

COMPANHIA ENERGÉTICA DE MINAS GERAIS – CEMIG

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

MARKET ANNOUNCEMENT

Reply to CVM: Renova negotiation

As per CVM Instruction 358 of January 3, 2002 as amended, **Cemig** (*Companhia Energética de Minas Gerais* – listed in São Paulo, New York and Madrid), **hereby reports** to the Brazilian Securities Commission (CVM), the São Paulo Stock Exchange (B3) and the market as follows:

Today Cemig’s affiliated company Renova Energia S.A. (‘Renova’) published the following Material Announcement:

“ **Renova Energia S.A. (RNEW11)** (‘**Renova**’), as per CVM Instruction 358/2002 as amended, reports as follows:

On November 30 Renova received from the CVM Official Inquiry Letter 230/2017/CVM/SEP/GEA-3 with the following request:

- “1. We refer to the proposal from Brookfield Energia Renovável S.A. (‘Brookfield’) for a primary subscription of capital in Renova Energia S.A. (‘Renova’), in the amount of R\$ 1.4 billion, decided in a meeting of the Board of Directors of Renova on November 24, 2017 (‘the Meeting’) and disclosed to the market in a Material Announcement on that date.
2. We request explanations and comments from Renova on:
 - i The principal stages and, if it is possible to indicate them, the related periods and deadlines expected for Renova’s decision on the proposal.
 - ii Whether the transaction in question involves assignment of rights to subscribe shares by part of the controlling stockholders of Renova to Brookfield for consideration, and if so, the price for such assignment.
 - iii What percentage of the common shares in Renova may be owned by Brookfield after completion of the transaction; and
 - iv Whether it is planned that there will be a change in the structure of control of the Company upon completion of the transaction.
3. You may send additional comments and/or explanations, if necessary.
4. Your statement may be provided only by email, to the following address: gea-3@cvm.gov.br, with copy to mferreira@cvm.gov.br, without prejudice to any disclosures that Renova may believe it should make to the market, in accordance with its policy on disclosure of information, and CVM Instruction 358/02.
5. As per orientation by our Company Relations Supervision Management Unit, we advise you that non-compliance with this request by December 5, 2017 subjects your company to a to a coercive fine of R\$ 1,000 (one thousand Reais), under Sub-item II of Article 9 of Law 6385/1976 and CVM Instruction 452/2007. You have the option to send additional comments and/or explanations, if necessary. ”

Yesterday, December 5, **Renova** sent the following response to the CVM:

“ In response to the Official Inquiry Letter, we provide the comments and explanations below:

i. The principal stages and, if it is possible to indicate them, the related periods and deadlines expected for Renova’s decision on the proposal:

Renova, jointly with its controlling stockholders and Brookfield, is in a phase of negotiation of an investment agreement for increase of capital in Renova. This negotiation is still at its initial phase and, after conclusion of this investment agreement and compliance with the conditions precedent that are usual in transactions of this type, but which are not yet duly decided, the process of capital increase will begin – its associated deadlines and periods are not yet able to be determined.

ii. Whether the transaction in question involves assignment to Brookfield, by part of the controlling stockholders of Renova, of rights to subscribe shares for consideration, and if so, the price for said assignment:

The transaction in question does not involve assignment, for consideration, of any subscription rights held by the controlling stockholders of the company, but does involve assignment of such rights by the controlling stockholders without consideration.

iii. What percentage of the common shares in Renova may be owned by Brookfield on completion of the transaction:

The final percentage of the common shares that will be owned by Brookfield on completion of the process of capital increase will depend on whether minority stockholders decide to match the capital increase, or not.

As a hypothetical calculation: in a scenario of a capital increase of R\$ 1.4 billion, at a base price of R\$ 6.00/Unit, considering the shares assigned by the controlling stockholders, if none of the minority stockholders accompany the capital increase, this situation would indicate that Brookfield would hold 62.7% of the common shares.

In an alternative hypothetical calculation: in a scenario of a capital increase of R\$ 1.4 billion, at a base price of R\$ 6.00/Unit, including the shares assigned by the controlling stockholders, and full matching of the capital increase by all minority stockholders, Brookfield would hold 53.2% of the common shares.

iv. Whether it is planned that there will be a change in the structure of control of the Company upon completion of the transaction.

If the volume of the capital increase proposed, of R\$ 1.4 billion, is realized, at the proposed base price for the transaction of R\$ 6.00/Unit, as mentioned in the previous answer, the transaction will result in Renova having a new controlling stockholder. It should be noted that the conditions of assumption of control are yet to be decided in the negotiation of the investment agreement, which is in progress. Renova reiterates that all the rights of the minority stockholders will be fully respected.”

The Company reiterates its commitment to keep the market duly and timely updated on the progress of the capital increase transaction.”

Belo Horizonte, December 6, 2017.

Adézio de Almeida Lima
Chief Finance and Investor Relations Officer