Quarterly Financial Information

[105000] Management's Comments and Analysis

Comentarios de la gerencia [bloque de texto]

GRUPO LALA REPORTS THIRD QUARTER 2018 RESULTS

Mexico City, October 22, 2018 – Grupo LALA, S.A.B. de C.V., a Mexican Company focused on healthy and nutritious foods, ("LALA") (BMV: LALA), today reported results for the third quarter 2018. The following information has been presented based on International Financial Reporting Standards (IFRS) and in nominal terms.

Quarter Highlights

- **Net sales increased by 24.9%, to 18,758 million pesos, while in comparable figures sales increased 4.3%**
- **YoY reported and comparable EBITDA decreased 6.6% and 17.2%, respectively, due to inflation and one-offs**
- **Mexico sales increased by 4.7%, still tight on margins as pricing partially compensated pack and energy costs**
- **Brazil net sales increased by 10.3% in Reals, a reflection of strong growth potential**
- **Rightsizing US and CAM operations for profitable growth**

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 September 30, 2018, as compared with the same period in 2017:

	As reported		As reported			Comparable[1]		
P&L	Q3'17	% Sales	Q3'18	% Sales	Var. %	Q3'18	% Sales	Var. %
Net Sales	15,022	100.0%	18,758	100.0%	24.9%	15,663	100.0%	4.3%
Gross Profit	5,754	38.3%	6,425	34.3%	11.7%	5,582	35.6%	(3.0)%
Operating Income	1,427	9.5%	1,157	6.2%	(18.9)%	1,015	6.5%	(28.8)%
EBITDA[2]	1,864	12,4%	1,741	9.3%	(6.6)%	1,543	9.9%	(17.2)%
Net Income	1,007	6.7%	216	1.2%	(78.5)%	53	0.3%	(94.7)%

(1) **Comparable is defined as the year-over-year comparison excluding the effects of LALA's Q4 2017 acquisition of Vigor Alimentos in Brazil**

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

Message from Management

Mauricio Leyva, LALA's CEO, commented:
"During my first 45 days in Grupo LALA I have been able to recognize its potential across its regions, its core strengths and the different business opportunities that can enhance our performance. In the immediate future my focus will be in nurturing talent all across the company and driving LALA through a virtuous cycle of investing in growth and optimizing costs to expand margins. I see in Mexico strong business fundamentals with many execution opportunities. I'm convinced we have a great asset in Brazil with a team capable of winning in the biggest market of Latam. In US and Central America we are acting fast to put both regions in the path of profitability.
I am very excited of the promising future I foresee, for with the right motivation and talent we will be able to achieve our long-term business goals".

Disclosures about the most significant resources, risks and relationships of the entity [text block]

MAIN RAW MATERIALS. Milk is the main raw material used by the company. In Mexico, the supply is obtained from hundreds of stables located mainly in the states of Durango, Coahuila, Jalisco and Hidalgo, in addition to supplementing the supply with imported milk powder. Most of the milk production we consume is concentrated in the lagoon. Milk purchases are made based on market prices, which are subject to fluctuations. We consider that the stables of this area in general have better technology than the stables of the rest of the country.

OTHER RAW MATERIALS. Other raw materials used in the elaboration of our dairy products are: cocoa syrup, flavors and concentrates, high fructose corn syrup, fruit bases and crops, and sugar, which are purchased from various suppliers.

We use different materials for the packaging of our products, those that stand out are the carton packs, as well as the high density polyethylene containers.

MAIN CUSTOMERS. We serve more than half a million points of sale that we operate directly. We also have wholesale distributors which attend additional sales points. Our products are mainly distributed in: miscellanies, mini-supers, large-scale stores, price clubs, bakeries, government agencies and restaurants.

RISKY FACTORS

- We participate in highly competitive markets where an increase in competition could adversely affect our business.
- An increase in the consumption of free brands can negatively affect our business.
- If we are unable to foresee or react to changes in consumer's demand, we could lose customers and our sales could decrease.
- We could make strategic acquisitions, which could have an adverse impact on our businesses and our financial situation.
- Our opportunities for growth, through mergers, acquisitions and joint ventures can be affected by regulations on economic competition.
- The termination of certain joint ventures or license agreements may adversely affect our business.
- We may not be able to successfully implement a growth strategy or manage our growth effectively.
- A significant portion of our business is geographically concentrated, and adverse conditions or events in those regions could adversely affect us.
- The development of other countries could have an adverse effect on the Mexican economy, in our business, financial situation and in the results of the operations.
- High dependence on raw materials.
- The increase in the price or shortage of raw materials would increase the cost of sales and have a negative effect on our results of operations.
- Hurricanes, earthquakes, droughts, epidemics and other natural disasters in the most important areas in which we operate, could result in loss and damage, limiting our ability to produce our products or significantly increase production costs.
- We depend to a large extent on our relationship with retail outlets and if we have difficulties or give preference to other products, our financial situation could be affected.
- The loss of one or more significant customers could negatively impact our sales and our financial development.
- Any significant interruption of our computer systems, in the supply chain or the distribution network could adversely affect us.
- Other people may try to appropriate our trademarks and commercial advertisements. The reputation of our brands and other intellectual property rights are key to our business.
- Our inability to maintain good relations with unions could have an adverse effect on our operation results.
- An increase in the labor cost could have an adverse effect on the operating results.
- Our success depends, in part, on our ability to retain certain key personnel.
- We may not be able to obtain the necessary resources to finance our working capital needs or capital expenditures or to implement our growth strategy.
- Our credit lines contain restrictions that could limit our ability to operate our businesses, and in case of default, our loans could expire early.
- We may incur in additional debt in the future that could affect our financial situation and our ability to generate enough cash to meet our payment obligations.
- Risks and health responsibility in relation to the food industry could affect our business, financial situation and operating results.
- Changes in regulatory matters and in taxes could adversely affect our business.
- Limits on foreign trade or an increase in requirements could affect our business.
- The implementation in Mexico of a price control policy for our products could affect our business model.
- Changes in the regulations regarding health matters, environmental matters and fiscal matters both in Mexico and in other countries in which we operate could negatively impact our business.

- Amendments to federal tax laws in Mexico could have an adverse effect on our financial condition and operating results.
- We have significant operations with individuals and corporations that are affiliated or related parties, which could generate potential conflicts of interest and could result in less favorable terms for us.
- We are a holding company that does not generate income on our own and we depend on dividends and other resources from our subsidiaries to finance our operations and, to the extent that we decide to do so, pay dividends.
- External conditions could affect our packaging production.
- We are subject to risks related to dependence on weather conditions.
- Adverse medical investigations related to milk could affect the demand for our products.
- The decrease in consumer confidence and changes in consumer habits could have a significant adverse effect on our operating results.
- Adverse economic conditions in Mexico could adversely affect our financial situation and operating results.
- The political situation in Mexico could affect Mexican economic policy and adversely affect the company.
- Our business is highly dependent on the economies of the countries in which we operate.
- High interest rates in Mexico could increase our financing costs.
- Economic and political conditions in Mexico and other countries in which we operate could adversely affect our business.
- Our international operations expose us to risks of exchange rate fluctuations.
- Violence in Mexico could adversely affect our business.
- The inflation rate in the markets in which we operate could have an adverse effect on our investments.
- The future offer of securities or the future sale of securities by our controlling shareholders, or the perception that such sale may occur, could result in a dilution or decrease in the market price of our shares.
- Our main shareholders have significant influence over the company, and their interests may differ from the interests of our minority shareholders.
- Our bylaws, in compliance with Mexican laws, restrict the ability of foreign shareholders to invoke the protection of their governments with respect to their shareholder rights.
- Equity markets in other countries could adversely affect the market value of our shares.
- The protection offered to minority shareholders in Mexico is different from that offered in the United States and other jurisdictions.
- The execution of civil liability judgments against the directors, relevant managers and controlling shareholders of the company can be difficult.
- Disclosure practices in Mexico may be different from those disclosures usually made by securities issuers in other countries, including the United States.
- Dividends could be lower than those decreed historically or it could be determined that the company does not pay dividends. Likewise, these dividends could be paid in pesos which, if there is a depreciation of the peso against the dollar, the dividends would be lower in dollar terms.
- Our bylaws contain stipulations that may delay or prevent a change of control.

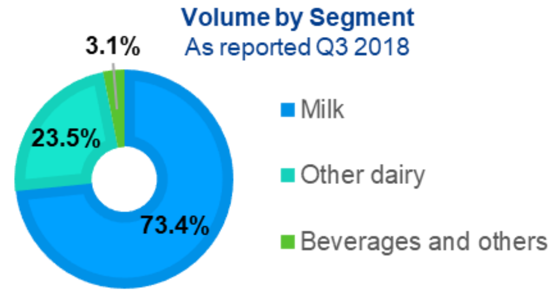
Resultados de las operaciones y perspectivas [bloque de texto]

CONSOLIDATED RESULTS FOR THE THIRD QUARTER 2018

Net Sales: Reported net sales in the third quarter 2018 increased by 24.9% year on year, reaching 18,758 million pesos, from a combination of organic growth and the consolidation of the operations in Brazil. Further, net sales in comparable figures increased by 4.3%, to reach 15,663 million pesos. This growth is a reflection of volume expansion and an improved mix in all regions.

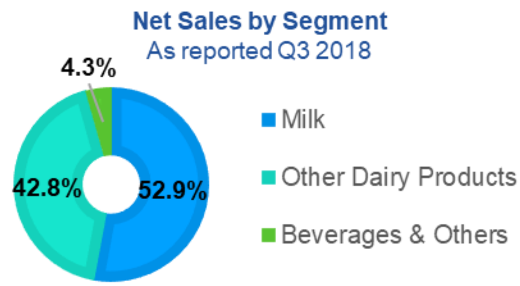
Volume by Segment: Beginning in the third quarter 2018, Grupo LALA will disclose volumes by segment. Third quarter volume increased by 13.5%, driven by Brazil and Other Dairy growth. Volume is measured in "KL", an amount that is calculated by adding Kilos and Liters.

Volume by Segment	As Reported		
KL in millions	Q3'17	Q3'18	Var. %
Milk	678	706	4.2%
Other dairy	143	226	58.5%
Beverages and others	27	30	10.3%
Total Volume	**848**	**963**	**13.5%**



Net Sales by Segment: Milk sales increased by 6.0%, reflecting milk category improvement in Mexico under the LALA and NutriLeche brands, as well as the additional UHT Milk sales coming from Brazil. Other Dairy Products grew 62.3% driven by the acquisition of Vigor Alimentos in Brazil, whose portfolio has a high mix of Value-Added Dairy Products, and by the organic growth of Yogurt, Cheese and Cream. Beverages & Others increased 13.5% primarily by the Cold Cuts category of Mexico.

Net Sales by Segment	As Reported		
MXN$ in millions	Q3´17	Q3´18	Var. %
Milk	9,368	9,928	6.0%
Other Dairy Products	4,948	8,029	62.3%
Beverages & Others	706	801	13.5%
Total Sales	15,022	18,758	24.9%



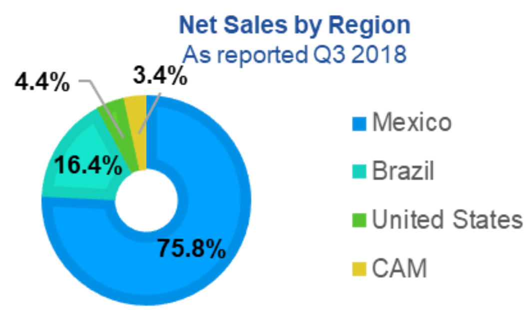
Net Sales by Region: Sales in **Mexico** increased 4.7% to reach 14,252 million pesos, driven by volume and mix, as part of the Company's premiumization strategy. LALA will continue expanding market share in the region through its leading Milk and Cream categories and its strong second position in Yogurt and Cheese. LALA implemented its price increase strategy in September and will continue in October to partially offset inflation. However, the effect of the said price increase in margins is going to be reflected until the next quarter.

Brazil operations reported net sales of 3,095 million pesos; a 10.3% increase in Reals. This increase was due to strong performance in Yoghurt and Cheese, particularly in Cream Cheese and *Requejão*, where market share continues to expand 320 bps and 180 bps, respectively. Innovation remains strong, contributing with more than 25% of sales growth. LALA began gradual price increases between August and October in order to offset inflation.

U.S. operations reported net sales of 826 million pesos, a 10.3% increase, resulting from double-digit growth in the Drinkable Yoghurt category, which gained 80 bps of market share in the third quarter 2018.

Central America sales decreased by 7.9%, mainly impacted by Nicaragua's political situation. Guatemala operation achieved record sales driven by Ice Cream, Yogurt, Cream and Milk Formula. The new plants of Guatemala and Costa Rica will start producing in Q4'18 and Q2'19, respectively, this will allow these operations to no longer solely rely on Nicaragua for supplying certain products.

Net Sales by region	As Reported		
MXN$ in million	Q3´17	Q3´18	Var. %
Mexico	13,611	14,252	4.7%
Brazil	N.A.	3,095	N.A.
United States	749	826	10.3%
Central America	699	644	(7.9%)



Costs and Gross Profit: Third quarter of 2018 Costs of Goods increased by 33.1%, resulting in a Gross Profit of 6,425 million pesos with 34.3% Gross Margin. This was due to the integration of Brazil operations at lower margins, as well as to margin contraction due to a 25% increase in unseasonal raw milk prices in Brazil as a consequence of the truckers strike of the previous quarter. On a comparable basis, Cost of Goods increased 8.8% leading to a YoY decrease in Gross Profit of 266 bps, as a result of higher inflation of raw materials, specifically packaging, and energy costs (electricity +37% and diesel +20%) in Mexico.

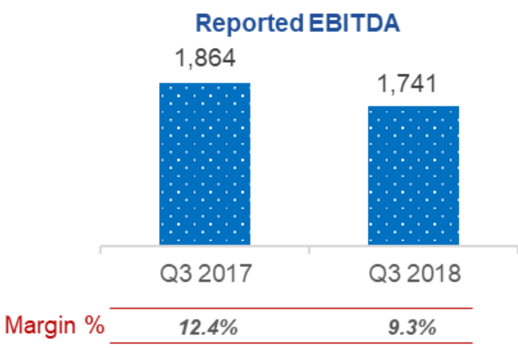
Expenses and Operating Income: Reported Operating Expenses grew 21.8%, ending at 5,312 million pesos. On a comparable basis Operating Expenses grew 5.7%, including a double-digit energy costs increase in Mexico. Reported Operating Income was 1,157 million pesos, a 18.9% decrease, while comparable Operating Income decreased by 28.8% year over year, representing a 300 bps margin contraction.

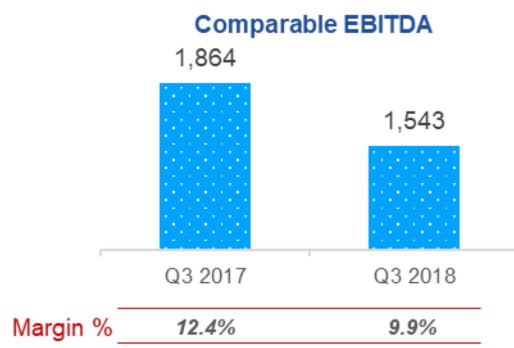
Additionally, LALA reported a one-off expense of 119 million pesos in the third quarter 2018 related to the reorganization of the Company's US and CAM businesses; expected to result in 8 million dollars in cost savings in 2019.

EBITDA: Third quarter reported EBITDA reached 1,741 million pesos; a 6.6% decrease with 310 basis points year on year margin contraction. Comparable EBITDA results declined 17.2% year on year, to 1,543 million pesos; a 250 bps margin decline. This was primarily due to:

1) Electricity, fuel and raw material price inflation;
2) Lower margins in the Brazil business, also affected by unseasonal raw milk costs;

3) Nicaragua political situation;
4) US and CAM one-off restructuring expenses.





EBITDA by Regions: In **Mexico** EBITDA reached 1,730 million pesos, a 10.0% year on year decrease. The reduction is explained by the strategy taken during the year of softly managing prices and by the considerable impact on costs of increased raw materials prices, particularly packaging and energy (electricity and diesel). Mid-September, The Company started driving price increase forward. The expectation is to partially mitigate the inflationary effects by year end.

In **Brazil**, LALA closed the quarter with an EBITDA of 197 million pesos, with a margin of 6.4%; a 105 bps margin increase. LALA is implementing a price increase to compensate the additional pressure of unseasonal milk prices. It's important to note the devaluation of 16.8% of the Real which impacts results when consolidated into Mexican pesos.

The **U.S.** business continues with negative EBITDA, losing 158 million pesos in the quarter, affected by a one-off charge to reorganize and resize the business. Excluding this impact, the US operation would be presenting a negative EBITDA of 54 million pesos and an EBITDA margin of -6.5%. The reconfiguration of this business is an immediate efficiency strategy expected to make the US operations profitable in 4Q'18.

Central America EBITDA decreased 261.3% compared to the 3Q'17, affected by the one-off charge associated with reorganizing the business as well as to the impact of the political situation in Nicaragua. Excluding this one-off, the EBITDA of CAM would have been a 14 million peso loss. The actions that are being taken in place are expected to return CAM to profitable growth in 4Q'18.

EBITDA	As Reported		As Reported		
MXN$ in million	Q3´17	% Sales	Q3´18	% Sales	Var. %
Mexico	1,922	14.2%	1,730	12.2%	(10.0)%
Brazil	N.A.	N.A.	197	6.4%	N.A.
United States	(76)	(10.1)%	(158)	(19.1)%	N.A.
Central America	18	2.6%	(29)	(4.6%)	(261.3%)

Net Financial Expenses: During the period, the Company recorded financing expenses of 673 million pesos, comprised of debt-related interest due to the acquisition of Vigor Alimentos, S.A.

Taxes: Taxes for the third quarter were 266 million pesos. The company paid a $139 million peso penalty of Income Tax for the fiscal years 2011 and 2012. This was a result of a special audit by the Mexican Tax Authority (“SAT”) resulting in a penalty due to a discrepancy in the criteria used by LALA for calculating transfer prices of royalty payments. As a result, a one-time effective tax rate of 55.1% is reflected in third quarter 2018 results. This will not affect subsequent years. In a normalized situation the effective tax rate would have been around 35%.

It is also important to note, that interest payments in Mexico negatively impacted the tax rate, due to the fact that when a Mexican company incurs in bank loans or short / long-term liabilities, said company must pay an income tax derived from the inflation of the country during the fiscal year.

Net Income: Reported net income decreased 78.5%, to 216 million pesos. This is mainly attributable to a decrease in operating income, increased tax and financial expenses. When expressed in comparable figures, net income decreased by 94.7%, to 53 million pesos, primarily because of the one-offs in the quarter.

Financial position, liquidity and equity resources [text block]

CONSOLIDATED FINANCIAL POSITION

Capital Investment: Year to date, the Company invested 1,973 million pesos in expansion and maintenance CapEx. As was announced in Q2’18, 2018 full year CapEx is expected not to exceed 3,000 million pesos.

Cash and Cash Equivalents: As of September 30, 2018, Grupo LALA had a cash position of 2,135 million pesos, including the cash balance of Vigor denominated in Brazilian Reals.

Total Debt: LALA ended the quarter with total debt of 27,448 million pesos; comprised of 1,458 million pesos in short-term debt and 25,990 million pesos in long-term debt. The Company’s Net Debt was 25,313 million pesos with a Net Debt to EBITDA ratio of 3.1x.

The following table shows the composition of the Company's debt by currency, interest rate and year of maturity as of September 30, 2018.

Currency	% Total Debt	% weighted avg. Cost of debt	Average maturity
Mexican Pesos	90.1%	TIIE + 0.7%	4.8 years
Brazilian Reals	9.9%	CDI + 0.5%	1.4 years

Key Financial Data: As of September 30, 2018, the Company's key financial ratios were as follow:

Financial Metrics	Q3 2017	Q3 2018
Net Debt / EBITDA	(0.4)x	3.1x
EBITDA / Interest Paid	284.1x	3.2x
Earnings per Share (12 months)	$ 1.61	$ 0.61
Book Value	$ 11.50	$ 11.02
Outstanding shares (in million)	2,475.9	2,475.9
ROIC %	14.4%	6.5%

[110000] General information on financial statements

Quotation key:	LALA
Period covered by the financial statements:	2018-07-01 to 2018-09-30
Closing date of the reporting period :	2018-09-30
Name of the reporting entity or other forms of identification:	Grupo Lala, S.A.B de C.V.
Presentation currency :	MXP
Degree of rounding used in the financial statements:	Thousands
Consolidated:	Yes
Quarter number:	3
Type of issuer:	ICS
Explanation of the change in the name of the reporting entity or other forms of identification since the end of the reporting period:	
Description of the nature of the financial statements:	

Disclosures about general information about financial statements [text block]

Analysis tracking [text block]

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, Scotiabank, UBS and Vector.

[210000] Statement of financial position, current/non-current

Concept	Closing Current Quarter 2018-09-30	Closing Previous Year 2017-12-31
Statement of financial position		
Assets		
Current assets		
Cash and cash equivalents	2,135,056,000	6,733,382,000
Trade and other accounts receivable	9,267,668,000	9,568,519,000
Taxes receivable	865,573,000	549,363,000
Other financial assets	322,687,000	6,422,000
Inventories	4,749,539,000	5,340,926,000
Biological assets	0	0
Other non-financial assets	470,285,000	383,707,000
Total current assets other than non-current assets or group of assets for disposal, classified as held for sale	17,810,808,000	22,582,319,000
Assets classified as held for sale	0	0
Total current assets	17,810,808,000	22,582,318,646
Non-current assets		
Non-current trade and other accounts receivable	650,007,000	367,378,000
Non-current taxes receivable	1,601,180,000	1,737,579,000
Non-current inventories	0	0
Non-current biological assets	0	0
Non-current non-financial assets	64,689,000	59,722,000
Investments under equity method	0	0
Investments in subsidiaries, joint ventures and associates	67,012,000	66,785,000
Property, plant and equipment	22,045,586,000	23,410,299,000
Investment properties	0	0
Goodwill	20,637,797,000	25,866,133,000
Intangible assets other than goodwill	2,542,125,000	2,945,407,000
Deferred income tax assets	1,247,088,000	546,456,000
Other non-current non-financial assets	228,075,000	308,430,000
Total non-current assets	49,083,559,000	55,308,189,000
Total assets	66,894,367,000	77,890,508,000
Shareholders' Equity and Liabilities		
Liabilities		
Short-term liabilities		
Suppliers and other accounts payable	8,657,178,000	8,640,664,000
Taxes payable	389,042,000	680,178,000
Other financial liabilities	1,486,854,000	28,714,494,000
Other non-financial liabilities	0	0
Short-term provisions		
Employee benefits provisions	979,360,000	753,745,000
Other provisions	1,978,233,000	1,563,027,000
Total current provisions	2,957,593,000	2,316,772,000
Total short-term liabilities other than liabilities attributable to assets held for sale	13,490,667,000	40,352,108,000
Liabilities attributable to assets held for sale	0	0
Total short-term liabilities	13,490,667,000	40,352,108,000
Long-term liabilities		
Long-term suppliers and other accounts payable	0	0
Long-term taxes payable	0	0

Concept	Closing Current Quarter 2018-09-30	Closing Previous Year 2017-12-31
Long-term other financial liabilities	25,990,352,000	2,345,224,000
Long-term other non-financial liabilities	0	0
Long-term provisions		
Long-term employee benefits provisions	625,162,000	585,798,000
Long-term other provisions	2,052,500,000	2,788,317,000
Total long-term provisions	2,677,662,000	3,374,115,000
Deferred income tax liabilities	1,124,067,000	1,478,491,000
Total long-term liabilities	29,792,081,000	7,197,830,000
Total liabilities	43,282,748,000	47,549,938,000
Shareholders’ Equity		
Capital stock	1,488,356,000	1,489,969,000
Net premium in share placement	12,836,921,000	13,088,939,000
Treasury shares	0	0
Retained earnings	13,787,440,000	14,357,249,000
Other accumulated comprehensive results	(4,834,884,000)	1,029,689,000
Total controlling interest	23,277,833,000	29,965,846,000
Non-controlling interest	333,786,000	374,724,000
Total shareholders’ equity	23,611,619,000	30,340,570,000
Total shareholders’ equity and liabilities	66,894,367,000	77,890,508,000

[310000] Income statement, result of the period, by expense function

Concept	Cumulative Current Year 2018-01-01 - 2018-09-30	Cumulative Previous Year 2017-01-01 - 2017-09-30	Current Year Quarter 2018-07-01 - 2018-09-30	Previous Year Quarter 2017-07-01 - 2017-09-30
Result of the period				
Profit (loss)				
Net revenue	55,902,821,000	44,788,944,000	18,757,695,000	15,021,975,000
Cost of goods sold	36,249,338,000	27,885,028,000	12,332,371,000	9,267,811,000
Gross profit	19,653,483,000	16,903,916,000	6,425,324,000	5,754,164,000
Sales expenses	12,901,493,000	10,576,927,000	4,293,230,000	3,641,587,000
Administration expenses	2,999,987,000	2,085,843,000	1,018,355,000	720,374,000
Other income	583,654,000	121,424,000	348,671,000	40,626,000
Other expenses	433,786,000	47,365,000	305,784,000	6,164,000
Operating income (loss)	3,901,871,000	4,315,205,000	1,156,626,000	1,426,665,000
Financial income	184,232,000	79,990,000	39,125,000	58,371,000
Financial expenses	2,090,929,000	262,227,000	712,623,000	34,642,000
Share in the profit (loss) of associates and joint ventures	227,000	2,355,000	(1,073,000)	1,489,000
Income (loss) before taxes	1,995,401,000	4,135,323,000	482,055,000	1,451,883,000
Income taxes	876,944,000	1,276,119,000	265,580,000	444,697,000
Profit (loss) of continuous operations	1,118,457,000	2,859,204,000	216,475,000	1,007,186,000
Profit (loss) of discontinuous operations	0	0	0	0
Net profit (loss)	1,118,457,000	2,859,204,000	216,475,000	1,007,186,000
Profit (loss) attributable to				
Profit (loss) attributable to controlling interest	1,053,532,000	2,792,731,000	204,739,000	985,156,000
Profit (loss) attributable to non-controlling interest	64,925,000	66,473,000	11,736,000	22,030,000
Earnings per share				
Earnings per share				
Earnings per share				
Basic earnings per share				
Basic profit (loss) per share in continuing operations	0.43	1.13	0.08	0.4
Basic profit (loss) per share in discontinuous operations	0	0	0	0
Total basic profit (loss) per share	0.43	1.13	0.08	0.4
Diluted earnings per share				
Basic profit (loss) per diluted share in continuing operations	0.43	1.13	0.08	0.4
Basic profit (loss) per diluted share in discontinuous operations	0	0	0	0
Total basic profit (loss) per diluted share	0.43	1.13	0.08	0.4

[410000] Statement of comprehensive income, OCI components presented net of taxes

Concept	Cumulative Current Year 2018-01-01 - 2018-09-30	Cumulative Previous Year 2017-01-01 - 2017-09-30	Current Year Quarter 2018-07-01 - 2018-09-30	Previous Year Quarter 2017-07-01 - 2017-09-30
Statement of comprehensive income				
Net income (loss)	1,118,457,000	2,859,204,000	216,475,000	1,007,186,000
Other comprehensive income				
Components of other comprehensive income that will not be reclassified to results, net of taxes				
Other comprehensive income, net of taxes, profit (loss) of investments in equity instruments	0	0	0	0
Other comprehensive income, net of taxes, profit (loss) due to revaluation	0	0	0	0
Other comprehensive income, net of taxes, profit (loss) for new measurements of defined benefit plans	2,000	0	0	0
Other comprehensive income, net of taxes, change in the fair value of financial liabilities attributable to changes in the credit risk of the liability	0	0	0	0
Other comprehensive income, net of taxes, profit (loss) on hedging instruments that cover investments in equity instruments	0	0	0	0
Share of other comprehensive income of associates and joint ventures that will not be reclassified to income, net of taxes	0	0	0	0
Total other comprehensive income that will not be reclassified to results, net of taxes	2,000	0	0	0
Components of other comprehensive income that will be reclassified to results, net of taxes				
Translation effect				
Profit (loss) of translation effect, net of taxes	(5,905,759,000)	(912,792,000)	(2,386,530,000)	81,223,000
Reclassification of translation effect, net of taxes	0	0	0	0
Translation effect, net of taxes	(5,905,759,000)	(912,792,000)	(2,386,530,000)	81,223,000
Financial assets available for sale				
Profit (loss) for changes in fair value of financial assets available for sale, net of taxes	0	0	0	0
Reclassification of profit (loss) due to changes in fair value of financial assets available for sale, net of taxes	0	0	0	0
Changes in fair value of financial assets available for sale, net of taxes	0	0	0	0
Cash flow hedges				
Profit (loss) due to cash flow hedges, net of taxes	41,184,000	129,734,000	(31,038,000)	129,734,000
Reclassification of profit (loss) due to cash flow hedges, net of taxes	0	0	0	0
Amounts eliminated from the capital included in the book value of non-financial assets (liabilities) that have been acquired or incurred through a highly probable forecast transaction, net of taxes	0	0	0	0
Cash flow hedges, net of taxes	41,184,000	129,734,000	(31,038,000)	129,734,000
Hedges of net investments in businesses abroad				
Profit (loss) for hedges of net investments in businesses abroad, net of taxes	0	0	0	0
Reclassification for hedges of net investments in businesses abroad, net of taxes	0	0	0	0
Hedges of net investments in businesses abroad, net of taxes	0	0	0	0
Changes in time value of options				
Profit (loss) due to changes in the time value of option, net of taxes	0	0	0	0

Concept	Cumulative Current Year 2018-01-01 - 2018-09-30	Cumulative Previous Year 2017-01-01 - 2017-09-30	Current Year Quarter 2018-07-01 - 2018-09-30	Previous Year Quarter 2017-07-01 - 2017-09-30
Reclassification of changes in the time value of options, net of taxes	0	0	0	0
Changes in the time value of option, net of taxes	0	0	0	0
Changes in the value of futures contracts				
Profit (loss) due to changes in the value of futures contracts, net of taxes	0	0	0	0
Reclassification of changes in the value of futures contracts, net of taxes	0	0	0	0
Changes in the value of futures contracts, net of taxes	0	0	0	0
Changes in the value of margins based on foreign currency, net of taxes				
Profit (loss) due to changes in the value of margins based on foreign currency, net of taxes	0	0	0	0
Reclassification of changes in the value of margins based on foreign currency, net of taxes	0	0	0	0
Changes in the value of margins based on foreign currency, net of taxes	0	0	0	0
Share of other comprehensive income of associates and joint ventures that will be reclassified to results, net of taxes	0	0	0	0
Total other comprehensive income that will be reclassified to the result of the period, net of taxes	(5,864,575,000)	(783,058,000)	(2,417,568,000)	210,957,000
Total other comprehensive income	(5,864,573,000)	(783,058,000)	(2,417,568,000)	210,957,000
Total comprehensive income	(4,746,116,000)	2,076,146,000	(2,201,093,000)	1,218,143,000
Comprehensive income attributable to				
Comprehensive income attributable to controlling interest	(4,811,041,000)	2,009,673,000	(2,212,829,000)	1,196,113,000
Comprehensive income attributable to non-controlling interest	64,925,000	66,473,000	11,736,000	22,030,000

[520000] Statement of cash flows, indirect method

Concept	Cumulative Current Year 2018-01-01 - 2018-09-30	Cumulative Previous Year 2017-01-01 - 2017-09-30
Statement of cash flows		
Cash flows from (used in) operating activities		
Net income (loss)	1,118,457,000	2,859,204,000
Adjustments to reconcile profit (loss)		
Discontinuous operations	0	0
Income taxes	876,944,000	1,276,119,000
Financial income and expense, net	1,801,099,000	(59,829,000)
Depreciation and amortization expense	1,741,934,000	1,369,868,000
Impairment (reversals of impairment losses) recognized in profit or loss	0	0
Provisions	0	78,015,000
Loss (profit) of unrealized foreign currency	(87,411,000)	34,612,000
Share-based payments	0	0
Loss (profit) of fair value	0	0
Undistributed gains of associates	0	0
Loss (profit) from disposal of non-current assets	(5,582,000)	16,073,000
Share in associates and joint ventures	(227,000)	(2,355,000)
Decreases (increases) in inventories	305,005,000	(290,540,000)
Decreases (increases) in clients	16,401,000	(290,148,000)
Decreases (increases) in other accounts receivables from operating activities	(955,926,000)	(604,736,000)
Increase (decrease) in suppliers	(134,730,000)	(166,248,000)
Increases (decreases) in other accounts payable from operating activities	1,250,069,000	1,173,759,000
Other items other than cash	0	0
Other adjustments for which the effects on cash are cash flow of investment and financing	0	0
Adjustment of income from leases	0	0
Amortization of lease commissions	0	0
Adjustment of properties' value	0	0
Other adjustments to reconcile profit (loss)	0	0
Total adjustments to reconcile profit (loss)	4,807,576,000	2,534,590,000
Net cash flows from (used in) operations	5,926,033,000	5,393,794,000
Dividends paid	0	0
Dividends received	0	0
Interest paid	0	0
Interest received	0	0
Income taxes received (paid)	1,772,766,000	1,592,201,000
Other cash inflows (outflows)	0	0
Net cash flows from (used in) operating activities	4,153,267,000	3,801,593,000
Cash flows from (used in) investment activities		
Cash flows from the loss of control of subsidiaries or other businesses	(60,964,000)	0
Cash flows used to gain control of subsidiaries or other businesses	0	0
Other charges for the sale of capital or debt instruments of other entities	0	0
Other payments to acquire capital or debt instruments of other entities	0	0
Other charges for the sale of interests in joint ventures	0	0
Other payments to acquire interests in joint ventures	0	0
Sale of property, plant and equipment	86,652,000	126,172,000
Acquisition of property, plant and equipment	1,972,662,000	2,732,667,000
Sales of intangibles assets	0	0
Acquisitions of intangible assets	110,651,000	80,697,000
Sales of other long-term assets	0	0
Acquisitions of other long-term assets	0	0

Concept	Cumulative Current Year 2018-01-01 - 2018-09-30	Cumulative Previous Year 2017-01-01 - 2017-09-30
Amounts from government grants	0	0
Advances of cash and loans granted to third parties	0	0
Reimbursement of advances of cash and loans granted to third parties	0	0
Payments from futures contracts, forward contracts, options and swap agreements	7,068,000	36,708,000
Collections from futures contracts, forward contracts, options and swap agreements	0	1,025,000,000
Dividends received	0	0
Interest paid	0	0
Interest received	181,700,000	93,170,000
Income taxes received (paid)	0	0
Other cash inflows (outflows)	0	0
Net cash flows from (used in) investment activities	(1,882,993,000)	(1,605,730,000)
Cash flows from (used in) financing activities		
Amounts arising from changes in ownership interests in subsidiaries that do not result in loss of control	0	0
Payments for changes in ownership interests in subsidiaries that do not result in loss of control	0	0
Amounts from the issuance of shares	0	0
Amounts from the issuance of other equity instruments	0	0
Payments for acquiring or redeeming the shares of the entity	253,632,000	303,272,000
Payments for other contributions in the capital	0	0
Amounts from loans	39,481,186,000	998,381,000
Loan repayments	42,436,020,000	3,240,123,000
Payments of liabilities for financial leases	1,989,000	20,423,000
Amounts from government grants	0	0
Dividends paid	1,143,792,000	1,086,246,000
Interest paid	1,937,226,000	16,868,000
Income taxes received (paid)	0	0
Other cash inflows (outflows)	(105,841,000)	(49,000,000)
Net cash flows from (used in) financing activities	(6,397,314,000)	(3,717,551,000)
Net increase (decrease) in cash and cash equivalents, before the effect of changes in the exchange rate	(4,127,040,000)	(1,521,688,000)
Variations in the exchange rate on cash and cash equivalents		
Variation in the exchange rate on cash and cash equivalents	(471,286,000)	44,499,000
Net increase (decrease) in cash and cash equivalents	(4,598,326,000)	(1,477,189,000)
Cash and cash equivalents at the beginning of the period	6,733,382,000	4,266,101,000
Cash and cash equivalents at the end of the period	2,135,056,000	2,788,912,000

[610000] Statement of changes in shareholders’ equity – Cumulative Current

	Shareholders’ equity components								
Page 1 of 3	Capital stock	Net Premium in share placement	Treasury shares	Retained earnings	Revaluation surplus	Translation effect	Cash flow hedges	Profit (loss) in hedging instruments that cover investments in equity instruments	Changes in time value of options
Statements of changes in shareholders’ equity									
Shareholders’ equity at the beginning of the period	1,489,969,000	13,088,939,000	0	14,357,249,000	0	470,636,000	0	0	0
Changes in shareholders’ equity									
Comprehensive result									
Net profit (loss)	0	0	0	1,053,532,000	0	0	0	0	0
Other comprehensive result	0	0	0	0	0	(5,905,759,000)	0	0	0
Total comprehensive result	0	0	0	1,053,532,000	0	(5,905,759,000)	0	0	0
Increase in capital stock	0	0	0	0	0	0	0	0	0
Declared dividends	0	0	0	1,523,193,000	0	0	0	0	0
Increases for other contributions from owners	0	0	0	6,237,000	0	0	0	0	0
Decreases for other contributions from owners	0	0	0	0	0	0	0	0	0
Increases (decreases) for other changes	0	0	0	(106,385,000)	0	0	0	0	0
Increases (decreases) due to transactions with own shares	(1,613,000)	(252,018,000)	0	0	0	0	0	0	0
Increases (decreases) due to changes in the interest in subsidiaries that do not lease to loss of control	0	0	0	0	0	0	0	0	0
Increases (decreases) for transactions with share-based payments	0	0	0	0	0	0	0	0	0
Amount eliminated from the cash flow hedge reserve and included in the initial cost or in another book value of the non-financial asset (liability) or firm commitment for which fair value hedge accounting is applied	0	0	0	0	0	0	0	0	0
Amount eliminated from the exchange reserve in the temporary value of the options and is included in the initial cost or in another book value of the non-financial asset (liability) or firm commitment for which fair value hedge accounting is applied	0	0	0	0	0	0	0	0	0
Amount eliminated from foreign exchange reserves in the value of future contracts and is included in the initial cost or in another book value of the non-financial asset (liability) or firm commitment for which fair value hedge accounting is applied	0	0	0	0	0	0	0	0	0
Amount eliminated from reserve of changes in the value of margins based on foreign currency and is included in the initial cost or in another book value of the non-financial asset (liability) or firm commitment for which fair value hedge accounting is applied	0	0	0	0	0	0	0	0	0
Total increase (decrease) in shareholders’ equity	(1,613,000)	(252,018,000)	0	(569,809,000)	0	(5,905,759,000)	0	0	0
Shareholders’ equity at the end of the period	1,488,356,000	12,836,921,000	0	13,787,440,000	0	(5,435,123,000)	0	0	0

	Shareholders' equity components								
Page 2 of 3	Change in the value of futures contracts	Changes in the value of margins based on foreign currency	Profit (loss) for changes in fair value of financial assets available for sale	Share-based payments	New measurements of defined benefit plans	Amounts recognized in other comprehensive income and accumulated in shareholders' equity relating to non-current assets or groups of assets for disposal held for sale	Profit (loss) from investments in equity instruments	Reserve for changes in fair value of financial liabilities attributable to changes in the credit risk of the liability	Reserve for catastrophes
Statements of changes in shareholders' equity									
Shareholders' equity at the beginning of the period	0	0	0	0	559,053,000	0	0	0	0
Changes in shareholders' equity									
Comprehensive result									
Net profit (loss)	0	0	0	0	0	0	0	0	0
Other comprehensive result	0	0	0	0	2,000	0	41,184,000	0	0
Total comprehensive result	0	0	0	0	2,000	0	41,184,000	0	0
Increase in capital stock	0	0	0	0	0	0	0	0	0
Declared dividends	0	0	0	0	0	0	0	0	0
Increases for other contributions from owners	0	0	0	0	0	0	0	0	0
Decreases for other contributions from owners	0	0	0	0	0	0	0	0	0
Increases (decreases) for other changes	0	0	0	0	0	0	0	0	0
Increases (decreases) due to transactions with own shares	0	0	0	0	0	0	0	0	0
Increases (decreases) due to changes in the interest in subsidiaries that do not lease to loss of control	0	0	0	0	0	0	0	0	0
Increases (decreases) for transactions with share-based payments	0	0	0	0	0	0	0	0	0
Amount eliminated from the cash flow hedge reserve and included in the initial cost or in another book value of the non-financial asset (liability) or firm commitment for which fair value hedge accounting is applied	0	0	0	0	0	0	0	0	0
Amount eliminated from the exchange reserve in the temporary value of the options and is included in the initial cost or in another book value of the non-financial asset (liability) or firm commitment for which fair value hedge accounting is applied	0	0	0	0	0	0	0	0	0
Amount eliminated from foreign exchange reserves in the value of future contracts and is included in the initial cost or in another book value of the non-financial asset (liability) or firm commitment for which fair value hedge accounting is applied	0	0	0	0	0	0	0	0	0
Amount eliminated from reserve of changes in the value of margins based on foreign currency and is included in the initial cost or in another book value of the non-financial asset (liability) or firm commitment for which fair value hedge accounting is applied	0	0	0	0	0	0	0	0	0
Total increase (decrease) in shareholders' equity	0	0	0	0	2,000	0	41,184,000	0	0
Shareholders' equity at the end of the period	0	0	0	0	559,055,000	0	41,184,000	0	0

	Shareholders' equity components						
Page 3 of 3	Reserve for stabilization	Reserve of components in discretionary interest	Other comprehensive results	Other cumulative comprehensive results	Shareholders' equity of the controlling interest	Non-controlling interest	Shareholders' equity
Statements of changes in shareholders' equity							
Shareholders' equity at the beginning of the period	0	0	0	1,029,689,000	29,965,846,000	374,724,000	30,340,570,000
Changes in shareholders' equity							
Comprehensive result							
Net profit (loss)	0	0	0	0	1,053,532,000	64,925,000	1,118,457,000
Other comprehensive result	0	0	0	(5,864,573,000)	(5,864,573,000)	0	(5,864,573,000)
Total comprehensive result	0	0	0	(5,864,573,000)	(4,811,041,000)	64,925,000	(4,746,116,000)
Increase in capital stock	0	0	0	0	0	(21,000)	(21,000)
Declared dividends	0	0	0	0	1,523,193,000	105,842,000	1,629,035,000
Increases for other contributions from owners	0	0	0	0	6,237,000	0	6,237,000
Decreases for other contributions from owners	0	0	0	0	0	0	0
Increases (decreases) for other changes	0	0	0	0	(106,385,000)	0	(106,385,000)
Increases (decreases) due to transactions with own shares	0	0	0	0	(253,631,000)	0	(253,631,000)
Increases (decreases) due to changes in the interest in subsidiaries that do not lease to loss of control	0	0	0	0	0	0	0
Increases (decreases) for transactions with share-based payments	0	0	0	0	0	0	0
Amount eliminated from the cash flow hedge reserve and included in the initial cost or in another book value of the non-financial asset (liability) or firm commitment for which fair value hedge accounting is applied	0	0	0	0	0	0	0
Amount eliminated from the exchange reserve in the temporary value of the options and is included in the initial cost or in another book value of the non-financial asset (liability) or firm commitment for which fair value hedge accounting is applied	0	0	0	0	0	0	0
Amount eliminated from foreign exchange reserves in the value of future contracts and is included in the initial cost or in another book value of the non-financial asset (liability) or firm commitment for which fair value hedge accounting is applied	0	0	0	0	0	0	0
Amount eliminated from reserve of changes in the value of margins based on foreign currency and is included in the initial cost or in another book value of the non-financial asset (liability) or firm commitment for which fair value hedge accounting is applied	0	0	0	0	0	0	0
Total increase (decrease) in shareholders' equity	0	0	0	(5,864,573,000)	(6,688,013,000)	(40,938,000)	(6,728,951,000)
Shareholders' equity at the end of the period	0	0	0	(4,834,884,000)	23,277,833,000	333,786,000	23,611,619,000

[610000] Statement of changes in shareholders' equity – Cumulative Previous

	Shareholders' equity components								
Page 1 of 3	Capital stock	Net Premium in share placement	Treasury shares	Retained earnings	Revaluation surplus	Translation effect	Cash flow hedges	Profit (loss) in hedging instruments that cover investments in equity instruments	Changes in time value of options
Statements of changes in shareholders' equity									
Shareholders' equity at the beginning of the period	1,491,486,000	13,408,351,000	0	12,965,672,000	0	884,174,000	0	0	0
Changes in shareholders' equity									
Comprehensive result									
Net profit (loss)	0	0	0	2,792,731,000	0	0	0	0	0
Other comprehensive result	0	0	0	0	0	(912,793,000)	0	0	0
Total comprehensive result	0	0	0	2,792,731,000	0	(912,793,000)	0	0	0
Increase in capital stock	0	0	0	0	0	0	0	0	0
Declared dividends	0	0	0	1,857,444,000	0	0	0	0	0
Increases for other contributions from owners	0	0	0	10,135,000	0	0	0	0	0
Decreases for other contributions from owners	0	0	0	0	0	0	0	0	0
Increases (decreases) for other changes	0	0	0	0	0	0	0	0	0
Increases (decreases) due to transactions with own shares	(1,427,000)	(301,845,000)	0	0	0	0	0	0	0
Increases (decreases) due to changes in the interest in subsidiaries that do not lease to loss of control	0	0	0	0	0	0	0	0	0
Increases (decreases) for transactions with share-based payments	0	0	0	0	0	0	0	0	0
Amount eliminated from the cash flow hedge reserve and included in the initial cost or in another book value of the non-financial asset (liability) or firm commitment for which fair value hedge accounting is applied	0	0	0	0	0	0	0	0	0
Amount eliminated from the exchange reserve in the temporary value of the options and is included in the initial cost or in another book value of the non-financial asset (liability) or firm commitment for which fair value hedge accounting is applied	0	0	0	0	0	0	0	0	0
Amount eliminated from foreign exchange reserves in the value of future contracts and is included in the initial cost or in another book value of the non-financial asset (liability) or firm commitment for which fair value hedge accounting is applied	0	0	0	0	0	0	0	0	0
Amount eliminated from reserve of changes in the value of margins based on foreign currency and is included in the initial cost or in another book value of the non-financial asset (liability) or firm commitment for which fair value hedge accounting is applied	0	0	0	0	0	0	0	0	0
Total increase (decrease) in shareholders' equity	(1,427,000)	(301,845,000)	0	945,422,000	0	(912,793,000)	0	0	0
Shareholders' equity at the end of the period	1,490,059,000	13,106,506,000	0	13,911,094,000	0	(28,619,000)	0	0	0

	Shareholders' equity components								
Page 2 of 3	Change in the value of futures contracts	Changes in the value of margins based on foreign currency	Profit (loss) for changes in fair value of financial assets available for sale	Share-based payments	New measurements of defined benefit plans	Amounts recognized in other comprehensive income and accumulated in shareholders' equity relating to non-current assets or groups of assets for disposal held for sale	Profit (loss) from investments in equity instruments	Reserve for changes in fair value of financial liabilities attributable to changes in the credit risk of the liability	Reserve for catastrophes
Statements of changes in shareholders' equity									
Shareholders' equity at the beginning of the period	0	0	0	0	(87,652,000)	0	0	0	0
Changes in shareholders' equity									
Comprehensive result									
Net profit (loss)	0	0	0	0	0	0	0	0	0
Other comprehensive result	0	0	0	0	129,735,000	0	0	0	0
Total comprehensive result	0	0	0	0	129,735,000	0	0	0	0
Increase in capital stock	0	0	0	0	0	0	0	0	0
Declared dividends	0	0	0	0	0	0	0	0	0
Increases for other contributions from owners	0	0	0	0	0	0	0	0	0
Decreases for other contributions from owners	0	0	0	0	0	0	0	0	0
Increases (decreases) for other changes	0	0	0	0	0	0	0	0	0
Increases (decreases) due to transactions with own shares	0	0	0	0	0	0	0	0	0
Increases (decreases) due to changes in the interest in subsidiaries that do not lease to loss of control	0	0	0	0	0	0	0	0	0
Increases (decreases) for transactions with share-based payments	0	0	0	0	0	0	0	0	0
Amount eliminated from the cash flow hedge reserve and included in the initial cost or in another book value of the non-financial asset (liability) or firm commitment for which fair value hedge accounting is applied	0	0	0	0	0	0	0	0	0
Amount eliminated from the exchange reserve in the temporary value of the options and is included in the initial cost or in another book value of the non-financial asset (liability) or firm commitment for which fair value hedge accounting is applied	0	0	0	0	0	0	0	0	0
Amount eliminated from foreign exchange reserves in the value of future contracts and is included in the initial cost or in another book value of the non-financial asset (liability) or firm commitment for which fair value hedge accounting is applied	0	0	0	0	0	0	0	0	0
Amount eliminated from reserve of changes in the value of margins based on foreign currency and is included in the initial cost or in another book value of the non-financial asset (liability) or firm commitment for which fair value hedge accounting is applied	0	0	0	0	0	0	0	0	0
Total increase (decrease) in shareholders' equity	0	0	0	0	129,735,000	0	0	0	0
Shareholders' equity at the end of the period	0	0	0	0	42,083,000	0	0	0	0

	Shareholders' equity components						
Page 3 of 3	Reserve for stabilization	Reserve of components in discretionary interest	Other comprehensive results	Other cumulative comprehensive results	Shareholders' equity of the controlling interest	Non-controlling interest	Shareholders' equity
Statements of changes in shareholders' equity							
Shareholders' equity at the beginning of the period	0	0	0	796,522,000	28,662,031,000	324,843,000	28,986,874,000
Changes in shareholders' equity							
Comprehensive result							
Net profit (loss)	0	0	0	0	2,792,731,000	66,473,000	2,859,204,000
Other comprehensive result	0	0	0	(783,058,000)	(783,058,000)	0	(783,058,000)
Total comprehensive result	0	0	0	(783,058,000)	2,009,673,000	66,473,000	2,076,146,000
Increase in capital stock	0	0	0	0	0	0	0
Declared dividends	0	0	0	0	1,857,444,000	49,000,000	1,906,444,000
Increases for other contributions from owners	0	0	0	0	10,135,000	0	10,135,000
Decreases for other contributions from owners	0	0	0	0	0	0	0
Increases (decreases) for other changes	0	0	0	0	0	0	0
Increases (decreases) due to transactions with own shares	0	0	0	0	(303,272,000)	0	(303,272,000)
Increases (decreases) due to changes in the interest in subsidiaries that do not lease to loss of control	0	0	0	0	0	0	0
Increases (decreases) for transactions with share-based payments	0	0	0	0	0	0	0
Amount eliminated from the cash flow hedge reserve and included in the initial cost or in another book value of the non-financial asset (liability) or firm commitment for which fair value hedge accounting is applied	0	0	0	0	0	0	0
Amount eliminated from the exchange reserve in the temporary value of the options and is included in the initial cost or in another book value of the non-financial asset (liability) or firm commitment for which fair value hedge accounting is applied	0	0	0	0	0	0	0
Amount eliminated from foreign exchange reserves in the value of future contracts and is included in the initial cost or in another book value of the non-financial asset (liability) or firm commitment for which fair value hedge accounting is applied	0	0	0	0	0	0	0
Amount eliminated from reserve of changes in the value of margins based on foreign currency and is included in the initial cost or in another book value of the non-financial asset (liability) or firm commitment for which fair value hedge accounting is applied	0	0	0	0	0	0	0
Total increase (decrease) in shareholders' equity	0	0	0	(783,058,000)	(140,908,000)	17,473,000	(123,435,000)
Shareholders' equity at the end of the period	0	0	0	13,464,000	28,521,123,000	342,316,000	28,863,439,000

[700000] Informative data on the statement of financial position

Concept	Closing Current Quarter 2018-09-30	Closing Previous Exercise 2017-12-31
Informative date on the statement of financial position		
Nominal capital stock	352,820,000	352,820,000
Capital stock updated	1,140,046,000	1,140,046,000
Pension funds and seniority premium	0	0
Number of officials	650	651
Number of employees	7,391	7,491
Number of workers	29,918	30,251
Number of shares outstanding	2,475,932,111	2,475,932,111
Number of shares repurchased	32,154,139	20,327,394
Restricted cash	55,066	57,769
Guaranteed debt of associates	0	0

[700002] Informative data on the income statement

Concept	Cumulative Current Year 2018-01-01 - 2018-09-30	Cumulative Previous Year 2017-01-01 - 2017-09-30	Current Year Quarter 2018-07-01 - 2018-09-30	Previous Year Quarter 2017-07-01 - 2017-09-30
Informative data on the income statement				
Operating depreciation and amortization	1,741,934,000	1,369,868,000	584,148,000	437,585,000

[700003] Informative data- 12-month income statement

Concept	Current Year 2017-10-01 - 2018-09-30	Previous Year 2016-10-01 - 2017-09-30
Informative data – 12-month income statement		
Revenues	73,654,125,000	59,143,346,000
Operating income (loss)	5,761,355,000	5,414,490,000
Net income (loss)	1,597,153,000	4,087,232,000
Income (loss) attributable to controlling interest	1,499,686,000	3,997,950,000
Operating depreciation and amortization	2,242,663,000	1,871,805,000

[800001] Annex – Credit breakdown

Institution	Foreign Institution (Yes/No)	Date of signature/contract	Expiration date	Interest rate and/or surcharge	Denomination											
					National currency						Foreign currency					
					Time interval						Time interval					
					Current year	Up to 1 year	Up to 2 years	Up to 3 years	Up to 4 years	Up to 5 years or more]	Current year	Up to 1 year	Up to 2 years	Up to 3 years	Up to 4 years	Up to 5 years or more]
Banking																
Foreign trade (banking)																
HSBC - Lei 4131	NO	2018-01-01	2018-01-01	CDI + 0,98% per year (Variable Rate)								7,848,000	1,543,489,000			
TOTAL					0	0	0	0	0	0	0	7,848,000	1,543,489,000	0	0	0
With guarantee (banking)																
TOTAL					0	0	0	0	0	0	0	0	0	0	0	0
Commercial bank																
Banco LAFISE Bancentro - 697	YES	2014-04-28	2019-07-28	TF 7.50 %	0							504,000	1,213,000	0	0	0
Banco LAFISE Bancentro - 981	YES	2014-12-26	2018-12-16	TF 7.50 %	0							328,000	0	0	0	0
Banco LAFISE Bancentro - 827	YES	2014-12-22	2019-12-16	TF 7.50 %	0							190,000	765,000	0	0	0
Banco LAFISE Bancentro - 693	YES	2014-08-10	2019-08-10	TF 8.50 %	0							355,000	1,286,000	0	0	0
Banco LAFISE Bancentro - 831	YES	2015-03-25	2020-03-25	TF 7.00 %	0							279,000	1,182,000	312,000	0	0
Banco LAFISE Bancentro - 890	YES	2015-10-29	2019-10-14	TF 7.50 %	0							92,000	317,000	0	0	0
BBVA Bancomer - 905	NO	2016-07-06	2021-05-31	Libor + 2.23 %	0							18,737,000	18,737,000	12,867,000	0	
HSBC 1510	NO	2018-08-15	2018-10-15	TIIE 28d + 0.14%		1,100,000,000										
BBVA Bancomer 2806	NO	2018-06-28	2023-06-28	TIIE 28 + 0.65%			212,731,000	283,641,000	425,462,000	496,372,000						
JPM 2806	NO	2018-06-28	2023-06-28	TIIE 28 + 0.65%			195,353,000	260,470,000	390,705,000	455,823,000						
Scotiabank 2806	NO	2018-06-28	2023-06-28	TIIE 28 + 0.65%			133,195,000	177,593,000	266,390,000	310,788,000						
Santander 2806	NO	2018-06-28	2023-06-28	TIIE 28 + 0.65%			213,112,000	284,149,000	426,224,000	497,262,000						
HSBC 2806	NO	2018-06-28	2023-06-28	TIIE 28 + 0.65%			133,195,000	177,593,000	266,390,000	310,788,000						
CITI Banamex-1008	NO	2018-03-13	2023-03-13	TIIE 28d + 0.75%		141,871,000	555,660,000	614,773,000	685,708,000	366,499,000						
Bank of America 37266	NO	2018-12-04	2023-11-04	TIIE 28d + 0.725%		0	0	0	0	2,339,425,000						
BDMG - FINAME 1712	YES	2012-10-12	2022-11-15	TF 2,50%	0	3,008,000	749,000	2,997,000	2,997,000	2,747,000	0	0	0	0	0	0
BDMG - FINAME 1813	YES	2013-04-19	2023-03-15	TF 3,00%	0	982,000	244,000	977,000	977,000	1,221,000	0	0	0	0	0	0
BDMG - FINAME 6313	YES	2013-09-05	2023-02-15	TF 3,00%	0	3,349,000	1,283,000	3,695,000	3,695,000	4,311,000	0	0	0	0	0	0
BDMG - FINAME 953	YES	2013-08-11	2023-11-15	TF 3,50%	0	452,000	112,000	449,000	449,000	860,000	0	0	0	0	0	0
BDMG - FINAME 915	YES	2013-08-11	2023-11-15	TF 3,50%	0	90,000	198,000	792,000	792,000	1,650,000	0	0	0	0	0	0
BDMG - FINAME 957	YES	2013-08-11	2023-11-15	TF 3,50%	0	145,000	22,000	90,000	90,000	172,000	0	0	0	0	0	0
BDMG - FINAME 959	YES	2014-05-19	2023-11-15	TF 3,50%	0	1,004,000	36,000	144,000	144,000	276,000	0	0	0	0	0	0
BDMG - FINAME 647	YES	2013-12-27	2024-01-15	TF 3,50%	0	797,000	249,000	998,000	998,000	1,912,000	0	0	0	0	0	0
BDMG - FINAME 434	YES	2014-07-24	2024-06-17	TF 6,00%	0	82,000	20,000	81,000	81,000	202,000	0	0	0	0	0	0
BDMG - FINAME 439	YES	2014-07-24	2024-06-17	TF 6,00%	0	21,000	5,000	21,000	21,000	52,000	0	0	0	0	0	0
BDMG - FINAME 455	YES	2014-07-24	2024-06-17	TF 6,00%	0	54,000	13,000	53,000	53,000	133,000	0	0	0	0	0	0
BDMG - FINAME 0455	YES	2014-08-14	2024-06-17	TF 6,00%	0	54,000	13,000	53,000	53,000	133,000	0	0	0	0	0	0
BDMG - FINAME 454	YES	2014-08-14	2024-06-17	TF 6,00%	0	20,000	5,000	20,000	20,000	49,000	0	0	0	0	0	0
BDMG - FINAME 460	YES	2014-08-14	2024-06-17	TF 6,00%	0	66,000	16,000	65,000	65,000	162,000	0	0	0	0	0	0
BDMG - FINAME 617	YES	2014-10-10	2024-07-15	TF 6,00%	0	84,000	21,000	83,000	83,000	213,000	0	0	0	0	0	0
BB - NCE (20/22040-5)	YES	2016-03-30	2019-03-15	105,5% CDI	0	117,896,000	0	0	0	0	0	0	0	0	0	0
BB - CCB (20/22379-X)	YES	2018-03-29	2020-05-03	TF 6,70%	0	1,981,000	934,312,000	0	0	0	0	0	0	0	0	0
SANTANDER -NPR	YES	2018-05-14	2019-09-01	TF 5,00%	0	56,085,000	0	0	0	0	0	0	0	0	0	0
TOTAL					0	1,428,041,000	2,380,544,000	1,808,737,000	2,471,397,000	4,791,050,000	0	20,485,000	23,500,000	13,179,000	0	0
Other banking																

Institution	Foreign Institution (Yes/No)	Date of signature/contract	Expiration date	Interest rate and/or surcharge	Denomination											
					National currency						Foreign currency					
					Time interval						Time interval					
					Current year	Up to 1 year	Up to 2 years	Up to 3 years	Up to 4 years	Up to 5 years or more]	Current year	Up to 1 year	Up to 2 years	Up to 3 years	Up to 4 years	Up to 5 years or more]
TOTAL					0	0	0	0	0	0	0	0	0	0	0	0
Total banking																
TOTAL					0	1,428,041,000	2,380,544,000	1,808,737,000	2,471,397,000	4,791,050,000	0	28,333,000	1,566,989,000	13,179,000	0	0
Securities and private placements																
Stocks listed on the stock exchange (unsecured)																
Cebur Lala 18	NO	2018-12-03	2028-02-28	TF 9.17%						5,976,859,000						
Cebur Lala 18-2	NO	2018-12-03	2023-06-03	TIIE 28d +.50%						3,985,521,000						
Cebur Lala 18-3	NO	2018-04-17	2021-04-13	TIIE 28d + 0.40%				2,984,236,000								
TOTAL					0	0	0	2,984,236,000	0	9,962,380,000	0	0	0	0	0	0
Stocks listed on the stock exchange (with guarantee)																
TOTAL					0	0	0	0	0	0	0	0	0	0	0	0
Private placements (unsecured)																
TOTAL					0	0	0	0	0	0	0	0	0	0	0	0
Private placements (with guarantee)																
TOTAL					0	0	0	0	0	0	0	0	0	0	0	0
Total stock market listings and private placements																
TOTAL					0	0	0	2,984,236,000	0	9,962,380,000	0	0	0	0	0	0
Other current and non-current liabilities with cost																
Other current and non-current liabilities with cost																
FINANCIAL LEASE	NO				0	1,141,000	11,840,000			0						
TOTAL					0	1,141,000	11,840,000	0	0	0	0	0	0	0	0	0
Total other current and non-current liabilities with cost																
TOTAL					0	1,141,000	11,840,000	0	0	0	0	0	0	0	0	0
Suppliers																
Suppliers																
SUPPLIERS					5,417,574,000	0	0	0	0	0	1,538,839,000					
TOTAL					5,417,574,000	0	0	0	0	0	1,538,839,000	0	0	0	0	0
Total suppliers																
TOTAL					5,417,574,000	0	0	0	0	0	1,538,839,000	0	0	0	0	0
Other current and non-current liabilities without cost																
Other current and non-current liabilities without cost																
TOTAL					0	0	0	0	0	0	0	0	0	0	0	0
Total other current and non-current liabilities without cost																
TOTAL					0	0	0	0	0	0	0	0	0	0	0	0
Total credits																
TOTAL					5,417,574,000	1,429,182,000	2,392,384,000	4,792,973,000	2,471,397,000	14,753,430,000	1,538,839,000	28,333,000	1,566,989,000	13,179,000	0	0

[800003] Annex – Monetary position on foreign currency

	Currencies				
	Dollars	**Dollars counter value pesos**	**Other currencies counter value dollars**	**Other currencies counter value pesos**	**Total pesos**
Position on foreign currency					
Monetary assets					
Current monetary assets	133,279,000	2,507,242,000	752,000	14,142,000	2,521,384,000
Non-current monetary assets	0	0	0	0	0
Total monetary assets	133,279,000	2,507,242,000	752,000	14,142,000	2,521,384,000
Monetary liabilities					
Current monetary liabilities	148,934,000	2,801,751,000	1,716,000	32,287,000	2,834,038,000
Non-current monetary liabilities	86,152,000	1,620,699,000	0	0	1,620,699,000
Total monetary liabilities	235,086,000	4,422,450,000	1,716,000	32,287,000	4,454,737,000
Net monetary asset (liability)	(101,807,000)	(1,915,208,000)	(964,000)	(18,145,000)	(1,933,353,000)

[800005] Annex – Revenue distribution by product

	Type of revenue			
	Domestic revenue	Export revenue	Revenue from subsidiaries abroad	Total revenue
LALA				
MILK	29,083,038,000	0	0	29,083,038,000
OTHER DAIRY PRODUCTS	23,873,591,000	0	0	23,873,591,000
BEVERAGES AND OTHERS	2,946,192,000	0	0	2,946,192,000
TOTAL	55,902,821,000	0	0	55,902,821,000

[800007] Annex - Derivative financial instruments

Discussion of the administration on the policies of use of derivative financial instruments, explaining if such policies allow them to be used only for hedging purposes or for other purposes such as negotiation [text block]

1. Explains if the issuer's policies allow the use of derivatives for hedging and / or negotiation purposes, under what circumstances, and if there are procedures or manuals in this regard.

The Company allows the use of derivative and non-derivative financial instruments to hedge some exposures to financial risks included in the balance sheet (recognized assets and liabilities), as well as outside the balance sheet (firm commitments and forecasted transactions highly probable to occur).

The Treasury policy expresses in detail what type of derivatives, terms and evidence must be documented for the closing of any operation.

The use of derivatives is only allowed for hedging purposes, although in some cases of economic hedges for accounting purposes they have been designated at fair value with changes in the income statement for not complying with all the regulatory requirements to designate them for hedge accounting.

2. General description of the objectives when using derivatives and identification of the risks of the instruments used.

The general objective of the Company when using derivative financial instruments is to hedge exchange rate and interest rate risks, for which it uses forwards and swaps contracts (non-complex derivative financial instruments) due to its current needs. However, in turn, the Company is exposed to a credit risk known as "counterparty risk", this risk arises when the counterparty does not comply with the obligations determined within the contract established for the operation of DFI.

3. Instruments used and hedging or negotiation strategies implemented.

<u>Exchange Rate Forwards</u>

The Company maintains a "roll-over" hedging strategy to hedge its exposure to the variability of the US dollar exchange rate to the Mexican peso due to its purchases in dollars. The hedging plan is prepared based on historical flows by category contracted by the Purchasing area. 80% hedging is anticipated as the maximum level to hedge over these flows in foreign currency (liabilities to foreign suppliers). The instruments used by the Company to carry out its hedges are foreign currency forwards (US dollars) with a maximum maturity of six months. In accordance with the hedging plan, foreign currency flows must be hedged on a monthly basis. The derivatives were designated as cash flow hedges as of the closing of February 2018.

Interest Rate Swaps (IRS)

The Company maintains a hedging strategy to hedge its exposure to interest rate variability due to debt issuances at Grupo Lala in March and April. The hedging plan is prepared based on the issuance of the Company's debt. The instruments used by the Company to carry out its hedges are 6 interest rate swaps with characteristics aligned to the issuance of debt (3 for each debt). In the swaps that hedge the March issuance, variable rate TIIE 28 is received and a fixed rate of 7.59% is paid. While in the swaps hedging the April issuance, variable rate TIIE 28 is received and a fixed rate of 7.39% is paid. The derivatives were designated as cash flow hedges.

Cross Currency Swaps (CCS)

Additionally, the Company maintains a hedging strategy to hedge its exposure to the exchange rate variability and the interest rate of 1 dollar debt contracted in its subsidiary in Brazil. The hedging plan is prepared based on the credit lines arranged with the banks (currently there is hedging of 1 credit line). The instrument used by the Company to perform its hedging is 1 currency swap with characteristics aligned to its debt. In the swap, dollars are received (at a fixed rate) and reals are paid at a variable rate. The derivatives were designated for accounting as fair value hedges.

4. Allowed trading markets and eligible counterparties.

These derivative financial instruments are not quoted in standardized markets (they are operated in Over The Counter markets), so there are no public information sources where their values can be consulted over time. It is a trading market and works with authorized counterparties annually in accordance with the Treasury policy authorized by the Board of Directors.

Counterparties are limited to approved institutions with secure long-term credit ratings of A- / A3 or better assigned by Moody's and / or Standard and Poor's.

5. Policies for the appointment of calculation or valuation agents.

The Company's policy is to perform the calculation internally with widely accepted valuation models in the financial field and uses reliable market information sources to obtain inputs.

Forwards, purchases or sales of term dollars are valued by obtaining market inputs, at the end of each month an unrealized loss or gain of each instrument is determined.

The swaps are valued according to the inputs of rates that are observed in the market, contemplating future flows.

At the end of each month, the calculated value is compared with that provided by the counterparty to verify its reasonableness.

6. Margin policies, collateral, credit lines, VAR.

The general objective of the Company when using derivative financial instruments is to hedge exchange rate and interest rate risks, for which it uses forwards and swaps (non-complex derivative financial instruments).

The Company's policy is not to accept margin calls and collaterals. The determination of the credit line will depend on the periodicity and volume contracted with each financial institution, if a derivative with margin call or collateral is required, it must be approved by the Board of Directors.

7. Internal control procedures to manage exposure to market or liquidity risks.

Management of financial instruments and the use of derivative and non-derivative financial instruments are governed by the policies of the Company approved by the Board of Directors.

The Finance Director is authorized to close derivative transactions. The Treasury Area is responsible for verifying the details of the derivative transactions with the bank. The Finance Director is responsible for supervising these operations.

8. Existence of an independent third party that reviews previous procedures.

As part of its review procedures, the external auditor reviews compliance with internal control, as well as the procedures for valuation and recognition of changes in derivative financial instruments.

9. Information on the authorization of the use of derivatives and if there is a committee that carries out such authorizations and the management of derivatives risks.

There is no specific Committee in the issuer that authorizes the use of derivative instruments, since this authorization is put to the consideration of the Board of Directors of the issuer. Likewise, the administration and use of financial instruments and derivative and non-derivative financial instruments are governed by the policies of the Company, approved by the Board of Directors itself.

Generic description of valuation techniques, distinguishing instruments that are valued at cost or at fair value, as well as valuation methods and techniques [text block]

10. Description of valuation methods and techniques with the relevant reference variables and the assumptions applied, as well as the frequency of valuation.

As they are non-complex derivative financial instruments, their valuation is carried out on a monthly basis applying valuation techniques for these derivative financial instruments and the results are compared against the valuation of the contracted counterparty.

Forwards, purchases or sales of term dollars are valued by obtaining market inputs, at the end of each month an unrealized loss or gain of each instrument is determined.

Swaps are valued according to the inputs of rates that are observed in the market, contemplating future flows.

The current operation as of September 28, 2018 is:

Instrument	Counterparty	Start	Expiration	Agreed exchange rate	Notional in thousands USD	Fair Value in MXP
Forward TC	HSBC	25-abr-18	01-oct-18	19.3110	1,925.00	- 1,136,836
Forward TC	HSBC	25-abr-18	15-oct-18	19.3578	1,925.00	- 1,124,685
Forward TC	HSBC	29-may-18	01-oct-18	20.2301	463.00	- 698,974
Forward TC	HSBC	29-may-18	15-oct-18	20.2750	463.00	- 695,172
Forward TC	HSBC	29-may-18	05-nov-18	20.3391	2,359.00	- 3,539,913
Forward TC	JP Morgan	29-may-18	15-nov-18	20.3593	2,359.00	- 3,518,045
Forward TC	BBVA Bancomer	17-jul-18	05-dic-18	19.2976	1,381.00	- 512,286
Forward TC	BBVA Bancomer	17-jul-18	17-dic-18	19.3160	1,381.00	- 491,782
Forward TC	HSBC	24-jul-18	01-oct-18	19.1160	2,478.00	- 980,208
Forward TC	BBVA Bancomer	24-jul-18	15-oct-18	19.1642	2,478.00	- 967,937
Forward TC	HSBC	24-jul-18	05-nov-18	19.2299	32.00	- 12,525
Forward TC	HSBC	24-jul-18	15-nov-18	19.2406	32.00	- 11,923
Forward TC	JP Morgan	24-jul-18	05-dic-18	19.3044	1,020.00	- 385,308
Forward TC	HSBC	24-jul-18	17-dic-18	19.3517	1,020.00	- 399,683
Forward TC	JP Morgan	24-jul-18	07-ene-19	19.4247	1,443.00	- 585,844
Forward TC	JP Morgan	24-jul-18	15-ene-19	19.4577	1,443.00	- 599,419
Forward TC	Santander	29-ago-18	01-oct-18	19.0880	1,621.00	- 595,821

Forward TC	Santander	29-ago-18	15-oct-18	19.1270	1,621.00	-	572,946
Forward TC	Santander	29-ago-18	05-nov-18	19.1895	2,409.00	-	845,557
Forward TC	Santander	29-ago-18	15-nov-18	19.2180	2,409.00	-	843,138
Forward TC	HSBC	13-sep-18	05-dic-18	19.1070	373.00	-	67,272
Forward TC	HSBC	13-sep-18	17-dic-18	19.1400	373.00	-	67,194
Forward TC	HSBC	13-sep-18	07-ene-19	19.2000	998.00	-	180,940
Forward TC	HSBC	13-sep-18	15-ene-19	19.2280	998.00	-	185,335
Forward TC	JP Morgan	13-sep-18	05-feb-19	19.2825	1,218.00	-	217,097
Forward TC	HSBC	13-sep-18	15-feb-19	19.3170	1,218.00	-	223,218
Forward TC	HSBC	26-sep-18	05-nov-18	18.9940	1,600.00	-	248,798
Forward TC	HSBC	26-sep-18	15-nov-18	19.0240	1,600.00	-	249,592
Forward TC	HSBC	26-sep-18	05-dic-18	19.0890	2,860.00	-	464,330
Forward TC	HSBC	26-sep-18	17-dic-18	19.1300	2,860.00	-	486,618
Forward TC	HSBC	26-sep-18	07-ene-19	19.1912	710.00	-	122,477
Forward TC	HSBC	26-sep-18	15-ene-19	19.2142	710.00	-	122,053
Forward TC	HSBC	26-sep-18	05-feb-19	19.2705	810.00	-	134,673
Forward TC	JP Morgan	26-sep-18	15-feb-19	19.3112	810.00	-	143,757
Forward TC	JP Morgan	26-sep-18	05-mar-19	19.3551	1,260.00	-	212,071
Forward TC	HSBC	26-sep-18	15-mar-19	19.3770	1,260.00	-	202,452

Instrument	Counterparty	Start	End	Balance receivable in thousands USD	Receivable rate	Balance delivery thousands BRL	Delivery rate	Fair Value in MXP
Swap CCS	HSBC	17-nov-17	01-oct-19	84,000	2.98%	277,788	CDI + 0.98%	269,324,394

Instrument	Counterparty	Start	End	Balance receivable thousands MXP	Receivable rate	Delivery rate	Fair Value in MXP
Swap IRS	BBVA Bancomer	12-mar-18	06-mar-23	1,000,000	TIIE 28	7.59%	11,447,406
Swap IRS	JP Morgan	12-mar-18	06-mar-23	2,000,000	TIIE 28	7.59%	23,159,624
Swap IRS	Santander	12-mar-18	06-mar-23	1,000,000	TIIE 28	7.59%	11,486,932

Instrument	Counterparty	Start	End	Balance receivable thousands MXP	Receivable rate	Delivery rate	Fair Value in MXP
Swap IRS	BBVA Bancomer	17-abr-18	13-abr-21	1,250,000	TIIE 28	7.39%	15,199,446
Swap IRS	JP Morgan	17-abr-18	13-abr-21	500,000	TIIE 28	7.39%	6,089,737
Swap IRS	Santander	17-abr-18	13-abr-21	1,250,000	TIIE 28	7.39%	15,208,699

11. Clarification on whether the valuation is made by an independent third party or by internal valuation and in which cases one or the other valuation is used. If it's a third party, if it is a structurer, seller or IFD counterparty.

The reported valuation is done internally (and the results are compared against the valuation of the counterparty contracted).

12. For hedging instruments, explanation of the method used to determine the effectiveness of the hedging, mentioning the current hedging level of the global position it has.

For the exchange rate forwards in Grupo Lala, the method used is the compensation of expected flows (fair value), which consists in the comparison of changes in the fair value of the primary position (hypothetical derivative that would perfectly cover the hedged item) against the change in the fair value of the derivative prospectively through hypothetical scenarios. The prospective effectiveness test resulted in 100%.

For exchange rate and currency swaps in Grupo Lala and its subsidiary in Brazil, the method used is a qualitative evaluation where the economic relationship, the credit risk and the coverage ratio are evaluated. The effectiveness resulted in 100%.

Discussion of the administration on the internal and external sources of liquidity that could be used to meet requirements related to derivative financial instruments [text block]

13. Discussion on the internal and external sources of liquidity that could be used to meet the requirements related to IFD.

The Company manages its capital to ensure that it will be able to continue as an ongoing business while maximizing the performance of its partners through the optimization of debt and equity balances.

The Company's capital structure consists of net debt (loans offset by cash balances and cash equivalents) and equity of the Company (comprised of capital stock, premium on subscription of shares, retained earnings and comprehensive income).

The Company is not subject to external capital requirements. The Company has had the necessary liquidity that allows it to face the commitments contracted by its positions in DFI. The internal sources of liquidity available to the Company are cash and the generation of cash proceeds from its operations; additionally, it has open and sufficient external credit lines with the same counterparties or with other institutions.

Explanation of changes in the exposure to the main risks identified and their management, as well as contingencies and events known or expected by the administration that may affect future reports [text block]

14. Explanation of changes in the exposure to the main risks identified, their Management, and contingencies that may affect it in future reports.

Management of financial instruments and the use of derivative and non-derivative financial instruments are governed by the policies of the Company approved by the Board of Directors. There have been no changes in the Company's exposure to market risks or the way in which such risks are managed and measured.

15. Disclosure of eventualities, such as changes in the value of the underlying asset, that cause it to differ from the one originally contracted, that modifies it, or that the level of hedging has changed, for which it requires the issuer to assume new obligations or to see affected its liquidity.

There were no eventualities in the period from July to September 2018.

16. Present the impact of the mentioned derivative operations on profit or loss or cash flows.

The currency swap, because it is in a highly effective fair value hedge, does not have an impact on the income statement.

The change in the fair value of the interest rate swaps is recognized in other comprehensive income as it is in highly effective cash flow hedges, however, the accrued interest is reclassified to the income statement as an income that, at September's closing, amounted to 1,912,100 (equivalent to 102,043 dollars).

17. Description and number of IFD that have expired during the quarter and of those whose position has been closed.

During the third quarter of 2018, 22 forwards matured, which generated a realized loss of $ 2,232,790 MXP (equivalent to $ 138,804 USD).

18. Description and number of margin calls that have been submitted during the quarter.

At the end of the third quarter of 2018, there is no margin call from one of the counterparties.

19. Disclosure of any breach that has been presented to the respective contracts.

There was no breach of contracts.

Quantitative information to disclose [text block]

II. Quantitative information (provided that the absolute value of fair value represents at least 5% of assets, liabilities or equity or 3% of sales)

A. Characteristics of the DFIs at the date of the report (information in table) (points 20-25).

A tabular summary of the characteristics of the DFIs is presented below:

Summary of Derivative Financial Instruments

(Amounts in thousands of MXP as of September 28, 2018)

Type of Derivative or Contract Value	Purposes of Hedging or Other Purposes, Such as Negotiation	National Amount / Nominal Value (Thousands USD[1] and Thousands MXP[2])	Value of the underlying asset (ER) / reference variable		Fair Value		Expiration amount per year	Collateral / credit lines / securities given as collateral
			Current quarter	Previous quarter	Current quarter	Previous quarter		
Forward TC	Accounting hedge	1,925	18.7381	19.9437	-1,137	1,750	See Table Below	Credit line
Forward TC	Accounting hedge	1,925	18.7381	19.9437	-1,125	1,743	See Table Below	Credit line
Forward TC	Accounting hedge	463	18.7381	19.9437	-699	-5	See Table Below	Credit line
Forward TC	Accounting hedge	463	18.7381	19.9437	-695	-5	See Table Below	Credit line
Forward TC	Accounting hedge	2,359	18.7381	19.9437	-3,540	-24	See Table Below	Credit line

Forward TC	Accounting hedge	2,359	18.7381	19.9437	-3,518	3	See Table Below	Credit line
Forward TC	Accounting hedge	1,381	18.7381	NA	-512	NA	See Table Below	Credit line
Forward TC	Accounting hedge	1,381	18.7381	NA	-492	NA	See Table Below	Credit line
Forward TC	Accounting hedge	2,478	18.7381	NA	-980	NA	See Table Below	Credit line
Forward TC	Accounting hedge	2,478	18.7381	NA	-968	NA	See Table Below	Credit line
Forward TC	Accounting hedge	32	18.7381	NA	-13	NA	See Table Below	Credit line
Forward TC	Accounting hedge	32	18.7381	NA	-12	NA	See Table Below	Credit line
Forward TC	Accounting hedge	1,020	18.7381	NA	-385	NA	See Table Below	Credit line
Forward TC	Accounting hedge	1,020	18.7381	NA	-400	NA	See Table Below	Credit line
Forward TC	Accounting hedge	1,443	18.7381	NA	-586	NA	See Table Below	Credit line
Forward TC	Accounting hedge	1,443	18.7381	NA	-599	NA	See Table Below	Credit line
Forward TC	Accounting hedge	1,621	18.7381	NA	-596	NA	See Table Below	Credit line
Forward TC	Accounting hedge	1,621	18.7381	NA	-573	NA	See Table Below	Credit line
Forward TC	Accounting hedge	2,409	18.7381	NA	-846	NA	See Table Below	Credit line
Forward TC	Accounting hedge	2,409	18.7381	NA	-843	NA	See Table Below	Credit line

Forward TC	Accounting hedge	373	18.7381	NA	-67	NA	See Table Below	Credit line
Forward TC	Accounting hedge	373	18.7381	NA	-67	NA	See Table Below	Credit line
Forward TC	Accounting hedge	998	18.7381	NA	-181	NA	See Table Below	Credit line
Forward TC	Accounting hedge	998	18.7381	NA	-185	NA	See Table Below	Credit line
Forward TC	Accounting hedge	1,218	18.7381	NA	-217	NA	See Table Below	Credit line
Forward TC	Accounting hedge	1,218	18.7381	NA	-223	NA	See Table Below	Credit line
Forward TC	Accounting hedge	1,600	18.7381	NA	-249	NA	See Table Below	Credit line
Forward TC	Accounting hedge	1,600	18.7381	NA	-250	NA	See Table Below	Credit line
Forward TC	Accounting hedge	2,860	18.7381	NA	-464	NA	See Table Below	Credit line
Forward TC	Accounting hedge	2,860	18.7381	NA	-487	NA	See Table Below	Credit line
Forward TC	Accounting hedge	710	18.7381	NA	-122	NA	See Table Below	Credit line
Forward TC	Accounting hedge	710	18.7381	NA	-122	NA	See Table Below	Credit line
Forward TC	Accounting hedge	810	18.7381	NA	-135	NA	See Table Below	Credit line
Forward TC	Accounting hedge	810	18.7381	NA	-144	NA	See Table Below	Credit line
Forward TC	Accounting hedge	1,260	18.7381	NA	-212	NA	See Table Below	Credit line

Forward TC	Accounting hedge	1,260	18.7381	NA	-202	NA	See Table Below	Credit line
Swap CCS	Economic hedge	84,000	4.0092	3.7256	269,324	189,515	See Table Below	Credit line
Swap IRS	Accounting hedge	1,000,000	8.1227%	7.8550%	11,447	12,106	See Table Below	Credit line
Swap IRS	Accounting hedge	2,000,000	8.1227%	7.8550%	23,160	23,073	See Table Below	Credit line
Swap IRS	Accounting hedge	1,000,000	8.1227%	7.8550%	11,487	12,067	See Table Below	Credit line
Swap IRS	Accounting hedge	1,250,000	8.1086%	7.8700%	15,199	18,697	See Table Below	Credit line
Swap IRS	Accounting hedge	500,000	8.1086%	7.8700%	6,090	7,656	See Table Below	Credit line
Swap IRS	Accounting hedge	1,250,000	8.1086%	7.8700%	15,209	18,632	See Table Below	Credit line

IRS maturities per year:

Year	Total
2018	127,716
2019	170,610
2020	16,272
2021	8,969
2022	14,573
2023	4,462

B. Sensitivity analysis and changes in fair value (only for trading derivatives or inefficient hedges)

26. For trading DFIs or those from which the ineffectiveness of the hedge should be recognized, description of the method applied to determine the expected losses or the sensitivity of the price of the derivatives, including volatility.

In order to report the impacts at an income statement level for the recognition of fair value in the results of the period, a sensitivity analysis was carried out for the accounting impacts. It is important to consider that due to the fact that forwards and rate and currency swaps are in highly effective hedging relationships, the effect on valuation results would be minimal and, rather, would have effects on shareholders' equity.

The sensitivity analysis allows forecasting situations in which extraordinary losses could be experienced in the valuation of DFIs at the end of September 2018. This analysis was prepared based on adverse movements in the exchange rate of 10%, 25% and 50% and in the interest rate of 10%, 25% and 50%.

- In the probable scenario, the change in fair value was estimated in the event of an adverse variation of 10% in the exchange rate and in the interest rate.
- In the possible scenario, the change in fair value was estimated in the event of an adverse variation of 25% in the exchange rate and in the interest rate
- In the remote scenario, the change in fair value was estimated in the event of an adverse variation of 50% in the exchange rate and in the interest rate

It is important to highlight that the variable that has the greatest influence on the market value of the DFIs (forwards and currency swaps) is the spot exchange rate and in the DFIs (IRS rate swaps) it is the interest rate.

The valuation model is applied reasonably according to the theoretical formulations presented by the Company and the one done internally for fair value recording.

27. Presentation of a sensitivity analysis for the operations mentioned, containing at least the following:

a) Identification of the risks that can generate losses in the issuer due to operations with derivatives.

The risk that can generate losses to the issuer is the dollar-peso exchange rate, the real-dollar exchange rate and the TIIE interest rate.

b) Identification of the instruments that would cause such losses.

The 36 exchange rate forwards contracted, 1 currency swap and the 6 rate swaps contracted would cause such losses.

28. Presentation of 3 scenarios (probable, possible and remote or stressed) that can generate adverse situations for the issuer, describing the assumptions and parameters that were used to carry them out.

With the valuations performed by the Company, sensitivity tests are carried out. This procedure consists of stressing the reference variable that has the greatest impact and that at a certain moment could significantly affect the result of the Company's DFIs. It is important to consider that because forwards and rate and currency swaps are in highly effective hedging relationships, the effect on valuation results would be minimal and would have effects on shareholders' equity.

As mentioned in point 26, for this exercise only the spot exchange rate was stressed (in the case of currency forwards and swap) and the interest rate (in the IRS rate swaps) since it is considered to be the risk factor that has a greater impact on operations. The assumptions and parameters used are those described above in point 26.

The following table shows the total aggregate exposure in absolute terms of the DFIs in their different scenarios (information in thousands of pesos):

Fair Value MXP	
September 28, 2018	330,070
Scenario -10%	-71,875
Scenario -25%	-689,750
Scenario -50%	-1,765,824

It is important to mention that the fair value based on September 28, 2018 represents an asset for the Company and that the fair values in all scenarios represent a liability (loss) for the Company.

29. Estimate of the potential loss reflected in the income statement and cash flows, for each scenario.

It is important to consider that because forwards and rate and currency swaps are in highly effective hedging relationships, the effect on valuation results would be minimal and would have effects instead on shareholders' equity.

The potential losses of the derivatives portfolio that would be expected to impact other comprehensive results are shown in case the exchange rate decreases by 10%, 25% and 50%. It should be noted that the potential losses under all scenarios would represent expenses for the Company. The table only shows the change that would be under each scenario and is in thousands of pesos:

Scenario -10%	-401,945
Scenario -25%	-1,019,820
Scenario -50%	-2,095,894

30. For hedging DFIs, indication of the level of stress or variation of the underlying assets under which the effectiveness measurements are sufficient.

As of September 28, 2018 the characteristics of the DFIs such as; notional, interest rate and maturity dates are the same in time and form to the hedged item, so the hedge is not expected to be highly effective at any level of variation.

[800100] Notes - Sub-classifications of assets, liabilities and shareholder’s equity

Concept	Closing Current Quarter 2018-09-30	Closing Previous Year 2017-12-31
Sub-classifications of assets, liabilities and shareholders' equity [overview]		
Cash and cash equivalents [overview]		
Cash [overview]		
Cash on hand	1,140,000	3,794,000
Cash at banks	666,512,000	974,602,000
Total Cash	667,652,000	978,396,000
Cash and cash equivalents [overview]		
Short-term deposits, classified as cash equivalents	0	0
Short-term investments, classified as cash equivalents	1,409,259,000	5,699,742,000
Other bank agreements, classified as cash equivalents	0	0
Total cash equivalents	1,409,259,000	5,699,742,000
Other cash and cash equivalents	58,145,000	55,244,000
Total cash and cash equivalents	2,135,056,000	6,733,382,000
Trade and other accounts receivable [overview]		
Trade accounts receivable	6,431,861,000	6,946,619,000
Current accounts receivable to related parties	37,208,000	46,874,000
Current prepayments [overview]		
Current prepayments to suppliers	0	0
Current prepaid expenses	0	0
Total current prepayments	0	0
Current taxes recoverable other than income taxes	2,101,772,000	2,073,788,000
Current recoverable value added tax	2,101,772,000	2,073,788,000
Current accounts receivable from sale of properties	0	0
Current accounts receivable from lease of properties	0	0
Other current accounts receivable	696,827,000	501,238,000
Total trade and other accounts receivable	9,267,668,000	9,568,519,000
Classes of current inventories [overview]		
Current raw materials and production supplies [overview]		
Raw materials	1,509,879,000	2,065,153,000
Current production supplies	0	0
Total raw materials and production supplies	1,509,879,000	2,065,153,000
Current merchandise	0	0
Current work in process	665,765,000	519,737,000
Current finished products	1,982,288,000	2,000,982,000
Current spare parts	318,651,000	436,368,000
Property for sale in the ordinary course of business	272,956,000	318,686,000
Other current inventories	0	0
Total current inventories	4,749,539,000	5,340,926,000
Assets classified as held for sale [overview]		
Non-current assets or groups of assets for disposal classified as held for sale	0	0
Non-current assets or groups of assets for disposal classified as held to distribute to owners	0	0
Total assets classified as held for sale	0	0
Non-current trade and other accounts receivable [overview]		
Non-current trade accounts receivable	0	0
Non-current accounts receivable to related parties	0	0
Non-current prepayments	650,007,000	367,378,000
Non-current prepaid leases	0	0
Non-current taxes recoverable other than income taxes	0	0

Concept	Closing Current Quarter 2018-09-30	Closing Previous Year 2017-12-31
Non-current recoverable value added tax	0	0
Non-current accounts receivable from sale of properties	0	0
Non-current accounts receivable from lease of properties	0	0
Income pending invoicing	0	0
Other non-current accounts receivable	0	0
Total non-current trade and other accounts receivable [overview]	650,007,000	367,378,000
Investments in subsidiaries, joint ventures and associates [overview]		
Investments in subsidiaries	0	0
Investments in joint ventures	67,002,000	66,775,000
Investments in associates	10,000	10,000
Total investments in subsidiaries, joint ventures and associates	67,012,000	66,785,000
Property, plant and equipment [overview]		
Land and constructions [overview]		
Land	2,032,592,000	2,211,132,000
Buildings	2,814,679,000	2,855,064,000
Total land and buildings	4,847,271,000	5,066,196,000
Machinery	13,693,286,000	14,504,888,000
Vehicles [overview]		
Ships	0	0
Aircraft	0	0
Transportation equipment	2,220,658,000	2,579,399,000
Total vehicles	2,220,658,000	2,579,399,000
Appliances and accessories	65,054,000	68,876,000
Office equipment	0	0
Tangible assets for exploration and evaluation	0	0
Mining assets	0	0
Oil and gas assets	0	0
Construction in progress	0	0
Construction prepayments	0	0
Other property, plant and equipment	1,219,317,000	1,190,940,000
Total property, plant and equipment	22,045,586,000	23,410,299,000
Investment properties [overview]		
Investment properties	0	0
Investment properties in construction or development	0	0
Prepayments for the acquisition of investment properties	0	0
Total investment properties	0	0
Intangible assets and goodwill [overview]		
Intangible assets other than goodwill [overview]		
Trademarks	1,729,551,000	1,826,745,000
Intangible assets for exploration and evaluation	0	0
Headings for newspapers or magazines and titles of publications	0	0
Computer programs	0	0
Licenses and franchises	218,495,000	153,698,000
Intellectual property rights, patents and other rights of industrial property, service and exploitation rights	18,860,000	9,715,000
Recipes, formulas, models, designs, and prototypes	304,245,000	323,907,000
Intangible assets in development	0	0
Other intangible assets	270,974,000	631,342,000
Total intangible assets other than goodwill	2,542,125,000	2,945,407,000
Goodwill	20,637,797,000	25,866,133,000
Total intangible assets and goodwill	23,179,922,000	28,811,540,000
Suppliers and other payable accounts [overview]		
Current suppliers	6,956,413,000	8,180,315,000
Current accounts payable to related parties	1,700,765,000	460,349,000

Concept	Closing Current Quarter 2018-09-30	Closing Previous Year 2017-12-31
Accrued liabilities and deferred income classified as current [overview]		
Deferred income classified as current	0	0
Deferred income from leases classified as current	0	0
Accrued liabilities classified as current	0	0
Short-term accrued employee benefits	0	0
Total accrued liabilities and deferred income classified as current	0	0
Current accounts payable for social security and taxes other than income taxes	0	0
Current payable value added tax	0	0
Current payable withholding	0	0
Other current accounts payable	0	0
Total short-term suppliers and other accounts payable	8,657,178,000	8,640,664,000
Other short-term financial liabilities [overview]		
Short-term bank loans	1,456,374,000	28,622,943,000
Short-term market loans	0	0
Other short-term loans with cost	1,141,000	3,295,000
Other short-term loans at no cost	0	0
Other short-term financial liabilities	29,339,000	88,256,000
Total other short-term financial liabilities	1,486,854,000	28,714,494,000
Long-term suppliers and other accounts payable [overview]		
Non-current suppliers	0	0
Non-current accounts payable with related parties	0	0
Accrued liabilities and deferred income classified as non-current [overview]		
Deferred income classified as non-current	0	0
Deferred income from leases classified as non-current	0	0
Accrued liabilities classified as non-current	0	0
Total accrued liabilities and deferred income classified as non-current	0	0
Non-current accounts payable for social security and taxes other than income taxes	0	0
Non-current payable value added tax	0	0
Non-current payable withholding	0	0
Other non-current accounts payable	0	0
Total long-term suppliers and other accounts payable	0	0
Other long-term financial liabilities [overview]		
Long-term bank loans	13,031,896,000	2,343,699,000
Long-term market loans	12,946,616,000	0
Other long-term loans with cost	11,840,000	1,525,000
Other long-term loans with no cost	0	0
Other long-term financial liabilities	0	0
Total other long-term financial liabilities	25,990,352,000	2,345,224,000
Other provisions [overview]		
Other long-term provisions	2,052,500,000	2,788,317,000
Other short-term provisions	1,978,233,000	1,563,027,000
Total other provisions	4,030,733,000	4,351,344,000
Other accumulated comprehensive results [overview]		
Revaluation surplus	0	0
Reserve for exchange translation differences	(5,435,123,000)	470,636,000
Reserve for cash flow hedges	0	0
Reserve for gains and losses for new measurements of financial assets available for sale	0	0
Reserve for changes in the temporary value of options	0	0
Reserve for changes in the value of future contracts	0	0
Reserve for changes in the value of margins based on foreign currency	0	0
Reserve for changes in fair value of financial assets available for sale	0	0
Reserve for share-based payments	0	0
Reserve for new measurements of defined benefit plans	559,055,000	559,053,000

Concept	Closing Current Quarter 2018-09-30	Closing Previous Year 2017-12-31
Amounts recognized in other comprehensive income and accumulated in equity relating to non-current assets or groups of assets for disposal classified as held for sale	0	0
Reserve of gains and losses for investments in equity instruments	41,184,000	0
Reserve for changes in the fair value of financial liabilities attributable to changes in the credit risk of the liability	0	0
Reserve for catastrophes	0	0
Reserve for stabilization	0	0
Reserve for discretionary interest components	0	0
Reserve for equity components of convertible instruments	0	0
Reserves for equity reimbursements	0	0
Mergers reserve	0	0
Legal reserve	0	0
Other comprehensive results	0	0
Total other accumulated comprehensive results	(4,834,884,000)	1,029,689,000
Net assets (liabilities) [overview]		
Assets	66,894,367,000	77,890,508,000
Liabilities	43,282,748,000	47,549,938,000
Net assets (liabilities)	23,611,619,000	30,340,570,000
Net current assets (liabilities) [overview]		
Current assets	17,810,808,000	22,582,318,646
Current liabilities	13,490,667,000	40,352,108,000
Net current assets (liabilities)	4,320,141,000	(17,769,789,354)

[800200] Notes - Analysis of income and expenses

Concept	Cumulative Current Year 2018-01-01 - 2018-09-30	Cumulative Previous Year 2017-01-01 - 2017-09-30	Current Year Quarter 2018-07-01 - 2018-09-30	Previous Year Quarter 2017-07-01 - 2017-09-30
Analysis of income and expenses [overview]				
Income [overview]				
Services	0	0	0	0
Sale of goods	55,902,821,000	44,788,944,000	18,757,695,000	15,021,975,000
Interests	0	0	0	0
Royalties	0	0	0	0
Dividends	0	0	0	0
Leasing	0	0	0	0
Construction	0	0	0	0
Other income	0	0	0	0
Total revenue	55,902,821,000	44,788,944,000	18,757,695,000	15,021,975,000
Financial income [overview]				
Interests received	184,232,000	79,990,000	39,125,000	23,192,000
Exchange fluctuation gain	0	0	0	0
Profit for changes in fair value of derivatives	0	0	0	35,179,000
Profit for changes in fair value of financial instruments	0	0	0	0
Other financial income	0	0	0	0
Total financial income	184,232,000	79,990,000	39,125,000	58,371,000
Financial expenses [overview]				
Accrued interest payable	1,975,222,000	19,049,000	621,695,000	1,815,000
Exchange fluctuation loss	105,599,000	242,066,000	90,928,000	32,827,000
Loss for changes in fair value of derivatives	10,108,000	1,112,000	0	0
Loss for changes in fair value of financial instruments	0	0	0	0
Other financial expenses	0	0	0	0
Total financial expenses	2,090,929,000	262,227,000	712,623,000	34,642,000
Income taxes [overview]				
Current taxes	1,320,940,000	1,482,271,000	514,443,000	660,722,000
Deferred taxes	(443,996,000)	(206,152,000)	(248,863,000)	(216,025,000)
Total income taxes	876,944,000	1,276,119,000	265,580,000	444,697,000

[800500] Notes- Notes list

Disclosure of notes, declaration of compliance with IFRS and other explanatory information of the entity [text block]

THE INFORMATION REQUESTED IS INCLUDED IN SECTION 813000 "NOTES - INTERMEDIATE FINANCIAL INFORMATION IN ACCORDANCE WITH IAS 34"

Disclosures about associates [text block]

INVESTMENTS IN ASSOCIATES
(THOUSANDS OF PESOS)

NAME OF THE COMPANY	MAIN ACTIVITY	NO. OF SHARES	% OF POSSESSION	TOTAL AMOUNT	
				ADQUISITION COSTS	CURRENT VALUE
FUNDACIÓN GRUPO LALA, A.C.	ATTEND THE BASIC FOOD NEEDS	0	60	10	10

OBSERVATIONS:
IN THE CASE OF GRUPO LALA FOUNDATION, THE NUMBER OF SHARES IS NOT PRESENTED BECAUSE IT PARTICIPATES AS PARTNER, THAT IS TO SAY, THERE IS NO SOCIAL CAPITAL IN THE CIVIL ASSOCIATES.

Disclosures about debt instruments [text block]

AS OF SEPTEMBER 30, 2018, THE COMPANY COMPLIES WITH ALL THE RESTRICTIONS AND CONDITIONS ESTABLISHED IN ITS FINANCING CONTRACTS.

Disclosures about social capital [text block]

INTEGRATION OF PAID SOCIAL CAPITAL
CHARACTERISTICS OF THE SHARES

SERIES	NOMINAL VALUE ($)	CURRENT CUPON	NUMBER OF SHARES				SOCIAL CAPITAL	
			FIXED PORTION	VARIABLE PORTION	MEXICANS	FREE SUBSCRIPTION	FIXED	VARIABLE

B	**0**	**0**	**2,475,932,111**	**0**	**2,475,932,111**	**0**	**352,820,000**	**0**
TOTAL			**2,475,932,111**	0	**2,475,932,111**	0	352,820,000	**0**

TOTAL ACTIONS REPRESENTING THE EQUITY CAPITAL PAID AT THE DATE OF SENDING THE INDFORMATION: 2,475,932,111

Disclosures about joint ventures [text block]

JOINT BUSINESS
(THOUSANDS OF PESOS)

NAME OF THE COMPANY	MAIN ACTIVITY	NO. OF SHARES	% OF POSSESSION	TOTAL AMOUNT	
				ADQUISITION COSTS	CURRENT VALUE
LECHE BELL, S.A. DE C.V.	FABRICAR, TRANSFORMAR, ELABORAR.	22,830,000	50		
BELL SERVICIOS, S.A. DE C.V.	PRESTAR SERVICIOS DEL ÁREA DE RECURSOS HUMANOS	25,001	50	25	5,306
TOTAL DE INVERSIONES EN NEGOCIOS CONJUNTOS				22,855	67,002

Disclosure of a summary of significant accounting policies [text block]

THE INFORMATION REQUESTED IS INCLUDED IN SECTION 813000 "NOTES - INTERMEDIATE FINANCIAL INFORMATION IN ACCORDANCE WITH IAS 34"

[800600] Notes - List of accounting policies

Disclosure of a summary of significant accounting policies [text block]

THE INFORMATION REQUESTED IS INCLUDED IN SECTION 813000 "NOTES - INTERMEDIATE FINANCIAL INFORMATION IN ACCORDANCE WITH IAS 34"

[813000] Notes - Interim financial information in accordance with IAS 34

Disclosure of intermediate financial information [text block]

Cash and equivalents

As of September 30, 2018 and December 31, 2017, the Entity has the following cash and equivalent balances:

	2018	2017
Petty cash	$1,140	$3,794
Banks	666,511	974,602
Restricted cash (i)	55,066	57,769
Temporary investments	1,412,338	5,697,217
	$2,135,055	$6,733,382

(i) As of September 30, 2018, the Entity has US $ 2,927 as restricted cash, since this was contributed as a trust for the acquisition of the entity La Perfecta.

Balances and transactions with related parties

The balances and transactions between the Entity and its subsidiaries, which are related parties of the Entity, have been eliminated in the consolidation and are not disclosed in this note. The transactions between the Entity and other related parties are detailed below.

a. During the third quarter, the subsidiaries of the entity made the following transactions with related parties that are not members of the Entity:

	As of September 30, 2018	As of September 30, 2017
Purchases and expenses:		
Purchase of fluid milk (i)	$ 11,685,947	$10,461,082
Purchase of finished product (ii)	96,717	141,508
Payment of interests, administrative services, leases and others (iii)	90,120	155,665
	$ 11,872,784	$10,758,255
Revenue by:		
Freight revenues and others (iv)	$135,499	$166,075
Income from finished product (v)	133,760	86,675
Royalties (vi)	124	100
	$269,383	$252,850

(i)Fluid milk from shareholder producers of the Entity.

(ii)The operations with Nuplen Comercializadora, S.A. de C.V., consist basically on purchases of chemicals used in the cleaning of machinery.

(iii)Additionally, there are operations with Grupo Industrial Nuplen, S.A. de C.V., Nuplen, S.A. de C.V., Nuplen Producción y Servicios, S.A. de C.V., Nuplen Comercializadora, S.A. of C.V. and Fundación Grupo Lala, A.C. They include the provision of administrative services, leasing, and interest payments, whose terms are periodically renewable, plus a profit margin based on a transfer pricing study.
(iv) Freight revenues are mainly milk collection services charged to producer members.
(v) Sales of dairy products are made to Borden Dairy Company.
(vi) Royalties charged to National Dairy, LLC.

b. During the third quarter, the subsidiaries of the entity have the following balances with related parties that are not members of the Entity:

	2018	2017
Receivable:		
Affiliates:		
Borden Dairy Company	$ 18,343	$26,591
Nuplen Comercializadora, S.A. de C.V.	4,442	7,845
Leche Bell, S.A. de C.V.	5,261	5,230
Grupo Industrial Nuplen, S.A. de C.V.	0	5,387
Fundación Lala, A.C.	1,172	-
Servicios Especiales Corporativos de la Laguna, S.A. de C.V.	2,815	1,112
Unión de Crédito Industrial y Agropecuaria de la Laguna, S.A.	648	-
Shareholders:		
Shareholders, for the sale of freight and other goods and services	4,527	709
	$ 37,208	$46,874

The Entity evaluates for each reporting period the probability of recovery of accounts receivable from related parties, examining the financial position and the market in which each of them operates. As of September 30, 2018 and December 31, 2017, there are no uncollectible accounts for transactions with related parties.

	2018	2017
Payable:		
Affiliates:		
Fundación Lala, A.C. (vii)	$ 53,780	$49,633
Nuplen Comercializadora, S.A. de C.V.	20,494	20,628

Borden Dairy Company	1,740	1,826
Servicios Especiales Corporativos de la Laguna, S.A.de C.V.	1,032	1,032
Nuplen Productos y Servicios S.A. de C.V.	215	223
Leche Bell, S.A. de C.V.	750	494
Nuplen, S.A. de C.V.	81	88
Unión de Crédito Industrial y Agropecuaria de la Laguna, S.A.	74	70
Grupo Industrial Nuplen, S.A. de C.V.	88	56
Shareholders:		
Shareholders, for the sale of freight and other goods and services	1,622,511	386,300
	$1,700,765	$460,350

vii. The Entity has a revolving loan with Fundación Lala, A.C. which accrues an interest rate equivalent to the Treasury Certificates ("CETES"). The balance payable as of September 30, 2018 and December 31, 2017, amounts to $ 51,830 and $ 49,633, respectively.

Inventories

a) As of September 30, 2018 and December 31, 2017, the Entity has the following inventories balances:

	2018	2017
Finished products	$1,982,288	$2,000,982
Production in process	665,767	519,737
Raw material and packaging	1,509,879	2,065,153
Spare parts	318,651	436,368
Platforms and baskets	272,956	318,686
	$4,749,541	$5,340,926

During the years ended September 30, 2018 and December 31, 2017, the inventories of the Entity were not impaired.

Property, plant and equipment, net

a) The properties, plant and equipment, as of September 30, 2018 and December 31, 2017, are integrated as follows:

	Initial balance December 31, 2017	Additions	Disposals	Depreciation	Translation effect	Final balance September 30, 2018
Cost:						
Land	$2,220,271	$16,025	-$11,632	$ -	-$182,937	$2,041,727
Buildings	6,003,263	363,731	-27,456	-	-342,608	5,996,930
Leasehold improvements	515,115	31,460	-9,953	-	-82,578	454,044
Machinery and equipment	20,526,347	752,803	-345,507	-	-975,406	19,958,237
Transportation equipment	6,167,972	127,442	-300,564	-	-97,827	5,897,023
Furniture and others	3,316,348	275,990	-58,297	-	-70,335	3,463,706
	38,749,316	1,567,451	-753,409	-	-1,751,691	37,811,667
Accumulated depreciation:						
Buildings	-3,434,020	-	3,028	-121,016	149,271	-3,402,737
Leasehold improvements	-229,293	-	7,445	-15,493	3,776	-233,565
Machinery and equipment	-5,961,722	-	169,829	-845,192	428,062	-6,209,023
Transportation equipment	-3,588,573	-	272,747	-382,643	22,106	-3,676,365
Furniture and others	-2,125,409	-	57,132	-213,899	37,782	-2,244,392
	-15,339,017	-	510,181	-1,578,243	640,997	-15,766,082
Property, plant and equipment, net	$23,410,299	$1,567,451	-$243,228	-$1,578,243	-$1,110,694	$22,045,585

	Initial balance December 31, 2016	Acquisition of business	Additions	Disposals	Depreciation	Translation effect	Final balance December 31, 2017
Cost:							
Land	$1,395,877	$732,429	$103,822	-$21,422	$ -	$9,565	$2,220,271
Buildings	3,921,448	1,559,561	586,013	-23,012	-	-40,747	6,003,263
Leasehold improvements	341,968	129,967	56,570	-11,431	-	-1,959	515,115
Machinery and equipment	14,692,735	3,697,453	2,460,195	-353,627	-	29,591	20,526,347
Transportation equipment	6,418,625	25,985	319,447	-458,256	-	-137,829	6,167,972
Furniture and others	2,863,861	169,217	403,340	-102,767	-	-17,303	3,316,348
	29,634,514	6,314,612	3,929,387	-970,515	-	-158,682	38,749,316
Accumulated depreciation:							
Buildings	-2,684,711	-644,939	-	8,702	-128,616	15,544	-3,434,020
Leasehold improvements	-212,234	-10,278	-	6,644	-13,493	68	-229,293
Machinery and equipment	-3,600,110	-1,733,840	-	159,047	-791,665	4,846	-5,961,722
Transportation equipment	-3,505,695	-25,706	-	419,572	-476,834	90	-3,588,573
Furniture and others	-1,774,059	-123,609	-	67,703	-301,071	5,627	-2,125,409
	-11,776,809	-2,538,372	-	661,668	-1,711,679	26,175	-15,339,017
Property, plant and equipment, net	$17,857,705	$3,776,240	$3,929,387	-$308,847	-$1,711,679	-$132,507	$23,410,299

b) The main acquisitions and projects under construction during the year are the following:
Cárnicos Project in Tizayuca. Process Line for Packaging Lala 100 and Project PET / Combox Bio 4 in Plant Irapuato. Plant Growth Cheese 2 and Refill Descremadoras 1,2 and 3 in Laguna Complex and Conclusion Sonora Plant.

c)Depreciation expense as of September 30, 2018 and December 31, 2017 was $ 1,581,056 and $ 1,711,679 respectively.

Goodwill

As of September 30, 2018 and December 31, 2017, the goodwill integration is shown below:

	2018	2017
Balance at the beginning of the year	$25,866,133	$3,109,195
Goodwill generated by acquisition	-	22,686,061
Translation effect	-5,228,336	70,877
Balance at the end of the year	$20,637,797	$25,866,133

Intangible assets

a) Intangible assets are included as of September 30, 2018 and December 31, 2017, as follows:

	Estimated useful life	Initial balance as of December 31, 2017	Investments during the year	Amortization	Translation effect of entities abroad	Final balance as of September 30, 2018
Indefinite life:						
Brands		$1,796,458	$ -	$ -	-$66,907	$1,729,551
Formulas		80,343	-	-	644	80,987
Defined life:						
Licenses	5 to 20 years	536,563	111,987	-	-54,614	593,936
Trade agreements and others	10 to 20 years	844,881	-	-	-53,563	791,318
Accumulated amortization:						
Licenses		-316,266	-	-32,581	-	-348,847
Trade agreements and others		-202,575	-	-10,354	-43,114	-256,043
		$2,739,404	$111,987	-$42,935	-$217,554	$2,590,902

	Estimated useful life	Initial balance as of December 31, 2016	Acquisition of business	Investments during the year	Amortization	Translation effect of entities abroad	Final balance as of December 31, 2017
Indefinite life:							
Brands		$1,548,425	$310,252	$ -	$ -	-$62,219	$1,796,458
Formulas		80,987	-	-	-	-644	80,343
Defined life:							
Licenses	5 a 20 años	407,346	28,926	104,724	-	-4,433	536,563
Trade agreements and others	10 a 20 años	907,080	-	-	-	-62,199	844,881

Accumulated amortization:						
Licenses	-221,189	-	-	-95,077	-	-316,266
Trade agreements and others	-177,521	-	-	-30,216	5,162	-202,575
	$2,545,128	$339,178	$104,724	-$125,293	-$124,333	$2,739,404

Short and long term debt

a) As of September 30, 2018 and December 31, 2017, the Entity has short-term loans which are shown below:

Loans	Currency	Interest rate	2018	2017
Banamex due in February 2018	MXN	TF 7.60 %	-	2,850,000
JP Morgan due in October 2018	MXN	TIIE 28d+0.4%	-	8,593,610
BBVA Bancomer due in October 2018	MXN	TIIE 28d+0.4%	-	6,445,846
Santander due in October 2018	MXN	TIIE 28d+0.4%	-	6,445,846
Original Bank – Financial factoring	R$	CDI+5.30%	-	2,018,347
BBVA Bancomer due in June 2019	Dollars	Libor + 2.23	18,737	
HSBC due in October 2018	Pesos	TIIE 28d + 0.15%	1,100,000	
Total			$1,118,737	$26,353,649

The following is a long term debt analysis as of September 30, 2018:

	2018			Maturity	
Loans	Currency	Interest rate	Amount	Current Portion	Long-term
BBVA Bancomer due June 2021	Dollars	Libor + 2.23	31,604	-	31,604
BBVA Bancomer due June 2023	Pesos	TIIE 28 + 0.65%	1,418,205	-	1,418,205
JPM due June 2023	Pesos	TIIE 28 + 0.65%	1,302,352	-	1,302,352
Scotiabank due June 2023	Pesos	TIIE 28 + 0.65%	887,967	-	887,967
Santander due June 2023	Pesos	TIIE 28 + 0.65%	1,420,747	-	1,420,747
HSBC due June 2023	Pesos	TIIE 28 + 0.65%	887,967	-	887,967
Cebur Lala 18 due February 2028	Pesos	Fixed rate 9.17%	5,976,859	-	5,976,859
Cebur Lala 18-2 due March 2023	Pesos	TIIE 28d + 0.50%	3,985,521	-	3,985,521
Cebur Lala 18- 3 due April 2021	Pesos	TIIE 28d + 0.40%	2,984,236	-	2,984,236
CITI Banamex due March 2023	Pesos	TIIE 28d + 0.75%	2,364,510	141,510	2,223,000
Bank of America due April 2023	Pesos	TIIE 28d + 0.725%	2,339,425	-	2,339,425
HSBC - Lei 4131 due October 2019	Reals	CDI + 0,98%	1,551,337	7,848	1,543,489
BDMG - FINAME due November 2022	Reals	2,50%	12,498	3,008	9,490
BDMG - FINAME due March 2023	Reals	3,00%	4,402	982	3,420
BDMG - FINAME due February 2023	Reals	3,00%	16,338	3,713	12,625

BDMG - FINAME due November 2023	Reals	3,50%	2,321	452	1,870
BDMG - FINAME due November 2023	Reals	3,50%	3,521	90	3,431
BDMG - FINAME due November 2023	Reals	3,50%	519	145	374
BDMG - FINAME due November 2023	Reals	3,50%	1,605	1,004	601
BDMG - FINAME due January 2024	Reals	3,50%	4,954	797	4,157
BDMG - FINAME due June 2024	Reals	6,00%	465	82	383
BDMG - FINAME due June 2024	Reals	6,00%	121	21	99
BDMG - FINAME due June 2024	Reals	6,00%	308	54	254
BDMG - FINAME due June 2024	Reals	6,00%	308	54	254
BDMG - FINAME due June 2024	Reals	6,00%	114	20	94
BDMG - FINAME due June 2024	Reals	6,00%	373	66	308
BDMG - FINAME due July 2024	Reals	6,00%	483	84	399
BB - NCE due March 2019	Reals	105,5% CDI	117,896	117,896	0
BB - CCB due March 2020	Reals	6,70%	936,287	1,979	934,307
SANTANDER due January 2019	Reals	5,00%	56,085	56,085	0
JP Morgan due August 2022	Dollars	3.4%	10,626	640	9,987
Banco LAFISE Bancentro due July 2019	Dollars	7.5%	1,717	504	1,213

Banco LAFISE Bancentro due December 2018	Dollars	7.5%	328	328	0
Banco LAFISE Bancentro due December 2019	Dollars	7.5%	955	190	765
Banco LAFISE Bancentro due October 2019	Dollars	8.5%	1,641	355	1,286
Banco LAFISE Bancentro due March 2020	Dollars	7.0%	1,772	279	1,494
Banco LAFISE Bancentro due October 2019	Dollars	7.5%	410	92	317
Banco LAFISE Bancentro due November 2020	Dollars	De 7.5% - 8.5%	2,353	500	1,852
Total			$26,329,130	$338,778	$25,990,352

The maturities of long-term debt as of September 30, 2018 are:

	Equity
2019	$3,948,673
2020	4,816,851
2021	2,471,398
2022 – 28	14,753,430
	$25,990,352

		2017		Maturity	
Loans	**Currency**	**Interest rate**	**Amount**	**Current portion**	**Long-term**
LAFISE Bancentro due July 2019	US$	7.50%	$3,327	$2,055	$1,272
LAFISE Bancentro due December 2018	US$	7.50%	1,293	1,293	-

LAFISE Bancentro due December 2019	US$	7.50%	1,554	751	803
LAFISE Bancentro due October 2019	US$	8.50%	2,832	1,483	1,349
LAFISE Bancentro due March 2020	US$	7.00%	2,709	1,137	1,572
LAFISE Bancentro due October 2019	US$	7.50%	706	373	333
BBVA Bancomer due September 2021	US$	Libor + 2.23	67,554	19,656	47,898
Financial lease with LAFISE Bancentro due November 2020	US$	De 7.5% - 8.5%	4,493	2,968	1,525
Financial lease with Imbera Total, S.A. de C.V. due September 2018	US$	De 5.54% - 5.74%	328	328	-
China - Lei 4131 due November 2018	US$	97.7% CDI	256,387	256,387	-
China - Lei 4131 due November 2018	US$	98.0% CDI	250,451	250,451	-
HSBC - Lei 4131 due October 2019	US$	CDI + 0.98%	1,663,812	6,038	1,657,774
HSBC - Lei 4131 due October 2019	US$	CDI + 1.02%	415,057	614	414,443
BDMG - FINAME due November 2022	R$	2.50%	18,757	3,830	14,927
BDMG - FINAME due March 2023	R$	3.00%	6,527	1,253	5,274
BDMG - FINAME due February 2023	R$	3.00%	24,317	4,731	19,586

BDMG - FINAME due November 2023	R$	3.50%	3,389	573	2,816
BDMG - FINAME due November 2023	R$	3.50%	5,238	113	5,125
BDMG - FINAME due November 2023	R$	3.50%	746	185	561
BDMG - FINAME due November 2023	R$	3.50%	2,190	1,283	907
BDMG - FINAME due January 2024	R$	3.50%	7,260	1,014	6,246
BDMG - FINAME due September 2024	R$	6.00%	662	101	561
BDMG - FINAME due September 2024	R$	6.00%	167	30	137
BDMG - FINAME due September 2024	R$	6.00%	436	72	364
BDMG - FINAME due September 2024	R$	6.00%	436	72	364
BDMG - FINAME due September 2024	R$	6.00%	155	24	131
BDMG - FINAME due September 2024	R$	6.00%	558	84	474
BDMG - FINAME due July 2024	R$	6.00%	704	107	597
China - NCE due September 2028	R$	CDI + 1.20%	305,839	305,839	-
BB - NCE due March 2019	R$	105.5% CDI	305,919	156,785	149,134
Bradesco - NCE due May 2018	R$	129.9% CDI	320,017	320,017	-
BB - FINAME	R$	5.50%	376	113	263

due April 2021					
BB - FINAME due July 2021	R$	6.50%	90	30	60
BB - FINAME due September 2021	R$	6.50%	304	74	230
Santander - CCB due April 2018	R$	10.10%	319,072	319,072	-
Itaú - CCB due November 2018	R$	CDI + 1.90%	301,424	301,424	-
Santander - CCB due January 2018	R$	120.0% CDI	64,486	64,486	-
Safra - CCB due March 2018	R$	CDI + 1.52%	245,117	245,117	-
JP Morgan Chase Bank	US$	TF 3.4%	13,124	2,626	10,498
Total			$4,617,813	$2,272,589	$2,345,224

As of September 30, 2018 and December 31, 2017, the Entity does not have any external restrictions or guarantees that it needs to comply with due to short and long-term debt.

Equity

a) As of September 30, 2018 and December 31, 2017 the capital stock of the Entity is represented by 2,563,321,000 ordinary shares without nominal value expression, representing the fixed capital, of which 2,475,932,111 shares are subscribed and paid. The difference between the subscribed and paid shares and the shares of the authorized capital, is in the treasury.

b) At the Ordinary General Shareholders' Meeting, on April 29, 2016, the Entity's results were approved for the year ended December 31, 2015.

c) In the Assembly referred to in the preceding paragraph, the payment of a cash dividend was authorized for all the shares that were in circulation at the time of payment, for the total amount of $ 0.135 per share upon delivery of the coupon number 11. This dividend was paid by the Entity on February 23, 2017.

d) At the Ordinary General Shareholders' Meeting, on April 28, 2017 the results of the Company were approved for the year ended December 31, 2016.

e) In the Assembly referred to in the preceding paragraph, a dividend of $ 0.615 per share was approved, payable in 4 exhibits of $ 0.1538 per share each. Said exhibitions were paid by the Company on May 24, August 23, November 22, 2017 and February 22, 2018, respectively.

f) At the Ordinary General Shareholders' Meeting, on April 27, 2018, the results of the Company were approved for the fiscal year ended on December 31, 2017.

g) In the Assembly referred to in the preceding paragraph, a dividend of $ 0.615 per share was approved, payable in 4 exhibitions of $ 0.1538 per share, each. Until September 30, 2018, the Company had paid for the first two exhibitions on May 23 and August 22, respectively.

h) As of September 30, 2018 and December 31, 2017, the Entity has a total balance of 32,154,139 and 20,327,394 own shares acquired (repurchase), representing an amount of $ 874,604 and $ 620,972, respectively.

i) During the period between December 31, 2017 and September 30, 2018, the Entity repurchased 11,826,745 shares, for an amount of $ 253,632.

j) The accumulated balance of other capital accounts that is integrated by the profit or loss items as of September 30, 2018 and December 31, 2017 is as follows:

	September 30,	**December 31,**
	2018	**2017**
Opening balance	$ 1,029,689	$796,522
Remeasurement of employee benefits	2	(24,435)
Effects of deferred income taxes from remeasurement of employee benefits	-	7,090
Gains on instruments designated as hedges in the acquisition of foreign operations, net of income taxes	41,184	664,049
Effect on translation of foreign operations	-5,905,759	(413,537)
Ending balance	$(4,834,884)	$ 1,029,689

k) According to the Ley General de Sociedades Mercantiles, a percentage shall be separated from the net profit of the year in order to increase the legal reserve of the Company, up to 20% of the historical share capital. As of September 30, 2018 and December 31, 2017, legal reserve amounts to $105,616, which exceeds the value required by the Ley General de Sociedades Mercantiles, so no application was made for such concept.

l) *The distribution of shareholders' equity, except for the updated amounts of capital stock contributed and retained earnings, will cause the ISR to be charged to the Entity at the rate in effect at the time of distribution. The tax paid for such distribution may be credited against the ISR of the fiscal year in which the dividend tax is paid and in the two following immediate fiscal years, against the fiscal year tax and the provisional payments of the same*

The dividends paid from profits generated as of January 1, 2014 *to individuals, resident in Mexico and to residents abroad, may be subject to an additional ISR of up to 10%, which must be retained by the Entity.*

For the dividends paid by the Entity that come from the Net Tax Profit Account (CUFIN) from years 2001 to 2013, the payment of ISR will not be required.

INCOME TAXES

The Entity calculates income taxes for the period using the projected effective rate that is expected to be applicable at year-end.

The integration of income taxes recognized in the results of the operation for the periods of six months ended September 30, 2018 and 2017, are shown below:

	September 30, 2018	September 30, 2017
Current income taxes	$1,611,796	$ 1,392,763
Deferred income taxes	(734,852)	(116,644)

Income taxes	**$ 876,944**	**$ 1,276,119**

The profit before income taxes of the period decreased, the effective rate of the Company increased as a result of inflation due to the debt generated by the credit for the acquisition of Vigor, as well as the incorporation of this business unit to Grupo Lala. This resulted in a rate of 43% and 31% for the nine-month periods ended September 30, 2018 and 2017, respectively. Additionally, for the business unit in Mexico, there was a negative effect (6%) for the credit established by the tax authority (SAT) that implicated a payment of $138 million of taxes. Finally, there was a benefit obtained for fiscal stimuli, which decreases the base of taxes in the amount of $593 million.

Operating lease agreements

a) Grupo Lala has operating lease agreements for the rental of distribution centers with periods ranging from 3 to 15 years. Some of these lease agreements establish penalties in case of early termination. Additionally, in 2013, the Company entered into contracts that establish a minimum royalty payment and that comply with the characteristics of operating leases. For the twelve-month periods ended September 30, 2018 and 2017, the expense for rentals and royalties was $229,196 and $128,917 respectively. Expenses are recorded in the periods in which they were accrued.

	2018	**2017**
Within a year	$ 126,921	$ 226,849
After 1 year but no more than 5 years	1,166,647	904,223
More than 5 years	1,084,796	938,073
Total of future minimum payments	$ 2,378,364	$ 2,069,145

Financial instruments

Capital management

The Entity manages its capital to ensure that it will be able to continue as an ongoing business while maximizing the performance of its partners through the optimization of debt and equity balances.

The Entity's capital structure consists of the Entity's net debt and equity (comprised of capital stock, net premium in share placement, retained earnings and comprehensive income).

To maintain the capital structure, the Entity can adjust the payment of dividends to shareholders, or repurchase shares, for which the Entity maintains a reserve.

The Entity is not subject to external capital requirements.

Debt ratio

The Board of Directors reviews the capital structure of the Entity on a regular basis. As part of this review, the Board of Directors considers the cost of capital and the risks associated with each type of capital.

The indebtedness index at the end of each of the periods is as follows:

	2018	**2017**
Cash and cash equivalents	$2,135,056	$6,733,382
Investments in financial instruments	322,687	6,422
Debt	27,447,867	30,971,462
Net debt	25,312,811	24,231,658
Capital	23,611,619	30,340,569
Net debt and equity ratio	107.2%	79.9%

The debt includes both long-term debt and current liabilities. Equity includes common stock, net premium in share placement, retained earnings and the comprehensive income of the Entity.

The Administration and Finance Department reviews the Entity's capital structure on a regular basis in accordance with the operating needs of the company. Previously, the administration's strategy was to maintain the net debt and capital ratio as favorable, however, as of December 31, 2017 due to the opportunity presented by the acquisition of Vigor, the Entity acquired debt, therefore, the indebtedness is affected in an important way. The Entity announced in March and April 2018 the issue of stock certificates in the Mexican market, the proceeds from these issue will be used to refinance part of the acquired debt for the acquisition of Vigor.

Categories of financial assets and liabilities

The details of the significant accounting policies and methods adopted, included the recognition criteria, measurement bases and the bases of recognition of income and expenses, for each financial asset class.

The financial instruments of the Entity by category are the following:

	2018	2017
Financial Assets		
Cash and equivalents (i)	$2,135,056	$6,733,382
Derivative financial instruments measured at fair value:		
Foreign currency forward contracts	322,687	6,422
Financial assets measured at fair value through changes through results		
Fiduciary securities certificates (ii)	-	-
Other capital investments		
Other capital investments	64,689	59,722
Accounts receivable		
Trade accounts receivable (iii)	6,431,861	6,946,619
Accounts receivable from related parties	37,208	46,874
Recoverable value added taxes	1,870,432	1,957,598
Other accounts receivable	696,827	305,432
Financial liabilities		
Fair value		
Suppliers	$6,956,413	$8,180,315
Accounts payable to related parties	1,700,765	460,349
Financial liability instrument	21,846	-
Amortized cost:		
Debt with cost (iv)	27,447,867	30,971,462
Other accounts payable in the long term	1,418,499	1,889,601

(i) The income generated by the cash equivalents are presented in the section of financial products in the statement of comprehensive income.
(ii) Investments in financial instruments correspond to stock certificates, which were considered as trading instruments and valued at fair value through changes in the income statement.
(iii) The accounts receivable from clients do not generate interests because they are short-term.
(iv) The financial cost of these financial liabilities measured at amortized cost is presented in the item of financial expenses in the statement of comprehensive income.

During the year, there were no reclassifications of financial instruments between the different categories.

There is no collateral granted by the financial liabilities contracted by the Entity.

Financial risk management

The Entity is exposed to the following risks related to the use of financial instruments: credit risk, liquidity risk and market risk.

This note presents the risk exposure that the Entity has and the policies and processes to measure and manage the risk.

Market risk

The activities of the Entity expose it to different risks, mainly due to financial risks of exchange rate.

The Entity seeks to minimize the potential negative effects of these risks on its financial performance through a risk management program. The Entity uses derivative and non-derivative financial instruments to hedge certain financial exposures in the balance sheet (assets and liabilities); as well as outside the balance sheet (transactions that have a high probability of occurrence.

The administration of financial instruments and the use of financial derivatives and non-derivative instruments are regulated by the policies of the Entity approved by the Board of Directors. There haven't been changes in the Entity's exposure to market risks or in the way those risks are managed and measured.

Currency risk

The Entity performs transactions in different currency, mainly in US dollars; consequently, they are exposed to fluctuations in the Exchange rate. Exposures in the Exchange rate are managed within the parameters of the approved policies using foreign currency forwards. This exposure arises mainly from Mexican operations that maintain balances in foreign currency.

Sensitivity analysis of foreign currency

The Entity has the following assets and liabilities denominated in thousands of US dollars as of September 30, 2018 and December 31, 2017:

	2018	**2017**
Current assets	US $ 133,279	US $ 101,200
Short-term liabilities	-148,934	-129,755
Long-term liabilities	-86,153	-107,755
Net long (short) position	US $(101,808)	US $ (136,310)

The Exchange rates used to translate dollars to pesos as of September 30, 2018 and December 31, 2017, were $18.81 pesos and $19.74 pesos, respectively.

Considering the monetary position of the Entity as of September 30, 2018 with a closing Exchange rate of $18.81 per dollar, the Entity considers that the variation of 1 dollar's appreciation or depreciation represents a sensitivity in the asset of +/- $133,279, a variation in the liability of +/- $235,087 and a net effect on the income of +/-

$101,808.

Foreign currency forward contracts

It's the policy of the Entity to subscribe foreign currency forward contracts to mainly cover payments to specific suppliers in foreign currency between 40% and 50% of the exposure generated.

The following table details the foreign currency forward contracts valid at the end of the reporting period:

Existing contracts	**Average Exchange rate**		**Foreign currency**		**Fair value**		**Gain (loss) in fair value**	
	2018	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**
Currency purchase (American dollars)								
Less than 3 months	$18.81	$18.19	$32,644	$24,300	$627,095	$475,262	-$8,155	$5,921

Interest rate risk management

The debt was contracted to carry out the acquisition of Vigor. The Entity is exposed to significant risks in the interest rates.

Interest rate swap contracts

According to the interest rate swaps, the Entity agrees to exchange the difference between the fixed and variable interest rates calculated on the agreed notional capital amounts. These contracts allow the Entity to mitigate the risk of changing interest rates of 25.5% of the total debt to September 2018.

The following table details the amounts of the notional capital and the remaining terms of the interest rate swap in force at the end of the reporting period.

Existing contracts	**Average interest rate contracted**		**Notional value (Thousands of US dollars)**		**Fair value**	
	2018	**2017**	**2018**	**2017**	**2018**	**2017**
Less than 1 year		3.7% (swap to CDI-.13%)		$ 25,600		$(77,982)
From 1 to 2 years	2.98% (swap to CDI+.98%)	3.01% (swap to CDI+.99%)	$84,000	$105,100	$269,324	$(10,273)

Existing contracts	**Average interest rate contracted**	**Notional value (Thousands of US dollars)**	**Fair value**

From 1 to 5 years	TIIE 28 (swap to 7.59)	-	$7,084,000	$351,916	-

Credit risk management

Credit risk refers to the risk of a counterparty breaching its contractual obligations resulting in a financial loss to the Entity due to the nature of its operations.

In Mexico, 49.1% of the sales are made in the retail channel and the other 50.9% is sale on credit that is held in the "organized trade" channel, which mainly covers the country's supermarkets. The granting of credit is made only to strategic customers and distributors.

The policy is to punish accounts receivable in litigation and for the rest of the portfolio, they conduct periodic evaluations of clients' credit and the necessary impairments are recognized to cover losses based on the analysis of each client.

The average turnover of accounts receivables as of September 30, 2018 is approximately 27 days, 27 days, 35 days and 49 days for Mexico, Central America, United States and Brazil.

The maximum credit exposure is represented by the balance of accounts receivable from customers shown in the balance sheet. As of September 20, 2018 and December 31, 2017, the amount of non-impaired past due accounts is $871,638 and $987,244, equivalent to 13% and 14%, respectively. The Entity considers that the credit quality of these financial assets is good.

Liquidity risk management

Liquidity risk is the risk that the Entity can't meet its obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

The Entity continuously monitors the maturity of its liabilities, as well as the cash needed for its operations. Analysis of detailed cash flows are prepared and presented quarterly to the Board of Directors. The Entity controls the operating cash flow daily. Decisions are made about obtaining new financing, only for expansion and growth projects.

The management of debt is to obtain long-term debt to finance debt incurred in the short term. Once the assets are acquired and productive, the short-term debt is liquidated and the necessary flows to cover the long-term debt are obtained from the investments acquired.

The maturity of the long-term debt, as well as the current portion of the same and the accrued interest as of September 30, 2018 and December 31, 2017 is as follows:

As of September 30, 2018	Less than 1 year	From 1 year to 3 years	From 3 years and up
Debt with cost	$1,457,515	$11,236,922	$14,753,430
Other accounts payable long term	-	1,405,249	13,250
Total	$1,457,515	$12,642,171	$14,766,680

As of December 31, 2017	Less than 1 year	From 1 year to 3 years	From 3 years and up
Debt with cost	$28,626,238	$2,325,211	$20,013
Other accounts payable long term	-	1,856,171	33,430
Total	$28,626,238	$4,181,382	$53,443

Fair value of financial assets and liabilities

As of September 30, 2018 and December 31, 2017, financial instruments whose value is different from their fair value in books are as follows*:*

		2018		2017	
	Level	Book Value	Fair Value	Book Value	Fair Value
Other accounts payable long term	2	$117,511	$148,777	$150,427	$153,615

The Entity does not have assets or liabilities classified as Level 3 for the determination of fair value.

The Entity determined the fair value of the other accounts payable in the long term, by discounting the projected contractual flows using the TIIE for documents in pesos and LIBOR for the documents held in dollars, and measuring them at present value using a discount rate that reflects a credit risk similar to the last loan obtained by the Entity. The determined fair value is classified as level 2.

Management considers that the book value of financial assets and financial liabilities, with the exception of other long-term accounts payable, approximates their fair values given their short maturity and the profile of their rates.

Risk of excessive concentration

The risk of excessive concentration arises when a significant number of companies are working in similar business activities, have activities in the same geographical area, or have similar characteristics that could cause their ability to fulfill their contractual obligations when certain changes in the economic, political or other conditions will deteriorate. The concentration indicates the relative sensitivity of the Entity's performance. In order to avoid excessive concentration of risk, the Entity's policies and procedures include specific guidelines to focus on the maintenance of a diversified portfolio. Credit risk concentrations are controlled and managed in accordance with these policies.

Approximately 30% and 22% of sales for the years ended September 30, 2018 and December 31, 2017 respectively, represent sales made to the five main customers. No client represents more than 10% of the Entity's sales by itself.

Description of significant events and transactions

There are no significant events or transactions additional to those already reported as "relevant events"

Description of the accounting policies and calculation methods followed in the interim financial statements [text block]

Grupo Lala, S. A. B. de C. V. y Subsidiarias

Notes to the consolidated financial statements

As of September 30, 2018 and December 31, 2017
(In thousands of pesos or whose other denomination is indicated)

Business description

Grupo Lala, SAB de CV and subsidiaries (hereinafter "the Entity", the "Group" or "Grupo Lala") is one of the leading milk producers in Mexico and currently has a significant presence in the Brazilian markets, Central America and the United States. The Entity is dedicated to the production, transportation and marketing of flavored milk and beverages with added value for health and well-being, as well as other dairy products such as yogurt and cheese.

The Entity is a public limited stock company with variable capital in Mexico. The Entity has its corporate offices located in Mexico City.

The Entity carries out its operations mainly through its subsidiaries. The following is a list of the main subsidiaries and their activities, as well as the percentages of shareholding as of September 30, 2018 and December 31, 2017.

Subsidiary	% of share	Country	Activity
Comercializadora de Lácteos y Derivados, S. A. de C. V.	100.00	México	Marketer of milk and dairy products in Mexico
Abastecedora de Alimentos de México, S. A. de C. V.	100.00	México	Entity dedicated to the purchase of fluid milk
Lala Elopak, S. A. de C. V. y Subsidiarias	51.01	México	Manufactures and distributes cardboard packaging
Productos Lácteos de Centroamérica, S. A. y Subsidiarias	100.00	Guatemala	Marketer of milk and milk products in Central America
Lala Nicaragua, S. A.	100.00	Nicaragua	Marketer of milk and milk products in Central America
Lala Branded Products, LLC y Subsidiarias (acquired in 2016, Note 5)	100.00	United States of America	Marketer of milk and milk products in the United States of America
Productos Lácteos La Perfecta, S. A. (acquired in 2016, Note 5)	100.00	Nicaragua	Marketer of milk and milk products in Central America
Vigor Alimentos, S. A. y Subsidiarias (acquired in 2017, Note 5)	100.00	Brazil	Marketer of milk and dairy products in Brazil

Adoption of new and revised international financial reporting standards

a. ***Amendments to International Financial Reporting Standards ("IFRSs" or "IAS") that are mandatory for the current year***

IFRS 9, Financial Instruments

IFRS 9, Financial instruments, replaces IAS 39, Financial instruments: recognition and measurement. This standard is mandatory for periods beginning on or after January 1, 2018 and includes the introduction of a new impairment model based on expected losses and limited changes to the classification and measurement requirements of financial assets. Specifically, the new impairment model is based on the expected credit losses instead of the losses incurred and will be applied to financial instruments measured at amortized cost or at fair value through other comprehensive income, to leases receivable, asset contracts, certain written loan commitments and financial guarantee contracts.

With respect to the impairment model based on expected losses, the initial adoption requirement of IFRS 9 is retrospective and establishes the option to adopt it without modifying previous periods and recognizing the initial effect on retained earnings as of the date of adoption. In the case of hedge accounting, IFRS 9 allows application with a prospective approach.

The Entity did not have a material impact associated with the new category of fair value measurement through other comprehensive results, since it currently does not have any instrument that qualifies for this treatment; however, potential impacts could arise if your investment strategy changes in the future. Additionally, in terms of hedge accounting, the requirements of IFRS 9 are consistent with the current accounting policy of the Entity under IAS 39, therefore it does not anticipate an impact on its initial adoption or future hedging transactions.

IFRS 15, Revenue from contracts with customers

IFRS 15, Revenue from contracts with customers, was issued in May 2014 and is effective for periods beginning on or after January 1, 2018, although early adoption is permitted. Under this rule, revenue recognition is based on the transfer of control, that is, it uses the notion of control to determine when a good or service is transferred to the customer.

The standard also presents a single comprehensive model for accounting for revenue from contracts with customers and replaces the most recent revenue recognition guide, including industry-specific guidance. This integral model introduces a five-step approach to income recognition: (1) identification of the contract; (2) identify performance obligations in the contract; (3) determine the price of the transaction; (4) assign the price of the transaction to each performance obligation in the contract; and (5) recognize income when the entity satisfies the performance obligation. In addition, the amount of disclosures required in the financial statements is increased.

The Entity's management evaluated the requirements of this new IFRS and opted to apply the modified retrospective method applied to the agreements in force at the date of initial adoption. Based on its analysis, the Entity has determined that the main impact derived from the adoption of IFRS 15 corresponds to the valuation of product returns as a material right granted to customers.

IFRIC 22, Interpretation on transactions in foreign currency and advance consideration

This interpretation seeks to clarify the accounting of transactions that include the receipt or payment of an anticipated consideration in foreign currency. The interpretation is being issued to reduce the differences in practice related to the exchange rate used when an entity reports transactions that are denominated in a foreign currency, in accordance with IAS 21, in circumstances in which the consideration is received or paid before the asset, expense or income is recognized. It is effective for periods of annual reports that begin after January 1, 2018, although early adoption is permitted.

The Entity translates the anticipated considerations to the exchange rate of the date on which the transaction is carried out, whether received or paid and gives them a non-monetary treatment, for which reason, it does not visualize significant impacts in the adoption of this interpretation in its consolidated financial statements.

b. ***New and revised IFRS issued not in effect to date***

The following is a summary of these new standards and interpretations, as well as the Entity's assessment of possible impacts on the consolidated financial statements:

IFRS 16, Leases

IFRS 16 Leases replaces IAS 17 Leases and their related interpretations. This new standard incorporates the majority of leases in the balance sheet for lessees under a single model, eliminating the distinction between operating and financial leases. IFRS 16 is effective for periods beginning on or after January 1, 2019.

Under this rule, the tenants will recognize an asset by right of use and the corresponding lease liability. The right to use is treated in a manner similar to any other non-financial asset, with its corresponding depreciation, while the liability accrues interest. On the other hand, the financial liability will be measured on initial recognition, in a manner similar to what is currently required by IAS 17 Leases and its remeasurement should subsequently be evaluated, should there be modifications to the minimum lease payments.

Additionally, IFRS 16 establishes exceptions to these requirements to lease agreements with a term of less than 12 months, provided they do not contain purchase options; as well as for leases where the leased assets have a value that is not considered significant in unit terms, for example, minor office equipment or personal computers.

Management has determined that the new lease policy could affect the accounting of its existing operating leases. However, it has not yet been determined to what extent these commitments comply with the definition of lease and involve the recognition of an asset and a liability equivalent to the present value of future payments and the way in which the capital structure will be affected, the results and the classification of the Entity's cash flows.

The Entity will adopt the provisions of IFRS 16 using the modified retrospective approach as of January 1, 2019, which implies that any transition impact will be recognized directly in shareholders' equity.

IFRIC 23, Interpretation of uncertain fiscal positions

This interpretation seeks to clarify the application of the recognition and measurement criteria established by IAS 12 Income taxes, when there are uncertain tax positions. Uncertain tax positions are those tax positions where there is uncertainty about whether the competent tax authority will accept the tax position under current tax laws. In such cases, the Entity will recognize and measure its asset or liability for current or deferred taxes applying the requirements of IAS 12 based on tax profits (losses), tax bases, unused fiscal losses, unused tax credits and tax rates determined by applying this Interpretation.

The Entity will apply IFRIC 23 for annual reporting periods beginning on or after January 1, 2019. Early application is permitted and the event must be disclosed. In its initial application, it is applied retrospectively under the requirements of IAS 8, modifying comparative or retrospective periods with the accumulated effect of its initial application as an adjustment in the initial balance of retained earnings, without modifying comparative periods.

The Entity is evaluating and determining the potential impacts of adopting this interpretation in its consolidated financial statements.

2. Main accounting policies

a. ***Statement of compliance***

The Entity's consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS") issued by the International Financial Reporting Standards Board ("IASB").

b. Basis of preparation

The Entity's consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments which are valued at their fair value at the end of each period, as explained in the accounting policies included below. The consolidated financial statements are presented in thousands of Mexican pesos ($), unless otherwise indicated.

i. Historic cost

The historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

ii. Fair value

Fair value is defined as the price that would be received for selling an asset or that would be paid for transferring a liability in an orderly transaction between participants in the market at the valuation date, regardless of whether that price is observable or estimated using another technique of valuation directly. When estimating the fair value of an asset or a liability, the Entity takes into account the characteristics of the asset or liability, if the market participants would take those characteristics at the time of fixing the price of the asset or liability at the measurement date. The fair value for measurement and / or disclosure purposes of these consolidated financial statements is determined in such a manner, except for transactions with share-based payments that are within the scope of IFRS 2, the leasing operations that are within the scope of IAS 17, and valuations that have some similarities to fair value, but is not a fair value, such as the net realizable value of IAS 2 or the value in use of IAS 36.

In addition, for financial reporting purposes, fair value measurements are classified as Level 1, 2 or 3 based on the degree to which the input data are observable in the measurements and their importance in determining the fair value in its entirety, which are described as follows:

- Level 1 Quoted prices in an active market for identical assets or liabilities that the entity can obtain at the valuation date;
- Level 2 Observable input data other than the quoted prices of Level 1, either directly or indirectly,
- Level 3 Considers unobservable input data.

Convenience translation

The amounts expressed in US dollars as of September 30, 2018 shown in the consolidated financial statements are included only for the convenience of the reader and are considered complementary information to that required by IFRS. Said amounts are translated from Mexican pesos at the exchange rate of $ 18.81 per US dollar, which is the exchange rate published on September 30, 2018 in the Official Gazette of the Federation. Such translation should not be construed as a declaration that the amounts in Mexican pesos have been translated, may have been translated or may be translated in the future to US dollars at this or any other exchange rate.

c. *Basis of consolidation of financial statements*

The consolidated financial statements include those of Grupo Lala, S.A.B. of CV, and those of its subsidiaries at and for the years ended September 30, 2018 and 2017. The subsidiaries are consolidated as of the date of acquisition, which is the date on which Grupo Lala acquires control, and they continue to consolidate until the date in which said control ends.

The control is acquired when the Entity:

- Has power over the investment;
- Is exposed, or has the right, to variable returns derived from its interest with said entity, and
- Has the ability to affect such returns through its power over the entity in which it invests.

The Entity reassesses whether or not it has control over the investment based on the facts and circumstances that have changed one or more of the three control elements that were listed above.

When the Entity does not have the majority of the voting rights, or similar rights of the investment, it has power over the same when the voting rights are sufficient to grant it the practical ability to direct its relevant activities, unilaterally. The Entity considers all relevant facts and circumstances to ensure that it has the power to invest, including:

- The percentage of interest of the Entity in the voting rights in relation to the percentage and dispersion of the voting rights of the other holders thereof;
- Potential voting rights held by the Entity, by other shareholders or by third parties;
- The rights that arise from other contractual agreements, and
- Any additional fact and circumstance that indicates that the Entity has, or does not have, the current capacity to direct the relevant activities at the time the decisions must be made, including the voting tendencies of the shareholders in the previous assemblies.

The subsidiaries are consolidated from the date on which the control is transferred to the Entity, and are no longer consolidated from the date when control is lost. The gains and losses of the subsidiaries acquired or sold during the year are included in the consolidated statements of income and other comprehensive income from the date on which the parent obtains control or until the date that is lost, as the case may be.

The item "Non-controlling interest" refers to the interest of minority shareholders in the Entity's subsidiaries over which 100% of the shareholding is not held. Profit and each component of other comprehensive income are attributed to controlling and non-controlling interests. The comprehensive result of the subsidiaries is attributed to the controlling and non-controlling interests even if it results in a deficit in the latter.

The financial statements of the subsidiaries are prepared for the same period of information as that of the controlling entity, applying uniform accounting policies.

All balances, transactions and intercompany transactions, unrealized profits and losses resulting from intercompany transactions, as well as dividends, have been eliminated from consolidation.

Changes in the Entity's interest in existing subsidiaries

Changes in the Entity's investments in subsidiaries that do not result in a loss of control are recorded as capital transactions. The book value of the investments and non-controlling interests of the Entity is adjusted to reflect changes in the corresponding investments in subsidiaries. Any difference between the amount for which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized in shareholders' equity and attributed to the owners of the Entity.

When the Entity loses control of a subsidiary, the gain or loss in the provision is calculated as the difference between (i) the sum of the fair value of the consideration received and the fair value of any retained interest and (ii) the value in previous books of assets (including goodwill) and liabilities of the subsidiary and any non-controlling interest. The amounts previously recognized in other comprehensive income items related to the subsidiary are recorded in the same manner established for the case where the relevant assets or liabilities are available (that is, they are reclassified to profit or loss or directly transferred to other comprehensive income as specified or allowed by IFRS). The fair value of any investment retained in the subsidiary on the date that control is lost is considered as the fair value for the initial recognition, in accordance with IAS 39 or, as the case may be, the cost in the initial recognition of an investment in an associate or joint venture.

d. ***Financial instruments***

Financial assets and liabilities are recognized when the Entity becomes a party to the contractual provisions of the instruments.

Financial assets and liabilities are initially valued at their fair value. Transaction costs that are directly attributable to the acquisition or issuance of financial assets and liabilities (other than financial assets at fair value through profit or loss) are added to or reduced from the fair value of financial assets or liabilities, where applicable, in the initial recognition. Transaction costs directly attributable to the acquisition of financial assets and liabilities at fair value through profit or loss are recognized immediately in profit or loss.

e. Financial assets

Financial assets are classified in one of the following categories: cash and cash equivalents, financial assets at fair value through profit or loss ("FVTPL"), loans and accounts receivable, investments held to maturity, available-for-sale financial assets and other equity investments. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All purchases or sales of financial assets made on a regular basis are recognized and eliminated based on the trading date. Purchases or sales made on a regular basis are those purchases or sales of financial assets that require the delivery of the assets within the time frame established by norm or custom in said market.

i. Effective interest rate method ("TEI" or "EIR", for its acronym in English)

The effective interest method is a method to calculate the amortized cost of a debt instrument and the allocation of income or financial cost during the relevant period. The effective interest rate is the rate that discounts estimated future cash income (including all fees and base points paid or received that are an integral part of the effective interest rate, transaction costs and other premiums or discounts) during the expected life of the debt instrument or, when appropriate, a shorter period, net book value at the time of initial recognition.

Revenues are recognized based on the effective interest for debt instruments other than those financial assets classified as FVTPL.

ii. Financial assets on FVTPL

Financial assets are classified as FVTPL assets are (i) the contingent consideration that would be paid by an acquirer as part of a business combination in which IFRS 3 applies, (ii) when they are retained to be traded or (iii) they are designated as FVTPL.

A financial asset is classified as held for trading purposes if:

- It is bought mainly with the aim of selling it in a short period; or

- In its initial recognition, it is part of a portfolio of identified financial instruments that the Entity manages jointly, and for which there is a recent real pattern of short-term profit taking; or
- It is a derivative that is not designated and is effective as a hedging instrument.

A financial asset that is not a financial asset held for trading purposes or the contingent consideration that would be paid by an acquirer as part of a business combination could be designated as a financial asset at fair value through profit or loss at the time of the initial recognition if:

- With this designation, an inconsistency of valuation or recognition that would otherwise arise is eliminated or significantly reduced; or
- The financial asset is part of a group of financial assets, financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the documented risk management and investment strategy of the entity, and information about that group is provided internally, on the same basis;
- It is part of a contract that contains one or more implicit derivative instruments and IAS 39 allows the entire hybrid contract to be designated as fair value through profit or loss.

Financial assets at fair value through profit or loss are recorded at fair value, recognizing in profit or loss any profit or loss arising from their revaluation. The net profit or loss recognized in the results includes any dividend or interest obtained from the financial asset and is included under "other income and expenses" in the income statement and statement of comprehensive income.

iii. Investments held to maturity

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Entity has the intention and ability to hold to maturity. Subsequent to initial recognition, investments held to maturity are valued at amortized cost using the effective interest method less any impairment loss.

iv. Investments available for sale

Available-for-sale investments include capital investments. Investments in equity securities classified as available for sale are those that are not classified or held for trading or to be recognized at fair value through profit or loss.

After initial recognition, investments available for sale are measured at fair value, and unrealized gains or losses are recognized as another item of comprehensive income for financial assets classified as available for sale, until the investment is derecognized, and at that moment, the cumulative gain or loss is recognized as financial products, or if it is considered impaired the accumulated loss is reclassified to the statement of comprehensive income in the financial expenses and is eliminated from the other comprehensive income items. Interest earned on investments in debt securities classified as available for sale are calculated using the effective interest rate method and are recognized in profit or loss.

The Entity evaluates the investments available for sale for the purpose of determining whether its ability and intention to sell them in the near future are still appropriate. When the Entity cannot negotiate these financial assets due to the existence of inactive markets and when the management's intention to sell them in the near future changes, the Entity may choose to reclassify these financial assets, but only in exceptional circumstances.

Reclassification as loans and accounts receivable is allowed when financial assets meet the definition of loans and accounts receivable, and the Entity has the manifest intention and ability to hold these assets in the near future or until maturity.

The reclassification to assets held to maturity is allowed only when the entity has the capacity and manifest intention to maintain these assets until maturity.

When a financial asset is reclassified outside the category of available for sale, any gain or loss on that asset that has been previously recognized in the shareholders' equity is amortized in the results over the remaining life of the investment, using the method of the effective interest rate. Any difference between the new amortized cost and the expected cash flows is also amortized over the remaining life of the asset, using the effective interest rate method. If subsequently it is determined that the asset is impaired, the amount recognized in shareholders' equity is reclassified to comprehensive income.

Accrued dividends are recognized in the consolidated statement of comprehensive income of operations on the date of payment.

v. Loans and accounts receivable

Loans and accounts receivable are non-derivative financial instruments with fixed or determinable payments that are not traded in an active market. Loans and accounts receivable (including customers, miscellaneous debtors, accounts receivable from related parties and other accounts receivable) are valued after their final recognition at amortized cost, using the effective interest rate method, less any impairment.

Interest income is recognized by applying the effective interest rate, except for short-term accounts receivable if the recognition of interests is immaterial.

vi. Impairment of financial assets

Financial assets other than financial assets at fair value through profit or loss are subject to tests for impairment at the end of each reporting period. It is considered that financial assets are impaired, when there is objective evidence that, as a consequence of one or more events that have occurred after the initial recognition of the financial asset, the future cash flows of the investment have been affected.

For listed and unlisted capital instruments in an active market classified as available for sale, a significant or prolonged decline in the fair value of the securities below their cost is considered objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- Significant financial difficulties of the issuer or counterparty;
- Breach of payment of interest or principal;
- The borrower is likely to go bankrupt or in a financial reorganization; or
- The disappearance of an active market for the financial asset due to financial difficulties.

For certain categories of financial assets, such as accounts receivable from customers, assets that are subject to tests for impairment and that have not suffered impairment on an individual basis, are included in the impairment assessment on a collective basis. Among the objective evidence that a portfolio of accounts receivable could be impaired, one could include the past experience of the Entity with respect to collection, an increase in the number of arrears in the portfolio that exceed the average credit period, as well as observable changes in economic conditions that correlate with default in payments.

For financial assets that are recorded at amortized cost, the amount of the impairment loss that is recognized is the difference between the book value of the asset and the present value of the future cash flows, discounted at the original effective interest rate of the financial asset.

For financial assets that are posted at cost, the amount of the impairment loss is calculated as the difference between the book value of the asset and the present value of estimated future cash flows, discounted at the current exchange rate of a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying value of the financial asset is reduced by the impairment loss directly for all financial assets, except for accounts receivable from customers, where the book value is reduced through an allowance account for doubtful accounts. When it is considered that an account receivable is uncollectible, it is eliminated against the estimate. The subsequent recovery of the amounts previously eliminated becomes a credit against the estimate. Changes in the carrying amount of the estimate account are recognized in the results.

When a financial asset available for sale is considered impaired, the accumulated profits or losses previously recognized in other comprehensive income are reclassified to profit or loss for the period.

For financial assets valued at amortized cost if, in a subsequent period, the amount of the impairment loss decreases and that decrease can be objectively related to an event that occurs after recognition of the impairment, the previously recognized impairment loss is reversed through the results to the extent that the book value of the investment at the date the impairment was reversed does not exceed the amortized cost that would have been had the impairment not been recognized.

With respect to the equity instruments available for sale, the impairment losses previously recognized in the results are not reversed through them. Any increase in the fair value after recognition of the impairment loss is recognized in other comprehensive income and accumulated in the reserve item for revaluation of investments. With respect to the instruments available for debt sale, impairment losses are subsequently reversed through results if an increase in the fair value of the investment can be objectively related to an event that occurs after recognition of the impairment loss.

vii. Derecognition of a financial asset

The Entity ceases to recognize a financial asset only when the contractual rights on the cash flows of the financial asset expire or when the risks and benefits inherent to the ownership of the financial asset are transferred in a substantial manner. If the Entity does not transfer or substantially retain all the risks and benefits inherent to the property and continues to retain control of the transferred asset, the Entity will recognize its interest in the asset and the associated obligation for the amounts it would have to pay. If the Entity retains substantially all the risks and benefits inherent to the ownership of a transferred financial asset, the Entity continues to recognize the financial asset and also recognizes a collateral loan for the resources received.

On the derecognition of a financial asset as a whole, the difference between the book value of the asset and the sum of the consideration received and receivable and the accumulated gain or loss that has been recognized in other comprehensive income and accumulated results are recognized in results.

In the case of the derecognition of a financial asset that is not in its entirety (for example, when the Entity retains an option to repurchase part of a transferred asset), the Entity distributes the previous carrying amount of the financial asset among the party that continues to recognize in virtue of its continuous involvement, and the party that no longer recognizes on the basis of the relative reasonable values of said parties on the date of the transfer. The difference between the carrying amount attributable to the party that is no longer recognized and the sum of the consideration received by the unrecognized party and any accumulated gain or loss that is assigned to it that has been recognized in other comprehensive income is recognized in the result of the exercise. The accumulated gain or loss that has been recognized in other comprehensive income will be distributed between the part that continues to be recognized and the part that is no longer recognized on the basis of the relative fair values of the mentioned parties.

f. Inventories

Inventories of raw materials and packaging, production in process and finished products are presented at their cost or net realizable value, whichever is less. The cost of the inventories includes all the purchase and production costs incurred to give them their current location and condition and are accounted for as follows:

Raw material and packaging: at acquisition cost according to the standard costing formula, which is revalued at average cost at the close of each month.

Finished and in process products: the real cost of the materials, direct labor, as well as the indirect expenses of production; considering an estimated normal production capacity.

The net realization value is the estimated sale price in the normal course of business less the disposal costs and, if applicable, the estimated termination costs.

Spare parts, pallets and baskets are considered part of the inventories, are presented at their cost or net realization value, whichever is less and are recognized in the result at the time of consumption or loss, respectively.

The Entity records the necessary estimates to recognize the decreases in the value of its inventories due to deterioration, obsolescence, slow movement and other causes that indicate that the use or realization of the items that are part of the inventory will be lower than the registered value.

g. ***Property, plant and equipment***

Property, plant and equipment are presented at acquisition cost less accumulated depreciation and any recognized impairment loss. In the case of assets that require a substantial period of time to be ready for possible use or sale, borrowing costs are capitalized as part of the cost of the respective assets. All other borrowing costs are charged to income in the period in which they are incurred. The costs for loans include interest and other costs incurred by the Entity in relation to the loans obtained. The cost of capitalized loans is determined by applying the weighted average capitalization rate of the loans, to the weighted average of the investments in qualifying assets during the acquisition period.

Leasehold improvements in which the Entity acts as a lessee are recognized at its cost reduced from the respective depreciation.

Properties that are under construction or installation for production, supply or management purposes are recorded at cost less any recognized impairment loss. The cost includes professional fees and, in the case of qualifying assets, the costs for loans capitalized in accordance with the accounting policy of the Entity. These properties are classified to the appropriate categories of property, plant and equipment when they are complete for their intended use. The depreciation of these assets, as in other properties, begins when the assets are ready for their planned use.

Depreciation is recognized as a decrease in the cost of net assets to bring it to its residual value during its estimated useful life, using the straight-line method (see Note 11). The estimated useful life, the residual value and the depreciation method are reviewed at the end of each year based on experience in the industry and with the participation of the administration; The effect of any change in such estimates is recorded prospectively.

Land is not depreciated.

Assets held under finance leases are depreciated based on their estimated useful life as well as their own assets. However, when there is no reasonable certainty that the property is obtained at the end of the lease term, the assets are amortized in the shortest period between the life of the lease and its useful life.

The properties, plant and equipment are written off at the time of sale or when there are no future economic benefits expected from the use of the equipment. The profit or loss arising from the sale or withdrawal of a piece of equipment is calculated as the difference between the income from the sale and the net book value of the equipment, and is recognized in the income statement.

Critical spare parts are included as components of machinery and equipment.

The remaining useful life is as follows:

	Remaining Useful life
Buildings	20 years
Machinery and equipment	17 years
Transportation equipment	5 years
Furniture and others	4 years

h. ***Intangible assets***

Intangible assets are non-monetary assets identifiable, without physical substance and represent expenditures whose benefits will be received in the future.

1. Intangible assets acquired separately

   Intangible assets with definite useful life (rights and licenses) acquired separately are recognized at acquisition cost less accumulated amortization and accumulated impairment loss. Amortization is recognized based on the straight-line method over its estimated useful life. The estimated useful life and the amortization method are reviewed at the end of each year, and the effect of any change in the recorded estimate is recognized on a prospective basis.

   Intangible assets with an indefinite useful life that are acquired separately are recorded at cost less accumulated impairment losses.

2. Intangible assets that are generated internally - development disbursements

   Intangible assets generated internally, excluding capitalized development costs, are not capitalized and the expense is reflected in the income statement in the year in which it is incurred.

3. Intangible assets acquired in a business combination

   When an intangible asset is acquired in a business combination (brands, formulas, commercial agreements, among other intangibles) and are recognized separately from goodwill, its initial cost will be its fair value at the acquisition date.

   Subsequent to initial recognition, an intangible asset with a defined life in a business combination shall be recognized by its initial value less accumulated amortization and the accumulated amount of impairment losses. An asset with indefinite life is recognized at its initial value less the accumulated amount of impairment losses. In both cases on the same basis as intangible assets that are acquired separately.

4. Derecognition of intangible assets.

An intangible asset is written off for sale, or when it is not expected to have future economic benefits due to its use or disposal. The gains or losses arising from the derecognition of an intangible asset, measured as the difference between the net income and the book value of the asset, are recognized in profit or loss when the asset is written off.
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i. ***Impairment of long term assets and intangible assets other tan goodwill***

At the end of each period, the Entity reviews the book values of its tangible and intangible assets in order to determine if there are indications that these assets have suffered any impairment loss. If there is any indication, the recoverable amount of the asset is calculated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Entity estimates the recoverable amount of the cash generating unit to which the asset belongs. When a reasonable and consistent basis of distribution can be identified, the corporate assets are also allocated to the individual cash generating units, or else they are allocated to the smallest Cash Generating Unit for which a cash-generating unit can be identified. Reasonable and consistent distribution base.

Intangible assets with an indefinite useful life or not yet available for use are subject to impairment tests at least every year, and whenever there is an indication that the asset could have deteriorated

The recoverable amount is the greater between the fair value less the cost of selling it and the value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessment of the value of money over time and the specific risks of the asset for the year. which estimates of future cash flows have not been adjusted.

If it is estimated that the recoverable amount of an asset (or cash-generating unit) is less than its book value, the book value of the asset (or cash-generating unit) is reduced to its recoverable amount. Impairment losses are recognized immediately in results, unless the asset is recorded at a revalued amount, in which case the impairment loss should be considered as a decrease in the revaluation.

Subsequently, when an impairment loss is reversed, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimated value of its recoverable amount, in such a way that the adjusted carrying amount does not exceed the carrying amount of the asset. it would have been determined if an impairment loss had not been recognized for said asset (or cash generating unit) in previous years. The reversal of an impairment loss is recognized immediately in profit or loss, unless the corresponding asset is recognized at a revalued amount, in which case the reversal of the impairment loss is treated as an increase in the revaluation.

j. ***Goodwill***

Goodwill arising from the acquisition of a business is initially recognized at the cost determined at the date of acquisition of the business (see Notes 5 and 12), represented by the excess of the sum of the consideration transferred and the amount recognized for the non-controlling interest, with respect to the net of the identifiable assets acquired and the liabilities assumed. If this consideration is less than the fair value of the net assets acquired, the difference is recognized in the results at the date of acquisition.

After initial recognition, goodwill is measured at acquisition cost less any accumulated impairment loss.

In order to evaluate the impairment, goodwill is assigned to each cash-generating unit (or groups of cash-generating units) of the Entity, which is expected to be benefited by the synergies of the combination.

The cash generating units to which goodwill has been assigned are tested for impairment annually or more frequently when there are indications that the unit may be impaired. If the recoverable amount of a cash-generating unit is less than its book value, the impairment loss is first allocated to reduce the carrying value of any goodwill allocated to the unit and subsequently to the other assets of the unit in a manner prorated and based on the book value of each asset within the unit. Any impairment loss on goodwill is recognized directly in results. An impairment loss on the recognized goodwill is not reversed in subsequent periods

When the goodwill is part of a cash generating unit and part of the operation within that unit is sold, the goodwill related to the sold operation is included in the book value of the operation when determining the gain or loss by the alienation. Goodwill that is derecognized in this circumstance is determined based on the relative values of the sale transaction and the retained portion of the cash generating unit.

k. ***Investments in associates and joint ventures***

An associate is an entity over which the Entity has significant influence. Significant influence is the power to participate in decisions on financial and operating policies of the entity in which it is invested, but it does not imply joint control or control over those policies.

A joint venture is a contractual agreement whereby the parties that have joint control of the agreement are entitled to the net assets of the joint venture. Joint control is the contractual agreement to share control in a business, which exists when decisions about the relevant activities require the unanimous approval of the parties that share control.

The results and the assets and liabilities of the associates or joint ventures are incorporated into the consolidated financial statements using the equity method, except if the investment, or a portion of it, is classified as held for sale, in which case it is accounts in accordance with IFRS 5 Non-Current Assets Held for Sale and Discontinued Operations. Under the equity method, investments in associates or joint ventures are initially recorded in the consolidated statement of financial position at cost and adjusted for subsequent changes to the acquisition due to the Entity's interest in the profit or loss and the comprehensive income of the Company. the associate or joint venture When the Entity's interest in the losses of an associated entity or a joint venture of the Entity exceeds the Entity's interest in that associate or joint venture (which includes the long-term interests that, in substance, form part of the investment) net of the Entity in the associate or joint venture) the Entity no longer recognizes its share in losses. Additional losses are recognized as long as the Entity has contracted any legal or implicit obligation or has made payments on behalf of the associate or joint venture.

An investment in an associate or a joint venture is recorded using the equity method from the date on which the investee becomes an associate or a joint venture. In the acquisition of the investment in an associate or joint venture, the excess in the cost of acquisition over the Entity's share in the net fair value of the assets and liabilities identifiable in the investment is recognized as goodwill, which is included in the book value of the investment. Any excess of the Entity's interest in the net fair value of the identifiable assets and liabilities in the acquisition cost of the investment, after the re-evaluation, after its re-evaluation, is immediately recognized in the results of the period in which the investment was acquired.

The requirements of IAS 39 are used to determine whether it is necessary to obtain a loss to improve with respect to the Entity's investment in an associate or joint venture. When necessary, a test of the total carrying amount of the investment (including goodwill) must be performed in accordance with IAS 36 as a single asset, comparing its recoverable amount (greater between the value in use and the fair value less costs of sale) against its book value. Any impairment loss is recognized as part of the value in the investment books. Any reversal of such loss is reduced in accordance with IAS 36.

The Entity discontinues the use of the equity method from the date on which the investment ceases to be an associate or a joint venture, or when the investment is classified as held for sale. When the Entity maintains its interest in the previously associated or joint venture, the retained investment is measured at fair value at that date and is considered as fair value at the time of initial recognition in accordance with IAS 39. The difference between the carrying amount of the associate or joint venture on the date on which the equity method is discontinued and the fair value attributable to the retained interest and the gain on the sale of a portion of the interest in the associate or joint venture is included in the determination of the gain or loss by provision of the associate or joint venture. Additionally, the Entity accounts for all amounts previously recognized in other comprehensive income in relation to that associate or joint venture with the same basis that would be required if that associate or joint venture had directly disposed of the relative assets or liabilities. Therefore, if a gain or loss previously recognized in other comprehensive income by said associate or joint venture has been reclassified to the income statement by disposing of the relative assets or liabilities, the Entity reclassifies the capital’s profit or loss of to the income statement (as a reclassification adjustment) when the equity method is discontinued.

The Entity continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no revaluation at fair value of these changes in interest

When the Entity reduces its interest in an associate or a joint venture but the Entity continues to use the equity method, the Entity reclassifies to profit or loss the proportion of the gain or loss that had previously been recognized in other comprehensive income in relation to the reduction of their interest in the investment if that profit or loss had been reclassified to the income statement in the disposition of the relative assets or liabilities.

When the Entity carries out transactions with its associate or joint venture, the profit or loss resulting from such transactions with the associate or joint venture are recognized in the consolidated financial statements of the Entity only to the extent of the interest in the associate or business. set that does not relate to the Entity.

The consolidated financial statements include, within investments in associates and joint ventures, the interest of 50.01% of the results of the operations of the companies Leche Bell, S.A. of C.V. and Bell Servicios, S.A. of C.V. The main activity of these entities is the marketing of milk and dairy products in Mexico

l. ***Business combinations***

Business acquisitions are accounted for using the purchase method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the fair values of the assets transferred by the Entity, less the liabilities incurred by the Entity with the previous owners of the acquired company and the equity interests issued by the Entity in exchange for control over the company. The costs related to the acquisition are generally recognized in the income statement as incurred.

At the acquisition date, the identifiable assets acquired and the assumed liabilities are recognized at fair value with the exception of Deferred Tax assets or liabilities and assets or liabilities related to employee benefits, which are recognized and measured in accordance with IAS 12 Taxes on Utility and IAS 19 Benefits for Employees, respectively;

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquired company, and the fair value of the previous shareholding of the acquirer in the acquired company (if any) over the net of the amounts of identifiable assets acquired and liabilities assumed at the date of acquisition. If, after a revaluation, the net amount of identifiable assets acquired and liabilities assumed at the date of acquisition exceeds the sum of the consideration transferred, the amount of any non-controlling interest in the acquired company and the fair value of the previous stock holding of the acquirer in the acquired company (if any), the excess is recognized immediately in the consolidated income statement as a gain per purchase at a bargain price.

The non-controlling interests that are shareholdings and that grant their holders a proportional share of the Entity's net assets in the event of liquidation, can be measured initially at either fair value or at the value of the proportional interest of the non-controlling interest in the recognized amounts of the net identifiable assets of the acquired company. The base measurement option is performed in each transaction. Other types of non-controlling interests are measured at fair value or, when applicable, based on what is specified by another IFRS.

When the consideration transferred by the Entity in a business combination includes assets or liabilities resulting from a contingent consideration agreement, the contingent consideration is measured at its fair value at the acquisition date and is included as part of the consideration transferred in a combination. of business. The changes in the fair value of the contingent consideration that qualify as adjustments to the measurement period are adjusted retrospectively with the corresponding adjustments against goodwill. Adjustments to the measurement period are adjustments that arise from the additional information obtained during the 'measurement period' (which cannot be more than one year from the date of acquisition) about events and circumstances that existed at the acquisition date.
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The accounting treatment for changes in the fair value of the contingent consideration that do not qualify as adjustments to the measurement period depends on how the contingent consideration is classified. The contingent consideration that is classified as capital is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within the capital. Other contingent consideration that is classified as an asset or liability is remeasured at fair value on subsequent reporting dates with changes in the fair value recognized in the consolidated income statement.

When a business combination is carried out in stages, the previous shareholding of the Entity in the acquired company is remeasured at fair value at the acquisition date and the resulting gain or loss, if any, is recognized in the income statement. The amounts arising from interests in the company acquired before the acquisition date that have been previously recognized in other comprehensive income are reclassified to the consolidated income statement when this treatment is appropriate if such interest is eliminated

If the initial accounting treatment of a business combination is incomplete at the end of the reporting period in which the combination occurs, the Entity reports provisional amounts for the items whose accounting is incomplete. These provisional amounts are adjusted during the measurement period (see above) or additional assets or liabilities are recognized to reflect the new information obtained on the facts and circumstances that existed at the acquisition date and which, had they been known, would have affected the amounts recognized at that date.

m. ***Leases***

Leases are classified as financial when the terms of the lease substantially transfer to the lessees all the risks and benefits inherent to the property. All other leases are classified as operating.

– The Entity as landlord

Amounts payable by lessees under financial leases are recognized as accounts receivable for the amount of the Entity's net investment in the leases. Revenues from financial leases are distributed over the accounting periods in order to reflect a periodic and constant rate of return of the Entity's net investment with respect to leases.

Income from rents under operating leases is recognized using the straight-line method during the term of the lease. The initial direct costs incurred in negotiating and agreeing to an operating lease are added to the book value of the leased asset, and are recognized using the straight-line method during the term of the lease.

–The Entity as a tenant

Assets held under financial leases are recognized as assets of the Entity at their fair value, at the beginning of the lease, or if this is less, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a financial lease liability.

Lease payments are distributed between financial expenses and the reduction of lease obligations in order to achieve a constant interest rate on the remaining balance of the liability. Financial expenses are charged directly to income, unless they can be directly attributable to qualifying assets, in which case they are capitalized in accordance with the Entity's accounting policy for borrowing costs. Contingent rents are recognized as expenses in the periods in which they are incurred.

Lease payments for operating leases are charged to income using the straight-line method, during the term corresponding to the lease, unless another systematic basis of prorating is more representative to better reflect the consumption pattern of the benefits of the leased asset. Contingent rents are recognized as expenses in the periods in which they are incurred.

In the event that income incentives are received for having entered into an operating lease agreement, such incentives are recognized as a liability. The aggregate benefit of the incentives is recognized as a reduction in lease expense on a straight-line basis, unless another systematic basis is more representative of the consumption pattern of the economic benefits of the leased asset.

n. ***Transactions in foreign currencies***

When preparing the financial statements of each entity, transactions in currencies other than the functional currency of the Entity (foreign currency) are recognized using the exchange rates in effect on the dates on which the transactions are carried out. At the end of each period, the monetary items denominated in foreign currency are retranslated at the exchange rates prevailing at that date. Non-monetary items recorded at fair value, denominated in foreign currency, are retranslated at the exchange rates in effect on the date on which the fair value was determined. The non-monetary items that are calculated in terms of historical cost, in foreign currency, are not retranslated.

The exchange rate differences in monetary items are recognized in the results of the period, except when they arise from:

- Foreign exchange differences arising from loans denominated in foreign currencies related to assets under construction for future productive use, which are included in the cost of said assets when they are considered as an adjustment to interest costs on such loans denominated in foreign currencies

- Differences in exchange rate from transactions related to hedges of exchange rate risks; and

- Differences in the exchange rate from monetary items receivable or payable to a foreign operation whose liquidation is not planned nor is it possible to make the payment (thus forming part of the net investment in the foreign operation), which are initially recognized in other comprehensive income and reclassified from shareholders' equity to results in reimbursement of monetary items.

Translation of foreign operations:

To consolidate the financial information of foreign operations that operate outside of Mexico (Brazil, the United States, Nicaragua, Honduras, Costa Rica, El Salvador, Panama and Guatemala), and that represent 25% and 14% of the consolidated net income and the 57% and 61% of total consolidated assets as of September 30, 2018 and 2017, respectively, the same accounting policies of the Entity apply. The functional currency of the companies domiciled in Brazil, the United States of America, Nicaragua, Honduras, Costa Rica, El Salvador, Panama and Guatemala is the Brazilian real, US dollar, Nicaraguan córdoba, lempira, Costa Rican colon, US dollar, US dollar and Quetzal, respectively.

The financial information of these foreign operations that are consolidated is translated into the presentation currency, which is the Mexican peso, initially identifying whether the functional and registration currency of the foreign operation are different and subsequently translating the functional currency to the presentation. Currently, the functional currency of foreign operations is the same as the foreign operation registration, but different from the presentation currency.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Entity's foreign operations are expressed in Mexican pesos, using the exchange rates in effect at the end of the period. The items of income and expenses are translated at the average exchange rates in effect for the period, unless they fluctuate significantly during the period, in which case the exchange rates are used at the date on which the transactions are made. Exchange differences that arise, if applicable, are recognized in other comprehensive income and are accumulated in shareholders' equity (attributed to non-controlling interests when appropriate).

The exchange rates in effect at the end of each period are the following:

		Real	**US dollar**		**Cordoba**		**Lempira**		**Colon**		**Quetzal**
At September 30, 2018	$	4.69	$ 18.81	$	0.59	$	0.78	$	0.03	$	2.44
At December 31, 2017	$	5.97	$ 19.73	$	0.64	$	0.83	$	0.03	$	2.69

The adjustments corresponding to the goodwill and the fair value of identifiable acquired assets and assumed liabilities generated in the acquisition of an operation abroad are considered as assets and liabilities of said operation and are translated at the exchange rate in effect at the end of the reporting period. The resulting exchange differences are recognized in other comprehensive income.

In the sale of a foreign operation (that is, sale of the entire Entity's interest in a foreign operation, or a provision that involves a loss of control in the subsidiary that includes a foreign operation, partial loss of joint control over an entity jointly controlled that includes a foreign operation, partial of which the interest retained becomes a financial instrument, all the differences in the exchange rate accumulated in capital related to that operation attributable to the Entity are reclassified to the results.

Additionally, in the partial disposition of a subsidiary that includes a foreign operation, the Entity will reassign the proportional share of the accumulated amount of the exchange differences recognized in other comprehensive income to the non-controlling interests in that foreign operation and they are not recognized in results In any other partial provision of a foreign operation (that is, of associates or jointly controlled entities that do not involve a loss of significant influence or joint control) the Entity will reclassify to results only the proportional share of the accumulated amount of the exchange differences.

o. ***Loan costs***

The costs for loans directly attributable to the acquisition, construction or production of qualifying assets, which require a substantial period of time until they are ready for use or sale, are added to the cost of those assets during that time until the time of that are ready for use or sale.

The income obtained by the temporary investment of funds from specific loans pending use in qualifying assets is deducted from the costs of eligible loans to be capitalized.

All other borrowing costs are recognized in the results during the period in which they are incurred.

p. ***Employee benefits***

Employee benefits short-term

A liability is recognized for benefits that correspond to employees with respect to wages and salaries, annual vacations and vacation premium for the amount not discounted for the benefits expected to be paid for that service.

The liabilities recognized for short-term employee benefits are valued at the amount not discounted for the benefits expected to be paid for that service.

Employee participation in profit sharing ("EPPS")

The employee participation in profit sharing is recorded in the results of the year in which it is incurred and is presented in the cost of sales item in the consolidated statement of comprehensive income.

As a result of the Income Tax Law of 2014, as of September 30, 2018 and 2017, the PTU is determined based on taxable income pursuant to fraction I of article 9 of the same Law.

Employee benefits

Mexico:

Entities established in Mexico with employees, and in accordance with Mexican labor law, have the obligation to pay a seniority premium to all employees who reach an age of at least 15 years (retirement benefits), as well as pay settlements to workers who are dismissed under certain circumstances (termination benefits).

The Entity grants retirement pensions to non-unionized employees who reach 65 years of age, with the option of early retirement starting at 50 years of age. Pensions are determined based on the compensations of the employees in their last year of work, the years of seniority in the Entity and their age at the time of retirement (retirement benefits).

Brazil:

According to labor legislation in Brazil, the subsidiaries of this country do not have any obligation to pay the withdrawal or termination of the employment relationship, so a liability for these concepts is not recognized.

U.S:

The subsidiaries of the United States have pension plans that qualify as 401 (k) and are based on the tax laws of the United States of America. The plans are available to practically all employees. The Entity equals the contributions up to 3.0% of the salary paid to the employee which is disbursed as it accrues.

Central America:

According to labor legislation in Nicaragua, the employer has the obligation to pay the worker compensation equivalent to one month's salary for each of the first three years of work; Twenty days of salary for each year of work from the fourth year. In no case shall the compensation be less than one month or more than five months.

In Guatemala, the amount of the benefit will be equal to one month of salary for each year of service.

In the case of defined benefit plans, which include seniority premium, pension plan and retirement benefits for unionized employees, their cost is determined using the projected unit credit method, with actuarial valuations that are made at the end of each period about which is reported. Remeasurements, which include actuarial gains and losses, the effect of changes in the asset floor (if applicable) and the return of the asset plan (excluding interest), are immediately reflected in the statement of financial position with charge or credit that is recognized in other comprehensive income in the period in which they occur. The remeasurements recognized in other comprehensive income are immediately reflected in retained earnings and are not reclassified to profit or loss. Cost for past services is recognized in results in the period of the modification to the plan. Net interest is calculated by applying the discount rate at the beginning of the period of the obligation, the asset or liability for defined benefits. The costs for defined benefits are classified as follows:

• Service cost (including the current cost of service, cost of past services, as well as gains and losses from reductions or settlements).
• Net interest expense or income.
• Remeasurements

The Entity presents the first two components of the costs for defined benefits as an expense or an income according to the item. Profits and losses for service reduction are recognized as past service costs.

The obligations for retirement benefits recognized in the consolidated statement of financial position represent the current gains and losses in the defined benefit plans of the Entity. Any profit arising from this calculation is limited to the present value of any economic benefit available from reimbursements and reductions of future contributions to the plan (using a discount rate based on government bonds).

Any indemnification obligation is recognized when the Entity can no longer withdraw the compensation offer and / or when the Entity recognizes the related restructuring costs.

q. ***Income taxes and value added tax***

The income tax expense represents the sum of the current income taxes and deferred income taxes. Current and deferred taxes are recognized in profit or loss, except when they refer to items that are recognized outside profit or loss, either in other comprehensive income or directly in shareholders' equity, respectively. When they arise from the initial recognition of a business combination, the tax effect is included in the recognition of the business combination.

1. <u>Current income taxes</u>

Current assets and liabilities for current income taxes are measured at the amount expected to be recovered or paid to the tax authorities. The legislation and fiscal rates used to calculate these amounts are those that are approved or whose approval procedure is nearing completion on the date of presentation of information, in the countries in which the Entity operates and generates taxable profits.

Periodically, the administration evaluates the positions taken in the tax returns with respect to situations where applicable tax regulations are subject to interpretation, and creates provisions, when necessary.

2. <u>Deferred income taxes</u>

Deferred income taxes are determined using the asset and liability method, based on the temporary differences between the tax values of the assets and liabilities and their carrying amounts at the date of the statement of financial position.

Deferred income tax liabilities are recognized for all taxable temporary differences, except:

• When the deferred income tax liability arises from the initial recognition of goodwill, or from an asset or liability derived from a transaction that does not constitute a business combination and that, at the time of the transaction, does not affect the accounting profit. neither the taxable profit or fiscal loss; and

• With respect to taxable temporary differences related to investments in subsidiaries, associates and interests in joint ventures, from which the moment of reversion of the temporary differences can be controlled and it is probable that these temporary differences will not be reversed in the near future

Deferred income tax assets are recognized for all deductible temporary differences and for unused tax credits and unamortized tax losses, as well as temporary differences related to investments in subsidiaries, associates and joint venture interests in the as it is likely that there will be future taxable profits against which the deductible temporary differences can be used and apply the unused tax credits and amortize the unused tax losses, except:

• When the deferred income tax asset related to the deductible temporary difference arises from the initial recognition of an asset or a liability derived from a transaction that does not constitute a business combination and that, at the time of the transaction, does not affect the accounting profit or taxable profit or tax loss.

The net book value of deferred income tax assets is reviewed at each reporting date and is reduced to the extent that it is no longer probable that there will be sufficient future taxable profits to allow all or one of the part of deferred income tax assets. Unrecognized deferred income tax assets are valued again at each reporting date and are recognized to the extent that it is probable that there will be sufficient future taxable profits to allow the recovery of the asset for deferred income taxes.

Assets and liabilities for deferred income taxes are determined based on the tax rates that will be in effect in the year when the asset will materialize or the liability will be settled, based on the tax rates (and tax legislation) that will be approved or whose approval procedure is close to being completed on the date of submission of information.

Deferred income taxes related to items recognized outside of profits or losses are also recognized outside profit or loss. Deferred income tax items are recognized in correlation with the underlying transaction, either in other comprehensive income or directly in equity.

Deferred income tax assets and liabilities are offset, if there is a legally enforceable right to offset current tax assets against short-term income tax liabilities, and if the deferred income taxes relate to the same fiscal entity and the same fiscal authority.

3. Consumer taxes

Mexico:

Income, expenses and assets are recognized without including the amount of Value Added Tax ("VAT"), except:

- When the VAT incurred in an acquisition of assets, goods and / or services cannot be recovered from the tax authority, in which case VAT is recognized as part of the acquisition cost of the asset or as part of the expense item, as appropriate.
- Accounts receivable and payable are valued including the amount of VAT.

The amount of VAT that can be recovered or that must be paid to the tax authority is included as part of the accounts receivable or payable in the statement of financial position.

The main products sold by the Entity are subject to a 0% value-added tax (VAT) rate. On a monthly basis, you have to report VAT payable and creditable VAT, which is determined by offsetting the VAT paid on purchases of goods and services from VAT caused by the sale of goods and services. Derived that the services paid for certain purchases that are subject to a rate of 16%, balances are determined by crediting monthly.

Brazil:

ICMS:

It is a state tax that affects sales of goods and services, both in domestic and interstate operations. The basis of the tax is generally the sale price, by applying a variable rate of 17% to 20% in the same state in which the transaction is made. Regarding interstate operations, the rate can be 4%, 7% or 12%. For payment purposes, the tax calculated on the sale is deducted from the tax credited on the acquisition of goods and services (materials, packaging, freight, among others).

PIS/COFINS:

They are federal taxes on sales and importation of goods and services. These taxes are included within the sale price. The rate applicable to the subsidiaries of Brazil is 0% for the sale of dairy products and 9.25% for the sale of other products (1.65% of PIS and 7.6% of COFINS). Similar to VAT in Mexico, the accumulated tax on sales is deducted from the tax credited for certain expenses and for purchases of goods and services. And if the accredited tax is higher, it can be recovered.

U.S:

The rate of consumption tax varies between states in a range of 0% to 7%.

Central America:

The products sold by the Entity in the countries of Nicaragua, Costa Rica, Honduras, Guatemala and El Salvador at the rate of 15%, 13%, 15%, 12% and 13%, respectively.

4. Uncertain tax positions

There is uncertainty regarding the interpretation of complex tax regulations, changes in tax laws, as well as in the amounts and dates of future income taxes. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual arrangements, differences that arise between actual results and assumptions made, or future changes in such assumptions, may require future adjustments to taxes. to the profit and expenses already registered. The Entity creates provisions, based on reasonable estimates, for the possible consequences of the audits of the tax authorities of the respective regions in which it operates. As of September 30, 2018 and 2017, the Entity does not maintain any uncertain fiscal position that requires a provision.

r. ***Provisions***

Provisions are recognized when the Entity has a present obligation (whether legal or assumed) as a result of a past event, it is probable that the Entity will have to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

The amount recognized as a provision is the best estimate of the disbursement necessary to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is valued using the estimated cash flows to settle the present obligation, its book value represents the present value of said cash flows (when the effect of time value of money is material).

When the recovery of some or all of the economic benefits required to settle a provision by a third party is expected, an account receivable is recognized as an asset if it is virtually certain that the disbursement will be received and the amount of the account receivable. It can be valued reliably.

Contingent liabilities acquired in a business combination

Contingent liabilities acquired in a business combination are initially valued at their fair value, at the date of acquisition. At the end of the subsequent reporting periods, such contingent liabilities are valued at the higher of the amount that would have been recognized in accordance with IAS 37 and the amount initially recognized less accumulated amortization recognized in accordance with IAS 18, Revenue.

s. ***Financial liabilities and equity instruments***

1. Classification as debt or capital

Debt and / or equity instruments are classified as financial liabilities or as capital in accordance with the substance of the contractual agreement and the definitions of liabilities and capital.

2. Capital Instruments

A capital instrument consists of any contract evidencing a residual interest in the assets of the Entity after deducting all its liabilities. The equity instruments issued by the Entity are recognized for the resources received, net of direct issuance costs.

The equity instruments comprise the common shares of the Entity.

The repurchase of the Entity's own shares is recognized and deducted directly in the share capital by the nominal part of said shares and any result in the purchase or sale of said shares is recognized as a share repurchase premium. No gain or loss is recognized in results in the purchase, sale, issue or amortization of the Entity's equity instruments.

3. Financial liabilities

Financial liabilities are classified as financial liabilities at fair value through profit or loss or other financial liabilities.

4. Financial liabilities at fair value through changes through results

Financial liabilities are classified at fair value through profit or loss when the financial liability is (i) the contingent consideration that would be paid by the acquirer as part of a business combination to which IFRS 3 applies, (ii) maintained for trading, or (iii) fair value is designated with changes through results.

A financial liability is classified as held for trading purposes if:

- It is acquired mainly for the purpose of repurchasing it in the near future; or
- It is part of a portfolio of identified financial instruments that are jointly managed, and for which there is evidence of a recent pattern of short-term profit taking; or
- It is a derivative that has not been designated as a hedging instrument and meets the conditions to be effective.

A financial liability other than a financial liability for trading or contingent consideration that would be paid by the acquirer as part of a business combination can be designated as at fair value through profit or loss at the time of initial recognition if:

- This eliminates or significantly reduces any inconsistency in the valuation or recognition that would otherwise arise; or
- The performance of a group of financial assets, financial liabilities or both, is managed and evaluated on the basis of their fair value, in accordance with an investment or risk management strategy that the Entity has documented, and is provided internally. information about that group, based on its fair value; or
- It forms part of a contract that contains one or more implicit derivative instruments, and IAS 39 allows the entire hybrid contract (asset or liability) to be designated as at fair value.

Financial liabilities at fair value through profit or loss are recorded at fair value, recognizing any gain or loss arising from the remeasurement in the consolidated income statement. The net gain or loss recognized in the results includes any interest obtained from the liability.

5. Other financial liabilities

Other financial liabilities, (including loans and accounts payable), are subsequently valued at amortized cost using the effective interest rate method.

The effective interest rate method is a method of calculating the amortized cost of a financial liability and allocating financial expense over the relevant period. The effective interest rate is the rate that accurately discounts the estimated cash flows over the expected life of the financial liability or (when appropriate) in a shorter period with the net carrying amount of the financial liability on initial recognition.

6. Derecognition of financial liabilities

The Entity derecognizes financial liabilities if, and only if, the obligations of the Entity are met, canceled or have expired. The difference between the carrying amount of the derecognized financial liability and the consideration paid and payable is recognized in profit or loss.

7. Compensation of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if, and only if (i) there is currently a legally enforceable right to offset the amounts recognized, and (ii) there is an intention to liquidate them for the net amount, or to realize the assets and settle the liabilities simultaneously.

t. ***Derivative financial instruments***

The Entity uses a variety of financial instruments to manage its exposure to volatility risks in exchange rates and interest rates, including foreign currency forward contracts and interest rate swaps.

Derivatives are initially recognized at fair value on the date on which the derivative contract is subscribed and subsequently revalued at their fair value at the end of the reporting period. The resulting gain or loss is recognized in the results immediately unless the derivative is designated and is effective as a hedging instrument, in which case the opportunity for recognition in the results will depend on the nature of the hedging relationship.

Derivatives are accounted for as financial assets when the fair value is positive and financial liabilities when the fair value is negative.

Implicit derivatives

Derivatives implicit in other financial instruments or in other contracts (host contracts) are treated as separate derivatives when their risks and characteristics are not closely related to those of host contracts and when such contracts are not recorded at fair value through changes through of results.

As of September 30, 2018 and 2017, the Entity does not maintain any implicit derivative.

u. ***Hedge accounting***

The Entity designates certain hedging instruments, which include derivatives, implicit and non-derivative derivatives with respect to foreign currency risk, whether as fair value hedges, cash flow hedges, or hedges of the net investment in a transaction. foreign The foreign currency risk coverage of a firm commitment is accounted for as a cash flow hedge.

At the beginning of the hedge, the Entity documents the relationship between the hedging instrument and the hedged item, as well as the objectives of risk management and its management strategy to undertake various hedging transactions. Additionally, at the beginning of the hedge and on a continuous basis, the Entity documents whether the hedging instrument is highly effective to offset the exposure to changes in fair value or changes in the cash flows of the hedged item attributable to the risk covered.

-Fair value hedges

Changes in the fair value of the derivatives that are designated and qualify as fair value hedges are recognized immediately in the results, together with any change in the fair value of the hedged asset or liability that is attributed to the hedged risk. The change in the fair value of the hedging instrument and the change in the hedged item attributable to the hedged risk are recognized in the caption of the [consolidated income statement] related to the hedged item.

The accounting for hedges is discontinued when the Entity revokes the hedging relationship, when the hedging instrument expires or is sold, terminates, or is exercised, or when it no longer meets the criteria for accounting for hedges. The adjustment to fair value of the book value of the hedged item arising from the hedged risk is amortized against results as of that date.

-Cash flows hedges

The effective portion of the changes in the fair value of the derivatives that are designated and qualify as cash flow hedges are recognized in other comprehensive income and are accumulated under the reserve for cash flows hedged. Losses and gains relating to the ineffective portion of the hedging instrument are recognized immediately in the income statement and are included in the caption "other income and expenses".

The amounts previously recognized in the other comprehensive income and accumulated in the shareholders' equity are reclassified to the results in the periods in which the hedged item is recognized in the results, in the same item of the recognized hedged item. However, when a forecasted transaction that is covered results in the recognition of a non-financial asset or a non-financial liability, the losses or gains previously accumulated in the shareholders' equity are transferred and included in the initial valuation of the cost of the non-financial asset. financial or non-financial liabilities.

The accounting for hedges is discontinued when the Entity revokes the hedging relationship, when the hedging instrument expires or is sold, terminates, or is exercised, or when it no longer meets the criteria for accounting for hedges. Any accumulated gain or loss of the hedging instrument that has been recognized in the capital will continue in the capital until the forecasted transaction is finally recognized in the results. When the forecasted transaction is no longer expected to occur, the accumulated gain or loss in the capital will be recognized immediately to the results.

- Coverage of a net investment in a foreign operation

The hedges of a net investment in a foreign operation are accounted for in a manner similar to the cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognized in the other comprehensive income and accumulated in the foreign operations translation reserve. The gain or loss related to the ineffective portion is recognized in the results ".

Gains and losses on the hedging instrument relating to the effective portion of the accumulated hedge in the foreign currency translation reserve are reclassified to results in the disposition of the foreign operation.

v. ***Revenue recognition***

Revenue is calculated at the fair value of the consideration received or receivable. Revenues are presented net of customer returns, discounts and bonuses, which are recognized by estimates based on the Entity's historical experience, or by negotiations with customers, which are applied against the balance of accounts receivable.

The income from the sale of products / goods must be recognized when all of the following conditions are met:

- The Entity has transferred to the buyer the significant risks and benefits that derive from the ownership of the products / goods, which generally occurs with the delivery of the products / goods;
- The Entity does not preserve for itself any involvement in the continuous management of the goods / products sold, in the degree usually associated with the property, nor retains effective control over them;
- The amount of income can be reliably valued;
- It is probable that the Entity will receive the economic benefits associated with the transaction; and

The costs incurred, or incurred, in connection with the transaction can be reliably valued.

Dividends

Dividend income is recognized when the Entity's right to receive payment is established.

w. ***Earnings per share***

Basic earnings per share are calculated by dividing the net income for the period attributable to the controlling party by the weighted average number of ordinary shares outstanding during the year. Diluted earnings per share are calculated by adjusting the net income attributable to the parent's ordinary interest and ordinary shares.

During 2018 and 2017 there were no potentially dilutive instruments.

3. **Critical accounting judgments and key sources for estimating uncertainties**

In the application of the accounting policies of the Entity, which are described in Note 3, management must make judgments, estimates and assumptions about the carrying amounts of the assets and liabilities of the consolidated financial statements. The estimates and relative assumptions are based on experience and other factors that are considered relevant. Actual results may differ from these estimates.

Estimates and assumptions are reviewed on a regular basis. Changes to accounting estimates are recognized in the period in which the modification is made and future periods if the modification affects both the current period and subsequent periods.

a. Critical judgments:

Determination of functional currency

To determine the Entity's functional currency, management evaluates the economic environment in which it primarily generates and disburses cash. For this, factors related to sales, costs, sources of financing and cash flows generated by the operation are considered

b. Key sources of uncertainty in the estimates:

The key assumptions related to the future and other key sources of uncertainty related to the estimation at the date of the statement of financial position, which entail a significant risk of giving rise to a material adjustment to the net book values of the assets and liabilities Within the following accounting exercise, they are described below. The Entity bases its assumptions and estimates on parameters that were available at the time of preparation of the consolidated financial statements. However, the circumstances and the existing assumptions regarding future changes could be modified due to changes in the markets or circumstances that are beyond the control of the Entity.

Impairment analysis of intangible assets with an indefinite life

An impairment test is carried out annually on intangible assets with an indefinite useful life, both individually and at the level of the cash-generating unit, as appropriate, and when circumstances indicate that the book value may be impaired.

The loss or gain arising from the derecognition of an intangible asset is determined as the difference between the net amount obtained from its disposal and the book value of the asset, and is recognized in the income statement when the asset is written off.

Goodwill impairment analysis

Determining whether goodwill has suffered impairment involves calculating the use value of the cash generating units to which the goodwill has been assigned. The calculation of the use value requires the Entity to determine the future cash flows that should arise from the cash-generating units and an appropriate discount rate to calculate the present value. When the actual future cash flows are lower than expected, a material loss due to deterioration may occur. The hypotheses used to determine the recoverable amount for each cash generating unit of the Entity including a sensitivity analysis.

Application of acquisition method

When business acquisitions are made, the acquisition method is required to recognize the identifiable net assets acquired at fair value, on the date of acquisition; Any excess of the consideration paid on the identified net assets is recognized as goodwill, which is tested for impairment in the presence of signs and at least once a year.

When estimating the fair value of the identifiable net assets, the Entity uses the observable market data to the extent that they are available. When the entry data of level 1 are not available, the Entity hires an independent qualified appraiser to carry out the valuation. The valuation committee works jointly with the independent qualified appraiser to establish the valuation techniques and the appropriate input data.

Recoverability of deferred income tax assets

Deferred tax assets are recognized mainly for unused tax losses, to the extent that it is probable that taxable income will be available against which losses can be used. An estimate is required to determine deferred income tax assets that can be recognized, based on the probable time sequence and the level of future tax benefits with future tax planning strategies.

Explanation of issues, repurchases and reimbursements of securities representing debt and capital

As of September 30, 2018, the balance of the repurchase fund was 32,154,139 shares at an average weighted price of $ 26.11 pesos per share, and a total investment amount of $ 885,279.006 pesos.

Dividends paid, ordinary shares:	1,143,792,000
Dividends paid, other actions:	0
Dividends paid, ordinary shares per share:	0.615
Dividends paid, other shares per share:	0

Description of compliance with IFRS if they apply to intermediate financial information

The unaudited consolidated condensed interim financial statements with figures as of September 30, 2018 and for the six-month periods ending on that date and September 30, 2017, have been prepared in accordance with International Accounting Standards 34, Intermediate Financial Reports ("IAS 34"), using the same accounting policies applied in the preparation of the Annual Financial Statements.

The preparation of these interim financial statements in accordance with IAS 34 requires the use of estimates and critical assumptions that affect the reported amounts of certain assets and liabilities, as well as certain income and expenses. It is also necessary for the administration to exercise its judgment in the application of the Company's accounting policies.

The unaudited consolidated condensed interim financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the audited Annual Financial Statements of the Company with figures as of December 31, 2017 and 2016, and for the period of two years ended December 31, 2017.

These financial statements were prepared in accordance with IAS 34 International Financial Reporting Standards (IFRS).