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STATEMENTS OF FINANCIAL POSITION

AS OF SEPTEMBER 30, 2019 AND DECEMBER 31, 2018

ASSETS
(Thousands of Brazilian Reais)

	Note	Consolidated		Parent company	
		Sep. 30, 2019	Dec. 31, 2018	Sep. 30, 2019	Dec. 31, 2018
CURRENT					
Cash and cash equivalents	5	694,972	890,804	122,251	54,330
Marketable Securities	6	863,480	703,551	227,901	80,781
Customers and traders and concession holders – Transport of energy	7	4,563,661	4,091,722	344	5,813
Concession financial and sector assets	15	1,123,888	1,070,384	-	-
Contract assets	16	179,617	130,951	-	-
Recoverable taxes	8	98,763	124,183	3,026	3,020
Income tax and social contribution tax recoverable	10a	632,581	386,668	137,985	41,274
Dividends receivable	32	41,326	119,743	879,712	945,584
Restricted cash	11	15,809	90,993	129	129
Inventories		37,864	35,619	10	10
Advances to suppliers		30,006	6,785	-	-
Reimbursement of tariff subsidy payments	14	96,875	90,845	-	-
Low-income subsidy		29,195	30,232	-	-
Derivative financial instruments	33	215,996	69,643	-	-
Others		415,439	507,918	11,459	13,801
		9,039,472	**8,350,041**	**1,382,817**	**1,144,742**
Assets classified as held for sale	36	1,258,111	19,446,033	1,258,111	1,573,967
TOTAL, CURRENT		**10,297,583**	**27,796,074**	**2,640,928**	**2,718,709**
NON-CURRENT					
Marketable Securities	6	12,410	108,683	-	10,691
Advances to suppliers		10,075	87,285	-	-
Customers and traders and concession holders – Transport of energy	7	80,496	80,889	-	-
Recoverable taxes	8	6,307,667	242,356	490,925	3,672
Income tax and social contribution tax recoverable	10a	2,103	5,516	410	2,401
Deferred income tax and social contribution tax	10c	1,958,047	2,146,863	618,415	809,270
Escrow deposits	13	2,534,074	2,501,512	308,039	326,345
Derivative financial instruments	33	1,654,110	743,692	-	-
Accounts receivable from Minas Gerais State	12	237,763	245,566	237,763	245,566
Concession financial and sector assets	15	4,991,510	4,927,498	-	-
Contract assets	16	1,724,453	1,597,996	-	-
Investments	17	5,584,559	5,234,578	14,491,701	12,405,706
Property, plant and equipment	18	2,560,405	2,661,585	1,635	2,250
Intangible assets	19	11,638,906	10,777,191	4,611	6,125
Leasing – rights of use	20a	297,471	-	4,808	-
Others		171,040	697,389	22,846	35,756
TOTAL NON-CURRENT		**39,765,089**	**32,058,599**	**16,181,153**	**13,847,782**
TOTAL ASSETS		**50,062,672**	**59,854,673**	**18,822,081**	**16,566,491**

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STATEMENTS OF FINANCIAL POSITION

AS OF SEPTEMBER 30, 2019 AND DECEMBER 31, 2018

LIABILITIES
(Thousands of Brazilian Reais)

	Note	Consolidated		Parent company	
		Sep. 30, 2019	Dec. 31, 2018	Sep. 30, 2019	Dec. 31, 2018
CURRENT					
Suppliers	21	2,058,732	1,801,252	1,826	9,285
Regulatory charges	24	480,389	514,412	5,660	5,671
Employees' and managers' profit shares		109,662	78,759	5,344	4,813
Taxes payable	22	334,055	409,825	3,831	45,014
Income tax and social contribution tax	10b	111,249	112,063	-	-
Interest on Capital, and dividends, payable	27e	767,326	863,703	765,244	861,420
Loans, financings and debentures	23	2,769,520	2,197,566	-	-
Payroll and related charges		252,265	283,730	12,204	17,446
Post-employment obligations	25	280,841	252,688	23,328	13,774
Leasing	20b	93,523	-	2,711	-
Advances from customers	7	-	79,405	-	-
Payable to related parties	32	-	-	-	408,114
Other obligations		516,526	527,942	2,860	12,084
		7,774,088	7,121,345	823,008	1,377,621
Liabilities directly related to assets held for sale	36	-	16,272,239	-	-
TOTAL, CURRENT		**7,774,088**	**23,393,584**	**823,008**	**1,377,621**
NON-CURRENT					
Regulatory charges	24	162,505	178,525	-	-
Loans, financings and debentures	23	12,414,787	12,574,262	47,550	45,081
Taxes payable	22	2,047	29,396	91	-
Deferred income and Social Contribution	10c	918,977	728,419	-	-
Provisions	26	1,852,227	640,671	229,288	64,204
Post-employment obligations	25	4,808,198	4,735,656	507,437	495,677
Pasep and Cofins taxes to be reimbursed to customers	22	4,154,916	1,123,680	-	-
Derivative financial instruments – Options	33b	451,767	419,148	-	-
Leasing	20b	212,613	-	2,227	-
Other obligations		98,912	92,005	5,183	5,189
TOTAL, NON-CURRENT		**25,076,949**	**20,521,762**	**791,776**	**610,151**
TOTAL LIABILITIES		**32,851,037**	**43,915,346**	**1,614,784**	**1,987,772**
SHAREHOLDERS' EQUITY	27				
Share capital		7,293,763	7,293,763	7,293,763	7,293,763
Capital reserves		2,249,721	2,249,721	2,249,721	2,249,721
Profit reserves		6,360,856	6,362,022	6,360,856	6,362,022
Equity valuation adjustments		(1,343,995)	(1,326,787)	(1,343,995)	(1,326,787)
Retained earnings		2,646,952	-	2,646,952	-
ATTRIBUTABLE TO CONTROLLING SHAREHOLDERS	27	**17,207,297**	**14,578,719**	**17,207,297**	**14,578,719**
ATTRIBUTABLE TO NON-CONTROLLING STOCKHOLDER		**4,338**	**1,360,608**	**-**	**-**
SHAREHOLDERS' EQUITY		**17,211,635**	**15,939,327**	**17,207,297**	**14,578,719**
TOTAL LIABILITIES AND EQUITY		**50,062,672**	**59,854,673**	**18,822,081**	**16,566,491**

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STATEMENTS OF INCOME

FOR THE NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2019 AND 2018

(In thousands of Brazilian Reais – except Net earnings per share)

	Note	Consolidated		Parent company	
		Jan to Sep 2019	Jan to Sep 2018	Jan to Sep 2019	Jan to Sep 2018
CONTINUING OPERATIONS					
NET REVENUE	29	**19,000,757**	**16,794,251**	**186,932**	**233**
OPERATING COSTS					
COST OF ENERGY AND GAS	30				
Energy bought for resale		(8,154,308)	(8,576,061)	-	-
Charges for use of the national grid		(1,077,387)	(1,140,903)	-	-
Gas bought for resale		(1,100,302)	(897,903)	-	-
		(10,331,997)	(10,614,867)	-	-
OTHER COSTS	30				
Personnel and managers		(774,523)	(770,661)	-	-
Materials		(52,397)	(59,654)	-	-
Outsourced services		(761,606)	(633,257)	-	-
Depreciation and amortization		(610,181)	(563,672)	-	-
Operating provisions		(1,130,822)	(44,719)	-	-
Infrastructure construction cost		(806,728)	(592,206)	-	-
Others		(58,764)	(61,182)	-	-
		(4,195,021)	(2,725,351)	-	-
TOTAL COST		**(14,527,018)**	**(13,340,218)**	-	-
GROSS PROFIT		**4,473,739**	**3,454,033**	**186,932**	**233**
OPERATING EXPENSES	30				
Selling expenses		(228,361)	(227,789)	-	-
General and administrative expenses		(443,395)	(470,180)	(61,718)	(52,744)
Operating provisions		(916,239)	(134,544)	(190,838)	(71,952)
Other operating expenses		(611,163)	(407,489)	(46,994)	(40,972)
		(2,199,158)	(1,240,002)	(299,550)	(165,668)
Share of (loss) profit of associates and joint ventures, net	17	161,280	(75,986)	2,333,421	780,029
Operating profit before financial revenue (expenses) and taxes		**2,435,861**	**2,138,045**	**2,220,803**	**614,594**
Finance income	31	3,241,963	851,462	313,890	28,962
Finance expenses	31	(1,668,727)	(2,038,792)	(23,119)	(13,457)
Income before finance income (expenses) and taxes		**4,009,097**	**950,715**	**2,511,574**	**630,099**
Current income tax and social contribution tax	10c	(1,308,654)	(379,231)	-	-
Deferred income tax and social contribution tax	10c	(294,119)	91,117	(105,777)	41,998
Net income for the period from continuing operations		**2,406,324**	**662,601**	**2,405,797**	**672,097**
DISCONTINUED OPERATIONS					
Net income for the period from discontinued operations		224,067	35,648	224,067	25,634
NET INCOME FOR THE PERIOD		**2,630,391**	**698,249**	**2,629,864**	**697,731**
Net income for the period attributed to:					
Equity holders of the parent					
Net income from continuing operations		2,405,797	662,083	2,405,797	672,097
Net income from discontinued operations	36	224,067	35,648	224,067	25,634
Net income for the period attributed to equity holders of the parent		**2,629,864**	**697,731**	**2,629,864**	**697,731**
Interest of non-controlling shareholders	28				
Net income from continuing operations		527	518	-	-
Net income for the period attributed to non-controlling shareholders		527	518	-	-
		2,630,391	**698,249**	**2,629,864**	**697,731**
Basic and diluted profit per preferred share, R$	27	**1.80**	**0.48**	**1.80**	**0.48**
Basic and diluted profit per common share, R$	27	**1.80**	**0.48**	**1.80**	**0.48**

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STATEMENTS OF INCOME

FOR THE THREE-MONTH PERIODS ENDED SEPTEMBER 30, 2019 AND 2018

(In thousands of Brazilian Reais – except Net earnings per share)

	Note	Consolidated		Parent company	
		Jul to Sep 2019	Jul to Sep 2018	Jul to Sep 2019	Jul to Sep 2018
CONTINUING OPERATIONS					
NET REVENUE	29	**6,070,786**	**6,252,282**	**-**	**87**
OPERATING COSTS					
COST OF ENERGY AND GAS	30				
Energy bought for resale		(3,034,108)	(3,493,463)	-	-
Charges for use of the national grid		(376,216)	(332,323)	-	-
Gas bought for resale		(375,140)	(341,445)	-	-
		(3,785,464)	(4,167,231)	-	-
OTHER COSTS	30				
Personnel and managers		(240,250)	(238,401)	-	-
Materials		(18,321)	(36,688)	-	-
Outsourced services		(248,930)	(219,286)	-	-
Depreciation and amortization		(202,444)	(189,149)	-	-
Operating provisions		(1,029,995)	(42,818)	-	-
Infrastructure construction cost		(341,503)	(208,563)	-	-
Others		(26,969)	(19,954)	-	-
		(2,108,412)	**(954,859)**	**-**	-
TOTAL COST		**(5,893,876)**	**(5,122,090)**	**-**	**-**
GROSS PROFIT		**176,910**	**1,130,192**	**-**	**87**
OPERATING EXPENSES	30				
Selling expenses		(101,383)	(60,232)	-	-
General and administrative expenses		(157,357)	(157,063)	(24,832)	(18,306)
Operating provisions		(223,272)	(31,749)	(154,992)	6,237
Other operating expenses		(110,487)	(151,164)	(14,201)	(11,427)
		(592,499)	(400,208)	(194,025)	(23,496)
Share of (loss) profit of associates and joint ventures, net		57,780	(49,753)	(339,410)	250,226
Operating profit before financial revenue (expenses) and taxes		**(357,809)**	**680,231**	**(533,435)**	**226,817**
Finance income	31	618,975	362,795	8,776	10,170
Finance expenses	31	(852,766)	(695,493)	(4,668)	(10,372)
Income before finance income (expenses) and taxes		**(591,600)**	**347,533**	**(529,327)**	**226,615**
Current income tax and social contribution tax	10c	(30,508)	(182,812)	97,959	-
Deferred income tax and social contribution tax	10c	116,207	65,543	(74,685)	3,429
Net income for the period from continuing operations		**(505,901)**	**230,264**	**(506,053)**	**230,044**
DISCONTINUED OPERATIONS					
Net income for the period from discontinued operations		**224,067**	**14,276**	**224,067**	**14,276**
NET INCOME FOR THE PERIOD		**(281,834)**	**244,540**	**(281,986)**	**244,320**
Net income for the period attributed to:					
Equity holders of the parent					
Net income from continuing operations		(506,053)	230,044	(506,053)	230,044
Net income from discontinued operations	36	224,067	14,276	224,067	14,276
Net income for the period attributed to equity holders of the parent		(281,986)	244,320	(281,986)	244,320
Interest of non-controlling shareholders	28				
Net income from continuing operations		152	220	-	-
Net income for the period attributed to non-controlling shareholders		152	220	-	-
		(281,834)	**244,540**	**(281,986)**	**244,320**
Basic and diluted profit per preferred share, R$		**(0.19)**	**0.17**	**(0.19)**	**0.17**
Basic and diluted profit per common share, R$		**(0.19)**	**0.17**	**(0.19)**	**0.17**

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STATEMENTS OF COMPREHENSIVE INCOME

FOR THE NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2019 AND 2018

(Thousands of Brazilian Reais)

	Consolidated		Parent company	
	Jan to Sep 2019	Jan to Sep 2018	Jan to Sep 2019	Jan to Sep 2018
NET INCOME FOR THE PERIOD	**2,630,391**	**698,249**	**2,629,864**	**697,731**
OTHER COMPREHENSIVE INCOME				
Items not to be reclassified to Income Statement in subsequent periods				
Post retirement liabilities – remeasurement of obligations of the defined benefit plans	(1,316)	(416)	-	-
Income and social contribution tax on restatement of defined benefit plans	448	-	-	-
Equity gain (loss) on other comprehensive income in subsidiary and jointly-controlled entity	-	-	(1,093)	(416)
Others	(231)	-	-	-
	(1,099)	**(416)**	**(1,093)**	**(416)**
Items to be reclassified to Income Statements				
Equity gain on other comprehensive income of jointly-controlled entities, relating to conversion of transactions outside Brazil	-	-	-	8
Foreign exchange variations arising from conversion of transactions outside Brazil	-	8	-	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**2,629,292**	**697,841**	**2,628,771**	**697,323**
Total of comprehensive income attributed to:				
Interest of controlling shareholders	2,628,771	697,323	2,628,771	697,323
Interest of non-controlling shareholders	521	518	-	-
	2,629,292	**697,841**	**2,628,771**	**697,323**

The Condensed Explanatory Notes are an integral part of the Interim financial information.

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE THREE-MONTH PERIODS ENDED SEPTEMBER 30, 2019 AND 2018

(Thousands of Brazilian Reais)

	Consolidated		Parent company	
	Jul to Sep 2019	Jul to Sep 2018	Jul to Sep 2019	Jul to Sep 2018
NET INCOME FOR THE PERIOD	**(281,834)**	**244,540**	**(281,986)**	**244,320**
OTHER COMPREHENSIVE INCOME				
Items not to be reclassified to Income Statements		-		-
Equity gain (loss) on other comprehensive income in subsidiary and jointly-controlled entity	-	-	(229)	-
Others	(231)	-	-	-
	(231)	-	**(229)**	-
Items can to be reclassified to Income Statements				
Equity gain on other comprehensive income of jointly-controlled entities, relating to conversion of transactions outside Brazil	-	-	-	8
Foreign exchange variations arising from conversion of transactions outside Brazil	-	8	-	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**(282,065)**	**244,548**	**(282,215)**	**244,328**
Total of comprehensive income attributed to:				
Interest of controlling shareholders	(282,215)	244,328	(282,215)	244,328
Interest of non-controlling shareholders	150	220	-	-
	(282,065)	**244,548**	**(282,215)**	**244,328**

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STATEMENT OF CHANGES IN CONSOLIDATED EQUITY

FOR THE NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2019 AND 2018

R$ ’000 – except where otherwise stated

	Share capital	Capital reserves	Profit reserves	Equity valuation adjustments	Retained earnings	Total interest of controlling shareholders	Minority interests	Total equity
BALANCES ON DECEMBER 31, 2018	**7,293,763**	**2,249,721**	**6,362,022**	**(1,326,787)**	**-**	**14,578,719**	**1,360,608**	**15,939,327**
Prior period adjustments in jointly-controlled subsidiaries	-	-	-	-	(193)	(193)	-	(193)
Interest of non-controlling shareholders (note 28)	-	-	-	-	-	-	(1,356,791)	(1,356,791)
Reversal of reserve for tax incentives, prior periods (1)	-	-	(1,166)	-	1,166	-	-	-
Net income for the period	-	-	-	-	2,629,864	2,629,864	527	2,630,391
Other comprehensive income	-	-	-	(1,093)	-	(1,093)	(6)	**(1,099)**
Realization of deemed cost	-	-	-	(16,115)	16,115	-	-	-
BALANCES ON SEPTEMBER 30, 2019	**7,293,763**	**2,249,721**	**6,360,856**	**(1,343,995)**	**2,646,952**	**17,207,297**	**4,338**	**17,211,635**

(1) Reversion of reserve for tax incentives, prior periods

	Share capital	Subscription of shares, to be capitalized	Capital reserves	Profit reserves	Equity valuation adjustments	Retained earnings	Total interest of controlling shareholders	Minority interests	Total equity
BALANCES ON DECEMBER 31, 2017	**6,294,208**	**1,215,223**	**1,924,503**	**5,728,574**	**(836,522)**	**-**	**14,325,986**	**4,150**	**14,330,136**
Effects of initial adoption of CPC 48	-	-	-	-	-	(181,846)	(181,846)	-	(181,846)
Subscription of shares, to be capitalized	-	109,550	-	-	-	-	109,550	-	109,550
Capital Payment	999,555	(999,555)	-	-	-	-	-	-	-
Tax incentives reserve		(325,218)	325,218	-	-	-	-	-	-
Net income for the period	-	-	-	-	-	697,731	697,731	518	698,249
Other comprehensive income	-	-	-	-	(408)	-	(408)	-	(408)
Interest on capital	-	-	-	-	-	-	-	(351)	(351)
Realization of deemed cost of PP&E	-	-	-	-	(24,932)	42,453	17,521	-	17,521
BALANCES ON SEPTEMBER 30, 2018	**7,293,763**	**-**	**2,249,721**	**5,728,574**	**(861,862)**	**558,338**	**14,968,534**	**4,317**	**14,972,851**

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STATEMENTS OF CASH FLOWS

FOR THE NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2019 AND 2018

(Thousands of Brazilian Reais)

	Note	Consolidated		Parent company	
		Jan to Sep 2019	Jan to Sep 2018	Jan to Sep 2019	Jan to Sep 2018
CASH FLOW FROM OPERATIONS					
Net income from continuing operations		2,405,797	662,083	2,405,797	672,097
Net income from discontinued operations		224,067	35,648	224,067	25,634
Net income for the year attributed non-controlling shareholders		527	518	-	-
Expenses (revenues) not affecting cash and cash equivalents:					
Deferred income tax and social contribution tax	10c and d	294,119	(91,117)	105,777	(41,998)
Depreciation and amortization	30	723,322	619,104	3,668	761
Write-off of net residual value of unrecoverable Concession financial assets, PP&E and Intangible assets	15, 16,18 and 19	22,402	57,775	573	154
Reversals of impairment provisions for contract assets	16	(26,016)	-	-	-
Share of (loss) profit, net, of associates and joint ventures	17	(161,280)	75,986	(2,333,421)	(780,029)
Updating of concession financial and contract assets	15 and 16	(387,298)	(525,076)	-	-
Financial interest and inflation adjustment		881,320	963,527	(1,518)	(35,988)
Recovery of PIS/Pasep and Cofins taxes credits over ICMS	9	(2,962,566)	-	(481,069)	-
Foreign exchange variations – loans and financings	23	429,299	781,297	-	-
Amortization of transaction cost of loans and financings	23	34,102	26,323	126	285
Operating provisions and estimated losses	30d	2,275,422	402,117	190,837	71,952
Provision for reimbursement for suspension of energy supply -Renova		(62,575)	(51,635)	-	-
Variation in fair value of derivative financial instruments – Swaps	31	(1,099,230)	(322,847)	-	-
CVA (Portion A Compensation) Account and *Other Financial Components* in tariff adjustment	15	(45,119)	(1,783,790)	-	-
Post-employment obligations	25	348,415	303,832	35,097	32,984
		2,894,708	**1,153,745**	**149,934**	**(54,148)**
(Increase) / decrease in assets					
Customers, traders and concession holders		(699,907)	(510,468)	5,469	1,765
CVA (Portion A Compensation) Account and *Other Financial Components* in tariff adjustment	15	110,709	568,432	-	-
Recoverable taxes		3,443	(858,104)	(3,489)	380
Income tax and social contribution tax recoverable		(18,950)	(31,689)	12,971	(4,526)
Escrow deposits		310	(59,786)	26,283	18,042
Dividends received		187,052	235,163	271,621	598,485
Concession contract and financial assets	15 and 16	286,130	1,645,708	-	-
Advances to suppliers		53,989	(55,383)	-	-
Others		4,349	43,512	15,069	2,098
		(72,875)	**977,385**	**327,924**	**616,244**
Increase (reduction) in liabilities					
Suppliers		257,480	57,666	(7,459)	(257)
Taxes		(155,462)	(131,409)	(41,092)	6,237
Income tax and social contribution tax payable		1,308,654	408,780	-	2,930
Payroll and related charges		(31,465)	27,938	(5,242)	4,231
Regulatory charges		(50,043)	(84,304)	(11)	5,837
Advances from customers		(80,862)	(152,050)	-	-
Post-employment obligations	25	(247,720)	(222,509)	(13,783)	(11,873)
Others		(84,472)	(73,863)	(34,336)	(14,691)
		916,110	**(169,751)**	**(101,923)**	**(7,586)**
Cash from (used by) operating activities		**3,737,943**	**1,961,379**	**375,935**	**554,510**
Interest paid on loans, financings and debentures	23	(845,994)	(834,053)	(24,345)	(787)
Interest in leasing contracts	20	(27,630)	-	(420)	-
Income tax and social contribution tax paid		(1,525,181)	(379,628)	(102,869)	(151)
Cash inflows from settlement of derivatives instruments		34,138	12,981	-	-
CASH FROM (USED IN) OPERATING ACTIVITIES CONTINUING		**1,373,276**	**760,679**	**248,301**	**553,572**
Cash from (used in) discontinued operating activities		**(224,067)**	**15,623**	**(224,067)**	**17,676**
CASH FROM OPERATING ACTIVITIES		**1,149,209**	**776,302**	**24,234**	**571,248**

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	Note	Consolidated		Parent company	
		Jan to Sep 2019	Jan to Sep 2018	Jan to Sep 2019	Jan to Sep 2018
CASH FLOW IN INVESTMENT ACTIVITIES					
Marketable Securities		(43,316)	443,654	(107,155)	43,738
Restricted cash		75,184	(6,814)	-	(4,949)
Investments	17				
Capital contributions in investees		(29,049)	(176,632)	(16,102)	(1,109,105)
Settlement received through merger		-	-	22,444	428
Property, plant and equipment	18	(45,204)	(50,661)	(45)	-
Intangible assets and concession contract assets – gas and distribution infrastructure	19	(1,526,614)	(563,470)	-	(182)
NET CASH FLOW FROM (USED IN) INVESTMENT ACTIVITIES CONTINUING OPERATIONS		**(1,568,999)**	**(353,923)**	**(100,858)**	**(1,070,070)**
Net cash flow used in discontinued investment activities	36	625,000	(7,631)	625,000	-
NET CASH FLOW FROM (USED IN) INVESTMENT ACTIVITIES		**(943,999)**	**(361,554)**	**524,142**	**(1,070,070)**
CASH FLOW IN FINANCING ACTIVITIES CONTINUING OPERATIONS					
Proceeds from Loans, financings and debentures	23	4,476,722	2,443,878	-	
Subscription of shares, to be capitalized	27	-	-	-	-
Interest on capital, and dividends, paid to controlling stockholder		(78,974)	(396)	(78,284)	(10)
Payment of Loans with related parties		-	-	(400,234)	400,000
Capital Increase		-	109,550	-	109,550
Payment of loans, financing and debentures	23	(4,750,192)	(2,504,654)	-	(9,416)
Leasing liabilities paid	20	(48,598)	-	(1,937)	-
NET CASH FROM (USED IN) FINANCIAL ACTIVITIES		**(401,042)**	**48,378**	**(480,455)**	**500,124**
NET CHANGE IN CASH AND CASH EQUIVALENTS		(195,832)	463,126	67,921	1,302
Cash and cash equivalents at start of period	5	890,804	1,030,257	54,330	38,672
Cash and cash equivalents at end of period	**5**	**694,972**	**1,493,383**	**122,251**	**39,974**

The Condensed Explanatory Notes are an integral part of the Interim financial information.

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STATEMENTS OF ADDED VALUE

FOR THE NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2019 AND 2018

(Thousands of Brazilian Reais)

	Consolidated				Parent company			
	Jan to Sep /2019		Jan to Sep/ 2018		Jan to Sep /2019		Jan to Sep /2018	
REVENUES								
Sales of energy, gas and services	25,583,650		24,478,915		4,915		257	
Distribution construction revenue	656,570		579,480		-		-	
Transmission construction revenue	150,158		12,726		-		-	
Gain on financial updating of the Concession grant fee	244,069		245,730		-		-	
Adjustment to expectation of reimbursement of distribution concession financial assets	10,689		3,875		-		-	
Transmission assets – reimbursement revenue	124,057		208,164		-		-	
Generation assets – reimbursement revenue	-		82,331		-		-	
PIS/Pasep and Cofins taxes credits (Note 9)	1,438,563				-		-	
Investment in PP&E	17,688		52,513		-		-	
Other revenues	26,249		7,219		-		-	
Provision for doubtful receivables	(228,361)		(227,789)		-		-	
	28,023,332		**25,443,164**		**4,915**		**257**	
INPUTS ACQUIRED FROM THIRD PARTIES								
Energy bought for resale	(8,917,030)		(9,391,800)				-	
Charges for use of national grid	(1,202,176)		(1,271,326)				-	
Outsourced services	(1,183,835)		(1,036,667)		(30,117)		(17,327)	
Gas bought for resale	(1,397,209)		(1,129,295)				-	
Materials	(463,153)		(320,372)		(189)		(1,101)	
Other operating costs	(2,300,801)		(410,121)		(194,626)		(76,835)	
	(15,464,204)		**(13,559,581)**		**(224,932)**		**(95,263)**	
GROSS VALUE ADDED	**12,559,128**		**11,883,583**		**(220,017)**		**(95,006)**	
RETENTIONS								
Depreciation and amortization	(723,322)		(619,104)		(3,668)		(761)	
NET ADDED VALUE PRODUCED BY THE COMPANY FROM CONTINUING OPERATIONS	**11,835,806**		**11,264,479**		**(223,685)**		**(95,767)**	
NET ADDED VALUE PRODUCED BY THE COMPANY FROM DISCONTINUED OPERATIONS	**224,067**		**35,648**		**224,067**		**25,634**	
ADDED VALUE RECEIVED BY TRANSFER								
Share of (loss) profit, net, of associates and joint ventures	161,280		(75,986)		2,333,421		780,029	
Financial revenues	3,241,963		851,462		313,890		28,962	
ADDED VALUE TO BE DISTRIBUTED	**15,463,116**		**12,075,603**		**2,647,693**		**738,858**	
DISTRIBUTION OF ADDED VALUE								
		%		%		%		%
Employees	**1,371,794**	**8.87**	**1,178,568**	**9.77**	**64,408**	**2.43**	**61,658**	**8.34**
Direct remuneration	886,157	5.73	755,504	6.26	25,872	0.98	25,933	3.51
Post-employment obligations and Other benefits	417,571	2.70	349,619	2.90	36,246	1.37	32,766	4.43
FGTS fund	46,575	0.30	47,779	0.40	1,382	0.05	1,138	0.15
Voluntary retirement program	21,491	0.14	25,666	0.21	908	0.03	1,821	0.25
Taxes	**9,766,555**	**63.16**	**8,065,427**	**66.79**	**(71,179)**	**(2.69)**	**(37,804)**	**(5.11)**
Federal	5,227,783	33.81	4,094,793	33.91	(73,045)	(2.76)	(38,382)	(5.19)
State	4,527,054	29.27	3,960,135	32.79	1,252	0.05	283	0.04
Municipal	11,718	0.08	10,499	0.09	614	0.02	295	0.04
Remuneration of external capital	**1,694,376**	**10.96**	**2,133,359**	**17.66**	**24,600**	**0.93**	**17,273**	**2.34**
Interest	1,684,687	10.89	2,060,541	17.06	23,119	0.87	13,457	1.82
Rentals	9,689	0.07	72,818	0.60	1,481	0.06	3,816	0.52
Remuneration of own capital	**2,630,391**	**17.01**	**698,249**	**5.78**	**2,629,864**	**99.33**	**697,731**	**94.43**
Retained earnings	2,629,864	17.01	697,731	5.78	2,629,864	99.33	697,731	94.43
Non-controlling interest in Retained earnings	527	-	518	-	-	-	-	-
	15,463,116	**100.00**	**12,075,603**	**100.00**	**2,647,693**	**100.00**	**738,858**	**100.00**

The Condensed Explanatory Notes are an integral part of the Interim financial information.

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NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE NINE-MONTH PERIOD ENDED AS OF SEPTEMBER 30, 2019

(In thousands of Brazilian Reais, except where otherwise indicated)

1. OPERATING CONTEXT

a) The Company

Companhia Energética de Minas Gerais ('Cemig', 'Parent company', or 'the Company') is a listed corporation registered in the Brazilian Registry of Corporate Taxpayers (CNPJ) under number 17.155.730/0001-64, with shares traded on the São Paulo stock exchange ('B3') at Corporate Governance Level 1; on the New York Stock Exchange ('NYSE'); and on the stock exchange of Madrid ('Latibex'). Domiciled in Brazil, with head office in Belo Horizonte, Minas Gerais State, it operates exclusively as a holding company, with interests in subsidiaries or jointly controlled entities, whose objects are: construction and operation of systems for generation, transformation, transmission, distribution and sale of energy, and also activities in the various fields of energy, for the purpose of commercial operation.

Based on the facts and circumstances at this date, management has assessed the Company's capacity to continue operating normally and believes firmly that its operations have the capacity to generate funds to enable the continuation of its business in the future. In addition, Management is not aware of any material uncertainties that could generate significant doubts about its ability to continue operating. Therefore, this interim financial information has been prepared on a going concern basis.

Merger of the wholly-owned subsidiaries Rio Minas Energia Participações S.A. ('RME') and Luce Empreendimentos e Participações S.A. ('Lepsa')

On April 24, 2019, the Company completed the merger of its wholly-owned subsidiaries RME and LEPSA, at book value, with consequent extinction of these Companies and became successor of all assets, rights and obligations.

With extinction of RME and Lepsa, the Shareholders 'agreement of Light S.A. ('Light') immediately ceased to exist, losing its object, and obligations under it terminated.

The condensed balance sheet of RME and Lepsa used for the merger, as of March 31, 2019, are as follows:

	RME	LEPSA		RME	LEPSA
Assets			**Liabilities**		
Current	55,858	10,080	Current	-	4,979
Non-current	377,184	451,003	Non-current	-	-
			Shareholders' Equity	433,042	456,104
Total Current	**433,042**	**461,083**	**Total Liabilities and Equity**	**433,042**	**461,083**

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The merger was approved by the Extraordinary General Shareholders' Meetings of the Company held on March 25, 2019.

Since this was a merger of wholly-owned subsidiaries, there was no capital increase nor issuance of new shares. Also, this merger did not change the aggregate percentage equity interest in Light held by Cemig in that date.

Disposal of interest in and control of Light

On July 17, 2019, Light completed a public offering for initial and secondary distribution of its nominal, book-entry common shares without par value, all free of any liens or encumbrances, carried out in accordance with the procedures of CVM Instruction 476 of January 16, 2009.

In the Public Offering, Light placed: (i) 100,000,000 new shares ('the Primary Offering'), consequently increasing its share capital; and (ii) 33,333,333 shares in Light owned by the Company at the price of R$ 18.75 per share.

With the settlement of the restricted offering, the Company's equity interest in the total share capital of Light was reduced from 49.99% to 22.58%, limiting its voting rights in Shareholders' Meetings and, as a result, its ability to directing the relevant activities of the investee.

Thus, as from that date, with the change in the equity interest in Light, the Company no longer has an equity interest giving it control of this investee. In these circumstances, in accordance with IFRS 10 / CPC 36 (R3) – Consolidated financial statements, the investee is no longer within the concept of a subsidiary, and is thus therefore no longer consolidated in the Company's financial statements.

Since the Company continues to have a firm commitment to dispose of the remaining interest in Light, the investment in that company continues to be classified in assets held for sale, in accordance with CPC 31 / IFRS 5 – Non-current assets held for sale, and discontinued operations. For more details please see Note 36.

2. BASIS OF PREPARATION

2.1 Statement of compliance

The interim financial information has been prepared in accordance with IAS 34 – *Interim Financial Reporting*, issued by the International Accounting Standards Board (IASB), Technical Pronouncement 21 (R1) ('CPC21'), which applies to interim financial statements, and the rules issued by the Brazilian Securities Commission (*Comissão de Valores Mobiliários*, or CVM), applicable to preparation of Quarterly Information (*Informações Trimestrais*, or ITR).

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This interim financial information has been prepared according to principles, practices and criteria consistent with those adopted in the preparation of the financial statements at December 31, 2018, except for the adoption of new pronouncements that came into force as from January 1, 2019, the impacts of which are presented in Note 2.2 to this interim financial information.

Thus, this interim financial information should be read in conjunction with the said financial statements, approved by the Company's management on March 28, 2019.

Management certifies that all the material information in the interim financial accounting is being disclosed herein, and is the same information used by management in its administration of the Company.

The Company's Executive Board authorized the issuance of this Interim financial information on November 11, 2019.

2.2 Adoption of new pronouncements effective as from January 1, 2019

The Company and its subsidiaries have applied, for the first time, certain alterations to rules, which are in effect for annual periods beginning January 1, 2019 or later. The following paragraphs describe each of these new rules and their effects:

IFRS 16 / CPC 06 (R2) – *Leases*

This establishes principles for recognition, measurement, presentation and disclosure of leasing transactions and requires that lessees account all the leasing transactions in accordance with a single balance sheet model, similar to the accounting of financial leasing, as in the manner of CPC 06 (R2) / IFRS 16. At the date of start of the leasing operation, the lessee recognizes a liability to make the payments (a leasing liability) and an asset, representing the right to use the subject asset during the period of the leasing (an asset of right to use). Lessees are required to recognize separately: (i) the expenses of interest on the leasing liability; and (ii) the expense of depreciation of the asset of the right to use.

Lessees are also required to revalue the leasing liability when certain events occur (for example, change in the period of leasing, a change in the future payments of the leasing as a result of a change in an index, or a rate used to determine such payments). In general, the lessee will recognize the amount of the revaluation of the leasing liability as an adjustment to the asset of right to use.

The Company and its subsidiaries have made an analysis of the initial application of CPC 06 (R2) / IFRS 16 in their financial statements as from January 1, 2019, and have adopted the exemption specified in the rule for short-term leasing operations (that is to say, leasing transactions with a period of 12 months or less) without the option to purchase, and for low-value items. The Company opted to adopt the modified retrospective method, and thus, in accordance with the requirements of CPC 06 / IFRS 16, will not re-present the information and balances on a comparative basis.

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The Company and its subsidiaries carried out a detailed evaluation of the impacts of adoption of CPC 06 (R2) / IFRS 16 based on the following contracts affected:

- Leasing of commercial real estate used for serving customers;
- Leasing of buildings used as administrative headquarters;
- Leasing of commercial vehicles used in operations.

The Company and its subsidiaries have considered the asset of right to use at the same value as the liability for leasing on the initial adoption date. The impacts of adoption of IFRS 16 / CPC 06 (R2) on January 1, 2019 are as follows:

	Consolidated	Parent company
Assets – right of use	342,450	19,844
Liabilities – Obligations referring to operational leasing agreements	(342,450)	(19,844)

This table shows the effects of adoption of IFRS 16 / CPC 06 R2 on the statements of financial position and the income statements for the three and nine-month periods ended September 30, 2019:

Statement of financial position	Consolidated			Parent company		
	Sep. 30, 2019 without adoption of IFRS 16 / CPC 06 R2	Adjustment IFRS 16 / CPC 06 R2	Sep. 30, 2019 with adoption of IFRS 16 / CPC 06 R2	Sep. 30, 2019 without adoption of IFRS 16 / CPC 06 R2	Adjustment IFRS 16 / CPC 06 R2	Sep. 30, 2019 with adoption of IFRS 16 / CPC 06 R2
Current assets	**10,297,583**	**-**	**10,297,583**	**2,640,928**	**-**	**2,640,928**
Non-current assets	**39,464,762**	**300,327**	**39,765,089**	**16,176,301**	**4,852**	**16,181,153**
Deferred income tax and social contribution tax	1,036,214	2,856	1,039,070	618,371	44	618,415
Right to use – Leasing	-	297,471	297,471	-	4,808	4,808
Other non-current assets	38,428,548	-	38,428,548	15,557,930	-	15,557,930
Current liabilities	**7,680,565**	**93,523**	**7,774,088**	**820,297**	**2,711**	**823,008**
Leasing liabilities	-	93,523	93,523	-	2,711	2,711
Other current liabilities	7,680,565	-	7,680,565	820,297	-	820,297
Non-current liabilities	**24,864,336**	**212,613**	**25,076,949**	**789,549**	**2,227**	**791,776**
Leasing liabilities	-	212,613	212,613	-	2,227	2,227
Other non-current liabilities	24,864,336	-	24,864,336	789,549	-	789,549
Shareholders' equity	**17,217,444**	**(5,809)**	**17,211,635**	**17,207,383**	**(86)**	**17,207,297**
Retained earnings	2,652,761	(5,809)	2,646,952	2,647,038	(86)	2,646,952
Other lines in Equity	14,564,683	-	14,564,683	14,560,345	-	14,560,345

Statement of income	Consolidated			Parent company		
	Jan to Sep 2019 without adoption of IFRS 16 / CPC 06 (R2)	Adjustment IFRS 16 / CPC 06 (R2)	Jan to Sep 2019 with adoption of IFRS 16 / CPC 06 (R2)	Jan to Sep 2019 without adoption of IFRS 16 / CPC 06 (R2)	Adjustment IFRS 16 / CPC 06 (R2)	Jan to Sep 2019 with adoption of IFRS 16 / CPC 06 (R2)
GOING CONCERN OPERATIONS						
NET REVENUE	**19,000,757**	**-**	**19,000,757**	**186,932**	**-**	**186,932**
OPERATING COSTS AND EXPENSES	**(16,745,141**	**18,965**	**(16,726,176)**	**(299,840)**	**290**	**(299,550)**
Share of (loss) profit, net, of associates and joint ventures	161,280	-	161,280	2,333,421	-	2,333,421
Net financial revenue (expenses)	1,600,866	(27,630)	1,573,236	291,191	(420)	290,771
Income tax and social contribution tax	(1,605,629)	2,856	(1,602,773)	(105,821)	44	(105,777)
Net income from going concern operations	**2,412,133**	**(5,809)**	**2,406,324**	**2,405,883**	**(86)**	**2,405,797**

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Statement of income	Consolidated			Parent company		
	Jul to Sep 2019 without adoption of IFRS 16 / CPC 06 (R2)	Adjustment IFRS 16 / CPC 06 (R2)	Jul to Sep 2019 with adoption of IFRS 16 / CPC 06 (R2)	Jul to Sep 2019 without adoption of IFRS 16 / CPC 06 (R2)	Adjustment IFRS 16 / CPC 06 (R2)	Jul to Sep 2019 with adoption of IFRS 16 / CPC 06 (R2)
GOING CONCERN OPERATIONS						
NET REVENUE	**6,070,786**	**-**	**6,070,786**	**-**	**-**	**-**
OPERATING COSTS AND EXPENSES	**(6,492,168)**	**5,793**	**(6,486,375)**	**(193,926)**	**(99)**	**(194,025)**
Share of (loss) profit, net, of associates and joint ventures	57,780	-	57,780	(339,410)	-	(339,410)
Net financial revenue (expenses)	(224,493)	(9,298)	(233,791)	4,242	(134)	4,108
Income tax and social contribution tax	84,589	1,110	85,699	23,195	79	23,274
Net income from going concern operations	**(503,506)**	**(2,395)**	**(505,901)**	**(505,899)**	**(154)**	**(506,053)**

IFRIC 23 / ICPC 22 – Uncertainty on treatment of taxes on profit

This relates to accounting of taxes on profits in the cases where the tax treatments involve uncertainty affecting application of IAS 12 (CPC 32) – *Income taxes* – and does not apply to taxes outside the scope of IAS 12, nor specifically include the requirements relating to interest and penalty payments associated with uncertain tax treatments. The Interpretation deals specifically with the following:

- Whether the entity considers uncertain tax treatments separately.
- The assumptions that the entity makes in relation to examination of the tax treatments by the tax authorities.
- How the entity determines real profit (or tax losses), the bases of calculation, unused tax losses, intertemporal tax credits and tax rates.
- How the entity considers changes of facts and circumstances.

The entity is required to decide whether it treats each uncertain tax treatment separately, or as a group with one or more uncertain tax treatments. It is required to follow the approach that better provides for resolution of the uncertainty. The interpretation is in effect for annual periods starting on or after January 1, 2019. The Company and its subsidiaries have adopted the interpretation as from the date of coming into effect and have analyzed the tax treatments adopted which could generate uncertainties in the calculation of income taxes and which might potentially expose the Company and its subsidiaries to materially probable risks of loss. The conclusion of these analyses is that none of the significant positions adopted by the Company and its subsidiaries have been altered in relation to expectation of losses due to any questioning or challenge by the tax authorities.

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

Number of the Note		Title of the Note
Dec. 31, 2018	Sep. 30, 2019	
1	1	Operational context
2	2	Basis of preparation
3	3	Consolidation principles
4	4	Concessions and authorizations
5	35	Operational segments
6	5	Cash and cash equivalents
7	6	Marketable Securities
8	7	Customers and traders; Concession holders (power transport)
9	8	Recoverable taxes
-	9	PIS/Pasep and Cofins taxes credits over ICMS – Final Court Judgment
10	10	Income tax and social contribution tax
11	11	Restricted cash
12	12	Accounts receivable from the State of Minas Gerais
13	13	Escrow deposits
14	14	Reimbursement of tariff subsidies
15	15	Concession financial assets and liabilities
16	16	Contract assets
17	17	Investments
18	18	Property, plant and equipment
19	19	Intangible assets
-	20	Leasing – Right of Use
20	21	Suppliers
21	22	Taxes and social security
22	23	Loans, financings and debentures
23	24	Regulatory charges
24	25	Post-employment obligations
25	26	Provisions
26	27	Equity and remuneration to shareholders
27	28	Subsidiaries with significant interests held by non-controlling shareholders
28	29	Revenue
29	30	Operating costs and expenses
30	31	Financial revenue and expenses
31	32	Related party transactions
32	33	Financial instruments and risk management
36	34	The Annual Tariff Adjustment
33	36	Assets and liabilities classified as held for sale; profit (loss) from discontinued operations
37	37	Transactions not involving cash
38	38	Subsequent events

The Notes to the 2018 annual statements that have not been included in these consolidated interim financial statements because they had no material changes, and/or were not applicable to the interim information, are as follows:

Number	Title of the Note
34	Insurance
35	Commitments

3. PRINCIPLES OF CONSOLIDATION

The dates of Interim accounting information of the subsidiaries, used for consolidation, and of the jointly-controlled entities and affiliates, used for calculation of their equity method contribution, coincide with those of the Company. Accounting practices are applied uniformly and are the same as those used by the parent company.

The Company uses the criteria of full consolidation. The direct equity investments of Cemig, included in the consolidation, are the following:

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Subsidiary	Sep. 30, 2019			Dec. 31, 2018		
	Form of valuation	Direct stake, %	Indirect stake, %	Form of valuation	Direct stake, %	Indirect stake, %
Cemig Geração e Transmissão	Consolidation	100.00	-	Consolidation	100.00	-
Cemig Distribuição	Consolidation	100.00	-	Consolidation	100.00	-
Gasmig	Consolidation	99.57	-	Consolidation	99.57	-
Cemig Geração Distribuída (Thermal Plant Ipatinga)	Consolidation	100.00	-	Consolidation	100.00	-
Efficientia	Consolidation	100.00	-	Consolidation	100.00	-
Luce Empreendimentos e Participações S.A. (1)	-	-	-	Consolidation	100.00	-
Rio Minas Energia e Participações (1)	-	-	-	Consolidation	100.00	-
Light (2)	Assets classified as held for sale	22.58	-	Consolidation	26.06	23.93
LightGer (3)	Equity method	-	49.00	Consolidation	-	74.49
Guanhães (3)	Equity method	-	49.00	Consolidation	-	74.49
Axxion (4)	Equity method	49.00	-	Consolidation	49.00	25.49
UHE Itaocara (3)	Equity method	-	49.00	Consolidation	-	74.49

(1) The merger of this subsidiaries into Cemig was completed on April, 24, 2019.

(2) With the settlement of the restricted offering, on July, 17th, 2019, the Company's equity interest in the total share capital of Light was reduced from 49.99%, on June, 30th, 2019, to 22.58%. This transaction resulted in the company ceasing to have control over this investee, and the Company recognized the remaining investment in Light in the consolidated income statement, as an Investment in affiliate or jointly-controlled investee, in accordance with CPC 18. Additionally, in accordance with CPC 31, the investment was transferred to Assets held for sale, since the Company continues to have the firm intention of disposing of the remaining equity interest. For more information, see Notes 1, 17 and 36.

(3) On December 31, 2018, the Company had indirect equity interests in LightGer, Guanhães and Itaocara, of 74.49% and 49%, held via Cemig GT, and 25.49%, held via Light. As from the cessation of control of Light, the Company no longer held control of these investees and the remaining indirect interest via Cemig GT is, from that date, measured by the equity method in the interim financial statements, in accordance with CPC 18. For more information, see Notes 17 and 36.

(4) On December, 31, 2018 the Company had direct and indirect interests (via Light) in Axxiom of 49% and 25.49%, respectively. As from the cessation of control of Light, the Company no longer held control of these investees and the remaining indirect interest via Cemig is, from that date, measured by the equity method in the interim financial statements, in accordance with CPC 18. For more information, see Notes 17 and 36.

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4. CONCESSIONS AND AUTHORIZATIONS

Cemig and its subsidiaries hold the following concessions or authorizations, from Aneel:

	Company holding concession or authorization	Concession or authorization contract	Expiration date
POWER GENERATION			
Hydroelectric plants			
Emborcação (1)	Cemig GT	07/1997	Jul. 2025
Nova Ponte (1)	Cemig GT	07/1997	Jul. 2025
Santa Luzia (1)	Cemig GT	07/1997	Feb. 2026
Sá Carvalho (1)	Sá Carvalho	01/2004	Dec. 2024
Rosal (1)	Rosal Energia	01/1997	May 2032
Machado Mineiro (1)	Horizontes Energia	Resolution 331/2002	Jul. 2025
Salto Voltão (1)			Oct. 2030
Salto Paraopeba (1)			Oct. 2030
Salto do Passo Velho (1)			Oct. 2030
PCH Pai Joaquim (1)	Cemig PCH	Resolution 377/2005	Apr. 2032
Irapé (1)	Cemig GT	14/2000	Feb. 2035
Queimado (Consortium) (1)	Cemig GT	06/1997	Jan. 2033
Salto Morais (1)	Cemig GT	02/2013	Jul. 2020
Rio de Pedras (1)	Cemig GT	02/2013	Sep. 2024
Luiz Dias (1)	Cemig GT	02/2013	Aug. 2025
Poço Fundo (1)	Cemig GT	02/2013	Aug. 2025
São Bernardo (1)	Cemig GT	02/2013	Aug. 2025
Xicão (1)	Cemig GT	02/2013	Aug. 2025
Três Marias (2)	Cemig Geração Três Marias	08/2016	Jan. 2046.
Salto Grande (2)	Cemig Geração Salto Grande	09/2016	Jan. 2046
Itutinga (2)	Cemig Geração Itutinga	10/2016	Jan. 2046
Camargos (2)	Cemig Geração Camargos	11/2016	Jan. 2046
Coronel Domiciano, Joasal, Marmelos, Paciência and Piau (2)	Cemig Geração Sul	12/2016 and 13/2016	Jan. 2046
Dona Rita, Ervália, Neblina, Peti, Sinceridade and Tronqueiras (2)	Cemig Geração Leste	14/2016 and 15/2016	Jan. 2046
Cajurú, Gafanhoto and Martins (2)	Cemig Geração Oeste	16/2016	Jan. 2046
Thermal plants			
Igarapé (1)	Cemig GT	07/1997	Aug. 2024
Wind farms			
Central Geradora Eólica Praias de Parajuru (3)	Parajuru	Resolution 526/2002	Sep. 2032
Central Geradora Eólica Volta do Rio (3)	Volta do Rio	Resolution 660/2001	Jan. 2031
POWER TRANSMISSION			
National Grid (4)	Cemig GT	006/1997	Jan. 2043
Substation Itajubá (4)	Cemig GT	79/2000	Oct. 2030.
ENERGY DISTRIBUTION (5)	Cemig D	002/1997 003/1997 004/1997 005/1997	Dec. 2045
GAS DISTRIBUTION (5) (6)	Gasmig	State Law 11,021/1993	Jan. 2053

(1) Refers to generation concession contracts that are not within the scope of ICPC 01 /IFRC 12, whose infrastructure assets are recorded as PP&E since the concession grantor does not have control over whom the service is provided to as the output is being sold mainly in the Free Market ('ACL').

(2) Refers to generation concession contracts of which the revenue relating to the concession grant fee is within the scope of scope of ICPC 01 / IFRIC 12, this revenue being recognized as a concession financial asset.

(3) These are concessions, given by authorization, for generation of wind power as an independent power producer, to be sold under *Proinfa* (the program to encourage alternative energy sources). Assets tied to the right of commercial operation are recorded in PP&E. The rights of authorization of commercial operation that are considered as Investments in the Interim accounting information of the parent company are classified in the consolidated statement of financial position under Intangible, in accordance with Technical Interpretation ICPC 09.

(4) These refer to transmission concession contracts, which, in accordance with IFRS 15 / CPC 47, are recognized as contract asset for being subject to satisfaction of performance obligations.

(5) These refer to concession contracts that are within the scope of ICPC 01 / IFRIC 12 and whose concession infrastructure assets are recorded in accordance with the model of separation between intangible assets and financial assets; and in which, compliance with CPC 47, infrastructure under construction has been classified in contract assets.

(6) On December 14, 2018, through Official Letter SEDECTES/SMEL Nº. 22/2018, the Minas Gerais State Department for Economic, Scientific, Technological and Higher Education Development ('Sedectes') or ('the grantor power') presented a study, made by FGV, for economic and financial rebalancing of the concession contract of Gasmig, also based on a consultation of the General Attorney's Office of the State. On September 19, 2019, Gasmig executed with the State of Minas Gerais, as Granting Authority, the Third Amendment to the Concession Agreement, which represents the conclusion of the economic-financial rebalancing process, assuring Gasmig the extension of its concession term until 2053. For more information, please see note 10 – Intangible Assets.

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5. CASH AND CASH EQUIVALENTS

	Consolidated		Parent company	
	Sep. 30, 2019	Dec. 31, 2018	Sep. 30, 2019	Dec. 31, 2018
Bank accounts	97,157	107,516	4,397	7,602
Cash investments				
Bank certificates of deposit (CDBs) (1)	494,318	555,008	90,666	21,534
Overnight (2)	103,497	228,280	27,188	25,194
	597,815	783,288	117,854	46,728
	694,972	**890,804**	**122,251**	**54,330**

(1) Bank Certificates of Deposit (Certificados de Depósito Bancário, or CDBs) are remunerated at a percentage, which has varied from 75% to 106% in September 30, 2019 (40% to 106% in December 31, 2018), of the CDI Rate (Interbank Rate for Interbank Certificates of Deposit or Certificados de Depósito Inter-bancário – CDIs) published by the Custody and Settlement Chamber (Câmara de Custódia e Liquidação, or Cetip). For these CDBs, the Company has repo transactions which state, on their trading notes, the bank's commitment to repurchase the security, on demand, on the maturity date of the transaction, or earlier, at the Company's option.

(2) Overnight transactions are repos available for redemption on the following day. They are usually backed by Treasury Bills, Notes or Bonds and referenced to a fixed rate. On September 30, 2019 this rate was 5.39% (6.39% in December 31, 2018). Their purpose is to settle the short-term obligations of the Company and its subsidiaries, or be used in the purchase of other assets with better remuneration to replenish the portfolio.

Note 33 gives the exposure of the Company and its subsidiaries to interest rate risks, and a sensitivity analysis of their effects on financial assets and liabilities.

6. MARKETABLE SECURITIES

	Consolidated		Parent company	
	Sep. 30, 2019	Dec. 31, 2018	Sep. 30, 2019	Dec. 31, 2018
Cash investments				
Current				
Bank certificates of deposit (4)	249	-	46	-
Financial Notes (LFs) – Banks (1)	656,540	434,735	172,465	47,979
Treasury Financial Notes (LFTs) (2)	196,977	253,868	51,743	28,018
Debentures (3)	8,968	11,292	3,188	4,129
Others	746	3,656	459	655
	863,480	**703,551**	**227,901**	**80,781**
Non-current				
Bank certificates of deposit (CDBs) (4)	-	240	-	44
Financial Notes (LFs) – Banks (1)	12,410	108,443	-	10,647
	12,410	**108,683**	**-**	**10,691**
	875,890	**812,234**	**227,901**	**91,472**

(1) Bank Financial Notes (Letras Financeiras, or LFs) are fixed-rate fixed income securities, issued by banks and remunerated at a percentage of the CDI rate published by Cetip. The LFs in Cemig's portfolio have remuneration rates varying from 101.95% to 113% of the CDI Rate, at September 30, 2019 (102% to 111.25% December 31, 2018).

(2) Treasury Financial Notes (LFTs) are fixed-rate fixed-income securities, their yield follows the daily changes in the Selic rate between the date of purchase and the date of maturity.

(3) Debentures are medium and long term debt securities, which give their holders a right of credit against the issuing company. The debentures have remuneration varying between 104.25% and 149.8% of the CDI rate, at September 30, 2019 (104.25% to 151% at December 31, 2018).

(4) Bank Certificates of Deposit (Certificados de Depósito Bancário, or CDBs), were remunerated on September 30, 2019 at 80% of the Interbank Rate for Interbank Certificates of Deposit (Certificados de Depósito Inter-bancário – CDIs) published by Cetip. On December 31, 2018 this percentage was 80%.

Note 33 shows the classification of these securities, and cash investments in securities of related parties.

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7. CUSTOMERS, TRADERS AND POWER TRANSPORT CONCESSION HOLDERS

	Consolidated					
	Balances not yet due	Up to 90 days past due	91 to 360 days past due	More than 360 days past due	Sep. 30, 2019	Dec. 31, 2018
Billed supply of energy	1,552,056	731,697	433,619	544,511	3,261,883	2,988,791
Energy supply not yet billed	1,125,417	-	-	-	1,125,417	1,048,261
Other concession holders – Wholesale supply	4,537	23,870	13,385	623	42,415	46,978
Other concession holders – Wholesale supply, not yet billed	212,315	-	-	-	212,315	281,655
CCEE (Wholesale Power Exchange)	-	419,405	-	-	419,405	165,720
Concession holders – billed for transmission	80,713	9,169	8,050	76,874	174,806	180,036
Concession holders – for transmission, not yet billed	248,354	-	-	-	248,354	212,338
(–) Provision for doubtful receivables	(197,502)	(29,725)	(42,693)	(570,518)	(840,438)	(751,168)
	3,025,890	**1,154,416**	**412,361**	**51,490**	**4,644,157**	**4,172,611**
Current assets					**4,563,661**	**4,091,722**
Non-current assets					**80,496**	**80,889**

	Parent company					
	Balances not yet due	Up to 90 days past due	91 to 360 days past due	More than 360 days past due	Sep. 30, 2019	Dec. 31, 2018
Billed supply (telecoms services)	19	9	1,259	21,235	22,522	25,843
Supply not yet invoiced	106	-	-	-	106	2,254
(–) Provision for doubtful receivables	-	-	(1,130)	(21,154)	(22,284)	(22,284)
	125	**9**	**129**	**81**	**344**	**5,813**
Current assets					**344**	**5,813**

The exposure of the Company and its subsidiaries to credit risk related to Customers and traders is given in Note 33.

The provision for doubtful receivables is considered sufficient to cover any potential losses in the realization of accounts receivable, and the breakdown by type of customers is as follows:

Consolidated	Sep. 30, 2019	Dec. 31, 2018
Residential	142,509	136,866
Industrial	190,547	171,732
Commercial, services and others	189,831	188,819
Rural	36,277	33,517
Public authorities	196,513	119,571
Public lighting	2,017	5,615
Public services	27,959	27,318
Charges for use of the network (TUSD)	54,785	67,730
	840,438	**751,168**

The changes in the provision for doubtful receivables in the period is as follows:

Consolidated	Sep. 30, 2019	Sep. 30, 2018
Opening Balances	**751,168**	**567,956**
Initial adoption of CPC 48	-	150,114
Net new provisions (Note 29 d)	228,361	227,789
Receivables settled	(139,091)	(182,707)
Closing Balances	**840,438**	**763,152**

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Advances from customers

Cemig GT and Cemig D received advance payments, against sale of supply, from certain customers. The balances of obligations relating to power not yet delivered have been as follows:

	Sep. 30, 2019	Sep. 30, 2018
Opening Balances	**79,405**	**232,762**
Settled	(80,862)	(152,050)
Inflation adjustment (Note 31)	1,457	9,184
Closing Balances	**-**	**89,896**

The revenue from advances on sales of power supply was recognized in the income statement only when the supply is actually delivered.

8. RECOVERABLE TAXES

	Consolidated		Parent company	
	Sep. 30, 2019	Dec. 31, 2018	Sep. 30, 2019	Dec. 31, 2018
Current				
ICMS tax recoverable	72,067	79,956	2,778	2,778
PIS/Pasep taxes	2,182	4,150	20	20
Cofins tax	5,333	21,463	125	125
Others	19,181	18,614	103	97
	98,763	**124,183**	**3,026**	**3,020**
Non-current				
ICMS tax recoverable	262,093	239,789	1,862	1,862
PIS/Pasep taxes	1,097,560	3	106,417	3
Cofins tax	4,945,788	12	380,851	12
Others	2,226	2,552	1,795	1,795
	6,307,667	**242,356**	**490,925**	**3,672**
	6,406,430	**366,539**	**493,951**	**6,692**

The ICMS tax credits recoverable that are reported in Non-current assets arise from acquisitions of property, plant and equipment, and intangible assets, and can be offset against taxes payable in 48 months. The transfer to Non-current was made in accordance with estimates by management of the amounts which will likely be realized up to September 2020.

Credits of PIS/Pasep and Cofins taxes generated by the acquisition of machinery and equipment can be offset immediately.

The credits of PIS/Pasep and Cofins taxes recorded in non-current assets refer to the amounts paid for these taxes that included ICMS tax in their basis of calculation. For more information see Note 9.

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9. PIS/PASEP AND COFINS TAXES CREDITS OVER ICMS – FINAL COURT JUDGMENT

On July 16, 2008, Cemig, Cemig GT and Cemig D filed an Ordinary Action for a declaration that it was unconstitutional to include the ICMS value added tax within the taxable amount for calculation of PIS/Pasep and Cofins; and for recognition of these companies' right to offsetting of amounts unduly paid for the 10 years prior to the action being filed, with monetary adjustment by the Selic rate.

In July 2008 the Company and the subsidiaries above referred obtained an interim injunction, and from that time, made escrow deposits into court relating to the inclusion of ICMS tax amounts in the basis for calculation of PIS/Pasep and Cofins taxes. The Company and its subsidiaries maintained this procedure from August 2008 to August 2011, and from then on, although they continued to challenge the basis of calculation in the courts, opted to pay the taxes monthly.

In October 2017, the Federal Supreme Court (STF) published its Joint Judgment on the Extraordinary Appeal, in the form that creates overall precedent, in favor of the Company's argument. In 2017, based on the opinion of its legal advisers, the Company and its subsidiaries reversed the provision related to the escrow deposits made from 2008 to 2011, and also recognized a liability for reimbursement to their customers of the distribution segment.

On May 8, 2019 the Regional Federal Appeal Court of the First Region gave final judgment – against which there is no appeal – on the Ordinary Action, deciding in favor of Cemig, Cemig D and Cemig GT, and recognizing their right to exclude the ICMS amounts from the calculation basis of PIS/Pasep and Cofins taxes, backdated as from five years prior to the action initial filing– that is, from July 2003.

On June 11, 2019, based on this final judgment, the Companies filed for release of the escrow deposits, in the total amount of R$ 1,381,214 – still awaiting the court decision.

Final court judgment has also been given, against which there is no further appeal, in favor of the similar actions filed by Cemig's wholly-owned subsidiaries Sá Carvalho, Cemig Geração Distribuída and UTE Barreiro.

Based on the opinion of its legal advisers, the Company believes that a portion of the credits to be received by Cemig D should be reimbursed to its customers, considering a maximum period for calculation of the reimbursement of 10 years. Thus, Cemig D has constituted a liability corresponding to the credits to be reimbursed to its customers, which comprises the period of the last 10 years, from June 2009 to May 2019, net of PIS/Pasep and Cofins taxes over monetary updating.

The amounts will be reimbursed to customers as from the date when the tax credits are in fact offset, that is still pending approval by the federal tax authority, and the mechanisms and criteria for the reimbursement will be discussed with Aneel.

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The Company has two ways to recover the tax credit: (i) offsetting of the amount receivable against amounts payable of PIS/Pasep and Cofins taxes, monthly, within the five-year period specified by the relevant law of limitation; or (ii) receipt of specific credit instruments '*precatórios*' from the federal government.

In Cemig D and Cemig GT, the credits will be offset, to accelerate recovery. For the Company itself, priority will be given to receipt of the credits through *precatório* letters of credit, since the Company does not make enough monthly payments of PIS/Pasep and Cofins taxes to enable offsetting.

Shown below are the accounting effects relating to the recognition of the PIS/Pasep and Cofins taxes credits, including their monetary updating by the Selic rate, and the amounts to be reimbursed to customers at September 30, 2019:

PIS/Pasep and Cofins taxes credits	Cemig (parent)	Cemig D	Cemig GT	Others subsidiaries (4)	Cemig (consolidated)
Effects on the statement of financial position					
Recoverable taxes (July/2003 to May/2019)	487,253	4,883,200	646,471	26,410	6,043,334
Amounts to be restituted to customers (1)	-	(3,007,286)	-	-	(3,007,286)
Taxes payable (2)	(3,489)	(42,578)	(6,035)	(241)	(52,343)
Income tax and social contribution tax	(164,480)	(623,334)	(217,748)	(8,897)	(1,014,459)
Equity	**319,284**	**1,210,002**	**422,688**	**17,272**	**1,969,246**
Effects on net income					
Recovery of PIS/Pasep and Cofins taxes credits over ICMS (3)	183,595	830,333	408,612	16,023	1,438,563
Finance income (5)	303,658	1,023,377	237,859	10,387	1,575,281
PIS/Pasep and Cofins taxes charged on financial revenues (5)	(3,489)	(20,374)	(6,035)	(241)	(30,139)
Income tax and Social contribution tax	(164,480)	(623,334)	(217,748)	(8,897)	(1,014,459)
	319,284	**1,210,002**	**422,688**	**17,272**	**1,969,246**

(1) Amounts to be reimbursed to customers on the PIS/Pasep and Cofins taxes credits for Cemig D, recognized in 2019. The total amount of this line, presented in the Statements of Financial Position of the Company and its subsidiary Cemig D, is R$ 4,154,916. The difference of R$ 1,147,629 is due to the constitution of a liability corresponding to the reversal of the provision related to the escrow deposits made from 2008 to 2011, recorded in 2017.

(2) PIS/Pasep and Cofins taxes on the financial revenues comprising the monetary updating of the tax credits that have been recognized. These taxes applicable to the credits to be reimbursed to customers reduce their total, without effects in the Statement of income.

(3) This refers to the credits recognized in operating profit, amounting R$ 3,836,640, net of the amounts to be reimbursed to customers, of R$ 2,398,077.

(4) This refers to the credits recognized by the wholly-owned subsidiaries Sá Carvalho, Cemig Geração Distribuída and UTE Barreiro.

(5) It includes financial updating from the date of credits recognition until September 30, 2019, net of PIS/Pasep and Cofins taxes on finance income, in the amounts of R$21,139, in the consolidated, and R$2,695 in the parent.

As a result of the court decision, amounts of ICMS tax were no longer included in the calculation basis of PIS/Pasep and Cofins taxes in the billing of Cemig D's customers as from June 2019, representing an average reduction of approximately 1% in the invoice amount.

10. INCOME TAX AND SOCIAL CONTRIBUTION TAX

a) Income tax and social contribution tax recoverable

These balances of income tax and social contribution tax refer to tax credits in the corporate income tax returns of prior years, and to advance payments, which will be offset against federal taxes payable.

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	Consolidated		Parent company	
	Sep. 30, 2019	Dec. 31, 2018	Sep. 30, 2019	Dec. 31, 2018
Income tax	422,976	252,756	102,869	36,023
Social contribution tax	211,708	139,428	35,526	7,652
	634,684	**392,184**	**138,395**	**43,675**
Current	**632,581**	**386,668**	**137,985**	**41,274**
Non-current	**2,103**	**5,516**	**410**	**2,401**

The balances of income tax and social contribution tax posted in non-current assets arise from retentions at source of tax relating to energy supply sold under the *Proinfa* program by companies opting to use the presumed profit method of tax reporting, where the expectation of offsetting is greater than 12 months.

b) Income tax and social contribution tax

The balances of income tax and social contribution tax recorded in current liabilities refer mainly to the taxes owed by the subsidiaries that report by the Real Profit method, which have to pay the tax monthly on a estimated basis, and by the subsidiaries that have opted for the Presumed Profit method, in which payments are made quarterly.

	Consolidated	
	Sep. 30, 2019	Dec. 31, 2018
Current		
Income tax	82,161	83,213
Social contribution tax	29,088	28,850
	111,249	**112,063**

c) Deferred income tax and social contribution tax

The Company and its subsidiaries have tax credits for income and the social contribution taxes, arising from balances of tax losses, negative social contribution tax carryforwards, and temporary differences, at the rates of 25% (for income tax) and 9% (for the social contribution tax), as follows:

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	Consolidated		Parent company	
	Sep. 30, 2019	Dec. 31, 2018	Sep. 30, 2019	Dec. 31, 2018
Deferred tax assets				
Tax loss carryforwards	118,761	373,413	118,761	118,761
Provisions for contingencies	534,779	217,908	67,556	21,829
Provisions for losses on investments	799,157	609,159	382,904	609,159
Operating provisions	39,693	455,437	588	1,732
Provisions for profit sharing	36,763	24,586	1,536	1,418
Post-employment obligations	1,531,919	1,476,519	171,676	163,399
Provision for doubtful receivables	305,515	278,897	8,161	8,161
Paid concessions	7,957	7,683	-	-
Others	11,330	26,753	44	-
Total	**3,385,874**	**3,470,355**	**751,226**	**924,459**
Deferred tax liabilities				
Funding transaction costs	(17,163)	(25,254)	-	-
Deemed cost	(233,661)	(239,092)	-	-
Fair value of equity holdings	(507,194)	(501,311)	(131,119)	(113,673)
Capitalized borrowing costs	(168,870)	(167,454)	-	-
Taxes on revenues not redeemed – Presumed Profit accounting	(1,132)	(4,715)	-	-
Adjustment of expected cash flow from reimbursements of concession assets	(775,361)	(804,077)	-	-
Adjustment to fair value – Swaps	(635,836)	(276,534)	-	-
Others	(7,587)	(33,474)	(1,692)	(1,516)
Total	**(2,346,804)**	**(2,051,911)**	**(132,811)**	**(115,189)**
Total, net	**1,039,070**	**1,418,444**	**618,415**	**809,270**
Total assets	**1,958,047**	**2,146,863**	**618,415**	**809,270**
Total liabilities	**(918,977)**	**(728,419)**	**-**	**-**

The changes in deferred income tax and social contribution tax have been as follows:

	Consolidated	Parent company
Balances on December 31, 2017	**1,136,539**	**756,739**
Effects allocated to Statement of income – continuing operations	91,117	41,998
Effects allocated to Statement of income – discontinued operations	(15,019)	(10,947)
Effects allocated to Equity	68,586	-
Transfer to assets classified as held for sale	775	775
Variations in deferred tax assets and liabilities	(3,512)	-
Absorption Telecom	-	1,050
Balances on September 30, 2018	**1,278,486**	**789,615**
Balances on December 31, 2018	**1,418,444**	**809,270**
Effects allocated to Income statement	(294,119)	(105,777)
Transfer to discontinued operations	(85,077)	(85,077)
Others	(178)	(1)
Balances on September 30, 2019	**1,039,070**	**618,415**

d) Reconciliation of the expense on income tax and social contribution tax

This table reconciles the nominal expense on income tax (rate 25%) and the social contribution tax (rate 9%) with the actual expense, presented in the statement of income:

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	Consolidated		Parent company	
	Jan to Sep 2019	Jan to Sep 2018	Jan to Sep 2019	Jan to Sep 2018
Profit (loss) on going concern operations before income tax and social contribution tax	4,009,097	950,715	2,511,574	630,099
Income tax and social contribution tax – Nominal expense (34%)	(1,363,093)	(323,243)	(853,935)	(214,234)
Tax effects applicable to:				
Share of (loss) profit, of associates and joint ventures (net of effects of Interest on Equity)	38,775	(40,311)	785,071	256,890
Non-deductible contributions and donations	(2,399)	(3,245)	-	(647)
Tax incentives	30,540	17,170	-	160
Difference between Presumed and Real Profit methods	65,989	66,657	-	-
Non-deductible penalties	(114,305)	(8,910)	(10,422)	(36)
Estimated losses on doubtful accounts receivable from related parties	(233,931)	-	-	-
Others	(24,349)	3,768	(26,491)	(135)
Income tax and social contribution tax – effective (expense)/gain	**(1,602,773)**	**(288,114)**	**(105,777)**	**41,998**
Current income tax and social contribution tax	**(1,308,654)**	**(379,231)**	**-**	**-**
Deferred income tax and social contribution tax	**(294,119)**	**91,117**	**(105,777)**	**41,998**
	(1,602,773)	**(288,114)**	**(105,777)**	**41,998**
Effective rate	**39.98%**	**30.30%**	**4.21%**	**6.67%**

	Consolidated		Parent company	
	Jul to Sep 2019	Jul to Sep 2018	Jul to Sep 2019	Jul to Sep 2018
Profit (loss) on going concern operations before income tax and social contribution tax	(591,600)	347,533	(529,327)	226,615
Income tax and social contribution tax – Nominal expense (34%)	201,144	(118,161)	179,971	(77,049)
Tax effects applicable to:				
Share of (loss) profit, of associates and joint ventures (net of effects of Interest on Equity)	10,449	(23,678)	(121,025)	80,355
Non-deductible contributions and donations	(1,296)	(1,662)	-	(246)
Tax incentives	(15,644)	11,187	(84)	135
Difference between Presumed and Real Profit methods	20,280	18,151	-	-
Non-deductible penalties	(101,818)	(1,946)	(10,408)	(1)
Others	(27,416)	(1,160)	(25,180)	235
Income tax and social contribution tax – effective (expense)/gain	**85,699**	**(117,269)**	**23,274**	**3,429**
Current income tax and social contribution tax	**(30,508)**	**(182,812)**	**97,959**	**-**
Deferred income tax and social contribution tax	**116,207**	**65,543**	**(74,685)**	**3,429**
	85,699	**(117,269)**	**23,274**	**3,429**
Effective rate	**14.49%**	**33.74%**	**4.40%**	**1.51%**

11. RESTRICTED CASH

The total of restricted cash, R$15,809 (R$90,993 on December 31, 2018), refers to funds used as guarantee issued to energy seller in power purchase agreement and other regulatory and financial obligations of the subsidiaries.

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12. ACCOUNTS RECEIVABLE FROM THE STATE OF MINAS GERAIS

The Company has accounts receivable from the State of Minas Gerais, in the form of return of an administrative deposit made for a dispute on the rate of inflation and other adjustment that was to be applied to an advance against future capital increase ('AFAC'), made in prior years, which was the subject of a debt recognition agreement. The agreement provided for payment by the State in 12 consecutive monthly installments, each updated by the IGP–M index up to the date of actual payment, the first to become due on November 10, 2017. Clause 3 of that agreement states that, in the event of arrears or default by the State in payment of the agreed consecutive monthly installments, Cemig is authorized to retain dividends or Interest on Equity distributable to the State in proportion to the State's equity interest, for as long as the arrears and/or default continues.

Considering the provision referred to in the previous paragraph, on June 28, 2019, the Company withheld an amount of R$17,892, corresponding to the dividends that would have been payable to Minas Gerais State on that date. The balance receivable on September, 30, 2019, R$237,763 (R$245,566 on December, 31, 2018), was classified as Non-current asset, as a result of the delays in installments past due since January 2018.

Management believes that it will not suffer losses in the realization of these receivables, for reasons including the guarantees mentioned above, which the Company intends to execute in the event of non-receipt of the amount agreed in the debt recognition agreement.

13. ESCROW DEPOSITS

	Consolidated		Parent company	
	Sep. 30, 2019	Dec. 31, 2018	Sep. 30, 2019	Dec. 31, 2018
Employment-law cases	**363,021**	**334,685**	**41,372**	**41,015**
Tax issues				
Income tax on Interest on Equity	28,427	27,852	277	265
PIS/Pasep and Cofins taxes (1)	1,438,091	1,402,117	-	-
Donations and Legacy Tax (ITCD)	52,605	51,075	52,165	50,635
Urban property tax (IPTU)	77,046	86,906	57,836	69,242
Finsocial tax	39,449	38,455	39,449	38,455
Income tax and Social Security contribution on 'Anuênio' employee indemnity (2)	280,463	274,871	13,469	13,200
Income tax withheld at source on inflationary profit	8,541	8,438	8,541	8,437
Social Contribution tax (3)	18,062	18,062	-	-
ICMS credits on PP&E	38,611	38,193	-	-
Others (4)	92,759	117,171	65,929	65,416
	2,074,054	**2,063,140**	**237,666**	**245,650**
Others				
Regulatory	42,770	52,701	19,608	29,565
Third party liability	9,931	9,328	3,655	3,568
Customer relations	6,076	6,132	1,093	987
Court embargo	13,822	12,394	3,303	4,148
Others	24,400	23,132	1,342	1,412
	96,999	**103,687**	**29,001**	**39,680**
	2,534,074	**2,501,512**	**308,039**	**326,345**

(1) This refers to the escrow deposits into court made in the action challenging the constitutionality of inclusion of ICMS (VAT), already charged, within the taxable amount for calculation of these two contributions. See more details in Note 9 – PIS/Pasep e Cofins taxes credits over ICMS – Final court judgement.

(2) See more details in Note 26 – Provisions (Anuênio indemnity);

(3) Escrow deposit in the legal action challenging an infringement claim relating to application of Social Contribution tax to amounts of cultural and artistic donations and sponsorship, expenses on punitive fines, and taxes with liability suspended.

(4) Includes escrow deposits from legal actions related to INSS and PIS/Pasep and Cofins taxes, respectively.

14. REIMBURSEMENT OF TARIFF SUBSIDIES

Subsidies on tariffs charged to users of distribution services (the TUSD – Charge for Use of the Distribution System, and the EUST – Charges for Use of the Transmission System), are reimbursed to distributors through the funds from the Energy Development Account (CDE).

On September 30, 2019 the total recognized as subsidies was R$811,279 (R$705,730 on September 30, 2018). Of this amount, Cemig D has a receivable R$93,673 (R$82,470 on December, 2018) and Cemig GT has a receivable of R$3,202 (R$8,375 on December, 2018) in current assets.

15. CONCESSION FINANCIAL AND SECTOR ASSETS AND LIABILITIES

Concession financial assets – consolidated	Sep. 30, 2019	Dec. 31, 2018
Financial assets related to infrastructure		
Distribution concessions (15.1)	436,498	395,743
Indemnity receivable – transmission (15.2)	1,302,889	1,296,314
Reimbursement receivable – generation (15.3)	816,202	816,202
Concession grant fee – generation concessions (15.4)	2,459,835	2,408,930
	5,015,424	**4,917,189**

Sector financial assets – consolidated	Sep. 30, 2019	Dec. 31, 2018
CVA (Portion A Compensation) Account and *Other Financial Components* in tariff-setting (14.5)	1,099,974	1,080,693
Total	**6,115,398**	**5,997,882**
Current assets	**1,123,888**	**1,070,384**
Non-current assets	**4,991,510**	**4,927,498**

The changes in concession financial assets related to infrastructure are as follows:

	Transmission	Generation	Distribution	Consolidated
Balances on December 31, 2017	**2,475,838**	**4,237,892**	**369,762**	**7,083,492**
Effects of initial adoption of CPC 47 / IFRS 15 (note 16)	(1,092,271)	-	-	(1,092,271)
Amounts received	(204,948)	(1,325,312)	-	(1,530,260)
Transfers (a)	-	-	19,696	19,696
Others transfers	-	-	(50)	(50)
Adjustment of expectation of cash flow from the Concession financial assets	-	-	3,874	3,874
Monetary updating	128,675	301,061	-	429,736
Written down	-	-	(145)	(145)
Balances on September 30, 2018 (reclassified)	**1,307,294**	**3,213,641**	**393,137**	**4,914,072**
Reclassification (b)	**1,068,329**	**-**	**-**	**1,068,329**
Balances on September 30, 2018 (originally submitted)	**2,375,623**	**3,213,641**	**393,137**	**5,982,401**
Balances on December 31, 2018	**1,296,314**	**3,225,132**	**395,743**	**4,917,189**
Amounts received	(134,838)	(193,164)	-	(328,002)
Transfers contract assets	44,082	-	32,126	76,208
Transfers PP&E	-	-	(1,206)	(1,206)
Inflation adjustment	97,331	244,069	10,689	352,089
Written down	-	-	(854)	(854)
Balances on September 30, 2019	**1,302,889**	**3,276,037**	**436,498**	**5,015,424**

(a) The transfers were made from contract asset to financial asset in the amount of R$20,395, and from financial asset to intangible asset in the amount of R$699.

(b) For comparability, the balances of certain assets linked to transmission concession infrastructure, originally presented on September 30, 2018 in financial assets, were reclassified to concession contract assets, due to the effects of the first adoption of CPC 47 / IFRS 15 on January 1, 2018 (see Note 16).

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15.1 Distribution – Financial assets related to infrastructure

The energy and gas distribution concession contracts are within the scope of ICPC 01 (IFRIC 12). The financial assets under these contracts refer to the investments made in infrastructure for which the residual value will be paid by grantor at the end of the concession period and they are measured at fair value through profit or loss, in accordance with regulation of the energy segment and concession contracts executed by Cemig and its subsidiaries and the granting authorities.

15.2 Transmission – Indemnifiable receivable

On April 20, 2016, the Mining and Energy Ministry (MME) issued its Ministerial Order 120, which set the amounts ratified by Aneel through its Dispatches, relating to the facilities of the National Grid not yet amortized nor depreciated nor yet reimbursed by the concession-granting power, related to the concession contracts renewed under Law 12,783/2013. These became a component of the Regulatory Remuneration Base of the electricity transmission concession holders, as from the 2017 tariff-setting process. These regulations determined the amounts receivable as Permitted Annual Revenue (Receita Annual Permitida - RAP) of the amounts relating to the National Grid.

Based on the regulations of Aneel and the Mining and Energy Ministry, in particular MME Ministerial Order 120/2016 and Aneel Resolution 762/2017, the portion of the Company's receivable rights for which passage of time is required for their payment is governed by CPC 48 (financial asset).

Thus, the portion not yet paid, since the extension of the concessions, for the period January 1, 2013 to June 30, 2017, to be received over a period of eight years, considered as a Financial Component, is classified as a Financial asset, since it no longer involves the construction of infrastructure assets, and represents exclusively the portions not paid in the period 2013 to 2017, updated by the regulatory cost of capital of the transmission sector.

The classification of this portion as a financial asset is based on the non-existence of assets linked to the financial component of the National Grid, for which a performance obligation is required for its receipt. In this context, the Company has the unconditional right to the receivable, specified in Article 15 of Law 12,783/2013 and also in the regulations of Aneel, requiring, basically, only the passage of time for receipt of the amounts payable. Considering that the regulatory cost of capital, previously set by Aneel through its Resolution 762/2017, is used for remuneration of the financial asset recognized, this is classified as measured at amortized cost, in the terms of IFRS 09 / CPC 48, because it is maintained in a business model whose objective is the receipt of contractual cash flows, constituting payment of principal and interest on the principal yet unpaid.

In relation to the facilities of the National Grid linked to the Company's concession contract, Aneel ratified, through its Dispatch 2,181, on august, 16, 2016, homologated the amount of R$892,050, in December 2012 Reais, for the portion of the residual value of assets to be paid to the Company. This amount was recorded as a financial asset, with specific maturity and interest rate, in accordance with its characteristics.

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The amount of the reimbursement receivable, updated to September 30, 2019, of R$1,302,889 (R$1,296,314 on December, 31, 2018) is classified as a financial asset, at amortized cost, in accordance with IFRS 9 / CPC 48, as follows:

Portions of remuneration and depreciation not paid since the extensions of concessions

The portions of remuneration and depreciation not paid since the extensions of the concessions, up to the tariff process of 2017, in the amount of R$863,103 (R$936,945 on December 31, 2018) are updated by the IPCA index (*Expanded National Consumer Price Index*) and remunerated at the weighted average cost of capital of the transmission industry as defined by Aneel in the methodologies for concession holders' Periodic Tariff Reviews, to be paid over a period of eight years, in the form of reimbursement through the RAP, from July 2017.

Residual Value of transmission assets – injunction awarded to industrial customers

On April 10, 2017, a preliminary injunction was granted to the Brazilian Large Free Customers' Association (*Associação Brasileira de Grandes Consumidores Livres*), the Brazilian Auto Glass Industry Technical Association (*Associação Técnica Brasileira das Indústrias Automáticas de Vidro*) and the Brazilian Ferro-alloys and Silicon Metal Producers' Association (*Associação Brasileira dos Produtores de Ferroligas e de Silicio Metálico*) in their legal action against the regulator and the Federal Government requesting suspension of the effects on their tariffs of payment of the residual value of the Existing Basic Network System ('RBSE') assets payable to agents of the energy sector who accepted the terms of Law 12,783/2013.

The preliminary relief granted was partial, with effects related to suspension of the inclusion in the customer tariffs paid by these associations of the portion of the indemnity corresponding to the remuneration of cost of capital included since the date of extension of the concessions – amounting to R$439,786 at September 30, 2019 (R$359,369 at December 31, 2018) inflation-adjusted by the IPCA index.

In compliance with the court decision, the regulator, in its Technical Note 183/201-SGT/ANEEL of June 22, 2017, presented a new calculation, excluding the amounts that refer to the cost of own capital. Cemig believes that this is a provisional decision, and that its right to receive the amount referring to the assets of RBSE is guaranteed by law, so that no adjustment to the amount recorded at September 30, 2019 is necessary.

15.3 Generation – Indemnity receivable

As from August 2013, with the expiry of the concession for various plants operated by Cemig GT under Concession Contract 007/1997, Cemig GT has a right to reimbursement of the assets not yet amortized, as specified in the concession contract. The accounting balances corresponding to these assets are recognized in financial assets, at fair value through profit or loss, and totaled R$816,202 on September 30, 2019 and on December 31, 2018.

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Generating plant	Concession expiration date	Installed capacity (MW)	Net balance of assets based on historic cost	Net balance of assets based on deemed cost
Lot D				
Três Marias Hydroelectric Plant	July 2015	396	71,694	413,450
Salto Grande Hydroelectric Plant	July 2015	102	10,835	39,379
Itutinga Hydroelectric Plant	July 2015	52	3,671	6,589
Camargos Hydroelectric Plant	July 2015	46	7,818	23,095
Piau Small Hydroelectric Plant	July 2015	18,01	1,531	9,005
Gafanhoto Small Hydroelectric Plant	July 2015	14	1,232	10,262
Peti Small Hydroelectric Plant	July 2015	9,4	1,346	7,871
Dona Rita Small Hydroelectric Plant	Sep. 2013	2,41	534	534
Tronqueiras Small Hydroelectric Plant	July 2015	8,5	1,908	12,323
Joasal Small Hydroelectric Plant	July 2015	8,4	1,379	7,622
Martins Small Hydroelectric Plant	July 2015	7,7	2,132	4,041
Cajuru Small Hydroelectric Plant	July 2015	7,2	3,576	4,252
Paciência Small Hydroelectric Plant	July 2015	4,08	728	3,936
Marmelos Small Hydroelectric Plant	July 2015	4	616	4,265
Others				
Volta Grande Hydroelectric Plant	Feb. 2017	380	25,621	70,118
Miranda Hydroelectric Plant (1)	Dec. 2016	408	26,710	22,546
Jaguara Hydroelectric Plant	Aug. 2013	424	40,452	174,203
São Simão Hydroelectric Plant	Jan. 2015	1,710	1,762	2,711
		3,601,70	**203,545**	**816,202**

(1) Investments made after the Jaguara, São Simão and Miranda plants came into operation, in the amounts of R$174,203, R$2,711 and R$22,546, respectively, are recorded as concession financial assets, and the determination of the final amounts to be paid to the Company is in a process of discussion with Aneel (the regulator). Management of the subsidiary Cemig GT does not expect losses in realization of these amounts.

As specified by the regulator (Aneel) 615/2014, the valuation reports that support the amounts to be received by the Company in relation to the residual value of the plants, previously operated by Cemig GT, that were included in Lot D and for the *Volta Grande* plant have been submitted to the regulator. The Company and its subsidiaries do not expect any losses in the realization of these amounts.

15.4 Concession grant fee – Generation concessions

The concession grant fee for 30 years, of concession contracts No.'s 08 to 16/2016, for the 18 hydroelectric plants of Lot D of Auction 12/2015, which Cemig GT won, was R$2,216,353. The amount of the concession fee was recognized as a financial asset measured at amortized cost, as the Company has unconditional right to receive the amount paid, updated by the IPCA index and remuneration interest (the total of which is equivalent to the internal rate of return on the project) during the period of the concession.

The changes in these financial assets are as follows (R$'000):

SPC	Plant	Balance at Dec. 31, 2018	Monetary updating	Amounts received	Balance at Sep. 30, 2019
Cemig Geração Três Marias S.A.	Três Marias	1,369,900	131,837	(103,787)	1,397,950
Cemig Geração Salto Grande S.A.	Salto Grande	429,910	41,564	(32,731)	438,743
Cemig Geração Itutinga S.A.	Itutinga	160,601	17,494	(13,916)	164,179
Cemig Geração Camargos S.A.	Camargos	120,452	13,032	(10,359)	123,125
Cemig Geração Sul S.A.	Coronel Domiciano, Joasal, Marmelos, Paciência and Piau	157,217	18,203	(14,576)	160,844
Cemig Geração Leste S.A.	Dona Rita, Ervália, Neblina, Peti, Sinceridade and Tronqueiras	106,697	13,651	(11,068)	109,280
Cemig Geração Oeste S.A.	Cajurú, Gafanhoto and Martins	64,153	8,288	(6,727)	65,714
Total		**2,408,930**	**244,069**	**(193,164)**	**2,459,835**

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SPC	Plant	Balance at Dec. 31, 2017	Monetary updating	Amounts received	Balance at Sep. 30, 2019
Cemig Geração Três Marias S.A.	Três Marias	1,330,134	133,096	(99,914)	1,363,316
Cemig Geração Salto Grande S.A.	Salto Grande	417,393	41,952	(31,510)	427,835
Cemig Geração Itutinga S.A.	Itutinga	155,594	17,549	(13,396)	159,747
Cemig Geração Camargos S.A.	Camargos	116,710	13,077	(9,973)	119,814
Cemig Geração Sul S.A.	Coronel Domiciano, Joasal, Marmelos, Paciência and Piau	152,170	18,207	(14,032)	156,345
Cemig Geração Leste S.A.	Dona Rita, Ervália, Neblina, Peti, Sinceridade and Tronqueiras	103,133	13,596	(10,655)	106,074
Cemig Geração Oeste S.A.	Cajurú, Gafanhoto and Martins	62,001	8,252	(6,477)	63,776
Total		**2,337,135**	**245,729**	**(185,957)**	**2,396,907**

Of the energy produced by these plants, 70% is sold in the Regulated Market (ACR) and 30% in the Free Market (ACL).

Concession Sector assets (liabilities)

15.5 *CVA* (Portion A Compensation) Account and *Other Financial Components* in tariff adjustments

The Amendment that extended the concession period of the Cemig D guarantees that, in the event of extinction of the concession contract, for any reason, the remaining balances (assets and liabilities) of any shortfall in payment or reimbursement through the tariff must also be paid by the grantor. The balances on (i) the CVA Account (*Compensation for Variation of Portion A items*), (ii) the account for Neutrality of Sector Charges, and (iii) *Other financial components* in the tariff calculation, refer to the positive and negative differences between the estimate of the Company's non-manageable costs and the payments actually made. The variations are subject to monetary adjustment using the Selic rate and considered in the subsequent tariff adjustments.

The balance of these sector financial assets and liabilities, which are presented at net value, in assets or liabilities, in the interim accounting information, in accordance with the tariff adjustments that have been authorized or are to be ratified, are as follows:

Statement of financial position	Sep. 30, 2019			Dec. 31, 2018		
	Amounts ratified by Aneel in the last tariff adjustment	Amounts to be ratified by Aneel in the next tariff adjustments	Total	Amounts ratified by Aneel in the last tariff adjustment	Amounts to be ratified by Aneel in the next tariff adjustments	Total
Assets	**2,029,694**	**1,608,201**	**3,637,895**	**1,184,458**	**2,545,994**	**3,730,452**
Current assets	2,029,694	545,347	2,575,041	1,184,458	1,505,264	2,689,722
Non-current assets	-	1,062,854	1,062,854	-	1,040,730	1,040,730
Liabilities	**(1,421,527)**	**(1,116,394)**	**(2,537,921)**	**(1,140,507)**	**(1,509,252)**	**(2,649,759)**
Current liabilities	(1,421,527)	(466,116)	(1,887,643)	(1,140,507)	(902,341)	(2,042,848)
Non-current liabilities	-	(650,278)	(650,278)	-	(606,911)	(606,911)
Total current, net	608,167	79,231	687,398	43,951	602,923	646,874
Total non-current, net	-	412,576	412,576	-	433,819	433,819
Total, net	**608,167**	**491,807**	**1,099,974**	**43,951**	**1,036,742**	**1,080,693**

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Financial components	Sep. 30, 2019			Dec. 31, 2018		
	Amounts ratified by Aneel in the last tariff adjustment	Amounts to be ratified by Aneel in the next tariff adjustments	Total	Amounts ratified by Aneel in the last tariff adjustment	Amounts to be ratified by Aneel in the next tariff adjustments	Total
Items of 'Portion A'						
Quota for the Energy Development Account (CDE)	192,163	110,537	302,700	1,172	220,016	221,188
Tariff for use of transmission facilities of grid participants	(29,718)	52,018	22,300	24,263	(5,577)	18,686
Tariff for transport of Itaipu supply	13,949	10,783	24,732	2,266	15,580	17,846
Alternative power sources program (Proinfa)	17,025	(65)	16,960	3,106	5,154	8,260
ESS (System Service Charge) and EER (Reserve Energy Charge)	(258,815)	(59,059)	(317,874)	(246,181)	(287,474)	(533,655)
Energy bought for resale	1,062,410	414,357	1,476,767	667,149	1,401,917	2,069,066
'Other financial components'						
Overcontracting of supply	(133,948)	220,862	86,914	(204,056)	(12,920)	(216,976)
Neutrality of Portion A	(47,514)	27,271	(20,243)	53,008	(14,883)	38,125
Other financial components in tariff adjustments	(151,237)	(116,470)	(267,707)	(235,964)	(211,525)	(447,489)
Tariff Flag balances (1)	-	(128,084)	(128,084)	-	(11,215)	(11,215)
Excess demand and reactive power	(56,148)	(40,343)	(96,491)	(20,812)	(62,331)	(83,143)
TOTAL	**608,167**	**491,807**	**1,099,974**	**43,951**	**1,036,742**	**1,080,693**

(1) Billing arising from the 'Flag' Tariff System not yet homologated by Aneel.

Changes in sector assets and liabilities have been as follows:

Balance at Dec. 31, 2017	**(45,790)**
Net constitution of financial assets	1,408,786
Assets realized	375,004
Others – R&D Reimbursement	(114,782)
Advances from the Flag Tariff Centralizing Account	(453,650)
Inflation adjustment – Selic rate (Note 31)	35,180
Balance at Sep. 30, 2018	**1,204,748**
Balance at Dec. 31, 2018	**1,080,693**
Net constitution of financial assets	456,583
Assets realized	(411,464)
Advances from the Flag Tariff Centralizing Account	(110,709)
Inflation adjustment – Selic rate (Note 31)	84,871
Balance at Sep. 30, 2019	**1,099,974**

Payments from the Flag Tariff Centralizing Account

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

From January to September, 2019, funds passed through by the Flag Account totaled R$110,709 (R$453,650 from January to September, 2018), and were recognized as a partial realization of CVA receivables constituted.

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16. CONCESSION CONTRACT ASSETS

Under IFRS 15 / Technical Pronouncement CPC 47 – *Revenue from contracts with customers*, concession infrastructure assets during the period of construction for which the right to consideration depends on satisfaction of a performance obligations are classified as Contract assets. The balances of these on September, 30, 2019 were as follows:

	Consolidated	
	Sep. 30, 2019	Dec. 31, 2018
Distribution – Infrastructure assets under construction	657,624	518,162
Gas – Infrastructure assets under construction	87,390	81,475
Transmission – Assets incorporated into the Assets Remuneration Base	381,179	492,405
Transmission – Assets remunerated by tariff	777,877	636,905
	1,904,070	**1,728,947**
Current	**179,617**	**130,951**
Non-current	**1,724,453**	**1,597,996**

The changes in contract assets are as follows:

	Transmission	Distribution	Gas	Consolidated
Balance at December 31, 2017				
Effects of initial adoption of CPC 47 / IFRS 15 (notes 15 and 19)	1,092,271	531,750	89,497	1,713,518
Additions	12,726	532,290	40,265	585,281
Inflation adjustment	79,489	-	-	79,489
Amounts received	(128,174)	-	-	(128,174)
Settled	-	-	(1,548)	(1,548)
Adjustment of expectation of cash flow from the Concession financial assets	11,977	-	-	11,977
Transfers to Financial assets	-	(20,395)	-	(20,395)
Transfers to Intangible assets	-	(504,373)	(36,038)	(540,411)
Transfers to PP&E	40	-	-	40
Balance at September 30, 2018 (reclassified)	**1,068,329**	**539,272**	**92,176**	**1,699,777**
Reclassification (1)	**(1,068,329)**	**(539,272)**	**(92,176)**	**(1,699,777)**
Balance at December 31, 2018	**1,129,310**	**518,162**	**81,475**	**1,728,947**
Additions	150,158	605,141	30,239	785,538
Inflation adjustment	26,726	-	-	26,726
Adjustment to expectation of contractual cash flow from the concession	8,483	-	-	8,483
Amounts received	(108,286)	-	-	(108,286)
Settled	(3,259)	-	-	(3,259)
Transfers to Financial assets	(44,082)	(32,126)	-	(76,208)
Transfers to Intangible assets	-	(459,569)	(24,324)	(483,893)
Transfers to PP&E	6	-	-	6
Reversals of impairment losses (2)	-	26,016	-	26,016
Balance at September 30, 2019	**1,159,056**	**657,624**	**87,390**	**1,904,070**

(1) For comparability, the balances of certain assets linked to transmission concession infrastructure, originally presented on September 30, 2018 in financial assets and in intangible assets, were reclassified to concession contract assets, due to the effects of the first adoption of CPC 47 / IFRS 15 on January 1, 2018. (see note 15 and 19)

(2) As of December, 31, 2018, the subsidiary Cemig D recognized a provision of R$ 42,029 for impairment of certain long-term assets in progress. The amount of R$26,016 was reversed in the second quarter of 2019.

The amount of additions in the period ended September 30, 2019 includes R$19,919 under the heading Capitalized borrowing costs, as presented in Note 23.

On September, 30, 2019, the Company has not identified any evidence of impairment of the others contract assets, with definite expected useful life. The Company doesn't have any contract asset with indefinite useful life.

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Energy and gas distribution activities

Assets linked to concession infrastructure still under construction are posted initially as contract assets, considering the right of Cemig D and Gasmig to charge for the services provided to customers or receive an indemnity at the end of the concession for assets not yet amortized. New assets are recorded initially as contract assets, valued at acquisition cost, including capitalized borrowing costs. After the assets start operation, the performance obligation linked to construction is deemed to have been concluded, and the assets are split between financial assets and intangible assets.

The transmission activity

The assets linked to the infrastructure of the transmission concession are now classified as contract assets, considering the performance obligations during the period of the concession, namely the obligations to build, operate and maintain transmission lines and keep them available. The assets posted in this line are:

Outstanding balance to be received through RAP: The portion of the RAP relating to the facilities of the National Grid arising from the regulatory reintegration quota incorporated into the Remuneration Base, under Mining and Energy Ministry Order 120/2016 and Aneel Resolution 762/2017, is classified as a contractual asset, since satisfaction of the performance obligation linked to their construction occurs during their useful life (availability of the network).

The right to the consideration linked to these assets depends on the availability of the network, since they were reincorporated into the Remuneration Base by the renewal of the concession contract, under Law 12,783/2013, and will be received for the remaining period of their useful life, as and when the services of operation and maintenance are rendered.

Thus, the asset is recognized, under IFRS 15 / CPC 47, as a contract asset, representing the performance concluded prior to the right to receipt of the consideration, which will take place during the utilization of the infrastructure built, for the period of its useful life, in accordance with Aneel Resolution 762/2017, concomitantly with the provision of services of operation and maintenance, which are necessary for availability of the network.

The outstanding balance of the reimbursement for transmission, due to acceptance of the terms of Law 12,783/13, of R$381,179, at September 30, 2019 (R$492,405 at December 31, 2018) was incorporated into the Assets Remuneration Base and is being recovered through RAP.

Transmission – Assets remunerated by tariff: For new assets related to improvements and upgrades of facilities constructed by transmission concession holders, the regulator calculates an additional portion of Permitted Annual Revenue (RAP) in accordance with a methodology specified in the *Proret* (Tariff Regulation Procedures).

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Under the *Proret*, the revenue established in the Resolutions is payable to the transmission concession holders as from the date of start of commercial operation of the facilities. In the periods between tariff reviews, the revenues associated with the improvements and upgrades of facilities are provisional. They are then finally determined in the review immediately subsequent to the start of commercial operation of the facilities; this review then has effect starting on the date when commercial operations begin. The balance receivable on September 30, 2019 was R$777,877 (R$636,905 on December, 31, 2018, previously classified as financial assets).

A counterpart entry is posted for the activity of implementation of infrastructure (during the phase of works), linked to completion of performance, and of the performance obligations to operate and maintain, and not only to the passage of time. Revenue and costs related to formation of these assets are recognized as costs incurred.

17. INVESTMENTS

Investee	Control	Consolidated		Parent company	
		Sep. 30, 2019	Dec. 31, 2018	Sep. 30, 2019	Dec. 31, 2018
Cemig Geração e Transmissão	Subsidiary	-	-	5,854,013	5,064,127
Hidrelétrica Cachoeirão	Jointly-controlled	55,291	49,213	-	-
Guanhães Energia (1)	Jointly-controlled	131,052	-	-	-
Hidrelétrica Pipoca	Jointly-controlled	28,549	30,629	-	-
Retiro Baixo	Jointly-controlled	180,116	170,720	-	-
Aliança Norte (*Belo Monte* plant)	Jointly-controlled	675,283	663,755	-	-
Madeira Energia (*Santo Antônio* plant)	Affiliated	202,094	270,090	-	-
FIP Melbourne (*Santo Antônio* plant)	Affiliated	413,955	470,022	-	-
Lightger (1)	Jointly-controlled	127,421	-	-	
Baguari Energia	Jointly-controlled	163,505	162,224	-	-
Aliança Geração	Jointly-controlled	1,278,775	1,216,860	-	-
Amazônia Energia (*Belo Monte* Plant)	Jointly-controlled	1,033,525	1,012,635	-	-
Usina Hidrelétrica Itaocara S.A. (*Itaocara* plant) (1)	Jointly-controlled	5,168	-	-	-
Cemig Distribuição	Subsidiary	-	-	5,893,977	4,642,358
TAESA	Jointly-controlled	1,230,465	1,143,189	1,230,465	1,143,189
Ativas Data Center	Affiliated	16,597	16,509	16,597	16,509
Gasmig	Subsidiary	-	-	1,435,104	1,439,005
Cemig Geração Distribuída	Subsidiary	-	-	10,924	2,741
LEPSA (2)	Subsidiary	-	-	-	5,099
RME (2)	Subsidiary	-	-	-	47,155
Efficientia	Subsidiary	-	-	17,305	17,532
Janaúba photovoltaic plant – Distributed Generation	Affiliated	9,484	9,042	-	-
Companhia de Transmissão Centroeste de Minas	Jointly-controlled	23,976	19,690	23,976	19,690
Axxiom Soluções Tecnológicas (1)	Jointly-controlled	9,303	-	9,303	8,301
Cemig Overseas	Subsidiary	-	-	37	-
Total of investments		**5,584,559**	**5,234,578**	**14,491,701**	**12,405,706**

(1) With the cessation of control of Light, the remaining equity interest in these investees was recognized as an investment in affiliate or jointly-controlled subsidiaries, and measured by the equity method, in accordance with IFRS 10 / CPC 36. For more details please see Notes 1 and 36.

(2) On April 24, 2019 Cemig completed merger of its wholly-owned subsidiaries RME and Lepsa, whose only material asset was the investment in Light. The book value used for merger was calculated by appraisal approved by Extraordinary General Meeting held on March 25, 2019.

The Company's non-consolidated investees are jointly-controlled, with the exception of the affiliated companies Light, the Santo Antônio power plant, and Ativas Data Center. As per Note 1, on July 17, 2019 the Company ceased to have control of Light, as from completion of the restricted primary and secondary offering for distribution of shares carried out by that investee. As a result of the plan for sale of the investee being maintained, the Company classifies the investment as held for sale, in Current assets, as per Note 36.

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a) Right to operate regulated activity

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

This table shows changes in these assets:

Parent Company						
Investee	**Dec. 31, 2017**	**Amortization**	**Sep. 30, 2018**	**Dec. 31, 2018**	**Amortization**	**Sep. 30, 2019**
Cemig Geração e Transmissão	688,612	(28,983)	659,629	726,170	(34,752)	691,418
Retiro Baixo	28,344	(886)	27,458	31,966	(1,042)	30,924
Central Eólica Praias de Parajuru	16,503	(1,060)	15,443	66,286	(4,661)	61,625
Central Eólica Volta do Rio	11,035	(653)	10,382	95,819	(6,160)	89,659
Central Eólica Praias de Morgado	23,956	(1,457)	22,499	-	-	-
Madeira Energia (*Santo Antônio* plant)	151,384	(4,467)	146,917	18,000	(552)	17,448
LIghtger	-	-	-	83,990	(1,876)	82,114
Aliança Geração	402,844	(18,982)	383,862	377,534	(18,982)	358,552
Aliança Norte (*Belo Monte* plant)	54,546	(1,478)	53,068	52,575	(1,479)	51,096
TAESA	188,745	(6,990)	181,755	179,424	(6,990)	172,434
Light	186,437	(16,772)	169,665	-	-	-
Gasmig	457,273	(11,443)	445,830	442,016	(11,442)	430,574
RME	43,365	(3,798)	39,567	-	-	-
OVERALL TOTAL	**1,564,432**	**(67,986)**	**1,496,446**	**1,347,610**	**(53,184)**	**1,294,426**

Consolidated						
Investee	**Dec. 31, 2017**	**Amortization**	**Sep. 30, 2018**	**Dec. 31, 2018**	**Amortization**	**Sep. 30, 2019**
Cemig Geração e Transmissão	688,612	(28,983)	659,629	642,180	(32,876)	609,304
Retiro Baixo	28,344	(886)	27,458	31,966	(1,042)	30,924
Central Eólica Praias de Parajuru	16,503	(1,060)	15,443	66,286	(4,661)	61,625
Central Eólica Volta do Rio	11,035	(653)	10,382	95,819	(6,160)	89,659
Central Eólica Praias de Morgado	23,956	(1,457)	22,499	-	-	-
Madeira Energia (*Santo Antônio* plant)	151,384	(4,467)	146,917	18,000	(552)	17,448
Aliança Geração	402,844	(18,982)	383,862	377,534	(18,982)	358,552
Aliança Norte (*Belo Monte* plant)	54,546	(1,478)	53,068	52,575	(1,479)	51,096
TAESA	188,745	(6,990)	181,755	179,424	(6,990)	172,434
Light	186,437	(16,772)	169,665	-	-	-
RME	43,365	(3,798)	39,567	-	-	-
OVERALL TOTAL	**1,107,159**	**(56,543)**	**1,050,616**	**821,604**	**(39,866)**	**781,738**

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Changes in investments in subsidiaries, jointly-controlled entities and affiliates:

Parent company						
Investee	**Dec. 31, 2018**	**Gain (loss) by equity method (Income statement)**	**Dividends**	**Capital contributions / acquisitions**	**Other**	**Sep. 30, 2019**
Cemig Geração e Transmissão	5,064,127	789,886	-	-	-	5,854,013
Cemig Distribuição	4,642,358	1,251,619	-	-	-	5,893,977
Ativas Data Center	16,509	88	-	-	-	16,597
Gasmig	1,439,005	110,879	(113,687)	-	(1,093)	1,435,104
Cemig Geração Distribuída	2,741	(1,210)	(944)	10,337	-	10,924
LEPSA (1)	5,099	9	-	-	(5,108)	-
RME (1)	47,155	6,652	-	-	(53,807)	-
Efficientia	17,532	1,229	(1,456)	-	-	17,305
Companhia de Transmissão Centroeste de Minas	19,690	4,286	-	-	-	23,976
Axxiom Soluções Tecnológicas	8,301	(4,763)	-	5,765	-	9,303
Taesa	1,143,189	174,746	(87,277)	-	(193)	1,230,465
Cemig Overseas	-	-	-	-	37	37
	12,405,706	**2,333,421**	**(203,364)**	**16,102**	**(60,164)**	**14,491,701**

(1) Changes included in the Others column arise from the merger of RME and LEPSA in April 2019.

Consolidated							
Investee	**Dec. 31, 2018**	**Gain (loss) by equity method (Income statement)**	**Dividends**	**Capital contributions / acquisitions**	**Other**	**Remaining equity interest remeasurement after loss of control**	**Sep. 30, 2019**
Companhia de Transmissão Centroeste de Minas	19,690	4,286	-	-	-	-	23,976
Hidrelétrica Cachoeirão	49,213	9,499	(3,421)	-	-	-	55,291
Guanhães Energia (1)	-	(208)	-	-	-	131,260	131,052
Hidrelétrica Pipoca	30,629	2,294	(4,374)	-	-	-	28,549
Madeira Energia (Santo Antônio plant)	270,090	(67,996)	-	-	-	-	202,094
FIP Melbourne (Santo Antônio plant)	470,022	(56,067)	-	-	-	-	413,955
Lightger (1)	-	(549)	-	-	-	127,970	127,421
Baguari Energia	162,224	14,844	(13,563)	-	-	-	163,505
Amazônia Energia (Belo Monte plant)	1,012,635	20,815	-	75	-	-	1,033,525
Aliança Norte (Belo Monte plant)	663,755	10,575	-	953	-	-	675,283
Ativas Data Center	16,509	88	-	-	-	-	16,597
Taesa	1,143,189	174,746	(87,277)	-	(193)	-	1,230,465
Usina Hidrelétrica Itaocara S.A. (*Itaocara* plant) (1)	-	(21,900)	-	22,256	-	4,812	5,168
Aliança Geração	1,216,860	61,915	-	-	-	-	1,278,775
Retiro Baixo	170,720	9,396	-	-	-	-	180,116
Janaúba photovoltaic plant – Distributed Generation	9,042	442	-	-	-	-	9,484
Axxiom Soluções Tecnológicas (1)	-	(900)	-	5,765	-	4,438	9,303
Total of investments	**5,234,578**	**161,280**	**(108,635)**	**29,049**	**(193)**	**268,480**	**5,584,559**

(1) With the cessation of control of Light, the remaining equity interest in these investees was recognized as an investment in affiliates or jointly-controlled subsidiaries, and measured by the equity method, in accordance with IFRS 10 / CPC 36. For more details please see Notes 1 and 36.

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Parent Company							
Investees	Dec. 31, 2017	Gain (loss) by equity method (Income statement)	Gain (loss) by equity method (Other comprehensive income)	Dividends	Capital contributions	Others	Sep. 30, 2018
Cemig Geração e Transmissão	4,793,832	5,238	-	-	-	-	4,799,070
Cemig Distribuição (2)	3,737,310	346,099	-	-	1,100,000	(99,076)	5,084,333
Cemig Telecom (1)	247,313	4,778	(416)	-	-	(251,675)	-
Ativas Data Center (1)	-	1,775	-	-	-	17,116	18,891
Rosal Energia	106,897	8,951	-	(16,342)	-	17,547	117,053
Sá Carvalho	102,536	14,160	-	(29,722)	-	-	86,974
Gasmig	1,418,271	108,507	-	(81,308)	-	-	1,445,470
Horizontes Energia	53,165	12,270	-	(19,029)	-	-	46,406
Cemig Geração Distribuída	4,932	(118)	-	(314)	-	-	4,500
Cemig PCH	96,944	23,613	-	(30,747)	-	-	89,810
LEPSA (2)	455,861	9,083	-	(2,963)	-	(22,083)	439,898
RME (2)	383,233	2,069	-	(1,200)	-	(16,565)	367,537
UTE Barreiro (3)	17,982	278	-	-	-	-	18,260
Empresa de Comercialização de Energia Elétrica	18,403	39,357	-	(44,051)	-	-	13,709
Efficientia	7,084	1,117	-	(231)	9,070	-	17,040
Cemig Comercializadora de Energia Incentivada	2,004	795	-	(220)	-	-	2,579
Companhia de Transmissão Centroeste de Minas	20,584	3,722	-	(4,804)	-	-	19,502
Light (2)	1,083,140	7,942	-	(7,689)	-	(44,146)	1,039,247
Cemig Trading	29,206	39,948	-	(54,588)	-	-	14,566
Axxiom Soluções Tecnológicas	11,866	(5,881)	-	-	-	-	5,985
Taesa	1,101,462	156,333	-	(125,201)	-	-	1,132,594
Cemig Overseas	158	(7)	-	-	35	7	193
	13,692,183	**780,029**	**(416)**	**(418,409)**	**1,109,105**	**(398,875)**	**14,763,617**

(1) Changes included in the *Others* column arise from the merger of Cemig Telecom in March 2018.
(2) The movement included in the Others column arises from first adoption of the new accounting pronouncements on January 1, 2018, recognized by the investees directly in equity without inclusion in the Income statement.
(3) The Extraordinary General Meeting of Stockholders held on August 29, 2019 approved changes to the bylaws of the subsidiary, changing its name and its corporate objects. With the alteration, the name of Usina Termelétrica Barreiro S.A. was changed to Cemig Geração Poço Fundo S.A.

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Consolidated						
Investees	**Dec. 31, 2017**	**Gain (loss) by equity method (Income statement)**	**Dividends**	**Contributions / acquisitions**	**Others**	**Sep. 30, 2018**
Companhia de Transmissão Centroeste de Minas	20,584	3,722	(4,804)	-	-	19,502
Light (1)	1,534,294	17,514	(11,532)	-	(66,220)	1,474,056
Axxiom Soluções Tecnológicas	11,866	(5,881)	-	-	-	5,985
RME (1)	383,233	2,069	(1,200)	-	(16,565)	367,537
Hidrelétrica Cachoeirão	57,957	8,347	(16,350)	-	-	49,954
Guanhães Energia	25,018	(564)	-	51,070	-	75,524
Hidrelétrica Pipoca	26,023	4,548	(1,203)	-	-	29,368
Madeira Energia (Santo Antônio plant)	534,761	(118,779)	-	84	-	416,066
FIP Melbourne (Santo Antônio plant)	582,504	(101,034)	-	-	-	481,470
Lightger	40,832	2,090	(1,779)	-	-	41,143
Baguari Energia	148,422	22,515	(3,558)	-	-	167,379
Central Eólica Praias de Parajuru	60,101	(7,483)	(7,793)	-	-	44,825
Central Eólica Volta do Rio	67,725	(14,106)	-	-	-	53,619
Central Eólica Praias de Morgado	50,569	(5,949)	-	-	-	44,620
Amazônia Energia (Belo Monte plant)	866,554	55,699	-	70,181	-	992,434
Ativas Data Center	17,450	1,012	-	-	429	18,891
Taesa	1,101,462	156,333	(125,201)	-	-	1,132,594
Renova	282,524	(176,424)	-	-	-	106,100
Usina Hidrelétrica Itaocara S.A. (*Itaocara* plant)	3,699	(3,805)	-	4,061	-	3,955
Aliança Geração	1,242,170	40,603	-	-	-	1,282,773
Aliança Norte (Belo Monte plant)	576,704	33,107	-	42,169	-	651,980
Retiro Baixo	157,773	10,480	-	-	-	168,253
Janaúba photovoltaic plant – Distributed Generation	-	-	-	9,067	-	9,067
Total of investments	**7,792,225**	**(75,986)**	**(173,420)**	**176,632**	**(82,356)**	**7,637,095**

(1) The movement in the *Others* column arises from first adoption of the new accounting standards on January 1, 2018, recognized by the investees directly in equity without inclusion in the profit and loss account.

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b) This table gives the main information on the subsidiaries and affiliates, not adjusted for the percentage represented by the Company's ownership interest:

Investees	Number of shares	Sep. 30, 2019			Dec. 31, 2018		
		Cemig Stake %	Share capital, R$ '000	Equity R$ '000	Cemig stake %	Share capital, R$ '000	Equity R$ '000
Cemig Geração e Transmissão	2,896,785,358	100.00	2,600,000	5,854,013	100.00	2,600,000	4,980,136
Madeira Energia (Santo Antônio plant)	12,034,025,147	15.51	10,619,786	3,860,128	15.51	10,619,786	4,656,593
Hidrelétrica Cachoeirão	35,000,000	49.00	35,000	111,542	49.00	35,000	100,434
Guanhães Energia	548,626,000	49.00	548,626	267,499	49.00	396,402	228,242
Hidrelétrica Pipoca	41,360,000	49.00	41,360	58,263	49.00	41,360	62,509
Baguari Energia (1)	26,157,300,278	69.39	186,573	235,640	69.39	186,573	233,793
Central Eólica Praias de Parajuru	71,834,843	100.00	71,835	85,116	100.00	71,835	79,594
Central Eólica Volta do Rio	138,867,440	100.00	138,867	79,344	100.00	138,867	84,355
Lightger	79,078,937	49.00	79,232	92,464	49.00	79,232	86,105
Aliança Norte (Belo Monte plant)	41,893,675,837	49.00	1,208,071	1,273,852	49.00	1,206,127	1,247,307
Amazônia Energia (Belo Monte plant) (1)	1,322,527,723	74.50	1,322,528	1,359,208	74.50	1,322,428	1,359,243
Aliança Geração	1,291,582	45.00	1,291,488	2,037,678	45.00	1,291,488	1,857,905
Retiro Baixo	225,350,000	49.90	225,350	295,555	49.90	222,850	278,065
Renova (1) (2)	41,719,724	36.23	2,919,019	(425,893)	36.23	2,919,019	(76,489)
Usina Hidrelétrica Itaocara S.A.	67,585,514	49.00	67,586	10,547	49.00	22,165	10,470
Cemig Baguari	306,000	100.00	306	20	100.00	306	36
Cemig Ger.Três Marias S.A.	1,291,423,369	100.00	1,291,423	1,390,759	100.00	1,291,423	1,395,614
Cemig Ger.Salto Grande S.A.	405,267,607	100.00	405,268	455,131	100.00	405,268	440,083
Cemig Ger. Itutinga S.A.	151,309,332	100.00	151,309	168,758	100.00	151,309	178,544
Cemig Geração Camargos S.A.	113,499,102	100.00	113,499	128,650	100.00	113,499	131,570
Cemig Geração Sul S.A.	148,146,505	100.00	148,147	166,729	100.00	148,147	176,424
Cemig Geração Leste S.A.	100,568,929	100.00	100,569	114,354	100.00	100,569	120,686
Cemig Geração Oeste S.A.	60,595,484	100.00	60,595	69,392	100.00	60,595	69,898
Rosal Energia S.A.	46,944,467	100.00	46,944	121,492	100.00	46,944	124,897
Sá Carvalho S.A.	361,200,000	100.00	36,833	118,112	100.00	36,833	94,447
Horizontes Energia S.A.	39,257,563	100.00	39,258	51,160	100.00	39,258	54,953
Cemig PCH S.A.	45,952,000	100.00	45,952	87,777	100.00	45,952	92,987
Cemig Geração Poço Fundo (3)	1,402,000	100.00	1,402	3,562	100.00	16,902	18,406
Empresa de Serviços de Comercialização de Energia Elétrica S.A.	486,000	100.00	486	14,596	100.00	486	26,755
Cemig Comercializadora de Energia Incentivada S.A.	1,000,000	100.00	1,000	2,859	100.00	1,000	2,841
Cemig Trading S.A.	1,000,000	100.00	1,000	16,234	100.00	1,000	28,135
Cemig Distribuição (4)	2,359,113,452	100.00	5,371,998	5,893,977	100.00	2,771,998	4,642,358
Light	203,934,060	22.58	2,225,822	3,656,609	26.06	2,225,821	3,389,492
TAESA	1,033,496,721	21.68	3,042,034	4,836,174	21.68	3,042,034	4,572,051
Ativas Data Center	456,540,718	19.60	182,063	83,803	19.60	182,063	84,232
Gasmig	409,255,483	99.57	665,429	996,626	99.57	665,429	1,001,294
Cemig Geração Distribuída	174,281	100.00	174	10,924	100.00	174	2,741
LEPSA (5)	-	-	-	-	100.00	406,341	446,591
RME (5)	-	-	-	-	100.00	403,040	423,228
Efficientia	15,121,845	100.00	15,122	17,305	100.00	15,122	17,532
Companhia de Transmissão Centroeste de Minas	28,000,000	51.00	28,000	47,012	51.00	28,000	38,608
Axxiom Soluções Tecnológicas	58,365,000	49.00	58,365	18,986	49.00	46,600	16,943

(1) Control shared under a shareholders' agreement.
(2) In view of Renova's negative net equity, the Company reduced to zero the carrying value of its equity interests in this investee, at December 31, 2018.
(3) The Extraordinary General Meeting of Stockholders held on August 29, 2019 approved changes to the bylaws of the subsidiary, changing its name and its corporate objects. With the alteration, the name of Usina Termelétrica Barreiro S.A. was changed to Cemig Geração Poço Fundo S.A.
(4) An Extraordinary General Shareholders' Meeting held on August 7, 2019 approved increase in the share capital of Cemig D by R$2,600,000, through subscription of funds from Advances for Future Capital Increase (AFACs), paid in by the Company, without issuance of new shares.
(5) These investees were merged on April 24, 2019.

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The Company has direct and indirect equity interests in the following investees:

Consolidated	Sep. 30, 2019		Dec. 31, 2018	
	Direct stake, %	Indirect stake, %	Direct stake, %	Indirect stake, %
Amazônia	49.00%	5.76%	49.00%	12.46%
Renova (1)	36.23%	3.88%	36.23%	8.39%
LightGer	49.00%	11.52%	49.00%	24.92%
Guanhães	49.00%	11.52%	49.00%	24.92%
Axxion	49.00%	11.52%	49.00%	24.92%
UHE Itaocara	49.00%	11.52%	49.00%	24.92%
Light	22.58	-	26.06%	22.80%

(1) On October 15, 2019, Light sold the totality of its shares in the jointly-controlled investee Renova to *CG I Fundo de Investimento em Participações*. Further details as follows.

Madeira Energia S.A. (“MESA”) and FIP Melbourne

MESA is the parent company of Santo Antônio Energia S.A (‘SAESA’), whose objects are operation and maintenance of the *Santo Antônio* Hydroelectric Plant and its transmission system, on the Madeira River, and all activities necessary for operation of the plant and its transmission system. Cemig directly holds an 8.54% equity interest; other shareholders include Furnas, Odebrecht Energia, and SAAG.

On September, 30, 2019 MESA reported a loss of R$796,465 and current liabilities in excess of current assets by R$328,913. It should be noted that hydroelectric projects constituted using project finance structurally present negative net working capital in the first years of operation, because they are built using high levels of financial leverage. On the other hand, they have firm contracts for sales of energy supply over the long term as support and guarantee of payment of their debts. To balance the situation of negative working capital, in addition to its long-term sale contracts that ensure regularity in its operational cash flow, MESA count with the benefits of its debt reprofiling, that adjusted the flow of payments of the debt to its cash generation capacity, so that the investee does not depend on additional injections of capital by the shareholders.

Arbitration proceedings

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

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The arbitration judgment by the Market Arbitration Chamber recognized the right of Cemig GT and SAAG in full, and ordered annulment of the acts being impugned. As a consequence of this decision, Mesa reversed the impairment, and posted a provision for doubtful receivables in the amount of R$678,551 in its financial statements as of December 31, 2017.

To resolve the question of the liability of CCSA to reimburse the costs of re-establishment of the collateral and use of the contractual limiting factor, the affiliated company opened arbitration proceedings with the International Chamber of Commerce (ICC) against CCSA, which are in progress. This process is confidential under the Arbitration Regulations of the ICC.

Renova Energia S.A. (“Renova”)

In the period ended September 30, 2019, Renova has reported a loss of R$774,829; accumulated losses of R$3,825,716; consolidated current liabilities in excess of consolidated current assets by R$2,336,280; an equity deficit of R$851,318.

However, in view of the investee’s negative net equity, the Company reduced the carrying value of its equity interests in Renova, at December 31, 2018, to zero. No further losses have been recognized, considering the non-existence of any legal or constructive obligations to the investee.

Additionally, considering the worsening Renova’s financial conditions and the events that took place in 2019, the Company recognized, since that moment, an estimated loss on realization of the credits owned by that jointly-controlled investee at the total amount of the balances receivable, in the amount of R$688 million, on September 30, 2019.

Negotiations on Alto Sertão III

On April 9, 2019 Renova signed a share purchase agreement for the transaction to sell the Alto Sertão III Wind Generation Complex to AES Tietê Energia S.A.. Following certain events not being completed in 2019 that were considered to be conditions precedent and suspensive conditions for the negotiations with AES, the transaction for the disposal of the Alto Sertão III wind complex was terminated, since the parties did not reach agreement on commercial terms of the transaction.

Change in control of Renova

On October 15, 2019, Light sold the totality of its shares in the jointly-controlled investee Renova to CG I Fundo de Investimento em Participações Multiestratégia, namely 7,163,074 shares and 98 preferred shares, equivalent in total to 17.17% of the share capital of the company, for R$1.00. Additionally, Lightcom Comercializadora de Energia S.A. signed an Assignment Agreement through which it assigned all the credits held against Renova to CG I. With the expiry of the period specified in the Stockholders’ Agreement of Renova, the subsidiary Cemig GT did not exercise its right of first refusal nor its right of joint sale, and thus there has been no change in its direct equity interest in Renova.

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Reprofiling of debts with creditors

On July 23, 2019, Renova signed a Bank Credit Note with Citibank in the amount of R$185.6 million, for reprofiling of debt past due, with final maturity at six years, payment of interest quarterly, and a one-year grace period for payment of the principal.

Also, the bridge loan contracted with the BNDES with funds for execution of the works on the Alto Sertão III wind power complex, in the amount of R$1,012 million on September 30, 2019, becoming due October 15, 2019, was not settled, and the subsidiary became in default with the BNDES.

On October 17, 2019, Renova received notice from the BNDES informing it that due to the bridge loan having matured on October 15, 2019, the guarantee letters issued by the banks Bradesco S.A., Citibank S.A., Itaú Unibanco S.A. and ABC Brasil S.A., in the total amount of R$568,075, had been executed.

Due to the occurrence of default events by the subsidiaries Renova Diamantina and Chipley, the banks Itaú and Bradesco decreed early maturity of the bank credit notes, and Light S.A., as non-joint surety of the obligations, made a payment on October 21, 2019, of R$15,892.

Application to the court by Renova for Judicial Recovery

On October 16, 2019, the second Bankruptcy and Judicial Recovery Court of the legal district of São Paulo State granted the application for judicial recovery applied for by Renova, and by the other companies of the group ('the Renova Group'), and determined, among other measures, the following:

(i) Appointment of KPMG Corporate Finance to act as judicial administrator.
(ii) Suspension of actions and executions against the companies of the Renova Group for 180 days, under Article 6 of Law 11,101/2005.
(iii) Presentation of accounts by the 30th of each month, while the Judicial Recovery proceedings continue, on penalty of the controlling stockholders of the companies of the Renova Group being removed, and replaced by administrators, under Article 52, IV, of Law 11,101/2005.
(iv) Dispensation of presentation of certificates of absence of debt so that the companies of the Renova Group can exercise their activities; and
(v) Order to publish a tender, in the terms of §1 of Article 52 of Law 11,101/2005, with 15 days for presentation of qualifications and/or divergences of credits in relation to the Judicial Recovery.

In this context, on October 23, 2019, the Board of Directors of Renova approved signature of contracts for an Advance against Future Capital Increase up to the total aggregate amount of R$50,000, with any stockholder of the company, by December 31, 2019.

Considering the non-existence of any legal or constructive obligations to the investee, the Company has concluded that the granted of judicial recovery filed by Renova does not have any additional impact in its financial statements.

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Amazônia Energia S.A. and Aliança Norte Energia S.A.

Amazônia Energia and Aliança Norte are shareholders in Norte Energia S.A. ('Nesa'), which holds the concession to operate the *Belo Monte* Hydroelectric Plant, on the Xingu River, in the State of Pará. Through the jointly-controlled entities referred to above, Cemig GT owns an indirect equity interest in Nesa of 11.69%.

Nesa has expended significant funds for costs of organization and development and pre-operating costs, resulting in negative net working capital of R$3,663,068 at September 30, 2019. The completion of the construction works for the *Belo Monte* plant, and consequent generation of revenues, in turn, depend on the capacity of the investee to continue to comply with the schedule of works envisaged, as well as obtaining the necessary financial resources, either from its shareholders and / or from third parties.

On September 21, 2015, Nesa was awarded a preliminary injunction ordering the regulator to "abstain, until hearing of the application for an injunction made in the origin case, from applying to Appellant any penalties or sanctions in relation to the Belo Monte Hydroelectric Plant not coming into operation on the date established in the original timetable for the project, including those specified in Aneel Normative Resolution 595/2013 and in the Concession Contract 01/2010-MME, of the Belo Monte Hydroelectric Plant". The legal advisers of Nesa have classified the probability of loss as 'possible'. The estimate of loss in *Belo Monte* up to September 30, 2019 is R$1,900,000.

Companhia de Transmissão Centroeste de Minas Gerais

On December 20, 2018 Cemig stated to Centrais Elétricas Brasileiras S.A. ('Eletrobras') Cemig's interest in exercising its right of first refusal for acquisition of the equity interest held by Eletrobras in Companhia de Transmissão Centroeste de Minas S.A. ('Centroeste'), which was the subject of Lot P in Eletrobras Auction 01/2018, held on September 27, 2018.

On January 15, 2019 Cemig was informed of the ratification by Eletrobras of the object of Eletrobras Auction 01/2018, referring to the exercise of first refusal, by the Company, in acquisition of the shareholding interest in Centroeste, conclusion of which will take place in 2019.

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c) Risks related to compliance with laws and regulations

Jointly-controlled investees:

Norte Energia S.A. ('NESA') – investment through Amazônia Energia and Aliança Norte

Investigations and other legal measures are in progress, conducted by the Federal Public Attorneys' Office, which involve other indirect shareholders of the investees and certain executives of those other indirect shareholders. In this context, the Federal Public Attorneys have started investigations into irregularities involving contractors and suppliers of Nesa and of its other shareholders, which are still in progress. At present it is not possible to determine the outcome of these investigations, and their possible consequences. These might at some time in the future include consequences for the investee, further to the write-downs of infrastructure assets of R$183,000 posted by Nesa in 2015, based on the results of the independent internal investigation conducted by Nesa and its other shareholders, the results of which were reflected in Cemig GT as a loss by the equity method in that year.

On March 9, 2018 *Operação Buona Fortuna* was begun, in the 49th phase of '*Operação Lava Jato*' ('*Operation Carwash*'). According to news reports this operation investigates payment of bribes by the construction consortium of the *Belo Monte* power plant, comprising the companies. Management of Nesa believes that so far there are no new facts that have been disclosed by the 49th phase of 'Operation Carwash' that require additional procedures and internal independent investigation in addition to those already carried out.

The company's management, based on its knowledge of the matters described above and on the independent procedure carried out, believes that the conclusions presented in the report of the independent investigation are adequate and appropriate; as a result no adjustment has been made in the interim accounting information. The effects of any future alterations in the existing scenario will be reflected appropriately in the Company's interim accounting information.

Madeira Energia S.A ("MESA")

Investigations and other legal measures are in progress, conducted by the Federal Public Attorneys' Office, which involve other indirect shareholders of MESA and certain executives of those other indirect shareholders. In this context, the Federal Public Attorneys have started investigations into irregularities involving contractors and suppliers of Mesa and of its other shareholders. These investigations are still in progress. In response to allegations of possible illegal activities, the investee and its other shareholders have started an independent internal investigation.

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The internal independent investigation, concluded in February 2019 – unless there are any future developments such as any plea bargains or collaboration undertakings that may be signed with the Brazilian authorities – has not found any objective evidence of any supposed undue payments by Mesa that should be considered for possible accounting write-off, pass-through or increase of costs to compensate undue advantages and/or linking of Mesa with acts of its suppliers, in the terms of the plea bargain or cooperation statements that have been made public.

The company's management, based on its knowledge of the matters described above and on the independent procedures carried out, believes that the conclusions presented in the report of the independent investigation are adequate and appropriate; as a result no adjustment has been made in the interim accounting information. The effects of any future alterations in the existing scenario will be reflected appropriately in the Company's interim accounting information.

Renova Energia S.A. ("Renova")

Since 2017 Renova has been one of the subjects in an investigation being made by the Minas Gerais Civil Police relating to certain capital contributions made by its controlling shareholders, including Cemig GT, and other capital contributions made in previous years by Renova in certain projects under development. As a consequence of this matter, the governance bodies of Renova requested opening of an internal investigation on this subject, and this is being conducted by an independent company. A separate independent internal monitoring committee was also set up in Renova, to accompany the internal investigation, jointly with the Audit Committee. Its members are: one independent member of the Board; the Chair of the Audit Board; and the Chair of the Board of Directors. In this context, the scope of the independent internal investigation consists of assessment as to whether there are any irregularities, including the Brazilian legislation related to acts of corruption and money-laundering, and Renova's Code of ethics and integrity policies.

On April 11, 2019, as part of the fourth phase of 'Operation Descarte', the Federal Police, the federal tax authority and the federal Public Attorneys' Office began the operation called 'Gone with the Wind', which resulted in a search and seizure warrant executed at the head office of the investee Renova in São Paulo, to establish whether any contracts had been over-invoiced without related provision of services, within the activities of this investee, in periods prior to 2015. In July 25, 2019, the second phase of the operation occurred. The investigations of 'Operation Gone with the Wind' are still in progress, and according to a Market Notice published on April 11, 2019, Renova is collaborating fully with the authorities in relation to these investigations.

In June 2019 the tax authority had previously issued an infringement notice against the indirectly controlled company *Espra*, relating to contracts signed for provision of services which allegedly did not have the due consideration, so that the demand was for income tax withheld at source, plus penalty payments and interest, in the estimated amount of R$1,788. The Company is complying with all the demands required by the tax authorities, such as periods, site visits and inspections, presenting reports and all the documents demanded.

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Additionally, on October 30, 2019, Renova published a notice to the market that it had received an infringement notice issued by the Brazilian tax authority (*Receita Federal do Brasil*), based on 'Operation Descarte', questioning the calculation of income tax and social contribution tax, and payment of income tax withheld at source, alleged to be owed by the investee, in the respective amounts, including penalty payments and interest, of R$8,037, R$2,893 and R$78,388. Renova stated that it will evaluate the grounds of the said infringement notice with its legal advisers and, as the case may be, present an impugnment of the posting within the regulatory period.

Although there is evidence of deficiencies of internal controls, related to certain payments and filing of support documentation for services provided by outside parties, additional procedures are being requested to determine the existence of elements which would provide a basis for the items under investigation. As a result, except for the constitution of a provision for an infringement notice issued by the federal tax authority, in the amount of R$1,788, no effect of the investigations has been included in the interim accounting information at September 30, 2019 of Renova, nor of the Company.

Other investigations

In addition to the matter mentioned above, there are investigations being conducted by the Public Attorneys' Office and Civil Police of Minas Gerais State, to identify possible irregularities in the Cemig GT's investments in Guanhães and Mesa. These procedures are being carried out by analysis of documents demanded by the respective authorities, and by hearing of witnesses.

Internal procedures for risks related to compliance with law and regulations.

Taking into account the investigations that are being made by the Company and in certain investees as described above, the governance bodies of the Company have authorized contracting of a specialized company to analyze the internal procedures related to these investments. This independent investigation is being supervised by the Special Investigation Committee, creation of which has been approved by the governance bodies.

On April 11, 2019 agents of the Brazilian Federal Police were in the Company's head office in Belo Horizonte to execute a search and seizure warrant issued by a São Paulo Federal Court in connection with the operation entitled "Gone with the Wind", as described above.

The first phase of the Company's internal investigation was completed and the report delivered on May 13, 2019. Considering the present phase and preliminary results of this first phase of the internal investigations, no effect has been recorded in the Company's interim accounting statements at September 30, 2019. The investigations continue, and are expected to be completed at the end of 2019.

The Company will evaluate any change in the future scenarios, and any effects, when applicable, that might affect the financial statements, and will collaborate with the authorities in their analyses related to the investigations in progress.

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18. PROPERTY, PLANT AND EQUIPMENT

Consolidated	Sep. 30, 2019			Dec. 31, 2018		
	Historic cost	Accumulated depreciation	Net value	Historic cost	Accumulated depreciation	Net value
In service						
Land	247,676	(17,950)	229,726	231,223	(16,174)	215,049
Reservoirs, dams, watercourses	3,285,926	(2,186,237)	1,099,689	3,282,178	(2,131,683)	1,150,495
Buildings, works and improvements	1,111,929	(828,134)	283,795	1,114,229	(800,430)	313,799
Machinery and equipment	2,793,802	(1,979,912)	813,890	2,772,738	(1,918,442)	854,296
Vehicles	30,640	(27,332)	3,308	31,747	(27,222)	4,525
Furniture and utensils	14,168	(10,957)	3,211	16,385	(12,718)	3,667
	7,484,141	**(5,050,522)**	**2,433,619**	**7,448,500**	**(4,906,669)**	**2,541,831**
In progress	126,786	-	126,786	119,754	-	119,754
Net PP&E	**7,610,927**	**(5,050,522)**	**2,560,405**	**7,568,254**	**(4,906,669)**	**2,661,585**

Parent company	Sep. 30, 2019			Dec. 31, 2018		
	Historic cost	Accumulated depreciation	Net value	Historic cost	Accumulated depreciation	Net value
In service						
Land	82	-	82	82	-	82
Buildings, works and improvements	55	(20)	35	408	(297)	111
Machinery and equipment	5,298	(4,293)	1,005	5,840	(4,627)	1,213
Furniture and utensils	748	(695)	53	2,238	(1,878)	360
	6,183	**(5,008)**	**1,175**	**8,568**	**(6,802)**	**1,766**
In progress	460	-	460	484	-	484
Net PP&E	**6,643**	**(5,008)**	**1,635**	**9,052**	**(6,802)**	**2,250**

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

Consolidated	Balance at Dec. 31, 2018	Addition	Settled	Depreciation	Transfers/ Capitalizations (2)	Balance at Sep. 30, 2019
In service						
Land (1)	215,049	-	(10)	(2,252)	16,939	229,726
Reservoirs, dams, watercourses	1,150,495	-	(4,754)	(60,355)	14,303	1,099,689
Buildings, works and improvements	313,799	-	(80)	(14,025)	(15,899)	283,795
Machinery and equipment	854,296	44	-	(66,944)	26,494	813,890
Vehicles	4,525	-	-	(1,157)	(60)	3,308
Furniture and utensils	3,667	-	(304)	(236)	84	3,211
	2,541,831	**44**	**(5,148)**	**(144,969)**	**41,861**	**2,433,619**
In progress	**119,754**	**45,160**	**(6)**	**-**	**(38,122)**	**126,786**
Net PP&E	**2,661,585**	**45,204**	**(5,154)**	**(144,969)**	**3,739**	**2,560,405**

(1) Certain land sites linked to concession contracts and without provision for reimbursement are amortized in accordance with the period of the concession.
(2) Balances, of R$ 3,745 and R$ 6, respectively, were transferred from Intangible assets and concession contract assets to PP&E.

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Consolidated	Balance at Dec. 31, 2017	Addition	Settled	Depreciation	Transfer to Assets classified as held for sale	Transfers/ Capitalizations	Balance at Sep. 30, 2018
In service							
Land (1)	211,272	-	(3)	(1,873)	-		209,396
Reservoirs, dams and watercourses	1,233,576	-	(2,046)	(61,129)	-	146	1,170,547
Buildings, works and improvements	331,362	-	(237)	(14,031)	-	743	317,837
Machinery and equipment	873,551	-	(8,673)	(55,119)	(255,758)	19,707	573,708
Vehicles	3,105	-	-	(1,050)	-	2,829	4,884
Furniture and utensils	3,395	-	-	(268)	-	497	3,624
	2,656,261	**-**	**(10,959)**	**(133,470)**	**(255,758)**	**23,922**	**2,279,996**
In progress	**106,049**	**58,292**	**(1,152)**	**-**	**-**	**(33,585)**	**129,604**
Net PP&E	**2,762,310**	**58,292**	**(12,111)**	**(133,470)**	**(255,758)**	**(9,663)**	**2,409,600**

(1) Certain land sites linked to concession contracts and without provision for reimbursement are amortized in accordance with the period of the concession.

Parent company	Balance at Dec. 31, 2018	Addition	Settled	Transfers	Depreciation	Balance at Sep 30, 2019
In service						
Land	82	-	-	-	-	82
Buildings, works and improvements	111	-	(75)	-	(1)	35
Machinery and equipment	1,213	44	-	25	(277)	1,005
Furniture and utensils	360	-	(301)	-	(6)	53
	1,766	**44**	**(376)**	**25**	**(284)**	**1,175**
In progress	484	1	-	(25)	-	460
Net PP&E - parent company	**2,250**	**45**	**(376)**	**-**	**(284)**	**1,635**

Parent company	Balance at Dec. 31, 2017	Incorporation Telecom (1)	Transfer to Assets classified as held for sale	Transfers (1)	Depreciation	Settled	Balance at Sep. 30, 2017
In service							
Land	-	82	-	-	-	-	82
Buildings, works and improvements	-	116	-	-	(4)	-	112
Machinery and equipment	1,338	262,137	(255,758)	-	(5,916)	(467)	1,334
Furniture and utensils	13	406	-	-	(41)	-	378
	1,351	**262,741**	**(255,758)**	**-**	**(5,961)**	**(467)**	**1,906**
In progress	459	9,025	-	(9,025)	-	-	459
Net PP&E - parent company	**1,810**	**271,766**	**(255,758)**	**(9,025)**	**(5,961)**	**(467)**	**2,365**

(1) This refers to the merger of subsidiary Cemig Telecom. The amount of R$9,025 was transferred to inventories.

The average annual depreciation rate for the Company and its subsidiaries in the third quarter of 2019 is 3.72%.

The Company and its subsidiaries have not identified any evidence of impairment of its Property, plant and equipment assets. The generation concession contracts provide that at the end of each concession the grantor must determine the amount to be reimbursed to the Company – with the exception of the concession contracts related to Lot D of Auction12/2015. Management believes that the indemnity of these assets will be greater than the amount of their historic cost, after depreciation over their useful lives.

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19. INTANGIBLE ASSETS

The composition of the balance at September 30, 2019 and December 31, 2018:

Consolidated	Sep. 30, 2019			Dec. 31, 2018		
	Historic cost	Accumulated amortization	Amount Residual value	Historic cost	Accumulated amortization	Amount Residual value
In service						
Defined useful life						
Temporary easements	11,749	(3,170)	8,579	11,749	(2,664)	9,085
Paid concessions	19,169	(12,439)	6,730	19,169	(11,930)	7,239
Assets of concession	19,980,510	(8,436,364)	11,544,146	18,674,138	(7,994,650)	10,679,488
Others	76,595	(65,333)	11,262	84,868	(66,071)	18,797
	20,088,023	**(8,517,306)**	**11,570,717**	**18,789,924**	**(8,075,315)**	**10,714,609**
In progress	**68,189**	**-**	**68,189**	**62,582**	**-**	**62,582**
Net intangible assets	**20,156,212**	**(8,517,306)**	**11,638,906**	**18,852,506**	**(8,075,315)**	**10,777,191**

Parent company	Sep. 30, 2019			Dec. 31, 2018		
	Historic cost	Accumulated amortization	Amount Residual value	Historic cost	Accumulated amortization	Amount Residual value
In service						
Defined useful life						
Software use rights	13,564	(9,144)	4,420	14,880	(8,946)	5,934
Brands and patents	8	(8)	-	8	(8)	-
Others	231	(73)	158	231	(73)	158
	13,803	**(9,225)**	**4,578**	**15,119**	**(9,027)**	**6,092**
In progress	**33**	**-**	**33**	**33**	**-**	**33**
Net intangible assets	**13,836**	**(9,225)**	**4,611**	**15,152**	**(9,027)**	**6,125**

This table shows the changes in intangible assets:

Consolidated	Balance at Dec. 31, 2018	Addition	Settled	Amortization	Transfers (1)	Balance at Sep. 30, 2019
In service						
Defined useful life						
Temporary easements	9,085	-	-	(506)	-	8,579
Paid concessions	7,239	-	-	(509)	-	6,730
Assets of concession	10,679,488	891,831	(12,938)	(518,750)	504,515	11,544,146
Others	18,797	-	(197)	(1,325)	(6,013)	11,262
	10,714,609	**891,831**	**(13,135)**	**(521,090)**	**498,502**	**11,570,717**
In progress	**62,582**	**22,755**	**-**	**-**	**(17,148)**	**68,189**
Net intangible assets – Consolidated	**10,777,191**	**914,586**	**(13,135)**	**(521,090)**	**481,354**	**11,638,906**

(1) The transfers were made between Intangible assets, concession contract assets and property, plant and equipment as follows: (1) R$ 483,893 from concession contract assets to intangible assets; (2) (R$3,745) from intangible assets to property, plant and equipment and; and (3) R$1,206 from intangible assets to concession financial assets.

Consolidated	Balance at Dec. 31, 2017	Effects of initial adoption of CPC 47/IFRS 15 (note 16)	Addition	Settled	Amortization	Transfer to Assets classified as held for sale	Transfer	Others Transfer	Balance at Sep. 30, 2018
In service									
Useful life defined									
Temporary easements	9,759	-	-		(505)	-	-	-	9,254
Paid concession	7,918	-	-		(510)	-	-	-	7,408
Concession assets	10,435,391	-	-	(17,326)	(495,152)	-	562,422	347	10,485,682
Others	17,188	-	1,064	(114)	(3,967)	(6,947)	5,172		12,396
	10,470,256		**1,064**	**(17,440)**	**(500,134)**	**(6,947)**	**567,594**	**347**	**10,514,740**
In progress (reclassified)	685,672	(621,247)	13,359	-	-	-	(25,886)	-	51,898
Net intangible assets (reclassified)	**11,155,928**	**(621,247)**	**14,423**	**(17,440)**	**(500,134)**	**(6,947)**	**541,708**	**347**	**10,566,638**
Reclassification (a)	-	621,247	572,555	(1,548)	-	-	(560,806)	-	631,448
Net intangible assets (original submitted)	**11,155,928**	-	**586,978**	**(18,988)**	**(500,134)**	**(6,947)**	**(19,098)**	**347**	**11,198,086**

(a) For comparability, the balances of the assets linked to energy and gas concession distribution infrastructure, originally presented on September 30, 2018 in Intangible assets, were reclassified to concession contract assets, considering the effects of the first adoption of CPC 47/IFRS 15 on January 1, 2018 (see Note 16).

Parent company	Balance at Dec. 31, 2018	Settled	Amortization	Balance at Sep. 30, 2019
In service				
Defined useful life				
Software use rights	5,934	(197)	(1,317)	4,420
Others	158	-	-	158
	6,092	**(197)**	**(1,317)**	**4,578**
In progress	**33**	-	-	**33**
Net intangible assets	**6,125**	**(197)**	**(1,317)**	**4,611**

Concession assets

The portion of the distribution infrastructure that will be fully used up during the concession is recorded in Intangible assets. Assets linked to the infrastructure of the concession that are still under construction are posted initially as contract assets, as detailed in Note 16.

On September 19, 2019 the Third Amendment was signed to the concession contract for commercial operation of piped gas by the subsidiary Gasmig, replacing the contractual obligation to build the gas pipeline to serve the Nitrogenated Fertilizer Unit (UFN-V), to be built by Petrobras in the Minas Triangle region, for payment of a consideration to the concession-granting power, as a concession grant fee, of R$891,168. This amendment extended the period of Gasmig's concession contract to 2053. The grant fee was paid on September 26, 2019. Its amount will be added to the Remuneration Base of Assets of Gasmig, being taken into account in the process of tariff review by the concession-granting power as an intangible asset to be amortized up till the end of the concession contract, producing immediate effects in terms of setting and review of tariffs.

The intangible assets Easements, Paid concessions, Right to commercial operation of the concession, and Others, are amortizable by the straight-line method, taking into account the consumption pattern of these rights. The amount of additions in the period ended September 30, 2019 includes R$3,433 under the heading Capitalized borrowing costs, as presented in Note 23.

The annual average amortization rate is 4.12%. The main amortization rates take into account the useful life that management expects for the asset, and reflect the expected pattern of their consumption.

20. LEASING TRANSACTIONS

As mentioned in Note 2.2, as from January 1, 2019 the standard IFRS 16 / CPC 06 (R2) – *Leases* came into effect.

The Company and its subsidiaries have valued their contracts and recognized a right to use and a liability for leasing, for the following contracts which contain leasing:

- Leasing of commercial real estate used for serving customers;
- Leasing of buildings used as administrative headquarters;
- Leasing of commercial vehicles used in operations.

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The Company and its subsidiaries have opted to use the exemptions specified in the rule for short-term leasing operations (leasing transactions with a period of 12 months or less) without the option to purchase, and for low-value items. Thus, these leasing agreements are recognized as an expense in the income statement on the straight-line basis, over the period of the leasing. Their effects on net income from January to September 2019 were immaterial.

a) Right to use

The right to use was valued at cost, comprising the amount of the initial measurement of the leasing liabilities, and amortized on the straight-line basis up to the end of the period of leasing or of the useful life of the asset identified, as the case may be.

The breakdown of the balance for each type of asset identified is as follows:

	Consolidated		Parent company	
	Sep. 30, 2019	Jan 1, 2019	Sep. 30, 2019	Jan 1, 2019
Real estate property	219,628	238,482	4,808	19,844
Vehicles	77,663	103,557	-	-
Others	180	411	-	-
	297,471	**342,450**	**4,808**	**19,844**

Changes in the asset Right to Use are as follows:

Consolidated	Real estate property	Vehicles	Others	Total
Balances on December 31, 2018	-	-	-	-
Initial adoption on January 1, 2019	238,482	103,557	411	342,450
Addition/Settled	9,224	3,060	-	12,284
Amortization	(28,078)	(28,954)	(231)	(57,263)
Balances on September 30, 2019	**219,628**	**77,663**	**180**	**297,471**

Parent company	Real estate property
Balances on December 31, 2018	-
Initial adoption on January 1, 2019	19,844
Settled	(12,969)
Amortization	(2,067)
Balances on September 30, 2019	**4,808**

b) Leasing liabilities

The liability for leasing agreements was measured at the present value of the minimum payments required by the contracts, discounted at the Company’s marginal interest rate for borrowing.

The changes in the liabilities for leasing transactions have been as follows:

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	Consolidated	Parent company
Balances on December 31, 2018	-	-
First adoption on January 1, 2019 (1)	342,450	19,844
Settled	12,284	(12,969)
Interest incurred	27,630	420
Payments made	(76,228)	(2,357)
Balances on September 30, 2019	**306,136**	**4,938**
Current liabilities	**93,523**	**2,711**
Non-current liabilities	**212,613**	**2,227**

1) The Company's marginal borrowing rate applied to the liability for leasing recognized in the statement of financial position on the date of the initial application varied between 7.96% p.a. and 13.17% p.a., depending on the leasing contract period.

The profile of maturity dates of gross leasing liabilities is shown in Note 33.

21. SUPPLIERS

	Consolidated	
	Sep. 30, 2019	Dec. 31, 2018
Energy on spot market – CCEE	394,183	139,375
Charges for use of energy network	144,515	122,374
Energy bought for resale	945,554	775,336
Itaipu Binacional	128,561	268,004
Gas bought for resale	167,719	123,664
Materials and services	278,200	372,499
	2,058,732	**1,801,252**

22. TAXES AND AMOUNTS TO BE RESTITUTED TO CUSTOMERS

	Consolidated		Parent company	
	Sep. 30, 2019	Dec. 31, 2018	Sep. 30, 2019	Dec. 31, 2018
Current				
ICMS (value added) tax	185,141	167,886	1,567	1,587
Cofins tax	85,338	146,004	103	18,404
PIS/Pasep tax	18,592	31,664	10	3,988
Social security contributions	23,146	22,730	1,582	2,226
Others	21,838	41,541	569	18,809
	334,055	**409,825**	**3,831**	**45,014**
Non-current				
Cofins tax	1,748	25,280	78	-
PIS/Pasep tax	299	4,116	13	-
	2,047	**29,396**	**91**	**-**
	336,102	**439,221**	**3,922**	**45,014**
Amounts to be restituted to customers				
Non-current				
PIS/Pasep and Cofins taxes	4,154,916	1,123,680	-	-
	4,154,916	**1,123,680**	**-**	**-**

The amounts of PIS/Pasep and Cofins taxes to be reimbursed to consumers refer to the credits to be received by Cemig D following the court judgment which excluded ICMS tax amounts from the basis for calculation of those taxes. For further information see Note 9.

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23. LOANS, FINANCINGS AND DEBENTURES

Financing source	Principal maturity	Annual Financial cost	Currency	Consolidated			
				Sep. 30, 2019			Dec. 31, 2018
				Current	Non-current	Total	Total
FOREIGN CURRENCY							
Banco do Brasil – Various bonds (1) (4)	2024	Diverse	U$$	4,410	18,962	23,372	25,936
Eurobonds (2)	2024	9.25%	U$$	217,151	6,246,600	6,463,751	5,856,124
KfW (2)	2019	1.78%	EUR$	-	-	-	229
(–) Transaction costs				-	(19,326)	(19,326)	(21,319)
(±) Funds advanced (3)				-	(31,124)	(31,124)	(34,269)
Debt in foreign currency				**221,561**	**6,215,112**	**6,436,673**	**5,826,701**
BRAZILIAN CURRENCY							
Banco do Brasil (4) (11)	2022	146.50% of CDI	R$	-	-	-	502,531
Caixa Econômica Federal (4) (11)	2022	146.50% of CDI	R$	-	-	-	626,632
Caixa Econômica Federal (5)	2021	TJLP + 2.50%	R$	59,319	-	59,319	55,576
Caixa Econômica Federal (6)	2022	TJLP + 2.50%	R$	115,383	-	115,383	107,791
Eletrobras (4)	2023	UFIR + 6.00% to 8.00%	R$	12,768	10,706	23,474	33,182
Large customers (4)	2024	IGP-DI + 6.00%	R$	3,339	2,058	5,397	4,985
Pipoca Consortium (2)	2019	IPCA	R$	185	-	185	185
Sonda (7)	2021	110.00% of CDI	R$	-	47,874	47,874	45,531
Promissory Notes - 9th Note Issue – Single series (4) (11)	2019	151.00% of CDI	R$	-	-	-	425,571
Promissory Notes - 1th Note Issue – Single series (8)	2020	107.00% do CDI	R$	850,379	-	850,379	-
(–) FIC Pampulha: Securities of subsidiary companies (9)				(3,168)	-	(3,168)	(23,508)
(–) Transaction costs				-	(324)	(324)	(12,524)
Debt in Brazilian currency				**1,038,205**	**60,314**	**1,098,519**	**1,765,952**
Total of loans and financings				**1,259,766**	**6,275,426**	**7,535,192**	**7,592,653**
Debentures – 3rd Issue, 2nd Series (2)	2019	IPCA + 6.00%	R$	-	-	-	156,361
Debentures – 3rd Issue, 3rd Series (2)	2022	IPCA + 6.20%	R$	376,883	686,285	1,063,168	1,049,331
Debentures – 6th Issue, 2nd series (2)	2020	IPCA + 8.07%	R$	16,823	-	16,823	33,322
Debentures – 7th Issue, Single series (2)	2021	140.00% of CDI	R$	289,641	360,859	650,500	1,022,646
Debentures – 3rd Issue, 2nd Series (4)	2021	IPCA + 4.70%	R$	551,136	536,428	1,087,564	1,596,419
Debentures – 3rd Issue, 3rd Series (4)	2025	IPCA + 5.10%	R$	29,440	941,408	970,848	955,722
Debentures – 5th Issue, Single series (4)	2022	146.50% of CDI	R$	-	-	-	1,580,121
Debentures – 6th Issue, Single series (4)	2020	CDI + 1.75%	R$	-	-	-	551,214
Debentures – 7th Issue – 1th series (4)	2024	CDI + 0.45%	R$	140,024	2,025,000	2,165,024	-
Debentures – 7th Issue – 2th series (4)	2026	IPCA + 4.10%	R$	12,287	1,504,839	1,517,126	-
Debentures (8)	2022	TJLP+1.82% (69%) and Selic+1.82% (31%)	R$	32,863	68,719	101,582	124,801
Debentures (8)	2019	116.50% of CDI	R$	50,073	-	50,073	50,086
Debentures (8)	2023	CDI + 1.50%	R$	20,000	60,000	80,000	100,033
(-) Discount on the issuance of debentures (10)				-	(22,436)	(22,436)	-
(–) Transaction costs				(9,416)	(21,741)	(31,157)	(40,881)
Total, debentures				**1,509,754**	**6,139,361**	**7,649,115**	**7,179,175**
Overall total – Consolidated				**2,769,520**	**12,414,787**	**15,184,307**	**14,771,828**

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Financing source	Principal maturity	Annual Financial cost	Currency	Parent company			
				Sep. 30, 2019		Dec. 31, 2018	
				Current	Non-current	Total	Total
BRAZILIAN CURRENCY							
Sonda (7)	2021	110.00% of CDI	R$	-	47,874	47,874	45,531
(–) Transaction costs				-	(324)	(324)	(450)
Total of loans and financings				**-**	**47,550**	**47,550**	**45,081**

(1) Net balance of the Restructured Debt comprising bonds at par and discounted, with balance of R$190,249, less the amounts given as Deposits in guarantee, with balance of R$166,875. 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 of funds to achieve the yield to maturity agreed in the Eurobonds contract.
(4) Cemig Distribuição.
(5) Central Eólica Praias de Parajuru.
(6) Central Eólica Volta do Rio.
(7) Cemig (parent company). Arising from merger of Cemig Telecom into Cemig.
(8) Gasmig.
(9) FIC Pampulha has financial investments in securities issued by subsidiary companies of the Company. For more information and characteristics of this fund, see Note 32.
(10) Discount on the sale price of the 2nd series of the Seventh issue of Cemig Distribuição.
(11) The funds incorporated into the cash position of Cemig D as a result of the distribution of its Seventh Issue of non-convertible debentures, on July 22, 2019, enabled full prepayment of the debtor balances of: the Ninth Issue of Promissory Notes, with final maturity in October 2019; the Sixth Issue of Non-convertible Debentures, with final maturity in June 2020; the Fifth Issue of Non-convertible Debentures, maturing at the end of June 2022; and Bank Credit Notes with final maturities in June 2022. These prepayments, made on July 24, 2019, total R$3,644 million including principal, interest and charges. These initiatives have balanced the cash flow and improved the Company's credit quality. The changes in the new debt profile consisted of extinction of existing contracts and signature of new contracts. The accounting effects of the transactions are reflected in accordance with CPC 48 (Financial instruments).
(12) On July 24, 2019 Cemig GT made extraordinary amortization of its Seventh Issue of Non-convertible ventures, in the amount of R$125 million, with final maturity in December 2021.

The debentures issued by the subsidiaries are non-convertible; there are no agreements for renegotiation, nor debentures held in treasury.

There are early maturity clauses for cross-default in the event of non-payment by Cemig GT or by the Company, of any pecuniary obligation with individual or aggregate value greater than R$50 million.

On September 26, 2019, Gasmig concluded its First Issue of Commercial Promissory Notes, in a single series, in the amount of R$850,000, with maturity at 12 months and remunerative interest at 107% of the DI rate, without guarantee or surety. The proceeds from this issue were used in their entirety for payment of the concession grant fee for the gas distribution concession contract on September 26, 2019. For more information please see Note 19.

Funding raised

Financing source	Date of start of resources	Principal maturity	Annual financial cost	Total
BRAZILIAN CURRENCY				
Debentures – 7th Issue – 1th series (1)	July, 2019	2024	CDI + 0.454%	2,160,000
Debentures – 7th Issue – 2th series (1)	July, 2019	2026	4.10% of IPCA	1,500,000
Promissory Notes - 1th Note Issue (2)	September, 2019	2020	107.00% of CDI	850,000
(-)Transaction costs				(10,183)
(-)Discount on the issuance of debentures (3)				(23,095)
Total Funding				**4,476,722**

(1) Cemig Distribuição
(2) Gasmig
(3) Discount on the sale price of the 2nd series of the debentures issued by Cemig Distribuição.

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Guarantees

The guarantees of the debtor balance on loans and financings, on September 30, 2019, were as follows:

	Sep. 30, 2019
Promissory notes: Sureties	9,550,790
Guarantee and Receivables	3,649,859
Receivables	321,811
Shares	677,847
No guarantee	984,000
TOTAL	**15,184,307**

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

Consolidated	2019	2020	2021	2022	2023	2024	2025	2026	Total
Currency									
US dollar	221,561	-	-	-	-	6,265,562	-	-	6,487,123
Total, currency-denominated	**221,561**	**-**	**-**	**-**	**-**	**6,265,562**	**-**	**-**	**6,487,123**
Indexers									
IPCA (1)	111,542	875,212	874,449	583,616	235,352	235,352	987,770	752,421	4,655,714
Ufir / RGR (2)	3,211	11,212	3,407	3,265	2,379	-	-	-	23,474
CDI (3)	131,672	1,435,087	905,987	569,468	559,999	270,000	-	-	3,872,213
URTJ / TJLP (4)	181,527	21,249	20,943	21,034	-	-	-	-	244,753
IGP–DI (5)	2,713	265	970	580	580	289	-	-	5,397
Total, governed by indexers	**430,665**	**2,343,025**	**1,805,756**	**1,177,963**	**798,310**	**505,641**	**987,770**	**752,421**	**8,801,551**
(–) Transaction costs	(2,245)	(9,610)	(10,306)	(956)	(929)	(19,866)	(3,523)	(3,372)	(50,807)
(±) Funds advanced	-	-	-	-	-	(31,124)	-	-	(31,124)
(-) Discount	-	-	-	-	-	-	(11,218)	(11,218)	(22,436)
Overall total	**649,981**	**2,333,415**	**1,795,450**	**1,177,007**	**797,381**	**6,720,213**	**973,029**	**737,831**	**15,184,307**

Parent company	2019	2020	2021	2022	2023	2024	2025	Total
Indexers								
CDI (3)	-	-	47,874	-	-	-	-	47,874
Total, governed by indexers	-	-	**47,874**	-	-	-	-	**47,874**
(–) Transaction costs	-	-	(324)	-	-	-	-	(324)
Overall total	-	-	**47,550**	-	-	-	-	**47,550**

(1) Expanded National Consumer Price (IPCA) Index;
(2) Fiscal Reference Unit (Ufir/RGR), used until its abolition;
(3) CDI: Interbank Rate for Certificates of Deposit.
(4) Interest rate reference unit (URTJ) / Long-Term Interest Rate (TJLP)
(5) IGP-DI ('General – Domestic Availability') price index.

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

Currency	Change in Jan. to Sep.,2019 %	Change in Jan. to Sep.,2018 %	Indexer	Change in Jan. to Sep.,2019 %	Change in Jan. to Sep.,2018 %
US dollar	7.47	21.04	IPCA	2.49	3.34
			CDI	4.67	4.81
			TJLP	(14.76)	(6.29)

Currency	Change in 3Q19, %	Change in 3Q18, %	Indexer	Change in 3Q19, %	Change in 3Q18, %
US dollar	8.67	3.84	IPCA	0.26	0.72
			CDI	1.52	1.59
			TJLP	(4.95)	(0.61)

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The changes in loans, financings and debentures were as follows:

	Consolidated	Parent company
Balances on December 31, 2017	**14,397,697**	**-**
Liabilities arising from merger of Cemig Telecom	-	65,032
Loans and financings obtained	2,446,269	-
Transaction Cost	(12,016)	-
Funds advanced	9,625	-
Financing obtained, net	2,443,878	65,032
Monetary updating	110,031	-
Foreign exchange variations	781,297	-
Financial costs recorded	967,940	2,260
Amortization of transaction cost	26,323	285
Financial charges paid	(834,053)	(787)
Amortization of financings	(2,504,654)	(9,416)
Subtotal	**15,388,459**	**57,374**
(–) FIC Pampulha: Securities of subsidiary companies	5,596	-
Balances on September 30, 2018	**15,394,055**	**57,374**
Balances on December 31, 2018	**14,771,828**	**45,081**
Loans and financings obtained	4,510,000	-
Transaction Cost	(10,183)	-
Discount in the issues of securities	(23,095)	-
Monetary updating	99,890	-
Foreign exchange variations	429,299	-
Financial costs recorded	948,312	2,343
Amortization of transaction cost	34,102	126
Financial charges paid	(845,994)	-
Amortization of financings	(4,750,192)	-
Subtotal	**15,163,967**	**47,550**
(–) FIC Pampulha: Securities of subsidiary companies	20,340	-
Balances on September 30, 2019	**15,184,307**	**47,550**

Capitalized borrowing costs

Costs of loans directly related to acquisition, construction or production of an asset, where this necessarily requires a significant time to be concluded for the purpose of use or sale, are capitalized as part of the cost of the corresponding asset. All other costs of loans are recorded in Expenses in the period in which they are incurred. Costs of loans include interest and other costs incurred by the Company in relation to the loan.

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

	Jan to Sep 2019	Jan to Sep 2018
Costs of loans and financings	948,312	967,940
Capitalized borrowing costs in Intangible assets and in contract assets (1) (note 19 and note 16)	(23,352)	(23,508)
Net effect in Income statement	**924,960**	**944,432**

(1) The average capitalization rate p.a. in 2019 was 7.54% (9.64% p.a. In 2018).

The amounts of the capitalized borrowing costs have been excluded from the statement of cash flow, in the additions to cash flow in investment activities, because they do not represent an outflow of cash for acquisition of the related asset.

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Restrictive covenants

The Company and its subsidiaries have contracts financial covenants, as follows:

Security	Covenant	Ratio required – Issuer	Ratio required Cemig (guarantor)	Ratio required – Parajuru and Volta do Rio	Compliance required
7th debenture issue – Cemig GT (1)	Net debt / (Ebitda + Dividends received)	Ratio to be the following, or less: 4.5 in 2019 3.0 in 2020 2.5 in 2021	Ratio to be the following, or less: 3.5 in 2019 3.0 in 2020 2.5 in 2021	-	Half-yearly and annual
Eurobonds Cemig GT (2)	Net debt / (Ebitda adjusted for the Covenant)	The following or less: 4.5 on Dec. 31, 2019 4.5 on Jun. 30, 2020 3.0 on Dec. 31, 2020 3.0 on Jun. 30, 2021 2.5 on/after Dec. 31, 2021	Ratio to be the following, or less: 3.5 on Dec. 31, 2019 3.5 on Jun. 30, 2020 3.0 on Dec. 31, 2020 3.0 on Jun. 30, 2021 3.0 on/after Dec. 31, 2021	-	Half-yearly and annual
7th debenture issue Cemig D	Net debt / (Ebitda adjusted	The following or less: 3.8 on Dec. 31, 2019 3.5 on/after Jun. 30, 2020	Ratio to be the following, or less: 3.5 on Dec. 31, 2019 3.5 on Jun. 30, 2020 3.0 on/after Dec. 31, 2020	-	Half-yearly and annual
Debentures Gasmig (3)	Overall indebtedness (Total liabilities/Total assets)	Less than 0.6	-	-	Annual
	Ebitda / Debt servicing	1.3 or more	-	-	Annual
	Ebitda / Net financial revenue (expenses)	2.5 or more	-	-	Annual
	Net debt/Ebitda:	2.5 or more	-	-	Annual
Financing - Caixa Econômica Federal Parajuru and Volta do Rio (4)	Debt servicing coverage index	-	-	1.20 or more	Annual (during amortization)
	Equity / Total liabilities	-	-	20.61% (Parajuru); 20.63% (Volta do Rio)	Always
	Share capital subscribed in investee / Total investments made in the project financed	-	-	20.61% (Parajuru); 20.63% (Volta do Rio)	Always

(1) 7th Issue of Debentures by Cemig GT, in December 2016, of R$2,240,000.

(2) In the event the financial maintenance covenants being exceeded, 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.

(3) If Gasmig does not achieve the required ratio, it must, within 120 days from the date of notice in writing from BNDESPar or the BNDES, 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.

(4) 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.

The covenants remain in compliance as of September 30, 2019, with the exception of non-compliance with the non-financial covenant of the loan contracts with the CEF of the subsidiaries Central Eólica Praias de Parajuru and Central Eólica Volta do Rio. Thus, exclusively to comply with the requirement of item 69 of CPC 26 (R1), the Company reclassified R$ 174,702 to current liabilities, referring to the loans of those subsidiaries, which were originally classified in non-current liabilities. Additionally, the Company assessed the possible consequences arising from this matter in their other contracts for loans, financings and debentures, and concluded that no further adjustments were necessary.

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On September 30, 2019 the covenants requiring permanent compliance were complied with.

The information on the derivative financial instruments (swaps) contracted to hedge the debt servicing of the Eurobonds (principal, in foreign currency, plus interest), and the Company's exposure to interest rate risks, are given in Note 33.

24. REGULATORY CHARGES

	Consolidated	
	Sep. 30, 2019	Dec. 31, 2019
Liabilities		
Global reversion reserve (RGR)	27,859	29,068
Energy development account (CDE)	60,712	122,217
Aneel inspection charge	2,620	2,329
Energy efficiency	255,424	257,956
Research and development	210,896	224,970
Energy system expansion research	2,936	2,536
National scientific and technological development fund	5,785	4,746
Proinfa – alternative energy program	8,789	6,631
Royalties for use of water resources	8,905	5,804
Emergency capacity charge	30,967	30,994
Consumer charges - tariff flag balances	22,340	16
Others	5,661	5,670
	642,894	**692,937**
Current liabilities	**480,389**	**514,412**
Non-current liabilities	**162,505**	**178,525**

25. POST-EMPLOYMENT OBLIGATIONS

Changes in net liabilities were as follows:

Consolidated	Pension plans and retirement supplement plans	Health Plan	Dental Plan	Life insurance	Total
Net liabilities on December 31, 2017	**2,068,355**	**1,809,441**	**38,505**	**269,880**	**4,186,181**
Expense recognized in Income statement	143,951	136,741	2,859	20,281	303,832
Contributions paid	(132,218)	(81,622)	(1,849)	(6,820)	(222,509)
Net liabilities on September 30, 2018	**2,080,088**	**1,864,560**	**39,515**	**283,341**	**4,267,504**
Net liabilities on December 31, 2018	**2,169,610**	**2,343,799**	**47,552**	**427,383**	**4,988,344**
Expense recognized in Income statement	147,522	166,758	3,415	30,720	348,415
Contributions paid	(147,938)	(90,112)	(1,981)	(7,689)	(247,720)
Net liabilities on September 30, 2019	**2,169,194**	**2,420,445**	**48,986**	**450,414**	**5,089,039**
				Sep. 30, 2019	**Dec. 31, 2018**
Current liabilities				**280,841**	**252,688**
Non-current liabilities				**4,808,198**	**4,735,656**

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Parent company	Pension plans and retirement supplement plans	Health Plan	Dental Plan	Life insurance	Total
Net liabilities on December 31, 2017	**333,484**	**111,568**	**2,659**	**11,786**	**459,497**
Expense recognized in Income statement	23,750	8,080	193	961	32,984
Contributions paid	(6,505)	(4,998)	(116)	(254)	(11,873)
Net liabilities on September 30, 2018	**350,729**	**114,650**	**2,736**	**12,493**	**480,608**
Net liabilities on December 31, 2018	**357,354**	**132,188**	**3,198**	**16,711**	**509,451**
Expense recognized in Income statement	24,442	9,191	228	1,236	35,097
Contributions paid	(7,278)	(6,082)	(126)	(297)	(13,783)
Net liabilities on September 30, 2019	**374,518**	**135,297**	**3,300**	**17,650**	**530,765**
				Sep. 30, 2019	**Dec. 31, 2018**
Current liabilities				**23,328**	**13,774**
Non-current liabilities				**507,437**	**495,677**

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

The amounts reported as expenses in the income statement refer to the tranches of the costs of post-employment obligations, totaling R$304,096 (R$250,328 from January to September, 2018), plus the financial costs and monetary updating on the debt agreed with Forluz, in the amount of R$44,319 (R$53,504 from January to September, 2018).

Debt agreed with the pension fund (Forluz)

On September 30, 2019 the Company and its subsidiaries have an obligation for past actuarial deficits relating to the pension fund in the amount of R$590,335 (R$651,966 at December 31, 2018). This amount has been recognized as an obligation payable, and is being amortized up to June 2024, through monthly installments calculated by the system of constant installments (known as the ‘Price’ table), and adjusted by the IPCA (Expanded National Consumer Price) inflation index (published by the Brazilian Geography and Statistics Institute – IBGE) plus 6% per year. Because this debt is required to be paid even if Forluz has a surplus, the Company and its subsidiaries maintain record of this debt, specifically, in full, and record the effects of monetary updating and interest in the Profit and loss account.

Contract for solution to the deficit on Forluz Pension Plan ‘A’

Forluz and the sponsors Cemig, Cemig GT and Cemig D have signed Debt Assumption Instruments to cover the deficit of Plan A for the years 2015 and 2016. On September 30, 2019 the total amount payable by the Company and its subsidiaries as a result of the Plan A deficits of 2015 and 2016 was R$553,065 (R$377,449 on December 31, 2018), with monthly amortizations up to 2031, calculated by the system of constant installments (known as the ‘Price Table’). Remuneration interest applicable to the outstanding balance is 6% p.a., plus the effect of the IPCA (Expanded National Consumer Price) index published by the IBGE. If the plan reaches actuarial balance before the full period of amortization of the contract, the Company and its subsidiaries will be dispensed from payment of the remaining installments and the contract will be extinguished.

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On April 3, 2019 a new Debt Assumption Instrument was signed between Forluz and the sponsors Cemig, Cemig GT and Cemig D, in accordance with a plan for coverage of the deficit of Plan A of Forluz relating to the year of 2017. The total amount to be paid by the Company and its subsidiaries as a result of the deficit for 2017 in Plan A is R$178,328, with monthly amortization payments up to 2033. Remuneration interest applicable to the outstanding balance is 6% p.a., plus the effect of the IPCA. If the plan reaches actuarial balance surplus before the full period of amortization of the debt, also Company will not be required to pay the remaining installments and the contract will be extinguished.

26. PROVISIONS

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

Actions in which the Company is defendant

Cemig and its subsidiaries have recorded provisions for contingencies in relation to the legal actions in which, based on the assessment of the Company's management and its legal advisors, the chances of loss are assessed as 'probable' (i.e. an outflow of funds to settle the obligation will be necessary), as follows:

	Consolidated				
	Dec. 31, 2018	Additions	Reversals	Settled	Sep. 30, 2019
Employment-law cases	456,889	137,639	(36,179)	(59,034)	499,315
Civil cases					
Customer relations	18,876	14,618	(1,401)	(14,470)	17,623
Other civil actions	29,011	12,292	(12,107)	(12,282)	16,914
	47,887	**26,910**	**(13,508)**	**(26,752)**	**34,537**
Tax	51,894	1,203,623	(8,416)	(21,454)	1,225,647
Environmental	1,257	9	(1,151)	-	115
Regulatory	36,691	1,835	(913)	(1,298)	36,315
Others	46,053	12,893	(1,266)	(1,382)	56,298
Total	**640,671**	**1,382,909**	**(61,433)**	**(109,920)**	**1,852,227**

	Consolidated				
	Dec. 31, 2017	Additions	Reversals	Settled	Sep. 30, 2018
Employment-law cases	473,874	73,200	(39,590)	(26,533)	480,951
Civil cases					
Customer relations	18,632	14,227	(362)	(12,821)	19,676
Other civil actions	43,105	7,685	(12,765)	(7,562)	30,463
	61,737	**21,912**	**(13,127)**	**(20,383)**	**50,139**
Tax	57,048	524	(6,075)	(328)	51,169
Environmental	45	1,146	-	(27)	1,164
Regulatory	39,812	14,048	-	(1,295)	52,565
Others	45,597	6,436	(3,778)	(790)	47,465
Total	**678,113**	**117,266**	**(62,570)**	**(49,356)**	**683,453**

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	Parent company				
	Dec. 31, 2018	Additions	Reversals	Settled	Sep. 30, 2019
Employment-law cases	32,807	16,717	-	(3,649)	45,875
Civil cases				-	
Customer relations	931	262	(358)	(261)	574
Other civil actions	759	2	(273)	(3)	485
	1,690	**264**	**(631)**	**(264)**	**1,059**
Tax	11,269	181,202	(6,816)	(21,387)	164,268
Regulatory	17,180	425	(175)	(270)	17,160
Others	1,258	272	(604)	-	926
Total	**64,204**	**198,880**	**(8,226)**	**(25,570)**	**229,288**

	Parent Company					
	Dec. 31, 2017	Absorption of CemigTelecom	Additions	Reversals	Settled	Sep. 30, 2018
Employment-law cases	38,603	22	4,101	(3,402)	(4,101)	35,223
Civil cases	-					
Customer relations	1,024	-	915	-	(598)	1,341
Other civil actions	958	-	2,913	-	(2,790)	1,081
	1,982	**-**	**3,828**	-	**(3,388)**	**2,422**
Tax	7,473	-	139	(87)	(17)	7,508
Regulatory	13,959	-	5,336	-	(959)	18,336
Others	1,177	-	129	(67)	(17)	1,222
Total	**63,194**	**22**	**13,533**	**(3,556)**	**(8,482)**	**64,711**

The Company's management, in view of the extended periods and the Brazilian judiciary tax and regulatory systems, believes that it is not practical to provide information that would be useful to the users of these financial statements about the time when any cash outflows, or any possibility of reimbursements, might take place in fact.

The management of the Company and its subsidiaries believe that any disbursements in excess of the amounts recorded, when the respective processes are completed, will not significantly affect the Company's operational profit or financial situation.

The details on the main provisions and contingent liabilities are given below, with the best estimation of expected future disbursements for these contingencies:

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

<u>Labor claims</u>

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

The aggregate amount of the contingency is approximately R$1,678,320 (R$1,724,929 on December 31, 2018), of which R$491,414 has been recorded (R$456,889 on December 31, 2018) – the amount estimated as probably necessary for settlement of these disputes.

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Alteration of the monetary updating index of employment-law cases

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

In a joint judgment published on November 1, 2018, the TST decided that the IPCA-E should be adopted as the index for inflation adjustment of employment-law debts for cases filed from March 25, 2015 to November 10, 2017, and the TR would continue to be used for the other periods. The estimated amount of the contingency is R$ 97,509 (R$ 87,573 at December 31, 2018), of which R$ 7,901 has been provisioned upon assessment by the Company of the effects of the decision of the Regional Employment-Law Appeal Court of the third region (TRT3) in May 2019, on the subject of the joint judgment published by the TST, in the cases for which the chances of loss have been classified as 'probable' and which are at execution phase. No additional provision has been made, since the Company, based on the assessment by its legal advisers, has assessed the chances of loss in the action as 'possible', as a result of the decision by the Federal Supreme Court, and of there being no established case law, nor analysis by legal writers, on the subject, after the injunction given by the Federal Supreme Court.

Customers' claims

Company and its subsidiaries are involved in various civil actions relating to indemnity for moral injury and for material damages, arising, principally, from allegations of irregularity in measurement of consumption, and claims of undue charging, in the normal course of business, totaling R$66,861 (R$66,399 on December 31, 2018), of which R$17,623 has been recorded (R$18,876 on December 31, 2018) – this being the probable estimate for funds needed to settle these disputes.

Other civil cases

Cemig and its subsidiaries are involved in various civil actions claiming indemnity for moral and for material damages, among others, arising from incidents occurring in the normal course of business, in the amount of R$293,297 (R$277,048 on December 31, 2018), of which R$16,914 has been recorded (R$29,011 on December 31, 2018) – the amount estimated as probably necessary for settlement of these disputes.

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Tax

Company and its subsidiaries are involved in numerous administrative and judicial claims relating to taxes, including, among other matters, subjects relating to the Rural Property Tax (ITR); the Tax on Donations and Legacies (ITCD); the Social Integration Program (*Programa de Integração Social*, or PIS); the Contribution to Finance Social Security (*Contribuição para o Financiamento da Seguridade Social*, or Cofins); Corporate Income Tax (*Imposto de Renda Pessoa Jurídica*, or IRPJ); the Social Contribution (*Contribuição Social sobre o Lucro Líquido*, or CSLL); and motions tax enforcement. The aggregate amount of this contingency is approximately R$199,287 (R$160,420 on December 31, 2018), of which R$38,943 (R$46,472 on December 31, 2018) has been recorded – the amount estimated as probably necessary for settlement of these disputes.

In addition to the issues above, the Company and its subsidiaries are involved in various court actions arguing non-applicability of the Urban Land Tax (IPTU), to real estate properties in use for public service concessions. The aggregate amount of the contingency is approximately R$77,972 (R$142,210 on December 31, 2018). Of this total, R$4,091 has been recorded (R$5,422 on December 31, 2018) – the amount estimated as probably necessary for settlement of these disputes. The company has been successful in its efforts to have its IPTU tax liability suspended, winning judgments in favor in some cases – this being the principal factor in the reduction of the total value of the contingency.

Social Security contributions on profit sharing payments

The Brazilian tax authority (*Receita Federal*) has filed administrative and court proceedings against the Company, relating to social security contributions on the payment of profit shares to its employees over the period 1999 to 2016, alleging that the Company did not comply with the requirements of Law 10,101/2000 on the argument that it did not previously establish clear and objective rules for the distribution of these amounts. In August 2019, the Regional Federal Court of the First Region published a decision against the Company on this issue. As a result the Company, based on the opinion of its legal advisers, reassessed the chances of loss from 'possible' to 'probable' for some portions paid as profit-sharing amounts, maintaining the classification of the chance of loss as 'possible' for the other portions, since it believes that it has arguments on the merit for defense and/or because it believes that the amounts questioned are already within the period of limitation.

The amount of the contingencies is approximately R$1,434,023 (R$1,264,460 on December 31, 2018), of which R$1,182,613 has been provisioned, this being the estimate of the probable amount of funds to settle these disputes.

Environmental

Company and its subsidiaries are involved in environmental matters, in which the subjects include protected areas, environmental licenses, recovery of environmental damage, and other matters, in the approximate total amount of R$14,793 (R$15,154 on December 31, 2018), of which R$155 (R$1,257 on December 31, 2018) has been recorded – the amount estimated as probably necessary for settlement of these disputes.

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Regulatory

The Company and its subsidiaries are involved in various administrative and judicial proceedings in which the main issues disputed are: (i) tariff charges in invoices for use of the distribution system by a self-producer; (ii) alleged violation of targets for indicators of continuity in retail supply of energy; and (iii) the tariff increase made during the federal government's economic stabilization plan referred to as the 'Cruzado Plan', in 1986. The aggregate amount of the contingency is approximately R$273,064 (R$259,800 on December 31, 2018), of which R$36,315 (R$36,691 on December 31, 2018) has been recognized – the amount estimated as probably necessary for settlement of these disputes.

Other legal actions in the normal course of business

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

Company and its subsidiaries are involved in disputes alleging losses suffered as a result of supposed breaches of contract at the time of provision of services of cleaning of power line pathways and firebreaks. The amount recorded is R$39,737 (R$36,280 at December 31, 2018), this being estimated as the likely amount of funds necessary to settle this dispute.

'*Luz Para Todos'* Program

The Company is a party in disputes alleging losses suffered by third parties as a result of supposed breach of contract at the time of implementation of part of the rural electrification program known as the '*Luz Para Todos'*. The estimated amount of the contingency is approximately R$ 314,569 (R$ 291,262 on December 31, 2018). Of this total, R$ 3,917 has been provisioned – the amount estimated as probably necessary for settlement of these disputes.

Other legal proceedings

Company and its subsidiaries are involved, as plaintiff or defendant, in other less significant claims, related to the normal course of their operations, including: environmental matters; provision of cleaning service in power line pathways and firebreaks; removal of residents from risk areas; and indemnities for rescission of contracts, related to the normal course of its operations, with an estimated amount of R$188,878 (R$188,743 at December 31, 2017), of which R$12,644 (R$11,030 on December, 31, 2018) the amount estimated as probably necessary for settlement of these disputes – has been recognized. Management believes that it has appropriate defense for these proceeding, and does not expect these issues to give rise to significant losses that could have an adverse effect on the financial position or profit of the Company or its subsidiaries.

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

Taxes and other contributions

Company and its subsidiaries are involved in numerous administrative and judicial proceedings in relation to taxes. Below are details of the main claims:

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

In 2006 the Company and its subsidiaries paid an indemnity to its employees, totaling R$177,686, in exchange for rights to future payments (referred to as the *Anuênio*) for time of service, which would otherwise be incorporated, in the future, into salaries. The Company and its subsidiaries did not pay income tax nor Social Security contributions on this amount because it considered that those obligations are not applicable to amounts paid as an indemnity. However, to avoid the risk of a future fine, the Company obtained an injection, which permitted to make an escrow deposit of R$121,834, which updated now represents the amount of R$280,463 (R$274,871 at December 31, 2018). The updated amount of the contingency is R$286,593 (R$303,584 on December 31, 2018) and, based on the arguments above, management has categorized the chances of loss as 'possible'.

Social Security contributions

The Brazilian federal tax authority (*Secretaria da Receita Federal*) has filed administrative proceedings related to various matter: employee profit sharing; the Workers' Food Program (*Programa de Alimentação do Trabalhador*, or PAT); education benefit; food benefit; Special Additional Retirement payment; overtime payments; hazardous occupation payments; matters related to Sest/Senat (transport workers' support programs); and fines for non-compliance with accessory obligations. The Company and its subsidiaries have presented defenses and await judgment. The amount of the contingency is approximately R$92,063 (R$200,953 on December 31, 2018). Management has classified the chance of loss as 'possible', also taking into account assessment of the chance of loss in the judicial sphere, based on the evaluation of the claims and the related case law.

Non-homologation of offsetting of tax credit

The federal tax authority did not ratify the Company's declared offsetting, in Corporate income tax returns, of carry-forwards and undue or excess payment of federal taxes – IRPJ, CSLL, PIS/Pasep and Cofins – identified by official tax deposit receipts ('DARFs' and 'DCTFs'). Corporate income tax, the Social Contribution tax, and PIS/Pasep and Cofins taxes. The Company and its subsidiaries are contesting the non-ratification of the amounts offset. The amount of the contingency is R$153,055 (R$145,689 on December 31, 2018). The Company has assessed the chance of loss as 'possible', since the relevant requirements of the National Tax Code (CTN) have been complied with.

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Income tax withheld on capital gain in a shareholding transaction

The federal tax authority issued a tax assessment against Cemig as a jointly responsible party with its jointly-controlled entity Parati S.A. Participações em Ativos de Energia Elétrica (Parati), relating to withholding income tax (*Imposto de Renda Retido na Fonte*, or IRRF) allegedly applicable to returns paid by reason of a capital gain in a shareholding transaction relating to the purchase by Parati, and sale, by Enlighted, on July 7, 2011, of 100.00% of the equity interests in Luce LLC (a company with head office in Delaware, USA), holder of 75.00% of the shares in the Luce Brasil equity investment fund (FIP Luce), which was indirect holder, through Luce Empreendimentos e Participações S.A., of approximately 13.03% of the total and voting shares of Light S.A. (Light). The amount of the contingency is approximately R$228,008 (R$221,414 on December 31, 2018, and the loss has been assessed as 'possible'.

The Social Contribution tax on net profit (CSLL)

The federal tax authority issued a claim against the Company and its subsidiaries alleging non-addition, or undue deduction, by the Company, in 2012 and 2013 of amounts in calculating the Social Contribution tax on Net profit (CSLL), including the following: (i) Taxes with liability suspended; (ii) donations and sponsorships (Law 8313/91); and (iii) fines for various alleged infringements. The amount of this contingency is R$389,438 (R$349,760 on December 31, 2018). The Company has classified the chances of loss as 'possible', in accordance with the analysis of the case law on the subject.

Regulatory matters

Public Lighting Contribution (CIP)

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

Company and its subsidiaries believe it has arguments of merit for defense in these claims, and has obtained a judgment partially in favor. As a result it has not constituted a provision for this action, the amount of which is estimated at R$967,051 (R$975,196 on December 31, 2018). The Company has assessed the chances of loss in this action as 'possible', due to the Consumer Defense Code (*Código de Defesa do Consumidor*, or CDC) not being applicable, because the matter is governed by the specific regulation of the energy sector, under Aneel Resolutions 414 and 456, which deal with the subject.

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Accounting of energy sale transactions on the Electricity Trading Exchange (CCEE)

In a claim dating from August 2002, AES Sul Distribuidora challenged in the courts the criteria for accounting of energy sale transactions in the wholesale energy market (*Mercado Atacadista de Energia*, or MAE), predecessor of the present Electricity Trading Exchange (*Câmara de Comercialização de Energia Elétrica*, or CCEE), during the period of rationing. It obtained a favorable interim judgment on February 2006, which ordered the regulator (Aneel), working with the CCEE, to comply with the claim by AES Sul and recalculate the settlement of the transactions during the rationing period, leaving out of account Aneel's Dispatch 288 of 2002.

This should take effect in the CCEE as from November 2008, resulting in an additional disbursement for Cemig GT, related to the expense on purchase of energy in the spot market on the CCEE, in the approximate amount of R$338,002 (R$317,460 on December 31, 2018). On November 9, 2008 Cemig GT obtained an interim decision in the Regional Federal Appeal Court (*Tribunal Regional Federal*, or TRF), suspending the obligatory nature of the requirement to pay into court the amount that would have been owed under a Special Financial Settlement made by the CCEE. Cemig GT has classified the chances of loss as 'possible' since this is action General Agreement of the Energy Sector, in which Cemig GT has qualifying documentation for its allegations.

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

Resolution 3 of the National Energy Policy Council (*Conselho Nacional de Política Energética*, or CNPE) of March 6, 2013 established new criteria for the prorating of the cost of additional dispatch of thermal plants. Under the new criteria, the cost of the System Service Charges for Electricity Security (*Encargos do Serviço do Sistema*, or ESS – paid by companies in relation to the need for security of power supply), which were previously prorated in full between free customers and distributors, was now to be prorated between all the agents participating in the National Grid System, including generators and traders.

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

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

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The applications of the plaintiff (APINE) were granted at the first instance, confirming the interim decision granted to its members, which include Cemig GT and its subsidiaries. A special appeal was filed against this decision; but in June 2019 the case was set aside, since the action for annulment brought by APINE reached final judgment against which there was no further appeal. This made final and irreversible the court judgment that declared nullity of CNPE Resolution 3/2013 as to the part in which generation agents were included in the proportional sharing of the cost of the additional dispatch of plant to guarantee supply of energy. This results in the systemic structure of CNPE Resolution 8/2007 remaining definitively intact.

Tariff increases

Exclusion of customers inscribed as low-income

The Federal Public Attorneys' Office filed a class action against the Company and Aneel, to avoid exclusion of customers from classification in the *Low-income residential* tariff sub-category, requesting an order for Cemig D to pay 200% of the amount allegedly paid in excess by customers. Judgment was given in favor of the plaintiffs, but the Company and Aneel have filed an interlocutory appeal and await judgment. The amount of the contingency is approximately R$321,752 (R$302,890 on December 31, 2018). Cemig D has classified the chances of loss as 'possible' due to other favorable judgments on this theme.

Environmental issues

Impact arising from construction of power plants

The Public Attorneys of Minas Gerais State, together with an association and individuals, have brought class actions requiring the Company to invest at least 0.5% of the annual gross operating revenue of the *Emborcação, Pissarrão, Funil, Volta Grande, Poquim, Paraúna, Miranda, Nova Ponte, Rio de Pedras* and *Peti* plants in environmental protection and preservation of the water tables of the counties where these power plants are located, and proportional indemnity for allegedly irrecoverable environmental damage caused, arising from alleged omission to comply with Minas Gerais State Law 12,503/1997. Cemig GT has filed appeals to the Higher Appeal Court (STJ) and the Federal Supreme Court (STF). Based on the opinions of its legal advisers, Cemig GT believes that this is a matter involving legislation at infra-constitutional level (there is a Federal Law with an analogous object) and thus a constitutional matter, on the issue of whether the state law is constitutional or not, so that the final decision is one for the national Higher Appeal Court (STJ) and the Federal Supreme Court (STF). No provision has been made, since based on the opinion of its legal advisers management has classified the chance of loss as 'possible'. The amount of the contingency is R$161,418 (R$148,205 on December 31, 2018).

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The Public Attorneys' Office of Minas Gerais State has filed class actions requiring the formation of a Permanent Preservation Area (APP) around the reservoir of the *Capim Branco* hydroelectric plant, suspension of the effects of the environmental licenses, and recovery of alleged environmental damage. Based on the opinion of its legal advisers in relation to the changes that have been made in the new Forest Code and in the case law on this subject, Cemig GT has classified the chance of loss in this dispute as 'possible'. The estimated value of the contingency is R$93,439 (R$87,159 on December 31, 2018).

Other contingent liabilities

Early settlement of the CRC (Earnings Compensation) Account

The Company is a party in an administrative proceeding before the Audit Court of the State of Minas Gerais which challenges: (i) a difference of amounts relating to the discount offered by Cemig for early repayment of the credit owed to Cemig by the State under the Receivables Assignment Contract in relation to the CRC Account (*Conta de Resultados a Compensar*, or Earnings Compensation Account) – this payment was completed in the first quarter of 2013; and also (ii) possible undue financial burden on the State after the signature of the Amendments that aimed to re-establish the economic and financial balance of the Contract. The amount of the contingency is approximately R$423,682 (R$412,054 on December 31, 2018), and, based on the Opinion of the Public Attorneys' Office of the Audit Board of the State of Minas Gerais, the Company believes that it has met the legal requirements. Thus, it has assessed the chances of loss as 'possible', since it believes that the adjustment was made in faithful obedience to the legislation applicable to the case.

Contractual imbalance

Cemig D is also a party in other disputes arising from alleged non-compliance with contracts in the normal course of business, for an estimated total of R$98,586 (R$90,288 on December 31, 2018). Cemig D has classified the chance of loss as 'possible', after analysis of the case law on this subject.

27. EQUITY AND REMUNERATION TO SHAREHOLDERS

a) Share capital

The Company's registered share capital on December 31, 2018 and September 30, 2019 is R$7,293,763, held in 487,614,213 common shares and 971,138,388 preferred shares, all with nominal value of R$5.00 (five reais). The Company's Share Capital may be increased by up to a limit of 10% (ten percent) of the share capital set in the by-laws, without need for change in the by-laws and upon decision of the Board of Directors, having previously heard statement of opinion issued by the Fiscal Council.

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b) Profit per share

	Number of shares	
	Sep 30, 2019	Sep 30, 2018
Common shares subscribed and paid	487,614,213	487,614,213
Shares in Treasury	(69)	(69)
	487,614,144	487,614,144
Preferred shares subscribed and paid	971,138,388	971,138,388
Shares in Treasury	(560,649)	(560,649)
	970,577,739	970,577,739
Total	**1,458,191,883**	**1,458,191,883**

Basic and diluted profit per share

The purchase and sale options of investments described in Note 32 could potentially dilute basic profit per share in the future; however, they have not caused dilution of profit per share in the periods presented here.

The calculation of basic and diluted profit per share is as follows:

	Jan to Sep, 2019	Jan to Sep, 2018	Jul to Sep, 2019	Jul to Sep, 2018
Net income for the period	2,630,391	698,249	(281,834)	244,540
Net income from continuing operations	2,406,324	662,601	(505,901)	230,264
Net income from discontinued operations	224,067	35,648	224,067	14,276
Total number of shares	1,458,191,883	1,458,191,883	1,458,191,883	1,458,191,883
Basic and diluted profit (loss) per share – continued operations (R$)	**1.65**	**0.46**	**(0.34)**	**0.16**
Basic and diluted profit (loss) per share – discontinued operations (R$)	**0.15**	**0.02**	**0.15**	**0.01**
Basic and diluted profit (loss) per share (R$)	**1.80**	**0.48**	**(0.19)**	**0.17**

c) Equity valuation adjustments

Equity valuation adjustments	Consolidated	
	Sep. 30, 2019	Dec. 31, 2018
Adjustments to actuarial liabilities – Employee benefits	(227,287)	(256,943)
Subsidiary and jointly-controlled entity		
Adjustments to actuarial liabilities – Employee benefits	(1,712,005)	(1,681,484)
Deemed cost of PP&E	595,076	611,191
Translation adjustments	362	362
Cash flow hedge instruments	(141)	87
	(1,116,708)	(1,069,844)
Equity valuation adjustments	**(1,343,995)**	**(1,326,787)**

d) Profit reserves

	Sep. 30, 2019	Dec. 31, 2018
Legal Reserve	853,018	853,018
Statutory Reserve	57,215	57,215
Retained earnings reserve	3,965,159	3,965,160
Incentive tax reserve	65,617	66,783
Reserve for mandatory dividends not distributed	1,419,847	1,419,846
	6,360,856	**6,362,022**

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e) Dividends

This table below provides the changes on dividends and interest on capital payable:

	Consolidated	Parent company
Balance at Dec. 31, 2018	**863,703**	**861,420**
Dividends proposed for non-controlling shareholder.	489	-
Dividends retained – Minas Gerais state government (Note 12)	(17,892)	(17,892)
Dividends paid	(78,974)	(78,284)
Balance at Sep. 30, 2019	**767,326**	**765,244**

28. SUBSIDIARIES WITH SIGNIFICANT INTERESTS HELD BY NON-CONTROLLING SHAREHOLDERS

The following is the information for the subsidiaries in which non-controlling shareholders have significant interests:

Company	Equity interest held by non-controlling partner, %	
	Sep. 30, 2019	Dec. 31, 2018
Gasmig	0.43%	0.43%
Light S.A (1)	-	50.01%
LightGer (1)	-	25.51%
Guanhães (1)	-	25.51%
Axxion (1)	-	25.51%
UHE Itaocara (1)	-	25.51%

(1) On July 17, 2019, with the settlement of the restricted offering, the Company’s equity interest in the total share capital of Light was reduced from 49.99% to 22.58%. Thus, considering the remaining voting rights, the Company no longer controls Light and the others investees which are jointly controlled by the Company and Light. For further information, please see Notes 1, 16 and 36.

This table shows the changes in equity held by non-controlling shareholders:

Investee	Gasmig	Light S.A	LightGer	Guanhães	Axxion	UHE Itaocara	Total
Balance at Dec. 31, 2018	**4,306**	**1,277,098**	**21,973**	**50,158**	**4,402**	**2,671**	**1,360,608**
Net profit attributed to non-controlling shareholders	527						**527**
Capital Increase to non-controlling shareholders				10,291			**10,291**
Other comprehensive income	(6)						**(6)**
Proposed dividends to non-controlling shareholders	(489)						**(489)**
Derecognition of the carrying amount of non-controlling interests in Light (note 36)		(1,277,098)	(21,973)	(60,449)	(4,402)	(2,671)	**(1,366,593)**
Balance at Sep. 30, 2019	**4,338**	-	-	-	-	-	**4,338**

Net profit (loss) allocated to non-controlling interests:

Company	Consolidated	
	Jan to Sep, 2019	Jan to Sep, 2018
Gasmig	527	518
Total	**527**	**518**

Company	Consolidated	
	Jul to Sep, 2019	Jul to Sep, 2018
Gasmig	152	220
Total	**152**	**220**

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29. REVENUE

Revenues are measured at the fair value of the consideration received or to be received and are recognized on a monthly basis as and when: (i) Rights and obligations of the contract with the customers are identified; (ii) the performance obligation of the contract is identified; (iii) the price for each transaction has been determined; (iv) the transaction price has been allocated to the performance obligations defined in the contract; and (v) the performance obligations have been complied.

	Consolidated	
	Jan to Sep, 2019	Jan to Sep, 2018
Revenue from supply of energy (a)	19,804,233	18,163,647
Revenue from use of the energy distribution systems (TUSD) (b)	1,976,904	1,419,958
CVA, and *Other financial components* in tariff increases (c)	45,119	1,783,790
Transmission revenue		
Transmission concession revenue (d)	374,877	310,293
Transmission construction revenue (e)	150,158	12,726
Transmission reimbursement revenue (f)	124,057	208,164
Generation assets – reimbursement revenue	-	82,331
Distribution construction revenue (e)	656,570	579,480
Adjustment to expectation from reimbursement of distribution concession financial assets (g)	10,689	3,875
Inflation adjustment to Concession Grant Fee (h)	244,069	245,730
Transactions in energy on the CCEE (i)	407,248	189,123
Supply of gas	1,713,102	1,452,427
Fine for violation of continuity indicator	(43,330)	(31,596)
Recovery of PIS/Pasep and Cofins taxes credits over ICMS (Note 9)	1,438,563	-
Other operating revenues (j)	1,305,497	1,191,275
Taxes and charges reported as deductions from revenue (k)	(9,206,999)	(8,816,972)
Net operating revenue	**19,000,757**	**16,794,251**

	Consolidated	
	Jul to Sep, 2019	Jul to Sep, 2018
Revenue from supply of energy (a)	6,875,079	6,927,638
Revenue from use of the energy distribution systems (TUSD) (b)	711,185	605,618
CVA, and *Other financial components* in tariff increases (c)	(35,122)	633,118
Transmission revenue		
Transmission concession revenue (d)	132,134	103,711
Transmission construction revenue (e)	67,169	7,994
Transmission reimbursement revenue (f)	33,637	61,645
Generation assets – reimbursement revenue	-	47,868
Distribution construction revenue (e)	274,334	200,569
Adjustment to expectation from reimbursement of distribution concession financial assets (g)	1,722	809
Inflation adjustment to Concession Grant Fee (h)	67,918	88,749
Transactions in energy on the CCEE (i)	9,811	29,157
Supply of gas	581,869	553,448
Fine for violation of continuity indicator	(7,820)	(5,915)
Other operating revenues (j)	467,913	417,832
Taxes and charges reported as deductions from revenue (k)	(3,109,043)	(3,419,959)
Net operating revenue	**6,070,786**	**6,252,282**

a) *Revenue from supply of energy*

These items are recognized upon delivery of supply, and the revenue is recorded as and when billed, based on the tariff approved by the regulator for each class of customer.

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This table shows supply of energy by type of customer:

	MWh (1)		R$	
	Jan to Sep, 2019	Jan to Sep, 2018	Jan to Sep, 2019	Jan to Sep, 2018
Residential	7,849,611	7,648,175	7,123,899	6,268,428
Industrial	11,963,776	13,134,700	3,534,740	3,588,856
Commercial, services and others	7,001,946	6,195,337	3,956,788	3,381,247
Rural	2,830,521	2,777,694	1,511,446	1,325,571
Public authorities	660,766	641,551	470,080	409,581
Public lighting	1,034,410	1,038,236	458,995	424,413
Public services	994,653	977,151	528,871	463,169
Subtotal	**32,335,683**	**32,412,844**	**17,584,819**	**15,861,265**
Own consumption	28,242	33,083	-	-
Unbilled revenue	-	-	52,504	86,454
	32,363,925	**32,445,927**	**17,637,323**	**15,947,719**
Wholesale supply to other concession holders (2)	8,479,648	8,768,341	2,214,263	2,251,991
Wholesale supply unbilled, net	-	-	(47,353)	(36,063)
Total	**40,843,573**	**41,214,268**	**19,804,233**	**18,163,647**

	MWh (1)		R$	
	Jul to Sep, 2019	Jul to Sep, 2018	Jul to Sep, 2019	Jul to Sep, 2018
Residential	2,557,935	2,497,296	2,458,671	2,402,379
Industrial	4,144,538	4,581,890	1,239,412	1,333,933
Commercial, services and others	2,347,906	1,996,913	1,336,909	1,236,950
Rural	1,054,819	1,057,426	593,821	577,424
Public authorities	205,123	207,162	158,343	157,262
Public lighting	348,477	349,429	167,642	172,248
Public services	315,588	323,919	195,474	186,888
Subtotal	**10,974,386**	**11,014,035**	**6,150,272**	**6,067,084**
Own consumption	11,012	9,602	-	-
Unbilled revenue	-	-	(2,403)	38,312
	10,985,398	**11,023,637**	**6,147,869**	**6,105,396**
Wholesale supply to other concession holders (2)	2,979,882	3,160,972	755,593	783,975
Wholesale supply unbilled, net	-	-	(28,383)	38,267
Total	**13,965,280**	**14,184,609**	**6,875,079**	**6,927,638**

(1) Information not reviewed by the external auditors.

(2) Includes a CCEAR (Regulated Market Sales Contract), 'bilateral contracts' with other agents, and the revenues from management of generation assets ('GAG') for the 18 hydroelectric plants of Lot D of Auction no 12/2015.

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

These are recognized upon the distribution infrastructure becoming available to customers, and the fair value of the consideration is calculated according to the TUSD tariff of those customers, set by the regulator.

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

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

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d) Transmission concession revenue

Transmission concession revenue comprises the amount received from agents of the energy sector for operation and maintenance of transmission lines of the national grid, in the form of the Permitted Annual Revenue (*Receita Anual Permitida*, or RAP), plus an adjustment for expectation of cash flow arising from the variation in the fair value of the Remuneration Assets Base, in the amount of R$8,483 from January to September, 2019 (R$11,977 from January to September, 2018).

e) Construction revenue

Construction revenue is entirely offset by Construction costs, in the same amount, and is equal to the Company's investments in contract assets in the period.

f) Transmission indemnity revenue

Corresponding to updating by the IPCA index of the balance of transmission indemnity receivable. For further information, please see Note 15.

g) Adjustment to expected cash flow from financial assets on residual value of infrastructure asses of distribution concessions

Income from adjustment of expectation of cash flow from indemnifiable distribution concession financial assets, due to inflation adjustment of the Regulatory Remuneration Asset Base.

h) Gain on financial updating of the Concession grant fee

Represents the inflation adjustment using the IPCA inflation index, plus interest, on the Concession Grant Fee for the concession awarded as Lot D of Auction 12/2015. See Note 15.

i) Energy transactions on the CCEE (Wholesale Trading Chamber)

The revenue from transactions made through the Wholesale Electricity Exchange (*Câmara de Comercialização de Energia Elétrica* – CCEE) is the monthly positive net balance of settlements of transactions for purchase and sale of energy in the Spot Market, through the CCEE, for which the consideration corresponds to the product of energy sold at the Spot Price.

j) Other operating revenues

	Consolidated	
	Jan to Sep, 2019	Jan to Sep, 2018
Charged service	13,025	9,543
Services rendered	137,247	136,620
Subsidies (1)	936,929	837,243
Rental and leasing	151,569	65,137
Contractual reimbursements	64,640	135,727
Others	2,087	7,005
	1,305,497	**1,191,275**

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	Consolidated	
	Jul to Sep, 2019	Jul to Sep, 2018
Charged service	4,643	3,743
Services rendered	47,421	46,180
Subsidies (1)	330,009	290,336
Rental and leasing	86,373	22,577
Contractual reimbursements	-	51,635
Others	(533)	3,361
	467,913	**417,832**

(1) Revenue recognized for the governmental subsidies on tariffs applicable to certain customers of distribution services, including the low-income-user subsidies – which are reimbursed by Eletrobrás.

k) Deductions on revenue

	Consolidated	
	Jan to Sep, 2019	Jan to Sep, 2018
Taxes on revenue		
ICMS	4,691,894	4,093,112
Cofins	1,821,515	1,882,429
PIS/Pasep	396,616	406,686
Other	5,996	5,497
	6,916,021	**6,387,724**
Charges to the customer		
Global Reversion Reserve (RGR)	12,600	14,902
Energy Efficiency Program	49,814	48,328
Energy Development Account (CDE)	1,970,285	1,835,412
Research and Development	30,225	28,716
National Scientific and Technological Development Fund (FNDCT)	30,225	28,716
Energy System Expansion Research (EPE of MME)	15,113	14,359
Customer charges – Proinfa alternative sources program	39,369	29,620
Energy Services Inspection Charge	21,863	19,415
Royalties for use of water resources	28,105	35,299
Customer charges – the 'Flag Tariff' system	93,342	374,481
Other	37	-
	2,290,978	**2,429,248**
	9,206,999	**8,816,972**

	Consolidated	
	Jul to Sep, 2019	Jul to Sep, 2018
Taxes on revenue		
ICMS	1,639,149	1,575,191
Cofins	557,256	711,820
PIS/Pasep	120,981	154,537
Other	1,865	1,786
	2,319,251	**2,443,334**
Charges to the customer		
Global Reversion Reserve (RGR)	3,863	4,490
Energy Efficiency Program	17,224	18,484
Energy Development Account (CDE)	638,919	654,452
Research and Development	9,586	10,077
National Scientific and Technological Development Fund (FNDCT)	9,586	10,077
Energy System Expansion Research (EPE of MME)	4,794	5,039
Customer charges – Proinfa alternative sources program	13,040	10,177
Energy Services Inspection Charge	7,691	6,820
Royalties for use of water resources	11,593	7,587
Customer charges – the 'Flag Tariff' system	73,474	249,422
Other	22	-
	789,792	**976,625**
	3,109,043	**3,419,959**

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30. OPERATING COSTS AND EXPENSES

The operating costs of the Company and its subsidiaries are as follows:

	Consolidated		Parent company	
	Jan to Sep, 2019	Jan to Sep, 2018	Jan to Sep, 2019	Jan to Sep, 2018
Personnel (a)	981,422	988,381	23,094	29,168
Employees' and managers' profit shares	159,943	22,821	12,323	5,926
Post-employment obligations – Note 25	304,096	250,328	32,916	30,352
Materials	60,706	74,419	189	1,101
Outsourced services (b)	893,945	752,835	30,099	17,319
Energy bought for resale (c)	8,154,308	8,576,061	-	-
Depreciation and amortization	723,322	619,104	3,668	761
Operating provisions and adjustments for operating losses (d)	2,275,422	402,118	190,837	71,952
Charges for use of the national grid	1,077,387	1,140,903	-	-
Gas bought for resale	1,100,302	897,903	-	-
Construction costs (e)	806,728	592,206	-	-
Other operating expenses, net (f)	188,595	263,141	6,424	9,089
	16,726,176	**14,580,220**	**299,550**	**165,668**

	Consolidated		Parent company	
	Jul to Sep, 2019	Jul to Sep, 2018	Jul to Sep, 2019	Jul to Sep, 2018
Personnel (a)	304,350	308,141	4,725	9,201
Employees' and managers' profit shares (reversal)	(14,572)	94	1,116	-
Post-employment obligations – Note 25	105,397	80,931	11,170	9,993
Materials	20,450	40,713	95	337
Outsourced services (b)	307,976	262,489	18,740	7,916
Energy bought for resale (c)	3,034,108	3,493,463	-	-
Depreciation and amortization	244,023	207,804	1,270	545
Operating provisions and adjustments for operating losses (d)	1,297,043	134,799	154,992	(6,237)
Charges for use of the national grid	376,216	332,323	-	-
Gas bought for resale	375,140	341,445	-	-
Construction costs (e)	341,503	208,563	-	-
Other operating expenses, net (f)	94,741	111,533	1,917	1,741
	6,486,375	**5,522,298**	**194,025**	**23,496**

For details on the costs and expenses of discontinued operations, see Note 36.

a) Personnel expenses

2019 Programmed Voluntary Retirement Plan ('PDVP')

In December 2018, the Company approved the Programmed Voluntary Retirement Plan for 2019 ('the 2019 PDVP'). Those eligible – any employees who had worked with the Company for 25 years or more by December 31, 2018 – were able to join from January 7 to 31, 2019. The program will pay the standard legal payments for severance – including: payment for the period of notice; an amount equal to the 'penalty' payment of 40% of the Base Value of the employee's FGTS fund; and the other payments specified by the legislation; but with no additional premium.

On March 2019 the Company reopened the 2019 PDVP program, with a joining period from April 1 to 10, 2019, with some changes in the requirements for joining, but with the same financial conditions.

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The amount appropriated in the reopening phase of the 2019 Voluntary Retirement Program, including severance costs, was R$ 65,596 (458 employees), posted in the statement of income for 2018, and R$ 21,491 (155 employees) posted in March 2019.

b) Outsourced services

	Consolidated		Parent company	
	Jan to Sep, 2019	Jan to Sep, 2018	Jan to Sep, 2019	Jan to Sep, 2018
Meter reading and bill delivery	95,928	99,260	-	-
Communication	48,554	59,324	1,906	8,456
Maintenance and conservation of electrical facilities and equipment	289,102	220,610	25	15
Building conservation and cleaning	81,331	82,299	210	555
Contracted labor	7,814	16,901	8	110
Freight and airfares	4,886	5,088	913	1,360
Accommodation and meals	9,773	8,612	135	144
Security services	12,700	15,475	-	-
Consultancy	15,217	5,198	4,744	1,422
Maintenance and conservation of furniture and utensils	3,388	2,376	2	14
Information technology	38,325	34,509	869	2,874
Maintenance and conservation of vehicles	1,949	1,554	-	1
Disconnection and reconnection	52,732	37,847	-	-
Environment services	8,933	7,800	-	-
Legal services	17,846	17,777	1,208	2,191
Costs (recovery of costs) of proceedings	878	1,502	111	-
Tree pruning	34,273	17,137	-	-
Cleaning of power line pathways	44,604	27,561	-	-
(Recovery of) costs of printing and legal publications	16,212	14,997	413	408
Inspection of customer units	9,744	6,690	-	-
Other expenses	99,756	70,318	19,555	(231)
	893,945	**752,835**	**30,099**	**17,319**

	Consolidated		Parent company	
	Jul to Sep, 2019	Jul to Sep, 2018	Jul to Sep, 2019	Jul to Sep, 2018
Meter reading and bill delivery	31,594	33,722	-	-
Communication	14,096	23,379	210	6,248
Maintenance and conservation of electrical facilities and equipment	90,689	68,562	19	3
Building conservation and cleaning	27,471	29,534	44	261
Contracted labor	1,574	6,072	8	8
Freight and airfares	1,597	1,874	279	644
Accommodation and meals	3,245	2,996	58	47
Security services	4,498	5,350	-	-
Consultancy	5,707	335	525	524
Maintenance and conservation of furniture and utensils	1,078	1,025	2	1
Information technology	14,426	12,011	263	1,549
Maintenance and conservation of vehicles	716	509	-	1
Disconnection and reconnection	18,190	15,122	-	-
Environment services	2,643	3,141	-	-
Legal services	6,356	6,676	481	1,731
Costs (recovery of costs) of proceedings	702	516	29	-
Tree pruning	12,942	7,220	-	-
Cleaning of power line pathways	15,802	13,869	-	-
(Recovery of) costs of printing and legal publications	6,499	6,377	289	74
Inspection of customer units	4,521	2,016		-
Other expenses	43,630	22,183	16,533	(3,175)
	307,976	**262,489**	**18,740**	**7,916**

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c) Energy bought for resale

	Consolidated	
	Jan to Sep, 2019	Jan to Sep, 2018
Supply from Itaipu Binacional	1,066,473	1,007,675
Physical guarantee quota contracts	527,410	500,876
Quotas for Angra I and II nuclear plants	201,879	200,135
Spot market	1,248,444	1,662,386
Proinfa Program	285,925	239,543
'Bilateral' contracts	231,229	294,682
Energy acquired in Regulated Market auctions	2,211,759	2,558,096
Acquired in Free Market	3,006,561	2,865,557
Geração Distribuída	137,349	62,850
Credits of PIS/Pasep and Cofins taxes	(762,721)	(815,739)
	8,154,308	**8,576,061**

	Parent company	
	Jul to Sep, 2019	Jul to Sep, 2018
Supply from Itaipu Binacional	372,296	374,255
Physical guarantee quota contracts	163,052	189,251
Quotas for Angra I and II nuclear plants	67,293	66,712
Spot market	486,177	733,160
Proinfa Program	95,308	79,847
'Bilateral' contracts	79,750	149,543
Energy acquired in Regulated Market auctions	816,193	1,077,340
Acquired in Free Market	1,168,392	1,121,959
Geração Distribuída	54,491	24,354
Credits of PIS/Pasep and Cofins taxes	(268,844)	(322,958)
	3,034,108	**3,493,463**

d) Operating provisions (reversals) and adjustments for operating losses

	Consolidated		Parent company	
	Jan to Sep, 2019	Jan to Sep, 2018	Jan to Sep, 2019	Jan to Sep, 2018
Estimated losses on doubtful accounts receivables (Note 7)	228,361	227,789	-	-
Estimated losses (reversals) on other accounts receivable (1)	4,935	(4,934)	183	-
Estimated losses on doubtful accounts receivable from related (3) (Note 32)	688,031	-	-	-
Contingency provisions (reversals) (2) (Note 26)				
Employment-law cases	101,460	33,610	16,717	699
Civil cases	13,402	8,785	(367)	3,828
Tax	1,195,207	(5,551)	174,386	52
Environmental	(1,142)	1,146	-	-
Regulatory	922	14,048	250	5,336
Others	11,627	2,658	(332)	62
	1,321,476	**54,696**	**190,654**	**9,977**
	2,242,803	**277,551**	**190,837**	**9,977**
Adjustment for losses				
Put options - RME and LEPSA (note 29)	-	61,975	-	61,975
Put option – SAAG (Note 33)	32,619	62,592	-	-
	32,619	**124,567**	**-**	**61,975**
	2,275,422	**402,118**	**190,837**	**71,952**

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	Consolidated		Parent company	
	Jul to Sep, 2019	Jul to Sep, 2018	Jul to Sep, 2019	Jul to Sep, 2018
Estimated losses on doubtful accounts receivables (Note 7)	101,383	60,232	-	-
Contingency provisions (reversals) (2) (Note 26)				
Employment-law cases	(5,098)	36,670	865	(10,185)
Civil cases	12,326	(3,743)	143	2,283
Tax	1,175,896	(2,345)	154,118	65
Environmental	(1,251)	1,115	-	-
Regulatory	(29)	3,979	(357)	1,627
Others	3,143	984	223	52
	1,184,987	**36,660**	**154,992**	**(6,158)**
	1,286,370	**96,892**	**154,992**	**(6,158)**
Adjustment for losses				
Put options - RME and LEPSA (note 29)	-	(79)	-	(79)
Put option – SAAG (Note 33)	10,673	37,986	-	-
	10,673	**37,907**	**-**	**(79)**
	1,297,043	**134,799**	**154,992**	**(6,237)**

(1) The estimated losses on other accounts receivable are presented in the consolidated Statement of income as operating expenses.

(2) The provisions for contingencies of the holding company are presented in the consolidated profit and loss account for the year as operating expenses.

(3) Estimated losses on amounts receivable from Renova, as a result of the assessment of credit risk.

e) Infrastructure construction cost

	Consolidated			
	Jan to Sep, 2019	Jan to Sep, 2018	Jul to Sep, 2019	Jul to Sep, 2018
Personnel and managers	53,817	51,840	23,419	17,780
Materials	400,309	222,111	171,546	72,497
Outsourced services	281,310	255,383	125,945	91,294
Other	71,292	62,872	20,593	26,992
	806,728	**592,206**	**341,503**	**208,563**

f) Other operating expenses (revenues), net

	Consolidated		Parent company	
	Jan to Sep, 2019	Jan to Sep, 2018	Jan to Sep, 2019	Jan to Sep, 2018
Leasing and rental costs (1)	4,839	69,130	1,262	3,722
Advertising	5,030	4,476	234	209
Own consumption of energy	14,030	20,453	-	-
Subsidies and donations	9,114	13,333	-	2,296
Paid concession	2,127	2,068	-	-
Insurance	6,968	5,065	1,238	1,184
CCEE annual charge	4,653	5,460	1	1
Net loss (gain) on deactivation and disposal of assets	27,993	14,817	529	468
Forluz – Administrative running cost	22,782	21,291	1,100	929
Collection agents	64,480	56,558	-	-
Taxes and charges	8,712	7,870	656	586
Written down (2)	-	26,999	-	-
Other expenses (3)	17,867	15,621	1,404	(306)
	188,595	**263,141**	**6,424**	**9,089**

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	Consolidated		Parent company	
	Jul to Sep, 2019	Jul to Sep, 2018	Jul to Sep, 2019	Jul to Sep, 2018
Leasing and rental costs (1)	3,056	23,766	(11)	1,525
Advertising	3,069	1,383	168	51
Own consumption of energy	5,925	6,978	-	-
Subsidies and donations	4,530	6,764	-	985
Paid concession	840	622	-	-
Insurance	2,427	1,422	414	404
CCEE annual charge	1,575	1,709	-	-
Net loss (gain) on deactivation and disposal of assets	15,607	7,122	529	-
Forluz – Administrative running cost	8,758	6,709	412	325
Collection agents	22,124	21,160	-	-
Taxes and charges	1,144	1,112	145	106
Written down (2)	-	26,999	-	-
Other expenses (3)	25,686	5,787	260	(1,655)
	94,741	**111,533**	**1,917**	**1,741**

(1) As from January 1, 2019, the amounts related to leasing and rentals are recognized in accordance with IFRS 16 / CPC 06 (R2), as shown in notes 2.2 and 20.
(2) Write down of São Simão and Miranda Hydroelectric Plants' deemed cost, in 2018, due to received indemnity for the basic plan construction.
(3) The losses recorded on assets in progress (canceled works) are net of the reversal of the provisions constituted in prior periods.

31. FINANCE INCOME AND EXPENSES

	Consolidated		Parent company	
	Jan to Sep, 2019	Jan to Sep, 2018	Jan to Sep,2019	Jan to Sep, 2018
FINANCE INCOME				
Income from cash investments	82,432	80,958	7,857	7,383
Arrears fees on sale of energy	272,597	259,680	-	71
Inflation adjustments	19,698	14,735	2	27
Inflation adjustment – CVA (Note 15)	84,871	35,180	-	-
Monetary updating on escrow deposits	32,872	32,308	7,962	19,337
PIS/Pasep and Cofins taxes charged on financial revenues (1)	(63,796)	(33,571)	(7,219)	(4,309)
Gains on financial instruments – swaps (Note 33)	1,099,230	322,847	-	-
Revenue from advance payments	3,938	-	1	-
Lending costs charged to related parties (Note 32)	47,596	-	-	-
Monetary updating on PIS/Pasep and Cofins taxes credits over ICMS (Note 9)	1,575,281	-	303,658	-
Others	87,244	139,325	1,629	6,453
	3,241,963	**851,462**	**313,890**	**28,962**
FINANCE EXPENSES				
Costs of loans and financings	(924,960)	(944,432)	(2,343)	(2,260)
Amortization of transaction cost (Note 23)	(34,102)	(26,323)	(126)	(285)
FX variation – loans and financings (Note 23).	(429,299)	(781,297)	-	-
FX adjustment – Itaipu Binacional	(11,674)	(44,283)	-	-
Inflation adjustment – loans and financings (Note 23).	(99,890)	(110,031)	-	-
Inflation adjustment – paid concession	(1,662)	(3,354)	-	-
Borrowing costs and inflation adjustment on post-employment obligations (Note 25).	(44,319)	(53,504)	(2,181)	(2,632)
Inflation adjustment – advance from customers (Note 7)	(1,457)	(9,184)	-	-
Leasing – Inflation adjustment (Note 20)	(27,630)	-	(420)	-
Others	(93,734)	(66,384)	(18,049)	(8,280)
	(1,668,727)	**(2,038,792)**	**(23,119)**	**(13,457)**
NET FINANCE INCOME (EXPENSES)	**1,573,236**	**(1,187,330)**	**290,771**	**15,505**

(1) The PIS/Pasep and Cofins expenses apply to Interest on Equity.

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	Consolidated		Parent company	
	Jul to Sep, 2019	Jul to Sep, 2018	Jul to Sep, 2019	Jul to Sep, 2018
FINANCE INCOME				
Income from cash investments	31,564	39,108	5,969	2,452
Arrears fees on sale of energy	90,146	91,730	-	27
Foreign exchange variations - Itaipu	(70,470)	(2,561)	-	(7)
Inflation adjustments	6,825	3,239	1	19
Inflation adjustment – CVA	31,825	23,894	-	-
Monetary updating on escrow deposits	12,966	17,085	1,488	7,076
PIS/Pasep and Cofins taxes charged on financial revenues (1)	(13,044)	(13,527)	(1,876)	(2,008)
Gains on financial instruments – swaps	485,836	142,451		33
Revenue from advance payments	1,625	(14,767)		(15)
Lending costs charged to related parties	1,617	(17,236)		-
Monetary updating on PIS/Pasep and Cofins taxes credits over ICMS (Note 9)	22,169	-	2,827	-
Others	17,916	93,379	367	2,593
	618,975	**362,795**	**8,776**	**10,170**
FINANCE EXPENSES				
Costs of loans and financings	(319,008)	(341,469)	(801)	(1,104)
Amortization of transaction cost	(20,154)	(10,775)	(45)	(132)
FX variation – loans and financings	(429,299)	(227,019)	-	7
FX adjustment – Itaipu Binacional	(8,542)	(17,814)	-	-
Inflation adjustment – loans and financings	(17,179)	(44,726)	-	-
Inflation adjustment – paid concession	114	(1,097)	-	-
Borrowing costs and inflation adjustment on post-employment obligations	(10,741)	(20,345)	(529)	(1,001)
Inflation adjustment – advance from customers	-	(2,369)	-	-
Leasing – Inflation adjustment	(9,298)	-	(134)	-
Others	(38,659)	(29,879)	(3,159)	(8,142)
	(852,766)	**(695,493)**	**(4,668)**	**(10,372)**
NET FINANCE INCOME (EXPENSES)	**(233,791)**	**(332,698)**	**4,108**	**(202)**

(1) The PIS/Pasep and Cofins expenses apply to Interest on Equity.

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32. RELATED PARTY TRANSACTIONS

Cemig's main balances and transactions with related parties and its subsidiaries and jointly-controlled entities are as follows (consolidated):

COMPANY	ASSETS		LIABILITIES		REVENUE		EXPENSES	
	Sep. 30, 2019	Dec. 31, 2018	Sep. 30, 2019	Dec. 31, 2018	Jan to Sep, 2019	Jan to Sep, 2018	Jan to Sep, 2019	Jan to Sep, 2018
Controlling shareholder								
Minas Gerais State Government								
Current								
Customers and Traders (1)	324,514	244,960	-	-	118,684	120,505	-	-
Public Lighting Contribution (CIP) (1)	2,050	2,050	-	-	-	-	-	-
ICMS – Advances (2)	-	-	-	-	-	1,299	-	-
Non-current								
Accounts receivable – AFAC (3)	237,763	245,566	-	-	10,091	19,965	-	-
Jointly-controlled entity								
Aliança Geração								
Current								
Transactions with energy (4)	-	-	15,463	12,957	29,607	24,846	(123,415)	(125,879)
Provision of services (5)	1,129	1,792	-	-	6,350	8,846	-	-
Interest on Equity, and dividends	-	90,664	-	-	-	-	-	-
Baguari Energia								
Current								
Transactions with energy (4)	-	-	737	969	-	-	(5,800)	(5,603)
Provision of service (5)	280	211	-	-	762	669	-	-
Interest on Equity, and dividends	13,563	-	-	-	-	-	-	-
Madeira Energia								
Current								
Transactions with energy (4)	5,648	5,669	68,821	64,111	50,484	54,180	(537,572)	(569,544)
Advance for future power supply (6)	-	6,785	-	-	-	8,020	-	-
Reimbursement for decontracted supply (7)	13,953	42,046	-	-	2,911	886	-	-
Non-current								
Reimbursement for decontracted supply (7)	-	3,504	-	-	-	-	-	-
Norte Energia								
Current								
Transactions with energy (4)	130	130	6,442	5,841	14,977	12,078	(169,423)	(146,930)
Advance for future energy supply (8)	30,006	-	-	-	-	-	-	-
Non-current								
Advance for future energy supply (8)	10,075	-	-	-	-	-	-	-
Lightger								
Current								
Transactions with energy (4)	-	-	2,018	-	-	-	(15,366)	(16,592)
Hidrelétrica Pipoca								
Current								
Transactions with energy (4)	-	-	1,816	1,303	-	-	(13,618)	(14,385)
Interest on Equity, and dividends	1,143	-	-	-	-	-	-	-
Retiro Baixo								
Current								
Transactions with energy (4)	-	-	149	544	-	-	(3,434)	(4,785)
Interest on Equity, and dividends	5,718	5,718	-	-	-	-	-	-
Hidrelétrica Cachoeirão								
Current								
Interest on Equity, and dividends	-	2,460	-	-	-	-	-	-
Renova								
Current								
Transactions with energy (4)	-	-	-	515	4,447	-	-	(87,944)
Non-current								
Accounts receivable (9)	-	594,323	-	-	93,708	83,952	(688,031)	-
Light								
Current								
Transactions with energy (4)	261	374	1,274	502	79,302	38,187	(6,425)	(825)
Interest on Equity, and dividends	19,683	19,683	-	-	-	-	-	-

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COMPANY	ASSETS		LIABILITIES		REVENUE		EXPENSES	
	Sep. 30, 2019	Dec. 31, 2018	Sep. 30, 2019	Dec. 31, 2018	Jan to Sep, 2019	Jan to Sep, 2018	Jan to Sep, 2019	Jan to Sep, 2018
TAESA								
Current								
Transactions with energy (4)	-	-	7,202	8,295	35	34	(72,224)	(85,921)
Provision of services (5)	174	130	-	-	446	424	-	-
Axxiom								
Current								
Provision of services (10)	-	-	2,081	195	139	-	-	-
Centroeste								
Current								
Interest on Equity, and dividends	1,218	1,218	-	-	-	-	-	-
Other related parties								
FIC Pampulha								
Current								
Cash and cash equivalents	136,875	273,570	-	-	-	-	-	-
Securities	832,551	727,011	-	-	9,221	7,535	-	-
(–) Securities issued by subsidiary companies (Note 23)	(3,168)	(23,508)	-	-	-	-	-	-
Non-current					-		-	-
Securities	-	101,151	-	-		-		
Forluz								
Current								
Post-employment obligations (11)	-	-	140,503	123,184	-	-	(147,522)	(143,951)
Supplementary pension contributions – Defined contribution plan (12)	-	-	-	-	-	-	(55,808)	(54,344)
Administrative running costs (13)	-	-	-	-	-	-	(22,781)	(21,290)
Operational leasing (14)	196,105	-	47,226	1,778	-	-	(42,312)	(33,983)
Non-current								
Post-employment obligations (13)	-	-	2,028,691	2,046,426	-	-	-	-
Operational leasing (14)	-	-	153,871	-	-	-	-	-
Cemig Saúde								
Current								
Health Plan and Dental Plan (15)	-	-	136,119	120,344	-	-	(170,173)	(139,600)
Non-current								
Health Plan and Dental Plan (15)	-	-	2,333,312	2,271,007	-	-	-	-

Main points in the above:

(1) This refers to sale of power to the government of Minas Gerais State – the price of the supply is that decided by Aneel through a Resolution which decides the Company's annual tariff adjustment. In 2017 the government of Minas Gerais State signed a debt recognition agreement with Cemig D for payment of debits relating to the supply of power due and unpaid, in the amount of R$113,032, to be settled in 24 installments, inflation-adjusted monthly by the IGP-M index, up to November 2019. The first installment, of R$5,418, was paid in December 2017. Eighteen installments were unpaid at September 30, 2019. These receivables have guarantee in the form of Cemig's right to retain dividends and Interest on Equity otherwise payable to the State (in proportion to the State's equity interest in the Company), for as long as any payments are overdue or in default. The amount of the CIP++ relating to the debt recognition agreement at September 30, 2019 is R$2,050.

(2) ICMS tax anticipation, as per Minas Gerais State Decree 47,488, made in 2018.

(3) This refers to the recalculation of the inflation adjustment of amounts relating to the Advance against Future Capital Increase (AFAC), which were returned to the State of Minas Gerais. Amount transferred to Accounts receivable from Minas Gerais State, on September 30, 2017 (see Note 12);

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

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

(6) In 2017, payments of R$70,100 were made to Santo Antônio Energia, subsidiary of Madeira Energia: R$51,874 was advanced by Cemig GT; R$11,917 by Sá Carvalho; and R$6,309 by Rosal. The last installment was paid in January 2019.

(7) This refers to reimbursement for the supply that was decontracted due to alteration of the power purchase agreements (CCEARs) between Santo Antônio Energia S.A., a subsidiary of Madeira Energia, and Cemig Distribuição – totaling R$84,092, to be settled in 24 monthly installments, with inflation adjustment by the Selic rate and maturities up to January 2020. The outstanding amount at September 30, 2019 was R$13,953.

(8) Refers to advance payments for energy supply made in 2019 to Norte Energia, established by auction and by contract registered with the CCEE (Wholesale Trading Exchange). In full-year 2020 Norte Energia S.A. will deliver contracted supply in the amount of R$ 40,081. Of this total, R$30,006 is presented in current asset and the R$10,075 in non-current asset on September 30, 2019. There is no financial updating of the contract.

(9) As mentioned in Note 17(b), in June 2019, due to the uncertainties related to continuity of Renova, an estimated loss on realization of the receivables was recorded for the full value of the balance, R$ 688 million.

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

(11) The contracts of Forluz are updated by the Expanded Customer Price Index (Índice Nacional de Preços ao Consumidor Amplo, or IPCA) calculated by the Brazilian Geography and Statistics Institute (IBGE) plus interest of 6% p.a. and will be amortized up to business year 2031 (see Note 25);

(12) The Company's contributions to the pension fund for the employees participating in the Mixed Plan, and calculated on the monthly remuneration, in accordance with the regulations of the Fund.

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

(14) Rental of the Company's administrative head offices, in effect up to October 2020 (able to be extended every five years, up to 2035) and February 2019 (able to be extended every five years, up to 2034, in final phase of renewal), with annual inflation adjustment by the IPCA index and price reviewed every 60 months. Aiming at costs reduction, in october, 2019, Cemig and Forluz agreed on parcial devolution of Aureliano Chaves building until november 30, 2019.

(15) Post-employment obligations – health and dental plan (Note nº 25).

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Dividends receivable from subsidiaries

Dividends receivable	Consolidated		Parent company	
	Sep. 30, 2019	Dec. 31, 2018	Sep. 30, 2019	Dec. 31, 2018
Cemig GT	-	-	617,121	659,622
Cemig D	-	-	182,435	267,435
Gasmig	-	-	56,843	-
Others (1)	41,326	119,743	23,313	18,527
	41,326	**119,743**	**879,712**	**945,584**

(1) The subsidiaries grouped in 'Others' are identified in the table above under "Interest on Equity, and Dividends".

Loans from related parties

In September 2018 a loan agreement was signed between Cemig GT (lender) and Cemig (borrower), for R$400,000, to be settled in a single payment in December 2019, bears interest at 125.52% of the CDI rate. As a guarantee, Cemig signed a promissory note in the amount of R$442,258, corresponding to the amount of the debt plus the estimated interest for the 15-month period of the agreement. On March, 13, 2019, R$46,599 was amortized, and in July 19, 2019, this loan was settled in full, in the amount of R$ 377,980.

Guarantees on loans, financing and debentures

Cemig has provided guarantees on loans, financings and debentures of the following related parties, excluded Light, not consolidated in the financial statements because they are jointly-controlled entities or affiliated companies:

Related party	Relationship	Type	Objective	Sep. 30, 2019	Maturity
Light (1)	Affiliated company	Counter-guarantee	Financing	683,615	2042
Norte Energia (NESA)	Affiliated company	Surety	Financing	2,589,350	2042
Santo Antônio Energia (SAESA) (2)	Affiliated company	Guarantee	Financing	929,358	2034
Santo Antônio Energia (SAESA) (2)	Affiliated company	Surety	Debentures	427,458	2037
Centroeste	Jointly-controlled	Surety	Financing	5,796	2023
				4,635,577	

(1) Related to Norte Energia financing.
(2) Corporate guarantee given by Cemig to Saesa.

At September 30, 2019, management believes that there is no need to recognize any provisions in the Company's interim accounting statements for the purpose of meeting any obligations arising under these sureties and/or guarantees.

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

Cemig and its subsidiaries and affiliates invest part of their financial resources in an investment fund which has the characteristics of fixed income and obeys the Company's cash investment policy. The amounts invested by the fund at September 30, 2019 are reported in Marketable Securities in Current or Non-current assets, or presented after deduction of the account line *Debentures* in Current or Non-current liabilities.

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

Financial investments of the investment fund in marketable securities of related parties are as follows:

Issuer of security	Type	Annual contractual conditions	Maturity	Sep. 30, 2019				
				Cemig 8.33%	Cemig GT 7.76%	Cemig D 0.20%	Other subsidiaries 15.43%(1)	Total 31.72%
ETAU (1)	Debentures	108.00% of CDI	01/12/2019	851	793	20	1,577	3,241
				851	**793**	**20**	**1,577**	**3,241**

Issuer of security	Type	Annual contractual conditions	Maturity	Dec. 31, 2018				
				Cemig 4.65%	Cemig GT 0.75%	Cemig D 24.47%	Other subsidiaries 14.33% (1)	Total 44.20%
ETAU (1)	Debentures	108.00% of CDI	01/12/2019	468	75	2,463	1,442	4,448
LIGHT	Promissory Note	CDI + 3.50%	22/01/2019	334	54	1,754	1,130	3,272
				802	**129**	**4,217**	**2,572**	**7,720**

(1) Empresa de Transmissão do Alto Uruguai S.A.

Remuneration of key management personnel

The total costs of key personnel, comprising the Executive Board, Audit Board, Fiscal Council and Board of Directors – are within the limits approved by a General Meeting of Shareholders, and the effects in the Income statements of the years ended September 30, 2019 and 2018 are as follows:

	Jan to Sep, 2019	Jan to Sep, 2018
Remuneration	19,053	23,626
Profit shares	4,914	131
Assistance benefits	1,229	1,801
Total	**25,196**	**25,558**

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33. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

a) Classification of financial instruments and fair value

The principal financial instruments, classified in accordance with the accounting principles adopted by the Company, are as follows:

	Level	Sep. 30, 2019		Dec. 31, 2018	
		Balance	Fair value	Balance	Fair value
Financial assets					
Amortized cost (1)					
Marketable Securities – Cash investments	2	93,173	93,173	116,513	116,513
Customers and Traders; Concession holders (transmission service)	2	4,319,643	4,319,643	3,927,651	3,927,651
Restricted cash	2	15,809	15,809	90,993	90,993
Customers – Accounts receivable from Minas Gerais State	2	324,514	324,514	244,960	244,960
Other accounts receivable from Minas Gerais State (CIP)		2,050	2,050	2,050	2,050
Accounts receivable from Minas Gerais State (AFAC)	2	237,763	237,763	245,566	245,566
Concession financial assets – *CVA* (Portion ‘A’ Costs Variation Compensation) Account, and *Other financial components*	3	1,099,974	1,099,974	1,080,693	1,080,693
Reimbursement of tariff subsidies	2	96,875	96,875	90,845	90,845
Low-income subsidy	2	29,195	29,195	30,232	30,232
Escrow deposits	2	2,534,074	2,534,074	2,501,512	2,501,512
Concession grant fee – Generation concessions	3	2,459,835	2,459,835	2,408,930	2,408,930
Reimbursements receivable – Transmission		1,302,889	1,302,889	1,296,314	1,296,314
Accounts receivable – Renova	2	-	-	507,038	507,038
Reimbursement – Decontracting of supply	2	-	-	45,550	45,550
		12,515,794	**12,515,794**	**12,588,847**	**12,588,847**
Fair value through profit or loss					
Cash equivalents – Cash investments		597,815	597,815	783,288	783,288
Securities					
Bank certificates of deposit	2	249	249	-	-
Treasury Financial Notes (LFTs)	1	580,233	580,233	253,868	253,868
Financial Notes – Banks	2	196,977	196,977	434,735	434,735
Debentures	2	5,259	5,259	7,118	7,118
		1,380,533	**1,380,533**	**1,479,009**	**1,479,009**
Derivative financial instruments (Swaps)	3	1,870,106	1,870,106	813,335	813,335
Derivative financial instruments (Ativas and Sonda Put options)	3	4,975	4,975	4,460	4,460
Concession financial assets – Distribution infrastructure	3	436,498	436,498	395,743	395,743
Reimbursements receivable – Generation	3	816,202	816,202	816,202	816,202
		4,508,314	**4,508,314**	**3,508,749**	**3,508,749**
		17,024,108	**17,024,108**	**16,097,596**	**16,097,596**
Financial liabilities					
Amortized cost (1)					
Loans, financings and debentures	2	(15,184,307)	(15,184,307)	(14,771,828)	(14,771,828)
Debt with pension fund (Forluz)	2	(590,335)	(590,335)	(651,966)	(651,966)
Deficit of pension fund (Forluz)	2	(553,065)	(553,065)	(377,449)	(377,449)
Concessions payable	3	(19,212)	(19,212)	(18,747)	(18,747)
Suppliers	2	(2,058,732)	(2,058,732)	(1,801,252)	(1,801,252)
Leasing transactions (2)	2	(306,136)	(306,136)	-	-
		(18,711,787)	**(18,711,787)**	**(17,621,242)**	**(17,621,242)**
Fair value through profit or loss					
Derivative financial instruments (SAAG put options)	3	(451,767)	(451,767)	(419,148)	(419,148)
		(451,767)	**(451,767)**	**(419,148)**	**(419,148)**
		(19,163,554)	**(19,163,554)**	**(18,040,390)**	**(18,040,390)**

(1) On September 30, 2019 and December 31, 2018 the book values of financial instruments reflect their fair values.
(2) Leasing transactions have been recognized in accordance with initial adoption of IFRS 16 / CPC 06 (R2). For more information see Note 20.

At the initial recognition the Company measures its financial assets and liabilities at fair value and classifies them according to the accounting standards currently in effect. *Fair value* is a measurement based on assumptions that market participants would use in pricing an asset or liability. The Company uses the following classification to its financial instruments:

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- Level 1 - Active market – Quoted prices: A financial instrument is considered to be quoted in an active market if the prices quoted are promptly and regularly made available by an exchange or organized over-the-counter market, by operators, by brokers or by a market association, by entities whose purpose is to publish prices, or by regulatory agencies, and if those prices represent regular arm's length market transactions made without any preference.

- Level 2 - No active market – Valuation technique: For an instrument that does not have an active market, fair value should be found by using a method of valuation/pricing. Criteria such as data on the current fair value of another instrument that is substantially similar, or discounted cash flow analysis or option pricing models, may be used. The objective of the valuation technique is to establish what would be the transaction price on the measurement date in an arm's-length transaction motivated by business considerations.

- Level 3 - No active market – No observable inputs: The fair value of investments in securities for which there are no prices quoted on an active market, and/or of derivatives linked to them which are to be settled by delivery of unquoted securities, is determined based on generally accepted valuation techniques, such as on discounted cash flow analysis or other valuation techniques such as, for example, new replacement value (*Valor novo de reposição*, or VNR).

Fair value calculation of financial positions

<u>Distribution infrastructure concession financial assets, and Transmission concession financial assets – Assets remunerated by tariff</u>: These are measured at New Replacement Value (*Valor novo de reposição*, or VNR), according to criteria established by the Concession-granting power ('Grantor'), based on fair value of the concession assets in service and which will be revertible at the end of the concession, and on the weighted average cost of capital (WACC) used by the Grantor, which reflects the concession holder's return on the operations of the concession. The VNR and the WACC are public information, disclosed by the Grantor and by Cemig respectively. Changes in concession financial assets are disclosed in Note 15.

<u>Indemnifiable receivable – Transmission</u>: These are measured at New Replacement Value (*Valor novo de reposição*, or VNR), according to criteria set by the Concession-granting power ('Grantor'), based on fair value of the assets to be reimbursed as a result of acceptance of the terms of Law 12,783/13, and on the weighted average cost of capital (WACC) used by the Grantor, which reflects the concession holder's return on the operations of the concession. The VNR and the WACC are public information disclosed by the Grantor and by Cemig, respectively.

<u>Indemnifiable receivable – Generation</u>: Measured at New Replacement Value (VNR), as per criteria set by regulations of the grantor power, based on the fair value of the assets to be indemnify on termination of the concession.

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

Put options: The Company adopted the Black-Scholes-Merton method for measuring fair value of the SAAG, RME and Sonda options. The fair value of these options was calculated on the basis of the estimated exercise price on the day of exercise of the option, less the fair value of the underlying shares, also estimated for the date of exercise, brought to present value at the reporting date.

Swaps: Fair value was calculated based on the market value of the security at its maturity adjusted to present value by the discount rate obtained from the market yield curve.

Other financial liabilities: Fair value of its loans, financings and debentures were determined using 133.06% of the CDI rate – based on its most recent funding. For the loans, financings and debentures, and debt renegotiated with Forluz, with annual rates between IPCA + 4.70% to 8.07% and CDI + 0.46% to 2.75%, Company believes that their carrying amount is approximated to their fair value.

b) Derivative financial instruments

Put options

The Company and its subsidiaries hold options to sell certain securities (put options) for which it has calculated the fair value based on the Black and Scholes Merton (BSM) model, considering the following variables assumptions: exercise price of the option; closing price of the underlying asset as of September 30, 2019; risk-free interest rate; volatility of the price of the underlying asset; and time to maturity of the option.

Analytically, calculation of the exercise price of the options, the risk-free interest rate and the time to maturity is primarily deterministic, so that the main divergence in the put options takes place in the measurement of the closing price and the volatility of the underlying asset.

On September 30, 2019 and December 31, 2018 the Company's options were as follows:

Consolidated	Balance at Sep. 30, 2019	Balance at Dec. 31, 2018
Put option – SAAG	451,767	419,148
Put / call options – Ativas and Sonda	(4,975)	(4,460)
	446,792	414,688

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Put option – SAAG

Option Contracts were signed between Cemig GT and the private pension entities that participate in the investment structure of SAAG (comprising FIP Melbourne, Parma Participações S.A. and FIP Malbec, jointly, 'the Investment Structure'), giving those entities the right to sell units in the Funds that comprise the Investment Structure, at the option of the Funds, in the 84th (eighty-fourth) month from June 2014. Under these contracts the exercise price of the Put Options would be the amount invested by each of the private pension plan in the Investment Structure, updated *pro rata temporis* by the Expanded National Customer 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 lpan entities. This option was considered to be a derivative instrument, accounted at fair value through profit or loss.

For measurement of the fair value of the SAAG put option Cemig GT uses the Black-Scholes-Merton ('BSM') model. The assumption was made that the future expenditures of FIP Malbec and FIP Melbourne are insignificant, so that the options are valued as if they hold direct equity interests at Mesa. However, neither SAAG nor Mesa are traded on a securities exchange, so that some assumptions are necessary for calculation of the price of the asset and its volatility for application of the BSM model. The closing price of the shares of Mesa on September, 30, 2019, is ascertained from free cash flow to equity, in proportion to the indirect interests held by the FIPs. Volatility is measured as an average of historic volatility of comparable generation companies listed on the B3 (assuming that the data series for the difference of capitalized returns, over time, follows a normal distribution).

Based on the studies made, a liability of R$451,767 (R$419,148 on December 31, 2018) is recorded in the Company's interim accounting information, for the difference between the exercise price and the estimated fair value of the assets.

Changes in the values of the options are as follows:

	Consolidated
Balance at Dec. 31, 2017	**311,593**
Change in fair value	62,592
Balance at Sep. 30, 2018	**374,185**
Balance at Dec. 31, 2018	**419,148**
Change in fair value	32,619
Balance at Sep. 30, 2019	**451,767**

Cemig GT performed the sensitivity analysis of the exercise price of the option, varying the risk-free interest rate and the volatility, keeping the other variables of the model unchanged. In this context, scenarios for the risk-free interest rate at 3.21% p.a. to 7.21% p.a., and for volatility between 13% and 73% p.a., were used, resulting in estimates of minimum and maximum price for the put option of R$434,041 and R$470,985, respectively.

This option for sale of investments could potentially dilute basic profit per share in the future; it has not caused dilution of profit per share in the business years presented here.

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Sonda options

As part of the process of shareholding restructuring, CemigTelecom and Sonda signed a Call Option Agreement (issued by CemigTelecom) and a Put Option Agreement (issued by Sonda). Considering the merger of Cemig Telecom into Cemig, on March 31, 2018, the option contract is now between Cemig and Sonda.

This resulted in Cemig simultaneously having a right (put option) and an obligation (call option). The exercise price of the put option will be equivalent to fifteen times the adjusted net profit of Ativas in the business year prior to the exercise date. The exercise price of the call option will be equivalent to seventeen times the adjusted net profit of Ativas in the business year prior to the exercise date. Both options, if exercised, result in the sale of the shares in Ativas currently owned by the Company, and the exercise of one of the options results in nullity of the other. The options may be exercised as from January 1, 2021.

The put and call options in Ativas ('the Ativas Options') were measured at fair value and posted at their net value, i.e. the difference between the fair values of the two options on the reporting date of the interim financial statements at September 30, 2019. Depending on the value of the options, the net value of the Ativas Options may be an asset or a liability of the Company.

The measurement has been made using the Black-Scholes-Merton (BSM) model. In the calculation of the fair value of the Ativas Options based on the BSM model, the following variables are taken into account: closing price of the underlying asset on September 30, 2019; the risk-free interest rate; the volatility of the price of the underlying asset; the time to maturity of the option; and the exercise prices on the exercise date.

The closing price of the underlying asset was based on the valuation prepared by the same specialized consulting firm responsible for calculating the options. The valuation base date is September 30, 2019, the closing date of the Company's Interim financial information, and the methodology used to calculate the fair value of the company is discounted cash flow (DCF) based on the value of the shares transaction of Ativas by Sonda, which took place on October 19, 2016. The calculation of the risk-free interest rate was based on yields of National Treasury Bills. The time to maturity was calculated assuming exercise date of December 31, 2021.

Considering that the exercise prices of the options are contingent upon the future financial results of Ativas, the estimate of the exercise prices on the date of maturity was based on statistical analyses and on information of comparable listed companies.

Swap transactions

Considering that part of the loans and financings of the Cemig GT is denominated in foreign currency, the Company uses derivative financial instruments (swap transactions) to protect the servicing associated with these debts (principal plus interest).

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The derivative financial instruments contracted have the purpose of protecting the operations against the risks arising from foreign exchange variation and are not used for speculative purposes.

The notional amount of derivative transactions are not presented in the statement of financial position, since they refer to transactions that do not require cash as only the gains or losses that actually incurred are recorded. The net result of those transactions on September 30, 2019 was a positive adjustment of R$1,099,230 (Positive adjustment of R$322,847 on September 30, 2018), which was posted in Finance income (expenses).

The Company has a Financial Risks Management Committee, created to monitor the financial risks in relation to volatility and trends of inflation indices, exchange rates and interest rates that affect its financial transactions and which could negatively affect its liquidity and profitability. The Committee implements action plans and sets guidelines for proactive control of the financial risks environment.

The counterparties of the derivative transactions are the banks Bradesco, Itaú, Goldman Sachs and BTG Pactual and the Company is guarantor of the derivative instruments contracted by Cemig GT.

This table presents the derivative instruments contracted at September 30, 2019 and December 31, 2018:

Eurobond terms: payable by Cemig GT (1)	Terms of swap: payable by Cemig GT (1)	Maturity period	Trading market	Value of principal contracted US$ '000 (2)	Unrealized gain (loss) R$ '000		Unrealized gain (loss) R$ '000	
					According to contract Sep. 30, 2019	Fair value Sep. 30, 2019	According to contract Dec. 31, 2018	Fair value Dec. 31, 2018
In US$ 9.25% p.a.	R$ 150.49% of CDI	Interest: Half-yearly Principal: Dec. 2024	Over-the-counter	US$1,000,000	920,376	1,355,766	679,530	626,888
In US$ 9.25% p.a.	R$ 125.52% of CDI	Interest: Half-yearly Principal: Dec. 2024	Over-the-counter	US$500,000	162,591	514,340	32,781	186,447
					1,082,967	**1,870,106**	**712,311**	**813,335**
Current assets						**215,996**		**69,643**
Non-current assets						**1,654,110**		**743,692**

(1) For the initial Eurobond issue of US$1 billion, placed in December 2017: (1) for the principal, a call spread was contracted, with floor at R$3.25/US$ and ceiling at R$5.00/US$; and (2) a swap was contracted for the total of the interest, replacing the 9.25% p.a. coupon in US$ with an obligation in Reais at an average rate equivalent to 150.49% of the CDI. For the additional US$500 million tranche of the same Eurobond, in July 2018: (1) a call spread was contracted for the principal, with floor at R$3.85/US$ and ceiling at R$5.00/US$; and (2) a swap was contracted for the whole of the interest, replacing the 9.25% p.a. coupon in US$ with an average rate in Reais equivalent to 125.52% of the CDI rate.

(2) In thousands of US dollars.

In accordance with market practice, Cemig GT uses a mark-to-market method to measure its hedge derivatives for its Eurobonds. The principal indicators for measuring the fair value of the swap are the DI and dollar futures curves on the São Paulo B3 exchange. The Black & Scholes model is used to price the call spread.

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The fair value found on September 30, 2019 was R$1,870,106 (R$813,335 on December 31, 2018), which would be a reference point if the Company were to liquidate the hedges on September 30, 2019, but the swap contracts protect the company's cash flow up to the maturity of the bonds in 2024. They have accrual value of R$1,082,967 at September 30, 2019 (R$712,311 on December 31, 2018).

Cemig GT is exposed to market risk as a function of having contracted this hedge, the principal potential impact being an alteration in futures of Brazilian interest rates or FX rates. Based on the futures curves for interest rates and the dollar, the Company estimates that in a probable scenario, its results would be affected by the swap and call spread at the end of the period in the amount of R$1,112,117 for the option (call spread) and R$699,109 for the swap – comprising a total of R$1,811,226.

Cemig GT has measured the effects on its net income of reduction of the estimated fair value for the 'probable' scenario by 25% and 50%, respectively, as follows:

Parent company, and consolidated	Base scenario September 30, 2019	'Probable' scenario:	'Possible' scenario: FX depreciation and interest rate increase 25%	'Remote' scenario: FX depreciation and interest rate increase 50%
Swap, asset side	6,686,714	6,489,504	5,465,005	4,515,983
Swap, liability side	(5,918,425)	(5,790,395)	(5,915,996)	(6,032,645)
Option / Call spread	1,101,817	1,112,117	519,672	77,061
Derivative hedge instrument	**1,870,106**	**1,811,226**	**68,681**	**(1,439,601)**

The same methods of measuring used in marking to market of the derivative instruments described above were applied to the calculation of estimated fair value.

c) Risk management

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

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

The main risks to which the Company and its subsidiaries are exposed are as follows:

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Exchange rate risk

Cemig and its subsidiaries are exposed to the risk of increase in exchange rates, with effect on Loans and financings, Suppliers, and cash flow. The net exposure to exchange rates is as follows:

Exposure to exchange rates	Sep. 30, 2019		Dec. 31, 2018	
	Foreign currency	R$	Foreign currency	R$
US dollar				
Loans and financings (Note 23)	1,557,757	6,487,123	1,518,029	5,882,060
Suppliers (Itaipu Binacional)	30,871	128,561	69,166	268,004
	1,588,628	6,615,684	1,587,195	6,150,064
Euros				
Loans and financings – Euros (Note 23)	-	-	52	229
Net liabilities exposed		**6,615,684**		**6,150,293**

Sensitivity analysis

Based on information from its financial consultants, the Company estimates that in a probable scenario the variation of the exchange rates of foreign currencies in relation to the Real at September 30, 2020 will be a depreciation in the dollar exchange rate by 2.99%, to R$4.04/US$. The Company has made a sensitivity analysis of the effects on its profit arising from depreciation of the Real exchange rate by 25%, and by 50%, in relation to this 'probable' scenario.

Risk: foreign exchange rate exposure	Book value	Probable' scenario: US$1= R$4.04	Possible' scenario US$1=R$5.05	'Remote' scenario US$1=R$6.06
US dollar				
Loans and financings	6,487,123	6,293,338	7,866,673	9,440,007
Suppliers (Itaipu Binacional)	128,561	124,721	155,901	187,081
	6,615,684	6,418,059	8,022,574	9,627,088
Net liabilities exposed	**6,615,684**	**6,418,059**	**8,022,574**	**9,627,088**
Net effect of exchange rate variation	-	**(197,625)**	**1,406,890**	**3,011,404**

Company has entered into a swap operations to replace the exposure to the US dollar with exposure to variation in the CDI Rate, as described in more detail in the item 'Swap Transactions' in this Note.

Interest rate risk

Company and its subsidiaries are exposed to the risk of increase in Brazilian domestic interest rates. This exposure occurs as a result of net liabilities indexed to variation in interest rates, as follows:

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Risk: Exposure to domestic interest rate changes	Consolidated – R$ '000	
	Sep. 30, 2019	Dec. 31, 2018
Assets		
Cash equivalents (Note 5) – CDI rate	597,815	783,288
Securities (Note 6) – CDI and Selic rates	875,890	812,234
Accounts receivable – Renova (Note 32) – CDI	-	507,038
Restricted cash – CDI	15,809	90,993
CVA and *Other financial components* in tariffs – Selic rate (Note 15)	1,099,974	1,080,693
Reimbursement – Decontracting of supply – CDI	-	45,550
	2,589,488	**3,319,796**
Liabilities		
Loans, financings and debentures – CDI rate (Note 23)	(3,872,213)	(4,919,571)
Loans, financings and debentures – TJLP (Note 23)	(244,753)	(249,454)
	(4,116,966)	**(5,169,025)**
Net liabilities exposed	**(1,527,478)**	**(1,849,229)**

Sensitivity analysis

In relation to the risks of the most significant interest rates, the Company and its subsidiaries estimate that, in a probable scenario, on September 30, 2020 the Selic rate will be 4.50% and the TJLP will be 5.22%. The Company and its subsidiaries have made a sensitivity analysis of the effects on its profit arising from increases in rates of 25% and 50% in relation to the 'probable' scenario. Variation in the CDI rate accompanies the variation in the Selic rate.

Risk: Increase in Brazilian interest rates	Sep. 30, 2019	Sep. 30, 2020		
	Book value	'Probable' scenario: SELIC 4.5000% TJLP 5.2211%	'Possible' scenario: SELIC 6.250% TJLP 6.5264%	'Remote' scenario: SELIC 6.7500% TJLP 7.8317%
Assets				
Cash equivalents – Short-term investments (Note 5)	597,815	624,717	631,442	638,168
Securities (Note 6)	875,890	915,305	925,159	935,013
Restricted cash	15,809	16,520	16,698	16,876
CVA and *Other financial components* in tariffs – Selic rate (Note 15)	1,099,974	1,149,473	1,161,848	1,174,222
Indemnity – Decontracting of supply (Note 32)	**2,589,488**	**2,706,015**	**2,735,147**	**2,764,279**
Liabilities				
Loans, financings and debentures – CDI rate (Note 23)	(3,872,213)	(4,046,463)	(4,090,025)	(4,133,587)
Loans, financings and debentures – TJLP (Note 23)	(244,753)	(257,532)	(260,727)	(263,921)
	(4,116,966)	**(4,303,995)**	**(4,350,752)**	**(4,397,508)**
Net assets (liabilities) exposed	**(1,527,478)**	**(1,597,980)**	**(1,615,605)**	**(1,633,229)**
Net effect of variation in interest rates		**(70,502)**	**(88,127)**	**(105,751)**

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Inflation risk

The Company and its subsidiaries are exposed to risk of increase in inflation, due to their having more liabilities than assets indexed to the variation of inflation indicators, as follows:

Company's exposure to reduction in inflation	Sep. 30, 2019	Dec. 31, 2018
Assets		
Distribution-related Concession financial assets – IPCA index (1)	436,498	395,743
Receivable from Minas Gerais state government (Debt recognition agreement) – IGPM index (Note 32)	326,564	247,010
Receivable from Minas Gerais state govt. (AFAC) – IGPM (Note 12)	237,763	245,566
Transmission reimbursement receivable – IPCA (Note 15)	1,302,889	1,296,314
Concession Grant Fee – IPCA (Note 15)	2,459,835	2,408,930
	4,763,549	**4,593,563**
Liabilities		
Loans, financings and debentures – IPCA (Note 23)	(4,661,111)	(3,791,340)
Debt agreed with pension fund (Forluz) – IPCA	(590,335)	(651,966)
Forluz deficit solution plan – IPCA	(553,065)	(377,449)
	(5,804,511)	**(4,820,755)**
Net assets (liabilities) exposed	**(1,040,962)**	**(227,192)**

(1) Portion of concession financial assets relating to the Regulatory Remuneration Base of Assets ratified by Aneel after the third tariff review cycle.

Sensitivity analysis

This analysis reflects the Company having more assets than liabilities indexed to inflation indicators. Cemig and its subsidiaries estimate that, in a probable scenario on September 30, 2020 the IPCA inflation index will be 3.42%, and the IGP–M inflation index will be 4.12%. The Company has made a sensitivity analysis of the effects on its profit arising from increases in inflation of 25% and 50% in relation to the 'probable' scenario, naming these the 'possible' and 'remote' scenarios, respectively.

Risk: Increase in inflation	Sep. 30, 2019		Sep. 30, 2020	
	Amount Book value	'Probable' scenario: IPCA 3.4166% IGPM 4.1162%	'Possible' scenario (25%) IPCA 4.2708% IGPM 5.1249%	'Remote' scenario (50%) IPCA 5.1249% IGPM 6.1743%
Assets				
Distribution infrastructure-related Concession financial assets – IPCA (1)	436,498	451,411	455,140	458,868
Receivable from Minas Gerais state government (Debt recognition agreement) – IGPM index (Note 12)	326,564	340,006	343,367	346,727
Receivable from Minas Gerais state govt. (AFAC) – IGPM (Note 32)	237,763	247,550	249,997	252,443
Transmission – Reimbursement receivable – IPCA index (Note 15)	1,302,889	1,347,404	1,358,533	1,369,661
Concession Grant Fee – IPCA (Note 15)	2,459,835	2,543,878	2,564,890	2,585,899
	4,763,549	**4,930,249**	**4,971,927**	**5,013,598**
Liabilities				
Loans, financings and debentures – IPCA and IGP-DI (Note 23)	(4,661,111)	(4,820,363)	(4,860,178)	(4,899,988)
Debt agreed with pension fund (Forluz) – IPCA	(590,335)	(610,504)	(615,547)	(620,589)
Forluz pension fund deficit solution plan	(553,065)	(571,961)	(576,685)	(581,409)
	(5,804,511)	**(6,002,828)**	**(6,052,410)**	**(6,101,986)**
Net assets (liabilities)	**(1,040,962)**	**(1,072,579)**	**(1,080,483)**	**(1,088,388)**
Net effect of variation in IPCA and IGPM indices		**(31,617)**	**(39,521)**	**(47,426)**

(1) Portion of the concession financial assets relating to the Regulatory Remuneration Base of Assets ratified by Aneel after the fourth tariff review cycle.

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Liquidity risk

Cemig has sufficient cash flow to cover the cash needs related to its operating activities. The Company manages liquidity risk with a group of methods, procedures and instruments that are coherent with the complexity of the business, and applied in permanent control of the financial processes, to guarantee appropriate risk management.

Cemig manages liquidity risk by permanently monitoring its cash flow in a conservative, budget-oriented manner. Balances are projected monthly, for each one of the companies, over a period of 12 months, and daily liquidity is projected over 180 days.

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

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

The greater part of the energy sold by the Company and its subsidiaries is generated by hydroelectric plants. A prolonged period of scarce rainfall can result in lower water volumes in the reservoirs of these plants, which can lead to an increase in the cost of acquisition of energy, due to replacement by thermoelectric sources, or reduction of revenues due to reduction in consumption caused by implementation of wide-ranging programs for saving of energy. Prolongation of generation by thermoelectric plants can pressure costs of acquisition of energy for the distributors, causing a greater need for cash, and can impact future tariff increases – as indeed has happened with the Extraordinary Tariff Review granted to the distributors in March 2015.

Any reduction in the Company's ratings could result in a reduction of its ability to obtain new financings, and could also make it more difficult or costly to refinance debt not yet due. In this situation, any financing or refinancing of debt could have higher interest rates or might require compliance with more onerous covenants, which could additionally cause restrictions to the operations of the business.

The flow of payments of the obligations of the Company and its subsidiaries – to suppliers; for debt agreed with the pension fund; and under loans, financings and debentures, at floating and fixed rates, including future interest up to contractual maturity dates – is as follows:

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Consolidated	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
Financial instruments at (interest rates):						
- Floating rates						
Loans, financings and debentures	45,302	429,361	1,890,686	8,843,239	8,433,926	19,642,514
Paid concessions	220	432	1,912	8,611	13,521	24,696
Debt with pension plan (Forluz) (Note 25)	11,825	23,764	109,058	595,530	-	740,177
Deficit of the pension plan (FORLUZ) (Note 25)	5,252	10,539	121,294	210,649	659,439	1,007,173
Leasing agreements (Note 20)	8,434	16,866	75,649	152,219	482,340	735,508
	71,033	**480,962**	**2,198,599**	**9,810,248**	**9,589,226**	**22,150,068**
- Fixed rate						
Suppliers	2,051,821	6,013	898	-	-	2,058,732
	2,122,854	**486,975**	**2,199,497**	**9,810,248**	**9,589,226**	**24,208,800**

Parent company	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
Financial instruments at (interest rates):						
- Floating rates						
Loans, financings and debentures	-	-	-	52,479	-	52,479
Paid concessions	-	-	-	-	-	-
Debt with pension plan (Forluz) (Note 25)	582	1,169	5,366	29,300	-	36,417
Deficit of the pension plan (FORLUZ) (Note 25)	258	519	5,968	10,364	32,444	49,553
Leasing agreements (Note 20)	236	473	2,122	1,440	5,610	9,881
	1,076	**2,161**	**13,456**	**93,583**	**38,054**	**148,330**
- Fixed rate						
Suppliers	1,826	-	-	-	-	1,826
	2,902	**2,161**	**13,456**	**93,583**	**38,054**	**150,156**

Credit risk

The distribution concession contract requires levels of service on a very wide basis within the concession area; disconnection of supply of defaulting customers is permitted. The Company uses numerous tools of communication and collection to avoid increase in default. These include: telephone contact, emails, text messages, collection letters, listing the customer on credit protection registers, and collection through the courts.

The risk arising from the possibility of Cemig and its subsidiaries incurring losses as a result of difficulty in receiving amounts billed to its customers is considered to be low. The credit risk is also reduced by the extremely wide customer base.

The provision for doubtful debtors constituted on September 30, 2019, considered to be adequate in relation to the credits in arrears receivable by the Company and its subsidiaries was R$840,438.

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

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

This Policy assesses and scales the credit risks of the institutions, the liquidity risk, the market risk of the investment portfolio and the Treasury operational risk. All investments are made in financial securities that have fixed-income characteristics, the majority of them indexed to the CDI rate. The Company does not make any transactions that would incorporate volatility risk into its financial statements.

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

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

1. Ratings by three risk rating agencies.
2. Equity greater than R$400 million.
3. Basel ratio one percentage point above the minimum set by the Brazilian Central Bank.

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

Group	Equity	Concentration	Limit per bank (% of equity)[1]
A1	Over R$3.5 billion	Minimum 80%	Between 6% and 9%
A2	R$1.0 billion to R$3.5 billion	Maximum 30%	Between 5% and 8%
B	R$400 million to R$1.0 billion	Maximum 30%	Between 5% and 7%

[1] The percentage assigned to each bank depends on an individual assessment of indicators such as liquidity and quality of the credit portfolio.

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

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

Risk of over-contracting and under-contracting of supply

Sale or purchase of power supply in the spot market to cover a positive or negative exposure of supply contracted, to serve the captive market of Cemig D, is a risk inherent to the energy distribution business. The regulatory limit for pass-through to customers of exposure to the spot market, valued at the difference between the distributor's average purchase price and the spot price (PLD), is the range between 95% and 105% of the distributor's contracted supply. Any exposure that can be proved to have arisen from factors outside the distributor's control ('involuntary exposure') may also be passed through in full to customers. The Company's Management is continually managing its contracts for purchase of power supply to mitigate the risk of exposure to the spot market.

Risk to continuity of the concession

The risk to continuity of the distribution concession arises from the new terms included in the extension of Cemig D's concession for 30 years from January 1, 2016, as specified by Law 12,783/13. The extension brought with it changes to the previous contract, making continuity of the concession conditional on compliance by the Distributor with new criteria for quality, and for economic and financial sustainability.

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The extension is conditional on compliance with indicators contained in the contract itself, which aim to guarantee quality of the service provided and economic and financial sustainability of the company. These are determinant for actual continuation of the concession in the first five years of the contract, since non-compliance with them in two consecutive years, or in the fifth year, results in cancellation of the concession.

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

The efficiency criteria for continuity of supply and for economic and for financial management, required to maintain the distribution concession, were met in the year ended September 30, 2019.

Hydrological risk

The greater part of the energy sold by the Company's subsidiaries is generated by hydroelectric plants. A prolonged period of scarce rainfall can result in lower water volumes in the reservoirs of these plants, which can lead to an increase in the cost of acquisition of energy, due to replacement by thermoelectric sources, or reduction of revenues due to reduction in consumption caused by implementation of wide-ranging programs for saving of energy. Prolonged generation of energy using the thermal plants can pressure distributors' costs of acquisition of supply, causing a greater need for cash, and potentially increasing tariffs.

Risk of debt early maturity

The Company's subsidiaries have loan contracts with restrictive covenants normally applicable to this type of transaction, related to compliance with a financial index. Non-compliance with these covenants could result in earlier maturity of debts.

On September 30, 2019 the Company and its subsidiaries were compliant with all the covenants for financial index requiring half-yearly, annual and permanent compliance, except for non-compliance with the non-financial covenant of the loan contracts with the CEF of the subsidiaries Central Eólica Praias de Parajuru and Central Eólica Volta do Rio. For further details, see Note 23.

Capital management

The comparisons of the Company's consolidated net liabilities and its Equity are as follows:

	Consolidated		Parent company	
	Sep. 30, 2019	Dec. 31, 2018	Sep. 30, 2019	Dec. 31, 2018
Total liabilities	32,851,037	43,915,346	1,614,784	1,987,772
(–) Cash and cash equivalents	(694,972)	(890,804)	(122,251)	(54,330)
(–) Restricted cash	(15,809)	(90,993)	(129)	(129)
Net liabilities	**32,140,256**	**42,933,549**	**1,492,404**	**1,933,313**
Total equity	**17,211,635**	**15,939,327**	**17,207,297**	**14,578,719**
Net liabilities / equity	**1.87**	**2.69**	**0.09**	**0.13**

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34. THE ANNUAL TARIFF ADJUSTMENT FOR CEMIG D

On May 28, 2019, the regulator (Aneel) approved the Annual Tariff Adjustment of Cemig D. This provided a tariff increase of 8.73%, whereas 1.60% corresponded to Cemig D's manageable costs (Portion B) and the remaining portion, of 7.13%, has zero economic effect, not affecting profitability, since it represents direct pass-through, within the tariff, relating to the following items: (i) increase of 0.34% in non-manageable ('Parcel A') costs, relating mainly to purchase of energy supply, sector charges and transmission charges; (ii) increase of 9.24% in the financial components of the current process, led by the CVA currently being processed, which had an effect of 10.79%; and (iii) 2.45% was withdrawn from the financial components of the prior process. The tariff adjustment is in effect from May 28, 2019 to May 27, 2020.

35. OPERATING SEGMENTS

The operational segments of the Company and its subsidiaries reflect their management and their organizational structure, and structure for monitoring of results. They are aligned with the regulatory framework of the Brazilian energy industry, which has different legislations for the sectors of generation, and transmission, of electric power.

The Company also operates in the gas market, through its subsidiary Gasmig, and in other businesses with less impact on the results of its operations. These segments are reflected in the Company's management, organizational structure, and monitoring of results. In accordance with the regulatory framework of the Brazilian energy sector, there is no segmentation by geographical area.

These tables show the consolidated operating costs and expenses for the periods ended September 30, 2019 and 2018:

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INFORMATION BY SEGMENT AT SEPTEMBER 30, 2019							
DESCRIPTION	ELECTRICITY			GAS	OTHERS	ELIMINATIONS	TOTAL
	GENERATION	TRANSMISSION	DISTRIBUTION				
ASSETS OF THE SEGMENT	**15,467,907**	**4,142,829**	**24,924,804**	**2,786,918**	**3,202,639**	**(462,425)**	**50,062,672**
INVESTMENTS IN AFFILIATES AND JOINTLY CONTROLLED ENTITIES	**4,304,218**	**1,254,441**	**-**	**-**	**25,900**	**-**	**5,584,559**
INVESTMENTS IN AFFILIATES CLASSIFIED AS HELD FOR SALE (NOTE 36)	**-**	**-**	**1,258,111**	**-**	**-**	**-**	**1,258,111**
ADDITIONS TO THE SEGMENT	**70,006**	**-**	**21,190**	**891,833**	**5,810**	**-**	**988,839**
ADDITIONS TO CONTRACT ASSETS	**-**	**150,158**	**605,141**	**30,239**	**-**	**-**	**785,538**
GOING CONCERN OPERATIONS							
NET REVENUE	**5,347,651**	**520,203**	**11,694,909**	**1,375,996**	**289,486**	**(227,488)**	**19,000,757**
COST OF ENERGY AND GAS							
Energy bought for resale	(2,825,618)	-	(5,381,699)	-	(6)	53,015	(8,154,308)
Charges for use of the national grid	(142,377)	-	(1,098,492)	-	-	163,482	(1,077,387)
Gas bought for resale	-	-	-	(1,100,302)	-	-	(1,100,302)
Total	**(2,967,995)**	**-**	**(6,480,191)**	**(1,100,302)**	**(6)**	**216,497**	**(10,331,997)**
OPERATING COSTS AND EXPENSES							
Personnel	(158,424)	(88,190)	(673,710)	(33,336)	(27,762)	-	(981,422)
Employees' and managers' profit shares	(22,484)	(15,656)	(109,480)	-	(12,323)	-	(159,943)
Post-employment obligations	(37,011)	(28,303)	(205,866)	-	(32,916)	-	(304,096)
Materials	(11,297)	(3,763)	(43,788)	(1,668)	(210)	20	(60,706)
Outsourced services	(87,137)	(31,990)	(733,969)	(13,951)	(32,846)	5,948	(893,945)
Depreciation and amortization	(166,688)	(4,543)	(489,012)	(59,370)	(3,709)	-	(723,322)
Operating provisions (reversals) and adjustments for operational losses	(920,261)	(114,596)	(1,048,610)	(1,117)	(190,838)	-	(2,275,422)
Infrastructure construction costs	-	(150,159)	(626,330)	(30,239)	-	-	(806,728)
Other operating expenses (revenues), net	303	(11,937)	(175,211)	(6,776)	3	5,023	(188,595)
Total cost of operation	**(1,402,999)**	**(449,137)**	**(4,105,976)**	**(146,457)**	**(300,601)**	**10,991**	**(6,394,179)**
OPERATING COSTS AND EXPENSES	**(4,370,994)**	**(449,137)**	**(10,586,167)**	**(1,246,759)**	**(300,607)**	**227,488**	**(16,726,176)**
Share of profit (loss) of associates and joint ventures, net	(16,940)	179,032	-	-	(812)	-	161,280
OPER. PROFIT BEFORE FIN. REV. (EXP.) AND TAXES	**959,717**	**250,098**	**1,108,742**	**129,237**	**(11,933)**	**-**	**2,435,861**
Financial revenues	1,361,418	106,995	1,401,937	57,378	314,235	-	3,241,963
Financial expenses	(1,013,462)	(111,769)	(506,395)	(18,928)	(18,173)	-	(1,668,727)
PRE-TAX PROFIT	**1,307,673**	**245,324**	**2,004,284**	**167,687**	**284,129**	**-**	**4,009,097**
Income tax and social contribution tax	(642,708)	(32,163)	(752,665)	(56,642)	(118,595)	-	(1,602,773)
Net income for the period from continued operations	**664,965**	**213,161**	**1,251,619**	**111,045**	**165,534**	**-**	**2,406,324**
DISCONTINUED OPERATIONS							
Net income for the period from discontinued operations (Note 36)	**-**	**-**	**224,067**	**-**	**-**	**-**	**224,067**
NET INCOME (LOSS) FOR THE PERIOD	**664,965**	**213,161**	**1,475,686**	**111,045**	**165,534**	**-**	**2,630,391**
Equity holders of parent company	**664,965**	**213,161**	**1,475,686**	**110,518**	**165,534**	**-**	**2,629,864**
Non-controlling interest (Note 27)	**-**	**-**	**-**	**527**	**-**	**-**	**527**
	664,965	**213,161**	**1,475,686**	**111,045**	**165,534**	**-**	**2,630,391**

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DESCRIPTION	ELECTRICITY GENERATION	ELECTRICITY TRANSMISSION	ELECTRICITY DISTRIBUTION	GAS	TELECOMS*	OTHER	ELIMINATIONS	TOTAL
FORMATION BY SEGMENT ON SEPTEMBER 30, 2018								
ASSETS OF THE SEGMENT	15,083,981	3,925,781	21,490,936	1,900,985	304,058	1,625,398	(1,148,043)	43,183,096
INVESTMENT IN AFFILIATES AND JOINTLY-CONTROLLED ENTITIES	4,618,530	1,152,096	1,841,593	-	-	24,876	-	7,637,095
ADDITIONS TO THE SEGMENT	228,926	-	543,859	40,302	8,631	184	-	821,902
ADDITIONS TO FINANCIAL ASSETS	-	12,726	-	-	-	-	-	12,726
CONTINUED OPERATIONS								
NET REVENUE	4,795,883	478,258	10,443,959	1,186,796	-	97,316	(207,961)	16,794,251
COST OF ENERGY AND GAS								
Energy bought for resale	(2,921,763)	-	(5,696,990)	-	-	(2)	42,694	(8,576,061)
Charges for use of national grid	(171,357)	-	(1,119,124)	-	-	(1)	149,579	(1,140,903)
Gas bought for resale	-	-	-	(897,903)	-	-	-	(897,903)
Operating costs, total	(3,093,120)	-	(6,816,114)	(897,903)	-	(3)	192,273	(10,614,867)
OPERATING COSTS AND EXPENSES								
Personnel	(166,779)	(76,587)	(669,637)	(36,511)	(14,807)	(24,060)	-	(988,381)
Employees' and managers' profit shares	(2,994)	(1,577)	(12,674)	-	351	(5,927)	-	(22,821)
Post-employment obligations	(33,817)	(19,886)	(166,273)	-	-	(30,352)	-	(250,328)
Materials	(30,493)	(2,967)	(38,542)	(1,271)	(973)	(190)	17	(74,419)
Outsourced services	(80,966)	(28,046)	(619,133)	(14,497)	(4,819)	(15,365)	9,991	(752,835)
Depreciation and amortization	(122,768)	-	(440,055)	(54,796)	(1,166)	(319)	-	(619,104)
Operating provisions (reversals)	(74,742)	(4,097)	(251,112)	-	666	(72,833)	-	(402,118)
Construction costs	-	(12,726)	(543,860)	(35,620)	-	-	-	(592,206)
Other operating expenses, net	(61,537)	(11,515)	(177,001)	(8,535)	(2,866)	(7,367)	5,680	(263,141)
Total cost of operation	(574,096)	(157,401)	(2,918,287)	(151,230)	(23,614)	(156,413)	15,688	(3,965,353)
OPERATING COSTS AND EXPENSES	(3,667,216)	(157,401)	(9,734,401)	(1,049,133)	(23,614)	(156,416)	207,961	(14,580,220)
Share of profit (loss), net, of associates and joint ventures	(250,755)	160,055	19,582	-	(763)	(4,105)	-	(75,986)
OPER. PROFIT BEFORE FIN. REV. (EXP.) AND TAXES	877,912	480,912	729,140	137,663	(24,377)	(63,205)	-	2,138,045
Finance income	443,594	24,314	301,822	50,876	1,104	31,998	(2,246)	851,462
Finance expenses	(1,502,090)	(3,694)	(493,217)	(27,028)	(4,107)	(10,902)	2,246	(2,038,792)
PRE-TAX PROFIT	(180,584)	501,532	537,745	161,511	(27,380)	(42,109)	-	950,715
Income tax and social contribution tax	(12,242)	(84,074)	(172,064)	(52,486)	8,659	24,093	-	(288,114)
NET PROFIT (LOSS) FROM CONTINUING OPERATIONS	(192,826)	417,458	365,681	109,025	(18,721)	(18,016)	-	662,601
DISCONTINUED OPERATIONS								
Profit for the period from discontinued operations	-	-	-	-	35,648	-	-	35,648
NET INCOME (LOSS) FOR THE PERIOD	(192,826)	417,458	365,681	109,025	16,927	(18,016)	-	698,249
Equity holders of parent company	(192,826)	417,458	365,681	108,507	16,927	(18,016)	-	697,731
Minorities	-	-	-	518	-	-	-	518
	(192,826)	417,458	365,681	109,025	16,927	(18,016)	-	698,249

(*) On March 31, 2018 Cemig Telecom assets and liabilities were merged into the Company.

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The revenue of the Company and its subsidiaries in 3Q19 breaks down by segment as follows:

Jan to Sep, 2019	ELECTRICITY			GAS	OTHER	ELIMINATIONS	TOTAL
	GENERATION	TRANSMISSION	DISTRIBUTION				
Revenue from supply of energy	5,247,834	-	14,613,263	-	-	(56,864)	19,804,233
Revenue from Use of Distribution Systems (the TUSD charge)	-	-	1,995,013	-	-	(18,109)	1,976,904
CVA and *Other financial components* in tariff adjustments	-	-	45,119	-	-	-	45,119
Transmission concession revenue	-	520,238	-	-	-	(145,361)	374,877
Transmission construction revenue	-	150,158	-	-	-	-	150,158
Reimbursement revenue – Transmission	-	124,057	-	-	-	-	124,057
Distribution construction revenue	-	-	626,331	30,239	-	-	656,570
Adjustment to expected reimbursement – distribution concession financial assets	-	-	10,689	-	-	-	10,689
Gain on updating of Concession Grant Fee	244,069	-	-	-	-	-	244,069
Transactions in energy on the CCEE	413,848	-	(6,602)	-	2	-	407,248
Supply of gas	-	-	-	1,713,122	-	(20)	1,713,102
Fine for violation of continuity indicator	-	-	(43,330)	-	-	-	(43,330)
PIS/Pasep and Cofins taxes credits over ICMS	424,403	-	830,333	-	183,827	-	1,438,563
Other operating revenues	79,493	20,041	1,097,893	40	115,164	(7,134)	1,305,497
Sector / Regulatory charges reported as Deductions from revenue	(1,061,996)	(294,291)	(7,473,800)	(367,405)	(9,507)	-	(9,206,999)
Net operating revenue	**5,347,651**	**520,203**	**11,694,909**	**1,375,996**	**289,486**	**(227,488)**	**19,000,757**

Details of operational revenue are in Note 28.

Jan to Sep, 2018	ELECTRICITY			GAS	OTHER	ELIMINATIONS	TOTAL
	GENERATION	TRANSMISSION	DISTRIBUTION				
Revenue from supply of energy	5,238,899	-	12,972,722	-	-	(47,974)	18,163,647
Revenue from Use of Distribution Systems (the TUSD charge)	-	-	1,436,725	-	-	(16,767)	1,419,958
CVA and *Other financial components* in tariff adjustments	-	-	1,783,790	-	-	-	1,783,790
Transmission concession revenue	-	443,095	-	-	-	(132,802)	310,293
Transmission construction revenue	-	12,726	-	-	-	-	12,726
Reimbursement revenue – Transmission	-	208,164	-	-	-	-	208,164
Reimbursement revenue – Generation	82,331	-	-	-	-	-	82,331
Distribution construction revenue	-	-	543,860	35,620	-	-	579,480
Adjustment to expected reimbursement – distribution concession financial assets	-	-	3,875	-	-	-	3,875
Gain on updating of Concession Grant Fee	245,730	-	-	-	-	-	245,730
Transactions in energy on the CCEE	188,135	-	986	-	2	-	189,123
Supply of gas	-	-	-	1,452,443	-	(16)	1,452,427
Fine for violation of continuity indicator	-	-	(31,596)	-	-	-	(31,596)
Other operating revenues	59,410	31,729	1,005,992	9	104,537	(10,402)	1,191,275
Sector / Regulatory charges reported as Deductions from revenue	(1,018,622)	(217,456)	(7,272,395)	(301,276)	(7,223)	-	(8,816,972)
Net operating revenue	**4,795,883**	**478,258**	**10,443,959**	**1,186,796**	**97,316**	**(207,961)**	**16,794,251**

36. ASSETS AND LIABILITIES HELD FOR SALE AND DISCONTINUED OPERATIONS

Assets and liabilities classified as held for sale, and the results of discontinued operations, were as follows on September 30, 2019 and December 31, 2018:

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Consolidated and parent company	Sep. 30, 2019
	Investments
Assets	1,258,111
Liabilities	-
Net assets	1,258,111
Attributed to controlling shareholders	1,258,111
Attributed to non-controlling shareholders	-
NET INCOME (LOSS) FROM DISCONTINUED OPERATIONS	
Attributed to controlling shareholders	224,067

	Dec. 31, 2018					
	Consolidated			Parent company		
	Investments	Telecom assets	Total	Investments	Telecom assets	Total
Assets	19,446,033	-	19,446,033	1,573,967	-	1,573,967
Liabilities	(16,272,239)	-	(16,272,239)	-	-	-
Net assets	**3,173,794**	-	**3,173,794**	**1,573,967**	-	**1,573,967**
Attributed to controlling shareholders	1,817,746	-	1,817,746	1,573,967		1,573,967
Attributed to non-controlling shareholders	1,356,048	-	1,356,048	-	-	-
NET INCOME (LOSS) FROM DISCONTINUED OPERATIONS	**72,880**	**290,542**	**363,422**	**31,465**	**276,012**	**307,477**
Attributed to controlling shareholders	32,027	290,542	322,569	31,465	276,012	307,477
Attributed to non-controlling shareholders	40,853	-	40,853	-	-	-

On November 27, 2018, the Board of Directors of the Company decided, in the context of Cemig's disinvestment program, to maintain as a priority for 2019 the firm commitment to sale of the shares in Light S.A. owned by Cemig, on conditions that are compatible with the market and also in accordance with the interests of shareholders.

Additionally, the Company has assessed that its investment in Light now meets the criteria of CPC 31 – *Non-current assets held for sale and discontinued operations*; and that its sale in the near future is considered to be highly probable. The Company has also evaluated the effects on the investments held in the companies LightGer, Axxiom, Guanhães and UHE Itaocara, which are jointly controlled by the Company and by Light.

Disposal of interest in and control of Light

On July 17, 2019, together with the public offering of shares by Light, the Company sold 33,333,333 shares that it held in that investee, at the price per share of R$ 18.75, in the total amount of R$625,000.

Additionally, with completion of the public offering of shares by Light, the Company's equity interest in the total capital of this investee was reduced from 49.99% to 22.58%. This limited its right of voting in meetings of stockholders, and consequently its ability to direct material activities of the investee.

Thus, as from that date, with the alteration of the equity interest in Light, the Company ceased to have the power ensuring it control over that investee. In these circumstances, the Company wrote down the values of assets and liabilities of its former subsidiary, and recognized, at fair value, its remaining equity interest as an investment in an affiliate or jointly-controlled investee, in accordance with IFRS 10 / CPC 36 (R3) – *Consolidated financial statements*.

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Since the Company maintains its firm commitment to dispose of the remaining equity interest in Light by the end of 2019, the investment in that company continues to be classified in Assets held for sale, in accordance with CPC 31 / IFRS 5 – *Non-current assets held for sale, and discontinued operations*, at its fair value, subtracting the cost of sale. The difference between the book value of the remaining equity interest and its fair value was recognized in the income statement for the period.

The Company also wrote down the assets and liabilities of the former subsidiaries *Itaocara, Guanhães, LightGer* and *Axxiom*, and recognized its remaining equity interest in these investees at fair value as investments in jointly-controlled subsidiaries, valued by the equity method. These investments, which are jointly controlled with Light, were not classified under Held for sale and Discontinued operations, since the company does not have the intention of selling these interests. For more information, see Note 17.

The accounting effects arising from the equity interest in and control of Light are shown in this table:

	Profit/loss on disposal of equity interest	Remeasurement of remaining equity interest					
Consolidated	**Light**	**Light**	**Lightger**	**Guanhães**	**Axxion**	**Itaocara**	**Total**
Prior equity interest – Assets held for sale	(514,597)	(1,059,370)	(125,858)	(141,357)	(4,397)	(5,195)	(1,850,774)
Revenue disposal of equity interest	625,000	-	-	-	-	-	625,000
Remeasurement at fair value of remaining equity interest		1,258,111	127,970	131,260	4,438	4,812	1,526,591
Others	-	-	-	3,234	5,093	-	8,327
Effects on the income statement, before taxes	**110,403**	**198,741**	**2,112**	**(6,863)**	**5,134**	**(383)**	**309,144**
Income tax and social contribution tax	(37,537)	(47,540)	-	-	-	-	(85,077)
Total Assets	**72,866**	**151,201**	**2,112**	**(6,863)**	**5,134**	**(383)**	**224,067**

Of the total gain resulting from the disposal of control of Light, totaling R$ R$224,067, the amount of R$72,866 refers to the capital gain, net of tax, resulting from the sale of 33,333,333 shares, considering as a cost of these shares the multiplication of the percentage of the equity interest sold by the asset maintained for sale on the date of the disposal. The restatement of the remaining equity interest in Light at fair value used the sale price of the shares on the date of the loss of control (Level 1 in the fair value hierarchy), less the estimated costs for the sale (estimated at R$28,538).

This table gives information on the assets and liabilities of Light, which Company interest is classified as asset held for sale on September 30, 2019:

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	Sep. 30, 2019		Sep. 30, 2019
ASSETS		**LIABILITIES**	
Cash and cash equivalents	455,743	Suppliers	2,258,300
Marketable Securities	1,596,528	Loans and financings	1,535,004
Customers and traders	2,381,542	Regulatory charges	64,953
Recoverable taxes	138,553	Taxes	436,238
Income tax and social contribution tax recoverable	82,157	Other current liabilities	693,611
Financial assets of sector	545,060	**Total, current liabilities**	**4,988,106**
Inventories	41,728		
Other accounts	377,218	Loans and financings	7,731,087
Total, current assets	**5,618,529**	Taxes	259,468
		Deferred taxes	621,782
Customers and traders	1,363,844	Other non-current liabilities	4,224,378
Recoverable taxes	6,224,000	**Total, non-current liabilities**	**12,836,715**
Concession financial assets	4,505,492		
Property, plant and equipment	1,550,699	Share capital	4,051,285
Intangible assets	2,830,885	Capital reserves	1,534
Investments	639,357	Profit reserves	929,056
Derivative financial instruments swap	581,675	Equity valuation adjustments	324,009
Other non-current assets	685,390	Other comprehensive income	(101,493)
Total, non-current assets	735,623	Retained earnings	1,706,282
	19,116,965	**Shareholders' Equity**	**6,910,673**
Total Assets	**24,735,494**	**Total, Liabilities**	**24,735,494**

37. NON-CASH TRANSACTIONS

In the quarter ended September 30, 2019 and 2018, the subsidiaries had the following transactions not involving cash, which are not reflected in the Cash flow statements:

- Capitalized borrowing costs of R$23,352 in September 30, 2019 (R$23,508 in September 30, 2018);
- Except for the cash arising from the merger of the subsidiaries RME and LUCE amounting R$ 22,444, this transaction did not generate effects in the Company's cash flow.
- Recognition of PIS/Pasep and Cofins taxes credits over ICMS, adding up to R$3,013,844. For further information, see Note 9.

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CONSOLIDATED RESULTS

(Figures in R$ '000 unless otherwise indicated)

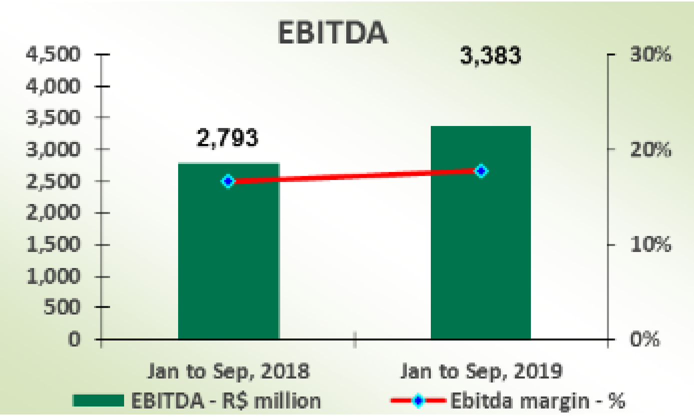
Net income for the period

From January to September, 2019, Cemig reports profit of R$2,630,391, or 276.71% more than its profit of R$698,249 in the same period in 2018. 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 consolidated Ebitda from January to September, 2019 was 21.14% higher than its Ebitda in the same period in 2018. In line with the higher Ebitda, Ebitda margin increased from 16.63%, in 3Q18, to 17.81%, in 3Q19%.

Ebitda – R$ '000	Jan to Sep, 2019	Jan to Sep, 2018	Change %
Profit (loss) for the period	2,630,391	698,249	276.71
+ Income and the Social Contribution taxes	1,602,773	288,114	456.30
+ Net financial revenue (expenses)	(1,573,236)	1,187,330	(232.62)
+ Depreciation and amortization	723,322	619,104	16.83
= Ebitda	**3,383,250**	**2,792,797**	**21.14**



Ebitda is a non-accounting measure prepared by the Company, reconciled with the consolidated Interim accounting information in accordance with CVM Circular SNC/SEP 1/2007 and CVM Instruction 527 of October 4, 2012. It comprises Net income adjusted by the effects of net financial revenue (expenses), Depreciation and amortization, and Income and Social Contribution taxes. 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 income or operational profit, nor as an indicator of operational performance or cash flow, nor to measure liquidity nor the capacity for payment of debt.

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The higher Ebitda from January to September, 2019 than in the same period in 2018 mainly reflects the amount of R$ 1,438,563 in recognition of the PIS/Pasep and Cofins taxes credits over ICMS. Additionally, the equity method gain in non-consolidated entities was 312.25% higher in 3H19 than 3H18, due mainly to: (i) a much lower negative result in the equity method loss in the investee Madeira (42.75%); and (ii) absence of equity method impacts from the results of Renova, since the Company's entire investment in that company was written down in December 2018.

The main items in revenue in the period:

Revenue from supply of energy

Revenue from sales of energy from January to September, 2019 were R$19,804,233, compared to R$18,163,647 in the same period in 2018 – i.e. up 9.03%.

Final customers

Total revenue from energy sold to final customers from January to September was R$17,637,323 – or 10.59% higher than the same period in 2018 (R$15,947,719).

The main factors in this revenue were:

- The annual tariff adjustment for Cemig D, effective May 28, 2018 resulting in an average *increase* in customer tariffs of 8.73%; and

- The annual tariff adjustment for Cemig D, effective May 28, 2018 (full effect in 2019) resulting in an average *increase* in customer tariffs of 23.19%; and

- Volume of energy sold very slightly lower (0.25%) year-on-year in the period.

Cemig's energy market

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

(i) Captive customers in Cemig's concession area in the State of Minas Gerais;

(ii) Free Customers 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 energy 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 Power 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 customer category, comparing the period from January to September, 2019 to the same period in 2018:

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Revenue from supply of energy

	Jan to Sep, 2019			Jan to Sep, 2018			Change %	
	MWh (2)	R$	Average price billed (R$/MWh) (1)	MWh (2)	R$	Average price billed (R$/MWh) (1)	MWh	R$
Residential	7,849,611	7,123,899	907.55	7,648,175	6,268,428	819.60	2.63	13.65
Industrial	11,963,776	3,534,740	295.45	13,134,700	3,588,856	273.23	(8.91)	(1.51)
Commercial, services and others	7,001,946	3,956,788	565.10	6,195,337	3,381,247	545.77	13.02	17.02
Rural	2,830,521	1,511,446	533.98	2,777,694	1,325,571	477.22	1.90	14.02
Public authorities	660,766	470,080	711.42	641,551	409,581	638.42	3.00	14.77
Public lighting	1,034,410	458,995	443.73	1,038,236	424,413	408.78	(0.37)	8.15
Public services	994,653	528,871	531.71	977,151	463,169	474.00	1.79	14.19
Subtotal	**32,335,683**	**17,584,819**	**543.82**	**32,412,844**	**15,861,265**	**489.35**	**(0.24)**	**10.87**
Own consumption	28,242	-	-	33,083	-	-	(14.63)	-
Unbilled retail supply, net	-	52,504	-	-	86,454	-	-	(39.27)
	32,363,925	**17,637,323**	**544.97**	**32,445,927**	**15,947,719**	**491.52**	**(0.25)**	**10.59**
Wholesale supply to other concession holders (3)	8,479,648	2,214,263	261.13	8,768,341	2,251,991	256.83	(3.29)	(1.68)
Wholesale supply not yet invoiced, net	-	(47,353)	-	-	(36,063)	-	-	31.31
Total	**40,843,573**	**19,804,233**	**484.88**	**41,214,268**	**18,163,647**	**440.71**	**(0.90)**	**9.03**

(1) The calculation of the average price does not include revenue from supply not yet billed.
(2) Information in MWh has not been reviewed by external auditors.
(3) Includes Regulated Market Electricity Sale Contracts (CCEARs) and 'bilateral contracts' with other agents.

An important feature is the 13.02% year-on-year growth in the volume of supply sold to the *commercial* consumer category. This reflects volume billed to captive consumers of Cemig D 0.2% lower in the year, and volume billed by Cemig GT and its wholly-owned subsidiaries to Free Clients in Minas Gerais and other states 34.10% higher than in 2018.

Additionally, residential consumption was 2.63% higher from January to September, 2019 than to the same period in 2018. In our assessment this can be explained as reflecting higher temperatures this year than in 2018, and also the addition of 94,490 new consumer units.

Contrasting with this, the volume of energy sold to the *industrial* customer category was 8.91% lower. This result comprises a 3.6% increase in the captive market, and a 9.8% reduction in the Free Market. In the Free Market, the reduction was due to Free Clients being more aggressive in seasonalization than in early 2019, allocating less power in the period.

Revenue from Use of Distribution Systems (the TUSD charge)

This is revenue from charging Free Customers the Tariff for Use of the Distribution System (TUSD), on the volume of energy distributed. From January to September, 2019, this was R$1,976,904, compared to R$1,419,958 in the same period in 2018 - year-on-year increase of 39.22%. The higher figure reflected the increase of approximately 65.60% in the TUSD charge, in effect from May 28, 2018 (i.e. with full effect in 2019) and the annual tariff adjustment of Cemig D in effect from May 28, 2019, which resulted an average increase of 17.28% for free customers.

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CVA and *Other financial components* in tariff adjustments

These items are the recognition of the difference between actual non-controllable costs (in which the contribution to the CDE – the Energy Development Account and energy bought for resale, are significant components) and the costs that were used in calculating rates charged to customers. The amount of this difference is passed through to customers in the next tariff adjustment of Cemig D (the distribution company).

From January to September, 2019 this represented a gain (posted in revenue) of R$45,119, whereas in the same period in 2018 it produced a revenue gain of R$1,783,790. The difference is, essentially, due to the way in which the CVA account is calculated: It can result in either a gain or an expense, depending on the changes in non-manageable costs incurred in the period, in comparison to those ratified by the regulator for composition of the tariff.

The difference was mainly due to lower costs of energy in 2019, as a result of the increase in the GSF – which represents lower exposure of the Company – and also the lower average spot price than in 2018, resulting in a lower financial asset to be reimbursed to the Company through the next tariff adjustment. For further details, see Note 15.

Transmission concession revenue

Cemig GT's transmission revenue comprises the sum of the revenues of all the transmission assets. The concession contracts establish the Permitted Annual Revenue (*Receita Anual Permitida*, or RAP) for the assets of the existing system, updated annually based on the variation in the IPCA inflation index. Whenever there is an upgrade or adaptation to an existing asset, made under specific authorization from Aneel, an addition is made to the RAP.

This revenue was R$374,877 from January to September, 2019, compared to the same period in 2018 (R$310,293) – or 20.81% higher year-on-year. The higher figure arises from the inflation adjustment of the annual RAP, applied in July 2019, plus the new revenues related to the investments authorized to be included. Additionally, it includes an adjustment to expectation of cash flow from financial assets.

The percentages and indices applied for the price adjustment are different for different concessions: the IPCA index is applied to the contract of Cemig GT, and the IGPM index to the contract of Cemig Itajubá. In 2019, the adjustments made to the RAP were: positive 10.53% for Cemig GT's concession contracts; and positive 14.60% for those of Cemig Itajubá. The adjustments comprised application of the inflation adjustment index, and recognition of works to upgrade and improve the facilities.

Additionally, the RAP (Permitted Annual Revenue) is made up of the sector charges, of which the most significant is the Energy Development Account (CDE) – this was 57.32% higher in 9M19 than 9M18.

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Transmission reimbursement revenue

The revenue from reimbursements of transmission assets from January to September, 2019 was R$124,057, – or 40.40% less than the same period in 2018 (R$208,164).

As specified in the sector regulations, the Company reports in each period the amount of the inflation/monetary adjustment applicable to the amount of indemnity receivable, based on the IPCA inflation index and the average regulatory cost of capital. The amounts of the reimbursements are being received through RAP, since July 2017, over a period of 8 years.

At the beginning of the tariff cycle, which occurs in July of each year, the amounts received, plus the adjustment made for the cycle, corresponding to the amortization of the debtor balance up to the end of the period, are excluded from the remuneration base, reducing the amounts of the monetary updating and the remuneration on the remaining balance.

In July 2019 the portion of RAP referring to the cost of capital not incorporated after the renewal of the concession (early 2013), as per MME Ministerial Order 120/2016, was adjusted downwards by 14.32%. This results in an increase in the indemnity reimbursement amount, to be received during the tariff cycle, reducing the remaining balance of indemnity reimbursement receivable, and consequently the remuneration arising on this balance.

Additionally, the variation in the IPCA index in 9M19 was 25.45% lower than in 9M18: In 9M19 it was 2.49%, and in 9M18 it was 3.34%.

Another factor that contributed to the lower transmission reimbursement revenue in 9M19 than in 9M18 was the upward adjustments made in the second quarter of 2018, for compatibility of the receivable amount with the methodology of calculation established by Aneel: this effect was R$41,331.

For more details see Note 15 – *Financial assets of the concession*.

Revenue from transactions in the Wholesale Trading Exchange (CCEE)

Revenue from transactions in energy on the CCEE from January to September, 2019 was R$407,248, or 115.33% higher than the same period in 2018, which was R$189,123. The higher figure mainly reflects higher physical guarantee allocations, especially in the 1Q19, associated with Generation Scaling Factors (GSFs) in 1Q19 than in 1Q18, increasing the available excess supply. This excess supply, in turn, was valued at a higher Spot Price (PLD) than in 1Q18, contributing to the higher figure for revenue from transactions on the CCEE. This excess, in turn, was priced at the higher average spot price in 1Q19 than in 1Q18 – R$ 290.08 vs. R$ 196.03, respectively, with a significant impact on revenues in 1H19.

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Revenue from supply of gas

Cemig reports revenue from supply of gas totaling R$1,713,102 from January to September, 2019, compared to R$1,452,427 in the same period in 2018 – 17.95% higher YoY. This difference basically reflects the higher pass-through of the costs of gas acquired from Petrobras (6.74%), and the increase in the tariff in 2Q19.

Construction revenue

Infrastructure construction revenue from January to September, 2019 was R$806,728, or 36.22% more than the same period in 2018 (R$592,206). 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.

PIS/Pasep and Cofins taxes credits over ICMS

PIS/Pasep and Cofins taxes credits over ICMS, adding up to R$ 1,438,563, are the result of recognition by the courts of the right of the Company and its subsidiaries to exclude the amount of ICMS tax from the calculation basis of those taxes, backdated to July 2003. For further information see Note 9.

Other operating revenues

The *Other operating revenues* line for the Company and its subsidiaries in 3Q19 totaled R$1,305,496, compared to R$1,191,275 in 3Q18 – 9.59% higher YoY. The higher figure for this group of amounts corresponds to the subsidies on tariffs applicable to users of distribution services, including the low-income-user subsidies – which are reimbursed by Eletrobras. See Note 29 for a breakdown of other operating revenues.

Taxes and regulatory charges reported as Deductions from revenue

The taxes and charges that are recorded as deductions from operating revenue totaled R$9,206,999 from January to September, 2019, or 4.42% more than the same period in 2018 (R$8,816,972).

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 (reimbursements of costs of assets), tariff subsidies, and 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 from January to September, 2019 were R$1,970,285, compared to R$1,835,412 the same period in 2018 – 7.35% higher YoY.

An important feature related to this regulatory charge behavior is the increment of 40% in TUSD-CDE as of January, 2019, due to the increase in the annual quota of 2019 in relation to 2018, which incorporated the 14% avarage increase in CDE unit cost (Annual Quota/MWh) and the transfer of the 2018 budget review.

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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.

<u>Customer charges – the ’Flag’ Tariff system</u>

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.

Customer charges were, from January to September, 2019, at R$93,342, than the same period in 2018 (R$374,481) – or 75.07% lower year-on-year.

This difference arises from the activation of the ‘red’ tariff band, at Level I, in the August 2019, with effects on the billing in the subsequent month, maintain the ‘green’ band in the others months of 2019, as a consequence of the best hydrological conditions this year. In the same period of 2018, there was an effect on profit arising from activation of the ‘red’ tariff band, at Level I, with effects on the amount billed in January 2018 and the ‘red’ tariff band, at Level II in June, July and August, impacting on billing in the 3Q18.

<u>Other taxes and charges on revenue</u>

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

Operating costs and expenses (excluding financial income/expenses)

Operating costs and expenses from January to September, 2019 totaled R$16,726,176, or 14.72% more than the same period in 2018 (R$14,580,220). For more on the components of Operating costs and expenses see Note 29.

The following paragraphs comment on the main variations:

<u>Employee profit sharing</u>

The expense on employees’ and managers’ profit sharing was R$ 159,943 from January to September, 2019, compared to R$22,821 in the same period in 2018. The higher figure arises from the higher consolidated profit of Cemig – the basis of calculation for profit shares (the collective agreements are unified).

<u>Energy bought for resale</u>

This expense from January to September, 2019 was R$8,154,308, or 4.92% lower year-on-year, compared to R$8,576,061 in the same period in 2018. This arises mainly from the following items:

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- Lower expense on purchase of supply in the spot market: R$1,248,444 from January to September, 2019, compared to R$1,662,386 in the same period in 2018. This net result for spot-price supply is the net balance of revenues and expenses of transactions on the Power Trading Exchange (CCEE). The difference is mainly due to the spot price being 36.26% lower from January to September 2019, at R$ 211.84 MWh, compared to R$ 332.34/MWh in the same period in 2018.
- The expense on power supply acquired at auctions was R$ 2,211,759 from January to September 2019, compared to R$2,558,096 in the same period in 2018. The reduction reflects updating of contracts for the year 2019, in which prior contracts were replaced by contracts with less expensive prices.

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. For more details please see Notes 30 and 34.

Charges for use of the transmission network

Charges for use of the transmission network from January to September, 2019 totaled R$1,077,387, a reduction of 5.57% compared with the same period in 2018 (R$1,140,903).

These charges are payable by energy distribution and generation agents for use of the facilities that are components of the national grid. The amounts to be paid are set by a Resolution from the Regulator (Aneel).

This is a non-manageable cost in the distribution activity: 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

Operating provisions from January to September, 2019 totaled R$2,275,422, or 465.86% more than the same period in 2018 (R$402,117). This arises mainly from the following factors:

- Recognition of an estimated loss on realization of the receivables from Renova, in the amount of R$ 688,031, after an assessment of the investee’s credit risk.

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- Provisions for employment-law legal actions amounting R$ 101,460 from January to September, 2019, compared to a reversal of provisions of R$ 33,610 in the same period in 2018. This arises mainly from new actions, or from reassessment of the chances of loss in existing actions, based on adverse court decisions taking place in the period. Also, a difference was recognized for application of the IPCA-E inflation index instead of the TR reference rate in monetary adjustment for employment-law legal actions dealing with debts arising from March 25, 2015 to November 10, 2017. These are at the advanced execution phase and now have chances of loss assessed as 'probable', due to the recent decision by the Regional Employment-law Appeal Court of the Minas Gerais region (3rd Region) to apply the decision of the Higher Employment-law Appeal Court, ordering use of the IPCA-E index. For further information, see Note 26.

- Variation of provisions for taxes, which represented the recognition of R$1,195,207 in the period between January and September, 2019, compared to the reversion of R$5,551 in the same period of 2018. This variation results, mainly, of the Company's reassessment, based on the opinion of its legal advisers, of the chances of loss on administrative and court proceedings opened against the Company relating to social security contributions on the payment of profit shares to its employees, alleging that Company did not previously establish clear and objective rules for the distribution of these amounts. For further details, please see Note 26.

Personnel

The expense on personnel from January to September, 2019 was R$ 981,422, or 0.70% less than the same period in 2018 (R$ 988,381). This slightly variation results, mainly, of the reduction of 0.50% in the avarage number of employees in the period of January to September compared to the same period of 2018.

Construction cost

Infrastructure construction costs from January to September, 2019 totaled R$806,728, or 36.22% more than the same period in 2018 (R$592,206). This line records the Company's investment in assets of the concession in the period, and is fully offset by the line Construction revenue, in the same amount.

Gas bought for resale

From January to September, 2019, the Company recorded an expense of R$1,100,302 on acquisition of gas, 22.54% more than its comparable expense of R$897,903 in the same period in 2018. This is basically due to increase of 29.5% in the cost of gas bought from Petrobras.

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<u>Post-employment obligations</u>

The Company's post-retirement obligations were 21.48% higher from January to September, 2019, than the same period in 2018, being R$304,096 and R$250,328, respectively. This mainly reflects a higher cost for the Health Plan in 2019, due to reduction of the discount rate used in the actuarial valuation made in December 2018. Also, the actuarial valuation of 2018 included the assumption of real growth of 1.00% above inflation in contributions to the Health Plan.

Share of profit (loss) of associates and joint ventures, net

The result of equity method valuation of interests in non-consolidated investees was a gain of R$161,280 in 2019, compared to a loss of R$75,986 in the same period in 2018.

The losses recognized in 2018 were basically related to the investments in: (i) Renova, and (ii) Madeira Energia. No loss on the investment in Renova was recognized in 3Q19, since this had been written off in December 2018, due to that investee's uncovered liabilities. Also, the negative equity method result from the investment in Madeira Energia was 43.56% lower from January to September, 2019 than the same period in 2018.

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

Net financial revenue (expenses)

Cemig reports net financial expenses from January to September, 2019 of R$1,573,236, compared to net financial expenses of R$1,187,330 in the same period in 2018. The main factors are:

- Higher gain on the hedge transaction contracted to protect the Eurobond issue from exchange rate variation: the gain from January to September, 2019 was R$1,099,230, compared to a gain of R$322,847 in the same period in 2018. This improvement mainly reflects lowering of the yield curve over the period of the contract, which helps reduce expectations for the amount of payments of Cemig's obligations, which are indexed to the CDI rate, increasing the fair value of the option.
- Monetary updating of the PIS/Pasep and Cofins taxes credits over ICMS, adding up to R$ 1,575,281. For more information see Note 9.
- Lower FX variation on loans in foreign currency – which from January to September, 2019 represented a financial expenses of R$ 429,299, compared a financial expense of R$781,297 in the same period in 2018. This reduction is due to the lower exchange rate in effect in the period (7.47% in 2019, compared to 21.04% in 2018).

For a breakdown of financial revenues and expenses please see Note 31.

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Income tax and social contribution tax

From January to September, 2019, the expense on income and the Social Contribution taxes totaled R$1,605,773, on pre-tax profit of R$4,009,097, an effective rate of 39.98%. In the same period in 2018, the expense on income and the Social Contribution taxes was R$288,114, on pre-tax profit of R$950,715 an effective rate of 30.30%.

These effective rates are reconciled with the nominal tax rates in Note 10(c).

Results for the quarter

For the third quarter of 2019 (3Q19), Cemig reports net profit of R$ 281,834, which compares with a net profit of R$ 244,540 in third quarter 2018 (3Q18). The following pages describe the main variations between the two periods in revenues, costs, expenses and financial items.

The net operacional result in 3Q19 was heavily influenced by the recognition of provision for taxes related to the proceedings commenced against the Company for collection of social security contributions on the payment of profit shares to its employees, in the amount of R$1,182,613. For further details, please see Note 26.

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

Cemig's consolidated Ebitda was 87.78% lower in 3Q19 than 3Q18 – primarily caused by the recognition of the tax provision related to social security contribution on the payment shares to its employees. The other significant factors in net profit are set out below. Ebitda margin in 3Q19 was 1.81%, compared to 14.43% in 3Q18.

Ebitda – R$ '000	3Q19	3Q18	Change, %
Profit (loss) for the period	(281,834)	244,540	(215.25)
+ Income and the Social Contribution taxes	(85,699)	117,269	(173.08)
+ Net financial revenue (expenses)	233,791	332,698	(29.73)
+ Depreciation and amortization	244,023	207,804	17.43
= Ebitda	**110,281**	**902,311**	**(87.78)**

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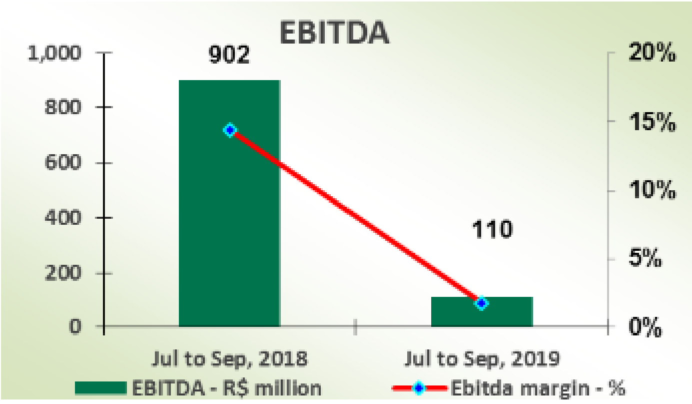

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Revenue from supply of energy

Revenue from sales of energy in 3Q19 were R$6,875,079, compared to R$6,927,638 in 3Q18 – reduction of 0.76%.

Final customers

Total revenue from energy sold to final customers in 3Q19 was R$6,147,869 – or 0.70% higher than in 3Q18 (R$6,105,396).

Cemig's energy market

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

(i) Captive customers in Cemig's concession area in the State of Minas Gerais;

(ii) Free Customers 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 energy 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 Power 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 customer category, comparing 3Q19 to 3Q18:

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	3Q19			3Q18			Change %	
	MWh (2)	R$	Average price billed – (R$/MWh) (1)	MWh (2)	R$	Average price billed – (R$/MWh) (1)	MWh	R$
Residential	2,557,935	2,458,671	961.19	2,497,296	2,402,379	962.00	2.43	2.34
Industrial	4,144,538	1,239,412	299.05	4,581,890	1,333,933	291.13	(9.55)	(7.09)
Commercial, services and others	2,347,906	1,336,909	569.40	1,996,913	1,236,950	619.43	17.58	8.08
Rural	1,054,819	593,821	562.96	1,057,426	577,424	546.07	(0.25)	2.84
Public authorities	205,123	158,343	771.94	207,162	157,262	759.13	(0.98)	0.69
Public lighting	348,477	167,642	481.07	349,429	172,248	492.94	(0.27)	(2.67)
Public services	315,588	195,474	619.40	323,919	186,888	576.96	(2.57)	4.59
Subtotal	**10,974,386**	**6,150,272**	**560.42**	**11,014,035**	**6,067,084**	**550.85**	**(0.36)**	**1.37**
Own consumption	11,012	-	-	9,602	-	-	14.68	-
Unbilled retail supply, net	-	(2,403)	-	-	38,312	-	-	(106.27)
	10,985,398	**6,147,869**	**559.64**	**11,023,637**	**6,105,396**	**553.85**	**(0.35)**	**0.70**
Wholesale supply to other concession holders	2,979,882	755,593	253.56	3,160,972	783,975	248.02	(5.73)	(3.62)
Wholesale supply not yet invoiced, net	-	(28,383)	-	-	38,267	-	-	(174.17)
Total	**13,965,280**	**6,875,079**	**494.50**	**14,184,609**	**6,927,638**	**488.39**	**(1.55)**	**(0.76)**

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

A highlight is the volume of energy sold to the *commercial* segment 17.58% higher, mainly reflecting migration of clients from the captive market to the Free Market. In counterpart, there was a reduction of 9.55% in the *industrial* category, caused in particular, by the difference of seasonalization between the periods of 2018 and 2019. Also, sales of supply in the Regulated Market were lower 5.73% in 2019 than 2018, due to termination of the contracts made at the 15th 'Existing Energy' Auction and to a significant contract in the Free Market (*Ambiente de Contratação Livre, or ACL*),as well as the breadth of seasonality of customers in this market.

Revenue from Use of Distribution Systems (the TUSD charge)

This is revenue from charging Free Customers the Tariff for Use of the Distribution System (TUSD), on the volume of energy distributed. In 3Q19, this was R$711,185, compared to R$605,618 in 3Q18 - increase of 17.43%. This is as result, basically, of the annual tariff adjustment of Cemig D in effect from May 28, 2019, which resulted an average increase of 17.28% for free customers.

CVA and *Other financial components* in tariff adjustments

These items are the recognition of the difference between actual non-controllable costs (in which the contribution to the CDE – the Energy Development Account and energy bought for resale, are significant components) and the costs that were used in calculating rates charged to customers. The amount of this difference is passed through to customers in the next tariff adjustment of Cemig D (the distribution company). In 3Q19 this represented a gain (posted in revenue) of R$35,122, whereas in 3Q18 it produced a revenue gain of R$633,118.

The difference was mainly due to lower costs of energy in 2019 and to the lower average spot price than in 2018, resulting in a lower financial asset to be reimbursed to the Company through the next tariff adjustment. For further details, see Note 15.

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Transmission concession revenue

Cemig GT's transmission revenue comprises the sum of the revenues of all the transmission assets. The concession contracts establish the Permitted Annual Revenue (*Receita Anual Permitida*, or RAP) for the assets of the existing system, updated annually based on the variation in the IPCA inflation index. Whenever there is an upgrade or adaptation to an existing asset, made under specific authorization from Aneel, an addition is made to the RAP.

This revenue was R$132,134 in 3Q19, compared to R$103,711 in 3Q18 – or 27.41% higher. The higher figure arises from the inflation adjustment of the annual RAP, applied in July 2019, plus the new revenues related to the investments authorized to be included. Additionally, it includes an adjustment to expectation of cash flow from financial assets, arising from change in the fair value of the Regulatory Remuneration Base of Assets (BRR).

The percentages and indices applied for the price adjustment are different for different concessions: the IPCA index is applied to the contract of Cemig GT, and the IGPM index to the contract of Cemig Itajubá. In 2019, the adjustments made to the RAP were: positive 10.53% for Cemig GT's concession contracts; and positive 14.60% for those of Cemig Itajubá. The adjustments comprised application of the inflation adjustment index, and recognition of works to upgrade and improve the facilities.

Additionally, the RAP (Permitted Annual Revenue) is made up of the sector charges, of which the most significant is the Energy Development Account (CDE) – this was 56.32% higher in the third quarter of 2019 compared to the same period of 2018.

Transmission reimbursement revenue

The revenue from reimbursements of transmission assets in 3Q19 was R$33,637, – or 45.43% less than in 3Q18 (R$61,644). As specified in the sector regulations, the Company reports in each period the amount of the inflation/monetary adjustment applicable to the amount of indemnity receivable, based on the IPCA inflation index and the average regulatory cost of capital. The amounts of the reimbursements are being received through RAP, since July 2017, over a period of 8 years.

At the beginning of the tariff cycle, which occurs in July of each year, the amounts received, plus the adjustment made for the cycle, corresponding to the amortization of the debtor balance up to the end of the period, are excluded from the remuneration base, reducing the amounts of the monetary updating and the remuneration on the remaining balance.

In July 2019 the portion of RAP referring to the cost of capital not incorporated after the renewal of the concession (early 2013), as per MME Ministerial Order 120/2016, was adjusted downwards by 14.32%. This results in an increase in the indemnity reimbursement amount, to be received during the tariff cycle, reducing the remaining balance of indemnity reimbursement receivable, and consequently the remuneration arising on this balance.

Additionally, the variation in the IPCA index in the third quarter of 2019 was 64% lower compared to the same period of 2018: It was 0.26% and 0.72% in the third quarter of 2019 and in the third quarter of 2018, respectively.

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For more details see Note 15 – *Financial assets of the concession*.

Revenue from transactions in the Wholesale Trading Exchange (CCEE)

Revenue from electricity sales on the CCEE in 3Q19 was R$ 9,811, compared to R$ 29,157 in 3Q18 – 66.35 lower year-on-year. The difference was mainly due to the reduction of 56.72% in the average spot price in the third quarter of 2019 compared to the same period of 2018. It was R$214.07/MWh and R$494.61/MWh, respectively.

Revenue from supply of gas

Cemig reports revenue from supply of gas totaling R$581,869 in 3Q19, compared to R$553,448 in 3Q18 – 5.14% higher. This difference basically reflects the higher pass-through of the costs of gas acquired from Petrobras, and the increase in the tariff in 3Q19.

Construction revenue

Infrastructure construction revenue in 3Q19 was R$341,503, or 63.74% more than in 3Q18 (R$208,563). This revenue is fully offset by Construction costs, of the same amount, and corresponds to the Company's investments in assets of the concession in the period.

Other operating revenues

The *other operating revenues* line for the Company and its subsidiaries in 3Q19 totaled R$467,913, compared to R$417,832 in 3Q18 – a higher of 11.99%. The higher figure for this group of amounts corresponds to the subsidies on tariffs applicable to users of distribution services, including the low-income-user subsidies – which are reimbursed by Eletrobrás. See Note 29 for a breakdown of other operating revenues.

Taxes and regulatory charges reported as Deductions from revenue

The taxes and charges that are recorded as deductions from operating revenue totaled R$3,109,043 in 3Q19, or 9.09% less than in 3Q18 (R$3,419,959). The lower total primarily reflects the legal action won by Cemig, Cemig D and Cemig GT, in which the judiciary recognized these companies' right to exclude ICMS tax amounts (paid or still payable) from the basis for calculation of the PIS/Pasep and Cofins taxes. As a result of the court decision, amounts of ICMS tax were no longer included in the calculation of PIS/Pasep and Cofins taxes in the billing of clients of Cemig D. This resulted in an average reduction in the amounts of invoices of approximately 1%.

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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 (reimbursements of costs of assets), tariff subsidies, and 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 3Q19 were R$638,919, compared to R$654,452 in 3Q18, a reduction of 2.37%.

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.

Customer charges – the 'Flag' Tariff system

Customer charges related to the Flag Tariff was R$73,474 in 3Q19 and R$249,442 in 3Q18 – a less of 70.54%. 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.

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 are, substantially, in proportion to the variations in revenue.

Operating costs and expenses (excluding financial income/expenses)

Operating costs and expenses in 3Q19 totaled R$6,486,375, or 17.46% more than in 3Q18 (R$5,522,298). For more on the components of Operating costs and expenses see Note 26.

The following paragraphs comment on the main variations:

Employee profit sharing

The expense on employees' and managers' profit sharing was reverted in the amount of R$14,572 in the third quarter of 2019, compared to a provision recognized in the same period of 2018 of R$94. The difference arises from the lower consolidated profit of Cemig – the basis of calculation for profit shares (the collective agreements are unified).

Energy bought for resale

This expense in 3Q19 was 13.15% lower, at R$3,034,108, compared to R$3,493,463 in 3Q18. This arises mainly from the following items:

- Expenses on supply acquired at auction were R$816,193 in 3Q19, compared to R$1,077,340 in 3Q18 – a decrease of 24.24% - mainly due to updating of contracts, at higher prices, for the year 2019.

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- The expense on energy bought in the spot market was R$486,177 in 3Q19 and R$ 733,160 in 3Q18 – a decrease of 33.69%, mainly due to the spot price being 56.72% lower on average in the period, at R$241.07/MWh, compared to R$494.61/MWh in the same period in 2018.

Charges for use of the transmission network

Charges for use of the transmission network in 3Q19 totaled R$376,216, a higher 13.21% compared with 3Q18 (R$332,323).

This expense is payable by energy 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 in the distribution activity: 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

Operating costs and expenses in 3Q19 totaled R$1,297,043, compared to R$134,799 in 3Q18. This arises mainly from the recognition of provision for taxes related to the proceedings commenced against the Company for collection of social security contributions on the payment of profit shares to its employees, in the amount of R$1,182,613. For further details, see Note 26.

Personnel

The expense on personnel in 3Q19 was R$304,350 and R$308,141 in 3Q18 – a decrease of 1.23%. The lower figure basically reflects a reduction of 2.82% in the voluntary dismissal program.

Construction cost

Infrastructure construction costs in 3Q19 totaled R$341,503, or 63.74% more than in 3Q18 (R$208,563). This line records the Company's investment in assets of the concession in the period, and is fully offset by the line Construction revenue, in the same amount.

Gas bought for resale

In 3Q19 the Company recorded an expense of R$375,140 on acquisition of gas, 9.87% more than its comparable expense of R$341,445 in 3Q18. This is basically due increase of the cost of gas bought from Petrobras.

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Post-employment obligations

The impact of the Company's post-employment obligation on operating profit was an expense of R$105,397 in 3Q19 – which compares with an expense of R$80,931 in 3Q18, increase 30.23%. This mainly reflects a higher cost for the Health Plan in 2019, due to reduction of the discount rate used in the actuarial valuation made in December 2018 – which increases the total of post-retirement obligations. Also, the actuarial valuation of 2018 included the assumption of real growth in contributions to the Health Plan 1.00% above inflation.

Share of profit (loss) of associates and joint ventures, net

In 3Q19 Cemig recorded a net equity method valuation gain of R$ 57,780, which compares with a net loss of R$ 49,753 in 3Q18. The losses in 2018 mainly came from the interests in Renova and Madeira Energia. No equity method gain or loss was reported in 3Q19 for the investment in Renova, since the entire value of that investment was written down in December 2018, as a result of that investee's negative net equity.

Net financial revenue (expenses)

Cemig reports net financial expenses in 3Q19 of R$233,791, compared to net financial expenses of R$332,698 in 3Q18, reduction of 29.73%. The main factors are:

- Higher gains on the hedge transaction contracted to protect the Eurobond issue from exchange rate variation: the gain in 3Q19 was R$ 485,836, compared to a gain of R$ 142,418 in 3Q18. This improvement mainly reflects lowering of the yield curve over the period of the contract, reducing expectations for the amount of payments of Cemig's obligations, which are indexed to the CDI rate, increasing the fair value of the option.

- Monetary updating of the PIS/Pasep and Cofins taxes credits over ICMS in the 2Q19, adding up to R$ 22,169.

- Lower FX variation on loans in foreign currency – which in 3Q19 represented a financial expenses of R$499,769, compared to financial expense of R$229,580 in 3Q18. This higher is due to the lower exchange rate in effect in the period (3.84% in 2018 and 8.67% in 2018).
- Lower expenses on monetary adjustment, due to the lower inflation in the period: The respective figures are: IPCA index, 63.89%, CDI rate, 4.40%, and the TJLP rate, 711.48%.

For a breakdown of financial revenues and expenses please see Note 31.

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Income tax and social contribution tax

In 3Q19, the expense on income and the Social Contribution taxes totaled R$85,699, on pre-tax loss of R$591,600, excluded discontinued operations, an effective rate of 14.49%. In 3Q18, the expense on income and the Social Contribution taxes was R$177,269, on pre-tax profit of R$347,533, an effective rate of 33.74%. These effective rates are reconciled with the nominal tax rates in Note 10(c).

OTHER INFORMATION THAT THE COMPANY BELIEVES TO BE MATERIAL

Board of Directors

Meetings

The Board of Directors met 24 times up to September 30, 2019, to discuss strategic planning, projects, acquisition of new assets, various investments, and other subjects.

Membership, election and period of office

The present period of office began with the EGM on June 11, 2018, with election by the multiple voting system.

The periods of office of the present members of the Board of Directors expire at the Annual General Meeting of Shareholders to be held in 2020.

Principal responsibilities and duties:

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

- Decision on any sale of assets, loans or financings, charge on the company's property, plant or equipment, guarantees to third parties, or other legal acts or transactions, with value equal to 1% or more of the Company's total Shareholders' equity.
- Authorization for issuance of securities in the domestic or external market to raise funds.
- Approval of the Long-term Strategy and the Multi-year Business Plan, and alterations and revisions to them, and the Annual Budget.

Qualification and remuneration

The Board of Directors of the Company comprises 9 (nine) sitting members and the same number of substitute members. One is the Chair, and another Deputy Chair. The members of the Board of Directors are elected for concurrent periods of office of 2 (two) years, and may be dismissed at any time, by the General Meeting of Shareholders. Re-election for a maximum of 3 (three) consecutive periods of office is permitted, subject to any requirements and prohibitions in applicable legislation and regulations.

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

The Audit Committee

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.

The Audit Committee has four members, the majority of them independent, nominated and elected by the Board of Directors in the first meeting after the Annual General Meeting for periods of office of three years, not to run concurrently. One re-election is permitted.

Under the by-laws, the Audit Committee of Cemig has the following duties, among others:

- to supervise the activities of the external auditors, evaluating their independence, the quality of the services provided and the appropriateness of such services to the Company's needs;
- to supervise activities in the areas of internal control, internal audit and preparation of the financial statements;
- to evaluate and monitor, jointly with the management and the Internal Audit Unit, the appropriateness of the transactions with related parties.

Executive Board

The Executive Board has 7 (seven) members, whose individual functions are set by the Company's bylaws. They are elected by the Board of Directors, for a period of office of two years, subject to the applicable requirements of law and regulation, and may be re-elected up to three times.

Members are allowed simultaneously also to hold non-remunerated positions in the management of wholly-owned subsidiaries, subsidiaries or affiliates of Cemig, upon decision by the Board of Directors. They are also, obligatorily under the by-laws, members, with the same positions, of the Boards of Directors of Cemig GT (Generation and Transmission) and Cemig D (Distribution). The period of office of the present Chief Officers expires at the first meeting of the Board of Directors held after the Annual General Meeting of 2020.

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

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

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- Current management of the Company's business, subject to compliance with the Long-term Strategy, the Multi-year Business Plan, and the Annual Budget, prepared and approved in accordance with these by-laws.
- Authorization of the Company's capital expenditure projects, signing of agreements or other legal transactions, contracting of loans and financings, and creation of any obligation in the name of the Company, based on an approved Annual Budget, which individually or in aggregate have values less than 1% (one per cent) of the Company's Shareholders' equity, including injection of capital into wholly-owned or other subsidiaries, affiliated companies, and the consortia in which the Company participates.
- The Executive Board meets, ordinarily, at least two times per month; and, extraordinarily, whenever called by the Chief Executive Officer or by two Executive Officers with at least two days' prior notice in writing or by email or other digital medium, such notice not being required if all the Executive Officers are present. The decisions of the Executive Board are taken by vote of the majority of its members, and in the event of a tie the Chief Executive Officer shall have a casting vote.

Audit Board

<u>Meetings</u>

- The Audit Board held thirteen meetings through the third quarter 2019.

<u>Membership, election and period of office</u>

- We have a permanent Audit Board, made up of five sitting members and their respective substitute members. They are elected by the Annual General Meeting of Shareholders, for periods of office of two years.
- Nominations to the Audit Board must obey the following:

  a) The following two groups of shareholders each have the right to elect one member, in separate votes, in accordance with the applicable legislation: (i) the minority holders of common shares; and (ii) the holders of preferred shares.

  b) The majority of the members must be elected by the Company's controlling stockholder; at least one must be a public employee, with a permanent employment link to the Public Administration.

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

Under the by-laws, the Audit Board has the duties and competencies set by the applicable legislation and, to the extent that they do not conflict with Brazilian legislation, those required by the laws of the countries in which the Company's shares are listed and traded.

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Qualification and remuneration

The global or individual compensation of the members of the Audit Board is set by the General Meeting of Shareholders which elects it, in accordance with the applicable legislation.

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

The Sarbanes-Oxley Law

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

Corporate risk management

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

The Corporate Risks and Compliance Management Unit has been subordinated to the CEO's office since 2016. This change underlines the intention to increase independence of these processes and to provide information to senior management for decision-making, preserving the value of the company. The practice of risk management is thus a competitive differentiation factor, to be used not only defensively, but also as an opportunity for improvement. The structuring and analysis of operations from the point of view of risk management are factors that optimize investment in the control of the activity. They reduce costs, improve performance, and consequently help the Company achieve its targets.

In risk management processes, in planning of operations and in development of new business initiatives, Cemig always acts in consideration of the precautionary principle. During planning, all the factors that might present risks to health and/or safety of employees, suppliers, customers, the general population or the environment are taken into account. Further, the fact that the Company is recognized by the Dow Jones Sustainability Index and the Corporate Sustainability Index (ISE) reflects the implementation of structural elements of the risk management system, and commitment to sustainability.

Statement of Ethical Principles and Code of Professional Conduct

On May 11, 2004 Cemig's Board of Directors approved the *Statement of Ethical Principles and Code of Professional Conduct*, which aims to orient and discipline everyone acting in the name of, or interacting with, Cemig, to ensure ethical behavior at all times, and always in accordance with the law and regulations. The code can be seen at http://ri.cemig.com.br. It was updated in 2019.

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The Ethics Committee

This was created on August 12, 2004, and is responsible for coordinating action in relation to management (interpretation, publicizing, application and updating) of the *Statement of Ethical Principles and Code of Professional Conduct,* including assessment of and decision on any possible non-compliances with Cemig's Code of Ethics.

The Committee has three sitting members and three substitute members. It may be contacted through our Ethics Channel – the anonymous reporting channel on the corporate Intranet, or by email, internal or external letter or by an exclusive phone line – these means of communication are widely publicized internally to all staff. These channels enable both reports of adverse activity and also consultations. Reports may result in opening of proceedings to assess any non-compliances with Cemig's *Statement of Ethical Principles and Code of Professional Conduct.*

The Ethics Channel

Cemig installed this means of communication, available on the internal corporate Intranet, in December 2006.

Through it the Ethics Committee can receive anonymous reports or accusations that can enable Cemig to detect irregular practices that are contrary to its interest, such as: financial fraud, including adulteration, falsification or suppression of financial, tax or accounting documents; misappropriation of goods or funds; receipt of undue advantages by managers or employees; irregular contracting; and other practices considered to be illegal.

It is one more step in improving Cemig's transparency, compliance with legislation, and alignment with best corporate governance practices. It improves the management of internal controls and dissemination of the ethical culture to Cemig's employees in the cause of optimum compliance by our business.

SHAREHOLDING POSITION OF HOLDERS OF MORE THAN 5% OF THE VOTING STOCK ON SEPTEMBER 30, 2019

	COMMON SHARES	%	PREFERRED SHARES	%	TOTAL SHARES	%
State of Minas Gerais	248,480,146	50.96	-	-	248,480,146	17.03
FIA Dinâmica Energia S/A	48,700,000	9.99	55,133,744	5.68	103,833,744	7.12
BNDESPAR	54,342,992	11.14	26,220,938	2.70	80,563,930	5.52

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CONSOLIDATED SHAREHOLDING POSITION OF THE CONTROLLING SHAREHOLDERS AND MANAGERS, AND FREE FLOAT, ON SEPTEMBER 30, 2019

	September 30, 2019	
	Common (ON) shares	Preferred (PN) shares
Controlling stockholder	248,480,146	-
Board of Directors	-	16,600
Executive Board	-	19,600
Shares in Treasury	69	560,649
Free float	239,133,998	970,541,539
TOTAL	**487,614,213**	**971,138,388**

Investor Relations

In 2019 we expanded Cemig's exposure to the Brazilian and global capital markets, through strategic actions intended to enable investors and shareholders to make a correct valuation of our businesses and our prospects for growth and addition of value.

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

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

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

At the end of May 2019 we held our 24rd *Annual Meeting with the Capital Markets*, in Belo Horizonte, Minas Gerais – where market professionals had the opportunity to interact with the Company's directors and principal executives.

Corporate governance

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

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

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

In June 11, 2018 an Extraordinary Meeting of Shareholders approved alterations to the Company's bylaws, to maintain best corporate governance practices, and adapt to Law 13,303/2016 (also known as the State Companies Law).

The improvements now formally incorporated in the by-laws include:

- Reduction of the number of members of the Board of Directors from 15 to 9, in line with the IBGC Best Corporate Governance Practices Code, and the Corporate Sustainability Evaluation Manual of the Dow Jones Sustainability Index.
- Creation of the Audit Committee (*Comitê de Auditoria*). The Audit Board (*Conselho Fiscal*) remains in existence.
- The *Policy on Eligibility and Evaluation* for nomination of a member of the Board of Directors and/or the Executive Board in subsidiary and affiliated companies.
- The *Related Party Transactions Policy*.
- Formal designation for the Board of Directors to ensure implementation of and supervision of the Company's systems of risks and internal controls.
- Optional power for the Executive Board to expand the technical committees (on which members are career employees), with autonomy to make decisions in specific subjects.
- The CEO now to be responsible for directing compliance and corporate risk management activities.
- Greater emphasis on the Company's control functions: internal audit, compliance, and corporate risk management.
- Adoption of an arbitration chamber for resolution of any disputes between the Company, its shareholders, managers, and/or members of the Audit Board.

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* * * * * * * * * * * *

(The original is signed by the following signatories:)

Cledorvino Belini
Chief Executive Officer

Dimas Costa
Chief Trading Officer

Maurício Fernandes Leonardo Júnior
Chief Finance and Investor Relations Officer

Ronaldo Gomes de Abreu
Chief Distribution Officer

Daniel Faria Costa
Chief Officer Cemigpar

Paulo Mota Henriques
Chief Generation and Transmission Officer

Luciano de Araújo Ferraz
Chief Regulation and Legal

Leonardo George de Magalhães
Controller
CRC-MG 53.140

Carolina Luiza F. A. C. de Senna
Financial Accounting and Equity Interests Manager
Accountant – CRC-MG 77.839

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A free translation from Portuguese into English of Independent Auditor's Review Report on Quarterly Information prepared in Brazilian currency in accordance with accounting practices adopted in Brazil and International Financial Reporting Standards (IFRS), issued by International Accounting Standards Board – IASB

Independent Auditor's Review Report on Quarterly Information - ITR

To the Shareholders and Management of
Companhia Energética de Minas Gerais - CEMIG
Belo Horizonte - MG

Introduction

We have reviewed the individual and consolidated interim financial information of Companhia Energética de Minas Gerais - CEMIG (the "Company"), contained in the Quarterly Information Form (ITR) for the quarter ended September 30, 2019, which comprise the statements of financial position as at September 30, 2019 and the statements of profit or loss and comprehensive income for the three and nine-month periods then ended and the statements of changes in equity and cash flows for the nine-month period then ended, including notes to the interim financial information.

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

Scope of review

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

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Conclusion on the individual and consolidated interim financial information

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

Emphasis of matter

Risks related to compliance with laws and regulations

As mentioned in Note 17 to the interim financial information, currently investigations and other legal measures are being conducted by public authorities in connection with Company and certain investees regarding certain expenditures and their allocations, which involve and also include some of their other shareholders and certain executives of the Company and of these other shareholders. The governance bodies of the Company have authorized contracting of a specialized company to analyze the internal procedures related to these certain investments and to ascertain such claims. At this point, it is not possible to forecast future developments arising from these internal investigation procedures and conducted by the public authorities, nor their possible effects on the Company's and its subsidiaries' interim financial information. Our conclusion is not modified in respect of this matter.

Risk regarding the ability of jointly-controlled investee Renova Energia S.A. to continue as a going concern

As disclosed in Note 17 to the interim financial information, as at October 16, 2019, pursuant to Law 11.101/05, it was granted by the court the application for judicial recovery applied for by the jointly-controlled investee Renova Energia S.A. and by some of its subsidiaries. Under the terms of the Law, the jointly-controlled investee shall submit to the court within a non-extendable period of 60 (sixty) days from the publication of the decision granting the application, a judicial recovery plan that shall be submitted to the general meeting of debtors within a period not exceeding 180 (one hundred and eighty) days from the judicial recovery process granting date. The jointly-controlled investee is in the process of preparing such plan and up to the present date has not measured the possible effects on its accounting balances. In addition, jointly-controlled investee has incurred recurring losses and, as at September 30, 2019, has negative net working capital, equity deficit and negative gross margin. These events or conditions in connection with other matters disclosed in Note 17, indicate the existence of relevant uncertainty that may raise significant doubt about the ability of this jointly-controlled investee to continue as a going concern. Our conclusion is not modified in respect of this matter.

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Other matters

Statements of value added

The above mentioned quartely information include the individual and consolidated statements of value added (SVA) for the nine-month period ended September 30, 2019, prepared under Company's Management responsabitlity and presented as supplementary information by IAS 34. These statements have been subjected to review procedures performed together with the review of the quartely information with the objective to conclude whether they are reconciled to the interim financial information and the accounting records, as applicable, and if its format and content are in accordance with the criteria set forth by CPC 09 – Statement of Value Added. Based on our review, nothing has come to our attention that causes us to believe that they were not prepared, in all material respects, consistently with the overall individual and consolidated interim financial information.

Belo Horizonte (MG), November 13, 2019.

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

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

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