

GRUPO LALA REPORTS SECOND QUARTER 2021 RESULTS

Mexico City, July 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 second quarter of 2021. The following information has been presented based on International Financial Reporting Standards (IFRS) and in nominal terms.

Quarter Highlights:

- +3.7% YOY increase in constant currency sales driven by Mexico
- 9.1% consolidated EBITDA margin; -100 bps YOY. 9.5% Adjusted⁽¹⁾ EBITDA margin, -60 bps YOY
- 12% EBITDA margin for Mexico; +10 bps YOY expansion
- \$160m in Net Income; 0.8% net margin, -130 bps YOY. \$262m Adjusted⁽¹⁾ Net Income, 1.3% net margin and -80 bps YOY
- -0.7% Consolidated Working Capital; a 120 bps YOY improvement
- Leverage ratio: reported 3.0x Net Debt / EBITDA

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 second quarter ended on June 30, 2021 as compared to the same period in 2020.

MXN\$ in millions	Q2'20	% Sales	Q2'21	% Sales	Var. %	Var. bps
Net Sales	20,048	100%	20,162	100%	0.6%	
Gross Profit	6,854	34.2%	6,566	32.6%	(4.2%)	(160 bps)
Operating Income	1,228	6.1%	958	4.8%	(21.9%)	(130 bps)
EBITDA⁽²⁾	2,028	10.1%	1,826 ⁽¹⁾	9.1%	(10.0%)	(100 bps)
Net Income	418	2.1%	160	0.8%	(61.6%)	(130 bps)

(1) Adjusted EBITDA and Net Income exclude BRL 36.6m of one-offs recognized as part of the Anápolis plant closure and corporate restructure in Brazil

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

MESSAGE FROM MANAGEMENT

Arquímedes Celis, Grupo LALA's CEO, commented:

“In a complex operating environment still subject to an unpredictable health pandemic and inflationary pressures, our results this quarter reflect a commitment to improving our performance in LALA's core markets. Consumers' enduring preference for our brands and broad product portfolio supported stable sales relative to last year's quarter, which benefited from a pantry-loading tailwind. Although LALA is experiencing inflation pressures from a wide range of raw materials - like most sectors of the economy - our Mexico business benefited from the structural changes we made last year. Similarly, we continue strengthening the foundations of our CAM and US operations. As the Brazilian market and the inflationary dynamics there have been particularly challenging, we have also taken steps to improve the profitability of that business.”

He continued, “These actions reflect our unwavering focus on creating value for all LALA stakeholders through operational and financial discipline in every market.”

VOLUNTARY PUBLIC ACQUISITION OFFER

A group of LALA shareholders announced their intention on May 21, 2021 to initiate the process to launch a Voluntary Public Acquisition Offering (VPAO) for up to all of the outstanding LALAB publicly traded shares, representing approximately one fourth of the Company's outstanding shares. On June 14, 2021, this group of offerors filed for the necessary approvals with the CNBV. As per the announcement, after the VPAO closing, if the necessary number of shares have been acquired, the offerors intend to request cancellation of the security listing. It is worth noting that the timing of these events is subject to regulatory approvals.

CONSOLIDATED RESULTS

THE SECOND QUARTER 2021

Net Sales: Second quarter 2021 total net sales increased 0.6% year-on-year to reach \$20,161 million pesos; a 3.7% increase on a constant currency basis. Said total net sales increased despite a challenging year-on-year comparison due to pandemic-related pantry stocking in April 2020, as well as an unfavorable currency translation effect during the second quarter 2021 resulting from 13.1% and 14.3% depreciation of the BRL (relative to MXN) and MXN (relative to USD) respectively.

Sales by Region:

Second quarter 2021 **Mexico** sales increased by 3.8% YOY, to \$16,172 million pesos, with sales growth across segments and particularly solid performance in UHT milk, cream, and cold-cuts, also driven by channel growth and tactical price adjustments. COVID-19 pandemic related at-home food consumption continued to be reflected within certain categories, with yogurt and on-the-go presentations showing initial signs of recovery within this market.

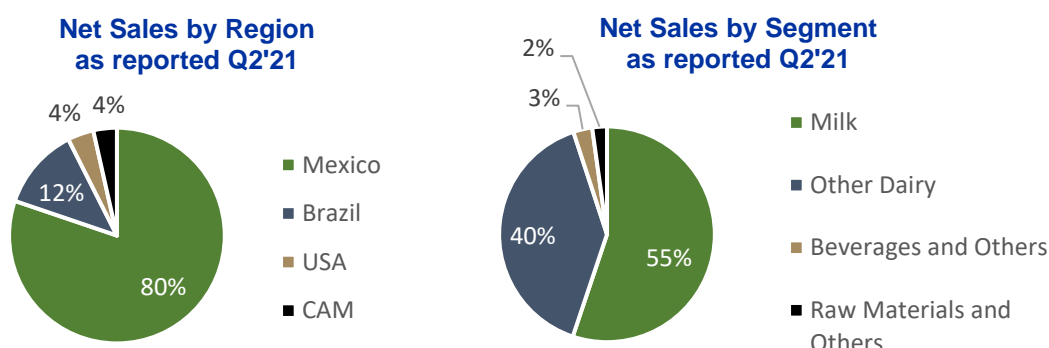
Grupo LALA's **Brazil** operations reported \$2,490 million pesos in second quarter net sales; a 7.1% year-on-year increase in BRL and a 6.9% decrease in MXN. This BRL increase was due to price actions intended to pass through cost inflation, as well as the performance in creams, cheeses and *requeijão*. During the quarter, the previously announced termination of a co-packing contract adversely impacted volume within this market. Excluding this impact, YOY volumes remained flat, while sales in BRL increased by 21.8%. While the Foodservice channel has improved sequentially in this market, COVID-19 related restrictions have hindered a full recovery to pre-pandemic levels.

Second quarter 2021 **U.S.** net sales reached \$788 million pesos; a 0.5% increase in constant currency and a -13.9% decrease in Mexican pesos. Volumes remained steady during the quarter due to 1) Growth in UHT milk and blended yogurt; and 2) an increased Promised Land milk distribution footprint, while yogurt sales remained stable.

LALA's **Central America** operations reported a -6.0% YOY sales decrease in USD and a -19.5% decrease in MXN, to reach \$712 million pesos in second quarter 2021 sales. This decrease was primarily the reflection of the December 2020 closure of LALA's Costa Rica operations. Nicaragua and Guatemala second quarter 2021 sales increased 9.9% YOY in USD due to strong milk, yogurt and ice-cream performance as well as growth from innovations into white spaces.

Net Sales by Region				
<i>MXN\$ in millions</i>	Q2'20	Q2'21	Var. %	Constant currency Var. % ⁽¹⁾
Mexico	15,574	16,172	3.8%	3.8%
Brazil	2,676	2,490	(6.9%)	7.1%
USA	915	788	(13.9%)	0.5%
CAM	883	712	(19.5%)	(6.0%)
Total Sales	20,048	20,162	0.6%	3.7%

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



Sales by Segment:

Milk stable sales driven by increased UHT Milk volumes despite a high comparable base due to pandemic-related pantry-loading sales during the second quarter of 2020.

Other Dairy increased sales across all regions. Strong performance in cream and cheese, while yogurt showed signs of recovery.

Beverages and Others growing due to robust cold cuts performance.

Net Sales by Segment				
<i>MXN\$ in millions</i>	Q2'20	Q2'21	Var. %	Constant currency Var. % ⁽¹⁾
Milk	11,108	11,118	0.1%	1.5%
Other Dairy	7,932	8,027	1.2%	7.2%
Beverages and Others	462	574	24.3%	27.1%
Raw Materials and Others	546	444	(18.8%)	(18.8%)
Total Sales	20,048	20,162	0.6%	3.7%

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

Costs and Gross Profit: Second quarter 2021 cost of goods sold increased by 3.0%, resulting in \$6,567 million pesos gross profit with a 160 bps gross margin decrease, to reach 32.6% of Net Sales. The year-on-year gross margin contraction was due to raw material cost inflation in all geographies, which impacted Brazil more significantly.

Expenses and Operating Income: Second quarter operating expenses decreased by 0.9% year-on-year, to \$5,550 million pesos. Operating expenses as a percentage of sales decreased 40 bps to 27.5%. This expense improvement was the result of operational efficiencies in logistics, waste control, and overhead expenses.

Second quarter 2021 operating income was \$958 million pesos; a 21.9% year-on-year decrease with a 4.8% reported operating margin.

EBITDA: Second quarter 2021 reported EBITDA reached \$1,826 million pesos with a 9.1% EBITDA margin; a 10% year-on-year decrease with a 100 bps margin contraction. This was primarily due to raw materials inflationary pressures across regions, as well as one-time expenses incurred in Brazil during the quarter.

Q2'21 EBITDA by Region

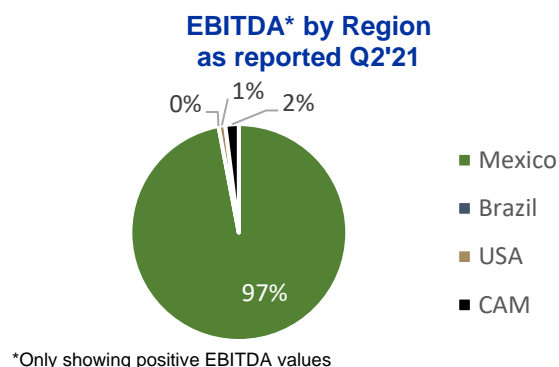
MXN\$ in millions	Reported				Var. bps
	Q2'20	% NS	Q2'21	% NS	
Mexico	1,846	11.9%	1,943	12.0%	10
Brazil	146	5.5%	(185)	(7.4%)	(1,290)
United States	31	3.4%	22	2.8%	(60)
Central America	5	0.6%	46	6.5%	590
Total EBITDA	2,028	10.1%	1,826	9.1%	(100)

In **Mexico**, second quarter 2021 EBITDA was \$1,943 million pesos with a 12.0% margin; a 10 bps year-on-year increase. This result was due to a significant raw materials inflation; partially offset by operational efficiencies in 1) improved logistics management; 2) waste control; and 3) reduction of overhead expenses.

LALA's **Brazil** operation closed the second quarter 2021 with a \$185 million pesos EBITDA loss and a -7.4% margin; a 1290bps year-on-year decrease. This was due to 1) continued raw materials cost pressure, primarily in raw milk, soybean oil, as well as packaging and resins; and 2) one-time impacts related to the Anápolis plant closure and corporate restructure after the co-packing contract termination. Adjusting for these one-offs, EBITDA margin for Brazil was -4.3%.

The Company's **US** operation reported a 2.8% EBITDA margin; a 60 bps year-on-year decrease. LALA's US operation closed the second quarter 2021 with a \$22 million peso EBITDA, primarily due to cost inflation partially offset by lower expenses.

Second quarter 2021 reported EBITDA for LALA's **Central America** operations reached \$46 million pesos with a 6.5% EBITDA margin; a 590 bps margin expansion. This was due to 1) solid operational performance in Nicaragua and Guatemala, 2) sales and distribution cost controls and 3) the discontinuation of LALA's Costa Rica business that operated with negative EBITDA.



Net Financial Expenses: Second quarter 2021 net financial expenses were \$542 million pesos; a 12.2% year-on-year decrease. This was mainly due to the reduction in the weighted average cost of debt given the lower Mexico TIIE and Brazil CDI interest rates, as well as a decrease in net debt.

Taxes: Second quarter 2021 reported tax expense was \$268 million pesos. The effective tax rate based on Net Income Before Taxes was 62.5%, impacted by the annual inflation adjustment on outstanding debt.

Net Income: Second quarter 2021 reported net income was \$160 million pesos with a 0.8% net margin; a 130 bps year on year decrease due to lower operating income and the effect of the annual inflation adjustment on outstanding debt. Adjusting for the BRL 36.6 million one-off expenses recognized as part of the Anápolis plant closure and corporate restructure in Brazil, Net Income was \$262 million pesos, representing an 80 bps YOY decrease with a 1.3% net margin.

MXN\$ in millions	Reported		
	Q2'20	Q2'21	Var %
Operating Income	1,228	958	(21.9%)
Financing Expenses	617	542	(12.2%)
Results of associated companies	15	12	(20.2%)
Net income before taxes	626	428	(31.5%)
% NS	3.1%	2.1%	(100 bps)
Taxes	208	268	29.1%
Effective tax rate	33.2%	62.5%	
Net Income	418	160	(61.6%)
% NS	2.1%	0.8%	(130 bps)

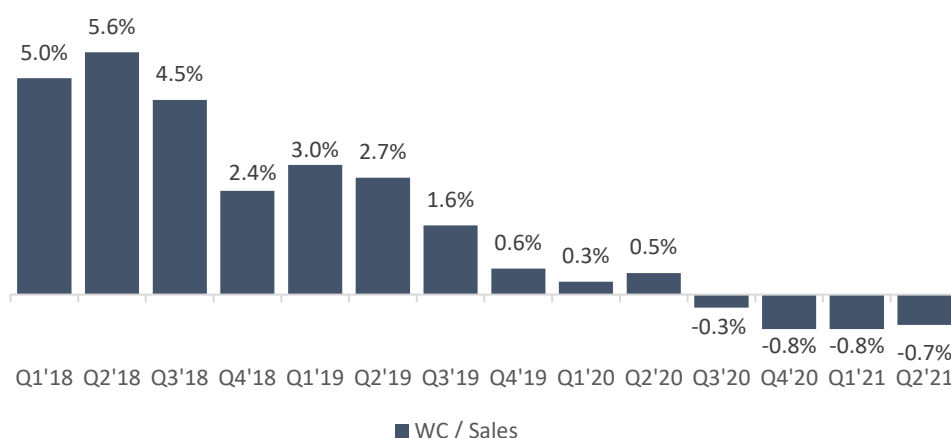
CONSOLIDATED

FINANCIAL POSITION

Capital Investment: The Company invested \$974 million pesos in capacity expansion and maintenance Capex as of June 30, 2021. This is comprised of \$686 million pesos in property plant and equipment acquisitions and \$288 million pesos in vehicle, machinery, and equipment leasing. This represents a Capex-to-Sales ratio of 2.4% year-to-date.

Cash and Cash Equivalents: As of June 30, 2021, Grupo LALA had a cash position of \$4,514 million pesos; a 2.4% year-on-year decrease due to the payment of short-term debt.

Working Capital: As of June 30, 2021, LALA's consolidated working capital over sales ratio improved by -120 bps year-on-year to reach -0.7%, driven by a negative working capital ratio of -2.1% of sales achieved in Mexico and cash conversion cycle improvements in the other regions.



Total Debt: LALA ended the quarter with \$28,414 million pesos in total debt comprised of \$2,603 million pesos in short-term debt and \$25,810 million pesos in long-term debt. As of June 30, 2021, the Company's Net Debt was therefore \$23,899 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 June 30, 2021.

Currency	% Total Debt	% Weighted avg. Cost of debt	Average maturity
Mexican Pesos	88%	TIIE + 2.26%	4.2 years
Brazilian Reals	12%	CDI + 1.79%	2.9 years
Total	100%	7.60% ⁽¹⁾	4.1 years

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

Key Financial Data: As of June 30, 2021, the Company's key financial ratios were as follows:

Financial Metrics	Q2'20	Q2'21
Net Debt / EBITDA	3.4x	3.0x
EBITDA / Interest Paid	3.2x	3.8x
Earnings per Share (12 months)	\$ 0.58	\$ 0.20
Book Value per share	\$ 9.19	\$7.14
Outstanding Shares (in millions)	2,475.9	2,475.9
ROIC %	6.5%	5.9%

Share buyback program

As of June 30, 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 capital preservation.

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, Barclays, BBVA, BTG Pactual, Citigroup, Credit Suisse, GBM Grupo Bursátil Mexicano, Intercom, JP Morgan, Monex, Morgan Stanley, Scotiabank, and Vector.

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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 29 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, July 27, 2021 at
11:00am EST / 10:00am CST



Arquímedes Celis, Chief Executive Officer
Alberto Arellano, Chief Financial Officer
Daniel Espinosa, Investor Relations Officer



Webcast:
<http://public.viavid.com/index.php?id=145481>

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

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

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+1 412 317 6671

PIN #: 13721080

GRUPO LALA, S.A.B. DE C.V.
Consolidated Income Statements
Ended June 30, 2020 and 2021
(In thousands of nominal pesos)

	For the three months ended			
	June 30,			
	2020		2021	
Net sales	\$ 20,047,948	100.0%	\$ 20,161,798	100.0%
Cost of goods sold	13,193,451	65.8%	13,594,933	67.4%
Gross profit	6,854,497	34.2%	6,566,865	32.6%
Other income (expenses), net	23,435	0.1%	57,931	0.3%
Operating expenses	5,603,377	27.9%	5,550,477	27.5%
Operating Income	1,227,685	6.1%	958,457	4.8%
Net of financial (income) expenses				
Net of financial income	627,191	3.1%	563,305	2.8%
Exchange rate (profit) loss	(9,873)	(0.0)%	(21,117)	(0.1)%
Financial instruments	0	0.0%	0	0.0%
Financial income, net	617,318	3.1%	542,188	2.7%
Share in the results of associated companies	15,260	0.1%	12,179	0.1%
Income before taxes	625,627	3.1%	428,448	2.1%
Income tax expense	207,632	1.0%	267,993	1.3%
Net consolidated income	417,995	2.1%	160,455	0.8%
Non-controlling interest	0	0.0%	0	0.0%
Depreciation and amortization	800,564	4.0%	867,879	4.3%
EBITDA	\$ 2,028,249	10.1%	\$ 1,826,336	9.1%
Effective income tax rate	33.2%		62.5%	

GRUPO LALA, S.A.B. DE C.V.
Consolidated Statement of Financial Position
at June 30, 2020 and 2021
(In thousands of nominal pesos)

	As of June 30, 2020	As of June 30, 2021
ASSETS		
Cash and cash equivalents	\$ 4,623,666	\$ 4,514,376
Investments in financial instruments	533,308	30,160
Accounts receivable	6,378,958	5,945,706
Taxes and other accounts receivable	4,867,823	4,398,668
Related parties	57,044	65,263
Inventories	6,326,868	6,685,846
Prepaid expenses	542,513	343,755
Assets held for sale and discontinued operations	0	146,648
Current assests	23,330,180	22,130,422
Investments in associates	580,070	640,927
Property, plant and equipment, net	21,380,103	19,309,244
Right of use assets	2,573,352	3,092,456
Intangible and other assets	9,074,197	7,633,305
Goodwill	17,018,252	15,348,227
Long term recoverable taxes	1,401,106	1,599,258
Financial instruments investments	10,782	0
Deferred income tax	2,586,401	2,736,316
Non-current assets	54,624,263	50,359,733
Total assets	\$ 77,954,443	\$ 72,490,155
LIABILITIES		
short-term loans	\$ 6,111,035	\$ 1,245,290
current portion of long-term debt	\$ 3,010,081	\$ 1,358,102
Current lease liabilities	620,401	858,892
Suppliers	11,080,337	12,021,008
Financial instruments liability	302,189	291,105
Related parties	1,262,695	1,255,448
Stockholders	1,224,252	1,176,879
Taxes and other accounts payable	4,514,183	4,516,507
Current liabilities	28,125,173	22,723,231
Non Current Long Liabilities	2,095,390	2,409,017
Long-term debt	21,942,218	25,810,208
Deferred income tax and other taxes payable	1,019,349	1,100,517
Taxes payable in the long term	419,007	267,929
Derivative financial instruments	445,920	56,996
Other accounts payable	3,493,201	2,937,378
Long-term liabilities	29,415,085	32,582,045
Total liabilities	57,540,258	55,305,276
SHAREHOLDERS EQUITY		
Capital Stock	1,485,883	1,485,883
Net premium in share placement	12,241,929	12,241,929
Retained earnings	12,437,263	11,414,164
Other comprehensive income	-6,427,202	-8,636,202
Income of the year	676,312	679,105
Equity attributable to equity holders of the parent	20,414,185	17,184,879
Non-controlling interest	0	0
Total shareholders equity	20,414,185	17,184,879
Total liabilities and shareholders equity	\$ 77,954,443	\$ 72,490,155

GRUPO LALA, S.A.B. DE C.V.
Consolidated Cash Flow Statement
for the 6 months ended June 30, 2020 and 2021
(In thousands of nominal pesos)

	As of June 30, 2020	As of June 30, 2021
Operating activities:		
Income before taxes	\$ 1,012,926	\$ 1,206,674
Depreciation, amortization, and trademarks impairment	1,586,121	1,649,756
Participation in associates	(33,237)	(31,535)
Financial Expenses	1,317,777	1,181,026
Financial Products	(78,134)	(72,708)
Others	(8,388)	(24,533)
Foreign Exchange result no realized	30,553	35,711
Total	3,827,618	3,944,391
Changes in operation assets and liabilities		
Accounts receivable	(147,582)	282,035
Inventories	(281,252)	(596,200)
Related parties	147,225	(64,574)
Suppliers	79,400	325,912
Other accounts receivable and prepaid expenses	(1,359,741)	98,243
Other assets and liabilities	(200,199)	176,165
Total	2,065,469	4,165,971
Net cash flow provided by operating activities	1,628,799	3,652,842
Investing activities		
Acquisition of property, plant, equipment, and intangibles	(714,626)	(686,159)
Acquisition of intangibles and other assets	(179,451)	(89,451)
Proceeds from sale of property, plant, and equipment	36,714	62,496
Dividends collected from associates	0	0
Investments in Financial instruments	(4,226)	(3,237)
Interest collected	80,058	42,399
Cash received by sale of associates and adjustment to the sale price	0	0
Cash received on the sale of investments	0	0
Net cash flow used in investing activities	(781,530)	(673,952)
Financing activities		
Loans obtained	11,183,393	3,792,954
Repayments of borrowings to third parties	(6,389,403)	(4,674,828)
Interest paid	(1,124,455)	(1,068,683)
Payment of lease liabilities	(462,605)	(524,101)
Reissuance (repurchase) of capital stock	(136,330)	0
Dividends paid to equity holders of the parent	(746,314)	(746,239)
Net cash flows provided (used) in financing activities	\$ 2,324,286	\$ (3,220,897)
Net increase of cash and equivalents	3,171,556	(242,006)
Adjustments to cash due to exchange rate fluctuations	(80,836)	(20,991)
Cash and equivalents at beginning of the year	1,532,948	4,777,372
Cash and equivalents at the end of the period	\$ 4,623,666	\$ 4,514,376