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

MATERIAL FACT

ENGIE BRASIL ENERGIA CONCLUDES NEGOTIATIONS FOR SALE OF CORPORATE STAKES

ENGIE BRASIL ENERGIA S.A., a publicly listed company with registered offices in the city of Florianópolis, state of Santa Catarina at Rua Paschoal Apóstolo Pítsica, 5064, enrolled in the tax register CNPJ/MF under number 02.474.103/0001-19 ("Company"), pursuant to the provisions in CVM instructions 358/2002 and 480/2009, wishes to announce to the shareholders and the market in general that the Company and its subsidiary ENGIE Brasil Energias Complementares Participações Ltda., with registered offices in the city of Florianópolis, state of Santa Catarina at Rua Paschoal Apóstolo Pítsica, 5064, enrolled in the tax register CNPJ/MF under number 09.212.990/0001-04, ("Participations" and jointly with the Company, denominated the "Sellers"), have signed a share purchase agreement ("Agreement") with Companhia Energética de Petrolina, with registered offices at Rodovia BR 122, km 03, Room C, Bairro José e Maria, in the municipality of Petrolina, state of Pernambuco, enrolled in the tax register CNPJ under number 04.811.856/0001-06 ("CEP"), regulating the sale of the Sellers' corporate stakes in the corporations listed below as announced to the market on July 6, 2015 ("Operation").

CEP is a company that has been operating in the Brazilian electricity sector since 2002 through Petrolina TPP. CEP's controllers are the Incospal, Coimex and Vale do Lobo groups, all with an extensive record of investments in Brazil.

Approved at a meeting of the Board of Directors held today, the Operation encompasses the sale of the Sellers' corporate stakes in the capital stock of the following corporations (jointly denominated, the "Corporations"): (i) Eólica Beberibe S.A., which holds the authorization granted by the National Electric Energy Agency ("Aneel") for operating the Parque Eólico Beberibe with an installed capacity of 25.6 MW; (ii) Eólica Pedra do Sal S.A., which holds the authorization granted by Aneel for operating the Parque Eólico Pedra do Sal, with an installed capacity of 18.0 MW; and (iii) Hidrelétrica Areia Branca S.A, which holds the authorization granted by Aneel for operating the Pequena Central Hidrelétrica Areia Branca with an installed capacity of 19.8 MW.

The Operation fits with the strategy of optimizing the Company's generating complex in order to permit the expansion in assets that offer a greater degree of synergy one with the other.

Before eventual and usual price adjustments, the value of the Corporations (Enterprise Value), has been set at R$ 391,768,000.00 (three hundred and ninety-one million, seven hundred and sixty-eight thousand reais), of which R$ 85,418,000.00 (eighty-five million, four hundred and eighteen thousand reais) relate to the estimated net debt of the said Corporations.

The conclusion of the Operation ("Conclusion") is subject to the fulfillment of certain conditions precedent enshrined in the Agreement, including the prior approval of the Brazilian Anti-trust Authority – CADE, the Brazilian Development Bank – BNDES and Aneel.

Following the Conclusion, the Company will have a total installed capacity of 6,963.8 MW, of which, 321.1 MW from non-conventional renewable sources. A further 441.7 MW in projects from wind and photovoltaic sources are currently under construction, reflecting the Company's commitment to the growth of its generating complex primarily from renewable sources.

Florianópolis, December 23, 2016.

Eduardo Antonio Gori Sattamini
Chief Executive, Financial and Investor Relations Officer