

1Q16 Results Presentation

Geraldo

Good morning everyone. On behalf of M. Dias Branco, I would like to thank all of you for attending this conference call to discuss the Company's results in the first quarter of 2016.

As you all know, the country's macroeconomic environment is still marked by various challenges for companies, characterized, among other aspects, by a recession, high inflation, rising unemployment (and a consequent decline in income levels), a high public deficit and higher taxation (the elimination of payroll tax relief measures), as well as delays in the adoption of solutions, due to uncertainty in the political arena.

The Company, aware that the current environment requires the adoption of specific strategies that leverage the opportunities and mitigate the typical difficulties of this framework, has been executing actions in different areas of its business, for example, the continued adjustment of the price of our products to the reality of cost inflation (on average, the Company increased 9.5% in relation to 1Q15 and 4.0% in relation to 4Q15), strengthening of marketing and export areas; intensifying efforts to expand in new business (such as toast, cakes, snacks, cake mix); intensifying the verticalization process, both in wheat flour, as in vegetable shortening, contributing to the improvement in margins (in 1Q16 the vertical integration index has reached 93.1% for wheat flour necessities, and 94.5% for vegetable shortening necessities); improve operational efficiency, especially through process redesign and streamlining of the structure (at the end of 1Q16 the staff was -5.1% lower than at the end of 4Q15), and the hiring of an specialized consulting to help the Company to further redesign the supply chain process, aiming for greater efficiency, keeping the organic expansion projects, such as the continued construction of a wheat mill in the South and later the new plant in the state of Minas Gerais.

Under the combined momentum of all these actions, the Company generated, in 1Q16, R\$ 1 billion and 154 million reais of Net Revenue, registering an increase of 11.7% compared to 1Q15, and it also expand its national leadership in its two core businesses, reaching, according to Nielsen, a market share volume of 29.3% in Pasta and 28.9% in Cookies and Crackers, highlighting the maintenance, also according to Nielsen, of the Company's leadership, in volume, both in Cookies, Crackers and Pasta in the largest consumer market in the country: the Southeast Region.

Compared to the 4Q15, Net Revenue fell by 3.8%, also a result of the depressed economic environment currently experienced in the country, a scenario that has been faced by the Company with the aforementioned actions, which already show, over the months of the 1Q16 itself, a recovery trend, as we have pointed out in the earnings release filed yesterday.

It is important to highlight that, in the accumulated of 1Q16, the non-recurring expenses of restructuring carried out in the quarter discounting (R\$ 11.6 mi), gross margin (33.4% - R\$ 385.9 mi) and adjusted EBITDA (12.6% - R\$ 145.5 mi), have already indicated recovery. Since the month of March, 2016, alone - where the effects of restructuring already are more obvious - these margins reached: 35.7%; and 14.2%, respectively.

Management remains optimistic about the Company's performance, despite the short-term macroeconomic scenario, and fully aware of the challenges to come in the following years related to implementing its strategy and improving its results, while remaining firmly committed to devoting its best efforts to maximize value for its shareholders.

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We shall now proceed to the results presentation and more detail of the numbers obtained by the Company in the 1Q16.

Bruno, please continue.

Bruno

Thanks Geraldo. Good morning everyone.

We started on the **slide 4**. The Company presents a total Sales Volume, Net of Returns, of 398.9 thousand tonnes in 1Q16 representing, respectively, an increase of 1.9% comparing to 1Q15. The growth highlights were margarines and shortening, with sales 37.2% higher than in 1Q15, and wheat flour and bran with an increase of 3.6%. The foods that make up the 'Other product lines' (as toast, cakes, snacks, etc.) grew by 28.6%.

The Total Production Capacity reached 861.5 thousand tonnes in the 1Q16, an increase of 9.4% compared to 1Q15 and a decrease of -4.6 p.p. in the Production Capacity Utilization Level, reaching 66.6%.

Marcelino, could you please make some comments to the participants about the scenario of our products markets?

Marcelino

Sure, Bruno. Good morning everyone.

The economic scenario of the year 2016, as highlighted by Geraldo, continues to affect the consumer environment in the country, including basic food products such as those produced by the Company. The unemployment and lower disposable income lead Brazilian families to face the need to reduce their purchases.

However, although we still experienced a decline in volume sold in respect to the 4Q15, the sales volume that we achieved in 1Q16 was the second best sales volume for a first quarter of the Company, and this is very significant not only because it is a year with the features of the present year, but especially because it was generated in a context of price increase, for example, +6.0% in cookies and crackers and +6.4% in pasta with respect to the 4Q15. These increases were applied to the increases we had already implemented until the end of last year.

We know that the demand environment remains retracted in the Brazilian economy and faces a difficult 2016, but the Company is working hard to make the most of the opportunities and mitigate as far as possible, the difficulties of the moment.

Bruno

Thanks Marcelino.

Going to **slide 5**. We observe, in respect to the vertical integration, that in the first quarter of the year, 93.1% of Wheat Flour and 94.5% of Vegetable Shortening consumed in our plants were produced by the Company.

Marcelino

Certainly, Bruno. Just to make it clear to all participants, our vertical integration has increased by wheat flour due to expansions in the wheat milling capacity held by the Company. In September 2015 we began operating our new wheat mill in the city of Rolândia, state of Paraná and in October we started the operation of a new wheat mill in the city of Eusébio, state of Ceará, the latter integrated with a cookies, crackers and pasta plant

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and our toast plant. This has contributed to the increase of the vertical integration of our units, mainly located in the Southeast and Northeast of the country.

The Company also continues with the construction of a new wheat mill in Bento Gonçalves, in the state of Rio Grande do Sul, which should come into operation in 2017. With this wheat mill in operation we will complete the full wheat flour vertical integration in M. Dias Branco.

Bruno

Regarding the Market Share, as explained in the **slide 6**, the Company continues its national leadership in cookies, crackers and pasta, with a share of 28.9% and 29.3%, respectively. Compared with last year, the Company increased its market share by 1.0 p.p. and 0.9 p.p in both categories. It's important to note that the Company continues to be the leader in cookies and crackers market in all regions of the country, except the Midwest (where is the 2nd place). In the case of pasta, we only don't have the leadership in the South (2nd place) and in the Midwest.

Let's turn to **slide 7**, The Company's Net Revenue, as mentioned before, grew by 11.7% in 1Q16 compared to 1Q15, reaching R\$ 1 billion and 154 million reais. This increase in revenue was achieved by increasing the average value per ton at 9.5%, due mainly to the continuity of price adjustments efforts of the Company's costs, especially in your core businesses (cookies, crackers and pasta).

On **slide 8** we present the CPV, which reached R\$ 819.7 million in 1Q16, presenting, with respect to the 1Q15, an increase of 19.8% in absolute terms, or 17.6% per ton, mainly impacted by the increase in the average cost of wheat and vegetable oil, consumed by the Company and by spending on labor, especially affected by increased charges of INSS due to the expiration of the payroll tax relief effect in November 2015, and on account of wage increases already negotiated with the Unions (which were around 8%, below the inflation rate of the previous year).

Compared to the 4Q15, we already observed a reduction in COGS (-5.9%), due especially to the reduction in the cost of raw materials (-1.0% in the cost per kg).

The operating expenses, excluding non-recurring effects for the period, totaled R\$ 270.3 million in 1Q16, an increase of 9.5% compared with the 1Q15, considering the impact, on the 1Q16, of the full effect of the exemption of the payroll and the average salary increase of 8% already closed with the Unions. Compared to the 4Q15, also without non-recurring effects, operating expenses were 1.3x lower. The non-recurring effects mentioned were R\$ 11.6 million in 1Q16 - resulting from the restructuring project - and R\$ 12.6 million in 4Q15, a result of spending on closing a plant and recovery of provisions for the termination of the exemption payroll.

It is important to highlight that the fall of 1.3% in relation to 4Q15 was found even with the impact, in the 1Q16, of wage increases, the full effect of the payroll tax exemption and considering that the impact of restructuring to reduce costs was more significant only from February, 2016.

On **slide 9** we can see that the increase in the cost of raw materials - also a consequence of the devaluation of 2015 which impacted the formation of stocks - in addition to the effects of the end of payroll tax relief and wage increases already negotiated, prevented the growth reflected in Revenue, to the same extent, in gross profit, which totaled R\$ 385.9 million in 1Q16, a decrease of -1.6% compared to 1Q15. The Gross margin reached 33.4% in 1Q16, a decrease of -4.6 p.p. compared to 1Q15 and -0.7 p.p. compared to 4Q15.

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The Company's EBITDA, presented on **slide 10**, reached in 1Q16, excluding non-recurring effects, R\$ 145.5 million, or -15.2% below the 1Q15 EBITDA (R\$ 171.6 mi) and line with the 4Q15 EBITDA. In this case, the EBITDA margin in the 1Q16 reached 12.6%, against 12.2% in the 4Q15 and 16.6% in 1Q15.

It is relevant to mention, on this subject, that in our 1Q16 earnings release, in order to inform that the Company's efforts to modify the scenario point to a margin recovery trend, we open, exceptionally, the observed EBITDA margin in March, 2016, which amounted to 14.2%, even considering that there was in the month of March the impact of wage increases already negotiated (an average of 8%) and the impact of the recovery of costs of inventory personnel provisions in consequence.

Moving on to **slide 11**, excluding the non-recurring effects, the Net Income for the 1Q16 was R\$ 105.2 million, - 15.9% lower than the Net Income recorded in 1Q15 (R\$ 125.4 mi) and -21.6% lower than the Net Income for the 4Q15 (R\$ 134.3 mi), by adjusting the value of non-recurring expenses the net effect after tax. In this case, the adjusted Net Margin in 1Q16 reaches 9.1%, against 12.1% in the 1Q15 and 11.2% in 4Q15.

Continuing to **slide 12**, Capex reached R\$ 63.2 million reais in 1Q16, as a result from the investments on the Company's production capacity to supply the domestic demand for inputs to the process of vertical integration.

Regarding the level of Debt, the Company ended the 1Q16 with a Net Debt of R\$ 260.9 million reais, giving a net debt/LTM EBITDA ratio of 0.4x.

Concerning the Company's cash flow, **slide 13** presents the Net cash provided by operating activities, that throughout the first quarter of 2016 reached R\$ 169.7 million reais, representing 14.7% of Net Revenue in the period. The Company recorded a cash balance of R\$ 430.9 million reais at the end of 1Q16, as the evolution presented on the slide shows.

Finally, on **slide 14** we present the Company's share performance in comparison to the historical evolution of the Ibovespa and IGC since October 2006, in addition to the role of performance in terms of profitability and liquidity.

Thereby, we finish our initial comments and remain at your disposal to answer any questions. Thank you very much.

Questions and Answers Section

1). Isabela Simonato (Merrill Lynch)

Q: Good morning everyone. I have two questions, the first one, given the progress that was seen in the EBITDA margin during the quarter and the stabilization of the exchange, a wheat price fall in real. How does the Company see the need for a new price increase to overcome the rising costs over the past few months, and if possible could you expand on the stock of raw materials of the Company, the cost of this stock and how it should be observed for the second quarter?

A: Isabela, this is Marcelino. Thank you for your questions. Regarding the price increase, you must have seen that in the first quarter, we made an average pass-through to prices around 6%, and in the segments of cookies, crackers and pasta a little more, we already implemented now in April the second price increase, in the average of 8%, and made it sparingly, for the entrance until the end of April, divided by sectors, to help us in the recovery of margins. This increase of 8% has been implemented in April, we will come in May with the impact of this price increase to the effort of recovery in margins. On the inventory, mainly the stock of wheat, we already have bought wheat until mid-August this year, obviously with the fall of the exchange, this has an impact in terms of reducing the average cost in real wheat and we are aware of this composition, to check exactly the best time to close the exchange, depending on the purchases we have done, but not yet closed the exchange contract.

Q: My second question is related to capacity utilization, we have seen that it has fallen due to the fall in volumes over the past few quarters, if it were possible to give details of how is it spread over the regions, and what are the Company plans over the lines, if you have any expectation of closing lines. What is the Company expectation in relation to this capacity utilization?

A: With respect to capacity, we have to take into account that the impact is not only due to changes in volumes in recent months, but also investments that the Company made, started to operate two new wheat mills, several lines of production last year, both cookies, crackers, pasta, cake mix etc., the Company has been investing and therefore as soon as it gives a little down on the volume, a greater clearance of capacity appears, we understand that this is circumstantial, you may have seen in the first quarter an exceptional opening that we did, volumes have been growing month to month, and we know that it is natural due to the times that the country is facing, but the Company is prepared to once the economy recovers, go further. Regarding the closure, we do not have any expectation of decommissioning plants or lines in the future.

2). Antonio Barreto (Itaú BBA)

Q: Good morning everyone. My first question, to clarify the previous question of Isabela, I understand that the Company has purchased stock through August, but did not close the exchange contract. When can you imagine that this lower exchange we saw from March will be transmitted at a lower cost to the Company? Can we think about it at the end of the second quarter?

A: You refer to the impact of exchange rate, right? Some of this wheat has already been paid and had its exchange closed and for the other side we will still close the exchange. Obviously, if this rate continues at lower levels, without a doubt there will be an impact in reducing the cost of wheat in our stock.

Q: And when can we see this fall?

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A: Antonio, we always have stock for about 3-4 months, it is necessary and strategic, because our work involves many wheat mills and different wheat flour qualities which require different qualities of wheat, raw materials, we have permanently to buy and replenish those stocks, reminding you that when we do these wheat purchases, we have two alternatives: we pay and we have until the time of each shipment to decide to pay cash or to make funding for one year, in which case we hedge the currency, thus not taking the currency risk, making the hedge to CDI. When we say that we purchased through August, we have the wheat inside, already paid or already funded. We have wheat that was paid at R\$ 3.80, R\$ 3.70, R\$ 3.60, R\$ 3.50, almost every week we are paying for wheat because every week has the boarding of new ships. We will see over time, a drop in that price in reais, as we see the movement of these last seventy days of real appreciation, therefore we are always paying with the lower dollar. And part of the wheat that will be shipping closer to August, bought with price set in dollars, this will have the opportunity also to pay the dollar scenario that we are having today, around R\$ 3.50 - R\$ 3.55, that is the reality today. We have already paid part or funded and we will see over these next four months as a drop already come with paying lower prices.

Q: My second question, was very much of interest for us to see the opening month to month, which shows in fact the trend, but to for a slightly better analysis, how representative is this increase in volume between January and March, which seems to have been strong, but looking at the historical context, we know that January is a vacation month, February sometimes has carnival, looking versus the historical context, how really strong is it and how can we interpret as a recovery in volume, and the margin shown of 14, 2%, if it has any restructuring expense allocation in March or if everything was allocated in January and February?

A: Antonio, with respect to volumes, actually, the circumstances of the first quarter of 2016, we only saw the Company's history in 2012, every month, with consistently higher volumes than the previous month, it is a really specific situation which we chose to highlight this, because there was systematic growth even in a situation of price increase and even with the economic situation that the country lives today. This is a fact that was opened exceptionally, the Company does not usually open this data and will not do it again, but it was to take the opportunity to give the market this information, in order to show that the volumes are showing a trend in this reading of the first quarter. Now with respect to the restructuring costs, they actually are concentrated in January and February, March had an expense but little significant payments of the restructuring costs. The greatest effect actually took place in January and February.

3). Thiago Duarte (BTG Pactual)

Q: Good morning everyone. Returning to this exceptional openness that the Company did showing volumes every month, I would like for you to make a second analysis, how these numbers every month compare when we look at their variation year on year? Particularly for cookies, crackers and pasta, which are the two main divisions of the Company. How can we consider this progress year on year in January and watched as year on year in March. Does it already mean some growth?

A: I don't remember exactly the numbers to make this comparison with the first quarter of 2015, which I can say is that in the 1Q15 we did not have that volume growth situation sequenced every month, we had a month higher and another month smaller. February is usually the lower volume, because we have less working days, but this feature of 1Q16 we didn't see in 1Q15.

Q: My second question is to what do you attribute this improvement in volume? The Company has placed a significant price increase over the first quarter and recovered share and gaining volume came over the months. Is this attributed to a change in demand or a competitive perspective? And my third question, how does the Company see the evolution of volumes already in the second quarter due to this price increase that was implemented in April?

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A: Thiago, many questions that we ask ourselves and raise possible explanations for, of course there is a whole Company's business strategy, the market approach, to pass-through on prices, relationships with sales points, the distribution model you already know, but we think one of the things that may be weighing may be that we might be near the lowest level of consumption in the food segment, a possibility that we considered. The Company is working hard on it and we thought maybe we have come to that point, of course in such an environment, passing-through on price, it would be normal that there wouldn't be this volume growth, at least for a time, but we have a stronger demand every month and sell it, which was for us externally positive and a healthy outcome of the strategies that we draw. Regarding the following behavior, you know that M. Dias Branco doesn't disclosure guidance to the market, but I can say that we are not seeing expected slowdown of growth, the same pace of growth we have seen since the beginning of the year 2016 until now remains.

4). Luciana Carvalho (Banco do Brasil)

Q: Hello, good morning everyone. I want you to comment a little bit about the competitive environment, we followed last year that the Company began the price increase before the competition, and I wanted to understand how is this dynamic this year? They are following this price increase, what are you seeing in this competitive environment, even mentioned in the release that the Company decreased campaigns expenses in the first quarter, as it suddenly can impact the volumes for the future and how is the environment competition in terms of volume and pass-through on prices?

A: Luciana, what we have seen with regard to competition is that inflation costs are for everyone, we are seeing in the market all moving to pass-through on price according to the weight of the cost increases we have seen in recent times. In our vision, we have seen it happening for all companies in the market, of course each company at their own pace, in their time, some more than others, but this is general and M. Dias Branco continues in its normal rate of increase price. So far we have not seen, as I said, impact on this upward trend of volumes due to the price increases we have made, the demand continues at the same pace we saw in the beginning of the year, but obviously that will depend on how will the country stays in the coming months, there are many things in the scenario, as everyone knows, to be defined, but until the moment the context continues to be this one.

5). Luca Cipiccia (Goldman Sachs)

Q: I would like to return a little bit about that dynamic volume, was there some factor in performance term of any particular product, channel, or this growth which the Company has returned to, this stabilization was horizontal in the main categories or are there some segments or some mix of the element worth mentioning that could give some indication of how consumers will actually return or are holding a little more with these products. Is there a point of channel mix or product mix, in some region, which is interesting to highlight in this dynamic view by the Company since the beginning of the year?

A: Luca, we have nothing in particular to highlight, we have no product, no specific brand that is with a very out of the curve performance, all business, as shown in the Earnings Release, has grown in volume, in general, in the whole country, we have no specific region or specific product that is more or less. A single difference, if we could mention, is that M. Dias made in the beginning of this year a change in its sales force, the structure of the commercial area, restructured its sales force across the country by modifying a series of structures that we had previously separated by brands and made now by regions, teams that previously sold separate brands can now sell all brands, we do not have any specific proof that this change is responsible for this reaction, but we believe that part of the scene, helped in the process. However, there is no specific product or brand we can highlight, of course due to the crisis, since last year, we realized that the cheaper products in all regions of the country, tend to have and are having a volume and a demand slightly higher, which is natural due to the drop in income, the reduction of family budgets, and we believe that with time this should return to normal.