

COMPANHIA ENERGÉTICA DE MINAS GERAIS - CEMIG CEMIG

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

MARKET ANNOUNCEMENT

Reply to CVM Inquiry Letter 554/2016-CVM/SEP/GEA-1, of December 6, 2016

Question asked by the Brazilian Securities Commission (CVM)

Rio de Janeiro, December 6, 2016.

To Mr. Fabiano Maia Pereira

Investor Relations Director

Cia. Energética de Minas Gerais – CEMIG

Av. Barbacena, 1200 – 5th floor, B1 Wing

Santo Agostinho

30130-145 Belo Horizonte, Minas Gerais

E-mail: ri@cemig.com.br

Fax: (31) 3506-5026

Tel.: (31) 3506-5024

cc: emissores@bvmf.com.br; ccarajoinas@bvmf.com.br; apereira@bvmf.com.br

Subject: request for information on news report

Dear Sir,

1. We refer to the report published on the G1 Portal on November 9, under the headline:
“TCU sees indications of over-invoicing of R\$ 3.4bn in construction of Belo Monte”,
which contains the following statements:

“The [Federal Audit Court](#) (TCU) has found indications of overinvoicing of R\$ 3.384 billion in the works on construction of the Belo Monte hydroelectric plant, in Pará. The Audit Court has given Norte Energia, the consortium responsible for the plant and for the Belo Monte Construction Consortium, which was contracted by Norte Energia to build it, 15 days to make a statement on the irregularities.

According to the Audit Court, of the total overinvoicing found, R\$ 2.893 billion is overpricing found in the civil engineering works, and a further R\$ 490 million relates to issues in the Second Amendment signed between Norte Energia and the Belo Monte Construction Consortium.

At the time of the last update of this report the offices of Norte Energia had not responded to calls from GI.

Belo Monte is the world's third largest hydroelectric plant, after Three Gorges, in China, and Itaipu, built on the frontier between Brazil and Paraguay."

In view of the above, and the equity interest that Cemig holds in Norte Energia, we require you to make a statement in relation to this report and the possible impact on Cemig's financial statements, and to comment on any other information considered to be important on the subject.

3. This 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: Media News Reports, and should include a transcription of this letter.
4. We warn you that, by order of our Company Relations Supervision Management, using its legal powers under Sub-item II of Article 9 of Law 6385/1976 and CVM Instruction 452/07, a coercive fine of R\$ 1,000 (one thousand Reais) is applicable, without prejudice to other administrative sanctions, for non-compliance with the requirement contained in this Official Letter, within 24 hours from becoming aware of the content of this communication, which is sent exclusively by e-mail, notwithstanding the provisions of §1 of Article 6 of CVM Instruction 358/02.

Reply by CEMIG

Dear Ms. Nilza Maria Silva de Oliveira,

In response to Official Letter 554/2016-CVM/SEP/GEA-1, of December 6, 2016, we inform you that the reports of the Federal Audit Board are public documents, and that we are not aware of any consequences arising from the matters stated in the above report.

Cemig ('the Company') has an indirectly-held equity interest of 12.5% in Norte Energia S.A. ('Norte Energia'), the company that is the holder of the concession for commercial operation of the Belo Monte Hydroelectric Plant.

In relation to this indirect investment that the Company holds in Norte Energia, we inform you that as a result of the conclusions and results found by the independent investigation contracted by Eletrobras in projects and companies in which it has a stockholding interest, it was found to be necessary to adjust the financial statements of Norte Energia at December 31, 2015. The resulting effects for the Company were recognized by the equity method in proportion to the Company's stockholding interest.

This information is given in detail in the Company's financial statements for the year ended December 31, 2015, which were re-presented on November 12, 2016.

Belo Horizonte, December 7, 2016

Fabiano Maia Pereira
Chief Finance and Investor Relations Officer