

COMPANHIA ENERGÉTICA DE MINAS GERAIS – CEMIG

LISTED COMPANY – CNPJ 17.155.730/0001-64 – NIRE 31300040127

MATERIAL ANNOUNCEMENT

Advances to Renova under PPAs

Cemig (*Companhia Energética de Minas Gerais*), a listed company traded on the stock exchanges of São Paulo, New York and Madrid, in accordance with CVM Instruction 358 of January 3, 2002, as amended, **hereby informs** the Brazilian Securities Commission (CVM), the São Paulo Stock Exchange (BM&F Bovespa S.A.) and the market in general, **as follows**:

On September 8, 2016, Cemig’s affiliated company **Renova Energia S.A. (‘Renova’)** published a **Material Announcement** with the following content:

“ *In compliance with CVM Instruction 358/2002, as amended, Renova Energia S.A. (RNEW11) (‘Renova’ or ‘the Company’) hereby informs its stockholders and the market as follows:*

A meeting of the Board of Directors has approved an advance payment of R\$ 118 million for contracted future electricity supply under the Power Purchase Agreement between Renova Comercializadora de Energia S.A. (‘Renova Trading’) and Cemig Geração e Transmissão S.A. (‘Cemig’) (‘the Agreement’).

The Agreement, signed in 2013, provides for the parties to make earlier or later payments for the power supply that is the subject of the Agreement. The funds will be allocated as priority to the Alto Sertão III project, and also to meet other needs of the Company. The amount due will be settled by delivery of power supply, in the amounts specified in this Agreement, starting in May 2021.

As previously announced by the Company, in June 2016 Cemig made an advance payment to Renova Trading of R\$ 94 million under the Agreement, and at that time signed an agreement placing a charge on:

100% of the shares in	Enerbrás S.A. and
100% of the shares in	the specific-purpose companies of Phase B of the Alto Sertão III Project;

An option was also granted to Cemig to purchase

100% of the shares of	Enerbrás S.A.
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In December 2015 an advance payment was made of R\$ 60 million, on a basis similar to that referred to above, but under the Power Purchase Agreement signed between Renova Trading and Cemig on March 25, 2014.

Considering all the above items, the total advanced to the Company in payment for future supply of electricity will be R\$ 272 million ('the Total Amount Advanced').

The company also hereby reports that a Share Purchase Agreement has been signed which will enable Cemig to convert the Total Amount Advanced into a stockholding interest in Alto Sertão Participações S.A. ("Alto Sertão"), the controlling stockholder of the companies that comprise Phase A of the Alto Sertão III project; up to a limit of

49.9% of the shares in Alto Sertão,

and also an Agreement placing a charge upon

100% of the shares in Bahia Holding S.A. and

49% of the shares in Ventos de São Cristóvão Energias Renováveis S.A.,

which holds some of the Company's wind power projects.

Exercise of the call option is conditional upon prior approval by the BNDES. Completion of the share option transactions referred to above will require the prior approval of:

- the BNDES;
- Banco do Brasil S.A. – where applicable;
- the Brazilian electricity regulator, Aneel, and
- the Brazilian Monopolies Authority (CADE).”

Belo Horizonte, September 8, 2016

Raul Lycurgo Leite
Acting Chief Finance and Investor Relations Officer