COMPANHIA ENERGÉTICA DE MINAS GERAIS – CEMIG

CNPJ 17.155.730/0001-64 – NIRE 31300040127

ANNUAL GENERAL MEETING OF STOCKHOLDERS

CONVOCATION

Stockholders are hereby advised that the Ordinary (Annual) General Meeting of Stockholders of Companhia Energética de Minas Gerais – Cemig, initially called for *April 30,* 2019, has been **re-scheduled to May 3, 2019.**

Thus, stockholders are now hereby called to the Ordinary (Annual) General Meeting of Stockholders of Companhia Energética de Minas Gerais – Cemig, to be held on May 3, 2019 at 11 a.m., at Av. Barbacena 1200, 21st floor, Belo Horizonte, Minas Gerais, Brazil, to decide on the following matters:

1. Examination, debate and voting on the Report of Management and the Financial Statements for the year ended December 31, 2018, and the related complementary documents. (*ON – Common – Shares*).
2. Allocation of the Net profit for 2018, in the amount of R$ 1,700,099,000, and of the negative balance of Retained earnings in the amount of R$ 114,769,000 (*ON Shares*).
3. Decision on the form and date of payment of the minimum obligatory dividends, in the amount of R$ 867,350,000 (*ON Shares*).
4. Decision on the remuneration of the Managers, the members of the Audit Board, and the Audit Committee. (*ON (common) shares*)

Any stockholder who wishes to do so may exercise the right to vote using the remote voting system, under CVM Instruction 481/09, by sending the corresponding Remote Voting Statement (*Boletim de Voto à Distância*, or BVD), through the stockholder's custodian institution or mandated bank, or directly to the Company.

Any stockholder who wishes to be represented by proxy at the said General Meeting of Stockholders should obey the precepts of Article 126 of Law 6406 of 1976, and of the sole paragraph of Clause 9 of the Company's by-laws, by exhibiting at the time, or depositing, preferably by May 2, 2019, proofs of ownership of the shares, issued by a depositary financial institution, and a power of attorney with specific powers, at Cemig's Corporate Executive Office (*Superintendência da Secretaria Geral*) at Av. Barbacena 1200 – 21st Floor, A2 Wing, Belo Horizonte, Minas Gerais, Brazil.

Belo Horizonte, April 2, 2019.

Márcio Luiz Simões Utsch
Chair of the Board of Directors

ANNUAL GENERAL MEETING
TO BE HELD ON MAY 3, 2019 at 11 A.M.

AS PER RESCHEDULING AND RE-CONVOCATION ISSUED ON APRIL 2, 2019

PROPOSAL
BY THE BOARD OF DIRECTORS
TO THE
ANNUAL GENERAL MEETING OF STOCKHOLDERS
TO BE HELD ON APRIL 30, 2019 at 11 A.M.

Dear Stockholders:

The Board of Directors of Companhia Energética de Minas Gerais – Cemig,

whereas:

– the financial statements for the 2018 business year report
  - Net profit of R$ 1,700,099,000, and
  - a negative balance of Retained earnings of R$ 114,769,000,

  arising from R$ 181,846,000 for the effects of the adjustment resulting from initial adoption of Accounting Pronouncement CPC 48 (*Financial instruments*), net of R$ 67,077,000 resulting from realization of the Equity Valuation Reserve;

– accordingly it is the duty of the Board of Directors to propose allocation of this net profit to the Annual General Meeting of Stockholders;

– 50% of the net profit for the year, must be distributed as the mandatory minimum dividend;

– the preferred shares (i) have preference in the event of reimbursement of capital and participate in profits on the same conditions as the common shares, and (ii) have the right to a minimum annual dividend equal to the greater of:
  (a) 10% of their par value and
  (b) 3% of the portion of equity that they represent;

– under the Corporate Law the remaining part of profit not distributed to stockholders may be retained in a specific reserve;

– the dividends declared, mandatory or extraordinary, are to be paid in two equal installments, by June 30 and December 30 of each year, the Executive Board to decide location and processes of payment; and

– considering the Company's financial commitments it will be proposed to the Annual General Meeting that the dividends shall be paid in a single payment by December 30, 2019;

– do now propose to you as follows:

– that the Net profit for 2018, of R$ 1,700,099,000, and the negative balance of Retained earnings of R$ 114,769,000, arising from R$ 181,846,000 for the effects of the adjustment resulting from initial adoption of Accounting Pronouncement CPC 48 (*Financial instruments*), net of R$ 67,077,000 resulting from realization of the Equity Valuation Reserve, should be allocated as follows:

a) R$ 867,350,000 as minimum mandatory dividend, to be paid to the Company's stockholders, as follows:
   - R$ 210,000,000 in the form of Interest on Equity, to be paid in two equal installments, by June 28, 2019 and the second by December 30, 2019, to stockholders whose names were on the Company's Nominal Share Registry on December 21, 2018;
   - R$ 657,350,000 in the form of dividends for the 2018 business year, to be paid by December 30, 2019 to stockholders whose names are on the Company's Nominal Share Registry on the date on which the Annual General Meeting is held;

b) R$ 708,743,000 to be held in Stockholders' equity in the Retained earnings reserve, to provide funding for the Company's consolidated planned investments in 2019, in accordance with a capital budget;

c) R$ 9,237,000 to be held in Stockholders' equity in the Tax incentives reserve, relating to tax incentives obtained in 2018 as a result of investments made in the region of Sudene;

– the payment of dividends to be made in a single tranche by December 30, 2019, and able to be brought forward depending on availability of cash and at the discretion of the Executive Board.

Appendix 1 to this proposal is a demonstration of the calculation of the proposed dividends, and

Appendix 2 states out the capital budget.

As can be seen, the objective of this proposal is to meet the legitimate interests of the stockholders and of the Company, and for this reason it is the hope of the Board of Directors that it will be approved.

Belo Horizonte, Thursday, March 28, 2019.

Adézio de Almeida Lima	Marco Antônio S. Cunha Castello Branco
José Pais Rangel	Luiz Guilherme Piva
Marcelo Gasparino da Silva	Marco Aurélio Crocco Afonso
Márcio José Peres	Patricia Gracindo Marques de Assis Bentes

INDEX OF APPENDICES

Appendix 1	**Proposal for allocation of net profit – 2018 business year (as per Appendix 9-1-II of CVM Instruction 481/2009)**
Appendix 2	**Capital Budget**
Appendix 3	**Information indicated in Item 13 of the Reference Form – Remuneration of the Managers**
Appendix 4	**Opinion of the Audit Board on the Financial Statements**
Appendix 5	**Opinion of the Audit Board on the Proposal by the Board of Directors to the AGM**
Appendix 6	**Comments by the Managers on the financial situation of the Company, as per Item 10 of the Reference Form**
Appendix 7	**Opinion of the External Auditors**

APPENDIX 1

PROPOSAL
FOR ALLOCATION OF THE NET PROFIT FOR 2018
MADE BY THE BOARD OF DIRECTORS
TO THE ANNUAL GENERAL MEETING OF STOCKHOLDERS
TO BE HELD ON MAY 3, 2019

STATEMENT OF CALCULATION OF PROPOSED DIVIDENDS
COMPANHIA ENERGÉTICA DE MINAS GERAIS – CEMIG

The calculation of the minimum dividends proposed for distribution to shareholders for the year is as follows:

	R$ '000
	2018
Calculation of Minimum Dividends required by the By-laws for the preferred shares	
Nominal value of the preferred shares already paid up	4,855,692
Nominal value of the preferred shares to be capitalized	-
	4,855,692
Percentage applied to the nominal value of the preferred shares	10.00%
Amount of the dividends by the First payment criterion	485,569
Stockholders' equity	14,578,719
Preferred shares as a percentage of Equity (net of shares held in Treasury)	66.56%
Portion of Equity represented by the preferred shares	9,703,595
Percentage applied to the portion of Equity represented by the shares	3.00%
Amount of the dividends by the Second payment criterion	291,108
Minimum Dividends required by the Bylaws for the preferred shares	485,569
Calculation of the minimum dividend under the by-laws based on the net profit for the period	
Mandatory dividend	
Net profit for the year	1,700,099
Mandatory Dividend – 50.00% of net profit	850,050
Tax withheld at source on Interest on Equity	17,300
	867,350
Dividends recorded, as specified in the by-laws	
Interest on Equity	210,000
Ordinary dividends	657,350
	867,350
Total of the dividend for the preferred shares	577,311
Total of the dividend for the common shares	290,039
Unit value of dividends – R$	R$
Minimum dividends required by the by-laws for the preferred shares	0.50
Mandatory Dividend (including income tax withheld at source on Interest on Equity)	0.59
Dividend proposed	0.59

Proposal for allocation of Net profit
(in accordance with Appendix 9-1-II of CVM Instruction 481/2009)

1. State the net profit for the period.
   R$ 1,700,099,000.

2. State the global amount, and the amount per share, of the dividends, including prepaid dividends and Interest on Equity.
   Interest on Equity: R$ 210,000,000, equivalent to R$ 0.144013969 per common or preferred share, declared on December 18, 2018.
   Dividends: R$ 657,350, equivalent to R$ 0.450798011 per common or preferred share, payable to stockholders on the Company's Nominal Share register on the day on which the Annual General Meeting is held.

3. State the percentage of the net profit for the period that is to be distributed.
   50.00%

4. State the global amount, and the amount per share, of any dividends distributed based on profit of prior years.
   None. No decision for dividends based on any prior year.

5. State, net of interim dividends paid, and any Interest on Equity previously declared:

   a. The gross value of dividend and Interest on Equity, for each type and class of share.
      Dividends: R$ 219,815,000 for the ON shares
      R$ 437,535,000 for the PN shares.

b. The form, and deadline, of payment of the dividends and Interest on Equity.

   Interest on Equity: R$ 210,000,000, equivalent to R$ 0.144013969 per common or preferred share, declared on December 18, 2018, to be paid in two equal installments, by June 28, 2019 and December 30, 2019, to stockholders whose names were on the Company's Nominal Share Register for common shares on December 21, 2018.

   Dividends: R$ 657,350, equivalent to R$ 0.450798011 per common or preferred share, as a single payment by December 30, 2018, to stockholders whose names are on the Company's Nominal Share register on the day on which the Annual General Meeting is held.

   c. Any updating of, or interest accruing on, the dividends and Interest on Equity.
      There is to be no updating.

   d. Date of declaration of payment of dividends and/or Interest on Equity for the purposes of identification of the stockholders who will have the right to receive them.
      Interest on Equity: December 21, 2018
      Dividends: Date on which the AGM is held (scheduled for May 3, 2019).

6. If there has been any declaration of dividends or Interest on Equity based on profits for a half year or shorter periods:

   a. State the amount of dividends and/or Interest on Equity previously declared.
      Interest on Equity: R$ 210,000,000, equivalent to R$ 0.144013969 per common or preferred share, declared on December 18, 2018.

   b. State the date of the respective payment/s.
      To be paid in two equal installments, by June 28 and December 30, 2019,

This text is a translation, provided for information only. The original text in Portuguese is the legally valid version.

7. Give a comparison table showing the amount for each type and class of share:

   a. Net profit for the period and the three previous periods.

Business year	2018	2017	2016	2015
Net profit per share (R$)	0.59	0.34	0.24	0.51

Notes:
In 2015, the amount per share for the PN shares is the same as the amount per share for the ON shares.
In 2016 the amount distributed was only for the preferred shares.
In 2017 the amounts distributed for the common shares and for the preferred shares were different.
In 2018, the amount per share for the PN shares is the same as the amount per share for the ON shares.

b. Dividends and Interest on Equity distributed in the three prior business years.

Business year	2017	2016	2015
Dividends (R$)	0.53	0.24	0.34
Interest on Equity 1(R$)	0.00	0.30	0.16
Total (R$)	0.53	0.54	0.50

Notes:
In 2015, the amount per share for the PN shares was the same as the amount per share for the ON shares.
In 2016, the amount distributed was only for the preferred shares.
In 2017, the amount for the common shares was R$ 0.03, and for the preferred shares was R$ 0.50.

8. If any part of profit was allocated to the 'Legal reserve':

   a. State the amount allocated to the Legal Reserve.
   The Company did not deposit in the Legal Reserve in 2018 due to that reserve having reached its legal limit.

   b. State in detail the form of calculation of the Legal Reserve.
   The Company did not deposit in the Legal Reserve in 2018 due to that reserve having reached its legal limit.

9. If the Company has any preferred shares carrying the right to fixed or minimum dividends:

   a. Describe the form of calculation of the fixed or minimum dividend.

   Minimum dividend: the greater of:
   (a) 10% on the nominal values of the preferred shares or
   (b) 3% (three percent) of the value of the stockholders' equity corresponding to the shares;
   Note: In the event of decision to distribute dividends higher than the minimum, the greater amount prevails.

b. State whether the profit for the year is sufficient to pay the whole of the fixed or minimum dividends.
State whether the profit for the year is enough to pay the whole of the fixed or minimum dividends.

   c. Identify whether any portion not paid is cumulative.
   Not applicable.

   d. Identify the global amount of the fixed or minimum dividends to be paid to each class of preferred shares.
   R$ 437,535,000 for the PN shares.

   e. Identify the fixed or minimum dividends to be paid, per preferred share of each class.
   PN shares – R$ 0.450798011 per share.

10. In relation to the mandatory dividend:
    a. Describe the form of calculation specified in the by-laws.
    50% of net profit.
    b. State whether it is being paid in full.
    The mandatory dividend is being paid in full.
    c. State any amount retained.
    Not applicable.
11. If there is retention of the mandatory dividend due to the Company's financial situation:
    a. State the amount retained.
    Not applicable.
    b. Describe, in detail, the financial situation of the Company, dealing among other matters with the aspects of analysis of liquidity, working capital and positive cash flow.
    Not applicable.
    c. Justify the retention of dividends.
    Not applicable.
12. If there is allocation of profits for a reserve for contingencies:
    a. State the amount allocated to the reserve.
    Not applicable.
    b. State the amount of loss assessed as being 'probable' and its cause.
    Not applicable.
    c. Explain why the loss was assessed as being 'probable'.
    Not applicable.
    d. Justify the constitution of the reserve.
    Not applicable.
13. If there is allocation of profits to a Future Earnings reserve:
    a. State the amount allocated to the Future Earnings reserve.
    Not applicable.
    b. State the nature of the unrealized profits that gave rise to the reserve.
    Not applicable.
14. If there is allocation of profit to one or more reserves specified in the by-laws:
    a. Describe the clauses in the by-laws that establish the reserve.
    Not applicable.
    b. State the amount allocated to the reserve.
    Not applicable.
    c. Describe how the amount was calculated
    Not applicable.
15. If there is retention of profits specified in a capital budget:
    a. State the amount of the retention.
    R$ 708,743,000.
    b. Provide a copy of the capital budget
    See Appendix 2.
16. If there is allocation of profit to a Tax Incentive reserve:
    a. State the amount allocated to the reserve.
    R$ 9,237,000.
    b. Explain the nature of the allocation.
    Relates to the tax incentive amounts obtained in 2018 as a result of the investments made in the area of Sudene.

APPENDIX 2

CAPITAL BUDGET

PROPOSAL BY MANAGEMENT TO THE ORDINARY GENERAL MEETING OF STOCKHOLDERS TO BE HELD ON MAY 3, 2019

In accordance with Clause 196 of the Corporate Law and Article 25, §1, Sub-item IV of CVM Instruction 480, we present for analysis, and subsequent approval of its submission to the Ordinary General Meeting of Stockholders to be held on May 3, 2019, the proposal for the consolidated Capital Budget for the 2019 business year, in thousands of Reais.

Investments planned for 2019	
Electricity Distribution system	584,168
Electricity Subtransmission system	394,914
Electricity Generation system	14,212
Electricity Transmission system	260,201
Injection of capital into subsidiaries and affiliates	360,382
Infrastructure and Other	155,217
	1,769,094

Leonardo George de Magalhães
Controller

Appendix 3

CVM Instruction 481 of 2009

13.1 - Description of the remuneration policy or practice, including that of any non-statutory Board of Directors

a. Objectives of the remuneration policy or practice

The principal objective of the policy for remuneration of Executive Directors of the Cemig group is to establish directives/guidelines for fixed and variable remuneration of the members of the Executive Boards of Cemig and its subsidiaries, in accordance with the by-laws of those companies, based on the

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.

For the purposes of remuneration on payroll, of the Board of Directors, there is no differentiation of payment for participating in committees.

b. Composition of the remuneration, indicating:

c. Description of the elements of the remuneration and of the objectives of each one of them

1. <u>Executive Board</u>

The Ordinary and Extraordinary General Meetings of Stockholders of the Company, held concurrently, on 4/30/2018, approved the following criteria for payment of fees of the Executive Board, maintaining the other items unchanged: Health insurance for the Chief Officers, to be contracted at the same level of the Health Plan in effect for the employees of the Company. The monthly payment of the CEO was adjusted to R$ 85,000.00 (eighty five thousand Reais) and that of the other members of the Executive Board to R$ 67,000.00; with the amounts earned by the Chief Officers for paid leave, bonuses and other benefits being, in consequence, adjusted in the same proportion.

The amounts allocated to fixed remuneration (RF) and Variable Remuneration (RVA) is covered by the Annual Global Amount for Remuneration, set by the Annual General (Ordinary) Meeting, in accordance with the Corporate Law.

The Fixed Remuneration comprises the cash payments for direct compensation of services provided, in line with market practices.

The Variable Remuneration is the bonus or extra compensation to members of the Executive Board dependent on delivery of measurable results for a given period of time which lead to the success of the

Company. Their value should result from compliance with annual targets set in Targets Contracts decided by the Board of Directors.

As determined by the Company's by-laws, the global or individual amount of the remuneration of the Executive Board, including benefits of any type, is decided by the General Meeting of Stockholders in accordance with the legislation from time to time in force. The Chief Officers also have the right to an annual leave, for a period of not more than 30 (thirty) days, non-cumulative, during which they have the right to a remuneration equivalent to their monthly remuneration plus one-third.

The Company gives its Chief Officers the following direct benefits:

(i) Monthly, on the 25th day of each month or on the first prior business day, an amount equivalent to the meal ticket vouchers established for the employees in the Collective Work Agreement, for the subsequent month, in electronic form, based on the co-participation in accordance with the salary bands.

(ii) Optional inscription in a group life insurance policy entirely paid for by the Company.

(iii) Optional coverage by a health plan and a dental plan, entirely paid for by the Company (the whole amount relating to any case of special dependents is paid totally by the Executive Officer). Also, the Company gives the Chief Officer participation in a private pension plan (post-retirement), optionally, partially paid for by the Chief Officer him/herself and partially paid for by the Company, in equal proportions.

The other components of the remuneration of the Chief Officers are: An annual bonus of one monthly salary; payments related to paid leave; contribution of the company to the National Social Security Institute (INSS); and payment of the FGTS (Workers' Time of Service Guarantee Fund) on the salary and profit shares received.

The purpose of concession of direct benefit is to make the remuneration package more attractive, complementing the legal fees and benefits of the Chief Officers, functioning as a motivational strategy tool in relation to the managers, since the required payments normally charged on employees under payroll do not apply to the amount paid.

The Company pays the monthly contribution to the FGTS of the Chief Officers, as an act merely of generosity.

2. Board of Directors

The members of the Board of Directors receive a remuneration divided into a fixed part, comprising

(a) salary or 'pro-labore' and direct benefits; and

(b) a variable part, comprising amount corresponding to attendance at meetings.

The Annual General Meeting and Extraordinary General Meeting of Stockholders held on April 30, 2018 established that the monthly remuneration of each one of the sitting members of the Board of

Directors – excluding members that are also Chief Officers, and subject to the condition relating to the payment of the *jeton* mentioned below – shall be,

– for the Chair of the Board of Directors:

thirty per cent of the remuneration of the Chief Executive Officer,
i.e. it shall be R$ 25,500.00 (twenty five thousand five hundred Reais)

and for the other sitting members of the Board of Directors:

thirty per cent of the average remuneration of a Chief Officer,
i.e. it shall be R$ 20,590.90 (twenty thousand five hundred ninety Reais 99 centavos);

and that the monthly remuneration of each one of the substitute members of the Board of Directors (including members who sit on Committees, including the Support Committee) – excluding members that are also Chief Officers, and subject to the condition relating to the payment of the *jeton* mentioned below – shall be 80% (eighty per cent) of the monthly remuneration of a sitting member of the Board of Directors who is not its chair,

i.e. it shall be R$ 16,472.72 (sixteen thousand four hundred 72 Reais and 72 centavos).

The sitting and substitute members of the Board of Directors shall receive (80%) eighty per cent of the monthly remuneration stipulated, the rest being divided into *jetons* paid to the sitting or substitute members present at meetings. If there is more than one meeting in the month, the *jeton* will be divided proportionately between the number of meetings held in the month; if there is no meeting in the month, the sitting member and the substitute member with receive the total amount of the monthly remuneration.

The substitute members of the Board of Directors who take part in meetings of the Board of Directors as replacement for their sitting member – except those board members who hold positions of Chief Officer – receive only the remuneration described above for the substitute members of the Board of Directors, even if they are replacing sitting members in meetings.

The other components of the remuneration of the members of the Board of Directors are the company's contributions to the INSS on (a) salary and (b) attendance at meetings. As direct benefits, the Company offers the members of the Board of Directors, sitting and substitute, resident in other municipalities than that of the Company's head office, reimbursement of expenses on accommodation and travel (within Brazil) such as are necessary for their attendance at meetings and for carrying out their functions or when invited by the CEO to a meeting at the Company, and shall also receive, as cost support for travel, R$ 800 for each trip. Also, the Company gives members of the Board of Directors inscription in a joint life assurance policy, optionally, which is paid for entirely by the Company and also participation in the private pension plan (post-retirement), also optional, partially paid for by the Member him/herself and partially paid for by the Company, in equal proportions.

The fixed remuneration and other components of the remuneration (the company's INSS contribution) aim to compensate the members of the Board of Directors for the time dedicated to performance of their functions and their contributions to the company, established based on the evaluation of their

duties and responsibilities, also making possible, in counterpart, demand for performance by each one of its members, by the chair of the Board of Directors.

The remuneration for attending meetings aims to motivate attendance of members at the meetings that are called, contributing to an effective participation in the conduct of the business and effective performance of their functions.

3. Audit Board

The members of the Audit Board receive only fixed remuneration, comprising salary or pro-labore and direct benefits.

The Annual General Meeting and Extraordinary General Meeting of Stockholders held on April 30, 2018 established that the monthly remuneration of each sitting member of the Audit Board shall be equivalent to twenty per cent of what is on average received by a member of the Executive Board,

i.e. it shall be R$ 13,727.27 (thirteen thousand seven hundred twenty seven Reais 27 centavos);

and that the monthly remuneration of each substitute member of the Audit Board shall be equivalent to eighty per cent of the monthly remuneration of a sitting member, that is to say,

it shall be R$ 10,981.81 (ten thousand nine hundred eighty one Reais 81 centavos),

– excluding, in both cases, such benefits as are added by legislation.

The Company also offers, as direct benefits to the sitting and substitute members of the Audit Board who are resident in other municipalities than that of the head office of the Company, reimbursement of expenses for accommodation and travel (inside Brazil), between the municipality where they live and that of the Company's head office, such as are necessary for attending meetings and performance of their functions, or when invited by the Chief Executive Officer to a meeting of the Company, and also that they shall receive, as a payment for assistance with cost, the amount of eight hundred Reais per trip. Also, the Company gives members of the Audit Board inscription in a Group Life Insurance Policy, optionally, paid for entirely by the company.

The other components of the remuneration of the Members of the Audit Board include the contribution of the company to the INSS on the salary received. The salary or *pro-labore* of the members of the Audit Board aims to compensate the time dedicated to the performance of their functions and their contributions to the company, established based on the evaluation of their duties and responsibilities, also making possible, in counterpart, demand for performance by each one of their members.

The direct benefits aim to pay for expenses of travel and meals of the members of the Audit Board who are resident in other municipalities than that of the head office of the Company, and also to provide the option for inscription in the Group Life Insurance Policy.

d) Committees of the Board of Directors.

The committees of the Board of Directors are made up only of sitting or substitute members of the Board of Directors, and there is no direct or indirect remuneration or benefit additionally paid for participation in the meetings of their committees.

e) The Audit Committee

The Audit Committee is an independent, consultative body, permanently established, with its own budget allocation. Its objective is to provide advice and assistance to the Board of Directors, to which it reports. It also has the responsibility for such other activities as are attributed to it by legislation. It comprises three members, the majority being independent members, nominated and elected by the Board of Directors.

The global or individual amount of the remuneration of the Audit Committee is set by the General Meeting of Stockholders, in accordance with legislation in force at the time.

The Extraordinary General Meeting of Stockholders held on June 11, 2018 established that the remuneration of the members of the Audit Committee shall be

R$ 25,500.00 (twenty five thousand five hundred Reais),

excluding any benefits added by law. Members of the Board of Directors who are also members of the Audit Committee shall receive only the remuneration of the latter.

The Company gives members of the Audit Committee inscription in a Group Life Insurance Policy, optionally, paid for entirely by the company.

The other components of the remuneration of the Members of the Audit Board comprise the contribution of the company to the INSS on the salary received.

For the last three business years, what is the proportion of each element in the total remuneration?

a) 2018

Board of Directors

Element	Percentage of the total remuneration
Salary or Pro-Labore	63.12%
Direct benefits	1.31%
Others	15.78%
Remuneration for attending meetings	15.78%
Profit shares	0.00
Post-retirement	4.01%

* 'Others' refers to the INSS.

Executive Board

Element	Percentage of the total remuneration
Salary or Pro-Labore	44.77%
Direct Benefits	8.76%
Others	18.55%
Profit shares	19.01%
Post-retirement	8.91%

* 'Others' refers to the INSS and the FGTS.

Audit Board

Element	Percentage of the total remuneration
Salary or Pro-Labore	81.59%
Direct Benefits	2.09%
Others	16.32%

* 'Others' refers to the INSS.

The Audit Committee

Element	Percentage of the total remuneration
Salary or Pro-Labore	82.35%
Direct Benefits	1.18%
Others	16.47%

* 'Others' refers to the INSS.

b) 2017

Board of Directors

Element	Percentage of the total remuneration
Salary or Pro-Labore	63.78%
Direct Benefits	1.26%
Others	16.02%
Remuneration for attending meetings	15.94%
Profit shares	0.00
Post-retirement	2.99%

* ‘Others’ refers to the INSS.

Executive Board

Element	Percentage of the total remuneration
Salary or Pro-Labore	52.96%
Direct Benefits	15.09%
Others	20.48%
Profit shares	2.90%
Post-retirement	8.58%

* ‘Others’ refers to the INSS and the FGTS.

Audit Board

Element	Percentage of the total remuneration
Salary or Pro-Labore	81.72%
Direct Benefits	1.93%
Others	16.35%

* ‘Others’ refers to the INSS.

c) 2016

Board of Directors

Element	Percentage of the total remuneration
Salary or Pro-Labore	64.10%
Direct Benefits	1.53%
Others	16.06%
Remuneration for attending meetings	16.03%
Profit shares	0.00
Post-retirement	2.29%

* ‘Others’ refers to the INSS.

Executive Board

Element	Percentage of the total remuneration
Salary or Pro-Labore	50.14%
Direct Benefits	17.28%
Others	20.57%
Profit shares	3.94%
Post-retirement	8.07%

* ‘Others’ refers to the INSS and the FGTS.

Audit Board

Element	Percentage of the total remuneration
Salary or Pro-Labore	81.47%
Direct Benefits	2.24%
Others	16.30%

* ‘Others’ refers to the INSS.

d. Methodology of calculation and adjustment of each of the elements of the remuneration.

The amounts of the remuneration paid by the Company to its managers are established in a General Meeting of Stockholders.

There is no methodology of adjustment established for the remuneration paid by the Company to its managers.

e. Reasons that justify the composition of the remuneration.

The composition of the remuneration and its adjustments are solely and exclusively justified by a proposal made by the majority stockholder, the State of Minas Gerais, approved in the annual Ordinary and Extraordinary General Meetings of Stockholders.

f. Existence of any members not remunerated by the issuer, and the reason for this.

All the members of the Executive Boards, the Board of Directors and the Audit Board are remunerated by the Company. The members of the Committees of the Board of Directors do not receive additional remuneration because they are already remunerated as members of the Board of Directors.

g. Main indicators or performance that are taken into consideration in the determination of each element of the remuneration.

The Board of Directors has defined a basket with the following corporate indicators, associated to specific targets, which translate their expectations for the business.

- Average outage time per consumer – DEC
- Consolidated net profit of the Company
- Consolidated Ebitda of the Company
- Compliance with budgeted PMSO
- Prudence in the Investments of Distribution
- % of tariff coverage of Cemig D (IRCO)

h. How is the remuneration structured to reflect the results of the performance indicators?

The variable remuneration ('PLR') of the Managers is linked to the Company's indicators of results / profit. The weighting of the profit in these indicators for the members of the Executive Board is 70%. Further, a basket of specific indicators has been defined which translates the specific contribution of each Chief Officer to the business, with weighting of 30%. Since 2012, the PLR paid to the Chief Officer is conditioned to the scope of individual corporate targets established by the Board of Directors in accordance with the Company's strategy.

i. How is the policy or practice of remuneration aligned to the issuer's interests in short, medium and long term?

The Company's remuneration policy incorporates elements of alignment to the interests of the Company in short, medium and long term. Further, the Company has in its by-laws the express obligation to maintain certain financial indicators within numerical limits denoting its financial health. These limits were defined in the Company's Master Plan, as a way of guaranteeing to stockholders that the investments for the expansion of the company will be carried out in a way that preserves its sustainability. These limits include: Consolidated net debt/Ebitda less than or equal to 2; and net debt/(Stockholders' equity plus net debt) less than or equal to 40%. Among others.

The short-term results, that is to say the annual results, are aligned with the Company's remuneration policy in relation to the payment of the Profit Share, linked to Consolidated net profit and compliance with the budgeted PMSO. In this case, the Company's results during the year will define the amount to be attributed to each manager who is a member of the Executive Board.

Alignment in the medium and long term is the result of the element 'consistency' in meeting the corporate targets relating to the principal indicators, with emphasis on the indicator Prudence in the Investments of Distribution, the aim of which is to evaluate and diagnose the Company's investments, and also to define and coordinate the implementation of alteration of internal processes to ensure

compliance with the criteria of prudence established by the regulator (Aneel) in relation to present and future regulation.

This attention to the corporate target shows the Company's caution in managing its investments with safety and intelligent care, with a view to, at each tariff cycle, improvement of the quality of the service with the resources stipulated by the regulator, matching the remuneration of the managers to this financial/strategic indicator.

j. Existence of remuneration paid by subsidiaries, controlled companies or directly or indirectly controlled entities.

There is no remuneration paid by subsidiaries of the Company, or by their direct or indirect controlling parties or by companies under joint control, that has been attributed to members of the Board of Directors, the Executive Board or the Audit Board, as a function of exercise of any position within the Company itself.

g. Existence of any remuneration or benefit linked to the occurrence of any corporate event, such as sale of stockholding control of the issuer.

There is no remuneration or benefit linked to the occurrence of any given corporate event, such as disposal of the stockholding control of the Company.

13.2 - Total remuneration expected for the current business year to Dec. 31, 2019 – annual amounts

2019	Board of Directors	Executive Board	Audit Board	Audit Committee	Total
Total number of members¹	18	11	10	3	42
Number of remunerated members²	17.000	11.00	10.00	2.00	40.00
Fixed annual remuneration (in R$)					
Salary or pro-labore	3,249,424.12	9,366,000.00	1,482,544.80	741,272.40	14,097,968.92
Direct and indirect benefits	63,964.08	1,751,500.10	35,535.60	10,660.68	1,850,999.78
Participation in committees	--	--	--	--	--
Others	649,884.82	2,912,622.22	296,508.96	148,254.48	3,859,016.00

Description of other fixed remunerations	Company INSS contribution	Company INSS contribution and FGTS	Company INSS contribution	Company INSS contribution	--
Variable remuneration (in R$)					
Bonus	--	--	--	--	--
Profit shares	--	7,437,603.46	--	--	7,437,603.46
Attendance at meetings	812,356.03	--	--	--	812,356.03
Commissions	--	--	--	--	--
Others	162,471.20	--	--	--	162,471.20
Description of other variable remunerations	Company INSS contribution	--	--	--	--
Post-retirement (in R$)	474,595.84	1,236,576.36	--	--	1,711,172.20
Cessation of position	--	--	--	--	--
Share-based (including options)	--	--	--	--	--
Remarks	1) Forecast calculated considering the remuneration criteria of the most recent minutes – AGM/EGM of 2018. For 2019, with alteration in the amount of the life insurance, an increase was expected in the amount of the direct and indirect benefits. 2) Total number of members as per AGM and EGM of April 30, 2018: sitting and substitute members remunerated by	1) Forecast calculated considering the remuneration criteria of the most recent minutes – AGM/EGM of 2018. Forecast for profit share assumed maximum target and payment of proportional profit share to directors who were relieved of positions in 2018. For INSS and FGTS (others) the amounts resulting from payments in accordance with	1) Forecast calculated considering the remuneration criteria of the most recent minutes – AGM/EGM of 2018. 2) Number of members was calculated using the annual average of number of members, ascertained monthly 3) Composition of the direct and indirect benefits: life insurance. For	1) Forecast calculated considering the remuneration criteria of the most recent minutes – AGM/EGM of 2018. 2) Number of members was calculated using the annual average of number of members, ascertained monthly 3) Composition of the direct and indirect benefits: life insurance. For	--

	80% fixed amount plus 20% part proportional to attendance at meetings. Except for those holding positions of Executive Officer (member of Executive Board). 3) Number of members was calculated using the annual average of number of members, ascertained monthly. 4) Composition of the direct and indirect benefits: Life insurance – 5) The number, 17, of remunerated members is equivalent to the total of members of the Board of Directors (9 sitting members and 9 substitute members) excluding the CEO who, as specified by the AGM/EGM of April 30, 2018, is remunerated only for the position of Chief Officer.	the criteria of remuneration from the most recent AGM/EGM of 2018, and forecast of profit shares, were used. 2) Number of members considering the total number of Chief Officer's departments. 3) Composition of the direct and indirect benefits: Health plan, dental plan, life insurance, meal vouchers, bonuses and payments relating to paid leave plus 1/3 of Leave. For 2019, with alteration in the amount of the life insurance, an increase was expected in the amount of the direct and indirect benefits. 4) Number of members was calculated using the annual average of number of members, ascertained monthly.	2018, with alteration in the amount of the life insurance, an increase was expected in the amount of the direct and indirect benefits.	2018, with alteration in the amount of the life insurance, an increase was expected in the amount of the direct and indirect benefits.	
Total of the remuneration (in R$)	5,412,696.11	22,704,302.14	1,814,589.36	900,187.56	29,931,587.62

Total remuneration specified for the current business year to Dec. 31, 2018 - annual amounts

2018	Board of Directors	Executive Board	Audit Board	Total
Total number of members[1]	18	11	10	39
Number of remunerated members[2]	17	11	10	38
Fixed annual remuneration (in R$)				
Salary or pro-labore	4,855,679.52	8,760,000.00	1,433,454.60	15,049,134.12
Direct and indirect benefits	99,499.68	2,011,208.38	35,535.60	2,146,243.66
Participation in committees	--	--	--	--
Others	776,908.72	2,626,719.25	286,690.92	3,690,318.89
Description of other fixed remunerations	Company INSS contribution	Company INSS contribution and FGTS	Company INSS contribution	--
Variable remuneration (in R$)				
Bonus	--	--	--	--
Profit shares	--	3,499,118.73	--	3,499,118.73
Attendance at meetings	1,213,919.88	--	--	1,213,919.88
Commissions	--	--	--	--
Others	194,227.18	--	--	194,227.18
Description of other variable remunerations	Company INSS contribution	--	--	--
Post-retirement (in R$)	274,014.58	1,348,928.53	--	1,622,943.11
Cessation of position	--	--	--	--
Share-based (including options)	--	--	--	--

Remarks	1) Forecast calculated considering the remuneration criteria of the most recent minutes – AGM/EGM of 2017. For 2017, with alteration in the amount of the life insurance, an increase was expected in the amount of the direct and indirect benefits. 2) Total number of members as per AGM/EGM held on May 12, 2017 who are sitting and substitute members remunerated by 80% fixed portion plus 20% portion proportional to attending meetings. Except for those holding positions of Executive Officer (member of Executive Board). 3) Number of members was calculated using the annual average of number of members, ascertained monthly. 4) Composition of the direct and indirect benefits: Life insurance – 5)The number, 28, of remunerated members is equivalent to the total of members of the Board of Directors (15 sitting members and 15	1) Forecast calculated considering the remuneration criteria of the most recent minutes - AGM/EGM of 2017. Forecast for profit share assumed maximum target and payment of proportional profit share to directors who were relieved of positions in 2017. For INSS and FGTS (others) the amounts resulting from payments in accordance with the criteria of remuneration from the most recent AGM/EGM of 2017, and forecast of profit shares, were used. 2) Number of members considering the total number of Chief Officer's departments. 3) Composition of the direct and indirect benefits: Health plan, dental plan, life insurance, meal vouchers, bonuses and payments relating to paid leave plus 1/3 of Leave, and home rent assistance for federal government employees seconded to the Company. For 2017, with alteration in the amount of the life insurance, an increase was expected in the	1) Forecast calculated considering the remuneration criteria of the most recent minutes - AGM/EGM of 2017. 2) Number of members was calculated using the annual average of number of members, ascertained monthly 3) Composition of the direct and indirect benefits: life insurance. For 2017, with alteration in the amount of the life insurance, an increase was expected in the amount of the direct and indirect benefits.	--

	substitute members) excluding the CEO and Chief Generation and Transmission Officer who, as specified by the AGM/EGM of May 12, 2017, are remunerated only for the position of Chief Officer.	amount of the direct and indirect benefits. 4) Number of members was calculated using the annual average of number of members, ascertained monthly.		
Total of the remuneration (in R$)	7,414,249.56	18,245,974.89	1,755,681.12	27,415,905.57

Total remuneration for the current Business Year ended Dec. 31, 2017 - annual amounts

2017	Board of Directors	Executive Board	Audit Board	Total
Total number of members	30	11	10	51
Total number of remunerated members	25	9.17	9.75	43.92
Annual fixed remuneration (in R$)				
Salary or pro-labore	3,717,862.93	6,484,108.94	1,246,796.89	11,448,768.76
Direct and indirect benefits	73,565.98	1,847,753.74	29,522.60	1,950,842.32
Participation in committees	--	--	--	--
Others	747,284.12	2,507,156.46	249,414.78	3,503,855.36
Description of other fixed remunerations	Company INSS contribution	Company INSS contribution and FGTS	Company INSS contribution	--
Variable remuneration (in R$)				
Bonus	--	--	--	--
Profit shares	--	354,466.27	--	354,466.27
Attendance at meetings	929,465.73	--	--	929,465.73
Commissions	--	--	--	--
Others	186,821.03	--	--	186,821.03
Description of other variable remunerations	Company INSS contribution	--	--	--
Post-retirement	174,486.63	1,050,113.65	--	1,224,600.28
Cessation of position	--	--	--	--
Share-based (including options)	--	--	--	--

This text is a translation, provided for information only. The original text in Portuguese is the legally valid version.

Remarks	1) Any differences between what was realized in 2017 and the proposal refers to the approval of the index for adjustment of the pro-labore which took place in 2017, as per AGM/EGM of May 12, 2017, with consequent increase in the payments to the INSS. There were also people relieved of positions in 2017. 2) Total number of members as per AGM/EGM of May 12, 2017, comprising sitting and substitute members remunerated by 80% fixed amount plus 20% portion proportional to attendance at meetings; fee of the Chair of the Board of Directors is distinct from the others. 3) Composition of the direct and indirect benefits: life insurance. 4) The number, 28, of remunerated members is equivalent to the total of members of the Board of Directors (15 sitting members and 15 substitute members) excluding the CEO and Chief Generation and Transmission Officer who, as specified by the	1) Any differences between the amounts realized in 2017 and the proposed amounts relates to people being relieved of positions in the year. There was an approval of an adjustment index for the pro-labore which took place in 2017, as per AGM/EGM of May 12, 2017, with consequent increase in the payments to INSS and FGTS (‘others’) and private pension plan (post-retirement). Further, the amounts of the meal vouchers and health plan and dental plan were adjusted, while the amounts for home rental assistance and housemoving assistance for federal employees seconded to the Company (benefits) were maintained. The Company’s life insurance was adjusted to a higher value as from November 2017. The amount of 2016 profit shares was paid in the first half of the year considering the targets ascertained (the amount specified assumed the maximum limit possible); in 2017 there was no advance payment	1) Any differences between what was in fact realized in 2017 and the proposed amounts refer to the approval of the adjustment index for the pro-labore also in 2017, as per AGM/EGM of May 12, 2017, with consequent increase in the amount paid to the INSS (others). The Company’s life insurance was adjusted to a higher value as from November 2017 (Benefits). 2) Number of members remunerated was calculated using the annual average of the number of members, taken monthly. 3) Composition of the direct and indirect benefits: Life insurance –	--

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	AGM/EGM of May 12, 2017, are remunerated only for the position of Chief Officer. 4) Number of members remunerated was calculated using the annual average number of members, from monthly data.	against profit shares in the second half (in recent years there has been a trend to reduction of the amount distributed). 2) Number of members equivalent to the total number of Chief Officer's Departments. 3) Number of members remunerated was calculated using the annual average of the number of members, taken monthly (there were some dismissals and appointments in 2017 and in some cases one person held more than two appointments). 4) Composition of the direct and indirect benefits: Health plan, dental plan, life insurance, meal vouchers, bonuses and payments related to the Paid leave plus 1/3 of Leave, and home rental assistance for federal government employees seconded to the Company.		
Total of the remuneration (in R$)	5,829,486.42	12,243,599.06	1,525,734.27	19,598,819.75

Total remuneration for the business year ended Dec. 31, 2016 – annual amounts

2016	Board of Directors	Executive Board	Audit Board	Total
Total number of members	30	11	10	51
Total number of remunerated members	28.17	10.33	10.00	48.50
Annual fixed remuneration (in R$)				
Salary or pro-labore	2,927,539.30	5,272,363.09	970,008.31	9,169,910.70
Direct and indirect benefits	69,684.00	1,816,905.43	26,620.00	1,913,209.43
Participation in committees	--	--	--	--
Others	586,718.31	2,162,610.67	194,020.19	2,943,349.17
Description of other fixed remunerations	Company INSS contribution	Company INSS contribution and FGTS	Company INSS contribution	--
Variable remuneration (in R$)				
Bonus	--	--	--	--
Profit shares	--	414,476.71	--	414,476.71
Attendance at meetings	731,884.83	--	--	731,884.83
Commissions	--	--	--	--
Others	146,679.58	--	--	146,679.58
Description of other variable remunerations	Company INSS contribution	--	--	--
Post-retirement (in R$)	104,507.01	848,815.44	--	953,322.45
Cessation of position	--	--	--	--
Share-based (including options)	--	--	--	--

Remarks	1) Any difference between what was realized in 2016 and the proposal refer to the alteration, as per AGM/EGM of April 29, 2016, in the criteria for remuneration of sitting substitute members, which as from May 2016 became 80% fixed amount plus 20% amount proportional to attending meetings, and also the amount of fees for the Chair of the Board of Directors became different from that of the others. With consequent increase in the amounts paid to the INSS (others) and private pension plan (post-retirement). As well as life insurance in the Company (Benefits) having been adjusted to a lower value. 2) Total number of members as per AGM and EGM of 4/29/2016: sitting and substitute members remunerated by 50% fixed amount plus 50% part proportional to attendance at meetings. 3) Composition of the direct and indirect benefits: Life insurance – 4) The number of 28 members remunerated is	1) Any difference between what was realized in 2016 and the proposal relates to non-consideration of the discount on payroll of the fees of amounts reimbursed by the Company to federal bodies for seconded federal employees, since with this, the total disbursement on remuneration is effectively by Cemig. There was also approval in 2016 of an adjustment index to the pro-labore, with consequent increase in the payments to the INSS and FGTS (others) and private pension plan (post-retirement). Further, the amounts of the meal vouchers and health and dental plans were adjusted, while the amounts for home rental assistance and housemoving assistance for federal employees seconded to the Company (benefits) were maintained. The Company's life insurance was adjusted to a lower value. The amount of the Profit Shares in 2015 was paid in the first half based on the target ascertained (the amount calculated considered the maximum possible limit), and in 2016	1) Any differences between what was in fact realized in 2016 and the proposed amounts refer to the approval of the adjustment index for the pro-labore also in 2016, with consequent increase in the amount paid to the INSS (others). The Company's life insurance was adjusted to a lower value (Benefits). 2) Number of members remunerated was calculated using the annual average of the number of members, taken monthly. 3) Composition of the direct and indirect benefits: Life insurance –	--

	equivalent to the total of members of the Board of Directors (15 sitting members and 15 substitute members) excluding the CEO and the Chief Generation and Transmission Officer who, as per AGM/EGM of April 29, 2016, are remunerated only for the position of Chief Officer. 5) Number of members was calculated using the annual average of number of members, ascertained monthly	there was no advance on profit share in the second half of the year (in recent years there has been a tendency for reduction of the amount distributed). 2) Number of members equivalent to the total number of Chief Officer's Departments. 3) Number of members remunerated was calculated using the annual average of the number of members, taken monthly (there were some dismissals and appointments in 2016 and in some cases one person held more than two appointments, on an interim basis). 4) Composition of the direct and indirect benefits: Health plan, dental plan, life insurance, meal vouchers, bonuses and payments relating to Paid Leave plus 1/3 of Leave, and home rent assistance for federal government employees seconded to the Company.		
Total of the remuneration (in R$)	4,567,013.03	10,515,171.34	1,190,648.50	16,272,832.87

This text is a translation, provided for information only. The original text in Portuguese is the legally valid version.

13.3 - Variable remuneration of the Board of Directors, Executive Board and Audit Board in the last three business years, and forecast for the current business year.

Current business year ending Dec. 31, 2019 – Variable remuneration forecast	Board of Directors	Executive Board	Audit Board	Audit Committee	Total
Total number of members	18	11	10	3	42
Total number of remunerated members	17	11	10	2	40
Bonus					
Minimum amount specified in the remuneration plan	-	-	-		-
Maximum amount specified in the variable remuneration plan	-	-	-		-
Amount specified in the variable remuneration plan if targets are met	-	-	-		-
Profit shares					
Minimum amount specified in the remuneration plan	-	3,716,003.49	-		3,716,003.49
Maximum amount specified in the variable remuneration plan	-	7,437,603.46	-		7,437,603.46
Amount specified in the variable remuneration plan if targets are met	-	7,437,603.46	-		7,437,603.46
Remarks	The Profit Shares for 2018 have provision for a payment in the first half of 2019. Decision as to the criteria for payment of profit shares of 2018 is awaited. In the forecast, payment of proportional PLR for 2018 to Chief Officers dismissed in 2018 is taken into account.				

Business year ending Dec. 31. 2018 – Variable remuneration forecast	Board of Directors	Executive Board	Audit Board	Total
Total number of members	18	11	10	39
Total number of remunerated members	17	11	10	38
Bonus				
Minimum amount specified in the remuneration plan	-	-	-	-
Maximum amount specified in the variable remuneration plan	-	-	-	-
Amount specified in the variable remuneration plan if targets are met	-	-	-	-
Profit shares				
Minimum amount specified in the remuneration plan	-	2,077,197.00	-	2,077,197.00
Maximum amount specified in the variable remuneration plan	-	4,158,464.17	-	4,158,464.17
Amount specified in the variable remuneration plan if targets are met	-	4,158,464.17	-	4,158,464.17

Remarks The Profit Shares for 2017 were paid in first half from 2018, based on the targets as measured.
In the forecast, payment of proportional PLR for 2017 to Chief Officers dismissed in 2017 is taken into account.

Business year ended Dec. 31, 2017 – Variable remuneration	**Board of Directors**	**Executive Board**	**Audit Board**	**Total**
Total number of members	30	11	10	51
Total number of remunerated members	25	9.17	9.75	43.92
Bonus				
Minimum amount specified in the remuneration plan	-	-	-	-
Maximum amount specified in the variable remuneration plan	-	-	-	-
Amount specified in the variable remuneration plan if the targets are met	-	-	-	-
Amount recognized in the profit and loss account for the year	-	-	-	-
Profit shares				
Minimum amount specified in the remuneration plan	-	242,793.13	-	242,793.13
Maximum amount specified in the variable remuneration plan	-	485,586.25	-	485,586.25
Amount specified in the variable remuneration plan if targets are met	-	485,586.25	-	485,586.25
Amount recognized in the profit and loss account for the year	-	354,466.27	-	354,466.27

Remarks The Profit Shares for 2016 were paid in first half 2017, based on the targets measured.
For Chief Officers dismissed in 2016, payment was in the second half of 2017.
There was no advance payment of profit shares for 2017 in the second half.

Business year ended Dec. 31, 2016 – Variable remuneration	Board of Directors	Executive Board	Audit Board	Total
Total number of members	30	11	10	51
Total number of remunerated members	28.17	10.33	10	48.50
Bonus				
Minimum amount specified in the remuneration plan	-	-	-	-
Maximum amount specified in the variable remuneration plan	-	-	-	-
Amount specified in the variable remuneration plan if the targets are met	-	-	-	-
Amount recognized in the profit and loss account for the year	-	-	-	-
Profit shares				
Minimum amount specified in the remuneration plan	-	465,779.54	-	465,779.54
Maximum amount specified in the variable remuneration plan	-	560,036.74	-	560,036.74
Amount specified in the variable remuneration plan if targets are met	-	560,036.74	-	560,036.74
Amount recognized in the profit and loss account for the year	-	414,476.71	-	414,476.71

Remarks The remaining portion of the PLR (for 2015) was paid in first half 2016, based on the targets measured. There was no advance of PLR for 2016 in the second half.

13.4 - Share-based remuneration plan for the Board of Directors and the Executive Board, in effect in the most recent business year and planned for the current business year

The Company does not adopt a plan of remuneration for the Board of Directors and the Executive Board based on shares.

13.5 - Share-based remuneration recognized in the Profit and loss account of the last three business years and that forecast for the current business year for the Board of Directors and the Executive Board

There is no share-based remuneration plan for the Board of Directors and the Executive Board.

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13.6 - Unexercised options of the Board of Directors and the Executive Board at the end of the last business year

Not applicable, because there is no share-based remuneration plan for the Board of Directors or the Executive Board.

13.7 - Options exercised and shares delivered in relation to the share-based remuneration of the Board of Directors and the Executive Board

Not applicable, because there is no share-based remuneration plan for the Board of Directors or the Executive Board.

13.8 - Summary description of the information necessary for understanding of the data given in items 13.5 to 13.7.

Not applicable, because there is no share-based remuneration plan for the Board of Directors or the Executive Board.

13.9 - Number of shares or share quotas directly or indirectly held, in Brazil or outside Brazil, and other securities convertible into shares or share quotas, issued by the issuer, its direct or indirect controlling parties, subsidiary companies or entities under common control, by members of the Board of Directors, the Executive Board or the Audit Board.

At Dec. 31, 2017:

CEMIG		
	Number of ON shares	**Number of PN shares**
Board of Directors	100,637	180,042
Executive Board	5,002	5,000
Audit Board	1,300	246,770
Total	**106,939**	**431,812**
LIGHT		
	Number of ON shares	
Board of Directors	-	
Executive Board	-	
Audit Board	-	
Total	-	
Taesa		
	Number of ON shares	**Number of PN shares**
Board of Directors	-	-
Executive Board	-	-
Audit Board	-	-
Total	-	-

13.10 - Private pension plans, in effect, granted to members of the Board of Directors or the Executive Board.

Private pension plans	**Board of Directors**	**Executive Board**
Number of members	15	14
Number of remunerated members	15	14
Name of the plan	Mixed Benefit Private Pension Plan ('Plan B')	Mixed Benefit Private Pension Plan ('Plan B')
Number of managers qualified to retire	0	0
Conditions for early retirement	There is no early retirement in the said plan	There is no early retirement in the said plan
Updated accumulated contributions up to the end of the last business year, less the portion relative to the contributions made directly by the managers	R$ 383,463.63	R$ 5,306,051.61
Updated accumulated contributions during the last business year, less the portion relative to the contributions made directly by the managers.	R$ 600,935.21	R$ 1,936,336.08
Possibility of redemption and conditions	Yes, in relation to 2 people (provided that they leave employment by the sponsor and take the option for redemption)	Yes, in relation to 11 people (provided that they leave employment by the sponsor and take the option for redemption)

13.11

Business year ended December 31, 2018			
	Board of Directors	**Executive Board**	**Audit Board**
Number of members	18	11	10
Number of remunerated members	17	11	10
Largest individual remuneration (in Reais)	321,389.3	1,944,128.13	191,813.21
Lowest individual remuneration (in Reais)	193,900.62	1,286,733.00	140,629.9
Average individual remuneration (in Reais)	278,048.07	14,774/93.90.	168,366.16

The amount of the lowest remuneration was calculated excluding members of the Board of Directors, the Executive Board and the Audit Board who exercised their respective positions for less than 12 months. Total number of members of the Board of Directors as per AGM/EGM of April 30, 2018: sitting and substitute members remunerated as to 80% in a fixed portion plus 20% in a portion proportional to attendance at meetings (except those who hold positions of Chief Officers). Number of members remunerated on the Board of Directors, the Executive Board and the Audit Board was calculated using the annual average of the number of members, taken monthly (there were some dismissals and appointments in 2018 and in some cases one person held more than two appointments on the Executive Board, on an interim basis).

Business year ended December 31, 2017

	Board of Directors	Executive Board	Audit Board
Number of members	30	11	10
Number of remunerated members	25	9.17	9.75
Largest individual remuneration (in Reais)	320,472.26	1,427,276.21	176,266.09
Lowest individual remuneration (in Reais)	124,401.14	1,158,814.29	128,019.93
Average individual remuneration (in Reais)	233,179.46	1,360,399.90	152,573.43

The amount of the lowest remuneration was calculated excluding members of the Board of Directors, the Executive Board and the Audit Board who exercised their respective positions for less than 12 months. Total number of members of the Board of Directors as per AGM/EGM of May 12, 2017: sitting and substitute members remunerated as to 80% in a fixed portion plus 20% in a portion proportional to attendance at meetings (except those who hold positions of Chief Officers). Number of members remunerated on the Board of Directors, the Executive Board and the Audit Board was calculated using the annual average of the number of members, taken monthly (there were some dismissals and appointments in 2017 and in some cases one person held more than two appointments on the Executive Board, on an interim basis).

Business year ended December 31, 2016

	Board of Directors	Executive Board	Audit Board
Number of members	30	11	10
Number of remunerated members	28.17	10.33	10.00
Largest individual remuneration (in Reais)	232,372.56	1,096,241.82	131,367.99
Lowest individual remuneration (in Reais)	116,366.39	895,512.24	105,625.16
Average individual remuneration (in Reais)	163,107.61	1,051,517.13	119,064.85

The amount of the lowest remuneration was calculated excluding members of the Board of Directors, the Executive Board and the Audit Board who exercised their respective positions for less than 12 months. Total number of members of the Board of Directors as per AGM/EGM of Friday, April 29, 2016: sitting and substitute members remunerated as to 80% in a fixed portion plus 20% in a portion proportional to attendance at meetings (except those who hold positions of Chief Officers). Number of members remunerated in the Executive Board was calculated using the annual average of the number of members, taken monthly (there were some dismissals and appointments in 2016 and in some cases one person held more than two appointments, on an interim basis).

13.12 – Describe contractual arrangements, insurance policies or other instruments that structure mechanisms of remuneration or indemnification for managers in the event of dismissal from position or retirement, indicating what are the financial consequences for the Issuer

An indemnity of 40% of the total amount in the FGTS account is paid in the event of dismissal of Chief Officers. Due to its character as indemnity, this applies only to Chief Officers who are removed from their posts before the end of their period of office – this cannot apply to a Chief Officer who resigns.

The Company makes the FGTS deposits for its Chief Officers and, based on a legal understanding in Opinion JR-1809/2002 of December 13, 2002, that the penalty payment should be applied on the deposits made during the period of office of the Chief Officer to those who were employees of the Company, the right was extended to those Chief Officers who were not employees, in accordance with the Constitutional principle of Equality of Right.

Other than life insurance, the Company does not have life insurance policies or other instruments that structure mechanisms of remuneration or indemnity for managers if they are removed from their positions or are retired.

13.13. In relation to the last three business years, indicate the percentage of total remuneration of each body recognized in the Profit and loss account of the issuer for members of the Board of Directors, the Executive Board and the Audit Board who are related parties to the controlling stockholders, direct or indirect.

The percentages of total remuneration of each body attributed to members of the Board of Directors, the Executive Board or the Audit Board who are related parties to the controlling stockholders of the Company, direct or indirect, as defined by the accounting rules that deal with this subject, for the last three years, were:

	2018	2017	2016
Executive Board:	0.00	0.00	0.00
Board of Directors:	90.37	91.49	92.96
Audit Board:	78.41	79.56	80.44

13.14. In relation to the last three business years, indicate the amounts recognized in the Profit and loss account of the Issuer as remuneration of members of the Board of Directors, the Executive Board or the Audit Board, grouped by body, for any reason other than the function that they occupy.

The percentages, for the last three business years, were:

Business year	Board of Directors	Executive Board	Audit Board	Total
2015	0.00	0.00	0.00	0.00
2016	0.00	0.00	0.00	0.00
2017	0.00	0.00	0.00	0.00

13.15. In relation to the last three business years, indicate the amount recognized in the Profit and loss account of controlling stockholders, direct or indirect, companies under joint control or subsidiaries of the Issuer, as remuneration of members of the Board of Directors, the Executive Board or the Audit Board of the issuer.

There is no remuneration paid by subsidiaries of the Company, or by their direct or indirect controlling parties or by companies under joint control, that has been attributed to members of the Board of Directors, the Executive Board or the Audit Board, as a function of exercise of any position within the Company itself.

13.16. Supply any other information that the issuer considers to be important.

There is no other material information.

Appendix 4

OPINION OF THE AUDIT BOARD

On the financial statements for 2018

The undersigned members of the Audit Board of Companhia Energética de Minas Gerais – Cemig, in the exercise of their functions under the law and bylaws, have examined the Financial Statements for the business year ended December 31, 2018 and the related complementary documents, approved by the Board of Directors of the Company on March 28, 2019. After checking these documents, and considering the examination undertaken by this Board and the explanations given by the Management of the Company in relation to the acts of management and the respective records in the financial year of 2018, and also based on the Opinion, without qualification, of Ernst and Young Auditores Independentes, issued on March 29, 2019, they express the favorable opinion that the financial statements referred to are properly represented in all material aspects, and thus merit the approval of the stockholders at the Annual General Meeting to be held in 2019.

Belo Horizonte, March 29, 2019.

Signed: José Afonso Bicalho Beltrão da Silva
Camila Nunes da Cunha Pereira Paulino
Cláudio Morais Machado
Marco Antônio de Rezende Teixeira
Rodrigo de Mesquita Pereira

This text is a translation, provided for information only. The original text in Portuguese is the legally valid version.

Appendix 5

OPINION OF THE AUDIT BOARD

On the proposal for distribution of the profit for 2018

The undersigned members of the Audit Board of Companhia Energética de Minas Gerais – Cemig, in performance of their functions under the law and under the by-laws, have examined the Proposal made by the Board of Directors to the Annual General Meeting of Stockholders to be held in 2019, for allocation of the net profit for 2018, of R$ 1,700,099,000, and the negative balance of Retained earnings of R$ 114,769,000, arising from R$ 181,846,000 for the effects of the adjustment resulting from initial adoption of Accounting Pronouncement CPC 48 (*Financial instruments*), net of R$ 67,077,000 resulting from realization of the Equity Valuation Reserve, as follows:

a) R$ 867,350,000 as minimum mandatory dividend, to be paid to the Company's stockholders, as follows: – R$ 210,000,000 in the form of Interest on Equity, to be paid in two equal installments, by June 28, 2019 and by December 30, 2019, to stockholders whose names were on the Company's Nominal Share Registry on December 21, 2018; – R$ 657,350,000 in the form of dividends for the 2018 business year, to be paid by December 30, 2019 to stockholders whose names are on the Company's Nominal Share Registry on the date on which the Annual General Meeting is held;

b) R$ 708,743,000 to be held in Stockholders' equity in the Retained earnings reserve, to provide funding for the Company's consolidated planned investments in 2019, in accordance with a capital budget;

c) R$ 9,237,000 to be held in Stockholders' equity in the Tax incentives reserve, relating to tax incentives obtained in 2018 as a result of investments made in the region of Sudene – the payment of dividends to be made in a single tranche by December 30, 2019, and able to be brought forward depending on availability of cash and at the discretion of the Executive Board.

The members of the Audit Board, after carefully analyzing the said proposal and further taking into account that the applicable rules governing the subject have been complied with, are of the opinion that the proposal should be approved by the said General Meeting of Stockholders.

Belo Horizonte, March 29, 2019.

Signed: José Afonso Bicalho Beltrão da Silva
Camila Nunes da Cunha Pereira Paulino
Cláudio Morais Machado
Marco Antônio de Rezende Teixeira
Rodrigo de Mesquita Pereira

This text is a translation, provided for information only. The original text in Portuguese is the legally valid version.

Appendix 6

Comments by the Managers on the financial situation of the Company, as per Item 10 of the Reference Form

10.1

a. Overall financial and equity conditions

2018 was a very positive year for Cemig, with achievements that enabled it to reach a new level of financial and operational sustainability, after a period of challenges in recent years due to an adverse macroeconomic situation, adverse hydrology, and high financial leverage, which was especially due to the loss of some generation concessions.

The results achieved in 2018 give us certainty of the correctness of our strategic direction as adopted by management, and confidence in efficient operation due to the Company's well-qualified workforce.

2018 was also a year of great progress in our corporate governance practices, starting with a large number of changes in the by-laws to prepare the Company for a new period, adjusting it to Law 13303/2016, which imposed numerous new requirements aiming to achieve permanent improvement in the management of state-controlled companies at various levels of the Brazilian federal structure.

While we expect these improvements to be a continuous process, with challenges remaining for future management, the improvements already put in place bring a new level of governance to Cemig. Examples are the adoption and implementation of the various Company Policies provided for in the bylaws: the Policy on Transactions with Related Parties; the People Management Policy; the Policy on Disclosure of Information; and the Policy on Management of Holdings.

In the area of finance, human resources and compliance, the Audit Committee was remodeled, making it also responsible for issues of eligibility; and the Strategy and Finance Committee was created. Both are responsible to the Board of Directors, and these changes will provide a basis for Cemig to go forward with growth, efficiency and sustainability.

For 2018, Cemig reports net profit of R$ 1.701 billion – a significant increase of 69.93% over the 2017 profit of R$ 1.001 billion. Cash flow measured by Ebitda was 8.28% higher in 2018, at R$ 3.781 billion, compared to R$ 3.492 billion in 2017.

In management of debt, we continued to focus on lengthening of average tenor, and reducing the cost of new financing. Net debt/Ebitda, which was 4.12 in 2017, was reduced to 3.86 in 2018 – a significant reduction, demonstrating the Company's new financial reality.

Corroborating perception of these improvements, the leading risk rating agencies made successive upgrades of the credit risk ratings of Cemig, Cemig GT and Cemig D during the year – recognizing the Company's success in implementing measures that have improved its credit quality.

One highlight of the positive developments of 2018 was the tariff review for Cemig D – Distribution – in which the investments made by the Company over the 2013–18 tariff cycle, a total of almost

R$ 5 billion, were remunerated in the tariff for the first time. This increase in revenue, allied to the reduction of operational costs, brought Cemig D back into profit in 2018, after two consecutive years of losses.

For 2018, Cemig D reports profit of R$ 535 million, compared to losses of R$ 117 million in 2017 and R$ 324 million in 2016. Ebitda in 2018 was R$ 1.534 billion, compared to R$ 831 million in 2017 – a significant increase of 84.60%. The tariff review came into effect only in June 2018, so it will be only in the 2019 result that the adjustment will have full effect on profit.

For Cemig GT, a highlight is the program of investments in transmission for the next five years, of more than R$ 1.1 billion, with funding assured from the amounts being received in reimbursement of the Cemig GT's investments in transmission, as a result of its acceptance of the terms of Law 12783/13 (MP 579).

Another important factor for the improvement of liquidity in Cemig GT was receipt of R$ 1.1 billion as indemnity for the basic plan and construction of the *São Simão* and *Miranda* hydroelectric plants, in August 2018.

All these positive actions and events in 2018 were reflected in the Company's consolidated financial results.

In 2018 Cemig also successfully concluded disposal of its telecommunications assets, generating R$ 654 million in cash, in the context of the disinvestment plan that it disclosed to the market in 2017. In spite of the complexity involved in the processes of disposal, we are confident that in 2019 we will report further positive results, helping to achieve rapid further reduction in leverage.

It is important to note that this improvement in financial results was accompanied by our concern for the quality of services we provide to clients. Our quality indicators, as measured by average duration (DEC) and frequency (FEC) of outages, continue on a path of improvement and compliance with the regulatory levels.

Once again employees have been a focus. We celebrate 2018 as one more year without any fatal accidents to Cemig's workforce – including both our own employees and those contracted by outsourced companies.

Sustainability and social responsibility are part of our culture. We were once again included in the São Paulo Stock Exchange Corporate Sustainability Index, and in the Dow Jones Sustainability Index, in which we have been included since its creation in 1999. We are signatories of the UN Global Compact; and we have leading positions in several international and Brazilian sustainability ratings – all representing recognition of the value of our shares from the point of view of sustainability.

We are optimistic for the future, in Cemig's quest to further strengthen its sustainability, ensure an adequate return to stockholders, continue to merit investor confidence, and meet all the legitimate interests of the other players involved in our business.

b. Capital structure

The chief officers believe that the Company has a balanced capital structure. Total debt on December 31, 2018 was R$ 14.772 billion, of which 15% was short-term and 85% long-term. At December 31, 2017, the total debt was R$ 14.398 billion, comprising 16% short-term and 84% long-term. On December, 31, 2016 total debt was R$ 15.179 million, of which 32% was short-term and 68% long-term.

Stockholders' equity at December 31, 2018 was R$ 16.286 billion, with net debt of R$ 13.069 billion. Stockholders' equity at December 31, 2017 was R$ 14.330 billion, with net debt of R$ 12.279 billion. At end-December 2016, equity was R$ 12.934 billion, while net debt was R$ 13.139 billion. The increase in equity from end-2017 to end-2018 was basically in Retained earnings, while net debt was higher at the end of 2018 than 2017, due to funding raised in the year. The increase in equity from end-2016 to end-2017 was basically in the form of an increase in the Profit reserve, and an Advance against Future Capital Increase, while net debt was lower at end-2017 than end-2016, due to amortizations in the year.

The profile of financing of the operations with the Company's own capital and capital from outside parties can be seen over the years in the average leverage as shown by the ratio (Net debt / Stockholders' equity). Another illustration of debt is the capital structure – the proportion between own capital and third party capital. This table shows leverage (the ratio Net debt/Stockholders' equity) – and the capital structure (Equity/Total liabilities). Net debt is defined as: Loans, financings, and Debentures, less Cash and cash equivalents and Securities.

Total liabilities is defined as: Current + non-current liabilities + Stockholders' equity, based on the Consolidated balance sheet.

Capital structure	**2018**	**2017**	**2016**
1. (Net debt) / (Stockholders' equity)	80%	86%	102%
2. Stockholders' equity / (Liabilities + Stockholders equity)	28%	34%	31%

The Company's chief officers believe that the indicators shown in the table above have been situated at appropriate levels over the period analyzed. The first indicator shows that net debt in 2018 was 80% of Stockholders' equity (86% in 2017 and 102% in 2016). The second indicator shows that for every R$ 1 invested in the Company in 2018, 28% came from funds of Stockholders' equity (34% in 2017, and 31% in 2016).

c. Payment capacity in relation to the financial commitments assumed

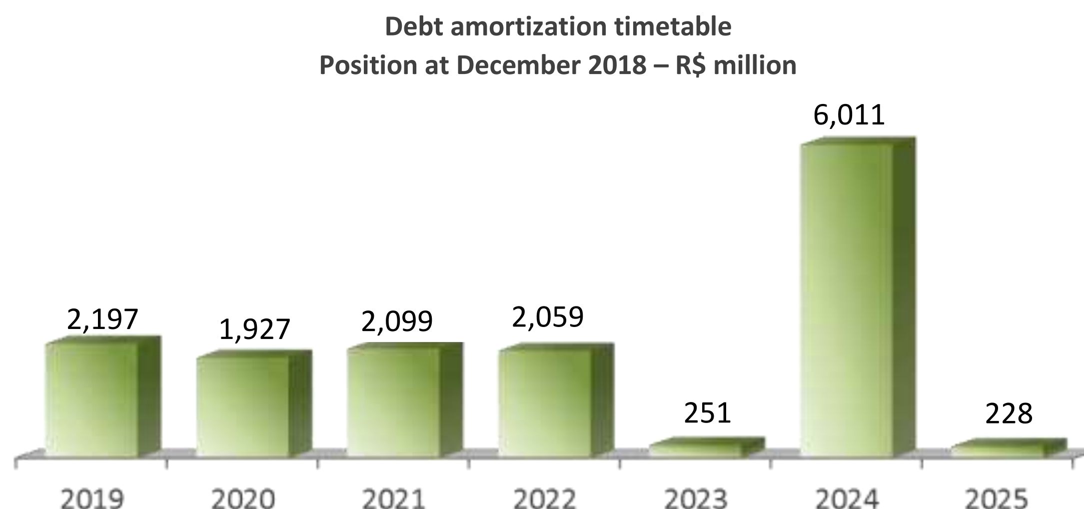
The Company's chief officers highlight the Company's cash generation capacity, as measured by Ebitda – which was R$ 3.823 billion in 2018, compared to R$ 3.492 billion in 2017. In 2016 Ebitda was lower, at R$ 2.638 billion.

The total of the Company's cash balance plus securities at the end of 2018 was R$ 1.703 billion; at the end of 2017 it was R$ 2.118 billion, and at the end of 2016, R$ 2.040 billion.

Net debt at the end of 2018 was R$ 13.069 billion, compared to R$ 12.279 billion at the end of 2017 and R$ 13.139 billion at the end of 2016.

The 2018 net debt/Ebitda indicates that 3.42 years' operational cash flow (Ebitda) would be needed to pay the debtor balance, compared to 3.52 years at the end of 2017 and 4.98 years at the end of 2016 – reflecting the increase in Ebitda in 2018.

As the chart below shows, the total debt of R$ 14.772 billion has now been significantly lengthened, with 42% maturing in up to three years and average tenor of 4.1 years:



Cemig's debt is now longer, due to the reprofiling transactions completed in 2017 and 2018; and the Company now has a good outlook for continuing to refinance its short-term debt through longer-term transactions, since it has been successful in accessing the capital market, both to finance its investments and to finance its debt.

Current liabilities were R$ 21.789 billion at December 31, 2018; R$ 8.662 billion at the end of 2017; and R$ 11.447 billion at the end of 2016. The variation reflects the classifications given by the Company to the assets and liabilities of Light – held for sale – and the jointly-controlled subsidiaries LightGer, Axxiom, Amazônia, Guanhães and UHE Itaocara. The principal obligations are loans, financings, suppliers, taxes, dividends and regulatory charges.
On this basis the Chief Officers consider that the Company has capacity not only to pay its debt, but also to maintain its history of faithfully complying with its financial commitments assumed with suppliers, the government, stockholders and employees, and also guaranteeing its future investments and acquisitions.

d. Financing sources used for working capital and investments in non-current assets

The Company's operations are financed through cash flow from its businesses, raising of funds in the capital market, issuance of securities in the local and international markets, and contracting of long-term financings. Operational and financial expenses, investments and cost of maintenance of operation are financed by cash flow, and new acquisitions of investments and fixed assets have been financed by contracting financings and issuance of debentures.

Below is a description of the financing sources for working capital and for investments in non-current assets used by the Company and some of its subsidiaries in the business years 2018, 2017 and 2016:

This text is a translation, provided for information only. The original text in Portuguese is the legally valid version.

This table gives the consolidated totals of funds raised in 2018:

Financing source	Date of signature	Principal maturity	Annual cost, %	Amount
Foreign currency				
Eurobonds (1)	July 2018	2024	9.25%	1,946,269
(–) Transaction costs				(7,876)
(±) Funds advanced (2)				9,625
				1,948,018
Brazilian currency				
9th issue of Notes – Single series (3)	May 2018	2019	151% of CDI rate	400,000
(–) Transaction costs				(4,140)
Debentures				
Debentures (4)	August 2018	2023	CDI rate + 1.50%	100,000
Debentures – 6th Issue, Single series (5)	December 2018	2020	CDI + 1.75%	550,000
(–) Transaction costs				(4,125)
				1,041,735
Total raised				**2,989,753**

(1) In July 2018, the Company completed financial settlement of an additional tranche to its initial Eurobond Issue completed on December 5, 2017. The new tranche, of R$ 500 million, which brought the total of the issue to R$ 1.946 billion, has six-monthly coupon of 9.25% p.a., with maturity of the principal in 2024.
(2) Advance of funds to achieve the yield to maturity agreed in the Eurobonds contract.
(3) In May 2018 Cemig D made its 9th Promissory Note issue, with maturity at 18 months, annual remuneration of 151% of the CDI rate, and single bullet amortization on October 24, 2019.
(4) In August 2018 Gasmig completed its 7th Debenture Issue, with 5-year maturity, paying CDI + 1.50%, with annual amortization from August 2019.
(5) In December 2018 the Sixth Debenture Issue was placed, with maturity at 18 months, annual remuneration of CDI +1.75%, and monthly amortization in 12 payments from July 3, 2019.

In May 2018, the Company issued R$ 400 million in promissory notes maturing October 24, 2019 with remuneratory interest at 151% of the variation resulting from the CDI rate, to be paid on maturity. These funds were applied in replenishment of the cash position, relating to payment of the Third Debenture Issue, and strengthening of working capital.

In December 2018 Cemig D, to ensure payment of commitments after consuming more cash than expected mainly because of the additional expense of acquisition of power supply in the second half of 2018 as a result of the adverse hydrological situation, concluded its Sixth Debenture Issue, for R$ 550 million, with maturity at 18 months, six months' grace period and remuneratory interest of CPDI +1.75%. Note that the cost of this issue was lower than the cost of the debt reprofiling transactions of 2017, reflecting the financial sector's perception of the Company's lower risk.

In July 2018, the Company completed financial settlement of an additional tranche to its initial Eurobond issue completed on December 5, 2017. The new tranche, of R$ 500 million, which brought the total of the issue to R$ 1.946 billion, has six-monthly coupon of 9.25% p.a., with maturity of the principal in 2024. Concomitantly with the settlement a hedge transaction was contracted, for the whole period of the issue, comprising:

- A call spread on the principal, and
- A swap for 100% of the interest, exchanging the 9.25% annual coupon for a rate equivalent to125.52% of the CDI rate.

This table gives the consolidated totals of funds raised in 2017:

Financing source	Signature date	Principal maturity	Annual financing cost – %	Amount R$ '000 (*)
Foreign currency				
Eurobonds	Dec. 5, 2017	2024	9.25%	3,252,374
(–) Transaction costs (*)				(15,530)
Interest paid in advance (*)				(48,097)
Brazilian currency				
Debentures (1)	Nov. 4, 2013	2022	CDI + 0.74	33,870
Debentures (2)	April 22, 2017	2019	128.50% of CDI	26,238
Debentures – 5th Issue, single series (3)	Dec. 14, 2017	2022	146.50% of CDI	1,575,000
(–) Transaction costs (3)				(10,971)
Total raised				**4,812,884**

(*) Includes taxes without cash effect, of R$ 9,573.

(1) Subscription by BNDESPar of Gasmig's 4th Debenture Issue, in June 2017, to support the investment plan to expand the gas distribution network.

(2) CemigTelecom 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 its cash position.

(3) On December 14, 2017 CemigTelecom made its 5th Issue of non-convertible Debentures, with maturity at 4.5 years, annual remuneration of 146.50% of the CDI rate, to be amortized in 36 monthly installments becoming due as from July 2019. Payment for subscription of the Debentures of the 5th issue was made with the debentures of the 4th issue – thus there was no cash effect in the Company.

During 2017 Cemig GT and Cemig D held constructive negotiations with their main creditor banks, to replace the debts becoming due in 2017 with new debts with amortization programmed over 36 monthly installments starting in January 2019, in the case of Cemig GT, and July 2019, for Cemig D. The debt that was subject of the reprofiling was with Banco do Brasil, Caixa Econômica Federal (Brazilian Federal Savings Bank), Banco Bradesco and Itaú Unibanco. At the end of December the companies concluded the re-profiling of their debts, through an issue of debentures by Cemig D, for R$ 1.575 billion, amendments to loan transactions of Cemig D (R$ 500 million with Banco do Brasil and R$ 625 million with CEF) and Cemig GT (R$ 741 million with Banco do Brasil), for a total amount of approximately R$ 3.4 billion The re-profiling of the debt of Cemig D had a cost of 146.5% of the variation arising from the CDI rate, and for Cemig GT, 140% of the CDI. The transactions of Cemig D will be amortized in 36 months starting July 2019, as to 6.75% in 2019, 13.50% in 2020, 27.0% in 2021 and 52.75% in 2022. The Cemig GT transaction will be amortized in 36 monthly installments starting January 2019. All the debts have asset guarantees, and obligations for early amortization in the event of sale of assets of Cemig GT and/or the Company.

In 2017 Cemig GT issued Eurobonds in the international market for US$ 1 billion, with six-monthly coupon, at 9.25% p.a. The 7-year issue has maturity in December 2024, with an option for prepayment, without premium after six years from issue. The issue had a surety guarantee from Cemig, and proceeds were used to amortize short-term debt. Fitch and Standard&Poors gave the issue the rating 'B'. To protect against foreign exchange variation, concomitantly with the receipt of proceeds on December 5, 2017 Cemig GT made a hedge transaction, at the cost of 150.49% of the variation arising from the CDI rate, for the total amount including the interest, through a combination of interest rate swap and call spread on the principal (i.e. in which Cemig GT accepts that the protection is up to an agreed price level). The issue deed had restrictive covenants and specified default events, which could generate early maturity of the debt. The package of covenants contains restrictions on investment, on indebtedness, on payment of dividends and asset guarantees, among other items, thus providing a combination of operational and financial flexibility for the issue and protection for investors. The covenants were decided according to the commonly accepted covenants for High Yield issues, and will cease to be applied if and when Cemig GT is rated 'investment grade' by two rating agencies.

This table gives the consolidated totals of funds raised in 2016:

Financing source	Principal maturity	Annual financing cost – %	Amount R$ '000 *
Brazilian currency			
Caixa Econômica Federal (Cemig D)	2020	132.14% of CDI	675,008
Debentures (Cemig D)	2018	CDI+4.05%	1,574,625
KfW (Cemig GT)	2018	1.78%	1,965
Notes – 7th issue (Cemig GT)	2017	128% of CDI	605,740
Debentures – 4th Issue, 7th Series (Gasmig)	2020	TJLP	23,850
Debentures – 7th Issue (Cemig GT)	2021	140% of CDI	2,195,200
Banco do Brasil	2018	132.90% of CDI	579,546
Sonda (Cemig Telecom)	2021	110% of CDI	80,842
Financings obtained, net of transaction costs			**5,736,776**

In December 2016 Cemig GT completed its 7th public issue of non-convertible debentures, unsecured, with asset guarantee and additional surety from the Company, in a single series for public distribution with restricted placement efforts: 224,000 debentures were issued with nominal unit value of R$ 10,000 on the issue date, for R$ 2.240 billion. The proceeds were used to redeem 144 promissory notes of Cemig GT's Sixth Issue, (of December 30, 2015), to pay other debts becoming due in 2016, and to replenish Cemig GT's cash position, following payment of debts.

In October 2016, Cemig GT signed a Bank Lending Agreement with Banco do Brasil S.A. for R$ 600 million, for payment and/or amortization of 16 working capital transactions of Cemig GT. The loan has guarantee by the Company, for amortization in four six-monthly installments starting April 2017. The cost of the transaction is 132.90% of the variation arising from the CDI (Interbank CD) rate.

In December 2016, Cemig Geração e Transmissão S.A. concluded its 7th issue of commercial Promissory Notes for public distribution, with restricted placement efforts, issuing 124 Promissory Notes with nominal unit value of R$ 5 million on the issue date (July 1, 2016), for a total of R$ 620 million. The net proceeds from the issue of the Notes were allocated to payment of the second part of the Concession Grant Fee for the hydroelectric plants in Lot D of Aneel Auction 12/2015. This Note issue has surety guarantee from the Company.

In March 2016 Cemig Distribuição S.A. completed its 4th issue of non-convertible debentures, unsecured, with additional surety guarantee, for public distribution, with restricted placement efforts, issuing 161,500 debentures in a single series with nominal unit value of R$ 10,000 on the issue date (December 15, 2015), subscription date being March 26, 2016, for a total of R$ 1.615 billion. The net proceeds were allocated to optional early redemption of the Notes of Cemig D's 8th Note issue, payment of other debts and strengthening of Cemig D's cash position.
The remuneratory interest was CDI +4.05% p.a., the nominal value to be paid in two consecutive annual installments, the first due on December 15, 2017 and the second on December 15, 2018.

In March 2016 Cemig D signed a Bank Lending Agreement for R$ 695 million for rollover of debt with Caixa Econômica Federal. This loan has the surety guarantee of the Company, and is also backed by fiduciary assignment of receivables. It is to be amortized in 48 months, with grace period of 18

months, quarterly payment of interest and amortization in over 30 months with monthly payment of the interest portion. Final maturity is March 23, 2020. The initial cost was 132.14% of average daily value of the CDI rate.

e. Sources of financing for working capital and for investments in non-current assets that the Company intends to use to cover any liquidity shortfalls

It needs to be borne in mind that the Company is a mixed private/public corporation in which the State of Minas Gerais is majority stockholder, and as a result it is legally subject to rules restricting credit to the public sector.

Since 1989, in the attempt to contain the debt of the public sector, the federal government has legislated to impede granting of credit by banks to publicly-owned companies beyond a certain limit. In practice, there are a few alternatives available for raising funds in the banking market.

Based on the exceptions stated in Brazilian Central Bank Resolution 2827 of March 30, 2001, the Company has only the following options for raising funding:

- Loans from federal banks for rolling over of debt;
- Issue of securities in the Brazilian and international markets (debentures, commercial paper, Eurobonds, units of Receivables Funds);
- Financing for importation;
- Financing from multilateral agencies;
- Financing from development bodies; and
- Bank loans guaranteed by trade bills.

Directives for raising of funds from third parties.

The Company's Chief Officers believe that the importance of loans/financings for the capital structure of the Company is in the direct effects of financial leverage, which tend to maximize return on own capital. Due to the possibility of deduction of interest for tax purposes, loans/financings are very desirable in the capital structure of the Company, reducing the cost of capital. Further, they allow the Company access to a wider selection of acceptable investment alternatives.

The process of raising of funds from third parties, due to its importance for maximizing the wealth of the stockholder and the direct impact on the Company's capital structure and financial health, is guided by a series of guidelines able to preserve the Company's credit quality.

These guidelines are expressed as follows:

- Make the most of favorable market conditions. Take advantage of moments of high liquidity in the debt market, offering abundant cheaper funds, to leverage expansion of the Company's activities, increasing the number of possible projects with attractive returns.

- Keep the debt amortization timetable long. Concentration of debt in the short term should be avoided, because it represents pressure on Company's cash flow, compromising availability

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of funds for investment. A regular amortization timetable should be sought in the long term. However, the longest possible maturity may not be the ideal one in certain situations, in that occasionally it may be associated with a higher financial cost.

- Reduce financial cost. Reduction of the average cost of debt should be sought at all times, because, along with expectation of return for the stockholder, it is a fundamental part of the Company's weighted average cost of capital, which is the minimum reference for return on investments proposed for implementation.

- Optimize exposure to foreign currency. Optimization of the composition of the debt should be sought in relation to the indexors of the Company's assets. Because its tariff remuneration is basically linked to the IGP-M index, the larger part of the composition of the debt should be linked to this indexor. However, the international debt market is the one with the highest liquidity, and funds in foreign currency are welcome, provided that any part of such transactions that does not have the protection of a hedge does not represent a significant financial risk for the Company.

  Maintain coherence with the Company's Long-term Strategic Plan. The by-laws have an express obligation to maintain certain financial indicators within numerical limits denoting its financial health. These limits have been set in the Company's Long-term Strategic Plan, as a way of guaranteeing to stockholders that the investments for the expansion of the company will be carried out in a way that preserves its sustainability. These limits include: Consolidated net debt/Ebitda less than or equal to 2; and net debt/(Stockholders' equity plus net debt) less than or equal to 40%.

- Maintain compliance with the credit quality parameters of the regulator, the rating agencies and the creditors. The Chief Officers believe that the risk perceptions of the market are important, because they define parameters to attest to the Company's credit quality and guide the decision on interest rates to be sought in loans and financings. Often contracts for loans/financings include covenants imposed by creditors for their protection, giving them the right to break the agreement and demand immediate repayment if it appears that the Company's financial position is weakening. Thus it is important to preserve the Company's credit quality at levels that denote 'investment grade', that is to say, investment of low risk, so as to be able to benefit from financial costs that are compatible with the profitability of the business. Regulations set by the Brazilian electricity regulator, Aneel, also define an optimal capital structure for the purposes of remuneration of the base of distribution assets.

f. Levels of indebtedness and debt characteristics

On December 31, 2018 the consolidated debt balance in financial contracts was R$ 14.772 billion, net debt being R$ 13.069 billion. The changes in debt from 2017 to 2018 reflected the need to replenish Cemig D's cash position following additional expenses on acquisition of power supply in the second half of 2018 as a result of the adverse hydrology situation, to guarantee payment of commitments becoming due. On December 31, 2017 the Company's consolidated debt balance under financial contracts was R$ 14.398 billion, of which R$ 12.279 billion was net debt. On December 31, 2016 that balance was R$ 15.179 billion, with net debt of R$ 13.139 billion. The changes from 2016 to 2017 arise from amortizations of debt.

On December 30, 2018, the principal indexors of the Company's debt were: the US dollar (40% of the total); the CDI rate (33% of the total); the IPCA inflation index (25% of the total), and other indicators for the remaining 2%. For the original Eurobond issue of US$1 billion made in 2017, a hedge transaction was made, combining: (a) a call spread on the principal; and (b) a swap of 100% of the interest, in which the 9.25% p.a. coupon was exchanged for an average rate in Reais equivalent to 150.49% of the CDI rate. For the additional (re-tap) Eurobond transaction of US$500 million, in July 2018, a combination was again contracted, of: (a) a call spread on the principal; and (b) a swap for 100% of the interest, from the 9.25% p.a. coupon in US dollars to an average rate equivalent to 125.52% of the CDI rate, in Reais.

The figures in the table below indicate that the Company's credit quality is still satisfactory, when compared to the parameters usually practiced in the financial market for those indicators, and also that 2018 was positively affected by the increase in Ebitda:

On December 31

	2018	2017	2016
Debt / Stockholder's equity [(1)]	2.60	1.95	2.25
Net Debt / Ebitda [(2)]	3.42	3.52	4.98
(Net debt) / (Stockholders' equity + Net Debt[(3)])	44.5%	46.1%	50.4%

(1) Debt to equity ratio: (Total of short and long-term debt) / (Stockholders' equity).

(2) Ebitda: Calculated in accordance with CVM Instruction 527/12.

(3) Net debt = debt (loans, financings and debentures) less (cash and cash equivalents plus securities).

i. Significant loan and financing agreements

The Company has entered into numerous financing contracts with various institutions for financing of its projects of expansion, amplification of its activities and rollover of its debt.

Financing source	Principal maturity	Charges Annual cost, %	Currency	Consolidated – R$ '000 2018 Current	 2018 Non-current	 2018 Total	 2017 Total	 2016 Total
FOREIGN CURRENCY								
Banco do Brasil - Various bonds (1) (4)	2024	Various	US$	1,874	24,062	25,936	22,933	23,049
Eurobonds (2)	2024	9.25%	US$	43,924	5,812,200	5,856,124	3,333,149	
KfW (2)	2019	1.78%	Euro	229	-	229	4,383	7,416
(–) Transaction costs				-	-21,319	-21,319	-15,400	
(±) Funds advanced (3)				-	-34,269	-34,269	-47,690	
Debt in foreign currency				**46,027**	**5,780,674**	**5,826,701**	**3,297,375**	**30,465**
BRAZILIAN CURRENCY								
Banco do Brasil	2017	108.33% of CDI	R$					72,549
Banco do Brasil	2017	108.00% of CDI	R$					150,683
Banco do Brasil	2017	111.00% of CDI	R$					50,683
Banco do Brasil	2021	140.00% of CDI	R$					1,156,368

Banco do Brasil (2)	2018	140.00% of CDI	R$	-	-	-	742,364	
Banco do Brasil	2020	114.00% of CDI						510,289
Banco do Brasil (4)	2022	146.50% of CDI	R$	36,281	466,250	502,531	500,193	
Caixa Econômica Federal	2018	119.00% of CDI	R$	-	-	-	8,346	108,792
Caixa Econômica Federal	2020	132.14% of CDI	R$					697,800
Caixa Econômica Federal (4)	2022	146.50% of CDI	R$	43,351	583,281	626,632	626,667	
Caixa Econômica Federal (5)	2021	TJLP + 2.50%	R$	-	55,576	55,576	-	
Caixa Econômica Federal (6)	2022	TJLP + 2.50%	R$	-	107,791	107,791	-	
Eletrobras (4)	2023	UFIR + 6.00% to 8.00%	R$	12,926	20,256	33,182	49,789	68,043
BNDES	2026	TJLP + 2.34%	R$					74,095
Large consumers (4)	2024	IGP-DI + 6.00%	R$	2,389	2,596	4,985	4,304	6,317
Finep (2)	2018	TJLP +5.00%, TJLP +8.00%	R$	-	-	-	2,359	5,505
Pipoca Consortium (2)	2019	IPCA	R$	185	-	185	185	185
Banco da Amazônia S.A. (2)	2018	CDI rate + 1.90%	R$	-	-	-	121,470	122,596
Sonda (7)	2021	110.00% of CDI	R$	-	45,531	45,531	41,993	83,238
7th Note Issue (2)	2017	128.00% of CDI	R$					674,196
9th Note Issue – Single series (4)	2019	151.00% of CDI	R$	425,571	-	425,571	-	
(–) FIC Pampulha: Securities of subsidiary companies (9)			R$	-23,508	-	-23,508	-	
(–) Transaction costs			R$	-2,943	-9,581	-12,524	-26,435	-52,627
Debt in Brazilian currency				**494,252**	**1,271,700**	**1,765,952**	**2,071,235**	**3,728,712**
Total of loans and financings				**540,279**	**7,052,374**	**7,592,653**	**5,368,610**	**3,759,177**
Debentures – 3rd Issue, 1st series (3)	2017	CDI + 0.90	R$					543,214
Debentures, 2nd Issue (3)	2017	IPCA + 7.96	R$					235,136
Debentures – 3rd Issue, 2nd Series (2)	2019	IPCA + 6.00%	R$	156,361	-	156,361	301,065	293,153
Debentures – 3rd Issue, 3rd Series (2)	2022	IPCA + 6.20%	R$	53,446	995,885	1,049,331	1,010,202	983,679
Debentures – 5th Issue, Single series (2)	2018	CDI rate + 1.70%	R$	-	-	-	703,021	1,411,295
Debentures – 6th Issue, 1st series (2)	2018	CDI rate + 1.60%	R$	-	-	-	507,692	100,629
Debentures – 6th Issue, 2nd series (2)	2020	IPCA + 8.07%	R$	17,240	16,082	33,322	32,093	31,223
Debentures – 7th Issue, Single series (2)	2021	140.00% of CDI	R$	341,821	680,825	1,022,646	1,683,557	2,241,592
Debentures – 3rd Issue, 1st Series (4)	2018	CDI rate + 0.69%	R$	-	-	-	447,114	464,072
Debentures – 3rd Issue 2nd Series (4)	2021	IPCA + 4.70%	R$	568,670	1,027,749	1,596.419	1,537,147	1,496,274
Debentures – 3rd Issue, 3rd Series (4)	2025	IPCA + 5.10%	R$	40,434	915,288	955,722	920,197	895,829
Debentures – 4th Issue, Single series (4)	2018	CDI rate + 4.05%	R$	-	-	-	20,008	1,626,851
Debentures – 5th Issue, Single series (4)	2022	146.50% of CDI	R$	111,433	1,468,688	1,580,121	1,576,220	0

Debentures – 6th Issue, Single series (4)	2020	CDI rate + 1.75%	R$	276,434	274,780	551,214	-	0
Debentures (8)	2018	CDI rate + 1.60%	R$	-	-	-	100,328	1,040,715
Debentures (8)	2018	CDI rate + 0.74%	R$	-	-	-	33,350	66,706
Debentures (8)	2022	TJLP+1.82% (69%); Selic+1.82% (31%)	R$	33,114	91,687	124,801	155,377	133,502
Debentures (8)	2019	116.50% of CDI	R$	50,086	-	50,086	50,330	0
Debentures (8)	2023	CDI rate + 1.50%	R$	20,033	80,000	100,033	-	0
Debentures – 2nd Issue, Single Series (7)	2019	128.50% of CDI	R$	-	-	-	26,552	0
(–) FIC Pampulha: Securities of subsidiary companies (9)			R$	-	-	-	-25,492	-64,528
(–) Transaction costs			R$	-11,785	-29,096	-40,881	-49,674	-79,239
Total, debentures				**1,657,287**	**5,521,888**	**7,179,175**	**9,029,087**	**11,420,103**
Overall total – Consolidated				**2,197,566**	**12,574,262**	**14,771,828**	**14,397,697**	**15,179,280**

(1) Net balance of the Restructured Debt comprising bonds at par and discounted, with balance of R$ 174,790, less the amounts given as deposits in guarantee, with balance of R$ 148,854. 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) Advance funding to achieve the yield to maturity agreed in the Eurobonds contract;
(4) Cemig Distribuição;
(5) In Central Eólica Praias de Parajuru, resulting from the transactions to eliminate crossover stockholdings between Cemig GT and Energimp. For more details please see Note 17 to the financial statements.
(6) Central Eólica Volta do Rio – result of elimination of cross stockholdings between Cemig GT and Energimp. For more details please see Note 17 to the financial statements.
(7) Cemig Holding Company. Arising from absorption of Cemig Telecom.
(8) Gasmig.
(9) FIC Pampulha has financial investments in securities issued by subsidiary companies of the Company. For more information and characteristics see Note 31 to the financial statements.

ii. Other long-term relationships with financial institutions

The Chief Officers confirm that there are no long-term relationships between the Company and financial institutions, relating to the business years ended December 31, 2018, 2017 and 2016, other than those already described in item 10.1(f)(i) of this Reference Form.

iii. Degree of subordination between the debts

In the event of court or extrajudicial liquidation of the Company there is an order for preference as to payment of the obligations, specified and guaranteed under Law 11101 of February 9, 2005. Certain debts were contracted with an asset guarantee and, thus, have preference over other debts of the Company in the event of bankruptcy, up to the limit of the asset guarantee constituted.

Approximately 65% of the debts of the Company's subsidiaries have a corporate guarantee from the Company, and approximately 34% of the debt is guaranteed by receivables and/or shares.

iv. Any restrictions imposed on the Issuer, especially in relation to the limits of indebtedness and contracting of new debt, distribution of dividends, disposal of assets, issues of new securities and/or disposal of stockholding control, and also whether the Issuer has complied with these restrictions

As to the existence of financial covenants in financing contracts signed by Cemig D, Cemig GT and the Company, we inform as follows:

In 2017 the issue of bonds by Cemig GT specified covenants and default events, potentially capable of generating early maturity of the debt. The package of covenants contains restrictions on investment, on indebtedness, on payment of dividends and asset guarantees, among other items, thus providing a combination of operational and financial flexibility for the issue and protection for investors. The covenants were decided according to the commonly accepted covenants for High Yield issues, and will cease to be applied if and when Cemig GT is rated 'investment grade' by two rating agencies.

The covenants requiring six-monthly compliance are the following:

'Maintenance' covenants Net debt / {Ebitda adjusted for the Covenant}		
Period	Cemig	Cemig GT
Dec. 31, 2017	5.00x	5.50x
Jun. 30, 2018	5.00x	5.50x
Dec. 31, 2018	4.25x	5.00x
Jun. 30, 2019	4.25x	5.00x
Dec. 31, 2019	3.50x	4.50x
Jun. 30, 2020	3.50x	4.50x
Dec. 31, 2020	3.00x	3.00x
Jun. 30, 2021	3.00x	3.00x
Dec. 31, 2021 and after	3.00x	2.50x

In the event of a possible overrun of the financial maintenance covenants, interest will automatically be increased by 2% p.a. during the period in which they remain exceeded. There is also an obligation to comply with a 'maintenance covenant' which requires that the debt in Cemig Consolidated (as per financial statements) shall have asset guarantee for debt of 1.75x Ebitda (2.0 in December 2017); and a 'damage' covenant, requiring real guarantee for debt in Cemig GT of 1.5x Ebitda.

In the re-profiling of debt with the creditor banks agreed in 2017, the transactions have covenants limiting the indebtedness of the Company and of Cemig D, as follows:

Fifth Debenture Issue and amendments to contracts with Banco do Brasil and Caixa Econômica Federal (the issues of securities by Cemig D in 2018 reproduced the same financial covenants):

Net debt / Ebitda		
Period – up to:	Cemig	Cemig D
December 31, 2017.	4.50x	7.50x
June 30, 2018.	4.50x	7.50x
Dec. 31, 2018	4.25x	4.50x
June 30, 2019.	4.25x	3.80x
Dec. 31, 2019	3.50x	3.80x
June 30, 2020	3.50x	3.30x
Dec. 31, 2020	3.00x	3.30x
June 30, 2021	3.00x	3.30x
Dec. 31, 2021 and after	2,50 x	3.30x

In December 2016 Cemig GT raised R$ 2.240 billion through its 7th debenture issue. The Deed of this issue has a covenant for compliance six-monthly under which Cemig GT has the obligation to keep its Net debt / (Ebitda + Dividends received) at or below: 5.5 x in December 2017; 5.0 x in December 2018; 4.5 x in December 2019; 3.0 x in December 2020, and 2.5 x in December 2021, inclusive. This clause also specifies that the Company, guarantor of the transaction, has the obligation to keep its own Net debt / (Ebitda plus Dividends received) at or below: 4.5 x in December 2017; 4.25 x in December 2018; 3.5 x in December 2019; 3.0 x in December 2020, and 2.5 x in December 2021, inclusive.

Note: For these covenants, the terms have the following meanings: (1) 'Net debt' means the balance on the accounts of loans, financings and debentures (current and non-current liabilities), plus debts owed to the Forluminas Foundation (the Forluz pension fund) plus put options (value updated monthly); less the total of cash, cash equivalents and securities (current and non-current assets); based on the last consolidated financial statements of Cemig GT or of the Cemig holding company, as the case may be, presented to the CVM. (2) 'Ebitda' means profit before interest, taxes on income including Social Contribution on Net Profit, depreciation and amortization, calculated in accordance with CVM Instruction 527 of October 4, 2012, and CVM Official Circular SNC/SEP 01/2007: (a) less (a.1) equity method gain/loss (affiliates), (a.2) provisions for put options, (a.3) non-operational profit/loss, (a.4) stockholding reorganizations and (a.5) accounting effect of the transmission indemnity; and (b) plus (b.1) cash effect of the transmission indemnity and (b.2) dividends received (affiliates). (3) 'Dividends received' means dividends and Interest on Equity received during the period in question.

The subsidiaries Gasmig, Parajuru and Volta do Rio also have covenants, as follows:

Instrument	Covenant	Ratio required – Issuer	Ratio required Cemig (guarantor)	Ratio required for Parajuru and Volta do Rio	Compliance required
Debentures Gasmig (1)	(Total liabilities / Total assets)	Less than 0.6			Annual
	Ebitda / Debt servicing	1.3 or more			Annual
	Ebitda / Net fin. rev. (exp.)	2.5 or more			Annual
	Net debt / Ebitda	2.5 or less			Annual
Financing from Caixa Econômica Federal Parajuru and Volta do Rio	Debt coverage index			1.20% or more	Annual (during amortization period)
	Equity / Total liabilities			20.61% or more (Parajuru) 20.63% (Volta do Rio)	Permanent
	Subscribed capital of the financee / Total investments realized of the project financed			20.61% or more (Parajuru) 20.63% (Volta do Rio)	Permanent

(1) If Gasmig does not achieve the required ratio, it must, within 120 days from the date 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.

(2) The financing contracts with Caixa Econômica Federal for the Praias de Parajuru and Volta do Rio wind power plants have financial covenants with compliance relating to early maturity of the remaining balance of the debt. Compliance with the debt servicing coverage index is considered to be demandable only annually and during the period of amortization, which begins in July 2020.

Definitions

(a) Cross-default: Certain contractually specified situations can cause early maturity of other debts

(b) Net financial revenue (expenses): Interest plus financial expenses, less financial revenues (except when net financial revenue negative)

Financial contracts of Cemig D and Cemig G contain standard clauses restraining payment of dividends if the companies are in default, restraining disposal of assets that would compromise their activities, and restraining disposal of stockholding control of the Company.

g. Limits of financings contracted and percentages so far used

Not applicable

h. Significant alterations in each item of the financial statements

Comparison of the Statements of financial position (balance sheet) for the business years ended December 31, 2018 and 2017

Assets R$ ’000	Consolidated				
	2018	% of total	2017	% of total	% change
CURRENT					
Cash and cash equivalents	890,804	1.49%	1,030,257	2.44%	-13.54%
Securities	703,551	1.18%	1,058,384	2.51%	-33.53%
Consumers and traders; Concession holders – Power transport	4,091,722	6.84%	3,885,392	9.20%	5.31%
Financial assets of the concession	1,070,384	1.79%	847,877	2.01%	26.24%
Contractual assets	130,951	0.22%	-	0.00%	100.00%
Recoverable taxes	124,183	0.21%	173,790	0.41%	-28.54%
Income and Social Contribution taxes recoverable	386,668	0.65%	339,574	0.80%	13.87%
Dividends receivable	119,743	0.20%	76,893	0.18%	55.73%
Restricted cash	90,993	0.15%	106,227	0.25%	-14.34%
Inventories	35,619	0.06%	38,134	0.09%	-6.60%
Advances to suppliers	6,785	0.01%	116,050	0.27%	-94.15%
Accounts receivable from the State of Minas Gerais	-	0.00%	235,018	0.56%	-100.00%

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Reimbursement of tariff subsidies	90,845	0.15%	77,086	0.18%	17.85%
Low-income subsidy	30,232	0.05%	26,660	0.06%	13.40%
Derivative financial instruments – Swap	69,643	0.12%	-	0.00%	100.00%
Other credits	507,918	0.85%	525,961	1.25%	-3.43%
	8,350,041	**13.95%**	**8,537,303**	**20.21%**	**-2.19%**
Other assets classified as held for sale	19,446,033	32.49%	0	0.00%	100.00%
TOTAL, CURRENT	**27,796,074**	**46.44%**	**8,537,303**	**20.21%**	**225.58%**
NON-CURRENT					
Securities	108,683	0.18%	29,753	0.07%	265.28%
Advances to suppliers	87,285	0.15%	6,870	0.02%	1170.52%
Consumers and traders; Concession holders – Power transport	80,889	0.14%	255,328	0.60%	-68.32%
Recoverable taxes	242,356	0.40%	230,678	0.55%	5.06%
Income and Social Contribution taxes recoverable	5,516	0.01%	20,617	0.05%	-73.25%
Deferred income tax and Social Contribution tax	2,146,863	3.59%	1,871,228	4.43%	14.73%
Escrow deposits	2,501,512	4.18%	2,335,632	5.53%	7.10%
Derivative financial instruments – Swap	743,692	1.24%	8,649	0.02%	8498.59%
Accounts receivable from the State of Minas Gerais	245,566	0.41%	-	0.00%	100.00%
Other credits	697,389	1.17%	628,443	1.49%	10.97%
Financial assets of the concession	4,927,498	8.23%	6,604,625	15.64%	-25.39%
Contractual assets	1,597,996	2.67%	-	0.00%	100.00%
Investments	5,234,578	8.75%	7,792,225	18.45%	-32.82%
Property, plant and equipment	2,661,585	4.45%	2,762,310	6.54%	-3.65%
Intangible assets	10,777,191	18.01%	11,155,928	26.41%	-3.39%
TOTAL, NON-CURRENT	**32,058,599**	**53.56%**	**33,702,286**	**79.79%**	**-4.88%**
TOTAL ASSETS	**59,854,673**	**100.00%**	**42,239,589**	**100.00%**	**41.70%**

LIABILITIES – R$ '000	**Consolidated**				
	2018	**% of total**	**2017**	**% of total**	**%**
Suppliers	1,801,252	3.01%	2,342,757	5.55%	-23.11%
Regulatory charges	514,412	0.86%	512,673	1.21%	0.34%
Employees' and managers' profit shares	78,759	0.13%	9,089	0.02%	766.53%
Taxes	409,825	0.68%	704,572	1.67%	-41.83%
Income tax and Social Contribution tax	112,063	0.19%	115,296	0.27%	-2.80%
Interest on Equity, and Dividends, payable	863,703	1.44%	427,832	1.01%	101.88%

Loans, financings and debentures	2,197,566	3.67%	2,370,551	5.61%	-7.30%
Payroll and related charges	283,730	0.47%	207,091	0.49%	37.01%
Post-retirement obligations	252,688	0.42%	231,894	0.55%	8.97%
Paid concessions	2,469	0.00%	2,987	0.01%	-17.34%
Financial liabilities of the concession	-	0.00%	414,800	0.98%	-100.00%
Derivative financial instruments – Options	-	0.00%	507,232	1.20%	-100.00%
Advances from clients	79,405	0.13%	232,762	0.55%	-65.89%
Derivative financial instruments – Swap	-	0.00%	12,596	0.03%	-100.00%
Payable to related parties	-	0.00%	-	0.00%	-100.00%
Other obligations	525,473	0.88%	570,152	1.35%	-7.84%
	7,121,345	**11.90%**	**8,662,284**	**20.51%**	**-17.79%**
Liabilities directly related to assets held for sale	16,272,239	27.19%	-	0.00%	100.00%
TOTAL, CURRENT	**23,393,584**	**39.08%**	**8,662,284**	**20.51%**	**170.06%**
NON-CURRENT					
Regulatory charges	178,525	0.30%	249,817	0.59%	-28.54%
Loans, financings and debentures	12,574,262	21.01%	12,027,146	28.47%	4.55%
Taxes	29,396	0.05%	28,199	0.07%	4.24%
Deferred income tax and Social Contribution tax	728,419	1.22%	734,689	1.74%	-0.85%
Provisions	640,671	1.07%	678,113	1.61%	-5.52%
Post-retirement obligations	4,735,656	7.91%	3,954,287	9.36%	19.76%
Paid concessions	16,278	0.03%	18,240	0.04%	-10.76%
Pasep and Cofins taxes to be reimbursed to consumers	1,123,680	1.88%	1,087,230	2.57%	3.35%
Derivative financial instruments – Options	419,148	0.70%	307,792	0.73%	36.18%
Derivative financial instruments – Swap	-	0.00%	28,515	0.07%	-100.00%
Other obligations	75,727	0.13%	133,141	0.32%	-43.12%
TOTAL, NON-CURRENT	**20,521,762**	**34.29%**	**19,247,169**	45.57%	**6.62%**
TOTAL LIABILITIES	**43,915,346**	**73.37%**	**27,909,453**	66.07%	**57.35%**
STOCKHOLDERS' EQUITY					
Share capital	7,293,763	12.19%	6,294,208	14.90%	15.88%
Capital reserves	2,249,721	3.76%	1,924,503	4.56%	16.90%
Profit reserves	6,362,022	10.63%	5,728,574	13.56%	11.06%
Equity valuation adjustment	-1,326,787	-2.22%	-836,522	-1.98%	58.61%
Subscription of shares, to be capitalized	-	0.00%	1,215,223	2.88%	-100.00%
ATTRIBUTABLE TO CONTROLLING STOCKHOLDERS	**14,578,719**	**24.36%**	**14,325,986**	**33.92%**	**1.76%**
ATTRIBUTABLE TO NON-CONTROLLING STOCKHOLDER	**1,360,608**	**2.27%**	**4,150**	**0.01%**	**32685.73%**
STOCKHOLDERS' EQUITY	**15,939,327**	**26.63%**	**14,330,136**	**33.93%**	**11.23%**

This text is a translation, provided for information only. The original text in Portuguese is the legally valid version.

TOTAL LIABILITIES AND EQUITY	59,854,673	100.00%	42,239,589	100.00%	41.70%

The main differences in the account lines of assets and liabilities comparing 2018 to 2017 are as follows:

Assets and liabilities classified as held for sale

- ✓ Due to the classification of the investment in Light and its investees as Available for sale, the Company transferred the consolidated balances of those companies to Assets and liabilities held for sale.

Concession financial assets

- ✓ Long-term balances R$ 1.677 billion lower, mainly due to receipt of the reimbursements (indemnities) for the generation and transmission assets, following acceptance of the terms of Law 12783/13 (Provisional Measure 579).

Investments

- ✓ Balance 32.82% lower, basically due to transfer of the investments in Light to Assets and liabilities held for sale.

PROFIT AND LOSS ACCOUNTS

Comparison of the operational result for the business years ended December 31, 2018 and 2017.

PROFIT AND LOSS ACCOUNT – R$ '000	Consolidated				
	2018	% of total	2017	% of total	%
GOING CONCERN OPERATIONS					
NET REVENUE	**22,266,217**	**100.00%**	**21,711,690**	**100.00%**	**2.55%**
OPERATING COSTS					
COST OF ELECTRICITY AND GAS					
Electricity purchased for resale	-11,084,194	-49.78%	-10,919,476	-50.29%	1.51%
Charges for use of the national transmission grid	-1,479,414	-6.64%	-1,173,923	-5.41%	26.02%
Gas bought for resale	-1,238,085	-5.56%	-1,070,623	-4.93%	15.64%
	-13,801,693	-61.98%	-13,164,022	-60.63%	4.84%
OTHER COSTS					
Personnel and managers	-1,098,250	-4.93%	-1,270,188	-5.85%	-13.54%
Materials	-81,414	-0.37%	-72,815	-0.34%	11.81%
Outsourced services	-912,647	-4.10%	-759,036	-3.50%	20.24%
Depreciation and amortization	-760,720	-3.42%	-787,129	-3.63%	-3.36%
Operating provisions	-40,054	-0.18%	-225,504	-1.04%	-82.24%
Infrastructure construction cost	-897,490	-4.03%	-1,118,749	-5.15%	-19.78%

Others	-84,923	-0.38%	-89,677	-0.41%	-5.30%
	-3,875,498	-17.41%	-4,323,098	-19.91%	-10.35%
TOTAL COST	**-17,677,191**	**-79.39%**	**-17,487,120**	**-80.54%**	**1.09%**
GROSS PROFIT	**4,589,026**	**20.61%**	**4,224,570**	**19.46%**	**8.63%**
OPERATING EXPENSES					
Selling expenses	-264,416	-1.19%	-248,280	-1.14%	6.50%
General and administrative expenses	-671,923	-3.02%	-763,121	-3.51%	-11.95%
Operating provisions	-167,232	-0.75%	-353,282	-1.63%	-52.66%
Other operational revenues (expenses)	-639,464	-2.87%	34,760	0.16%	-1939.65%
	-1,743,035	-7.83%	-1,329,923	-6.13%	31.06%
Share of profit (loss) in associates and joint ventures	-103,549	-0.47%	-252,240	-1.16%	-58.95%
Restatement of prior holding in subsidiaries acquired	-119,118	-0.53%	-	0.00%	100.00%
Adjustment for impairment of Investments	-127,427	-0.57%	-	0.00%	100.00%
Operational profit before financial revenue (expenses) and taxes	**2,495,897**	**11.21%**	**2,642,407**	**12.17%**	**-5.54%**
Financial revenues	1,705,679	7.66%	803,713	3.70%	112.22%
Financial expenses	-2,224,161	-9.99%	-1,800,264	-8.29%	23.55%
Pre-tax profit	**1,977,415**	**8.88%**	**1,645,856**	**7.58%**	**20.15%**
Current income tax and Social Contribution tax	-583,273	-2.62%	-446,348	-2.06%	30.68%
Deferred income tax and Social Contribution tax	-15,851	-0.07%	-197,912	-0.91%	-91.99%
Profit for the year from going concern operations	**1,378,291**	**6.19%**	**1,001,596**	**4.61%**	**37.61%**
DISCONTINUED OPERATIONS					
Profit for the year from discontinued operations	363,422	1.63%	-	0.00%	100.00%
NET PROFIT FOR THE YEAR	**1,741,713**	**7.82%**	**1,001,596**	**4.61%**	**73.89%**
Total of net Net profit for the year attributed to:					
Interest of the controlling shareholders					
Profit for the year from going concern operations	1,627,980	7.31%	1,000,954	4.61%	62.64%
Profit for the year from discontinued operations	72,880	0.33%	-	0.00%	100.00%
Profit for the year attributable to stockholders of parent company	**1,700,860**	**7.64%**	**1,000,954**	**4.61%**	**69.92%**
Interest of non-controlling stockholders					
Profit for the year from going concern operations	761	0.00%	642	0.00%	18.54%
Profit for the year from discontinued operations	40,853	0.18%	-	0.00%	100.00%
	41,614	**0.19%**	**642**	**0.00%**	**6381.93%**
Net profit for the year	**1,741,713**	**7.82%**	**1,001,596**	**4.61%**	**73.89%**

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

Ebitda – R$ million	2018	2017	Change, %
Net profit for the period	1,700	1,001	69.83
+ Income tax and Social Contribution tax	728	644	13.04
+ Net financial revenue (expenses)	518	997	(48.04)
+ Depreciation and amortization	835	850	(1.76)
= Ebitda	**3,781**	**3,492**	**8.28**

(*) The expense on income tax and the Social Contribution tax include an item of R$ 129 million, which is presented at its net value in the figure for profit/loss of discontinued activities.

Liquidity and capital resources

Our business is capital-intensive. Historically, we have a need for capital to finance the construction of new generation facilities and expansion and modernization of the existing generation, transmission and distribution facilities.

Our liquidity requirements are also affected by our dividend policy. We finance our liquidity and capital needs principally with cash generated by operations and, on a lesser scale, with funds from financing.

Cash and cash equivalents

Cash and cash equivalents at December 31, 2018 totaled R$ 891 million, compared to R$ 1.030 billion on December 31, 2017. No cash nor cash equivalents were held in any other currency than the Real. The main components of this variation:

Cash flow from operations

The totals of Net cash generated by operational activities in 2018 and 2017 were, respectively, R$ 1.008 billion and R$ 580 billion. The higher cash generated by operations in 2018 than 2017 mainly reflects the reimbursement received for the *São Simão* and *Miranda* hydroelectric plants, and also reflects the Company's increased profitability.

Cash used in investment activities

The Company used net cash of R$ 211 million in investment activities in 2018, compared to net cash of R$ 836 million in 2017. The figure reflects the high volume of the Company's investments in the period, net of the amounts received from sale of assets – which totaled R$ 654 million in 2018, and R$ 766 million in 2017.

Cash flow in financing activities

Cash consumed in financing activities in 2018 totaled R$ 936 million – comprising amortization of financings totaling R$ 3.527 billion, and new funding of R$ 2.980 billion.
Cash consumed by financing activities in 2017 was R$ 159 million, comprising R$ 4.131 billion in amortization of financings, offset by R$ 3.308 billion in new financing raised. An important component was a cash injection of R$ 1.215 billion from stockholders for future capital increase.

Comparison of Statements of financial position (balance sheets) for years ended December 31, 2017 and 2016

ASSETS (R$ million)	Consolidated				
	2017	% of total	2016	% of total	%
CURRENT					
Cash and cash equivalents	1,030	2.44	995	2.37	3.52
Securities	1,058	2.50	1,014	2.41	4.34
Consumers and Traders	4,026	9.53	3,425	8.15	17.55
Concession financial assets	848	2.01	730	1.74	16.16
Recoverable taxes	174	0.41	236	0.56	(26.27)
Income tax and Social Contribution taxes recoverable	340	0.80	590	1.40	(42.37)
Dividends receivable	77	0.18	11	0.03	600.00
Restricted cash	106	0.25	367	0.87	(71.12)
Inventories	38	0.09	49	0.12	(22.45)
Advances to suppliers	116	0.27	1	0.00	11,500.00
Accounts receivable from the State of Minas Gerais	235	0.56	–	–	100.00
Reimbursement of tariff subsidies	73	0.17	64	0.15	14.06
Low-income subsidy	27	0.06	36	0.09	(25.00)
Credits owed by Eletrobras – RGR	-	-	48	0.11	-
Credits owed by Eletrobras – CDE	4	0.01	90	0.21	(95.56)
Subsidies for tariffs	104	0.25	102	0.24	1.96
Other	281	0.67	524	1.25	(46.68)
TOTAL, CURRENT	**8,537**	**20.21**	**8,285**	**19.71**	**3.04**
NON-CURRENT					
Securities	30	0.07	31	0.07	(3.23)
Advances to suppliers	7	0.02	229	0.54	(96.94)
Consumers and Traders	255	0.60	146	0.35	74.66
Recoverable taxes	231	0.55	178	0.42	29.78
Income tax and Social Contribution taxes recoverable	20	0.05	112	0.27	(82.14)
Deferred income tax and Social Contribution tax	1,871	4.43	1,797	4.27	4.12
Escrow deposits	2,335	5.53	1,887	4.49	23.74
Gains on financial instruments	8	0.02	-	-	100.00
Other	628	1.49	1,050	2.50	(40.19)
Financial assets of the concession	6,604	15.63	4,971	11.83	32.85
Investments	7,792	18.45	8,753	20.82	(10.98)
Property, plant and equipment	2,763	6.54	3,775	8.98	(26.81)
Intangible assets	11,158	26.42	10,820	25.74	3.12
TOTAL, NON-CURRENT	**33,702**	**79.79**	**33,751**	**80.29**	**(0.15)**
TOTAL ASSETS	**42,240**	**100.00**	**42,036**	**100.00**	**0.49**

LIABILITIES (R$ million)	Consolidated				
	2016	% of total	2016	% of total	%
Suppliers	2,343	5.55	1,940	4.62	20.77
Regulatory charges	513	1.21	381	0.91	34.65
Profit sharing	9	0.02	18	0.04	(50.00)
Taxes	704	1.67	794	1.89	(11.34)
Income and Social Contribution tax	115	0.27	27	0.06	325.93
Interest on Equity, and Dividends, payable	428	1.01	467	1.11	(8.35)
Loans, financings and debentures	2,371	5.61	4,837	11.51	(50.98)
Payroll and related charges	207	0.49	225	0.54	(8.00)
Post-retirement obligations	232	0.55	199	0.47	16.58
Paid concessions	3	0.01	3	0.01	-
Financial liabilities of the concession	415	0.98	482	1.15	13.90
Financial instruments – Put options	507	1.20	1,150	2.74	(55.91)
Advance sales of power supply	233	0.55	181	0.43	28.73
Provision for losses on financial instruments	13	0.03	-	-	100.00
Other obligations	570	1.35	746	1.77	23.59
TOTAL, CURRENT	**8,662**	**20.51**	**11,447**	**27.23**	**(24.33)**
NON-CURRENT					
Regulatory charges	250	0.59	455	1.08	(45.05)
Loans and financings	12,027	28.47	10,342	24.60	16.29
Taxes	28	0.07	724	1.72	(96.13)
Deferred income tax and Social Contribution tax	735	1.74	582	1.38	26.29
Provisions	678	1.61	815	1.94	(16.81)
Post-retirement obligations	3,954	9.36	4,043	9.62	(2.20)
Paid concessions	18	0.04	19	0.05	(5.26)
Financial liabilities of the concession	-	-	323	0.77	(100.00)
Pasep and Cofins taxes to be reimbursed to consumers	1,087	2.57	-	-	100.00
Financial instruments – Put options	308	0.73	192	0.46	60.42
Provision for losses on derivative instruments	29	0.07	-	-	100.00
Other obligations	133	0.31	159	0.38	(16.35)
TOTAL, NON-CURRENT	**19,247**	**45.57**	**17,654**	**42.00**	**9.02**
TOTAL LIABILITIES	**27,909**	**66.07**	**29,101**	**69.23**	**(4.10)**

STOCKHOLDERS' EQUITY

Share capital	6,294	14.90	6,294	14.97	-
Capital reserves	1,925	4.56	1,925	4.58	-
Profit reserves	5,729	13.56	5,200	12.37	10.17
Share subscriptions yet to be paid-up	1,215	2.88	-	-	100.00
Equity valuation adjustments	(837)	(1.98)	(488)	(1.16)	71.52
TOTAL ATTRIBUTABLE TO CONTROLLING STOCKHOLDERS	**14,326**	**33.92**	**12,931**	**30.76**	**10.79**
ATTRIBUTABLE TO NON-CONTROLLING STOCKHOLDER	**4**	**0.01**	**4**	**0.01**	**-**
TOTAL STOCKHOLDERS' EQUITY	**14,330**	**33.93**	**12,935**	**30.77**	**10.78**
TOTAL LIABILITIES AND EQUITY	**42,240**	**100.00**	**42,036**	**100.00**	**0.49**

The main alterations in the account lines of assets and liabilities in the financial statements for 2017, as compared to 2016, are as follows:

Escrow deposits

- R$ 448 million higher, basically due to monetary updating of the court escrow deposit in the legal dispute on application of Pasep and Cofins taxes to ICMS tax already charged.

Concession financial assets

- Increase of R$ 1.633 billion in Financial assets of the concession, long term, due to transfer to this account line of the indemnities receivable for generation assets, namely the *Miranda* and *São Simão* plant, for a total of R$ 1.082 billion (amount transferred from PP&E).

Investments

- R$ 961 million lower due mainly to disposal of assets and receipt of dividends.

Loans and financings – short and long term

- R$ 782 million lower, due to greater amortization of debt in 2017 in comparison to new funds raised.

Financial instruments – Put options

- R$ 643 million lower due to settlement of the put option for Parati on November 30, 2017.

PROFIT AND LOSS ACCOUNTS

Comparison of the operational results of the business years ended December 31, 2017 and 2016.

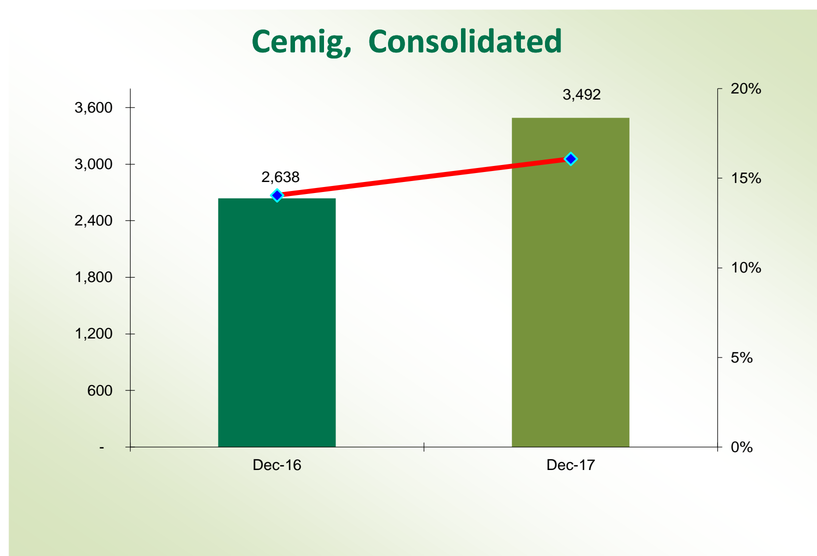
R$ million	Consolidated				
	2017	% of total	2016	% of total	%
NET REVENUE	**21,712**	**100.00**	**18,773**	**100.00**	**(15.66)**
OPERATING COSTS AND EXPENSES					
Personnel	(1,627)	(7.49)	1,643	(8.75)	(0.97)
Employees' and managers' profit shares	(5)	(0.02)	(7)	(0.04)	(28.57)
Post-retirement benefits	229	1.05	346	1.84	166.18
Materials	(61)	(0.28)	(58)	(0.31)	5.17
Raw materials and inputs for production of electricity					
Outsourced services	(974)	(4.49)	(868)	(4.62)	12.21
Electricity purchased for resale	(10,919)	(50.29)	8,272	(44.06)	32.00
Depreciation and amortization	(850)	(3.91)	(834)	(4.44)	1.92
Operational provisions (reversals)	(854)	(3.93)	713	(3.80)	19.78
Charges for use of the national grid	(1,174)	(5.41)	(947)	(5.04)	23.97
Gas bought for resale	(1,071)	(4.93)	877	(4.67)	22.12
Construction costs	(1,119)	(5.15)	(1,193)	(6.35)	(6.20)
Other operating expenses, net	(383)	(1.76)	143	(0.76)	167.83
	(18,817)	(86.67)	(15,902)	(84.71)	18.33
Share of profit (loss) in associates and joint ventures	(253)	(1.17)	(302)	(1.61)	(16.23)
Adjustment for loss of value in investment	-	-	762	(4.06)	-
Operational profit before financial revenue (expenses) and taxes	**2,642**	**12.17**	**1,805**	**9.61**	**46.37**
Finance income	804	3.70	1,041	5.55	(22.77)
Finance expenses	(1,800)	(8.29)	(2,478)	(13.20)	(27.36)
Pre-tax profit	**1,646**	**7.58**	**368**	**1.96**	**347.28**
Current income tax and Social Contribution tax	(446)	(2.05)	174	(0.93)	156.32
Deferred income tax and Social Contribution tax	(198)	(0.91)	140	0.75	-
NET PROFIT FOR THE PERIOD	**1,002**	**4.61**	**334**	**1.78**	**200.00**

Net profit for the period

Cemig reports net profit of R$ 1.001 billion for 2017, compared to net profit of R$ 334 million in 2016 – a year-on-year increase of 235.33%. The following pages describe the main variations between the two periods in revenues, costs, expenses and financial items.

Ebitda (earnings before interest, tax, depreciation and amortization)

Cemig's Ebitda was 37.98% higher in 2017 than 2016:



Ebitda - R$ million	2017	2016	Change, %
Net profit for the year	1,001	334	200
+ Income tax and Social Contribution tax	644	33	1,851.52
+ Net financial revenue	997	1,437	(30.62)
+ Depreciation and amortization	850	834	1-92
= Ebitda	3,492	2,638	32.41

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.

The paragraphs below show the principal differences in components. In line with the higher Ebitda, Ebitda margin was higher, at 16.09%, in 2017, than in 2016 (14.05%).

Cash and cash equivalents

Cash and cash equivalents at December 31, 2017 totaled R$ 1.030 billion, compared to R$ 995 million on December 31, 2016. No cash nor cash equivalents were held in any other currency than the Real. The main components of this variation:

Cash flow from operations

Net cash generated by operational activities was R$ 584 million in 2017, and R$ 1.213 billion in 2016. The lower net cash from operational activities in 2017 than 2016 mainly reflects the lower net profit, after adjustment for non-cash items, which was R$ 2.861 billion in 2017, vs. R$ 5.477 billion in 2016.

The lower cash flow from operational activities in 2017 than in 2016 was mainly due to higher cash outflow in 2017 to cover 'portion A' non-manageable costs, due to the higher expense of electricity due to the lower hydroelectric reservoir levels, resulting in the need to store water in the system, and activate thermoelectric plants, resulting in a higher price for power.

Cash used in investment activities

The Company used net cash of R$ 390 million in investment activities in 2017, compared to net cash of R$ 614 million used in investment activities in 2016. In 2017 the total invested in securities was positive R$ 4 million, compared to redemptions of R$ 1.401 billion in 2016. In 2017 financing activities consumed R$ 254 million, compared to R$ 1.455 billion in 2016.

Cash flow in financing activities

In 2017 financing activities consumed R$ 159 million. This comprised: amortization of financings, R$ 4.131 billion; cost of rollover of debt, R$11 million; and payment of R$ 540 million in dividends and Interest on Equity; partially offset by incoming funds from financings of R$ 3.308 billion, and capital of R$ 1.215 billion subscribed by stockholders against a future capital increase.

In 2016 financing activities resulted in a net outflow of R$ 529 million, comprising: R$ 5.592 billion paid in amortization of financings; R$ 675 million paid in dividends and Interest on Equity; and inflow from financings of R$ 5.737 billion.

Comparison of the Statements of financial position (balance sheets) for years ended December 31, 2016 and 2015.

ASSETS (R$ million)	Consolidated				
	2016	% of total	2015	% of total	%
CURRENT					
Cash and cash equivalents	995	2.37	925	2.26	7.57
Securities	1,014	2.41	2,427	5.94	(58.22)
Consumers and Traders	3,425	8.15	3,581	8.76	(4.36)
Concession holders – Power Transport	730	1.74	184	0.45	296.74
Concession financial assets	236	0.56	874	2.14	(73.00)
Recoverable taxes	590	1.40	175	0.43	237.14
Income tax and Social Contribution taxes recoverable	11	0.03	306	0.75	(96.41)
Dividends receivable	367	0.87	62	0.15	491.94
Restricted cash	49	0.12	-	-	-
Inventories	1	-	37	0.09	(97.30)

Advances to suppliers	64	0.15	87	0.21	(26.44)
Funding from Energy Development Account (CDE)	36	0.09	72	0.18	(50.00)
Credits owed by Eletrobras – RGR	48	0.11	-	-	-
Credits owed by Eletrobras – CDE	90	0.21	-	-	-
Other	629	1.50	647	1.58	(2.78)
TOTAL, CURRENT	**8,285**	**19.71**	**9,377**	**22.95**	**(11.65)**
NON-CURRENT					
Securities	31	0.07	84	0.21	(63.10)
Advances to suppliers	229	0.54	60	0.15	281.67
Consumers and Traders	146	0.35	134	0.33	8.96
Recoverable taxes	178	0.42	258	0.63	(31.01)
Income tax and Social Contribution taxes recoverable	112	0.27	206	0.50	(45.63)
Deferred income tax and Social Contribution tax	1,797	4.27	1,498	3.67	19.96
Escrow deposits	1,887	4.49	1,813	4.44	4.08
Other	1,052	2.50	807	1.98	30.36
Financial assets of the concession	4,971	11.83	2,660	6.51	86.88
Investments	8,753	20.82	9,745	23.85	(10.18)
Property, plant and equipment	3,775	8.98	3,940	9.64	(4.19)
Intangible assets	10,820	25.74	10,275	25.15	5.30
TOTAL, NON-CURRENT	**33,751**	**80.29**	**31,480**	**77.05**	**7.21**
TOTAL ASSETS	**42,036**	**100.00**	**40,857**	**100.00**	**2.89**

LIABILITIES (R$ million)	Consolidated				
	2016	% of total	2015	% of total	%
Suppliers	1,940	4.62	1,901	4.65	2.05
Regulatory charges	381	0.91	517	1.27	(26.31)
Profit sharing	18	0.04	114	0.28	(84.21)
Taxes	794	1.89	740	1.81	7.30
Income and Social Contribution tax	27	0.06	11	0.03	145.45
Interest on Equity, and Dividends, payable	467	1.11	1,307	3.20	(64.27)
Loans, financings and debentures	4,837	11.51	6,300	15.42	(23.22)
Payroll and related charges	225	0.54	221	0.54	1.81
Post-retirement obligations	199	0.47	167	0.41	19.16
Paid concessions	3	0.01	3	0.01	-
Financial liabilities of the concession	482	1.15	-	-	-
Financial instruments – Put options	1,150	2.74	1,245	3.05	(7.63)
Advance sales of power supply	181	0.43	-	-	-
Other obligations	743	1.77	548	1.34	35.58
TOTAL, CURRENT	**11,447**	**27.23**	**13,074**	**32.00**	**(12.44)**
NON-CURRENT					
Regulatory charges	455	1.08	226	0.55	101.33
Loans and financings	10,342	24.60	8,866	21.70	16.65
Taxes	724	1.72	740	1.81	(2.16)
Deferred income tax and Social Contribution tax	582	1.38	689	1.69	(15.53)
Provisions	815	1.94	755	1.85	7.95

Post-retirement obligations	4,043	9.62	3,086	7.55	31.01
Paid concessions	19	0.05	19	0.05	-
Financial liabilities of the concession	323	0.77	-	-	-
Financial instruments – Put options	192	0.46	148	0.36	29.73
Other obligations	159	0.38	266	0.65	(40.23)
TOTAL, NON-CURRENT	**17,654**	**42.00**	**14,795**	**36.21**	**19.32**
TOTAL LIABILITIES	**29,101**	**69.23**	**27,869**	**68.21**	**4.42**
STOCKHOLDERS' EQUITY					
Share capital	6,294	14.97	6,294	15.40	-
Capital reserves	1,925	4.58	1,925	4.71	-
Profit reserves	5,200	12.37	4,663	11.41	11.52
Equity valuation adjustments	(488)	(1.16)	102	0.25	(578.43)
TOTAL ATTRIBUTABLE TO CONTROLLING STOCKHOLDERS	**12,931**	**30.76**	**12,984**	**31.78**	**(0.41)**
ATTRIBUTABLE TO NON-CONTROLLING STOCKHOLDER	**4**	**0.01**	**4**	**0.01**	**-**
TOTAL OF STOCKHOLDERS' EQUITY	**12,935**	**30.77**	**12,988**	**31.79**	**(0.41)**
TOTAL LIABILITIES AND EQUITY	**42,036**	**100.00**	**40,857**	**100.00**	**2.89**

The main differences in the lines of assets and liabilities between 2015 and 2016 are as follows:

Securities

- R$ 1.412 billion lower, for short-term securities, due to funds used for payment of the Concession Grant Fee for Lot D of the generation auction, paid in January 2016.

Concession financial assets

- R$ 2.311 billion higher, long-term, due to payment of the Concession Grant Fee for the generation plant, and financial updating of the amounts receivable on the transmission indemnity.

Investments

- R$ 992 million lower, mainly due to the adjustment for losses on the investment in Renova, in the amount of R$ 763 million.

Post-retirement obligations

- R$ 989 million higher, basically due to the reduction in the interest rate used to discount the obligations to present value.

PROFIT AND LOSS ACCOUNTS

Comparison of the operational results for years ended December 31, 2016 and 2015.

R$ mn	Consolidated				
	2016	% of total	2015	% of total	%
NET REVENUE	**18,773**	**100.00**	**21,868**	**100.00**	**(14.15)**
OPERATING COSTS AND EXPENSES					
Personnel	(1,643)	(8.75)	1,435(6.56)		14.49
Employees' and managers' profit shares	(7)	(0.04)	(137)	(0.63)	(94.89)
Post-retirement benefits	346	1.84	156	0.71	121.79
Materials	(58)	(0.31)	(70)	(0.32)	(17.14)
Raw materials and inputs for production of electricity	-	-	(84)	(0.38)	-
Outsourced services	(868)	(4.62)	(899)	(4.11)	(3.45)
Electricity purchased for resale	(8,272)	(44.06)	9,542	(43.63)	(13.31)
Depreciation and amortization	(834)	(4.44)	(835)	(3.82)	(0.12)
Operational provisions (reversals)	(713)	(3.80)	1,401	(6.41)	(49.11)
Charges for use of the national grid	(947)	(5.04)	(999)	(4.57)	(5.21)
Gas bought for resale	(877)	(4.67)	1,051	(4.81)	(16.56)
Construction costs	(1,193)	(6.35)	(1,252)	(5.73)	(4.71)
Other operating expenses, net	(143)	(0.76)	427	(1.95)	(66.51)
	(15,902)	(84.71)	(18,288)	(86.63)	(13.05)
Share of profit (loss) in associates and joint ventures	(302)	(1.61)	393	1.80	-
Adjustment for loss of value in investment	(762)	(4.06)	-	-	-
Fair value results in stockholding transaction	-	-	729	3.33	-
Operational profit before financial revenue (expenses) and taxes	**1,805**	**9.61**	**4,702**	**21.50**	**(61.61)**
Finance income	1,041	5.55	864	3.95	20.49
Finance expenses	(2,478)	(13.20)	2,204	(10.08)	12.43
Pre-tax profit	**368**	**1.96**	**3,362**	**15.37**	**(89.05)**
Current income tax and Social Contribution tax	(174)	(0.93)	(881)	(4.03)	(80.25)
Deferred income tax and Social Contribution tax	140	0.75	12	(0.05)	-
NET PROFIT FOR THE PERIOD	**334**	**1.78**	**2,469**	**11.29**	**(86.44)**

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Profit for the period

Cemig reported net profit of R$ 334 million for 2016. This compares to net profit of R$ 2.469 billion for 2015 – a year-on-year reduction of 86.44%.

Ebitda (earnings before interest, tax, depreciation and amortization)

Ebitda – R$ million	2016	2015	Change, %
Net profit for the year	334	2,469	(86.44)
+ Income tax and Social Contribution tax	33	893	(96.30)
+ Financial revenue (expenses)	1,437	1,341	7.16
+ Depreciation and amortization	834	835	(0.12)
= Ebitda	**2,638**	**5,538**	**(52.37)**

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.

Ebitda in 2016 was 52.37% below the Ebitda for 2015. This corresponded to the lower net profit in 2016. The resulting Ebitda margin was lower, at 14.05% in 2016, than in 2015 (when Ebitda margin was 25.32%)

Cash flow from operations

The totals of Net cash generated by operational activities in 2016 and 2015 were, respectively, R$ 1.213 billion and R$ 3.007 billion. The lower figure for net cash from operations in 2016 than in 2015 principally reflects the payment in 2016, by Cemig GT, of the Concession Grant Fee of 2.216 billion, for the concessions of 18 hydroelectric plants, awarded at the Aneel auction of December 2015.

Cash used in investment activities

The Company used net cash of R$ 614 million in investment activities in 2016, compared to net cash of R$ 3.217 billion used in investment activities in 2015. The figure for cash consumed in investment activities in 2016 arises principally from injection of R$ 1.455 billion into investees, partially offset by funds invested in securities, totaling R$ 1.401 billion.

Cash flow in financing activities

In 2016 financing activities resulted in net outflow of R$ 529 million, comprising: R$ 5.592 billion paid in amortization of financings; R$ 675 million paid in dividends and Interest on Equity; and inflow from financings of R$ 5.737 billion.

In 2015, financing activities resulted in net cash outflow of R$ 247 million, comprising amortizations of loans and financings totaling R$ 4.696 billion, receipt of R$ 5.736 billion in loans and financings, and payments of R$ 796 million in dividends and Interest on Equity.

10.2

a. Results of operations of the Issuer, in particular:

i. Description of any important components of revenue

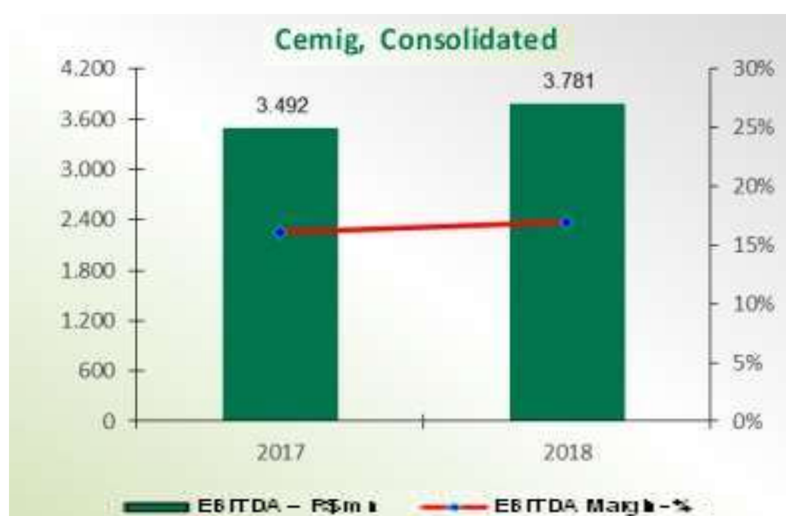
Comparison of the results of the business years ended Monday, December 31, 2018 and 2017

Net profit for the period

Cemig reports net profit of R$ 1.700 billion for 2018, compared to net profit of R$ 1.001 billion in 2017 – a year-on-year increase of 69.83%. The following pages describe the main variations between the two periods in revenues, costs, expenses and financial items.

Ebitda (earnings before interest, tax, depreciation and amortization)

Ebitda – R$ million	2018	2017	Change, %
Net profit for the period	1,700	1,001	69.83
Income tax and the Social Contribution tax	728	644	13.04
+ Net financial revenue (expenses)	518	997	(48.04)
+ Depreciation and amortization	835	850	(1.76)
= Ebitda	**3,781**	**3,492**	**8.28**



Ebitda is a non-accounting measure prepared by the Company, reconciled with its consolidated 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.

Cemig's Ebitda was 8.28% higher year-on-year in 2018. In line with the higher Ebitda, Ebitda margin was higher, at 16.98%, in 2018, than in 2017 (16.09%).

The main variations in elements of the result are as follows:

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Revenue from supply of electricity

Total revenue from supply of electricity in 2018 was R$ 24.872 billion, 4.94% higher than in 2017 (R$ 23.701 billion).

Final consumers

Total revenue from electricity sold to final consumers, excluding Cemig's own consumption, in 2018 was R$ 21.882 billion, or 7.07% more than in 2017 (R$ 20.438 billion).

The main factors in this revenue were:

- The annual tariff adjustment for Cemig D, effective May 28, 2017 (full effect in 2018) with average *downward* effect on customer tariffs of 10.66%.
- The annual tariff adjustment for Cemig D effective May 28, 2018, with an average *upward* effect of 23.19% on consumer tariffs.
- Higher revenues from the 'Flag Tariff' components of customer bills: R$ 654 million in 2018, compared to R$ 454 million in 2017. This reflects the low level of reservoirs, activating the 'Yellow Flag' and 'Red Flag' additional tariff rates, leading to higher charges and thus higher revenue in 2018.
- Volume of supply sold to final consumers 2.50% higher.

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).

This table details Cemig's market and the changes in sales of energy by consumer category, comparing 2018 to 2017:

	MWh (1)		
	Dec. 31, 2018	Dec. 31, 2017	Change, %
Residential	10,266,434	10,008,423	2.58
Industrial	17,689,182	17,760,807	(0.40)
Commercial, Services and Others	8,380,346	7,507,310	11.63
Rural	3,615,402	3,651,472	(0.99)
Public authorities	871,325	865,803	0.64
Public lighting	1,383,878	1,366,938	1.24
Public services	1,315,479	1,301,135	1.10
Subtotal	**43,522,046**	**42,461,888**	**2.50**
Own consumption	41,244	37,477	10.05
	43,563,290	**42,499,365**	**2.50**
Wholesale supply to other concession holders (2)	11,991,355	12,777,405	(6.15)
Total	**55,554,645**	**55,276,770**	**0.50**

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

The volume of energy sold to the *commercial* segment was 11.63% higher year-on-year, mainly reflecting new clients added to the portfolio of Cemig GT.

There was also growth of 2.58% in the volume of energy sold to the *residential* sector, mainly due to addition of new consumer units in Cemig D.

In contrast to this, the volume of energy sold to the *industrial* consumer category was 0.40% lower, mainly reflecting non-resumption of growth in industrial economic activity to the levels expected for the year.

Revenue from Use of Distribution Systems (the TUSD charge)

This is revenue from charging Free Consumers the Tariff for Use of the Distribution System (TUSD) on the volume of energy distributed. In 2018, this revenue was R$ 2.045 billion, compared to R$ 1.611 billion in 2017, an increase of 26.94% year-on-year, mainly reflecting the following:

- *reduction* of approximately 40% in the TUSD, in Cemig D's 2017 annual tariff adjustment, effective from May 28, 2017 (full effect in 2018);

- upward adjustment of approximately 36% in the TUSD, in Cemig D's 2018 annual tariff adjustment effective from May 28, 2018; and

- Contracted demand approximately R$ 8.18% higher; and an increase of approximately 14.29% in the number of CUSD facilities billed.

<u>*CVA* and *Other financial components* in tariff adjustment</u>

In its financial statements 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. The amount of this difference is passed through to clients in Cemig D's next tariff adjustment - in 2018 this represented a gain in revenue of R$ 1.973 billion, compared to an increase in 2017 of R$ 988 million. The higher figure in 2018 than 2017 is mainly due to a higher difference in 2018 than 2017 between actual costs of energy and the estimate figures used for future cost of energy in the tariff calculation (this difference generates a financial asset to be reimbursed to the Company through the next tariff adjustment).

There are more details in Note 15.

<u>Transmission indemnity revenue</u>

The transmission indemnity revenue, in Cemig GT, was R$ 250 million in 2018, compared to R$ 7373 million in 2017. We highlight the amount of R$ 149 million recorded in 2017, 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 15 – *Financial assets of the concession*.

<u>Generation indemnity revenue</u>

In 2018 the Company recognized revenue of R$ 55 million (vs. R$ 272 million in 2017) for the adjustment to the balance not yet amortized of the concessions for the *São Simão* and *Miranda* Hydroelectric Plants, as per Ministerial Order 291/17. There are more details in Note 15.

<u>Revenue from transactions in the Wholesale Trading Exchange (CCEE)</u>

Revenue from transactions in electricity on the CCEE was R$ 217 million in 2018, compared to R$ 860 million in 2017 – a year-on-year reduction of 74.77%. This reflects the lower volume of energy available for settlement in the wholesale market in 2018. In the first quarter of 2017 the Company reported revenues relating to the available energy of the *Jaguara* and Miranda plants.

<u>Revenue from supply of gas</u>

Cemig reported revenue from supply of gas totaling R$ 1.995 billion in 2018, compared to R$ 1.759 billion in 2017 – growth of 13.42%. This basically reflects the increase in the cost of gas, which was passed through to consumers – since there was in fact a reduction of 16.26% in the volume of gas sold (from 1,319,242 m³ in 2017 to 1,104,745 m³ in 2018). The cost of gas suffered a significant effect from FX variation in 2018.

<u>Construction revenue</u>

Distribution infrastructure construction revenues totaled R$ 898 million in 2018, which compares with R$ 1.119 billion in 2017, a reduction of 19.75%. 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 year.

Other operational revenues

The *Other revenues* of the Company and its subsidiaries totaled R$ 2.272 billion in 2018, an increase of 4.22% in relation to 2017 (R$ 2.180 billion). The composition of Other Operational Revenues is given in Note 28.

Taxes and charges on Revenue

Taxes and charges applied to operational revenue in 2018 were R$ 12.312 billion, or 10.41% more than in 2017 (R$ 11.151 billion).

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 2018 were R$ 2.603 billion, compared to R$ 1.822 billion in 2017.

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

The 'Flag' Tariff bands are activated as a result of low levels of water in the system's reservoirs – tariffs are temporarily increased due to scarcity of rain. The 'Red' band has two levels – Level 1 and Level 2. Level 2 comes into effect when scarcity is more intense. Activation of the flag tariffs generates an impact on billing in the subsequent month.

Income from charges to the consumer related to the Flag Tariff bands was 44.05% higher in 2018, at R$ 654 million, compared to R$ 454 million in 2017.

This reflects greater application of the Red band in 2018 than in 2017, due to (i) lower reservoir levels, and (ii) lower expectations of rain.

Other taxes and charges on revenue

The deductions and charges with the most significant impact on revenue are mainly taxes, calculated as a percentage of sales revenue. Thus their variations arise, substantially, from the changes in revenue.

Operating costs and expenses (excluding Financial income/expenses)

Operational costs and expenses totaled R$ 19.042 billion in 2018, or 1.20% more than in 2017 (R$ 18.817 billion). There is more on the breakdown of Operational costs and expenses in Note 29.

The following paragraphs comment on the main variations:

Personnel

The expense on personnel was R$ 1.410 billion in 2018, or 13.34% less than in 2017 (R$ 1.627 billion). This arises mainly from the following factors:

- Expenses on the voluntary retirement plan were 69.16% lower in 2018, at R$ 66 million, than in 2017 (R$ 214 million).A salary increase of 1.83% took effect in November 2017, under the Collective Agreement (full effect in 2018).
- Salary increase of 4.00% under the Collective Work Agreement, as from November 2018.

Electricity purchased for resale

The expense on electricity purchased for resale in 2018 was R$ 11.084 billion, or 1.50% more than in 2017 (R$ 10.920 billion). This is mainly due to the following:

- Expenses on purchase of energy in the spot market, 21.36% higher, at R$ 1.818 billion in 2018, compared to R$ 1.498 billion in 2017 – this reflects Cemig D's higher exposure to the wholesale market in 2018.
- Expenses on supply acquired through physical guarantee quota contracts 47.29% higher, at R$ 679 million in 2018, compared to R$ 461 million in 2017. This basically reflects Cemig D's average quota tariff being 52.98% higher in 2018, at R$ 92.51/MWh, compared to R$ 60.47/MWh in 2017.

- Expenses on supply acquired in regulated market auctions 5.91% lower, at R$ 3.346 billion in 2018, compared to R$ 3.556 billion in 2017. Due to the low level of the water reservoirs of the hydroelectric plants in the system, the number of thermoelectric plants dispatched was larger in 2017 – with a consequent higher expense on fuel for these plants.
- Expenses on supply acquired in regulated market auctions 6.71% lower, at R$ 4.355 billion in 2018, compared to R$ 4.668 billion in 2017. This basically reflects Cemig GT's expenses being 5.42% lower (R$ 4.051 billion in 2008, vs. R$ 4.283 billion in 2017) due to the volume of energy acquired being 8.99% lower (22,742,263 MWh in 2018, vs 20,690,422 MWh in 2017).

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. There are more details in Note 29.

Charges for use of the transmission network

Charges for use of the transmission network totaled R$ 1.479 billion in 2018, compared to R$ 1.174 billion in 2017, an increase of 25.98%.

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. The higher amounts in 2018 are due to increased transmission costs related to the payment of the transmission indemnities to the agents of the electricity sector that accepted the terms of Law 12783/13.

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 provisions totaled R$ 467 million in 2018, compared to R$ 854 million in 2017, a reduction of 45.32%.

A highlight was the lower provisions for employment-law contingencies, which were R$ 42 million in 2018, compared to R$ 207 million in 2017. This arises mainly from the following events:

- The significant amount provisioned in 2017 mainly reflects re-evaluations of potential losses in various legal actions as a result of change in the procedural phase of provisional execution, and its effect on actions disputing: the basis for calculation of hazardous work remuneration; claims for equal payment for allegedly unlawful outsourcing; and subsidiary/joint liability. In 2018, new case law of the Federal Supreme Court (STF) on the lawfulness of outsourcing of any activities, whether for means or for end-use, led to re-evaluation of the potential loss on from several actions on this subject, with consequent reduction of the amounts previously provisioned.

  There is more information in Note 25 to the financial statements.

- The fair value of the investment options in RME, Lepsa and SAAG was 54.91% lower, at R$ 156 million in 2018, compared to R$ 346 million in 2017. More details on the criteria for making of these provisions are in Note 32 (*Put options*).

- On the other hand, estimated losses on doubtful receivables were 6.45% higher, at R$ 264 million in 2018, compared to R$ 248 million in 2017. This reflects an increase in the basis for calculation of the provision, partly due to the higher total billing in 2018 resulting from the May 2018 tariff adjustment for Cemig D, rather than representing an increase in default as a percentage of billing.

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Construction cost

Construction costs in 2018 totaled R$ 897 million, or 19.84% less than in 2017 (R$ 1.119 million). This cost is fully offset by Construction revenue, of the same amount, and corresponds to the Company's investment in assets of the concession in the period.

Gas bought for resale

In 2016 the company reported an expense of R$ 1.238 billion on acquisition of gas, compared to an expense of R$ 1.071 billion in 2017 – increase of 15.59%. This basically reflects the increase in the price of gas – since there was in fact a reduction of 16.20% in the volume of gas purchased (from 1,309,459 m³ in 2017 to 1,097,275 m³ in 2018). The price of gas suffered a significant effect from exchange rate variation in 2018.

Post-retirement obligations

The impact of the post-retirement liabilities of the Company and its subsidiaries on operational profit was an expense, totaling R$ 337 million in 2018, which compares to a reversal of expense of R$ 229 million in 2017.

This is due to changes made in the life insurance policy in 2017, which resulted in the capital insured for retirees being reduced by 20% every 5 years, as from age 60, reaching a minimum of 20%. This represented a reduction of R$ 619 million in post-employment obligations at December 31, 2017, with counterpart in the profit and loss account.

Other operational revenues and expenses

A highlight component was the completion, in November 2018, of the process of disposal of the assets of Cemig Telecom, which resulted in a gain of R$ 378 million, posted in the 2018 Profit and loss account.

More details in Note 33.

Share of profit (loss) in associates and joint ventures

The equity method gain from non-consolidated investees in 2018 was negative, a loss of R$ 101 million, compared to a loss of R$ 252 million in 2017. This basically reflects losses in 2018 on the interests in Renova and Santo Antônio Energia.

The breakdown of the results from the investees recognized under this line is given in detail in Note 17.

Restatement of prior holding in subsidiaries acquired

As a result of the elimination of crossover stockholdings between Cemig and Energimp in the companies Central Eólica Praias de Parajuru S.A. ('Parajuru'), Central Eólica Volta do Rio S.A. ('Volta do Rio') and Central Eólica Praia de Morgado S.A. ('Morgado'), Cemig recorded a gain of R$ 80 million for the difference between the fair value and book value of the equity interest originally held in Parajuru and Volta do Rio.

See more details of the transaction in Note 17.

Net financial revenue (expenses)

Cemig posted net financial expenses in 2018 of R$ 518 million, compared to net financial expenses of R$ 997 million in 2017. The main factors are:

- Recognition, in 2018, of a gain of R$ 893 million from the hedge transaction related to the Eurobond Issue, compared to recognition of a loss of R$ 32 million in 2017. The adjustment to fair value of the hedge transaction resulted in a positive effect, due to a lower variation in the future curve for the DI (Interbank Deposit) rate than in the future curve for the US dollar exchange rate. This gain should be seen together with the expense on foreign exchange variation arising from the Eurobond, as described below in this report; revenue from financial investments 43.41% lower, at R$ 116 million in 2018, compared to R$ 205 million in 2017. This basically reflects a lower total of funds invested in 2018, and a lower average CDI Rate: 6.40% in 2018, and 9.93% in 2017.

- Monetary updating on escrow deposits 82.20% lower, at R$ 34 million in 2018, vs. R$ 191 million in 2017. In 2017 Cemig GT recorded a gain of R$ 82 million, for reversal of the provision for the lawsuit challenging the constitutionality of *inclusion* of ICMS tax (payable or already paid) *within* the amount of revenue on which the Pasep and Cofins taxes were charged (more details in Note 13).

- Recognition in 2018 of R$ 56 million in revenue from charges related to lending to related parties. There is more information in Note 31 to the financial statements.

- Costs and charges on loans and financings were 14.38% lower, at R$ 1.256 billion in 2018, compared to R$ 1.467 billion in 2017. This reflects the lower CDI rate (principal indexor of the debt) – which totaled a variation of 6.40% over the whole of 2018, compared to 9.93% in 2017. Revenue from arrears penalties on late bill settlements 34.87% higher in 2018, at R$ 352 million, compared to R$ 261 million in 2017. This mainly reflects the effects of renegotiation of past due bills with consumers, with recognition of interest and monetary updating.

- Expense on monetary updating of loans and financing 22.94% higher, at R$ 134 million in 2018, vs. R$ 109 million in 2017. This mainly reflects the higher IPCA index – one of the principal indexors of the debt – in the year: 3.75% in 2018, vs. 2.95% in 2017.
- There was a foreign exchange variation expense of R$ 579 million in 2018, relating to the dollar-indexed funding of the Eurobond issue (placed in two parts: US$1 billion (R$ 3.2 billion) in December 2017 and US$500 million (R$ 1.9 billion) in July 2018).

- Higher net result of monetary updating on the balances of CVA and *Other financial components* in tariff increases: net revenue of R$ 62 million in 2018, compared to a net expense of R$ 41 million in 2017, basically reflecting the higher balance of net assets in 2018 than in 2017.

The breakdown of Financial income and expenses is in Note 30.

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Income and Social Contribution tax

In 2018, the Company's expense on income tax and the Social Contribution tax totaled R$ 728 million, on pre-tax profit of R$ 2.304 billion, an effective rate of 31.59%.
In 2017, the Company's expense on income tax and the Social Contribution tax totaled R$ 644 million, on pre-tax profit of R$ 1.646 billion, an effective rate of 37.80%.
There is a reconciliation of these effective rates with the nominal tax rates in Note 10(d) to the financial statements.

Comparison of results for years ended December 31, 2017 and 2016

Net profit for the period

Cemig reported net profit of R$ 1.001 billion for 2017, compared to net profit of R$ 334 million in 2016 – a year-on-year increase of 235.33%. The following items describe the main variations between the two periods in revenues, costs, expenses and financial items.

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

Cemig's Ebitda was 37.98% higher in 2017 than 2016:

Ebitda – R$ mn	2017	2016	Change, %
Net profit for the year	1,001	334	200
+ Income tax and Social Contribution tax	644	33	1,851.52
+ Financial revenue (expenses)	997	1,437	(30.62)
+ Depreciation and amortization	850	834	1.92
= Ebitda	**3,492**	**2,638**	**32.41**

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.

Cemig's Ebitda in 2017 was 32.41% higher year-on-year. The items below described the main factors. In line with the higher Ebitda, Ebitda margin was higher, at 16.09%, in 2017, than in 2016 (14.05%).

The main variations in elements of the result are as follows:

<u>Revenue from supply of electricity</u>

Total revenue from supply of electricity in 2017 was R$ 23.701 billion, 1.16% higher than in 2016 (R$ 23.430 billion).

Final consumers

Total revenue from electricity sold to final consumers, excluding Cemig's own consumption, in 2017 was R$ 20.438 billion, or 0.10% less than the figure for 2016 of R$ 20.458 billion.

The main factors in this revenue were:

- Higher revenues from the 'Flag Tariff' components of customer bills: R$ 454 million in 2017, compared to R$ 360 million in 2016. This reflects the low level of reservoirs, activating the 'Yellow Flag' and 'Red Flag' additional tariff rates, leading to higher revenue in 2017.

- Volume of energy sold was 1.36% lower than in 1Q17.

- The Annual Tariff Adjustment for Cemig D effective May 28, 2016 (full effect in 2017), with average (upward) effect on consumer tariffs of 3.78%.

- The Annual Tariff Adjustment for Cemig D effective May 28, 2017, with an average *negative* effect on consumer tariffs of 10.66%.

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).
This table shows consumption itemized by type of consumer:

	MWh (1)		
	Dec. 31, 2017	**Dec. 31, 2016**	**Change, %**
Residential	10,008,423	9,915,807	0.93
Industrial	17,760,807	19,494,391	8.89
Commercial, Services and Others	7,507,310	6,572,980	14.21
Rural	3,651,472	3,574,724	2.15
Public authorities	865,803	885,748	(2.25)
Public lighting	1,366,938	1,350,405	1.22
Public services	1,301,135	1,252,043	3.92
Subtotal	**42,461,888**	**43,046,098**	**(1.36)**
Own consumption	37.477	37.140	0,91
	42.499.365	**43.083.238**	**(1,36)**

Wholesale supply to other concession holders (1)	12,777,405	12,508,453	2.15
Total	**55,276,770**	**55,591,691**	**(0.57)**

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

One highlight factor is electricity sold to the *industrial* consumer segment 8.89% lower, mainly due to migration of captive consumers to the Free Market, and to a lesser extent due to the effects of lower economic activity in 2017, directly affecting electricity consumption by this segment of the market.

A counterpart to this was growth in other sectors:

- The volume of energy sold to the *commercial* consumer category was 14.21% higher year-on-year, mainly reflecting new clients added to the portfolio of Cemig GT.

- Volume sold to *rural* consumers was 2.15% higher year-on-year, mainly due to more irrigation and farming activity, and growth in the number of consumers.
  and

- the volume sold to *public service* consumers was 3.92% higher, due to incorporation by Cemig D of new consumer units and higher consumption by captive consumers medium and higher voltage due to use for water treatment and distribution.

Revenue from Use of Distribution Systems (the TUSD charge)

This is revenue from charging Free Consumers the Tariff for Use of the Distribution System (TUSD) on the volume of energy distributed. This was R$ 1.611 billion in 2017, or 5.56% more than in 2016 (R$ 1.705 billion).

The main factors affecting revenue from use of the network in 2017 were:

- Reduction of 0.52% in the tariff for Free Consumers, given in the annual tariff adjustment of May 28, 2016.

- Volume of electricity distributed 10.92% higher, mainly due to resumption of production by the Ferro-alloys sector.

- Reduction of approximately 40% in the TUSD which took place in the 2017 Annual Tariff Adjustment, applied as from May 28, 2017.

CVA and *Other financial components* in tariff adjustment

In its financial statements the Company recognizes the difference between actual non-manageable costs, in which the CDE, and purchased energy, are strong components, and the costs that were

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estimated and used as the basis for decision on Cemig D's tariffs. This balance becomes the amounts that will be passed through to Cemig's tariffs at the next tariff adjustment. In 2017 this represented a gain, in revenue, of R$ 988 million, whereas in 2016 it represented a negative item in revenue, of R$ 1.455 million. The difference mainly reflects higher costs of power supply acquired in auctions in 2017 (in 2016 there was a reduction in these costs), in relation to the figures for costs used as the basis for tariffs - this generated a financial asset for the Company, which also represents the amount to be restituted to consumers in the next tariff adjustment.

There are more details in Note 15.

Transmission assets – reimbursement revenue

The transition indemnity revenue, in Cemig GT, was R$ 373 million in 2017, compared to R$ 751 million in 2016. In the previous year, 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.

We highlight the amount of R$ 149 million recorded in 2017, 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 15 – *Financial assets of the concession*.

Generation indemnity revenue

In 2017 the Company recognized revenue of R$ 272 million for the adjustment to the balance not yet amortized of the concessions for the *São Simão* and *Miranda* Hydroelectric Plants, as per Ministerial Order 291/17. There are more details in Note 4.

Revenue from transactions in the Wholesale Trading Exchange (CCEE)

Revenue from electricity sales on the CCEE (*Câmara de Comercialização de Energia Elétrica*) was R$ 860 million in 2017, compared to R$ 161 million in 2016 – an increase of 435.02%. Main factors:

- - the spot price (*Preço de Liquidação de Diferenças*, or PLD) was 244.28% higher year-on-year, at R$ 324.17/MWh in 2017, compared to R$ 91.16/MWh in 2016; and

- - there was a higher quantity of electricity available for settlement in the wholesale market in 2017.

Revenue from supply of gas

Cemig reported revenue from supply of gas totaling R$ 1.759 billion in 2017, compared to R$ 1.444 billion in 2016 – an increase of 21.81%. This basically reflects volume of gas sold 23.72% higher YoY (1,319,242m³ in 2017, vs. 1,066,351m³ in 2016).

Construction revenue

Distribution infrastructure construction revenues totaled R$ 1.119 billion in 2017, which compares with R$ 1.193 billion in 2016, a reduction of 6.20%. This revenue is fully offset by Construction

costs, of the same amount, and corresponds to the capex investments made by the subsidiaries in assets of the concession in the year.

Other operating revenues

The Company's Other revenues comprise: Transmission concession revenue; Adjustment of expectation of cash flow from an indemnifiable financial asset of the distribution concession; Revenue from updating of the Concession Grant Fee; and Other operating revenues. They totaled R$ 2.234 billion in 2017, compared to R$ 2.040 billion in 2016, an increase of 9.51%. The composition of Other Operational Revenues is given in Note 26.

Taxes and charges on Revenue

Taxes and charges applied to operational revenue in 2017 were R$ 11.151 billion, or 6.23% more than in 2016 (R$ 10.467 billion).

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 2017 were R$ 1.822 billion, compared to R$ 2.074 billion in 2016.

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 arising from the Tariff Flag system were higher, at R$ 454 million, in 2017, compared to R$ 360 million in 2016, due to the low levels in the reservoirs' water storage levels – which activated the 'Yellow Flag' and 'Red Flag' tariffs, leading to higher charges to the consumer.

ICMS (value added) tax

The expense on ICMS tax was R$ 5.847 billion in 2017, vs. R$ 5.211 billion in 2016. The increase primarily represents Cemig adhering, in October 2017, to the Minas Gerais State Tax Credits Regularization Plan (PRCT), and by doing so settling a specific tranche of ICMS tax. The effects of this agreement were recognized in the profit and loss account in 2017 as R$ 562 million in Deductions from revenue; R$ 31 million as financial expense; and R$ 1 million as Operational expense.

Operating costs and expenses (excluding Financial income/expenses)

Operational costs and expenses totaled R$ 18.817 billion in 2017, or 18.32% more than in 2016 (R$ 15.903 billion). There is more on the breakdown of Operational costs and expenses in Note 27.

The following paragraphs comment on the main variations:

Personnel expenses

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The expense on personnel was R$ 1.627 billion in 2017, 0.99% less than in 2016 (R$ 1.643 billion). This arises mainly from the following factors:

- Salary increases, from November 2016 under the Collective Agreement (with full effect in 2016), of 8.50%.
- Recognition of expenses on the voluntary retirement plan, of R$ 214 million in 2017 and R$ 93 million in 2016.
- Salary increase of 1.83% under the Collective Work Agreement, as from November 2017.

Tending to reduce the recurrent expense, however, the average number of employees in 2917, at 6,447, was 14.31% lower that in 2016 (7,524).

Electricity purchased for resale

The expense on electricity purchased for resale in 2017 was R$ 10.920 billion, which compares to R$ 8.273 billion in 2016 – an increase of 32.00%. The main factors are:

- Expense on power supply acquired at auction 40.00% higher in 2017, at R$ 3.556 billion, compared to R$ 2.540 billion in 2016. This is mainly due to activation of the thermoelectric generation plants in 2017, due to the low level of water in the reservoirs of the hydroelectric plants of the system, with consequent increase in expense on fuel for the thermal plants.

- The expense on electricity from Itaipu Binacional was 8.65% higher, at R$ 1.243 billion in 2017, compared to to R$ 1.144 billion in 2016. The change basically reflects the increased tariff – which was US$ 25.78/kW-month in 2016, and US$ 28.73/kW-month as from January 2017.

- Purchases of supply in the spot market were 97.50% higher in 2017, at R$ 1.503 billion, compared to R$ 761 million in 2016. This basically reflects the higher average spot price (*Preço de liquidação por diferenças* – PLD), which was (R$ 324.17/MWh in 2017, vs. R$ 94.16/MWh in 2017).

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. There are more details in Note 27.

Charges for use of the transmission network

Charges for use of the transmission network totaled R$ 1.174 billion in 2017, compared to R$ 947 million in 2016, an increase of 23.97%.

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 provisions totaled R$ 854 million in 2017, compared to R$ 704 million in 2016.
Importantly, estimated losses for doubtful receivables were lower, at R$ 248 million in 2017, compared to R$ 382 million in 2016. We also highlight the higher provisions for employment-law cases: provisions of R$ 206 million made in 207, compared to R$ 120 million in 2016. 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; claims for equal payment for allegedly unlawful outsourcing; and subsidiary/joint liability. For more information see Note 24.

Construction cost

Construction costs in 2017 totaled R$ 1.119 billion, or 6.20% less than in 2016 (R$ 1.193 billion). This cost is fully offset by Construction Revenue, of the same amount, and corresponds to the Company's investment in assets of the concession in the period.

Gas bought for resale

In 2017 the Company reported an expense of R$ 1.071 billion on acquisition of gas. This was 22.06% higher than the comparable expense of R$ 877 million in 2016. This mainly reflects a volume of gas bought for resale 23.11% higher (at 1,309,459m³ in 2017, compared to 1,063,677m³ in 2016), partially offset by lower charges under the new agreement between Gasmig and Petrobras, which reduced the daily gas offtake obligation.

Post-retirement obligations

The impact of the post-retirement liabilities of the Company on operational profit was a reversal of expense, totaling R$ 229 million in 2017, which compares to an expense of R$ 345 million in 2016.

This is due to changes in the life insurance policy, in which the capital insured for retirees is reduced by 20%, every 5 years, as from age 60, reaching a minimum of 20%. This results in a reduction of R$ 619 million in the post-retirement obligations posted on December 31, 2017, with counterpart in the Profit and loss account. There are more details in Note 23.

Adjustment for impairment of investments

In 2016 the Company posted an impairment of R$ 763 mn related to the investments in Renova. For more information see Note 16.

Share of profit (loss) in associates and joint ventures

The equity method gain from non-consolidated investees in 2017 was negative, a loss of R$ 252 million, which compares to a loss of R$ 302 million in 2016. This reflects a better equity gain from Light in 2017, which contributed a gain of R$ 35 million in the year, compared to a loss of R$ 121 million in 2016. Further details are in Note 16.

Net financial revenue (expenses)

Cemig posted net financial expenses in 2017 of R$ 997 million, compared to net financial expenses of R$ 1.437 billion in 2016. The main factors are:

- Costs and charges on loans and financings 20.91% lower, at R$ 1.467 billion in 2017, compared to R$ 1.860 billion in 2016. This was due mainly to the increase of debt indexed to the CDI Rate, and the lower value of the CDI rate, indexor for the debt: the accumulated CDI rate was 9.93% in 2017, compared to 14.06% in 2016.
- The result of FX variations in the year was lower: A net expense of R$ 53 million in 2017, compared to a new gain of R$ 26 million in 2016. This basically arises from an expense of R$ 57 million in Cemig GT in 2017, resulting from raising of funds indexed to the US dollar (Eurobonds); and

- – expense on monetary updating of loans and financing 55.62% lower, at R$ 109 million in 2017, compared to R$ 245 million in 2016, due to the much lower IPCA inflation index in the year (2.95% in 2017, vs. 6.29% in 2016).

- Higher revenue expense from monetary variation on the CVA balances and *Other financial components* of tariffs: net expense of R$ 42 million in 2017, vs. a *gain* of R$ 204 million in 2016 - the 2016 figure contained an effect from ratification of the CVA amount by Aneel, in May 2016.

- Lower cash investment income: Lower revenue from short-term financial investments: R$ 205 million in 2017, 35.34% less than in 2016 (R$ 317 million). This basically reflects of lower CDI rate in the year (9.93% in 2017, vs. 14.06% in 2016).

- Higher monetary updating on restricted cash: R$ 191 million in 2017, compared to R$ 46 million in 2016. In 2017 the Company recognized a revenue item of R$ 82 million, for reversal of the provision for the lawsuit challenging the constitutionality of *inclusion* of ICMS tax (payable or already paid) *within* the amount of revenue on which the Pasep and Cofins taxes are charged.

- There was an expense of R$ 46 million in 2017, for monetary adjustment on the pre-sale of power supply under contract to bring forward power supply sales during the year.

For the breakdown of Financial Revenues and Expenses please see Note 28.

Income and Social Contribution tax

In 2017, the Company's expense on income tax and the Social Contribution tax totaled R$ 644 million, on pre-tax profit of R$ 1.654 billion, an effective rate of 37.80%. **In 2016**, the Company's expense on income tax and the Social Contribution tax totaled R$ 33 million, on pre-tax profit of R$ 368 million, an effective rate of 8.97%. There is a reconciliation of these effective rates with the nominal tax rates in Note 10c.

Comparison of results of years ended December 31, 2016 and 2015

Operational revenue

Operational revenue breaks down as follows:

R$ mn	2016	2015 Re-presented	Change %
Revenue from supply of electricity	23,430	22,526	4.01
Revenue from Use of Distribution Systems (the TUSD charge)	1,705	1,465	16.38
CVA, and *Other financial components* in tariff increases (c)	(1,455)	1,704	(185.39)
Transmission revenue			
Transmission concession revenue	312	261	19.54
Transmission construction revenue	54	146	(63.01)
Concession assets – reimbursement revenue	751	101	643.56
Distribution construction revenue	1,139	1,106	2.98
Adjustment to expectation of cash flow from Financial assets of distribution concession to be reimbursed	8	576	98.61
Revenue from financial updating of the Concession Grant Fee (1)	299	-	-
Transactions in electricity on the CCEE	161	2,425	(93.36)
Supply of gas	1,444	1,667	(13.38)
Other operating revenues	1,422	1,441	(1.25)
Sector / Regulatory charges reported as Deductions from revenue	(10,497)	(11,549)	(9.11)
Net operating revenue	**18,773**	**21,868**	**(14.15)**

(1) There are more details in Explanatory Note 14.

Revenue from supply of electricity

Revenue from total sales of electricity in 2016 was R$ 23.430 billion – or 4.01% more than in 2015, when this revenue was R$ 22.526 billion. This breaks down, by consumer type, as follows:

	R$ mn	
	2016	**2015**
Residential	7,819	7,297
Industrial	5,396	5,781
Commercial, Services and Others	4,359	3,956
Rural	1,463	1,407
Public authorities	545	548
Public lighting	528	533
Public services	547	540

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Subtotal	**20,657**	**20,062**
Own consumption	-	-
Supply not yet invoiced	(199)	257
	20,458	**20,319**
Wholesale supply to other concession holders (2)	2,713	2,358
Wholesale supply not yet invoiced, net	259	(151)
Total	**22,526**	**23,430**

ii. Factors that materially affected the operational results

Provisions and adjustments for operational losses

Provisions and adjustments for operational losses in 2016 totaled R$ 704 million, compared to R$ 1.401 billion in 2015, a reduction of 49.75%. This variation principally arises from the adjustment to the losses recorded for the Parati investment options, in the amount of R$ 55 million, which compares with a provision of R$ 1.079 billion in 2015 – primarily reflecting the increase of 76.24% in the stock price of Light (an important variable in calculating the fair value of the put option on the Black-Scholes-Merton model), and also the payment of R$ 498 million in dividends of the companies of the Parati group in the 2016 business year, which made possible a reduction of R$ 702 million in the option exercise price. There are more details on the criteria for constitution of these provisions in Note 15 (*Put options*).

Personnel

Personnel expenses were R$ 1,643 billion in 2016, compared to R$ 1.435 billion in 2015, an increase of 14.49%. This arises mainly from the following factors:

- Salary increases of 3% from March 2015 (full effect in 2016), as a result of the court negotiation decided by the courts on application from organizations representing the employees.
- Salary increases, under the Collective Agreement, of 10.33%, coming into effect in November 2015 (full effect in 2016).
- Salary increase of 8.50%, as from November 2016, under the Collective Work Agreement.
- Recognition, in 2016, of an expense of R$ 93 million on the voluntary retirement plan.

Employees' and managers' profit shares

The expense on employees' and managers' profit shares in 2016 was R$ 7 million, compared to R$ 137 million in 2015. The lower figure is due to the lower profit (basis of calculation for profit shares) – under the unified collective agreements.

Post-retirement benefits

The impact of the Company's post-retirement liabilities on net profit was an expense of R$ 345 million, in 2016, compared to an expense of R$ 156 million in 2015.

Adjustment for impairment of investments

In 2016 the Company posted an impairment of R$ 763 million related to the investments in Renova. For more information on the breakdown of provisions please see Note 15 to the Financial Statements.

Fair value gain (loss) on stockholding transaction

In 2015 the Company posted a gain of R$ 729 million relating to the formation of Aliança Geração de Energia, as described in more detail in Note 15.

Share of profit (loss) in associates and joint ventures

In 2016 Cemig posted a net gain by the equity method of R$ 302 million, which compares with a gain of R$ 393 million in 2015. This mainly reflects a loss of R$ 373 million reported by Renova Energia in 2016, which in turn is basically due to impairment of the investment in TerraForm and write-off of the put option with SunEdison; and impairment of R$ 68 million posted by Guanhães. There are more details in Explanatory Note 15.

For further details on the composition of financial revenue and expenses please see Note 27; and for more details on reclassification of the accounting balances, see note 2.8.

Income and Social Contribution tax

In 2016, the expense on income tax and the Social Contribution tax totaled R$ 33 million, on pre-tax profit of R$ 368 million, an effective rate of 8.97%. **In 2015**, the expense on income tax and the Social Contribution tax totaled R$ 893 million, on pre-tax profit of R$ 3.362 billion, an effective rate of 26.55%. There is a reconciliation of these effective rates with the nominal tax rates in Note 10.

b. Variations in revenues attributed to changes in prices, changes in the exchange rate, inflation, alteration of volumes and introduction of new products and/or services.

The principal changes in Revenue from supply of electricity are as follows:

Final consumers

Total revenue from electricity sold to final consumers, excluding Cemig's own consumption, was R$ 20.458 billion in 2016 – or 0.68% more than in 2015 (R$ 20,319 billion).

The main factors in this revenue were:

- The Extraordinary Tariff Adjustment for Cemig D, which resulted in an average increase in consumers' tariffs of 28.76%, applicable from March 2, 2015 (full effect in 2016).

- The Extraordinary Tariff Adjustment for Cemig D, which resulted in an average increase in consumers' tariffs of 7.07%, applicable from Wednesday, April 8, 2015 (full effect in 2016).

- The Annual Tariff Adjustment of Cemig D, with average effect on consumer tariffs of 3.78%, effective from May 28, 2016.

- Reduction of revenue from the 'Tariff Flag' system, to R$ 360 million in 2016, compared to R$ 1.067 billion in 2015, due to the improvement in the hydroelectric reservoir water storage levels – enabling lower additional charges to be made in 2016 under the 'Flag' system of temporary additional tariffs.

- Volume of energy sold was 6.47% lower than in 2015.

Cemig's electricity market

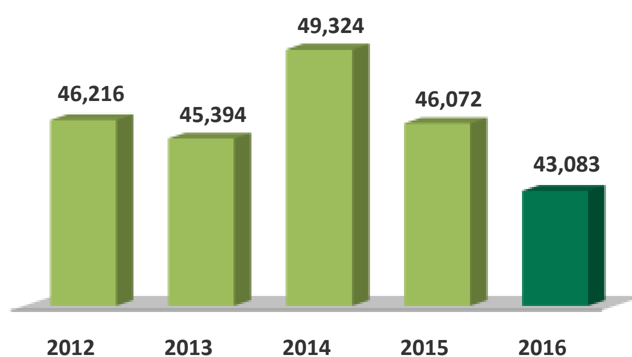
This market comprises sales of electricity to:

(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 ACL; and
(IV) Distributors, in the Regulated Market (*Ambiente de Contratação Regulada*, or ACR).

Cemig sold, delivered and/or traded a total of 55,592 gigawatt-hours in 2016, which compares with 56,904 GWh in 2015, a reduction of 2.3%. Meanwhile the volume of power transported for free clients, through the transmission and distribution systems, was 9.7% higher, at 16,338 GW hours.

This chart shows the changes in supply of electricity to final consumers in the last five years:

GWh invoiced to final consumers



The tables below show the Cemig Group's market in more detail, itemizing electricity supply transactions in 2016, compared to 2015:

	GWh (1)		
	2016	2015	Change, %
Residential	9,916	9,830	0.87
Industrial	19,494	22,969	(15.13)
Commercial, Services and Others	6,573	6,434	2.16
Rural	3,575	3,380	5.77
Public authorities	886	892	(0.67)
Public lighting	1,350	1,326	1.81
Public services	1,252	1,204	3.99
Subtotal	**43,046**	**46,035**	**(6.49)**
Own consumption	37	38	(2.63)
	43,083	**46,072**	**(6.49)**
Wholesale supply to other concession holders (2)	12,508	10,831	15.48
Total	**55,592**	**56,904**	**(2.31)**

(1) Data not reviewed by external auditors.

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

Electricity consumption has been affected principally by the adverse Brazilian political and economic conditions, and also by the significant increases in electricity tariffs which took place, especially, in 2015.

Comments on the various consumer categories:

<u>Residential:</u> Residential consumption in 2016 was slightly – 0.87% – higher than in 2015. This increase reflects 160,000 new consumer connections made in 2016, partially offset by average

monthly consumption per consumer 1.35% lower – at 124.6 kWh/month in 2016, compared to 126.3 kWh/month in 2015.

Industrial: Total volume of electricity consumed by captive and free industrial clients was 15.13% lower than in 2015. This arises mainly from the following items:

- Lower availability of power for sale due to the conditions for renewal of concessions – this supply was redirected to the Physical Guarantee Quota regime.

- Lower consumption by industrial clients due to the continuing retraction in economic activity in Minas Gerais state, principally in mining, and nationally, and also the level of activity of the international economy.

Commercial, services and others Commercial, Services and Others: Consumption was 2.16% higher, basically due to a higher volume of electricity invoiced to Free Clients by Cemig GT and its wholly-owned subsidiaries, partially compensated by the lower volume invoiced to captive clients of Cemig D.

Rural: Consumption by this user category was 5.77% higher, reflecting the low volume of rains in the normally rainy season (from February to April) in 2016, and higher temperatures over the whole of the first half of the year, leading to greater use of irrigation systems.

Other consumer categories: Consumption by the other consumer categories (public authorities, public lighting, public services and Cemig's own consumption) was 1.89% higher in 2016.

Revenue from supply to other concession holders

This revenue was R$ 2.972 billion in 2016, or 34.60% higher than in 2015 (R$ 2.208 billion). This reflects a volume of electricity sold to other concession holders 15.48% higher: 12,508 GWh in 2016, compared to 10,831 GWh in 2015.

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 2016 this revenue was R$ 1.465 billion, 16.38% more than in 2015 (R$ 1.465 billion).

The main factors were:

- A tariff effect of 96.21% in 2015, due to the Extraordinary Tariff Adjustment as from March 2, 2015, and the Annual Tariff Adjustment of April 2015 (full effect in 2016).

- Reduction of 0.52% in the tariff for Free Consumers, given in the annual tariff adjustment of May 28, 2016.

- Volume of electricity distributed 10.92% higher, mainly due to resumption of production by the Ferro-alloys sector in 2016.

CVA and _Other financial components_ in tariff adjustment

In its financial statements 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. The amount of this difference is passed through to clients in Cemig D's next tariff adjustment – in 2016 this represented a reduction of R$ 1.450 billion in revenue, compared to an increase, in 2015, of R$ 1,704 billion. The difference between the two years mainly reflects lower costs, in 2016, of acquiring electricity at auction, compared to the costs used as the basis for tariffs – this generated a financial liability for the Company, representing the amount to be rested tutored to consumers in the next tariff adjustment.

There is more information in Note 14.

Adjustment to expectation of cash flow from Financial assets of distribution concession to be reimbursed

A gain of R$ 8 million was recognized on an adjustment to the expectation of cash flow from the indemnifiable financial asset of the distribution concession. This compares with a gain of R$ 576 million in 2015. This is due to the reduction in the estimate of the financial assets to be indemnified at the end of the concession, following the renewal of the concession contract in December 2015. There are more details in Explanatory Note 14.

Transmission indemnity revenue

In 2016 Cemig recognized revenue of R$ 751 million in relation to the following events:

- R$ 20 million relating to the difference between the amount of the Preliminary Revision made by Aneel on February 23, 2015 of the Opinion sent by the Company, of R$ 1.157 billion, and the Final Revision;

- R$ 90 million representing the difference between the variations resulting from the IGP-M index and the IPCA index – since the Company had updated the balance receivable, up to May 2016, by the IGP-M index.

- R$ 438 million, representing the cost of own capital, calculated on the basis of 10.44% p.a.;

- R$ 44 million for monetary updating by the IGP-M index, up to May 2016, of the balance of indemnity receivable; and

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- R$ 159 million for updating of the balance of indemnity receivable, by the IPCA index and by the cost of capital, in accordance with Mining and Energy Ministry Order 120, in the period July through December 2016.

The amount receivable on December 31, 2016 was R$ 1.805 billion (R$ 1.054 billion on December 31, 2015). There are more details in Explanatory Note 14.

Revenue from transactions in the Wholesale Trading Exchange (CCEE)

Revenue from transactions in electricity on the CCEE was R$ 161 million in 2016, compared to R$ 2.425 billion in 2015 – a year-on-year reduction of 93.36%.

In 2016 there was a lower quantity of electricity available for settlement in the wholesale market, mainly due to the allocation of the power generated by the *São Simão* plant to the Regulated Market (ACR) from September 16, 2015, under the 'Quota' regime, in accordance with the requirements of Ministerial Order 432/2015. The revenues that the company recognizes from that plant currently comprise only the revenues from provision of the services of operation and maintenance of the plant. Thus, the volume of electricity becoming available from the Company was used basically in complying with its contracts with final consumers and other concession holders.

Revenue from supply of gas

The Company reported revenue from supply of gas 13.38% lower year-on-year in 2016, at R$ 1.444 billion, compared to R$ 1.667 billion in 2015, mainly due to the lower volume of gas sold (1,066,351m³ in 2016, compared to 1,414,464m³ in 2015), partially offset by upward adjustments in tariffs.

Construction revenue

Construction and infrastructure revenue related to transmission and distribution totaled R$ 1.193 billion in 2016, compared to R$ 1.252 billion in 2014, a year-on-year reduction of 4.71%. 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 Company's Other revenues, as a whole, were 19.04% higher in 2016, at R$ 1.733 billion, compared to R$ 1.702 billion in 2015.

Taxes and charges on Revenue

Taxes and charges applied to revenue in 2016 were R$ 10.497 billion, or 9.11% lower than in 2015 (R$ 11.549 billion), on the following factors:

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 2016 were R$ 2.074 billion, compared to R$ 2.870 billion in 2015. 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 arising from the Tariff Flag system were lower, at R$ 360 million in 2016, compared to R$ 1.067 billion in 2015, due to the improvement in the hydroelectric reservoir water storage levels – enabling lower additional charges to be made in 2016 under the 'Flag' system of temporary tariff increases.

Other taxes and charges on revenue

The other significant deductions from revenue are taxes, calculated as a percentage of sales revenue. Thus their variations arise, substantially, from the changes in revenue.

c. Impact of inflation, and of variation in prices of the principal inputs and products, and variation in the exchange rate and interest rates on the operational and financial results of the Issuer, when significant.

Operating costs and expenses (excluding Financial revenue/expenses)

Operational costs and expenses, excluding Financial revenue (expenses) in 2016 were R$ 15.903 billion, 13.04% less than in 2015 (R$ 18.288 billion). There is more on the breakdown of Operational costs and expenses in Note 26.

The main variations in elements of this total are as follows.

Electricity purchased for resale

The expense on electricity purchased for resale in 2016 was R$ 8.273 billion, which compares to R$ 9.542 billion in 2015 – a reduction of 13.30%. The main factors are:

- Expenses on electricity acquired at auctions were 36.15% lower, at R$ 2.540 billion in 2016, compared to R$ 3.978 billion in 2015, mainly due to some of the thermal plants being deactivated in 2016 due to the improvement in the level of the reservoirs of the hydroelectric plants in the system, with a resulting reduction in the expense on combustion fuel for those plants.

- The expense on electricity from Itaipu Binacional was 34.03% lower: this amount, indexed to the US dollar, was R$ 1,144 billion in 2016, compared to R$ 1,734 billion in 2015. This change basically reflects the reduction of the tariff, which was US$38.07/kW-month in 2015, and was US$25.78/kW-month from January 2016.

- The expense on electricity bought in the free market was 18.72% higher, at R$ 3,279 billion in 2016, compared to R$ 2,762 billion in 2015. This basically reflects the volume of purchases by Cemig GT 24.41% higher, at 19,002,578 MWh in 2016, compared to 15,273,685 MWh in 2015, as a result of the reduction in the total of Cemig GT's generation capacity with the termination of the concessions for certain of Cemig GT's plants – which began to be operated under the 'Physical Quota Guarantee' regime, reflected in the increase of 118.25% in Cemig D's purchases of supply through physical quota guarantee contracts (R$ 537 million in 2016, compared to R$ 252 million in 2015).

- The cost of purchases of supply in the spot market was 18.61% lower – at R$ 761 million in 2016, vs. R$ 935 million in 2015) – reflecting the lower cost of electricity in the wholesale market in 2016.

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. There is more information in Note 25.

Charges for Use of the Transmission Network

Charges for use of the transmission network totaled R$ 947 million in 2016, 5.21% less than in 2015 (R$ 999 million).

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 by the Company 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.

Raw materials and inputs for production of electricity

Expenses on raw materials and inputs for production of electricity in 2016 totaled R$ 84 million in 2015. With operation of the Igarapé thermal plant suspended as from August 2015, in accordance with a decision by the National System Operator (ONS), the Company was no longer buying the fuel oil necessary to operate generation by that plant.

Construction cost

Construction costs in 2016 totaled R$ 1,193 billion, or 4.71% less than in 2015 (R$ 1.252 billion). This line records the Company's investment in assets of the transmission and distribution concessions in the period, and is fully offset by the line Construction Revenue, in the same amount.

Gas bought for resale

In 2016 the company reported an expense of R$ 877 million on acquisition of gas, compared to an expense of R$ 1.051 billion in 2015 – a reduction of 16.56%.
The lower figure reflects a lower volume of gas purchased (1,063,677m³ in 2016 compared to 1,405,732m³ in 2015).

Net financial revenue (expenses)

Cemig reports Net financial expenses (re-presented) of R$ 1.437 billion in 2016, compared to net financial expenses of R$ 1.341 billion in 2015. The main factors are:

- Costs of loans and financings 39.11% higher at R$ 1.928 billion, compared to R$ 1.386 billion in 2015. This was due to the higher cost of debt indexed to the CDI rate in 2016, and also the higher variation in the CDI rate itself: 14.06% in 2016, compared to 13.23% in 2015.

- Expense on monetary variation in loans and financings 36.69% lower, at R$ 245 million in 2016, compared to R$ 387 million in 2015 – mainly due to the lower inflation rate posted by the IPCA index (6.29% in 2016, compared to 10.67% in 2015).

The expense on foreign exchange variation was 79.65% lower in 2016, at R$ 35 million, compared to R$ 172 million in 2015 – reflecting appreciation of the Real against the dollar in 2016 (by 16.54%), compared to its depreciation of 47.01% in 2015.

10.3

A. Introduction, or disposal, of an operational segment

None, in 2018.

b. Constitution, acquisition, or disposal of any equity interests

We report certain activities related to subsidiaries and affiliates in 2016;

Concession contracts for 18 generation plants
On January 5, 2016, Cemig GT signed concession contracts for operation of 18 generation plants (with 699.57 MW total installed generation capacity), acquired by Cemig GT for R$ 2.216 billion, at Auction 012/2015.

Exchange of participative debentures of AGC Energia for shares in the Company On March 3, 2016, BNDES Participações ('BNDESPar') exchanged the totality of its holding of debentures from the First Private Issue by AGC Energia of Non-convertible Permanent Asset-guaranteed Exchangeable Shareholders' Debentures, in a Single Series, for 54,342,992 common shares and 16,718,797 preferred shares in Cemig, owned by AGC Energia. After the exchange, the equity interest held by BNDESPar in Cemig – which on March 2, 2016 comprised 0% of the common shares common shares and 1.13% of the preferred shares – increased to 12.9% of the common shares and 3.13% of the preferred shares. This increased the interest of BNDESPar in the total equity of Cemig from 0.75%, before the transaction, to 6.4%.

Cemig Telecom signs Investment Agreement for subscription of capital in Ativas On August 25, 2016 Cemig Telecomunicações S.A. ('Cemig Telecom') signed an investment agreement with Sonda Procwork Outsourcing Informática Ltda., a part of the Chilean group Sonda S.A. (Sonda), for injection of capital into Ativas Data Center S.A. ('Ativas'), in partnership with Ativas Participações S.A. ('Ativas Participações'), a company controlled by the Asamar Group.
Sonda is the leading company providing IT services in Latin America, with a presence in ten countries. This strategic alliance strengthens the commitment of both the Company and Ativas to its present and future clients, continuing to ensure high standards of security and availability.
The transaction was completed on October 19, 2016, after the conditions precedent specified in the Investment Agreement had been complied with.
Sonda, through providing cash of R$ 114,000, became the holder of a 60% equity interest in Ativas, with Cemig Telecom holding 19.6%, and Ativas Participações holding 20.4% of the total capital.

Sale of equity interest in Transchile

On September 12, 2016, Cemig signed a share purchase agreement for sale of the whole of its stockholding interest relating to Transchile Charrúa Transmisión S.A. – corresponding to 49%

of the share capital – to Ferrovial Transco Chile SpA., a company controlled by Ferrovial S.A., for US$57 million. The transaction was concluded on October 6, 2016.

Miranda Hydroelectric Plant

On December 20, 2016 Justice Laurita Vaz, Chair of the Higher Appeal Court (STJ), granted an interim injunction to Cemig Geração e Transmissão S.A. (Cemig GT) maintaining Cemig GT in control of the *Miranda* Hydroelectric Plant, in Minas Gerais, on the initial bases stated in Concession Contract 007/97, until conclusion of judgment on the application for *mandamus* filed by the Company. The Rapporteur Justice revoked this injunction on March 29, 2017, in response to a motion for review brought by the federal government against a procedural appeal.

The Renova Group

On February 2, 2016, the Board of Directors of Renova approved an increase in its share capital, in which we participated through our wholly-owned subsidiary Cemig GT, which approved allocation of up to R$ 240 million.

On April 1, 2016 Renova canceled the agreement for sale of its ESPRA project to TerraForm Global, Inc., under a mutual agreement in which Renova received a breakup fee of US$10 million. As a result, the ESPRA project – three small hydroelectric plants contracted under the Proinfa program, with installed capacity of 41.8 MW – will remain with Renova and return to its portfolio of operational assets.

On June 14, 2016, the Board of Directors of Renova approved cancellation of the power purchase agreement between Renova Comercializadora de Energia S.A. (Renova Trading) and Cemig GT for supply of 25 wind farms in the region of Jacobina, in the state of Bahia, with installed capacity of 676.2 MW, to start operation on January 1, 2019. The Board of Directors of Renova approved an advance of R$ 118 million for future supply of power contracted on the terms of the agreement between Renova Trading and Cemig GT. The Agreement, signed in 2013, provided for the possibility of agreement between the parties for earlier or later payments for the power supply that is the subject of the Agreement. The funds will be allocated, as priority, to the *Alto Sertão III* project, and also to meet other needs of Renova. The amount due will be settled by payment in supply of electricity, in the amounts specified in the contract, starting in May 2021.

Increase in capital of Renova Energia S.A. The Company increased its capital in Renova by R$ 240 million, through its wholly-owned subsidiary Cemig GT. This capital increase was ratified on June 21, 2016, for a total amount of R$ 218,002,277.44 (R$ 240 million by the Company and R$ 40 million by Light Energia S.A.), on issuance of 42,042,219 common shares and 165 preferred shares, subscribed and paid at the issue price of R$ 6.66 per share (common or preferred) and R$ 19.98 per Unit.

Investment in Renova – Loss due to impairment of assets available for sale

Put option contract

On September 18, 2015, a put option contract was signed under which Renova would have the option, on or after March, 31, 2016 to sell up to 7 million shares in TerraForm Global to SunEdison.

The sale price of the shares was stipulated at R$ 50.48 per share, while SunEdison had the option to pay US $15.00 per share in lieu of R$ 50.48. The contract also gave SunEdison an option to buy the same 7 million shares on the same terms.

Renova announced it had notified SunEdison and TerraForm Global of its intention to exercise its option to sell 7 million shares in TerraForm Global owned by Renova, on the terms specified by contract and publicly stated in the Material Announcement published by Renova on September 18, 2015.

On April 21, 2016, SunEdison applied for Chapter 11 protection in the United States. On June 1, 2016, the period for payment of the option by SunEdison expired.

Renova priced the option using the Black-Scholes-Merton mathematical model, the future expectation for the exchange rate, and credit risk.

In the first half of 2016, Renova recognized a loss of R$ 111 million for the change in the fair value of the option, considering the credit risk. In addition it recognized a loss of R$ 63 million relating to the extinction of the option, and opened arbitration proceedings seeking, among other items, indemnity for losses. On the date of this report for the year 2016, SunEdison and Renova had not settled this transaction.

Investment in TerraForm Global – pricing of the shares

Renova also posted a loss, in the first Quarter of 2016, of R$ 272 million, reflecting the negative volatility during the period in the stock price of TerraForm, in which Renova has an equity interest of 11.65%, valued on the basis of the market price of the shares.

The above figures correspond to the impact on the interim accounting information of Renova. The impact for the company is proportional to its 34.2% equity interest in Renova, valued by the equity method in the amount of R$ 93 million.

Advances to Renova under power purchase agreement

On September 6, 2016 the Board of Directors of Renova approved an advance of R$ 118 million by the Company to Renova for future contracting of electricity in relation to the power purchase agreement between Renova Comercializadora de Energia S.A. and Cemig GT signed in 2013. The agreement provides for the parties to opt to make early payments for supply. The Payment will be allocated, as priority, to the *Alto Sertão III* project, and also to meet other needs of

Renova. The amount due will be settled by payment in supply of electricity, in the amounts specified in the contract, starting in May 2021.

In June 2016 Cemig GT made an advance of R$ 94 million to Renova Comercializadora de Energia S.A. under the power purchase agreement and at the same time signed a contract for guarantee of 100% of the shares in Enerbrás S.A. and 100% of the shares of the special purpose companies of Phase B of the Alto Sertão III Project in the name of Cemig GT. An option was also granted to Cemig to purchase 100% of the shares of Enerbrás S.A.

A Share Purchase Agreement was signed enabling Cemig GT to convert the total amount advanced into a stockholding interest in Alto Sertão Participações S.A. ('Alto Sertão'), the controlling stockholder of the companies that comprise Phase A of the Alto Sertão III project, such stockholding interest to be of up to 49.9% of the shares in Alto Sertão. A Share Pledge Agreement was also signed, governing 100% of the shares in Bahia Holding S.A. and 49% of the shares in Ventos de São Cristóvão Energias Renováveis S.A., which holds some of the Company's wind power projects. Exercise of the call option is conditional upon prior approval by the BNDES. Settlement of the share purchase transactions referred to above was to be subject to prior approval by the BNDES, Banco do Brasil, when applicable, Aneel and CADE.

Posting of impairment in investments

In 2016 the Company recognized an impairment of R$ 763 million on its investment in Renova. Renova lost R$ 1.101 billion in 2016; it had negative working capital of R$ 3.211 billion on December 31, 2016, and negative cash flow. The main reasons for this situation were:

(i) transactions to purchase supply of electricity which Renova was obliged to undertake to honor prior commitments due to the delay in certain wind farms coming into operation;
(ii) significant investments that Renova made in construction of the *Alto Sertão III* wind farm complex;
(iii) delay in release of the long-term financing agreement with the BNDES;
(iv) non-compliance by Renova with certain contractual conditions and non-obtaining of approval by creditors in 2016, which resulted in certain long-term debts becoming classified as current liabilities; and
(v) losses resulting from the TerraForm transaction.

Further, Renova is now in arrears with certain payments and is in negotiations with creditors in relation to various contracts. To rebalance its liquidity and cash flow structure the management of Renova was undertaking a range of measures. These included: sale of assets, reduction of the administrative and operational structure, including administrative costs; greater commitment of stockholders to financial support; contracting of long-term financings with the Brazilian Development Bank (BNDES); projects to balance cash flow; and requests for the consent of creditors to reclassify certain short term debts as non-rent liabilities.

Within its strategy to restore the balance of its capital structure and the sustainability of its business in the long term, on April 18, 2017 Renova, Renovapar S.A. and AES Tietê Energia S.A., with Nova Energia Holding S.A. (Nova Energia) as consenting party, signed an agreement for sale of an interest in the Alto Sertão II wind farm complex.

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Under this contract, AES undertook to acquire 100% of the shares of Nova Energia for R$ 600 million. Nova Energia controls the sub-holding company Renova Eólica Participações S.A., which owns 100% of the 15 special-purpose companies that comprise the Alto Sertão II wind farm complex. The total value of the Transaction has the potential to reach R$ 700 million under an earn-out – half of this amount, that is to say R$ 50 million (fifty million Reais), being retained in an escrow account, with release conditional on the performance of the Alto Sertão II Complex as measured after a period of five years from the date of completion of the transaction. Completion of the transaction is subject to certain conditions precedent stated in the agreement, including approval by government bodies and creditors.

For more information see Note 15.

Transmissora Aliança de Energia Elétrica S.A. ('Taesa'),

On April 13, 2016, Taesa won the bidding for Lot P of Public Electricity Transmission Concession Auction 013/2015, held by the National Electricity Agency (Aneel). Lot P comprises 90 km of transmission lines and two substations in the State of Tocantins. Aneel Granted Taesa the right to commercially operate the concessions for 30 years. Taesa did not offer a discount in relation to the reference RAP specified by Aneel for lot P in the invitation to bid. The result was that it contracted an initial revenue of R$ 56 million.

On August, 31, 2016, the Board of Directors of the Company authorized monetization of up to 40,702,230 units in Taesa corresponding to 40,702,230 common shares and 81,404,460 preferred shares in Taesa, owned by the Company

On October 24, 2016 Taesa made settlement of its restricted offer of 65,702,230 units (each unit, or Share Deposit Certificate, representing one common share and two preferred shares in circulation), to be offered and sold by Fundo de Investimento em Participações Coliseu ('FIP Coliseu') and by the Company. The Restricted Offer was a secondary offering, with restricted placement efforts, of 65,702,230 units belonging to the Vendor Stockholders, 25 million units being the property of FIP Coliseu and 40,702,230 units belonging to the Company, for a unit price of R$ 19.65.

On December 27, 2016 Taesa received notice sent by Fundo de Investimento em Participações Coliseu and Fundo de Investimento em Ações Taurus (jointly, 'Vendors'), informing that a share purchase agreement had been signed with Interconexión Eléctrica S.A. E.S.P. for sale of the totality of its stockholding interests bound by the control block of Taesa, representing an aggregate 26.03% of the common shares and 14.88% of the total share capital of Taesa, for R$ 1,055,932,217.19.

Changes in the Stockholders' Agreement of Parati

In the first and second quarters of 2016, certain changes were made to the stockholders' agreement of Parati.

The main changes resulting from these amendments were as follows:

1) The exercise date of the put option granted in 2011 by the Company in favor of the holders of units in FIP Redentor, initially set for May 31, 2016, was postponed and divided into two separate exercise dates:

   a) The first exercise window: Up to September 23, 2016, inclusive, to cover only preferred shares in Parati, up to a limit of 153,634,195, representing 14.30% of the total held by the other direct stockholders. In relation to the shares placed in this exercise window, the Company was to make the payment by November 30, 2016.

   b) Second exercise window: Up to September 23, 2017, the Company could cover the totality of the shares in Parati, independent of any exercise, or not, of the Put Option in the first payment window. In relation to the shares placed in this exercise window, the Company was to make the payment by Thursday, November 30, 2017.

2) New provisions were included to make it possible for the exercise window of the put option to be brought forward if the Company did not comply with certain clauses in the stockholders' agreement, enabling any direct stockholder to present the Company with a notice of early maturity of the put option, at which point the option would be considered exercised by all the direct stockholders, on the totality of their shares.

3) To guarantee full payment of the put option the Company offered to its holders, on May, 31, 2016: Units in Taesa directly held by the Company, representing 55,234,637 common shares and 110,469,274 preferred shares, and as an additional guarantee, 26.06% (53,152,298 shares) that the Company holds directly in Light.

4) In 2016 there was a corporate simplification in relation to the Company's indirect investment in Light, with the rescission of FIP Redentor, absorption of Redentor Energia S.A. by Rio Minas Energia Participações S.A. (RME), total dissolution of Parati, through which the Company, Santander (Brasil) S.A., BV Financeira S.A., BB – Banco de Investimento S.A. and Banco BTG Pactual became direct stockholders of RME and Luce Empreendimentos e Participações S.A. (Lepsa), holders of the same rights, obligations and equity interests held by Parati.

   The Company also acquired the equity interests of Banco BTG Pactual S.A. in RME and Lepsa in 2016.

   Legal instruments were signed to formalize the changes related to the rights and obligations in relation to the put option given by the Company to the Direct Stockholders on the shares of Parati, and this resulted in those rights and obligations now applying to the shares in circulation of RME and Lepsa, since these two companies received the totality of the group

of assets and liabilities that were split apart as a result of the split of 100% of their sole controlling stockholder, Parati.

5) The put option may be exercised by the direct stockholders of RME and Lepsa.

Capital increase

On October 26, 2017 the Company approved a capital increase of up to one billion Reais. The transaction involved issue of 199,910,947 (one hundred ninety nine million nine hundred ten thousand nine hundred forty seven) new shares at a price of R$ 6.57 (six Reais and fifty seven centavos) per share, representing a discount of twenty per cent on the weighted average trading price of the stock in the last 120 days. The capital increase has the merit of giving the Company a more robust capital structure, enabling it to reduce the present level of financial expenses and leverage, and also enable new financial transactions.

We report certain activities related to subsidiaries and affiliates in 2017:

On July 3, 2017 Renova Energia S.A. announced closing of the transactions between Renova Energia S.A. and Brookfield Asset Management relating to the share purchase agreement that Renova held in the US company TerraForm Global Inc. The total price of acquisition of the shares was US$92.8 million.

On August 3, 2017 Renova Energia S.A. concluded the sale to AES Tietê Energia of the totality of the shares in Renova Energia Holding S.A., holder, through Renova Eólica Participações S.A., of the Alto Sertão II wind farm complex.

The base value of the transaction was R$ 600 million, and AES Tietê also assumed the debt of the Alto Sertão II wind farm complex, in the amount of R$ 1.150 billion.

On November 24, 2017, Cemig sold, on the B3, 34,000,000 Units in Transmissora Aliança de Energia Elétrica S.A – Taesa (TAEE11) for R$ 21.10 per Unit. This reduces Cemig's equity interest in Taesa from 31.54% to 21.68%. Cemig now owns 218,369,999 common shares in Taesa, and 5,646,184 preferred shares – 36.97% of the common shares and 1.28% of the preferred shares. The controlling stockholding block of Taesa remains unchanged: the shares sold were not bound by the Stockholders' Agreement.

On November 24, 2017, Renova Energia S.A. Completed the sale of the Umburanas wind complex to Engie Brasil Energia S.A. The value of the transaction was R$ 16,937,854.20.

On November 30, 2017 Cemig reported conclusion of the stockholding restructuring involving the transfer to Taesa of the stockholdings held by Cemig in the transmission concession holders: Companhia Transleste de Transmissão S.A. ('Transleste'), Companhia Transudeste de

Transmissão S.A. (‘Transudeste’) and Companhia Transirapé de Transmissão S.A. (‘Transirapé’). The amount received by Cemig in this transaction was R$ 56,088,002.

On November 30, 2017, Cemig acquired 100% of the shares in Luce Empreendimentos e Participações S.A. (‘Lepsa’) and 100% of the preferred shares in Rio Minas Energia Participações S.A. (RME) held by BB-Banco de Investimento S.A., BV Financeira S.A. – Crédito, Financiamento e Investimento and Banco Santander (Brasil) S.A., for R$ 1,015,943,507.26. With this acquisition, Cemig increased its stockholding position in RME from 66.27 to 75% of the total capital, while continuing to own a 50% interest in the voting stock of RME; and increased its stockholding position in Lepsa from 66.62% to 100% of the total and voting stock.

c. Non-usual transactions or events:

None, in the last three years.

10.4

(a) Significant changes in accounting practices:

2018

The Company and its subsidiaries have applied, for the first time, certain alterations to the rules that are in effect for annual periods beginning January 1, 2018 or later.

The nature and impact of each one of these rules and changes are described as follows:

IFRS 15 (CPC 47 – *Revenue from contracts with customers*)

IFRS 15 – *Revenue from contracts with customers* establishes a five-step model to account for revenues arising from contracts with customers. Under IFRS 15, revenue is recognized as and when a performance obligation is satisfied, at an amount which reflects the consideration to which an entity expects to be entitled in exchange for transfer of goods or services, which is to be allocated to this performance obligation. The entity should record the revenue only when it is probable that it will receive the consideration in exchange for the goods or services transferred, taking into account the client's capacity and intention to comply with the payment obligation. This new pronouncement will supersede all current requirements for recognition of revenue under the CPCs/IFRS. Additionally IFRS 15 established requirements for more detailed presentation and disclosure than the rules until then in effect.
The Company and its subsidiaries performed a preliminary assessment application of the five steps for recognition and measurement of revenue, as required by IFRS 15:

1. Identify the contracts signed with its customers;
2. Identify the performance obligations in each type of contract;
3. Determine the price of each type of transaction;
4. Allocate the price to the performance obligations contained in the contract; and
5. Recognize the revenue when (or to the extent that) the entity satisfies each performance obligation of the contract.

The Company and its subsidiaries plan to adopt the new rule on the date of its coming into effect based on the modified backdated application, with the effects accounted from January 1, 2018. As a result, the Company and its subsidiaries will not apply the requirements of this pronouncement to the comparative exercise presented.

IFRS 9/CPC 48 – Financial Instruments

IFRS 9 / CPC 48 establishes that all financial assets recognized that are within the scope of IAS 39 (equivalent to CPC 38) should subsequently be measured at amortized cost or fair value, reflecting the business model in which the assets are administered, and their cash flow characteristics, not affecting accounting recognition of the Company's financial assets and liabilities. IFRS 9 / CPC 48 contains three categories of accounting for

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financial instruments: Amortized cost; Fair value through Other comprehensive income; and Fair value through profit or loss.

The standard eliminated the existing categories under IAS 39/CPC 38 and, thus, the Company and its subsidiaries reclassified those categories to comply with the new standard, as follows:

Consolidated	Classification	
	IAS 39 / CPC 38	IFRS 9 / CPC 48
Financial assets		
Cash equivalents – Investments (1)	Loans and receivables	Fair value – profit or loss
Securities – Investments (2)	Held to maturity	Amortized cost
Securities – Investments (2)	Held for trading	Fair value / profit or loss
Consumers and Traders; Concession holders (transmission service)	Loans and receivables	Amortized cost
Restricted cash	Loans and financings	Amortized cost
Advances to suppliers	Loans and receivables	Amortized cost
Accounts receivable from the State of Minas Gerais	Loans and financings	Amortized cost
Receivable from related parties	Loans and financings	Amortized cost
Concession financial assets – *CVA* and *Other financial components* of tariff increases	Loans and receivables	Amortized cost
CVA and *Other financial components* of tariff increases Reimbursement of tariff subsidies	Loans and receivables	Amortized cost
Low-income subsidy	Loans and receivables	Amortized cost
Escrow deposits	Loans and receivables	Amortized cost
Derivative financial instruments (swaps)	Fair value – profit or loss	Fair value – profit or loss
Concession financial assets – Distribution infrastructure	Held for trading	Fair value – profit or loss
Indemnities receivable – Transmission	Loans and receivables	Amortized cost
Generation indemnity receivable	Loans and receivables	Fair value – profit or loss
Concession grant fee – Generation concessions	Loans and receivables	Amortized cost
Other credits	Loans and receivables	Amortized cost
Financial liabilities		
Loans, financings and debentures	Amortized cost	Amortized cost
Debt agreed with pension fund (Forluz)	Amortized cost	Amortized cost
Concession financial liabilities – *CVA* (Portion 'A' Costs Variation Compensation) Account, and *Other financial components*, in tariff adjustments	Amortized cost	Amortized cost
Concessions payable	Amortized cost	Amortized cost
Minas Gerais State Tax Debits Regularization Plan (PRCT)	Amortized cost	Amortized cost
Suppliers	Amortized cost	Amortized cost
Advances from clients	Amortized cost	Amortized cost
Derivative financial instruments (swaps)	Fair value – profit or loss	Fair value – profit or loss
Derivative financial instruments	Fair value – profit or loss	Fair value – profit or loss

(1) They were recognized at their nominal realization values, which are similar to fair value.
(2) The Company and its subsidiaries hold 'securities' with varying classifications under IFRS 9 / CPC 48.

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Impairment of fixed assets

IFRS 9 / CPC 48 replaced the model for losses incurred by a prospective model of losses expected. This approach requires a significant degree of judgment on how the changes in economic factors affect expected losses in realization of credits, to be determined based on weighted probabilities. This model applies to financial assets measured at amortized cost or at fair value through Other comprehensive income (FVOCI), with the exception of investments in equity instruments and contractual assets.

Under IFRS 9 / CPC 48, provisions for expected losses are to be measured on one of the following bases: (i) 12-month expected credit losses, that is to say, losses of credit that result from possible default events within 12 months after the base date; and (ii) 'full lifetime expected credit losses, i.e. credit losses expected to result from all of the possible default events over the expected life of a financial instrument, if the credit risk has increased significantly since its initial recognition. The rule also proposes use of an expedient practical method for financial assets that do not have significant financing components: a simplified approach in which the expected loss is realized using a matrix per age of maturity of the accounts receivable.

The impacts arising from the initial adoption of IFRS 9 on January 1, 2018 have been posted directly to Equity, without appearing in the Profit and loss account, as follows:

R$ '000	Jan. 1, 2018
Consumers and traders; power transmission (a) (Note 8)	150,114
Adjustment arising in the investee Light	82,770
Deferred income tax and Social Contribution tax (a) (Note 10c)	(51,038)
	181,846

(a) This refers to estimated losses on doubtful accounts receivable from consumers of Cemig D.

Revision of Technical Pronouncements of CPC 12/17

The document establishes changes to Technical Interpretations and Pronouncements, principally in relation to:

(i) publication of CPC 47 / IFRS 15;
(ii) publication of CPC 48 / IFRS 9;
(iii) change in classification and measurement of share-based payment transactions under CPC 10 / IFRS 2;
(iv) change in the transfer of ownership for investment in CPC 28 / IAS 40; and
(v) annual alterations put in place by IASB for the 2014-16 Cycle.

The impacts of adoption of IFRS 15 / CPC 47 and IFRS 9 / CPC 48 are reflected in the paragraphs above. In relation to the changes introduced by these pronouncements in IFRIC 12 / ICPC 01 (R1), we highlight below effects on recognition of transmission and distribution assets.

The Company and its subsidiaries have not identified significant impacts arising from the changes in the other pronouncements.

- ICPC 01 (R1) – *Concession contracts*

The changes introduced by IFRS 15 / CPC 47 and IFRS 9 / CPC 48 have impacted the distribution, generation and transmission sectors in the classification and measurement of their assets, which are already under the scope of my FRIC 12 / ICPC 01. As required in the pronouncement, the allocation of price is demanded for each type of performance obligation identified in the contract with the client, and the financial asset must also be classified as either amortized cost or fair value through profit or loss.

Under IFRS 15 / CPC 47, the Company and its subsidiaries have concluded that they have contracts with the following identified performance obligations: (i) construction – to build; (ii) to operate and maintain; and (iii) financing the concession-granting power. In the transmission segment, the Company and its subsidiaries have concluded that they have a single contract with a client (the transmission line concession), with the same obligations. Thus, based on the contractual characteristics, the Company and its subsidiaries classified the asset as contractual since, for its realization, the financial flows are influenced by factors of operational performance and also future conditions arising from procedures of periodic tariff reviews, and these assets do not become receivable only by passage of time – which is a condition precedent for their classification as financial assets under IFRS 9 / CPC 48. Based on the contractual characteristics, the distribution assets linked to the infrastructure of the concession that are still under construction are to be registered initially as contractual assets, considering the Company’s right to charge for the services provided to consumers or receive an indemnity at the end of the concession for the assets that are not yet amortized.

Because these are long-term contracts with clients, the Company and its subsidiaries have identified that there is a significant component of financing that is taken into account for the calculation of the financing of the Concession-granting power, as mentioned above.

2017

There were no significant changes in accounting practices in 2015.

2016

The Company and its electricity distribution subsidiary Cemig D decided that for optimum presentation of operational and financial performance, the adjustment to the expectation of cash flow from the indemnifiable financial asset of the concession of the distribution company, originally presented in Financial revenue (within Financial revenue (expenses)), should more appropriately be classified in Operational revenues, together with the other revenues related to its end-activity. The Company believes that this allocation gives a more accurate reflection of the electricity distribution business model, and provides a better presentation of its performance.

The following facts support this conclusion:

- Investing in infrastructure is the indispensable activity of the electricity distribution business, the management model of which is based on building, maintaining and operating this infrastructure.

- Part of the electricity distribution industry, and also the electricity transmission industry, already adopt this classification, and thus the Company would be increasing the comparability of its financial statements.

- The increases in Brazilian inflation rates in recent years – which have a direct influence in increasing the value of the financial asset of the concession, have contributed to increasing the importance of this revenue in the profit for the year.

According to the orientations of CPC 23 (IAS 8) – *Accounting Policies, Changes in Estimates and Correction of Errors*, the Company and its subsidiaries have changed their previously adopted accounting policy for an accounting policy that better reflects the performance of the businesses of the Company and its subsidiaries (due to the arguments mentioned above), and have thus proceeded to reclassify, backdated, their income statements and added value statements originally issued on March 7, 2016.

The reclassifications that have been made have not altered the total of Assets, Equity, Net profit, the Statement of comprehensive income, or the Statement of cash flows.

(b) Significant effects of the changes in accounting practices

The effects are demonstrated in the previous item.

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(C) Qualifications and emphases in the Auditor's Report:

Qualifications:

The opinions of the external auditors at December 31, 2018, 2017 and 2016 do not contain qualifications.

Emphases of matter:

Under CFC Resolution 1233/09, if the auditor considers it necessary to call users' attention to a subject presented or disclosed in the accounting statements which in its judgment has such importance and is fundamental for understanding by the users of financial statements, the auditor must include a paragraph of emphasis in the report, provided that it has obtained sufficient and appropriate auditing evidence that there has not been a material distortion of the subject in the accounting statements. This paragraph must refer only to the information presented or disclosed in the accounting statements.

In the external auditors' report at December 31, 2018, there are the following paragraphs of emphasis:

> *Risks related to compliance with laws and regulations*
>
> *As mentioned in Note 17 to the financial statements, investigations and other legal measures are in progress, conducted by public authorities, in certain non-controlled investees, on the subject of certain expenditures and their destinations, which involve and include also some of their other stockholders and certain executives of those other stockholders. The Corporate Governance bodies of the Company have authorized contracting of a specialized company to analyze the internal procedures related to these specific investments and investigate the allegations referred to. At present it is not possible to foresee the future development arising from these processes of internal investigation and investigation by the public authorities, nor their possible reflexive effects on the interim accounting information of the Company and its subsidiaries. Our opinion regarding this matter is unqualified.*
>
> *Risk of operational continuity in the jointly-controlled subsidiary Renova Energia S.A.*
>
> *As stated in Note 17 to the financial statements, the jointly-controlled subsidiary Renova Energia S.A. has been reporting recurrent losses, and at December 31, 2018 had negative net working capital, negative equity (uncovered liabilities) and negative gross margin. These events or conditions, jointly with other subjects described in Note 17, indicate the existence of material uncertainty able to raise*

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significant doubt as to the capacity of this jointly-controlled subsidiary to continue operating. Our opinion regarding this matter is unqualified.

In the independent auditors' report for December 31, 2017 there are the following paragraphs of emphasis:

Risks related to compliance with laws and regulations

As mentioned in Note 16 to the financial statements, the Company has indirect investment in Madeira Energia S.A., Renova Energia S.A., and Norte Energia S.A. (jointly referred to as 'non-controlled investees'), which are valued by the equity method of accounting. At present, investigations and other legal measures are in progress, conducted by public authorities, in these non-controlled investees, on the subject of certain expenditures and their destinations, which involve and include also some of their other stockholders and certain executives of those stockholders. At present it is not possible to foresee the future outcomes arising from these processes of investigation by the public authorities, nor their possible reflexive effects on the Company's financial statements. Our opinion regarding this matter is unqualified.

Risk of continuity of the non-controlled investee Renova Energia S.A.

As disclosed in Note 16 to the financial statements, the indirect, non-controlled investee Renova Energia S.A. has been reporting recurring losses, and on December 31, 2017 had negative net working capital. These events or conditions indicate the existence of significant uncertainty that could raise significant doubts as to its capacity to continue to be operational. Our opinion regarding this matter is unqualified.

In the external auditors' report of December 31, 2016, there are the following paragraphs of emphasis:

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

As described in Notes 4 and 34 to the financial statements, the Company is disputing in the Courts the renewal of the concession contracts of the Jaguara, São Simão and Miranda hydroelectric plants, which had expiry dates in August 2013, January 2015, and December 2016, respectively. Our opinion regarding this matter is unqualified.

Risks related to laws and regulations

As mentioned in Notes 1 and 15 to the financial statements, the Company has a direct and indirect non-controlling interests in Madeira Energia S.A. (which has investment in Santo Antônio Energia S.A.), 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. Our opinion on this matter is unchanged.

As mentioned in Notes 1 and 15 to the financial statements, the Company has an indirect non-controlling interest in Norte Energia S.A. 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. Our opinion on this matter is unchanged.

Continuity risk in the investee Renova Energia S.A.

As reported in Notes 1, 15 and 34 to the financial statements, the Company has a non-controlling equity interest in Renova Energia S.A., and the conditions of that company indicate the existence of significant uncertainty that could raise significant doubt as to the capacity of Renova Energia S.A. to remain operational. Our opinion regarding this matter is unqualified.

Re-presentation of corresponding amounts

As mentioned in Note 2, as a result of the change in accounting policy adopted by the Company, in relation to the classification of the adjustment of expectation of cash flow from the financial asset of the concession, the corresponding amounts of the financial statements relative to the consolidated Profit and loss account and the Added value statement (supplementary information), relating to the business year ended December 31, 2015, presented for the purpose of comparison, were reclassified and are being re-presented as specified in CPC 23 and IAS 8 – Accounting policies, changes in estimates and errors. Our opinion on this matter is unchanged.

It should be mentioned that the emphases of matter referred to above aim to highlight significant subjects already contained in the Company's financial statements, and do not represent any divergence on the part of the auditors in relation to the Company's accounting practices.

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10.5

The Company has no transactions for which it would be possible to apply accounting policies different from those defined in the accounting rules in effect in Brazil, where judgment would be necessary for application of which policy better represented the essence of a given transaction.

Application of accounting policy is affected by estimates and assumptions used by the Company, which are revised continuously, using as a reference both historic experience and also any significant changes of scenario that could affect the Company's equity situation or results.

The accounting policies relating to the Company's present operations that require judgment and the use of specific valuation criteria are the following:

Financial instruments

Derivative financial instruments (put options) – The options to sell units in FIP Melbourne and FIP Malbec ('the SAAG Put Option') were valued at fair value using the Black-Scholes-Merton (BSM) method. The Company and its subsidiary Cemig GT have calculated the fair value of these options having as a reference their respective prices obtained by the BSM model, valued on the closing date of the financial statements for the 2017 business year.

Derivative financial instruments (Swap transactions) – Cemig GT maintains derivative hedge instruments to regulate its exposure to risks of variation in exchange rates. Derivatives are recognized initially at their fair value and the attributable transaction costs are recognized in the Profit and loss account when they are incurred. After the initial recognition, derivatives are measured at fair value and changes in fair value are accounted in the Profit and loss account.

Share capital: The rights to minimum dividends established for the preferred shares are described in Note 26 to the financial statements.

Loans and receivables – Loans and receivables include: Cash equivalents, credits payable by consumers and traders, and concession holders (for power transmission), restricted funds, litigation escrow deposits, financial assets of the concession, amounts receivable from related parties, and *CVA* credits and *Other financial components* in tariff adjustments. The Company recognizes a financial asset resulting from a concession contract when it has an unconditional contractual right to receive cash or another financial asset from, or under the direction of, the concession-granting power for the services of construction or improvement provided.

The following are initially reported at the value of the electricity supply, and measured at amortized cost: *Consumers and Traders; Concession holders (power transport);*

Transactions in 'free energy'; and *Accounts receivable from consumers*. They include any direct taxes for which the company has the tax responsibility, less taxes withheld at source, which are considered to be tax credits.

Provisions for expected losses are recorded on one of the following bases: (i) Losses of credit expected for 12 months, that is to say, losses of credit that result from possible default effects within 12 months after the base date; and (ii) 'full lifetime expected credit losses, i.e. credit losses expected to result from all of the possible default events over the expected life of a financial instrument, if the credit risk has increased significantly since its initial recognition. The rule also proposes application of the practical expedient for financial assets that do not have significant financial components, with a simplified approach in which the expected loss is realized using a matrix per age of maturity of the accounts receivable.

Investments: The Company has investments in affiliated companies, subsidiaries and jointly-controlled entities. Control is obtained when the Company has the power to control the financial and operational policies of an entity to receive benefits from its activities. These investments are valued by the equity method in the individual and consolidated financial statements (in the latter case, with the exception of the subsidiaries), and are, initially, recognized at fair value.

The Company's investments include the intangible assets representing the right to commercial operation of the regulated activity identified in the process of allocation of the price for acquisition of the jointly-held entities, net of any accumulated impairment.

Assets linked to the concessions

Distribution activity: – The portion of the assets of the concession that will be totally amortized during the concession period is recorded as an intangible asset and is completely amortized during the concession agreement period, and provided for in ICPC 01 (R1)/IFRIC 12 – *Concession contracts*. The changes introduced by CPC 47/IFRS 15 has affected the way of classifying distribution assets.

Amortization reflects the pattern of consumption of the rights acquired. It is calculated on the balance of the assets linked to the concession, by the straight-line method, based on the application of the rates that consider the expected useful life of the electricity distribution assets, which are taken into consideration by the regulator during the process of tariff review.

Cemig D measures the portion of the value of the assets which will not be fully amortized by the end of the concession, and reports this amount as a financial asset because it is an unconditional right to receive cash or other financial asset directly from the grantor.

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Cemig D has measured the portion of the assets that will be completely amortized by the end of the concession, assuming extension of its concession agreement for a further 30 years, as described in more detail in Note 4.

Assets linked to concession infrastructure still under construction are reported initially as Contractual assets, measured at acquisition cost, including the costs of capitalized loans. When assets start operation there is conclusion of the performance obligation linked to construction, and they are then split into financial assets and intangible assets, according to the criterion mentioned in the previous paragraphs: the portion of the assets that is recorded in financial assets is valued based on the New Replacement Value, equivalent to fair value, having as a reference the amounts homologated by Aneel for the Remuneration Base of Assets in the processes of tariff review.

Transmission activity: – The assets linked to the infrastructure of the transmission concession were classified as contractual assets as from January 1, 2018, considered to be performance obligations during the period of the concession, represented by the availability / construction, operation and maintenance of the transmission lines. Costs related to construction of the infrastructure are posted in the Profit and loss account when they take place, and a Construction revenue is recorded based on the stage of conclusion of the works, including the taxes applicable to the revenue, and any profit margin.

Of the invoiced amounts of Permitted Annual Revenue (RAP), the portion relating to the fair value of the operation and maintenance of the assets is recorded in the Profit and loss account and the portion relating to the construction revenue, originally recognized at the time of the formation of the assets, is used to write down the contractual asset. Addition for expansion and improvements generate additional cash flow, and hence this new cash flow is capitalized into the contract asset balance.

Thus, based on the contractual characteristics, the subsidiaries classified the asset as contractual since, for its realization, the financial flows are influenced by the operational performance factor, these assets not being receivables only due to passage of time, which is a condition precedent for classification of the said financial assets in accordance with CPC 48/IFRS 09.

Due to the acceptance of the terms of renewal of the old transmission concessions, part of the transmission assets of the concessions is the subject of reimbursement by the concession-granting power, having been written off on December 31, 2012, and an item in Accounts receivable having been posted corresponding to the estimated indemnity to be received over a period of eight years. For more details see Note 16 – *Contractual assets*.

Generation activity – For the plants with concessions obtained by the Aneel auction of November 2015, as described in Note 15, the amount of the concession grant fee was recognized as a financial asset, at amortized cost, due to the Company's unconditional

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right to receive the amount paid, with updating by the IPCA index, and remuneratory interest, during the period of the concession.

Gas distribution activity – The portion of the assets of the concession that will be fully amortized during the concession period is recorded as an Intangible asset and is completely amortized during the concession agreement period. The amortization reflects the pattern of consumption of the rights acquired. It is calculated on the balance of the assets linked to the concession, by the straight-line method.
Gasmig measures the value of the assets which will not be fully amortized by the end of the concession agreement period, and reports this amount as a financial asset, because it is an unconditional right to receive cash or other financial asset directly from the grantor.

New assets are recorded initially in Intangible assets, valued at acquisition cost, including capitalized borrowing costs. When they start operation they are split into financial assets and intangible assets, according to the criterion mentioned in the previous paragraphs: the portion of the assets that is recorded in financial assets is valued based on the New Replacement Value, having as a reference the amounts homologated by Aneel for the Remuneration Base of Assets in the processes of tariff review. The book value of assets substituted is written down, with counterpart in the Profit and loss account, and taken into consideration by the regulator in the next tariff review cycle.

Intangible assets – Intangible assets comprise, mainly, the assets relating to the concession contract for services, described above, and software. They are measured at total acquisition cost, less expenses of amortization.

PP&E – The goods in Property, plant and equipment are valued at the cost incurred on the date of their acquisition or formation, including deemed cost, and capitalized financial costs, less accumulated depreciation.

Depreciation is calculated on the balance of property, plant and equipment in service and investments in consortia, by the straight-line method, using the rates that reflect the estimated useful life of the assets, for the assets related to the electricity activity, limited in certain situations to the period of the concession contracts to which they refer. The main rates are shown in Note 17.

Gains and losses resulting from write-down of a fixed asset are measured as the difference between the net values obtained from the sale and the asset's book value, and are recognized in the profit and loss account at the moment of writing down of the asset.

Impairment – In assessing impairment of financial assets, the Company and its subsidiaries use historic trends of the probability of default, timing of recovery and the amounts of loss incurred, adjusted to reflect management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historic trends.

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Additionally, management revises, annually, the net book value of the non-financial assets, for the purpose of assessing events or changes in the economic, operational or technological circumstances that could indicate impairment. When such evidence is identified and when the book value exceeds the recoverable value, a provision is made for impairment, adjusting the net book value to the recoverable value. In this case, the recoverable value of an asset or a given cash generating unit is defined as being the greater of the value in use or the net value for sale.

Employee benefit – For the Company's retirement benefit pension plan obligations, the liability recorded in the statement of financial position is the greater of: (a) the debt agreed upon with the foundation for amortization of the actuarial obligations, and (b) the present value of the actuarial obligation, as calculated by a qualified actuary, less the fair value of the plan's assets. In the business years presented, the expenses related to the debt agreed upon with the pension fund were registered in financial revenue (expenses), because they represent interest and monetary updating. The other expenses on the pension fund were recorded as operational expenses.

The actuarial gains and losses arising from adjustment based on experience and on changes in actuarial assumptions are recognized in other comprehensive income.

Short-term benefits to employees – Employees' profit shares specified in the Company's by-laws are provisioned in accordance with the collective agreement established with the employee union and recorded in Employees' and managers' profit shares in the Profit and Loss account.

Income and Social Contribution tax
Current – Advances, or amounts subject to offsetting, are posted in current or non-current assets, in accordance with the expected date of their realization up to the close of the current business year, when the tax is duly calculated offset against the advances made.
Deferred – Deferred tax liabilities are recognized for all inter-temporal tax differences. Deferred tax assets are recognized for all the temporary differences deductible to the extent that it is probable that future taxable profit will be available for the temporary differences to be offset.

Deferred income tax and Social Contribution tax assets are reviewed at reporting date, and are reduced to the extent that their realization is no longer probable. Operational revenue

In general, for the business of the Company and its subsidiaries in the electricity, gas, telecommunications and other sectors, revenues are recognized when there is persuasive evidence of agreements, when delivery of merchandise takes place or when the services are provided, the prices are fixed or determinable, and receipt is reasonably assured, independently of whether the money has actually been received.

Revenues from sale of electricity are recorded based on the electricity delivered and the tariffs specified in the terms of the contract or in effect in the market. Revenues from retail supply of electricity to final consumers are recorded when the delivery has taken place. The billing is carried out monthly. Unbilled retail supply of electricity, from the period between the last billing and the end of each month, is estimated based on the supply contracted. The differences between the estimated amounts accrued and the actual revenues realized are recorded in the following month. Historically, these have not been significant.

Revenue from the supply of electricity to the Brazilian grid system is recorded when the delivery has taken place and is invoiced to consumers on a monthly basis, in accordance with the payment schedules specified in the concession agreement.

For the transmission concessions, the fair value of operation and maintenance of the transmission lines and the remuneration of the financial asset are recorded as revenue in the Profit and loss account each month.

The services provided include charges for connection and other related services; the revenues are accounted when the services are provided.

The 'Portion A' revenue and *other financial items* related to tariff adjustments are recognized in the Profit and Loss account when the costs effectively incurred are different from those incorporated into the electricity distribution tariff. For more details, see Note 15.

The gain on adjustment of expectation of cash flow from the indemnifiable financial asset of the distribution concession arising from the variation in the fair value of the Remuneration Asset Base is presented as operational revenue, together with the other revenues related to the Company's end-activity.

Financial revenues and expenses – Financial revenues are principally interest income on funds invested, arrears charges for consumer payments made late, monetary updating of the financial assets of the concession and interest income on other financial assets. Interest income is recognized in the Profit and loss account using the effective interest method.

Financial expenses include: interest expense on borrowings; and foreign exchange and monetary variation on borrowing cost of debt, financings and debentures. Interest expense on the Company's borrowings that is not capitalized is recognized in the Profit and loss account using the effective interest method.

Information by segment – The operating results of all operating segments for which individualized financial information is available are reviewed regularly by the Company's CEO, to make decisions about resources to be allocated to the segment, and to assess their performance.

Segment results that are reported to the CEO include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items

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comprise mainly corporate assets (primarily the Company's headquarters) and head office expenses.

Segment capital expenditure is the total cost incurred during the year to acquire: the Financial assets of the concession, Intangible assets, and Property, plant and equipment.

Determination of adjustment to present value – The Company and its subsidiaries have applied adjustment to present value on certain paid concession contracts. Discount rates were used that are compatible with the cost of funding in transactions with the same maturity on the date of the transactions. These rates are: 12.50% for the small hydro plants and 5.10% for the conventional hydroelectric plants.

10.6

Assets or liabilities held by the issuer, directly or indirectly, which do not appear in the Statement of financial position (off-balance sheet items), such as:

i. Operational leasing transactions, owed or receivable;
ii. Portfolios of receivables written off, on which the entity maintains risks and responsibilities - state the respective liabilities;
iii. Contracts for future purchase or sale of products or services;
iv. Non-terminated construction contracts;
iv. Contracts for future receipts of financings.

The Company and its subsidiaries have contractual obligations and commitments that include, among others, amortization of loans and financings, contracts with contractors for construction of new projects, and purchase of electricity from Itaipu.

The amounts stated by the Company, as contractual obligations, shown in the table below, are not entirely included in the balance sheet because they do not have all the characteristics necessary for recognition as liabilities. A contractual obligation is not recognized in the accounting statements when the contract has not been fully complied with or does not present conditions for recognition of the corresponding expense or even that of a related asset.

The contractual obligations described in the table below arise from contracts with the characteristics described above:

R$ '000	2019	2020	2021	2022	2023	After 2024	Total
Purchase of electricity from Itaipu	1,352,514	1,415,678	1,380,762	1,440,308	1,532,335	45,655,893	52,777,490
Purchase of electricity – auctions	2,752,584	3,129,558	3,525,176	3,807,762	4,293,058	85,443,754	102,951,892
Purchase of electricity – 'bilateral contracts'	314,486	332,955	348,756	365,741	384,785	468,823	2,215,546
Quotas for Angra 1 and Angra 2 Power Plants	266,557	284,752	291,133	305,241	320,625	12,431,621	13,899,929

Transport of electricity from Itaipu	233,341	236,682	219,903	207,010	217,238	6,962,103	8,076,277
Other electricity purchase contracts	3,963,302	3,041,180	3,056,640	3,813,670	3,394,364	37,159,377	54,428,533
Physical quota guarantees	857,819	895,955	933,799	978,886	1,028,103	39,889,838	44,584,400
Operational leasing (1)	74,736	68,970	29,773	-	-	-	173,479
Total	9,815,339	9,405,730	9,785,942	10,918,618	11,170,508	228,011,409	279,107,546

Put options

Additionally, Option Contracts were signed between the Company 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 Funds that comprise the Investment Structure, at the option of the Funds, 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 being so, these options have been considered to be derivative instruments which should be accounted at fair value through profit or loss.

Based on the studies made, a liability of R$ 419,148 is recorded in the Company's financial statements (R$ 311,593 on December 31, 2017), for the difference between the exercise price and the estimated fair value of the assets.

R$ '000	Consolidated and holding company
Balance at Dec. 31, 2016	**196,173**
Change in fair value	120,754
Reversals	(5,334)
Balance at Dec. 31, 2017	**311,593**
Change in fair value	**107,555**
Balance at December 31, 2018	**419,148**

10.7 - Items not shown in the financial statements

a) How such items alter or may come to alter revenues, expenses, operational profit, financial expenses or other items of the Issuer's financial statements:

The items mentioned in the table contained in item 10.6 of this Reference Form, the nature and amount of which have not been recorded in the financial statements, which will have an impact on the Statement of financial position (balance sheet) and also on net profit, arise basically from future contracts for purchase of electricity and gas.

The impact that these obligations may have on the results is demonstrated in the table in item 10.6 of this Reference Form, for each business year, and will be recognized monthly in the Profit and loss account, as and when realized.

In the case of the future expenses on purchase and transport of electricity and gas, the Company will simultaneously record an operational revenue from the sale of that energy and gas, at which point a profit margin will be calculated and recorded as a function of these operations.

In the case of the put option mentioned in item 10.6 of this Reference Form, the impacts would be acquisition of assets related to the put options offered to the stockholders.

b) Nature and purpose of the transaction

For a description of the nature and purpose of each transaction, see item 10.6 of this Reference Form.

c) Nature and amount of the obligations assumed and the rights generated in favor of the issuer as a result of the transaction.

For a description of the amount of the obligations assumed and the rights generated in favor of the Company arising from transactions not evidence in our financial statements, see item 10.6 of this Reference Form.

10.8

a. Investments, including:

i. Quantitative and qualitative description of the investments in progress and the investments planned

i. *As well as the investment made by the wholly owned subsidiaries of the Company, which are necessary to meet the demands and requirements of Aneel, to improve the efficiency of electricity systems, attend new consumers and to mitigate environmental liabilities, the Company has spent funds on the acquisition of assets already constituted.*

In the next three years the holding company, ***Companhia Energética de Minas Gerais****, expects to invest approximately* ***R$ 263.1 million,*** *as follows:*

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This text is a translation, provided for information only. The original text in Portuguese is the legally valid version.

Values in R$ mn

Activity	***2019***	***2020***	***2021***	***Total***
Basic program (1)	***0.2***	***0.2***	***1.1***	***1.5***
Cemig (holding company)	*0.2*	*0.2*	*1.1*	*1.5*
Capital injections (2)	***239.7***	***10.7***	***11.2***	***261.6***
Overall total (1) + (2)	***239.9***	***10.9***	***12.3***	***263.1***

(1) *Estimated amounts, rounded, in June 2019 currency, for the basic investments to maintain the routines of the Holding company.*

(2) *The information in the table above reflects Cemig's present expectations. The Company has no way of ensuring that its investment plan will be implemented as described above, it may suffer changes during its implementation.*

(3) *The information in the table above does not include expenditure on research and development and energy efficiency (dealt with by the areas responsible) required of electricity sector companies the funds for which are charged in the tariff and are administered in programs managed separately by the companies.*

(4) *The amounts planned for the years* ***2019, 2020 and 2021*** *do not include investments in acquisitions and other projects not remunerated by the concession-granting authority which are not recognized in the calculations of the tariffs made by the regulator, Aneel.*

ii. Sources of financing of investments

The Company expects to make the investments described above using (i) its own funds, (ii) issuance of securities and (iii) bank loans for refinancing of debt.

iii. Important disinvestments

Disposal of wind farms

On January 13, 2017 Renova agreed with AES Tietê Energia S.A. ('AES') a binding offer ('the AES Offer') for disposal of the group of wind farms constituting the Alto Sertão II Complex ('Alto Sertão II').

Under the terms described in the AES Offer the base price of the transaction is R$ 600 million, and the transaction involves purchase of the shares in Renova Eólica Participações S.A., or of Nova Energia Holding S.A. – companies which control the 15 special-purpose companies ('SPCs') that comprise Alto Sertão II, and also a grant to AES of exclusivity for a period of 45 (forty five) days ('the Transaction').

The total value of the Transaction has the potential to reach R$ 700,000 under an earn-out clause – half of this amount, that is to say R$ 50 million, being retained in an escrow account with release conditional on the performance of the Alto Sertão II Complex as measured after a period of five years from the date of completion of the Transaction.

The figure of R$ 650 million for the total value of the acquisition, announced in January 2017, refers to the amount of R$ 600,000 to be paid for the acquisition, plus the amount of R$ 50 million retained in an escrow account referred to in the above paragraph.

The power purchasing agreement (PPA) was signed on April 18, 2017. Completion of the Transaction is subject to certain conditions precedent stated in the PPA, including approval by government bodies and creditors.

The management of Renova emphasized that the Transaction is entirely aligned with the strategy of re-adaptation of the capital structure, for the purpose of ensuring sustainability of the Company's business over the long term; and that it will keep the market informed on any events or developments related to the transaction.

With the worsening in the economic situation, Cemig has put in place a process of sale of assets, begun in 2016, which culminated with publication, on June 1, 2017 of its Disinvestment Program, which aims to restore a financial balance through accelerated reduction of net debt.

The company's criteria for choice of priorities in the Disinvestment Program were:

a) - assets with the highest liquidity;
b) - assets that are not expected to provide returns in the short term; and
c) - assets that are not strategic and/or in which Cemig has smaller holdings.

Since the processes of sale are subject to legislative, stockholding and regulatory restraints, a portfolio has been selected that meets the needs for deleverage based on expectation of a success rate of at least 50% by the first half of 2018

The following transactions for disposal of assets were completed in 2017.

Asset	Acquiror	Closing date	Amount R$ mn
Shares in TerraForm Global	Brookfield Asset Management	July 3, 2017	352
Alto Sertão II Complex,	AES Tietê	Aug. 3, 2017	600
Umburanas wind farm complex	Engie Brasil Energia	Nov. 24, 2017	17
Units in Taesa	B3 Market	Nov. 24, 2017	717
Transmineiras (Transleste, Transudeste, Transirapé)	Taesa	Nov. 30, 2017	80

The Company continues to focus on implementation of its disinvestment program in 2018 through disposals of equity interests, for proceeds that will help reduce its leverage.

b) Acquisition of plant, equipment, patents or other assets that could materially influence the Company's productive capacity.

In 2017, up to the date of filing of this Reference Form, the Company had made the following significant acquisitions, which should materially influence its productive capacity:

Investments in natural gas

2017 was a year of great changes, and principally challenges, for Gasmig, which increased its client base by 102.4%, from 15,490 in 2016 to 31,355 consumer units in 2017.

Gasmig invested R$ 24 million in expansion of its Natural Gas Distribution Networks in the State of Minas Gerais, with construction of 49.4 km of gas pipelines in Greater Belo Horizonte, the South of Minas and Juiz de Fora, to serve commercial and industrial consumers.

In 2017 Gasmig's residential segment reached 30,605 consumer units, an expansion of 104.92% from the previous year in the number of residential clients in operation. These clients consumed 4,176,000 cubic meters of natural gas, equivalent to a daily average of 11,440 cubic meters, representing a significant increase of 238.11% from 2016 in the volume of sales to this segment.

Gasmig at the end of 2017 launched the largest campaign in Brazil of incentive for the use of VNG. With a bonus of R$ 2,000 for each one of the first 4,000 vehicles to be converted to natural gas, the investment for conversion was reduced by an average of 50%, enabling the car owner to recover the disbursement faster, due to the saving in expense on fuel. The promotion was in effect for the whole of 2018, and although it is for any potential user who converts his or her vehicle to VNG, its target public is the large consumers of fuel such as taxis, vehicle fleets and transport app companies. In December 2017 the volume of VNG sold was already 2.73% up from December 2016.

c) New products and services, indicating: i) description of the research in progress already published; ii) total amounts spent by the Company on research for development of new products or services; iii) projects in development already disclosed; iv) total amounts spent by the Company in development of new products or services.

Not applicable, because there is no significant research of new products or services in progress that could materially influence the Company's productive capacity.

10.9

All the factors that had a significant impact on the Company's operational performance in the business year 2018, 2017 and 2016 have been commented and identified in the previous items of this section.

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Appendix 7

External auditor's report on the individual and consolidated financial statements

To the
Stockholders, Board Members and Executive Officers of
Companhia Energética de Minas Gerais – CEMIG
Belo Horizonte, Minas Gerais

Opinion

We have reviewed the individual and consolidated financial statements of Companhia Energética de Minas Gerais – Cemig ('the Company'), respectively identified as the Holding company financial statements and the Consolidated financial statements, which comprise the statement of financial position (balance sheet) on December 31, 2018 and the related profit and loss accounts, statements of comprehensive income, statements of changes in stockholders' equity and statements of cash flows for the business year ended on that date, and the corresponding explanatory notes, including the summary of the principal accounting practices and other explanatory notes.

In our opinion, the financial statements referred to above adequately present, in all material aspects, the individual and consolidated equity and financial positions of Companhia Energética de Minas Gerais on Monday, December 31, 2018, the individual and consolidated performance of its operations, and its respective individual and consolidated cash flows for the business year ended on that date, in accordance with accounting practices adopted in Brazil and International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB).

Basis for opinion

Our audit was conducted in accordance the Brazilian and international rules of auditing. Our responsibilities, in accordance with those rules, are described in the section below entitled "*Responsibilities of the auditor in auditing the individual and consolidated financial statements*".
We are independent in relation to the Company, and its subsidiaries, in accordance with the relevant ethical principles specified in the Accountant's Code of Professional Ethics and in the professional rules issued by the Federal Accounting Council (CFC), and we comply with the other ethical responsibilities in accordance with these rules. We believe that the auditing evidence obtained is sufficient and appropriate as grounds for our opinion.

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Emphases of matter

Risks related to compliance with laws and regulations

As mentioned in Note 17 to the financial statements, investigations and other legal measures are in progress, conducted by public authorities, in certain non-controlled investees, on the subject of certain expenditures and their destinations, which involve and include also some of their other stockholders and certain executives of those other stockholders. The Corporate Governance bodies of the Company have authorized contracting of a specialized company to analyze the internal procedures related to these specific investments and investigate the allegations referred to. At present it is not possible to foresee the future development arising from these processes of internal investigation and investigation by the public authorities, nor their possible reflexive effects on the interim accounting information of the Company and its subsidiaries. Our opinion regarding this matter is unqualified.

Risk of operational continuity in the jointly-controlled subsidiary Renova Energia S.A.

As stated in Note 17 to the financial statements, the jointly-controlled subsidiary Renova Energia S.A. has been reporting recurrent losses, and at December 31, 2018 had negative net working capital, negative equity (uncovered liabilities) and negative gross margin. These events or conditions, jointly with other subjects described in Note 17, indicate the existence of material uncertainty able to raise significant doubt as to the capacity of this jointly-controlled subsidiary to continue operating. Our opinion regarding this matter is unqualified.

Key audit matters

Key audit matters are those which, in our professional judgment, were the most significant in our audit of the current business period. These matters have been dealt with in the context of our audit of the financial statements as a whole and in the formation of our opinion on the individual and consolidated financial statements as a whole, and in the formation of our opinion on those individual and consolidated financial statements. Thus we do not express a separate opinion on those subjects. For each subject below, the description of how our audit dealt with the subject, including any comments on the results of our procedures, is presented in the context of the financial statements taken as a whole.

We have complied with the responsibilities described in the section entitled "*Responsibilities of the auditor in auditing the individual and consolidated financial statements*", including those in relation to these key audit matters. Thus, our audit included the conduct of procedures planned to respond to our assessment of risks of significant distortions in the financial statements. The results of our procedures, including those executed to deal with the subjects below, supply the basis for our auditing opinion on the Company's financial statements.

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Infrastructure and financial assets of the concession

As disclosed in Notes 15, 16 and 19 to the financial statements, on December 31, 2018 the subsidiaries Cemig Distribuição S.A., Companhia de Gas de Minas Gerais and Cemig Geração e Transmissão S.A. had reported financial assets, contractual assets and intangible assets representing the infrastructure of the concessions, as follows: financial assets of the concession, R$ 4,917,189,000; contractual assets R$ 1,728,947; and Intangible assets of the concession, R$ 10,777,191,000.

The value of the investments made in infrastructure in service of the concession is an essential part in the methodology applied by the concession-granting power in deciding the tariff to be charged by the distributors of electricity and gas to final consumers, and also for deciding the Permitted Annual Revenue (RAP) of the transmission company, under the Concession Contract. The decision on what expenditures are eligible and should be capitalized as a cost of infrastructure is subject to judgment by Management. In 2018 the subsidiaries recognized, in their assets, investments in the infrastructure of the concessions, for distribution of energy and gas, and for transmission, in the total amount of R$ 926,908,000.

Additionally, the decision on which expenses qualify as investment in the infrastructure of the concession also directly impacts the valuation of the financial assets of the electricity generation and distribution concessions. That valuation represents the portion of the investments made by the subsidiary that will not be, or has not been, completely amortized at the end of the concession period, and consequently will be indemnified by the concession grantor.

Due to the specificities linked to the processes of capitalization, subsequent evaluation of expenditures on infrastructure, and the magnitude of the amounts involved, we consider this to be a key matter for our audit.

How our audit dealt with this subject

Our audit procedures involved, among other matters, evaluation of the design and operational efficacy of the internal controls implemented by the Controlling stockholder on the accounting of the investments in infrastructure, including the sharing of indirect costs, the policies established by the Company and by the Controlling stockholder for such accounting, and their applicability to the accounting rules in effect, and the comparison of the costs with the historic data and the levels found in the industry.

As part of our procedures, we also recalculated the value of the concession infrastructure reported by the subsidiaries and compared the inputs related to the calculation with external market information and criteria established by the concession-granting power, as well as assessing the variations taking place in the most recent tariff reviews. Additionally, we assessed the adequacy of the disclosures by the Company and the Controlling stockholder on this subject.

Based on the result of the auditing procedures carried out, which is consistent with Management's assessment, we considered that the estimates prepared by Management, and also the related disclosures in explanatory Notes 15, 16 and 19, are acceptable, in the context of the financial statements taken as a whole.

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Impairment of certain investments in affiliated companies and jointly-controlled entities

As disclosed in Note 17 to the financial statements, the Company and its subsidiaries have investments reported by the equity method totaling R$ 5,234,578,000 and decide annually, or whenever applicable, on any need to recognize an additional loss for empowerment of the Company's net total investment in the investees. In 2018, as a result of this analysis, the Company and its subsidiaries concluded that there are indications of direct and indirect impairment in Madeira Energia S.A., Norte Energia S.A., Renova Energia S.A. and Light S.A., and consequently carried out an analysis and identification of their recoverable value, recognizing any losses, when applicable.

This was considered a significant matter for our audit, in view of the scale of the asset balances of the Company and its subsidiaries, especially in relation to the investments recorded by the equity method, the degree of subjectivity of the estimates of fair value used by Management, and the existence of certain specific circumstances related to delays in start of operation and risk of continuity of some investees and jointly-controlled entities.

How our audit dealt with this subject

Our auditing procedures included, among other matters: (i) analysis of the internal and external information that could indicate significant loss of value of investments recorded by the equity method, such as history of receipt of dividends and variation in the quoted values of their shares on the stock exchange (when applicable); (ii) analysis of the process, controls and assumptions used by Management for identification of indications of impairment, and calculation of their net recoverable value, when applicable; and (iii) involvement of our valuation professionals in the analysis of the assumptions and calculation to determine recoverable value of its assets, when applicable; and (iv) involvement of more experienced auditing professionals in decision on the strategy for tests, evaluation of the audit support documentation and in supervision of the audit procedures carried out. Additionally, we assessed the adequacy of the Company's disclosures on this subject.

Based on the result of the audit procedures carried out on the balances of investments in affiliated companies and jointly-controlled undertakings, which is consistent with the assessment of Management, we consider that the criteria and assumptions for recoverable value of the investments adopted by the management, and also the related disclosures in Note 17, are acceptable, in the context of the financial statements taken as a whole.

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Business combination, and accounting classification of the investment in Light S.A.

As disclosed in Notes 17.1 and 33 to the financial statements, on November 30, 2018 the Company acquired stockholding control of Light S.A. and of other jointly-controlled subsidiaries that operate in the same business segment as the Company's principal subsidiaries, and classified these investments as non-current assets held for sale.

These transactions were accounted by application of the acquisition method (CPC 15 (R1) – *Combinação de Negócios* / IFRS 3 – *Business Combinations*), which requires, among other procedures, that the Company determine: the date of effective acquisition of control; the fair value of the consideration transferred; the fair value of the assets acquired and of the liabilities assumed; and calculation of any loss or gain resulting from the business combination. These procedures involve a high degree of judgment and the need for estimates of fair value to be worked out based on calculations and assumptions related to the future performance of the businesses acquired, which are subject to a high degree of uncertainty. Due to the high degree of judgment related to this, and the impact that any alterations in the assumptions could have on the financial statements, we consider this to be a significant matter for our audit.

The classification of non-current assets as held for sale (CPC 31 – *Ativo Não Circulante Mantido para Venda e Operação Descontinuada* / IFRS 5 – *Non-current Assets Held for Sale and Discontinued Operations*) was considered to be a significant matter for our audit, in view of the scale of the balances of these subsidiaries and the analysis of meeting all the criteria for classification established by the Pronouncement for accounting of non-current assets held for sale, and presentation and disclosure of discontinued operations.

How our audit dealt with this subject

Our audit procedures included, among others, the following:

(i) reading of the documents that formalized the operation, including the date of acquisition of stockholding control of the companies acquired, and determination of the fair value of the consideration transferred;

(ii) analysis of the financial information of the companies acquired and discussion with Management on the consistency of the accounting practices and estimates, understanding of the flow of significant transactions, and examination of the significant accounting balances of the acquired companies;

(iii) evaluation of the objectivity, independence and technical capacity of the external specialists involved in measuring the fair value of the assets acquired and the liabilities assumed;

(iv) with the help of our specialist in valuation models, we analyzed the assumptions and methodology used by the Company, related to the management of the fair values and allocations, on the acquisition date, to the assets acquired and liabilities assumed;

(v) analysis of the evidences that the appropriate hierarchy level of management is committed and has begun a firm program to find a purchaser and conclude the plan for sale of the assets, having placed it for sale at a price that is reasonable in relation to its current fair value and also considering that the sale will be concluded in up to one year; and (vi) involvement of more experienced auditing professionals in deciding the strategy of tests, evaluation of the audit support documentation, and supervision of the audit procedures executed. Additionally, we assessed the adequacy of the Company's disclosures on this subject.

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Based on the result of the audit procedures carried out on the recognition of the accounting effects of the business combinations and the subsequent classification of these assets as held for sale and their related disclosures, which is consistent with the Management's evaluation, we consider that the criteria and assumptions applied on the combinations of businesses and classification of the assets by the Management, and also the related disclosures in Note 17 and 33, are acceptable, in the context of the financial statements taken as a whole.

Other matters

Added value statement

The individual and consolidated Added Value Statements (DVAs) for the business year ended December 31, 2018 prepared under the responsibility of the Company's Management, and presented as supplementary information for the purpose of IFRS, were submitted to auditing procedures executed jointly with the audit of the Company's financial statements. For formation of our opinion, we evaluated whether the statements are reconciled with the financial statements and accounting records, as applicable, and whether their form and content are in accordance with the criteria defined in Accounting Pronouncement CPC 09 – *Added Value Statement*. In our opinion, these statements of added value have been prepared appropriately, in all their material aspects, according to the criteria defined in that Pronouncement, and are consistent in relation to the individual and consolidated financial statements taken as a whole.

Other information accompanying the individual and consolidated financial statements and the auditor's report

The Company's management is responsible for this other information, which consists of the Report of Management.

Our opinion on the individual and consolidated financial statements does not cover the Report of Management and we do not express any form of auditing conclusion about that report.

In connection with the audit of the individual and consolidated financial statements, our responsibility is to read the report of Management and, when doing so, to consider whether that report is in any significant way inconsistent with the financial statements or with our knowledge obtained in the audit, or in any other way appears to be significantly distorted. If, based on the work carried out, we were to conclude that there is a significant distortion in the Report of Management we are required to communicate this fact. We have nothing to report in this respect.

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Responsibilities of Management and of the governance for the individual and consolidated financial statements

The management is responsible for the preparation and appropriate presentation of these individual and consolidated financial statements in accordance with accounting practices adopted in Brazil, and with international financial reporting standards (IFRS) issued by the International Accounting Standards Board (IASB), and for the internal controls that it has decided are necessary to make possible the preparation of financial statements that are free of material distortion, whether caused by fraud or error.

In the preparation of the individual and consolidated financial statements, Management is responsible for evaluation of the Company's capacity to continue operating, disclosing, when applicable, subjects related to its operational continuity and the use of this accounting basis in the preparation of the financial statements, unless Management intends to liquidate the company and its subsidiaries or to cease its operations, or has no realistic alternative to avoid termination of operations.

The responsibility for supervision of the process of preparation of the financial statements rests upon those responsible for the governance of the Company and its subsidiaries.

Responsibilities of the auditor in auditing the individual and consolidated financial statements

Our objectives are to obtain reasonable certainty that the individual and consolidated financial statements, taken as a whole, are free of material distortion, independently of whether caused by fraud or error, and to issue a report of audit containing our opinion. Reasonable certainty is a high level of certainty, but not a guarantee, that an audit carried out in accordance with Brazilian and international auditing rules always detects any existing significant distortions. Distortions may arise from fraud or error and are considered to be material when, individually or jointly, they are able, within a reasonable perspective, to influence users' economic decisions when taken based on the said financial statements.

As a part of an audit realized in accordance with Brazilian and international auditing rules, we exercise professional judgment and maintain professional skepticism throughout the audit. Also:

- We identify and assess the risks of material misstatement of the individual and consolidated financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve override of internal controls, conspiracy, falsification, omission or intentional false representations.
- We obtain understanding of the material internal controls for the audit for us to be able to plan auditing procedures that are appropriate to the circumstances, but not with the objective of expressing an opinion on the efficacy of the internal controls of the Company and its subsidiaries.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- We reach conclusions on the appropriateness of the use by Management of the accounting basis of operational continuity and, based on the evidences of auditing obtained, whether there is a

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material uncertainty in relation to events that might raise significant doubt in relation to the capacity of operational continuity of the Company and its subsidiaries. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the individual and/or consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may lead the Company and its subsidiaries to cease to remain in operational continuity.

- We evaluate the overall presentation, structure and content of the financial statements, including the disclosures; and whether the individual and consolidated financial statements represent the underlying transactions and events in a manner that is compatible with the objective of appropriate presentation.
- We obtain appropriate and sufficient auditing evidence in relation to the financial information of the entities or activities of the business of the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit of the group and, consequently, for the audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal controls that we identify during our audit.

We also supply, to the persons responsible for governance, a declaration that we have complied with the relevant ethical requirements, including the applicable requirements for independence, and we report any relationships or matters that could considerably affect our independence including, when applicable, the respective safeguards.

Of the matters that were the subject of communication with the persons responsible for governance, we determine those that we consider to be most significant in the audit of the financial statements for the current business year and which, thus, constitute the Key Audit Matters. We describe these matters in our audit report, unless any law or regulations have prohibited public disclosure of the subject, or when, in extremely rare circumstances, we may determine that this subject should not be disclosed in our report because the adverse consequences of such disclosure could, within a reasonable perspective, be greater than the benefits of communication for the public interest.

Belo Horizonte, March 29, 2019.

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

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