

## MATERIAL FACT

### **Partial acquisition of the biological assets of Usina Açucareira Furlan S.A.**

**São Paulo, July 5, 2018** – São Martinho S.A., in compliance with CVM Instruction 358/02 and the best practice of corporate governance, announces to its shareholders and the general market that, on the date hereof, it entered into agreements to acquire, jointly with Raízen Energia S.A., the biological assets of Usina Açucareira Furlan S.A. related to the mill in Santa Bárbara D'Oeste, São Paulo ("Transaction").

#### **Context of the Transaction**

Raízen and São Martinho participated in the bid process and, upon consummating the Transaction, will undertake agricultural and supply agreements for aggregate sugarcane volume in the region of 1,000,000 tons (approximately 70% own sugarcane and 30% third parties sugarcane). Under the agreements, São Martinho and Raízen will undertake, respectively, one-third and two-thirds of this sugarcane volume.

#### **Transaction Details**

The Transaction, which is worth R\$118 million, will be paid proportionally by São Martinho and Raízen.

São Martinho will process its portion of the sugarcane at the Iracema Mill located in Iracemápolis, São Paulo. The Iracema Mill, with annual sugarcane crushing capacity of 3 million tons, will expand its crushing capacity to 3.5 million tons. The industrial and agricultural investments to expand the capacity and absorb all output from the sugarcane field amount to R\$12.4 million.

Such investment will support expansion in production per crop year up to 30,000 tons of sugar (sugar mix) or 30,000 m<sup>3</sup> of ethanol (ethanol mix), with an additional 18,000 MWh of cogeneration.

The Transaction was approved by the Board of Directors on July 2, 2018, subject to approval by Brazil's antitrust agency CADE (*Conselho Administrativo de Defesa Econômica*) and to fulfillment of the conditions set forth in the agreements.

Cordially,

Felipe Vicchiato  
Chief Financial and Investor Relations Officer

Aline Reigada  
Investor Relations Manager