

COMPANHIA ENERGÉTICA DE MINAS GERAIS CEMIG

CNPJ 17.155.730/0001-64 – NIRE 31300040127

MINUTES OF THE EXTRAORDINARY GENERAL MEETING OF STOCKHOLDERS HELD ON OCTOBER 26, 2017

At 11 a.m. on the twenty sixth day of October, two thousand seventeen, at the Company's head office, Av. Barbacena 1200, 21st Floor, Santo Agostinho, Belo Horizonte, Minas Gerais, Brazil, stockholders representing more than two-thirds of the voting stock of Companhia Energética de Minas Gerais – **Cemig** met in Extraordinary General Meeting, on first convocation, as verified in the Stockholders' Attendance Book, where all placed their signatures and made the required statements.

The stockholder **The State of Minas Gerais** was represented by Mr. Rodrigo Peres de Lima Netto, Procurator of the State of Minas Gerais, for the office of the Advocate-general of the State, in accordance with the current legislation. Mr. Marcos Túlio de Melo, a member of the Audit Board of Cemig, was also present.

Initially, Ms. Anamaria Pugedo Frade Barros, General Manager of Cemig's Corporate Executive Office, stated that there was a quorum for an Extraordinary General Meeting of Stockholders, and that the stockholders present should elect the Chair of this Meeting, in accordance with Clause 10 of the Company's by-laws.

Asking for the floor, the representative of the Stockholder **The State of Minas Gerais** put forward the name of the stockholder **Alexandre Eustáquio Sydney Horta** to chair the Meeting. The proposal of the representative of the stockholder **The State of Minas Gerais** was put to debate, and to the vote, and approved unanimously.

The Chair then declared the Meeting open and invited me, **Anamaria Pugedo Frade Barros**, a stockholder, to be Secretary of the meeting, asking me to read the convocation notice, published on September 26, 27 and 28 of this year, in the newspapers *Minas Gerais*, official publication of the Powers of the State, on pages 31, 25 and 31-32, respectively, and *O Tempo*, on pages 29, 24 and 30, respectively, the content of which is as follows:

**“ COMPANHIA ENERGÉTICA DE MINAS GERAIS
CEMIG**

CNPJ 17.155.730/0001-64 – NIRE 31300040127

**EXTRAORDINARY GENERAL MEETING OF STOCKHOLDERS
CONVOCATION**

Stockholders are hereby called to an Extraordinary General Meeting of Stockholders to be held on October 26, 2017 at 11 a.m., at the company’s head office, Av. Barbacena 1200, 21st floor, Belo Horizonte, Minas Gerais, Brazil to decide on the following matters:

- Authorization of increase in the share capital of the Company by up to one billion Reais, through issue of up to two hundred million new shares.

Proxy votes

Any stockholder who wishes to be represented by proxy at the said General Meeting of Stockholders should obey the precepts of Article 126 of Law 6406 of 1976, and of Paragraph 1 of Clause 9 of the Company’s by-laws, by exhibiting at the time, or depositing, preferably by October 24, 2017, proofs of ownership of the shares, issued by a depository financial institution, and a power of attorney with specific powers, at Cemig’s Corporate Executive Office (*Superintendência da Secretaria Geral*) at Av. Barbacena 1200 – 19th Floor, B1 Wing, Belo Horizonte, Minas Gerais.

Belo Horizonte, September 25, 2017.

José Afonso Bicalho Beltrão da Silva
Chair, Board of Directors ”

The Chair then asked the Secretary to read:

- (i) the Proposal by the Board of Directors to this Extraordinary General Meeting of Stockholders, the content of which is in compliance with Official Letter 1581/2017-SAE/GAE-1 from the São Paulo Stock Exchange (B3 S.A. – Brasil, Bolsa, Balcão), of September 28, 2017; and
- (ii) the Opinion of the Audit Board of Cemig on that Proposal.

The content of these two documents is as follows:

**“ PROPOSAL
BY THE BOARD OF DIRECTORS
TO THE
EXTRAORDINARY GENERAL MEETING OF STOCKHOLDERS
TO BE HELD ON OCTOBER 26, 2017
AT 11. A.M.**

Dear Stockholders:

The Board of Directors of Companhia Energética de Minas Gerais – Cemig has considered the matters and analysis described below:

Information

- a) The share capital of Companhia Energética de Minas Gerais (‘Cemig’ or ‘the Company’) is:

	R\$ 6,294,208,270.00	(six billion two hundred ninety four million, two hundred eight thousand two hundred seventy Reais),
represented by	420,764,708	(four hundred twenty million seven hundred sixty four thousand seven hundred eight) nominal common shares
each with nominal value of	R\$ 5.00	(five Reais)
and	838,076,946	(eight hundred thirty eight million seventy six thousand nine hundred forty six) nominal preferred shares
each with nominal value of	R\$ 5.00	(five Reais).

- b) The right to vote in any decision relating to the Company’s share capital is held exclusively by the common shares, each carrying the right to one vote in the decisions of the General Meeting of Stockholders.

- c) The preferred shares have right of preference in the event of reimbursement of shares and the right to a minimum annual dividend of the greater of the following amounts:
- 10% (ten percent) of their nominal value;
 - or 3% (three percent) of the value of the stockholders' equity corresponding to the shares.
- d) The common shares and the preferred shares have equal rights to distribution of bonuses.
- e) The stockholders have the right of preference in subscription of increases of capital and in the issue of the Company's securities, in accordance with the applicable legislation.
- f) The Company has assumed a significant amount of debt to finance the capital expenses necessary for compliance with its long-term growth objectives. On June 30, 2017 its consolidated current liabilities exceeded consolidated current assets by R\$ 3.9 billion. On that date the totals of its loans, financings and debentures were: short-term, R\$ 5.19 billion; and long-term, R\$ 9.41 billion.
- g) In June 2017 Cemig presented to the market a list of assets which were being examined from the point of view of disinvestment, for possible sale over the period 2017-2018, to improve its short-term liquidity situation and reduce its indebtedness.
- h) It is the function of the General Meeting of Stockholders to decide on any change in the company's share capital, and consequent change to the by-laws.

Analysis

- a) Due to its high level of debt, Cemig is subject to certain restrictions on its capacity to raise funds, which could be an impediment when entering into new contracts for financing of its operations, or for refinancing of existing obligations, and this might adversely affect its business, operational results and financial situation.
- b) An increase in share potential could significantly mitigate the present perception of Cemig's credit risk, which mainly results from its high leverage.
- c) This capital increase also has the merit of giving the Company a more robust capital structure, enabling it to reduce the present level of financial expenses and leverage, and enabling new financial transactions.
- d) Existing stockholders will be given first refusal right to subscribe the new shares in proportion to those they currently hold.
- e) The shares subscribed will have full rights to all the benefits, including dividends and/or Interest on Equity, that are declared by the Company.
- f) The issue price has been set in accordance with the criteria established in Sub-item III of §1 of Article 170 of Law 6404/1976, as amended, using as parameter the weighted average market price of the preferred shares on the São Paulo securities exchange (B3 S.A.) in the period of May 4, 2017 to August 31, 2017 (120 days).
- | | | |
|---------------------------------------|-----------|--|
| This weighted average price was: | R\$ 8.22, | (eight Reais and twenty two centavos), |
| – to which was applied a discount of: | 20%, | |
| resulting in a price per share of | R\$ 6.57 | (six Reais and fifty seven centavos). |
- g) The reason for the discount is the volatility of the Brazilian stock market. The discount aims to stimulate minority shareholders to take up their rights to the subscription – avoiding any possibility that the capital increase might become impracticable in a situation of price depression or high volatility of the stock market during the subscription preference period.
- h) From the economic point of view the discount is practically neutral, since if every stockholder subscribes the new issue (or sells the stockholder's first refusal right), there will be no impact for the present stockholders. The practical effect is that the same group of assets will be divided between a larger number of shares, which causes no adverse effect for the Company nor for its stockholders, nor for the market, which adjusts automatically.
- i) With the issue of a capital increase for
- | | | |
|---|----------------------|--|
| up to | R\$ 1,000,000,000.00 | (one billion Reais), |
| the Company's share capital will increase | | |
| from | R\$ 6,294,208,270.00 | (six billion two hundred ninety four million, two hundred eight thousand two hundred seventy Reais), |
| to up to | R\$ 7,294,208,270.00 | (seven billion two hundred ninety four million, two hundred eight thousand two hundred seventy Reais). |
- j) Subscription and payment of
- | | | |
|-----------------------|-------------|--|
| up to | 200,000,000 | (two hundred million) new shares, |
| with nominal value of | R\$ 5.00 | (five Reais) each, |
| of which up to | 66,849,505 | (sixty six million eight hundred forty nine thousand five hundred five) are common shares, |
| and up to | 133,150,495 | (one hundred thirty three million one hundred fifty thousand four hundred ninety five) are preferred shares, |

at price per share of R\$ 6.57 (six Reais and fifty seven centavos),
 will enable the company to obtain total funding of
 up to R\$ 1,314,000,000.00 (one billion three hundred fourteen million Reais).
 Of this amount, the difference,
 – of up to R\$ 314,000,000.00 (three hundred fourteen million Reais),
 will be allocated to the capital reserve account.

- k) The potential for dilution resulting from the issue, if any stockholder does not subscribe, is
 13.704239283%
 for both the common shares and for the preferred shares.
- l) The present stockholders may exercise their preferential right to subscribe in the period
 October 30 to November 29, 2017,
 in the proportion of 15.887624200% applied to
 the number of shares of each type that they hold at the close of market on the day of the Extraordinary General Meeting of Stockholders that decides on this subject. The shares subscribed must be paid at sight, in cash.
- m) Stockholders who do not wish to exercise their rights of first refusal for the subscription may assign those rights or trade them on a securities exchange.
- n) Any stockholders who opt to subscribe leftover shares may do so, at the same price and on the same conditions, exclusively on the following dates:
 1st apportionment: in the period December 1–4, 2017,
 in proportion to the shares subscribed during the preference period; and
 2nd apportionment: in the period December 6–7, 2017,
 in proportion to the shares subscribed in the preference period plus those subscribed in the first apportionment period.
- o) If there are any shares not subscribed after these two rounds of allocation, the Company will sell the entire remaining balance of unsubscribed shares on a securities exchange, as enabled by §7 of Article 171 of Law 6404/1976.
- p) Within up to 5 (five) business days after the date of the Extraordinary General Meeting of Stockholders to be held for the purpose of confirming and approving the said capital increase, the Company will announce the date for credit of the shares subscribed.

– and in view of these considerations, the Board of Directors now proposes to you:

Authorization of an increase in the Company's share capital,

from R\$ 6,294,208,270.00 (six billion two hundred ninety four million, two hundred eight thousand two hundred seventy Reais),
 to up to R\$ 7,294,208,270.00 (six billion two hundred ninety four million, two hundred eight thousand two hundred seventy Reais),
 through issuance of up to 200.000.000 (two hundred million) new shares,
 each with nominal value of R\$ 5.00 (five Reais),
 of which up to 66,849,505 (sixty six million eight hundred forty nine thousand five hundred five) will be common shares
 and up to 133.150.495 (one hundred thirty three million one hundred fifty thousand four hundred ninety five) preferred shares,
 at the price per share of R\$ 6.57 (six Reais and fifty seven centavos)
 which is equal to the weighted average market price of the preferred shares on the São Paulo securities exchange (B3 S.A.) from: May 4, 2017 to August 31, 2017,
 adjusted by a discount of 20% (twenty per cent).

Holders of shares in the Company at the close of market on the day of the Extraordinary General Meeting of Stockholders that authorizes the said capital increase will have the right to subscribe the new shares.

The shares subscribed will have full rights to all the benefits, including dividends and/or Interest on Equity, that are declared by the Company.

To result in the proportion between common and preferred shares remaining precisely the same as before the capital increase, the precise numbers of the shares in the increase will be

up to	199,910,947	(one hundred ninety nine million nine hundred ten thousand nine hundred forty seven) new shares,
in the proportion of up to	66,849,505	(sixty six million eight hundred forty nine thousand five hundred five) will be common shares
and up to	133,061,442	(one hundred thirty three million sixty one thousand four hundred forty two) will be preferred shares

As can be seen, the objective of this proposal is to meet the legitimate interests of the stockholders and of the Company, and for this reasons it is the hope of the Board of Directors that it will be approved.

Belo Horizonte, September 29, 2017

José Afonso Bicalho Beltrão da Silva	José Pais Rangel
Marco Antônio de Rezende Teixeira	Marcelo Gasparino da Silva
Bernardo Afonso Salomão de Alvarenga	Marco Antônio Soares da Cunha Castello Branco
Antônio Dirceu Araújo Xavier	Nelson José Hubner Moreira
Arcângelo Eustáquio Torres Queiroz	Daniel Alves Ferreira
Helvécio Miranda Magalhães Junior	”

“ OPINION OF THE AUDIT BOARD

The undersigned members of the Audit Board of Companhia Energética de Minas Gerais – Cemig, in performance of their functions under the law and under the by-laws, have examined the Proposal made by the Board of Directors to the Extraordinary General Meeting of Stockholders to be held on October 26, 2017, which has been complemented in compliance with Official Letter 1581/2017-SAE/GAE-1 from the São Paulo Stock Exchange, referring to authorization of an increase in the share capital:

from	R\$ 6,294,208,270.00	(six billion two hundred ninety four million, two hundred eight thousand two hundred seventy Reais),
to up to	R\$ 7,294,208,270.00	(seven billion two hundred ninety four million two hundred eight thousand two hundred seventy Reais)
by issuance of up to	200,000,000	(two hundred million) new shares,
each with nominal value of	R\$ 5.00	(five Reais),
of which up to	66,849,505	(sixty six million eight hundred forty nine thousand five hundred five) will be common shares
and up to	133,150,495	(one hundred thirty three million one hundred fifty thousand four hundred ninety five) will be preferred shares,
at the price per share of	R\$ 6.57	(six Reais and fifty seven centavos),

using as parameter the weighted average market price of the preferred shares on the São Paulo securities exchange (B3 S.A.) over the period from May 4, 2017 to August 31, 2017, adjusted by a discount of 20%, holders of shares in the Company at the close of market on the day of the Extraordinary General Meeting of Stockholders that authorizes the said capital increase having the right to subscribe the new shares; the shares subscribed to have full rights to all the benefits, including dividends and/or Interest on Equity, that are declared by the Company, to make it possible for common and preferred shares to be held in the same proportion as in the share capital of the Company before the above mentioned capital increase.

The said increase in the share capital may be:

up to	199,910,947	(one hundred ninety nine million nine hundred ten thousand nine hundred forty seven)
new shares, of which	66,849,505	(sixty six million eight hundred forty nine thousand five hundred five) are common shares,
and up to	133,061,442	(one hundred thirty three million sixty one thousand four hundred forty two) are preferred shares.

It is the opinion of the members of the Audit Board, after carefully analyzing the said proposal and further taking into account that the applicable rules governing the subject have been complied with, that this proposal should be approved by the said General Meetings of Stockholders.

Belo Horizonte, September 29, 2017

Manuel Jeremias Leite Caldas, Flávia Cristina Mendonça Faria Da Pieve,
 Marco Antônio Badaró Bianchini, Marcos Túlio de Melo. ”

The above Proposal being put to debate, the representative of the stockholder BNDES Participações S.A. – BNDESPar asked for the floor and stated that the company should follow the path of efficiency and disposal of assets to reduce leverage so as to return to the levels specified in its by-laws.

The Chair then put the Proposal made to the Meeting by the Board of Directors to a vote, and it was approved unanimously.

There being no further business, the Chair opened the meeting to the floor, and since no-one wished to speak, ordered the meeting suspended for the time necessary for the writing of the minutes.

The session being reopened, the Chair, after putting the said minutes to debate and to the vote and verifying that they had been approved and signed, closed the meeting.

For the record, I, Anamaria Pugedo Frade Barros, Secretary, wrote these minutes and sign them together with all those present.