Operator:

Good morning, and welcome everyone to M. Dias Branco's conference call to announce the results of the 1Q18. Today with us we have Mr. Geraldo Luciano Mattos Junior, Investments VP and Controllership, and Mr. Fabio Cefaly, New Business and IRO.

We would like to inform you that this event is being recorded and all participants will be connected in listen-only mode during the Company's presentation. After that there will be a Q&A session only for investors and analysts, when further instructions will be provided. Should any participant need assistance during the call, please press *0 to request the assistance of an operator.

Today's live webcast may be accessed through the Internet address at www.mdiasbranco.com.br/ri.

Before moving on, we would like also to say that forward-looking statements made during the conference call concerning the Company's business outlook, and also operating and financial targets and projections are based on the Company's assumptions and beliefs and also on information currently available. Those statements involve risks, uncertainties and assumptions as they refer to future events which may or may not materialize depend on market circumstances. Investors should have in mind that overall economic conditions, industry conditions and other operating factors might affect the Company's future performance and thus lead to results that differ materially from those expressed in these forward looking statements.

Now I will turn the floor over to Mr. Geraldo Mattos, who will start the presentation. Mr. Mattos, you have the floor.

Geraldo Luciano Mattos Júnior:

Good morning, everyone, and welcome to our conference call, M. Dias Branco's call to discuss the results relative to the 1Q18. I would like to start with a brief overview of the main events of the quarter.

Our net revenue total stood at R$1.2 billion, 0.9% up from the numbers posted in the 1Q17. Total sales volume grew by 4.5% across all product lines, a result of our commercial initiatives, marketing initiatives we carried out during the period, and also due to the evolution in our cost control.

I would like to highlight a few of those initiatives as incentives granted to sales promoters to accomplish new extras slots, also promotional campaigns, which awarded prizes to final consumers, and the launches of new products, including Treloso Power and Delicitá, both under the Vitarella brand.

It is important to mention that the Vitarella brand was elected one of the most valuable brands in Brazil, as per a survey announced by IstoÉ Dinheiro magazine, in April, in association with Kantar, reassuring our belief that we have good marketing plans, with competitive offers throughout all regions in Brazil and across all the different consumers profiles.

The average prices in the quarter saw a drop of 3.5% when compared to the same period of last year, with a more significant drop in pasta, flour and flour bran, reflecting a general price drop throughout 2017, and also a drop in the prices of replacement products, rice and corn.

When we compared to the 4Q17, we already see an increase of the average price across all product lines, even before the increase of 4% at the end of the 1Q, and that already reflects in our results, and in the results you will see going forward in 2Q.

As for profitability, we closed the quarter with an EBITDA of R$183.5 million and a net profit of R$139.7 million, respectively 21.3% and 26.2% below figures posted in the same period of last year.

That drop in profitability can be explained mainly by the increase in costs for products sold, the reasons for which will be explained by Fabio moving forward.

As for our cash position, we closed the quarter with a cash position of R$824 million net cash, above that filed in the 1Q17, and also above the numbers filed in the 4Q17, also result of the R$295 million of net cash, which was generated by operating activities.

As for investments, in the 1Q18 we have invested R$67 million, especially in the construction of our wheat mill in the city of Bento Gonçalves, in the South of Brazil, and in some other projects to expand our production capacity and modernization.

We remain confident in the Company's growth potential, and we are sure that we are making the necessary investments to expand our sales across the country, always trying to seek the satisfaction of our clients, and also to generate value to our shareholders.

Now I will give the floor over to Fabio, who will go into more details about our numbers in the quarter. Thank you very much.

Fábio Cefaly:

Thank you, Geraldo, and good morning, everyone. I would like you all to move on to our presentation, to our slide deck, so that you can follow on.

Let us start on slide number three, about net revenues. Our net revenue totaled R$1,217 billion, 0.9% above that posted in the 1Q17, with a growth in volume and a drop in average price.

As you can see on the chart, our volumes grew across all product lines: cookies and crackers, pasta, wheat flour and bran, margarine and vegetable shortening, and also other products, which account for toasts, cake mix, cake and snacks.

It is important to highlight that we have maintained our growth pace at a high level outside of the Northeast region of Brazil, which is in line with our strategy of diversifying our sales geographically.

As for our average price, as can be seen on the chart as well, with the exception of the increase of average price in the cookies and crackers line, we saw a drop in the other

product lines, also reflecting the drop in the price of wheat throughout last year, also due to the competition on products that replace pasta and flour bran, respectively rice and corn, and also a very fierce competitive environment that we saw last year.

It is also worth mentioning that average prices filed in 1Q18 do not reflect as of yet the 4% readjustment which was levied at the end of this quarter.

Now, let us move on to slide four, still revolving around average price. In the charts on the top part of the slide we can see a drop line of our average prices for our main product lines throughout 2017, with the exception of the cookies and crackers line.

When we compare the 1Q18 with the most recent results, the 4Q17, we can see an increase in average prices across all lines, which can be visually seen when we look at the chart in the bottom side of the slide.

On the left, we compared prices in the 1Q17 with the 1Q18, and then, on the right, we compared average price variation with the 4Q17, where we see an increase in average price across all product lines.

Let us move on to slide number five, if you will, where we talk about volume. On top of continuing to grow outside of the Northeastern region of the country, two different initiatives carried out in this quarter deserve to be mentioned: we offered incentives for our sales promoters to gain extra sales points, and we also launched marketing campaigns with price promotions to end consumers, both initiatives focused on improving sell-out.

Moving on to next slide, number six, we talk about our new launches. We launched products which are consistent with our growth strategy, and also introduced higher added value products in our portfolio, including Treloso Power and Delicitá, cookies and crackers under the Vitarella brand, and also the Antenados cookies under the Estrela brand on the right side of the slide.

Moving on to slide number seven, we have maintained our national leadership in the pasta, cookies and crackers line. When we compared our numbers now with the most recent numbers, those posted in the 4Q17, we gained market share, volume and value in the cookies and crackers line, and we saw a drop in pasta line. We would also like to highlight the leadership in our wheat flour line in Northeastern region, with 28.6% in market share.

Moving on to slide number eight, about cost of products or goods sold, as can be seen on the left-hand side of the slide, total costs increased as a percentage of net revenue when we compared the numbers now with the 1Q17 and also when we compare the numbers now with the numbers posted in the 4Q17, an increase in labor and manufacturing. Those numbers also reflect collective vacation and a slowdown in the production pace for us to readapt inventory levels. That can be seen in the right-hand side of the slide.

I would like you to please move on to slide nine, If you will, where we see a slight drop in the vertical integration of wheat flour due to a higher need of wheat flour in the Southern regions of Brazil, and this was also affected by the purchase on third parties. In the vertical integration of shortening, we see a drop because of the increase in the production capacity installed in the 2H17.

I would like you all please move on to slide ten, where we see a snapshot of our operating expenses. It is important to mention that, starting in this current quarter, in order to meet CPC 47, the new Technical Pronouncement, a few transactions, including commercial initiatives and extra slots in sales point, the opening of new stores, among others which were until now recognized as commercial expenses, now they are going to be recognized as an item of gross revenue reduction.

The effect of that change amounted at R$11 million, or 0.9% of the Company's net revenues. This way, emphasizing that the numbers on that chart are accounting numbers, already including that change, and the effect of those changes, commercial expenses as a percentage of net revenues increase in comparison with the 1Q17, but they saw a drop when we compared those numbers with the most recent numbers, again those posted in the 4Q17.

Moving on to slide number 11, EBITDA, when compared with the 1Q17 we see a drop in the nominal EBITDA, and also a drop in the EBITDA margin.

Let us move on to slide 12, still talking about EBITDA. We can see the drop in margins when we compared numbers now with 1Q17. That drop was driven by an increase in costs and by a drop on average prices across different lines, which has already been mentioned.

As we move on to slide number 13, we can see an increase in EBITDA margins when we compared numbers now with the 4Q17 figures. That difference was driven by an increase in average prices and a flattening of expenses, even as we are going through a scenario where we have fixed costs because we are readjusting our inventories.

Moving on to slide 14, about net profit, our net income, as you can see, the same behavior that we saw in the EBITDA curves when we compared this year with last year, a nominal drop, and also a drop in net margin.

Let us now move on to slide number 15, where we talk about our investments. In the quarter we invested R$67.1 million, the equivalent of 5.5% of our net revenue. That includes the construction, which is in progress, of the wheat mill in the city of Bento Gonçalves, and also the expansion our storage capacity and our distribution center in the city of Maracanaú, in the state of Ceará, and also the upgrading of our silos in the wheat mill of Cabedelo, in the state of Paraiba.

Now, moving on to slide number 16, we talk about some of our recent HR changes. We have implemented the Oracle Human Capital Management software, which will give the support to performance management and development of our associates. We also conducted an inventory of greenhouse gas emissions for all of our 12 industrials units, we saw a drop in labors accident rate when compared to 1Q17, a drop of 21%, and a relative water consumption drop by 4.3%, also when compared to the 1Q17.

To wrap-up the results, I would like you all to please move to slide number 17, where we see cash generation, which is one of the main positive highlights of the quarter. Our net cash totaled R$295.9 million, above what we saw last year, both in the 1Q17 and in the 4Q17, where we can see an important lines of accounts receivable and inventory.

On the slide 18 we see the 1Q18 with a net position cash of R$824.8 million in the right-hand side. In other word, cash above debt.

On slide 19, we see that for the past two months the Company's stocks presented a performance which was below that of Ibovespa.

Thank you all for your attention, and we can now move on to our Q&A session.

Isabella Simonato, Bank of America:

Good morning, everyone. My question is about an increase in prices of 4%. I would like to understand if that was uniform, coming across all categories, so a breakdown of that, cookies and crackers, pasta and wheat flower. And how has that been playing out throughout the last couple of months? How have retailers welcomed that increase? And how much more do you think you need to increase prices, as we see wheat prices going up going forward? Thank you.

Fabio Cefaly:

Hello, Isabella. The increase was levied in March, so it does not have any reflex on the results of the 1Q. We have started invoicing using the new prices only in April. The increase was slightly higher in wheat and we can say that that figure of 4% was quite uniform among all the other product lines.

Our interpretation today is that that increase was well received by the market and now we are doing the math to try to get a number for another increase, probably early in the 2H. It is still early to try and quantify that increase. We are trying to interpret the market, we are trying to understand what kind of increase we can expect in wheat, the valuation of the BRL; we have to factor all of that in. And we will probably see a new increase early in the 2H18.

Isabella Simonato:

OK, thank you.

Thiago Duarte, BTG Pactual:

Good morning, everyone. I would like to pick up where Isabella left off in the previous question. I am not really sure if you could perhaps quantify how much you expect you would have to increase prices vis-à-vis today's prices in BRL – I am talking about wheat prices – so that we could see the Company at a level of way more comfortable margins. That is the first question.

The second question is about the Piraquê manufacturing company. I was expecting you could mention your expectations in terms of synergies from this new company you have purchased, what kind of timeline we can expect in terms of integration synergies. Can you share that with us, perhaps?

And a third question is about this channel mix. For a series of quarters, we have seen a growth both in wholesale and in cash and carry. As we just saw, that happened to the expense of the retail channel. Could you perhaps briefly give us some more color on what kind of impact that might be having, especially on average price levels?

We know that the retail channel has been traditionally the cash car for the Company, especially in the Northeastern region. We would like to see how that dynamics plays out as you move forward, with wholesale and cash and carry. Thank you.

Fabio Cefaly:

Thiago, I will start talking about price and the channel mix. As for prices, it is still a bit early for us to try and predict what kind of increase we will see. We are now in the middle of that process, but moving forward we will let you know. As for the channel mix, you are right, we have seen an increase in the share of the cash and carry channel. In the past few months, we did see a drop in margins for that channel, maybe given by two different reasons.

Number one, for pasta, for example, we saw a faster growth for common pasta, which is cheaper and also has lower margins. That kind of pasta has a good sales flow under the cash and carry model. That is one of the reasons. The second reason, which we just recently observed is that there might have been some mismatch between revenue and sales incentive, which might be something isolated.

I do not give you a structural answer right now, in terms of saying if you are going to continue to see lower margins in cash and carry. That has not been happening. Margins were pretty much the same. But in the short term, more recently, we did see a drop in margins for that channel, you are right.

Geraldo Luciano Mattos Júnior:

Thiago, just as a complement to Fabio's answer, speaking of Piraquê, the company we purchased, to let you all know as a recap, on the 29th of January we announced the purchase. We signed the contract on that day and we did mention that there were some conditions that needed to be met, one of which was the Consumer Defense Agency, which was approved, and other conditions, which depended on the salesforce.

Something that depended on us, which was the approval by our General Shareholders' Meeting that did happen earlier in April, and we are now waiting for the final measures on the part of the salesforce, which are included in the contract and I would say that in the short run, in the near future, we will conclude that transaction and we will inform the market, of course, when we do close the deal for good.

Once that is done, we will also hold a special event to make the announcement and, of course, present numbers, data concerning the transaction, specific figures, talking about the synergies, as you mentioned. We hope to be able to do that soon in the short run. And, of course, you will all be invited for this specific event.

Again, we are in the process of concluding the transaction. It is all under the contractual schedule, which was announced back in January. Everything is in the right track, at the right speed, the expected rhythm; there is no source of concern. We are moving forward and towards the closing of the transaction. Again, you will all know about it when we come to that.

Thiago Duarte:

Very good. Thank you both.

Fernando Leitão, Royal Corretora:

Good morning, Geraldo and Fabio. Thank you for taking my question and for the presentation. Two questions. One was partially answered, the one about Piraquê. Just as a recap, no financial resources have been disbursed, or at least maybe very little?

And the second question has to do with the search and seizure warrant by the Federal Police. I know that a committee was put together to analyze that search and seizure event. Is there a schedule or a deadline for that committee to present its results? Thank you.

Geraldo Luciano Mattos Júnior:

As for your first question, no disbursement, no payment has been made concerning sales people. Payments that were made were not very high, but as for your question, I know you are talking about the purchase itself, the payment of shareholders who are selling their stake, the answer is no. All payments will start being made when we have the final closing of the transaction. When we announce that, then we will be able to say when that money will be paid out, as contemplated in the contract.

As for your second comment about the event, which happened in April 10th, we announced a material fact on that day. We put together an independent committee to deal with that, made up of very credible professionals coming from the market. This was all done in record time.

We immediately started hiring specific consultants, assisting aids and legal help, everything that was needed to tackle the situation. We put together a work plan, which was also defined by the committee, and the committee is in close interaction with the Company's Board, so we are quite reassured as to that.

As for a deadline or schedule, Fernando, of course we have been talking about that with them, but if we set a deadline, in a way, that affects the committee's independence and autonomy. We expect things to be solved within a reasonable period of time. We do not want this to take too long, but for such a large company as ours, we do need a minimum amount of time for those people to do their work in a free, independent, autonomous manner.

So, there is no fixed deadline. We have been providing all the necessary support to the committee so that the issue will be addressed in a reasonable amount of time. In summary, there is no set deadline for them to finish their work.

Fernando Leitão:

I agree with you that speeding up the process would be counterproductive, but I also agree that if it takes too long, it is just as bad. This was an important event. But I understand your point and I understand when you say you do not have a deadline.

Geraldo Luciano Mattos Júnior:

I think we are in agreement. Taking too long is bad, but speeding it up is also not good. We know this cannot be hastily approached. We will continue to provide support, we are following up. I can tell you that the job is being extremely well done and well conducted. It is a type of work which is fitting with the Company's size and reputation.

Fernando Leitão:

OK, thank you.

Isabella Simonato, Bank of America:

As for the working capital figures, we saw an important increase in the number of days for receivables: ten days more when we compare to the 1Q17. I would like to have some more color on the explanation for that increase. Was it because of an increase in prices? Some kind of purchase agreement, which was different now? Or some kind of structural change of client profile? Just to have a better understanding of that change in number of days.

Fabio Cefaly:

Isabella, part of that was driven by a faster growth of the cash and carry channel, because they work with a slightly longer number of days when compared to the other channels.

Isabella Simonato:

OK, I understand. Thank you.

Operator:

Thank you. This concludes the Q&A session. I would like to turn the floor back over to Mr. Geraldo for his closing remarks. You have the floor, sir.

Geraldo Luciano Mattos Júnior:

I would like to thank you all for participating in our conference call, your attention and your questions. We were glad to be able to clarify some important issues and I hope to see you on our next calls. Thank you.

Operator:

Thank you. This concludes M. Dias Branco's conference call. Please, you may now disconnect your line.

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