



COMPANHIA ENERGÉTICA DE MINAS GERAIS – CEMIG

CNPJ 17.155.730/0001-64 – NIRE 31300040127

EXTRAORDINARY GENERAL MEETING OF STOCKHOLDERS

CONVOCAÇÃO

Stockholders are hereby called to an Extraordinary General Meeting of Stockholders to be held on April 23, 2018 at 3 p.m., at the Company's head office, Av. Barbacena 1200, 21st floor, Belo Horizonte, Minas Gerais, Brazil, to decide on the following matter:

Verification and approval of increase in the Company's share capital,
– to seven billion two hundred ninety three million seven hundred sixty three thousand five Reais,
through issue and subscription of one hundred ninety nine million nine hundred ten thousand nine hundred forty seven
new shares, of which sixty six million eight hundred forty nine thousand five hundred five
are common shares and one hundred thirty three million sixty one thousand four hundred forty two
are preferred shares;

and consequent alteration of the head paragraph of Clause 4 of the by-laws.

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 the sole paragraph of Clause 9 of the Company's by-laws, by exhibiting at the time, or depositing, preferably by April 20, 2018, proofs of ownership of the shares, issued by a depositary 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, Brazil.

Belo Horizonte, March 22, 2018.

José Afonso Bicalho Beltrão da Silva
Chair of the Board of Directors



PROPOSAL
BY THE BOARD OF DIRECTORS
TO THE
EXTRAORDINARY GENERAL MEETING OF STOCKHOLDERS
TO BE HELD ON APRIL 23, 2018 AT 3 P.M.

Dear Stockholders:

The Board of Directors of Companhia Energética de Minas Gerais – Cemig, in light of the following information and analysis:

Information:

- a) On October 26, 2017 an Extraordinary General Meeting of stockholders decided to increase the Company's share capital by up to one billion Reais, through issue of up to two hundred million new shares.
- b) The Company's share capital 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 par value of R\$ 5.00 and 838,076,946 (eight hundred thirty eight million seventy six thousand nine hundred forty six) nominal preferred shares, each with par value of R\$ 5.00.
- c) The right to vote in a decision related to the Company's share capital is reserved exclusively to the common shares, and each share has the right to one vote in decisions of the general meeting of stockholders.
- d) The preferred shares have right of preference in the event of reimbursement of shares and shall have the right to a minimum annual dividend of the greater of:
 - 10% (ten percent) of their nominal value, or
 - 3% (three percent) of the value of the stockholders' equity corresponding to the shares.
- e) The common shares and the preferred shares have equal rights to distribution of bonuses.
- f) Stockholders have right of preference in subscription of capital increases and issues of the Company's securities, in accordance with the legislation.
- g) Decision on any change in the company's share capital, and consequent change to the by-laws, is a function of the General Meeting of Stockholders.
- h) The capital increase now proposed has the merit of providing the Company with a more robust capital structure, making it possible to reduce financial expenses associated with new financing transactions, and to reduce its financial leverage.
- i) The issue price has been set in accordance with the criteria established in Sub-item III of § 1 of Article 170 of Law 6404 of December 15, 1976 as amended, which is based on the weighted average market price of the preferred shares on the São Paulo securities exchange (B3 S.A.) in the period May 4, 2017 to August 31, 2017 (120 days), applying a discount of 20% on R\$ 8.22 (eight Reais and twenty two centavos), which is the weighted average quoted price for the preferred shares on the B3 in that period, which results in a price of price per share of R\$ 6.57 (six Reais and fifty seven centavos) per share.

- j) The discount is justified by the volatility of the Brazilian stock market, and 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.
- k) From the economic point of view the discount was practically neutral, since the stockholders were able to subscribe the issue or sell their first refusal right. The practical effect is of dividing the same group of assets between a larger number of shares, causing no adverse effect for the Company, nor for its stockholders, nor for the market, which adjusts automatically.
- l) Existing stockholders were given first refusal right to subscribe the new shares in proportion to those they held at that time.
- m) The shares subscribed had full rights to all the benefits, including dividends and/or Interest on Equity, to be declared by the Company.
- n) With the new share subscription of R\$ 999,554,735.00 (nine hundred ninety nine million five hundred fifty four thousand seven hundred thirty five Reais), the share capital of the company 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 R\$ 7,293,763,005.00 (seven billion two hundred ninety three million seven hundred sixty three thousand and five Reais).
- o) This capital increase will provide for subscription of 199,910,947 (one hundred ninety nine million nine hundred ten thousand, nine hundred forty seven) new shares, each with par value of R\$ 5.00 (five Reais), of these, 66,849,505 (sixty six million eight hundred forty nine thousand five hundred five) common shares and 133,061,442 (one hundred thirty three million sixty one thousand four hundred forty two) preferred shares, at the price of R\$ 6.57 (six Reais and fifty seven centavos) per share.
- p) The capital increase will enable the Company to obtain proceeds of a minimum of R\$1,313,414,921.79 (one billion three hundred thirteen million four hundred fourteen thousand nine hundred twenty one Reais and seventy nine centavos). Any amount that exceeds R\$ 999,554,735.00 (nine hundred ninety nine million five hundred fifty four thousand seven hundred thirty five Reais) will be allocated to the Capital reserve account.
- q) The potential dilution resulting from the issue, for those stockholders who did not subscribe to the issue, was 13.704239283% for the common shares and for the preferred shares.
- r) The Company’s stockholders were able to exercise their preference right to subscription in the period from October 30, 2017 to November 29, 2017, in the proportion of 15.887624200% in relation to the shares of the same type that they hold at the close of October 26, 2017, the date of the Extraordinary General Meeting of Stockholders that decided on that subject.
- s) Stockholders not wishing to exercise their rights of first refusal for the subscription had the opportunity to assign those rights or trade them on a securities exchange.
- t) Stockholders who opted to subscribe shares that were not subscribed in these initial stages (‘the Leftover Shares’) were able to subscribe them, at the same price and on the same conditions, exclusively on the following dates:
 1st apportionment: December 5–7, 2017, in proportion to shares subscribed in the preference period; and
 2nd apportionment: December 14–28, 2017, in proportion to shares subscribed in the preference period.
- u) The shares subscribed were paid up simultaneously with their subscription, in cash, and represent an entry of capital into the Company’s cash position, totaling R\$1,215,453.26 (one billion two hundred fifteen million two hundred twenty three thousand four hundred fifty-three Reais and twenty six centavos).
- v) The Leftover Shares were equivalent by volume to 7.48% of the issue.

Analysis:

- a) The shares not subscribed, after the two periods of apportionment initially provided for, are to be sold on a stock exchange to the benefit of the Company, which is optional under Sub-clause ‘b’ of § 7 of Article 171 of Law 6404/1976, transcribed below:

“ § 7 In a listed company, the body that decides on an issue by private subscription shall decide on leftover shares not subscribed, and may:

- a) order them to be sold on a stock exchange, to the Company’s benefit; or
 - b) share them out, in the proportion of the amounts subscribed, among the stockholders that have requested a reservation of leftover shares, in the subscription bulletin or list; in this event, the condition shall be stated in the subscription bulletins or lists and the balance thus not shared out shall be sold on the stock exchange, in accordance with the prior sub-clause.”
- b) Sale of Leftovers in a volume higher than 5% of the issue and less than 1/3 of the shares in circulation on stock exchanges is characterized as a primary public offering of shares and must be preceded by a simplified application for registry to the CVM, under § 1 of Article 6 of CVM Instruction 400.
 - c) The CVM has up to 20 (twenty) business days from the filing of the request for registry to make statement on the request, and registry shall be obtained automatically if the CVM does not make statement in that period, as per Article 8 of CVM Instruction 400.
 - d) However, Sub-item II of Article 5 of that instruction states that registry will automatically be dispensed with, without the need for formulation of the Request specified in Article 4, in the event of a public offering for distribution of a single, indivisible, lot of securities.
 - e) In this context, and considering the interest of the Company in confirming and ratifying the capital increase as soon as possible, it becomes important to sell all the common and preferred shares not prescribed, in a single and indivisible lot – by a Special Auction on the Stock Exchange (B3) (‘the Auction’).
 - f) The CVM, by Formal Letter 48/2018/CVM/SEP/GEA-3, of March 12, 2018, has verified that there is no obstacle to the format of the auction in a single indivisible lot, under the terms of Sub-item II of Article 5 of CVM Instruction 400.
 - g) The shares not subscribed, that is to say 13,129,679 (thirteen million one hundred twenty nine thousand six hundred seventy nine) common shares and 1,815,750 (one million eight hundred fifteen thousand seven hundred fifty) preferred shares, to be sold on the B3, to the benefit of the Company, are likely to provide an additional inflow of cash to the Company of at least R\$ 98,191,468.53 (ninety eight million one hundred ninety one thousand four hundred sixty eight Reais and fifty three centavos).
 - h) The sale of the Leftover Shares, by the Auction, must follow the rules specified in the Operational Procedures Manual and Regulations of the B3. The minimum price per share must necessarily be R\$6.57 (six Reais and fifty seven centavos), that is to say the same price set at the time of the approval of the Company’s capital increase.
 - i) A securities broker authorized to operate on the B3 must represent the Company in the Auction. Investors who wish to take part in the Auction must find a broker to represent them.
 - j) The small volume of shares that it is intended to sell by Auction (equal to 7.48% of the issue, 2.77% of the voting stock, 0.19% of the non-voting stock and 1.04% of the total capital) should not influence the market price of Cemig’s shares, since the amount is little above the average daily trading volume of the Company’s shares (R\$ 83 million) on the B3 in the last 60 (sixty) days.
 - k) The shares offered in the Auction will be represented by subscription receipts up to the time of verification and ratification of the capital increase by the General Meeting of Stockholders.

- l) During the Auction, third party vendors will not be allowed to enter the trading; only purchasers bidding for the entire single lot offered will be allowed to operate.
- m) The Company intends to sell the shares not yet subscribed in a single indivisible lot, by Auction, by March 19, 2018.
- n) After financial settlement of the Auction, which will take place on the third business day after it is held, the brokerage company shall transfer the proceeds of the sale, net of charges, to a current account in the name of Cemig; and
- o) Within up to 4 (four) business days after the date of the Extraordinary General Meeting of Stockholders to be called for the purpose of confirming and approving the said capital increase, the Company will announce the date for credit of the shares subscribed.

– *do now propose to you as follows:*

I Verification and approval of 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 R\$ 7,293,763,005.00 (seven billion two hundred ninety three million seven hundred sixty three thousand and five Reais), through issue and subscription of 199,910,947 (one hundred ninety nine million nine hundred ten thousand nine hundred forty seven) new shares, each with par value of R\$ 5.00 (five Reais), comprising 66,849,505 (sixty six million eight hundred forty nine thousand five hundred five) common shares and 133,061,442 (one hundred thirty three million sixty one thousand four hundred forty two) preferred shares.

II Approval of the consequent alteration of the head paragraph of Clause 4 of the by-laws, which shall now have the following drafting:

“Clause 4 The Company’s share capital is R\$ 7,293,763,005.00 (seven billion two hundred ninety three million seven hundred sixty three thousand and five Reais), represented by:

- a) 487,614,213 (four hundred eighty seven million six hundred fourteen thousand two hundred thirteen) nominal common shares, each with par value of R\$ 5.00;
- b) 971,138,388 (nine hundred seventy one million one hundred thirty eight thousand three hundred eighty eight) nominal preferred shares, each with par value of R\$ 5.00.”

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 reason it is the hope of the Board of Directors that it will be approved.

Belo Horizonte, March 22, 2018.

José Afonso Bicalho Beltrão da Silva
 Marco Antônio de Rezende Teixeira
 Bernardo Afonso Salomão de Alvarenga
 Antônio Dirceu Araújo Xavier
 Arcângelo Eustáquio Torres Queiroz
 Arlindo Magno de Oliveira
 Helvécio Miranda Magalhães Junior

Carlos Eduardo Lessa Brandão
 Hermes Jorge Chipp
 José Pais Rangel
 Marcelo Gasparino da Silva
 Marco Antônio Soares da Cunha Castello Branco
 Nelson José Hubner Moreira
 Patrícia Gracindo Marques de Assis Bentes