

COMPANHIA ENERGÉTICA DE MINAS GERAIS – CEMIG

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

MARKET ANNOUNCEMENT

Reply to CVM Inquiry Letter 517/2016-CVM/SEP/GEA-1, of November 1, 2016

Question asked by the Brazilian Securities Commission (CVM)

Rio de Janeiro, November 1, 2016

To Mr. Fabiano Maia Pereira

Investor Relations Director

Cia. Companhia Energética de Minas Gerais – CEMIG

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Subject: **Request for information on decree**

Dear Sir,

1. I refer to Minas Gerais State Decree NE 582 of October 26, 2016, published in the *Official Gazette* of Minas Gerais State, through which there was established a “supplementary credit in favor of the investment budget of the Holding Company Companhia Energética de Minas Gerais – Cemig, in the amount of R\$ 650,200,000.00.”
2. I request you to clarify the transaction, and comment on any other information considered to be important relating to the subject.
3. The statement should be given through the Empresas.NET system, in the category: *Market Announcement*, under the sub-category: *Responses to consultations by CVM/Bovespa*; subject heading: *Minas Gerais State Decree NE 582 of October 26, 2016*; and should include a transcription of this letter.
4. We highlight that, under Article 3 of CVM Instruction 358/02 it is the responsibility of the Chief Investor Relations Officer to disclose to and advise the CVM, and as the case may be, the stock exchange and/or any organized over-the-counter market on which securities issued by the company are traded, of any material event or fact which takes place or is related to its business, and to make best efforts for its immediate and wide dissemination, simultaneously to all the markets in which such securities are traded.
5. We notify you that the Company Relations Supervision Management may, under Sub-item II of Article 9 of Law 6385/1976 and CVM Instruction 452/2007, apply a coercive fine of **R\$ 1,000** (one thousand Reais), without prejudice to other administrative sanctions, in the event of non-compliance with the demand made in this Official Letter within **24 hours** from becoming aware of the content of this communication, now sent by fax and by e-mail.

Reply by CEMIG

Dear Madam,

In response to Official Letter N° 517/2016-CVM/SEP/GEA-1, of November 1, 2016, we inform you that the budget supplementation decree published in the newspaper *Minas Gerais* complies with a legal procedural requirement. The publication obeys the legal requirements included in the following state laws: Law 21736 of August 4, 2015 (the Budget Directives Law, or LDO), Law 21971 of January 18, 2016 (the Annual Budget Law, or 2016 LOA), and Federal Law 4320 of March 17, 1964, in particular its Article 42.

Basically, Cemig is part of the investment budget of the companies controlled by Minas Gerais State, as specified in State Law 21736 of August 4, 2015. Due to this, following the orientations of Law 21971, Cemig prepared the annual budget proposal for the 2016 business year during July and August 2015. Considering that the dividends for the 2015 business year would be approved only after calculation of the net profit for the business year at the Annual General Meeting, which would take place in April 2016, the budget proposal referred to above was prepared with symbolic amounts for the distribution of dividends. Subsequently, to make the adjustments, Cemig asked the Central Corporate Governance Support Directorate of the State Finance Department for a supplementary budget decree, under Article 42 of Law 4320 of March 17, 1964.

We would point out that this budget process is carried out publicly and with transparency – the principles followed by the public sector, as can be seen in the following links:

<http://www.planejamento.mg.gov.br/banco-de-noticias-banco/3657-estado-disponibiliza-lei-de-diretrizes-orcamentarias-referente-a-2016>

<http://www.planejamento.mg.gov.br/banco-de-noticias-banco/3878-governador-sanciona-lei-orcamentaria-com-estimativas-de-receita-e-despesas>

<http://politicaspUBLICAS.almg.gov.br/>

Cemig takes this opportunity of reiterating its commitment to opportune and timely disclosure of all and any facts that are of interest to its stockholders, in accordance with Article 2 of CVM Instruction 358/2002.

Belo Horizonte, November 3, 2016

Fabiano Maia Pereira

Chief Finance and Investor Relations Officer