

## Q2 2017 Earnings Call

### Company Participants

- Aurelio Pavinato, Chief Executive Officer
- Ivo Marcon Brum, Chief Financial Officer, Investor Relations Officer

### Presentation

#### Operator

Good morning, ladies and gentlemen, and thank you for waiting. At this time, we would like to welcome everyone to SLC Agricola Second Quarter of 2017 Earnings Conference Call. Today, we have with us Mr. Aurelio Pavinato, CEO, and Mr. Ivo Marco Brum, CFO and Investor Relations Officer. We would like to inform you that this event is being recorded and all participants will be in listen-only mode during the Company's presentation.

After the Company's remarks are completed, there will be a question-and-answer session. At that time, further instructions will be given. (Operator Instructions) Also, today's live webcast, both audio and slideshow may be accessed through SLC Agricola's website at [www.slccagricola.com.br](http://www.slccagricola.com.br) in the Investor Relations section by clicking on the banner webcast 2Q 2017. The following presentation is also available to download on the webcast platform. The following information is available in thousands of Brazilian reals 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.

Investor 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. Aurelio Pavinato, CEO. Mr. Pavinato, you may proceed.

#### **Aurelio Pavinato** {BIO 16456795 <GO>}

Good morning. Thank you for participating in SLC Agricola's earnings conference call for the second quarter of 2017. Please go to slide three, where we will begin with comments on the recent price variations in our main products and the short-term price outlook. Cotton prices have fallen over the recent months, mainly due to the confirmation [ph] of

that space in a war-depressed area in the '17, '18 crop year, estimated by the USDA at 10.3% on the prior crop year. And the good condition to the date for the crop in the North Hemisphere, especially I'd say in India.

On the demand side, however, we have been seeing a subtle recovery at the global level, despite some competition from synthetics fiber. Cost of consumption has been growing at an annual rate of around 2% since the '11, '12 crop year. Note that these prices expect a recovery in production compared to the previous periods. The USDA still expects consumption to outstrip production for the third straight year, leading to inventory reduction.

Lets go now to slide four, For soybean, price has been highly volatile in recent months due to the so-called weather mark, which monitors production expectation for the USDA crops. Certain important regions such as Iowa, Nebraska and in the Dakotas have been experienced adverse weather conditions and should suffer a drop in yields, mainly in relation to the previous crop year. The USDA estimates for crop conditions, which are announced weekly, currently point to a performance in line with the five-year SM, potentially lower than in the past three crop years.

For corn, as you can see on slide five, the price situation is very similar to that of in soybean, which crop conditions in the USDA limited due to this hot and dry weather, which recently impacted prices. Some private analysts are ready-- are considering a yield below that of the USDA current estimates, which if confirmed, could support higher prices on the Chicago Board of Trade.

Lets go to -- please, to slide seven, which shows our operation performance in the '16, '17 crop years. Weather conditions remained favorable over the course of the second quarter in all regions where we operate. We support good crop development. This allows us, recently, to revise upward our yields estimate for cotton.

We see our estimate for first crop cotton now, 12.8%, above our initial figures and for second crop cotton, now 8% higher. For second crop corn, our latest yield estimate is 0.6%, above the initial figure. Both cotton and corn already have reached approximately 65% to 70% of the harvested area.

Lets turn now to slide eight, which provides an update on our hedge position. Note the progress made on the positional hedge for 2018, which are in line with the progress made on the input purchases for the next crop. To date, we already have over 6% of our price in currency exposure locked in for the new crop year, at the levels similar to those obtained for the year 2017.

I will now pass the call over to my colleague, Ivo Brum, our CFO and IRO, who will comment on our financial results in the period.

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

FINAL

Good morning, everyone. Let's move to slide 10, which shows some highlights from our income statement for the period. The strong performance of our crops, which used to be reflected in our financial results, with EBITDA in the year-to-date of BRL197 million and net income of BRL162 million, which are both new records for the first half of the year.

This performance is explained not only by the good soybean use and lower unit cost, but also by the recovery in the cotton selling price from the last year. In the case of net income, in addition to these factors, the amount of cotton we allocated to the net income, also has a positive impact.

Lets move to slide 11, which shows the breakdown of our net debt. Net debt increased from the first quarter 2017, mainly due to the payment of chemicals for the current crop, the lower revenue linked to the quarter from the '15, '16 crop year, due to the crop shortfall and the ongoing share purchase price. Even so, the net debt EBITDA ratio remained virtually stable at 2.6 times and should continue to fall through the year-end, due to the outlook for the EBITDA growth. Thank you. Let's now open the call for questions.

## Questions And Answers

### Operator

Ladies and gentlemen. We will now initiate the question-and answer-session.(Operator Instructions). Thank you. This does conclude today's presentation. You may disconnect your line at this time and have a nice day.

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