

# COMPANHIA ENERGÉTICA DE MINAS GERAIS – CEMIG

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

## MARKET NOTICE

### Reply to CVM Inquiry Letter 232/2018/CVM/SEP/GEA-1

#### Question asked by the Brazilian Securities Commission (CVM)

Rio de Janeiro, Tuesday, June 12, 2018.

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**Subject: Request for information – Reiteration of requirement  
Official Letter 198/ 2018-CVM/SEP/GEA-1.**

“Dear Sir,

1 We refer to the Market Announcement published by the Issuer on May 14, 2018, in response to the above-mentioned Official Letter, which requests explanations about a news report in the *Estadão Online* news medium, under the heading:

*“Santo Antônio Hydroelectric Plant declares ‘imminent risk of financial failure’.*

2 On this subject, the Issuer alleged in the said correspondence that it did not see any reason for disclosure additional to, or concomitant with, the Material Announcement or Market Announcement, because it considered the explanations published by Santo Antônio Energia S.A. on the subject to be sufficient.

3 However, in view of the significant scale of the investment for the Issuer, bearing in mind that it is larger than the net profit of Cemig in the business year ended December 31, 2017[1], we reiterate the requirements contained in that Official Letter.

4 Thus, we now once again request the need for statement by the company on the reasons why it opted not to publish a Material Announcement in relation to the question under discussion, and also commentaries on other information considered important on the subject, especially in relation to the possible impacts of losses relating to the investments in Santo Antônio Energia S.A. on the Issuer's position in terms of equity and financial situation.

5. This statement must be given through the *Empresa.NET* system, in the category: *Market notice*; Sub-category: *Responses to consultations by CVM/B3*; Subject: *Media News Report*; and should include a transcription of this Official Letter.

6 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 No. 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 June 13, 2018**, notwithstanding the provisions of §1 of Article 6 of CVM Instruction 358/02.”

### Reply by CEMIG

Dear Ms. Nilza Maria Silva de Oliveira,

In response to Official Letter 232/2018/CVM/SEP/GEA-1, Cemig (*Companhia Energética de Minas Gerais*) ('Cemig' or 'the Company') provides the following additional statements in relation to the requirements contained in Official Letter 198/2018-CVM/SEP/GEA-1.

At the time, through our Market Announcement in response to Official Letter 198/2018-CVM/SEP/GEA-1, we informed you that after the responses published by Santo Antônio Energia S.A. ('SAE') itself on the media report published by the *Estado* on May 9, 2018, we saw no reason, under CVM Instruction 358/2002, that would justify disclosure, by the Company, of information concomitant with or additional to the Material Announcement published by SAE.

On this point, it should be noted that the debts of SAE, which are the subject of a Court action in the judiciary, are still under discussion and are susceptible to negotiation and potential agreement for payment by instalments, and that this was stated in the Material Announcement published by SAE on May 10, 2018, which was attached to our previous response:

“Santo Antônio Energia S.A. ('SAE' or 'the Company'), in accordance with CVM Instruction 358 of January 3, 2002 as amended, and in reference to the Material Announcements published on April 17, 20 and 24, 2018, and the report published on May 9 in the *O Estado de S. Paulo* newspaper (“*Santo Antônio Hydroelectric Plant declares ‘imminent risk of financial failure’*”), hereby advises the market as follows:

As has already been stated in the above-mentioned Material Announcements, the Company has applied to the Courts to re-establish the effects of the interim injunction previously granted by the regional Federal Court of Brasília, in relation to the criteria for calculation of the Availability Factor of the Santo Antônio hydroelectric plant, which was also given in the Higher Appeal Court ('STJ'), to the case records of which the item in the Estado de S. Paulo refers. Notwithstanding such measures, and in compliance with Aneel Dispatch 946/2018 and based on the decision in favor given by its Board of Directors, the Company, on May 9, 2018, formalized a proposal to Aneel for

payment by installments of the debit relating to the calculation of the Availability Factor (*Fator de Disponibilidade* – FID) of the Santo Antônio Hydroelectric Plant. The Company continues to honor all its financial, legal and contractual obligations. SAE will continue to keep its stockholders and the market duly informed on the progress of and the results arising from these matters.”

In light of these facts, in relation to the Company’s investment in SAE being of an amount higher than Cemig’s net profit in the business year ended December 31, 2017, at the time we did not see a situation of risk capable of impacting the investments made by the Company in SAE, since SAE is taking the necessary, adequate and appropriate judicial and administrative measures to mitigate any risks that may occur.

And, indeed, SAE subsequently gave further explanation on the question, in its Market Announcement published on May 11, 2018:

*“The media report referred to makes reference to the passage in the writ filed by the Company in the action for Suspension of Mandamus currently before the Higher Appeal Court, which was extracted out of its context and which cannot be interpreted in isolation. This being so, any mention of “risk” in the said writ should be interpreted in the specific context of the related Court action which, because its objective is to obtain an injunction to suspend the Company’s debt, highlighted the urgency and importance of the subject, not dealing with (nor could it) other alternatives for resolution of the debit referred to, such as normal business negotiations, which are in progress, with Aneel. Therefore, the general “risk” of the Company must be analyzed based on the ample and wide-ranging information regularly provided by the Company’s Management, as per the Material Announcements referred to above, and in no event based on partial extracts made from isolated legal proceedings, based on the Media. Finally, the Company notes that it continues to comply with all its financial, legal and contractual obligations, and also awaits developments resulting from the proposal presented to Aneel, and from a legal action currently in progress, to provide the basis of its next decisions on the subject and on the continuing compliance with its obligations.”*

We also highlight that there was no atypical movement in the share prices of the Company trading on the exchange in the days subsequent to the publication of the media report and publication of the Material Announcements and Market Announcements by SAE and by the Company.

Solely for the purposes of information, we remind you that in the Company’s financial statements for the first quarter of 2018 the subject was included through Explanatory Note 15 – Investment – at Page 43, as follows:

**“ Investment in the Santo Antônio plant through Madeira Energia S.A. (‘Mesa’) and FIP Melbourne The FID (Availability Factor)**

On July 31, 2015, the Regional Federal Appeal Court accepted the request by Santo Antônio Energia S.A. (‘SAE’ – a subsidiary of the investee Madeira Energia S.A.) for interim relief on appeal. This relief suspended the application of the Availability Factor (FID) related to the generating units of the Santo Antônio hydroelectric plant not dispatched by the National System Operator (ONS). This decision, which had ordered Aneel and the CCEE to adopt the necessary procedures to make that decision effective in the CCEE’s accounting and settlement, was suspended by the Higher Appeal Court (STJ), and after an unfavorable decision against SAESA in a constitutional appeal to the Supreme Federal Court (STF), the suspension was maintained. On March 31, 2018, SAE had an amount accrued as current liabilities of R\$ 691,464, representing the effect of the application of the

FID in that claim. SAESA expects and will make its best efforts to re-establish the effects of the interim injunction until final court decision. On April 24, 2018, in an Extraordinary Meeting, Aneel granted interim relief in the administrative application presented by SAE on April 19, 2018, for suspension of the payment of guarantees required by CCEE, and also the related financial settlement, in relation to the calculation of the availability factor (FID) of the Santo Antônio hydroelectric plant, in which the payment expired on that date. After receiving the CCEE notification and recalculation of the debit relating to the FID, SAE will present to Aneel a proposal for resolution of it, which should be previously approved by its Board of Directors.

Finally, we report the following new developments from the discussions in relation to the FID of SAE:

On April 27, 2018, the CCEE advised a new amount for the debit, namely R\$ 724,808,282.61.

On May 9, 2018, SAE presented to Aneel a proposal for payment by instalments of the debit relating to the calculation of the FID for the Santo Antônio hydroelectric plant which would be in line with its capacity for payment.

On May 22, 2018, in an Ordinary Public Meeting, Aneel, by its Dispatch 1146/2018, did not accept the proposal for payment of the debit presented by Santo Antônio Energia S.A., and ordered the Company to present a new proposal for payment of the debit directly to the Electricity Trading Exchange (CCEE) by May 28, 2018, and authorized CCEE to analyze and decide on the proposal for payment of the debit by instalment and set the conditions for its operationalization in up to 45 (forty-five) days from publication of the Dispatch.

Complying with the period established, on May 28, 2018 SAE sent a proposal to the CCEE for payment of the debit by instalments, in such a way that the flow of payments would be compatible with the cash flow generated by the Company.

SAE continues to employ its best efforts with CCEE for acceptance of the proposal. The period for reply by CCEE is up to 45 (forty-five) days from publication of the Dispatch.

As to the possible impacts relating to the investments in SAE, we highlight that in its accounting Cemig does not consolidate the results of SAE, which is neither a subsidiary nor an affiliated company under Law 6404/76 and Law 1303/16: these amounts are recorded as gain (loss) by the equity method, and their effects are recognized and published in the Company's quarterly information.

Any change in the situation that could have influence on the investment made by the Company in SAE will immediately be communicated by Cemig to the market in accordance with CVM Instruction 358/2002.

Please do not hesitate to contact us if you need any further explanation.

Belo Horizonte, June 19, 2018.

Maurício Fernandes Leonardo Júnior  
Chief Finance and Investor Relations Officer