Second Quarter 2020
Earnings Results Conference Call

July 21, 2020

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Agenda

1. Strategic Priorities
2. Second Quarter Highlights
3. Highlights by Region
4. Financial Results

Key points of differentiation in the current environment

- Ironclad brand loyalty and resilient core consumer staples business
- Broad portfolio targets all consumer segments, socioeconomic demographics and "consumption moments"
- Ability to quickly adapt LALA operations to address fluctuating demand and changes in consumer habits based on a consumer-centric model as the cornerstone of our priorities
- Access to all channels captures dynamic consumer trends
- Strong and resilient farm to point-of-sale supply chain guarantees product availability
- Extremely high safety standards protect employees, clients and consumers – ensures uninterrupted operation
- Flexibility and strong positioning to protect margins and liquidity

Ongoing measures: adapting to the "new normal"

Priorities to ensure safety, uninterrupted operation and risk mitigation

1. **Employee, supplier and client safety**
2. **Guarantee food safety**
3. **Supply chain continuity and risk mitigation**

Protocols and policies
Sanitary protocols, infection prevention and industrial hygiene practices across operations to assure safe and healthful conditions for employees, consumers, clients and suppliers and product food safety

4. **Financial liquidity**
   - Stable liquidity from client receivables (modern and traditional trade)
   - Offsets incremental expenses (headcount and health and safety measures)
   - Mexico margin expansion in line with plan
   - Reduction of Mexico WC-related debt in Mexico
     - Increased in Brazil to protect liquidity

Continuing aid to affected communities

- 11.4% YOY increase in support through Fundación LALA, primarily through food donations
- +1 million liters of milk donated to COVID-19- affected families
- Reached 287 thousand individuals in 60 cities throughout Mexico
- Food donated to local communities in Brazil, the US and CAM through local and regional agencies

Progress Against Strategic Priorities

1. **Stabilize Mexico operation**
   - Operations quickly adapting to changes in consumer trends
   - Right-sizing and operational restructuring now completed
   - Demand planning fully rectified for all product lines
     - Improvements: production planning cycle, fill rate, sell in/sell out reconciliation and availability
     - Improvements and recalibration on an ongoing basis
   - Portfolio optimization: elimination of unprofitable SKUs with streamlined and refocused innovation pipeline
   - Cheese supply chain fully reestablished
   - LALA *Waste Committee* created: ensures appropriate waste levels, lean manufacturing related to overproduction, inventory, motion, defects, over-processing, waiting and transport – aligned with overall strategy to streamline operations
   - Management team focused on most relevant operational KPIs

Progress Against Strategic Priorities

2. Recover Mexico profitability

- Prior overinvestments fully scaled back and rationalized: OPEX reduction
- Focus on product profitability – margin contribution optimization (price, cost and waste)
- +90 bps sequential EBITDA margin improvement

3. Strategy continuity

- “Bigger, better, bolder” innovation launches leveraging prior investments: Lala go! and Griego Zero

Second Quarter 2020 Highlights

1. +5.2% YOY constant currency Branded Sales[1] driven by volume
2. 10.1% EBITDA margin, -8.2% YOY due to margin contraction in Mexico and Brazil
3. Mexico +90 bps sequential EBITDA margin recovery
4. -22.0% YOY Net Income due to decreased Operating Profit in Mexico and Brazil
5. 220 bps YOY WC improvement to 0.5% of sales, driven by negative WC in Mexico
6. Leverage ratio: 3.4x
7. Increased cash position 2.6x through short term loans

(1) Branded Sales exclude raw materials sales

Second Quarter 2020 Highlights by Region

Mexico (1/2)

Volume-driven topline growth

Resilient business model

- 6.7% YOY branded sales(1)
    - Traditional and large format Big Box channels both maintaining solid performance
    - Shifts in consumer behavior
        - Increase in at-home cooking favorably impacting Milk, Cheese, Cream and Butter
        - Decreased demand for “on-the-go” presentations affecting Drinkable Yogurt and small presentation Milk used in lunch boxes
        - Supermarkets: less frequent store visits offset by higher ticket per visit
        - Traditional Channel: increased frequency to replenish immediate needs
    - UHT Milk and Nutri Formula growing at a faster pace
- Stable market share(2) for all categories
    - Cheese gradually recovering

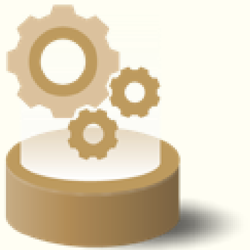
(1) *Branded Sales exclude raw materials sales*
(2) *Value sales by segment, Nielsen Retail May RY 2020*

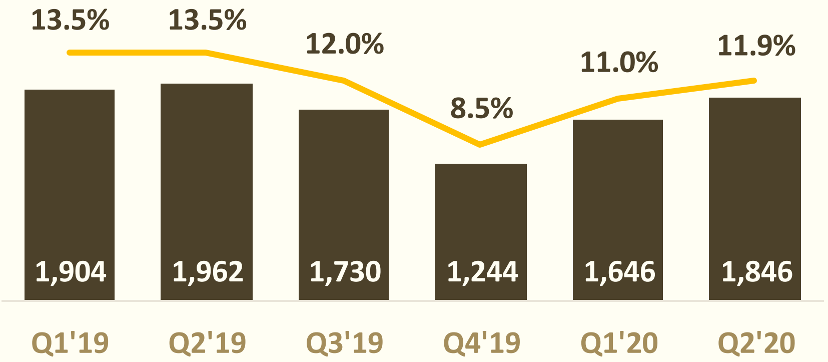
Mexico (2/2)

Executing on margin recovery strategy

Related progress during the quarter

- 11.9% EBITDA margin, -170 bps YOY contraction
- +90 bps sequential margin improvement
  - Fully capitalizing on actions taken in Q1
  - Normalized OpEx returned to appropriate levels
  - Freight and supply chain improvements
  - Production and logistics operating normally
  - Mexico profiting from FX coverage





Brazil (1/2)

COVID-19 impact on sales

At-home consumption driving sales

- +5.6% YOY BRL sales
  - Consumer sales growth due to increased at-home consumption
    - Favorable impact on UHT Milk, *Requeijão*, Cheese and Butter
  - Significant COVID-19 impact on Food Service sales
    - Gradual recovery expected as economy reopens
  - Economic slowdown affecting mix: increased demand for UHT Milk and Value Yogurt
  - Capitalizing on additional Parmesan Cheese capacity
- Market share positive trends in participating categories within Refrigerated Dairy(1) and Cheese(2)

(1) *Value sales by segment, Nielsen May RY 2020; Refrigerated Dairy includes: yogurts, fermented milk, petite suisse and desserts*
(2) *Value sales by segment, Nielsen May RY 2020; Cheese includes: requeijão, cream cheese, fresh cheese and processed cheese*

Brazil (2/2)

Product mix and operational leverage pressuring margins

Margin pressure continues

- 5.5% EBITDA margin, -230 bps YOY contraction
  - Food Service and negative product mix affecting margins
  - 9.1% sequential increase in raw milk prices
  - BRL depreciation affecting price of soybean oil +26.6%
  - Incremental COVID-19 expenses offset by efficiency-driven overhead reductions

Progress strengthening margins

- Capitalizing on price increases implemented at Q1’20 quarter’s end
- S&OP process improvements

Continued focus on action plan

- Portfolio optimization: ingredients and packaging
- Distribution improvements: optimization in Sao Paulo while also leveraging available capacity
- Additional Mature Cheese available in coming quarters
- Production adjustment at Food Service plants

United States

Maintaining financial discipline

Sales impacted by COVID-19

- -13.1% YOY USD sales
  - LALA Drinkable Yogurt affected by category decline, volume contraction due to altered consumer habits
  - Lockdown guidelines across the US limited in-store traffic, impacted brands focused on on-the-go consumption
  - Co-packing adversely impacted by COVID-19 effect on Food Service channel
  - Sustained growth of Promised Land, Lala Crema and Lala UHT products with benefit of increased at-home consumption

- 3.4% EBITDA margin, 60 bps YOY expansion
  - Expense accrual release one-time benefit: 1.0% normalized margin
  - Contingency plan to mitigate COVID-19 impact and expense discipline to offset decreased operational leverage

Central America

Sustaining EBITDA breakeven

Sales decelerated due to COVID-19

- +1.7% YOY USD sales driven by stable volume
  - Region affected by economic contraction and border closings
  - Negative translation effect from GTQ to USD
  - Lockdowns affected sales in Guatemala
  - Negative product mix as consumers trade down to affordable dairy categories
  - Costa Rica sales driven by increased UHT Milk demand

- 0.6% EBITDA margin, 10 bps YOY expansion
  - Breakeven in line with plan

Financial Results

Q2'20 Net Sales by Region

Sales growth driven by volume

MXN$ in millions	Q2'19[1]	Q2'20	Var. %	constant currency[1] Var. %
Mexico	14,082	15,027	6.7%	6.7%
Brazil	2,839	2,676	(5.7%)	5.6%
United States	860	915	6.3%	(13.1%)
Central America	710	883	24.4%	1.7%
Total Branded Sales	**18,491**	**19,502**	**5.5%**	**5.2%**
Raw Materials and Others	384	546	42.1%	42.1%
Total Sales	**18,876**	**20,048**	**6.2%**	**6.0%**

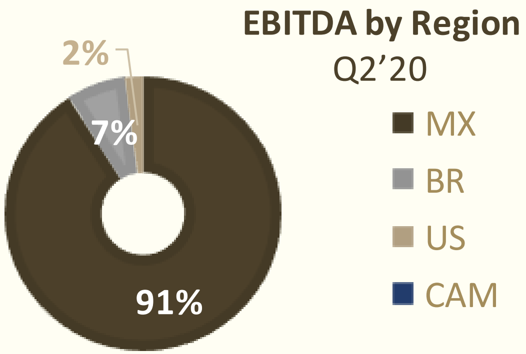
- **Mexico:** growth driven by UHT Milk, Cream, Cheese, Butter and LALA 100
- **Brazil:** UHT Milk, Cheese and value Yogurt volume growth offset decrease in Food Service
- **USA:** Drinkable Yogurt and Food Service volume contraction due to COVID-19 partially offset by Milk
- **CAM:** Milk volume growth offset by Other Dairy category contraction

(1) Constant currency uses constant BRL for Brazil and USD for the US and CAM

Q2'20 EBITDA by Region

Executing on strategy to recover Mexico margins

MXN$ in millions	Q2'19	% NS	Q2'20	% NS	Var. bps
Mexico	1,962	13.6%	1,846	11.9%	(170 bps)
Brazil	220	7.8%	146	5.5%	(230 bps)
United States	24	2.8%	31	3.4%	60 bps
Central America	3	0.5%	5	0.6%	10 bps
Total EBITDA	**2,210**	**11.7%**	**2,028**	**10.1%**	**(160 bps)**



Q2’20 Consolidated Net Income

Margin contraction in Mexico and Brazil affected Net Income

MXN$ (Millions)	Q2’19	Q2’20	Var. %
Operating Income	**1,452**	**1,228**	**(15.5%)**
Financing Expenses	677	617	(8.8%)
Results of associated companies	14	15	11.9%
Net Income Before Taxes	**789**	**626**	**(20.7%)**
% NS	4.2%	3.1%	
Taxes	253	208	(17.9%)
Effective Tax Rate	32.1%	33.2%	
Net Income	**536**	**418**	(22.0%)
% NS	**2.8%**	**2.1%**	

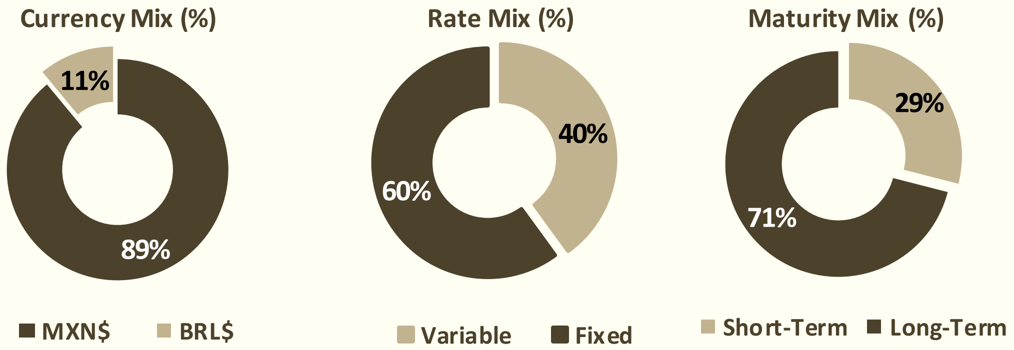
- YOY Net Income decreased due to lower Operating Income, related to margin contraction in Mexico and Brazil
- 61.8% sequential increase in Net Income; an 80 bps expansion

Total Debt as of June 30, 2020

Healthy long-term maturity profile

	Q2'20	
	Mexico	**Brazil**
Total Debt	$31,063	
Net Debt / EBITDA	**3.4x**	
Average Duration	3.9 years	1.4 years
Average Cost of Debt	TIIE + 1.77%	CDI + 1.52%
Weighted Cost of Debt	**6.70%**	

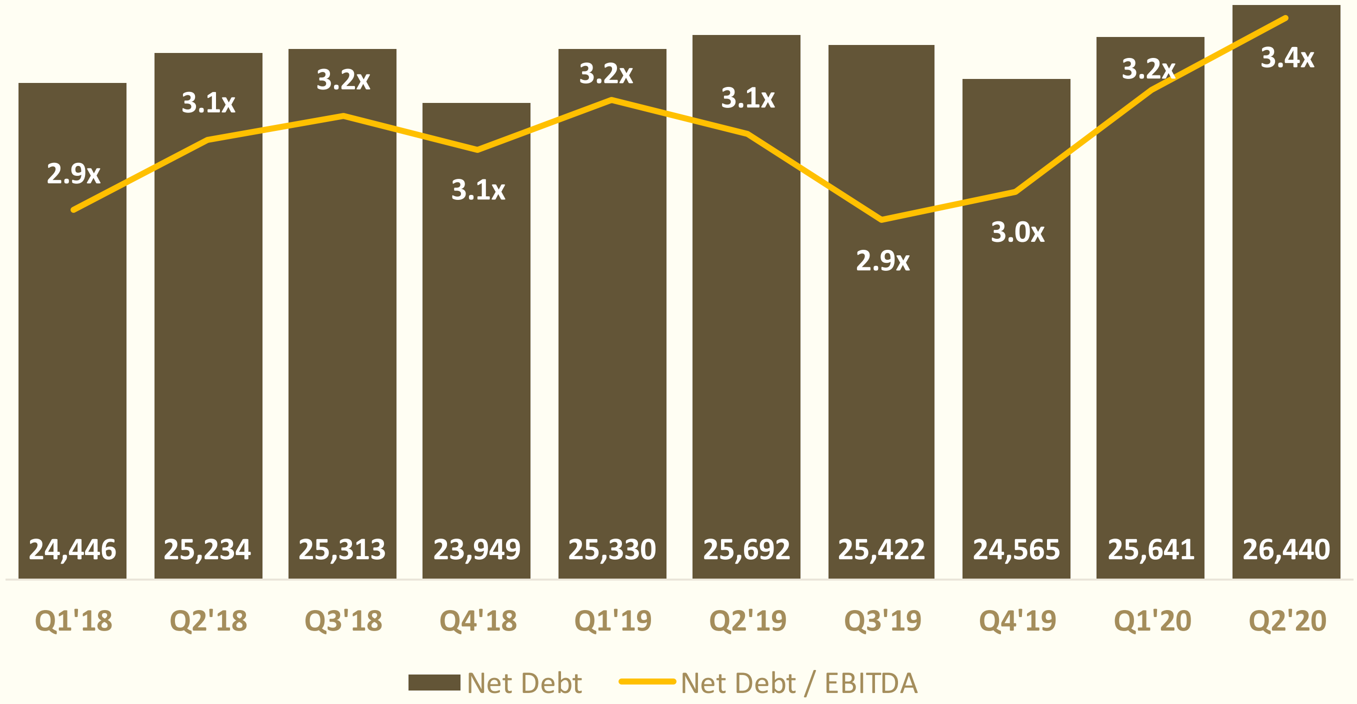
Debt Profile



- Short-term maturities comprised of working capital credit lines and MXN $3,000 million bond payable April 2021
- Increased short-term loans to protect Brazil liquidity
  - Offset by decreased loans in Mexico due to reduced risk, proven business resilience
- Lower weighted cost of debt: 6.70% vs 8.16% at year-end 2019

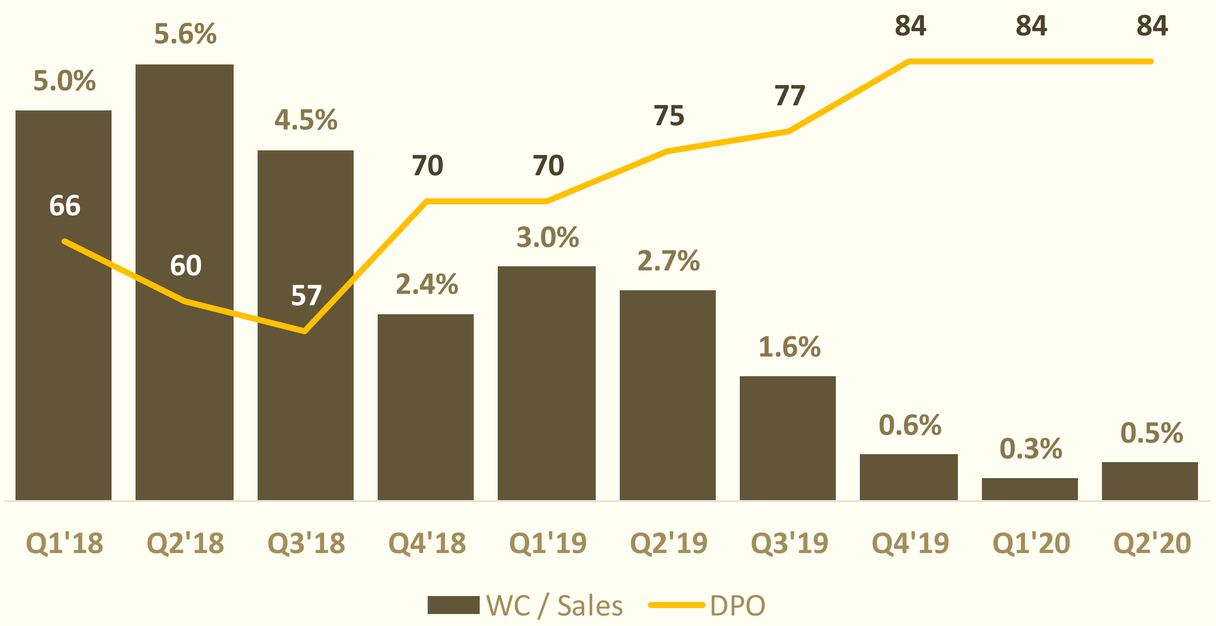
Leverage Ratio

Leverage target of 2.5x



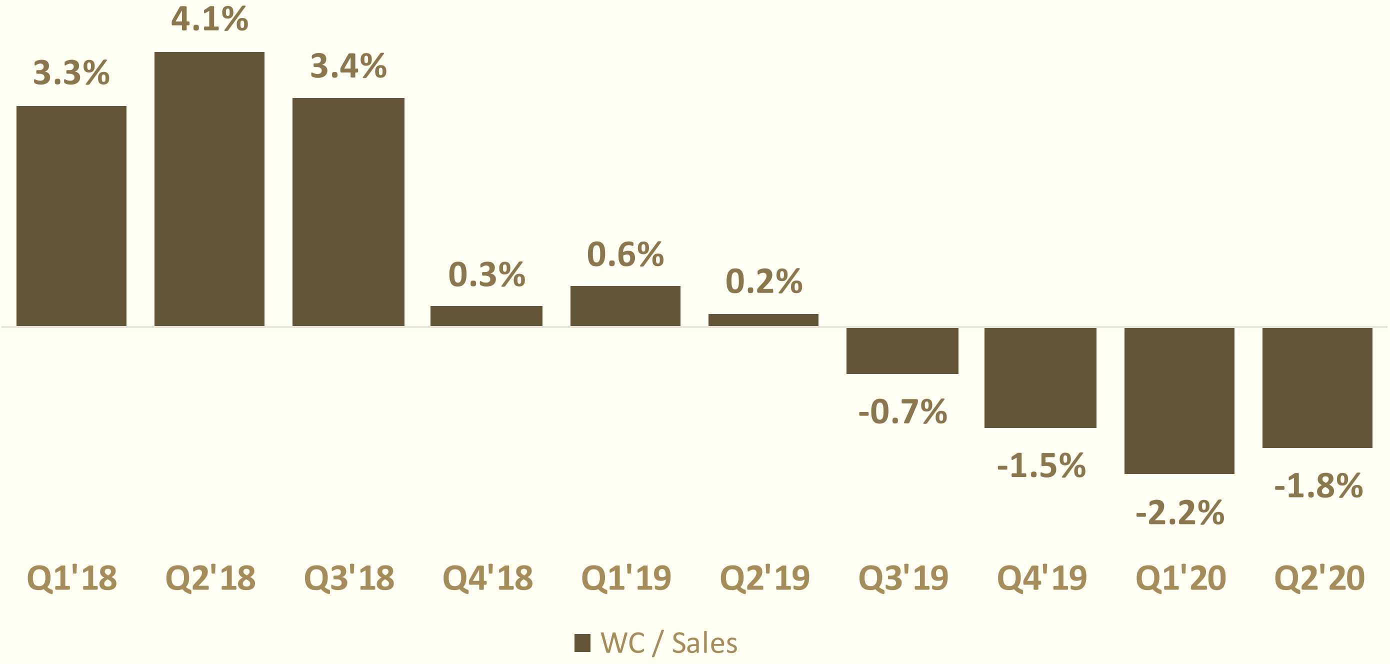
Working Capital - Consolidated

-220 bps Working Capital improvement vs Q2'19



Working Capital - Mexico

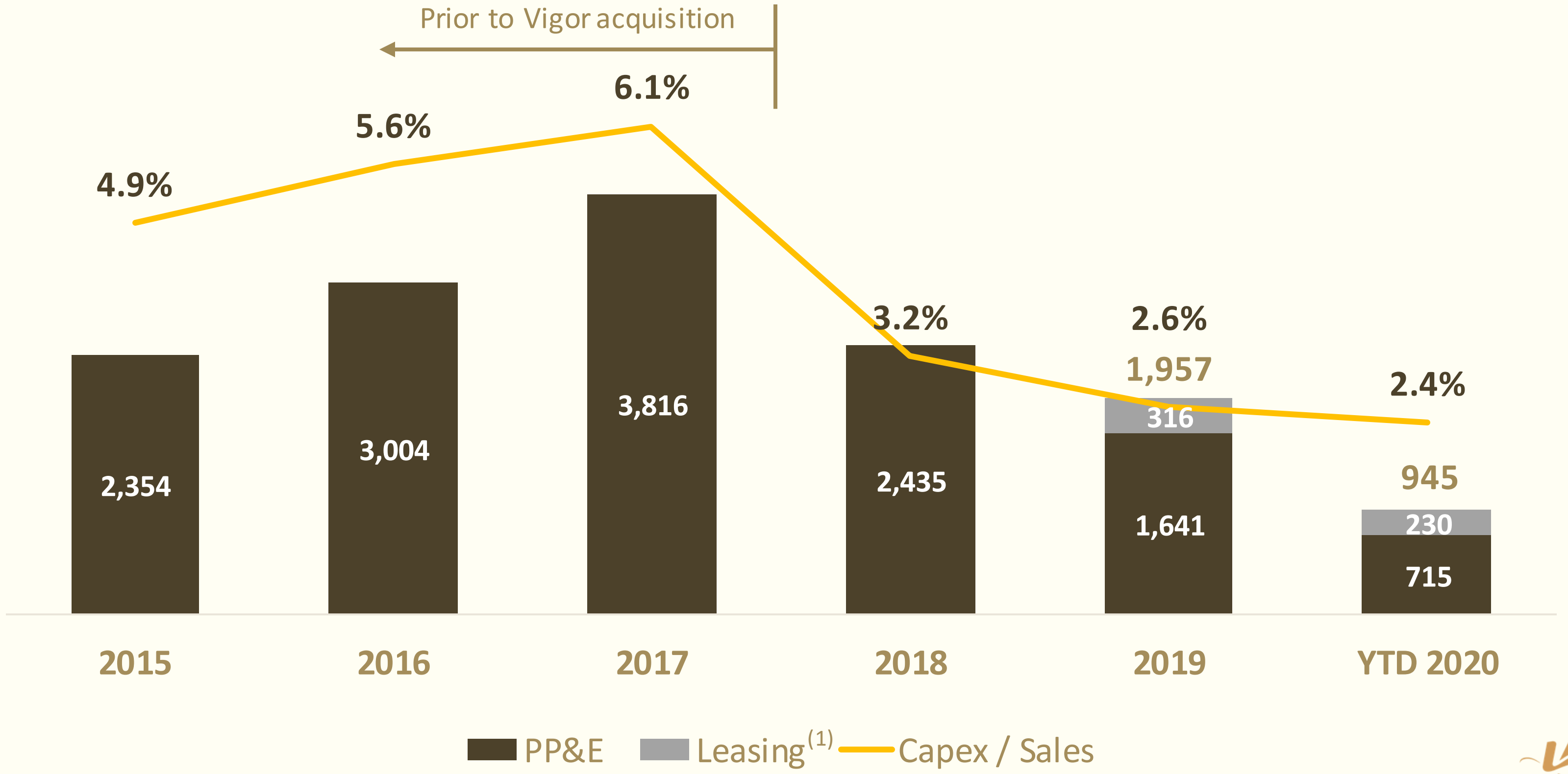
Negative Working Capital



CAPEX

Capex optimization based on ROIC analysis

MXN in millions



(1) Leasing includes vehicles, machinery and equipment

Closing Remarks

1. **Proven brand and business resilience supported by LALA's strong portfolio and execution**

2. **+6.2% Consolidated Sales growth driven by volume**

3. **Mexico continues delivering sequential margin recovery of +90 bps**

4. **220 bps YOY WC improvement to 0.5% of sales, driven by negative WC in Mexico**

5. **Successfully adapting to the "new normal"**

Thank you!

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