

**MATERIAL FACT**  
**Merger of Usina Boa Vista S.A.**

**São Paulo, February 28, 2018** - São Martinho S.A. (hereinafter “São Martinho,” “Company” or “Merging Company”), in accordance with Article 157, Paragraph 4 of Federal Law 6,404, of December 15, 1976, as amended (“Brazilian Corporation Law”), with CVM Instruction 565, of June 15, 2015 (“CVM Instruction 565”) and with CVM Instruction 358, of January 3, 2002, as amended (CVM Instruction 358”), announces to its shareholders and the general market that, on February 28, 2018, its Board of Directors approved the merger of Usina Boa Vista S.A. (“UBV” or “Merged Company”) into the Company (“Transaction” or “Merger”), to be submitted for approval to the shareholders of the Merged Company and of the Company assembled in their respective extraordinary shareholders’ meetings to be duly convened, on first call, on April 2, 2018.

Accordingly, the Company hereby communicates to its shareholders and the general market, in accordance with Article 3 of CVM Instruction 565 of 2015, the following on the planned Merger:

**1. IDENTIFICATION OF THE COMPANIES INVOLVED IN THE TRANSACTION AND BRIEF DESCRIPTION OF THEIR ACTIVITIES**

**(a) São Martinho S.A. (Company or Merging Company)**, a publicly held corporation, with registered office in the City of Pradópolis, State of São Paulo, at Fazenda São Martinho, s/nº, CEP 14850-000, registered in the roll of corporate taxpayers (CNPJ/MF) under no. 51.466.860/0001-56. The Company is engaged in the cultivation and processing of sugarcane to produce and trade ethanol, sugar and their subproducts, and in the cogeneration and trading of electricity.

**(b) Usina Boa Vista S.A. (UBV or Merged Company)**, closely held corporation, with headquarters at Fazenda São Martinho, City of Pradópolis/SP, registered in the roll of corporate taxpayers (CNPJ/MF) under no. 07.603.999/0001-02, with a branch office at Fazenda Boa Vista, City of Quirinópolis/GO, registered in the roll of corporate taxpayers (CNPJ/MF) under no. 07.603.999/0002-93. It is a corporation engaged primarily in the processing of sugarcane and the production and trading of ethanol and its byproducts, electricity cogeneration and the commercial exploration of agricultural activities in general, whether on owned or third-party land.

**2. DESCRIPTION AND PURPOSE OF THE TRANSACTION**

The transaction consists of the merger of UBV, after obtaining all the necessary corporate approvals, which is justified by the fact that the combination of the assets of the parties into a single corporate entity will enable the more efficient structuring and use of the assets and of the agroindustrial operations of the parties, concentrating in the Company all activities carried out by UBV.

In view of the fact that the Company owns 100% of the capital of UBV, the Merger will be carried out without a capital increase at the Merging Company, and without new shares issued by the

Company, since the property elements represented by the interest of the Company in UBV are already registered in the assets of the Company, under noncurrent assets – investments.

As a result of the Merger, UBV will be dissolved and the shares held by the Company in UBV will be cancelled in accordance with Article 226, Paragraph 1 of Federal Law 6.404/76, with all of the assets, rights, obligations and liabilities of UBV automatically transferred to the net assets of the Company, which will succeed UBV on a universal basis, independent of any other formalities other than those provided for by law.

### **3. MAIN BENEFITS, COSTS AND RISKS OF THE TRANSACTION**

Main benefits: The Merger will enable the unification of the managements and activities of both companies, thereby generating efficiency and synergy gains, while rationalizing administrative and financial costs, and increasing the liquidity of all parties involved. It will also strengthen the competitive positioning of the parties, while reducing risks for its shareholders and enabling the creation of value in the long term.

Costs of the Transaction. The costs for executing the Merger are estimated at around two million reais (R\$2,000,000.00), which includes expenses with publications, auditors, valuers, attorneys and other professionals engaged to advise on the Merger, with said costs to be borne exclusively by the Company.

Risks of the Merger: Since the transaction consists of the merger of a wholly owned subsidiary of the Company, the parties involved understand that there are no risks to the transaction, with no impact on the interests of shareholders and investors of the Merging Company, since it represents, in essence, the transfer of assets, equipment, rights and obligations already indirectly owned by the Company through the interest it holds in UBV.

### **4. SHARE EXCHANGE RATIO**

The merger will be carried out without the shares issued by the Merged Company being exchanged, given that the Merging Company holds all of the shares issued by the Merged Company and the dissolution of the latter after the conclusion of the transaction.

### **5. CRITERIA FOR SETTING THE EXCHANGE RATIO**

Not applicable per item 4 above.

### **6. SUBMISSION OF TRANSACTIONS TO BRAZILIAN OR FOREIGN AUTHORITIES**

The merger will not be submitted to any regulatory or antitrust authorities in Brazil or abroad.

7. FOR TRANSACTIONS INVOLVING PARENT COMPANIES, SUBSIDIARIES OR JOINT VENTURES, PROVIDE THE EXCHANGE RATIO CALCULATED IN ACCORDANCE WITH ARTICLE 264 OF FEDERAL LAW 6,404 OF 1976

Not applicable per item 4 above.

#### **8. APPLICABILITY OF WITHDRAWAL RIGHTS AND REIMBURSEMENT VALUE**

Considering that UBV is a wholly owned subsidiary of the Company, there will be no withdrawal rights or reimbursement value.

#### **9. OTHER MATERIAL INFORMATION**

Required Corporate Approvals: The implementation of the Transaction will depend on the approval of the Merger by the Extraordinary Shareholders' Meetings of the Company and of UBV, to be called for April 2, 2018.

Availability of documents for consultation. The documents pertaining to the Merger will be made available to the shareholders of the Company for consultation at its registered office, as from the date hereof, as well as on the Investor Relations website of the Company ([www.saomartinho.com.br/ir](http://www.saomartinho.com.br/ir)) and on the websites of the Securities and Exchange Commission of Brazil – CVM ([www.cvm.gov.br](http://www.cvm.gov.br)) and of B3 – Brasil, Bolsa, Balcão ([www.bmfbovespa.com.br](http://www.bmfbovespa.com.br)).

Cordially,

**Felipe Vicchiato**

Chief Financial and Investor Relations Officer