

COMPANHIA ENERGÉTICA DE MINAS GERAIS – CEMIG

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

MATERIAL ANNOUNCEMENT

Capital increase in RME and Lepsa

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 today's date, General Meetings of Stockholders held by

- RME – RIO MINAS ENERGIA PARTICIPAÇÕES S.A. ('RME') and
- LUCE EMPREENDIMENTOS E PARTICIPAÇÕES S.A. ('LEPSA'),

approved the following:

- (i) Conversion, by RME, of 162,241,527 preferred shares, and by Lepsa, of 165,846,151 preferred shares, held by the following stockholders:

Banco Santander (Brasil) S.A. ('Santander'),	BB Banco de Investimento S.A. ('BB BI')
and BV Financeira S.A. – Crédito, Financiamento e Investimento ('BV')	

into the same number of common shares.

- (ii) • Increase in the share capital of **RME**, by private subscription,

by		up to	R\$ 221,772,018.14	
				(two hundred twenty one million seven hundred seventy two thousand eighteen Reais and fourteen centavos),
through issuance of	up to	162,241,527	new common shares	
	and	up to	486,724,579	new preferred shares,
				all nominal shares without par value,
for issue price of		R\$ 0.3417312799	per share;	and

- increase in the share capital of **Lepsa**, by private subscription,

by		up to	R\$ 225,946,197.37	
				(two hundred twenty five million nine hundred forty six thousand one hundred ninety seven Reais and thirty seven centavos),
through issuance of	up to	165.846.151	new common shares	
	and	up to	497.538.451	new preferred shares,
				all nominal shares without par value,
for issue price per share of		R\$ 0.3405960838	– this price having been set in accordance with Art. 170, §1º, Sub-item II of Law 6404/76, as amended;	

– all the shares issued to be in every way identical to the previously existing shares.

(iii) Such alterations to the by-laws of RME and Lepsa as are necessary to reflect the changes in the share capital just approved.

The following stockholders:

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Santander, BV, BB BI and Banco BTG Pactual S.A.
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waived their right of first refusal to subscribe the shares issued, and Cemig opted to subscribe the totality of those shares.

As a result Cemig has increased its holding in the total share capital of RME from 25% to 60.65%, while continuing to hold a 50% equity interest in the voting shares of RME; and has increased its holding in the total share capital of Lepsa from 25% to 61.06%, while maintaining its 50% interest in the voting shares of Lepsa.

As a result the indirect interest held by Cemig in the share capital of Light S.A. ('Light'), through RME and Lepsa, has increased from 6.41% to 15.86%.

Cemig also has a directly-held stockholding interest of 26.06% in the share capital of Light.

Cemig will keep its stockholders and the market duly informed on all new information related to this subject.

Belo Horizonte, November 21, 2016.

Fabiano Maia Pereira
Chief Finance and Investor Relations Officer