

COMPANHIA ENERGÉTICA DE MINAS GERAIS – CEMIG

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

MARKET ANNOUNCEMENT

Response to query from CVM

Reply to CVM Inquiry Letter 198/2018/CVM/SEP/GEA-1

Question asked by the Brazilian Securities Commission (CVM)

Rio de Janeiro, May 11, 2018.

To Mr. Maurício Fernandes Leonardo Júnior
Investor Relations Director
Companhia Energética de Minas Gerais – CEMIG
Av. Barbacena 1200 – 5th floor, B1 Wing, Santo Agostinho,
30190-131 Belo Horizonte, MG
Fax: (31) 3506-5026 / Tel: (31) 3506-5024
E-mail: ri@cemig.com.br
cc: emissores@bvmf.com.br

Subject: Request for information on news report

“ Dear Sir,

1. We refer to the news report published on May 9, 2018 in the medium Estadão Online, in the section Notícias, under the headline “Santo Antônio Hydroelectric Plant declares ‘imminent risk of financial failure’ ”, which contains the following statements:

BRASÍLIA – After consuming investment of R\$ 20 billion in its construction on the Madeira River, at Porto Velho (State of Roraima), the Santo Antônio hydroelectric plant, the fifth largest in Brazil, is in a state of financial collapse, with ‘imminent risk of financial failure’ due to debts which it is unable to pay.

The words are those of the company itself – Santo Antônio Energia or Saesa – which holds the concession and comprises the companies Cemig, Saag Investimentos, Odebrecht Energia, Caixa FIP Amazônia and Furnas.

The Estado newspaper has had access to a writ submitted directly by Saesa to the President of the Higher Appeal Court (STJ), Laurita Vaz, on May 3. In this document, Saesa presents a petition for ‘protective suspension’, to enable it to try to negotiate a debt of almost R\$ 1 billion being demanded by the Power Trading Exchange (CCEE).

In an alarming tone, the company explains that it was the subject of a demand from CCEE for collection of a debt of R\$ 811 million, related to financial guarantees of power purchasing agreements, which are supervised and inspected by the CCEE. The amount is related to the time of non-availability of the plant's generating rotor units, for a period alleged to have exceeded the time limits specified in contract.

On April 19, after Saesa appealed against the collection demand, CCEE revised the amount to R\$ 679 million, and gave a time limit of April 24 for Saesa to pay. Three days later, the CCEE stated that the amount due had been re-defined as R\$ 724.8 million.

The company then appealed to the electricity regulator Aneel (Agência Nacional de Energia Elétrica), due to the 'undeniable risk of financial collapse of Saesa, with an impact on all consumers and on the market', according to the petition. In response, Aneel gave a deadline of this Wednesday, May 9, for Saesa to present a proposal for payment of the debt and withdraw the legal proceedings on the matter.

The Company applied to the STJ for a further extension of the period. Its stated: 'As can be seen, SAESA, in a situation of need and imminent risk of financial failure, will be compelled to waive the right that it is defending in the courts, and propose a form of payment by installments', and highlighted the small amount that it still has in cash. 'At present SAESA has only R\$ 27 million in current account, and most of these funds are already largely committed for service of the debt for which receivables are collateral.'

Saesa further states that by December 31, 2017 it had already reported to the CVM an accumulated loss of R\$ 3.7 billion.

Due to this situation, its stockholders are not putting further funds onto the operation. "The stockholders' capacity for further injections of funds has been exhausted. The initial target for injection of funds was R\$\$ 4.2 billion, but more than R\$\$ 9.3 billion has been injected," the concession holder stated.

As a warning, Saesa states that, if it enters a state of collapse and ceases to honor its obligations, its power sales contracts will be rescinded in only two years, with the additional cost for consumers of the distributors and purchasers of electricity supply estimated at R\$ 9.68 billion. Further, it alleges, the penalty payments applying to rescission of these contracts, and losses and damages to the companies that are purchasers of the supply, have been estimated at R\$ 16 billion.

- 2. We request a statement as to the veracity of this report, and if positive, that you explain the reasons why you believe this does not constitute a Material Event, and comment on any other information considered to be important on the subject.*
- 3. We also remind you of the obligation in §1 of Article 4 of CVM Instruction 358/02, to question the Company's managers and controlling stockholders, and all other persons with access to material facts or events, to ascertain whether they have knowledge of information that should be disclosed to the market.*

4. *Your statement should be given through the Empresas.NET system, in the category: Market Announcement, under the sub-category: Responses to consultations by CVM/B3; subject heading: Media News Reports, and should include a transcription of this letter.*
5. *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 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 May 14, 2018, notwithstanding the provisions of §1 of Article 6 of CVM Instruction 358/02.*

Yours, ”

Reply by CEMIG

Dear Ms. Nilza Maria Silva de Oliveira,

In reply to Official Letter 198/2018/CVM/SEP/GEA-1, we note that the report refers to Santo Antônio Energia (‘Saesa’), which on the same day published a Material Announcement, which is attached hereto, and provided explanatory response to the report.

Further, and especially in view of the explanatory statements published by Saesa itself, we see no reason, under CVM Instruction 358/2002, that would call for any further or simultaneous disclosure of a Material Announcement or indeed a Market Announcement by our Company.

Cemig takes this opportunity of reiterating its commitment to opportune and timely disclosure of all and any facts that are of interest to its stockholders, in accordance with Article 2 of CVM Instruction 358/2002.

Belo Horizonte, May 14, 2018

Maurício Fernandes Leonardo Júnior
Chief Finance and Investor Relations Officer

Santo Antônio Energia S.A.

Listed Company – NIRE 35.300.352.891 – CNPJ 09.391.823/0001-60

MATERIAL ANNOUNCEMENT

Santo Antônio Energia S.A. (‘SAE’ or ‘the Company’), in accordance with CVM Instruction 358, of January 3, 2002 as amended, and with reference to:

- its Material Announcements published on April 17, 20 and 24, 2018; and
- the report published on May 9 by the *Estado de S. Paulo* newspaper entitled “*Santo Antônio Hydroelectric Plant declares ‘imminent risk of financial failure’*” –

hereby informs 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.

São Paulo, May 10, 2018.

Nilmar Sisto Foletto

Chief Investor Relations Officer