ENGIE BRASIL ENERGIA S.A.
A Publicly Held Company – CNPJ 02.474.103/0001-19
NIRE 4230002438-4

MATERIAL FACT

PROPOSAL FOR CAPITAL INCREASE WITH A SHARE BONUS

ENGIE BRASIL ENERGIA S.A. ("Company"), a corporation, registered as a publicly held company with the Brazilian Securities and Exchange Commission ("CVM"), pursuant to the provision in Article 157, Paragraph 4, Law 6,404 of December 15, 1976, as amended ("Corporate Law") and CVM Instruction 358 of January 3, 2002, as amended, hereby informs the market at large as to the following:

The Company's Board of Directors at its meeting held today, approved the submission of a proposal to the next Extraordinary General Meeting ("EGM"), to be called in due course, for the increase in the Company's capital stock for the amount of R$ 2,073,592,450.71, through the capitalization of: (i) the balance in the Retained Earnings Reserve account for the amount of R$ 1,594,357,546.69; (ii) the Tax Incentive Reserve pending Capitalization in the amount of R$ 4,165,733.17; and (iii) Net Income for the 3rd quarter 2018, in the amount of R$ 475,069,170.85 ("Capital Increase").

The Capital Increase shall be effected through the issue of 163,185,548 new common, book entry shares with no par value, which will be granted to the shareholders in the form of a bonus in the proportion of 1 (one) new share for every 4 (four) common shares already held on the base date of December 11, 2018.

Therefore, in the light of the Capital Increase, the Company's capital stock shall increase to R$ 4,902,647,710.37, divided into 815,927,740 common, book entry shares, with no par value. Consequently, the caption sentence to Article 5 of the Company's Corporate Bylaws shall be altered to reflect the new amount of capital stock and the new quantity of shares.

Following the approval of the Capital Increase by the shareholders at a General Meeting, the shares of the Company's issue shall be traded on B3 S.A. – Bolsa, Brasil, Balcão, "ex-rights" to the share bonus as from December 12, 2018.

For the purposes of the provision in Article 10 of Law 9,249 of December 26, 1995, as amended and in paragraph 1, Article 47 of RFB Normative Instruction 1,585 of August 31, 2015, as amended, the unitary value attributed to the bonus shares shall be R$ 12.70696135.

Shares emanating from the bonus shall be included in the shareholders position of December 17, 2018, the latter being available for consultation from December 18, 2018, and will be entitled to the same rights as those granted under the Company's Corporate Bylaws and the applicable legislation to the existing shares.

With respect to the shares which cannot be attributed in their entirety to each shareholder, the procedure described in Paragraph 3 of Article 169 of the Corporate Law shall be followed, this determining that: (a) a 30-day window shall be established so that shareholders, possessing share fractions may buy and sell factions in order to reconstitute entire shares; and (b) with the elapse of the 30-day term, those shares which cannot be attributed in their entirety shall be sold on the stock

exchange, the product of the sale thereof to be divided proportionally among the holders of the share fractions.

The bonus operation seeks to increase the share liquidity, considering: a) a greater quantity of shares in the free float, potentially generating an increase in trading volume; and b) as a result of the bonus, the adjustment in the share quotation renders the price per share more attractive and accessible to a larger number of investors.

Finally, the Company informs that the benefit of the bonus will be simultaneously extended and in the same proportion to the ADRs, trading on the United States over-the-counter market.

Additional information on the Capital Increase and the procedures for handling the share fractions will be described in a “Notice to Shareholders” and be disclosed to the Company’s shareholders and the market at large in due course.

Florianópolis, October 31, 2018.

Eduardo Antonio Gori Sattamini
Chief Executive Officer

Carlos Freitas
Chief Financial and
Investor Relations Officer