

GRUPO LALA REPORTS FIRST QUARTER 2021 RESULTS

Mexico City, April 26, 2021 – Grupo LALA, S.A.B. de C.V., a Mexican Company focused on the healthy food industry, (“LALA”) (BMV: LALAB), today reported results for the first quarter of 2021. The following information has been presented based on International Financial Reporting Standards (IFRS) and in nominal terms.

Quarter Highlights:

- +5.7% YOY increase in constant currency sales driven by Mexico and Brazil
- 10.5% consolidated EBITDA margin; +110 bps YOY improvement
- 12.8% reported EBITDA margin for Mexico; +180 bps YOY increase
- \$519 m in Net Income; +130 bps net margin improvement YOY
- -0.8% Consolidated Working Capital; a -110 bps YOY improvement
- Leverage ratio: reported 3.0x Net Debt / EBITDA
- ESG Operating Committee created

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 quarter and the year ended on March 31, 2021 as compared to the same period in 2020.

MXN\$ in millions	Q1'20	% Sales	Q1'21	% Sales	Var. %	Var. bps
Net Sales	19,405	100%	20,043	100%	3.3%	
Gross Profit	6,389	32.9%	6,681	33.3%	4.6%	40 bps
Operating Income	1,045	5.4%	1,322	6.6%	26.4%	120 bps
EBITDA⁽¹⁾	1,831	9.4%	2,103	10.5%	14.9%	110 bps
Net Income	258	1.3%	519	2.6%	100.8%	130 bps

(1) EBITDA is defined as operating income before depreciation and amortization.

MESSAGE FROM MANAGEMENT

Arquímedes Celis, Grupo LALA's CEO, commented:

"We began the year with continued strong performance despite COVID headwinds in certain markets, underscoring the particular resilience of LALA's Mexico business to drive growth, profitability, and enable us to further deleverage. Our differentiated results prove the strength of our business model, the value of our products and brands, and our capabilities as a company, reflected in sustained improvement in operational and financial metrics on a consolidated basis. The breadth and reach of our portfolio differentiate LALA, enabling us to swiftly leverage our omnichannel access to capitalize on ever-evolving consumer behaviors and preferences – particularly at-home categories. As the world gradually transitions to a post-COVID era – with each region progressing at its own pace – the successful execution of our strategies will continue to drive long-term sustainable growth. Further, we remain focused on safeguarding our employees and partners to ensure consumers' seamless access to nutritious and affordable high-quality products."

He continued, "We have also taken important steps to strengthen our environmental, governance, and social practices (ESG). Therefore, LALA's fundamentals, momentum and growth outlook remain strong. Our operational capabilities and our focus on performance, talent and on our quality product offering, enable us to drive future growth and build long-term value for our stakeholders."

ONGOING COVID-19 ACTIONS

The COVID-19 pandemic continues to impact those countries where Grupo LALA operates, particularly Brazil, Nicaragua, Guatemala, and Mexico. LALA has maintained strict protocols to minimize risk from the Coronavirus to employees, suppliers, and to consumer safety through an approach of abundant caution, guaranteeing food safety and supply chain continuity within the context of financial flexibility and liquidity.

STRENGTHENING ESG PRACTICES

LALA has established an ESG Operating Committee in Mexico, comprised of business heads and led by the CFO with Board and Executive Management oversight. This enables LALA to strengthen its governance framework to evolve its current sustainability model.

CONSOLIDATED RESULTS

THE FIRST QUARTER 2021

Net Sales: First quarter 2021 total net sales increased 3.3% year-on-year to reach \$20,043 million pesos; a 5.7% increase on a constant currency basis despite a challenging year-on-year comparison due to pandemic-related pantry stocking in March 2020 as well as an unfavorable currency translation effect resulting from the 16.9% depreciation of the BRL relative to the Mexican peso during the first quarter 2021. First quarter 2021 Net Sales was the result of increased sales in Mexico and Brazil driven by pass-through of input cost inflation price increases within these markets.

Sales by Region:

First quarter 2021 **Mexico** sales increased by 6.3% YOY, to \$15,889 million pesos, with sales growth across segments and particularly strong UHT milk, cream, cheese, cold-cuts and butter performance, also driven by mid-single digit price increases across the portfolio. At-home food consumption remained elevated as a result of the COVID-19 pandemic and continued to adversely affect demand for Yogurt and on-the-go presentations in this market, with further volume contraction.

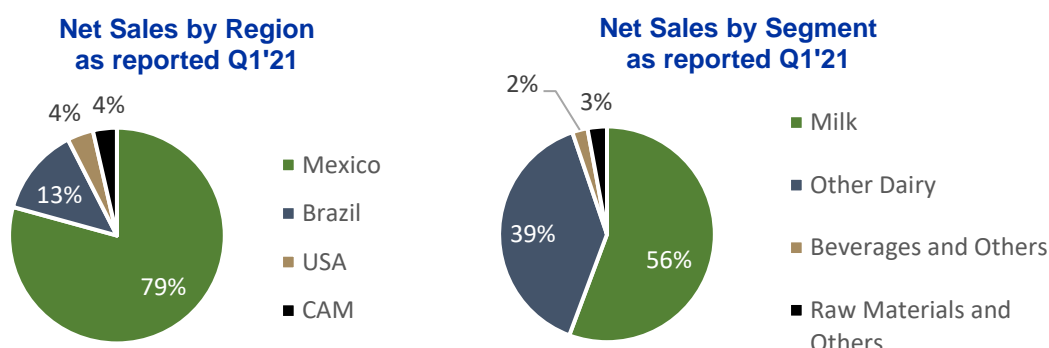
Grupo LALA's **Brazil** operations reported fourth quarter net sales of \$2,650 million pesos; a 12.9% year-on-year increase in BRL and a 6.2% decrease in MXN. This BRL increase was due to price increases executed to pass on cost inflation as well as strong performance in specialty and parmesan cheese, *queijo*, and spreads. During the quarter, reduced demand within this market resulted in a double-digit YoY volume contraction resulting from continued pandemic-related lockdowns as well as the end of 2020 expiration of the government-sponsored *Corona Voucher* fiscal stimulus scheme which also adversely affected Brazil's restaurant and other food service businesses. Foodservice in this market continued to be negatively impacted by COVID-19 related restrictions within the Brazil market during the quarter.

First quarter 2021 **U.S.** net sales reached \$785 million pesos; a -9.2% decrease in constant currency and a -7.7% decrease in Mexican pesos. Volumes reflected a mid-single digit contraction due to 1) the adverse effects of decreased on-the-go consumption on Drinkable Yogurt volumes, partially offset by increased sales of premium and UHT milk despite a challenging year on year comparison due to pantry-loading during the first quarter 2020; and 2) reduced co-packing sales.

LALA's **Central America** operations reported a -9.9% YoY sales decrease in USD and -8.0% decrease in MXN, to reach \$720 million pesos in first quarter 2021 sales. This decrease was primarily the reflection of the December 2020 closure of LALA's Costa Rica operations and exclusion of related results from LALA's first quarter 2021. Nicaragua and Guatemala first quarter 2021 sales increased 4.2% YOY in USD due to strong milk and yogurt performance as well as effective pass-through of input cost inflation.

Net Sales by Region				
MXN\$ in millions	Q1'20	Q1'21	Var. %	Constant currency Var. % ⁽¹⁾
Mexico	14,948	15,889	6.3%	6.3%
Brazil	2,824	2,650	(6.2%)	12.9%
USA	851	785	(7.7%)	(9.2%)
CAM	782	720	(8.0%)	(9.9%)
Total Sales	19,405	20,043	3.3%	5.7%

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



Sales by Segment:

Milk robust sales driven by increased UHT Milk volumes despite a high comparable base due to pantry-loading UHT sales in March 2020.

Other Dairy increased sales in Mexico and Brazil driven by price increases, fully offsetting US sales declines. Strong performance in cream, butter, and cheese, while yogurt and desserts continued to be adversely affected by decreased on-the-go consumption across all regions.

Beverages and Others growing due to solid cold cuts performance as well as price increases across the category.

Net Sales by Segment				
MXN\$ in millions	Q1'20	Q1'21	Var. %	Constant currency Var. % ⁽¹⁾
Milk	10,663	11,162	4.7%	4.9%
Other Dairy	7,781	7,837	0.7%	6.3%
Beverages and Others	461	464	0.5%	3.3%
Raw Materials and Others	499	581	16.4%	16.4%
Total Sales	19,405	20,043	3.3%	5.7%

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

Costs and Gross Profit: First quarter 2021 cost of goods sold increased by 2.7%, resulting in a gross profit of \$6,681 million pesos with a 40 bps increase in gross margin, to reach 33.3% of Net Sales. The year-on-year gross margin increase was due to operational improvements executed in Mexico which fully offset raw material cost inflation in Brazil.

Expenses and Operating Income: First quarter operating expenses decreased by 0.2% year-on-year, to \$5,367 million pesos. Operating expenses as a percentage of sales decreased 90 bps to 26.8%. Expense improvement during the quarter was the continued result of successfully downsizing prior overinvestments and supply chain improvements in Mexico, in addition to cost savings initiatives and waste reduction throughout the organization resulting in important savings which offset COVID-19 related costs.

First quarter 2021 operating income was \$1,322 million pesos; a 26.4% year-on-year increase with a 6.6% reported operating margin.

EBITDA: First quarter 2021 reported EBITDA reached \$2,103 million pesos with a 10.5% EBITDA margin; a 14.9% year-on-year increase with a 110 bps margin expansion. This was primarily due to the robust operating results delivered in Mexico coming from solid operational execution.

Q1'21 EBITDA by Region

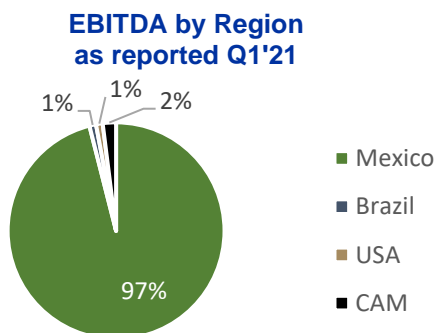
MXN\$ in millions	Reported				Var. bps
	Q1'20	% NS	Q1'21	% NS	
Mexico	1,646	11.0%	2,040	12.8%	180
Brazil	164	5.8%	20	0.8%	(500)
United States	17	2.0%	11	1.4%	(60)
Central America	3	0.4%	32	4.5%	410
Total EBITDA	1,831	9.4%	2,103	10.5%	110

In **Mexico**, first quarter 2021 EBITDA was \$2,040 million pesos with a 12.8% margin; a 180 bps year-on-year increase. This improvement was due to 1) successful expense control, particularly related to SG&A; 2) reduced finished product waste due to efficiencies in the supply chain; and 3) solid execution at the point-of-sale coming from improvements in demand planning.

LALA's **Brazil** operation closed the first quarter 2021 with \$20 million pesos in EBITDA and a 0.8% margin; a 500 bps year-on-year decrease. This is explained by 1) recurring raw materials cost pressure, primarily in raw milk (+33.8% YOY), soybean oil (+73.4% YOY increase), as well as resins and palm oil; 2) loss of operational leverage due to a double-digit volume contraction related to the pandemic related decrease of Food Service sales; and 3) a high Q1'20 comparable EBITDA that included a one-time tax recovery benefit. On a normalized basis, Brazil's operation had a 350 bps EBITDA margin contraction.

The Company's **US** operation reported a 1.4% EBITDA margin; a 60 bps year-on-year decrease. LALA's US operation closed the first quarter 2021 with an \$11 million peso EBITDA, primarily due to low operating leverage from the volume contraction.

First quarter 2021 reported EBITDA for LALA's **Central America** operations reached \$32 million pesos with a 4.5% EBITDA margin; a 410 bps margin expansion. This was due to 1) the discontinuation of LALA's Costa Rica business that had operated with negative EBITDA; 2) solid operational performance in Nicaragua and Guatemala reflecting LALA's market leadership within these countries; and 3) efficiencies resulting from effectively transitioning certain products to local production during the quarter, as well as improved route-to-market practices.



Net Financial Expenses: Grupo LALA reported \$563 million pesos in net financial expenses for the first quarter 2021; a 16.7% year-on-year decrease. This was mainly due to the reduction in the weighted average cost of debt with reduced Mexico TIIE and Brazil CDI interest rates, as well as to LALA's September 2020 refinancing which decreased overall company's financing costs.

Taxes: First quarter 2021 reported tax expense was \$260 million pesos. The effective tax rate based on Net Income Before Taxes was 33.4%, in line with the Q1'20 tax rate.

Net Income: first quarter 2021 reported net income was \$519 million pesos with a 2.6% net margin; a 130 bps year on year increase due to higher operating income and decreased financial expenses during the first quarter 2021.

MXN\$ in millions	Reported		
	Q1'20	Q1'21	Var %
Operating Income	1,045	1,322	26.4%
Financing Expenses	676	563	(16.7%)
Results of associated companies	18	19	7.7%
Net income before taxes	387	778	100.9%
% NS	2.0%	3.9%	190 bps
Taxes	129	260	101.2%
Effective tax rate	33.3%	33.4%	
Net Income	258	519	100.8%
% NS	1.3%	2.6%	130 bps

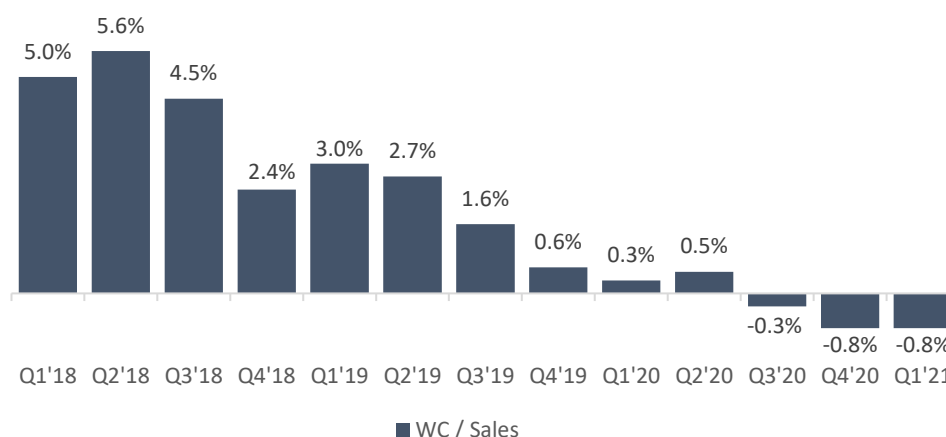
CONSOLIDATED

FINANCIAL POSITION

Capital Investment: The Company invested \$463 million pesos in capacity expansion and maintenance Capex as of March 31, 2021. This is comprised of \$348 million pesos in property plant and equipment acquisitions and \$115 million pesos in vehicle, machinery and equipment leasing. This represents a Capex-to-Sales ratio of 2.3% year-to-date.

Cash and Cash Equivalents: As of March 31, 2021, Grupo LALA had a cash position of \$4,539 million pesos; a 17.5% year-on-year decrease due to the payment of short-term debt driven by a reduction of potential COVID-related liquidity risks.

Working Capital: As of March 31, 2021, LALA's consolidated working capital over sales ratio improved by -110 bps year-on-year to reach -0.8%, driven by a negative working capital ratio of -2.1% of sales achieved in Mexico and cash conversion cycle improvements in Brazil, US and CAM.



Total Debt: LALA ended the year with total debt of \$29,010 million pesos comprised of \$3,936 million pesos in short-term debt and \$25,074 million pesos in long-term debt. As of March 31, 2021, the Company's Net Debt was therefore \$24,471 million pesos, representing a Reported Net Debt-to-EBITDA ratio of 3.0x.

The following table illustrates the composition of the Company's debt by currency, interest rate and year of maturity as of March 31, 2021.

Currency	% Total Debt	% Weighted avg. Cost of debt	Average maturity
Mexican Pesos	91%	TIIE + 2.31%	4.3 years
Brazilian Reals	9%	CDI + 1.51%	0.7 years
Total	100%	7.39% ⁽¹⁾	4.0 years

(1) All-in rate including the effect of interest and FX hedging derivatives

Key Financial Data: As of March 31, 2021, the Company's key financial ratios were as follows:

Financial Metrics	Q1'20	Q1'21
Net Debt / EBITDA	3.2x	3.0x
EBITDA / Interest Paid	3.2x	4.0x
Earnings per Share (12 months)	\$ 0.63	\$ 0.30
Book Value per share	\$ 9.48	\$ 7.57
Outstanding Shares (in millions)	2,475.9	2,475.9
ROIC %	6.7%	6.1%

Share buyback program

As of March 31, 2021, the Company's share buyback program had a balance of 48,999,197 shares for a total balance of \$1,132,053,788 pesos. The Company has put share buybacks on hold to prioritize deleveraging and preserving capital.

Brazil operation forward looking statement

Grupo LALA closed its production facility in Anápolis, Brazil on April 6, 2021 due to the termination of a co-packing contract which represented 14% of sales in this region. LALA has implemented an action plan to mitigate this impact. Further details will be provided during the Company's first quarter 2021 earnings call.

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, InterCam, JP Morgan, Monex, Morgan Stanley, Santander, Scotiabank, Vector and VePorMas.

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About LALA

Grupo LALA, a Mexican company focused on the healthy and nutritious food industry, has more than 70 years of experience in the production, innovation and marketing of milk, dairy products and beverages under the highest quality standards. LALA operates 30 production plants and 172 distribution centers in Mexico, Brazil, the United States and Central America and is supported by more than 40,000 employees. LALA operates a fleet that exceeds 7,500 units for the distribution of its more than 600 products which reach more than 628,000 points of sale. LALA®, Nutri® and Vigor® stand out in their brand portfolio.

For more information, visit: 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, April 27, 2021 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=144328](http://public.viavid.com/index.php?id=144328)

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GRUPO LALA, S.A.B. DE C.V.
Consolidated Income Statements
Ended March 31, 2020 and 2021
(In thousands of nominal pesos)

	For the three months ended March 31,			
	2020		2021	
Net sales	\$ 19,404,632	100.0%	\$ 20,043,460	100.0%
Cost of goods sold	13,015,385	67.1%	13,362,810	66.7%
Gross profit	6,389,247	32.9%	6,680,650	33.3%
Other income (expenses), net	(31,634)	(0.2)%	(8,272)	(0.0)%
Operating expenses	5,375,713	27.7%	5,367,367	26.8%
Operating Income	1,045,168	5.4%	1,321,555	6.6%
Net of financial (income) expenses				
Net of financial income	612,453	3.2%	545,014	2.7%
Exchange rate (profit) loss	63,393	0.3%	17,670	0.1%
Financial instruments	0	0.0%	0	0.0%
Financial income, net	675,846	3.5%	562,684	2.8%
Share in the results of associated companies	17,977	0.1%	19,356	0.1%
Income before taxes	387,299	2.0%	778,227	3.9%
Income tax expense	128,982	0.7%	259,576	1.3%
Net consolidated income	258,317	1.3%	518,651	2.6%
Non-controlling interest	0	0.0%	0	0.0%
Depreciation and amortization	785,556	4.0%	781,877	3.9%
EBITDA	\$ 1,830,724	9.4%	\$ 2,103,432	10.5%
Effective income tax rate	33.3%		33.4%	

GRUPO LALA, S.A.B. DE C.V.
Consolidated Statement of Financial Position
at March 31, 2020 and 2021
(In thousands of nominal pesos)

	As of March 31, 2020	As of March 31, 2021
ASSETS		
Cash and cash equivalents	\$ 5,500,671	\$ 4,538,864
Investments in financial instruments	439,171	405,844
Accounts receivable	6,047,336	5,905,253
Taxes and other accounts receivable	4,369,652	4,553,482
Related parties	45,311	49,971
Inventories	6,340,924	6,509,772
Prepaid expenses	420,928	317,034
Assets held for sale and discontinued operations	0	127,387
Current assets	23,163,993	22,407,607
Investments in associates	556,338	628,750
Property, plant and equipment, net	21,963,534	19,411,030
Right of use assets	2,695,139	2,986,885
Intangible and other assets	9,925,028	7,312,131
Goodwill	18,359,314	14,003,470
Long term recoverable taxes	1,460,356	1,214,298
Financial instruments investments	251,366	797
Deferred income tax	2,140,662	2,608,757
Non-current assets	57,351,737	48,166,118
Total assets	\$ 80,515,730	\$ 70,573,725
LIABILITIES		
short-term loans	\$ 5,321,495	\$ 3,336,745
current portion of long-term debt	\$ 16,981	\$ 599,315
Current lease liabilities	653,498	841,166
Suppliers	10,622,133	11,704,409
Financial instruments liability	186,517	322,987
Related parties	1,616,937	115,556
Stockholders	1,555,051	1,388,933
Taxes and other accounts payable	4,298,717	4,033,944
Current liabilities	24,271,329	22,343,055
Non Current Long Liabilities	2,177,622	2,327,416
Long-term debt	25,803,532	25,074,260
Deferred income tax and other taxes payable	1,202,283	1,027,616
Taxes payable in the long term	472,374	260,447
Derivative financial instruments	240,458	162,540
Other accounts payable	3,941,004	2,787,601
Long-term liabilities	33,837,273	31,639,880
Total liabilities	58,108,602	53,982,935
SHAREHOLDERS EQUITY		
Capital Stock	1,485,883	1,485,883
Net premium in share placement	12,241,929	12,241,929
Retained earnings	12,429,735	12,937,357
Other comprehensive income	-4,008,736	-10,593,030
Income of the year	258,317	518,651
Equity attributable to equity holders of the parent	22,407,128	16,590,790
Non-controlling interest	0	0
Total shareholders equity	22,407,128	16,590,790
Total liabilities and shareholders equity	\$ 80,515,730	\$ 70,573,725

GRUPO LALA, S.A.B. DE C.V.
Consolidated Cash Flow Statement
for the 3 months ended March 31, 2020 and 2021
(In thousands of nominal pesos)

	As of March 31, 2020	As of March 31, 2021
Operating activities:		
Income before taxes	\$ 387,299	\$ 778,227
Depreciation, amortization, and trademarks impairment	785,558	781,877
Participation in associates	(17,977)	(19,356)
Financial Expenses	633,629	591,551
Financial Products	(21,176)	(46,537)
Others	(2,709)	(1,568)
Foreign Exchange result no realized	52,147	67,566
Total	1,816,770	2,151,760
Changes in operation assets and liabilities		
Accounts receivable	345,305	183,230
Inventories	(164,554)	(591,816)
Related parties	461,566	164,815
Suppliers	(592,444)	174,265
Other accounts receivable and prepaid expenses	(277,911)	270,061
Other assets and liabilities	(547,674)	17,872
Total	1,041,058	2,370,187
Net cash flow provided by operating activities	757,267	1,903,972
Investing activities		
Acquisition of property, plant, equipment, and intangibles	(368,106)	(347,828)
Acquisition of intangibles and other assets	(135,054)	(57,576)
Proceeds from sale of property, plant, and equipment	10,981	8,061
Dividends collected from associates	0	0
Investments in Financial instruments	1,751	3,694
Interest collected	21,655	19,401
Cash received on the sale of investments	0	0
Net cash flow used in investing activities	(468,773)	(374,248)
Financing activities		
Loans obtained	7,999,744	1,150,000
Repayments of borrowings to third parties	(2,930,084)	(1,509,489)
Interest paid	(761,434)	(647,674)
Payment of lease liabilities	(208,881)	(247,493)
Reissuance (repurchase) of capital stock	(136,330)	0
Dividends paid to equity holders of the parent	(373,159)	(373,119)
Net cash flows provided (used) in financing activities	\$ 3,589,856	\$ (1,627,774)
Net increase of cash and equivalents	3,878,350	(98,050)
Adjustments to cash due to exchange rate fluctuations	89,374	(140,458)
Cash and equivalents at beginning of the year	1,532,948	4,777,372
Cash and equivalents at the end of the period	\$ 5,500,671	\$ 4,538,864