CONTENTS

BALANCE SHEETS

AT SEPTEMBER 30, 2017 AND DECEMBER 31, 2016

ASSETS
(In thousands of Brazilian Reais – R$ '000)

	Note	Consolidated		Holding company	
		Sept.30, 2017	Dec. 31, 2016	Sept.30, 2017	Dec. 31, 2016
CURRENT					
Cash and cash equivalents	5	582,382	995,132	131,541	69,352
Securities	6	690,991	1,014,188	21,641	133,359
Consumers, Traders, Electricity transport concession holders	7	3,602,934	3,425,018	-	-
Financial assets of the concession	14	665,674	730,488	-	-
Recoverable taxes	8	246,954	236,284	122	-
Income tax and Social Contribution taxes recoverable	9ª	557,307	589,519	37,872	78,174
Dividends receivable		3,742	11,386	711,423	673,239
Restricted cash	10	405,494	367,474	396,038	366,568
Inventories		48,605	49,473	9	12
Advances to suppliers		140,541	1,059	-	-
Accounts receivable from the State of Minas Gerais	11	254,579	-	254,579	-
Funding from Energy Development Account (CDE)	13	73,345	63,751	-	-
Low-income subsidy		40,759	36,261	-	-
Credits owed by Eletrobras – RGR		-	48,379	-	-
Credits owed by Eletrobras – CDE		901	90,065	-	-
Other		541,374	626,993	28,162	20,435
TOTAL, CURRENT		**7,855,582**	**8,285,470**	**1,581,387**	**1,341,139**
NON-CURRENT					
Securities	6	12,123	31,040	693	5,959
Advances to suppliers		319,913	229,053	-	-
Consumers, Traders, Electricity transport concession holders	7	174,252	146,367	-	-
Recoverable taxes	8	189,675	178,288	1,810	1,816
Income and Social Contribution taxes recoverable	9a	63,639	112,060	63,639	112,060
Deferred income tax and Social Contribution tax	9b	2,003,908	1,797,453	745,028	789,318
Accounts receivable from the State of Minas Gerais	11	23,144		23,144	
Escrow deposits	12	1,743,060	1,886,879	265,243	499,868
Generation concession assets	4	195,611	206,566	-	-
Other		612,847	843,589	10,939	37,743
Financial assets of the concession	14	6,163,319	4,971,244	-	-
Investments	15	8,620,126	8,753,088	12,605,561	12,627,857
Property, plant and equipment	16	2,797,191	3,775,076	1,900	2,201
Intangible assets	17	11,057,685	10,819,680	1,777	1,852
TOTAL, NON-CURRENT		**33,976,493**	**33,750,383**	**13,719,734**	**14,078,674**
TOTAL ASSETS		**41,832,075**	**42,035,853**	**15,301,121**	**15,419,813**

The Condensed Notes are an integral part of the Interim Financial Statements.

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BALANCE SHEETS

AT SEPTEMBER 30, 2017 AND DECEMBER 31, 2016

LIABILITIES
(R$ '000)

	Note	Consolidated		Holding company	
		Sept.30, 2017	Dec. 31, 2016	Sept.30, 2017	Dec. 31, 2016
CURRENT					
Suppliers	18	2,186,448	1,939,593	23,571	20,936
Regulatory charges	21	351,246	380,586	-	-
Taxes	19a	983,993	793,587	4,941	83,634
Income and Social Contribution taxes	19b	99,684	26,866	-	-
Interest on Equity, and dividends, payable	24	198,264	466,987	196,004	466,689
Loans, financings and debentures	20	5,199,471	4,836,923	-	-
Payroll and related charges		247,655	224,741	11,358	9,970
Post-retirement obligations	22	224,137	198,867	12,584	11,143
Financial liabilities of the concession	14	704,418	481,835	-	-
Financial instruments – Put options	15	1,242,818	1,149,881	1,242,818	1,149,881
Advance sales of power supply	7	245,367	181,200	-	-
Other obligations		666,426	766,394	5,573	7,192
TOTAL, CURRENT		**12,349,927**	**11,447,460**	**1,496,849**	**1,749,445**
NON-CURRENT					
Regulatory charges	21	544,443	454,625	-	-
Loans, financings and debentures	20	8,856,104	10,342,357	-	-
Taxes	19a	722,102	723,922	-	-
Deferred income tax and Social Contribution tax	9b	682,757	582,206	-	-
Provisions	23	713,973	815,017	75,259	309,995
Post-retirement obligations	22	4,156,202	4,042,544	405,611	386,321
Financial liabilities of the concession	14	-	323,140	-	-
Financial instruments – Put options	15	259,655	191,587	-	-
Advance sales of power supply	7	66,745	-	-	-
Other obligations		192,960	178,624	40,293	43,771
TOTAL, NON-CURRENT		**16,194,941**	**17,654,022**	**521,163**	**740,087**
TOTAL LIABILITIES		**28,544,868**	**29,101,482**	**2,018,012**	**2,489,532**
STOCKHOLDERS' EQUITY	24				
Share capital		6,294,208	6,294,208	6,294,208	6,294,208
Capital reserves		1,924,503	1,924,503	1,924,503	1,924,503
Profit reserves		5,199,855	5,199,855	5,199,855	5,199,855
Equity valuation adjustments		(575,873)	(488,285)	(575,873)	(488,285)
Retained earnings		440,416	-	440,416	-
ATTRIBUTABLE TO CONTROLLING STOCKHOLDERS		**13,283,109**	**12,930,281**	**13,283,109**	**12,930,281**
ATTRIBUTABLE TO NON-CONTROLLING STOCKHOLDER		**4,098**	**4,090**	**-**	**-**
STOCKHOLDERS' EQUITY		**13,287,207**	**12,934,371**	**13,283,109**	**12,930,281**
TOTAL LIABILITIES AND EQUITY		**41,832,075**	**42,035,853**	**15,301,121**	**15,419,813**

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CONSOLIDATED PROFIT AND LOSS ACCOUNTS

FOR THE NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2017 AND 2016

(In thousands of Brazilian Reais – R$ '000 – except Net profit per share)

	Note No.	Consolidated		Holding company	
		30/09/2017	30/09/2016	30/09/2017	30/09/2016
NET REVENUE	25	15,153,781	14,106,738	250	582
OPERATING COSTS					
COST OF ELECTRICITY AND GAS	26				
Electricity purchased for resale		(7,685,392)	(6,126,458)	-	-
Charges for use of the national grid		(791,339)	(741,416)	-	-
Gas bought for resale		(789,861)	(623,503)	-	-
		(9,266,592)	(7,491,377)	-	-
OTHER COSTS	26				
Personnel and managers		(992,908)	(981,505)	-	-
Materials		(30,589)	(28,792)	-	-
Outsourced services		(542,357)	(521,118)	-	-
Depreciation and amortization		(570,031)	(578,255)	-	-
Operating provisions (net of reversions)		(195,345)	(121,302)	-	-
Infrastructure construction cost		(736,754)	(917,855)	-	-
Other		(58,101)	(57,683)	-	-
		(3,126,085)	(3,206,510)	-	-
TOTAL COST		**(12,392,677)**	**(10,697,887)**	**-**	**-**
GROSS PROFIT		**2,761,104**	**3,408,851**	**250**	**582**
OPERATING EXPENSES	26				
Selling expenses		(191,343)	(282,915)	-	-
General and administrative expenses		(548,075)	(473,230)	(43,214)	(33,248)
Operating provisions		(172,105)	(310,020)	(104,037)	(280,532)
Other operational expenses		(505,239)	(471,889)	(40,435)	(35,809)
		(1,416,762)	(1,538,054)	(187,686)	(349,589)
Equity method gains in non-consolidated investees	15	(20,680)	47,260	320,979	842,337
Operational profit before Financial income (expenses) and taxes		**1,323,662**	**1,918,057**	**133,543**	**493,330**
Financial revenues	27	550,065	835,191	84,893	77,057
Financial expenses	27	(1,271,951)	(1,888,015)	236,553	(4,332)
Pre-tax profit		**601,776**	**865,233**	**454,989**	**566,055**
Current income tax and Social Contribution tax	9c	(305,956)	(148,460)	(13,949)	(11,480)
Deferred income tax and Social Contribution tax	9c	101,362	(75,940)	(44,290)	85,988
PROFIT (LOSS) FOR THE PERIOD		**397,182**	**640,833**	**396,750**	**640,563**
Total of net profit for the period attributed to:					
Attributable to controlling shareholders		396,750	640,563	396,750	640,563
Attributable to non-controlling stockholder		432	270	-	-
		397,182	**640,833**	**396,750**	**640,563**
Basic and diluted profit per preferred share – R$	24	**0.32**	**0.51**	**0.32**	**0.51**
Basic and diluted profit per common share – R$	24	**0.32**	**0.51**	**0.32**	**0.51**

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CONSOLIDATED PROFIT AND LOSS ACCOUNTS

FOR THE QUARTERS ENDED SEPTEMBER 30, 2017 AND 2016

(In thousands of Brazilian Reais – R$ '000 – except Net profit per share)

	Note No.	Consolidated		Holding company	
		3Q17	3Q16	3Q17	3Q16
NET REVENUE	**25**	**5,135,822**	**4,895,606**	**72**	**129**
OPERATING COSTS					
COST OF ELECTRICITY AND GAS	**26**				
Electricity purchased for resale		(2,942,974)	(2,170,348)	-	-
Charges for use of the national grid		(387,078)	(215,504)	-	-
Gas bought for resale		(304,698)	(196,494)	-	-
		(3,634,750)	(2,582,346)		
OTHER COSTS	**26**				
Personnel and managers		(304,061)	(297,678)	-	-
Materials		(13,035)	(11,704)	-	-
Outsourced services		(200,960)	(167,146)	-	-
Depreciation and amortization		(184,576)	(195,286)	-	-
Operating provisions (net of reversions)		(23,266)	(34,468)	-	-
Infrastructure construction cost		(295,720)	(334,122)	-	-
Other		(36,742)	(18,720)	-	-
		(1,058,360)	(1,059,124)	-	-
TOTAL COST		**(4,693,110)**	**(3,641,470)**	**-**	**-**
GROSS PROFIT		**442,712**	**1,254,136**	**72**	**129**
OPERATING EXPENSES	**26**				
Selling expenses		(50,458)	(108,349)	-	-
General and administrative expenses		(110,181)	(164,201)	(14,921)	(11,957)
Operating provisions		(115,151)	162,192	(88,726)	165,669
Other operational expenses		(191,538)	(185,548)	(15,405)	(12,272)
		(467,328)	(295,906)	(119,052)	141,440
Equity method gains in non-consolidated investees	15	(80,798)	33,218	(190,646)	339,631
Operational profit before Financial income (expenses) and taxes		**(105,414)**	**991,448**	**(309,626)**	**481,200**
Financial revenues	**27**	201,164	231,256	51,875	5,602
Financial expenses	**27**	(188,750)	(654,168)	238,514	(1,128)
Pre-tax profit		**(93,000)**	**568,536**	**(19,237)**	**485,674**
Current income tax and Social Contribution tax	**9c**	(13,234)	(69,593)	(11,416)	757
Deferred income tax and Social Contribution tax	**9c**	22,568	(65,441)	(53,175)	(53,034)
PROFIT (LOSS) FOR THE PERIOD		**(83,666)**	**433,502**	**(83,828)**	**433,397**
Total of net profit for the period attributed to:					
Interest of the controlling shareholders		(83,828)	433,397	(83,828)	433,397
Interest of non-controlling stockholder		162	105	-	-
		(83,666)	**433,502**	**(83,828)**	**433,397**
Basic and diluted profit per preferred share – R$	**24**	**(0.06)**	**0.34**	**(0.06)**	**0.34**
Basic and diluted profit per common share – R$	**24**	**(0.06)**	**0.34**	**(0.06)**	**0.34**

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STATEMENTS OF COMPREHENSIVE INCOME

FOR THE NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2017 AND 2016

R$ ’000

	Consolidated		Holding company	
	9M17	9M16	9M17	9M16
PROFIT (LOSS) FOR THE PERIOD	**397,182**	**640,833**	**396,750**	**640,563**
OTHER COMPREHENSIVE INCOME				
Items that will not be reclassified to the Profit and loss account in subsequent periods				
Adjustment of actuarial liabilities – restatement of obligations of defined benefit plans, net of taxes	(680)	(115)	-	-
Equity gain on Other comprehensive income in jointly-controlled entity	(4,851)	7,415	(5,531)	7,300
	(5,531)	7,300	(5,531)	7,300
Items that may be reclassified to the Profit and loss account in subsequent periods				
Equity gain on Other comprehensive income, in jointly-controlled entity, relating to fair value of financial asset available for sale	(38,134)	(2,441)	(38,134)	(2,451)
Conversion adjustment on transactions outside Brazil	-	(10)	-	-
	(38,134)	(2,451)	(38,134)	(2,451)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**353,517**	**645,682**	**353,085**	**645,412**
Total of comprehensive income attributed to:				
Interest of the controlling shareholders	353,085	645,517	353,085	645,412
Interest of non-controlling stockholder	432	165	-	-
	353,517	**645,682**	**353,085**	**645,412**

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STATEMENTS OF COMPREHENSIVE INCOME

FOR THE QUARTERS ENDED SEPTEMBER 30, 2017 AND 2016

R$ '000

	Consolidated		Holding company	
	3Q17	3Q16	3Q17	3Q16
PROFIT (LOSS) FOR THE PERIOD	**(83,666)**	**433,502**	**(83,828)**	**433,397**
OTHER COMPREHENSIVE INCOME				
Items that will not be reclassified to the Profit and loss account in subsequent periods				
Equity gain on Other comprehensive income in jointly-controlled entity	-	612	-	612
	-	612	-	612
Items that may be reclassified to the Profit and loss account in subsequent periods				
Equity gain on Other comprehensive income, in jointly-controlled entity, relating to fair value of financial asset available for sale	-	23,607	-	23,607
Conversion adjustment on transactions outside Brazil	-	-	-	-
	-	23,607	-	23,607
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**(83,666)**	**457,721**	**(83,828)**	**457,616**
Total of comprehensive income attributed to:				
Interest of the controlling shareholders	(83,828)	457,721	(83,828)	457,616
Interest of non-controlling stockholder	162	-	-	-
	(83,666)	**457,721**	**(83,828)**	**457,616**

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STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY – CONSOLIDATED

FOR THE NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2017 AND 2016

R$ '000 – except where otherwise stated

	Share capital	Capital reserves	Profit reserves	Equity valuation adjustments	Retained earnings	Total interest of controlling stockholders	Interest of non-controlling stockholder	Total equity
BALANCES ON DECEMBER 31, 2015	6,294,208	1,924,503	4,662,723	102,264	-	12,983,698	3,978	12,987,676
Profit (loss) for the period	-	-	-	-	640,563	640,563	270	640,833
Other comprehensive income								
Adjustment of actuarial liabilities – restatement of obligations of the defined benefit plans, net of taxes	-	-	-	(115)	-	(115)	-	(115)
Equity gain (loss) on Other comp. income in subsidiary and jointly-controlled entity	-	-	-	4,974	-	4,974	-	4,974
Foreign exchange conversion differences on transactions outside Brazil	-	-	-	(10)	-	(10)	-	(10)
Total comprehensive income for the period	**-**	**-**	**-**	**4,849**	**640,563**	**645,412**	**270**	**645,682**
Other changes in Stockholders' equity:								
Tax incentives reserve	-	-	445	-	(445)	-	-	-
Portion of mandatory dividends that will not be distributed – Reversal of provision	-	-	622,530	-	-	622,530	-	622,530
Realization of reserves								
Equity valuation adjustments – deemed cost of PP&E	-	-	-	(29,147)	29,147	-	-	-
BALANCES AT SEPTEMBER 30, 2016	**6,294,208**	**1,924,503**	**5,285,698**	**77,966**	**669,265**	**14,251,640**	**4,248**	**14,255,888**
ATTRIBUTABLE TO MINORITY STOCKHOLDERS	-	-	-	-	-	-	4,248	4,248
ATTRIBUTABLE TO CONTROLLING STOCKHOLDERS	6,294,208	1,924,503	5,285,698	77,966	669,265	14,251,640	-	14,251,640
BALANCES ON DECEMBER 31, 2016	**6,294,208**	**1,924,503**	**5,199,855**	**(488,285)**	**-**	**12,930,281**	**4,090**	**12,934,371**
Profit (loss) for the period	-	-	-	-	396,750	396,750	432	397,182
Other comprehensive income								
Adjustment of actuarial liabilities – restatement of obligations of the defined benefit plans, net of taxes	-	-	-	(680)	-	(680)	-	(680)
Equity gain (loss) on Other comp. income in jointly-controlled entity	-	-	-	(42,985)	-	(42,985)	-	(42,985)
Total comprehensive income for the period	**-**	**-**	**-**	**(43,665)**	**396,750**	**353,085**	**432**	**353,517**
Other changes in Stockholders' equity:								
Additional dividends to minority stockholders proposed	-	-	-	-	-	-	(424)	(424)
Realization of reserves								
Equity valuation adjustments – deemed cost of PP&E	-	-	-	(43,923)	43,666	(257)	-	(257)
BALANCES AT SEPTEMBER 30, 2017	**6,294,208**	**1,924,503**	**5,199,855**	**(575,873)**	**440,416**	**13,283,109**	**4,098**	**13,287,207**
ATTRIBUTABLE TO MINORITY STOCKHOLDERS	-	-	-	-	-	-	4,098	4,098
ATTRIBUTABLE TO CONTROLLING STOCKHOLDERS	6,294,208	1,924,503	5,199,855	(575,873)	440,416	13,283,109	-	13,283,109

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STATEMENTS OF CASH FLOW

FOR THE NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2017 AND 2016

R$ ’000

	Consolidated		Holding company	
	9M17	9M16	9M17	9M16
CASH FLOW FROM OPERATIONS				
Net profit for the period	397,182	640,833	396,750	640,563
Expenses (revenues) not affecting cash and cash equivalents				
Income tax and Social Contribution tax	204,594	224,400	58,239	(74,508)
Depreciation and amortization	616,783	601,197	351	382
Losses on write-offs of PP&E and Intangible assets	23,060	61,932	25	41
Equity method gains in non-consolidated investees	20,680	(47,260)	(320,979)	(842,337)
Interest and monetary variation	834,151	589,132	(44,696)	(39,610)
Monetary updating - AFAC	(239,445)	-	(239,445)	-
Provisions (reversals) for operational losses	558,793	714,237	104,037	280,532
CVA (*Compensation of Portion A items*) Account and *Other Financial Components* in tariff adjustments	(148,216)	937,053	-	-
Adjustment of indemnity – plants with non-renewed concessions (Ministerial Order 291)	(259,516)	-	-	-
Post-retirement obligations	342,018	335,365	31,863	31,458
	2,350,084	4,056,889	(13,855)	(3,479)
(Increase) / decrease in assets				
Consumers and Traders	(397,144)	16,995	-	-
CVA (*Compensation of Portion A items*) Account and *Other Financial Components* in tariff adjustments	304,841	341,259	-	-
Funding from Energy Development Account (CDE)	(9,594)	7,944	-	-
Recoverable taxes	(22,057)	(34,078)	(116)	3
Income tax and Social Contribution tax recoverable	(24,460)	(129,246)	88,723	29,316
Transport of electricity	-	(27,416)	-	-
Escrow deposits in litigation	(47,440)	(35,383)	1,598	(3,210)
Dividends received from equity holdings	247,824	445,178	361,293	713,900
Financial assets of the concession	314,473	(2,174,997)	-	-
Advances to suppliers	(199,400)	(41,929)	-	-
Gas drawing rights	658,444	-	-	-
Other	(155,307)	(64,848)	19,077	(1,080)
	670,180	(1,696,521)	470,575	738,929
Increase (reduction) in liabilities				
Suppliers	246,855	(280,945)	2,635	(310)
Taxes	188,586	(185,477)	(78,693)	(32,369)
Income tax and Social Contribution tax payable	175,273	75,934	(9,191)	2,314
Payroll and related charges	22,914	59,758	1,388	3,247
Regulatory charges	60,478	(10,789)	-	-
Post-retirement obligations	(203,090)	(173,731)	(11,132)	(9,476)
Other	(29,786)	(189,349)	(11,488)	(17,002)
	461,230	(704,599)	(106,481)	(53,596)
Cash generated by Operations	3,481,494	1,655,769	350,239	681,854
Interest paid on loans and financings	(1,030,773)	(1,320,119)	-	-
Income tax and Social Contribution tax paid	(307,860)	(106,956)	(4,758)	(13,794)
NET CASH FROM OPERATIONAL ACTIVITIES	2,142,861	228,694	345,481	668,060

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	Consolidated		Holding company	
	9M17	9M16	9M17	9M16
CASH FLOW IN INVESTMENT ACTIVITIES				
Securities – Cash investments	331,069	1,465,227	116,984	11,385
Financial assets	(160,481)	-	-	-
Restricted cash	(38,020)	(874)	(29,470)	1
Investments				
Cash injection in Investees	(228,205)	(724,750)	(100,121)	(426,660)
In PP&E	(53,883)	(61,332)	-	(484)
In Intangible assets	(691,017)	(779,462)	-	-
NET CASH FLOW FROM (USED IN) INVESTMENT ACTIVITIES	(840,537)	(101,191)	(12,607)	(415,758)
CASH FLOW IN FINANCING ACTIVITIES				
New loans and debentures	60,108	2,858,644	-	-
Loans and debentures paid	(1,506,459)	(2,106,248)	-	-
Interest on Equity, and dividends	(268,723)	(111,453)	(270,685)	(111,453)
NET CASH FROM (USED IN) FINANCING ACTIVITIES	(1,715,074)	640,943	(270,685)	(111,453)
NET CHANGE IN CASH AND CASH EQUIVALENTS	**(412,750)**	**768,446**	**62,189**	**140,849**
Cash and cash equivalentes at start of period	**995,132**	**924,632**	**69,352**	**256,484**
Cash and cash equivalentes at end of period	**582,382**	**1,693,078**	**131,541**	**397,333**

The Condensed Notes are an integral part of the Interim Financial Statements.

Av. Barbacena 1200 Santo Agostinho 30190-131 Belo Horizonte, MG Brazil Tel.: +55 31 3506-5024 Fax +55 31 3506-5025

STATEMENTS OF ADDED VALUE

FOR THE NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2017 AND 2016
R$ ’000

	Consolidated				Holding company			
	9M17		9M16		9M17		9M16	
REVENUES								
Sales of electricity, gas and services	21,927,158		20,211,783		276		641	
Distribution construction revenue	725,528		881,450		-		-	
Transmission construction revenue	11,226		36,405		-		-	
Gain on financial updating of the Concession Grant Fee	240,420		212,185		-		-	
Adjustment to expectation of cash flow from the indemnifiable Financial assets of the distribution concession	2,277		6,638		-			
Transmission indemnity revenue	295,749		692,211		-		-	
Generation indemnity revenue	259,516		-		-		-	
Investments in PP&E	24,549		40,287		-		-	
Other revenues	1,479		3,905		-		-	
Estimated Provision for Doubtful Receivables (PECLD)	(191,343)		(282,915)		-		-	
	23,296,559		**21,801,949**		**276**		**641**	
INPUTS ACQUIRED FROM THIRD PARTIES								
Electricity purchased for resale	(8,424,585)		(6,734,311)		-		-	
Charges for use of national grid	(882,536)		(825,611)		-		-	
Outsourced services	(983,908)		(904,721)		(6,796)		(6,226)	
Gas bought for resale	(789,861)		(623,503)		-		-	
Materials	(392,871)		(521,118)		(89)		(52)	
Other operational costs	(587,938)		(740,543)		(107,183)		(291,438)	
	(12,061,699)		**(10,349,807)**		**(114,068)**		**(297,716)**	
GROSS VALUE ADDED	**11,234,860**		**11,452,142**		**(113,792)**		**(297,075)**	
RETENTIONS								
Depreciation and amortization	(616,783)		(601,197)		(351)		(382)	
NET ADDED VALUE PRODUCED BY THE COMPANY	**10,618,077**		**10,850,945**		**(114,143)**		**(297,457)**	
ADDED VALUE RECEIVED BY TRANSFER								
Equity method gains in non-consolidated investees	(20,680)		47,260		320,979		842,337	
Financial revenues	550,065		835.191		84.893		77.057	
ADDED VALUE TO BE DISTRIBUTED	**11,147,462**		**11.733.396**		**291.729**		**621.937**	
DISTRIBUTION OF ADDED VALUE								
		%		%		%		%
Employees	**1,507,087**	**13.52**	**1,386,236**	**11.81**	**65,849**	**22.57**	**48,232**	**7.76**
Direct remuneration	850,936	7.63	856,959	7.3	26,795	9.18	13,137	2.12
Benefits	406,373	3.65	371,145	3.16	31,928	10.94	28,511	4.58
FGTS fund	52,452	0.47	65,213	0.56	1,891	0.65	1,261	0.2
Voluntary retirement program	197,326	1.77	92,919	0.79	5,235	1.79	5,323	0.86
Taxes	**7,833,994**	**70.28**	**7,631,496**	**65.04**	**62,821**	**21.53**	**(71,696)**	**(11.53)**
Federal	3,351,706	30.07	3,746,798	31.93	62,186	21.32	(71,965)	(11.57)
State	4,472,137	40.12	3,875,582	33.03	485	0.17	77	0.01
Municipal	10,151	0.09	9,116	0.08	150	0.05	192	0.03
Remuneration of external capital	**1,409,199**	**12.64**	**2,074,831**	**17.69**	**(233,691)**	**(80.11)**	**4,838**	**0.78**
Interest	1,326,887	11.90	2,004,756	17.09	(236,553)	(81.09)	4,332	0.7
Rentals	82,312	0.74	70,075	0.6	2,862	0.98	506	0.08
Remuneration of own capital	**397,182**	**3.56**	**640,833**	**5.46**	**396,750**	**136.00**	**640,563**	**102.99**
Retained earnings	396,750	3.56	640,563	5.46	396,750	136.00	640,563	102.99
Non-controlling stockholders’ interest in Retained earnings	432	-	270	-	-	-	-	-
	11,147,462	**100.00**	**11,733,396**	**100.00**	**291,729**	**100.00**	**621,937**	**100.00**

The Condensed Notes are an integral part of the Interim Financial Statements.

Av. Barbacena 1200 Santo Agostinho 30190-131 Belo Horizonte, MG Brazil Tel.: +55 31 3506-5024 Fax +55 31 3506-5025

CONDENSED NOTES TO THE INTERIM FINANCIAL INFORMATION

FOR THE QUARTER ENDED SEPTEMBER 30, 2017

(In thousands of Brazilian Reais – R$ '000 – except where otherwise indicated)

1. OPERATING CONTEXT

a) The Company

Companhia Energética de Minas Gerais ('Cemig', 'Parent company', 'Holding company' or 'the Company') is a listed corporation registered in the Brazilian Registry of Corporate Taxpayers (CNPJ) under number 17.155.730/0001-64, with shares traded on the BM&F Bovespa ('Bovespa') at Corporate Governance Level 1; on the New York Stock Exchange ('NYSE'); and on the stock exchange of Madrid ('Latibex'). It is domiciled in Brazil, with head office at Avenida Barbacena 1200, Belo Horizonte, Minas Gerais. It operates exclusively as a holding company, with interests in subsidiaries or jointly controlled entities, which are engaged in the activities of the construction and operation of systems for generation, transformation, transmission, distribution and sale of electricity, and also activities in the various fields of energy, for the purpose of commercial operation.

The Company has assumed a significant amount of debt to finance the capital expenses that are necessary for compliance with its long term growth objectives. On September 30, 2017 the consolidated current liabilities of Cemig GT exceeded its consolidated current assets by R$ 4,494,345. On September 30, 2017, its aggregate totals of loans, financings and debentures, were: R$ 5,199,471, short-term; and R$ 8,856,104 long-term. In its consolidated result, the Company reports positive consolidated operational cash flow for the first nine months of 2017 (9M17) of R$ 2,142,861. In 9M16 this result was positive consolidated operational cash flow of R$ 228,694.

Management monitors the Company's cash flow, and for this purpose assesses measures to adjust the present situation of its financial assets and liabilities to the levels considered appropriate to meet its needs.

The substantial volume of Cemig's debt could negatively affect its business, financial situation and operational results. More specifically, Cemig is subject to certain restrictions on its capacity to raise funds from third parties, which could be an impediment when entering into new contracts for financing of its operations, or for refinancing of existing obligations, and this might adversely affect its business, financial situation and operational results, as follows:

Av. Barbacena 1200 Santo Agostinho 30190-131 Belo Horizonte, MG Brazil Tel.: +55 31 3506-5024 Fax +55 31 3506-5025

- The Company's bylaws require certain consolidated financial ratios to be maintained, on factors including debt and capital expenditure, with consolidated limits for the Group. This could affect the Group's operational flexibility. In 2016 and on September 30, 2019, certain financial limits and indices established in the bylaws were exceeded. These were previously approved by the General Meeting of Stockholders. Cemig obtained approval from its stockholders for the Company to exceed these financial limits and indices as applicable for 2017.

c

- The following points relate to contracting of loans: (i) as a state-controlled company, Cemig is subject to rules and limits on lending applicable to the public sector, including rules established by the National Monetary Council (CMN) and the Brazilian Central Bank; and (ii) since the Company operates in the electricity sector it is subject to rules and limits established by Aneel governing indebtedness of companies in the electricity sector. Additionally, (iii) state-controlled companies may use funds from transactions with commercial banks only for refinancing of financial obligations, or in transactions guaranteed by trade bills.

- Another rule in force is the requirement for certain international financial transactions to be approved by the Brazilian Federal Treasury (part of the Finance Ministry) and the Central Bank, before their execution; this approval is usually given only if the objective is to finance importation of merchandize or roll over foreign debt. The objective of these rules is to impose limits on the Company's capacity for indebtedness.

- Cemig is subject to the restrictive covenants contained in its contracts for loans, financings and debentures. In the event of non-compliance with an obligation under the terms of the financing contract, Cemig will be required to reinforce the guarantees of the financing, on penalty of early maturity of the contract. Any default event on our financial instruments could lead creditors to cause all amounts related to that debt to become immediately payable. Early maturity of debt could have a significant adverse effect on the Company's financial situation, and could also result in activation of cross-default clauses in other financial instruments. In the event of default, the Company's cash flows could be insufficient to completely satisfy the debt or to comply with the service of those debts.

- The credit risk rating agencies attribute a rating to Brazil, to the Company, and to its debt securities on the Brazilian basis, and also issue a rating for the Company on a global basis. If ratings are reduced due to any factor that is not related to the Company's operational performance or the high level of the debt, the cost of capital could increase.

Av. Barbacena 1200 Santo Agostinho 30190-131 Belo Horizonte, MG Brazil Tel.: +55 31 3506-5024 Fax +55 31 3506-5025

For the purposes of amortization of the programed debt maturities, Cemig will raise significant amounts of capital from third parties through a wide range of financing sources available in the market. For the purposes of complying with services of the debt after meeting its investment targets, Cemig depended, and may continue to depend, on a combination of cash flows from operational activities, drawdowns on our available credit lines, the balance of our cash position and financial investments, and contracting of additional debts.

Cemig has a range of initiatives for increasing liquidity by entering into new financing contracts, refinancing existing obligations, and possibly disposal of assets that are not part of its end-activity. In 2016, Cemig presented a program of disinvestment for sale of assets in the period 2017–2018, with the objective of improving its liquidity position in the short term through creation of liquidity and reduction of debt.

Although Cemig has significant leverage, it expects that the balances of current cash, liquidity of the rotating credit line, cash generated by the initiatives described above, and cash flow from operational activities will be sufficient to supply the needs of working capital, investments, debt servicing, and other cash needs of the coming business year. Management believes that its plans will be successful.

If, for any reason, Cemig has difficulty in obtaining financings, this could negatively affect its conditions for making investments in the amounts necessary to maintain the present level of investments or its long-term objectives, and could compromise its ability to pay financial obligations for principal and debt to creditors, considering that the cash flow from its operations might be insufficient to cover its investment program and all of its debt servicing. A reduction in the investment program or the sale of assets could significantly affect the result of its operations.

Av. Barbacena 1200 Santo Agostinho 30190-131 Belo Horizonte, MG Brazil Tel.: +55 31 3506-5024 Fax +55 31 3506-5025

2. BASIS OF PREPARATION

2.1 Statement of compliance

The individual and consolidated Interim Accounting Information has been prepared in accordance with IAS 34 – *Interim Financial Reporting*, issued by the International Accounting Standards Board (IASB) and Technical Pronouncement 21 – *Interim Reporting* (*Pronunciamento Técnico 21 – Demonstração Intermediária*, or CPC21) ; and is also presented in a form compliant with the rules issued by the Brazilian Securities Commission (*Comissão de Valores Mobiliários*, or CVM), applicable to preparation of Quarterly Information (*Informações Trimestrais*, or ITR).

The Company has opted to present the individual and the consolidated Interim Financial Statements in a single group, since there is no difference in the values stated for (a) Stockholders' equity and (b) Net profit (loss) between the individual and the consolidated Interim Financial Statements.

This Interim Quarterly Information has been prepared according to principles, practices and criteria consistent with those adopted in the preparation of the annual accounting statements at December 31, 2016. Thus, this Interim financial information should be read in conjunction with the said financial statements, approved by the Company's management on April 11, 2017.

The added value statement is not required by IFRS, but is obligatory for listed companies in Brazil. Its purpose is to show the wealth created by the Company, and its distribution in the reporting period. It is provided as supplementary information to the individual and consolidated quarterly information.

The Company also takes into account the orientations provided by Technical Orientation OCPC07 in preparation of its financial statements. Thus, the material information in the Interim accounting information, and only that information, is being presented, and corresponds to the information used by Management in its administration of the company.

The Executive Board authorized conclusion and publication of this Interim financial information on November 13, 2017.

2.2 Correlation between the Explanatory Notes published in the annual financial statements and those in the Interim Financial Information

The table below shows the correlation between the Explanatory Notes published in the consolidated annual financial statements at December 31, 2016 and the consolidated interim financial accounting information at September 30, 2017.

The Company believes that this Interim accounting information presents the material updating of information relating to its equity situation, and its results for the three-month

Av. Barbacena 1200 Santo Agostinho 30190-131 Belo Horizonte, MG Brazil Tel.: +55 31 3506-5024 Fax +55 31 3506-5025

and nine-month period ended September 30, 2017, in compliance with the requirements for disclosure stated by the CVM.

Number of the Note		Title of the Note
Dec. 31, 2016	Sep. 30, 2017	
1	1	Operational context
2	2	Basis of preparation
3	3	Consolidation principles
4	4	Concessions and authorizations
5	31	Operational segments
6	5	Cash and cash equivalents
7	6	Securities
8	7	Consumers and traders; Concession holders – Transport of electricity
9	8	Recoverable taxes
10	9	Income and Social Contribution taxes
11	10	Restricted cash
12	12	Escrow deposits in litigation
13	13	Passthrough funding from the Energy Development Account (*Conta de Desenvolvimento Energético*, or CDE) and the Flag Tariff Centralizing Account
14	14	Financial Assets and Liabilities of the Concession
15	15	Investments
16	16	Property, plant and equipment
17	17	Intangible assets
18	18	Suppliers
19	19	Taxes and social security
20	20	Loans, financings and debentures
21	21	Regulatory charges
22	22	Post-retirement obligations
23	23	Provisions
24	24	Stockholder's equity and remuneration to stockholders
25	25	Revenue
26	26	Operational costs and expenses
27	27	Financial revenue and expenses
28	28	Related party transactions
29	29	Financial instruments and risk management
30	30	Measurement at fair value
33	33	Transactions not involving cash
34	34	Subsequent events

The Notes to the 2016 annual statements that have not been included in these consolidated interim financial statements because they had no material changes, and/or were not applicable to the interim information, are as follows:

Number	Title of the Note
31	Insurance
32	Commitments

Av. Barbacena 1200 Santo Agostinho 30190-131 Belo Horizonte, MG Brazil Tel.: +55 31 3506-5024 Fax +55 31 3506-5025

3. PRINCIPLES OF CONSOLIDATION

The reporting dates for the interim accounting information on the subsidiaries and jointly-controlled subsidiaries, used for the purposes of calculation of consolidation and equity method gains (losses) coincide with those of the Company.

The Company uses the criteria of full consolidation for the following companies which are direct equity investments of Cemig:

Subsidiary	Form of valuation	Sep. 30, 2017
		Direct stake, %
Cemig Geração e Transmissão	Consolidation	100.00
Cemig Distribuição	Consolidation	100.00
Gasmig	Consolidation	99.57
CemigTelecom	Consolidation	100.00
Rosal Energia	Consolidation	100.00
Sá Carvalho	Consolidation	100.00
Horizontes Energia	Consolidation	100.00
Usina Térmica Ipatinga	Consolidation	100.00
Cemig PCH	Consolidation	100.00
Cemig Trading	Consolidation	100.00
Efficientia	Consolidation	100.00
Cemig Comercializadora de Energia Incentivada	Consolidation	100.00
UTE Barreiro	Consolidation	100.00
Empresa de Serviços e Comercialização de Energia Elétrica	Consolidation	100.00

Av. Barbacena 1200 Santo Agostinho 30190-131 Belo Horizonte, MG Brazil Tel.: +55 31 3506-5024 Fax +55 31 3506-5025

4. CONCESSIONS AND AUTHORIZATIONS

Renewal of the concessions of the *Jaguara, São Simão, Miranda* and *Volta Grande* Hydroelectric Plants

The concession contracts (under Concession 007/97) of the *Jaguara, São Simão* and *Miranda* hydroelectric plants, of the subsidiary Cemig GT, reached a maturity date in August 2013, January 2015 and December 2016, respectively. The subsidiary, since it believes that it has the right to renewal of these concessions under the original Concession Contracts, filed administrative and court actions requiring renewal/extension of the concessions. These applications, however, were rejected by the Mining and Energy Ministry, on the view that the request was made out of time in relation to the period/rules set by Law 12783/13.

As part of the legal dispute in the courts, in March 2017 the interim judgments that had maintained Cemig GT in possession of the concession of the plants on the initial basis of the Concession Contract 007/97, were revoked.

Up to the date of lifting of the interim injunctions for each one of the plants, the Subsidiary Cemig GT recognized revenue from sales of electricity and operational costs of this plant, since it remained in control of the asset up to that date. From that date onward, Cemig GT ceased to recognize the expenses of depreciation on the plants, and began to recognize revenues relating to the provision of services of operation and maintenance of the plant, in accordance with the regime of quotas.

Management of the subsidiary continues to argue for its right in relation to the *Jaguara, São Simão* and *Miranda* plants, supported by a contractual clause, by the legislation in force, and by opinions issued by renowned jurists. The subsidiary's internal and external legal advisers have categorized the chance of success in the court disputes as 'possible'.

Since there are legal disputes pending, involving the São Simão, Jaguara and Miranda plants, on September 27, 2017 the Brazilian federal government auctioned the concessions of those three plants, and also the concession of Volta Grande plant, which concession expired in February, 2017. Those concessions were previously held by Cemig GT. The plants have an aggregate generation capacity of 2,922 MW. The concessions were auctioned for a total of R$ 12,130,784. The parties that won these concessions are not related to Cemig.

Until the signature of the new concession contracts with the concession holders that won Auction 01/2017, and the actual transfer of possession of the related facilities, as long as the period of assisted operation specified in the tender of Auction 01/2017 continues, the Mining and Energy Ministry maintains Cemig GT as the party responsible for provision of service of generation at the Jaguara, Miranda, São Simão and Volta Grande Plants, to guarantee continuity of service. The Annual Generation Revenue (RAG) of the plants totals R$ 433,243 per year and was recorded a revenue of R$330,369 in the nine-month period ended on September 30, 2017 (R$238.641 in the same period of 2016). The period of assisted operation may not exceed 180 days from the signature of the new concession contracts.

Av. Barbacena 1200 Santo Agostinho 30190-131 Belo Horizonte, MG Brazil Tel.: +55 31 3506-5024 Fax +55 31 3506-5025

On August 3, 2017 Mining and Energy Ministry Order 291/17 established the values of indemnity, payable to Cemig GT, for the investments made in the São Simão and Miranda plants that have not been amortized up to the end of the contract. The total amount of the indemnity is R$ 1,027,751, of which R$ 243,599 relates to indemnity for the São Simão Plant, and R$ 784,152 is for indemnity for the Miranda Plant – these figures being expressed in September 2015 and December 2016 currency, respectively. The amounts are being updated, pro rata die, by the IPCA (Expanded Consumer Price) index, up to the date of signature of the Concession Contract by whichever party wins the tender for the concession of the Plants and also by the Selic Reference Rate for Federal securities, as from the date of signature of the Concession Contract up to the date of actual payment of the indemnity. The balances not yet amortized of the concessions of the São Simão and Miranda Plants, in relation to their Basic Plans, were adjusted to reflect the matters defined in Ministerial Order 291/17. Updating ains of R$ 259,516 were recognized in this quarter (see more details in Notes 13 and 24). The subsidiary transferred the balances referred to to Financial Assets of the concession.

On September 30, 2017, the balance not yet amortized of the Jaguara Plant concession, with accounting value of R$ 169,822, and also the amounts of the investments made after the São Simão and Miranda plants started operation, respectively with book value of R$ 3,243 and R$ 22,546, reported under the heading Generation Concession Assets.

Cemig GT is discussing with the Mining and Energy Ministry the criteria used for deciding the amounts states in Ministerial Order 291/17 and also the fact that this Order did not take into consideration the as yet non-amortized balance of the Jaguara Plant and the balances of investments carried out to the São Simão and Miranda Plants after their coming into operation. The Company does not expect to see loss of value in realization of these assets.

Av. Barbacena 1200 Santo Agostinho 30190-131 Belo Horizonte, MG Brazil Tel.: +55 31 3506-5024 Fax +55 31 3506-5025

5. CASH AND CASH EQUIVALENTS

R$ '000	Consolidated		Holding company	
	Sep, 30, 2017	Dec. 31, 2016	Sep, 30, 2017	Dec. 31, 2016
Bank accounts	33,631	101,419	4,527	4,414
Cash investments				
Bank certificates of deposit ('CDBs') (1)	421,000	523,673	123,382	17,098
Overnight (2)	125,726	370,040	3,632	47,840
Other	2,025	-	-	-
	548,751	893,713	127,014	64,938
	582,382	**995,132**	**131,541**	**69,352**

1) Bank Certificates of Deposit (*Certificados de Depósito Bancário*, or CBDs), are remunerated at a percentage varying from 60% to 106% at September 30, 2017 (75% to 106% at December 31, 2016) of the CDI Rate (Interbank Rate for Interbank Certificates of Deposit or '*Certificados de Depósito Inter-bancário*' – CDIs) published by the Custody and Settlement Chamber (*Câmara de Custódia e Liquidação*, or Cetip). Repo transactions state, in their trading notes, the Bank's commitment to repurchase the security, at sight, on the maturity date of the transaction, or earlier, at the client's option.

2) Overnight transactions are repos available for redemption on the following day. They are usually backed by Treasury Bills, Notes or Bonds and referenced to a pre-fixed rate of 10.14% on September 30, 2017 (13.64% on December 31, 2016); their purpose is to settle obligations of the unit holders of the Fund or to be used in the purchase of other assets with better remuneration to replenish the portfolio.

The Company's exposure to interest rate risk and an analysis of sensitivity of financial assets and liabilities are given in Note 29 to this Interim Consolidated Accounting Information.

Av. Barbacena 1200 Santo Agostinho 30190-131 Belo Horizonte, MG Brazil Tel.: +55 31 3506-5024 Fax +55 31 3506-5025

6. SECURITIES

R$ '000	Consolidated		Holding company	
	Sep. 30, 2017	Dec. 31, 2016	Sep. 30, 2017	Dec. 31, 2016
Cash investments				
Current				
Bank certificates of deposit ('CDBs') (1)	40,139	46,011	257	4,238
Financial Notes (LFs) – Banks (2)	532,265	728,293	15,377	94,156
Treasury Financial Notes (LFTs) (3)	103,954	192,995	3,003	24,951
Debentures (4)	12,737	45,289	2,204	9,403
Other	1,896	1,600	800	611
	690,991	**1,014,188**	**21,641**	**133,359**
Non-current				
Financial Notes – Banks	-	14,134	-	1,820
Debentures	12,123	16,906	693	4,139
	12,123	**31,040**	**693**	**5,959**
	703,114	**1,045,228**	**22,334**	**139,318**

1) *Bank Certificates of Deposit* (*Certificados de Depósito Bancário*, or CBDs), are remunerated at a percentage, varying from 100.8% to 105.25% on September 30, 2017 (the range on December 31, 2016 was from 100.5% to 111%). of the CDI Rate.

2) *Bank Financial Notes* (*Letras Financeiras*, or LFs) are fixed-rate fixed-income securities, issued by banks and remunerated at a percentage of the CDI rate published by Cetip. The LFs in Cemig GT's portfolio have a remuneration rate varying between 102% and 112% of the CDI in 2017 (104.25% to 112.7% at December 31, 2016).

3) *Treasury Financial Notes* (LFTs) are fixed rate securities, the yield on which follows the daily variation of the Selic rate between the date of purchase and the date of maturity.

4) *Debentures* are medium and long term debt securities, which give their holders a right of credit against the issuing company. The debentures have remuneration varying between 103% and 128% of the CDI rate in 2017 (104.25% to 113% at December 31, 2016).

Note 29 gives a classification of these securities. Cash investments in securities of related parties are shown in Note 28.

Av. Barbacena 1200 Santo Agostinho 30190-131 Belo Horizonte, MG Brazil Tel.: +55 31 3506-5024 Fax +55 31 3506-5025

7. CONSUMERS, TRADERS AND POWER TRANSPORT CONCESSION HOLDERS

R$ '000	Consolidated				
	Balances not yet due	Up to 90 days past due	More than 90 days past due	Sep. 30, 2017	Dec. 31, 2016
Invoiced supply	1,447,494	675,175	800,736	2,923,405	2,568,823
Supply not yet invoiced	904,714			904,714	919,531
Other concession holders – wholesale supply	350,748	17,482	10,136	378,365	422,981
CCEE (Electricity Trading Chamber)	40,248	38,075	168	78,491	1,432
Power transport concession holders	238,710	8,519	96,430	343,659	318,723
(-) Estimated loss on doubtful receivables	-	-	(851,448)	(851,448)	(660,105)
	2,981,914	**739,251**	**56,022**	**3,777,186**	**3,571,385**
Current assets				**3,602,934**	**3,425,018**
Non-current assets				**174,252**	**146.367**

The Company's exposure to credit risk related to Consumers and traders is given in Note 29.

The allowance for estimated doubtful receivables is considered to cover any losses in the realization of these assets, and breaks down by type of consumer as follows:

R$ '000	Sep. 30, 2017	Sep. 30, 2016
Residential	358,373	244,964
Industrial	156,151	132,586
Commercial, services and others	165,257	152,297
Rural	36,956	23,764
Public authorities	40,129	9,672
Public lighting	5,008	5,392
Public services	14,900	15,408
Charges for use of the network – TUSD	67,762	67,733
Other	6,912	8,289
	851,448	**660,105**

The changes in the adjustment for estimated losses on doubtful receivables in the nine-month period ended in September, 30 is as follows:

	R$ '000
Balance on December 31, 2015	**625,445**
Constitution of provision	282,915
Reversals of provisions	(321,581)
Balance at September 30, 2016	**586,779**
Balance at December 31, 2016	**660,105**
Constitution of provision	191,343
Balance at September 30, 2017	**851,448**

Advance sales of power supply

Cemig made various transactions, with various clients, for advance payment for power supply. The amounts receivable for power not yet delivered are as follows:

R$ '000	Consolidated
Balance at December 31, 2016	**181,200**
Addition	282,601
Supply completed	(189,355)
Monetary updating	37,666
Balance at September 30, 2017	**312,112**
Current liabilities	245,367
Non-current liabilities	66,745

Av. Barbacena 1200 Santo Agostinho 30190-131 Belo Horizonte, MG Brazil Tel.: +55 31 3506-5024 Fax +55 31 3506-5025

8. RECOVERABLE TAXES

R$ '000	Consolidated		Holding company	
	Sep. 30, 2017	Dec. 31, 2016	Sep. 30, 2017	Dec. 31, 2016
Current				
ICMS tax recoverable	162,624	155,306	-	-
PIS and Pasep taxes	12,484	12,480	20	-
Cofins tax	57,659	57,634	102	-
Other	14,187	10,864	-	-
	246,954	236,284	122	-
Non-current				
ICMS tax recoverable	184,010	170,551	-	-
PIS and Pasep taxes	534	914	3	4
Cofins tax	2,905	4,597	11	16
Other	2,226	2,226	1,796	1,796
	189,675	178,288	1,810	1,816
	436,629	**414,572**	**1,932**	**1,816**

The credits of ICMS, reported in Current assets, arise from acquisitions of property, plant and equipment and intangible assets, and can be offset over 48 months.

The credits of the *PIS, Pasep* and *Cofins* taxes arise from acquisitions of property, plant and equipment and intangible assets, and can be offset immediately, according to the law 11,774/08. The transfer to Non-current was made in accordance with estimates by Management of the amounts that will be realized after September 30, 2018.

Av. Barbacena 1200 Santo Agostinho 30190-131 Belo Horizonte, MG Brazil Tel.: +55 31 3506-5024 Fax +55 31 3506-5025

9. INCOME AND SOCIAL CONTRIBUTION TAXES

a) Income and Social Contribution taxes recoverable

The balances of income tax and Social Contribution tax refer to tax credits in corporate income tax returns of previous years and to advance payments which will be offset against federal taxes payable yet to be calculated.

R$ '000	Consolidated		Holding company	
	Sep. 30, 2017	Dec. 31, 2016	Sep. 30, 2017	Dec. 31, 2016
Current				
Income tax	417,368	436,167	36,846	78,174
Social Contribution tax	139,939	153,352	1,026	-
	557,307	589,519	37,872	78,174
Non-current				
Income tax	49,709	98,132	49,709	98,132
Social contribution tax	13,930	13,928	13,930	13,928
	63,639	112,060	63,639	112,060
	620,946	**701,579**	**101,511**	**190,234**

b) Deferred income tax and Social Contribution tax

Cemig and its subsidiaries have income tax credits, constituted at the rate of 25%, and Social Contribution tax credits, at the rate of 9%, on tax losses/carryforwards and temporary differences, as follows:

R$ '000	Consolidated		Holding company	
	Sep. 30, 2017	Dec. 31, 2016	Sep. 30, 2017	Dec. 31, 2016
Deferred tax assets				
Tax loss carryforwards	357,381	290,272	196,784	202,797
Provisions	1,048,698	1,027,279	499,064	547,277
Post-retirement obligations	1,239,740	1,175,074	129,862	121,973
Estimated provision for doubtful receivables	323,483	228,801	7,192	7,192
Taxes payable – suspended liability (1)	203,388	201,711	-	-
Paid concession	8,152	8,262	-	-
Other	15,637	22,096	363	190
Total	**3,196,479**	**2,953,495**	**833,265**	**879,429**
Deferred tax liabilities				
Funding cost	(30,864)	(44,835)	-	-
Deemed cost	(277,890)	(268,009)	-	-
Purchase price allocation adjustments	(468,052)	(481,488)	(88,237)	(90,111)
Borrowing costs capitalized	(159,738)	(148,559)	-	-
Taxes on revenues not redeemed – Presumed Profit accounting method	(576)	(1,549)	-	-
Transmission assets: Indemnity gain	(666,143)	(516,985)	-	-
Adjustment to expectation of cash flow from the indemnifiable Financial assets of the distribution concession	(264,588)	(270,553)	-	-
Other	(7,477)	(6,270)	-	-
Total	**(1,875,328)**	**(1,738,248)**	**(88,237)**	**(90,111)**
Total, net	**1,321,151**	**1,215,247**	**745,028**	**789,318**
Total assets	**2,003,908**	**1,797,453**	**745,028**	**789,318**
Total liabilities	**(682,757)**	**(582,206)**	**-**	**-**

(1) Refers to court escrow deposit of PIS, Pasep and Cofins taxes charged on amounts of ICMS tax.

Av. Barbacena 1200 Santo Agostinho 30190-131 Belo Horizonte, MG Brazil Tel.: +55 31 3506-5024 Fax +55 31 3506-5025

The changes in deferred income and Social Contribution taxes were as follows:

R$ '000	Consolidated	Holding company
Balance on December 31, 2015	809,232	778,120
Effects allocated to Profit and loss account	(75,940)	85,987
Effects allocated to Statement of comprehensive income	38	-
Variations in deferred tax assets and liabilities	73	-
Balance at September 30, 2016	**733,403**	**864,107**
Balance at December 31, 2016	**1,215,247**	**789,318**
Effects allocated to Profit and loss account	101,362	(44,290)
Variations in deferred tax assets and liabilities	4,543	-
Balance at September 30, 2017	**1,321,152**	**745,028**

c) Reconciliation of the expense on income and Social Contribution taxes

This table reconciles the nominal expense on income tax (rate 25%) and the Social Contribution tax (rate 9%) with the actual expense, presented in the Statement of income:

R$ '000	Consolidated		Holding company	
	9M17	9M16	9M17	9M16
Pre-tax profit	601,776	865,233	454,989	566,055
Income and Social Contribution taxes – nominal expense	(204,604)	(294,179)	(154,696)	(192,459)
Tax effects applicable to:				
Gain (loss) in subsidiaries by equity method (net of effects of Interest on Equity)	(34,968)	(19)	95,207	265,726
Non-deductible contributions and donations	(2,171)	(2,580)	-	-
Tax incentives	4,053	3,184	66	69
Difference in taxable base amount – Presumed profit Vs. Real profit method	59,692	79,861	-	-
Non-deductible penalties	(10,077)	(12,194)	(11)	(14)
Excess reactive power and demand	(9,229)	(9,268)	-	-
Other	(7,290)	10,795	1,195	1,186
Income tax and Social Contribution tax – effective credit (expense)	**(204,594)**	**(224,400)**	**(58,239)**	**74,508**
Effective rate	**34.00%**	**25.94%**	**12.80%**	**13.16%**
Current tax	**(305,956)**	**(148,460)**	**(13,949)**	**(11,480)**
Deferred tax	**101,362**	**(75,940)**	**(44,290)**	**85,988**

R$ '000	Consolidated		Holding company	
	3Q17	3Q16	3Q17	3Q16
Pre-tax profit	(93,000)	568,536	(19,237)	485,674
Income and Social Contribution taxes – nominal expense	31,620	(193,302)	6,541	(165,129)
Tax effects applicable to:				
Gain (loss) in subsidiaries by equity method (net of effects of Interest on Equity)	(44,064)	9,832	(71,617)	112,486
Non-deductible contributions and donations	(659)	(776)	-	-
Tax incentives	(2,035)	2,075	23	19
Tax credits not recognized	-	1,586	-	66
Difference in taxable base amount – Presumed profit Vs. Real profit method	20,873	45,575	-	-
Non-deductible penalties	(1,672)	(4,612)	-	-
Excess reactive power and demand	(3,117)	(3,111)	-	-
Other	8,388	7,699	462	281
Income tax and Social Contribution tax – effective credit (expense)	**9,334**	**(135,034)**	**(64,591)**	**(52,277)**
Effective rate	**10.04%**	**23.75%**	**335.77%**	**10.76%**
Current tax	**(13,234)**	**(69,593)**	**(11,416)**	**757**
Deferred tax	**22,568**	**(65,441)**	**(53,175)**	**(53,034)**

Av. Barbacena 1200 Santo Agostinho 30190-131 Belo Horizonte, MG Brazil Tel.: +55 31 3506-5024 Fax +55 31 3506-5025

10. RESTRICTED CASH

The total recorded as Restricted cash, R$ 405,494 in the Consolidated accounts and R$ 396,038 in the Holding company accounts, refers mainly to the amount deposited with Banco Santander, in accordance with the stockholders' agreement of RME and Lepsa, as guarantee for settlement of the put options, described in Note 15. The contract for the account with the depositary bank is in effect until December 15, 2017.

11. ACCOUNTS RECEIVABLE FROM THE STATE OF MINAS GERAIS

According to the disclosure on note 23, An agreement was reached between Cemig's management and the government of the State of Minas Gerais in the third quarter, expressed in a Debt Recognition Undertaking signed on October 25, 2017 between Cemig and the Finance Department of Minas Gerais State, in which the State undertook to reimburse the total amount of a deposit made by Cemig, with monetary updating by the IGP–M index related to the administrative proceeding related to the criterium to update the amounts transferred to the State of Minas Gerais Government as advance for capital increase in previous years.

The Debt Recognition Undertaking specified that the State will make payment of R$ 277,723, of which R$ 238,445 refers to the original amount of the deposit, and R$ 38,278 relates to its monetary updating to September 30, 2017 – this amount will be returned to the Company by the State in 12 consecutive monthly installments, each updated by the IGP–M index up to the date of actual payment, the first such payment to become due on November 10, 2017. Also, Clause 3 of this Undertaking specifies that, In the event of arrears or default by the State in payment of the agreed consecutive monthly installments, Cemig is authorized to retain dividends or Interest on Equity distributable to the State in proportion to the State's equity interest, for as long as the arrears and/or default continues.

Av. Barbacena 1200 Santo Agostinho 30190-131 Belo Horizonte, MG Brazil Tel.: +55 31 3506-5024 Fax +55 31 3506-5025

12. ESCROW DEPOSITS

These payments are mainly for legal actions relating to employment-law contingencies and tax obligations.

The most important escrow deposits refer to tax disputes, mainly on the Pasep and Cofins taxes – in actions seeking exclude the ICMS tax itself from the taxable amount on which the Pasep and Cofins taxes are charged.

R$ '000	Consolidated		Holding company	
	Sep. 30, 2017	Dec. 31, 2016	Sep. 30, 2017	Dec. 31, 2016
Employment-law cases	**320,950**	**259,415**	**38,483**	**31,231**
Tax issues				
Income tax on Interest on Equity	26,601	24,130	238	510
Pasep and Cofins taxes (1)	750,839	746,340	-	-
ICMS credits on PP&E	37,249	36,657	-	-
Donations and legacy tax (ITCD)	48,365	45,620	47,926	45,181
Urban property tax (IPTU)	64,498	80,345	53,602	65,694
Finsocial tax	39,083	37,399	39,083	37,399
Income and Social Contr. Tax on the indemnity for employees' 'Anuênio' benefit	265,178	255,127	12,745	12,262
Other	80,895	59,247	30,975	28,702
	1,312,708	**1,284,865**	**184,569**	**189,748**
Other				
Monetary updating on AFAC from Minas Gerais State Government (2)	239,445	239,445	239,445	239,445
Regulatory	51,614	60,227	29,237	27,374
Third party	14,149	13,484	5,979	6,015
Consumer relations	5,975	5,598	1,561	1,548
Court embargo	12,348	7,877	4,071	3,118
Other	25,316	15,968	1,343	1,389
	109,402	**342,599**	**42,191**	**278,889**
	1,743,060	**1,886,879**	**265,243**	**499,868**

(1) The payments into court relating to Pasep and Cofins taxes refer to the case challenging the constitutionality of inclusion of the ICMS tax, which *has* been charged, *within* the amount on which the Pasep and Cofins taxes are calculated. They have a corresponding provision in Taxes. See more details in Note 18.

(2) Administrative deposit in case seeking suspension of enforceability of the credit charged by the Minas Gerais State Government for a difference in the monetary updating on the Advance against Future Capital Increase (*Adiantamento contra Futuro Aumento de Capital*, or AFAC). More details in Note 22.

(3) See more details in Note 22 – Provisions on 'Anuênio' indemnity.

Av. Barbacena 1200 Santo Agostinho 30190-131 Belo Horizonte, MG Brazil Tel.: +55 31 3506-5024 Fax +55 31 3506-5025

13. REIMBURSEMENT OF TARIFF SUBSIDIES

The subsidies applicable to tariffs charged to users of public electricity distribution service are reimbursed through payments of funds from the Energy Development Account (*Conta de Desenvolvimento Energético*, or CDE).

In 9M17 the total appropriated as incoming subsidies was R$ 621,731 (R$ 600,356 in 9M16). Of the amount provisioned, the Company has R$ 73,345 receivable (R$ 63,751 at December 31, 2016). This is recognized in Current assets.

14. FINANCIAL ASSETS AND LIABILITIES OF THE CONCESSION

Consolidated	Sep. 30, 2017	Dec. 31, 2016
Assets related to infrastructure (1)		
Distribution concessions	271,612	216,107
Transmission concessions (1.2)	473,374	482,281
Indemnity receivable – Transmission (1.1)	1,975,775	1,805,230
Indemnity receivable – Generation (1.3)	1,685,958	546,624
Concession Grant Fee – Generation concessions (1.4)	2,321,817	2,253,765
	6,728,536	5,304,007
CVA (*Compensation of Portion A items*) Account and *Other Financial Components* in tariff adjustments (2)	100,457	397,725
Total	**6,828,993**	**5,701,732**
Current assets	**665,674**	**730,488**
Non-current assets	**6,163,319**	**4,971,244**

Financial liabilities of the concession	Sep. 30, 2017	Dec. 31, 2016
CVA (*Compensation of Portion A items*) Account and *Other Financial Components* in tariff adjustments (2)	704,418	804,975
Current liabilities	**704,418**	**481,835**
Non-current liabilities	**-**	**323,140**

1) Assets related to infrastructure

The electricity distribution and transmission contracts and the gas distribution contracts of the subsidies are within the criteria for application of Technical Interpretation ICPC 01 (IFRIC 12), which governs accounting of concessions. They refer to the investment made in infrastructure that will be the subject of indemnity by the Concession-granting power, during the period and at the end of the concessions, as specified in the regulations of the electricity sector and in the concession contracts signed by Cemig and its subsidiaries with the related concession-granting powers.

1) <u>Transmission – Indemnity receivable</u>

Aneel Normative Resolution 589, of December 10, 2013, set the criteria for calculation of the New Replacement Value (*Valor Novo de Reposição*, or VNR) of the transmission facilities, for the purposes of indemnity.

Av. Barbacena 1200 Santo Agostinho 30190-131 Belo Horizonte, MG Brazil Tel.: +55 31 3506-5024 Fax +55 31 3506-5025

On August 16, 2016 Aneel, by its Dispatch 2181, homologated the amount of R$ 892,050, in currency of November 2012, for the portion of the reversible assets not yet amortized, for the purposes of indemnity to Cemig GT.

On April 22, 2016 the Mining and Energy Ministry (*Ministério de Minas e Energia*, or MME) published its Ministerial Order 120, setting the deadline and method of payment for the remaining amount of the indemnity.

The Order determined that the amounts homologated by Aneel should become part of the Regulatory Asset Base for Remuneration (*Base de Remuneração Regulatória*, or BRR) and that the cost of capital should be added to the related Permitted Annual Revenues ('RAP').

The portions of remuneration and depreciation not paid in the period from the extensions of the concessions up to the tariff-setting process of 2017 are to be updated by the IPCA inflation index and remunerated at the real cost of capital of the transmission segment of the industry as decided by Aneel in the methodologies for Periodic Tariff Reviews of Revenues for Existing Concession Holders, currently 10.44% per year, to be paid over eight years by reimbursement through the RAP. (More details in Note 25 (g).)

Indemnity for transmission assets – adjustment to Remuneration Base of the transmission assets – Aneel Technical Note 183/2017

In the tariff review processes of Cemig GT, ratified on June 23, 2009 (backdated to July 1, 2005) and June 8, 2010 (backdated to July 1, 2009), certain conducting cables, which have been the subject of an application by the subsidiary, were not included in the tariff calculation. Cemig GT applied for inclusion of these assets in the Remuneration Assets Base and, consequently, for backdated calculation of the amounts not considered in the prior tariff reviews.

Aneel ruled in favor of Cemig GT's application, and calculated the differences between the amounts of revenue ratified in the above-mentioned tariff reviews and the new values calculated for inclusion of the said conducting cables for the period from July 2005 to December 2012. Updated, these amounts were calculated to total R$ 149,255, at June 2017 prices, to be received by Cemig GT over the next 12 months. On September 30, 2017 the balance receivable was R$ 111,941.

Av. Barbacena 1200 Santo Agostinho 30190-131 Belo Horizonte, MG Brazil Tel.: +55 31 3506-5024 Fax +55 31 3506-5025

Indemnity for transmission assets – Injunction obtained by industrial consumers:

On April 10, 2017, an interim court remedy was granted to the Brazilian Large-scale Free Consumers Association (*Associação Brasileira de Grandes Consumidores Livres*), the Brazilian Auto Glass Industry Technical Association (*Associação Técnica Brasileira das Indústrias Automáticas de Vidro*) and the Brazilian Ferro-alloys and Silicon Metal Producers' Association (*Associação Brasileira dos Produtores de Ferroligas e de Silicio Metálico*) in their legal action against Aneel and the federal government requesting suspension of the effects on their tariffs of payment of the indemnity for transmission assets payable to agents of the electricity sector who accepted the terms of Law 12783/2013.

The preventive remedy was partial, with effects related to suspension of the inclusion in the consumer tariffs paid by these associations of the portion of the indemnity corresponding to the remuneration on capital included since the date of extension of the concessions.

Cemig GT has the expectation of realization in full of the credits receivable in relation to the transmission indemnity, and has calculated the following amounts as indemnity:

	R$ '000
Regulatory Remuneration Base (BRR) – Dispatch 2181/2016	1,177,488
Amount of the indemnity received so far	(285,438)
Net value of the assets for purposes of indemnity	**892,050**
Updating in accordance with MME Order 120/16 – IPCA index / Cost of capital – Period Jan. 2013 to June 2017.	1,033,780
Adjustment of the BRR of Transmission Assets – Aneel Technical Note 183/2017	149,255
Monetary updating	25,894
Amounts received	(125,204)
Total at September 30, 2017	**1,975,775**

Normative Resolution 762, of February 21, 2017, set the procedures and criteria to be used in the calculation of the cost of capital to be added to the Permitted Annual Revenue of each transmission concession holder covered by Law 12783/2013, in harmony with Mining and Energy Ministry Order 120/2016. Under this legislation, Cemig GT began to receive this indemnity as from July, 2017.

1.2) Transmission – Assets remunerated by tariff

For new assets that consist of improvements and strengthening of facilities implemented by transmission concession holders, Aneel calculates an additional portion of Permitted Annual Revenue (RAP) in accordance with a methodology specified in the Proret Tariff Regulation Procedures.

Under the Proret procedure, the revenue established in the Resolutions is payable to the transmission companies as from the date of start of commercial operation of the facilities. In the periods between reviews, the revenues associated with the improvements and strengthening of facilities are provisional. They are then definitively decided in the review immediately subsequent to the start of commercial operation of the facilities; this review then has effect backdated to the date of start of commercial operation. On September 30, 2017 the balance by the subsidiary Cemig GT receivable was R$ 473,374.

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1.3) Generation – Indemnity receivable

Plants operated under the 'Quotas' regime as from January 1, 2016

In July 2015 termination dates for concession periods, under Concession Contract 007/97, of several of the plants operated by the subsidiary Cemig GT were reached. As from the termination of the concession, the subsidiary held the indemnity rights of the assets not yet depreciated/amortized, as specified in that concession contract. The accounting balances corresponding to these assets, including the Deemed Cost, were transferred from Fixed assets to Financial assets on the date of termination of the concession, and total R$ 616,876 on September 30, 2017 (R$ 546,624 on September 30, 2017).

Generating plant	Concession expiration date	Installed capacity (MW)	Net balance of assets based on historic cost R$ '000	Net balance of assets based on deemed cost R$ '000
Lot D:				
Três Marias Hydroelectric Plant	July 2015	396	71,694	413,450
Salto Grande Hydroelectric Plant	July 2015	102	10,835	39,379
Itutinga Hydroelectric Plant	July 2015	52	3,671	6,589
Camargos Hydroelectric Plant	July 2015	46	7,818	23,095
Piau Small Hydroelectric Plant	July 2015	18.01	1,531	9,005
Gafanhoto Small Hydroelectric Plant	July 2015	14	1,232	10,262
Peti Small Hydroelectric Plant	July 2015	9.4	1,346	7,871
Dona Rita Small Hydroelectric Plant	Sep. 2013	2.41	534	534
Tronqueiras Small Hydroelectric Plant	July 2015	8.5	1,908	12,323
Joasal Small Hydroelectric Plant	July 2015	8.4	1,379	7,622
Martins Small Hydroelectric Plant	July 2015	7.7	2,132	4,041
Cajuru Small Hydroelectric Plant	July 2015	7.2	3,576	4,252
Paciência Small Hydroelectric Plant	July 2015	4.08	728	3,936
Marmelos Small Hydroelectric Plant	July 2015	4	616	4,265
Other:				
Volta Grande	February 2017	380	25,621	70,252
		1.060	**134,621**	**616,876**

As specified in Aneel Normative Resolution 615/2014, the Valuation Opinions for the assets to be indemnified were delivered to Aneel in December 2015, including the Opinion for the *Volta Grande* Plant, which had a concession period expiring on February 23, 2017. The Company and its subsidiary do not expect any losses on the realization of this asset.
From the termination of the concession contract until January 4, 2016, the plants were operated by the Company under the regime of quotas, with remuneration by a tariff only to cover costs of operation and maintenance of the assets.

In November 2015 Cemig GT took place in Auction 12/2015, and won Lot D. As from January 5, 2016, with the signature of the new concession contracts, the assets began to be operated in accordance with the terms of that Auction.

As mentioned in Note 4, on September 27, 2017 the Volta Grande Hydroelectric Plant was auctioned by the federal government. The transfer of the operational assets of the plant may not take place later than 180 days from the date of signature of the new concession contracts.

Av. Barbacena 1200 Santo Agostinho 30190-131 Belo Horizonte, MG Brazil Tel.: +55 31 3506-5024 Fax +55 31 3506-5025

1.4) Concession grant fee – Generation concessions

In June 2016, title to Concession Contracts 08 to 16/2016, relating to 18 hydroelectric plants of Lot D of Aneel Auction 12/2015, won by Cemig GT, was transferred to the related specific-purpose companies (SPCs), wholly-owned subsidiaries of Cemig GT, as follows:

R$ '000	Plant	Balance at Dec. 31, 2016	Monetary updating	Amounts received	Balance at Sep. 30, 2017
Cemig Geração Três Marias S.A.	Três Marias	1,283,197	129,986	(92,612)	1,320,571
Cemig Geração Salto Grande S.A.	Salto Grande	402,639	40,973	(29,207)	414,405
Cemig Geração Itutinga S.A.	Itutinga	149,904	17,193	(12,418)	154,679
Cemig Geração Camargos S.A.	Camargos	112,447	12,809	(9,244)	116,012
Cemig Geração Sul S.A.	Coronel Domiciano, Joasal, Marmelos, Paciência, Piau	146,553	17,884	(13,007)	151,430
Cemig Geração Leste S.A.	Dona Rita, Ervália, Neblina, Peti, Sinceridade, Tronqueiras	99,315	13,424	(9,876)	102,863
Cemig Geração Oeste S.A.	Cajurú, Gafanhoto, Martins	59,710	8,151	(6,004)	61,857
Total		**2,253,765**	**240,420**	**(172,368)**	**2,321,817**

Cemig's offer for acquisition of grant of the 30-year concession for the 18 hydroelectric plants was R$ 2,216,353. Of this fee, 65% was paid on January 4, 2016, and the remaining 35% (initially R$ 775,724) was paid on July 1, 2016 (updated by the Selic rate to a total payment of R$ 827,921). The amount of the concession grant fee was recognized as a financial asset, due to Cemig GT having the unconditional right to receive the amount paid, plus updating by the IPCA Index and remuneratory interest, during the period of the concession.

In 2016, all of the output of the plants was sold in the Regulated Market under the Physical Guarantee Quotas system. Starting in 2017, the second phase of the contract came into effect: 70% of this output was sold in the Regulated Market and 30% in the Free Market.

The *Miranda* and *São Simão* plants

On August 3, 2017, the Mining and Energy Ministry published Ministerial Order 291, setting the amounts of indemnity for the *São Simão* and *Miranda* Hydroelectric Plants, the concessions of which had expiry dates in January 2015 and December 2016 respectively.

The Order specifies that the payment shall be made by December 31, 2018, after receipt by the federal government, from the auction concession winners, of the payment of the Concession Grant Fee, resulting from the competitive tender for the concessions. The amount of the indemnity will be updated by the IPCA index (Expanded Consumer Price) index, up to the date of the signature of the Concession Contract by the party that won the tender for the concession of the Plants, and also by the Selic Reference Rate for Federal securities, as from the date of signature of the Concession Contract up to the date of actual payment of the indemnity.

The amounts of the Basic Plan of the plants were transferred to the account *Indemnity receivable*, and subjected to monetary updating, as follows:

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Plant	Concession termination date	Net balance of assets based on Historic Cost at September 30, 2017	Net value of assets based on Deemed Cost at September 30, 2017	Net value of the assets of the Basic Plan based on Deemed Cost at September 30, 2017 (A)	Adjustment (1) (B)	Amounts based on MME Order 291 (A)+(B)	Monetary updating (C)	Net balance of the assets of the Basic Plan at Sep. 30, 2017 (A)+(B)+(C)
Miranda	Dec. 2016	750,836	629,368	606,822	177,330	784,152	13,978	798,130
São Simão	Jan. 2015	61,959	205,987	202,744	40,855	243,599	27,353	270,952
		812,795	**835,355**	**809,566**	**218,185**	**1,027,751**	**41,331**	**1,069,082**

(1) Adjustment of the non-amortized balance of the concessions of the *São Simão* and *Miranda* plants, under MME Order 291/17, that plus the monetary updating of R$41,331 correspond to the total amount of R$259.516 .

Cemig GT Is holding talks with the Mining and Energy Ministry, on the criteria used for the decision on the amounts stated in Ministerial Order 291/17, and also the fact that this Order did not take into consideration the as yet non-amortized balance of the Jaguara Plant in the amount of R$ 169,822, and the balances of investments carried out to the São Simão and Miranda Plants after their coming into operation, in the amounts (before monetary updating) of R$ 3,243 and R$ 22,546, respectively.

The changes in Financial assets of the concession related to infrastructure are as follows:

R$ '000	Distribution	Transmission	Generation	Consolidated
Balance on December 31, 2015	**135,983**	**1,501,441**	**546,424**	**2,183,848**
Additions	-	36,405	534	36,939
Addition of Grant Fee – Plants	-	-	2,255,027	2,255,027
Written off	(291)	-	-	(291)
Amounts received	-	(11,327)	(105,642)	(116,969)
Transfer between Financial Assets, PP&E and Intangible	57,650	(426)	-	57,224
Updating of the Concession Grant Fee			96,911	6,638
Adjustment of expectation of cash flow from the indemnifiable Financial assets of the concession	6,638	-		96,911
Monetary updating		692,211	-	698,849
Balance at September 30, 2016	**199,980**	**2,218,304**	**2,793,254**	**5,211,538**
Balance at December 31, 2016	**216,107**	**2,287,511**	**2,800,389**	**5,304,007**
Additions	-	160,481	-	160,481
Write-offs	(25)	(3,232)	-	(3,257)
Items received	-	(142,105)	(172,368)	(314,473)
Transfer to Financial assets of concession – Indemnity on non-renewed plant – *Volta Grande* hydroelectric plant	-	-	879,818	879,818
Adjustment to indemnity – plants not renewed (M. Order 291) – including the monetary updating			259,516	259,516
Transfer between Financial, PPE and Intangible assets	53,252	-	-	53,252
Adjustment of expectation of cash flow from the indemnifiable Financial assets of the concession	2,278			2,278
Monetary updating	-	146,494	240,420	386,914
Balance at September 30, 2017	**271,612**	**2,449,149**	**4,007,775**	**6,728,536**

2) CVA (*Compensation of Portion A items*) Account and *Other Financial Components* in tariff adjustments

The Amendment that extended the period of the concession of Cemig D guarantees that, in the event of extinction of the concession, for any reason, the remaining balances (assets and

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liabilities) of any shortfall in payment or reimbursement through the tariff must also be included by the Concession-granting power in the total of the indemnity.

The balances on (i) the CVA Account (*Compensation for Variation of Portion A items*), (ii) the account for Neutrality of Sector Charges, and (iii) *Other financial components* in the tariff calculation, refer to the positive and negative differences between the estimate of the Cemig D's non-manageable costs and the payments actually made. The variations found are the subject of monetary updating based on the Selic rate and compensated in the subsequent tariff adjustments.

The balances of these financial assets and liabilities are shown below. Please note that in the interim accounting information the balances of each line are presented at net value in assets or liabilities in accordance with the tariff adjustments homologated or to be homologated:

STATEMENT OF FINANCIAL POSITION R$ '000	Sep. 30, 2017			Dec. 31, 2016		
	Amounts ratified by Aneel in the last tariff adjustment	Amounts to be ratified by Aneel in the next tariff adjustments	Total	Amounts ratified by Aneel in the last tariff adjustment	Amounts to be ratified by Aneel in the next tariff adjustments	Total
Assets	**685,966**	**1,376,925**	**2,062,891**	**1,443,964**	**924,914**	**2,368,878**
Current assets	685,966	466,625	1,152,591	1,443,964	547,241	1,991,205
Non-current assets		910,300	910,300	-	377,673	377,673
Liabilities	**(1,339,692)**	**(1,327,160)**	**(2,666,852)**	**(1,046,239)**	**(1,729,889)**	**(2,776,128)**
Current liabilities	(1,339,692)	(517,317)	(1,857,009)	(1,046,239)	(1,029,076)	(2,075,315)
Non-current liabilities		(809,843)	(809,843)		(700,813)	(700,813)
Total current, net	(653,726)	(50,692)	(704,418)	397,725	(481,835)	(84,110)
Total non-current, net		100,457	100,457	-	(323,140)	(323,140)
Total, net	**(653,726)**	**49,765**	**(603,961)**	**397,725**	**(804,975)**	**(407,250)**

Financial components R$ '000	Sep. 30, 2017			Dec. 31, 2016		
	Amounts ratified by Aneel in the last tariff adjustment	Amounts to be ratified by Aneel in the next tariff adjustments	Total	Amounts ratified by Aneel in the last tariff adjustment	Amounts to be ratified by Aneel in the next tariff adjustments	Total
Items of 'Portion A'						
Quota for the Energy Development Account (CDE)	(245,409)	(87,471)	(332,880)	202,801	(244,840)	(42,039)
Tariff for use of transmission facilities of grid participants	13,963	(10,784)	3,179	1,923	8,103	10,026
Tariff for transport of electricity provided by Itaipu	3,560	(3,070)	490	5,254	3,926	9,180
Program to encourage alternative electricity sources – *Proinfa*	(8,178)	-	(8,178)	13,080	4,247	17,327
System Service Charges (ESS) and Reserve Energy Charge (EER)	(64,501)	(438,468)	(502,969)	(54,989)	(189,063)	(244,052)
Electricity bought for resale (1)	(138,684)	671,226	532,542	422,852	(78,922)	343,930
Other financial components						
Overcontracting of supply	13,372	(49,569)	(36,197)	(104,671)	(55,834)	(160,505)
Neutrality of Portion A	(48,929)	70,089	21,160	78,254	(76,367)	1,887
Other financial items	(178,920)	-	(178,920)	(166,779)	(162,614)	(329,393)
'Flag Tariff' items (2)		(80,986)	(80,986)	-	(13,611)	(13,611)
Excess demand /reactive power (3)	-	(21,202)	(21,202)	-	-	-
TOTAL	**(653,726)**	**49,765**	**(603,961)**	**397,725**	**(804,975)**	**(407,250)**

Av. Barbacena 1200 Santo Agostinho 30190-131 Belo Horizonte, MG Brazil Tel.: +55 31 3506-5024 Fax +55 31 3506-5025

(1) Due to unfavorable hydrological conditions since July 2017, there has been less hydroelectric generation and more dispatching of thermal plants, increasing the spot price (PLD), and affecting the level of reduction of the physical power offtake guarantee of the hydroelectric plants. For the distributors, this results in higher costs of CCEAR contracts, with thermal plants, and higher hydrological risk costs for the Itaipu plant, for those that trade power supply under Physical Guarantee Quotas, and for those that sold CCEARs and renegotiated the Hydrological Risk. In view of these factors, the difference from the cost taken into account in setting the tariff if greater, resulting in an increase in the deferred asset related to purchase of power supply on September 30,2017.
(2) Billing arising from the Flag Tariff System in Cemig D not yet homologated by Aneel.
(3) In accordance with PRORET 2.1A, from this point onward amounts of excess of demand and excess of reactive power were appropriated to sector financial liabilities, and will be amortized only at the time of homologation of the 5th periodic tariff review cycle of Cemig D.

Movement in balances of financial assets and liabilities:

	R$ '000
Balance on December 31, 2015	**1,349,656**
(–) Net constitution of financial assets	(572,483)
(–) Realized	(364,570)
(–) Payments from the Tariff Flag Funds Centralizing Account	(341,259)
(–) Transfer (1)	(164,957)
(+) Updating – Selic rate (2)	206,967
Net liabilities on September 30, 2016	**113,354**
Balance at December 31, 2016	**(407,250)**
(+) Net constitution of financial assets	222,233
(–) Realized	(74,017)
(–) Payments from the Flag Tariff Centralizing Account	(304,841)
(+) Updating – Selic rate	(40,086)
Net liabilities on September 30, 2014	**(603,961)**

(1) The financial component constituted to be passed through to the tariff at the next tariff adjustment, arising from judgments (injunctions/provisional remedy) in court actions challenging part of the amount of the CDE (Energy Development Account) charge, was reclassified to Other credits, and will be amortized with counterpart in deductions from the monthly CDE charges to be paid to Eletrobras, in accordance with a Dispatch issued by Aneel in 2016.
(2) Includes adjustment for homologation of the CVA by Aneel which took place in May 2016.

Payments from the Flag Tariff Funds Centralizing Account

The 'Flag Account' (*Conta Centralizadora de Recursos de Bandeiras Tarifárias* – CCRBT or '*Conta Bandeira*') manages the funds that are collected from captive customers of distribution concession and permission holders operating in the national grid and have been paid, on behalf of the CDE, directly to the Flag Account. The resulting funds are passed through by the Wholesale Trading Chamber (CCEE) to distribution agents, based on the differences between (i) realized costs of thermal generation and exposure to short-term market prices, and (ii) the amounts covered by the tariff.

In 9M17 funds passed through by the Flag Account totaled R$ 304,841 (R$ 341,259 in 9M16), and were recognized as a partial realization of CVA receivables constituted.

The amount referred to above includes the receipt of the 'Flag' tariff amounts for December 2016, totalling R$ 2,406, which was posted in sector Financial liabilities only in January 2017 when approved by Aneel. The remaining balance of R$ 302,435 refers to the periods of January through August 2017.

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15. INVESTMENTS

This table shows the investments in affiliates, subsidiaries and jointly-controlled subsidiaries.

Investments	Control	Consolidated		Holding company	
		Sep. 30, 2017	Dec. 31, 2016	Sep. 30, 2017	Dec. 31, 2016
Cemig Geração e Transmissão	Subsidiarie	-	-	5,161,385	4,583,195
Hidrelétrica Cachoeirão	Jointly-controlled	56,720	50,411	-	-
Guanhães Energia	Jointly-controlled	25,172	-	-	-
Hidrelétrica Pipoca	Jointly-controlled	33,753	31,809	-	-
Retiro Baixo	Jointly-controlled	159,126	161,848	-	-
Aliança Norte (Belo Monte Plant)	Jointly-controlled	567,829	527,498	-	-
Madeira Energia (Santo Antônio Plant)	affiliate	559,337	643,890	-	-
FIP Melbourne (Santo Antônio Plant)	affiliate	603,973	677,182	-	-
Lightger	Jointly-controlled	41,254	41,543	-	-
Baguari Energia	Jointly-controlled	145,719	162,106	-	-
Renova	Jointly-controlled	622,725	688,625	-	-
Aliança Geração	Jointly-controlled	1,307,456	1,319,055	-	-
Central Eólica Praias de Parajuru	Jointly-controlled	61,608	63,307	-	-
Central Eólica Volta do Rio	Jointly-controlled	75,789	81,228	-	-
Central Eólica Praias de Morgado	Jointly-controlled	55,595	59,586	-	-
Amazônia Energia (Belo Monte Plant)	Jointly-controlled	850,743	781,022	-	-
Usina Hidrelétrica Itaocara S.A.	Jointly-controlled	2,733	2,782	-	-
Cemig Distribuição	Subsidiarie	-	-	1,961,175	2,499,867
Light	Jointly-controlled	1,068,712	1,070,477	1,068,712	1,070,477
Taesa	Jointly-controlled	1,576,156	1,582,633	1,576,156	1,582,633
CemigTelecom	Subsidiarie	-	-	190,823	191,515
Ativas Data Center	affiliate	17,794	17,741	-	-
Gasmig	Subsidiarie	-	-	1,410,047	1,419,492
Rosal Energia	Subsidiarie	-	-	102,163	141,038
Sá Carvalho	Subsidiarie	-	-	106,840	106,111
Horizontes Energia	Subsidiarie	-	-	55,714	52,396
Usina Térmica Ipatinga	Subsidiarie	-	-	3,928	4,009
Cemig PCH	Subsidiarie	-	-	95,708	91,969
Lepsa	Jointly-controlled	342,033	343,802	342,033	343,802
RME	Jointly-controlled	338,249	340,063	338,249	340,063
Companhia Transleste de Transmissão	Jointly-controlled	24,394	21,588	24,394	21,588
UTE Barreiro	Subsidiarie	-	-	37,790	39,266
Companhia Transudeste de Transmissão	Jointly-controlled	23,600	20,505	23,600	20,505
Empresa de Comercialização de Energia Elétrica	Jointly-controlled	-	-	9,386	20,154
Companhia Transirapé de Transmissão	Jointly-controlled	27,567	23,952	27,567	23,952
Efficientia	Subsidiarie	-	-	7,001	4,868
Cemig Comercializadora de Energia Incentivada	Subsidiarie	-	-	2,342	1,867
Companhia de Transmissão Centroeste de Minas	Jointly-controlled	19,355	21,171	19,355	21,171
Cemig Trading	Subsidiarie	-	-	14,953	28,635
Axxiom Soluções Tecnológicas	Jointly-controlled	12,734	19,264	12,734	19,264
Cemig Overseas (*)	Subsidiarie	-	-	141	20
Total of investments		**8,620,126**	**8,753,088**	**12,605,561**	**12,627,857**
Guanhães – Uncovered liabilities of jointly-controlled entity	Jointly-controlled	-	(59,071)	-	-
Total		**8,620,126**	**8,694,017**	**12,605,561**	**12,627,857**

(*) Cemig Overseas: company formed in Spain for assessment of investment opportunities outside Brazil. As of September 30, 2017, it has no operations.

The Company's investees that are not consolidated are jointly-controlled entities, with the exception of the interest in the *Santo Antônio* power plant, and Ativas Data Center, which are affiliated companies in which the Company has significant influence: the subsidiaries Cemig GT and Cemig Telecom, respectively. It was as from the fourth quarter of 2016 that Ativas Data Center became an investee in which Cemig has significant influence.

a) Right to commercial operation of the regulated activity

In the process of allocation of the acquisition price of the jointly-controlled subsidiaries, a valuation was made of the intangible assets relating to the right to operate the regulated activity. This asset is presented jointly with the historic value of the investments in the table above. These assets will be amortized over the remaining period of the concessions on the straight-line basis.

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Holding company R$ '000	Dec. 31, 2015	Amortization	Sep. 30, 2016	Dec. 31, 2016	Amortization	Sep. 30, 2017
Renova (1)	805,458	(32,076)	773,382	-	-	-
Retiro Baixo	30,706	(888)	29,818	29,525	(888)	28,637
Central Eólica Praias de Parajuru	20,868	(1,146)	19,722	19,341	(1,146)	18,195
Central Eólica Volta do Rio	14,818	(756)	14,062	13,807	(756)	13,051
Central Eólica Praias de Morgado	29,461	(1,542)	27,919	27,406	(1,542)	25,864
Madeira Energia (Santo Antônio Plant)	163,296	(4,467)	158,829	157,340	(4,467)	152,873
Aliança Norte (Belo Monte Plant)	58,489	(1,479)	57,010	56,518	(1,479)	55,039
Total, Cemig GT	**1,123,096**	**(42,354)**	**1,080,742**	**303,937**	**(10,278)**	**293,659**
Taesa	414,774	(13,982)	400,792	288,146	(10,170)	277,976
Light	231,163	(16,772)	214,391	208,800	(16,772)	192,028
Gasmig	215,410	(5,934)	209,476	207,498	(5,934)	201,564
Lepsa	-	-	-	48,429	(3,798)	44,631
RME	-	-	-	48,429	(3,798)	44,631
OVERALL TOTAL	**1,984,443**	**(79,042)**	**1,905,401**	**1,105,239**	**(50,750)**	**1,054,489**

(1) At December 31, 2016 there was a downward adjustment of Intangible assets of the concession as a result of the financial difficulties of Renova.

Consolidated R$ '000	Dec. 31, 2015	Amortization	Sep. 30, 2016	Dec. 31, 2016	Amortization	Sep. 30, 2017
Taesa	414,774	(13,982)	400,792	288,146	(10,170)	277,976
Light	231,163	(16,772)	214,391	208,800	(16,772)	192,028
Gasmig	215,410	(5,934)	209,476	207,498	(5,934)	201,564
Lepsa	-	-	-	48,429	(3,798)	44,631
RME	-	-	-	48,429	(3,798)	44,631
TOTAL	**861,347**	**(36,688)**	**824,659**	**801,302**	**(40,472)**	**760,830**

b) This table shows changes in investments in subsidiaries and jointly-controlled subsidiaries:

Holding company R$ '000	Dec. 31, 2016	Equity method gain (Profit and loss account)	Equity method gain (Other comprehensive income)	Dividends	Injections / AFAC	Other	Sep. 30, 2017
Cemig Geração e Transmissão	4,583,195	525,407	(33,852)	-	100,000	-	5,174,750
Cemig Distribuição	2,499,867	(538,692)	-	-	-	-	1,961,175
CemigTelecom	191,515	(12)	(680)	-	-	-	190,823
Rosal Energia	141,038	(7,907)	-	(30,968)	-	-	102,163
Sá Carvalho	106,111	19,360	-	(18,631)	-	-	106,840
Gasmig	1,419,492	88,634	-	(98,079)	-	-	1,410,047
Horizontes Energia	52,396	11,136	-	(7,818)	-	-	55,714
Usina Térmica Ipatinga	4,009	254	-	(335)	-	-	3,928
Cemig PCH	91,969	13,804	-	(10,065)	-	-	95,708
Lepsa	343,802	234	(1,876)	-	-	(127)	342,033
RME	340,063	128	(1,815)	-	-	(127)	338,249
Companhia Transleste de Transmissão	21,588	4,071	-	(1,265)	-	-	24,394
UTE Barreiro	39,266	(2,400)	-	924	-	-	37,790
Companhia Transudeste de Transmissão	20,505	3,095	-	-	-	-	23,600
Empresa de Comercialização de Energia Elétrica	20,154	26,679	-	(37,447)	-	-	9,386
Companhia Transirapé de Transmissão	23,952	3,615	-	-	-	-	27,567
Efficientia	4,868	3,304	-	(1,171)	-	-	7,001
Cemig Comercializadora de Energia Incentivada	1,867	559	-	(84)	-	-	2,342
Companhia de Transmissão Centroeste de Minas	21,171	3,828	-	(5,644)	-	-	19,355
Light	1,070,477	3,677	(5,442)	-	-	-	1,068,712
Cemig Trading	28,635	41,873	-	(55,555)	-	-	14,953
Axxiom Soluções Tecnológicas	19,264	(6,530)	-	-	-	-	12,734
Taesa	1,582,633	126,862	-	(133,339)	-	-	1,576,156
Cemig Overseas	20	-	-	-	121	-	141
	12,627,857	**320,979**	**(43,665)**	**(399,477)**	**100,121**	**(254)**	**12,605,561**

Av. Barbacena 1200 Santo Agostinho 30190-131 Belo Horizonte, MG Brazil Tel.: +55 31 3506-5024 Fax +55 31 3506-5025

Consolidated R$ '000	Dec. 31, 2016	Equity method gain (Profit and loss account)	Equity method gain (Other comprehensive income)	Dividends	Injections / acquisitions	Other	Sep. 30, 2017
Companhia Transleste de Transmissão	21,588	4,071	-	(1,265)	-	-	24,394
Companhia Transudeste de Transmissão	20,505	3,095	-	-	-	-	23,600
Companhia Transirapé de Transmissão	23,952	3,615	-	-	-	-	27,567
Companhia de Transmissão Centroeste de Minas	21,171	3,828	-	(5,644)	-	-	19,355
Light	1,070,477	3,677	(5,442)	-	-	-	1,068,712
Axxiom Soluções Tecnológicas	19,264	(6,530)	-	-	-	-	12,734
Lepsa	343,802	234	(1,876)	-	-	(127)	342,033
RME	340,063	128	(1,815)	-	-	(127)	338,249
Hidrelétrica Cachoeirão	50,411	8,950	-	(2,641)	-	-	56,720
Guanhães Energia (1)	-	(2,037)	-	-	86,280	(59,071)	25,172
Hidrelétrica Pipoca	31,809	3,228	-	(1,284)	-	-	33,753
Madeira Energia (Santo Antônio Plant)	643,890	(84,553)	-	-	-	-	559,337
FIP Melbourne (Santo Antônio Plant)	677,182	(73,209)	-	-	-	-	603,973
Lightger	41,543	2,280	-	(2,569)	-	-	41,254
Baguari Energia	162,106	13,887	-	(30,274)	-	-	145,719
Central Eólica Praias de Parajuru	63,307	(1,293)	-	(406)	-	-	61,608
Central Eólica Volta do Rio	81,228	(5,439)	-	-	-	-	75,789
Central Eólica Praias de Morgado	59,586	(3,991)	-	-	-	-	55,595
Amazônia Energia (Belo Monte Plant)	781,022	(6,965)	-	-	76,686	-	850,743
Ativas Data Center	17,741	(1,950)	-	-	-	2,003	17,794
Taesa	1,582,633	126,862	-	(133,339)	-	-	1,576,156
Renova	688,625	(50,048)	(33,852)	-	18,000	-	622,725
Usina Hidrelétrica Itaocara S.A.	2,782	(581)	-	-	532	-	2,733
Aliança Geração	1,319,055	39,977	-	(51,576)	-	-	1,307,456
Aliança Norte (Belo Monte Plant)	527,498	(6,376)	-	-	46,707	-	567,829
Retiro Baixo	161,848	8,460	-	(11,182)	-	-	159,126
Total of investments	**8,753,088**	**(20,680)**	**(42,985)**	**(240,180)**	**228,205**	**(57,322)**	**8,620,126**
Guanhães – Uncovered liabilities of jointly-controlled entity (1)	(59,071)	-	-	-	-	59,071	-
Total	**8,694,017**	**(20,680)**	**(42,985)**	**(240,180)**	**228,205**	**1,749**	**8,620,126**

(1) Transfer of uncovered liabilities;

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c) This table gives the principal information on the subsidiaries and jointly-controlled subsidiaries, not adjusted for the percentage represented by the Company's ownership interest:

Company R$ '000	Number of shares	Sep. 30, 2017			Dec. 31, 2016		
		Cemig interest %	Share capital	Stockholders' equity	Cemig interest %	Share capital	Stockholders' equity
Cemig Geração e Transmissão	2,896,785,358	100.00	1,837,710	5,161,385	100.00	1,837,710	4,583,195
Hidrelétrica Cachoeirão	35,000,000	49.00	35,000	115,755	49.00	35,000	102,880
Guanhães Energia	330,536,000	49.00	330,536	51,371	49.00	185,647	-
Hidrelétrica Pipoca	41,360,000	49.00	41,360	68,884	49.00	41,360	64,916
Retiro Baixo	222,850,000	49.90	222,850	261,501	49.90	222,850	263,680
Aliança Norte (Belo Monte Plant)	38,261,538,617	49.00	1,109,355	1,046,510	49.00	1,014,111	1,076,527
Madeira Energia (Santo Antônio Plant)	9,730,201,137	18.13	9,546,672	5,573,287	18.13	10,151,952	6,418,617
Lightger	79,078,937	49.00	79,232	84,192	49.00	79,232	84,781
Baguari Energia S.A. (1)	26,157,300,278	69.39	186,573	210,000	69.39	186,573	247,662
Renova	417,197,244	36.23	2,960,776	1,718,810	34.15	2,856,255	1,955,598
Aliança Geração	1,291,582,500	45.00	1,291,488	2,905,457	45.00	1,291,488	1,972,519
Central Eólica Praias de Parajuru	70,560,000	49.00	70,560	88,598	49.00	70,560	88,897
Central Eólica Volta do Rio	117,230,000	49.00	117,230	128,037	49.00	117,230	136,886
Central Eólica Praias de Morgado	52,960,000	49.00	52,960	60,676	49.00	52,960	65,128
Amazônia Energia (Belo Monte Plant) (1)	1,176,194,023	74.50	1,218,672	1,141,937	74.50	1,115,739	1,048,351
Usina Hidrelétrica Itaocara S.A.	5,677,000	49.00	6,762	5,578	49.00	5,677	5,677
Cemig Distribuição	2,359,113,452	100.00	2,771,998	1,961,175	100.00	2,361,998	2,499,867
Light	203,934,060	26.06	2,225,822	3,364,098	26.06	2,225,822	3,353,796
CemigTelecom	397,683,385	100.00	241,742	190,823	100.00	241,742	191,515
Rosal Energia	46,944,467	100.00	46,944	102,163	100.00	46,944	141,038
Sá Carvalho	361,200,000	100.00	36,833	106,840	100.00	36,833	106,111
Gasmig	409,255,483	99.57	665,429	1,213,702	99.57	665,429	1,425,622
Horizontes Energia	39,257,563	100.00	39,258	55,714	100.00	39,258	52,396
Usina Térmica Ipatinga	174,281	100.00	174	3,928	100.00	174	4,009
Cemig PCH	35,952,000	100.00	35,952	95,708	100.00	35,952	91,969
Lepsa	1,379,839,905	66.62	437,638	446,415	66.62	437,638	443,370
RME	1,365,421,406	66.27	433,770	443,063	66.27	433,770	440,069
Companhia Transleste de Transmissão	49,569,000	25.00	49,569	97,576	25.00	49,569	81,293
UTE Barreiro	30,902,000	100.00	30,902	37,790	100.00	30,902	39,266
Companhia Transudeste de Transmissão	30,000,000	24.00	30,000	98,333	24.00	30,000	85,438
Empresa de Comercialização de Energia Elétrica	486,000	100.00	486	9,386	100.00	486	20,154
Companhia Transirapé de Transmissão	22,340,490	24.50	22,340	112,518	24.50	22,340	97,763
Efficientia	6,051,994	100.00	6,052	7,001	100.00	6,052	4,868
Cemig Comercializadora de Energia Incentivada	1,000,000	100.00	1,000	2,342	100.00	1,000	1,867
Companhia de Transmissão Centroeste de Minas	28,000,000	51.00	28,000	37,951	51.00	28,000	41,512
Cemig Trading	1,000,000	100.00	1,000	14,953	100.00	1,000	28,635
Axxiom Soluções Tecnológicas	17,200,000	49.00	46,600	25,988	49.00	46,600	39,314
Taesa	1,033,496,721	31.54	3,042,034	4,115,980	31.54	3,042,034	4,307,588

(1) Control shared under a Stockholders' Agreement.

On September 30, 2017, the current liabilities of some jointly-controlled entries were higher than their current assets, as follows:

Light: On September 30, 2017, Light had consolidated negative net working capital of R$ 1,960,665 (R$ 1,258,928 on December 31, 2016). Light has been negotiating renewal of its short-term loans and financings, and is engaged in lengthening its debt profile. It also expects greater operational cash flow as from the periodic tariff review, which took place on March 15, 2017 and resulted in an average increase in consumer electricity bills of 10.45%. The management of Light believes that success in these phases will reverse the present situation of negative net working capital; and that there is no material uncertainty such as might put operational continuity in doubt.

Madeira Energia ('Mesa'): The excess of current liabilities over current assets, equal to R$ 2,164,237, arises mainly from the account lines Suppliers, Other liabilities, Loans and financings, and Contingency provisions. To deal with the situation of negative working

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capital, Mesa has the benefit of a favorable decision by Aneel to revert, in liabilities, the FID (Availability Factor) account, and release of funds from the debt servicing reserve account which will be replaced by a bank guarantee, with generation of operational cash flow and normalization of funds subscribed by certain stockholders under a decision by the EGM – and which are, thus, not demandable immediately.

Renova Energia: In the nine-month period ended September 30, 2017, Renova Energia reported accumulated losses of R$ 1,255,587, and current liabilities R$ 1,273,273in excess of current assets (consolidated), and has a need to obtain capital to comply with the construction commitments of wind and solar generating plants. The main reasons for this situation are: a) significant investments that are being allocated in construction of the wind farms of the Alto Sertão III complex; and b) delay in release of the long-term financing with the Brazilian Development Bank (BNDES).

In response to this scenario, the management of Renova is taking a range of measures to rebalance its liquidity structure and cash flow. Renova's actions and plan are as follows:

(1) On August 3, 2017, with completion of the sale of the Alto Sertão II wind farm complexes to AES Tietê Energia, Renova settled the balance of the debentures and transferred the balance of the debt of those complexes (R$ 1,115,750, at June 30, 2017), reducing its indebtedness by R$ 1,480,684.

(2) Renova is in negotiations with the BNDES for signature of a long-term financing contract for approximately R$ 900,000, which will replace the existing bridge loan – reported in Current liabilities up to September 30, 2017 – of R$ 860,149 (principal plus interest). The remainder will be used for works related to the Alto Sertão III complex – Phase A. As soon as the long-term financing is contracted, part of current liabilities will be reclassified to non-current. So far a total of R$ 2.1 billion has been invested in Phase A of Alto Sertão III – corresponding to 87% (information not reviewed by external auditors) of physical completion, without there having been any release of a long-term financing from the BNDES.

(3) The stockholders continue to be engaged in providing financial support, to enable Renova to achieve rebalancing of liquidity. In 2017 they provided cash injections of R$ 62,764.

(4) Optimization of the portfolio of contracts – with permanent cancellation of projects totaling 210 MW average.

(5) Possible routes for feasibility of new funding include: optimization of the portfolio; sale of projects and/or operational assets; and entry of new stockholders.

The Management of Renova Energia believes that with the success of these measures it will be possible to recover the Company's equilibrium in economic and financial terms and in terms of liquidity.

Av. Barbacena 1200 Santo Agostinho 30190-131 Belo Horizonte, MG Brazil Tel.: +55 31 3506-5024 Fax +55 31 3506-5025

Investment in the *Santo Antônio* Hydroelectric Plant, through Madeira Energia S.A. (Mesa) and FIP Melbourne

The Company has direct and indirect investments in Madeira Energia S.A. (which holds an investment in Santo Antônio Energia S.A.), of R$ 1,163,310 at September 30, 2017 (R$ 1,321,072 at December 31, 2016).

Madeira Energia S.A. ('Mesa') and its subsidiary Santo Antônio Energia S.A. ('Saesa') are incurring establishment costs related to the construction of the Santo Antônio Hydroelectric Plant. The property, plant and equipment asset constituted by these expenditures totaled R$ 21,850,585 (Mesa, consolidated) on September 30, 2017, and this amount, in accordance with financial projections prepared by its management, is to be absorbed by future revenues generated as from January 2017, when the plant began operating with all its generator rotors.

Investigations and other legal measures are in progress, conducted by the Federal Public Attorneys' Office, which involve other indirect shareholders of Madeira Energia S.A. and certain executives of those other indirect shareholders.

Arbitration proceedings

In 2014, SAAG Investimentos S.A. (SAAG) and Cemig GT opened arbitration proceedings, *in camera* (in confidentiality), in the Market Arbitration Chamber, challenging the following: (a) the increase approved in the capital of Mesa of approximately R$ 750,000 partially destined to payment of the claims by the Santo Antonio Construction Consortium ('CCSA'), based on absence of quantification of the amounts supposedly owed, and absence of prior approval by the Board of Directors, as required by the bylaws and Stockholders' Agreement of Mesa; and also on the existence of credits owed to Mesa by CCSA, able to be offset, in an amount greater than the claims; and (b) the adjustment for impairment carried out by the Executive Board of Mesa, in the amount of R$ 750 million, relating to certain credits owed to Mesa by CCSA, on the grounds that those credits are owed in their totality by express provision of contract.

Av. Barbacena 1200 Santo Agostinho 30190-131 Belo Horizonte, MG Brazil Tel.: +55 31 3506-5024 Fax +55 31 3506-5025

In 2016 the arbitration judgment by the Market Arbitration Chamber recognized the right of Cemig GT and SAAG in full, and ordered annulment of the acts being impugned. As a consequence of this decision, Mesa reversed the *impairment,* and posted a provision for receivables in the amount of R$ 678.551 in its Interim Accounting Information at September 30, 2017.

To resolve the question of the liability of the CCSA consortium to reimburse the costs of re-establishment of the collateral and use of the contractual limiting factor, the Subsidiary applied to open arbitration proceedings with the International Chamber of Commerce (ICC) against CCSA, which are in progress. Under the Arbitration Regulations of the ICC, this procedure is taking place *in camera* (in secret).

Investment in the *Belo Monte* Plant through Amazônia Energia S.A. and Aliança Norte

Amazônia Energia and Aliança Norte are shareholders in Norte Energia S.A. ('Nesa'), which holds the concession to operate the Belo Monte Hydroelectric Plant, on the Xingu River, in the State of Pará, and manages that interest.

Through the jointly-controlled entities referred to above, Cemig GT owns an indirect equity interest in Nesa of 11.74%.

Nesa will still require significant funds for costs of organization, development and pre-operational costs for completion of the plant. According to estimates and forecasts these costs will be repaid by the revenues from future operations.

On April 7, 2015, Nesa was awarded interim judgment ordering Aneel to **"**abstain, until hearing of the application for an injunction made in the origin case, from applying to Appellant any penalties or sanctions in relation to the Belo Monte Hydroelectric Plant not coming into operation on the date established in the original timetable for the project, including those specified in Aneel Normative Resolution 595/2013 and in the Concession Contract 01/2010-MME, of the Belo Monte Hydroelectric Plant**"**. The legal advisers of Nesa have classified the probability of loss as 'possible', and the value of the estimated loss in Belo Monte up to September 30, 2017 is R$ 250,316.

Investigations and other legal measures are in progress, conducted by the Federal Public Attorneys' Office, which involve other shareholders of Norte Energia S.A. and certain executives of those other shareholders.

The effects of any alterations to the existing scenario will be reflected in the Company's accounting statements.

Av. Barbacena 1200 Santo Agostinho 30190-131 Belo Horizonte, MG Brazil Tel.: +55 31 3506-5024 Fax +55 31 3506-5025

Investment in Renova

Investment in TerraForm Global

The indirectly jointly-controlled entity Renova had investments in class A (GLBL) shares in TerraForm ('the TERG Shares"', which were designated as financial assets available for sale, reported at fair value, based on the market trading price on the NASDAQ exchange. Gains and losses arising from variations in the share price were reported directly into Stockholders' equity under Other comprehensive income.

In 9M17 there was a positive adjustment of R$ 73,224 (the effect on Cemig was R$ 26,470), recognized in Other comprehensive income in Renova Energia. In 9M16, the investee posted a loss of R$ 271,509 (the impact on Cemig GT was R$ 74,258), reflecting the negative volatility in the stock price of TerraForm in the period, based on the market price of the shares.

On May 15, 2017 Renova and Brookfield Asset Management ('Brookfield'), through its vehicle Orion US Holding 1 L.P., signed a share purchase agreement for the shares that the investee held in TerraForm Global Inc. On May 26, 2017, Renova published a material announcement reporting sale of its shares in TerraForm to Brookfield. The total price of the acquisition was R$ 305,766 for completion on July 3, 2017, after compliance with certain conditions precedent.

In June, 2017, Renova entered into an agreement with TerraForm Global (SUNEDISON) in which the parties agree to terminate the arbitration proceedings by compensating Renova for R$ 48,559, which was paid together with the financial settlement of the sale of Terraform shares.

Adjustment for impairment

For the period of 9M17, Renova posted an impairment to its PP&E assets, which resulted in a loss of R$ 119,681 (impact on Cemig: R$ 52,276) for Phase A of the Alto Sertão III wind farms complex. This was posted in the Profit and loss account for the period.

Grant of exclusivity

At its meeting of its Board of Directors on July 17, 2017, Cemig GT oriented vote by its representatives in the meeting of the Board of Directors of the investee Renova Energia S.A. ('Renova'), also held on July 17, 2017, in favor of approval of grant of exclusivity to Brookfield Energia Renovável S.A., including realization of due diligence and negotiation of final documents for a primary subscription in Renova and the sale of the interest held by Light Energia in Renova, as proposed in a non-binding offer. The period of exclusivity of 60 days from July 17, 2017, subsequently extended for 30 days, ended on October 17, 2017. This does not alter the stage of negotiation with Brookfield for the transaction referred to.

Av. Barbacena 1200 Santo Agostinho 30190-131 Belo Horizonte, MG Brazil Tel.: +55 31 3506-5024 Fax +55 31 3506-5025

Sale of assets – Umburanas wind complex

On August 23, 2017 Renova signed a Contract for Assignment of Rights and Obligations of the Umburanas Wind Power Complex, with total installed capacity of 605 MW, with Engie Brasil S.A. ('Engie'). The base price of the transaction was R$ 15,000, subject to adjustments if certain conditions precedent of the transaction are satisfied.

On October 24, 2017, the 40th Public Meeting of the Council of Aneel (the electricity regulator) approved the transfer of the Umburanas Wind Complex to Engie.

However, since the negotiation involved an application for cancellation of four concession grants in this Complex, it was decided: (i) to apply a penalty fine of R$ 3.8 million to Renova; and (ii) to suspend Renova's right to contract with or participate in tenders/competitive bids held by Aneel for a period of one year. The decision does not affect the controlling stockholders of Renova.

Put options

The Company has granted certain put options for which it calculates the fair value of the option based on the *Black and Scholes Merton* (BSM) model, in which the following variables are taken into account: exercise price of the option; closing price of the underlying asset on September 30, 2017; the risk-free interest rate; the volatility of the price of the underlying asset; and the time to maturity of the option.

Analytically, calculation of the exercise price of the options, the risk-free interest rate and the time to maturity is primarily deterministic, so that the main divergence in the put options takes place in the measurement of the closing price and the volatility of the underlying asset.
At September 30, 2017 the Company was party to the following options:

Consolidated	Balance on Sep. 30, 2017	Balance on Dec. 31, 2016
Put option - RME and LEPSA	1,242,818	1,149,881
SAAG put option	264,138	196,173
Put / Call option – Ativas and Sonda	(4,483)	(4,586)
	1,502,473	**1,341,468**

Put options in shares of RME and Lepsa

Cemig granted a put option, to Fundo de Participações Redentor ('Redentor'), a stockholder of both Luce Empreeendimentos e Participações S.A. (Lepsa) and RME (Rio Minas Energia Participações S.A.), giving Redentor the right to sell to Cemig all of Redentor's shares in Parati (which following a reorganization are now shares in RME and Lepsa), exercisable in May 2016. The exercise price of the option is calculated from the sum of the value of the amounts injected by the Fund into Parati, plus the running expenses of the fund, less Interest on Equity, and dividends, distributed by Parati.

Av. Barbacena 1200 Santo Agostinho 30190-131 Belo Horizonte, MG Brazil Tel.: +55 31 3506-5024 Fax +55 31 3506-5025

The exercise price is subject to monetary updating by the CDI (Interbank CD) Rate plus financial remuneration at 0.9% per year.

RME and Lepsa own common and preferred shares in Light, and at present exercise joint control, with the Company, over the activities for that company. This being so, this option has been considered to be a derivative instrument, accounted at fair value through profit or loss.

In the second quarter of 2016 Amendments were signed to the shareholders'' Agreement of Parati. The principal changes arising from these amendments are as follows:

1) The maturity of the Put Option granted in 2011 by Cemig in favor of the unit holders of FIP Redentor, initially specified to be May 31, 2016, was postponed, to two separate exercise dates:

    a) First option exercise window: The intention to exercise may be stated by any direct shareholder/s who decide to do so, independently of the exercise of the Put Option by the other direct shareholders, up to September 23, 2016, inclusive, and shall cover only preferred shares in Parati, up to a limit of 153,634,195 shares, representing 14.30% of the total shares in Parati held by the other direct shareholders.

    On September 6, 2016 Cemig received from Banco BTG Pactual ('BTG Pactual') Notice of Intention to Exercise a Put Option, informing irrevocable exercise of BTG Pactual's right to sell to Cemig 153,634,195 preferred shares representing its stockholding in Parati ('Shares subject of the Put Option').

    In October 2016, due to the extinction of Parati, the Put Option was divided between RME and Lepsa in the proportion of 50% each, with all the conditions of the original Put Option being maintained, except the items modified in the amendments, including alteration to their bylaws.

    On November 30, 2016, Cemig paid R$ 221.8 million for the portion of BTG Pactual in RME and Lepsa, under exercise of the first 'window' of the put.

Av. Barbacena 1200 Santo Agostinho 30190-131 Belo Horizonte, MG Brazil Tel.: +55 31 3506-5024 Fax +55 31 3506-5025

b) <u>Second payment window:</u> The intention to exercise may be stated by any direct shareholder/s who decide to do so, independently of the exercise of the Put Option by the other direct shareholders, up to September 23, 2017, inclusive, and may cover the totality of the shares in Parati, being independent of any exercise, or not, of the Put Option in the first payment window. Cemig must make payment by November 30, 2017.

On September 15, 2017 Cemig received Notices of Intention to Exercise Put Options, under the 'Second Exercise Window', from

- BB–Banco de Investimento S.A. ('BB-BI'),
- BV Financeira S.A. – Crédito, Financiamento e Investimento ('BV Financeira'), and
- Banco Santander (Brasil) S.A. ('Santander')

(jointly, 'the Stockholder Banks'),
giving notice of irrevocable decision to exercise their right to sell to Cemig the totality of their holdings of common and preferred shares ('the Shares Subject of the Put Option'), comprising the totality of their equity interests, in RME and Lepsa.

2) The Put Option may now be exercised not only by FIP Redentor, but also by the direct shareholders of Parati, including but not limited to the unit holders of FIP Redentor, and/or their affiliates, who shall become holders of a Put Option and/or of the rights arising therefrom, under which each one of the direct shareholders shall individually have the right to sell any shares in Parati that they own.

3) Conditions were included for bringing forward the date of exercise of the put option: in the event of any occurrence resulting in bringing forward of the option referred to, any direct shareholder may present to Cemig a notice of bringing forward of the option, at which moment the option shall be considered exercised by all the direct shareholders, over the totality of their shares.

4) As guarantee for the full payment of the Put Option, on May 31, 2016 Cemig offered to the holders of the Put Option 55,234,637 common shares and 110,469,274 preferred shares in Transmissora Aliança de Energia S.A. (Taesa), and as further guarantee, 53,152,298 shares that Cemig directly holds in Light.

Av. Barbacena 1200 Santo Agostinho 30190-131 Belo Horizonte, MG Brazil Tel.: +55 31 3506-5024 Fax +55 31 3506-5025

Amount of the Company's exposure

The change in the value of the options – the difference between the estimated fair value for the assets and the corresponding exercise price, in the nine-month periods ended September 30, 2017 and 2016, has been as follows:

	R$ '000
Balance at December 31, 2016	1,149,881
Variation in fair value	100,957
Reversals	(8,020)
Balance at September 30, 2017	**1,242,818**
Balance on December 31, 2015	**1,245,103**
Variation in fair value	267,585
Balance at September 30, 2016	**1,512,688**

In the calculation of the fair value of the option based on the Black-Scholes-Merton analysis, the following variables are taken into account: exercise price of the option; closing price of the stock of Light on September 30, 2017 (as a reference for the value of the indirect equity interest held by the direct stockholders of RME and Lepsa in Light); the risk-free interest rate; the volatility of the price of the underlying asset; and the time to maturity of the option.

The Company has made an analysis of the sensitivity of the exercise price of the option, varying the risk-free interest rate and the volatility, keeping the other variables of the model unchanged. In this context, scenarios for the risk-free interest rate at 6.6% p.a. to 16.4% p.a., and for volatility between 15% and 63.2% p.a., were used, resulting in estimates of minimum and maximum price for the put option of R$ 1,116,760 and R$ 1,180,151, respectively.

SAAG Put options

Option Contracts ('the Put Option') were signed between Cemig GT and the private pension entities that participate in the investment structure of SAAG (comprising FIP Melbourne, Parma Participações S.A. and FIP Malbec, jointly, 'the Investment Structure'), giving those entities the right to sell units in the entities that comprise the Investment Structure, which may be exercised at the option of the private pension plan entities, in the 84th (eighty-fourth) month from June 2014. The exercise price of the put options will correspond to the amount invested by each private pension plan in the Investment Structure, updated *pro rata temporis* by the Expanded National Consumer Price (IPCA) index published by the IBGE, plus interest at 7% per year, less such dividends and Interest on Equity as shall have been paid by SAAG to the pension plan entities. This option was considered to be a derivative instrument, accounted at fair value through profit or loss.

Av. Barbacena 1200 Santo Agostinho 30190-131 Belo Horizonte, MG Brazil Tel.: +55 31 3506-5024 Fax +55 31 3506-5025

In the fourth quarter of 2016 Cemig GT altered the methodology used in measuring the fair value of the put option of SAAG, and adopted the Black-Scholes-Merton (BSM) model, replacing the model of discounted cash flow less the exercise price of the option. This change is in line with best market practices, since the BSM method not only calculates the difference between the exercise price of the option and the share price, brought to present value, but also incorporates an important random component that weights these amounts.

The assumption was made that the future expenditures of FIP Malbec and FIP Melbourne are insignificant, so that the options are valued as if they were direct equity interests in Mesa. However, neither SAAG nor Mesa are traded on a securities exchange, so that some adaptions are necessary for calculation of the price of the asset and its volatility for application of the BSM model. The closing price of the share of Mesa on September 30, 2017 is ascertained on the basis of *Free cash flow to equity holders* (FCFE), with its equivalence in indirect equity interests held by the FIPs. Volatility, in turn, is measured as an average of historic volatility (based on the hypothesis that the series of the difference of continuously capitalized returns follows a normal distribution) of comparable companies in the electricity generation sector that are traded on the Bovespa.

Based on the studies made, a liability of R$ 264,138 is recorded in the Company's Interim accounting information, for the difference between the exercise price and the estimated fair value of the assets (R$ 196,173 at December 31, 2016).

The movement in the value of the options in the nine-month periods ended September 30, 2015 and 2016 is as follows:

	R$ '000
Balance at December 31, 2016	196,173
Variation in fair value	73,299
Reversals	(5,334)
Balance at September 30, 2017	**264,138**
Balance on December 31, 2015	**147,614**
Variation in fair value	29,488
Balance at September 30, 2016	**177,102**

Cemig GT has made an analysis of the sensitivity of the exercise price of the option, varying the risk-free interest rate and the volatility, keeping the other variables of the model unchanged. In this context, scenarios for the risk-free interest rate at 6.19% p.a. to 10.19% p.a., and for volatility between 16% and 76% p.a., were used, resulting in estimates of minimum and maximum price for the put option of R$ 226,188 and R$ 341,307, respectively.

Av. Barbacena 1200 Santo Agostinho 30190-131 Belo Horizonte, MG Brazil Tel.: +55 31 3506-5024 Fax +55 31 3506-5025

16. PROPERTY, PLANT AND EQUIPMENT

Consolidated R$ '000	Sep. 30, 2017			Dec. 31, 2016		
	Historic cost	Accumulated depreciation	Net value	Historic cost	Accumulated depreciation	Net value
In service						
Land	225,081	(13,126)	211,955	286,368	(7,718)	278,650
Reservoirs, dams and watercourses	3,324,692	(2,068,844)	1,255,848	5,347,448	(3,586,435)	1,761,013
Buildings, works and improvements	1,102,157	(766,382)	335,775	1,789,111	(1,370,631)	418,480
Machinery and equipment	2,939,964	(2,069,474)	870,490	4,518,403	(3,347,214)	1,171,189
Vehicles	28,816	(25,431)	3,385	28,816	(24,586)	4,230
Furniture and utensils	15,830	(12,669)	3,161	15,781	(12,373)	3,408
	7,636,540	**(4,955,926)**	**2,680,614)**	**11,985,927**	**(8,348,957)**	**3,636,970**
Under construction	**116,577**	**-**	**116,577**	**138,106**	**-**	**138,106**
Net property, plant and equipment	**7,753,117**	**(4,955,926)**	**2,797,191**	**12,124,033**	**(8,348,957)**	**3,775,076**

This table shows the movement in property, plant and equipment:

Consolidated R$ '000	Balance at Dec. 31, 2016	Addition	Jaguara, Miranda and Volta Grande Plants (1)	Written off	Depreciation	Transfers / capitalizations	Balance at Sep. 30, 2017
In service							
Land	278,650	-	(61,287)	-	(5,408)	-	211,955
Reservoirs, dams and watercourses	1,761,013	-	(440,923)	300	(64,913)	371	1,255,848
Buildings, works and improvements	418,480	39	(68,971)	-	(14,546)	773	335,775
Machinery and equipment	1,171,189	253	(297,471)	- 5,343	(69,864)	71,726	870,490
Vehicles	4,230	-	-	-	(845)	-	3,385
Furniture and utensils	3,408	58	-	-	(305)	-	3,161
	3,636,970	**350**	**(868,652)**	**(5,043)**	**(155,881)**	**72,870**	**2,680,614**
Under construction	138,106	53,533	(130)	(2,062)	-	(72,870)	116,577
Net property, plant and equipment	**3,775,076**	**53,883**	**(868,782)**	**(7,105)**	**(155,881)**	**-**	**2,797,191**

(1) Amounts transferred to the account line Generation concession assets, for the Jaguara and Miranda Plants, (more details in Note 4) and to Financial assets of the concession, for the Volta Grande Plant (more details in Note 13).

Consolidated R$ '000	Balance at Dec. 31, 2015	Addition	Written off	Depreciation	Transfers / capitalizations	Balance at Sep. 30, 2016
In service						
Land	278,609	-	(351)	(2,248)	89	276,099
Reservoirs, dams and watercourses	1,830,045	-	(3)	(74,450)	26,852	1,782,444
Buildings, works and improvements	437,311	-	(697)	(17,823)	4,348	423,139
Machinery and equipment	1,192,099	-	(23,128)	(76,748)	83,647	1,175,870
Vehicles	8,082	-	(58)	(1,943)	(1,518)	4,563
Furniture and utensils	4,473	-	(1)	(240)	(713)	3,519
	3,750,619	**-**	**(24,238)**	**(173,452)**	**112,705**	**3,665,634**
Under construction	189,704	61,332	(6,237)	-	(112,279)	132,520
Net property, plant and equipment	**3,940,323**	**61,332**	**(30,475)**	**(173,452)**	**426**	**3,798,154**

Av. Barbacena 1200 Santo Agostinho 30190-131 Belo Horizonte, MG Brazil Tel.: +55 31 3506-5024 Fax +55 31 3506-5025

The average annual depreciation rate for the year 2017 is 3.51% (3.39% in 2016). By activity, the average annual depreciation rates are:

Hydroelectric generation	Thermal generation	Management and other	Telecoms
3.30%	3.85%	10.04%	4.61%

The Company has not identified any evidence of impairment of its Property, plant and equipment assets. The generation concession contracts provide that at the end of each concession the Concession-granting power shall determine the amount to be indemnified to the Company and its subsidiaries. Management believes that the indemnity of these assets will be greater than the amount of: their historic cost after depreciation over their useful lives.

Under the Brazilian regulatory framework Aneel, the regulator, is responsible for establishing the useful economic life of the generation and transmission assets in the electricity sector, and for periodically reviewing the estimates. The rates established by Aneel are used in the processes of reviewing tariff rates and calculating of the indemnity due at the end of the concession period, and are recognized as a reasonable estimate of the useful life of the assets of the concession. Thus, these rates were used as the basis for depreciation of the Company's property, plant, and equipment assets.

The residual value of the assets is the remaining balance of the assets at the end of the concession. As established in the contract signed between the Company, and its subsidiaries, and the Nation, at the end of the concession the assets will revert to the Nation, which in turn will indemnify the Company for those assets that have not yet been totally depreciated. In cases where there is no indemnity, or there is uncertainty related to the indemnity, at the end of the concession, such as thermal generation, and hydroelectric generation as an independent power producer, no residual value is recognized, and the depreciation rates are adjusted so that all the assets are depreciated within the concession.

Consortium

Cemig GT is a partner in the electricity generation consortium for the *Queimado* plant, for which no separate company with independent legal existence was formed to manage the object of the concession, the controls being kept in Fixed assets and Intangible assets. Cemig GT's portion in the consortium is recorded and controlled individually in the respective categories of PP&E and Intangible assets.

Consolidated R$ '000	Stake in power output, %	Average annual depreciation rate %	Sep. 30, 2017	Dec. 31, 2016
In service				
Queimado plant	82.50	3.73	217,061	217,061
Accumulated depreciation			(86,260)	(81,911)
Total in operation			**130,801**	**135,150**
Under construction				
Queimado plant	82.50	-	233	233
Total under construction			**233**	**233**

Av. Barbacena 1200 Santo Agostinho 30190-131 Belo Horizonte, MG Brazil Tel.: +55 31 3506-5024 Fax +55 31 3506-5025

17. INTANGIBLE ASSETS

a) Composition of the balance at September 30, 2017 and December 31, 2016

Consolidated R$ '000	Sep. 30, 2017			Dec. 31, 2016		
	Historic cost	Accumulated amortization	Residual value	Historic cost	Accumulated amortization	Residual value
In service						
Useful life defined						
Temporary easements	11,749	(1,820)	9,929	11,749	(1,315)	10,434
Paid concession	19,169	(11,082)	8,087	19,169	(10,572)	8,597
Assets of concession	17,388,860	(7,437,712)	9,951,148	16,287,763	(7,039,840)	9,247,923
Other	79,171	(63,832)	15,339	76,864	(59,434)	17,430
	17,498,949	**(7,514,446)**	**9,984,503**	**16,395,545**	**(7,111,161)**	**9,284,384**
Under construction	1,073,182	-	1,073,182	1,535,296	-	1,535,296
Net intangible assets	**18,572,131**	**(7,514,446)**	**11,057,685**	**17,930,841**	**(7,111,161)**	**10,819,680**

Holding company R$ '000	Average amortization rate	Sep. 30, 2017			Dec. 31, 2016		
		Historic cost	Accumulated amortization	Residual value	Historic cost	Accumulated amortization	Residual value
In service							
Useful life defined							
Software use rights	20%	3,789	(3,724)	65	3,789	(3,649)	140
Brands and patents	10%	9	(7)	2	9	(7)	2
		3,798	**(3,731)**	**67**	**3,798**	**(3,656)**	**142**
Under construction		**1,710**	**-**	**1,710**	**1,710**	**-**	**1,710**
Net intangible assets		**5,508**	**(3,731)**	**1,777**	**5,508**	**(3,656)**	**1,852**

b) Changes in Intangible assets

Consolidated R$ '000	Balance at Dec. 31, 2016	Addition	Write-off of 'Special Obligations'	Jaguara, Volta Grande and Miranda Plants	Written off	Amortization	Transfer (1)	Balance at Sep. 30, 2017
In service								
Useful life defined								
Temporary easements	10,434	-	-	-	-	(505)	-	9,929
Paid concession	8,597	-	-	-	-	(510)	-	8,087
Assets of concession	9,247,923	-	17,069	-	(5,878)	(455,379)	1,147,413	9,951,148
Other	17,430	-	-	(80)	-	(4,508)	2,497	15,339
	9,284,384	**-**	**17,069**	**(80)**	**(5,878)**	**(460,902)**	**1,149,910**	**9,984,503**
Under construction	1,535,296	747,868	-	-	(6,820)	-	(1,203,162)	1,073,182
Net intangible assets – Consolidated	**10,819,680**	**747,868**	**17,069**	**(80)**	**(12,698)**	**(460,902)**	**(53,252)**	**11,057,685**

Consolidated R$ '000	Balance at Dec. 31, 2015	Addition	Written off	Amortization	Transfer (1)	Balance at Sep. 30, 2016
In service						
Useful life defined						
Temporary easements	10,434	-	-	-	-	10,434
Paid concession	9,275	-	-	(509)	-	8,766
Assets of concession	8,965,474	75	(19,501)	(422,948)	613,564	9,136,664
Other	15,290	-	(6,225)	(4,288)	12,810	17,587
	9,000,473	**75**	**(25,726)**	**(427,745)**	**626,374**	**9,173,451**
Under construction	1,274,631	899,785	(5,440)	-	(684,024)	1,484,952
Net intangible assets – Consolidated	**10,275,104**	**899,860**	**(31,166)**	**(427,745)**	**(57,650)**	**10,658,403**

(1) The residual balance of transfer refers to balances transferred to the Financial assets.

Av. Barbacena 1200 Santo Agostinho 30190-131 Belo Horizonte, MG Brazil Tel.: +55 31 3506-5024 Fax +55 31 3506-5025

The average annual depreciation rate for the year 2017 is 3.81% (4.12% in 2016). The average rates of annual amortization, by activity, set by the legislation for the sector, are:

Hydroelectric generation	Thermal generation	Distribution	Management and other	Telecoms
20.00%	19.35%	3.85%	23.29%	11.56%

The Company has found no indications of impairment of its intangible assets that have defined useful lives. The Company has no intangible assets with non-defined useful life. Among the additions made in the nine-month period ended in September 30, 2017, in the amount of R$747.868, is included R$ 56,851 (R$ 120,398 in 9M16) under the heading Capitalized Financial Costs, as presented in Note 20.

18. SUPPLIERS

R$ '000	Consolidated	
	9M17	9M16
Electricity on spot market – CCEE	237,732	167,860
Charges for use of electricity network	156,323	78,407
Electricity purchased for resale	1,037,427	676,563
Itaipu Binacional	246,453	206,827
Gas bought for resale	216,954	461,589
Materials and services	291,559	348,347
	2,186,448	**1,939,593**

19. TAXES, INCOME TAX AND SOCIAL CONTRIBUTION TAX

a) Taxes

R$ '000	Consolidated		Holding company	
	9M17	9M16	9M17	9M16
Current				
ICMS tax (I)	828,897	501,535	-	-
Cofins tax	93,452	128,030	1,965	32,332
Pasep tax	20,012	27,701	319	6,987
Social security contributions	15,368	24,865	1,869	1,933
Other	26,264	111,456	788	42,382
	983,993	**793,587**	**4,941**	**83,634**
Non-current				
Cofins tax (II)	593,296	594,866	-	-
Pasep tax (II)	128,806	129,056	-	-
	722,102	**723,922**	**-**	**-**
	1,706,095	**1,517,509**	**4,941**	**83,634**

(I) The Tax Credits Regularization Plan (*Plano de Regularização de Créditos Tributários* – PRCT):

During 3Q17 the subsidiaries Cemig D and Cemig GT recognized in their Profit and loss accounts the effects of adhesion to the Minas Gerais State Tax Credits Regularization Plan (PRCT), for settlement of ICMS tax totaling R$ 557,673 and R$ 29,951, respectively.

The main tax issue that led to the decision of Cemig D to subscribe to the PRCT relates to ICMS tax on the CDE subvention over the period January 2013 to October 2016, and also the classification of residential condominiums in the *commercial* category, which has a different ICMS rate, generating disagreement with the tax authority on interpretation, over the period 2013 to 2015. The amount of ICMS claimed from Cemig D will be settled, under the PRCT, in six installments, with value updated at 50% of the

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Selic rate and a reduction of 90% on fine and interests. The first instalment, of R$ 93,539, was settled on October 31, 2017.

The issue that led to Cemig GT adopting the PRCT relates to ICMS tax on transfers of power supply received from a consortium, where there was a difference in understanding between the Company and the tax authority in relation to the moment of payment. The amount claimed from Cemig GT, under the PRCT, was R$ 29,951, and was settled in full on October 31, 2017 and represented a reduction of 95% on fine and interests.

(II) The non-current obligations for *Pasep* and *Cofins* taxes refer to the legal proceedings challenging the constitutionality of inclusion of the ICMS tax as *part* of the taxable amount for calculation of the amounts of Pasep and Cofins taxes payable, and seeking authorization to offset the amounts paid over the last ten years. The Company and its subsidiaries Cemig D (Distribution) and Cemig GT (Generation and Transmission) obtained interim relief from the court allowing them not to make the payment, and authorizing payment through court deposits (starting in 2008), and maintained this procedure until July 2011. After that date, while continuing to challenge the basis of the calculation in court, they opted to pay the taxes monthly.

(III)

On March 15, 2017, the Federal Supreme Court (*Supremo Tribunal Federal*, or STF) issued a ruling, with the status of general precedent (‘*repercussão geral*’) governing all similar cases, in favor of the Company's argument. The Company and its subsidiaries await the results of any changes arising from the decision by the Supreme Court before measuring these effects and reflecting them in its financial statements.

b) Income tax and Social Contribution tax

R$ '000	Consolidated	
	9M17	9M16
Current		
Income tax	73,762	18,381
Social contribution tax	25,922	8,485
	99,684	**26,866**

Av. Barbacena 1200 Santo Agostinho 30190-131 Belo Horizonte, MG Brazil Tel.: +55 31 3506-5024 Fax +55 31 3506-5025

20. LOANS, FINANCINGS AND DEBENTURES

Financing source	Principal maturity	Annual financial cost %	Currency	Consolidated			
				September 30, 2017			Dec. 31, 2016
				Current	Non-current	Total	Total
FOREIGN CURRENCY							
Banco do Brasil: Various Bonds (1)	2024	Various	US$	3,021	20,169	23,190	23,049
KfW	2019	1,78	Euros	3,967	2,162	6,129	7,416
Debt in foreign currency				**6,988**	**22,331**	**29,319**	**30,465**
BRAZILIAN CURRENCY							
Banco do Brasil	2017	108.33% of the CDI Rate	R$	-	-	-	72,242
Banco do Brasil	2017	108.00% of CDI	R$	153,650	-	153,650	150,683
Banco do Brasil	2018	112.00% of CDI Rate	R$	295,581	270,000	565,581	554,748
Banco do Brasil	2017	111.00% of CDI	R$	-	-	-	50,308
Banco do Brasil	2020	114.00% of the CDI Rate	R$	185,319	329,144	514,463	501,352
Banco do Brasil	2018	132.90% of CDI	R$	290,442	149,317	439,759	583,043
BNDES	2026	TJLP+2.34%	R$	8,065	61,361	69,426	74,095
Caixa Econômica Federal	2018	119.00% of CDI	R$	33,407	-	33,407	108,792
Caixa Econômica Federal	2020	132.14% of CDI	R$	272,631	411,457	684,088	681,417
Eletrobras	2023	UFIR; RGR + 6.00 to 8.00%	R$	16,886	37,449	54,335	68,043
Large consumers	2024	Various	R$	1,860	2,305	4,165	6,317
Finep	2018	TJLP + 5% and TJLP + 8%	R$	3,145	-	3,145	5,505
Pipoca Consortium	2018	IPCA	R$	185	-	185	185
Promissory Notes – 7th Issue	2017	128.00% of CDI	R$	588,319	-	588,319	667,143
Banco da Amazônia S.A.	2018	CDI + 1.90%	R$	13,786	119,961	133,747	121,601
Sonda (4)	2021	110% of CDI	R$	50,482	40,904	91,386	83,238
(–) FIC Pampulha: Securities of subsidiary companies (6)				(49,936)	-	(49,936)	-
Debt in Brazilian currency				**1,863,822**	**1,421,898**	**3,285,720**	**3,728,712**
Total of loans and financings				**1,870,810**	**1,444,229**	**3,315,039**	**3,759,177**
Debentures – 3rd Issue, 1st series (2)	2017	CDI Rate + 0.90%	R$	-	-	-	543,208
Debentures – 3rd Issue, 2nd series (2)	2019	IPCA + 6.00%	R$	152,272	141,923	294,195	293,122
Debentures – 3rd Issue, 3rd series (2)	2022	IPCA + 6.20%	R$	35,809	950,808	986,617	983,506
Debentures – 5th Issue, 1st series (2)	2018	CDI + 1.70%	R$	844,159	700,000	1,544,159	1,411,295
Debentures – 6th Issue, 1st series (2)	2018	CDI + 1.60%	R$	495,573	-	495,573	1,037,973
Debentures – 6th Issue, 2nd series (2)	2020	IPCA +8.07%	R$	475	30,658	31,133	31,117
Debentures – 7th Issue, 1st series (2)	2021	140.00% of CDI Rate	R$	(5,042)	2,210,853	2,205,811	2,196,841
Debentures, 2nd Issue (3)	2017	IPCA + 7.96%	R$	253,769	-	253,769	235,136
Debentures – 3rd Issue, 2nd Series (3)	2021	IPCA + 4.70%	R$	41,685	1,464,025	1,505,710	1,495,108
Debentures – 3rd Issue, 3rd Series (3)	2025	IPCA + 5.10%	R$	27,041	873,250	900,291	894,918
Debentures – 3rd Issue, 1st series (3)	2018	CDI + 0.69%	R$	438,571	-	438,571	463,880
Debentures, 4th Issue (3)	2018	CDI + 4.05%	R$	988,160	804,371	1,792,531	1,597,690
Debentures (5)	2018	CDI + 1.60%	R$	412	100,000	100,412	100,629
Debentures (5)	2018	CDI + 0.74%	R$	33,351	-	33,351	66,706
Debentures (5)	2022	TJLP+1.82% (75%); Selic+1.82% (25%)	R$	27,593	129,963	157,556	133,502
Debentures (4)	2019	128.50% of CDI	R$	8,605	17,887	26,492	-
(–) FIC Pampulha: Securities of subsidiary companies (6)				(13,772)	(11,863)	(25,635)	(64,528)
Total, debentures				**3,328,661**	**7,411,875**	**10,740,536**	**11,420,103**
Overall total – Consolidated				**5,199,471**	**8,856,104**	**14,055,575**	**15,179,280**

(1) Net balance of the Restructured Debt comprising the bonds at par and discounted, with balance of R$ 144,396, less the amounts given as Deposits in guarantee, with balance of R$ 121,206. Interest rates vary – from 2 to 8% p.a.; six-month Libor plus spread of 0.81% to 0.88% p.a.

(2) Cemig Geração e Transmissão (3) Cemig Distribuição (4) CemigTelecom (5) Gasmig;

(6) FIC Pampulha has financial investments in securities issued by subsidiary companies of the Company. For more information and characteristics of the fund, see Note 27.

Guarantees

The debtor balance of loans and financings is guaranteed as follows:

R$ '000	Sep. 30, 2017
Promissory Notes and Sureties	10,310,897
Receivables	1,399,655
Shares	1,947,197
Without guarantee	397,826
TOTAL	**14,055,575**

Av. Barbacena 1200 Santo Agostinho 30190-131 Belo Horizonte, MG Brazil Tel.: +55 31 3506-5024 Fax +55 31 3506-5025

The composition of loans, financings and debentures, by currency and indexor, with the respective amortization, is as follows:

Consolidated R$ '000	2017	2018	2019	2020	2021	2022	2023	After 2023	Total
Currency									
US dollar	3,021	-	-	-	-	-	-	20,169	**23,190**
Euros	1,997	3,939	193	-	-	-	-	-	**6,129**
Total, currency denominated	**5,018**	**3,939**	**193**	**-**	**-**	**-**	**-**	**20,169**	**29,319**
Indexors									
IPCA index (1)	369,476	141,642	640,175	812,065	811,619	541,688	218,379	436,856	**3,971,900**
Ufir / RGR (2)	4,806	16,357	12,912	11,210	3,407	3,264	2,379	-	**54,335**
CDI Rate (3)	3,197,710	3,694,695	1,163,134	951,657	758,533	-	-	-	**9,765,729**
URTJ / TJLP (4)	7,609	40,809	38,455	38,647	38,202	38,336	7,833	20,236	**230,127**
IGP–DI (5)	1,486	375	377	603	54	508	508	254	**4,165**
Total governed by indexors	**3,581,087**	**3,893,878**	**1,855,053**	**1,814,182**	**1,611,815**	**583,796**	**229,099**	**457,346**	**14,026,256**
Overall total	**3,586,105**	**3,897,817**	**1,855,246**	**1,814,182**	**1,611,815**	**583,796**	**229,099**	**477,515**	**14,055,575**

(1) Expanded National Consumer Price (IPCA) Index.
(2) Fiscal Reference Unit (Ufir / RGR).
(3) CDI: Interbank Rate for Certificates of Deposit.
(4) URTJ: Interest rate reference unit.
(5) IGP-DI ('General – Domestic Availability') Price Index.

The principal currencies and indexors used for monetary updating of loans and financings had the following variations:

Currency	Accumulated variation in 9M17, %	Accumulated variation in 9M16, %	Indexor	Accumulated variation in 9M17, %	Accumulated variation in 9M16, %
US dollar	(2.80)	(16.87)	IPCA	1.78	5.51
Euros	8.86	(14.16)	CDI	8.03	10.42

Changes in loans, financings and debentures were as follows:

R$ '000	Consolidated
Balance on December 31, 2015	**15,166,537**
Loans and financings obtained	2,933,271
Transaction costs	(74,627)
Financings obtained net of transaction costs	2,858,644
Monetary and exchange rate variation	216,243
Borrowing costs provisioned	1,504,865
Amortization of transaction cost	47,471
Borrowing costs paid	(1,320,119)
Amortization of financings	(2,106,248)
Subtotal	**16,368,031**
(–) FIC Pampulha: Securities of subsidiary companies	(98,980)
Balance at September 30, 2016	**16,269,051**
Balance at December 31, 2016	**15,179,280**
Loans and financings obtained	60,870
Transaction costs	(762)
Financings obtained net of transaction costs	60,108
Monetary and exchange rate variation	73,833
Borrowing costs provisioned	1,217,735
Amortization of transaction cost	41,090
Borrowing costs paid	(998,967)
Amortization of financings	(1,506,459)
Subtotal	**14,066,620**
(–) FIC Pampulha: Securities of subsidiary companies	(11,045)
Balance at September 30, 2017	**14,055,575**

Av. Barbacena 1200 Santo Agostinho 30190-131 Belo Horizonte, MG Brazil Tel.: +55 31 3506-5024 Fax +55 31 3506-5025

Borrowing costs capitalized

The subsidiaries transferred to Intangible assets the costs of loans and financings linked to works, as follows:

R$ '000	9M17	9M16
Costs of loans and financings	1,217,735	1,504,865
Financial costs transferred to Intangible assets	(56,851)	(120,398)
Net effect in Profit or loss	**1,160,884**	**1,384,467**

The value of the charges capitalized, R$ 56,851 (R$ 120,398 in 2016), has been excluded from the Statement of cash flows, in the additions to Cash flow from investment activities, because it does not represent an outflow of cash for acquisition of the related asset.

The average rate applied to capitalization of the loans and financings whose costs were transferred to works was 11.07% in 9M17 – and 13.13% in 9M16.

Funding raised

This table shows the funding raised, on Consolidated basis, in 9M17:

Financing source	Signature date	Principal maturity	Annual financial cost, %	Amount(*) R$ '000
Brazilian currency				
Debentures (1)	November 4,2013	2022	CDI + 0.74%	33,870
Debentures (2)	April 22, 2017	2019	128.50% of CDI	26,238
Total raised				**60,108**

* Net of funding cost.

(1) Subscription by BNDESPar of Gasmig's fourth Debenture Issue, in June 2017, to support the plan for investment in expansion of the gas distribution network.

(2) Cemig Telecom completed its second issue of non-convertible debentures in May 2017 with real guarantees and additional surety, in a single series, to roll over debt and strengthen cash position.

Debentures

The debentures issued by the Company's subsidiaries are not convertible into shares, and have the following characteristics:

Issuer	Type of guarantee	Annual cost, %	Maturity	Sep. 30, 2017	Dec. 31, 2016
Cemig GT – 3rd Issue – 1st Series	Unsecured	CDI Rate + 0.90%	2017	-	543.208
Cemig GT – 3rd Issue – 2nd Series	Unsecured	IPCA + 6.00%	2019	294.195	293.122
Cemig GT – 3rd Issue – 3rd Series	Unsecured	IPCA + 6.20%	2022	986.617	983.506
Cemig GT – 5th Issue, 1st Series	Unsecured	CDI + 1.70%	2018	1.544.159	1.411.295
Cemig D – 6th Issue – 1st Series	Surety	CDI + 1.60%	2018	495.573	1.037.973
Cemig D – 6th Issue – 2nd Series	Surety	IPCA +8.07%	2020	31.133	31.117
Cemig GT – 7th Issue – 1st Series	Receivables (Revenue)	140.00% of CDI Rate	2021	2.205.811	2.196.841
Cemig D – 2nd Issue	None	IPCA + 7.96%	2017	253.769	235.136
Cemig D – 3rd Issue – 2nd Series	Surety	IPCA + 4.70%	2021	1.505.710	1.495.108
Cemig D – 3rd Issue – 3rd Series	Surety	IPCA + 5.10%	2025	900.291	894.918
Cemig D – 3rd Issue – 1st Series	Surety	CDI + 0.69%	2018	438.571	463.880
Cemig D – 4th Issue	Surety	CDI + 4.05%	2018	1.792.531	1.597.690
Gasmig	Unsecured	CDI + 1.60%	2018	100.412	100.629
Gasmig	Unsecured	CDI + 0.74%	2018	33.351	66.706
Gasmig	Unsecured	TJLP+1.82% (75%); Selic+1.82% (25%)	2022	157.556	133.502
CemigTelecom	Receivables	128.50% of CDI	2019	26.492	-
Subtotal				10.766.171	11.484.631
(–) FIC Pampulha: Securities of subsidiary companies				(25.635)	(64.528)
TOTAL				**10.740.536**	**11.420.103**

Av. Barbacena 1200 Santo Agostinho 30190-131 Belo Horizonte, MG Brazil Tel.: +55 31 3506-5024 Fax +55 31 3506-5025

For the debentures issued by the Company, there are no renegotiation clauses, nor debentures held in treasury. There is an early maturity clause for cross-default in the event of non-payment of any pecuniary obligation with individual or aggregate value greater than R$ 50 million.

Restrictive covenants

The Company has contracts with covenants linked to financial indices, as follows:

Title	Parameter	Issuer ratio required	Ratio required Cemig (guarantor)	Required compliance frequency
BNDES financing – Cemig GT (1)	Stockholders' equity of Guarantor / Total assets of Guarantor	-	30% or more	Annual
Banco do Brasil Credit Note and fixed credit line – Cemig GT (2)	Net debt / (Ebitda + Dividends received)	Maximum: 5.5 in 2017 5.0 in 2018 4.5 in 2019 3.0 in 2020 2.5 in 2021-	Maximum: 4.5. in 2017 4.25 in 2018 3.5 in 2019 3.0 in 2020 2.5 in 2021	Half-yearly, from December 2017
7th debenture issue – Cemig GT (3)	Net debt / (Ebitda + Dividends received)	Maximum: 5.5 in 2017 5.0 in 2018 4.5 in 2019 3.0 in 2020 2.5 in 2021	Maximum: 4.5 in 2017 4.25 in 2018 3.5 in 2019 3.0 in 2020 2.5 in 2021	Half-yearly, from June 2017
Debentures (Gasmig) (4)	Total liabilities / Total assets Ebitda / Debt servicing	Less than 0.6 1.3 or more	-	Annual

(1) If the Company does not achieve the required ratio, it will have six months from the end of the business year in which the ratio was found, to:
   (i) constitute real guarantees which in the assessment of the BNDES represent 130.00% of the value of the debtor balance of the contract; or
   (ii) present an interim balance sheet, by a CVM-registered auditor, indicating return to the index required.

(2) Through contractual amendments, a further early maturity clause was added to Cemig GT's Bank Credit Notes and Fixed Credit Line with Banco do Brasil S.A., requiring compliance with a financial ratio similar to that demanded by the 7th Debenture Issue.

(3) 7th Issue of Debentures by Cemig GT, in December 2016, of R$ 2,240,000.

(4) If Gasmig does not achieve the required ratio, Cemig shall, within 120 days from the sate of notice in writing from BNDES or BNDESPar, constitute guarantees acceptable to the debenture holders for the total amount of the debt, subject to the rules of the National Monetary Council (CMN), unless the required ratios are restored within that period. Cross-default: Certain contractually specified situations can cause early maturity of other debts.

The covenant requiring half-yearly compliance relating to the financial ratio for GT (issuer) and Cemig (guarantor) was complied with on June 30, 2017.

The covenants requiring compliance annually were complied with on December 31, 2016.

Av. Barbacena 1200 Santo Agostinho 30190-131 Belo Horizonte, MG Brazil Tel.: +55 31 3506-5024 Fax +55 31 3506-5025

21. REGULATORY CHARGES

R$ '000	Consolidated	
	9M17	9M16
Current assets		
Credits owed by Eletrobras (1)	-	48,379
	-	48,379
Liabilities		
Global Reversion Reserve (RGR)	46,217	34,659
Energy Development Account (CDE)	180,823	189,330
Aneel inspection charge	2,171	2,877
Energy Efficiency	337,251	287,571
Research and development	271,228	233,560
Energy System Expansion Research	1,419	2,724
National Scientific and Technological Development Fund	2,546	5,146
Proinfa – Alternative Energy Program	6,778	7,720
Royalties for use of water resources	16,244	23,404
Emergency capacity charge	30,996	30,996
Consumer charges – 'Flag Tariff' amounts	16	17,224
	895,689	**835,211**
Current liabilities	**351,246**	**380,586**
Non-current liabilities	**544,443**	**454,625**

(1) Cemig GT requested from Aneel a review of the amounts paid for the RGR Contribution in previous business years, due to the basis of calculation used at the time for calculation of the charge. Cemig GT recognized the right to recover the amount paid in excess, to be offset against RGR payable, only after the conclusion, in 2016, of a judgment by Aneel, as per Aneel Technical Note 162/2016, which accepted Cemig GT's claim. On September 30, 2017 the RGR payable is presented net of the remaining balance receivable, of R$ 15,073.

Av. Barbacena 1200 Santo Agostinho 30190-131 Belo Horizonte, MG Brazil Tel.: +55 31 3506-5024 Fax +55 31 3506-5025

22. POST-RETIREMENT OBLIGATIONS

Changes in net liabilities were as follows:

Holding company R$ '000	Pension plans and retirement supplement plans	Health Plan	Dental Plan	Life insurance	Total
Net liabilities on December 31, 2015	**199,183**	**74,034**	**1,958**	**28,016**	**303,191**
Expense recognized in Profit and loss account	20,817	7,604	206	2,831	31,458
Contributions paid	(4,664)	(4,172)	(104)	(536)	(9,476)
Net liabilities on September 30, 2016	**215,336**	**77,466**	**2,060**	**30,311**	**325,173**
Net liabilities on December 31, 2016	**257,933**	**95,655**	**2,452**	**41,424**	**397,464**
Expense recognized in Profit and loss account	20,338	7,828	207	3,490	31,863
Contributions paid	(5,838)	(4,898)	(118)	(278)	(11,132)
Net liabilities on September 30, 2017	**272,433**	**98,585**	**2,541**	**44,636**	**418,195**
				30/09/2017	**31/12/2016**
Current liabilities				12,584	11,143
Non-current liabilities				405,611	386,321

Consolidated R$ '000	Pension plans and retirement supplement plans	Health Plan	Dental Plan	Life insurance	Total
Net liabilities on December 31, 2015	**1,346,388**	**1,323,516**	**30,090**	**553,377**	**3,253,371**
Expense recognized in Profit and loss account	139,289	136,805	3,111	56,160	335,365
Contributions paid	(94,770)	(68,034)	(1,681)	(9,246)	(173,731)
Net liabilities on September 30, 2016	**1,390,907**	**1,392,287**	**31,520**	**600,291**	**3,415,005**
Net liabilities on December 31, 2016	**1,679,154**	**1,710,787**	**37,549**	**813,921**	**4,241,411**
Expense recognized in Profit and loss account	130,471	141,947	3,128	66,472	342,018
Contributions paid	(118,638)	(76,868)	(1,816)	(5,768)	(203,090)
Net liabilities on September 30, 2017	**1,690,987**	**1,775,866**	**38,861**	**874,625**	**4,380,339**
				30/09/2017	**31/12/2016**
Current liabilities				224,137	198,867
Non-current liabilities				4,156,202	4,042,544

The amounts recorded as Current liabilities refer to the contributions to be made by Cemig and its subsidiaries in the next 12 months for amortization of the actuarial liabilities.

The amounts reported as expenses in the Consolidated profit and loss account refer to the tranches of post-employment obligations, totaling R$ 293,617 (R$ 248,583 for 9M16), plus the financial costs and monetary updating on the debt agreed with Forluz, in the amount of R$ 48,401 (R$ 86,782 in 9M16).

Av. Barbacena 1200 Santo Agostinho 30190-131 Belo Horizonte, MG Brazil Tel.: +55 31 3506-5024 Fax +55 31 3506-5025

Contract for solution to the deficit on Forluz Pension Plan 'A'

In May 2017 Forluz and the sponsors Cemig, Cemig GT and Cemig D signed an Instrument of Assumption of Debt for Coverage of Deficit in accordance with the deficit solution plan for Plan A (the Retirement Benefits Balances Plan) approved by the Governing Council of Forluz on December 15, 2016.

On September 30, 2017 the total amount payable by Cemig and its subsidiaries as a result of the deficit found in Plan A is R$ 284,166, with monthly amortizations up to June 2031, calculated by the system of constant installments (known as the 'Price Table').

Remuneratory interest applicable to the outstanding balance is 6% p.a., plus the effect of the IPCA (Expanded National Consumer Price) index published by the IBGE.

If the plan reaches actuarial balance before the full period of amortization of the contract, the Company is dispensed from payment of the remaining installments and the contract is extinguished.

23. PROVISIONS

The Company and its subsidiaries are parties in certain legal and administrative proceedings before various courts and government bodies, arising in the normal course of business, regarding employment-law, civil, tax, environmental and regulatory matters, and other issues.

The Company and its subsidiaries have made provisions as follows for contingencies relating to legal actions in which the Company and its legal advisors have assessed the chances of loss as 'probable' (i.e. an outflow of funds to settle the obligation will be necessary):

R$ '000	Consolidated				
	Dec. 31, 2016	Additions	Reversals	Settled	Sep. 30, 2017
Employment-law cases	349,273	191,670	(3,657)	(47,727)	489,559
Civil cases					
Consumer relations	14,741	11,856	(1,320)	(11,855)	13,422
Other civil actions	40,443	7,844	(238)	(4,274)	43,775
	55,184	**19,700**	**(1,558)**	**(16,129)**	**57,197**
Tax	69,922	6,033	(3,632)	(588)	71,735
Environmental	39	4	-	-	43
Regulatory	43,100	2,833	(13,811)	(766)	31,356
Corporate	239,445	-	(239,445)	-	-
Other	58,054	8,863	-	(2,834)	64,083
Total	**815,017**	**229,103**	**(262,103)**	**(68,044)**	**713,973**

Av. Barbacena 1200 Santo Agostinho 30190-131 Belo Horizonte, MG Brazil Tel.: +55 31 3506-5024 Fax +55 31 3506-5025

R$ '000	Consolidated				
	Dec. 31, 2015	Additions	Reversals	Settled	Sep. 30, 2016
Employment-law cases	289,841	73,343	(3,380)	(34,613)	325,191
Civil cases					
Consumer relations	17,378	12,900	(490)	(10,860)	18,928
Other civil actions	28,792	16,398	(76)	(3,461)	41,653
	46,170	**29,298**	**(566)**	**(14,321)**	**60,581**
Tax	69,014	3,832	(1,216)	(763)	70,867
Environmental	60	38	(59)	(1)	38
Regulatory	45,180	5,475	(1,611)	(1,995)	47,049
Corporate	268,953	-	(29,502)	-	239,451
Other	35,355	33,133	(4,038)	(7,359)	57,091
Total	**754,573**	**145,119**	**(40,372)**	**(59,052)**	**800,268**

R$ '000	Holding company				
	Dec. 31, 2016	Additions	Reversals	Settled	Sep. 30, 2017
Employment-law cases	34,928	15,569	(3,016)	(6,039)	41,442
Civil cases					-
Consumer relations	1,435	8	(26)	(8)	1,409
Other civil actions	3,238	771	(31)	(44)	3,934
	4,673	**779**	**(57)**	**(52)**	**5,343**
Tax	8,869	4,170	(2,817)	(255)	9,967
Regulatory	21,614	-	(4,241)	-	17,373
Corporate	239,445	-	(239,445)	-	-
Other	466	714	(1)	(45)	1,134
Total	**309,995**	**21,232**	**(249,577)**	**(6,391)**	**75,259**

R$ '000	Holding company				
	Dec. 31, 2015	Additions	Reversals	Settled	Sep. 30, 2016
Employment-law cases	29,169	11,463	-	(5,578)	35,054
Civil cases					
Consumer relations	3,294	5	(491)	-	2,808
Other civil actions	1,289	2,208	(75)	(45)	3,377
	4,583	**2,213**	**(566)**	**(45)**	**6,185**
Tax	10,306	1,283	(1,078)	(681)	9,830
Regulatory	21,696	1,157	(1,611)	(89)	21,153
Corporate	268,953	-	(29,502)		239,451
Other	427	87	(1)	(24)	489
Total	**335,134**	**16,203**	**(32,758)**	**(6,417)**	**312,162**

In view of the long periods involved in, and the manner of working of, the Brazilian judiciary, tax and regulatory systems, the managements of the Company and its subsidiaries believe that it is not possible in practice to supply information that would be useful to the users of these interim financial statements about the time when any cash outflows, or any reimbursements, might take place in fact. The Company and its subsidiaries believe that any disbursements in excess of the amounts provisioned, when the respective processes are completed, will not significantly affect the Company's result of operations or financial position.

The details on the principal provisions and contingent liabilities are given below, these being the best estimates of expected future disbursements for these contingencies:

Av. Barbacena 1200 Santo Agostinho 30190-131 Belo Horizonte, MG Brazil Tel.: +55 31 3506-5024 Fax +55 31 3506-5025

Provisions, made for legal actions in which the chances of loss have been assessed as 'probable'; and Contingent liabilities, for actions in which the chances of loss are assessed as 'possible'.

Employment-law cases

The Company and its subsidiaries are parties in various legal actions brought by its employees and by employees of service providing companies. Most of these claims relate to overtime and additional pay, severance payments, various benefits, salary adjustments and the effects of such items on a supplementary retirement plan. In addition to these actions, there are others relating to outsourcing of labor, complementary additions to or re-calculation of retirement pension payments by Forluz, and salary adjustments.

The aggregate amount of these contingencies is approximately R$ 1,556,075 (R$ 1,543,946 on December 31, 2016), of which R$ 489,559 (R$ 349,273 on December 31, 2016) has been provisioned – the amount estimated as probably necessary for settlement of these disputes.

Consumer relations

The Company and its subsidiaries are parties in various civil actions relating to indemnity for pain and suffering and for material damages, arising, principally, from allegations of irregularity in measurement of consumption, and claims of undue charging, in the normal course of business, totaling R$ 38,765 (R$ 33,178 on December 31, 2016), of which R$ 13,422$(R$ 14,741 on December 31, 2016) has been provisioned – this being the probable estimate for funds needed to settle these disputes.

Other civil cases

Cemig and its subsidiaries are parties in various civil actions claiming indemnity for pain and suffering and for material damages, among others, arising from incidents occurring in the normal course of business, in the amount of R$ 241,156 (R$ 227,043 on December 31, 2016), of which R$ 43,775 (R$ 40,443 on December 31, 2016) has been provisioned – the amount estimated as probably necessary for settlement of these disputes.

Tax

The Company and its subsidiaries are parties in numerous administrative and court actions relating to taxes, including, among other matters, subjects relating to the ICMS (Value Added) tax on goods and services; the Urban Property Tax (*Imposto sobre a Propriedade Territorial Urbana*, or IPTU); the *Rural Property Tax* (ITR); the Tax on Donations and Legacies (ITCD); the Social Integration Program (*Programa de Integração Social*, or PIS); the Contribution to Finance Social Security (*Contribuição para o Financiamento da Seguridade Social*, or Cofins); Corporate Income Tax (*Imposto de Renda Pessoa Jurídica*, or IRPJ); the Social Contribution Tax (*Contribuição Social sobre o Lucro Líquido*, or CSLL); and applications to stay execution on tax matters. The aggregate amount of the contingency is approximately R$ 338,287 (R$ 295,373 on December 31, 2016), of which R$ 71,735 (R$ 69,922 on

Av. Barbacena 1200 Santo Agostinho 30190-131 Belo Horizonte, MG Brazil Tel.: +55 31 3506-5024 Fax +55 31 3506-5025

December 31, 2016) has been provisioned – the amount estimated as probably necessary for settlement of these disputes.

Environmental

The Company and its subsidiaries are involved in environmental matters, in which the subjects include protected areas, environmental licenses, recovery of environmental damage, and other matters, in the approximate total amount of R$ 14,312 (R$ 34,031 on December 31, 2016), of which R$ 43 (R$ 39 on December 31, 2016) has been provisioned – the amount estimated as probably necessary for settlement of these disputes.

Regulatory

The Company and its subsidiaries are parties in numerous administrative and court proceedings, challenging, principally:(i) tariff charges in invoices for use of the distribution system by a self-producer; (ii) alleged violation of targets for continuity indicators in retail supply of electricity; and (iii) the tariff increase made during the federal government's economic stabilization plan referred to as the 'Cruzado Plan', in 1986. The aggregate amount of the contingency is approximately R$ 242,386 (R$ 235,886 on December 31, 2016), of which R$ 31,356 (R$ 43,100 on December 31, 2016) has been provisioned – the amount estimated as probably necessary for settlement of these disputes.

Corporate

Difference of monetary updating on the Advance against Future Capital Increase (AFAC) made by the Minas Gerais State Government

On December 19, 2014 the Finance Secretary of Minas Gerais State sent an Official Letter to Cemig requesting recalculation of the amounts relating to the Advances against Future Capital Increase made in 1995, 1996, and 1998, which were returned to Minas Gerais State in December 2011, for review of the criterion used by the Company for monetary updating, arguing that application of the Selic rate would be more appropriate, replacing the IGP-M index.

On December 29, 2014 the Company made an administrative deposit applying for suspension of enforceability of the credit being requested by the state, and for its non-inclusion in the Register of Debts owed to the state and in the Registry of Defaulted Payments owed to the State (Cadin).

In the nine-month period ended on September 30, 2017, the management developed negociations with the State of Minas Gerais and on October 25, 2017, a Debt Recognition Undertaking was signed with the State of Minas Gerais, through its Financial Department, and by Cemig, under which the State undertook to return to the company the total amount deposited, with monetary updating by the IGP-M inflation index. In view of this new situation, the probability of loss was reassessed to 'remote' . Therefore, the Company made a reversion provision of R$239,445 considering there is no expectation related to future

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outflows to settle the obligation that was previously recorded in the future. More details on note 11.

Other legal actions in the normal course of business

Breach of contract – Power line pathways and accesses cleaning services contract

The Company and its subsidiaries are parties in disputes alleging losses suffered as a result of supposed breaches of contract at the time of provision of services of cleaning of power line pathways and firebreaks. The amount provisioned is R$ 30,808 (R$ 28,389 at December 31, 2016), this being estimated as the likely amount of funds necessary to settle this dispute.

Other legal actions

The Company and its subsidiaries are parties in a lawsuit disputing the removal of residents in areas of access to transmission lines or under transmission line towers. The amount provisioned is R$ 23,286 (R$ 21,407 at December 31, 2016), estimated as the likely amount of funds necessary to settle this dispute, based on the opinion of the Company's legal advisors.

In addition to the issues described above, the Company is involved, on plaintiff or defendant side, in other cases, of smaller scale, related to the normal course of its operations, with an estimated total amount of R$ 170,045 (R$ 129,563 on December 31, 2016), of which R$ 9,989 (R$ 8,297 on December 31, 2016) – the amount estimated as probably necessary for settlement of these disputes – has been provisioned. Management believes that it has appropriate defense for these actions, and does not expect these issues to give rise to significant losses that could have an adverse effect on the Company's financial position or profit.

Contingent liabilities – for cases in which the chances of loss are assessed as 'possible', and the company believes it has arguments of merit for legal defense

Tax and similar charges

The Company and its subsidiaries are parties in numerous administrative and court proceedings in relation to taxes. Below are details of the principal cases:

Indemnity of employees' future benefit (the 'Anuênio')

In 2006 the Company paid an indemnity to its employees, totaling R$ 177,686, in exchange for rights to future payments (referred to as the Anuênio) for time of service, which would otherwise be incorporated, in the future, into salaries. The Company and its subsidiaries did not pay income tax nor Social Security contributions in relation to these amounts because it considered that those obligations are not applicable to amounts paid as an indemnity. However, to avoid the risk of a future fine, the Company decided to apply for However, to avoid the risk of a future fine, the Company decided to apply for orders of *mandamus*, which

Av. Barbacena 1200 Santo Agostinho 30190-131 Belo Horizonte, MG Brazil Tel.: +55 31 3506-5024 Fax +55 31 3506-5025

permitted payment into Court of R$ 121,834, which updated now represents the amount of R$$265,178 (R$ 255,127 at December 31, 2016). This was posted in Escrow deposits in litigation. The updated amount of the contingency is R$ 307,446 (R$ 290,216 on December 31, 2016) and, based on the arguments above, management has classified the chance of loss as 'possible'.

Social Security contributions

The Brazilian federal tax authority (*Secretaria da Receita Federal*) has brought administrative proceedings under various headings: employee profit shares; the Workers' Food Program (*Programa de Alimentação do Trabalhador*, or PAT); education benefit; food benefit; Special Additional Retirement payment; overtime payments; hazardous occupation payments; matters related to Sest/Senat (transport workers' support programs); and fines for non-compliance with accessory obligations. The Company and its subsidiaries have presented defenses and await judgment. The amount of the contingency is approximately R$ 1,689,042 (R$ 1,509,940 on December 31, 2016). Management has classified the chance of loss as 'possible', also taking into account assessment of the chance of loss in the judicial sphere (the cases mentioned are in the administrative sphere), based on the evaluation of the claims and the related case law.

Non-homologation of offsetting of tax credit

The federal tax authority did not ratify the Company's declared offsetting, in Corporate income tax returns, of carryforwards and undue or excess payment of federal taxes – IRPJ, CSLL, PIS and Cofins – identified by official tax deposit receipts ('DARFs' and 'DCTFs'). The Company and its subsidiaries are contesting the non-homologation of the amounts offset. The amount of the contingency is R$ 242,839 (R$ 317,032 on December 31, 2016). The Company has assessed the chance of loss as 'possible', since the relevant requirements of the National Tax Code (CTN) have been complied with.

Corporate tax return (DIPJ) – restitution and offsetting

The Company was a party in an administrative case involving requests for restitution and compensation of credits arising from tax carryforward balances indicated in the corporate tax returns for the calendar years from 1997 to 2000, and also for excess payments identified by the corresponding tax payment receipts (DARFs and DCTFs). Due to completion of all appeals in the administrative sphere, an ordinary legal action has been filed, for the approximate total amount of R$ 568,910 (R$ 535,465 on December 31, 2016). The chances of loss in this action are assessed as 'possible', due to nullities in the conduct of the administrative proceedings and the understanding that mistaken assumptions were used by the inspectors in the administrative judgment, and also based on analysis of the Company's argument and documents of proof.

Income tax withheld at source (IRRF) on a capital gain in a stockholding transaction

The federal tax authority issued an infringement notice on Cemig as a jointly responsible party with its jointly-controlled entity Parati S.A. Participações em Ativos de Energia Elétrica

Av. Barbacena 1200 Santo Agostinho 30190-131 Belo Horizonte, MG Brazil Tel.: +55 31 3506-5024 Fax +55 31 3506-5025

(Parati), relating to withholding income tax (*Imposto de Renda Retido na Fonte*, or IRRF) allegedly applicable to returns paid by reason of a capital gain in a stockholding transaction relating to the purchase by Parati, and sale, by Enlighted, on July 7, 2011, of 100.00% of the equity interests in Luce LLC (a company with head office in Delaware, USA), holder of 75.00% of the shares in the Luce Brasil equity investment fund (FIP Luce), which was indirect holder, through Luce Empreendimentos e Participações S.A., of approximately 13.03% of the total and voting shares of Light S.A. (Light). The amount of the contingency is approximately R$ 209,739 (R$ 197,911 on December 31, 2016). The chance of loss has been assessed as 'possible'.

The Social Contribution tax on net profit (CSLL)

The federal tax authority issued a tax infringement claim against the Company for the business years 2012 and 2013, alleging undue non-addition, or deduction, by the Company, of amounts relating to the following items in calculating the Social Contribution tax on net profit: (i) taxes with liability suspended; (ii) donations and sponsorship (Law 8313/91); and (iii) fines for various alleged infringements. The amount of this contingency is R$ 276,810 (R$ 279,914 on December 31, 2016). The Company has classified the chances of loss as 'possible', in accordance with the analysis of the case law on the subject.

ICMS (value added) Tax

The tax authority of Minas Gerais state has opened several administrative actions against Cemig D, raising a supposed divergence in the classification, for tax purposes, of certain consumers in the years 2011 through 2015. The amount of this contingency is R$ 88,904 (R$ 82,130 on December 31, 2016). The subsidiary has classified the chance of loss as 'possible', because it believes that it has arguments on the merit for defense in the court, and because of the absence of case law precedent.

Regulatory matters

Public Lighting Contribution (CIP)

Cemig and Cemig D are defendants in several public civil actions (class actions) claiming nullity of the clause in the Electricity Supply Contracts for public illumination signed between the Company and the various municipalities of its concession area, and restitution by the Company of the difference representing the amounts charged in the last 20 years, in the event that the courts recognize that these amounts were unduly charged. The actions are grounded on a supposed error by Cemig in the estimate of the period of time that was used in calculation of the consumption of electricity for public illumination, funded by the Public Lighting Contribution (*Contribuição para Iluminação Pública*, or CIP).

The Company and its subsidiaries believe they have has arguments of merit for defense in these claims, since the charge at present made is grounded on Aneel Normative Resolution 456/2000. As a result it has not constituted a provision for this action, the amount of which is estimated at R$ 1,239,409 (R$ 1,304,705 on December 31, 2015). The Company has

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assessed the chances of loss in this action as 'possible', due to the Consumer Defense Code (*Código de Defesa do Consumidor*, or CDC) not being applicable, because the matter is governed by the specific regulation of the electricity sector, and because Cemig complied with Aneel Resolutions 414 and 456, which deal with the subject.

Accounting of electricity sale transactions in the Electricity Trading Chamber (CCEE)

In an action dating from August 2002, AES Sul Distribuidora challenged in the courts the criteria for accounting of electricity sale transactions in the wholesale electricity market (*Mercado Atacadista de Energia*, or MAE) (predecessor of the present Electricity Trading Chamber – *Câmara de Comercialização de Energia Elétrica*, or CCEE), during the period of rationing, in 2001-2. It obtained an interim judgment in its favor in February 2006, which ordered Aneel, working with the CCEE, to comply with the claim by AES Sul and recalculate the settlement of the transactions during the rationing period, leaving out of account Aneel's Dispatch 288 of 2002. This was to be put into effect in the CCEE as from November 2008, resulting in an additional disbursement for Cemig GT, referring to the expense on purchase of electricity in the spot market on the CCEE, in the approximate amount of R$ 279,904 (R$ 263,847 on December 31, 2016). On November 9, 2008 Cemig GT obtained an interim remedy in the Regional Federal Appeal Court (Tribunal Regional Federal, or TRF) suspending the obligatory nature of the requirement to pay into court the amount that would have been owed under the Special Financial Settlement made by the CCEE.

Cemig GT has classified the chance of loss as 'possible', since this action deals with the General Agreement for the Electricity Sector, in which it has the full documentation to support its arguments.

System Service Charges (ESS) – Resolution of the National Energy Policy Council

Resolution 3 of the National Energy Policy Council (*Conselho Nacional de Política Energética*, or CNPE) of March 6, 2013 established new criteria for the prorating of the cost of additional dispatch of thermal plants. Under the new criteria, the costs of the System Service Charges for Electricity Security (*Encargos do Serviço do Sistema*, or ESS), which were previously prorated in full between Free Consumers and Distributors, was now to be prorated between all the agents participating in the National Grid System, including generators and traders.

In May 2013, the Brazilian Independent Electricity Producers' Association (*Associação Brasileira dos Produtores Independentes de Energia Elétrica*, or Apine), of which Cemig GT is a member, obtained an interim court remedy suspending the effects of Articles 2 and 3 of CNPE Resolution 3, exempting generators from payment of the ESS under that Resolution.

As a result of the interim remedy, the CCEE carried out the financial settlement for transactions in April through December 2013 using the criteria prior to the said Resolution. As a result, Cemig GT recorded the costs of the ESS in accordance with the criteria for financial settlement published by the CCEE, without the effects of CNPE Resolution 3.

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The applications by the plaintiff (Apine) were granted in the first instance, confirming the interim remedy granted in favor of its members, which include Cemig GT and its subsidiaries. This decision was the subject of an appeal, distributed to the 7th Panel of the Regional Federal Court (*Tribunal Federal Regional*, or TRF) of the 1st Region, in which judgment is awaited.

The amount of the contingency is approximately R$ 195,280 (R$ 182,232 on December 31, 2016). In spite of the successful judgment at first instance, the Association's legal advisers still considered the chances of loss in this contingency as 'possible'. The Company agrees with this, since there are not yet elements to make it possible to foresee the outcome of the Appeal filed by the federal government.

Tariff increases

Exclusion of consumers inscribed as low-income

The Federal Public Attorneys' Office filed a class action against the Company and Aneel, to avoid exclusion of consumers from classification in the *Low-income* Residential Tariff sub-category, requesting an order for Cemig D to pay 200% of the amount allegedly paid in excess by consumers. Judgment was given in favor of the plaintiffs, but the Company and Aneel have filed an interlocutory appeal and await judgment. The amount of the contingency is approximately R$ 268,489 (R$ 253,731 on December 31, 2016). Cemig D has classified the chances of loss as 'possible' due to other favorable judgments on this theme.

Periodic Tariff Adjustment – Neutrality of 'Portion A'

The Municipal Association for Protection of the Consumer and the Environment (*Associação Municipal de Proteção ao Consumidor e ao Meio Ambiente*, or Amprocom) filed a class action against Cemig D and Aneel, requiring identification of all consumers allegedly damaged in the processes of Periodic Review and Annual Adjustment of tariffs in the period 2002 to 2009, and restitution, through credits on electricity bills, of any amounts unduly charged arising from non-inclusion in the distributor's non-manageable costs components ('Portion A' costs) of the impact of future variations in consumer electricity demand, and the allegedly undue inclusion of these gains in the distributor's manageable costs ('Portion B' costs), causing economic/financial imbalance of the contract. This is an action that could affect all distribution concession holders, which could thus lead to a new Electricity Sector Agreement.

As a result of a judgment being given in favor of Cemig D, and no appeal being made against that decision, the case has been written off (on December 31, 2016 the amount of the action was R$ 316,675).

Av. Barbacena 1200 Santo Agostinho 30190-131 Belo Horizonte, MG Brazil Tel.: +55 31 3506-5024 Fax +55 31 3506-5025

Environmental issues

Impact arising from construction of power plants

The Public Attorneys of Minas Gerais State, together with an association and individuals, have brought class actions requiring the Company to invest at least 0.5% of the annual gross operating revenue of the *Emborcação, Pissarrão, Funil, Volta Grande, Poquim, Paraúna, Miranda, Nova Ponte, Rio de Pedras* and *Peti* plants in environmental protection and preservation of the water tables of the counties where these power plants are located, and proportional indemnity for allegedly irrecoverable environmental damage caused, arising from omission to comply with Minas Gerais State Law 12503/1997. Cemig GT has filed appeals to the Higher Appeal Court (STJ) and the Federal Supreme Court (STF). Based on the opinions of its legal advisers, Cemig GT believes that this is a matter involving legislation at infra-constitutional level (there is a Federal Law with an analogous object) and thus a constitutional matter, on the issue of whether the state law is constitutional or not, so that the final decision is one for the national Higher Appeal Court (STJ) and the Federal Supreme Court (STF). No provision has been made, since based on the opinion of its legal advisors management has classified the chance of loss as 'possible'. The amount of the contingency is R$ 127,358 (R$ 112,704 on December 31, 2016).

The Public Attorneys' Office of Minas Gerais State has filed class actions requiring the formation of a Permanent Preservation Area (APP) around the reservoir of the *Capim Branco* hydroelectric plant, suspension of the effects of the environmental licenses, and recovery of alleged environmental damage. Based on the opinion of its legal advisors in relation to the changes that have been made in the new Forest Code and in the case law on this subject, Cemig GT has classified the chance of loss in this dispute as 'possible'. The estimated value of the contingency is R$ 77,372 (R$ 73,169 on December 31, 2016).

Other contingent liabilities

Early settlement of the CRC (Earnings Compensation) Account

The Company is a party in an administrative proceeding before the Audit Court of the State of Minas Gerais which challenges: (i) a difference of amounts relating to the discount offered by Cemig for early repayment of the credit owed to Cemig by the State under the Receivables Assignment Contract in relation to the CRC Account (*Conta de Resultados a Compensar*, or Earnings Compensation Account) – this payment was completed in the first quarter of 2013; and also (ii) possible undue financial burden on the State after the signature of the Amendments that aimed to re-establish the economic and financial balance of the Contract. The amount of the contingency is approximately R$ 395,797 (R$ 390,307 on December 31, 2016), and, based on the Opinion of the Public Attorneys' Office of the Audit Board of the State of Minas Gerais, the Company believes that it has met the legal requirements. Thus, it has assessed the chances of loss as 'possible', since it believes that the adjustment was made in faithful obedience to the legislation applicable to the case.

Contractual imbalance

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Cemig D is a party in disputes alleging losses suffered by third parties as a result of supposed breach of contract at the time of implementation of part of the rural electrification program known as *Luz para Todos* ('Light for Everyone'). The estimated amount is R$ 253,279 (R$ 236,703 on December 31, 2016). No provision has been made. Cemig D has classified the chances of loss as 'possible' as a result of the analysis that has been made of the argument and documentation used by the contracted parties in attempting to make the Company liable for any losses that allegedly occurred.

The Parent company is also a party in other disputes arising from alleged non-compliance with contracts in the normal course of business, for an estimated total of R$ 77,176 (R$ 71,396 on December 31, 2016). Cemig D has classified the chance of loss as 'possible', after analysis of the case law on this subject.

Irregularities in competitive tender proceedings

Cemig D is a party in a dispute alleging irregularities in competitive tender proceedings, governed by an online invitation to bid. The estimated amount is R$ 26,011 (R$ 25,650 on December 31, 2016). No provision has been made. Cemig D has classified the chance of loss as 'possible', after analysis of the case law on this subject.

Alteration of the monetary updating index of employment-law cases

The Higher Employment-Law Appeal Court (*Tribunal Superior do Trabalho*, or TST), considering a position adopted by the Federal Supreme Court (*Supremo Tribunal Federal*, STF) in two actions on constitutionality that dealt with the index for monetary updating of federal debts, decided on August 4, 2015 that employment-law debts in actions not yet decided that discuss debts subsequent to June 30, 2009 should be updated based on the variation of the IPCA-E (Expanded National Consumer Price Index), rather than of the TR reference interest rate. On October 16, 2015 an interim injunction was given by the STF that suspended the effects of the TST decision, on the grounds that decisions on matters of general constitutional importance should be decided exclusively by the STF.

The estimated value of the difference between the monetary updating indices of the employment-law cases is R$ 174,351 (R$ 175,839 on December 31, 2016). No additional provision has been made, since the Company and its subsidiaries, based on the assessment by its legal advisers, has assessed the chances of loss in the action as 'possible', as a result of the decision by the STF, and of there being no established case law, nor analysis by legal writers on the subject after the injunction given by the Federal Supreme Court.

Av. Barbacena 1200 Santo Agostinho 30190-131 Belo Horizonte, MG Brazil Tel.: +55 31 3506-5024 Fax +55 31 3506-5025

24. EQUITY AND REMUNERATION TO STOCKHOLDERS

The Company's registered share capital on September 30, 2017 is R$ 6,294,208, in 420,764,708 common shares and 838,076,946 preferred shares, all with nominal value of R$ 5.00.

Profit (loss) per share

The number of shares used in the calculation of basic and diluted profit (loss) per share is as follows:

Number of shares	9M17	9M16	3Q17	3Q16
Common shares	420,764,708	420,764,708	420,764,708	420,764,708
Preferred shares	838,076,946	838,076,946	838,076,946	838,076,946
	1,258,841,654	1,258,841,654	1,258,841,654	1,258,841,654
Shares in treasury	(560,718)	(560,718)	(560,718)	(560,718)
Total	**1,258,280,936**	**1,258,280,936**	**1,258,280,936**	**1,258,280,936**

The following is the calculation of the basic and diluted profit per share:

	9M17	9M16	3Q17	3Q16
Net profit (loss) (A)	397,182	640,833	(83,666)	433,502
Total number of shares (B)	1,258,280,936	1,258,280,936	1,258,280,936	1,258,280,936
Basic and diluted profit (loss) per share (A/B) – R$	0.32	0.51	(0.06)	0.34

The purchase and sale options of investments described in Note 14 could potentially dilute basic profit per share in the future; however, they have not caused dilution of profit per share in the periods presented here.

Equity valuation adjustments

Equity valuation adjustments R$ '000	Consolidated	
	Sep. 30, 2017	Dec. 31, 2016
Adjustments to actuarial liabilities – Employee benefits – Parent company	(169,719)	(169,719)
Other comprehensive income in subsidiary and jointly-controlled entity		
Deemed cost of PP&E	641,414	685,339
Variation in the fair value of a financial asset available for sale in a jointly-controlled entity	140	38,273
Cumulative translation adjustments	397	398
Adjustments to actuarial liabilities – Employee benefits	(1,048,192)	(1,042,663)
Cash flow hedge instruments	87	87
	(406,154)	(318,566)
Equity valuation adjustments	**(575,873)**	**(488,285)**

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Reserves

The account lines Capital reserves and Profit reserves are made up as follows:

Capital reserves and shares in Treasury R$ '000	Sep. 30, 2017	Dec. 31, 2016
Investment-related subsidies	1,856,628	1,856,628
Goodwill on issuance of shares	69,230	69,230
Monetary updating of capital	7	7
Shares in treasury	(1,362)	(1,362)
	1,924,503	**1,924,503**

The Reserve for investment-related donations and subsidies basically refers to the compensation by the federal government for the difference between the profitability obtained by Cemig up to March 1993 and the minimum return guaranteed by the legislation in effect at the time.

The reserve for treasury shares refers to the pass-through by Finor of shares arising from funds applied in Cemig projects in the area covered by Sudene (the development agency for the Northeast) under tax incentive programs.

Profit reserves R$ '000	Sep. 30, 2017	Dec. 31, 2016
Legal Reserve	853,018	853,018
Reserve under the by-laws	57,214	57,214
Retained Earnings reserve	2,812,943	2,812,943
Tax incentives reserve	56,834	56,834
Reserve for obligatory dividends not distributed	1,419,846	1,419,846
	5,199,855	**5,199,855**

Legal reserve

Constitution of the Legal Reserve is obligatory, up to the limits established by law. The purpose of the Reserve is to ensure the security of the share capital, its use being allowed only for offsetting of losses or increase in the share capital. The Company did not deposit in the Legal Reserve in 2013 due to its having reached its legal limit.

Reserve under the by-laws

The Reserve under the By-laws is for future payment of extraordinary dividends, in accordance with Clause 28 of the by-laws.

Retained Earnings reserve

The Retained Earnings reserve refers to profits not distributed in prior years, to guarantee execution of the Company's Investment Program, and amortizations of loans and financings. The retentions are supported by capital budgets approved by the Board of Directors in the periods in question.

Reserve for obligatory dividends not distributed

	Sep. 30, 2017
Dividends withheld, arising from the profit for 2015	622,530
Dividends withheld, arising from the profit for 2014	797,316
	1,419,846

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These dividends were retained in Stockholders' equity, in the business years 2015 and 2014, in the account Reserve for obligatory dividends not distributed; and as per the proposal approved in the Annual General Meetings of 2016 and 2015, the dividends retained will be paid as soon as the Company's financial situation permits.

Tax incentives reserve

The federal tax authority (*Receita Federal*) recognized the Company's right to reduction of 75% in income tax, including the tax paid at the additional rate, calculated on the basis of the operating profit in the region of Sudene (the Development Agency for the Northeast), for 10 years starting in 2014. The amount of the Tax incentives reserve on September 30, 2017 was R$ 56,834. This reserve cannot be used for payment of dividends.

Interest on capital and dividends

On June 27, 2017, the Company paid dividends and interest on capital in the amount of R$270,261 that were aproved on Ordinary and extraordinary shareholders meetings held on May 12, 2017. On September 30, 2017 remained the balance of R$196,302 to be paid.

Av. Barbacena 1200 Santo Agostinho 30190-131 Belo Horizonte, MG Brazil Tel.: +55 31 3506-5024 Fax +55 31 3506-5025

25. REVENUE

R$ '000	Consolidated	
	9M17	9M16
Revenue from supply of electricity (a)	17,387,754	17,315,733
Revenue from use of the electricity distribution systems (TUSD) (b)	1,230,623	1,348,132
CVA, and *Other financial components* in tariff increases (c)	148,216	(937,053)
Transmission revenue		
Transmission concession revenue (d)	221,422	228,030
Transmission construction revenue (e)	11,226	36,405
Transmission indemnity revenue (g)	295,749	692,211
Generation Indemnity revenue (h)	259,516	-
Distribution construction revenue (e)	725,528	881,450
Adjustment to expectation of cash flow from the indemnifiable Financial assets of the distribution concession (j)	2,277	6,638
Gain on financial updating of the Concession Grant Fee (f)	240,420	212,185
Transactions in electricity on the CCEE (i)	536,507	138,870
Supply of gas	1,305,636	1,037,126
Other operating revenues (k)	1,097,001	1,080,945
(h) Taxes and charges applied to Revenue	(8,308,094)	(7,933,934)
Net operating revenue	**15,153,781**	**14,106,738**

R$ '000	Consolidated	
	3Q17	3Q16
Revenue from supply of electricity (a)	5,815,621	5,787,568
Revenue from use of the electricity distribution systems (TUSD) (b)	330,147	511,552
CVA, and *Other financial components* in tariff increases (c)	480,112	(273,498)
Transmission revenue		
Transmission concession revenue (d)	43,985	80,261
Transmission construction revenue (e)	4,201	4,771
Transmission indemnity revenue (g)	25,894	99,742
Generation Indemnity revenue (h)	259,516	-
Distribution construction revenue (e)	291,519	329,351
Adjustment to expectation of cash flow from the indemnifiable Financial assets of the distribution concession (j)	766	1,313
Gain on financial updating of the Concession Grant Fee (f)	89,944	63,491
Transactions in electricity on the CCEE (i)	111,330	87,198
Supply of gas	484,491	339,634
Other operating revenues (k)	379,369	374,093
(h) Taxes and charges applied to Revenue	(3,181,073)	(2,509,870)
Net operating revenue	**5,135,822**	**4,895,606**

Av. Barbacena 1200 Santo Agostinho 30190-131 Belo Horizonte, MG Brazil Tel.: +55 31 3506-5024 Fax +55 31 3506-5025

a) Revenue from supply of electricity

This table shows supply of electricity, and revenue from it, by type of consumer:

	MWh (1)		R$ '000	
	9M17	9M16	9M17	9M16
Residential	7,489,980	7,406,095	5,797,313	5,818,783
Industrial	13,162,944	14,541,717	3,633,866	4,042,707
Commercial, Services and Others	5,581,213	4,907,884	3,218,839	3,270,334
Rural	2,769,082	2,699,294	1,203,749	1,073,290
Public authorities	644,621	659,997	389,945	404,713
Public lighting	1,030,199	1,012,312	397,147	395,771
Public services	977,757	930,708	430,943	404,743
Subtotal	**31,655,796**	**32,158,007**	**15,071,802**	**15,410,341**
Own consumption	26,946	27,614	-	-
Supply not yet invoiced		-	(44,741)	(105,308)
	31,682,742	**32,185,621**	**15,027,061**	**15,305,033**
Wholesale supply to other concession holders (2)	9,167,876	8,813,064	1,289,188	1,884,424
Wholesale supply not yet invoiced, net		-	1,071,505	126,276
Total	**40,850,618**	**40,998,685**	**17,387,754**	**17,315,733**

	MWh (1)		R$ '000	
	3Q17	3Q16	3Q17	3Q16
Residential	2,456,908	2,389,353	1,878,293	1,859,109
Industrial	4,458,794	5,031,850	1,210,358	1,379,561
Commercial, Services and Others	1,776,377	1,522,936	982,345	985,574
Rural	1,016,897	1,015,555	424,366	394,504
Public authorities	207,967	208,314	120,600	128,652
Public lighting	354,299	338,892	132,691	129,015
Public services	338,415	318,605	144,190	136,068
Subtotal	**10,609,657**	**10,825,505**	**4,892,843**	**5,012,483**
Own consumption	8,896	8,528	0	
Supply not yet invoiced	-	-	-10,305	13,261
	10,618,553	**10,834,033**	**4,882,538**	**5,025,744**
Wholesale supply to other concession holders (2)	3,427,498	3,006,675	401,091	677,340
Wholesale supply not yet invoiced, net	-	-	531,992	84,484
Total	**14,046,051**	**13,840,708**	**5,815,621**	**5,787,568**

(1) Information not reviewed by the external auditors.
(2) Includes a CCEAR (Regulated Market Sales Contract), 'bilateral contracts' with other agents, and the revenues from to management of generation assets (GAG) for the 18 hydroelectric plants of Lot D of Auction no 12/2015.

b) Revenue from Use of Distribution Systems (the TUSD charge)

A significant part of the large industrial consumers in the concession areas of Cemig D are now 'Free Consumers' – energy is sold to them by the Cemig group's generation and transmission company, Cemig GT, as well as other generators. When these users became Free Consumers, they began to pay separate charges for use of the distribution network. This line ('TUSD') records those charges.

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c) The *CVA* Account (*Portion 'A' Costs Variation Compensation Account*), and *Other financial components*, in tariff adjustments

The gains arising from variations in (i) the CVA Account ('*Portion A Costs Variation Compensation Account'*), and in (ii) *Other financial components* in calculation of tariffs, refer to the positive and negative differences between the estimate of non-manageable costs of the subsidiary Cemig D and the payments actually made. The amounts recognized arise from balances constituted in the current period, homologated or to be homologated in tariff adjustment processes. For more information see Note 14.

d) Transmission Concession revenue

Transmission revenue comprises the amount received from agents of the electricity sector for operation and maintenance of transmission lines of the national grid, represented by the Permitted Annual Revenue (*Receita Anual Permitida*, or RAP).

e) Construction Revenue

Construction Revenue is substantially offset by Construction costs, and corresponds to the investments of the Company's subsidiaries in assets of the transmission and distribution concessions in the period.

f) Gain on financial updating of the Concession Grant Fee

Represents updating by the IPCA index, plus remuneratory interest, on the Concession Grant Fee for the concession awarded as Lot D of Auction 12/2015. For more details see Note 14.

g) Transmission Indemnity revenue

In 9M17 the Company recognized revenue of R$ 295,749, of which R$ 146,494 corresponded to updating, by the IPCA index, of the balance of indemnity existing at December 2016, and R$ 149,255 relating to the adjustment to the BRR (Remuneration Base of Assets) of the transmission assets, as per Aneel Technical Note 183/2017. For more details see Note 14.

h) Generation Indemnity revenue

In 9M17 the Company recognized revenue of R$ 259,516, for the adjustment to the balance of non-amortized indemnities for the concessions of the *São Simão* and *Miranda* Hydroelectric Plants, as per Ministerial Order 291/17, also taking into account the updating of the amounts. For more details see Notes 4 and 14.

i) Revenue from transactions in electricity in the CCEE (Wholesale Trading Chamber)

The revenue from transactions in the Electricity Trading Chamber (*Câmara de Comercialização de Energia Elétrica*, or CCEE) is the monthly positive net balance of settlements of transactions for purchase and sale of electricity in the Spot Market, through the CCEE.

Av. Barbacena 1200 Santo Agostinho 30190-131 Belo Horizonte, MG Brazil Tel.: +55 31 3506-5024 Fax +55 31 3506-5025

j) Adjustment to expectation of cash flow from the indemnifiable Financial assets of the distribution concession

Gain on Adjustment to expectation of cash flow from the indemnifiable Financial asset of the distribution concession, due to monetary updating of the Regulatory Remuneration Base of assets

k) Other operating revenues

R$ '000	Consolidated	
	9M17	9M16
Charged service	7,723	4,533
Telecoms services	111,342	117,906
Services rendered	116,167	120,149
Subsidies (*)	769,505	757,213
Rental and leasing	88,869	73,423
Other	3,395	7,721
	1,097,001	**1,080,945**

R$ '000	Consolidated	
	3Q17	3Q16
Charged service	3,124	1,593
Telecoms services	38,520	59,608
Services rendered	40,635	39,127
Subsidies (*)	266,485	246,636
Rental and leasing	30,531	24,582
Other	74	2,547
	379,369	**374,093**

(*) Revenue recognized for the tariff subsidies applied to users of distribution services, including low-income subsidies, which are reimbursed by Eletrobras.

l) Taxes and charges reported as deductions from revenue

R$ '000	Consolidated	
	9M17	9M16
Taxes on revenue		
ICMS tax	4,470,557	3,873,741
Cofins tax	1,654,269	1,529,044
PIS and Pasep taxes	359,137	331,964
Other	5,942	5,238
	6,489,905	**5,739,987**
Charges to the consumer		
Global Reversion Reserve (RGR) (Recovery of expense)	9,418	(26,420)
Energy Efficiency Program	37,422	44,873
Energy Development Account (CDE)	1,326,946	1,596,577
Research and Development (R&D)	26,914	35,936
National Scientific and Technological Development Fund (FNDCT)	26,914	35,936
Energy System Expansion Research (EPE of MME)	13,457	17,968
Consumer charges – Proinfa alternative sources program	29,626	31,385
Electricity Services Inspection Charge	22,983	26,149
Royalties for use of water resources	66,449	88,754
Consumer charges – the 'Flag Tariff' system	258,060	342,789
	1,818,189	**2,193,947**
	8,308,094	**7,933,934**

Av. Barbacena 1200 Santo Agostinho 30190-131 Belo Horizonte, MG Brazil Tel.: +55 31 3506-5024 Fax +55 31 3506-5025

R$ '000	Consolidated	
	3Q17	3Q16
Taxes on revenue		
ICMS tax (1)	1,819,209	1,259,453
Cofins tax	584,676	516,259
PIS and Pasep taxes	126,932	112,078
Other	2,115	1,794
	2,532,932	**1,889,584**
Charges to the consumer		
Global Reversion Reserve (RGR) (Recovery of expense)	9,468	(42,033)
Energy Efficiency Program	11,732	10,978
Energy Development Account (CDE)	467,576	571,148
Research and Development (R&D)	7,927	11,240
National Scientific and Technological Development Fund (FNDCT)	7,927	11,240
Energy System Expansion Research (EPE of MME)	3,963	5,620
Consumer charges – Proinfa alternative sources program	10,049	11,363
Electricity Services Inspection Charge	6,347	8,467
Royalties for use of water resources	21,527	32,692
Consumer charges – the 'Flag Tariff' system	101,625	(429)
	648,141	**620,286**
	3,181,073	**2,509,870**

(1) In 3Q17 the subsidiaries Cemig GT and Cemig D adhered to the terms of the Minas Gerais State Tax Credits Regularization Plan (*Plano de Regularização de Créditos Tributários*, or PRCT). For more information see Note 19.

26. OPERATING COSTS AND EXPENSES

R$ '000	Consolidated		Holding company	
	9M17	9M16	9M17	9M16
Personnel (a)	1,275,667	1,217,201	38,796	26,587
Employees' and managers' profit shares	25,777	30,417	1,195	(3,024)
Post-retirement obligations	293,617	248,583	29,482	27,188
Materials	43,248	40,935	89	52
Raw materials and inputs for production of electricity	58	35	-	-
Outsourced services (b)	680,569	601,806	6,796	6,226
Electricity bought for resale (c)	7,685,392	6,126,458	-	-
Depreciation and amortization	616,783	601,197	351	382
Operational provisions (reversals) (d)	558,793	714,237	104,037	280,532
Charges for use of the national grid	791,339	741,416	-	-
Gas bought for resale	789,861	623,503	-	-
Construction costs (e)	736,754	917,855	-	-
Other operational expenses, net (f)	311,581	372,298	6,940	11,646
	13,809,439	**12,235,941**	**187,686**	**349,589**

R$ '000	Consolidated		Holding company	
	3Q17	3Q16	3Q17	3Q16
Personnel (a)	358,505	373,986	17,730	9,430
Employees' and managers' profit shares	886	24,217	233	1,210
Post-retirement obligations	101,589	89,306	10,010	9,380
Materials	16,185	17,057	23	7
Raw materials and inputs for production of electricity	13	8	-	-
Outsourced services (b)	233,805	201,023	3,194	2,397
Electricity bought for resale (c)	2,942,974	2,170,348	-	-
Depreciation and amortization	205,983	202,480	115	122
Operational provisions (reversals) (d)	188,875	(19,375)	88,726	(165,669)
Charges for use of the national grid	387,078	215,504	-	-
Gas bought for resale	304,698	196,494	-	-
Construction costs (e)	295,720	334,122	-	-
Other operational expenses, net (f)	124,127	132,206	(979)	1,683
	5,160,438	**3,937,376**	**119,052**	**(141,440)**

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a) Personnel expenses

Programmed Voluntary Retirement Plan (PDVP)

In March 2017, the Company created the 2017 Employee Voluntary Severance Program ('the 2017 PDVP'). Those eligible to take part were any employees who will have worked with Cemig for 25 years or more by December 31, 2017. The period for acceptance of the 2017 PDVP was April 3 through October 17, 2017. It provided for payment of an additional premium of five monthly salaries to employees who join in April 2017, to leave the Company in May 2017; the premium diminished progressively depending on the month of acceptance. Thus, for employees who adhered to the program only in August 2017, for voluntary retirement in September 2017, the corresponding premium payment was only one month's salary. For those who joined as from September 1, 2017, there was no premium. The program also paid the standard legal severance payments – including: payment for the period of notice, and especially, an amount equal to the 'penalty' payment of 40% of the Base Value of the employee's FGTS fund, as well as the other payments specified by the legislation. On September 30, 2017 the amount appropriated as expense on the premium for retirement under the 2017 PDVP, including the severence amounts, was R$ 197,326, corresponding to acceptance, up to that date, by 1,151 employees.

b) Outsourced services

R$ '000	Consolidated		Holding company	
	9M17	9M16	9M17	9M16
Meter reading and bill delivery	106,526	101,587	-	-
Communication	49,163	41,918	239	278
Maintenance and conservation of electrical facilities and equipment	186,971	175,003	84	49
Building conservation and cleaning	78,739	72,068	496	522
Contracted labor	9,252	8,819	-	-
Freight and airfares	5,434	5,156	1,357	1,724
Accommodation and meals	9,842	9,185	151	157
Security services	16,358	18,428	-	-
Consultancy	11,792	8,191	737	407
Maintenance and conservation of furniture and utensils	2,448	2,282	1	3
Information technology	34,289	28,999	771	439
Maintenance and conservation of vehicles	1,381	1,254	-	2
Disconnection and reconnection	23,528	3,540	-	-
Environment	10,058	12,532	-	-
Legal services	13,122	14,220	535	1,008
Legal procedural costs	2,010	2,664	43	48
Tree pruning	14,727	8,888	-	-
Cleaning of power line pathways	10,176	5,728	-	-
Copying and legal publications	16,949	11,746	200	148
Inspection of consumer units	118	613	-	-
Printing of tax invoices and electricity bills	121	2,588	-	-
Other expenses	77,565	66,397	2,182	1,441
	680,569	**601,806**	**6,796**	**6,226**

Av. Barbacena 1200 Santo Agostinho 30190-131 Belo Horizonte, MG Brazil Tel.: +55 31 3506-5024 Fax +55 31 3506-5025

R$ '000	Consolidated		Holding company	
	3Q17	3Q16	3Q17	3Q16
Meter reading and bill delivery	35,375	34,067	–	-
Communication	15,074	15,469	126	92
Maintenance and conservation of electrical facilities and equipment	60,119	51,512	63	1
Building conservation and cleaning	28,637	24,498	71	176
Contracted labor	4,146	2,610	–	-
Freight and airfares	2,066	2,367	418	893
Accommodation and meals	3,405	3,598	51	63
Security services	5,422	5,945	–	-
Consultancy	3,992	1,234	33	178
Maintenance and conservation of furniture and utensils	832	14,321	1	1
Information technology	10,137	1,152	143	101
Maintenance and conservation of vehicles	457	307	–	1
Disconnection and reconnection	11,196	1,775	–	-
Environment	1,848	4,189	–	-
Legal services	4,321	5,149	95	425
Legal procedural costs	780	779	8	22
Tree pruning	5,760	3,498	–	-
Cleaning of power line pathways	6,126	1,708	–	-
Copying and legal publications	7,098	4,186	141	42
Inspection of consumer units	61	145	–	-
Printing of tax invoices and electricity bills	55	773	–	-
Other expenses	26,898	21,741	2,044	402
	233,805	**201,023**	**3,194**	**2,397**

c) Electricity purchased for resale

R$ '000	Consolidated	
	9M17	9M16
Supply from Itaipu Binacional	933,603	880,361
Physical guarantee quota contracts	343,458	403,913
Quotas for Angra I and II nuclear plants	182,832	162,680
Spot market	1,180,780	487,536
Proinfa Program	225,965	244,095
'Bilateral' contracts	269,943	216,963
Electricity acquired in Regulated Market auctions	2,201,909	1,862,534
Electricity acquired in the Free Market	3,086,096	2,476,229
Credits of Pasep and Cofins taxes	(739,194)	(607,853)
	7,685,392	**6,126,458**

R$ '000	Consolidated	
	3Q17	3Q16
Supply from Itaipu Binacional	316,786	273,070
Physical guarantee quota contracts	119,006	152,753
Quotas for Angra I and II nuclear plants	60,944	54,227
Spot market	408,859	196,612
Proinfa Program	75,321	81,365
'Bilateral' contracts	121,552	74,872
Electricity acquired in Regulated Market auctions	824,699	650,259
Electricity acquired in the Free Market	1,299,536	902,338
Credits of Pasep and Cofins taxes	(283,729)	(215,148)
	2,942,974	**2,170,348**

Av. Barbacena 1200 Santo Agostinho 30190-131 Belo Horizonte, MG Brazil Tel.: +55 31 3506-5024 Fax +55 31 3506-5025

d) Operational provisions (reversals)

R$ '000	Consolidated		Holding company	
	9M17	9M16	9M17	9M16
Provision for estimate of doubtful receivables	191,343	282,915	-	-
Contingency provisions (reversals)				
Employment-law cases	188,013	69,963	12,553	11,463
Civil cases	18,142	28,732	722	1,647
Tax	2,401	2,616	1,353	205
Environmental	4	(21)	-	-
Regulatory	(10,978)	3,864	(4,241)	(454)
Other	8,864	29,095	713	86
	206,446	134,249	11,100	12,947
	397,789	**417,164**	**11,100**	**12,947**
Change in fair value of derivatives				
Put optio – Ativas e Sonda (Note 15)	102	-	-	-
Put option – RME and Lepsa (Note 15)	92,937	267,585	92,937	267,585
Put option – SAAG (Note 15)	67,965	29,488	-	-
	161,004	**297,073**	**92,937**	**267,585**
	558,793	**714,237**	**104,037**	**280,532**

R$ '000	Consolidated		Holding company	
	3Q17	3Q16	3Q17	3Q16
Provision for estimate of doubtful receivables	50,458	108,349	-	-
Contingency provisions (reversals)				
Employment-law cases	10,288	31,166	532	1,177
Civil cases	8,745	10,909	833	175
Tax	5,565	(567)	3,961	(892)
Environmental	1	36	-	-
Regulatory	(143)	(9,088)	(2,162)	614
Other	2,230	3,110	256	24
	26,686	35,566	3,420	1,098
	77,144	**143,915**	**3,420**	**1,098**
Change in fair value of derivatives				
Put option – Sonda (Note 15)	61	-		-
Put option – RME and Lepsa (Note 15)	85,306	(166,767)	85,306	(166,767)
Put option – SAAG (Note 15)	26,364	3,477	-	-
	111,731	**(163,290)**	**85,306**	**(166,767)**
	188,875	**(19,375)**	**88,726**	**(165,669)**

e) Construction cost

R$ '000	Consolidated	
	9M17	9M16
Personnel and managers	38,297	46,155
Materials	334,851	424,240
Outsourced services	300,244	321,916
Other	63,362	125,544
	736,754	**917,855**

R$ '000	Consolidated	
	3Q17	3Q16
Personnel and managers	14,143	13,659
Materials	151,691	160,127
Outsourced services	109,061	120,164
Other	20,825	40,172
	295,720	**334,122**

Av. Barbacena 1200 Santo Agostinho 30190-131 Belo Horizonte, MG Brazil Tel.: +55 31 3506-5024 Fax +55 31 3506-5025

f) Other operating expenses, net

R$ '000	Consolidated		Holding company	
	9M17	9M16	9M17	9M16
Leasing and rentals	77,095	67,449	2,616	486
Advertising	14,331	6,995	276	193
Own consumption of electricity	15,581	16,536	-	-
Subsidies and donations	9,457	12,364	-	-
Paid concession	2,264	2,154	-	-
Insurance	6,042	7,254	1,693	2,844
CCEE annual charge	6,017	5,802	1	2
Losses on de-activation and disposal of goods and rights	44,876	74,798	-	2
Forluz – Administrative running cost	19,607	18,951	970	937
Collection agents	52,664	53,200	-	1
Fine for violation of Service Continuity standard	24,755	31,060	-	-
Taxes and charges	6,645	7,590	636	288
Other expenses	32,247	68,145	748	6,893
	311,581	**372,298**	**6,940**	**11,646**

R$ '000	Consolidated		Holding company	
	3Q17	3Q16	3Q17	3Q16
Leasing and rentals	32,188	19,921	1,142	177
Advertising	6,017	3,905	100	75
Own consumption of electricity	4,768	5,019	-	-
Subsidies and donations	2,933	3,286	-	-
Paid concession	735	734	-	-
Insurance	1,613	2,335	386	894
CCEE annual charge	1,972	1,850	-	1
Losses on de-activation and disposal of goods and rights	39,538	32,484	-	-
Forluz – Administrative running cost	6,574	6,470	325	320
Collection agents	17,377	17,652	-	1
Fine for violation of Service Continuity standard	3,895	6,035	-	-
Taxes and charges	1,259	1,861	93	39
Other expenses	5,258	30,654	(3,025)	176
	124,127	**132,206**	**(979)**	**1,683**

Operational leasing

The Company and its subsidiaries have operational leasing contracts relating, mainly, to vehicles and buildings used in its operational activities. Their amounts are not material in relation to the total costs of the Company and its subsidiaries.

Av. Barbacena 1200 Santo Agostinho 30190-131 Belo Horizonte, MG Brazil Tel.: +55 31 3506-5024 Fax +55 31 3506-5025

27. FINANCIAL REVENUE (EXPENSES)

R$ '000	Consolidated		Holding company	
	9M17	9M16	9M17	9M16
FINANCIAL REVENUES				
Income from cash investments	171,530	220,232	39,214	30,510
Late charges on overdue electricity bills	193,057	212,499	-	-
Foreign exchange variations	20,207	56,140	-	1
Monetary variations	27,125	60,974	1,968	10,278
Monetary variations – CVA	-	206,967	-	-
Monetary updating on Court escrow deposits	86,464	42,615	44,696	10,108
Pasep and Cofins taxes charged on financial revenues	(35,529)	(54,349)	(8,704)	(9,020)
Adjustment to present value	-	325	-	-
Other	87,211	89,788	7,719	35,180
	550,065	**835,191**	**84,893**	**77,057**
FINANCIAL EXPENSES				
Costs of loans and financings	(1,201,974)	(1,432,576)	-	-
Foreign exchange variations	(12,633)	(19,225)	(9)	(1)
Monetary updating – loans and financings	(74,655)	(232,366)	-	-
Monetary updating – paid concessions	737	(3,056)	-	-
Charges and monetary updating on Post-retirement liabilities	(48,401)	(86,782)	(2,381)	(4,270)
Monetary updating – CCEE obligations	-	(13,844)	-	-
Monetary updating – Advance Against Capital Increase (AFAC)	(40,086)	-	-	-
Monetary updating – AFAC	239,445	-	239,445	-
Monetary updating – Advance sales of power supply	(37,666)	-	-	-
Adjustment to present value	(2,168)	-	-	-
Other	(94,550)	(100,166)	(502)	(61)
	(1,271,951)	**(1,888,015)**	**236,553**	**(4,332)**
NET FINANCIAL REVENUE (EXPENSES)	**(721,886)**	**(1,052,824)**	**321,446**	**72,725**

R$ '000	Consolidated		Holding company	
	3Q17	3Q16	3Q17	3Q16
FINANCIAL REVENUES				
Income from cash investments	46,037	84,755	10,505	15,097
Late charges on overdue electricity bills	55,134	70,166	-	-
Foreign exchange variations	2,618	12,173	-	-
Monetary variations	13,132	33,081	400	3,295
Monetary variations – CVA	-	19,403	-	-
Monetary updating on Court escrow deposits	63,317	3,348	43,744	(13,067)
Pasep and Cofins taxes charged on financial revenues	(13,207)	(15,192)	(4,648)	(1,573)
Adjustment to present value	-	(396)	-	-
Other	34,133	23,918	1,874	1,850
	201,164	**231,256**	**51,875**	**5,602**
FINANCIAL EXPENSES				
Costs of loans and financings	(344,297)	(524,775)	-	-
Foreign exchange variations	5,963	(2,046)	-	(1)
Monetary updating – loans and financings	(5,682)	(46,959)	-	-
Monetary updating – paid concessions	(5)	(301)	-	-
Charges and monetary updating on Post-retirement liabilities	(12,417)	(22,483)	(611)	(1,106)
Monetary updating – CCEE obligations	-	-	-	-
Monetary variations – CVA	(12,006)	-	-	-
Monetary updating – AFAC	239,445	-	239,445	-
Monetary updating – Advance sales of power supply	(12,986)	-	-	-
Adjustment to present value	(562)	-	-	-
Other	(46,203)	(57,604)	(320)	(21)
	(188,750)	**(654,168)**	**238,514**	**(1,128)**
NET FINANCIAL REVENUE (EXPENSES)	**12,414**	**(422,912)**	**290,389**	**4,474**

Av. Barbacena 1200 Santo Agostinho 30190-131 Belo Horizonte, MG Brazil Tel.: +55 31 3506-5024 Fax +55 31 3506-5025

28. RELATED PARTY TRANSACTIONS

Cemig's principal balances and transactions with related parties and its subsidiaries and jointly-controlled entities are shown here (consolidated):

COMPANY R$ '000	ASSETS		LIABILITIES		REVENUE		EXPENSES	
	Sep. 30, 2017	Dec. 31, 2016	Sep. 30, 2017	Dec. 31, 2016	9M17	9M16	9M17	9M16
Controlling shareholder								
Minas Gerais State Gov.t								
Current								
Consumers and Traders (1)	97,779	71,340	-	-	101,085	112,168	-	-
Administrative deposit – AFAC (2)	-	-	-	-	38,278			
Non-current								
Administrative deposit – AFAC (2)	277,723	239,445	-	-	-			
Jointly-controlled entity								
Aliança Geração								
Current								
Transactions in electricity (3)	-	-	7,049	7,037	413	314	(107,335)	(110,703)
Provision of services (4)	2,504	3,706	-	-	9,767	8,420	-	-
Baguari Energia								
Current								
Transactions in electricity (3)	-	-	900	710	111	-	(5,379)	(5,307)
Services (4)	274	398	-	-	646	665	-	-
Madeira Energia								
Current								
Transactions in electricity (3)	-	-	17,229	17,636	18,213	3,164	(508,741)	(449,584)
Advance for future power supply (5)	53,865	-	-	-	-	-	-	-
Non-current								
Advance for future power supply (5)	17,117	86,941	-	-	-	-	-	-
Norte Energia								
Current								
Transactions in electricity (3)	130	130	3,774	3,755	5,680	741	(89,256)	(22,486)
Lightger								
Current								
Transactions in electricity (3)	-	-	-	-	-	-	(15,188)	(14,575)
Hidrelétrica Pipoca								
Current								
Transactions in electricity (3)	-	-	1,595	1,228	-	-	(12,064)	(12,359)
Interest on Equity, and dividends	1,284	-	-	-	-	-	-	-
Retiro Baixo								
Current								
Transactions in electricity (3)	-	-	554	440	-	-	(4,464)	(2,210)
Interest on Equity, and dividends	-	2,146	-	-	-	-	-	-
Guanhães Energia								
Current								
Adjustment for losses (6)	-	-	-	59,071	-	-	-	-
Services (4)	568	241	-	-	332	-	-	-
Renova								
Current								
Transactions in electricity (3)	-	-	1,773	-	-	-	(140,771)	(118,506)
Accounts receivable (7)	62,455	-	-	-	-	-	-	-
Non-current								
Accounts receivable (7)	20,317	73,722	-	-	-	-	-	-
Advance for future power supply (8)	258,166	229,053	-	-	-	-	-	-
EATE								
Current								
Transactions in electricity (3)	-	-	2,962	2,751	-	-	(19,674)	(18,475)
Light								
Current								
Transactions in electricity (3)	1,042	464	481	472	38,203	49,714	(1,106)	(623)
Interest on Equity, and dividends	-	6,852	-	-	-	-	-	-
Taesa								
Current								
Transactions in electricity (3)	-	-	12,451	10,326	33	17	(92,905)	(82,956)
Services (4)	141	482	-	-	667	220	-	-
Companhia Transirapé de Transmissão								
Current								
Transactions in electricity (3)	-	-	950	878	-	-	(7,310)	(6,425)
Services (4)	90	301	-	-	953	755	-	-
Interest on Equity, and dividends	678	678	-	-	-	-	-	-

Av. Barbacena 1200 Santo Agostinho 30190-131 Belo Horizonte, MG Brazil Tel.: +55 31 3506-5024 Fax +55 31 3506-5025

COMPANY R$ '000	ASSETS Sep. 30, 2017	ASSETS Dec. 31, 2016	LIABILITIES Sep. 30, 2017	LIABILITIES Dec. 31, 2016	REVENUE 9M17	REVENUE 9M16	EXPENSES 9M17	EXPENSES 9M16
Axxiom								
Current								
Provision of services (9)	-	-	2,347	6,980	-	-	-	(38,065)
Interest on Equity, and dividends	-	144	-	-	-	-	-	-
Transudeste								
Current								
Transactions in electricity (3)	-	-	-	-	113	-	(1,166)	(1,023)
Provision of services (4)	175	141	196	150	492	419	-	-
Interest on Equity, and dividends	213	213	-	-	-	-	-	-
Transleste								
Current								
Transactions in electricity (3)	-	-	316	243	135	-	(1,878)	(1,605)
Provision of services (4)	120	178	-	-	819	763	-	-
Interest on Equity, and dividends	1,559	294	-	-	-	-	-	-
Other related parties								
FIC Pampulha								
Current								
Cash and cash equivalents	257,625	621,203	-	-	-	-	-	-
Securities	622,750	833,849	-	-	14,374	128,436	-	-
(-) Securities issued by subsidiary companies (10)	(63,708)	(49,479)	-	-	-	-	-	-
Non-current								
Securities	24,192	46,092	-	-		-	-	-
(-) Securities issued by subsidiary companies (10)	(11,863)	(15,049)	-	-	-	-	-	-
Forluz								
Current								
Post-retirement obligations (11)	-	-	106,399	86,156	-	-	(130,470)	(139,289)
Administrative running costs (12)	-	-	-	-	-	-	(19,606)	(18,951)
Operational leasing (13)	-	-	2,872	9,630	-	-	(44,002)	(15,292)
Non-current								
Post-retirement obligations (11)	-	-	1,584,588	1,592,998	-	-	-	-
Cemig Saúde (Health)								
Current								
Health Plan and Dental Plan (14)	-	-	110,387	101,756	-	-	(145,075)	(139,916)
Non-current								
Health Plan and Dental Plan (14)	-	-	1,704,340	1,646,580	-	-	-	-

The main conditions relating to the related party transactions are as follows:

(1) Refers to sale of electricity to the government of the State of Minas Gerais – the price of the electricity is that defined by Aneel through a Resolution which decides the Company's annual tariff adjustment.

(2) Refers to recalculation of the monetary updating on the amounts in the Advance against Future Capital Increase (AFAC) returned to Minas Gerais State. The value was transferred to Accounts Receivable from State of Minas Gerais on September 30, 2017 (See Notes 11 and 12)

(3) Transactions in electricity between generators and distributors were made in auctions organized by the federal government; transactions for transport of electricity, made by transmission companies, arise from the centralized operation of the National Grid carried out by the National System Operator (ONS).

(4) Refers to a contract to provide plant operation and maintenance services.

(5) In 2017, advance payments of R$ 71,100 were made to Santo Antônio Energia, subsidiary of Madeira Energia: R$ 51,874 was advanced by Cemig GT; R$ 11,917 by Sá Carvalho; and R$ 6,309 by Rosal. For the purposes of settlement invoices for supply of electricity to be issued by Santo Antônio Energia starting in 2018, in 12 tranches, will be used

(6) A liability was recognized in 2016 corresponding to the Company's interest in the share capital of Guanhães, due to its negative equity (see Note 15);

(7) Cemig GT has an item of R$ 60,000 receivable from Renova Energia, which will be paid in 12 monthly installments, the first on January 10, 2018 and the last becoming due in December 2018, with monetary updating at 150% of the CDI rate.

(8) In 2016, as specified in the power supply contract, Cemig GT advanced R$ 212,000 to Renova's trading company, Renova Comercializadora. For settlement, it was agreed that this amount would be updated at a rate of 155% of the CDI rate, and offset by settlement of power supply invoices issued by Renova, from January 2020. Since there are now negotiations by Renova with players interested in buying assets of the Company, renegotiation of the supply contract, and also the form of payment of the advance made by Cemig GT, are also in the process of renegotiation.

(9) This refers to a contract for development of management software between Cemig D and Axxiom Soluções Tecnológicas S.A., instituted in Aneel Dispatch 2657/2017.

(10) FIC Pampulha has financial investments in securities issued by subsidiary companies of the Company. There is more information, and characteristics of the fund, in the description below.

(11) The contracts of Forluz are updated by the Expanded Consumer Price Index (IPCA) calculated by the Brazilian Geography and Statistics Institute (*Instituto Brasileiro de Geografia e Estatística*, or IBGE) (See Note 22) and will be amortized up to the business year of 2024.

(12) Funds for annual current administrative costs of the Pension Fund in accordance with the specific legislation of the sector. The amounts are estimated as a percentage of the Company's payroll.

(13) Rental of the Company's administrative headquarters, in effect from March 2019 to May 2034.

(14) Post-employment obligations relating to the employees' health and dental plan (see Note 22).

For more information on the principal transactions, please see Notes 7, 18 and 25.

Av. Barbacena 1200 Santo Agostinho 30190-131 Belo Horizonte, MG Brazil Tel.: +55 31 3506-5024 Fax +55 31 3506-5025

Dividends receivable from subsidiaries

Related party	Consolidado		Controladora	
	Sep. 30, 2017 (*) R$ '000	Dec. 31, 2016 R$ '000	Sep. 30, 2017 (*) R$ '000	Dec. 31, 2016 R$ '000
Cemig GT	-	-	605.000	605.000
Gasmig	-	-	98.079	58.560
Outras	3.742	11.386	8.344	9.679
	3.742	11.386	711.423	673.239

(*) Dividends receivable from subsidiaries, eliminated in the consolidation.

Guarantees: sureties for loans, financings and debentures

Cemig is provider of surety or guarantee of loans, financings and debentures of the following related parties – not consolidated in the financial statements because they relate to jointly-controlled entities or affiliated companies:

Related party	Relationship	Type	Object	9M17 R$ '000	Maturity
Norte Energia ('Nesa')	Affiliated	Surety	Financing	2,476,515	2042
Light (1)	Jointly-controlled entity	Counter-guarantee	Financing	683,615	2042
Santo Antônio Energia S.A. (Saesa)	Jointly-controlled entity	Surety	Financing	1,974,035	2034
Santo Antônio Energia S.A. (Saesa)	Jointly-controlled entity	Surety	Debentures	774,614	2037
Centroeste	Jointly-controlled entity	Surety	Financing	8,166	2023
				5,916,945	

(1) Related to execution of guarantees of the Norte Energia financing.

At September 30, 2017, Management believes that there is no need to recognize any provisions in the Company's accounting statements for the purpose of meeting any obligations arising under these sureties and/or guarantees.

Cash investments in FIC Pampulha – the investment fund of Cemig and its subsidiaries and affiliates

Cemig and its subsidiaries and affiliates invest part of their financial resources in an investment fund which has the characteristics of fixed income and obeys the Company's cash investment policy. The amounts invested by the fund at September 30, 2017 are reported in *Securities* in Current or Non-current assets, or presented after deduction of the account line *Debentures* in Current or Non-current liabilities.

The funds applied in this investment fund are allocated only in public and private fixed income securities, subject only to credit risk, with various maturity periods, obeying the unit holders' cash flow needs.

The financial investments of the investment fund in securities of related parties are as follows:

Issuer of security	Type	Annual contractual conditions	Maturity	Sep. 30, 2017 – R$ '000				
				Cemig 1.59%	Cemig GT 0.21%	Cemig D 34.10%	Other subsidiaries 19.55% (1)	Total 55.45%
ETAU	Debentures	108.00% of CDI	01/12/2019	164	22	3,529	2.023	5.738
				164	**22**	**3,529**	**2.023**	**5.738**

Issuer of security	Type	Annual contractual conditions	Maturity	Dec. 31, 2016 – R$ '000				
				Cemig 10.12%	Cemig GT 20.86%	Cemig D 24.94%	Other subsidiaries 22.39% (1)	Total 78.31%
Axxiom	Debentures	109.00% of CDI	29/01/2017	579	1,194	1,427	1,282	4,482
ETAU	Debentures	108.00% of CDI	01/12/2019	1,024	2,110	2,522	2,265	7,921
				1,603	**3,304**	**3,949**	**3,547**	**12,403**

(1) Refers to the other companies consolidated by Cemig GT, which also have participation in the investment funds.

Av. Barbacena 1200 Santo Agostinho 30190-131 Belo Horizonte, MG Brazil Tel.: +55 31 3506-5024 Fax +55 31 3506-5025

Remuneration of key management personnel

The total costs of key management personnel, in 9M17 and 9M16, are shown in this table:

R$ '000	9M017	9M16
Remuneration	23,171	17,796
Profit shares (Reversal)	372	(642)
Assistance benefits	1,209	1,121
Total	**24,752**	**18,275**

29. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The financial instruments of the Company and its subsidiaries are restricted to the following: Cash and cash equivalents; Securities; Consumers and Traders; Concession holders (for transport of electricity); Financial assets of the concession related to infrastructure; Generation concession assets; Restricted funds; Escrow deposits in litigation; the CVA (*Portion A Costs Variation Compensation*) Account and *Other Financial Components* in tariff adjustments; Loans and financings; Concession obligations payable; Suppliers; Post-employment obligations; and Put options. Gains and losses on transactions are recorded in full in the profit and loss account for the business year or in Stockholders' equity, by the accrual method.

The Company's financial instruments and those of its subsidiaries are recorded at fair value and measured in accordance with the following classifications:

- *Loans and receivables:* This category contains: Cash equivalents; Credits receivable from Consumers, Traders, and power transport concession holders; Restricted funds; Financial assets related to the *CVA* account and to *Other financial components*, in calculation of tariffs; the Low-income user subsidy; Reimbursement of tariff subsidies and Other credits owed by Eletrobras; Escrow deposits in litigation; Financial assets of the concession not covered by Law 12783/13; Financial assets related to Auction 12/2015 for award of generation plants; and Generation concession assets. They are recognized at their nominal realization value, which is similar to fair value.

- *Financial instruments at fair value through profit or loss:* Securities held for trading, in the amount of R$ 677,051, and Put options, in the amount of R$ 1,502,473 (respectively R$ 995,340 and R$ 1,341,468 on December 31, 2016) are in this category. They are valued at fair value and the gains or losses are recognized directly in the Profit and loss account.

- *Financial instruments held to maturity:* In this category are Securities, in the amount of R$ 26,064 on September 30, 2017 (R$ 49,888 on December 31, 2016) – included in Note 6. There is positive intention to hold them to maturity. They are measured at

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amortized cost using the effective rates method. Their fair values, of R$ 26,138 on September 30, 2017, and R$ 49,738 on December 31, 2016, were measured using information of Level 2.

- *Financial instruments available for sale:* In this category are Financial assets of the concession related to distribution infrastructure covered by Law 12783/13. They are measured at New Replacement Value (*Valor Novo de Reposição*, or VNR), equivalent to fair value on the date of these interim accounting statements.

- *Other financial liabilities – Non-derivative financial liabilities:* In this category are Loans and financings; Obligations under debentures; Debt agreed with the Pension Fund (Forluz); Concessions payable; and Suppliers. They are measured at amortized cost using the effective rates method. The Company has calculated the fair value of its Loans, financings and debentures using 140% of the CDI rate – based on its most recent funding. For the following, the Company considered fair value to be substantially equal to book value: Loans, financings and debentures with annual rates between IPCA + 4.70% to 8.07% and CDI + 0.69% to 5.625%. For the financings from the BNDES and Eletrobras, fair value is conceptually similar to book value, due to the specific characteristics of the transactions.

- *Liabilities measured at fair value – Financial liabilities relating to put options:* The options to sell units in FIP Melbourne and FIP Malbec ('the SAAG Put'); the options to sell shares in RME and Lepsa ('the Parati PUT'); and the Sonda Options, were valued at fair value using the Black-Scholes-Merton (BSM) model. Both the options were calculated using the discounted cash flow method: for the *SAAG* Put option, up to the third quarter of 2016; and for the *Parati* Put option, up to the first quarter of 2016. The method used was changed, in the fourth and second quarters, respectively, to the BSM model.

The accounting balances of the financial instruments are similar to the fair values, with the exception of loans, financings and debentures, of which the accounting balance is R$ 14,055,575 (R$ 15,179,280 on December 31, 2016) and fair value is R$ 14,053,986 (R$ 14,711,130 on December 31, 2016), being measured as Level 2, using similar liabilities as reference.

Risk management

Corporate risk management is a management tool that is an integral part of the Company's corporate governance practices, and is aligned with the process of planning, which sets the Company's strategic business objectives.

The Company has a Financial Risks Management Committee, the purpose of which is to implement guidelines and monitor the financial risk of transactions that could negatively affect the Company's liquidity or profitability, recommending hedge protection strategies to control the Company's exposure to foreign exchange rate risk, interest rate risk, and inflation risks.

Av. Barbacena 1200 Santo Agostinho 30190-131 Belo Horizonte, MG Brazil Tel.: +55 31 3506-5024 Fax +55 31 3506-5025

The principal risks to which the Company is exposed are as follows:

Exchange rate risk

Cemig and its subsidiaries are exposed to the risk of increase in exchange rates, especially with impact on indebtedness, profit and cash flow.

The net exposure to exchange rates is as follows:

Exposure to exchange rates	Sep. 30, 2017		Dec. 31, 2016	
	Foreign currency	R$ '000	Foreign currency	R$ '000
US dollar				
Loans and financings (Note 20)	7,320	23,190	7,072	23,049
Suppliers (Itaipu Binacional)	77,717	246,453	62,320	206,827
	85,037	269,643	69,392	229,876
Euros				
Loans and financings – Euros (Note 20)	1,638	6,129	2,157	7,416
Net liabilities exposed		**275,772**		**237,292**

Sensitivity analysis

Based on information from its financial consultants, the Company estimates that in a probable scenario the variation of the exchange rates of foreign currencies in relation to the Real on September 30, 2018 will be: appreciation of the dollar by 11.14% to R$ 3.521, and depreciation of the Euro by 0.27% (to R$ 3.732). The Company has made a sensitivity analysis of the effects on the Company's profit arising from depreciation of the Real exchange rate by 25%, and by 50%.

Risk: foreign exchange rate exposure R$ '000	Base scenario Sep. 30, 2017	Scenario US$1=R$ 3.521 EUR1=R$ 3.732	Scenario: FX depreciation of 25% US$1=R$ 4.401 EUR1=R$ 4.665	Scenario: FX depreciation of 50% US$1=R$ 5.282 EUR1=R$ 5.598
US dollar				
Loans and financings (Note 20)	23,190	25,774	32,216	38,665
Suppliers (Itaipu Binacional)	246,453	273,914	342,373	410,910
	269,643	299,688	374,589	449,575
Euros				
Loans and financings (Note 20)				
	6,129	6,113	7,641	9,170
Net liabilities exposed	**275,772**	**305,801**	**382,230**	**458,745**
Net effect of exchange rate variation		**30,029**	**106,458**	**182,973**

Av. Barbacena 1200 Santo Agostinho 30190-131 Belo Horizonte, MG Brazil Tel.: +55 31 3506-5024 Fax +55 31 3506-5025

Interest rate risk

Cemig and its subsidiaries are exposed to the risk of increase in international interest rates, affecting loans and financings in foreign currency with floating interest rates (principally Libor), in the amount of R$ 58,759 (R$ $60,066 on December 31, 2016). On September 30, 2017 Cemig was exposed to the risk of increase in Brazilian domestic interest rates, as a result of net liabilities indexed to variation in interest rates, as follows:

Risk: Exposure to domestic interest rate changes R$ '000	Consolidated	
	Sep. 30, 2017	Dec. 31, 2016
Assets		
Cash equivalents – Cash investments (Note 5)	548,751	893,713
Securities (Note 6)	703,114	1,045,228
Accounts receivable – Renova (Note 28)	82,772	74,630
Advance for future delivery of power supply (Note 28)	359,227	229,053
Financial assets of the transmission concession (Note 14)	473,374	482,281
Restricted cash	405,494	367,474
CVA and *Other financial components* in tariffs – Selic rate * (Note 14)	100,457	397,725
Credits owed by Eletrobras	901	138,444
	2,674,090	3,628,548
Liabilities		
Loans, financings and debentures – CDI rate (Note 20)	(9,765,729)	(10,928,261)
Loans, financings and debentures – TJLP (Note 19)	(230,127)	(213,102)
Advance sales of power supply (Note 7)	(312,112)	(181,200)
CVA and *Other financial components* in tariffs – Selic rate (Note 14)	(704,418)	(804,975)
	(11,012,386)	(12,127,538)
Net liabilities exposed	**(8,338,296)**	**(8,498,990)**

(*) Amounts of *CVA* and *Other financial components* are indexed by the Selic rate.

Sensitivity analysis:

The Company estimates that, in a probable scenario, on September 30, 2018 the Selic rate will be 7.00% p.a. and the TJLP will be 6.25% p.a. The Company has made a sensitivity analysis of the effects on its profit arising from increases in rates of 25% and 50%. Variation in the CDI rate accompanies the variation in the Selic rate. Estimation of scenarios for the path of interest rates will consider the projections made by the Company and its subsidiaries, based on its financial consultants.

Risk: Increase in Brazilian interest rates R$ '000	Sep. 30, 2017		Sep. 30, 2018	
	Book value	Scenario Selic 7.00% TJLP 6.25%	Scenario Selic 8.75% TJLP +7.81%	Scenario Selic 10.50% TJLP 9.38%
Assets				
Cash equivalents (Note 5)	548,751	587,164	596,767	606,370
Securities (Note 6)	703,114	752,332	764,636	776,941
Accounts receivable – Renova (Note 28)	82,772	88,566	90,015	91,463
Advance for future delivery of power supply (Note 28)	359,227	384,373	390,659	396,946
Financial assets of the transmission concession (Note 14)	473,374	506,510	514,794	523,078
Restricted cash	405,494	433,879	440,975	448,071
CVA + *Other financial components* in tariff adjustments – Selic	100,457	107,489	109,247	111,005
Other credits owed by Eletrobras	901	964	980	996
	2,674,090	2,861,277	2,908,073	2,954,870
Liabilities				
Loans and financings – CDI rate (Note 20)	(9,765,729)	(10,449,330)	(10,620,230)	(10,791,131)
Loans and financings – TJLP (Note 20)	(230,127)	(244,510)	(248,100)	(251,713)
Advance sales of power supply (Note 7)	(312,112)	(331,619)	(336,488)	(341,388)
CVA and *Other Financial components* in tariffs (Note 14)	(704,418)	(753,727)	(766,055)	(778,382)
	(11,012,386)	(11,779,186)	(11,970,873)	(12,162,614)
Net assets (liabilities) exposed	**(8,338,296)**	**(8,917,909)**	**(9,062,800)**	**(9,207,744)**
Net effect of variation in interest rates		**(579,613)**	**(724,504)**	**(869,448)**

Av. Barbacena 1200 Santo Agostinho 30190-131 Belo Horizonte, MG Brazil Tel.: +55 31 3506-5024 Fax +55 31 3506-5025

Risk of increase in inflation

On September 30, 2017 the Company is exposed to the risk of increase in inflation, as follows:

Exposure to increase in inflation R$ '000	Sep. 30, 2017	Dec. 31, 2016
Assets		
Financial assets of the concession – Distribution infrastructure – IPCA (Note 14)	130,340	128,071
Financial assets of the concession – Transmission infrastructure – IPCA (Note 14)	1,975,775	1,805,230
Concession Grant Fee – IPCA (Note 13)	2,321,817	2,253,765
	4,427,932	4,187,066
Liabilities		
Loans, financings and debentures – IPCA (Note 20)	(3,971,900)	(3,933,092)
Debt agreed with pension fund (Forluz) – IPCA	(736,774)	(787,003)
Forluz solution plan	(284,165)	-
	(4,992,839)	(4,720,095)
Net liabilities exposed	**(564,907)**	**(533,029)**

Sensitivity analysis

In relation to the most significant inflation risk, the Company estimates that, in a probable scenario, on September 30, 2018 the IPCA inflation index will be 4.55%. The Company has made a sensitivity analysis of the effects on its profit arising from increases in inflation of 25% and 50%.

Risk: increase in inflation	Sep. 30, 2017	Sep. 30, 2018		
	Book value	Scenario IPCA 4.55%	Scenario IPCA 5.69%	Scenario IPCA 6.82%
Assets				
Financial assets of the concession – Distribution infrastructure – IPCA (Note 14)	130,340	136,265	137,743	139,229
Financial assets of the concession – Transmission infrastructure – IPCA (Note 14)	1,975,775	2,065,594	2,087,999	2,110,523
Concession Grant Fee – IPCA (Note 14)	2,321,817	2,427,367	2,453,696	2,480,165
	4,427,932	4,629,226	4,679,438	4,729,917
Liabilities				
Loans, financings and debentures – IPCA (Note 20)	(3,971,900)	(4,152,463)	(4,197,504)	(4,242,784)
Debt agreed with pension fund (Forluz) – IPCA	(736,774)	(770,268)	(778,623)	(787,022)
Forluz solution plan	(284,165)	(297,083)	(300,306)	(303,545)
	(4,992,839)	(5,219,814)	(5,276,433)	(5,333,351)
Net liabilities exposed	**(564,907)**	**(590,588)**	**(596,995)**	**(603,434)**
(Net effect of variation in IPCA index)		**(25,681)**	**(32,088)**	**(38,527)**

Av. Barbacena 1200 Santo Agostinho 30190-131 Belo Horizonte, MG Brazil Tel.: +55 31 3506-5024 Fax +55 31 3506-5025

Liquidity risk

Cemig has sufficient cash flow to cover the cash needs related to its operating activities.

The Company manages liquidity risk with a group of methods, procedures and instruments that are coherent with the complexity of the business, and applied in permanent control of the financial processes, to guarantee appropriate risk managemen – including permanent monitoring of its cash flow in a conservative, budget-oriented manner. Balances are projected monthly, for each one of the companies, over a period of 12 months, and daily liquidity is projected over 180 days.

Short-term investments must, similarly, comply with certain rigid investing principles established in the Company's Cash Investment Policy, which was approved by the Financial Risks Management Committee. These include applying its resources in private-securities investment funds, without market risk, and investment of the remainder directly in bank CDs or repo contracts which earn interest at the CDI rate.

In managing cash investments, the Company seeks to obtain profitability through a rigid analysis of financial institutions' credit, applying operational limits for each bank, based on assessments that take into account their ratings, exposures and balance sheets. It also seeks greater returns on investments by strategically investing in securities with longer investment maturities, while bearing in mind the Company's minimum liquidity control requirements.

On the reporting date of these interim accounting statements, the Company (holding company and consolidated) had an excess of current liabilities over current assets.

Note 1 refers to the various measures taken by the Company and its subsidiaries to increase its liquidity, through new financings, refinancing of existing obligations or, potentially, disinvestment of assets that are not part of the Company's core business. Any reduction in the Company's ratings could result in a reduction of its ability to obtain new financings and could also make refinancings of debts not yet due more difficult or more costly. In this situation, any financing or refinancing of the Company's debt could have higher interest rates or might require compliance with more onerous covenants, which could additionally cause restrictions to the operations of the business.

Av. Barbacena 1200 Santo Agostinho 30190-131 Belo Horizonte, MG Brazil Tel.: +55 31 3506-5024 Fax +55 31 3506-5025

The flow of payments of the obligations of the Company and its subsidiaries, under debts agreed with the pension fund, loans, financings and debentures, for floating and fixed rates, including future interest up to contractual maturity dates, is shown in the table below:

Consolidated R$ '000	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
Financial instruments at (interest rates):						
- Floating rates						
Loans, financings and debentures	662,888	2,948,205	2,122,983	9,622,053	1,380,435	16,736,564
The Tax Credits Regularization Plan	123,510	187,694	284,143	-	-	595,347
Paid concessions	249	492	2,103	9,440	14,428	26,712
Debt agreed with pension fund (Forluz)	11,002	22,134	101,653	602,259	299,272	1,036,320
Forluz solution plan *(Note 22)*	2,515	7,540	20,551	136,579	394,613	561,798
	800,164	**3,166,065**	**2,531,433**	**10,370,331**	**2,088,748**	**18,956,741**
- Fixed rate						
Suppliers	2,175,293	11,155	-	-	-	2,186,448
	2,975,457	**3,177,220**	**2,531,433**	**10,370,331**	**2,088,748**	**21,143,189**

Holding company R$ '000	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
Financial instruments at (interest rates):						
- Floating rates						
Debt agreed with pension fund (Forluz)	541	1,089	5,001	29,631	14,724	50,986
Forluz solution plan *(Note 22)*	124	371	1,011	6,720	19,415	27,641
	665	**1,460**	**6,012**	**36,351**	**34,139**	**78,627**
- Fixed rate						
Suppliers	23,571	-	-	-	-	23,571
	24,236	**1,460**	**6,012**	**36,351**	**34,139**	**102,198**

Credit risk

The risk arising from the possibility of Cemig and its subsidiaries incurring losses as a result of difficulty in receiving amounts billed to its clients is considered to be low. The Company carries out monitoring for the purpose of reducing default, on an individual basis, with its consumers. Negotiations are also entered into for receipt of any receivables in arrears. The risk is also reduced by the extremely wide client base.

The allowance for doubtful debtors constituted on September 30, 2017, considered to be adequate in relation to the credits in arrears receivable by the Company and its subsidiaries, was R$ 851,448.

In relation to the risk of losses resulting from declaration of insolvency of a financial institutions at which the Company has deposits, a Cash Investment Policy was approved and has been in effect since 2004, and is reviewed annually.

Cemig manages the counterparty risk of financial institutions based on an internal policy approved by its Financial Risks Management Committee.

This Policy assesses and scales the credit risks of the institutions, the liquidity risk, the market risk of the investment portfolio and the Treasury operational risk.

All investments are made in financial securities that have fixed-income characteristics, always indexed to the CDI rate. The Company and its subsidiaries make no securities investment transactions that could bring any volatility risk into its financial statements.

Av. Barbacena 1200 Santo Agostinho 30190-131 Belo Horizonte, MG Brazil Tel.: +55 31 3506-5024 Fax +55 31 3506-5025

As a management instrument, Cemig divides the investment of its funds into direct purchases of securities (own portfolio) and investment funds. The investment funds invest the funds exclusively in fixed income products, and companies of the Group are the only unit holders. They obey the same policy adopted in the investments for the Company's directly-held own portfolio.

The minimum requirements for concession of credit to financial institutions are centered on three items:

1. Rating by three risk rating agencies.
2. Equity greater than R$ 400 million.
3. Basel ratio above 12.

Banks that exceed these thresholds are classified in three groups, by the value of their equity; and within this classification, limits of concentration by group and by institution are set:

Group	Stockholders' equity	Concentration	Limit per bank (% of Equity)**
A1	Over R$ 3.5 billion	Minimum of 80%	Between 6% and 9%
A2	R$ 1.0 billion to R$ 3.5 billion	Maximum 20%	Between 5% and 8%
B	R$ 400 million to R$ 1.0 billion	Maximum 20%	Between 5% and 7%

(1) The percentage assigned to each bank depends on an individual assessment of indicators such as liquidity, quality of the credit portfolio, and other aspects.

Further to these points, Cemig also sets two concentration limits:

1. No bank may have more than 30% of the Group's portfolio.
2. No bank may have more than 50% of the portfolio of any individual company.

Risk of over-contracting and under-contracting of power supply

Sale or purchase of power supply in the spot market to cover a positive or negative exposure of supply contracted, to serve the captive market of Cemig D, is a risk inherent to the electricity distribution business. The regulatory limit for 100% pass-through to consumers of exposure to the spot market, valued at the difference between the distributor's average purchase price and the spot price (PLD), is only the margin between 100% and 105% of the distributor's contracted supply. Any exposure that can be proved to have arisen from factors outside the distributor's control ('involuntary exposure') may also be passed through in full to consumers. The Company's Management is continually managing its contracts for purchase of power supply to mitigate the risk of exposure is to the spot market.

Risk of continuity of the concession

The risk to continuity of the distribution concession arises from the new terms included in the extension of Cemig D's concession for 30 years from January 1, 2016, as specified by Law 12783/13. The extension is subject to new conditions not in the previous concession contract, making continuation of the concession conditional upon compliance by Cemig D with new criteria for quality and economic/financial sustainability, without which the extension may be subject to cancellation in the first five years of the contract – in that not

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meeting the criteria in any two consecutive years, or in the fifth year, results in cancellation of the concession.

Additionally, as from 2021, non-compliance with the quality criteria for three consecutive years, or with the minimum parameters for economic/financial sustainability for two consecutive years, results in opening of proceedings with a view to termination of the distribution concession.

Hydrological risk

The greater part of the electricity sold by the Company's subsidiaries is generated by hydroelectric plants. A prolonged period of scarce rainfall can result in lower water volumes in the plants' reservoirs, possibly causing losses due to increased costs of purchasing electricity, due to replacement by thermoelectric generation, or reduction of revenues due to reduction in consumption caused by implementation of wide-ranging programs for saving of electricity. Prolongation of the generation of electricity using the thermal plants potentially could lead to cost increases for the electricity distributors, causing a greater need for cash, and could result in future increases in tariffs.

Risk of early maturity of debt

The Company and its subsidiaries have contracts for loans, financings and debentures with restrictive covenants normally applicable to this type of transaction, related to compliance with a financial index. Non-compliance with these covenants could result in earlier maturity of debts. For more details please see Note 20.

The covenant requiring half-yearly compliance , relating to the financial ratios of Cemig and of Cemig (guarantor), were complied with on June 30, 2016. The covenants requiring compliance annually were complied with on December 31, 2016. For fuller details please see Note 20.

Capital management

This table shows the Company's consolidated net liabilities in relation to its Equity:

	Sep. 30, 2017	Dec. 31, 2016
Total liabilities	28,544,868	29,101,482
(–) Cash and cash equivalents	(582,382)	(995,132)
(–) Restricted cash	(405,494)	(367,474)
Net liabilities	**27,556,992**	**27,738,876**
Total equity	**13,287,207**	**12,934,371**
Net liabilities / equity	**2.07**	**2.14**

30. MEASUREMENT AT FAIR VALUE

In the initial recognition, Cemig and its subsidiaries measure their financial assets and liabilities at fair value; after initial recognition, financial assets and liabilities are classified into the categories defined for financial instruments. Fair value is a market-based measurement that should be determined based on assumptions that market participants

Av. Barbacena 1200 Santo Agostinho 30190-131 Belo Horizonte, MG Brazil Tel.: +55 31 3506-5024 Fax +55 31 3506-5025

would use in pricing an asset or liability. We adopt the 'Fair Value Hierarchy', to maximize coherence and comparability; this separation divides the inputs potentially used in measuring fair value into three broad levels, as follows:

- Level 1 – Active market – Quoted prices: A financial instrument is considered to be quoted in an active market if the prices quoted are promptly and regularly made available by an exchange or organized over-the-counter market, by operators, by brokers or by a market association, by entities whose purpose is to publish prices, or by regulatory agencies, and if those prices represent regular arm's length market transactions made without any preference.
- Level 2 – No active market – Valuation technique: For an instrument that does not have an active market, fair value should be found by using a method of valuation/pricing. Criteria such as data on the current fair value of another instrument that is substantially similar, or discounted cash flow analysis or option pricing models, may be used. The objective of the valuation technique is to establish what would be the transaction price on the measurement date in an arm's-length transaction motivated by business considerations.
- Level 3 – No active market – No observable inputs: The fair value of investments in securities for which there are no prices quoted on an active market, or of derivatives linked to them which are to be settled by delivery of unquoted securities, is determined based on generally accepted valuation techniques, mainly related to discounted cash flow analysis.

The following is a summary of the instruments that are measured at fair value:

R$ '000	Balance at Sep. 30, 2017	Fair value at Sep. 30, 2017		
		Active market – quoted price (Level 1)	No active market – Valuation technique (Level 2)	No active market – No observable inputs (Level 3)
Assets				
Held for trading				
Securities				
Bank certificates of deposit	40,133	-	40,133	-
Financial Notes – Banks	521,896	-	521,896	-
Treasury Financial Notes (LFTs)	103,954	103,954	-	-
Debentures	11,068	-	11,068	-
	677,051	**103,954**	**573,097**	**-**
Loans and receivables				
Concession Grant Fee	2,321,817	-	2,321,817	-
Restricted cash	405,494	-	405,494	-
	2,727,311	-	**2,727,311**	
Available for sale				
Financial assets of the concession related to infrastructure	271,612	-	-	271,612
	3,675,974	**103,954**	**3,300,408**	**271,612**
Liabilities				
Fair value through profit or loss				
Put options – Assets (Liabilities)				
Sonda	4,484	-	-	4,484
RME and Lepsa	(1,242,818)	-	(1,242,818)	-
SAAG	(264,139)	-	-	(264,139)
	(1,502,473)	**-**	**(1,242,818)**	**(259,655)**
	2,173,501	**103,954**	**2,057,590**	**11,957**

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R$ '000	Balance at Dec. 31, 2016	Fair value at December 31, 2016		
		Active market – quoted price (Level 1)	No active market – Valuation technique (Level 2)	No active market – No observable inputs (Level 3)
Assets				
Held for trading				
Securities				
Bank certificates of deposit	32,782	-	32,782	-
Treasury Financial Notes (LFTs)	192,995	192,995	-	-
Financial Notes – Banks	724,274	-	724,274	-
Debentures	45,289	-	45,289	-
	995,340	**192,995**	**802,345**	-
Loans and receivables				
Concession Grant Fee	2,253,765	-	2,253,765	
Restricted cash	367,474	-	367,474	-
	2,621,239	**-**	**2,621,239**	-
Available for sale				
Financial assets of the concession related to infrastructure	216,107	-	-	216,107
	3,832,686	**192,995**	**3,423,584**	**216,107**
Liabilities				
Fair value through profit or loss				
Put options – Assets (Liabilities)				
Sonda	4,586	-	-	4,586
RME and Lepsa	(1,149,881)	-	(1,149,881)	-
SAAG	(196,173)	-	-	(196,173)
	(1,341,468)	**-**	**(1,149,881)**	**(191,587)**
	2,491,218	**192,995**	**2,273,703**	**24,520**

(1) As from 4Q16 the Company began to use the Black-Scholes-Merton method for measuring the fair value of the options. For more details please see Note 15.

Calculation of fair value of financial positions

Financial assets of the concession related to infrastructure: Measured at New Replacement Value (*Valor novo de reposição*, or VNR), according to criteria established in regulations by the Concession-granting power ('Grantor'), based on fair value of the assets in service belonging to the concession and which will be revertible at the end of the concession, and on the Weighted average cost of capital (WACC) used by the Grantor, which reflects the concession holder's return on the operations of the concession. The VNR and the WACC are public information disclosed by the Grantor and by Cemig. The movement in financial assets of the concession is shown in Note 13.

Cash investments: The fair value of cash investments is calculated taking into consideration the market prices of the security, or market information that makes such calculation possible, and future rates in the fixed income and FX markets applicable to similar securities. The market value of the security is deemed to be its maturity value discounted to present value by the discount factor obtained from the market yield curve in Reais.

Put options: the Company adopted the Black-Scholes-Merton method for measuring fair value of the SAAG, Parati and Sonda options. The fair value of these options was calculated on the basis of the estimated exercise price on the day of exercise of the option, less the fair value of the underlying shares, also estimated for the date of exercise, brought to present value at the reporting date. The movement in relation to the put options, and other information, is given in Note 15.

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31. OPERATING SEGMENTS

The operating segments of Cemig reflect the structure of the regulatory framework for the Brazilian electricity sector, with different legislation for the sectors of generation, transmission and distribution of electricity. The Company also operates in gas, telecommunications, and other businesses, which have a smaller impact on the results from its operations.

These segments are reflected in the Company's management, organizational structure, and monitoring of results.

These tables show the costs and expenses for the nine-month periods ended on September 30, 2017 and 2016:

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INFORMATION BY MARKET SEGMENT AT SEPTEMBER 30, 2017	ELECTRICITY			TELECOMS	GAS	Other	ELIMINATIONS	TOTAL
	GENERATION	TRANSMISSION	DISTRIBUTION					
ASSETS OF THE SEGMENT	16,270,364	4,147,643	18,430,584	334,918	2,049,736	3,369,322	(2,772,454)	41,830,113
INVESTMENTS IN AFFILIATED AND JOINTLY-CONTROLLED ENTITIES	4,565,559	1,671,072	1,748,994	-	-	634,501	-	8,620,126
ADDITIONS TO THE SEGMENT	249,826	-	705,295	34,738	40,097	-	-	1,029,956
ADDITIONS TO FINANCIAL ASSETS	**-**	**11,226**	**-**	**-**	**-**	**-**	**-**	**11,226**
NET REVENUE	**5,307,670**	**547,179**	**8,281,712**	**88,389**	**1,061,564**	**83,160**	**(215,893)**	**15,153,781**
COST OF ELECTRICITY AND GAS								
Electricity purchased for resale	(3,021,466)	-	(4,717,386)	-	-	(9)	53,469	(7,685,392)
Charges for use of the national grid	(261,295)	(262)	(661,101)	-	-	-	131,319	(791,339)
Gas bought for resale	-	-	-	-	(789,861)	-	-	(789,861)
Operational costs, total	(3,282,761)	(262)	(5,378,487)	-	(789,861)	(9)	184,788	(9,266,592)
OPERATING COSTS AND EXPENSES								
Personnel	(218,933)	(84,022)	(877,192)	(14,559)	(36,286)	(44,675)	-	(1,275,667)
Employees' and managers' profit shares	(4,182)	(1,871)	(18,131)	(380)	-	(1,213)	-	(25,777)
Post-retirement obligations	(42,539)	(19,850)	(201,745)	-	-	(29,483)	-	(293,617)
Materials	(7,468)	(2,110)	(32,089)	(107)	(1,434)	(112)	14	(43,306)
Outsourced services	(97,890)	(21,278)	(550,614)	(20,624)	(12,231)	(7,278)	29,346	(680,569)
Depreciation and amortization	(136,400)	-	(400,754)	(25,974)	(41,836)	(11,819)	-	(616,783)
Operational provisions (reversals)	(97,543)	(9,148)	(347,608)	(456)	-	(104,038)	-	(558,793)
Construction costs	-	(11,226)	(705,296)	-	(20,232)	-	-	(736,754)
Other operating expenses, net	(35,323)	(6,550)	(240,405)	(18,501)	(7,506)	(7,178)	3,882	(311,581)
Total cost of operation	**(640,278)**	**(156,055)**	**(3,373,834)**	**(80,601)**	**(119,525)**	**(205,796)**	**33,242**	**(4,542,847)**
OPERATING COSTS AND EXPENSES	**(3,923,039)**	**(156,317)**	**(8,752,321)**	**(80,601)**	**(909,386)**	**(205,805)**	**218,030**	**(13,809,439)**
OPERATIONAL PROFIT BEFORE EQUITY GAINS (LOSSES) AND FINANCIAL REVENUE (EXPENSES)	**1,384,631**	**390,862**	**(470,609)**	**7,788**	**152,178**	**(122,645)**	**2,137**	**1,344,342**
Equity method gains in non-consolidated investees	151,126	-	-	(1,951)	-	(169,855)	-	(20,680)
Financial revenues	126,202	5,013	302,727	2,149	24,240	89,734	-	550,065
Financial expenses	(847,998)	(1,886)	(616,487)	(11,450)	(30,594)	236,464	-	(1,271,951)
PRE-TAX PROFIT	**813,961**	**393,989**	**(784,369)**	**(3,464)**	**145,824**	**33,698**	**2,137**	**601,776**
Income and Social Contribution taxes	(215,688)	(120,333)	245,677	307	(45,316)	(69,241)	-	(204,594)
NET PROFIT (LOSS)	**598,273**	**273,656**	**(538,692)**	**(3,157)**	**100,508**	**(35,543)**	**2,137**	**397,182**
Interest of the controlling shareholders	**598,273**	**273,656**	**(538,692)**	**(3,157)**	**100,076**	**(35,543)**	**2,137**	**396,750**
Interest of non-controlling shareholder	**-**	**-**	**-**	**-**	**432**	**-**	**-**	**432**
	598,273	**273,656**	**(538,692)**	**(3,157)**	**100,508**	**(35,543)**	**2,137**	**397,182**

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INFORMATION BY MARKET SEGMENT AT SEPTEMBER 30, 2016	ELECTRICITY			TELECOMS	GAS	Other	ELIMINATIONS	TOTAL
	GENERATION	TRANSMISSION	DISTRIBUTION					
ASSETS OF THE SEGMENT	**14,414,449**	**4,267,418**	**18,165,610**	**337,745**	**2,737,182**	**2,388,972**	**(275,523)**	**42,035,853**
INVESTMENTS IN AFFILIATED AND JOINTLY-CONTROLLED ENTITIES	5,291,892	1,669,849	1,754,342	17,741	-	19,264	-	8,753,088
ADDITIONS TO THE SEGMENT	**740,337**	**-**	**854,060**	**27,630**	**27,390**	**-**	**-**	**1,649,417**
ADDITIONS TO FINANCIAL ASSETS	**2,255,561**	**36,405**						**2,291,966**
NET REVENUE	**4,268,400**	**953,846**	**8,000,957**	**99,711**	**847,565**	**89,562**	**(153,303)**	**14,106,738**
COST OF ELECTRICITY AND GAS								
Electricity purchased for resale	(2,305,000)	-	(3,857,716)	-	-	(3)	36,261	(6,126,458)
Charges for use of the national grid	(232,477)	(243)	(605,478)	-	-	-	96,782	(741,416)
Gas bought for resale	-	-	-	-	(623,503)	-	-	(623,503)
Operational costs, total	**(2,537,477)**	**(243)**	**(4,463,194)**	**-**	**(623,503)**	**(3)**	**133,043**	**(7,491,377)**
OPERATING COSTS AND EXPENSES								
Personnel	(202,412)	(81,019)	(852,103)	(17,546)	(30,424)	(33,697)	-	(1,217,201)
Employees' and managers' profit shares	(4,095)	(2,311)	(26,939)	-	-	2,928	-	(30,417)
Post-retirement obligations	(39,975)	(15,575)	(165,845)	-	-	(27,188)	-	(248,583)
Materials	(8,118)	(2,115)	(29,226)	(74)	(1,387)	(78)	28	(40,970)
Outsourced services	(91,502)	(21,295)	(472,356)	(16,523)	(11,135)	(6,752)	17,757	(601,806)
Depreciation and amortization	(156,261)	-	(367,753)	(24,949)	(40,402)	(11,832)	-	(601,197)
Operational provisions (reversals)	(56,512)	(6,935)	(370,553)	294	-	(280,531)	-	(714,237)
Construction costs	-	(36,405)	(854,060)	-	(27,390)	-	-	(917,855)
Other operating expenses, net	(48,224)	(7,898)	(284,938)	(13,406)	(7,651)	(12,656)	2,475	(372,298)
Total cost of operation	**(607,099)**	**(173,553)**	**(3,423,773)**	**(72,204)**	**(118,389)**	**(369,806)**	**20,260**	**(4,744,564)**
OPERATING COSTS AND EXPENSES	**(3,144,576)**	**(173,796)**	**(7,886,967)**	**(72,204)**	**(741,892)**	**(369,809)**	**153,303**	**(12,235,941)**
OPERATIONAL PROFIT BEFORE EQUITY GAINS (LOSSES) AND FINANCIAL REVENUE (EXPENSES)	**1,123,824**	**780,050**	**113,990**	**27,507**	**105,673**	**(280,247)**	**-**	**1,870,797**
Equity method gains in non-consolidated investees	(155,226)	301,402	(69,934)	(25,648)	-	(3,334)	-	47,260
Financial revenues	134,676	4,100	597,394	3,275	11,548	84,198	-	835,191
Financial expenses	(998,640)	(3,673)	(847,214)	(5,047)	(29,073)	(4,368)	-	(1,888,015)
PRE-TAX PROFIT	**104,634**	**1,081,879**	**(205,764)**	**87**	**88,148**	**(203,751)**	**-**	**865,233**
Income and Social Contribution taxes	(65,006)	(217,859)	23,223	(1,962)	(25,250)	62,454	-	(224,400)
NET PROFIT (LOSS)	**39,628**	**864,020**	**(182,541)**	**(1,875)**	**62,898**	**(141,297)**	**-**	**640,833**
Interest of the controlling shareholders	39,628	864,020	(182,541)	(1,875)	62,628	(141,297)	-	640,563
Interest of non-controlling shareholder	-	-	-	-	270	-	-	270
	39,628	**864,020**	**(182,541)**	**(1,875)**	**62,898**	**(141,297)**	**-**	**640,833**

* The expense of R$ 280,531 recorded as operating provisions in the *Others* column refers substantially to expenses on the option to purchase investments held by the parent company and described in Note 14.

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32. THE ANNUAL TARIFF ADJUSTMENT

On May 23, 2017 Aneel approved the result of the Annual Tariff Adjustment for the subsidiary Cemig D. It represented an average decrease in tariffs of 10.66%, in effect on May 28, 2017, through May 27, 2018.

The average negative affect of 10.66% arises from the following factors:

- Adjustment of the cost items of Portions A and B, contributing 1.29% to the average effect.
- Inclusion of the financial components calculated in the current tariff adjustment for offsetting in the subsequent 12 months, resulting in a reduction of 4.68%.
- Removal of the financial components established in the 2016 tariff adjustment process, which remained in effect up to the date of the adjustment being processed, contributing 7.28% reduction.

- Offsetting of CDE: Offsetting between the amounts payable and receivable, in the amount of R$ 974,680 in 9M17 (R$ 761,145 in 9M16).

33. NON-CASH TRANSACTIONS

In the half-year periods ended September 30, 2017 and 2016, the Company had the following transactions not involving cash, which are not reflected in the Cash flow statements:

- Capitalized Finance Costs in the amount of R$ 56,851 in 9M17 (R$ 120,398 in 9M16).
- Offsetting of CDE: Offseting between the amounts payable and receivable, in the amount of R$ 974,680 in 9M17 (R$ 761,145 in 9M16).

34. SUBSEQUENT EVENTS

Amendments to contracts for loans with Banco do Brasil

On October 23, 2017, the subsidiary Cemig GT signed amendments to loan contracts signed with Banco do Brasil, in the total amount of R$ 549 million, for the purpose of postponing payment of the tranches maturing on October 24, 26 and 30, 2017, for 60 days. The interest to be calculated on the debtor balance was increased from 108% of the CDO rate and 112% of the CDI rate, to 128% of the CDI rate; one of the amendments maintained the original interest rate, of 132.9% of the CDI rate. The

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early maturity events were also altered, to be in line with the clauses in Cemig GT's 7th Issue of Non-convertible Debentures.

binding proposal for capitalization in Renova

On November 12, 2017, Renova received a binding proposal for primary investment of R$ 1.4 billion in Renova, at a price of R$ 6 per unit. The offer further includes an earn-out of up to R$ 1.00 (one Real) per unit, for any amount that Renova receives in the future as adjustment to the sale price of the Alto Sertão II Wind Power Complex.

The proposal also specifies conditions precedent that are usual in this type of transaction. In the event of acceptance, Brookfield will be given a period of exclusivity of 60 days, able to be extended for 30 days, to finalize the documents of the transaction.

The transaction will then be subject to consideration and approval by the governance bodies of Renova and its controlling stockholders.

Non-binding offers related to the process of disinvestment

On November 13, 2017, in continuity with the relevant facts disclosed on August 28, 2017 and October 02, 2017, Cemig has received non-binding proposals related to its process of disinvestment, as a result of the first phase of access to the documents and information contained in the Data Room made available to potential investors in relation to the Light group.

Cemig is analyzing these proposals for possible selection for inclusion in the next phase. If a selection is made, conclusion of the disinvestment process will also be subject to: a phase of due diligence, including technical visits; submission of binding proposals; negotiations; final approvals for signature of definitive agreements for the transaction referred to; and approvals of conditions precedent that are usual in this type of transaction.

Considering the stage of the discussions, no modification was made in the accounting treatment of the investment in the jointly controlled subsidiary Light.

Capital increase proposal in Cemig

On October 26, 2017, the Extraordinary General Meeting of Stockholders approved an increase of the Company's share capital, by up to R$ 1,000,000, through issuance of up to 66,849,505 (sixty six million eight hundred forty nine thousand five hundred five) new common shares and up to 133,150,495 (one hundred thirty three million one hundred fifty thousand four hundred ninety five) new preferred shares, all nominal, book-entry shares, each with nominal value of R$ 5.00 (five Reais), for issue price per share, for both common and preferred shares, of R$ 6.57 (six Reais and fifty seven

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centavos) ('the Capital Increase'). After such increase, the subscribed and paid-in capital stock of the Company will increase from R$ 6,294,208 to 7,294,208.

All the shares resulting from this subscription will have the same rights as the shares of the same class on which the capital increase is based. The Capital Increase will be by private subscription, with present shareholders having preference to participate in proportion to their current equity holdings, on the basis of 0.1588762172 of a new share for each share held at the close of market on the day of the EGM that authorizes the Capital Increase.

Such capital increase action will allow the Company to obtain funds in the amount of up to R$ 1,314,000, being sure that the difference, in the amount of up to R$ 314,000, will be allocated to the capital reserve account. The potential dilution resulting from the issue, if any shareholder does not join the subscription, is 13.704239283% for common shares and preferred shares. The current shareholders may exercise the preemptive right to subscribe, in the period from October 30, 2017 to November 29, 2017, at 15.887624200% on the shares of the same type that they own at the end of the day of the extraordinary general meeting that deliberates on this subject.

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Report on the review of interim information

The Shareholders, Board of Directors and Officers
Companhia Energética de Minas Gerais
Belo Horizonte - MG

Introduction

We have reviewed the accompanying individual and consolidated interim financial information of Companhia Energética de Minas Gerais ("Company"), contained in the Quarterly Information Form (ITR) for the quarter ended September 30, 2017, which comprise the statement of financial position as at September 30, 2017 and the related statement of profit or loss, of comprehensive income for the three-month and nine-month periods then ended, and statement of changes in equity and cash flow statement for the nine-month period then ended, including other explanatory information.

Management is responsible for the preparation of the individual interim financial information in accordance with Accounting Pronouncement CPC 21 (R1) – Interim Financial Reporting, and of the consolidated interim financial information in accordance with IAS 34 – Interim Financial Reporting, issued by the International Accounting Standards Board (IASB), as well as for the fair presentation of this information in conformity with the standards issued by the Brazilian Securities and Exchange Commission (CVM) applicable to the preparation of Quarterly Information (ITR). Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of review

We conducted our review in accordance with Brazilian and International Standards on Review Engagements (NBC TR 2410 - Review of Interim Financial Information Performed by the Independent Auditor of the Entity, and ISRE 2410 - Review of Interim Financial Information Performed by the Independent Auditor of the Entity, respectively). A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion on the individual and consolidated interim financial information

Based on our review, nothing has come to our attention that causes us to believe that the accompanying individual and consolidated interim financial information included in the quarterly information referred to above is not prepared, in all material respects, in accordance with CPC 21(R1) and IAS 34, applicable to the preparation of Quarterly Financial Information (ITR), consistently with the rules issued by the Brazilian Securities and Exchange Commission.

Emphasis of matters

Renewal of the concession for Jaguara, São Simão and Miranda

As disclosed in note 4 to the interim financial information, the Company is challenging the renewal of the concession contracts for the Jaguara, São Simão and Miranda hydroelectric plants. These concession contracts were terminated in August 2013, January 2015 and December 2016, respectively and were auctioned by the granting authority on September 27, 2017. Additionally, the Company is discussing administratively the amounts of the financial assets indemnifiable relative to the plants in question. The Company does not expect to incur losses arising from this matter. Our conclusion is not modified in respect of this matter.

Risks related to compliance with laws and regulations

As mentioned in Note 14 to the interim financial information, the Company holds indirect non-controlling interests in Madeira Energia S.A. (which has an investment in Santo Antônio Energia S.A.) and Norte Energia S.A. (the "Investees"), valued by the equity method. Investigations and certain legal actions conducted by the Federal Prosecution Office (MPF) involving other indirect shareholders of the Investees and certain executives of these shareholders are underway. At present, it is not possible to determine whether the results of referred to investigations and their respective developments may eventually have future consequences to the investees beyond the effects mentioned in Note 14. The Company's interim financial information does not include any other effects that may arise from this matter. Our conclusion is not modified in respect of this matter.

Risk of continuity of the investee Renova Energia S.A. business operations

As disclosed in Note 14 to the interim financial information, the Company has indirect non-controlling interest in Renova Energia S.A. ("Renova"), which is accounted for under the equity method, and whose conditions indicate the existence of material uncertainty that may raise significant doubt as to the ability of Renova and its subsidiaries to continue as a going concern. Our conclusion is not modified in respect of this matter.

Other matters

Statements of value added

We have also reviewed the individual and consolidated Statements of Value Added (SVA) for the nine-month period ended September 30, 2017, prepared under the responsibility of Company management, the presentation of which in the interim financial information is required by the rules issued by the Brazilian Securities and Exchange Commission (CVM) applicable to the preparation of Quarterly Information (ITR), and as supplementary information under the IFRS, whereby no SVA presentation is required. These statements have been subject to the same review procedures previously described and, based on our review, nothing has come to our attention that causes us to believe that they are not consistently prepared, in all material respects, in relation to the overall accompanying interim financial information.

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Audit and review of prior year/period corresponding figures

The amounts corresponding to the statement of financial position as at December 31, 2016, and the statements of profit or loss and comprehensive income for the three-month and nine-month periods ended September 30, 2016, changes in equity, cash flows and value added for the nine-month period then ended, and presented for comparative purposes, were previously audited and reviewed, respectively, by other independent auditors, who issued an unmodified opinion on their independent auditor's report on the individual and consolidated financial statements dated April 11, 2017, and an unmodified conclusion on their review report on the individual and consolidated interim financial information dated April 27, 2017, both containing emphasis of matters on the issues described above.

Belo Horizonte (MG), November 14, 2017

ERNST & YOUNG
Auditores Independentes S.S.
CRC-2SP015199/O-6

Shirley Nara S. Silva
Accountant CRC 1BA022650/O-0

CONSOLIDATED RESULTS

(Figures in R$ '000 unless otherwise indicated)

Results for 9M17

Net profit

For the first nine months of 2017 (9M17) Cemig reported net profit of R$ 397,182 – compared to net profit of R$ 640,833 in 9M16. The following pages describe the main variations between the two periods in revenues, costs, expenses and financial items.

We highlight that in 9M17 the subsidiaries Cemig GT and Cemig D adhered to the Minas Gerais State Tax Credits Regularization Plan (PRCT), for settlement of the ICMS tax, which totals an estimated R$ 582,956 (the amount is to be updated until the date of actual payment). This is to be paid in six equal installments, starting on October 31, 2017. The net effect posted in the third quarter results in 2017 is R$ 587,624. The amount of R$ 562,406 is recorded as deductions from revenue; and R$ 25,218 is posted as expenses (operational and financial).

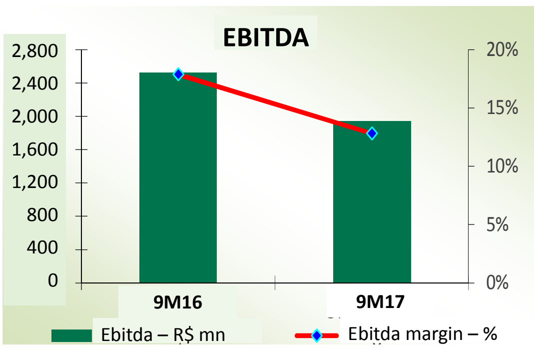
As further non-recurring items in 3Q17, the Company recognized a gain on updating of the indemnity of generation assets, in the amount of R$ 259,516; and reversal of the provision relating to an Advance against future capital increase (AFAC), the effect of which in the Profit and loss account was R$ 277,723 – comprising a reversal of provision of R$ 239,445, and an item in Financial revenue of R$ 38,278 arising from monetary updating of the administrative deposit. For more details please see Notes 11 and 23.

Ebitda

(Earnings before interest, tax, depreciation and amortization)*

Cemig's consolidated Ebitda in 9M17 was 22.98% below its Ebitda of 9M16:

Ebitda – R$ '000	9M17	9M16	Change, %
Net profit for the period	397,182	640,833	(38.02)
+ Income tax and Social Contribution tax	204,594	224,400	(8.83)
+ Financial revenue (expenses)	721,886	1,052,824	(31.43)
+ Depreciation and amortization	616,783	601,197	2.59
= EBITDA	**1,940,445**	**2,519,254**	**(22.98)**



* Ebitda is a non-accounting measure prepared by the Company, reconciled with the Interim accounting information in accordance with CVM Circular SNC/SEP 1/2007 and CVM Instruction 527 of October 4, 2012. It comprises Net profit adjusted by the effects of net Financial revenue (expenses), Depreciation and amortization, and Income tax and the Social Contribution tax. Ebitda is not a measure recognized by Brazilian GAAP nor by IFRS; it does not have a standard meaning; and it may be non-comparable with measures with similar titles provided by other companies. Cemig publishes

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Ebitda because it uses it to measure its own performance. Ebitda should not be considered in isolation or as a substitution for net profit or operational profit, nor as an indicator of operational performance or cash flow, nor to measure liquidity nor the capacity for payment of debt.

The most significant factors in the Ebitda 22.98% lower than in 9M16 are difference are set out below. In line with the variation in Ebitda, Ebitda margin in 9M17 was lower – at 12.80% – in 2017, than 9M16 (17.86%).

Revenue from supply of electricity

Revenue from sales of electricity in 9M17 totaled R$ 17,387,754, compared to R$ 17,315,733 in 9M16, a year-on-year increase of 0.42%.

Final consumers

Total revenue from electricity sold to final consumers, excluding Cemig's own consumption, was R$ 15,027,061 in 9M17 – this was 1.82% lower than the figure for 9M16, of R$ 15,305,033.

The main factors in this revenue were:

- Lower revenues from the 'Flag' tariff, at R$ 258,060 in 9M17, compared to R$ 342,789 in 9M16. This mainly reflects lower amounts under the 'red flag' tariff in 9M17.
- Volume of electricity sold in 9M17 was 1.56% lower than in 1H16.
- The Annual Tariff Adjustment for Cemig D, with average effect on consumer tariffs of 3.78%, effective from May 28, 2016 (full effect in 2017).
- The Annual Tariff Adjustment for Cemig D, with average effect on consumer tariffs of 10.66%, effective from May 28, 2017.

Cemig's electricity market

The total for sales in Cemig's consolidated electricity market comprises sales to:

(I) Captive consumers in Cemig's concession area in the State of Minas Gerais;
(II) Free Consumers in both the State of Minas Gerais and other States of Brazil, in the Free Market (*Ambiente de Contratação Livre*, or ACL);
(III) other agents of the electricity sector – traders, generators and independent power producers, also in the Free Market;
(IV) Distributors, in the Regulated Market (*Ambiente de Contratação Regulada*, or ACR); and
(V) the Wholesale Trading Exchange (*Câmara de Comercialização de Energia Elétrica*, or CCEE)

(– eliminating transactions between companies of the Cemig Group).

The tables below show Cemig's market in more detail, itemizing transactions in 9M17 compared with 9M16.

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Consumption itemized by type of consumer:

	MWh		
	9M17	9M16	Change, %
Residential	7,489,980	7,406,095	1.13
Industrial	13,162,944	14,541,717	(9.48)
Commercial, Services and Others	5,581,213	4,907,884	13.72
Rural	2,769,082	2,699,294	2.59
Public authorities	644,621	659,997	(2.33)
Public lighting	1,030,199	1,012,312	1.77
Public services	977,757	930,708	5.06
Subtotal	**31,655,796**	**32,158,007**	**(1.56)**
Own consumption	26,946	27,614	(2.42)
	31,682,742	**32,185,621**	**(1.56)**
Wholesale supply to other concession holders (1)	9,167,876	8,813,064	4.03
Total	**40,850,618**	**40,998,685**	**(0.36)**

(1) Includes Regulated Market Electricity Sale Contracts (CCEARs) and 'bilateral contracts' with other agents.

We highlight the volume of electric power sold to the *industrial* consumer category, which was 9.48% lower YoY, basically due to consumers leaving the status of captive consumer and moving to become consumers in the Free Market.

Revenue from Use of Distribution Systems (the TUSD charge)

This is revenue from charging Free Consumers the Tariff for Use of the Distribution System (*Tarifa de Uso do Sistema de Distribuição*, or TUSD). In 9M 2017 this revenue was R$ 1,230,623, compared to R$ 1,348,132 in 9M16 – a year-on-year reduction of 8.72%. This primarily reflects the reduction of approximately 40% in the TUSD, which took place in the 2017 Annual Tariff Adjustment, applied from May 28, 2017.

CVA and *Other financial components* in tariff adjustment

In its interim accounting information Cemig recognizes the difference between actual non-controllable costs (in which the CDE, and electricity bought for resale, are significant components) and the costs that were used as the basis of decision of the rates charged to consumers. This balance is the amount that will be passed through to the Company, or reimbursed to the consumer through Cemig D's next subsequent tariff adjustments. In 9M17 the amount for reimbursement was R$ 148,216, compared to R$ 937,053 reimbursable in 9M16.

This variation was mainly due to increased costs of power supply in 9M17 due to the low level of the reservoirs, with a greater difference between the amounts spent and the costs recognized in the tariff. For more details please see Note 14.

Transmission indemnity revenue

Transmission indemnity revenue was R$ 295,749 in 9M17, compared to R$ 692,211 in 9M16. In 2Q17, as a result of the Mining and Energy Ministry setting the criteria for updating of the transmission indemnity, a posting was made, backdated to 2013, of the amount of the updating of the indemnity receivable based on the regulatory cost of own capital, which had a significant impact on the revenue reported.

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We highlight the amount recorded in 2017, of R$ 149,255, for the backdated difference of transmission concession assets the values of which were not included in the calculation basis for revenues in the previous tariff reviews. For more details see Note 14 – *Financial assets of the concession*.

Generation Indemnity revenue

In 9M17 the Company recognized revenue of R$ 259,516, for the adjustment to the balance of non-amortized indemnities for the concessions of the *São Simão* and *Miranda* Hydroelectric Plants, as per Ministerial Order 291/17. For more details see Note 4.

Revenue from transactions in the Wholesale Trading Chamber (CCEE)

The revenue from electricity transactions in the CCEE in 9M17 was R$ 536,507, compared to R$ 138,870 in 9M16 – in other words, R$ 397,637 higher. This difference is mainly due to the increase of 322.61% in the average Spot Price (*Preço de Liquidação de Diferenças* – PLD), which averaged R$ 299.42/MWh in 9M17, and R$ 70.85/MWh in 9M16; and the volume of power supply available for settlement in the wholesale market in 2017.

Revenue from supply of gas

Cemig reports revenue from supply of gas totaling R$ 1,305,636 in 9M17, compared to R$ 1,037,126 in 9M16 – i.e. 25.89% higher YoY. This basically reflects volume of gas sold 32.10% higher YoY (982,235m³ in 9M17, vs. 743,534m³ in 9M16).

Construction Revenue

Distribution Infrastructure Construction Revenue in 9M17 was R$ 736,754, which was 19.73% less than in 9M16 (R$ 917,855). This revenue is fully offset by Construction costs, of the same amount, and corresponds to the Company's investments in assets of the concession in the period.

Other operating revenues

The items in the Other Operating Revenues line comprise: Transmission Concession revenue; Adjustment to expectation of cash flow from the indemnifiable Financial assets of the distribution concession; Gain on financial updating of the Concession Grant Fee; and Other operating revenues. Their total in 9M17 was R$ 1,561,119, or 2.18% more than in 9M16 (R$ 1,527,798). See Note 25 for the composition of operational revenues.

Sector / Regulatory charges reported as Deductions from revenue

The charges that are recorded as deductions from operational revenue totaled R$ 8,308,094 in 9M17, or 4.72% more than in 9M16 (R$ 7,933,934).

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The Company adhered to the Minas Gerais State Tax Credits Regularization Plan (*Plano de Regularização de Créditos Tributários* – PRCT), for settlement of ICMS (state value-added tax). The effect reported in 3Q17 was R$ 562,406 on ICMS from operational revenue.

The Energy Development Account – CDE

The amounts of payments to the Energy Development Account (CDE) are decided by an Aneel Resolution. The purpose of the CDE is to cover costs of concession indemnities, tariff subsidies, the subsidy for balanced tariff reduction, the low-income consumer subsidy, the coal consumption subsidy, and the Fuels Consumption Account (CCC). Charges for the CDE in 9M17 were R$ 1,326,946, which compares to R$ 1,596,577 in 9M16.

This is a non-manageable cost: the difference between the amounts used as a reference for setting of tariffs and the costs actually incurred is compensated for in the subsequent tariff adjustment.

Consumer charges – the 'Flag' Tariff system

Charges to the Consumer related to the 'Flag' Tariffs were lower, at R$ 258.060 in 9M17, compared to R$ 342,789 in 9M16 – a reduction of 24.72% – mainly reflecting a decrease of the 'red flag' revenue in the comparative periods.

Operational costs and expenses (excluding Financial revenue/expenses)

Operational costs and expenses in 9M17 totaled R$ 13,809,439, or 12.86% more than in 9M16 (R$ 12,235.941). For more on the components of Operational costs and expenses see Note 26.

The following paragraphs comment on the main variations:

Electricity purchased for resale

This expense in 9M17 was R$ 7,685,392, 24.45% higher than in 9M16 (R$ 6,126,458).

This is mainly due to expense on purchase of supply in the spot market being 166.70% higher, at R$ 1,180,780 in 9M17, compared to R$ 487,536 in 9M16 – reflecting the higher cost of power supply in the wholesale market in 2017 as a result of the low level of reservoirs, with less volume of production by hydroelectric plants. The result was a higher volume of operation of the thermal plants, for which the increase in expenditure was financed principally by the electricity distributors, which is a feature of the present regulatory model in Brazil.

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Charges for Use of the Transmission Network

Charges for use of the transmission network in 9M17 totaled R$ 791,339, an increase of 6.73% year-on-year, compared to R$ 741,416 in 9M16.

This expense is payable by electricity distribution and generation agents for use of the facilities that are components of the national grid. The amounts to be paid are set by an Aneel Resolution.

This is a non-manageable cost: the difference between the amounts used as a reference for calculation of tariffs and the costs actually incurred is compensated for in the subsequent tariff adjustment.

Operating provisions

Operational costs and expenses in 9M17 totaled R$ 558,793, or 21.76% less than in 9M16 (R$ 714,237). The main factors are:

- Variation in fair value of the investment options related to Parati and SAAG, in the amount of R$ 160,903 in 9M17, compared to a total provision of R$ 297,073 in 9M16. More details on the criteria for making of these provisions are in Note 15 (*Put options*).

- Lower provisions for consumer default – at R$ 191,343 in 9M17, compared to R$ 282,915 in 9M16 – mainly reflecting the Company's increased efforts in collection of overdue receivables in 2017.

- Within contingencies, there was an increase in contingencies for employment-law cases – to R$ 188,013 in 9M17, compared to R$ 69,963 in 9M16. The increase in the amount provisioned reflects re-evaluations of potential losses in various legal actions as a result of the change in the procedural phase to provisional execution, in relation to actions disputing: the basis for calculation of hazardous work remuneration; argument for a principle of equal payment for alleged unlawful outsourcing; and subsidiary/joint liability. For more information see Note 23.

Personnel

Personnel expenses in 9M17 were R$ 1,275,667, or 4.80% more than in 9M16 (R$ 1,217,201). This arises mainly from the following items:

- Salary increase of 8.50%, as from November 2016, under the Collective Work Agreement.
- Recognition, in 2017, of an expense of R$ 197,326 on the voluntary retirement program, which compares with R$ 92,919 in 9M16.

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- The average number of employees was down 13.49% in the comparison between the periods: 6,631 in 9M17, compared to 7,666 in 9M16.

Construction cost

Distribution Infrastructure Construction Costs in 9M17 totaled R$ 736,754, or 19.73% less than in 9M16 (R$ 917,855). This line records the Company's investment in assets of the concession in the period, and is fully offset by the line Construction Revenue, in the same amount.

Gas bought for resale

In 9M17 the Company recorded an expense of R$ 789,861 on acquisition of gas, 26.68% more than its comparable expense of R$ 623,503 in 9M16. This mainly reflects a volume of gas bought for resale 33.72% higher (987,442m³ in 9M17, compared to 738,42m³ in 9M16), partially offset by lower charges under the new agreement between Gasmig and Petrobras, which reduced the daily gas offtake obligation.

Equity method gains in non-consolidated investees

The result of equity method valuation of interests in investees in 9M17 was a negative item of R$ 20,680, compared to a gain of R$ 47,260 in 9M16. The difference mainly reflects negative equity income contributions from Madeira Energia (R$ 84,553), from Fip Melbourne (Santo Antônio Plant) (R$ 73,209) and from Renova (R$ 50,048); and a lower positive gain in Taesa, due to reduction of the equity interest held in that company, which was 43.36% in September 2016, and 31.54% in September 2017. For more details see Note 15.

Net financial revenue (expenses)

Cemig reports net financial expenses in 9M17 of R$ 721,886, compared to net financial expenses of R$ 1,052,824 in 9M16. The main factors are:

- The financial expense on monetary variation in loans and financings was R$ 157,711 lower, due to the IPCA inflation index (indexor for the debt) being lower in 9M17, at 1.78%, than in 9M16 (5.51%).
- Costs of loans and financings were R$ 230,602 lower, mainly due to lower CDI rate (main indexor of the debt), which was 8.03% over the period of 9M17, compared to 10.42% in the whole of 9M16.
- Reversion provision related to the monetary updating of AFAC in the amount of R$239.445. For more information please see Note 23;
- In 9M17 the result of monetary updating of the balances of CVA was a loss of R$ 40,086 in 9M17, compared to a gain of R$ 206,967 in 9M16. The positive and negative balances of CVA are updated by the Selic rate. This difference arises from a net payable amount of CVA on September 30, 2017. In 9M16 the corresponding amount was a credit. For more information please see Note 14.

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- The expense of monetary variation on the debt agreed with Forluz was R$ 38,381 lower, also due to the lower value of the IPCA index (indexor of the debt), as mentioned above.

For a breakdown of financial revenues and expenses please see Note 27.

Income and Social Contribution taxes

In 9M17 the expense on income tax and the Social Contribution totaled R$ 204,594, on pre-tax profit of R$ 601,776, an effective rate of 34.00%.

In 9M16, the expense on income tax and the Social Contribution tax totaled R$ 224,400, on pre-tax profit of R$ 865,233, representing an effective rate of 25.94%. These effective rates are reconciled with the nominal tax rates in Note 9.

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Results for third quarter 2017

For the third quarter of 2017 (**3Q17**) Cemig reports a net loss of R$ 83,666, which compares to net profit of R$ 433,502 in 3Q16. The following pages describe the main variations between the two periods in revenues, costs, expenses and financial items.

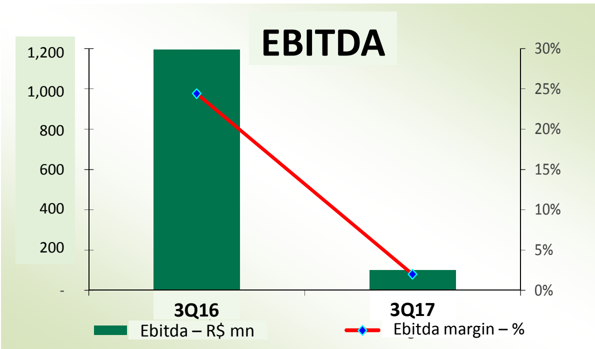
We highlight that in 9M17 Cemig GT and Cemig D adhered to the Minas Gerais State Tax Credits Regularization Plan (PRCT), for settlement of the ICMS tax, which totals an estimated R$ 582,956 (the amount is to be updated until the date of actual payment). This is to be paid in six equal installments, starting on October 31, 2017. The net effect posted in the third quarter results in 2017 is R$ 587,629. The amount of R$ 561,411 is recorded as deductions from revenue; and R$ 25,218 is posted as expenses (operational and financial).

As further non-recurring items in 3Q17, the Company recognized a gain on updating of the indemnity of generation assets, in the amount of R$ 259,516; and reversal of the provision relating to an Advance against future capital increase (AFAC), the effect of which in the Profit and loss account was R$ 277,723 – comprising a reversal of provision of R$ 239,445, and an item in Financial revenue of R$ 38,278 arising from monetary updating of the administrative deposit. For more details please see Notes 11 and 23.

Ebitda (Earnings before interest, tax, depreciation and amortization*)

Cemig's consolidated Ebitda in 9M17 was 91.58% below its Ebitda of 9M16:

Ebitda – R$ '000	3Q17	3Q16	Change, %
Net profit for the period	(83,666)	433,502	-
+ Income tax and Social Contribution tax	(9,334)	135,034	-
+ Financial revenue (expenses)	(12,414)	422,912	(37.69)
+ Depreciation and amortization	205,983	202,480	1.73
= EBITDA	**100,569**	**1,193,928**	**(91.58)**



***Ebitda** is a non-accounting measure prepared by the Company, reconciled with its financial statements in accordance with the specifications in CVM Circular SNC/SEP 01/2007 and CVM Instruction 527 of October 4, 2012. It comprises: net profit adjusted for the effects of net financial revenue (expenses), depreciation, amortization and income tax and the Social Contribution tax. Ebitda is not a measure recognized by Brazilian GAAP nor by IFRS; it does not have a standard meaning; and it may be non-comparable with measures with similar titles provided by other companies. Cemig publishes Ebitda because it uses it to measure its own performance. Ebitda should not be considered in isolation or as a substitution for net profit or operational profit, nor as an indicator of operational performance or cash flow, nor to measure liquidity nor the capacity for payment of debt.

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Cemig's Ebitda 91.58% lower year-on-year in 3Q17 mainly reflects the comparison of the 3Q17 loss of R$ 265,788 with the 3Q16 profit of R$ 433,502. The Company's Ebitda margin in 3Q17 was 1.97%, which compares with 24.39% in 3Q16.

Revenue from supply of electricity

Revenue from supply of electricity was R$ 5,815,621 in 3Q17, or 0.48% higher than in 3Q16 (R$ 5,787,568).

Final consumers

Total revenue from electricity sold to final consumers, excluding Cemig's own consumption, in 3Q16 was R$ 4,882,538 in 3Q17, compared to R$ 5,025,744 in 9M16 – a YoY reduction of 2.85%.

The main factors in this revenue were:

- The Annual Tariff Adjustment for Cemig D, with average effect on consumer tariffs of 3.78%, effective from May 28, 2016 (full effect in 2017).
- The Annual Tariff Adjustment for Cemig D, with average effect on consumer tariffs of 10.66%, effective from May 28, 2017.
- Volume of electricity sold to final consumers 1.99% higher year-on-year.

Cemig's electricity market

The total for sales in Cemig's consolidated electricity market comprises sales to:

(I) Captive consumers in Cemig's concession area in the State of Minas Gerais;
(II) Free Consumers in both the State of Minas Gerais and other States of Brazil, in the Free Market (*Ambiente de Contratação Livre*, or ACL);
(III) other agents of the electricity sector – traders, generators and independent power producers, also in the Free Market;
(IV) Distributors, in the Regulated Market (*Ambiente de Contratação Regulada*, or ACR); and
(V) the Wholesale Trading Exchange (*Câmara de Comercialização de Energia Elétrica*, or CCEE)

(– eliminating transactions between companies of the Cemig Group).

The table below shows the Cemig Group's market in more detail, itemizing transactions in 3Q17 compared with 3Q16.

This table shows consumption itemized by type of consumer:

	MWh (1)		
	3Q17	3Q16	Change, %
Residential	2,456,908	2,389,353	2.83
Industrial	4,458,794	5,031,850	(11.39)
Commercial, Services and Others	1,776,377	1,522,936	16.64
Rural	1,016,897	1,015,555	0.13
Public authorities	207,967	208,314	(0.17)
Public lighting	354,299	338,892	4.55
Public services	338,415	318,605	6.22
Subtotal	**10,609,657**	**10,825,505**	**(1.99)**
Own consumption	8,896	8,528	4.32
	10,618,553	**10,834,033**	**(1.99)**
Wholesale supply to other concession holders (2)	3,427,498	3,006,675	14.00
Total	**14,046,051**	**13,840,708**	**1.48**

(1) Information in MWh has not been reviewed by external auditors.
(2) Includes Regulated Market Electricity Sale Contracts (CCEARs) and 'bilateral contracts' with other agents.

We highlight the volume of electric power sold to the *industrial* consumer category, which was 11.39% lower YoY, basically due to consumers leaving the status of captive consumer and moving to become consumers in the Free Market.

Revenue from Use of Distribution Systems (the TUSD charge)

This is revenue from charging Free Consumers the Tariff for Use of the Distribution System (*Tarifa de Uso do Sistema de Distribuição*, or TUSD), for transport of electricity sold. In 3Q17 it totaled R$ 330,147, compared to R$ 511,552 in 3Q16 – a year-on-year reduction of 35.46%.

CVA and *Other financial components* in tariff adjustment

In its interim accounting information Cemig recognizes the difference between actual non-controllable costs (in which the CDE, and electricity bought for resale, are significant components) and the costs that were used as the basis of decision of the rates charged to consumers. This balance is the amount that will be passed through to the Company, or reimbursed to the consumer through Cemig D's next subsequent tariff adjustments. In 3Q17 amounts to be passed through to the Company in the next tariff adjustment were recognized totaling R$ 480,112, compared to the amount of R$ 273,498 to be reimbursed, arising in 3Q16.

This variation is mainly due to the higher costs of electricity in 3Q17, with a larger difference between the amounts spent and the costs recognized in the tariff. For more details please see Note 14.

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Transmission indemnity revenue

Transmission indemnity revenue in 3Q17 was R$ 25,894, compared to R$ 99,742 in 3Q16.

In 2Q16, as a result of the Mining and Energy Ministry setting the criteria for updating of the transmission indemnity, a posting was made, backdated to 2013, of the amount of the updating of the indemnity receivable based on the regulatory cost of own capital, and this had a significant impact on the revenue reported.

Generation Indemnity revenue

In 3Q17 the Company recognized revenue of R$ 259,516 for the adjustment to the balance not yet amortized of indemnity for the concessions for the *São Simão* and *Miranda* Hydroelectric Plants, as per Ministerial Order 291/17. For more details see Note 4.

Revenue from supply of gas

The Company reported revenue from supply of gas 42.65% higher year-on-year in 3Q17, at R$ 484,491, compared to R$ 339,634 in 3Q16 – mainly reflecting the higher volume of gas sold: 375,870m³ in 3Q17, compared to 238,440m³ in 3Q16.

Construction Revenue

Construction and infrastructure revenues (transmission, distribution and gas) totaled R$ 295,720 in 3Q17, 11.49% more than their total of R$ 334,122 in 3Q16. This revenue is fully offset by Construction costs, of the same amount, and corresponds to the Company's investments in assets of the concession in the period.

Other items of operational revenues

The items in Other Operating Revenues – comprising Transmission Concession revenue; Adjustment to expectation of cash flow from the indemnifiable Financial assets of the distribution concession; Gain on financial updating of the Concession Grant Fee; and Other operating revenues – were 1.85% lower in 9M17, at R$ 514,064, than in 9M16 (R$ 519,158).

Sector / Regulatory charges reported as Deductions from revenue

The total of the taxes and charges reported as deductions from revenue in 3Q17 was R$ 3,181,073 – an increase of 26.74% in relation to their total of R$ 2,509,870 in 3Q16.

The Company adhered to the Minas Gerais State Tax Credits Regularization Plan (PRCT), for settlement of ICMS (state value-added tax). The effect reported in 3Q17 was an expense on ICMS of R$ 587,629.

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The Energy Development Account – CDE

Payments to the Energy Development Account (CDE) are decided by an Aneel Resolution. The purpose of the CDE is to cover costs of concession indemnities, tariff subsidies, the subsidy for balanced tariff reduction, the low-income consumer subsidy, the coal consumption subsidy, and the Fuels Consumption Account (CCC). The charges for the CDE in 3Q17 were R$ 467,576, compared to R$ 571,148 in 3Q16.

This is a non-manageable cost: the difference between the amounts used as a reference for setting of tariffs and the costs actually incurred is compensated for in the subsequent tariff adjustment.

Consumer charges – the 'Flag' Tariff system

There was an increase in the Consumer Charges related to the 'Flag' tariff system: The figure for 3Q17 was an expense of R$101,625, compared to a reversal, in 3Q16, of R$ 429. This variation is due to the change in the tariff 'Flag' – it was 'yellow' in July, and 'red' in August, 2017, which compares to 'green' in 3Q16 which implies a larger incoming amount in 3Q17.

Operational costs and expenses (excluding Financial revenue/expenses)

Operational costs and expenses were 31.06% higher YoY: R$ 5,160,438 in 3Q17, and R$ 3,937,376 in 3Q16. For more on the components of Operational costs and expenses see Note 26.

The following paragraphs comment on the main variations in expenses:

Electricity purchased for resale

The expense on electricity brought for resale in 3Q17 was R$ 2,942,974, or 35.60% more than in 3Q16 (R$ 2,170,348). The main factors are:

- The expense on purchase of electricity at auctions was 26.83% higher – at R$ 824,699 in 3Q17, compared to R$ 650,259 in 3Q16. This reflected new power purchasing agreements made in the regulated market in 2017.

- The expense on purchase of supply in the spot market was 107.95% higher, at R$ 408,859, in 3Q17, compared to R$ 196,612 in 3Q16 – reflecting the higher cost of supply in the wholesale market in 2017 as a result of the low level of the reservoirs, and lower output of supply by the hydroelectric plants. The result was a higher volume of operation of the thermal plants, for which the increase in expenditure was financed principally by the electricity distributors, which is a feature of the present regulatory model in Brazil.

Charges for Use of the Transmission Network

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Charges for use of the transmission network in 3Q17 totaled R$ 387,078, compared to R$ 215,504 in 3Q16, a year-on-year increase of 79.62%.

This expense is payable by electricity distribution and generation agents for use of the facilities that are components of the national grid. The amounts to be paid are set by an Aneel Resolution.

This is a non-manageable cost: the difference between the amounts used as a reference for calculation of tariffs and the costs actually incurred is compensated for in the subsequent tariff adjustment.

Operational provisions

Operational provisions were R$ 188,875 in 3Q17, compared to a reversal of provisions totalling R$ 19,375 in 3Q16. The main factors are:

- Reversal of provision on the investment options related to RME and LEPSA, in the total amount of R$ 166,767, in 3Q16, which compares with provisions of R$ 85,306 made in 3Q17. More details on the criteria for making of these provisions are in Note 15 (*Put options*).

- Lower provisions for default on receivables: R$ 50,458 in 3Q17, compared to R$ 108,349 in 3Q16 – mainly reflecting a lower level of default in the period.

Personnel

The expense on personnel in 3Q17 was R$ 358,505, or 4.14% lower than in 3Q16 (R$ 373,986). This arises mainly from the following factors:

- A decrease of 17.39% on average number of employees in 3Q17, 6,166 compared to 7,464 in 3Q16 (7,464), partially compensated by a salary increase of 8.50% under the Collective Work Agreement, as from November 2016.
- Recognition, in 3Q17, of an expense of R$ 31,904 on the voluntary retirement program, which compares with R$ 29,034 in the same period of 2016.

In counterpart to the items above, the average number of employees in 3Q17 was 17.39% lower, at 6,166, than in 3Q16 (7,464).

Employees' and managers' profit shares

This expense in 3Q17 was R$ 886, compared to R$ 24,217 in 3Q16. The difference reflects the Company's lower profit – since profit shares are calculated as a percentage of profit.

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Construction cost

Infrastructure construction cost in 3Q17 was R$ 295,720, compared to R$ 334,122 in 3Q16 (465,924). This line records the Company's investment in assets of the concession in the period, and is fully offset by the line Construction Revenue, in the same amount.

Gas bought for resale

In 3Q17 the Company recorded an expense of R$ 304,698 on acquisition of gas, 55.07% higher than its comparable expense of R$ 196,494 in 3Q16. This is basically reflects a higher volume of gas purchased (385,467m³ in 3Q17, compard to 234,926m³ in 3Q16).

Equity method gains in non-consolidated investees

In 3Q17 Cemig posted a net equity method loss of R$ 80,798, which compares with a net gain of R$ 33,218 in 3Q16. This principally arises from the effect of the equity effect of the equity interest in Renova, which provided an equity loss of R$ 86,601 in 3Q17, compared with a loss of R$ 26,179 in 2016 and the interest in Taesa, which provided an equity gain of R$ 45,006 in 3Q17, compared with a gain of R$ 90,873 in 2016. For more details please see Note 15.

Net financial revenue (expenses)

Cemig reported net financial revenue in 3Q17 of R$ 12,414, compared to net financial expenses of R$ 422,912 in 3Q16. The main factors are:

- Reversion provision related to the monetary updating of AFAC in the amount of R$239.445. For more information please see Note 23;
- In 3Q17 the result of monetary updating of the balances of CVA was a loss of R$ 12,006, compared to a gain of R$ 19,403 in 3Q16. The positive and negative balances of CVA are updated by the Selic rate. This difference arises from a net payable amount of CVA on September 30, 2017. In 3Q16 the corresponding amount was a credit. For more information please see Note 14.
- Income from cash investments was R$ 38,718 lower, due mainly to a lower volume of cash invested.
- Financial expense on monetary variation in loans and financings was R$ 41,277 lower, due to the lower variation of the IPCA inflation index (indexor for the debt) in the quarter – 0.59% in 3Q17, compared to 1.04% in 3Q16.
- Costs of loans and financing was 34.39% lower, at R$ 344,297 in 3Q17, compared to R$ 524,775 in 3Q16, due to the lower CDI rate over the period (principal indexor of the debt), of 2.29% in 3Q17, compared to 3.47% in 3Q16.

For a breakdown of financial revenues and expenses please see Note 27.

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Income and Social Contribution taxes

In 3Q17 the expense on income tax and the Social Contribution tax totaled R$ 9,334, in relation to the pre-tax loss of R$ 93,000 – representing a percentage proportion of 10.04%.

In 3Q16, the expense on income tax and the Social Contribution tax was R$ 135,034, on pre-tax profit of R$ 568,536 an effective rate of 23.75%. These effective rates are reconciled with the nominal tax rates in Note 9.

OTHER INFORMATION THAT THE COMPANY BELIEVES TO BE MATERIAL

The Board of Directors

Meetings

Our Board of Directors met 25 times up to September 30, 2017, for matters of strategic planning, projects, acquisition of new assets, investments, and other subjects.

Membership, election and period of office

The present period of office began with the AGM on April 29, 2016, with election by the multiple voting system.

The periods of office of the present members of the Board of Directors expire at the Annual General Meeting of Stockholders to be held in 2018.

Principal responsibilities and duties:

The Board of Directors has the following responsibilities and duties, as well as those conferred on it by law:

- Decision, before signing, on any contract to be entered into between Cemig and any stockholder or a parent company of such stockholder.
- Decision on any sale of assets, loans or financings, charge on the company's property, plant or equipment, guarantees to third parties, or other legal acts or transactions, with value of R$ 17,355 or more.
- Authorization for issuance of securities in the domestic or external market to raise funds.
- Approval of the Long-term Strategic Plan, and revisions of it, and of the Multi-year Strategic Implementation Plan and revisions of it, and the Annual Budget.

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Committees

- These committees are made up of members of the Board of Directors, to carry out prior discussion and analysis on matters to be decided by the Board, as follows:

  1. Board of Directors' Support Committee;
  2. Corporate Governance and Sustainability Committee;
  3. Human Resources Committee;
  4. Strategy Committee;
  5. Committee for New Business Development and Corporate Control of Subsidiaries and Affiliates; and
  6. Finance, Audit and Risks Committee.

Qualification and remuneration

The members of the Board of Directors have training and experience in a wide range of areas (business administration, engineering, law, economics, etc.), and very broad experience in business management. The global or individual amount of the remuneration of the Board of Directors is set by the General Meeting of Stockholders, in accordance with legislation in force at the time.

A list with the names of the members of the Board of Directors and their résumés is on our website at: http://ri.cemig.com.br.

The Audit Committee

Our Audit Board (see below) has attributions and duties specified in the Brazilian Corporate Law (Law 6404). In addition to these, in relation to the requirements of the Sarbanes-Oxley Law, to which we are subject due to our shares being registered with the US Securities and Exchange Commission (SEC – the capital markets regulator of the United States), we opted to exercise the exemption allowed by rule 10-3A of the Exchange Act regulated by SEC Release 82–1234, which accepts the activity of the Audit Board as an alternative to the Audit Committee specified by the Sarbanes-Oxley law.

The Executive Board

The Executive Board is made up of eleven members whose individual functions are set by the company's by-laws. They are elected, and may be dismissed at any time, by the Board of Directors for periods of office of three years. They may also be re-elected.

Members are allowed simultaneously also to hold non-remunerated positions in the management of wholly-owned subsidiaries, subsidiaries or affiliates of Cemig, upon decision by the Board of Directors. They are also, obligatorily, members, with the same positions, of the Boards of Directors of Cemig GT (Generation and Transmission) and Cemig D (Distribution).

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The period of office of the present Chief Officers expires at the first meeting of the Board of Directors held after the Annual General Meeting of 2018.

The members of the Executive Board and brief résumés are on our website: http://ri.cemig.com.br

The members of the Executive Board (the Company's Chief Officers) have individual responsibilities established by the Board of Directors and the by-laws. These include:

- Current management of the company's business, complying with the by-laws, the Long-term Strategic Plan, the Multi-year Strategic Implementation Plan and the Annual Budget.
- Decision on any disposal of goods, loans or financings, pledge of the company's property, plant or equipment, or guarantees to third parties or other legal acts or transactions, with value of less than R$ 17.355 million.
- The Executive Board normally meets weekly. It held 37 meetings in the nine months to September 30, 2017.

The Audit Board

Meetings

- Ten meetings have been held in 2017 up to September 30.

Membership, election and period of office

- We have a permanent Audit Board, made up of five sitting members and their respective substitute members. They are elected by the Annual General Meeting of Stockholders, for periods of office of one year, and may be reelected. They comprise:
  - one member elected by the holders of the preferred shares;
  - one member elected by holders of at least 10% of the common shares outside the controlling group; and
  - three members elected by the majority stockholder.

- The members of the Audit Board are listed on our website: http://ri.cemig.com.br

- Principal responsibilities and duties:

  - As well as the attributions specified by Law 6404 of December 15, 1976, as amended, in relation to the Sarbanes-Oxley law, to which we are subject due to our shares being registered with the Securities and Exchange Commission (SEC – the capital markets regulator of the United States), we opted to exercise the exemption allowed by Rule 10-3A of the Exchange Act, regulated by SEC

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Release 82-1234, which accepts the activity of the Audit Board as an alternative to the Audit Committee as defined by the Sarbanes-Oxley Law.

Qualification and remuneration

The Audit Board is a multi-disciplinary body, made up of members with various competencies (in accounting, economics, business administration, and other areas). The remuneration of the members of the Audit Board shall be set by the General Meeting of Stockholders which elects it, in accordance with the legislation from time to time in force.

Résumé information on its members is on our website: http://ri.cemig.com.br.

The Sarbanes-Oxley Law

Cemig obtained the first certification of its internal controls for mitigation of risks involved in the preparation and disclosure of the financial statements, issued in accordance with Section 404 of the Sarbanes-Oxley Law and the rules of the Public Company Accounting Oversight Board (PCAOB), which is included in the annual 20–F Report relating to the business year ended December 31, 2006, filed with the US Securities and Exchange Commission (SEC) on July 23, 2007.

Corporate risk management

Corporate risk management is a management tool that is an integral part of Cemig's corporate governance practices. It identifies the events that can interfere in the process of the Company achieving its strategic objectives.

The intention is to provide senior management with information for taking of decisions, thus preserving the Company's value. The practice of risk management is thus a competitive differentiation factor to be used not only defensively, but also as an opportunity for improvement. The structuring and analysis of operations from the point of view of risk management are factors that optimize investment in the control of the activity. They reduce costs, improve performance, and consequently help the Company achieve its targets.

Also, the need to put in place structural elements of the risk management system is one of the aspects that is evaluated for the Company's inclusion in indices such as the DJSI World and the ISE Corporate Sustainability Index.

Cemig's system of risk management was initially implemented in 2003, and has been constantly improved since then. A further element of the organizational structure, the Corporate Risk Management Committee (CMRC), created in 2012, has the following responsibilities: (i) to propose, for approval by the Executive Board, guidelines, policies and procedures to be adopted in the Corporate Risks Management Process, ensuring continuous improvements of the process, and arranging for it to be disseminated; (ii) to analyze and to propose to the Executive Board priority actions dealing with the risks

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characterized as 'critical', in the final exposure matrix; and (iii) to submit to the approval of the Executive Board mechanisms to make strategic monitoring operational for the corporate risks identified and effective actions to reduce financial exposure and impact on intangible assets to acceptable levels, taking into account the mitigating plans of action, which are to be in line with the Company's Long-term Strategic Plan. The CMRC meets every two months.

In 2013 a new technological platform was installed exclusively for risk management – the SAP RM (Risk Management) module. This enabled the process of mapping of risks to take place continuously, since updating of information, verifications and assessments of the controls and plans of action become scheduled tasks to be executed by the people responsible within the system itself. This results in all the agents involved in risk management having clearly specified roles and responsibilities, also minimizing costs and use of employee time for these activities and controls. In addition, there is a flow analysis carried out by an independent group in the Company, for periodic evaluation of the controls for the purpose of auditing the effectiveness of the process.

In 2015 this platform came into full operation, generating reliable reports and providing perception of relationships between the risks that are mapped.
Several new steps were taken in 2015. The most significant of these include:

- Adjustments in the standard methodology for management of risks (new model for segmentation of risks, method of quantification of impacts, and approach used in raising information, also incorporating the 'Top-down' approach).
- Review and updating of the Risk Management Policy.
- Mapping of the principal corporate risks ('Top Risks'), and some related to Cemig's Socio-environmental Adaptation Program.
- Approval by the Board of Directors of the matrix of corporate risks and of the risk appetite assumptions.

In the process of the collection of the 'Top Risks' information, a survey was made with the Company's General Managers to establish the principal subjects to be monitored, such as: Loss of concession; degree of indebtedness; liquidity; availability and reliability indicators; and omissions. This produced a matrix that expresses the joint assessment of the impact and probability of occurrence of the risk.

In particular, in relation to Cemig's socio-environmental Adaptation Program, the risks relating to the following aspects, among others, were identified: use of water, handling of vegetation, fish deaths, environmental accidents with oils/material logistics, and compliance with environmental requirements. Cemig adopts measures to mitigate and manage exposure that are aligned with the risk appetite assumptions.

In 2016 Cemig created the Compliance and Corporate Risks ('GC') Management Department, under a General Manager – responsible to the CEO's Office – enabling a greater degree of autonomy in this work.

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In risk management processes, in planning of operations and in development of new business initiatives, Cemig always acts in consideration of the precautionary principle. During planning, all the factors that might present risks to health and/or safety of employees, suppliers, clients, the general population or the environment are taken into account.

Statement of Ethical Principles and Code of Professional Conduct

Cemig's Board of Directors approved the *Cemig Statement of Ethical Principles and Code of Professional Conduct* in May 2004. It can be seen at http://ri.cemig.com.br . The Code aims to orient and discipline everyone acting in the name of, or interacting with, Cemig, to ensure ethical behavior at all times, and always in accordance with the law and regulations. It was updated in 2016.

Cemig's Ethics Committee was created on August 12, 2004, to coordinate all actions relating to management of the *Cemig Statement of Ethical Principles and Code of Professional Conduct*. This includes assessment of and decision on any possible non-compliances with the document.

After the Ethics Channel (*Canal de Denúncia Anônima*, as we name it) was created in December 2006, to be used only by Cemig employees and workers, the Ethics Committee began to accept anonymous reports through this anonymous reporting channel, which is available on the company's Intranet. These reports may involve irregular practices that are contrary to the Company's interest, such as: financial fraud, including adulteration, falsification or suppression of financial, tax or accounting documents; misappropriation of goods or funds; receipt of undue advantages by managers or employees; irregular contracting; and other practices considered to be illegal.

The Ethics Committee

This was created on August 12, 2004, with three sitting members and three substitute members, and is responsible for management (interpretation, publicizing, application and updating) of the Code of Professional Conduct.

The Committee receives and analyzes all reports of violation of ethical principles and standards of conduct, that are presented in a written document and signed by the interested party, accompanied by indications of the corresponding means of proof (witnesses, documentation or other effective method). They can also be sent by email or telephone – the address and phone number are well known to all the company's employees.

Our Ethics Channel – the anonymous reporting channel on the corporate intranet that we put in place in December 2006, to receive and process accusations of irregular practices, such as financial fraud, undue appropriation of assets, receipt of irregular advantages or illegal contracting – is one more step in improving transparency, and in correcting behavior, and a support in the concept of corporate governance in the

Company. As a new instrument of corporate governance it improves the management of our employees and of our business, and reaffirms our ethical principles.

STOCKHOLDING POSITION OF HOLDERS OF MORE THAN 5% OF THE VOTING STOCK ON SEPTEMBER 30, 2017

	COMMON SHARES	%	PREFERRED SHARES	%	TOTAL SHARES	%
State of Minas Gerais	214,414,739	50.96	-	-	214,414,739	17.03
Other entities of Minas Gerais State	56,703	0.01	4,860,228	0.58	8,649,862	0.39
Total, controlling stockholder group	214,471,442	50.97	4,860,228	0.58	223,064,601	17.42
AGC Energia S.A. (1)	68,545,756	16.29	-	-	68,545,756	5.45
FIA Dinâmica Energia S.A.	41,635,754	9.90	62,469,590	7.45	104,105,344	8.27
BNDESPar	54,342,992	12.92	26,220,938	3.13	80,563,930	6.40

(1) AGC Energia S.A. is a wholly-owned subsidiary of Andrade Gutierrez Concessões S.A., a company registered with the CVM.

CONSOLIDATED STOCKHOLDING POSITION OF THE CONTROLLING STOCKHOLDERS AND MANAGERS, AND FREE FLOAT, ON SEPTEMBER 30, 2017

	September 30, 2017	
	Common (ON) shares	Preferred (PN) shares
Controlling shareholder	214,471,442	4,860,228
Board of Directors	103,606	181,473
The Executive Board	3	83
Shares in Treasury	69	560,649
Free float	206,189,588	832,474,513
TOTAL	**420,764,708**	**838,076,946**

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Investor Relations

In 2016, through strategic actions intended to enable investors and stockholders to make a correct valuation of our businesses and our prospects for growth and addition of value, we have increased Cemig's exposure to the Brazilian and global capital markets.

We maintain a constant and proactive flow of communication with Cemig's investor market, continually reinforcing our credibility, seeking to increase investors' interest in the Company's shares, and to ensure their satisfaction with our shares as an investment.

Our results are published through presentations transmitted via video webcast and telephone conference calls, with simultaneous translation in English, always with members of the Executive Board present, developing a relationship that is increasingly transparent and in keeping with best corporate government practices.

To serve our stockholders – who are spread over more than 40 countries – and to facilitate optimum coverage of investors, Cemig has been present in and outside Brazil at a very large number of events, including seminars, conferences, investor meetings, congresses, roadshows, and events such as *Money Shows*; as well as holding phone and video conference calls with analysts, investors and others interested in the capital markets.

At the beginning of June 2017 we held our 22nd annual Meeting between Cemig and the Capital Markets in the city of Belo Horizonte, Minas Gerais – where these professionals had the opportunity to interact with the Company's Directors and principal executives.

Corporate governance

Our corporate governance model is based on principles of transparency, equity and accountability, focusing on clear definition of the roles and responsibilities of the Board of Directors and the Executive Board in the formulation, approval and execution of policies and guidelines for managing the company's business.

We seek sustainable development of the Company through balance between the economic, financial, environmental and social aspects of our enterprises, aiming always to improve the relationship with our stockholders, clients, and employees, the public at large and other stakeholders.

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Cemig's preferred and common shares (tickers: CMIG4 and CMIG3 respectively) have been listed at Corporate Governance Level 1 on the São Paulo Stock Exchange since 2001. This classification represents a guarantee to our stockholders of optimum reporting of information, and also that stockholdings are relatively widely dispersed. Because Cemig has ADRs (American Depositary Receipts) listed on the New York Stock Exchange, representing preferred (PN) shares (with ticker CIG) and common (ON) shares (ticker CIG.C), it is also subject to the regulations of the US Securities and Exchange Commission (SEC) and the New York Stock Exchange Listed Company Manual. Our preferred shares have also been listed on the Latibex of the Madrid stock exchange (with ticker XCMIG) since 2002.

Our by-laws include our dividend policy, and also the following targets from our Long-term Strategic Plan:

- Consolidated indebtedness: limited to 2 times Ebitda;
- Consolidated (Net debt) / (Net debt + Stockholders' equity): limited to 40%.
- Consolidated funds in Current assets – limited to 5% of Ebitda.
- Consolidated funds allocated to capital expenditure in each business year – limited to 40% of Ebitda.
- Investment only in distribution, generation and transmission projects that offer real minimum internal rates of return equal to or greater than those specified in the Long-term Strategic Plan, subject to the legal obligations.
- Limitation of the expenses of the subsidiary Cemig D (Cemig Distribuição S.A.), and of any subsidiary which operates in distribution of electricity, to amounts not greater than the amounts recognized in the official tariff Adjustments and Reviews.
- In response to temporary situations the Board of Directors may authorize figures in excess of these standards, up to the following limits:

  - Consolidated debt: maximum of 2.5 times Ebitda.
  - Consolidated (Net debt) / (Net debt + Stockholders' equity): maximum of 50%.
  - Consolidated funds in Current assets: maximum of 10% of Ebitda.

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(The original is signed by the following signatories:)

Bernardo Afonso Salomão de Alvarenga
Chief Executive Officer

Bernardo Afonso Salomão de Alvarenga
Deputy CEO (interim)

Adézio de Almeida Lima
Chief Finance and Investor Relations Officer

Ronaldo Gomes de Abreu
Interim Chief Distribution and Sales Officer

Franklin Moreira Gonçalves
Chief Generation and Transmission Officer

Maura Galuppo Botelho Martins
Chief Officer for Human Relations and Resources

José de Araújo Lins Neto
Chief Corporate Management Officer

Thiago de Azevedo Camargo
Chief Institutional Relations and Communication Officer

Dimas Costa
Chief Trading Officer

José Maria Rabelo
Chief Business Development Officer

Luciano de Araújo Ferraz
Chief Counsel

Leonardo George de Magalhães
Controller
CRC-MG 53.140

Leonardo Felipe Mesquita
Accounting Manager
Accountant – CRC-MG-85.260

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