



## GRUPO LALA REPORTS THIRD QUARTER 2020 RESULTS

Mexico City, October 19, 2020 – Grupo LALA, S.A.B. de C.V., a Mexican Company focused on healthy and nutritious foods, (“LALA”) (BMV: LALAB), today reported results for the third quarter of 2020. The following information has been presented based on International Financial Reporting Standards (IFRS) and in nominal terms.

### Quarter Highlights:

- Business resilience, strengthened operations and financial discipline resulted in sequential margin improvement in Mexico with a solid financial position and ample liquidity
- +10.8% YOY constant currency Branded Sales<sup>(1)</sup> growth driven by strong performance in Mexico and Brazil
- 11.2% normalized<sup>(2)</sup> consolidated EBITDA margin; +110 bps sequential improvement
- 13.7% normalized<sup>(2)</sup> EBITDA margin in Mexico; +160 YOY expansion
- \$640m normalized<sup>(2)</sup> Net Income; in line YOY despite Q3’19 one-time favorable impact on Brazil
- 190 bps YOY working capital improvement to reach -0.3% of consolidated sales, driven by improvements in all regions
- Extension of debt maturity profile through \$4.6 bn refinancing
- Leverage ratio: normalized<sup>(2)</sup> 3.3x, reported 3.5x

The following chart provides an abridged Income Statement, in millions of pesos. The margin for each figure represents its ratio to net sales for the third quarter ended September 30, 2020 as compared to the same period in 2019.

MXN\$ in millions	Q3’19 <sup>(3)</sup>	% Sales	Reported				Normalized <sup>(2)</sup>			
			Q3’20	% Sales	Var. %	Var. bps	Q3’20	% Sales	Var. %	Var. bps
Branded Sales <sup>(1)</sup>	18,723		20,436		9.1%		20,436		9.1%	
Raw Materials and Others	261		289		10.9%		289		10.9%	
Net Sales	18,984	100%	20,725	100%	9.2%		20,725	100%	9.2%	
Gross Profit	6,687	35.2%	7,247	35.0%	8.4%	(20 bps)	7,247	35.0%	8.4%	(20 bps)
Operating Income	1,507	7.9%	1,281	6.2%	(15.0%)	(170 bps)	1,557	7.5%	3.3%	(40 bps)
EBITDA	2,306	12.1%	2,045	9.9%	(11.3%)	(220 bps)	2,322	11.2%	0.7%	(90 bps)
Net Income	641	3.4%	455	2.2%	(28.9%)	(120 bps)	640	3.1%	0.0%	(30 bps)

(1) Branded Sales exclude raw materials sales

(2) Normalized excludes Q3’20 one-time tax expense in Mexico

(3) Includes one-time benefit from litigation settlement in Brazil

### MESSAGE FROM MANAGEMENT

#### Arquímedes Celis, Grupo LALA’s CEO, commented:

*“After nine months of intense work and focus on getting back to the basics, I’m proud to say that we delivered what we had promised at the beginning of this year. We have managed to stabilize our Mexico business and recover its profitability, putting the legacy issues behind us, despite the many challenges associated with the COVID-19 pandemic. Nowadays, we have a stronger, efficient and profitable operation.”*

*He continued, “Further, during the quarter we remained focused on our strategic priorities, building a strong foundation for growth and for our next innovation phase. Taken together, our third quarter results demonstrate the strength and diversity of our offering and speak to the value of our brands and capabilities as a company. I want to recognize LALA employees from all our regions who drive our momentum and success. We are focused on performance, on our clients and consumers, and are confident our strategies are enabling our Company to be better positioned to drive future growth and build long-term value for our shareholders.”*

## COVID-19 RESPONSE

During the quarter, Grupo LALA executed on key focus areas related to the current COVID-19 pandemic environment. The following protocols and policies have been instituted since March 2020, prioritizing:

1. **Employee, supplier and client safety**
2. **Guaranteed food safety**
3. **Supply chain continuity and risk mitigation**
4. **Financial liquidity**

Additionally, LALA remains committed to supporting communities with food donations through Fundación LALA in Mexico and local relief organizations in Brazil, the United States and Central America.

## CONSOLIDATED RESULTS

### THIRD QUARTER 2020

**Net Sales:** Third quarter 2020 total net sales increased 9.2% year-on-year to reach \$20,725 million pesos; a 10.8% increase on a constant currency basis. This was due to: 1) topline growth driven by strengthened Mexico and Brazil volumes resulting from continued at-home consumption; 2) price increases executed to pass on cost inflation; and 3) a net negative translation effect resulting from 16.2% depreciation of the BRL and 14.1% appreciation of the USD relative to the Mexican peso.

#### Sales by Region:

Third quarter 2020 branded sales in **Mexico** increased by 10.1% YOY, to \$15,476 million pesos, with increased volume across the portfolio and particularly strong UHT Milk, LALA 100, Cheese, Cream, Butter and Cold Cuts performance, also driven by mid-single digit price increases. However, eat-at-home dynamics continued to adversely affect demand for Drinkable Yogurt and “on-the-go” presentations in this market.

Grupo LALA’s **Brazil** operations reported third quarter net sales of \$3,250 million pesos; a 25.5% year-on-year increase in BRL and a 5.2% increase in MXN. This increase was due to strong *Requeijão*, Cheese, Spreads and UHT Milk demand which was favorably impacted by at-home consumption and the Brazil government *corona-voucher* aid which benefited this market. During the quarter, Food Service sales reflected a gradual recovery as the economy has begun to reopen.

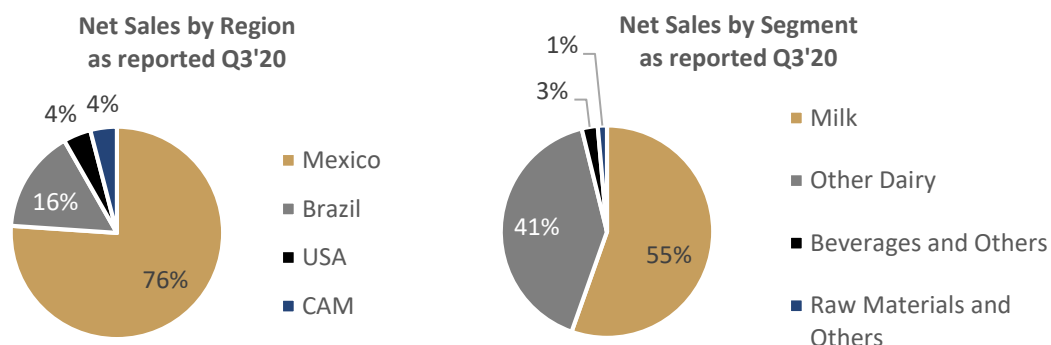
The Company’s **U.S.** operations reported \$872 million pesos in net sales for third quarter 2020; a 10.9% decrease in constant currency and a 1.4% increase in Mexican pesos. Volumes reflected a high-digit contraction due to 1) reduced on-the-go consumption that continued to affect Drinkable Yogurt; 2) soft co-packing sales impacted by the effect of COVID-19 on the Food Service channel and 3) yogurt production halt due to a production facility problem.

LALA’s **Central America** operations reported a 2.1% sales increase in USD and 16.8% in MXN, to reach \$838 million pesos in third quarter 2020 sales. This increase was due to resilient Milk performance throughout the region, offset by a decline in value-added Dairy categories such as Yogurt and Ice-cream which affected mix, resulting in low single-digit volume growth for the region.

Net Sales by Region				Vs constant currency <sup>(1)</sup>
MXN\$ in millions	Q3'19	Q3'20	Var. %	Var. %
Mexico	14,057	15,476	10.1%	10.1%
Brazil	3,089	3,250	5.2%	25.5%
USA	860	872	1.4%	(10.9%)
CAM	717	838	16.8%	2.1%
<b>Total Branded Sales <sup>(2)</sup></b>	<b>18,723</b>	<b>20,436</b>	<b>9.1%</b>	<b>10.8%</b>
Raw Materials and Others	261	289	10.9%	10.9%
<b>Total Sales</b>	<b>18,984</b>	<b>20,725</b>	<b>9.2%</b>	<b>10.8%</b>

(1) Constant currency uses constant BRL for Brazil and USD for the United States and Central America

(2) Branded Sales exclude raw materials sales



#### Sales by Segment:

**Milk** double-digit sales growth was driven by increased UHT Milk volume in all segments (value, mainstream and premium) across all regions.

**Other Dairy** growth in Brazil and Mexico offset a decline in US and CAM. Cheese, Cream and Butter performed well, while Yogurt continues to be affected by decreased Drinkable Yogurt consumption across all regions.

**Beverages and Others:** Cold Cuts and Plant-based Beverages continue to drive segment growth in Mexico.

Net Sales by Segment				Vs constant currency <sup>(1)</sup>
MXN\$ in millions	Q3'19	Q3'20	Var. %	Var. %
Milk	9,978	11,484	15.1%	14.4%
Other Dairy	8,251	8,446	2.4%	6.5%
Beverages and Others	494	506	2.3%	4.8%
<b>Total Branded Sales <sup>(2)</sup></b>	<b>18,723</b>	<b>20,436</b>	<b>9.1%</b>	<b>10.8%</b>
Raw Materials and Others	261	289	10.9%	10.9%
<b>Total Sales</b>	<b>18,984</b>	<b>20,725</b>	<b>9.2%</b>	<b>10.8%</b>

(1) Constant currency uses constant BRL for Brazil and USD for the United States and Central America

(2) Branded Sales exclude raw materials sales

**Costs and Gross Profit:** Third quarter 2020 cost of goods sold increased by 9.6%, resulting in a gross profit of \$7,247 million pesos with a 20 bps decrease in gross margin, to reach 35.0% of Net Sales. Sequentially, this represents an 80 bps gross margin increase due to continued improvements in Mexico’s production planning cycle. The slight year-on-year gross margin decrease was due to increased raw material prices in Brazil.

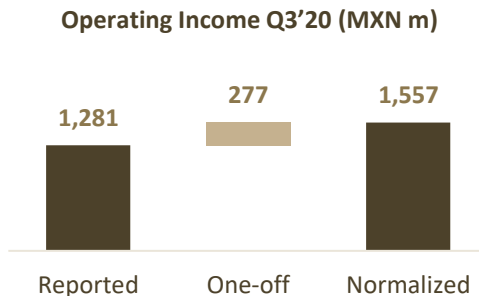
**Expenses and Operating Income:** Third quarter operating expenses decreased by 4.1% year-on-year, to \$5,704 million pesos. Operating expenses as a percentage of sales decreased 380 bps to 27.5%. This improvement resulted from the successful stabilization of prior overinvestments in Mexico to appropriate levels, improved demand planning and continued overhead savings which offset COVID-related incremental expenses within all regions.

It’s important to note that Q3’19 figures include a one-time benefit resulting from litigation settlement in Brazil. A related confidentiality agreement prohibits disclosure of the specific settlement amount. Q3’19 results therefore have not been normalized and will not be fully comparable to Q3’20.

The third quarter 2020 includes a \$277 million peso one-time tax expense resulting from LALA’s 2013 and 2014 Fiscal Year tax audits in Mexico. This expense is due to an adjustment in the amount of tax payable based on the calculation LALA previously used.

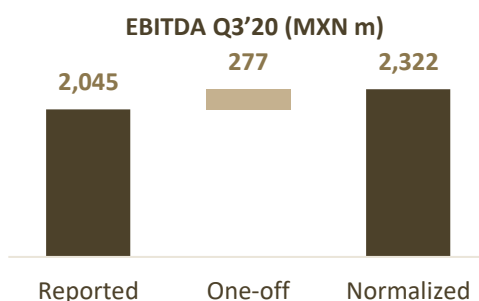
Third quarter 2020 reported operating income was \$1,281 million pesos; a 15.0% year-on-year decrease with a 6.2% reported operating margin.

Normalized operating income reached \$1,557 million pesos with a 7.5% operating margin, representing a 140 bps sequential increase.



**EBITDA:** Third quarter 2020 reported EBITDA reached \$2,045 million pesos with a 9.9% EBITDA margin; an 11.3% year-on-year decrease with a 220 bps margin contraction. This was primarily due to the described one-off tax expense adversely impacting Mexico operating income, as well as the high 3Q’19 EBITDA comparable base which included a one-time litigation settlement benefit.

On a normalized basis, third quarter 2020 EBITDA margin improved by 110 bps sequentially, to reach \$2,322 million pesos with an 11.2% margin.



EBITDA by Region

MXN\$ in millions	Reported			Normalized <sup>(1)</sup>				
	Q3'19	% NS	Q3'20	% NS	Var. bps	Q3'20	% NS	Var. bps
<b>Mexico</b>	1,730	12.1%	1,890	12.0%	(10 bps)	2,167	13.7%	160 bps
<b>Brazil</b>	547	17.7%	166	5.1%	(1,260 bps)	166	5.1%	(1,260 bps)
<b>United States</b>	27	3.2%	(19)	(2.1%)	(530 bps)	(19)	(2.1%)	(530 bps)
<b>Central America</b>	2	0.3%	7	0.8%	50 bps	7	0.8%	50 bps
<b>Total EBITDA</b>	<b>2,306</b>	<b>12.1%</b>	<b>2,045</b>	<b>9.9%</b>	<b>(220 bps)</b>	<b>2,322</b>	<b>11.2%</b>	<b>(90 bps)</b>

(1) Normalized excludes Q3'20 one-time tax expense in Mexico

In **Mexico**, third quarter 2020 Reported EBITDA was \$1,890 million pesos with a 12.0% margin; a 10 bps year-on-year decrease. This is due to a one-time \$277 million peso tax expense as described.

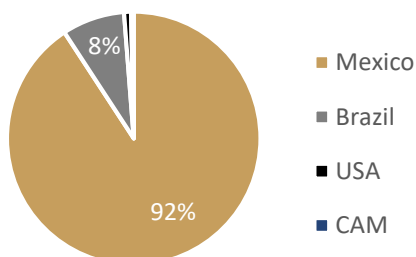
Normalized EBITDA increased year on year to \$2,167 million pesos, representing a 13.7% EBITDA margin. EBITDA margin for LALA's Mexico operations increased by 180 bps sequentially, a reflection the improved performance of stabilized operations and portfolio profitability recovery as well as important expense reductions year to date.

LALA's **Brazil** operation closed the third quarter 2020 with \$166 million pesos in EBITDA and a 5.1% margin; a 1,260 bps year-on-year decrease. This is due to 1) continued raw materials cost pressure, primarily in raw milk (+41% YOY) and soybean oil (+38% YOY increase) and 2) a high Q3'19 comparable EBITDA due to a one-time litigation settlement benefit as described.

The Company's **US** operation reported a negative 2.1% EBITDA margin; a 530 bps year-on-year decrease. LALA's US operation closed the third quarter 2020 with a \$19 million peso EBITDA loss resulting from 1) a production halt and resulting lost sales due to an electrical problem at the Company's yogurt plant and 2) a high single-digit volume decrease due to reduced Drinkable Yogurt demand and decreased Food Service channel demand adversely impacting co-packing volumes.

Reported EBITDA margin for LALA's **Central America** operation was 0.8%, in line with the breakeven expectations for this market, and a 50 bps year-on-year increase.

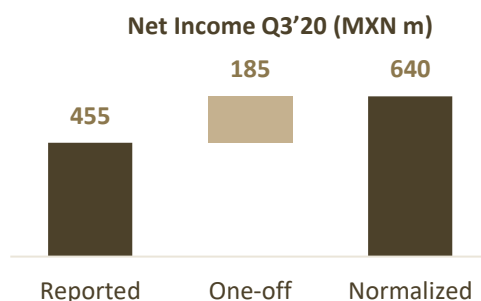
EBITDA by Region  
as reported Q3'20



**Net Financial Expenses:** The Company reported \$607 million pesos in net financial expenses for the third quarter 2020; a 1.2% year-on-year increase, due to a non-cash effect from the capitalization of interests related to in-process fixed assets. Financial expenses have decreased due to the reduction in the weighted average cost of debt related to the rate cuts of the TIE and CDI, and to the refinancing executed this quarter that resulted in a lower financing cost.

**Taxes:** The third quarter 2020 reported tax expense was \$225 million pesos. The effective tax rate based on Net Income Before Taxes was 33.1%, an increased from the 30.6% rate reported in Q3'19. This increase is due to inflationary effects and non-deductible expenses. Q3'20 figures include the tax payments related to the tax audits of 2013 and 2014 Fiscal Years.

**Net Income:** Reported net income was \$455 million pesos, resulting in a 2.2% net margin. Normalized net income was \$640 million pesos, in line year-on-year. The normalized net income margin was 3.1%; a 30 bps decrease due to the high comparable net income reported in Q3'19 which included a one-time settlement benefit as described.



MXN\$ in millions	Reported			Normalized <sup>(1)</sup>	
	Q3'19	Q3'20	Var %	Q3'20	Var. %
<b>Operating Income</b>	<b>1,507</b>	<b>1,281</b>	<b>(15.0%)</b>	<b>1,557</b>	<b>3.3%</b>
Financing Expenses	600	607	1.2%	607	1.2%
Results of associated companies	15	6	(59.7%)	6	(59.7%)
<b>Net income before taxes</b>	<b>923</b>	<b>680</b>	<b>(26.3%)</b>	<b>957</b>	<b>3.7%</b>
<b>% NS</b>	<b>4.9%</b>	<b>3.3%</b>		<b>4.6%</b>	
Taxes	282	225	(20.3%)	316	12.2%
Effective tax rate	30.6%	33.1%		33.1%	
<b>Net Income</b>	<b>641</b>	<b>455</b>	<b>(28.9%)</b>	<b>640</b>	<b>0.0%</b>
<b>% NS</b>	<b>3.4%</b>	<b>2.2%</b>		<b>3.1%</b>	

(1) Normalized excludes Q3'20 one-time tax expense in Mexico

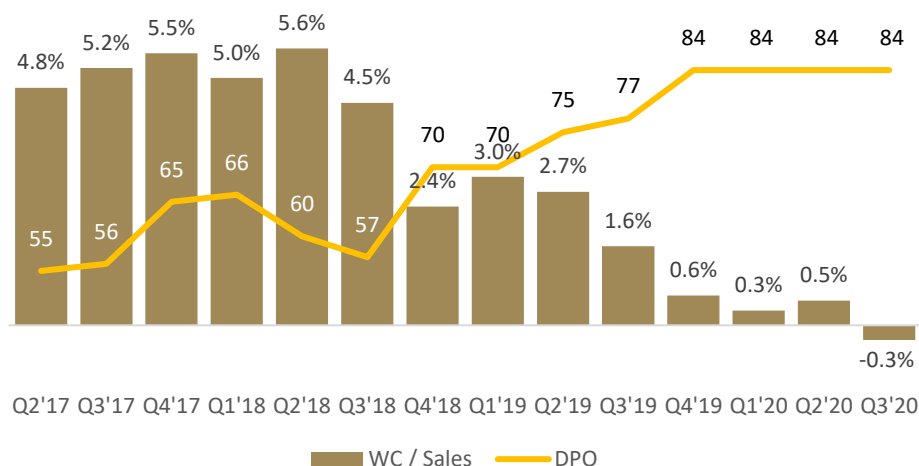
## CONSOLIDATED

### FINANCIAL POSITION

**Capital Investment:** The Company invested \$1,429 million pesos in capacity expansion and maintenance Capex as of September 30, 2020. This is comprised of \$1,086 million pesos in property plant and equipment acquisitions and \$344 million pesos in vehicle, machinery and equipment leasing. This represents a Capex-to-Sales ratio of 2.4% for the third quarter 2020.

**Cash and Cash Equivalents:** As of September 30, 2020, Grupo LALA had a cash position of \$4,429 million pesos; a 59.6% year-on-year increase driven by a focus on maintaining a strong liquidity position to address possible COVID-related issues.

**Working Capital:** As of September 30, 2020, LALA's consolidated working capital over sales ratio improved by -190 bps year-on-year to reach -0.3%, driven by a negative working capital ratio of -1.6% of sales achieved in Mexico and cash conversion cycle improvements in Brazil, US and CAM.



**Total Debt:** LALA ended the quarter with total debt of \$30,468 million pesos comprised of \$4,122 million pesos in short-term debt and \$26,346 million pesos in long-term debt. In September 2020, LALA issued \$4,634 million pesos in the local Mexico bond market to refinance short-term maturities. As of September 30, 2020, the Company's Net Debt was therefore \$26,039 million pesos, representing a Reported Net Debt-to-EBITDA ratio of 3.5x.

The following table illustrates the composition of the Company's debt by currency, interest rate and year of maturity as of September 30, 2020.

Currency	% Total Debt	% Weighted avg. Cost of debt	Average maturity
Mexican Pesos	90%	TIE + 2.16%	4.7 years
Brazilian Reals	10%	CDI + 1.55%	1.2 years
<b>Total</b>	<b>100%</b>	<b>6.38%</b>	<b>4.3 years</b>

**Key Financial Data:** As of September 30, 2020, the Company's key financial ratios were as follows:

Financial Metrics	Q3'19	Q3'20
Net Debt / EBITDA	2.9x	3.5x
EBITDA / Interest Paid	3.4x	3.5x
Earnings per Share (12 months)	\$ 1.05	\$ 0.55
Book Value per share	\$ 10.12	\$ 8.62
Outstanding Shares (in millions)	2,475.9	2,475.9
ROIC %	8.0%	6.3%

### Share buyback program

As of September 30, 2020, the Company's share buyback program had a balance of 48,999,197 shares at a weighted average price of \$20.94 pesos per share for a total balance of \$1,026,043,185 pesos. The Company has put share buybacks on hold to prioritize deleveraging and preserving capital.

### Sell-side analyst coverage

In compliance with BMV regulations, article 4.033.01 Frac. VIII, Grupo LALA is covered by analysts at the following brokers: Actinver, Bank of America Merrill Lynch, Barclays, BBVA, BTG Pactual, Citigroup, Credit Suisse, GBM Grupo Bursátil Mexicano, Goldman Sachs, Intercam, JP Morgan, Monex, Morgan Stanley, Punto Casa de Bolsa, Santander, Scotiabank, Vector and VePorMas.

### Contact – Investor Relations

David González Peláez and Israel Rentería, CFA

Tel.: +52 (55) 5078 - 4039

[investor.relations@grupolala.com](mailto:investor.relations@grupolala.com)

### About LALA

Grupo LALA is a Mexican company focused on healthy and nutritious foods, with more than 65 years of experience in the production, innovation and marketing of milk, dairy products and beverages under the highest quality standards. The Company operates 31 production plants and 173 distribution centers in Mexico, Brazil, United States and Central America, supported by more than 40,000 employees. Grupo LALA's fleet of approximately 7,500 vehicles distributes its more than 600 products to more than 628,000 points of sale. LALA's portfolio is led by its three main brands: LALA®, Nutri Leche® and Vigor®.

For more information, visit: [www.lala.com.mx](http://www.lala.com.mx)

Grupo LALA trades on the Mexican Stock Exchange under the ticker symbol "LALAB"

### Forward Looking Statements

This press release and related conference call contain, in addition to historical information, forward-looking statements including statements related to the Company's ability to manage its business and liquidity during and after the COVID-19 pandemic, the impact of the COVID-19 pandemic on the Company's results of operations, including net revenues, earnings and cash flows, the Company's ability to reduce costs and capital spending in response to the COVID-19 pandemic if needed, the Company's balance sheet, liquidity and inventory position throughout and following the COVID-19 pandemic, the Company's prospects for financial performance, growth and achievement of its long-term growth objectives following the COVID-19 pandemic, future dividends and share repurchases. Actual results may vary materially from these estimates. The information on future events contained in this press release should be read together with a summary of these risks, which are included in the Annual Report. That information, as well as future reports issued by the Company or any of its representatives, whether verbally or in writing, may vary materially from actual results. These projections and estimates, which were prepared with reference to a specific date, should not be considered as fact. The Company has no obligation whatsoever to update or revise any of these projections and estimates, whether as a result of new information, future events, or other associated events.



## CONFERENCE CALL INFORMATION



Tuesday October 20, 2020, at  
11:00am EST / 10:00am CST



Arquímedes Celis, Chief Executive Officer  
Alberto Arellano, Chief Financial Officer  
David González, Investor Relations Officer



Webcast:  
[http://public.viavid.com/index.  
php?id=141668](http://public.viavid.com/index.php?id=141668)

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

<b>Mexico:</b> 01 800 522 0034	<b>United States:</b> +1 877 705 6003 <i>(Toll-free)</i>	<b>International:</b> +1 201 493 6725
-----------------------------------	--	--

To Access the replay service (1 week), please dial:

<b>United States:</b> +1 844 512 2921 <i>(Toll-free)</i>	<b>International:</b> +1 412 317 6671	<b>PIN #:</b> 13711046
--	--	------------------------

**GRUPO LALA, S.A.B. DE C.V.**  
**Consolidated Income Statements**  
**ended September 30, 2019 and 2020**  
**(In thousands of nominal pesos)**

	For the three months ended				For the nine months ended			
	September 30,				September 30,			
	2019		2020		2019		2020	
<b>Net sales</b>	<b>\$ 18,984,001</b>	<b>100.0%</b>	<b>\$ 20,724,738</b>	<b>100.0%</b>	<b>\$ 56,567,230</b>	<b>100.0%</b>	<b>\$ 60,177,318</b>	<b>100.0%</b>
Cost of goods sold	12,297,050	64.8%	13,478,059	65.0%	36,422,768	64.4%	39,686,895	65.9%
<b>Gross profit</b>	<b>6,686,951</b>	<b>35.2%</b>	<b>7,246,679</b>	<b>35.0%</b>	<b>20,144,462</b>	<b>35.6%</b>	<b>20,490,423</b>	<b>34.1%</b>
Other income (expenses), net	(764,944)	(4.0)%	262,064	1.3%	(901,250)	(1.6)%	253,865	0.4%
Operating expenses	5,944,839	31.3%	5,703,885	27.5%	16,631,738	29.4%	16,682,975	27.7%
<b>Operating income</b>	<b>1,507,056</b>	<b>7.9%</b>	<b>1,280,730</b>	<b>6.2%</b>	<b>4,413,974</b>	<b>7.8%</b>	<b>3,553,583</b>	<b>5.9%</b>
Net of financial (income) expenses								
Net of financial income	598,508	3.2%	595,794	2.9%	1,878,189	3.3%	1,835,439	3.1%
Exchange rate (profit) loss	1,165	0.0%	10,890	0.1%	40,164	0.1%	64,410	0.1%
Financial instruments	0	0.0%	0	0.0%	0	0.0%	0	0.0%
<b>Financial income, net</b>	<b>599,673</b>	<b>3.2%</b>	<b>606,684</b>	<b>2.9%</b>	<b>1,058,724</b>	<b>1.9%</b>	<b>1,040,220</b>	<b>1.7%</b>
Share in the results of associated companies	15,454	0.1%	6,221	0.0%	45,927	0.1%	39,458	0.1%
<b>Income before taxes</b>	<b>922,837</b>	<b>4.9%</b>	<b>680,267</b>	<b>3.3%</b>	<b>3,401,177</b>	<b>6.0%</b>	<b>2,552,821</b>	<b>4.2%</b>
Income tax expense	282,200	1.5%	224,998	1.1%	805,272	1.4%	561,612	0.9%
<b>Net consolidated income</b>	<b>640,637</b>	<b>3.4%</b>	<b>455,269</b>	<b>2.2%</b>	<b>2,595,905</b>	<b>4.6%</b>	<b>1,991,209</b>	<b>3.3%</b>
Non-controlling interest	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Depreciation and amortization	799,392	4.2%	764,368	3.7%	2,369,398	4.2%	3,071,472	5.1%
<b>EBITDA</b>	<b>\$ 2,306,448</b>	<b>12.1%</b>	<b>\$ 2,045,098</b>	<b>9.9%</b>	<b>\$ 7,780,823</b>	<b>13.8%</b>	<b>\$ 8,265,493</b>	<b>13.7%</b>
Effective income tax rate	30.6%		33.1%		23.7%		22.0%	

**GRUPO LALA, S.A.B. DE C.V.**  
**Consolidated Statement of Financial Position**  
**at September 30, 2019 and 2020**  
**(In thousands of nominal pesos)**

	As of September 30, 2019	As of September 30, 2020
<b>ASSETS</b>		
Cash and cash equivalents	\$ 2,775,820	\$ 4,428,932
Investments in financial instruments	347,676	446,564
Accounts receivable	6,231,669	6,318,255
Taxes and other accounts receivable	5,133,513	5,061,165
Related parties	32,566	72,454
Inventories	5,528,936	6,045,206
Prepaid expenses	413,230	409,130
<b>Current assets</b>	<b>20,463,410</b>	<b>22,781,706</b>
Investments in associates	510,026	585,909
Property, plant and equipment, net	21,517,623	20,949,902
Right of use assets	2,395,560	2,541,056
Intangible and other assets	10,522,343	8,604,088
Goodwill	18,261,421	16,353,017
Long term recoverable taxes	1,526,084	1,569,456
Financial instruments investments	0	7,767
Deferred income tax	1,135,227	2,412,935
<b>Non-current assets</b>	<b>55,868,284</b>	<b>53,024,130</b>
<b>Total assets</b>	<b>\$ 76,331,695</b>	<b>\$ 75,805,836</b>
<b>LIABILITIES</b>		
short-term loans	\$ 909,121	\$ 4,111,912
current portion of long-term debt	\$ 4,071,839	\$ 9,896
Current lease liabilities	673,880	695,428
Suppliers	9,628,925	11,598,975
Financial instruments liability	47,817	296,172
Related parties	866,385	868,161
Stockholders	924,646	1,032,128
Taxes and other accounts payable	3,243,449	4,108,759
<b>Current liabilities</b>	<b>20,366,062</b>	<b>22,721,431</b>
Non Current Long Liabilities	1,783,218	1,999,683
Long-term debt	23,216,627	26,345,721
Deferred income tax and other taxes payable	1,200,806	1,000,731
Taxes payable in the long term	548,331	367,332
Derivative financial instruments	250,262	361,598
Other accounts payable	5,061,667	3,262,672
<b>Long-term liabilities</b>	<b>32,060,911</b>	<b>33,337,737</b>
<b>Total liabilities</b>	<b>52,426,973</b>	<b>56,059,168</b>
<b>SHAREHOLDERS EQUITY</b>		
Capital Stock	1,488,289	1,485,883
Net premium in share placement	12,855,079	12,241,929
Retained earnings	12,570,263	12,444,799
Other comprehensive income	-4,745,184	-7,557,523
Income of the year	1,736,275	1,131,580
<b>Equity attributable to equity holders of the parent</b>	<b>23,904,722</b>	<b>19,746,668</b>
Non-controlling interest	0	0
<b>Total shareholders equity</b>	<b>23,904,722</b>	<b>19,746,668</b>
<b>Total liabilities and shareholders equity</b>	<b>\$ 76,331,695</b>	<b>\$ 75,805,836</b>

**GRUPO LALA, S.A.B. DE C.V.**  
**Consolidated Cash Flow Statement**  
**for the 9 months ended September 30, 2019 and 2020**  
**(In thousands of nominal pesos)**

	As of September 30, 2019	As of September 30, 2020
<b>Operating activities:</b>		
<b>Income before taxes</b>	<b>\$ 2,541,546</b>	<b>\$ 1,693,192</b>
Depreciation, amortization, and trademarks impairment	2,257,482	2,350,488
(Cancellation) Impairment losses recognized on accounts receivable	0	0
Financial instruments	0	0
Participation in associates	(45,927)	(39,458)
Financial Expenses	1,965,759	1,951,592
Financial Products	(87,568)	(116,157)
Others	(55,200)	10,241
Foreign Exchange result no realized	43,481	54,374
<b>Total</b>	<b>6,619,573</b>	<b>5,904,273</b>
<b>Changes in operation assets and liabilities</b>		
Accounts receivable	27,392	(170,516)
Inventories	(661,928)	(59,475)
Related parties	(149,241)	(74,552)
Suppliers	1,010,947	812,893
Other accounts receivable and prepaid expenses	(1,420,111)	(1,400,274)
Other assets and liabilities	(367,203)	(79,026)
<b>Total</b>	<b>5,059,429</b>	<b>4,933,323</b>
Taxes	(1,452,391)	(1,275,467)
<b>Total</b>	<b>3,607,038</b>	<b>3,657,855</b>
<b>Net cash flow provided by continuing operating</b>	<b>3,607,038</b>	<b>3,657,855</b>
<b>Net cash flow provided by operating activities</b>	<b>3,607,038</b>	<b>3,657,855</b>
<b>Investing activities</b>		
Acquisition of property, plant, equipment, and intangibles	(1,219,932)	(1,085,676)
Acquisition of intangibles and other assets	(254,234)	(226,877)
Proceeds from sale of property, plant, and equipment	78,109	46,511
Dividends collected from associates	0	0
Investments in Financial instruments	73,603	(1,804)
Interest collected	99,679	120,015
Cash received by sale of associates and adjustment to the sale price	0	(0)
Cash received on the sale of investments	0	0
<b>Net cash flow used in investing activities</b>	<b>(1,222,775)</b>	<b>(1,147,831)</b>
<b>Financing activities</b>		
Loans obtained	18,876,713	16,172,358
Repayments of borrowings to third parties	(17,332,578)	(11,898,222)
Interest paid	(2,092,744)	(1,708,593)
Payment of lease liabilities	(504,900)	(704,060)
Reissuance (repurchase) of capital stock	121,318	(136,330)
Dividends paid to equity holders of the parent	(1,121,968)	(1,119,465)
<b>Net cash flows provided (used) in financing activities</b>	<b>\$ (2,054,159)</b>	<b>\$ 605,687</b>
<b>Net increase of cash and equivalents</b>	<b>330,104</b>	<b>3,115,712</b>
Adjustments to cash due to exchange rate fluctuations	(104,402)	(219,730)
Cash and equivalents at beginning of the year	2,550,117	1,532,950
<b>Cash and equivalents at the end of the period</b>	<b>\$ 2,775,819</b>	<b>\$ 4,428,932</b>