

GRUPO LALA REPORTS THIRD QUARTER 2021 RESULTS

Mexico City, October 25, 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 third quarter of 2021. The following information has been presented based on International Financial Reporting Standards (IFRS) and in nominal terms.

Quarter Highlights:

- +1.1% YOY increase total net sales in constant currency on a like-for-like basis; -1.7% on a reported basis
- Third quarter consolidated EBITDA margin reached 9.6%; a 27 bps decrease year on year
- 11.8% EBITDA margin for Mexico; an 18 bps year on year decrease
- \$200m in Net Income with a 1.0% net margin
- -0.7% Consolidated Working Capital; a 40 bps YOY improvement
- 2.9x Net Debt / EBITDA leverage ratio

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 on September 30, 2021 as compared to the same period in 2020.

MXN\$ in millions	Q3'20	% Sales	Q3'21	% Sales	Var. %	Var. bps
Net Sales	20,725	100%	20,382	100%	(1.7%)	
Gross Profit	7,247	35.0%	6,789	33.3%	(6.3%)	-166 pb
Operating Income	1,281	6.2%	1,130	5.5%	(11.8%)	-64 pb
EBITDA	2,045	9.9%	1,957	9.6%	(4.3%)	-27 pb
Net Income	455	2.2%	200	1.0%	(56.0%)	-121 pb

MESSAGE FROM MANAGEMENT

Arquímedes Celis, Grupo LALA's CEO, commented:

"The current economic and inflationary operating environment represented a considerable challenge for LALA and for consumer goods producers globally during the quarter, with increasing freight costs, commodity prices and supply constraints. However, we have taken decisive steps and implemented the necessary adjustments to maintain our margins and market share. Our Mexico operation closed the quarter with an 11.8% margin, nearly aligned with that of the second quarter despite cost increases of our main materials. Central America showed continued sales and margin improvement during the quarter, in line with our plan for this operation. We have taken further steps at our Brazil and US businesses to recover profitable growth with gradual improvement expected in the quarters ahead."

He continued: "Our decisions remain aligned with our three strategic pillars: focus on key markets, financial discipline and profitable and balanced growth to support stakeholder value."

VOLUNTARY TENDER OFFER

The Trust 410541-7, a group of the Company's shareholders initiated a Voluntary Tender Offer for up to all of the outstanding Company shares not owned, directly or indirectly, by the offerors nor affiliated trusts, as of August 23, 2021, for a price of \$17.36 pesos payable in cash. The results were announced on September 21, 2021. Based on the intermediary's count, 565,402,873 LALA shares were tendered and were accepted by the offeror. As a result, the Offeror, including affiliates and related, is the direct or indirect holder of 99.6% of the total outstanding shares of LALA. The Offeror therefore announced on September 27, 2021 that it will maintain a purchase position through the BMV for an estimated period of 30 calendar days.

CONSOLIDATED RESULTS

THIRD QUARTER 2021

Net Sales: Third quarter 2021 total net sales decreased 1.7% year-on-year to reach \$20,382 million pesos; a 1.1% increase on a like-for-like basis. Sales for the third quarter 2021 were adversely impacted by 6.8% depreciation of the BRL relative to MXN and an 9.4% appreciation of the MXN relative to USD.

Sales by Region:

Third quarter 2021 **Mexico** sales increased by 3.9% YOY, to \$16,386 million pesos, with solid performance in yogurt, cream and milk, also supported by pricing strategies within this market. Yogurt and other "on-the-go" presentations continued to show signs of recovery within this market.

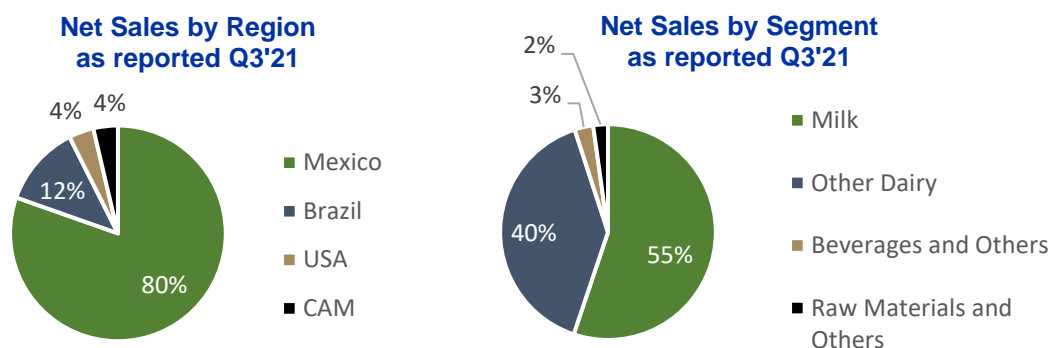
Grupo LALA's **Brazil** operations reported \$2,486 million pesos in third quarter net sales; a 18.0% year-on-year decrease in BRL and a 23.5% decrease in MXN. This decrease is mainly driven by the previously announced termination of a co-packing contract and the effect of the price increases implemented in this region to mitigate the impact of cost inflation on key raw materials inputs.

LALA's **Central America** operations reported a 1.2% YOY sales decrease in USD and a 10.6% decrease in MXN, to reach \$749 million pesos in third quarter 2021 sales. This decrease is a reflection of the adverse year on year comparison resulting from the Company's December 2020 closure of LALA's Costa Rica operations. Nicaragua and Guatemala third quarter 2021 sales increased 15.7% YOY in USD due to strong milk and ice-cream performance.

Third quarter 2021 **U.S.** net sales reached \$762 million pesos; a 3.5% decrease in constant currency and a 12.6% decrease in Mexican pesos. Sales were mainly affected by a lower volume of UHT milk and blended yogurt sold during the third quarter 2021.

Net Sales by Region				
MXN\$ in millions	Q3'20	Q3'21	Var. %	Constant currency Var. % ⁽¹⁾
Mexico	15,765	16,386	3.9%	3.9%
Brazil	3,250	2,486	(23.5%)	(18.0%)
USA	872	762	(12.6%)	(3.5%)
CAM	838	749	(10.6%)	(1.2%)
Total Sales	20,725	20,382	(1.7%)	0.2%

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



Sales by Segment:

Milk slightly impacted by a reduced consumption of formula milk, partially offset by sales of UHT Milk.

Other Dairy decreased due to a high comparable base, which included production at the Company's Annapolis facility in Brazil, partially offset by yogurt and cream performance.

Beverages and Others continued improvement due to solid cold cuts performance.

Net Sales by Segment				
MXN\$ in millions	Q3'20	Q3'21	Var. %	Constant currency Var. % ⁽¹⁾
Milk	11,484	11,382	(0.9%)	(0.1%)
Other Dairy	8,446	8,117	(3.9%)	(0.6%)
Beverages and Others	506	601	18.8%	20.4%
Raw Materials and Others	289	283	(2.3%)	(2.3%)
Total Sales	20,725	20,382	(1.7%)	0.2%

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

Costs and Gross Profit: Third quarter 2021 cost of goods sold increased by 0.9%, resulting in a \$6,789 million peso gross profit with a 166 bps gross margin decrease, to reach 33.3% of Net Sales. The year-on-year gross margin contraction was due to raw material cost inflation in all geographies.

Expenses and Operating Income: Third quarter operating expenses decreased by 0.2% year-on-year, to \$5,691 million pesos. This expense improvement was the result of operational efficiencies in logistics, waste control, and overhead expenses.

Third quarter 2021 operating income was \$1,130 million pesos; a 11.8% year-on-year decrease with a 5.5% reported operating margin.

EBITDA: Third quarter 2021 reported EBITDA reached \$1,957 million pesos with a 9.6% EBITDA margin; a 4% year-on-year decrease with a 27 bps margin contraction. This was primarily due to global raw materials inflationary pressures.

Q3'21 EBITDA by Region

MXN\$ in millions	Reported				Var. bps
	Q3'20	% NS	Q3'21	% NS	
Mexico	1,890	12.0%	1,936	11.8%	(18)
Brazil	166	5.1%	(9)	(0.4%)	(547) ⁽¹⁾
United States	(18)	(2.1%)	(18)	(2.3%)	(20)
Central America	7	0.8%	48	6.4%	560 ⁽²⁾
Total EBITDA	2,045	9.9%	1,957	9.6%	(27)

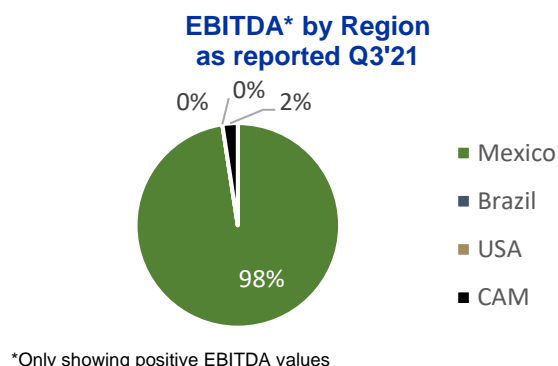
1. Brazil: 211 bps decrease in a like-for-like basis, excluding margarine co-packing contract
2. Central America: 237 bps in a like-for-life basis, excluding the currently-ended operation of Costa Rica

In **Mexico**, third quarter 2021 EBITDA was \$1,936 million pesos with a 11.8% margin; a 18 bps year-on-year decrease. This result was due to significant raw materials inflation; partially offset by operational efficiencies, specifically 1) improved logistics management; 2) waste control; and 3) reduction of overhead expenses.

LALA's **Brazil** operation ended the third quarter 2021 with a \$9 million peso EBITDA loss and a -0.4% margin; a 547 bps year-on-year decrease. This was due to a continued raw materials cost pressure, primarily on raw milk, soybean oil, as well as packaging and resins; and impacts related to the co-packing termination contract.

Third quarter 2021 reported EBITDA for LALA's **Central America** operations reached \$48 million pesos with a 6.4% EBITDA margin; a 560 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.

The Company's **US** operation reported a 2.3% EBITDA margin; a 20 bps year-on-year decrease. LALA's US operation ended the third quarter 2021 with a \$18 million peso EBITDA, primarily due to cost inflation.



Net Financial Expenses: Third quarter 2021 net financial expenses were \$609 million pesos; a 0.3% year-on-year increase. This was mainly due to an increase in the weighted average cost of debt, primarily due to the higher Brazilian CDI rate during the quarter.

Taxes: Third quarter 2021 reported tax expense was \$331 million pesos. The effective tax rate based on Net Income Before Taxes was 62.2%, adversely impacted by the annual inflation adjustment on outstanding debt.

Net Income: Third quarter 2021 reported net income was \$200 million pesos with a 1.0% net margin; a 120 bps year on year decrease due to lower operating income and of the annual inflation adjustment on outstanding debt.

MXN\$ in millions	Reported		
	Q3'20	Q3'21	Var %
Operating Income	1,281	1,130	(11.8%)
Financing Expenses	607	609	0.3%
Results of associated companies	6	10	59.4%
Net income before taxes	680	531	(21.9%)
% NS	3.3%	2.6%	
Taxes	225	331	46.9%
Effective tax rate	33.1%	62.2%	
Net Income	455	200	(56.0%)
% NS	2.2%	1.0%	

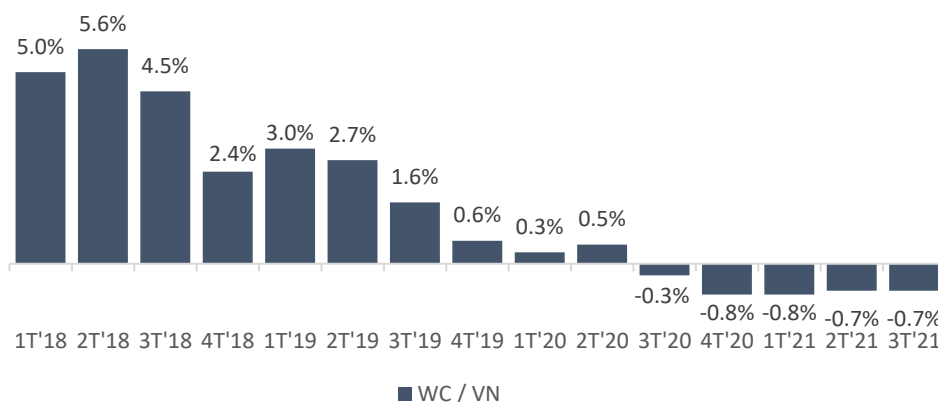
CONSOLIDATED

FINANCIAL POSITION

Capital Investment: The Company invested \$1,417 million pesos in capacity expansion and maintenance Capex as of September 30, 2021. This was comprised of \$937 million pesos in property plant and equipment acquisitions and \$480 million pesos in vehicle, machinery, and equipment leasing. This represents a 2.3% Capex-to-Sales ratio, year-to-date.

Cash and Cash Equivalents: As of September 30, 2021, Grupo LALA had a cash position of \$4,762 million pesos; a 7.5% year-on-year increase due to the payment of short-term debt.

Working Capital: As of September 30, 2021, LALA's consolidated working capital over sales ratio improved by -40 bps year-on-year to reach -0.7%, driven by a negative working capital ratio of -2.2% of sales achieved in Mexico and cash conversion cycle improvements in the other regions.



Total Debt: LALA ended the quarter with \$28,148 million pesos in total debt comprised of \$2,576 million pesos in short-term debt and \$25,572 million pesos in long-term debt. As of September 30, 2021, the Company's Net Debt was therefore \$23,387 million pesos, representing a Reported Net Debt-to-EBITDA ratio of 2.9x.

The following table illustrates the composition of the Company's debt by currency, interest rate and year of maturity as of September 30, 2021.

Currency	% Total Debt	% Weighted avg. Cost of debt	Average maturity
Mexican Pesos	89%	TIIE + 2.15%	4.0 years
Brazilian Reals	11%	CDI + 1.84%	2.8 years
Total	100%	7.89% ⁽¹⁾	3.8 years

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

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

Financial Metrics	Q3'20	Q3'21
Net Debt / EBITDA	3.5x	2.9x
EBITDA / Interest Paid	3.5x	3.7x
Earnings per Share (12 months)	\$ 0.55	\$ 0.09
Book Value per share	\$ 8.62	\$6.86
Outstanding Shares (in millions)	2,475.9	2,475.9
ROIC %	6.3%	5.8%

Share buyback program

As of September 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, BTG Pactual, GBM Grupo Bursátil Mexicano, Intercam, JP Morgan, Morgan Stanley, Scotiabank, and Vector.

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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.

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

	For the three months ended September 30,			
	2020		2021	
Net sales	\$ 20,724,738	100.0%	\$ 20,382,213	100.0%
Cost of goods sold	13,478,059	65.0%	13,593,354	66.7%
Gross profit	7,246,679	35.0%	6,788,859	33.3%
Other income (expenses), net	262,064	1.3%	(32,249)	(0.2)%
Operating expenses	5,703,885	27.5%	5,691,210	27.9%
Operating Income	1,280,730	6.2%	1,129,898	5.5%
Net of financial (income) expenses				
Net of financial income	595,794	2.9%	580,366	2.8%
Exchange rate (profit) loss	10,890	0.1%	28,396	0.1%
Financial instruments	0	0.0%	0	0.0%
Financial income, net	606,684	2.9%	608,762	3.0%
Share in the results of associated companies	6,221	0.0%	9,917	0.0%
Income before taxes	680,267	3.3%	531,053	2.6%
Income tax expense	224,998	1.1%	330,562	1.6%
Net consolidated income	455,269	2.2%	200,491	1.0%
Non-controlling interest	0	0.0%	0	0.0%
Depreciation and amortization	764,368	3.7%	827,304	4.1%
EBITDA	\$ 2,045,098	9.9%	\$ 1,957,202	9.6%
Effective income tax rate	33.1%		62.2%	

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

	As of September 30, 2020	As of September 30, 2021
ASSETS		
Cash and cash equivalents	\$ 4,428,932	\$ 4,761,580
Investments in financial instruments	446,564	43,385
Accounts receivable	6,318,255	5,866,664
Taxes and other accounts receivable	5,061,165	4,088,473
Related parties	72,454	64,557
Inventories	6,045,206	6,174,724
Prepaid expenses	409,130	326,523
Assets held for sale and discontinued operations	0	146,189
Current assets	22,781,706	21,472,095
Investments in associates	585,909	653,811
Property, plant and equipment, net	20,949,902	18,939,627
Right of use assets	2,541,056	3,469,687
Intangible and other assets	8,604,088	7,181,379
Goodwill	16,353,017	14,572,894
Long term recoverable taxes	1,569,456	1,555,732
Financial instruments investments	7,767	42,129
Deferred income tax	2,412,935	2,728,558
Non-current assets	53,024,130	49,143,817
Total assets	\$ 75,805,836	\$ 70,615,912
LIABILITIES		
short-term loans	\$ 4,111,912	\$ 1,217,446
current portion of long-term debt	\$ 9,896	\$ 1,359,019
Current lease liabilities	695,428	925,733
Suppliers	11,598,975	11,629,898
Financial instruments liability	296,172	184,678
Related parties	868,161	860,883
Stockholders	1,032,128	1,008,951
Taxes and other accounts payable	4,108,759	4,567,836
Current liabilities	22,721,431	21,754,444
Non Current Long Liabilities	1,999,683	2,727,843
Long-term debt	26,345,721	25,571,856
Deferred income tax and other taxes payable	1,000,731	1,099,108
Taxes payable in the long term	367,332	227,601
Derivative financial instruments	361,598	22,203
Other accounts payable	3,262,672	2,794,984
Long-term liabilities	33,337,737	32,443,595
Total liabilities	56,059,168	54,198,039
SHAREHOLDERS EQUITY		
Capital Stock	1,485,883	1,485,883
Net premium in share placement	12,241,929	12,241,929
Retained earnings	12,444,799	11,414,164
Other comprehensive income	-7,557,523	-9,603,699
Income of the year	1,131,580	879,596
Equity attributable to equity holders of the parent	19,746,668	16,417,873
Non-controlling interest	0	0
Total shareholders equity	19,746,668	16,417,873
Total liabilities and shareholders equity	\$ 75,805,836	\$ 70,615,912

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

	As of September 30, 2020	As of September 30, 2021
Operating activities:		
Income before taxes	\$ 1,693,192	\$ 1,737,727
Depreciation, amortization, and trademarks impairment	2,350,488	2,477,060
Participation in associates	(39,458)	(41,452)
Financial Expenses	1,951,592	1,801,233
Financial Products	(116,157)	(112,548)
Others	10,241	(7,794)
Foreign Exchange result no realized	54,374	79,628
Total	5,904,273	5,933,855
Changes in operation assets and liabilities		
Accounts receivable	(170,516)	280,316
Inventories	(59,475)	(182,642)
Related parties	(74,552)	(261,602)
Suppliers	812,893	(4,881)
Other accounts receivable and prepaid expenses	(1,400,274)	24,663
Other assets and liabilities	(79,026)	404,003
Total	4,933,323	6,193,712
Net cash flow provided by operating activities	3,657,855	5,625,584
Investing activities		
Acquisition of property, plant, equipment, and intangibles	(1,085,676)	(936,759)
Acquisition of intangibles and other assets	(226,877)	(115,257)
Proceeds from sale of property, plant, and equipment	46,511	78,551
Dividends collected from associates	0	0
Investments in Financial instruments	(1,804)	(2,403)
Interest collected	120,015	98,366
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	(1,147,829)	(877,502)
Financing activities		
Loans obtained	16,172,358	4,292,954
Repayments of borrowings to third parties	(11,898,222)	(5,321,666)
Interest paid	(1,708,593)	(1,709,278)
Payment of lease liabilities	(704,060)	(838,369)
Reissuance (repurchase) of capital stock	(136,330)	0
Dividends paid to equity holders of the parent	(1,119,465)	(1,119,300)
Net cash flows provided (used) in financing activities	\$ 605,687	\$ (4,695,659)
Net increase of cash and equivalents	3,115,713	52,423
Adjustments to cash due to exchange rate fluctuations	(219,730)	(68,215)
Cash and equivalents at beginning of the year	1,532,950	4,777,372
Cash and equivalents at the end of the period	\$ 4,428,932	\$ 4,761,580