



» GRUPO LALA REPORTS THIRD QUARTER 2016 RESULTS

Mexico City, October 24, 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 third 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 September 30, 2016, as compared with the same period in 2015:

P&L	3rd. Q '15	% Sales	3rd. Q '16	% Sales	Var. %
Net Sales	\$ 12,176	100.0%	\$ 13,701	100.0%	12.5%
Gross Profit	4,714	38.7%	5,055	36.9%	7.2%
Operating Income	1,404	11.5%	1,048	7.7%	(25.3)%
EBITDA ⁽¹⁾	1,695	13.9%	1,483	10.8%	(12.5)%
Net Income ⁽²⁾	976	8.0%	753	5.5%	(22.8)%

(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:

“2016 has been a year with a strong sales performance in addition to important challenges resulting from our exposure to exchange rate fluctuations. I remain confident, that our business and operational fundamentals are solid, and will enable us to keep a sustainable and profitable growth”.

QUARTER HIGHLIGHTS

12.5% increase in Net Sales, closing at **13,701 million pesos**

310bps EBITDA⁽¹⁾ margin contraction, to close at **10.8%**

CAPEX-9M of **2,485 million pesos**, from which **75.0%** was directed to **growth projects**

Launching of “Nutri Leche® Panela” cheese, a value-added product for the **emerging**



* New Milk - “The only NON-LACTOSE in Mexico that doesn't taste sweet.”





CONSOLIDATED RESULTS FOR THE THIRD QUARTER 2016

Third quarter 2016 net sales increased by 12.5% year on year, from 12,176 million pesos in the third quarter of 2015 to 13,701 million pesos for the same period in 2016. This increase was due to 6.5 percentage points from 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 points of total growth, and the consolidation from two months' sales from LALA US operation, which accounted for 4.5 percentage points, consolidating since August 1st, 2016.

LALA Segments

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

Segment	3rd. Q '15	3rd. Q '16	% Variation
Milk ⁽³⁾	\$ 7,883	\$ 8,595	9.0%
Other Dairy Products ⁽⁴⁾	3,690	4,385	18.8%
Beverages and Others ⁽⁵⁾	603	721	19.6%

(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 other income.

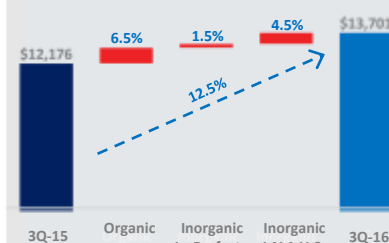
LALA U.S.

This chart provides sales and EBITDA figures from LALA U.S. operations for the period August 1st to September 30th 2016.

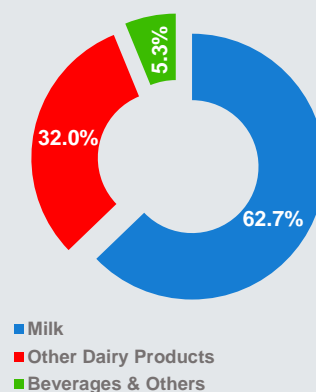
P&L	2016	% Sales
Net Sales	\$ 548	100.0%
EBITDA ⁽¹⁾	(80)	(14.6)%

Negative EBITDA was due from extraordinary expenses related to commercial strategies and marketing, made in alignment with the national expansion plan focused at the adult drinkable yoghurt category.

Net Sales Variation (pp)



Sales by Segment





Third quarter 2016 gross profit increased by 7.2%, to reach 5,055 million pesos with a 36.9% gross margin, as compared to the 38.7% gross margin reported for the same period in 2015. Gross margin contraction of 180 basis points, was mainly driven by the depreciation of the peso against the dollar as applied to dollar denominated raw material cost, with an average exchange rate for the quarter presenting a depreciation of 14.1% as compared to the same period of last year, impacting close to 23.0% of the total cost.

Operating expenses as a percentage of sales increased by 180 basis points, from 27.3% in the third quarter of 2015 to 29.1% for the same period in 2016. This increase was a consequence of three extraordinary effects: 1) the consolidation of two months of LALA U.S. operations and its extraordinary expenses made to expand its product portfolio across the country; 2) expenses and provisions made for the corporate restructure plan which will result in the optimization of the administrative staff and the creation of a shared services center; 3) non-recurring expenses made on the project to consolidate production and distribution across Central America operation.

As a consequence of the gross margin contraction and the increase and provisions made in operating expenses, third quarter 2016 operating income decreased by 25.3%, to close at 1,048 million pesos.

Driven by the aforementioned factors, third quarter 2016 EBITDA decreased by 12.5% to 1,483 million pesos, as compared to 1,695 million pesos recorded in the same period of 2015. EBITDA margin declined 310 basis points, from 13.9% in the third quarter of 2015 to 10.8% in the same period of 2016. Additionally, the consolidation of LALA U.S. acquisition, generated a short-term dilutive effect on EBITDA margin, due to the consolidation of sales and no EBITDA contribution.

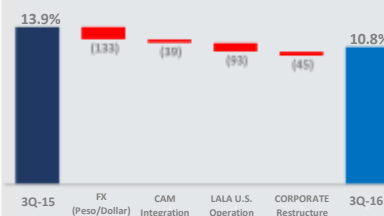
Third quarter consolidated net income decreased by 223 million pesos, reaching a total of 753 million pesos, mainly as a result of the decrease in operating income. These effects were partially offset by the favorable effect recorded in the all-in cost of financing and to a lower effective tax rate.

341 million pesos
increase in Gross Profit



Lactose free
UHT Milk
1.5L

EBITDA Margin Variation (bps)



*CAM: Guatemala, Nicaragua & Costa Rica.





NON-OPERATING RESULTS

Net financial expenses (Income)

Third quarter 2016 net financial income presented a 44 million pesos profit, compared with 31 million pesos recorded in the same period in 2015. The increase in net financial income of 13 million pesos is attributable to the increase of 14 million pesos derived from gains on financial instruments as a result of the strategies of currency hedging in accordance with current hedging policy, in addition to a 5 million pesos positive variation in the net exchange-related gain. These favorable effects were compensated by a 6 million pesos decrease in net interest income.

Tax on earnings

Tax on earnings for the third quarter 2016 were 336 million pesos, presenting a 121 million pesos year over year decrease, as a result of lower pre-tax profit recorded in the third quarter of 2016.

Innovation for emerging consumers, leveraging the brand recognition of Nutri Leche®



Panela Cheese
Nutri Leche
3kg



Panela Cheese
Nutri Leche
450g

Net Interest Income
54 million pesos





FINANCIAL POSITION

CAPEX

For the nine months ended September 30, 2016, the Company deployed 2,485 million pesos in CAPEX, 75.0% of which was directed towards investments in property, plant and equipment, among others. The remaining 25.0% was directed towards operational maintenance.

Cash, short-term investments and financial instruments

Cash, short-term investments and financial instruments decreased by 3,808 million pesos, from 10,071 million pesos at September 30, 2015 to 6,263 million pesos at September 30, 2016. This decrease mainly resulted from capital expenditures and acquisitions made over the past twelve months.

Accounts receivable

Accounts receivable increased by 695 million pesos, from 3,207 million pesos at September 30, 2015 to 3,902 million pesos at September 30, 2016. This increase was mainly attributable to higher sales in the modern trade channel, and to a lesser extent, to the consolidation of accounts receivable from Productos Lacteos La Perfecta S.A. and the receivables from the recently acquired LALA U.S. operation.

Inventories

The increase of 726 million pesos in inventories is mainly a result of the investments in the procurement and storage of some raw materials.

Intangible and Other Assets

Ending balance for intangible and other assets increased by 4,104 million pesos, growing from 1,996 million pesos at September 30, 2015 to 6,100 million pesos at September 30, 2016. This increase was mainly integrated by the recording of Goodwill, Brand Value and other intangibles related to the acquisitions made over the year.

Accounts payable

Accounts payable by September 30, 2016 closed at 4,368 million pesos, representing a 757 million pesos increase in comparison with 3,611 million pesos at the end of September, 2015. This increase is primarily attributable to an improved working capital and, the consolidation of accounts payable from Productos Lacteos La Perfecta S.A. and the payables from the recently acquired LALA U.S. operation.

CAPEX

9M-2016

2,485 million pesos

6,263 million pesos

Cash position as of
September 30, 2016



Lactose Free
UHT Nutri Leche
1L

Accounts payable

46 days





Taxes and other accounts payable

Taxes and other accounts payable increased by 921 million pesos, from 2,431 million pesos at September 30, 2015 to 3,352 million pesos at September 30, 2016. This variation was mainly attributable to the reclassification of short-term liabilities, including the allocation of taxes previously classified as long-term liabilities.

Total debt

At the end of the third quarter 2016, the Company's total debt increased by 2,210 million pesos, closing at 2,268 million pesos. This variation was mainly attributable to the increase in the short-term portion of the long-term debt as a result of the bank loan agreement signed with preferential terms to acquire the LALA U.S. business.

Key financial data

As of September 30, 2016, the Company's key financial ratios were as follows:

Financial Metrics	3rd. Q '15	3rd. Q '16
EBITDA ⁽¹⁾ / Interest Paid	527.9x	371.5x
Net Debt / EBITDA ⁽¹⁾	(1.5)x	(0.6)x

Stock Market Indicators	3rd. Q '15	3rd. Q '16
Book Value per Share ⁽⁶⁾	\$9.63	\$10.63
Earnings Per Share ⁽⁷⁾ (12 months)	\$1.46	\$1.59
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.



*Without added STBr growth hormones

2,268 million pesos

Total Debt as of
3Q-2016

Earnings per share

\$1.59 pesos



**CONFERENCE
CALL**

Tuesday, October 25, 2016
at 11:00am EST / 10:00am CST
led by:

Scot Rank,
Chief Executive Officer
and
Alberto Arellano,
Chief Financial Officer

Webcast:

[Grupo LALA Presentation](#)

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

México:

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 #: 13646548

3Q-2016 Relevant Events

- Jul 6, 2016 - [Grupo LALA strengthens its operations in Central America](#)
- Jul 25, 2016 - [Grupo LALA earnings release for the 2Q 2016](#)
- Ago 01, 2016 - [Grupo LALA announces the appointment of its new CFO](#)
- Ago 17, 2016 - [Grupo LALA announces payment of a dividend installment through coupon No.9](#)

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

Sell-side analyst coverage

As of September 30, 2016, the Company is covered by the following 18 financial institutions: J.P. Morgan, Morgan Stanley, BBVA Bancomer, Barclays, Citigroup, Goldman Sachs, Santander, Credit Suisse, UBS, Bank of America Merrill Lynch, BTG Pactual, Itaú BBA, Vector Casa de Bolsa, GBM Grupo Bursátil Mexicano, INVEX Banco, Interam, Actinver and Banorte-Ixe.

Share buyback program

As of September 30, 2016, the Company's share buyback program had a balance of 1,565,125 shares, at an average price of \$29.76 per share for a total balance of 46.5 million pesos.

External Auditors

Following the best practices of Corporate Governance and prior opinion of the Audit and Corporate Practices Committee, the Board of Directors of Grupo LALA S.A.B. de C.V. approved at its session of August 29, 2016, to substitute the legal entity that until then provided the external audit services to the Company and dictated their financial information, and named as new external auditor the international firm Galaz, Yamazaki, Ruiz Urquiza, SC (Deloitte).

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

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, 2015 AND 2016
(In thousands of nominal pesos)

	For the three months ended				For the nine months ended			
	September 30,		September 30,		September 30,		September 30,	
	2015		2016		2015		2016	
Net sales	\$ 12,176,182	100.0%	\$ 13,701,451	100.0%	\$ 35,653,300	100.0%	\$ 39,113,291	100.0%
Cost of goods sold	7,462,370	61.3%	8,646,753	63.1%	21,706,078	60.9%	24,048,438	61.5%
Gross profit	4,713,812	38.7%	5,054,698	36.9%	13,947,222	39.1%	15,064,853	38.5%
Other income (expenses), net	(13,576)	(0.1)%	18,874	0.1%	2,957	0.0%	(2,729)	(0.0)%
Operating expenses	3,323,382	27.3%	3,987,655	29.1%	9,793,506	27.5%	10,918,678	27.9%
Operating Income	1,404,006	11.5%	1,048,169	7.7%	4,150,759	11.6%	4,148,904	10.6%
Net of financial (income) expenses								
Net of financial income	(61,158)	(0.5)%	(54,440)	(0.4)%	(178,253)	(0.5)%	(202,481)	(0.5)%
Exchange rate (profit) loss	30,490	0.3%	24,919	0.2%	59,125	0.2%	21,680	0.1%
Financial instruments	(16)	(0.0)%	(14,628)	(0.1)%	17,806	0.0%	(11,096)	(0.0)%
Financial income, net	(30,684)	(0.3)%	(44,149)	(0.3)%	(101,322)	(0.3)%	(191,897)	(0.5)%
Share in the results of associated companies	(1,406)	(0.0)%	(3,206)	(0.0)%	8,384	0.0%	(5,524)	(0.0)%
Income before taxes	1,433,284	11.8%	1,089,112	7.9%	4,260,465	11.9%	4,335,277	11.1%
Income tax expense	457,013	3.8%	335,867	2.5%	1,341,296	3.8%	1,370,053	3.5%
Net consolidated income	976,271	8.0%	753,245	5.5%	2,919,169	8.2%	2,965,224	7.6%
Non-controlling interest	9,911	0.1%	17,114	0.1%	29,024	0.1%	42,195	0.1%
Depreciation and amortization	291,348	2.4%	434,801	3.2%	857,491	2.4%	1,110,929	2.8%
EBITDA	\$ 1,695,354	13.9%	\$ 1,482,970	10.8%	\$ 5,008,250	14.0%	\$ 5,259,833	13.4%





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

	As of September 30, 2015	As of September 30, 2016
ASSETS		
Cash and cash equivalents	\$ 8,632,478	\$ 5,234,920
Investments in financial instruments	1,438,627	1,027,589
Accounts receivable	3,207,082	3,901,684
Taxes and other accounts receivable	2,348,271	2,776,338
Related parties	110,401	38,487
Inventories	2,729,872	3,456,178
Prepaid expenses	327,381	297,313
Current assests	18,794,112	16,732,509
Investments in associates	108,917	106,634
Property, plant and equipment, net	13,183,617	16,529,558
Intangible and other assets	1,996,120	6,100,307
Deferred income tax	271,035	303,810
Non-current assets	15,559,689	23,040,309
Total assets	\$ 34,353,801	\$ 39,772,818
LIABILITIES		
Short-term bank loans	\$ 32,231	\$ 2,102,020
Suppliers	3,611,463	4,368,487
Related parties	1,113,785	1,124,010
Taxes and other accounts payable	2,431,460	3,352,349
Current liabilities	7,188,939	10,946,866
Long-term liabilities		
Long-term debt	25,412	165,712
Deferred income tax and other taxes payable	1,380,610	372,597
Other accounts payable	723,387	779,431
Long-term liabilities	2,129,409	1,317,740
Total liabilities	9,318,348	12,264,606
SHAREHOLDERS EQUITY		
Capital Stock	1,492,652	1,492,866
Net premium in share placement	13,690,728	13,707,014
Retained earnings	6,686,826	9,083,825
Income of the year	2,890,145	2,923,029
Equity attributable to equity holders of the parent	24,760,351	27,206,734
Non-controlling interest	275,102	301,478
Total shareholders equity	25,035,453	27,508,212
Total liabilities and shareholders equity	\$ 34,353,801	\$ 39,772,818





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

	As of September 30, 2015	As of September 30, 2016
Operating activities:		
Income before taxes	\$ 4,260,465	\$ 4,335,277
Depreciation, amortization, and trademarks impairment	857,491	1,110,929
Changes in net financial expenses (income)	(160,715)	(238,619)
Results from the sale of property, plant and equipment	735	(13,777)
Other items	49,492	83,393
Total	5,007,468	5,277,203
Changes in operation assets and liabilities		
Accounts receivable	(608,260)	(404,462)
Inventories	94,563	(134,589)
Related parties	734,059	672,232
Suppliers	1,350,048	168,220
Taxes, other accounts receivable and prepaid expenses	(982,009)	(2,008,243)
Other assets and liabilities	(57,051)	489,063
Total	531,350	(1,217,779)
Net cash flow provided by operating activities	5,538,818	4,059,424
Investing activities		
Acquisition of property, plant, equipment, and intangibles	(1,512,619)	(2,484,676)
Proceeds from sale of property, plant, and equipment	28,419	61,871
Investments in Financial instruments	337,463	275,666
Business acquisitions, net of cash received	0	(5,598,400)
Net cash flow used in investing activities	(1,146,737)	(7,745,539)
Financing activities		
Net of loans and payment of loans from related parties	(6,374)	0
Net of financing and payment of financing	(35,490)	1,932,608
Repurchase of shares	(6,216)	5,981
Capital stock increase	0	16,500
Dividends paid to equity holders of the parent	(946,067)	(1,002,144)
Dividends paid to non-controlling interest	(29,676)	(29,400)
Future exchange contracts collected	(163,847)	0
Net cash flows provided (used) in financing activities	\$ (1,187,670)	\$ 923,545
Net increase of cash and equivalents	3,204,411	(2,762,570)
Adjustments to cash due to exchange rate fluctuations	13,779	12,515
Cash and equivalents at beginning of the year	5,414,288	7,984,975
Cash and equivalents at the end of the year	\$ 8,632,478	\$ 5,234,920

For more information:

Enrique González Casillas

Investor Relations

Tel: +52 (55) 9177- 5900

investor.relations@grupolala.com



www.grupolala.com