First Quarter 2019
Earnings Results Conference Call

April 30, 2019

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Agenda

1. Priorities
2. Quarter Highlights
3. Reporting Changes
4. Financial Results

Priorities

1. **Nurture talent**
2. **Focus on key markets & drive a virtuous cycle**
3. **Capital allocation**
4. **Increase transparency**

Results Related to Priorities

1. All regions achieved sustainable positive EBITDA in Q1 2019
2. Margin expansion in line with 2019 Plan
3. Controlling Net Income increasing YoY +17%
4. CAPEX in line with full-year guidance
5. Working Capital improvement continues
6. Deleveraging target of <2.5x by 2020

Quarter Highlights

Mexico (1/5)

Virtuous cycle to win in Mexico

Solid business fundamentals

- +5.3% comparable[1] sales growth year-on-year
- ~3% price increase in Q1'19 to enable margin recovery
    - Price strategy executed in both channels
    - Full benefit from price increase in Q2'19
- 13.5% EBITDA margin[1]

Investing in growth – brand equity modernization targeting the millennial parent

- New corporate branding campaign implemented
- Flavor, quality and portfolio variety

(1) *Includes IFRS 16 and the deconsolidation of Elopak JV*

Mexico (2/5)

Virtuous cycle to win in Mexico

Premiumization strategy initiated, according to plan

- LALA Suprema campaign
- Introduction of LALA *Orgánica* UHT, Almond Breeze and Zero Yogurt

Packaging update and design

- New *Vita* image, flavors and on-the-go packs

Mexico (3/5)

Virtuous cycle to win in Mexico

Value creation through Revenue Growth Management (RGM)

- Advanced analytics tools developed to understand consumer decision making process
- Definition of operating model for pricing, organizational structure and main processes
- Preliminary hypotheses based on market analyses for pricing, purchase structures and elasticities

Food Service: *Culinary Center* launched

- Dedicated business unit focused on food service industry
- *Culinary Center:* Specialized training center to ensure addressing different clients' needs
- Important future growth and margin driver
- Leverage LALA's competitive advantage: refrigerated distribution network

Mexico (4/5)

Nurture talent: an inspiring corporate culture

LTI and STI: Compensation Plan

- Top 200 employees incentivized by new Compensation Plan
- 2019 Budget targets aligned to "Big Five" KPIs →
  1. Volume growth
  2. Sales growth
  3. EBITDA growth
  4. EBITDA margin
  5. Working capital

Solid steps towards attracting and retaining best talent

- *LinkedIn Global Top Companies 2019: Where employees want to work now*
  - LALA achieves #7 ranking among top 25 employers in Mexico
- *Expansión Super Workspaces 2019*
  - LALA achieves #11 ranking among companies with more than 500 employees
  - Modern and collaborative workspaces

Mexico (5/5)

Nurture talent: an inspiring corporate culture

Structured for growth

- **Business Units in place**
  - Traditional Dairy
  - Value Added Dairy
  - Food Service

- **Fully staffed executive committee**
  - VP Food Service & New Businesses – Augusto Franco
  - VP Operations – Daniel del Río
  - VP Legal & Corp. Affairs – Andrés Gutiérrez

Brazil

Continues delivering double digit growth

Solid growth

- +13.0% sales growth in BRL year-on-year driven by +4.4% volume, price and mix
- ~6% price increase in Q1'19 partially mitigating additional milk cost pressure
    - Full benefit from price increase in Q2'19
- 7.6% EBITDA margin(1)

Investing in growth

- Innovation continues to drive growth
    - Introduction of Yogurts: *3 Grãos*, Greek new flavors, *Trio* and Mix
- Vigor historical branding campaign continues to strengthen brand awareness
- Quadrupling of parmesan cheese maturing capacity on track for 2019 and 2020

(1) *Includes IFRS 16*

United States

EBITDA margin expansion

Profitable growth

- +3.3% sales growth in USD year-on-year
- Price increase implemented for the first time in 5 years to offset cost inflation
  - Full benefit from price increase in Q2’19
- 2.0% EBITDA margin achievement (USD $0.8m), comparable[1] year-on-year increase of USD $5m
  - USD $2.7m coming from pricing, operational improvements and fit for purpose benefits
  - USD $2.3m from Q1’18 Floresville Plant closure
- Yogurt Smoothie re-packaging and reformulation
  - Added probiotics and reduced sugar

(1) *Includes IFRS 16*

Central America

Sustaining EBITDA breakeven

Innovation for profitable growth

- -8.0% sales contraction in USD year-on-year due to socioeconomic impact in Nicaragua
  - Nicaragua stable sales post Q2'18 market contraction
  - Guatemala +10.7% sales growth in GTQ
  - Costa Rica expanding distribution and seeding market
- 0.5% EBITDA margin (USD $0.2m), comparable[(1)] year-on-year increase of USD $0.4m
  - Rightsizing – benefits from closing Panama office
- LALA branded premium Ice Cream launched in all three countries
- LALA branded milk launched in Costa Rica

(1) *Includes IFRS 16*

Reporting Changes

Reporting Changes (1/4)

Increase in transparency

I. IFRS 16 implementation

II. Adoption of New External Auditor Regulations (*Circular Única de Auditores Externos*)

- Deconsolidation of joint venture with Elopak starting Q1'19

Both changes have a partial netting full year 2019 EBITDA margin effect of +48 bps

Reporting Changes (2/4)

I. IFRS 16 implementation

IFRS 16: Operating leases

- Introduces new lease accounting model, recognizing leases as assets and liabilities
- P&L impact on
  - COGS, Operational Expenses, Depreciation and Interest Expense
- Balance Sheet impact on
  - Leasing Assets and Leasing Liabilities

+72 bps full year 2019 margin change for Grupo LALA vs. previous accounting method

Other implications

- 2019 Targets for all Regions restated to IFRS 16
- Improved Internal control and fiscal processes for reviewing leasing contracts
- Debt covenants not affected by IFRS 16

Reporting Changes (3/4)

II. Adoption of new external auditor regulations

Deconsolidation of joint venture with Elopak starting Q1'19

- 1998 Joint Venture: Grupo LALA 51% participation and control
- 2013 IFRS 10 change
  - Control requirements not met anymore
  - Below materiality level for auditing purposes
- August 2018 New External Auditor Regulation (*Circular Única de Auditores Externos*) published
  - Adoption as of January 2019
- Consolidated difference considered not material
  - -1.5% of Total Sales
  - -3.8% of Total EBITDA
  - -24 bps of EBITDA margin
  - No change in Net Income (share in the results recognized as associated company)

Reporting Changes (4/4)

Full year 2019 net effect

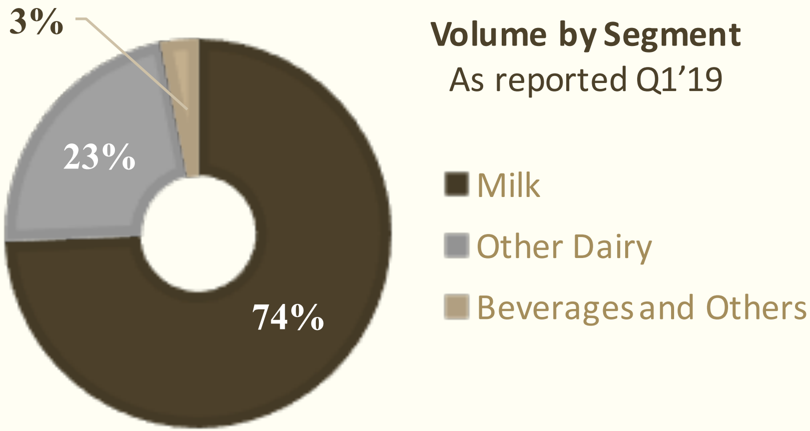
Regions	IFRS 16	Elopak JV	Net Impact
Sales			
Mexico		-1.9%	-1.9%
Group Sales		**-1.5%**	**-1.5%**
EBITDA			
Mexico	+71 bps	-26 bps	+44 bps
Brazil	+80 bps		+80 bps
US	+74 bps		+74 bps
CAM	+50 bps		+50 bps
Group EBITDA	**+72 bps**	**-24 bps**	**+48 bps**

Financial Results

Volume by Segment Q1

0.4% YOY volume growth in Q1

Volume by Segment	As Reported		
KL(1) in millions	Q1'18	Q1'19	Var. %
Milk	681	680	(0.2%)
Other Dairy	204	214	5.1%
Beverages and Others	30	24	(19.1%)
Total Volume	915	919	0.4%

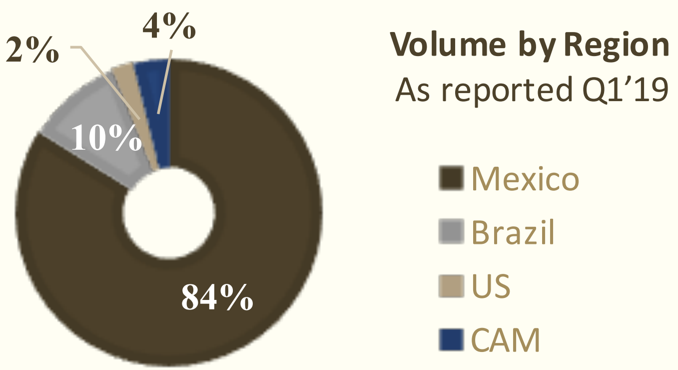


(1) KL: Volume measurement is calculated by adding Kilos and Liters

Volume by Region Q1

0.4% YOY comparable volume growth in Q1

Volume by Region	As Reported		
KL(1) in millions	**Q1'18**	**Q1'19**	**Var. %**
Mexico	769	770	0.1%
Brazil	90	94	4.4%
United States	21	20	(4.7%)
Central America	35	35	(0.9%)
Total Volume	**915**	**919**	**0.4%**

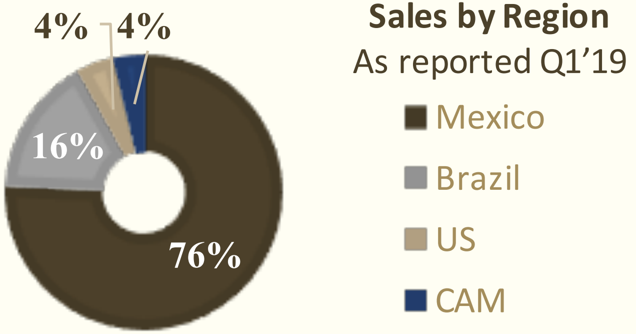


(1) KL: Volume measurement is calculated by adding Kilos and Liters

Net Sales by Region Q1

3.9% YOY comparable net sales growth in Q1

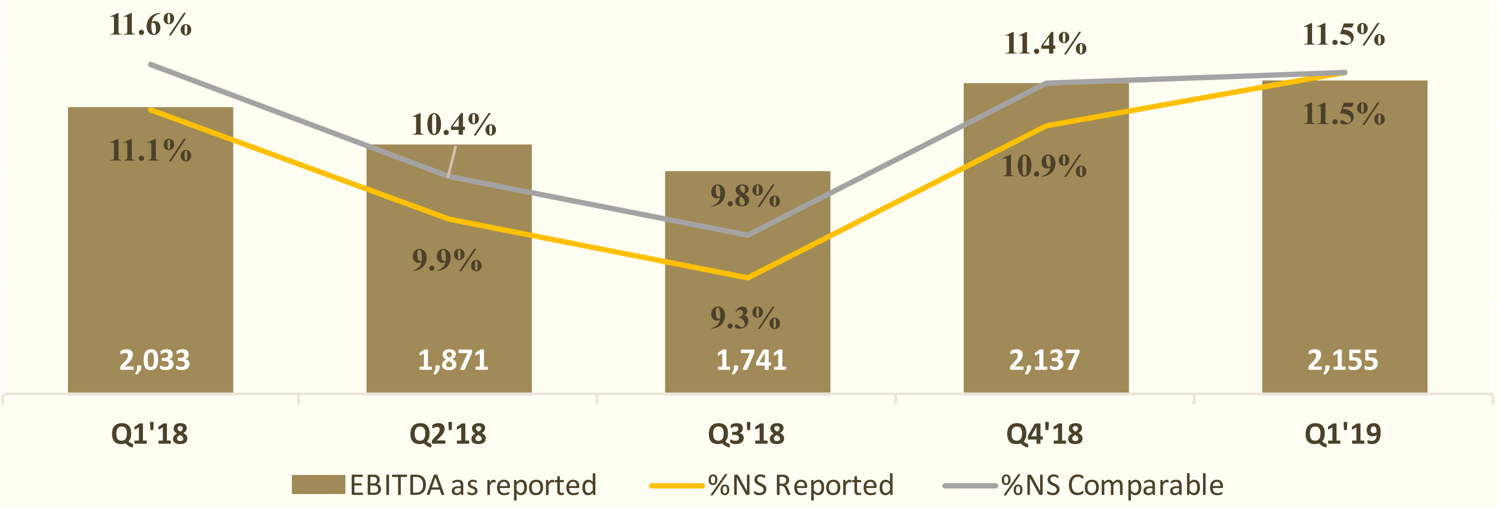
Net Sales by Region	As reported	Comparable[1]	As reported	Vs Comparable	Vs Comparable constant currency[2]
MXN$ in millions	Q1'18		Q1'19	Var. %	Var. %
Mexico	13,716	13,442	14,150	5.3%	5.3%
Brazil	3,064	3,064	3,057	(0.2%)	13.0%
United States	786	786	832	5.8%	3.3%
Central America	710	710	669	(5.7%)	(8.0%)
Total Sales	**18,275**	**18,001**	**18,707**	**3.9%**	**6.1%**



(1) *Comparable proforma: includes deconsolidation of Elopak JV*
(2) *Constant currency uses constant BRL for Brazil and USD for the US and CAM*

Total EBITDA Q1

Comparable(1) sequential EBITDA margin improvement in Q1'19



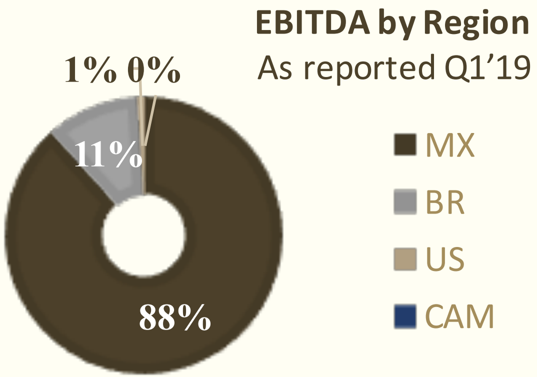
	Q1'18 vs YAGO	Q2'18 vs YAGO	Q3'18 vs YAGO	Q4'18 vs YAGO	Q1'19 vs YAGO
Reported	-60 bps	-410 bps	-310 bps	-240 bps	+40 bps
Comparable					-10 bps

(1) *Including IFRS16 and the deconsolidation of Elopak JV*

EBITDA per Region Q1

All regions achieved sustainable positive EBITDA in Q1 2019

EBITDA	As reported		Comparable(1)		As reported		Vs Comparable
MXN$ in millions	Q1'18	% NS	Q1'18	% NS	Q1'19	% NS	Var. bps
Mexico	1,897	13.8%	1,923	14.3%	1,904	13.5%	(80)
Brazil	236	7.7%	261	8.5%	231	7.6%	(90)
United States	(92)	(11.6%)	(85)	(10.8%)	16	2.0%	NA
Central America	(8)	(1.1%)	(5)	(0.7%)	3	0.5%	NA
Total EBITDA	**2,033**	**11.1%**	**2,094**	**11.6%**	**2,155**	**11.5%**	**(10)**



(1) *Comparable proforma: includes IFRS 16 and deconsolidation of Elopak JV*

Net Income Q1

Controlling Net income increased MXN $82 million or 17.1% in Q1

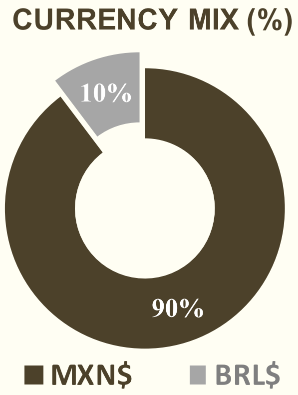
	As Reported		
MXN$ (Millions)	Q1’18	Q1’19	Var. %
Operating Income	1,434	1,455	1.4%
Financing Expenses	636	642	0.8%
% NS	3.5%	3.4%	
Net income before taxes	799	830	3.9%
% NS	4.4%	4.4%	
Taxes	297	270	(9.1%)
Effective tax rate	37.2%	32.6%	
Net income	502	560	11.5%
% NS	2.7%	3.0%	
Controlling Net Income	478	560	17.1%
% NS	2.6%	3.0%	

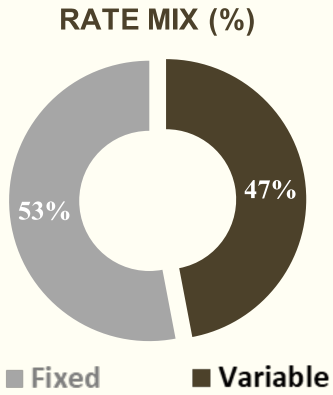
Total Debt as of March 31, 2019

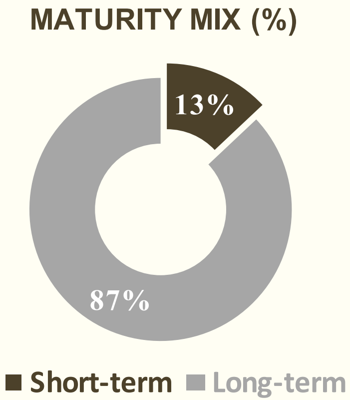
Net Debt / EBITDA: 3.2x affected by IFRS 16 and deconsolidation of Elopak by 0.08x

Total Debt: MXN $26,580 million

	Mexico	Brazil
Average Tenor	4.5 years	0.7 years
Average Cost	TIIE + 0.6%	CDI + 0.5%



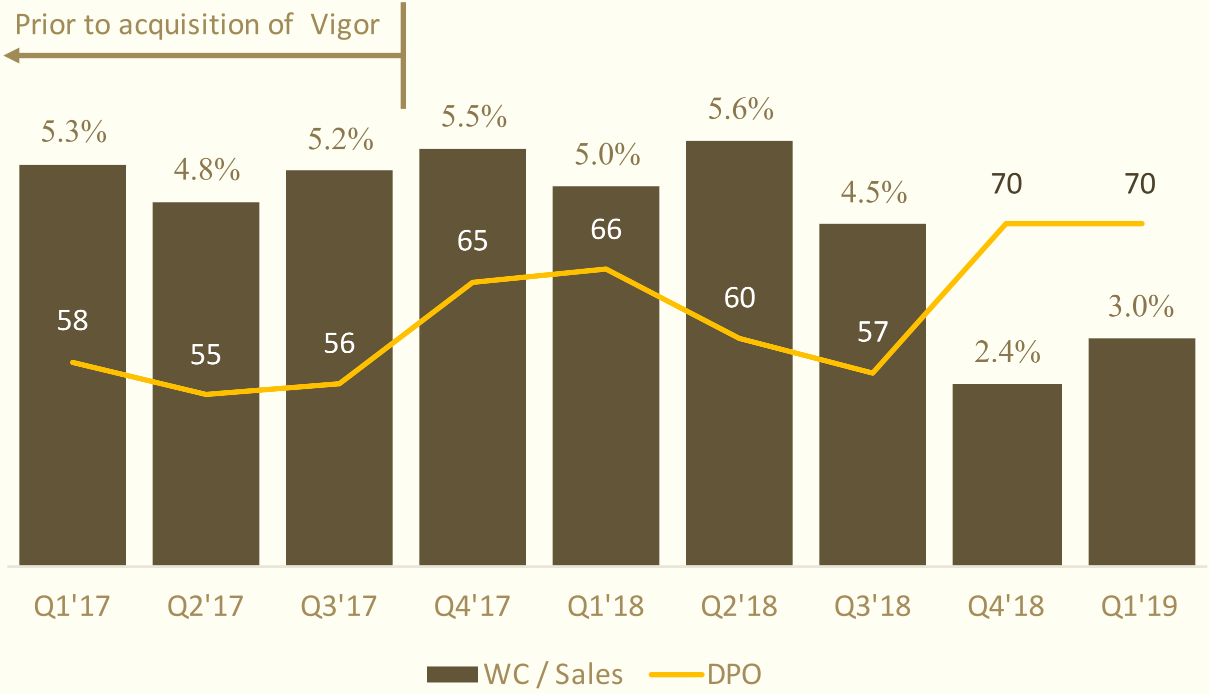




- IFRS 16 was considered in the negotiation process with financial institutions
- Contractual covenants exclude operational leases from the debt definition

Working Capital

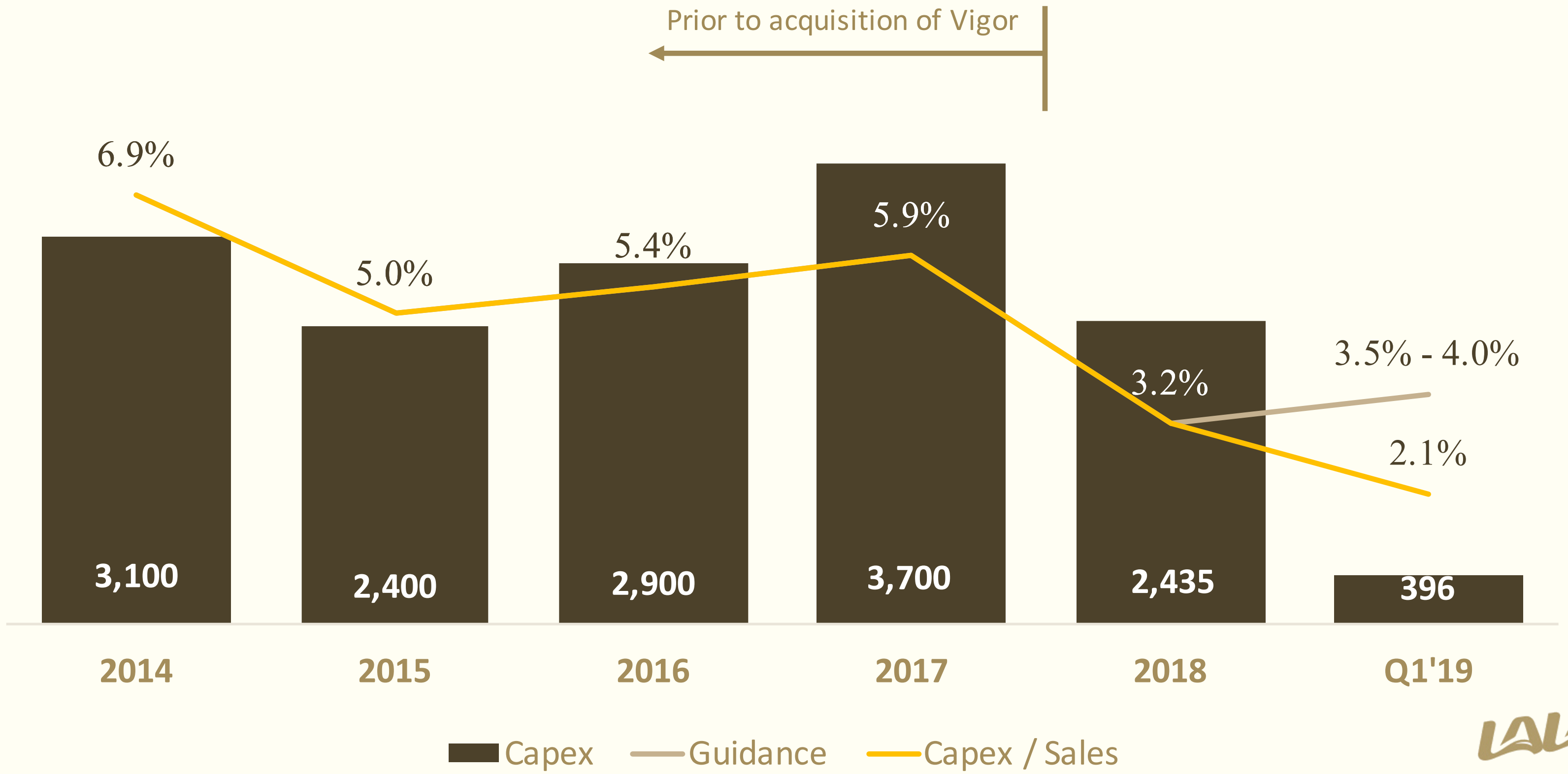
Focus on working capital optimization delivering results



CAPEX

Capex stabilization

MXN in millions



Closing Remarks

1. **All regions achieved sustainable positive EBITDA in Q1 2019**
2. **Margin expansion in line with 2019 Plan**
3. **Controlling Net Income increasing YoY +17%**
4. **CAPEX in line with full-year guidance**
5. **Working Capital improvement continues**
6. **Deleveraging target of <2.5x by 2020**

Thank you!

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