

COMPANHIA ENERGÉTICA DE MINAS GERAIS – CEMIG

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

MATERIAL ANNOUNCEMENT

Board proposes absorption of CemigTelecom

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

In a meeting on today's date, Cemig's Board of Directors decided to submit a proposal to an Extraordinary General Meeting of Stockholders that Cemig should absorb its wholly-owned subsidiary Cemig Telecomunicações S.A. ('CemigTelecom').

The absorption will provide gains from optimization of assets and synergies, and reduce financial, operational and administrative costs through concentration of existing administrative structures, while improving options for use of available funds.

The proposal will be submitted to decision by stockholders at an EGM to be called at an opportune time (subject to periods specified by law and the by-laws).

To take effect, the absorption will need also to be submitted separately to Cemig's Audit Board, under Sub-item III of Article 163 of Law 6404/1976.

Since this is a 100% absorption there will be no capital increase nor issue of new shares. The shares in the subsidiary will be canceled and the necessary accounting records made.

Cemig reiterates its commitment to keep stockholders and the market timely informed in accordance with the applicable law and regulations.

Belo Horizonte, January 12, 2017

Adézio de Almeida Lima
Chief Finance and Investor Relations Officer