

COMPANHIA ENERGÉTICA DE MINAS GERAIS – CEMIG

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

MARKET ANNOUNCEMENT

Reply to CVM Inquiry Letter 4/2017-CVM/SEP/GEA-1, of January 2, 2017

Question asked by the Brazilian Securities Commission (CVM)

Rio de Janeiro, January 2, 2017.

To Mr. Fabiano Maia Pereira

Investor Relations Director

Cia. Energética de Minas Gerais – CEMIG

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Subject: Request for explanation

Dear Sir,

1. We refer to the report published by Reuters on January 2, 2017 under the headline:

“EXCLUSIVE: Renova negotiating sale of power plant to AES Brasil, source says; stock price rises more than 20%”,

which contains the following statements:

“The share price of Renova Energia, the vehicle for renewable energy investments of the Minas Gerais electricity utility Cemig, shot up more than 20 per cent in mid-session this Monday on the Bovespa, after Reuters reported that the company is in negotiations to sell a wind farm complex in the Northeast.

A source with knowledge of the transaction said today (Monday) that Renova is negotiating its Alto Sertão II wind farm complex with the Brazilian unit of the US company AES (AES.N) for between 600 million and 700 million Reais.

The source also said that most of the proceeds from the sale of the plant will be used to reduce Renova’s debt.

At 1.47 p.m., the price of Renova’s Units was up 22.50%, at 7.35 Reais, a peak for the day. At that time the Bovespa index was down 0.68%, the share price of AES Tietê was down 0.21%, and Cemig’s share price was up 0.13%.

The Alto Sertão II wind farm complex, in Bahia, has capacity to generate 386 megawatts and has been in operation since 2014.

Renova also intends to use part of the proceeds of the sale to complete construction of a new wind farm complex, Alto Sertão III, also in Bahia, on which the works are 90% complete.

Representatives of Renova and AES Brasil did not immediately comment.

Cemig has been looking for partners or ways of capitalizing Renova since the failure in 2015 of a transaction in which the US company SunEdison would have taken a stake in the company – this was canceled after SunEdison had financial difficulties in the US.

Cemig at one point organized a tender procedure to sell an interest in Renova, in which various multinational companies participated, but this did not produce any transaction.

Amid the difficulties, in 2016 Renova announced various reorganization measures, including renegotiation of contracts with power suppliers and reduction of its investment plan.”

2. In view of the above, we order you to make a statement about this news report, 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, which is sent exclusively by e-mail, by January 3, 2017, notwithstanding the provisions of §1 of Article 6 of CVM Instruction 358/02.

Reply by CEMIG

Dear Ms. Nilza Maria Silva de Oliveira,

In reply to Official Letter 4/2017-CVM/SEP/GEA-1, of January 2, 2017, we repeat the content of the Market Notice published by Renova Energia S.A., an affiliated company of Cemig, on January 3, 2016:

“In response to the above request, the Company states that Renova has evaluated several options for reduction of its indebtedness and adapting its business plan, among which are sale of assets or entry of new partners into the company. However, so far there is no formal decision on the sale of assets nor any agreement on the terms and conditions of any potential disposal.

The Company 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, January 3, 2017

Franklin Moreira Gonçalves
Acting Chief Finance and Investor Relations Officer