 413 million pesos, from 2,510 million pesos at June 30, 2015 to 2,923 million pesos at June 30, 2016. This variation is mainly attributable to the effect of the reclassification between short-term liabilities, including the allocation of taxes previously classified as long term liabilities.

### Total debt

At the end of the second quarter 2016, the Company's total debt increased by 195 million pesos, closing at 260 million pesos. The total debt increase is the result of adding a low interest bank loan subscribe for one of the Company's subsidiary as well as 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 June 30, 2016, the Company's key financial ratios were as follows:

Financial Metrics	2nd. Q '15	2nd Q '16
EBITDA <sup>(1)</sup> / Interest Paid	542.3x	509.8x
Net Debt / EBITDA <sup>(1)</sup>	(1.3)x	(1.2)x

Stock Market Indicators	2nd. Q '15	2nd. Q '16
Book Value per Share <sup>(6)</sup>	\$9.38	\$10.38
Earnings Per Share <sup>(7)</sup> (12 months)	\$1.37	\$1.69
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.



## 260 million pesos

Total Debt as of  
2Q-2016

Earnings per share

## \$1.69 pesos



**CONFERENCE  
CALL**

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

**Scot Rank,**  
Chief Executive Officer  
and  
**Enrique González,**  
Head of Investor Relations

**Webcast:**  
[Grupo LALA Presentation](#)

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

**México:**  
01 800 522 0034

**United States:**  
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To access the replay service  
(2 days), please dial:

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+1 877 870 5176  
(Toll-free)

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+1 858 384 5517

**PIN #: 13640409**

**2Q-2016 Relevant Events**

- **May 2, 2016** - [Grupo LALA announces a change on the mechanism of dividend declarations](#)
- **May 17, 2016** - [Grupo LALA announces payment of a dividend installment through coupon No. 8](#)
- **May 19, 2016** - [Grupo LALA notice to investors](#)
- **May 30, 2016** - [Grupo LALA has entered into an agreement to acquire the branded business of Laguna Dairy Company in the United States](#)
- **June 10, 2016** - [Grupo LALA resends information regarding First Quarter 2016 Results](#)
- **July 6, 2016** - [Grupo LALA strengthens its operations in Central America](#)

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

**Sell-side analyst coverage**

As of June 30, 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 June 30, 2016, the Company's share buyback program had a balance of 1,125,125 shares, at an average price of \$25.85 per share for a total balance of 29 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 22 production plants and 166 distribution centers in Mexico and Central America, supported by more than 33,000 employees. Grupo LALA's fleet of approximately 7,500 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.





**GRUPO LALA, S.A.B. DE C.V.**  
**CONSOLIDATED INCOME STATEMENT FOR THE THREE AND SIX MONTHS**  
**ENDED JUNE 30, 2015 AND 2016**  
(In thousands of nominal pesos)

	For the three months ended				For the six months ended			
	June 30,		June 30,		June 30,		June 30,	
	2015	2016	2015	2016	2015	2016	2015	2016
<b>Net sales</b>	\$ 11,846,679	100.0%	\$ 12,902,969	100.0%	\$ 23,477,118	100.0%	\$ 25,411,840	100.0%
Cost of goods sold	7,145,055	60.3%	7,853,104	60.9%	14,243,708	60.7%	15,401,685	60.6%
<b>Gross profit</b>	<b>4,701,624</b>	<b>39.7%</b>	<b>5,049,865</b>	<b>39.1%</b>	<b>9,233,410</b>	<b>39.3%</b>	<b>10,010,155</b>	<b>39.4%</b>
Other income (expenses), net	(3,976)	(0.0)%	(26,194)	(0.2)%	16,532	0.1%	(21,603)	(0.1)%
Operating expenses	3,324,916	28.1%	3,532,608	27.4%	6,470,124	27.6%	6,931,023	27.3%
<b>Operating Income</b>	<b>1,380,684</b>	<b>11.7%</b>	<b>1,543,451</b>	<b>12.0%</b>	<b>2,746,754</b>	<b>11.7%</b>	<b>3,100,735</b>	<b>12.2%</b>
Net of financial (income) expenses								
Net of financial income	(60,579)	(0.5)%	(69,578)	(0.5)%	(117,095)	(0.5)%	(148,041)	(0.6)%
Exchange rate (profit) loss	15,598	0.1%	(15,355)	(0.1)%	28,639	0.1%	(3,239)	(0.0)%
Financial instruments	(24,311)	(0.2)%	(4,279)	(0.0)%	17,822	0.1%	3,532	0.0%
<b>Financial income, net</b>	<b>(69,292)</b>	<b>(0.6)%</b>	<b>(89,212)</b>	<b>(0.7)%</b>	<b>(70,634)</b>	<b>(0.3)%</b>	<b>(147,748)</b>	<b>(0.6)%</b>
Share in the results of associated companies	5,389	0.0%	(4,208)	(0.0)%	9,790	0.0%	(2,318)	(0.0)%
<b>Income before taxes</b>	<b>1,455,365</b>	<b>12.3%</b>	<b>1,628,455</b>	<b>12.6%</b>	<b>2,827,178</b>	<b>12.0%</b>	<b>3,246,165</b>	<b>12.8%</b>
Income tax expense	456,092	3.8%	527,823	4.1%	884,283	3.8%	1,034,186	4.1%
<b>Net consolidated income</b>	<b>999,273</b>	<b>8.4%</b>	<b>1,100,632</b>	<b>8.5%</b>	<b>1,942,895</b>	<b>8.3%</b>	<b>2,211,979</b>	<b>8.7%</b>
Non-controlling interest	9,562	0.1%	10,411	0.1%	19,113	0.1%	25,081	0.1%
Depreciation and amortization	291,494	2.5%	344,229	2.7%	566,143	2.4%	676,128	2.7%
<b>EBITDA</b>	<b>\$ 1,672,178</b>	<b>14.1%</b>	<b>\$ 1,887,680</b>	<b>14.6%</b>	<b>\$ 3,312,897</b>	<b>14.1%</b>	<b>\$ 3,776,863</b>	<b>14.9%</b>







**GRUPO LALA, S.A.B. DE C.V.**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AT JUNE 30, 2015 AND 2016**  
(In thousands of nominal pesos)

	As of June 30, 2015	As of June 30, 2016
<b>ASSETS</b>		
Cash and cash equivalents	\$ 6,513,958	\$ 7,811,949
Investments in financial instruments	1,400,478	1,011,586
Accounts receivable	2,914,614	3,354,025
Taxes and other accounts receivable	2,574,947	2,387,439
Related parties	101,496	134,308
Inventories	2,991,605	3,775,944
Prepaid expenses	301,933	355,864
<b>Current assets</b>	<b>16,799,031</b>	<b>18,831,115</b>
Investments in associates	110,196	109,754
Property, plant and equipment, net	12,901,363	14,614,300
Intangible and other assets	1,974,006	2,639,373
Deferred income tax	256,583	289,198
<b>Non-current assets</b>	<b>15,242,148</b>	<b>17,652,625</b>
<b>Total assets</b>	<b>\$ 32,041,179</b>	<b>\$ 36,483,740</b>
<b>LIABILITIES</b>		
Short-term bank loans	\$ 31,901	\$ 82,446
Suppliers	2,193,168	3,876,066
Related parties	1,158,907	1,590,577
Taxes and other accounts payable	2,509,885	2,922,761
<b>Current liabilities</b>	<b>5,893,861</b>	<b>8,471,850</b>
Long-term liabilities		
Long-term debt	33,552	177,780
Deferred income tax and other taxes payable	1,409,171	441,859
Other accounts payable	722,867	763,854
<b>Long-term liabilities</b>	<b>2,165,590</b>	<b>1,383,493</b>
<b>Total liabilities</b>	<b>8,059,451</b>	<b>9,855,343</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	6,609,375	8,957,255
Income of the year	1,923,782	2,186,898
<b>Equity attributable to equity holders of the parent</b>	<b>23,716,537</b>	<b>26,344,033</b>
Non-controlling interest	265,191	284,364
<b>Total shareholders equity</b>	<b>23,981,728</b>	<b>26,628,397</b>
<b>Total liabilities and shareholders equity</b>	<b>\$ 32,041,179</b>	<b>\$ 36,483,740</b>





**GRUPO LALA, S.A.B. DE C.V.**  
**CONSOLIDATED CASH FLOW STATEMENT FOR THE SIX MONTHS**  
**ENDED JUNE 30, 2015 AND 2016**  
(In thousands of nominal pesos)

	As of June 30, 2015	As of June 30, 2016
<b>Operating activities:</b>		
<b>Income before taxes</b>	<b>\$ 2,827,178</b>	<b>\$ 3,246,165</b>
Depreciation, amortization, and trademarks impairment	566,143	676,128
Changes in net financial expenses (income)	(99,532)	(160,765)
Results from the sale of property, plant and equipment	7,270	(5,601)
Other items	32,437	53,711
<b>Total</b>	<b>3,333,496</b>	<b>3,809,638</b>
<b>Changes in operation assets and liabilities</b>		
Accounts receivable	(223,323)	(119,930)
Inventories	(206,034)	(606,001)
Related parties	761,580	740,999
Suppliers	68,537	67,876
Taxes, other accounts receivable and prepaid expenses	(1,070,784)	(1,418,965)
Other assets and liabilities	29,438	349,547
<b>Total</b>	<b>(640,586)</b>	<b>(986,474)</b>
<b>Net cash flow provided by operating activities</b>	<b>2,692,910</b>	<b>2,823,164</b>
<b>Investing activities</b>		
Acquisition of property, plant, equipment, and intangibles	(1,130,525)	(1,793,533)
Proceeds from sale of property, plant, and equipment	18,588	37,069
Investments in Financial instruments	374,502	275,666
Business acquisitions, net of cash received	0	(835,569)
<b>Net cash flow used in investing activities</b>	<b>(737,435)</b>	<b>(2,316,367)</b>
<b>Financing activities</b>		
Net of loans and payment of loans from related parties	(4,083)	(191,102)
Net of financing and payment of financing	(23,592)	190,807
Repurchase of shares	(9,826)	23,470
Capital stock increase	0	16,500
Dividends paid to equity holders of the parent	<b>(631,285)</b>	<b>(668,095)</b>
Dividends paid to non-controlling interest	(29,676)	(29,400)
Future exchange contracts collected	<b>(163,850)</b>	<b>0</b>
<b>Net cash flows provided (used) in financing activities</b>	<b>\$ (862,312)</b>	<b>\$ (657,820)</b>
<b>Net increase of cash and equivalents</b>	<b>1,093,163</b>	<b>(151,023)</b>
Adjustments to cash due to exchange rate fluctuations	6,507	(22,003)
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>\$ 6,513,958</b>	<b>\$ 7,811,949</b>

For more information:

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