

## Q4 2011 Earnings Call

### Company Participants

- Ivo Marcon Brum, CFO, IR

### Other Participants

- Pedro Richards, Analyst

### Presentation

#### Operator

Good morning, ladies and gentlemen. Thank you for waiting. At this time, we would like to welcome everyone to SLC Agricola Fourth Quarter of 2011 earnings conference call.

Today with us we have Mr. Ivo Marcon Brum, CFO and Investor Relations officer. (Operator Instructions). Also, today's live webcast, both audio and slide show, may be accessed through SLC Agricola website at [www.SLCAgricola.com.br](http://www.SLCAgricola.com.br) in the investor relations section by clicking on the banner webcast Q4 2011. The following presentation is also available to download on the webcast platform. The following information is available in BRL1,000 and in IFRS, except when otherwise indicated.

Before proceeding, let me mention that forward-looking statements are based on the beliefs and assumptions of SLC Agricola management and on information currently available to the Company. They involve risks, uncertainties, and assumptions because they relate to future events and therefore depend on circumstances that may or may not occur in the future. Investors should understand that general economic conditions, industry conditions, and other operating factors could also affect the future results of the Company and could cause results to differ materially from those expressed in such forward-looking statements.

Now I will turn the conference over to Mr. Ivo Marcon Brum, CFO and Investor Relations Officer. Mr. Brum, you may proceed, sir.

#### **Ivo Marcon Brum** {BIO 16639894 <GO>}

Good morning, and thank you for participating (inaudible) conference call for the Fourth Quarter and 2011 results. You can proceed to slide three where you begin by highlighting some important achievements of our opening in 2011.

We acquired in 2011 three new production units, Perdizes, Paineira, and Parceiro Farms, respectively in the states of Mato Grosso, Piaui, and Bahia. These three farms have a total

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of approximately 74,500 acres, which will provide support to our growth strategy.

A great part of this area was acquired undeveloped, meaning we will open them in the following years which will generate also significant gains in the land price.

In 2011, we also painted the RTRS certification for the soybean crop. The Roundtable on Responsible Soybean is one entity that promotes sustainable soy with high standards of performance in the matters involving society, employees, and environmentalists. We believe this won more quality (stem) for our production.

In 2011, we initiated direct exports of our cotton for the Asian market, (which) expanded our client base. We also increased our storage capacity for grains and for seeding capacity for cotton with investments in silos and cotton gins.

You may now move on to slide four where we show the evolution in the international commodity price for our products. Cotton price decreased throughout 2011, and it stabilized in the past month, ranging between 0.90 and 1.00 a pound. This new level of the price was somewhat expected by the market, considering the substantial increase in the production in the past two market years. This generated stock surplus, combined with a decrease in market demand due to the economic crisis and also the high price for the fiber in 2010.

Our Company's views is that cotton price should keep to this current price levels throughout 2011, considering that the strong Asian demand and current price production in the planted area worldwide is already being expected for the 2012-2013 crop.

Price of soybean increased in the past months after a drop in the end of 2011. This increase was mainly due to the crop losses in the southern portion of South America because of the La Nina effect, and also due to the forecast of stability in the U.S. soybean planted area for the upcoming season. Considering that the supply and demand scenario for soybean is already tight, any crop loss forecast on the area of production brings immediately pressure on the price.

Corn also has shown (fair) pricing internationally and internal markets, measured by (stability) and results, respectively, mainly due to the strong demand for this commodity.

The world output of corn was again below consumption, which caused the third consecutive drop in these stocks, taking the stock to use ratio to 14%, the lowest since the 1973 year.

We may now move on to slide five, where you show the numbers relative to the performance of our crops in 2011-2012 market year. Even though they faced a dry period in Bahia in March, what caused some loss in our soybean crop in that state, the yields that are achieved in the Mato Grosso -- Maranhao and Mato Grosso state come to offset this loss.

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This way, at this point, we are keeping our yields forecast for the 2011-2012 season. At this moment, the 2011-2012 crop is 100% planted, including second crop, which present excellent (visitative) and (lute deshernal) aspects.

You may now go to slide six where we present the comparison between 2011, 2010, for net revenue and volumes in (voyset).

In 2011, volume was lower than 2010 due to our commensurate strategy (inaudible), which can decrease the carryover of cotton and grains in 2012, while in 2010 it helped lower inventories.

On the net revenues for 2011, we reached the historical mark of BRL1 billion against the BRL888 million of 2010, mainly due to the increase of average invoicing price for all crops.

Going to slide seven, you have a summary of our financial results for 2011. Gross profit totaled BRL365 million in 2011, growth of 66% in comparison to the previous year. This growth is due to the increase in the average invoice price and also to the reduction in (inaudible) costs for all crops due to the higher yields in 2010-2011 crop compared to 2009-2010 crop.

Also in 2011, we have net profit of BRL159.9 million, also a record for our Company and a nominal increase of BRL101.7 million compared to 2010. The operational cash generation measured by EBITDA closed the year at BRL325.8 million, an increase of 59% in comparison with the EBITDA of 2010, which was of BRL204.4 million.

You may now move to slide eight where you show the breakdown of our net debt. The Company closed the year at BRL640 million, increased of 42% in comparison with 2010. The main increase in debt (offered) in the trade finance loans, increase of BRL130.3 million, with the objective to give in support to the Company growth and also extend the maturity of the debt, using as a collateral the Company's export receivables.

The cash position closed 2011 at BRL130.5 million, growth of 18% in comparison to the closing of 2010, taking net debt to BRL509.6 million at the end of 2011.

The net debt to EBITDA ratio, however, remained stable in 2011 in comparison with 2010 at 1.6 times, (plus increase) at the net debt to us, offset by the higher cash generation in the year.

Thank you. And now we would like to open the call for questions.

## Questions And Answers

### Operator

(Operator Instructions) Pedro Richards, Raymond James.

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**Q - Pedro Richards** {BIO 19360889 <GO>}

Thanks for the call. My question is regarding the LandCo project. You mentioned in the press release that you are more optimistic now. Could you explain further how has the legal opinion of the law changed over the past month, and if we should expect to receive more news on the LandCo project maybe next quarter or in the second half of the year? Thanks.

**A - Ivo Marcon Brum** {BIO 16639894 <GO>}

Thank you, Pedro, for this question.

The LandCo, as you know, we have a discussion about the law in Brazil, but it's clear that our projects don't have to have impact because of this law. So as we have 15% of the local (cap) who don't have a problem to buy land in Brazil.

And because of that, several funds have discussed it with a (righteous) view and have seen that it changed completely the humor of the market because of that, so you think that you can close this deal when winter is here, maybe this semester.

**Operator**

It appears we have no further questions at this time. We will conclude the question-and-answer session. I would now like to turn the floor back to Mr. Brum for any closing remarks.

**A - Ivo Marcon Brum** {BIO 16639894 <GO>}

In the last revision of our strategic planning, we defined the target of the planting 700,000 hectares in 2020-2021 marketing year, as well as the implementation of the other crops, aiming to further diversification of our product portfolio. In the next marketing year, 2012-2013, we intend to begin the plantation of sugarcane.

Another important initiative of the strategic planning was the intention to internationalize the Company. To do so, we will prospect the agronomical, socioeconomic, and legal condition of several countries in the following years in order to identify the best alternatives.

The outlook for 2012 is still positive. For 2011-2012 marketing year, our planted area was 248,000 hectares, growth of approximately 10% in relation to the previous year. We have new increase in the cotton planted area to 90,000 hectares, a crop that requires more investment, but that brings higher profits. At this point, we have more than 60% of our sales price fixed for the year of 2012, in levels that bring margins similar to those obtained in 2011, as part of our hedging strategy. Thank you. And bye.

**Operator**

And we thank you, sir, for your time. This does conclude today's presentation. You may disconnect your lines at this time and have a nice day. Take care.

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