Geração e Transmissão S.A.

CONTENTS

REPORT OF MANAGEMENT FOR 2017

Dear Stockholders,

Cemig Geração e Transmissão S.A. ('**Cemig GT**' or 'the Company') submits for your consideration the Report of Management, the Financial Statements, the Opinion of the Audit Board and the Report of the Company's external auditors on the business year ended December 31, 2017, together with the statements of the executive officers who have reviewed the financial statement and the related report of the external auditors.

MESSAGE FROM MANAGEMENT

In our message to you last year, we highlighted the challenges and difficulties of the macroeconomic environment, and that Cemig in particular had to deal with an energy market that was still retracted, and with finance costs for rolling over of our debt that were still very high as a result of the higher risk perception in relation to Brazil.

With 2017 completed, we believe we have good news for our stockholders, and for the public, of the important progress that has been achieved in Cemig's management in the year.

The item to highlight first is management of debt: Cemig GT previously had debt of approximately R$ 5.3 billion maturing in 2017 and 2018. After more than 20 years absent from the international financial market, we raised funds outside Brazil, totaling US$ 1 billion (R$ 3.2 billion) in bonds, maturing 2024. Also, we carried out a re-profiling of R$ 0.7 billion of our debt. Together these two initiatives have balanced our cash flow, extended the average tenor of our debts, and improved our credit quality.

Additionally, to improve our liquidity and reduce debt in 2017 we announced our disinvestment program, with priority for disposal of the assets that were most liquid, or which would bring us limited return in the short term, or which are not strategic. In spite of the difficulties and complexities inherent in the process of disposal, we are confident that the actions we have taken will produce positive results in 2018, which will enable us to reduce the Company's leverage more accentuatedly, and faster.

We continue in our quest for improvement of operational efficiency. We implemented a new voluntary dismissal program, which was joined in 2017 by 249 employees. We feel confident that this will have positive effects in the coming years in reduction of the Company's operational expenses.

Our net income was R$ 428 million, or 512.86% higher than our income for 2016 (R$ 70 million). Our cash flow, measured as Ebitda, was 40.68% higher in 2017, at R$ 1,954 million, than in 2016 (R$ 1,389 million). We are firmly confident that the improvement in our profitability and cash flow represent a trend for the coming years, as a result of our actions in the present.

In the transmission business, the decision on rules for indemnity of the assets, in the previous year, has ensured we have a stable flow of cash for the coming years, making it possible to approve a multi-annual program of investments for Cemig GT, of R$ 1.1 billion, which will make addition of new revenues from these investments possible, in the future.

In our generation business, a highlight is the indemnity of more than R$ 1 billion now agreed for the basic plans of the São Simão and Miranda plants. We are in discussion with the federal government on the criteria for measurement of this indemnity in the quest for a fair indemnity for the investments made by the Company.

As well as all the action we have taken (above) to add value to Cemig GT, the macroeconomic expectations for GDP growth and lower interest rates in 2018 have a direct positive effect for the Company, translating into lower default, lower financial costs of debt, and improvement in the energy market.

We continue to be recognized for the sustainability and social responsibility that are ever-present in our operations. Cemig GT's controlling stockholder, Cemig, was once again included in the Corporate Sustainability Index of the São Paulo Stock Exchange, and in the Dow Jones Sustainability Index, in which we have been included since its creation in 1999. Cemig is a signatory of the UN Global Compact; we have leading positions in several other international and Brazilian sustainability ratings, which represent the recognition of the value of our shares from the point of view of sustainability.

Concluding, we are optimistic for the future: that with our management capacity, and the competence and commitment of our employees, we will build a positive story for Cemig over the coming years, with appropriate and sustainable return on investments, rewarding the trust placed in us by our stockholders – in dozens of countries, on all the continents.

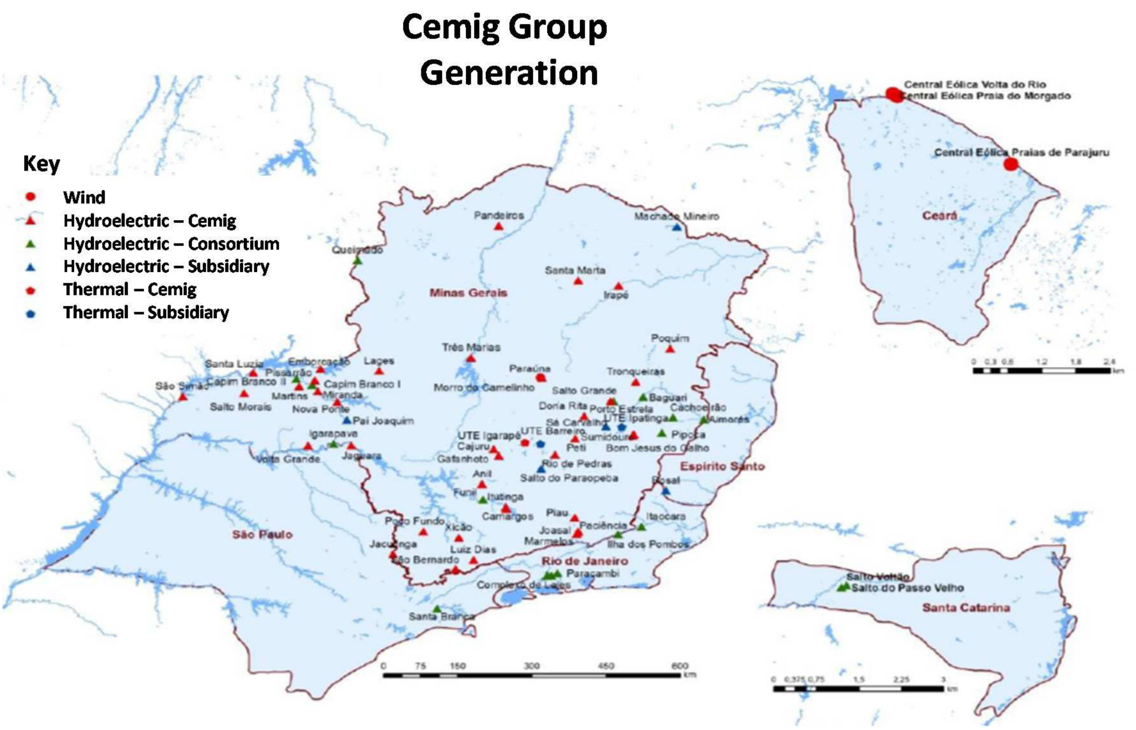
We would like to express our thanks for the commitment and talent of our employees, which with the support of our stockholders and other stakeholders help to uphold the recognition of Cemig as: *Brazil's Best Energy*.

CEMIG GT – PROFILE

Since Cemig GT was created it has always shown its vocation as a pioneer of energy generation through hydroelectric plants. Building very large projects, and overcoming immense challenges, it became a landmark in the history of major power plants by reason of its engineering and the scale of the power plants that it built. Minas Gerais played its part in this vocation, with its vast natural hydroelectric potential, and also its wind potential – which Cemig has mapped in its now published *Wind Atlas of Minas Gerais*.

Cemig GT has interests in 59 power plants – of these 54 are hydroelectric, three are wind power plants, one is thermal, and one solar – with installed capacity for 4,854 MW; and the associated transmission lines, mostly part of the Brazilian Transmission Grid System.

This map below shows the location of Cemig GT's generation plants in operation, including those of the jointly-controlled subsidiaries:



Transmission

In 2017, Cemig GT operated and maintained 38 substations and 4,927 km of transmission lines, operating at 230kV, 345kV and 500kV, as part of Brazil's National Grid system. It also accesses six substations of other transmission companies, where it operates and maintains transmission assets.

Cemig GT operates and maintains transmission assets of 11 other companies, with whom it has service, operation and maintenance, contracts, in 15 substations (of which four are not substations of Cemig GT), and 360 km of transmission lines.

Cemig's mission, vision and values

Mission: "To operate in the energy sector with incomeability, quality and social responsibility."

Vision (of the holding company, Cemig, shared by Cemig GT in the applicable businesses):"To consolidate Cemig's position, over the course of this decade, as the largest group in the Brazilian energy sector by market value, with a presence in the natural gas market, and as a global leader in sustainability, admired by its clients and recognized for its solidity and performance".

Values: "Integrity, ethics, wealth, social responsibility, enthusiasm for the work, and entrepreneurial spirit".

Cemig's Ethical Principles and Code of Professional Conduct

To discipline working behavior and decisions, Cemig GT has, since 2004, adopted its *Statement of Ethical Principles and Code of Professional Conduct*, which is available on the internet at *http://www.cemig.com.br*. This brings together 11 principles setting out the ethical conduct and values that are incorporated into our culture.

THE REGULATORY ENVIRONMENT

Energy generation

In spite of Cemig's efforts to preserve the concessions of the *São Simão, Jaguara, Miranda* and *Volta Grande* plants, concessions for them were auctioned at Generation Auction 01/2017.

For the transition of the assets from Cemig to the new concession holders that won the auction, Cemig continued to run the *Volta Grande* plant as an 'assisted operation' until November 30, and the *Jaguara* and *Miranda* plants on the same basis, until December 28, 2017. Cemig will continue to operate the *São Simão* plant until May 9, 2018.

The annual adjustment of the generation revenue for the plants that were auctioned in Aneel Auction 12/2015 is done in a similar manner to the adjustment for transmission, using IPCA inflation as the adjustment indexor.

Brazil's hydrology

In 2017 the hydrology of the river basins that support the energy system was the worst in five years, with levels at 76% of the previous historic average. The situation was especially adverse in the Northeast, with the worst year in history – with levels at 29%

of the average. The low flows were reflected in a 22.81% storage level in the reservoirs of the energy system, 6% below the level for September 2014. In this scenario of low water storage and low flows, prices have been high throughout the year, with the average spot price (*Preço de Liquidação de Diferenças*, or PLD) for the year at R$ 324.17/MWh. Another factor affected by the situation of the system was the Generation Scaling Factor (GSF), which expresses hydroelectric generation as a percentage of the seasonalized offtake guarantees of a plant. In 2017 the average for the GSF ratio in the system was 0.81, which meant that the hydroelectric agents had 19% of their output requirement exposed to spot prices. Over the year there were moments when the GSF fell as low as 0.6 – its lowest level ever.

Cemig GT, foreseeing these effects, made plans by reserving power to cover this exposure to the hydrological risk (GSF) in 2017, thus reducing the effects of the adverse hydrology in the year. For the *Irapé* and *Queimado* plants, the risk was renegotiated in the year.

Transmission

Because it acts in a regulated market, Cemig GT's revenue from the transmission assets is set by Aneel. The amount of this revenue is updated in three ways: by the *Periodic Review*, the *Annual Adjustment,* and the possibility of an *Extraordinary Review*. Similarly to the distribution company, Cemig GT works with the regulatory body seeking recognition of its costs, in the processes of review, adjustment and ratification of the RAPs for new assets.

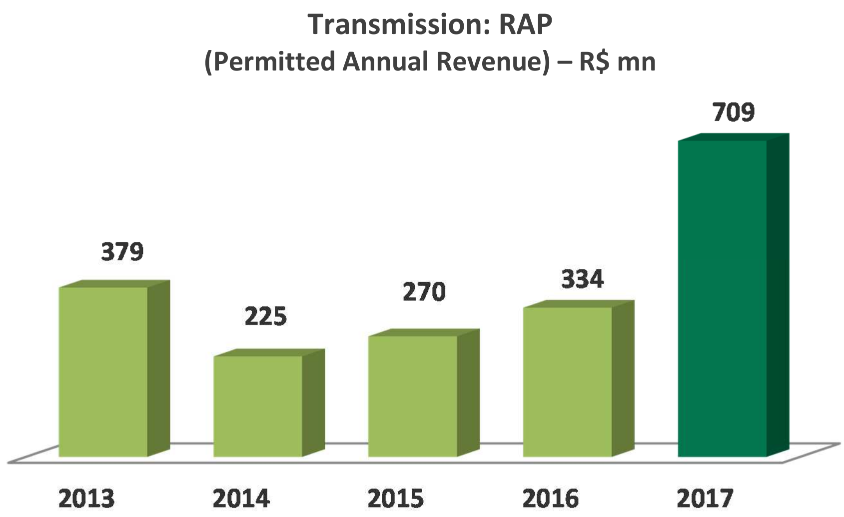
The annual adjustment of transmission revenue takes place on July 1 of each year, except when there is a Periodic Tariff Review. This process aims to adjust the approved *Annual Permitted Revenue* (*Receita Anual Permitida*, or RAP) for inflation, and add a component of new RAP for improvements that have started commercial operation in the tariff cycle in question (July of the previous year to June of the year of the adjustment), and calculate the Adjustment Amount. The methodology adopted is *Revenue Cap.*

In July 2017, the RAP of Cemig GT (under contract 006/97) was adjusted upward by 131.3%, as a result of: the application of the IPCA inflation index to the previous approved revenue level; recognition of new strengthening and improvement of assets; and addition, in accordance with MME Ministerial Order 120/2016, of the cost of capital that had not been included after the renewal of the concession at the beginning of 2013. Excluding the effect of the adjustment for cost of capital, the increase would have been 6.5%.

Cemig GT also has the concession for one substation won by tender, the Itajubá substation – its adjustment takes place in July, with updating by the IGP-M inflation index.

For Cemig Itajubá (Contract 079/2000), the adjustment to the RAP was 41.2% negative. Under that concession contract, RAP remains at the same level for the first 15 years, and is reduced by half in the remaining 15 years. Since by the time of this adjustment all the assets had reached a useful life of 15 years (some of them had already reached their 15-year useful life in the previous cycle), the total RAP underwent a reduction of close to 50%.

The Revenue ratified and approved for the 2017/18 period of the two concessions totals R$ 709 million, of which R$ 371 million is the cost of capital that was not previously included.



CONSOLIDATED RESULTS

(Operational information has not been reviewed by the external auditors)

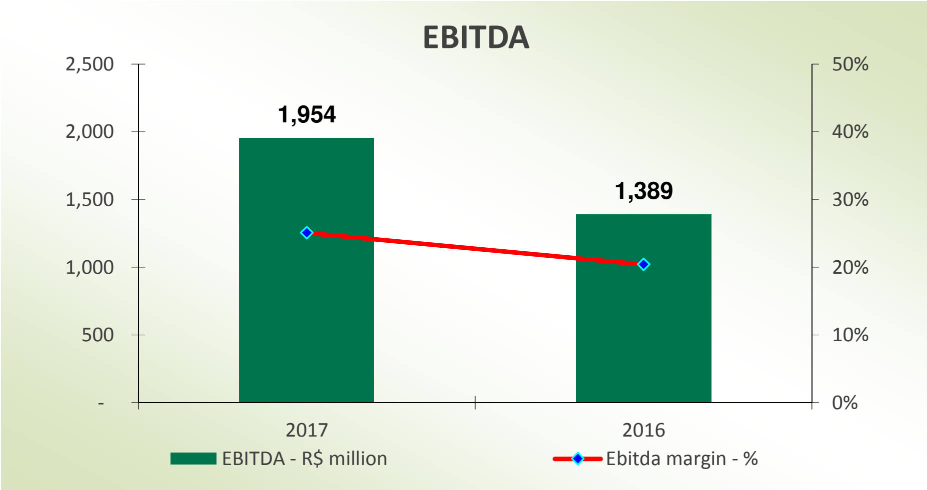
Net income for the year

Cemig GT reported net income of R$ 428 million for 2017, which compares with net income of R$ 70 million in 2016. The main variations in revenue, costs and expenses are noted below, after the consolidated financial statements.

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

Cemig GT's Ebitda was 40.68% higher in 2017 than in 2016, as follows:

Ebitda R$ million	2017	2016	Change, %
Net income for the year	428	70	511.43
+ Current and deferred income tax and Social Contribution tax	420	(7)	-
+ Net finance income (expenses)	948	1,143	(17.06)
+ Amortization and depreciation	158	183	(13.66)
= EBITDA	**1,954**	**1,389**	**40.68**



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

The higher Ebitda in 2017 than 2016 mainly reflects the adjustment in 2016, of R$ 763 million, for reduction in the value of the investment in Renova. Ebitda margin was 25.09% in 2017, compared to 20.40% in 2016.

Revenue from supply of energy

	2017			2016		
	MWh	R$ mn	Average price invoiced (R$/MWh)	MWh	R$ mn	Average price invoiced (R$/MWh)
Industrial	14,486,304	3,358	231.81	15,494,833	3,468	223.83
Commercial	2,226,405	569	255.57	832,443	215	258.45
Subtotal	**16,712,709**	**3,927**	**234.97**	**16,327,276**	**3,683**	**225.59**
Retail supply not yet invoiced, net	-	18	-	-	(371)	-
	16,712,709	**3,945**	**-**	**16,327,276**	**3,646**	**-**
Wholesale supply to other concession holders	12,841,006	3,244	252.63	12,601,237	2,671	211.96
Wholesale supply not yet invoiced, net	-	(54)	-	-	259	-
	29,553,715	**7,136**	**-**	**28,928,513**	**6,576**	**-**

Total revenue from supply of energy in 2017 was R$ 7,136 million, compared to R$ 6,576 million in 2016 – a year-on-year increase of 8.52%, mainly due to volume of energy sold 2.16% higher, allied to the increase of 4.17% and 19.18% in the average prices per MWh invoiced to final Customers, and for wholesale supply to other concession holders, respectively.

Transmission revenue

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

In 2017 this revenue was R$ 519 million, compared to R$ 410 million in 2016 – an increase of 26.59%. This variation arises basically from the inflation-adjustment of the annual RAP, which was applied in July 2017, plus the new revenues related to the investments authorized. It includes an additional adjustment for 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 the indices applied in this adjustment vary according to the concessions. In 2017 the adjustment was 3.59% (the IPCA index) for the concession of Cemig GT, and 1.57% (the IGP-M Index) for the concession of Cemig Itajubá.

Revenue from transactions in the Wholesale Trading Exchange (CCEE)

Revenue from energy sales on the CCEE (*Wholesale Energy Trading Exchange*) was R$ 651 million, compared to R$ 152 million in 2016, an increase of 328.29%. The main factors in this difference are:

- the spot price (*Preço de Liquidação de Diferenças*, or PLD) being 244.28% higher year-on-year, at R$ 324.17/MWh in 2017, compared to R$ 94.16/MWh in 2016; and
- less energy available for settlement in the wholesale market in 2017.

Transmission indemnity revenue

Transmission revenue was R$ 373 million in 2017, compared to R$ 751 million in 2016. In 2016, as a result of the Mining and Energy Ministry setting the criteria for updating of the transmission indemnity, a posting was made, backdated to 2013, of the amount of the updating of the indemnity receivable based on the regulatory cost of capital, which had a significant impact on the revenue reported in that year.

We highlight the additional amount of R$ 149 million recorded in 2017, for the backdated difference of transmission concession assets the values of which were not included in the calculation basis for revenues in the previous tariff reviews. For more details see Note 13 – *Concession financial assets*.

Generation indemnity revenue

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

Taxes and charges reported as deductions from revenue

The sector charges that are deductions from revenue totaled R$ 1,552 million in 2017, or 5.43% more than in 2016 (R$ 1,472 million). The deductions and charges with the most significant impact on revenue are mainly taxes, calculated as a percentage of sales revenue, such as ICMS tax and the Pasep and Cofins taxes. Hence, their variations are substantially proportional to the changes in revenue.

Operational costs and expenses (excluding Finance revenue/expenses)

Operational costs and expenses (excluding Finance revenue (expenses)) totaled R$ 5,472 million in 2017, 24.56% higher than in 2016 (R$ 4,393 million).

For more information on the breakdown of operational costs and expenses please see Explanatory Note 25 to the financial statements.

The following paragraphs outline the main variations in operational costs and expenses:

Energy purchased for resale

The expense on energy purchased for resale in 2017 was R$ 4,170 million, or 36.63% more than in 2016 (R$ 3,052 million). This reflects a volume of energy purchased in 2017 19.41% higher, at 22,690,422 MWh, compared to 2016 (19,002,578 MWh), and also an average price per MWh 14.43% higher, at R$ 183.79 in 2017, and R$ 160.62 in 2016.

Personnel expenses

Personnel expenses were R$ 383 million in 2017, compared to R$ 379 million in 2016, an increase of 1.06%. This arises mainly from the following factors:

- Salary increases, from November 2016 under the Collective Agreement (with full effect in 2017), of 8.50%.
- Recognition, in 2017 and 2016, of expenses on the voluntary retirement program, of R$ 49 million and R$ 23 million, respectively.
- Salary increase of 1.83% under the Collective Work Agreement, as from November 2017.

Tending to reduce the expense, however, the average number of employees in 2017, at 1,460, was 11.03% lower than in 2016 (1,641).

Construction cost

Construction cost was 53.70% lower year-on-year, at R$ 25 million in 2017, compared to R$ 54 million in 2016. This cost is offset in full by the accounting item Construction revenue, thus having no effect on net income.

Post-retirement obligations

The impact of the post-retirement liabilities of the Company on operational income was a reversal of expense, totaling R$ 59 million in 2017, which compares to an expense of R$ 77 million in 2016.

This is due to changes in the life insurance policy, in which the capital insured for retirees is reduced by 20%, every 5 years, as from age 60, reaching a minimum of 20%. This represents a reduction of R$ 142 million in post-retirement liabilities posted on December 31, 2017, with counterpart in the Income and loss account. There are more details in Note 21.

Operating provisions

Operational provision represented an expense of R$ 150 million in 2017, compared to expense of R$ 98 million in 2016 – or 53.06% higher. The difference comes basically from constitution of a provision in 2017 for losses on the put options in the shares of **Saesa** – Santo Antônio Energia S.A. – of R$ 115 million, compared to R$ 49 million in 2016.

Equity gain / loss in unconsolidated investees

The Company reported a net loss of equity in earnings of unconsolidated investees by the equity method, of R$ 519 million in 2017, compared to R$ 448 million in 2017. The losses are mainly on the interests in Renova, of R$ 390 million in 2017 (R$ 373 million in 2016), and in Madeira Energia, of R$ 204 million in 2017 (R$ 135 million in 2016).

For more information please see Note 14.

Adjustment for impairment of investments

In 2016 the Company posted an impairment of R$ 763 million related to the investments in Renova. For more information please see Note 14.

Finance income (expenses)

The Company had a net finance expense of R$ 948 million in 2017, compared to a net finance expense of R$ 1,143 million in 2016 – a reduction of 17.06%. The most significant variations in components between the two years were:

- Lower revenue from short-term finance investments: R$ 62 million in 2017, 23.46% less than in 2016 (R$ 81 million). This basically reflects the lower CDI rate in the year (9.93% in 2017, and 14.06% in 2016) – the main indexor for yield on cash investments.

- Higher monetary updating of restricted cash: R$ 83 million in 2017, compared to R$ 11 million in 2016. In 2017 the Company recognized a revenue item of R$ 82 million, for reversal of the provision for the lawsuit challenging the constitutionality of *inclusion* of ICMS tax (payable or already paid) *within* the amount of revenue on which the Pasep and Cofins taxes are charged (more details in Note 18).
- Lower expense on monetary adjustment in Loans and financings: R$ 37 million in 2017, compared to R$ 76 million in 2016 (a reduction of 51.32%), mainly reflecting the lower IPCA index – indexor of the debt – which was 2.95% in 2017, compared to 6.29% in 2016.
- Lower borrowing costs on loans and financings: R$ 914 million in 2017, compared to R$ 1,128 million in 2016 – a reduction of 18.97%. This mainly reflects the lower variation in the indexor (9.93% in 2017, and 14.06% in 2016).
- Lower FX variation on loans and financings: In 2017 the Company recognized an expense of R$ 57 million basically due to raising of funds indexed to the dollar (Eurobonds).
- Monetary updating expense on client supply advances: In 2017 the Company recognized a monetary expense of R$45 million relating to the contracts for early supply signed during the year.

The breakdown of Finance revenues and expenses is in Explanatory Note 26 to the financial statements.

Income and Social Contribution taxes

In 2017, the expense on income tax and the Social Contribution tax was R$ 420 million, on pre-tax income of R$ 849 million, an effective rate of 49.47%. In 2016, the expense on income tax and the Social Contribution tax was R$ 7 million, on pre-tax income of R$ 63 million, representing an effective rate of 11.05%.

These effective rates are reconciled with the nominal tax rates in Note 11b.

Liquidity and capital resources

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

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

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

Cash and cash equivalents

Cash and cash equivalents at December 31, 2017 totaled R$ 403 million, compared to R$ 428 million on December 31, 2016. No cash nor cash equivalents were held in any other currency than the Real. The main components of this variation:

Cash flow from operations

Consolidated net cash generated by operations in 2017 totaled R$ 778 million, which compares with consolidated net cash *consumed* by operational activities in 2016 of R$ 979 million. The higher figure for net cash from operations in 2017 mainly reflects the payment in 2016 of the Concession Grant Fee – a total of R$ 2,216 million – for the 18 hydroelectric plants whose concessions were awarded at the Aneel auction of December 2015.

Cash used in investment activities

Net cash consumed by investment activities in 2017 totaled R$ 373 million, which compares with net cash *generated* by investment activities in 2016 of R$ 543 million. The difference basically reflects redemption of securities totaling R$ 1,453 million in 2016, primarily used for payment of the concession grant fee.

Cash flow in financing activities

Net cash consumed by financing activities in 2017 totaled R$ 430 million, mainly comprising: R$ 3,473 million in amortization of loans; and payment of R$ 255 million in Interest on Equity; partially offset by raising of loans totaling R$ 3,198 million.

Net cash generated by financing activities in 2016 totaled R$ 580 million, comprising: new funding from loans received, of R$ 3,382 million, partially offset by amortization of financings totaling R$ 2,591 million; and payment of R$ 211 million in Interest on Equity.

Funding and debt management policy

In 2017 the Company reduced its debt from its level of 2016, showing its capacity to generate cash flow to meet its commitments and amortize its debt servicing:

Company Debt, R$ '000	2011	2012	2013	2014	2015	2016	2017
Cemig GT	5,087,002	4,655,963	4,092,806	7,036,700	7,739,072	8,633,671	8,320,163

The Company held firmly to its intention of lengthening its debt profile. Previously maturities were strongly concentrated in the short term, reflecting the difficulty of access to longer-term sources of financing. The joint effort to sell assets and reduce debt servicing in the short term made a fundamental contribution to balancing cash flow and maximizing value of Cemig's assets. The Company announced its intention to the market, in 2017, of disinvesting assets that were not part of its core business, or which were not yet generating cash as dividends, or which had necessary liquidity for an immediate sale. This intention was the consequence of its commitment to deleverage.

For lengthening of its debt, Cemig GT made preparations, over the year, to access the international debt market with a Eurobond issue, which was placed with a seven-year maturity, for a total of US$1 billion. It was priced, on November 30, 2017, with a coupon of 9.25% p.a. The funds were primarily used for payment of short-term debt, especially those in the local capital markets. This initiative helped reduce the exposure of local institutional investors to the risk of the Company, opening the way for future local issues. To protect against foreign exchange variation, concomitantly with the receipt of proceeds on December 5, 2017 Cemig GT made a hedge transaction for the total amount, including the interest, through a combination of interest rate swap and call spread on the principal (i.e. in which Cemig GT accepts that the protection is up to an agreed price level).

Complementing the effort in re-profiling of the debt with the issue of Eurobonds, Cemig GT made constructive negotiations during the year with its principal creditor banks, aiming to replace debt maturing as from 2017 with new debt with programmed maturity in 36 monthly installments starting in January 2019. At the end of December Cemig GT completed the re-profiling of its debts, through amendments and credit agreements totaling R$ 741 million. The reprofiling of the debt was agreed at a cost of 140% of the variation provided by the CDI rate. All the debts have asset guarantees, and obligations for early amortization in the event of sale of assets of Cemig GT and/or the Company.

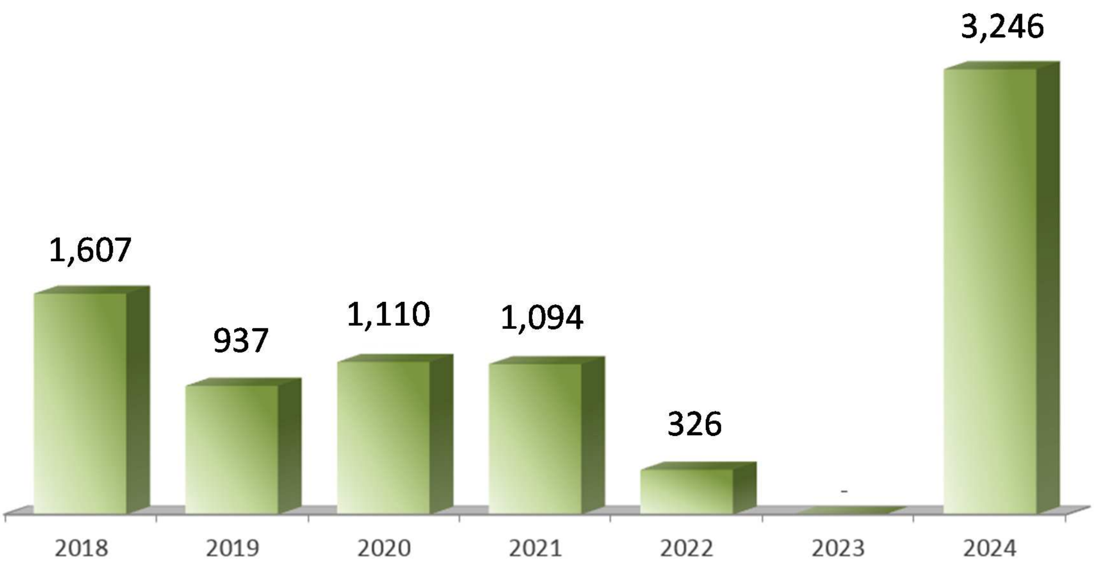
Both the Eurobonds and the bilateral loan transaction comprising the reprofiling of the debt have financial covenants that limit the Company's capacity to contract debt. The Company understands, however, that with continuation of the disinvestment initiatives and consequent deleverage, and also operational efficiency, compliance with these financial covenants is assured.

The details of funding raised, including costs and maturities, are given in Note 19.

With the joint effect of the balance of some R$ 3.2 billion raised in the international market with the Eurobond issue, and the re-profiling of a total of R$ 0.7 billion in debt, the Company has rebalanced its cash flow, significantly increased the average tenor of its debts, and improved its credit quality.

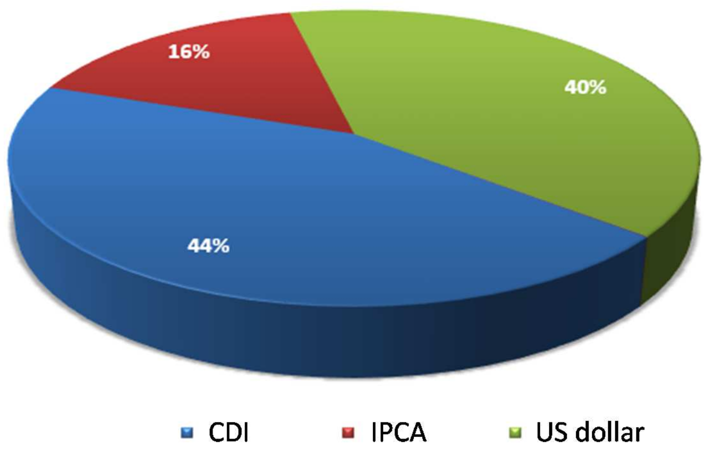
This chart shows the present amortization timetable:

Debt amortization timetable
At December 2017 – R$ million



The composition of the Company's debt is a reflection of the sources of funding available to its subsidiaries through instruments referenced to the local interest rate, and also its intention to avoid exposure to debt in foreign currency (Cemig GT's Eurobond issue was protected by a foreign exchange hedge).

Debt by indexor
At December 2017



In 2017, the rating agencies adjusted their ratings for Cemig GT, based on their perceptions of the programs of the disinvestment plans and the re-profiling of its debt. Issues such as the significant concentration of maturities at the end of 2017, the reduction in demand for energy due to the recession in Brazil, and termination of some generation concessions were indicated as reasons for certain downgrades. At the same time, Cemig's diversified a significant base of assets and investments, as a way of diluting business risk, as well as its still solid position in the market, were seen as factors mitigating risk.

In May, as well as maintaining the BBB (bra) rating for Cemig GT on the Brazilian scale, for the first time Fitch applied a global scale rating (B+) to the Company. However, in November it downgraded its Brazilian rating for Cemig GT from BBB (bra) to BB-(bra) on the Brazilian scale, and its global rating from B+ to B–. Moody's, in June, downgraded its rating from Baa1.br to Baa1.br on the Brazilian scale, and from B1 to B2 on the global scale. In October it once again downgraded Cemig GT from Baa1.br to B2.br on the Brazilian scale, and from B2 to B3 on the global scale.

The Company expects to see improvement in the ratings in 2018, as a result of the actions taken in 2017 to improve the debt profile.

PROPOSAL FOR ALLOCATION OF NET INCOME

The Board of Directors decided to propose to the Annual General Meeting to be held on April 30, 2018 that the income for 2017, in the amount of R$ 428,459, and the balance of Reserve for Equity Valuation Adjustments, of R$ 13,712, should be allocated as follows:

- R$ 214,230, corresponding to 50% of the net income, to be should be allocated to payment of the mandatory minimum dividend;
- R$ 206,372 to be held in Stockholders' Equity in the Retained earnings account;
- R$ 21,423 to be allocated to the Legal Reserve; and
- R$ 146 to be allocated to the Tax Incentives Reserve.

INVESTMENTS

Investments in generation:

The principal investments in 2017 were injections of capital in the investee Guanhães, construction of small hydro plants, and the Belo Monte plant, at the final phase of construction and needing a smaller input of capital than in the past, totaling R$ 233 million.

Renova Energia S.A. 'Renova'

Renova Energia S.A. (Renova), founded in 2001, focuses on renewable power sources: wind plants, small hydroelectric plants and solar plants.

In the last two years Renova has had a challenging financial situation and based its strategy on three main points: focus on execution of the projects under construction; adaptation of the capital structure; and revision of the business plan. At present, Cemig GT directly holds 36.23% of the total stock of Renova.

As part of the process of restructuring, assets were sold in 2017, as follows:

- The *Alto Sertão II* Wind Complex, with installed capacity of 386 MW and average offtake guarantee of 181.6 MW, to AES Tietê Energia S.A.
- 19,535,004 shares in *TerraForm Global* were sold to Brookfield Asset Management, Inc. for US$ 4.75/share;
- The *Umburanas I* and *II* generation projects, with average offtake guarantee of 226 MW, was sold to Engie Brasil Energia.

Investments in transmission

Cemig GT's multi-year investment plan was approved in 2017, for a total of R$ 1,140 million over the period 2017 to 2025.

THE DISINVESTMENT PROGRAM

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

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

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

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

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

Assets	Acquirer	Closing	Amount (R$ mn)
Shares in Terraform Global	Brookfield Asset Management	Jul 3, 2017	352
Alto Sertão II Complex,	AES Tietê	Aug. 3, 2017	600
Umburanas wind farm complex	Engie Brasil Energia	Nov. 24, 2017	17
Transmineiras (*Transleste*, *Transudeste*, *Transirapé*)	Taesa	Nov. 30, 2017	80

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

RELATIONSHIP WITH EXTERNAL AUDITORS

The Company's policies in contracting of services of external auditors aim to avoid conflict of interest and loss of independence or objectivity, and are based on the principles that preserve the independence of the auditor. To avoid subjectivity in definition of the principles of independence in the services provided by the external auditors, procedures have been established for approval of the contracting of these services, expressly defining: (i) services that have been previously authorized; (ii) services that are subject to prior approval by the Audit Board/Audit Committee; and (iii) services that are prohibited.

Complying with the requirement of the CVM, a turnover system of external auditors is adopted, with a frequency of 5 years. In 2017, we changed auditors. In the 2016 business year our auditors were Deloitte Touche Tohmatsu Auditores Independentes, who continued until the end of the audit of the interim financial statements at March 31, 2017, which were filed with the CVM on May 15, 2017. As from the interim financial statements of June 2017 our auditors are Ernst & Young Auditores Independentes S.S, who are also responsible for the audit of our financial statements at December 31, 2017. The services provided by the Company's external auditors have been as follows:

Service R$ '000	2017	As % of audit fees	2016	As % of audit fees
Auditing services				
Auditing of Financial Statements	991	100	450	100
Review of tax bookkeeping procedures and of the quarterly provisions for income tax and Social Contribution tax	56	6	17	4
Comfort letter for issuance of debt instrument	845	85	-	-
Total	**1,892**	**191**	**467**	**104**

The additional services were contracted jointly with the external auditing services and refer, basically, to review of tax procedures adopted by the Company, and to preparation of a comfort letter for issuance of a debt instrument. These do not represent any type of consultation, tax planning or conflict of interest.

It should be noted that any additional services to be provided by the external auditors, including that mentioned above, are subject to obligatory prior approval by the Executive Board and Board of Directors, taking account of any conflict of interest, loss of independence or objectivity of the auditors, in accordance with the terms specified in the Sarbanes-Oxley Law and CVM Instruction 381/2003.

CORPORATE GOVERNANCE

The Company's Board of Directors has 15 sitting members, and an equal number of substitute members, appointed by the stockholders.

The by-laws specify that the period of office of all Board Members shall run concurrently and shall be of two years, and that a member may be reelected at the end of a period of office. In 2017, 36 meetings of the Board of Directors were held, to decide on a range of matters such as, among others, strategic and budgetary planning, investment projects and acquisitions.

The Board of Directors also has six Board Support Committees.

Their purpose is to ensure objectivity, consistency and quality in the decision process, providing in-depth analysis of the matters within their specialization, and issuing suggestions for decisions or actions, and opinions, to the Board.

The Company's Audit Board is permanent.

It has five members; and in the form constituted, it meets the requirements for exemption from creation of an Audit Committee under the US Securities Act and the Sarbanes-Oxley Law. The Audit Board held 16 meetings in 2017.

AUDITING AND MANAGEMENT OF RISKS

In 2017 the areas responsible for Cemig's Corporate Risk Management and Compliance were both reorganized. Together with the area responsible for Strategic Planning they are now both subordinated to the *Strategy, Risks and Compliance Planning Management* Unit, which is directly linked to the Office of the CEO.

This unit coordinates the Corporate Risks Monitoring Committee, and is responsible for: development and implementation of policies and procedures to maintain the level of the Company's exposure to risks within a planned limit; to work continuously for compliance with laws and regulations and ethical conduct of our professionals; and to coordinate and support the corporate activities of compliance and risk management, bringing these processes to a new, higher level.

A highlight in 2017 was the approval by the Board of Directors of the Corporate Risks Management Policy, and the Company's risk matrix, which covers the generation, transmission and trading businesses.

Anti-fraud Policy

In 2017 Cemig revised its *Anti-fraud Policy*, to clearly state the prohibition on donations of any type, direct or indirect, of money or with monetary, or goods or services, including in the form of publicity or advertising, that have any political objective to favor any political party or its members, whether militant, or active, or not. The Policy is aligned to the requirements of Federal Law 9,504/1997 of September 30, 1997 – the 'Elections Law'.

Cemig also has a '*Whistleblower Channel*', an *Ombudsman*, and an *Ethics Committee*. These deal with recording and treatment of any irregularities or ethical dilemmas affecting its operations. All reports are assessed, and when concluded they are made available to the accusing parties.

The 'Whistleblower Channel' preserves 100% anonymity for those providing information. It enables situations thought to involve discrimination to be reported.

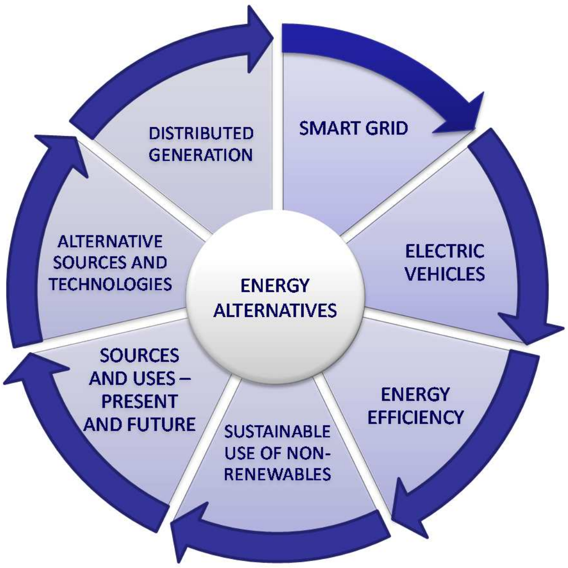
TECHNOLOGICAL MANAGEMENT AND INNOVATION

Historically, constant investment in innovation, technology and efficiency, and the Company's pioneering vocation, have been determining factors in Cemig achieving its positioning in the market.

In the last 3 years Cemig D has invested more than R$ 38 million in research and development projects, on a range of subjects. The aim is to enable the complete chain of an invention: develop knowledge; and transform good ideas, successful lab experiments and quality in mathematical models into practical results that will improve the performance of organizations, and people's lives.

Energy alternatives

In Cemig's view, the phrase 'Energy Alternatives' covers the whole of the energy chain, including transport, transformation, technological pathways, supply and storage, energy efficiency and final use.Cemig believes that because they are all interconnected factors in the energy matrix, alternatives for energy are interlinked, as shown by the illustration on the right.



The impacts relating to energy alternatives are essentially positive or have positive intentions:

- Reduction of fossil fuels, together with the reduction of greenhouse gases.
- Minimization of the load on primary sources and natural resources, with direct consequences for climate change arising from greenhouse gases.
- Development of more sustainable technologies.
- Creation of new energy configurations.
- Local and regional development.

Creation of scientific, technical and technological competencies, with direct impacts ranging from training, education, and qualification to scientific publications, and development of industry chains, with consequences for industrial production and patents. Potential for economic effects of this group of activities.

SOCIAL RESPONSIBILITY

Cemig bases its relations with communities near its project sites on a sense of joint responsibility and by stimulus for local economic and social development.

In all its interactions the Company takes care to respect and listen to those who are affected by any of activity or have any direct contact with the Company.

The following are some of the highlights of 2017:

The AI6% Program: This program encourages employees and retirees of Cemig to use a program for paying 6% of their income tax liability to a registered charity, in favor of the Infancy and Adolescents' Funds (*Fundos da Infância e da Adolescência*, or FIA).

The 2017/2018 AI6% Campaign involved the participation of 512 employees, who voluntarily allocated R$ 375,000 to benefit children and adolescents in vulnerable situations, served by 151 institutions. Cemig GT also allocated part of its income tax payable to the same FIAs.

Projects in culture, sport and health

Optimization of resources – the same principle that governs sustainability – was the challenge for the cultural, sport and health projects in 2017.

Not only was the country in a macroeconomic crisis, but the Company also went through a period of crisis in the sector, with the loss of the concessions for four important generation plants to foreign investors.

Health:

Cemig took part in two Health Ministry projects jointly with the government of Minas Gerais, through the *National Oncology Support Program* (*Pronon*), benefiting two entities in the state: The *Mário Penna Hospital* and the *São Francisco de Assis Hospital Foundation*, both projects that aim to expand care, diagnosis and treatment for cancer patients.

Sport:

Investments were made in 28 projects, throughout the state, in 2017.

For the community, sport programs create social recovery and citizenship benefits, especially for children and adolescents, by encouraging sports and generating opportunities for local youths to become athletes.

For Cemig, these projects enhance its image as a company committed to the development of healthy habits, and the welfare and development of the communities.

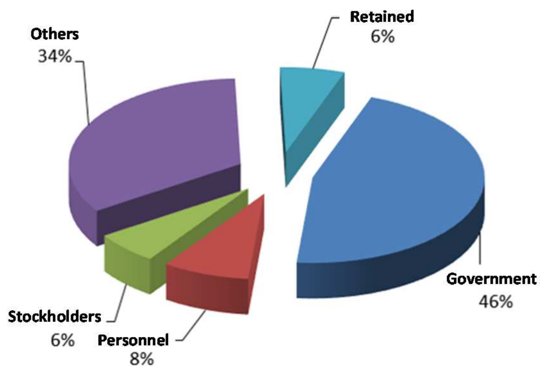
Culture

Sponsorships in culture reached a total of 250 projects in 2017, almost twice the number for 2016, which was only made possible by the advent of state culture tenders, based on renunciation of state value added tax (ICMS) which provided approximately half of the total invested. The tenders were promoted by the Minas Gerais State Culture Department, which ensured alignment with public policies, and assertiveness in choice and implementation of the projects.

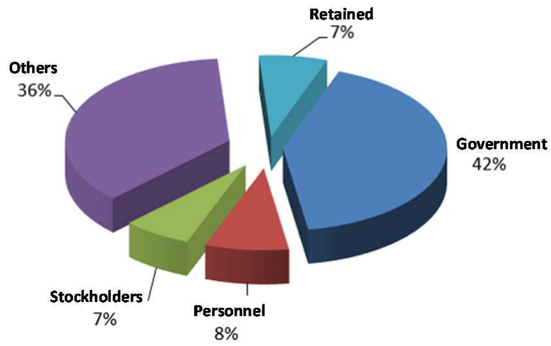
Value added

The Value Added Statement (*Demonstração do Valor Adicionado*, or DVA) is an indicator of wealth creation and the Company's importance for society in general: the added value created in 2017 was R$ 3,516 million, compared to R$ 3,027 million in 2016.

Distribution of added value, 2017



Distribution of added value, 2016

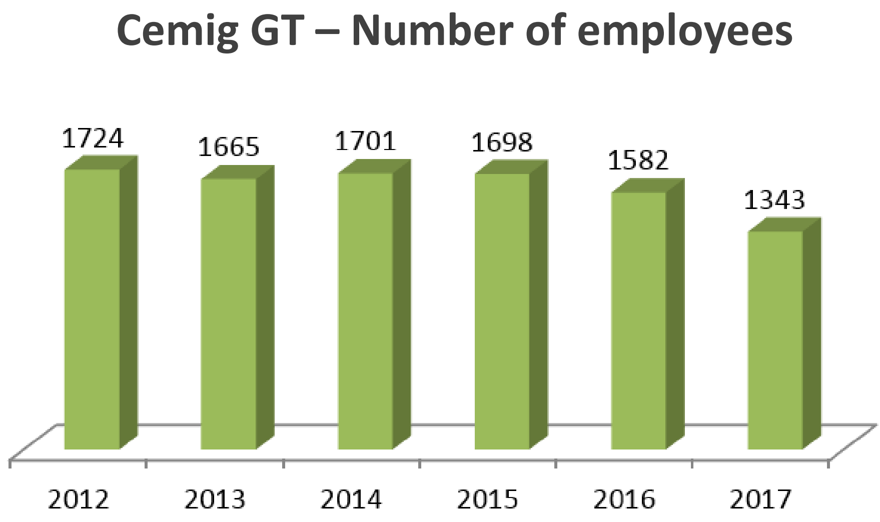


Human resources

Cemig believes that its human capital is a fundamental element for fulfillment of its commitment to economic, social and environmental sustainability. With this focus, it adopts best practices in the labor market in its management of people.

Number of employees

In view of the reality imposed by the present conditions of regulations in the energy sector, Cemig GT is working towards more efficiency and greater alignment with the sector benchmarks. In 2017 Cemig's total headcount was significantly reduced, due to the PDVP 2017 Voluntary Retirement Program, which continues the policy of assisting retirement for those who have the qualifications. In the last five years the total number of employees has fallen from 1,665, in 2013, to 1,343, in 2017:



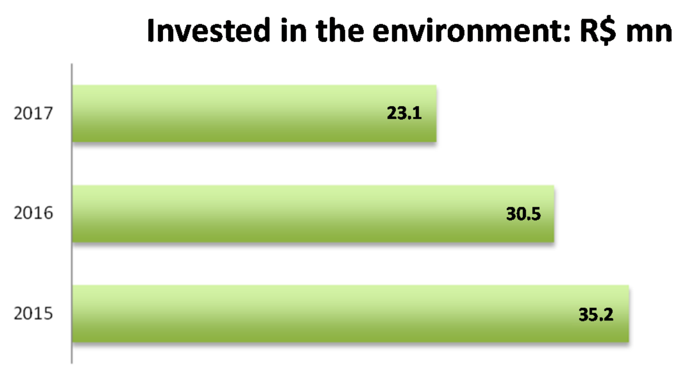
UniverCemig

UniverCemig is responsible for training and development of Cemig employees. It builds educational solutions, gives the internal training, contracts training units and courses external to the company and in other countries, and manages postgraduate and language courses. It also offers courses of training to other companies, mainly contractors that are suppliers of the distribution operation.

In 2017 UniverCemig carried out 209,926 person-hours of training for Cemig's own employees: A total of 10,788 participations, and 35.52 hours of training per employee. Cemig also provided training to other companies: 3,260 participation units, and 91,658 person-hours of training. The total invested in training and development action was R$ 3,726 per Cemig employee.

Environment

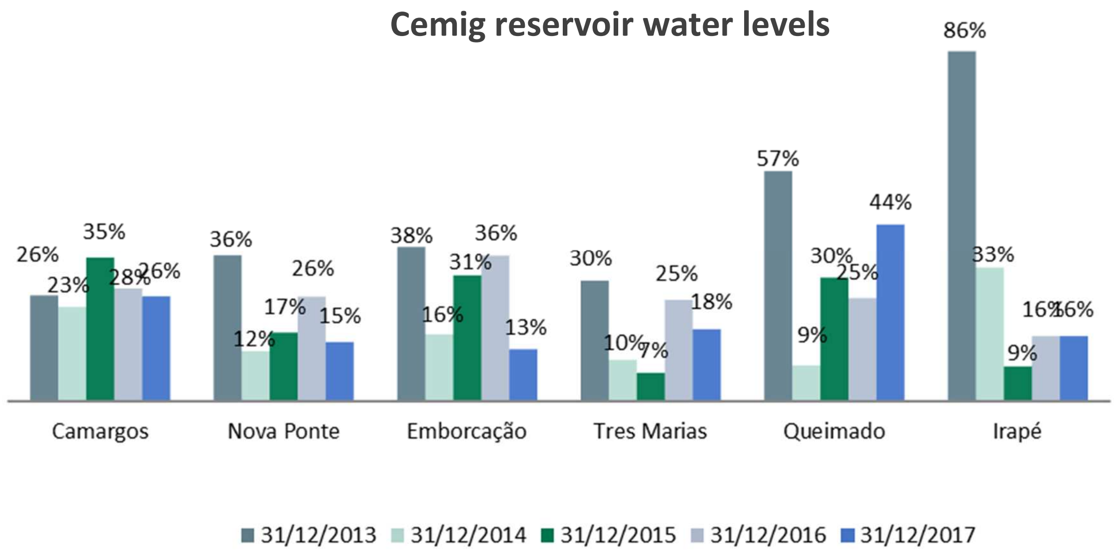
In 2017, Cemig invested approximately R$ 23.1 million in the environment. Within Cemig GT's *Environmental Strategy*, the *Environmental Adaptation Committee* periodically reviews the prioritization and allocation of these resources.



Water resources

Cemig GT has a unit dedicated to management of water resources. Its planning includes operational measures in the company's hydroelectric plants to calculate the optimal generation of each plant, ensuring the optimum use of water for generation, without impacting the other uses of the same river basin.

Cemig GT regularly monitors a network comprising the main river basins in the state of Minas Gerais, with operations in 42 reservoirs and more than 180 stations collecting physical, chemical and biological data.



Dam safety

The process to ensure safety of the dam operated and maintained by Cemig GT uses a methodology based on and supported by the best Brazilian and international practices, at all stages of the process.

The process includes field inspection, collection and analysis instrumentation data, preparation and updating of dam safety plans, planning and monitoring of maintenance services, analysis of results, and classification of the built structures. Based on the classification of structures, frequency of safety inspection, and the monitoring routine, are established.

In 2017 Cemig focused on creating a closer relationship between the Company and the external public that might possibly be involved in emergency situations. In 2017, eight external plans were delivered to a total of 13 municipalities. Over the years 2018 and 2019 a further 92 municipalities will be involved in this phase of officialization of the process of communication in emergencies.

Programs for fish populations

The activities of the *Peixe Vivo* program are in three main areas: Conservation and handling programs, seeking to adopt best practices for fish conservation; Research and development, enlarging scientific knowledge of ichthyofauna and providing inputs for more efficient conservation strategies; and Relationship with the community – disseminating the Program's activities and results to the public, and seeking their involvement in the construction of the strategic planning.

In 2017 approximately R$ 4 million was invested in projects and activities for preservation of fish populations, including expenditure on research projects, maintenance of fish culture stations, environmental education, and events centered on relationship with the community.

In 2017 a total of 260,000 fingerlings, weighing approximately 7 tons, were produced and introduced into waterways in 25 fish stocking events, with the participation of 210 people from local communities, in 16 counties.

Since the program was created, its activities, developed in partnership with research institutions, have reduced fish deaths by 71%, which has also resulted in lower environmental fines arising from accidents and interruption of operations.

Environmental licensing

The environmental licensing activity keeps registration of the Company's enterprises up to date – ensuring that all the studies and reports undertaken are properly analyzed, and all the rules issued by the competent bodies and under the legislation are complied with. Cemig GT now has 77% of its projects duly licensed, and 23% in the process of obtaining of the related environmental licenses.

CLOSING REMARKS

Cemig GT's management is grateful to its majority stockholder, the State of Minas Gerais, for the trust and support that it has constantly shown during the year. It also thanks the other federal, state and municipal authorities, the communities served by the Company, the stockholders, other investors – and, above all, its highly qualified group of employees, for their dedication.

SOCIAL STATEMENT

FOR THE YEARS ENDED DECEMBER 31, 2017 and 2016

1 – Basis of calculations	2017 – Holding company Amount (R$ '000)			2016 – Holding company Amount (R$ '000)		
Net revenue (NR)	7,150,456			6,494,761		
Operational income (OP)	1,690,396			1,201,699		
Gross payroll (GP)	364,628			305,046		
2) Internal social indicators	**Amount (R$ '000)**	**% of GP**	**% of NR**	**Amount (R$ '000)**	**% of GP**	**% of NR**
Food	20,599	5.65	0.29	20,940	6.86	0.32
Mandatory charges/costs on payroll	75,169	20.62	1.05	82,039	26.89	1.26
Private pension plan	22,133	6.07	0.31	23,859	7.82	0.37
Health	11,849	3.25	0.17	11,575	3.79	0.18
Safety and medicine in the workplace	5,988	1.64	0.08	5,663	1.86	0.09
Education	74	0.02	0.00	120	0.04	0.00
Training and professional development	9,126	2.50	0.13	8,252	2.71	0.13
Provision of or assistance for day-care centers	732	0.20	0.01	617	0.20	0.01
Income sharing	984	0.27	0.01	855	0.28	0.01
Others	3,785	1.04	0.05	3,464	1.14	0.05
Internal social indicators – Total	**150,439**	**41.26**	**2.10**	**157,384**	**51.59**	**2. 42**
3) External social indicators	**Amount (R$ '000)**	**% of OP**	**% of NR**	**Amount (R$ '000)**	**% of OP**	**% of NR**
Education	64	0.00	0.00	24	0.00	0.00
Culture	3,496	0.21	0.05	2,232	0.17	0.03
Other: health / water / sport / donations / subsidies / ASIN project	1,654	0.10	0.02	421	0.03	0.01
Total contributions to society	**5,214**	**0.31**	**0.07**	**2,677**	**0.20**	**0.04**
Taxes (excluding obligatory charges on payroll)	1,381,330	81.72	19.32	1,152,319	95.89	18.35
External social indicators – Total	**1,386,544**	**82.02**	**19.39**	**1,154,996**	**96.11**	**18.39**
4) Environmental indicators	**Amount (R$ '000)**	**% of OP**	**% of NR**	**Amount (R$ '000)**	**% of OP**	**% of NR**
Related to the company's operations	23,100	1.37	0.32	36,820	3.06	0.57
Total investment in the environment	**23,100**	**1.37**	**0.32**	**36,820**	**3.06**	**0.57**
On annual targets to minimize toxic waste and consumption in operations, increase efficacy of use of natural resources, the company:	(X) has no targets ( ) meets 0–50% of targets	( ) meets 51–75% of targets ( ) meets 76–100% of targets		(X) has no targets ( ) meets 0–50% of targets	( ) meets 51–75% of targets ( ) meets 76–100% of targets	
5) Workforce indicators						
Number of employees at end of business year			1,343			1,582
Hirings during the business year			2			50
Number of outsourced employees			127			129
Number of interns			64			68
Employees' levels of education						
– University and university extension			527			585
– Secondary			807			984
– Primary			10			13
– Primary incomplete			-			-
Number of employees over 45 years old			587			743
Number of women employed			185			228
% of supervisory positions held by women			13.10			13.58
Number of African-Brazilian employees			60			62
% of supervisory positions held by African-Brazilians			2.38			0.78
Number of employees with disabilities			14			28

SOCIAL STATEMENT (continuation)

6) Corporate citizenship	2017			Targets for 2018		
Ratio between highest and lowest compensation in the Company	27.27			No target		
Total number of work accidents	26			0		
Who selects the company's social and environmental projects?	( ) senior management and line managers	(x) senior management and line managers	( ) all the employees	( ) senior management and line managers	( ) senior management and line managers	( ) all the employees
Who decides the company's work environment health and safety standards?	( ) senior management and line managers	(X) all employees	( ) All + Accident Prevention Committee	( ) senior management and line managers	( ) all employees	( ) All + Accident Prevention Committee
In relation to labor union freedom, the right to collective bargaining and/or internal employee representation, the company	( ) does not get involved	(X) follows the ILO guidelines	( ) encourages and follows the ILO	( ) will not get involved	( ) will follow ILO guidelines	( ) will encourage and follow ILO
The company pension plan covers	( ) senior management and line managers	( ) senior management and line managers	(X) all employees	( ) senior management and line managers	( ) senior management and line managers	( ) all employees
The income-sharing program covers:	( ) senior management and line managers	( ) senior management and line managers	(X) all employees	( ) senior management and line managers	( ) senior management and line managers	( ) all employees
In selecting suppliers, the company's standards of ethics and social and environmental responsibility:	( ) are not considered	( ) are suggested	(X) are required	( ) will be suggested	( ) will be suggested	( ) will be required
On employee participation in volunteer work programs, the company:	( ) supports	( ) supports	(X) organizes, encourages	( ) supports	( ) supports	( ) organizes, encourages
Total number of consumer complaints and criticisms:	Via Procon N.A.	Via Procon N.A.	In the courts N.A.	Via Procon N.A.	Via Procon N.A.	In the courts N.A.
% of complaints and criticisms met or solved:	Via Procon N.A.	Via Procon N.A.	In the courts N.A.	Via Procon N.A.	Via Procon N.A.	In the courts N.A.
Total added value distributable (R$ '000)	In 2017: R$ 3,516,251			In 2016: R$ 2,989,192		
Distribution of added value (DVA)	45.93% government 6.09% stockholders	8.16% employees 33.73% others 6.09% retained		39.97% government 5.15% stockholders	9.59% employees 45.29% others 0% retained	

7) Other information	2017	2016
Investments in environmental issues	R$ 23.1 million	R$ 30.5 million
Monitoring of reservoir water quality	42 reservoirs and 180 physical, chemical and biological data collection stations	42 reservoirs and 180 physical, chemical and biological data collection stations
Non-reusable wastes and materials	320.6 tons	320.6 tons
Revenue from sales of waste (R$)	R$ 201,400	R$ 201,400

CEMIG
Geração e Transmissão S.A.

CEMIG GT IN NUMBERS

Item	2017 Holding company	2016 Holding company
Service		
Number of Customers	1,243	1,039
Number of employees	1,343	1,582
Energy sold per employee – MWh	21,332	18,286
Market		
Own generation – GWh	5,712	10,927
Average sale price (excluding ICMS tax), R$/MWh – Industrial	204.23	196.96
Expenses		
Number of plants in operation	59	63
Installed capacity (MW)	4,854	7,776
Financial		
Net operational revenue, R$ mn	7,150	6,495
Operational margin, %	23.64	18.51
Ebitda, R$ mn	1,849	1,384
Income, R$ mn	428	70
Income per share	0.1479	0.0241
Shareholder’s equity – R$ mn	4,794	4,583
Book value per share	1.65	1.58
Return on equity, %	9.34	1.49
Debt / Shareholder’s equity, %	257.13	253.87
Current liquidity ratio	0.76	0.37
General liquidity ratio	0.61	0.46

MEMBERS OF BOARDS

BOARD OF DIRECTORS	
SITTING MEMBERS	**SUBSTITUTE MEMBERS**
José Afonso Bicalho Beltrão da Silva	Geber Soares de Oliveira
Bernardo Afonso Salomão de Alvarenga	Agostinho Faria Cardoso
Antônio Dirceu Araújo Xavier	Luiz Guilherme Piva
Arcângelo Eustáquio Torres Queiroz	Franklin Moreira Gonçalves
Helvécio Miranda Magalhães Júnior	Wieland Silberschneider
Marco Antonio de Rezende Teixeira	Antônio Carlos de Andrada Tovar
Marco Antonio Soares da Cunha Castello Branco	Ricardo Wagner Righi de Toledo
Nelson José Hubner Moreira	Otávio Silva Camargo
Marcelo Gasparino da Silva	Aloísio Macário Ferreira de Souza
José Pais Rangel	José João Abdalla Filho
Patricia Gracindo Marques de Assis Bentes	(seat vacant)
Carlos Eduardo Lessa Brandão	(seat vacant)
Daniel Alves Ferreira	Manoel Eduardo Lima Lopes
Arlindo Magno de Oliveira	Paulo Sérgio Machado Ribeiro
Hermes Jorge Chipp	Alexandre Silva Macedo

AUDIT BOARD	
SITTING MEMBERS	**SUBSTITUTE MEMBERS**
Arthur Maia Amaral	Marco Antônio Badaró Bianchini
Edson Moura Soares	Marcos Túlio de Melo
Camila Nunes da Cunha Pereira Paulino	Flávia Cristina Mendonça Faria Da Pieve
Manuel Jeremias Leite Caldas	Ronaldo Dias
(seat vacant)	Rodrigo de Mesquita Pereira

THE EXECUTIVE BOARD	
NAME	**POSITION**
Bernardo Afonso Salomão de Alvarenga	Chief Executive Officer
Bernardo Afonso Salomão de Alvarenga	Deputy CEO (interim)
Ronaldo Gomes de Abreu	Director without portfolio
Maurício Fernandes Leonardo Júnior	Chief Finance and Investor Relations Officer
Franklin Moreira Gonçalves	Chief Generation and Transmission Officer
José de Araújo Lins Neto	Chief Corporate Management Officer
Luciano de Araújo Ferraz	Chief Counsel
Thiago de Azevedo Camargo	Chief Institutional Relations and Communication Officer
Daniel Faria Costa	Chief Business Development Officer
Maura Galuppo Botelho Martins	Chief Officer for Human Relations and Resources
Dimas Costa	Chief Trading Officer

INVESTOR RELATIONS

Investor Relations Department

Telephones: (+55-31) 3506-5024 – 3506-5028
Fax: (+55-31) 3506-5025 – 3506-5026

Online

Site: www.cemig.com.br
E-mail: ri@cemig.com.br

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT DECEMBER 31, 2017 AND 2016

ASSETS

In thousands of Brazilian Reais – R$ '000

	Note	Consolidated		Holding company	
		2017	2016	2017	2016
CURRENT					
Cash and cash equivalents	6	403,339	427,827	366,169	361,252
Securities – Cash investments	7	520,963	424,046	397,734	273,885
Customers and Traders	8	850,487	724,939	763,187	676,851
Power transport concession holders	8	89,153	36,690	89,249	36,690
Recoverable taxes	9	30,840	55,493	30,064	55,486
Income and Social Contribution taxes recoverable	10	138,435	176,464	138,435	176,464
Concession financial assets	13	689,353	332,763	456,101	13,233
Credits owed by Eletrobras	20	-	48,379	-	48,379
Advances to suppliers		98,914	1,059	69,914	1,059
Hydrological risk renegotiation premium		16,681	16,618	16,681	16,618
Other		135,907	105,893	139,237	138,858
TOTAL, CURRENT		**2,974,072**	**2,350,171**	**2,466,771**	**1,798,775**
NON-CURRENT					
Securities – Cash investments	7	14,659	13,038	11,191	8,268
Recoverable taxes	9	8,272	14,870	8,272	14,870
Escrow deposits in litigation	12	309,994	229,294	309,994	229,294
Receivables from related parties.	27	351,709	74,630	357,549	74,630
Hydrological risk renegotiation premium		35,060	46,305	35,060	46,305
Advances to suppliers		5,084	229,053	2,061	229,053
Generation concession assets	4	-	206,566	-	206,566
Derivative financial instruments – Swaps	28	8,649	-	8,649	-
Other		59,886	67,384	59,875	67,332
Concession financial assets	13	6,024,377	4,755,137	3,920,494	2,820,902
Investments	14	4,723,336	5,291,892	7,209,862	7,773,818
Property, plant and equipment	15	2,162,890	3,170,152	2,155,847	3,168,380
Intangible assets	16	32,640	35,752	32,640	35,752
TOTAL, NON-CURRENT		**13,736,556**	**14,134,073**	**14,111,494**	**14,675,170**
TOTAL ASSETS		**16,710,628**	**16,484,244**	**16,578,265**	**16,473,945**

The Explanatory Notes are an integral part of the Financial Statements.

Geração e Transmissão S.A.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT DECEMBER 31, 2017 AND 2016

LIABILITIES

In thousands of Brazilian Reais – R$ ’000

	Note	Consolidated		Holding company	
		Dec. 31, 2017	Dec. 31, 2016	Dec. 31, 2017	Dec. 31, 2016
CURRENT					
Loans and financings	19	153,991	1,410,782	153,991	1,410,782
Debentures	19	1,453,430	1,845,411	1,456,365	1,853,013
Suppliers	17	472,043	377,038	454,512	372,704
Income and Social Contribution taxes		99,832	6,072	-	-
Taxes	18	133,666	136,777	126,038	132,863
Regulatory charges	20	151,532	69,955	149,698	67,377
Post-retirement obligations	21	52,395	45,377	52,395	45,377
Interest on Equity, and Dividends, payable	23	564,230	605,000	564,230	605,000
Payroll and related charges		48,547	52,557	48,547	52,554
Advances from clients	8	190,758	181,200	190,758	181,200
Derivative financial instruments – Swaps	28	12,596	-	12,596	-
Other obligations		59,230	95,731	54,734	94,429
TOTAL, CURRENT		**3,392,250**	**4,825,900**	**3,263,864**	**4,815,299**
NON-CURRENT					
Loans and financings	19	3,977,975	752,930	3,977,975	752,930
Debentures	19	2,734,767	4,624,548	2,734,767	4,626,860
Deferred income tax and Social Contribution tax	11a	416,446	286,174	416,305	285,529
Taxes	18	3,830	101,233	3,830	101,233
Regulatory charges	20	84,557	128,068	80,737	126,742
Post-retirement obligations	21	852,136	861,084	852,136	861,084
Provisions	22	96,310	105,296	96,294	105,296
Derivative financial instruments – Swaps		28,515	-	28,515	-
Derivative financial instruments – Put options	28	311,593	196,173	311,593	196,173
Other obligations		18,417	19,644	18,417	19,605
TOTAL, NON-CURRENT LIABILITIES		**8,524,546**	**7,075,150**	**8,520,569**	**7,075,452**
TOTAL LIABILITIES		**11,916,796**	**11,901,050**	**11,784,433**	**11,890,751**
STOCKHOLDERS’ EQUITY	23				
Share capital		1,837,710	1,837,710	1,837,710	1,837,710
Profit reserves		2,702,600	2,474,659	2,702,600	2,474,659
Equity valuation adjustments		153,522	270,825	153,522	270,825
Advance for future capital increase		100,000	-	100,000	-
TOTAL OF EQUITY		**4,793,832**	**4,583,194**	**4,793,832**	**4,583,194**
TOTAL LIABILITIES AND EQUITY		**16,710,628**	**16,484,244**	**16,578,265**	**16,473,945**

The Notes are an integral part of the Financial Statements.

CONSOLIDATED STATEMENT OF INCOME

FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

(In thousands of Brazilian Reais – R$ ’000 – except Net earnings per share)

	Note	Consolidated		Holding company	
		2017	2016	2017	2016
REVENUE	24	**7,786,741**	**6,808,975**	**7,150,456**	**6,494,761**
OPERATING COSTS					
COST OF ENERGY	25				
Charges for use of the national grid		(350,191)	(317,994)	(314,899)	(296,951)
Energy purchased for resale		(4,169,830)	(3,052,167)	(4,109,536)	(3,052,165)
		(4,520,021)	(3,370,161)	(4,424,435)	(3,349,116)
COST	25				
Personnel and managers		(307,611)	(322,128)	(289,091)	(317,341)
Materials		(9,923)	(10,818)	(8,051)	(10,181)
Raw materials and inputs for production of energy		(10,371)	(40)	(10,371)	(40)
Outsourced services		(80,105)	(100,907)	(63,611)	(94,023)
Depreciation and amortization		(152,974)	(177,286)	(152,897)	(177,286)
Operational provisions, net		(8,462)	(42,728)	(8,446)	(42,728)
Transmission infrastructure construction cost		(24,827)	(53,824)	(24,827)	(53,824)
Other operational costs		(35,772)	(7,774)	(32,111)	(7,725)
		(630,045)	(715,505)	(589,405)	(703,148)
TOTAL COST		**(5,150,066)**	**(4,085,666)**	**(5,013,840)**	**(4,052,264)**
GROSS PROFIT		**2,636,675**	**2,723,309**	**2,136,616**	**2,442,497**
OPERATIONAL EXPENSES	25				
Selling expenses (recovery of expenses)		(17,514)	135	(17,514)	135
General and administrative expenses		(173,222)	(141,374)	(173,222)	(141,374)
Other operational expenses		(130,829)	(166,100)	(130,208)	(165,934)
		(321,565)	(307,339)	(320,944)	(307,173)
Share of loss, net, of associates and joint ventures		(519,024)	(447,714)	(125,276)	(170,934)
Impairment of loss on Investments	14	-	(762,691)	-	(762,691)
Income before Finance income (exp.) and taxes		**1,796,086**	**1,205,565**	**1,690,396**	**1,201,699**
Finance income	26	216,535	181,518	190,608	171,338
Finance expenses	26	(1,164,121)	(1,324,170)	(1,163,768)	(1,324,137)
Income before income tax and social contribution tax		**848,500**	**62,913**	**717,236**	**48,900**
Current income tax and Social Contribution tax	11b	(253,842)	(37,551)	(122,074)	(24,183)
Deferred income tax and Social Contribution tax	11b	(166,199)	44,506	(166,703)	45,151
NET INCOME FOR THE YEAR		**428,459**	**69,868**	**428,459**	**69,868**
Basic and diluted net earnings per common share – R$	**23**	**0.1479**	**0.0241**	**0.1479**	**0.0241**

The Notes are an integral part of the Financial Statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

R$ ’000

	Consolidated		Holding company	
	2017	2016	2017	2016
NET INCOME FOR THE YEAR	**428,459**	**69,868**	**428,459**	**69,868**
Items not to be reclassified to profit or loss in subsequent periods				
Restatement of obligations under defined-benefit plans, net of tax	(69,739)	(91,857)	(69,739)	(91,857)
Equity gain (loss) on Other comprehensive income in subsidiary and jointly-controlled entity, net of tax	-	19,420	-	19,420
	(69,739)	(72,437)	(69,739)	(72,437)
Items to be reclassified to the Profit and loss account in subsequent periods				
Equity gain on Other comprehensive income, in subsidiary and jointly-controlled entity, relating to fair value of financial assets available for sale, net of tax	(33,852)	(90)	(33,852)	(90)
COMPREHENSIVE INCOME FOR THE PERIOD	**324,868**	**(2,659)**	**324,868**	**(2,659)**
Attributed to shareholders	**324,868**	**(2,659)**	**324,868**	**(2,659)**

The Notes are an integral part of the Financial Statements.

CEMIG Geração e Transmissão S.A.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

R$ '000 (except for Dividends, and Interest on Equity, per share)

	Share capital	Advance against future capital increase	Profit reserves	Equity valuation adjustments	Retained earnings	Total equity
BALANCES ON DECEMBER 31, 2015	**1,837,710**	**-**	**2,485,879**	**360,223**	**-**	**4,683,812**
Net income for the year	-	-	-	-	69,868	69,868
Other comprehensive income						
Remeasurement of obligations under defined-benefit plans, net of tax	-	-	-	(91,857)	-	(91,857)
Equity gain on Other comprehensive income in jointly-controlled entity	-	-	-	19,330	-	19,330
Comprehensive income for the period	**-**	**-**	**-**	**(72,527)**	**69,868**	**(2,659)**
Portion of mandatory dividend not distributed – Reversal of provision	-	-	202,041	-	-	202,041
Interest on Equity (R$ 0.0287 per share)	-	-	-	-	(83,246)	(83,246)
Dividends under the by-laws (R$ 0.748 per share)	-	-	(216,754)	-	-	(216,754)
Constitution of reserves						
Legal Reserve	-	-	3,493	-	(3,493)	-
Realization of reserves						
Realization of deemed cost of PP&E	-	-	-	(16,871)	16,871	-
BALANCES ON DECEMBER 31, 2016	**1,837,710**	**-**	**2,474,659**	**270,825**	**-**	**4,583,194**
Net income for the year	-	-	-	-	428,459	428,459
Other comprehensive income						
Remeasurement of obligations under defined-benefit plans, net of tax	-	-	-	(69,739)	-	(69,739)
Equity gain on Other comprehensive income in jointly-controlled entity	-	-	-	(33,852)	-	(33,852)
Comprehensive income for the period	**-**	**-**	**-**	**(103,591)**	**428,459**	**324,868**
Advance against future capital increase	-	100,000	-	-	-	100,000
Dividends under the by-laws (R$ 0.0740 per share)	-	-	-	-	(214,230)	(214,230)
Constitution of reserves						
Legal Reserve	-	-	21,423		(21,423)	-
Appropriation of retain earnings to profit reserves	-	-	206,372	-	(206,372)	-
Tax incentives reserve	-	-	146	-	(146)	-
Realization of reserves						
Realization of deemed cost of PP&E	-	-	-	(13,712)	13,712	-
BALANCES ON DECEMBER 31, 2017	**1,837,710**	**100,000**	**2,702,600**	**153,522**	**-**	**4,793,832**

The Notes are an integral part of the Financial Statements.

Geração e Transmissão S.A.

CONSOLIDATED STATEMENT OF CASH FLOW

FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

R$ '000

	Note	Consolidated		Holding company	
		2017	2016	2017	2016
CASH FLOW FROM OPERATIONS					
Net income for the year		428,459	69,868	428,459	69,868
Adjustments to reconcile net income to net cash flows:					
Depreciation and amortization	25	158,226	182,785	158,150	182,785
Loss on write off of residual value of unrecoverable Concession Financial Assets, PP&E and Intangible assets		26,796	12,130	26,796	12,130
Provision for losses on investments	14	-	762,691	-	762,691
Share of loss of associates and joint ventures	14	519,024	447,714	125,276	170,934
Interest and monetary variation		309,844	86,867	627,904	271,130
Amortization of transaction cost	19	28,684	44,709	28,684	44,709
Income and Social Contribution taxes	11	420,041	(6,955)	288,777	(20,968)
Adjustment of indemnity – plants with non-renewed concessions (Ministerial Order 291)	13	(271,607)	-	(271,607)	-
Adjustment to BRR for transmission assets	13	(74,627)	-	(74,627)	-
Provisions for operational losses, net	25	34,184	49,206	34,168	49,206
Provision for losses on derivative instruments (swap)	28	32,462	-	32,462	-
Provision for losses on derivative instruments (Put options)	28	115,420	48,559	115,420	48,559
Post-retirement obligations	21	(43,754)	100,252	(43,754)	100,252
		1,683,152	**1,797,826**	**1,476,108**	**1,691,296**
(Increase) / decrease in assets					
Customers and Traders		(143,062)	245,275	(103,850)	293,363
Recoverable taxes		31,251	(5,064)	32,020	(5,057)
Income and Social Contribution taxes recoverable		(13,585)	(99,435)	(13,585)	(99,435)
Transport of energy		(52,463)	1,252	(52,559)	1,252
Escrow deposits		2,140	2,718	2,140	2,718
Dividends received		165,457	126,543	554,605	169,613
Financial assets		398,220	(1,940,907)	164,709	(2,126,432)
Advances to suppliers		(96,064)	(118,824)	(65,220)	(118,824)
Others		72,756	60,196	96,510	49,956
		364,650	**(1,728,246)**	**614,770**	**(1,832,846)**
Increase (reduction) in liabilities					
Suppliers		95,005	45,215	81,808	40,881
Taxes		(95,948)	2,907	(99,662)	(1,007)
Income and Social Contribution taxes		(5,974)	111,882	-	113,750
Payroll and related charges		(4,010)	2,008	(4,007)	2,005
Regulatory charges		38,066	52,004	36,316	48,100
Post-retirement obligations		(63,843)	(54,438)	(63,843)	(54,438)
Advances from clients		(34,955)	181,200	(34,955)	181,200
Others		8,364	(130,090)	5,209	(131,431)
		(63,295)	**210,688**	**(79,134)**	**199,060**
Cash from operations		**1,984,507**	**280,268**	**2,011,744**	**57,510**
Income tax and Social Contribution tax paid		(126,494)	(143,361)	(94,460)	(137,933)
Interest paid	19	(1,080,075)	(1,116,060)	(1,080,075)	(1,116,060)
CASH FROM (USED IN) OPERATIONAL ACTIVITIES		**777,938**	**(979,153)**	**837,209**	**(1,196,483)**
INVESTING ACTIVITIES					
Investments – contribution of capital	14b	(254,231)	(856,131)	(254,231)	(871,993)
In PP&E	15	(32,591)	(48,934)	(27,244)	(47,162)
Investment in Intangible assets	16	(1,858)	(4,394)	(1,858)	(4,394)
Investment in Securities		(83,841)	1,452,618	(119,054)	1,617,463
NET CASH FLOW FROM (USED IN) INVESTING ACTIVITIES		**(372,521)**	**543,159**	**(402,387)**	**693,914**

The Notes are an integral part of the Financial Statements.

CONSOLIDATED STATEMENT OF CASH FLOW
(Continuation)

	Rating	Consolidated		Holding company	
		2017	2016	2017	2016
FINANCING ACTIVITIES					
Proceeds from Loans, financings and debentures	19	3,198,320	3,382,451	3,198,320	3,382,451
Interest on capital and dividends paid		(255,000)	(211,096)	(255,000)	(211,096)
Payments of loans	19	(3,473,225)	(2,591,237)	(3,473,225)	(2,591,237)
Advance against future capital increase	23	100,000	-	100,000	-
NET CASH FROM (USED IN) FINANCING ACTIVITIES		**(429,905)**	**580,118**	**(429,905)**	**580,118**
NET CHANGE IN CASH AND CASH EQUIVALENTS		**(24,488)**	**144,124**	**4,917**	**77,549**
Cash and cash equivalents at the beginning of the year	6	427,827	283,703	361,252	283,703
Cash and cash equivalents at the end of the year	6	403,339	427,827	366,169	361,252

The Notes are an integral part of the Financial Statements.

STATEMENT OF ADDED VALUE

FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

R$ ’000

	Consolidated				Holding company			
	2017		2016		2017		2016	
REVENUES								
Sales of energy and services	8,351,996		7,176,190		7,923,921		7,023,404	
Construction Revenue	24,827		53,824		24,827		53,824	
Gain on financial updating of the Concession Grant Fee	316,881		299,537		-		115,274	
Investments in property, plant and equipment	29,441		38,603		29,441		38,603	
Transmission Indemnity revenue	373,217		751,101		373,217		751,101	
Generation indemnity revenue	271,607		-		271,607		-	
Allowance for doubtful accounts	(17,514)		134		(17,514)		134	
Other revenues	-		1,236		-		1,237	
	9,350,455		**8,320,625**		**8,605,499**		**7,983,577**	
INPUTS ACQUIRED FROM THIRD PARTIES								
Energy purchased for resale	(4,539,084)		(3,348,145)		(4,474,032)		(3,348,142)	
Charges for use of national grid	(382,206)		(347,389)		(344,159)		(326,348)	
Outsourced services	(158,145)		(137,120)		(141,642)		(130,236)	
Materials	(63,367)		(104,714)		(61,495)		(104,078)	
Paid concession	(3,087)		(2,889)		(3,087)		(2,889)	
Other operational costs	(227,601)		(141,741)		(224,162)		(141,576)	
	(5,373,490)		**(4,081,998)**		**(5,248,577)**		**(4,053,269)**	
GROSS VALUE ADDED	**3,976,965**		**4,238,627**		**3,356,922**		**3,930,308**	
RETENTIONS								
Depreciation and amortization	(158,226)		(182,785)		(158,150)		(182,785)	
NET VALUE ADDED	**3,818,739**		**4,055,842**		**3,198,772**		**3,747,523**	
ADDED VALUE RECEIVED BY TRANSFER								
Equity in earnings of unconsolidated investees	(519,024)		(447,714)		(125,276)		(170,934)	
Adjustment for impairment of Investments	-		(762,691)				(762,691)	
Finance revenues	216,535		181,518		190,608		171,338	
	(302,489)		**(1,028,887)**		**65,332**		**(762,287)**	
ADDED VALUE TO BE DISTRIBUTED	**3,516,250**		**3,026,955**		**3,264,104**		**2,985,236**	
DISTRIBUTION OF ADDED VALUE								
		%		%		%		%
Employees	**286,829**	**8.16**	**414,232**	**13.69**	**269,251**	**8.27**	**409,445**	**13.72**
Direct remuneration	245,639	6.98	256,038	8.46	229,125	7.04	251,251	8.42
Benefits (recovery of expense)	(23,730)	(0.67)	114,021	3.77	(24,483)	(0.75)	114,021	3.82
FGTS fund	15,437	0.44	20,848	0.69	15,126	0.46	20,848	0.70
Employee retirement programs	49,483	1.41	23,325	0.77	49,483	1.52	23,325	0.78
Taxes	**1,614,926**	**45.93**	**1,189,205**	**39.28**	**1,381,330**	**42.31**	**1,152,319**	**38.60**
Federal	994,251	28.28	633,310	20.92	797,871	24.44	596,461	19.98
State	617,362	17.56	553,378	18.28	580,155	17.77	553,341	18.54
Municipal	3,313	0.09	2,517	0.08	3,304	0.10	2,517	0.08
Remuneration of external capital	**1,186,036**	**33.73**	**1,353,650**	**44.72**	**1,185,064**	**36.30**	**1,353,604**	**45.34**
Interest	1,164,121	33.11	1,324,170	43.75	1,163,768	35.65	1,324,137	44.35
Rentals	21,915	0.62	29,480	0.97	21,296	0.65	29,467	0.99
Remuneration of own capital	**428,459**	**12.18**	**69,868**	**2.31**	**428,459**	**13.12**	**69,868**	**2.34**
Interest on Equity	-	-	69,868	2.31	-	-	69,868	2.34
Dividends	214,230	6.09	-	-	214,230	6.56	-	-
Retained earnings	214,229	6.09	-	-	214,229	6.56	-	-
	3,516,250	**100.00**	**3,026,955**	**100.00**	**3,264,104**	**100.00**	**2,985,236**	**100.00**

The Notes are an integral part of the Financial Statements.

NOTES TO THE FINANCIAL STATEMENT

FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

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

1. OPERATING CONTEXT

Cemig Geração e Transmissão S.A. ('**Cemig GT**' or 'the Company') is a Brazilian corporation registered with the Brazilian Securities Commission (*Comissão de Valores Mobiliários*, CVM), and a wholly-owned subsidiary of Companhia Energética de Minas Gerais ('Cemig'). It was incorporated on September 8, 2004, and began operating on January 1, 2005, pursuant to the process of separation of activities ('unbundling') of Cemig. Its shares are not traded on any exchange. It is domiciled in Brazil, with head office at Avenida Barbacena 1200, Belo Horizonte, Minas Gerais.

The Company's objects are: (i) to study, plan, design, build and commercially operate systems of generation, transmission and sale of energy and related services for which concessions are granted, under any form of law, to it or to companies of which it maintains stockholding control; (ii) to operate in the various fields of energy, from whatever source, with a view to economic and commercial operation; (iii) to provide consultancy services within its field of operation to companies in and outside Brazil; and (iv) to carry out activities directly or indirectly related to its Objects.

Cemig GT has interests in 59 power plants – of these 54 are hydroelectric, three are wind power plants, one is thermal, and one is solar – and the associated transmission lines, mostly part of the Brazilian Transmission Grid System, with installed capacity for 4,854 MW (information not reviewed by external auditors).

As of December 31, 2017, its consolidated current liabilities exceeded its consolidated current assets by R$ 418 million (R$ 2,476 million on December 31, 2016). As of December 31, 2017, Cemig GT had totals of loans, financings and debentures as follows: R$ 1,607 million short-term; and R$ 6,713 million, long-term. The Company had positive consolidated operating cash flows of R$ 778 million in 2017 (negative R$ 979 million in 2016).

As part of the Company indebtness management, in 2017 the Cemig GT raised funding outside Brazil, in a Eurobond issue, of US$ 1 billion (R$ 3.2 billion), maturing 2024. Also, we carried out a re-profiling of our debt, for a total amount of R$ 741 million. Together these two initiatives have balanced our cash flows, extended average debt maturities, and improved our credit quality.

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

Cemig GT has equity interests in the following subsidiaries, jointly-controlled entities and affiliate (information in MW has not been audited by the external auditors):

- Hidrelétrica Cachoeirão S.A. ('Cachoeirão') (Jointly controlled): Production and sale of energy as an independent power producer, through the *Cachoeirão* hydroelectric power plant located at Pocrane, in the State of Minas Gerais.

- Baguari Energia S.A. ('Baguari Energia') (Jointly controlled): Construction, operation, maintenance and commercial operation of the *Baguari* hydroelectric plant, through participation in the UHE Baguari Consortium (Baguari Energia 49.00%, Neoenergia 51.00%), located on the Doce River in Governador Valadares, Minas Gerais State.

- Central Eólica Praias de Parajuru S.A. ('Central Eólica Praias de Parajuru') (Jointly controlled): Production and sale of energy through a wind farm in the county of Beberibe in the State of Ceará, Northern Brazil.

- Central Eólica Praias de Morgado S.A. ('Central Eólica Praias do Morgado') (Jointly controlled): Production and sale of energy through a wind farm located in the county of Acaraú in Ceará, Northern Brazil.

- Central Eólica Volta do Rio S.A. ('Central Eólica Volta do Rio') (Jointly controlled): Production and sale of energy from a wind farm in Acaraú, in the State of Ceará, Northern Brazil.

- Hidrelétrica Pipoca S.A. ('Hidrelétrica Pipoca') (Jointly controlled): Independent production of energy, through construction and commercial operation of a hydro plant at the *Pipoca* site – referred to as the Pipoca PCH (*Pequena Central Hidrelétrica*, or PCH), on the Manhuaçu River, in the Municipalities of Caratinga and Ipanema, in the State of Minas Gerais.

- Madeira Energia S.A. ('Madeira') (Jointly controlled): Construction and commercial operation of the Santo Antônio hydroelectric plant, through the company Santo Antônio Energia S.A., controlling stockholder operating that plant, in the basin of the Madeira River, in the State of Rondônia.

- Lightger S.A. ('Lightger') (Jointly controlled): Independent power production through building and commercial operation of the *Paracambi* Small Hydroelectric Plant (or PCH) on the Ribeirão das Lages river in the county of Paracambi, in the State of Rio de Janeiro.

- Renova Energia S.A. ('Renova') (Jointly-controlled entity): Listed company operating in development, construction and operation of plants generating power from renewable sources – wind power, small hydro plants (SHPs), solar energy, trading of energy, and related activities.

- Retiro Baixo Energética S.A. ('RBE') (Jointly-controlled entity): Holds the concession to operate the *Retiro Baixo* hydroelectric plant, on the Paraopeba River, in the São Francisco river basin, in the municipalities of Curvelo and Pompeu, in Minas Gerais State.

- Aliança Norte Energia Participações S.A. ('Aliança Norte') (Jointly-controlled): This is a special-purpose company (SPC) created by Cemig GT (49.9% ownership) and Vale S.A. (50.1%), for acquisition of an interest of 9% in Norte Energia S.A. ('Nesa'), the company holding the concession for the Belo Monte Hydroelectric Plant, on the Xingu River, in the State of Pará.

- Amazônia Energia Participações S.A. ('Amazônia Energia') (Jointly-controlled): This is a special-purpose company created by Cemig GT (74.50% ownership) and Light (25.50%), for acquisition of an interest of 9.77% in Norte Energia S.A. ('Nesa'), the company holding the concession for the Belo Monte Hydroelectric Plant, on the Xingu River, in the Brazilian State of Pará.

- Aliança Geração de Energia S.A. ('Aliança') (Jointly-controlled): Unlisted corporation created by Cemig GT and Vale S.A. to become a platform for consolidation of generation assets held by the two parties in generation consortia, and investments in future generation projects. The two parties subscribed their shares in the company by transfer of their interests in the following generation assets: *Porto Estrela, Igarapava, Funil, Capim Branco I* and *II, Aimorés* and *Candonga*. With these assets Aliança has total installed generation capacity, in operation, of 1,158 MW (physical offtake guarantee 652 MW average), among other generation projects. Vale holds 55% of the total capital, and Cemig GT 45%.

- Cemig Geração Três Marias S.A.: A corporation wholly owned by Cemig GT. Objects are production and sale of energy as public service concession holder, by commercial operation of the *Três Marias* Hydroelectric Plant, and sale and trading of energy in the Free Market. This subsidiary has installed capacity of 396 MW, and guaranteed offtake level of 239 MW average.

- Cemig Geração Salto Grande S.A.: A corporation wholly owned by Cemig GT. Objects are production and sale of energy as public service concession holder, by commercial operation of the *Salto Grande* Hydroelectric Plant, and sale and trading of energy in the Free Market. This subsidiary has installed capacity of 102 MW, and guaranteed offtake level of 75 MW average.

- Cemig Geração Camargos S.A.: A corporation wholly owned by Cemig GT. Objects are production and sale of energy as public service concession holder, by commercial operation of the *Camargos* Hydroelectric Plant, and sale and trading of energy in the Free Market. This subsidiary has installed capacity of 46 MW, and guaranteed offtake level of 21 MW average.

- Cemig Geração Itutinga S.A.: A corporation wholly owned by Cemig GT. Objects are production and sale of energy as public service concession holder, by commercial operation of the *Itutinga* Hydroelectric Plant, and sale and trading of energy in the Free Market. This subsidiary has installed capacity of 52 MW, and guaranteed offtake level of 28 MW average.

- Cemig Geração Leste S.A.: Corporation wholly owned by Cemig GT. Its objects are production and sale of energy as public concession holder, by operation of the *Dona Rita, Sinceridade, Neblina, Ervália, Tronqueiras* and *Peti* Small Hydroelectric Plants, and trading in energy in the Free Market. Aggregate installed generation capacity of these plants is 35.16 MW; average offtake guarantee is 18.64 MW.

Cemig Geração Oeste S.A.: A corporation wholly owned by Cemig GT. Objects are production and sale of energy as public service concession holder, by commercial operation of the *Gafanhoto, Cajuru* and *Martins* Small Hydroelectric Plants, and sale and trading of energy in the Free Market. It has aggregate installed capacity of 28.90 MW, and aggregate offtake guarantee of 11.21 MW average.

- Cemig Geração Sul S.A.: Corporation wholly owned by Cemig GT. Its objects are production and sale of energy as public concession holder, by commercial operation of the *Coronel Domiciano, Marmelos, Joasal, Paciência* and *Piau* Small Hydroelectric Plants, and trading in energy in the Free Market. Aggregate installed generation capacity is 39.53 MW; average offtake guarantee is 27.42 MW.
- Usina Hidrelétrica Itaocara S.A. ('UHE Itaocara') – The *UHE Itaocara* consortium is a jointly-controlled corporation – formed by Cemig GT and Itaocara Energia (of the *Light* group). It is responsible for construction of the *Itaocara I* Hydroelectric Plant.

Subsidiaries and jointly-controlled entities at development stage:

- Guanhães Energia S.A. (Guanhães Energia) (Jointly controlled): Production and sale of energy through building and commercial operation of the following Small Hydro Plants: *Dores de Guanhães, Senhora do Porto* and *Jacaré*, in the county of Dores de Guanhães; and *Fortuna II*, in the county of Virginópolis – all in Minas Gerais. Start of commercial generation is scheduled for May 2018.

- Cemig Baguari Energia S.A. (Cemig Baguari)(Subsidiary) – Production and sale of energy as an independent power producer in future projects.

There are more details in Note 14.

2. BASIS OF PREPARATION

2.1 Statement of compliance

The consolidated financial statements have been prepared and are presented in account with accounting practices adopted in Brazil, and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC), implemented in Brazil through the Accounting Pronouncements Committee (CPC) and its technical interpretations (ICPCs) and orientations (OCPCs), which are approved by the Brazilian Securities Commission (CVM).

The Company has opted to present its individual and consolidated financial statements as a single group, since there is no difference between the values for Stockholders' equity and Net income, between the individual and consolidated financial statements.

The Company also takes into account the orientations provided by Technical Orientation OCPC 07 issued by the CPC in November 2014, in preparation of its financial statement. Material information in the financial statement is being disclosed, which is used by Management in its administration of the Company.

On March 28, 2018, the Company's Board of Directors authorized filing of the Financial Statement for the year ended December 31, 2017.

2.2 Bases of measurement

The financial statement have been prepared based on historic costs, except in the cases of certain financial instruments measured at fair value when this is required by the rules in effect, as detailed in Note 29.

2.3 Functional currency and currency of presentation

The financial statement are presented in Reais, which is the functional currency of the Company and its subsidiaries. The information is expressed in thousands of Reais (R$ '000), except when otherwise indicated.

Transactions in foreign currency, that is to say, all those that were not made in the functional currency of the Company and its subsidiaries, have been converted to the functional currency at the exchange rate of the date on which the transactions were made.

Balances of monetary assets and liabilities in foreign currency are were translated to the functional currency of the Company and its subsidiaries at the exchange rates at the reporting date of the financial statement. Foreign exchange gains and losses resulting from translating assets and liabilities are recognized as Finance revenues and expenses in the consolidated statement of income.

2.4 Use of estimates and judgments

Preparation of the financial statement requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the amounts reported in assets, liabilities, revenues and expenses. Future reported results may differ from these estimates.

Estimates and assumptions are periodically reviewed, using as a reference to both historic experience, and any significant change in scenarios that could affect Company's financial position or its results in the applicable items. Revisions in relation to accounting estimates are recognized in the period in which the estimates are reviewed, and in any future periods affected.

The principal estimates and judgments that have a signficant effect in the amounts recognized in financial statement are as follows:

- Adjustments for loss on doubtful accounts – see Note 8.
- Income tax and Social Contribution tax – see Note 11.
- Concession financial assets – see Note 13.
- Investments – Note 14.
- Property, plant and equipment – See Note 15.
- Intangible assets – see Note 16.
- Depreciation – see Note 15.
- Useful lives of assets – Note 16.
- Employee post-retirement obligation – See Note 21.
- Provisions – See Note 22.
- Energy supply not yet invoiced – see Note 24.
- Financial Instruments – see Note 28.
- Measurement at fair value – Note 29.

The settlement of the transactions involving those estimates may result in amounts that are significantly difference from those recorded in the financial statement due to the uncertainty inherent to the estimation process. The Company and its subsidiaries review their estimates at least annually.

2.5 Standards issued that were effective on January 1, 2017

The following rules and changes of rules came into effect during 2017:

Amendments to *IAS 12/CPC 32 – Recognition of deferred tax assets for non-realized losses*.

Disclosure Initiative (Amendments to *IAS 7*) – Alters IAS 7/CPC 03 (R2) – *Statement of Cash Flows*, , to clarify that entities to provide disclosures that enable users of financial statement to evaluate changes in liabilities arising from financing activities.

The application of these amendments had no significant impact on the disclosures or the amounts recognized in the consolidated financial statements of the Company.

2.6 Standards issued but not yet effective on December 31, 2017

Effective starting from January 1, 2018:

Amendments to IFRS 10/CPC 36 (R3) and IAS 28/CPC 18 (R2) – *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

These deal with situations that involve sale or contribution of assets between an investor and its associate or joint venture.

The Company does not expect significant impact on its financial statement as a result of adoption of these amendments.

IFRS 9/CPC 48 – *Financial Instruments*

This establishes that all financial activities recognized that are within the scope of IAS 39 (equivalent to CPC 38) should subsequently be measured at amortized cost or fair value, reflecting the business model in which the assets are administered, and their cash flow characteristics.

The Company and its subsidiaries made an a assessment of the potential effects of adoption IFRS 9/CPC 48 and do not expect significant impacts on their financial statement, except as to the impairment of accounts receivable from clients.

Classification and measurement

The Company and its subsidiaries expect to continue measuring at fair value all those financial assets that are currently measured at fair value. For the financial assets classified in accordance with CPC 38/IAS 39 as loans and receivables, the objective of the business model of which in accordance with CPC 48/IFRS 9 is to raise contractual cash flows, representing only payments of principal and interest, the Company and its subsidiaries have concluded that these financial instruments comply with the criteria for measurement and classification under the amortized cost. For this reason, no change in the method of measurement of these instruments is expected.

Impairment

The new pronouncement also establishes that in relation to the impairments of financial assets, the model of expectation of loss on the credit should no longer be one of losses incurred, but a prospective model of losses of expected credit, based on probabilities.

Based on the new pronouncement, provisions for losses expected will be measured based on the expected losses in the next 12 months, as a function of the potential default events, or losses of credit expected for the whole life of a financial instrument, if the credit risk has significantly increased since its initial recognition.

The Company and its subsidiaries have adopted, in their analyses, a simplified approach, considering that the balances of their accounts receivable from clients do not have significant finance components, and calculated the expectation of loss considering the historic average of non-collection over the total billed in each month (based on the last 12 months of billing), segregated by type of consumer and projected for the next 12 months, taking into account the aging receivables, including those not yet due. The estimated loss for the past due balances of clients who renegotiated their debt has been calculated based on the maturity date of the original invoice, with the new terms negotiated not being taken into account. For the balances that are more than 12 months past due, expectation of total loss was assumed.

The Company and its subsidiaries estimate that adoption of the pronouncement will not have a material impact on the losses expected in relation to doubtful receivables in their Accounts receivable from clients.

IFRS 15/ CPC 47 – Revenue from contracts with clients

IFRS 15 (CPC 47 – *Revenue from contracts with clients*) was issued in May 2014, and amended in April 2016, and establishes a five-step model for accounting of revenues arising from contracts with clients. Under IFRS 15, revenue is recognized at an amount which reflects the consideration to which an entity expects to be entitled in exchange for transfering goods or services to a client. This new pronouncement will supersede all current requirements for recognition of revenue under the CPCs/IFRS. Additionally, CPC 47/IFRS 15 establishes requirements for more detailed presentation and disclosure than the standards currently in effect.

Either a full retrospective application or a modified restrospective application is required for annual periods starting January 1, 2018. The Company and its subsidiaries plan to adopt the new standard on the date of its coming into effect based on the modified backdated application, with the effects accounted from January 1, 2018.

The Company and its subsidiaries performed a assessment application of the five steps for recognition and measurement of the revenue, as required by CPC 47/IFRS 15:

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

The Company and its subsidiaries expect that there will not be material impact in the adoption of the new standard, except for reclassification of the penalties for performance indicators, from operating expenses to an account reducing revenue for availability of the energy network. Below is a detailed analysis of Revenues from contracts with customers:

Below is a detailed analysis of the lines of Revenue from contracts with clients:

a) *Revenue from supply of energy*

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

Under CPC 47/IFRS 15, the Company and its subsidiaries have to recognize the revenue from a contract with a customer when the expectation of receipt is probable, taking into account the client's intention to pay. If the expectation is non-receipt, the Company and its subsidiaries are required to assess whether the related revenue will be presented net of estimated losses.

b) *Other operational revenues*

Provision of service:

We believe that the provision of service is connected to the supply of energy stipulated in the contract and the obligation of performance is the energy supplied.

c) *Other revenues*

For the other revenues of the Company and its subsidiaries, related mainly to transactions in supply on the CCEE, transmission revenue, construction revenue and indemnity revenue, the Company has valued the principal effects of the application of the new rule and the conclusion is that there are no impacts on the financial statement.

d) *Requirements for presentation and disclosure*

The disclosure requirements of the new standard represent a change from the current practice, and will increase the volume of disclosures required in the consolidated financial statements of the Company and its subsidiaries. Many of the disclosure requirements are new, therefore, the Company and its subsidiaries expect that the disclosures will be expanded, even if the quantitative impact of the adoption of the new standard is not significant.

In effect for annual periods starting on or after January 1, 2019:

- IFRS 16/CPC 06 (R2) – *Leases* – With this new rule, lessees will have to recognize the liability for future payment and a right of use of the leased asset for practically all lease contracts, including those currently classified as operating lease contracts.

  The Company and its subsidiaries are currently evaluating the effects of the application of this new standar to the amounts and disclosure presented in their financial statement.

2.7 Summary of significant policies

The accounting policies have been applied consistently to all the periods presented in these individual and consolidated financial statements, in accordance with the rules and regulations described in item *2.1 – Statement of compliance*.

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

a) Financial instruments

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

Derivative financial instruments (Swap transactions): The Company maintains derivative hedge instruments to mitigate its exposure to the risk of changes in exchange rates. Derivatives are recognized initially at their fair value and the attributable transaction costs are recognized in the Profit and loss account when they are incurred. After the initial recognition, derivatives are measured at fair value and changes in fair value are accounted for in the Statement of income.

Derivative financial instruments (Put options) – The options to sell units of the FIP Melbourne and FIP Malbec ('the SAAG Put') were measured at fair value using the Black-Scholes-Merton (BSM) method, using as reference the related put options obtained by the BSM model valued on the closing date of the financial statement for the 2017 business year.

b) Customers and traders; Concession holders (power transport); and Traders – transactions in 'Free Energy'

Accounts receivable from Customers, Traders, and concession holders (for transport of energy) are initially recorded at the value of the energy supplied and measured by amortized cost. They include any direct taxes for which the company has the tax responsibility, less taxes withheld at source, which are considered to be tax credits.

The allowance for doubtful receivables is recorded based on estimates by Management, in an amount sufficient to cover probable losses. The main criteria set by the company are: (i) For Customers with significant balances, the balance receivable is analyzed in the light of the history of the debt, negotiations in progress, and real guarantees; and (ii) for large customers an individual analysis is made in relation to each customer, including the actions in progress aiming to collect the outstanding balances.

c) Investments

The Company has investments in affiliated companies, subsidiaries and jointly-controlled entities. Control is obtained when the Company has the power to control the financial and operational policies of an entity to receive benefits from its activities. These investments are accounted for under the equity method in the financial statement of the holding company, and are, initially, recognized at fair value.

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

d) Concession assets

Transmission activity – Costs related to the construction of the infrastructure are posted in the Income and loss account when they take place, and an item of Construction revenue is recorded based on the stage of completion of the works, including the taxes applicable to the revenue, and any income margin.

Since the transmission contracts determine that the concession holders have an unconditional right to receive cash or another financial asset directly from, or in the name of, the Concession-granting power, for the new transmission concessions the Company records a financial asset, during the period of construction of lines, for the transmission revenue to be received during the whole period of the concession, at fair value, as specified ICPC 01 (R1) / IFRIC 12 – *Concession contracts*.

Of the invoiced amounts of Permitted Annual Revenue (RAP), the portion relating to the fair value of the operation and maintenance of the assets is recorded as revenue, in the income statement and the portion relating to the construction revenue, originally recognized at the time of the formation of the assets, is used to write down the financial asset.

Additional expenditures incurred for purposes of capital expansion and improvements to the transmission assets generate additional cash flow, and hence this new cash flow is capitalized into the financial asset balance.

In counterpart to acceptance of the terms of renewal of the old transmission concessions, as described in more detail in Note 4, part of the transmission assets of the old concessions will be the subject of indemnity by the Concession-granting power, having already been written off on December 31, 2012, and an item in Accounts receivable having been posted corresponding to the estimated indemnity, to be received in the period of eight years. The remaining portion will be received through the RAP.

Generation activity – For the plants with concessions obtained by the Aneel auction of November 2015, as described in Note 13, the amount of the concession grant fee was recognized as a financial asset, due to the Company's unconditional right to receive the amount paid, with updating by the IPCA index, and remuneratory interest, during the period of the concession.

a) Intangible assets

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

b) Property, plant and equipment

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

Depreciation is calculated on the balance of property, plant and equipment in service and investments in consortia, on a straight-line basis, using the rates that reflect the estimated useful life of the assets, for the assets related to the energy activity, limited in certain situations to the period of the concession contracts to which they refer. The main rates are shown in Note 15.

Assets that will not be fully depreciated by the end of the concession will be reverted to the Concession-granting power and this non-depreciated portion will be indemnified.

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

c) Impairment

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

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

On December 31, 2017 no indications were observed that the Company's material assets were posted at a value higher than their net recoverable value.

d) Employees benefits

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

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

Short-term benefits to employees: Employees' income shares specified in the Company's by-laws are provisioned in accordance with the collective agreement established with the employee union and recorded in Employees' and managers' income shares in the consolidated statement of Income.

e) Income and Social Contribution taxes

Current

Advances, or amounts subject to offsetting, are posted in current or non-current assets, in accordance with the expected date of their realization up to the close of the current business year, in which case taxes duly calculated offset against the advances made.

Deferred

Deferred tax liabilities are recognized for all the inter-temporal tax difference Deferred tax assets are recognized for all the temporary differences deductible to the extent that it is probable that future taxable income will be available for the temporary differences to be offset.

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

f) Operational revenue

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

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

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

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

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

g) Finance income and expenses

Finance income are mainly interest income on funds invested, fee income for consumer payments made late, and interest income on other financial assets. Interest income is recognized using the effective interest method.

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

h) Segment reporting

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

Segment results that are reported to the CEO include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets (primarily the Company's headquarters) and head office expenses.

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

3. PRINCIPLES OF CONSOLIDATION

The dates of the financial statement of the subsidiaries and jointly-controlled entities used for the purposes of calculation of consolidation and share of (loss) profit of associates and joint ventures coincide with those of the Company. Accounting practices are applied uniformly in line with those used by the holding company.

The following companies are considered to be subsidiaries and are included in the consolidated financial statements:

Subsidiary	2017	2016
	Direct stake, %	Direct stake, %
Cemig Baguari	100.00	100.00
Cemig Geração Três Marias S.A.	100.00	100.00
Cemig Geração Salto Grande S.A.	100.00	100.00
Cemig Geração Itutinga S.A.	100.00	100.00
Cemig Geração Camargos S.A.	100.00	100.00
Cemig Geração Sul S.A.	100.00	100.00
Cemig Geração Leste S.A.	100.00	100.00
Cemig Geração Oeste S.A.	100.00	100.00

4. CONCESSIONS AND AUTHORIZATIONS

Cemig GT, including its interests in consortia, and the wholly-owned subsidiaries, holds the following concessions and authorizations from the National Energy Agency, Aneel:

Asset	Company holding concession or authorization	Concession contract No.	Expiration Date
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
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 S.A.	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 e Piau (2)	Cemig Geração Sul	12/2016, 13/2016	Jan. 2046
Dona Rita, Ervália, Neblina, Peti, Sinceridade, Tronqueiras (2)	Cemig Geração Leste	14/2016, 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
TRANSMISSION			
National grid (3)	Cemig GT	006/1997	Jul. 2015
Itajubá Substation (3)	Cemig GT	79/2000	Oct. 2030

(1) These refer to generation concession contracts that are not within the scope of ICPC 01 / IFRC 12, whose infrastructure assets are registered as PP&E since the concession-granting power does not have control over whom the services are provided to, the power being sold mainly in the Free Market ('ACL').

(2) These refer to generation concession contracts the revenue from the concession grant fees of which are within the scope of ICPC 01 / IFRIC 12, and which are classified as Concession financial assets.

(3) These refer to transmission concession contracts within the scope of ICPC 01/IFRIC 12, within the financial asset model: Revenue and costs of work related to formation of the financial asset are recognized through the expenditure incurred. The indemnifiable financial asset is identified when implementation of the infrastructure is finalized, and is included as remuneration for the services of implementation of the infrastructure.

Generation concessions

In the generation business, the Company and its subsidiaries sell energy: (1) through auctions, to distributors to meet the demands of their captive markets; and (2) to Free Customers in the Free Market (*Ambiente de Contratação Livre*, or ACL). In the Free Market, energy is traded by the generation concession holders, small hydro plants (PCHs, or SHPs), self-producers, traders, and importers of energy.

Free Customers are those that have demand of more than 3MW at a voltage of 69kV or higher, or at any voltage if their supply began after July 1995.

A consumer that has opted for the Free Market may return to the regulated system only if it gives its distributor five years' prior notice. The purpose of this period of notice is to ensure that if necessary the distributor will be able to buy additional energy to supply the re-entry of Free Customers into the Regulated Market. The state-controlled generators can sell energy to Free Customers but, unlike the private generators they are obliged to do so through an auction process.

Concessions of *Jaguara, São Simão, Miranda* and *Volta Grande* hydroelectric plants

Under Concession Contract 007/1997 the concessions of the *Jaguara, São Simão, Miranda* and *Volta Grande* hydroelectric plants had expiration dates in August 2013, January 2015, December 2016 and February 2017, respectively.

Believing that it had the right to renewal of the concessions of the Jaguara, São Simão e Miranda plants, based on the original terms of the concession contract, the Company filed administrative and court proceedings requiring their extension for the related renewal periods. These applications, however, were rejected by the Mining and Energy Ministry, on the view that the request was made out of time in relation to the deadlines and/or rules set by Law 12,783/13.

In March 2017 the interim judgments that had maintained the Company in possession and operation of the concession of the Jaguara and Miranda plants on the basis of the original Concession Contract 007/1997 were revoked. Cemig GT remained in control of the asset, and recognized the sales revenue from energy, and the operational costs, of these plants up to the date of the revocation of those interim judgments. From that date onward, the subsidiary ceased to recognize the expenses of depreciation on the plants, and began to recognize revenues relating to the provision of services of operation and maintenance of these plants in accordance with the regime of quotas specified by Law 12,783/13. As ordered by Mining and Energy Ministry Order 432/2015, the São Simão plant was being operated under the Quotas Regime since September 2015.

In spite of the fact that there were court proceedings still pending, involving the São Simão, Jaguara and Miranda plants, on September 27, 2017 the federal government auctioned the concessions for the São Simão, Jaguara, Miranda and Volta Grande plants – which have total generation capacity of 2,922 MW – for a total of R$ 12,130,784. The parties that won these concessions are not related to Cemig.

The new concession contracts were signed on November 10, 2017, and on this date extension of the periods of Assisted Operation was formalized, maintaining the Company as the party responsible for provision of energy generation service from the plants up to the following dates:

- Volta Grande plant: Until November 30, 2017.
- Jaguara and Miranda plants: Until December 28, 2017.
- São Simão plant: Until May 9, 2018.

The *Annual Generation Revenue* (*Receita Anual de Geração*, or RAG) of these plants was recognized, in the amount of R$ 461,638, in 2017 (R$ 319,265 in 2016).

As of August 3, 2017 Mining and Energy Ministry Order 291/17 established the values of indemnity, to Cemig GT, for the investments made in the São Simão and Miranda plants that have not been amortized up to the end of the contract. The total amount of the indemnity is R$ 1,027,751, of which R$ 243,599 relates to indemnity for the São Simão Plant, and R$ 784,152 is for indemnity for the Miranda Plant – these figures being expressed in September 2015 and December 2016 currency, respectively. The amounts are being updated, *pro rata die*, by the Selic rate for federal securities, with updating revenues being recognized in the year, in the amount of R$ 271,607 (more details in Notes 13 and 24). On December 31, 2017, these updated indemnities were in the amount of R$ 1,084,346, and are recorded in Concession financial assets.

The Company is discussing, with the Mining and Energy Ministry, the criteria used for deciding the amounts published in Ministerial Order 291/17, and also the date of payment, since that Order establishes that the payment of the indemnity must be made, by the federal government, on or before December 31, 2018, provided that there is budget and financial availability.

As of December 31, 2017, investments made after the Jaguara, São Simão and Miranda plants came into operation, in the amounts of R$ 174,203, R$ 2,920 and R$ 22,546, respectively, are classified in Concession financial assets, and the decision on the final amounts to be indemnified is in a process of discussion with Aneel. Management of Cemig GT does not expect losses in realization of these amounts.

Power transmission concessions

Cemig GT's transmission concession contracts authorize it to charge the *Tariff for Use of the Transmission System* (*Tarifa de Uso do Sistema de Transmissão*, or TUST). Tariffs are adjusted annually on the same date as the adjustments of the Permitted Annual Revenue (*Receitas Anuais Permitidas*, or RAP) of holders of transmission concessions. This tariff period starts on July 1 of the year of publication of the tariffs and runs until June 30 of the subsequent year.

The service of transport of large quantities of energy for long distances, in Brazil, is provided by a network of transmission lines and substations operating at a voltage of 230kV or higher, referred to technically as the Basic Grid (*Rede Básica*), or National Grid.

Any agent of the energy sector that produces or consumes energy has the right to use the National Grid, as does the consumer, provided certain technical and legal requirements are met. This is referred to as Open Access, and in Brazil is guaranteed by law and by the regulator, Aneel.

The payment for use of transmission service also applies to generation provided by Itaipu Binacional. However, due to the legal characteristics of that plant, the corresponding charges are assumed by a number of holders of distribution concessions that hold quotas of its output.

For the transmission concessions, the portion of the asset that will not be amortized during the concession is recorded as a financial asset, since there is an unconditional right to receive cash or other financial assets directly from the grantor at the end of the concession agreement period.

Paid concessions

In obtaining the concessions for construction of certain generation projects, the Company undertook to make payments to Aneel, over the period of the contract, as compensation for the commercial operation. The information on the concessions and the amounts to be paid is as follows:

Project R$ '000	Percentage interest	Nominal value in 2017	Present value in 2017	Amortization period	Updating indexor
Irapé	100.00	32,574	13,966	Mar. 2006 to Feb. 2035	IGP-M
Queimado (Consortium)	82.50	8,198	3,844	Jan. 2004 to Dec. 2032	IGP-M
Salto Morais Small Hydro Plant	100.00	77	73	Jun. 2013 – Jul. 2020	IPCA
Rio de Pedras Small Hydro Plant	100.00	588	499	Jun. 2013 – Sep. 2024	IPCA
Various Small Hydro Plants (*)	100.00	3,237	2,692	Jun. 2013 – Aug. 2025	IPCA

(*) Luiz Dias, Poço Fundo, São Bernardo and Xicão.

The concessions to be paid to the concession-granting power provide for monthly portions with different values over time. For the purposes of accounting and recognition of costs, due to the understanding that they represent an Intangible asset related to the right of commercial operation, they are recorded as from the date of signature of the contracts at the present value of the payment obligation.

The portions paid to the Concession-granting power in 2017, the present value and the nominal value of the portions to be paid in the forthcoming period of 12 months, are as follows:

Project R$ '000	Percentage interest	Payment made in 2017	Present value of amounts to be paid in 12 months	Nominal value of amounts to be paid in 12 months
Irapé	100.00	1,905	1,792	1,901
Queimado (Consortium)	82.50	544	515	547
Salto Morais Small Hydro Plant	100.00	30	29	30
Rio de Pedras Small Hydro Plant	100.00	87	85	87
Various Small Hydro Plants (*)	100.00	422	412	422

(*) Luiz Dias, Poço Fundo, São Bernardo and Xicão.

The rates used by the Company for discounting of its liabilities to present value, of 12.50% for the conventional hydroelectric plants and 5.10% for the small hydro plant, are the average rates for raising of funds in normal conditions on the date of registration of each concession.

5. 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.

Operational costs and expenses for the business years 2017 and 2016 are shown in the following table:

Description R$ '000	2017 Generation	2017 Transmission	2017 Total
ASSETS	**13,877,753**	**2,832,875**	**16,710,628**
INVESTMENTS IN JOINTLY-CONTROLLED ENTITIES	**4,723,336**	**-**	**4,723,336**
ADDITIONS TO THE SEGMENT	**288,680**	**-**	**288,680**
ADDITIONS TO FINANCIAL ASSETS	**-**	**24,827**	**24,827**
NET REVENUE	**7,009,781**	**776,960**	**7,786,741**
COST OF ENERGY SERVICE			
Energy purchased for resale	(4,169,830)	-	(4,169,830)
Charges for use of the national grid	(350,191)	-	(350,191)
	(4,520,021)	**-**	**(4,520,021)**
OPERATING COSTS AND EXPENSES			-
Personnel	(276,863)	(106,285)	(383,148)
Employee income shares	(925)	(59)	(984)
Post-retirement liabilities (recovery of expense)	39,235	19,316	58,551
Materials	(10,270)	(3,595)	(13,865)
Raw materials and inputs for production of energy	(10,371)	-	(10,371)
Outsourced services	(111,292)	(31,471)	(142,763)
Depreciation and amortization	(158,226)	-	(158,226)
Provisions	(139,528)	(10,076)	(149,604)
Transmission Infrastructure Construction Cost	-	(24,827)	(24,827)
Other operational costs and expenses, net	(115,661)	(10,712)	(126,373)
	(783,901)	**(167,709)**	**(951,610)**
TOTAL COSTS AND EXPENSES	**(5,303,922)**	**(167,709)**	**(5,471,631)**
Share of loss of associates and joint ventures, net	(519,024)	-	(519,024)
Operational income before Finance income (expenses)	**1,186,835**	**609,251**	**1,796,086**
Finance income	207,567	8,968	216,535
Finance expenses	(1,160,678)	(3,443)	(1,164,121)
Income before income tax and Social Contribution tax	**233,724**	**614,776**	**848,500**
Income and Social Contribution taxes	(231,210)	(188,831)	(420,041)
NET INCOME FOR THE YEAR	**2,514**	**425,945**	**428,459**

Description R$ '000	2016 Generation	2016 Transmission	2016 Total
ASSETS	**13,886,675**	**2,597,569**	**16,484,244**
INVESTMENTS IN JOINTLY-CONTROLLED ENTITIES	**5,301,639**	**-**	**5,301,639**
ADDITIONS TO THE SEGMENT	**909,459**	**-**	**909,459**
ADDITIONS TO FINANCIAL ASSETS	**2,216,888**	**53,823**	**2,270,711**
NET REVENUE	**5,696,122**	**1,112,853**	**6,808,975**
COST OF ENERGY SERVICE			
Energy purchased for resale	(3,052,167)	-	(3,052,167)
Charges for use of the national grid	(317,658)	(336)	(317,994)
	(3,369,825)	**(336)**	**(3,370,161)**
OPERATING COSTS AND EXPENSES			
Personnel	(267,980)	(111,070)	(379,050)
Employee income shares	(647)	(208)	(855)
Post-retirement liabilities	(54,387)	(22,647)	(77,034)
Materials	(10,329)	(2,845)	(13,174)
Raw materials and inputs for production of energy	(40)	-	(40)
Outsourced services	(110,196)	(30,354)	(140,550)
Depreciation and amortization	(182,785)	-	(182,785)
Provisions	(87,792)	(9,973)	(97,765)
Transmission Infrastructure Construction Cost	-	(53,824)	(53,824)
Other operational costs and expenses	(64,817)	(12,950)	(77,767)
	(778,973)	**(243,871)**	**(1,022,844)**
TOTAL COSTS AND EXPENSES	**(4,148,798)**	**(244,207)**	**(4,393,005)**
Share of loss of associates and joint ventures, net	(447,714)	-	(447,714)
Adjustment for impairment of investments	(762,691)	-	(762,691)
Operational income before Finance income (expenses)	**421,777**	**910,608**	**1,332,385**
Finance income	174,636	6,882	181,518
Finance expenses	(1,320,175)	(3,995)	(1,324,170)
Income before income tax and Social Contribution tax	**(808,620)**	**871,533**	**62,913**
Income and Social Contribution taxes	2,195	4,760	6,955
NET INCOME (LOSS) FOR THE PERIOD	**(806,425)**	**876,293**	**69,868**

6. CASH AND CASH EQUIVALENTS

R$ '000	Consolidated		Holding company	
	2017	2016	2017	2016
Bank accounts	4,700	2,862	2,077	2,811
Cash investments:				
Bank certificates of deposit	282,675	269,538	274,542	259,869
Repos ('Overnight' market)	111,657	155,427	85,243	98,572
Others	4,307	-	4,307	-
	398,639	**424,965**	**364,092**	**358,441**
	403,339	**427,827**	**366,169**	**361,252**

Bank Certificates of Deposit (*Certificados de Depósito Bancário*, or CDBs), are remunerated at a percentage, which varies from 85% to 106% in 2017 (75%-106% in 2016), of the CDI Rate (Interbank Rate for Interbank Certificates of Deposit or *Certificados de Depósito Inter-bancário* – CDIs) published by the Custody and Settlement Chamber (*Câmara de Custódia e Liquidação*, or Cetip).

Overnight transactions are repos available for redemption on the following day. They are usually backed by Treasury Bills, Notes or Bonds and referenced to a pre-fixed rate. On December 31, 2017 this rate was 6.89% (13.64% in 2016). Their purpose is to settle the Company's short-term obligations, or be used in the purchase of other assets with better remuneration to replenish the portfolio.

7. SECURITIES

R$ '000	Consolidated		Holding company	
	2017	2016	2017	2016
Bank certificates of deposit	1,214	26,967	927	21,931
Financial Notes – Banks	149,459	311,814	114,102	197,752
Treasury Financial Notes (LFTs)	364,561	81,063	278,319	51,410
Debentures	20,334	16,892	15,524	10,713
Others	54	348	53	347
	535,622	**437,084**	**408,925**	**282,153**
Current assets	**520,963**	**424,046**	**397,734**	**273,885**
Non-current assets	**14,659**	**13,038**	**11,191**	**8,268**

Bank Certificates of Deposit are remunerated at a percentage of the CDI Rate, which varied from 100.25% to 105.25% in 2017 (100.5% – 111% in 2016).

Bank Financial Notes (*Letras Financeiras*, or LFs) are fixed-rate fixed-income securities, issued by banks and remunerated at a percentage of the CDI rate published by CETIP. The LFs in Cemig GT's portfolio have remuneration rates varying from 102.10% to 112% of the CDI in 2017 (104.25% to 112.7% in 2016).

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

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 161.54% of the CDI rate, at December 31, 2017 (104.25% to 113% at December 31, 2016).

Note 28 gives a classification of these securities. Cash investments in securities of related parties are shown in Note 27.

8. CUSTOMERS, TRADERS, AND CONCESSION HOLDERS

R$ '000	Balances not yet due – Billed	Balances not yet due – Not yet billed	Up to 90 days past due	> 90 days past due	Consolidated 2017	Consolidated 2016	Holding company 2017	Holding company 2016
Industrial	13,659	256,602	24,916	36,260	331,437	337,693	286,360	337,693
Commercial, services and others	8,379	29,873	250	87	38,589	25,317	38,589	25,317
Other concession holders – wholesale supply	-	287,897	16,992	3,700	308,589	365,467	273,526	317,379
Concession holders – transmission service	2,090	78,295	836	7,932	89,153	36,690	89,249	36,690
CCEE (Wholesale Trading Exchange)	75,180	-	118,147	168	193,495	571	186,335	571
Provision for doubtful receivables	-	-	-	(21,623)	(21,623)	(4,109)	(21,623)	(4,109)
	99,308	**652,667**	**161,141**	**26,524**	**939,640**	**761,629**	**852,436**	**713,541**
Current assets					**939,640**	**761,629**	**852,436**	**713,541**
Customers and Traders					850,487	724,939	763,187	676,851
Concession holders – power transport					89,153	36,690	89,249	36,690

The exposure of the Company and its subsidiaries to credit risk related to Customers and traders is given in Note 28.

The provision for the allowance for doubtful receivables is considered to be sufficient to cover any losses in the realization of these assets. This table shows variations:

Consolidated and Holding company	R$ '000
Balance on December 31, 2015	**4,244**
Reversals of losses	(135)
Balance at December 31, 2016	**4,109**
Constitution of provision	17,514
Balance on December 31, 2017	**21,623**

Advances from clients

Cemig GT received advance payments against sale of energy from certain clients. The balances of the obligation relating to power not yet delivered are as follows:

Consolidated and Holding company	R$ '000
Balance at December 31, 2016	**181,200**
Addition	282,602
Spent	(317,557)
Monetary updating	44,513
Balance on December 31, 2017	**190,758**

The advances will be updated, until the moment of actual delivery of the power supply by Cemig GT, as follows:

2017				Balance on 2017 R$ '000	Balance on 2016 R$ '000
Counterparty	Specified period for billing	Index for updating of the pre-paid amounts	Quantity of MWh deliverable		
BTG Pactual	Jan. 2018	1.57% p.m.	137,461	17,287	181,200
BTG Pactual	Jan. 2018	1.2% p.m.	171,864	25,633	-
Deal Comercializadora	Jan. 2018	1.2% p.m.	5,208	772	-
White Martins Gases Industriais Ltda	Feb. 2018 – Mar. 2019	124% of CDI	333,887	147,066	-
				190,758	**181,200**

Revenue from advances on sales of power supply is recognized only in the Income and loss account when the supply is actually delivered.

9. TAXES ON REVENUE RECOVERABLE

R$ '000	Consolidated		Holding company	
	2017	2016	2017	2016
Current				
ICMS recoverable	6,644	43,575	5,868	43,569
Cofins	2,400	3,356	2,400	3,356
Pasep	488	695	488	695
Others	21,308	7,867	21,308	7,866
	30,840	**55,493**	**30,064**	**55,486**
Non-current				
ICMS recoverable	7,731	13,869	7,731	13,869
Cofins	451	829	451	829
Pasep	90	172	90	172
	8,272	**14,870**	**8,272**	**14,870**
	39,112	**70,363**	**38,336**	**70,356**

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 applied against taxes payable in 48 months.

Credits of PIS, Pasep and Cofins taxes generated by new acquisitions of machinery and equipment are offset immediately, in accordance with Law 11,774/08. The transfer to Non-current was made in accordance with estimates by management of the amounts which will likely be realized up to December 2018.

10. INCOME AND SOCIAL CONTRIBUTION TAXES RECOVERABLE

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

R$ '000	Consolidated		Holding company	
	2017	2016	2017	2016
Current				
Income tax	85,093	118,500	85,093	118,500
Social Contribution tax	53,342	57,964	53,342	57,964
	138,435	**176,464**	**138,435**	**176,464**

11. INCOME TAX AND SOCIAL CONTRIBUTION TAX

a) Deferred income tax and Social Contribution tax

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

R$ '000	Consolidated		Holding company	
	2017	2016	2017	2016
ASSETS				
Post-retirement obligations	252,231	247,771	252,231	247,771
Estimated loss for doubtful receivables	7,352	1,397	7,352	1,397
Provision for contingencies	32,740	35,801	32,740	35,801
Other provisions	366,304	326,013	366,304	326,013
Taxes with suspended liability	-	25,308	-	25,308
Paid concession	8,227	8,262	8,227	8,262
Adjustment to fair value: Swap/loss	11,037	-	11,037	-
Others	2,235	1,734	2,235	1,734
	680,126	**646,286**	**680,126**	**646,286**
LIABILITIES				
Deemed cost	(236,262)	(245,214)	(236,262)	(245,214)
Gain from indemnity on transmission assets	(675,533)	(516,895)	(675,533)	(516,895)
Purchase price allocation adjustments	(136,967)	(145,572)	(136,967)	(145,572)
Updating on escrow deposits	(28,007)	-	(28,007)	-
Others	(19,803)	(24,779)	(19,662)	(24,134)
	(1,096,572)	**(932,460)**	**(1,096,431)**	**(931,815)**
Total net liabilities presented in Statement of financial position	**(416,446)**	**(286,174)**	**(416,305)**	**(285,529)**

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

R$ '000	Consolidated	Holding company
Balance at December 31, 2016	**(286,174)**	**(285,529)**
Effects allocated to Statement of comprehensive income	35,927	35,927
Effects allocated to Income and loss account	(166,199)	(166,703)
Balance on December 31, 2017	**(416,446)**	**(416,305)**

R$ '000	Consolidated	Holding company
Balance on December 31, 2015	**-**	**(378,000)**
Initial balance for consolidation purposes	(378,000)	-
Effects allocated to Statement of comprehensive income	47,320	47,320
Effects allocated to Income and loss account	44,506	45,151
Balance at December 31, 2016	**(286,174)**	**(285,529)**

At its meeting on March 28, 2018, the Board of Directors approved a technical study prepared by the Finance Department, on the forecasts for the Company's future taxable incomes. This was also submitted to examination by the Fiscal Council on March 28, 2018.

According to the Company's estimates, future taxable incomes enable the deferred tax asset existing on December 31, 2017 to be realized as follows:

	R$ '000
2018	109,433
2019	109,091
2020	109,091
2021	109,091
2022	109,091
2023	27,812
2024	27,812
2025	26,235
2026	26,235
2027	26,235
	680,126

b) Reconciliation of the expense on income tax and the Social Contribution tax:

The following is the reconciliation of the nominal expense on income tax (rate: 25%) and the Social Contribution tax (rate: 9%), with the actual expense reported in the Income and loss account:

R$ '000	Consolidated		Holding company	
	2017	2016	2017	2016
Pretax income	**848,500**	**62,913**	**717,236**	**48,900**
Income and Social Contribution taxes – nominal expense	(288,489)	(21,390)	(243,860)	(16,626)
Tax effects applicable to:				
Interest on Equity	-	102,000	-	102,000
Tax incentives	8,086	477	5,284	477
Equity in earnings of unconsolidated investees	(190,089)	(143,618)	(56,215)	(49,512)
Gain on dilution of an equity interest	7,686	-	7,686	-
Non-deductible penalties	(408)	(574)	(403)	(574)
Non-deductible contributions and donations	(1,882)	(522)	(1,108)	(522)
Difference between Presumed income and Real income methods	45,063	84,857	-	-
Tax credits not recognized	-	(584)	-	(584)
Others	(8)	(13,691)	(161)	(13,691)
Income tax and Social Contribution tax – effective expense	**(420,041)**	**6,955**	**(288,777)**	**20,968**
Current tax	(253,842)	(37,551)	(122,074)	(24,183)
Deferred tax	(166,199)	44,506	(166,703)	45,151
	(420,041)	**6,955**	**(288,777)**	**20,968**
Effective rate	**49.50%**	**11.05%**	**40.26%**	**42.88%**

12. ESCROW DEPOSITS IN LITIGATION

Escrow deposits in legal actions are principally for cases involving employment-law contingencies and alleged tax obligations.

Escrow deposits are mainly related to claimed tax obligations, for: (i) income tax withheld at source on Interest on Equity; and (ii) the question of exclusion of the amount of the ICMS tax from the basis of calculation for the liability for Pasep and Cofins taxes.

R$ '000	Consolidated		Holding company	
	2017	2016	2017	2016
Labor claims	29,676	28,476	29,676	28,476
Tax issues				
Income tax on Interest on Equity	14,908	14,099	14,908	14,099
Pasep and Cofins taxes (1)	183,606	101,233	183,606	101,233
Income tax and Social Security contribution on indemnity for employees' 'Anuênio' benefit (2)	63,027	60,126	63,027	60,126
Urban property tax (IPTU)	6,497	6,089	6,497	6,089
Others	4,186	8,378	4,186	8,378
	272,224	**189,925**	**272,224**	**189,925**
Others				
Court embargo	521	120	521	120
Regulatory	3,308	3,213	3,308	3,213
Others	4,265	7,560	4,265	7,560
	8,094	**10,893**	**8,094**	**10,893**
	309,994	**229,294**	**309,994**	**229,294**

(1) Court deposit in action challenging constitutionality of the inclusion of ICMS tax within the amount chargeable of Pasep and Cofins taxes. See details in Note 18.

(2) See more details in Note 22 – *Provisions*, under *Indemnity of employees' future benefit (the 'Anuênio')*.

13. CONCESSION FINANCIAL ASSETS

The balances of the financial assets are as follows:

R$ '000	Consolidated		Holding company	
	2017	2016	2017	2016
Transmission – Indemnity receivable	1,928,038	1,805,230	1,928,038	1,805,230
Transmission – Assets remunerated by tariff	547,800	482,281	547,800	482,281
Generation – Indemnity receivable	1,900,757	546,624	1,900,757	546,624
Generation – Concession Grant Fee	2,337,135	2,253,765	-	-
	6,713,730	**5,087,900**	**4,376,595**	**2,834,135**
Current	**689,353**	**332,763**	**456,101**	**13,233**
Non-current	**6,024,377**	**4,755,137**	**3,920,494**	**2,820,902**

Changes in financial assets have been as follows:

R$ '000	Consolidated			Holding company		
	Generation	Transmission	Total	Generation	Transmission	Total
Balance on December 31, 2015	-	-	-	**546,424**	**1,501,441**	**2,047,865**
Initial balance for consolidation purposes	546,424	1,501,441	2,047,865	-	-	-
Addition	534	53,823	54,357	534	53,823	54,357
Addition – Concession grant fee	2,216,353	-	2,216,353	2,216,353	-	2,216,353
Monetary updating	351,733	751,101	1,102,834	167,470	751,101	918,571
Amounts received	(314,321)	(15,482)	(329,803)	(128,796)	(15,482)	(144,278)
Written off	-	(2,943)	(2,943)	-	(2,943)	(2,943)
Transfers between PP&E, Financial assets and Intangible Assets	(334)	(429)	(763)	(334)	(429)	(763)
Transfer of concession grant fee to SPCs	-	-	-	(2,255,027)	-	(2,255,027)
Balance at December 31, 2016	**2,800,389**	**2,287,511**	**5,087,900**	**546,624**	**2,287,511**	**2,834,135**
Addition	-	24,827	24,827	-	24,827	24,827
Monetary updating	316,881	223,962	540,843	-	223,962	223,962
Adjustment of expectation of cash flow from the Concession financial assets	-	54,358	54,358	-	54,358	54,358
Amounts received	(233,511)	(264,164)	(497,675)	-	(264,164)	(264,164)
Written off	-	(1,741)	(1,741)	-	(1,741)	(1,741)
Transfers between PP&E, Financial assets and Intangible Assets	-	1,830	1,830	-	1,830	1,830
Transfers – Plants not renewed	1,082,526	-	1,082,526	1,082,526	-	1,082,526
Adjustment of the BRR of Transmission Assets (Note 24)	-	149,255	149,255	-	149,255	149,255
Adjustment on indemnities of plants not renewed (Ministerial Order 291) – including financial updating	271,607	-	271,607	271,607	-	271,607
Balance on December 31, 2017	**4,237,892**	**2,475,838**	**6,713,730**	**1,900,757**	**2,475,838**	**4,376,595**

Transmission – Indemnity receivable

The Company's transmission concession contracts are within the criteria for application of Technical Interpretation ICPC 01 (IFRIC 12), which deals with accounting of concession contracts, and refer to invested infrastructure that will be the subject of indemnity by the Concession-granting power during and at the end of their concession periods, as laid down in the regulations for the energy sector, and in the concession contract.

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

On April 22, 2016 the Mining and Energy Ministry (*Ministério de Minas e Energia*, or MME) published its Ministerial Order 120, setting the deadline and method of payment for the remaining amount of the indemnity. The Ministerial Order determined that the amounts homologated by Aneel should become part of the Regulatory Remuneration

Asset Base (*Base de Remuneração Regulatória*, or BRR) and that the cost of capital should be added to the related Permitted Annual Revenues ('RAP').

On August 16, 2016 Aneel, by its Dispatch 2,181, homologated the amount of R$ 892,050, in currency of December 2012, for the portion of the reversible assets not yet amortized, for the purposes of indemnity to Cemig GT. This was recorded as a financial asset, with specific maturity and interest rate, in accordance with its characteristics.

The amount of indemnity to be received, updated to December 31, 2017, in the amount of R$ 1,928,038, corresponds to the following credits:

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$ 992,802, are to be 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 Periodic Tariff Review of Revenues of Concession holders, to be paid over a period of eight years, in the form of reimbursement through the RAP (for more details see Note 24(f)).

Indemnity of transmission assets – injunction awarded to industrial Customers

On April 10, 2017, an interim court remedy was granted to the Brazilian Large-scale 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 Aneel and the federal government requesting suspension of the effects on their tariffs of payment of the indemnity for transmission assets payable to agents of the energy sector who accepted the terms of Law 12,783/2013.

The preventive remedy was partial, with effects related to suspension of the inclusion in the consumer tariffs paid by these associations of the portion of the indemnity corresponding to the remuneration at cost of capital included since the date of extension of the concessions – this amounts to R$ 316,138 at December 31, 2017.

Complying with the court decision, Aneel, in its Technical Note 183/201-SGT/ANEEL of June 22, 2017, presented the new calculation, excluding the amounts that refer to the cost of own capital. Cemig GT believes that this is a provisional decision, and that its right to receive the amount referring to the assets of the basic national grid system (*Rede Básica Sistema Elétrico*, or RBSE) is guaranteed by law, so that no adjustment to the amount posted at December 31, 2017 is necessary.

Adjustment of the BRR of Transmission Assets – Aneel Technical Note 183/2017

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

Aneel ruled in favor of the Company's application, and calculated the differences between the amounts of revenue ratified in the above-mentioned tariff reviews and the new values calculated for inclusion of the said conducting cables in the Remuneration Assets Base for the period from July 2005 to December 2012. Updated, these amounts were calculated to total R$ 149,255, at July 2017 prices, to be received by Cemig GT in 12 months, via RAP. At December 31, 2017, the amount receivable was R$ 74,627.

Remaining balance to be received through RAP

The remaining balance, of R$ 544,471, was incorporated into the Remuneration Assets Base, and is being recovered via RAP.

Cemig GT expects to receive in full the credits receivable in relation to the indemnity for the transmission assets, whose changes are as follows:

	R$ '000
Regulatory Remuneration Base (BRR) – Dispatch 2,181 of 2016	1,177,488
Amount of the indemnity received	(285,438)
Net value of the assets for purposes of indemnity	**892,050**
Updating in accordance with MME Order 120/16 – IPCA index/ Own cost of capital – Period Jan. 2013–Dec. 2016	913,180
Balance at Dec. 31, 2016	**1,805,230**
Adjustment of the BRR of Transmission Assets – Aneel Technical Note 183/2017	149,255
Updating in accordance with MME Order 120/16 – IPCA index / Own cost of capital – Period Jan. 2017–Jun. 2017	120,600
Monetary updating	103,362
Amounts received	(250,409)
Total at December 31, 2017	**1,928,038**

Transmission – Assets remunerated by tariff

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

Under the Proret, the revenue established in the Resolutions is payable to the transmission companies as from the date of start of commercial operation of the facilities. In the periods between reviews, the revenues associated with the improvements and strengthening of facilities are provisional. They are then definitively decided in the review immediately subsequent to the start of commercial operation of the facilities; this review then has effect since the date of start of commercial operation. At December 31, 2017, the amount receivable was R$ 547,800.

Generation – Indemnity receivable

As from August 2013, there were expiry dates of the concessions for various plants operated by Cemig GT under Concession Contract 007/1997. As from the termination of the concession, the Company held the indemnity rights of the assets not yet depreciated/amortized, as specified in that concession contract. The accounting balances corresponding to these assets, including the Deemed Cost, are recognized in Financial assets. Their total at December 31, 2017 was R$ 816,411 (R$ 546,624 on December 31, 2016).

Generation plant	Concession expiration date	Installed capacity (MW)	Net balance of assets based on historic cost R$ '000	Net balance of assets based on deemed cost R$ '000
Lot D				
Três Marias Hydroelectric Plant	Jul. 2015	396	71,694	413,450
Salto Grande Hydroelectric Plant	Jul. 2015	102	10,835	39,379
Itutinga Hydroelectric Plant	Jul. 2015	52	3,671	6,589
Camargos Hydroelectric Plant	Jul. 2015	46	7,818	23,095
Piau Small Hydroelectric Plant	Jul. 2015	18.01	1,531	9,005
Gafanhoto Small Hydroelectric Plant	Jul. 2015	14	1,232	10,262
Peti Small Hydroelectric Plant	Jul. 2015	9.4	1,346	7,871
Dona Rita Small Hydroelectric Plant	Sep. 2013	2.41	534	534
Tronqueiras Small Hydroelectric Plant	Jul. 2015	8.5	1,908	12,323
Joasal Small Hydroelectric Plant	Jul. 2015	8.4	1,379	7,622
Martins Small Hydroelectric Plant	Jul. 2015	7.7	2,132	4,041
Cajuru Small Hydroelectric Plant	Jul. 2015	7.2	3,576	4,252
Paciência Small Hydroelectric Plant	Jul. 2015	4.08	728	3,936
Marmelos Small Hydroelectric Plant	Jul. 2015	4	616	4,265
Other				
Volta Grande Hydroelectric Plant	Feb. 2017	380	25,621	70,118
Miranda Hydroelectric Plant	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	2,258	2,920
		3,601.70	**204,041**	**816,411**

As specified in Aneel Normative Resolution 615/2014, the valuation opinions of indemnity for the plants, previously operated by Cemig GT, that were included in Lot D, and for the *Volta Grande* plant, have been delivered to Aneel. The Company and its subsidiaries do not expect losses on realization of these assets.

On December 31, 2017, investments made after the *Jaguara, São Simão* and *Miranda* plants came into operation, in the amounts of R$ 174,203, R$ 2,920 and R$ 22,546, respectively, are classified in Concession financial assets, and the decision on the final amounts to be indemnified is in a process of discussion with Aneel. Management of the Company does not expect losses on realization of these amounts.

The Miranda *and* São Simão *plants*

The amounts of the basic project of the plants were transferred to *Indemnities receivable*, and updated in monetary terms in accordance with Mining and Energy Ministry Order 291, of August 3, 2017, as shown below – in R$ ’000. Further details are in Note 4.

Plant	Concession termination date	Net balance of assets on 2017 based on historical cost, R$ ’000	Net balance of assets on 2017 based on deemed cost, R$ ’000	Net value of the assets of the Basic Plan based on Deemed Cost at 2017 (A)	Adjustments[1] (B)	Amounts in MME Order (A)+(B)	Monetary updating (C)	Net balance of the assets of the Basic Projec at 2017 (A)+(B)+(C)
Miranda	Dec. 2016	750,844	632,541	609,995	174,157	784,152	25,373	809,525
São Simão	Jan. 2015	62,746	205,664	202,744	40,855	243,599	31,222	274,821
		813,590	**838,205**	**812,739**	**215,012**	**1,027,751**	**56,595**	**1,084,346**

(1) Adjustment of the non-amortized balance of the concessions of the São Simão and Miranda plant, as per MME Order 291/17, which together with updating of R$ 56,595 corresponds to total adjustment of R$ 271,607.

Concession grant fee – Generation concessions

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

SPC	Plant R$ ’000	Balance at 2016	Monetary updating	Amounts received	Balance at 2017
Cemig Geração Três Marias S.A.	Três Marias	1,283,197	172,402	(125,465)	1,330,134
Cemig Geração Salto Grande S.A.	Salto Grande	402,639	54,322	(39,568)	417,393
Cemig Geração Itutinga S.A.	Itutinga	149,904	22,512	(16,822)	155,594
Cemig Geração Camargos S.A.	Camargos	112,447	16,786	(12,523)	116,710
Cemig Geração Sul S.A.	Coronel Domiciano, Joasal, Marmelos, Paciência and Piau	146,553	23,237	(17,620)	152,170
Cemig Geração Leste S.A.	Dona Rita, Ervália, Neblina, Peti, Sinceridade and Tronqueiras	99,315	17,198	(13,380)	103,133
Cemig Geração Oeste S.A.	Cajurú, Gafanhoto and Martins	59,710	10,424	(8,133)	62,001
Total		**2,253,765**	**316,881**	**(233,511)**	**2,337,135**

SPC	Plant R$ ’000	Balances transferred on May 31, 2016	Monetary updating	Amounts received	Balance on Dec. 31, 2016
Cemig Geração Três Marias S.A.	Três Marias	1,260,400	191,681	(168,884)	1,283,197
Cemig Geração Salto Grande S.A.	Salto Grande	395,523	60,377	(53,261)	402,639
Cemig Geração Itutinga S.A.	Itutinga	147,662	24,886	(22,644)	149,904
Cemig Geração Camargos S.A.	Camargos	110,746	18,558	(16,857)	112,447
Cemig Geração Sul S.A.	Coronel Domiciano, Joasal, Marmelos, Paciência and Piau	144,603	25,668	(23,718)	146,553
Cemig Geração Leste S.A.	Dona Rita, Ervália, Neblina, Peti, Sinceridade and Tronqueiras	98,301	19,024	(18,010)	99,315
Cemig Geração Oeste S.A.	Cajurú, Gafanhoto and Martins	59,118	11,539	(10,947)	59,710
Total		**2,216,353**	**351,733**	**(314,321)**	**2,253,765**

Cemig’s offer for acquisition of grant of the 30-year concession for the 18 hydroelectric plants was R$ 2,216,353. Of this fee, 65% was paid on January 4, 2016, and the remaining 35% (initially R$ 775,724) was paid on July 1, 2016 (updated by the Selic rate to a total payment of R$ 827,921). The amount of the concession grant fee was recognized as a financial asset, due to the Company having the unconditional right to receive the amount paid, plus updating by the IPCA Index and remuneratory interest, during the period of the concession. In 2016, all of the output of the plants was sold in the Regulated Market under the Physical Guarantee Quotas system. Starting in 2017, the second phase of the contract came into effect: 70% of the energy produced by these plants was sold in the Regulated Market and 30% in the Free Market.

14. INVESTMENTS

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

R$ '000	Consolidated		Holding company	
	2017	2016	2017	2016
Affiliated				
Madeira Energia (Santo Antônio Plant)	534,761	643,890	534,761	643,890
FIP Melbourne (Santo Antônio Plant)	582,504	677,182	582,504	677,182
Jointly-controlled entities				
Hidrelétrica Cachoeirão	57,957	50,411	57,957	50,411
Guanhães Energia	25,018	-	25,018	-
Hidrelétrica Pipoca	26,023	31,809	26,023	31,809
Lightger	40,832	41,543	40,832	41,543
Baguari Energia	148,422	162,106	148,422	162,106
Central Eólica Praias de Parajuru	60,101	63,307	60,101	63,307
Central Eólica Volta do Rio	67,725	81,228	67,725	81,228
Central Eólica Praias de Morgado	50,569	59,586	50,569	59,586
Aliança Norte (Belo Monte plant)	576,704	527,498	576,704	527,498
Amazônia Energia (Belo Monte Plant)	866,554	781,022	866,554	781,022
Aliança Geração	1,242,170	1,319,055	1,242,170	1,319,055
Retiro Baixo	157,773	161,848	157,773	161,848
Renova	282,524	688,625	282,524	688,625
Usina Hidrelétrica Itaocara S.A.	3,699	2,782	3,699	2,782
Subsidiaries				
Cemig Baguari	-	-	23	55
Cemig Geração Três Marias S.A.	-	-	1,391,822	1,399,282
Cemig Geração Salto Grande S.A.	-	-	440,122	440,148
Cemig Geração Itutinga S.A.	-	-	171,279	167,962
Cemig Geração Camargos S.A.	-	-	130,426	125,995
Cemig Geração Sul S.A.	-	-	167,571	165,133
Cemig Geração Leste S.A.	-	-	115,885	113,976
Cemig Geração Oeste S.A.	-	-	69,398	69,375
Total of investments	**4,723,336**	**5,291,892**	**7,209,862**	**7,773,818**
Guanhães – Uncovered liabilities of jointly-controlled entity	-	(59,071)	-	(59,071)
Total	**4,723,336**	**5,232,821**	**7,209,862**	**7,714,747**

The Company's investees that are not consolidated are jointly-controlled entities, with the exception of the interest in the *Santo Antônio* power plant, which is an affiliated company in which the Company has significant influence.

a) Right to exploitation of the regulated activity

In the process of allocation of the acquisition price of the jointly-controlled subsidiaries, a valuation was made of the intangible assets relating to the right to operate the regulated activity. This asset is presented jointly with the historical value of the investments in the previous table. The amortization of these assets will take place during the remaining period of the concessions, on the straight-line basis.

R$ '000	Holding company 2015	Amortization	Written off	Consolidated and Holding company 2016	Amortization	Written off	Consolidated and Holding company 2017
Renova (1)	805,458	(42,767)	(762,691)	-	-	-	-
Retiro Baixo	30,706	(1,181)	-	29,525	(1,181)	-	28,344
Central Eólica Praias de Parajuru	20,868	(1,527)	-	19,341	(1,527)	(1,311)	16,503
Central Eólica Volta do Rio	14,818	(1,011)	-	13,807	(1,010)	(1,762)	11,035
Central Eólica Praias de Morgado	29,461	(2,055)	-	27,406	(2,055)	(1,395)	23,956
Madeira Energia (Santo Antônio Plant)	163,296	(5,956)	-	157,340	(5,956)	-	151,384
Aliança Norte (Belo Monte plant)	58,489	(1,971)	-	56,518	(1,972)	-	54,546
	1,123,096	**(56,468)**	**(762,691)**	**303,937**	**(13,701)**	**(4,468)**	**285,768**

(1) On December 31, 2016, there was a downward adjustment in the intangible concession assets of Renova.

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

Consolidated R$ '000	2016	Equity method gains, net	Injections / acquisitions	Dividends	Compre_ hensive income	Other	2017
Hidrelétrica Cachoeirão	50,411	10,187	-	(2,641)	-	-	57,957
Guanhães Energia (1)	-	(13,099)	97,188	-	-	(59,071)	25,018
Hidrelétrica Pipoca	31,809	2,292	-	(8,078)	-	-	26,023
Madeira Energia (Santo Antônio Plant)	643,890	(109,129)	-	-	-	-	534,761
FIP Melbourne (Santo Antônio Plant)	677,182	(94,678)	-	-	-	-	582,504
Baguari Energia	162,106	16,590	-	(30,274)	-	-	148,422
Central Eólica Praias de Parajuru (2)	63,307	(1,489)	-	(406)	-	(1,311)	60,101
Central Eólica Volta do Rio (2)	81,228	(11,741)	-	-	-	(1,762)	67,725
Central Eólica Praias de Morgado (2)	59,586	(7,622)	-	-	-	(1,395)	50,569
Lightger	41,543	1,858	-	(2,569)	-	-	40,832
Amazônia Energia (Belo Monte Plant)	781,022	705	84,827	-	-	-	866,554
Aliança Norte (Belo Monte plant)	527,498	(2,352)	51,558	-	-	-	576,704
Aliança Geração	1,319,055	71,756	-	(148,641)	-	-	1,242,170
Retiro Baixo	161,848	9,688	-	(13,763)	-	-	157,773
Renova	688,625	(390,249)	18,000	-	(33,852)	-	282,524
Usina Hidrelétrica Itaocara S.A.	2,782	(1,741)	2,658	-	-	-	3,699
Total of investments	**5,291,892**	**(519,024)**	**254,231**	**(206,372)**	**(33,852)**	**(63,539)**	**4,723,336**

(1) Uncovered liability reversed through injections of capital.

(2) Reversal of the retention made by Cemig of 2% of the acquisition price of the shares in the wind farms, as per arbitration judgment given in 2017.

Holding company R$ '000	2016	Equity method gains, net	Injections / acquisitions	Dividends	Compre_ hensive income	Other	2017
Hidrelétrica Cachoeirão	50,411	10,187	-	(2,641)	-	-	57,957
Guanhães Energia (1)	-	(13,099)	97,188	-	-	(59,071)	25,018
Hidrelétrica Pipoca	31,809	2,292	-	(8,078)	-	-	26,023
Madeira Energia (Santo Antônio Plant)	643,890	(109,129)	-	-	-	-	534,761
FIP Melbourne (Santo Antônio Plant)	677,182	(94,678)	-	-	-	-	582,504
Baguari Energia	162,106	16,590	-	(30,274)	-	-	148,422
Central Eólica Praias de Parajuru (2)	63,307	(1,489)	-	(406)	-	(1,311)	60,101
Central Eólica Volta do Rio (2)	81,228	(11,741)	-	-	-	(1,762)	67,725
Central Eólica Praias de Morgado (2)	59,586	(7,622)	-	-	-	(1,395)	50,569
Lightger	41,543	1,858	-	(2,569)	-	-	40,832
Amazônia Energia (Belo Monte Plant)	781,022	705	84,827	-	-	-	866,554
Aliança Norte (Belo Monte plant)	527,498	(2,352)	51,558	-	-	-	576,704
Aliança Geração	1,319,055	71,756	-	(148,641)	-	-	1,242,170
Retiro Baixo	161,848	9,688	-	(13,763)	-	-	157,773
Renova	688,625	(390,249)	18,000	-	(33,852)	-	282,524
Usina Hidrelétrica Itaocara S.A.	2,782	(1,741)	2,658	-	-	-	3,699
Cemig Baguari	55	(32)	-	-	-	-	23
Cemig Geração Três Marias S.A.	1,399,282	179,689	-	(187,149)	-	-	1,391,822
Cemig Geração Salto Grande S.A.	440,148	62,230	-	(62,256)	-	-	440,122
Cemig Geração Itutinga S.A.	167,962	37,410	-	(34,093)	-	-	171,279
Cemig Geração Camargos S.A.	125,995	31,058	-	(26,627)	-	-	130,426
Cemig Geração Sul S.A.	165,133	36,675	-	(34,237)	-	-	167,571
Cemig Geração Leste S.A.	113,976	29,707	-	(27,798)	-	-	115,885
Cemig Geração Oeste S.A.	69,375	17,011	-	(16,988)	-	-	69,398
Total of investments	**7,773,818**	**(125,276)**	**254,231**	**(595,520)**	**(33,852)**	**(63,539)**	**7,209,862**

(1) Uncovered liability reversed through injections of capital.

(2) Reversal of the retention made by Cemig of 2% of the acquisition price of the shares in the wind farms, as per arbitration judgment given in 2017.

Consolidated R$ '000	2015	Equity method gains, net	Injections/ acquisitions	Dividends – Provision	Compre_ hensive income	Other	2016
Hidrelétrica Cachoeirão	40,844	11,122	-	(1,555)	-	-	50,411
Guanhães Energia (1)	18,444	(102,108)	24,593	-	-	59,071	-
Hidrelétrica Pipoca	26,237	5,571	-	-	-	1	31,809
Madeira Energia (Santo Antônio plant)	675,983	(71,093)	39,000	-	-	-	643,890
FIP Melbourne (Santo Antônio plant)	703,403	(63,755)	40,214	-	-	(2,680)	677,182
Baguari Energia (2)	187,227	41,037	-	(14,118)	-	(52,040)	162,106
Central Eólica Praias de Parajuru	63,045	287	-	(25)	-	-	63,307
Central Eólica Volta do Rio	85,101	(3,838)	-	(35)	-	-	81,228
Central Eólica Praias de Morgado	62,071	(2,440)	-	(45)	-	-	59,586
Lightger	37,455	4,088	-	-	-	-	41,543
Amazônia Energia (Belo Monte Plant)	495,768	(6,659)	291,913	-	-	-	781,022
Aliança Norte (Belo Monte plant)	354,284	(6,551)	179,765	-	-	-	527,498
Aliança Geração	1,327,246	103,849	-	(112,040)	-	-	1,319,055
Retiro Baixo	147,905	16,089	-	(2,146)	-	-	161,848
Renova (3)	1,527,435	(373,313)	277,864	-	19,330	(762,691)	688,625
Usina Hidrelétrica Itaocara S.A.	-	-	2,782	-	-	-	2,782
Total of investments	**5,752,448**	**(447,714)**	**856,131**	**(129,964)**	**19,330**	**(758,339)**	**5,291,892**
Guanhães – Uncovered liabilities of jointly-controlled entity	-	-	-	-	-	(59,071)	(59,071)
Total	**5,752,448**	**(447,714)**	**856,131**	**(129,964)**	**19,330**	**(817,410)**	**5,232,821**

(1) Transfer to uncovered liabilities.
(2) The amount of R$ 52,040 refers to the reduction of share capital;
(3) R$ 762,691: adjustment for write-down of intangible concession assets resulting from the financial difficulties of Renova.

Holding company R$ '000	2015	Equity method gain (loss)	Injections / acquisitions	Dividends – Provision	Compre_ hensive income	Other	2016
Hidrelétrica Cachoeirão	40,844	11,122	-	(1,555)	-	-	50,411
Guanhães Energia (1)	18,444	(102,108)	24,593	-	-	59,071	-
Hidrelétrica Pipoca	26,237	5,571	-	-	-	1	31,809
Madeira Energia (Santo Antônio plant)	675,983	(71,093)	39,000	-	-	-	643,890
FIP Melbourne (Santo Antônio plant)	703,403	(63,755)	40,214	-	-	(2,680)	677,182
Baguari Energia (2)	187,227	41,037	-	(14,118)	-	(52,040)	162,106
Central Eólica Praias de Parajuru	63,045	287	-	(25)	-	-	63,307
Central Eólica Volta do Rio	85,101	(3,838)	-	(35)	-	-	81,228
Central Eólica Praias de Morgado	62,071	(2,440)	-	(45)	-	-	59,586
Lightger	37,455	4,088	-	-	-	-	41,543
Amazônia Energia (Belo Monte Plant)	495,768	(6,659)	291,913	-	-	-	781,022
Aliança Norte (Belo Monte plant)	354,284	(6,551)	179,765	-	-	-	527,498
Aliança Geração	1,327,246	103,849	-	(112,040)	-	-	1,319,055
Retiro Baixo	147,905	16,089	-	(2,146)	-	-	161,848
Renova (3)	1,527,435	(373,313)	277,864	-	19,330	(762,691)	688,625
Usina Hidrelétrica Itaocara S.A.	-	-	2,782	-	-	-	2,782
Cemig Baguari	-	(24)	79	-	-	-	55
Cemig Geração Três Marias S.A.	-	141,455	1,291,423	(33,596)	-	-	1,399,282
Cemig Geração Salto Grande S.A.	-	45,745	405,268	(10,865)	-	-	440,148
Cemig Geração Itutinga S.A.	-	21,840	151,309	(5,187)	-	-	167,962
Cemig Geração Camargos S.A.	-	16,388	113,499	(3,892)	-	-	125,995
Cemig Geração Sul S.A.	-	22,277	148,147	(5,291)	-	-	165,133
Cemig Geração Leste S.A.	-	17,583	100,569	(4,176)	-	-	113,976
Cemig Geração Oeste S.A.	-	11,516	60,595	(2,736)	-	-	69,375
Total of investments	**5,752,448**	**(170,934)**	**3,127,020**	**(195,707)**	**19,330**	**(758,339)**	**7,773,818**
Guanhães – Uncovered liabilities of jointly-controlled entity	-	-	-	-	-	(59,071)	(59,071)
Total	**5,752,448**	**(170,934)**	**3,127,020**	**(195,707)**	**19,330**	**(817,410)**	**7,714,747**

(1) Transfer to uncovered liabilities.
(2) The amount of R$ 52,040 refers to the reduction of share capital;
(3) R$ 762,691: downward adjustment of intangible concession assets , reflecting impairment in assets of Renova as a result of the transaction with Terraform.

CEMIG Geração e Transmissão S.A.

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

Company R$ '000	Number of shares	2017 Equity interest (%)	2017 Share capital	2017 Stockholders' equity	2016 Equity interest (%)	2016 Share capital	2016 Stockholders' equity
Affiliated							
Madeira Energia (Santo Antônio Plant)	9,730,201,137	18.13	9,546,672	5,327,114	18.13	10,151,952	6,418,617
Jointly-controlled entities							
Hidrelétrica Cachoeirão	35,000,000	49.00	35,000	118,280	49.00	35,000	102,880
Guanhães Energia	330,536,000	49.00	330,536	51,058	49.00	185,647	-
Hidrelétrica Pipoca	41,360,000	49.00	41,360	53,108	49.00	41,360	64,916
Baguari Energia S.A. (1)	26,157,300,278	69.39	186,573	213,895	69.39	186,573	247,662
Central Eólica Praias de Parajuru	70,560,000	49.00	70,560	88,976	49.00	70,560	88,897
Central Eólica Volta do Rio	117,230,000	49.00	117,230	115,694	49.00	117,230	136,886
Central Eólica Praias de Morgado	52,960,000	49.00	52,960	54,312	49.00	52,960	65,128
Lightger	79,078,937	49.00	79,232	83,331	49.00	79,232	84,781
Aliança Norte (Belo Monte Plant)	3,622,440,125	49.00	1,119,255	1,065,628	49.00	1,014,111	1,076,527
Amazônia Energia (Belo Monte Plant) (1)	1,229,600,123	74.50	1,229,600	1,163,160	74.50	1,115,739	1,048,351
Aliança Geração	1,291,582,500	45.00	1,291,488	1,857,905	45.00	1,291,488	1,972,519
Retiro Baixo	222,850,000	49.90	222,850	257,880	49.90	222,850	263,680
Renova	417,197,244	36.23	2,919,019	779,808	34.15	2,856,255	1,955,598
Usina Hidrelétrica Itaocara S.A.	11,102,420	49.00	11,102	7,549	49.00	5,677	5,677
Subsidiaries							
Cemig Baguari	1,000	100.00	1	32	100.00	1	55
Cemig Geração Três Marias S.A.	1,291,423,369	100.00	1,291,423	1,391,822	100.00	1,291,423	1,410,411
Cemig Geração Salto Grande S.A.	405,267,607	100.00	405,268	440,122	100.00	405,268	443,914
Cemig Geração Itutinga S.A.	151,309,332	100.00	151,309	171,279	100.00	151,309	169,812
Cemig Geração Camargos S.A.	113,499,102	100.00	113,499	130,426	100.00	113,499	127,320
Cemig Geração Sul S.A.	148,146,505	100.00	148,147	167,571	100.00	148,147	167,155
Cemig Geração Leste S.A.	100,568,929	100.00	100,569	115,885	100.00	100,569	115,795
Cemig Geração Oeste S.A.	60,595,484	100.00	60,595	69,398	100.00	60,595	70,137

(1) Control shared under a Stockholders' Agreement.

Company R$ '000	2017 Dividends	2017 Net income (loss)	2016 Dividends	2016 Net income (loss)
Hidrelétrica Cachoeirão	5,390	20,791	3,173	22,698
Guanhães Energia	-	(25,197)	-	(208,384)
Hidrelétrica Pipoca	16,486	5,016	-	11,370
Madeira Energia (1) (Santo Antônio plant)	-	(1,091,502)	-	(617,200)
Baguari Energia	43,629	22,339	20,346	59,140
Central Eólica Praias de Parajuru (1)	829	100	51	3,489
Central Eólica Volta do Rio (1)	-	(21,190)	71	(6,775)
Central Eólica Praias de Morgado (1)	-	(10,817)	92	(1,719)
Lightger	5,243	3,823	-	8,343
Aliança Geração (1)	330,313	215,700	248,978	292,688
Aliança Norte (1) (Belo Monte plant)	-	(776)	-	(9,314)
Amazônia Energia (Belo Monte Plant)	-	947	-	(8,938)
Retiro Baixo (1)	27,581	21,781	4,301	17,200
Renova (1)	-	(1,139,535)	-	(1,101,472)
Usina Hidrelétrica Itaocara S.A.	-	(3,553)		
Cemig Baguari	-	(32)	-	(24)
Cemig Geração Três Marias S.A.	187,149	179,689	33,596	141,455
Cemig Geração Salto Grande S.A.	62,256	62,230	10,865	45,745
Cemig Geração Itutinga S.A.	34,093	37,410	5,187	21,840
Cemig Geração Camargos S.A.	26,627	31,058	3,892	16,388
Cemig Geração Sul S.A.	34,237	36,675	5,291	22,277
Cemig Geração Leste S.A.	27,798	29,707	4,176	17,583
Cemig Geração Oeste S.A.	16,988	17,011	2,736	11,516

(1) Net income (loss) for the period including amortization of the intangible asset comprising the right to commercial operation of the regulated activity.

On December 31, 2017, the current liabilities of some jointly-controlled entities were higher than their current assets, as follows:

Madeira Energia ('Mesa'): The excess of current liabilities over current assets, equal to R$ 1,473,596, arises mainly from the account lines Suppliers, Other liabilities and Loans and financings. To resolve its situation of negative working capital, Mesa expects adjustment of the flow of its debt servicing payments to the BNDES and the onlending banks, and release of funds from the reserve account to be allocated to these payments, which will be replaced by a bank guarantee and operational cash generation.

Renova: In 2017, Renova Energia reported accumulated losses of R$ 2,194.590, and current liabilities R$ 1,607,398 in excess of current assets. It needs to obtain capital to comply with the construction commitments of wind and solar generating plants.

For this purpose, it has taken several measures to rebalance its liquidity and cash flow structure through sale of assets, using the funds to pay suppliers and amortize debt, as well as optimizing the portfolio, with sale of projects and/or operational assets.

The management of Renova Energia believes that with the success of these measures it will be possible to recover the company's economic and financial equilibrium, and liquidity.

Management has analyzed the indications of impairment referred to above and, based on the available information, believes that there is no material uncertainty as to continuation of the operations of these investees.

The full balances of account lines for the affiliated companies and jointly-controlled entities, at December 31, 2017 and 2016, are as follows:

2017 R$ '000	Hidrelétrica Cachoeirão	Baguari Energia	Guanhães Energia	Madeira Energia	Hidrelétrica Pipoca
Assets					
Current	50,434	29,429	10,630	556,738	14,822
Cash and cash equivalents	46,397	5,449	7,428	54,517	5,834
Non-current	87,278	208,511	42,442	23,593,860	94,764
Total assets	**137,712**	**237,940**	**53,072**	**24,150,598**	**109,586**
Liabilities					
Current	9,854	18,338	1,970	2,030,334	17,448
Supplier	1,423	9,705	252	202,503	5,668
Non-current	9,578	5,707	44	16,793,149	39,030
Stockholders' equity	118,280	213,895	51,058	5,327,115	53,108
Total liabilities	**137,712**	**237,940**	**53,072**	**24,150,598**	**109,586**
Statement of income					
Net sales revenue	39,156	63,778	-	2,971,019	28,903
Cost of sales	(17,796)	(36,151)	(637)	(1,857,730)	(18,564)
Depreciation	(3,513)	(8,826)	-	-	(3,094)
Gross income	**21,360**	**27,627**	(637)	**1,113,289**	**10,339**
General and administrative expenses	-	-	-	(817,254)	(983)
Provision for loss	-	-	(22,468)	-	-
Finance income	4,135	6,179	929	114,973	1,836
Finance expenses	(1,945)	(709)	(3,021)	(1,551,186)	(4,586)
Operational income	**23,550**	**33,097**	(25,197)	**(1,140,178)**	**6,606**
Income tax and Social Contribution tax	(2,759)	(10,758)	-	48,676	(1,590)
Net income (loss) for the period	**20,791**	**22,339**	**(25,197)**	**(1,091,502)**	**5,016**
Comprehensive income for the period					
Net income (loss) for the period	20,791	22,339	(25,197)	(1,091,502)	5,016
Comprehensive income for the period	**20,791**	**22,339**	**(25,197)**	**(1,091,502)**	**5,016**

2017 R$ '000	Central Eólica Praias de Parajuru	Central Eólica Praias de Morgado	Central Eólica de Volta do Rio	Lightger	Amazônia Energia
Assets					
Current	41,204	11,044	16,135	50,552	97
Cash and cash equivalents	35,373	6,595	4,704	1,201	70
Non-current	120,747	135,773	232,818	142,146	1,163,092
Total assets	**161,951**	**146,817**	**248,953**	**192,698**	**1,163,189**
Liabilities					
Current	26,105	89,522	126,180	30,340	29
Supplier	573	2,173	873	19,809	-
Non-current	46,870	2,983	7,079	79,027	-
Stockholders' equity	88,976	54,312	115,694	83,331	1,163,160
Total liabilities	**161,951**	**146,817**	**248,953**	**192,698**	**1,163,189**
Statement of income					
Net sales revenue	20,582	14,331	22,482	41,727	-
Operational costs	(15,609)	(17,372)	(29,139)	(28,341)	-
Depreciation	(9,521)	(10,004)	(16,819)	(10,564)	-
Gross income	4,973	(3,041)	(6,657)	13,386	-
General and administrative expenses	(1,975)	(967)	(3,356)	(1,665)	(642)
Financel income	3,471	1,857	3,116	3,837	1,595
Financel expenses	(6,095)	(7,943)	(11,649)	(9,121)	(5)
Operational income	**374**	**(10,094)**	**(18,546)**	**6,437**	**947**
Income tax and Social Contribution tax	(274)	(723)	(2,644)	(2,614)	(1)
Net income (loss) for the period	**100**	**(10,817)**	**(21,190)**	**3,823**	**947**
Comprehensive income for the period					
Net income (loss) for the period	100	(10,817)	(21,190)	3,823	947
Comprehensive income for the period	**100**	**(10,817)**	**(21,190)**	**3,823**	**947**

2017 R$ '000	Renova	Retiro Baixo	Aliança Geração	Aliança Norte	Itaocara
Assets					
Current	31,242	23,875	621,660	516	4,954
Cash and cash equivalents	342	14,256	467,542	455	4,895
Non-current	1,679,389	365,562	2,398,524	1,065,355	11,135
Total assets	**1,710,631**	**389,437**	**3,020,184**	**1,065,871**	**16,089**
Liabilities					
Current	395,295	27,182	448,128	243	1,182
Supplier	39,305	2,898	43,582	-	1,047
Non-current	535,528	104,375	714,151	-	7,358
Stockholders' equity	779,808	257,880	1,857,905	1,065,628	7,549
Total liabilities	**1,710,631**	**389,437**	**3,020,184**	**1,065,871**	**16,089**
Statement of income					
Net sales revenue	-	67,204	919,788	-	-
Operational costs	(4,484)	(33,369)	(554,751)	-	(3,844)
Depreciation	(4,484)	(10,099)	(126,553)	-	-
Gross income	(4,484)	33,835	365,037	-	(3,844)
General and administrative expenses	(1,121,010)		(10,530)	(855)	-
Finance income	3,817	2,816	29,596	85	291
Finance expenses	(139,273)	(12,344)	(64,844)	(6)	-
Operational income	(1,260,950)	**24,307**	**319,259**	**(776)**	**(3,553)**
Income tax and Social Contribution tax	121,415	(2,526)	(103,559)	-	-
Net income (loss) for the period	**(1,139,535)**	**21,781**	**215,700**	**(776)**	**(3,553)**
Comprehensive income for the period					
Net income (loss) for the period	(1,139,535)	21,781	215,700	(776)	(3,553)
Comprehensive income for the period	**(1,139,535)**	**21,781**	**215,700**	**(776)**	**(3,553)**

2016 R$ '000	Hidrelétrica Cachoeirão	Baguari Energia	Guanhães Energia	Madeira Energia	Hidrelétrica Pipoca
Assets					
Current	43,367	45,076	15,923	1,519,965	20,175
Cash and cash equivalents	39,620	11,110	1,185	57,975	17,311
Non-current	86,131	219,998	65,142	23,557,118	97,855
Total assets	**129,498**	**265,074**	**81,065**	**25,077,083**	**118,030**
Liabilities					
Current	10,038	12,225	190,672	3,131,026	8,150
Supplier	1,660	6,212	261	661,726	67
Non-current	16,580	5,187	10,946	15,527,440	44,964
Equity	102,880	247,662	(120,553)	6,418,617	64,916
Total liabilities	**129,498**	**265,074**	**81,065**	**25,077,083**	**118,030**
Statement of income					
Net sales revenue	33,469	64,985	-	2,802,554	24,714
Cost of sales	(9,562)	(11,652)	-	(1844,691)	(6,164)
Depreciation	(2,658)	(8,808)	-	(673,009)	(3,081)
Gross income	**23,907**	**53,333**	-	**957,863**	**18,550**
General and administrative expenses	(134)	(1,160)	-	(145,908)	(2,067)
Finance income	4,183	14,765	261	146,200	1,845
Financel expenses	(2,672)	(681)	(208,645)	(1,551,719)	(5,503)
Operational income	**25,284**	66,257	(208,384)	**(593,564)**	**12,825**
Income tax and Social Contribution tax	(2,586)	(7,117)	-	(23,636)	(1,455)
Net income (loss) for the period	**22,698**	**59,140**	**(208,384)**	**(617,200)**	**11,370**
Comprehensive income for the period	-	-	-	-	-
Net income (loss) for the period	22,698	59,140	(208,384)	(617,200)	11,370
Comprehensive income for the period	**22,698**	**59,140**	**(208,384)**	**(617,200)**	**11,370**

2016 R$ '000	Central Eólica de Parajuru	Central Eólica de Morgado	Central Eólica de Volta do Rio	Lightger	Amazônia Energia
Assets					
Current	38,546	23,976	36,630	34,912	77
Cash and cash equivalents	17,748	17,385	26,568	31,817	51
Non-current	127,585	142,499	244,961	152,301	1,048,369
Total assets	**166,131**	**166,475**	**281,591**	**187,213**	**1,048,446**
Liabilities					
Current	19,137	27,248	36,761	16,019	95
Supplier	804	526	801	5,611	-
Non-current	58,097	74,099	107,944	86,413	-
Equity	88,897	65,128	136,886	84,781	1,048,351
Total liabilities	**166,131**	**166,475**	**281,591**	**187,213**	**1,048,446**
Statement of income					
Net sales revenue	27,276	22,268	28,617	35,600	-
Operational costs	(16,794)	(16,997)	(26,981)	(16,884)	-
Depreciation	(9,505)	(9,997)	(16,820)	(10,510)	-
Gross income	10,482	5,271	1,636	18,716	-
General and administrative expenses	(797)	(877)	(2,016)	(1,619)	(1,435)
Finance income	2,790	2,659	4,618	3,489	20
Financel expenses	(7,217)	(9,668)	(14,062)	(9,931)	(7,523)
Operational income	**5,258**	**(2,615)**	**(9,824)**	**10,655**	**(8,938)**
Income tax and Social Contribution tax	(1,769)	896	3,049	(2,312)	-
Net income (loss) for the period	**3,489**	**(1,719)**	**(6,775)**	**8,343**	**(8,938)**
Comprehensive income for the period	-	-	-	-	-
Net income (loss) for the period	3,489	(1,719)	(6,775)	8,343	(8,938)
Comprehensive income for the period	**3,489**	**(1,719)**	**(6,775)**	**8,343**	**(8,938)**

2016 R$ '000	Renova	Retiro Baixo	Aliança Geração	Aliança Norte
Assets				
Current	135,860	30,220	388,100	1,853
Cash and cash equivalents	35,786	19,222	146,601	1,812
Non-current	5,765,276	376,648	2,511,543	1,075,009
Total assets	**5,901,136**	**406,868**	**2,899,643**	**1,076,862**
Liabilities				
Current	3,346,901	24,743	592,394	335
Supplier	546,911	745	100,640	96
Non-current	598,637	118,445	334,730	-
Equity	1,955,598	263,680	1,972,519	1,076,527
Total liabilities	**5,901,136**	**406,868**	**2,899,643**	**1,076,862**
Statement of income				
Net sales revenue	483,137	61,985	803,732	-
Operational costs	(453,613)	(29,225)	(313,518)	-
Depreciation	(93,459)	(9,406)	(124,704)	-
Gross income	29,524	32,760	490,214	-
General and administrative expenses	(40,558)	-	(57,976)	(2,554)
Impairment of fixed assets	(281,030)	-	-	-
Adjustment for losses on investments	(455,427)	-	-	-
Finance income	16,170	1,922	46,252	182
Financel expenses	(423,784)	(14,802)	(58,588)	(6,942)
Operational income	(1,155,105)	**19,880**	**419,902**	**(9,314)**
Income tax and Social Contribution tax	53,633	(2,680)	(127,214)	-
Net income (loss) for the period	**(1,101,472)**	**17,200**	**292,688**	**(9,314)**
Comprehensive income for the period	**(182,011)**	**-**	**-**	**-**
Net income (loss) for the period	(1,101,472)	17,200	292,688	(9,314)
Comprehensive income for the period	**(1,283,483)**	**17,200**	**292,688**	**(9,314)**

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

The Company has direct and indirect investments, of 10% and 8.13% respectively, in Madeira Energia S.A. (which holds an investment in Santo Antônio Energia S.A.), of R$ 1,117,265 at December 31, 2017 (R$ 1,321,072 at December 31, 2016).

Madeira Energia S.A. ('Mesa') and its subsidiary Santo Antônio Energia S.A. ('Saesa') are incurring establishment costs related to the construction of the Santo Antônio Hydroelectric Plant. The assets – property, plant and equipment, and intangible assets – constituted by these expenditures totaled R$ 21,610,727 (Mesa, consolidated) on December 31, 2017, and this amount, according to financial projections prepared by its management, is being absorbed by revenues from operations as all the entity's generating units are now in operation.

Investigations and other legal measures are in progress, conducted by the Federal Public Attorneys' Office, which involve other indirect shareholders of Madeira Energia S.A. and certain executives of those other indirect shareholders. In this context, the Federal Public Attorneys have started investigations into irregularities involving contractors and suppliers of Mesa and of its other stockholders. These investigations are in progress. In response to allegations of possible illegal activities, the investee and its other stockholders have started an independent internal investigation. At the present moment it is not possible to determine the results of these investigations, or the developments arising from them, which may at some time in the future have consequences for the investee.

The effects of any alterations to the existing scenario will be reflected, appropriately, in the financial statement of the Company and its subsidiary Cemig GT.

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 camera*, in the Market Arbitration Chamber, challenging the following: (a) the increase approved in the capital of Mesa of approximately R$ 750,000 partially destined to payment of the claims by the Santo Antonio Construction Consortium (‘CCSA’), based on absence of quantification of the amounts supposedly owed, and absence of prior approval by the Board of Directors, as required by the bylaws and Stockholders’ Agreement of Mesa; and also on the existence of credits owed to Mesa by CCSA, able to be offset, in an amount greater than the claims; and (b) the adjustment for impairment in Mesa, of R$ 750,000, 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.

In 2016 the arbitration judgment by the Market Arbitration Chamber recognized the right of Cemig GT and SAAG in full, and ordered annulment of the acts being impugned. As a consequence of this decision, Mesa reversed the impairment, and posted an adjustment for estimated losses on doubtful receivables in the amount of R$ 678,551 in its financial statement at December 31, 2017.

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

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

Amazônia Energia and Aliança Norte are stockholders in Norte Energia S.A. (‘Nesa’), which holds the concession to operate the Belo Monte Hydroelectric Plant, on the Xingu River, in the State of Pará, and manages that interest. Cemig GT has an indirect holding in Nesa, through the jointly-controlled entities mentioned above, of 11.74%.

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

On April 7, 2015, Nesa was awarded interim judgment ordering Aneel to “abstain, until hearing of the application for an injunction made in the origin case, from applying to Appellant any penalties or sanctions in relation to the Belo Monte Hydroelectric Plant not coming into operation on the date established in the original timetable for the project, including those specified in Aneel Normative Resolution 595/2013 and in the Concession Contract 01/2010-MME, of the Belo Monte Hydroelectric Plant”. Nesa’s legal advisers have assessed the changes of loss as a ‘possible’; the amount of the estimated loss in Belo Monte up to December 31, 2017 is R$$285,696.

Investigations and other legal measures by the Federal Public Attorneys’ Office are in progress, involving other stockholders of Norte Energia S.A. and certain executives of those other stockholders. In this context, the Federal Public Attorneys have started investigations into irregularities involving contractors and suppliers of Nesa and of its other stockholders, 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, and also, based on the results of the independent internal investigation conducted by Nesa and its other stockholders, a write-down of the value of the infrastructure of Nesa, by R$ 183,000 was already recorded.

The effects of any alterations to the existing scenario will be reflected, appropriately, in the financial statement of the Company.

Investment in Renova Energia S.A. ('Renova')

Investment in TerraForm

The indirectly jointly-controlled entity Renova had investments in TerraForm Global Inc., designated as financial assets available for sale, recorded at fair value, based on the quoted market price of the shares of TerraForm on a stock exchange (NASDAQ), of which the gain arising from the change in quoted price of the shares (fair value), in the amount of R$ 73,224, was posted directly in equity of the jointly-controlled entity, in Other comprehensive income.

On May 15, 2017, Renova sold to Brookfield Asset Management ('Brookfield') the investment that it had held in TerraForm Global Inc. ('TerraForm Global'), for R$ 305,766, and reclassified the accumulated positive adjustments previously posted in Other comprehensive income, in the amount of R$ 172,243 (of which the impact on Cemig GT was R$ 60,285), to the Income and Loss account.

In June 2017 Renova further signed an agreement with TerraForm Global in which the parties agreed to terminate the arbitration proceedings that were in existence between the parties, through financial compensation to Renova of R$ 48,559. This was paid jointly with the financial settlement of the sale of the shares in TerraForm.

Adjustment for impairment

In 2017 and 2016 Renova posted impairments of its PP&E, which resulted in provisions for losses of R$ 786,544 (R$ 284,965 being the impact on Cemig GT) in 2017, and R$ 264,246 (impact on Cemig GT R$ 90,240), in 2016.

Sale of assets – Umburanas wind complex

On August 23, 2017 Renova signed a Contract for Assignment of Rights and Obligations of the Umburanas Wind Power Complex, with total installed capacity of 605 MW, with Engie Brasil S.A. ('Engie'). The base price of the transaction being R$ 15,000.

The transfer of the Umburanas Wind Complex to Engie was approved on October 24, 2017, during the 40th Public Meeting of the Council of Aneel.

Grant of exclusivity

On February 23, 2018, Renova received a binding offer from Brookfield Energia Renovável S.A. ('BER') for acquisition of the assets of the whole of the Alto Sertão III Complex ('ASIII Complex'), and also approximately 1.1 GW in certain wind projects under development. The value presented for the ASIII Complex was R$ 650 million, to be paid on completion of the transaction, this amount being subject to usual post-closing adjustments ('the Price'). The Price may be increased by an earn-out of up to R$ 150 million linked to future generation by the ASIII Complex, to be calculated after 5 years from its start of operation, plus R$ 187 per MW of installed capacity for the wind projects in development. On February 27, 2018 the Board of Directors of Renova approved the proposal received and granted BER exclusivity for a further 30 (thirty) days, automatically renewable for 30 (thirty) additional days, for finalization of the documents of the transaction. The proceeds from the transaction, as announced by Renova, will be prioritized for payment of suppliers and creditors of the Alto Sertão III project.

Risks related to compliance with laws and regulations

On January 19, 2018, Renova responded to a formal statement by the Civil Police of Minas Gerais State received in November 2017, relating to the investigation being carried out by that Police Force related to certain injections of capital made by the equity holders of the parent of Renova, and injections of capital made by it in certain projects under development in previous years. As a consequence of this matter, the governance bodies of Renova requested the opening of an internal investigation on this subject, which is being conducted by an independent company.

The work of the internal investigation is in progress, and it is not at present possible to determine any effects of this investigation, nor any impacts on the financial statement of Renova, of the Company, or of its subsidiary Cemig GT for the year ended December 31, 2017.

Binding proposal by Cemig presented to Renova

On March 27, 2018 Cemig (the equity holder of Cemig GT) presented a binding proposal to the jointly-controlled entity Renova, for acquisition of 100% of the shares in Chipley SP Participações S.A. ('Chipley') held by Renova, or 51% of the shares in Brasil PCH S.A. held by Chipley.

This proposal relates to the recent changes in the negotiations for capitalization of Renova; Renova's interest in bringing forward revenues from power purchase agreements, and execution of Cemig's Disinvestment Program.

Cemig's intention is that Renova should sell its interest in Brasil PCH to a third party, or to Cemig itself or any of its affiliated companies, in the terms of the Proposal, to make it possible for payment to be made of the amounts owed to Cemig GT.

Conclusion of this transaction, if accepted by Renova, will depend on precedent conditions, specified in the Proposal, that are usual for this type of transaction.

In view of the above, Cemig GT has recused itself from decisions and debate in the governance bodies of Renova on decisions relating to the binding proposal.

15. PROPERTY, PLANT AND EQUIPMENT

Consolidated R$ '000	2017			2016		
	Historical cost	Accumulated depreciation	Net value	Historical cost	Accumulated depreciation	Net value
In service	**6,342,503**	**(4,268,303)**	**2,074,200**	**10,755,092**	**(7,701,311)**	**3,053,781**
Land	220,582	(13,450)	207,132	282,027	(7,572)	274,455
Reservoirs, dams and watercourses	3,009,602	(1,938,497)	1,071,105	5,072,162	(3,482,159)	1,590,003
Buildings, works and improvements	1,039,564	(754,945)	284,619	1,711,893	(1,342,445)	369,448
Machinery and equipment	2,030,392	(1,525,069)	505,323	3,646,916	(2,834,167)	812,749
Vehicles	28,712	(25,611)	3,101	28,712	(24,487)	4,225
Furniture and utensils	13,651	(10,731)	2,920	13,382	(10,481)	2,901
Under construction	**88,690**	**-**	**88,690**	**116,371**	**-**	**116,371**
In progress	88,690	-	**88,690**	116,371	-	116,371
Net property, plant and equipment	**6,431,193**	**(4,268,303)**	**2,162,890**	**10,871,463**	**(7,701,311)**	**3,170,152**

Holding company R$ '000	2017			2016		
	Historical cost	Net value	Net value	Historical cost	Accumulated depreciation	Net value
In service	**6,339,089**	**(4,268,227)**	**2,070,862**	**10,755,092**	**(7,701,311)**	**3,053,781**
Land	220,582	(13,450)	207,132	282,027	(7,572)	274,455
Reservoirs, dams and watercourses	3,009,602	(1,938,497)	1,071,105	5,072,162	(3,482,159)	1,590,003
Buildings, works and improvements	1,039,564	(754,945)	284,619	1,711,893	(1,342,445)	369,448
Machinery and equipment	2,026,978	(1,524,993)	501,985	3,646,916	(2,834,167)	812,749
Vehicles	28,712	(25,611)	3,101	28,712	(24,487)	4,225
Furniture and utensils	13,651	(10,731)	2,920	13,382	(10,481)	2,901
Under construction	**84,985**	**-**	**84,985**	**114,599**	**-**	**114,599**
In progress	84,985	-	84,985	114,599	-	114,599
Net property, plant and equipment	**6,424,074**	**(4,268,227)**	**2,155,847**	**10,869,691**	**(7,701,311)**	**3,168,380**

Changes in property, plant and equipment were as follows:

Consolidated R$ '000	Balance at 2016	Addition	V. Grande, Jaguara, Miranda plants (1)	Other transfers (2)	Transfer	Written off	Depreciation	2017
In service	**3,053,781**	**-**	**(875,749)**	**14,418**	**43,141**	**(8,021)**	**(153,370)**	**2,074,200**
Land	274,455	-	(60,938)			(507)	(5,878)	207,132
Reservoirs, dams and watercourses	1,590,003	-	(440,923)	-	2,940	(4,091)	(76,824)	1,071,105
Buildings, works and improvements	369,448	-	(68,657)		956	-	(17,128)	284,619
Machinery and equipment	812,749	-	(305,231)	14,418	38,966	(3,423)	(52,156)	505,323
Vehicles	4,225	-	-	-	-	-	(1,124)	3,101
Furniture and utensils	2,901	-	-	-	279	-	(260)	2,920
In progress	**116,371**	**32,591**	**(130)**	**-**	**(43,141)**	**(17,001)**		**88,690**
Net property, plant and equipment	**3,170,152**	**32,591**	**(875,879)**	**14,418**	**-**	**(25,022)**	**(153,370)**	**2,162,890**

(1) Amounts transferred to the account line Concession financial assets, in relation to the *Jaguara, Miranda* and *Volta Grande* Plants (more details in Note 13).
(2) This refers to the absorption of ICMS credits on assets acquired in prior business years previously registered as offsetable taxes, and which the Company concluded could not be used for tax purposes.

Holding company R$ '000	Balance at 2016	Addition	V. Grande, Jaguara, Miranda plants (1)	Other transfers (2)	Transfer	Written off	Depreciation	2017
In service	**3,053,781**	**-**	**(875,749)**	**14,418**	**39,727**	**(8,021)**	**(153,294)**	**2,070,862**
Land	274,455	-	(60,938)			(507)	(5,878)	207,132
Reservoirs, dams and watercourses	1,590,003	-	(440,923)	-	2,940	(4,091)	(76,824)	1,071,105
Buildings, works and improvements	369,448	-	(68,657)		956	-	(17,128)	284,619
Machinery and equipment	812,749	-	(305,231)	14,418	35,552	(3,423)	(52,080)	501,985
Vehicles	4,225			-	-		(1,124)	3,101
Furniture and utensils	2,901	-	-	-	279	-	(260)	2,920
In progress	**114,599**	**27,244**	**(130)**	**-**	**(39,727)**	**(17,001)**	**-**	**84,985**
Net property, plant and equipment	**3,168,380**	**27,244**	**(875,879)**	**14,418**	**-**	**(25,022)**	**(153,294)**	**2,155,847**

(1) Amounts transferred to the account line Concession financial assets, in relation to the *Jaguara, Miranda* and *Volta Grande* plants (more details in Note 13).
(2) This refers to the absorption of ICMS credits on assets acquired in prior business years previously registered as offsetable taxes, and which the Company concluded could not be used for tax purposes.

R$ '000	Holding company – 2015	Addition	Transfer	Written off	Depreciation	Consolidated and Holding company 2016
In service	**3,140,593**	**-**	**88,921**	**(331)**	**(178,034)**	**3,051,149**
Land	274,064	-	91	(6)	306	274,455
Reservoirs, dams and watercourses	1,650,430	-	29,483	-	(89,910)	1,590,003
Buildings, works and improvements	385,042	-	5,042	-	(20,636)	369,448
Machinery and equipment	819,046	-	56,540	(266)	(65,203)	810,117
Vehicles	8,075	-	(1,517)	(58)	(2,275)	4,225
Furniture and utensils	3,936		(718)	(1)	(316)	2,901
In progress	**167,083**	**48,934**	**(88,158)**	**(8,856)**	**-**	**119,003**
Net property, plant and equipment	**3,307,676**	**48,934**	**763**	**(9,187)**	**(178,034)**	**3,170,152**

Holding company R$ '000	2015	Addition	Transfer	Written off	Depreciation	2016
In service	**3,140,593**	**-**	**88,921**	**(331)**	**(178,034)**	**3,051,149**
Land	274,064	-	91	(6)	306	274,455
Reservoirs, dams and watercourses	1,650,430	-	29,483	-	(89,910)	1,590,003
Buildings, works and improvements	385,042	-	5,042	-	(20,636)	369,448
Machinery and equipment	819,046	-	56,540	(266)	(65,203)	810,117
Vehicles	8,075	-	(1,517)	(58)	(2,275)	4,225
Furniture and utensils	3,936		(718)	(1)	(316)	2,901
In progress	**167,083**	**47,162**	**(88,158)**	**(8,856)**	**-**	**117,231**
Net property, plant and equipment	**3,307,676**	**47,162**	**763**	**(9,187)**	**(178,034)**	**3,168,380**

The average annual depreciation rate for the Company and its subsidiaries for the year 2017 is 3.14% (3.39% in 2016). The main annual depreciation rates, which take into account the expected useful life of the assets, are revised annually by Management.

The Company and its subsidiaries have not identified any evidence of impairment of its Property, plant and equipment assets. Under the generation concession contract, at the end of the period of each concession the Concession-granting power will determine the amount to be indemnified to the Company. Management believes that the indemnity of these assets will be higher than their historical costs, depreciated in accordance with the respective useful lives.

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

Consortium

The Company is a partner in the *Queimado* energy generation consortium, for which no separate company with independent legal existence was formed to manage the object of the concession, whose controls are being kept in Fixed assets and Intangible assets. The Company's portion in the consortium is recorded and controlled separately in the respective account lines of PP&E and Intangible assets presented.

Consolidated and Holding company	Stake in power output, %	Average annual depreciation rate %	2017 R$ '000	2016 R$ '000
In service				
Queimado plant	82.50	4.05	217,109	217,061
Accumulated depreciation			(90,649)	(81,911)
Total in operation			**126,460**	**135,150**
Under construction				
Queimado plant	82.50	-	340	233
Total under construction			**340**	**233**

16. INTANGIBLE ASSETS

Composition of the balance at December 31, 2017 and 2016:

Consolidated and Holding company R$ '000	2017			2016		
	Historic cost	Accumulated amortization	Residual value	Historic cost	Accumulated amortization	Residual value
In service	**89,923**	**(66,001)**	**23,922**	**88,214**	**(61,682)**	**26,532**
Temporary easements	11,451	(1,990)	9,461	11,451	(1,315)	10,136
Paid concession	19,169	(11,251)	7,918	19,169	(10,572)	8,597
Others	59,303	(52,760)	6,543	57,594	(49,795)	7,799
Under construction	**8,718**	**-**	**8,718**	**9,220**	**-**	**9,220**
In progress	8,718	-	8,718	9,220	-	9,220
Net intangible assets	**98,641**	**(66,001)**	**32,640**	**97,434**	**(61,682)**	**35,752**

This table shows the changes in intangible assets:

Consolidated and Holding company R$ '000	2016	Addition	V. Grande, Jaguara, Miranda plants	Capitalization / transfer	Written off	Amortization	2017
In service	**26,532**	**-**	**(81)**	**2,327**	**-**	**(4,856)**	**23,922**
Temporary easements	10,136	-	-	-	-	(675)	9,461
Paid concession	8,597	-	-	-	-	(679)	7,918
Others	7,799	-	(81)	2,327	-	(3,502)	6,543
Under construction	**9,220**	**1,858**	**-**	**(2,327)**	**(33)**	**-**	**8,718**
In progress	9,220	1,858	-	(2,327)	(33)	-	8,718
Total	**35,752**	**1,858**	**(81)**	**-**	**(33)**	**(4,856)**	**32,640**

R$ '000	Holding company 2015	Addition	Capitalization / transfer	Amortization	Consolidated and Holding company 2016
In service	**27,834**	**-**	**3,449**	**(4,751)**	**26,532**
Temporary easements	10,136	-	-	-	**10,136**
Paid concession	9,275		-	(678)	8,597
Others	8,423	-	3,449	(4,073)	7,799
Under construction	**8,275**	**4,394**	**(3,449)**	**-**	**9,220**
In progress	8,275	4,394	(3,449)	-	9,220
Total	**36,109**	**4,394**	**-**	**(4,751)**	**35,752**

Taking into account the useful life of the related assets, the average annual amortization rate is 15.71%.

Intangible assets, Onerous concessions, and other items are amortized by the straight-line method and taking into account the pattern of consumption of these rights. The Company and its subsidiaries have not identified indications of impairment of their intangible assets, which have defined useful lives. The Company and its subsidiaries do not have intangible assets with undefined useful lives.

17. SUPPLIERS

R$ '000	Consolidated		Holding company	
	2017	2016	2017	2016
Wholesale supply, transport of supply	420,268	328,341	409,716	327,034
Materials and services	51,775	48,697	44,796	45,670
	472,043	**377,038**	**454,512**	**372,704**

18. TAXES

R$ '000	Consolidated		Holding company	
	2017	2016	2017	2016
Current				
ICMS	60,635	46,156	57,723	46,150
Pasep	9,782	6,100	9,047	5,617
Cofins	45,139	28,241	41,748	26,007
Social security contributions	3,816	5,699	3,522	4,644
ISS tax on services	992	1,564	900	1,489
Others	13,302	49,017	13,098	48,956
	133,666	**136,777**	**126,038**	**132,863**
Non-current				
Pasep (1)	535	18,058	535	18,058
Cofins (1)	3,295	83,175	3,295	83,175
	3,830	**101,233**	**3,830**	**101,233**
	137,496	**238,010**	**129,868**	**234,096**

1) Inclusion of the amount of ICMS tax inside the basis for calculation of the Pasep and Cofins taxes.

On December 31, 2016, the long-term obligations for Pasep and Cofins taxes included the amounts relating to the court challenge of the constitutionality of inclusion of ICMS tax within the amounts on which Pasep and Cofins are paid. The Company obtained an interim relief from the courts enabling it not to pay the taxes and authorization for escrow deposit into court as from 2008, and maintained this procedure until August 2011. As from that date, although it continued the challenge of the basis of calculation, in the courts, it opted to pay the contributions monthly.

In October 2017, the Federal Supreme Court (STF) published its Joint Judgment on the Extraordinary Appeal, on the basis of setting a global precedent, in favor of the Company's argument. Based on the opinion of its legal advisor, the Company wrote off the liabilities relating to these contributions. The effect on net income for 2017 is R$ 101,233, which was registered as a reversal in Deductions from revenue.

19. LOANS, FINANCINGS AND DEBENTURES

Financing source	Principal maturity	Annual financing cost	Currency	Consolidated 2017, R$ '000			Consolidated 2016 R$ '000
				Current	Non-current	Total	
FOREIGN CURRENCY							
KfW	2019	1.78%	Euro	4,178	205	4,383	7,416
Eurobonds	2024	9.25%	USD	25,149	3,308,000	3,333,149	-
(-) Transaction costs				-	(15,400)	(15,400)	-
(-) Interest paid in advance (1)				-	(47,690)	(47,690)	-
Debt in foreign currency				**29,327**	**3,245,115**	**3,274,442**	**7,416**
BRAZILIAN CURRENCY							
Promissory Notes – 7th Issue	2017	128.00% of CDI rate	R$	-	-	-	674,196
Banco do Brasil	2017	108.00% of CDI	R$	-	-	-	150,683
Banco do Brasil	2021	140.00% of CDI	R$	1,100	741,264	742,364	1,156,368
Banco da Amazônia S.A.	2018	CDI + 1.90%	R$	121,470	-	121,470	122,596
Finep	2018	TJLP + 5%, TJLP + 8%	R$	2,359	-	2,359	5,504
BNDES	2017	TJLP + 2.34%	R$	-	-	-	73,389
Pipoca Consortium (2)	2018	IPCA	R$	185	-	185	185
(-) Transaction costs				(450)	(8,404)	(8,854)	(26,625)
Debt in Brazilian currency				**124,664**	**732,860**	**857,524**	**2,156,296**
Total of loans and financings				**153,991**	**3,977,975**	**4,131,966**	**2,163,712**
Debentures – 3rd Issue, 1st series (3)	2017	CDI + 0.90%	R$	-	-	-	543,214
Debentures – 3rd Issue, 2nd Series (3)	2019	IPCA + 6.00%	R$	157,866	143,199	301,065	293,152
Debentures – 3rd Issue, 3rd Series (3)	2022	IPCA + 6.20%	R$	50,766	959,436	1,010,202	983,679
Debentures – 5th Issue, 1st series (3)	2018	CDI + 1.70%	R$	703,021	-	703,021	1,411,295
Debentures – 6th Issue, 1st series (3)	2018	CDI + 1.60%	R$	507,692	-	507,692	1,040,715
Debentures – 6th Issue, 2nd Series (3)	2020	IPCA + 8.07%	R$	1,107	30,986	32,093	31,223
Debentures – 7th Issue, 1st series (3)	2021	140.00% of CDI	R$	47,319	1,636,238	1,683,557	2,241,592
(–) FIC Pampulha – securities issued by the Company itself (4)				(12,405)	-	(12,405)	(27,102)
(-) Transaction costs				(1,936)	(35,092)	(37,028)	(47,809)
Total, debentures				**1,453,430**	**2,734,767**	**4,188,197**	**6,469,959**
Overall total				**1,607,421**	**6,712,742**	**8,320,163**	**8,633,671**

(1) Interest paid in advance on receipt of the proceeds of the Eurobond issue.
(2) Credit for paying subscription of share capital in Hidrelétrica Pipoca S.A.
(3) Nominal book-entry debentures not convertible into shares, without preference.
(4) FIC Pampulha holds financial investments in securities issued by Cemig GT itself. For more information and characteristics of the fund, see Note 27.

Financing source	Principal maturity	Annual financing cost	Currency	2017 – Holding company R$ '000			2016 – Holding company
				Current	Non-current	Total	R$ '000
FOREIGN CURRENCY							
KfW	2019	1.78%	Euro	4,178	205	4,383	7,416
Eurobonds	2024	9.25%	USD	25,149	3,308,000	3,333,149	-
(-) Transaction costs				-	(15,400)	(15,400)	-
(-) Interest paid in advance (1)				-	(47,690)	(47,690)	-
Debt in foreign currency				**29,327**	**3,245,115**	**3,274,442**	**7,416**
BRAZILIAN CURRENCY							
Promissory Notes – 7th Issue	2017	128.00% of CDI rate	R$	-	-	-	674,196
Banco do Brasil	2017	108.00% of CDI	R$	-	-	-	150,683
Banco do Brasil	2021	140.00% of CDI	R$	1,100	741,264	742,364	1,156,368
Banco da Amazônia S.A.	2018	CDI + 1.90%	R$	121,470	-	121,470	122,596
Finep	2018	TJLP + 5%, TJLP + 8%	R$	2,359	-	2,359	5,504
BNDES	2017	TJLP + 2.34%	R$	-	-	-	73,389
Pipoca Consortium (2)	2018	IPCA	R$	185	-	185	185
(-) Transaction costs				(450)	(8,404)	(8,854)	(26,625)
Debt in Brazilian currency				**124,664**	**732,860**	**857,524**	**2,156,296**
Total of loans and financings				**153,991**	**3,977,975**	**4,131,966**	**2,163,712**
Debentures – 3rd Issue, 1st series (3)	2017	CDI + 0.90%	R$	-	-	-	543,214
Debentures – 3rd Issue, 2nd Series (3)	2019	IPCA + 6.00%	R$	157,866	143,199	301,065	293,152
Debentures – 3rd Issue, 3rd Series (3)	2022	IPCA + 6.20%	R$	50,766	959,436	1,010,202	983,679
Debentures – 5th Issue, 1st series (3)	2018	CDI + 1.70%	R$	703,021	-	703,021	1,411,295
Debentures – 6th Issue, 1st series (3)	2018	CDI + 1.60%	R$	507,692	-	507,692	1,040,715
Debentures – 6th Issue, 2nd Series (3)	2020	IPCA + 8.07%	R$	1,107	30,986	32,093	31,223
Debentures – 7th Issue, 1st series (3)	2021	140.00% of CDI	R$	47,319	1,636,238	1,683,557	2,241,592
(–) FIC Pampulha – securities issued by the Company itself (4)				(9,470)	-	(9,470)	(17,188)
(-) Transaction costs				(1,936)	(35,092)	(37,028)	(47,809)
Total, debentures				**1,456,365**	**2,734,767**	**4,191,132**	**6,479,873**
Overall total				**1,610,356**	**6,712,742**	**8,323,098**	**8,643,585**

(1) Interest paid in advance on receipt of the proceeds of the Eurobond issue.
(2) Credit for paying subscription of share capital in Hidrelétrica Pipoca S.A.
(3) Nominal book-entry debentures not convertible into shares, without preference.
(4) FIC Pampulha holds financial investments in securities issued by Cemig GT itself. For more information and characteristics of the fund, see Note 27.

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

Consolidated R$ '000	2018	2019	2020	2021	2022	2023	2024	Total
Currency								
Euros	4,178	205	-	-	-	-	-	4,383
US dollar	25,149	-	-	-	-	-	3,308,000	3,333,149
Total, currency denominated	**29,327**	**205**	**-**	**-**	**-**	**-**	**3,308,000**	**3,337,532**
Indexors								
IPCA index (1)	209,924	158,694	332,106	316,613	326,208	-	-	1,343,545
CDI (2)	1,368,197	792,697	792,698	792,107	-	-	-	3,745,699
TJLP (3)	2,359	-	-	-	-	-	-	2,359
Total governed by indexors	**1,580,480**	**951,391**	**1,124,804**	**1,108,720**	**326,208**	**-**	**-**	**5,091,603**
(-) Transaction costs	(2,386)	(14,472)	(14,511)	(14,466)	(47)	-	(15,400)	(61,282)
(-) Interest paid in advance	-	-	-	-	-	-	(47,690)	(47,690)
Overall total	**1,607,421**	**937,124**	**1,110,293**	**1,094,254**	**326,161**	**-**	**3,244,910**	**8,320,163**

Holding company R$ '000	2018	2019	2020	2021	2022	2023	2024	Total
Currency								
Euros	4,178	205	-	-	-	-	-	4,383
US dollar	25,149	-	-	-	-	-	3,308,000	3,333,149
Total, currency denominated	**29,327**	**205**	**-**	**-**	**-**	**-**	**3,308,000**	**3,337,532**
Indexors								
IPCA index (1)	209,924	158,694	332,106	316,613	326,208	-	-	1,343,545
CDI (2)	1,371,132	792,697	792,698	792,107	-	-	-	3,748,634
TJLP (3)	2,359	-	-	-	-	-	-	2,359
Total governed by indexors	**1,583,415**	**951,391**	**1,124,804**	**1,108,720**	**326,208**	**-**	**-**	**5,094,538**
(-) Transaction costs	(2,386)	(14,472)	(14,511)	(14,466)	(47)	-	(15,400)	(61,282)
(-) Interest paid in advance	-	-	-	-	-	-	(47,690)	(47,690)
Overall total	**1,610,356**	**937,124**	**1,110,293**	**1,094,254**	**326,161**	**-**	**3,244,910**	**8,323,098**

(1) IPCA ('Expanded Consumer Price') Inflation Index.
(2) CDI rate: Interbank Rate for Certificates of Deposit.
(3) TJLP: Long-Term Interest Rate (*Taxa de Juros de Longo Prazo*).

This table shows the variations in the principal currencies and indexors used for monetary updating of loans, financings and debentures:

Currency	Acumulated Change 2017, %	Acumulated Change 2016, %	Indexor	Acumulated Change 2017, %	Acumulated Change 2016, %
US dollar	1.50	(16.54)	IPCA	2.95	6.29
Euros	15.41	(19.10)	CDI	9.93	14.06
TJLP	(6.67)	7.14			

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

R$ '000	Consolidated	Holding company
Balance at December 31, 2016	**8,633,671**	**8,643,585**
Financings obtained	3,252,374	3,252,374
Transaction costs (1)	(15,530)	(15,530)
Interest paid in advance (1)	(48,097)	(48,097)
Financings obtained, net	**3,188,747**	**3,188,747**
Monetary and exchange rate variation	93,983	93,983
Financial charges provisioned	913,275	913,275
Amortization of transaction costs	28,684	28,684
Amortization of interest paid in advance	406	406
Financial charges paid	(1,080,075)	(1,080,075)
Amortization of financings	(3,473,225)	(3,473,225)
Subtotal	**8,305,466**	**8,315,380**
(–) FIC Pampulha – securities issued by the Company itself	14,697	7,718
Balance on December 31, 2017	**8,320,163**	**8,323,098**

(1) Includes deduction of taxes with no cash effect, of R$ 9,573.

R$ '000	Consolidated	Holding company
Balance on December 31, 2015	-	**7,739,072**
Initial balance for consolidation purposes	**7,739,072**	-
Financings obtained	3,461,965	3,461,965
(-) Transaction costs	(79,514)	(79,514)
Financings obtained, net	**3,382,451**	**3,382,451**
Monetary and exchange rate variation	73,509	73,509
Financial charges provisioned	1,128,329	1,128,329
Amortization of transaction cost	44,709	44,709
Financial charges paid	(1,116,060)	(1,116,060)
Amortization of financings	(2,591,237)	(2,591,237)
Subtotal	8,660,773	8,660,773
(–) FIC Pampulha – securities issued by the Company itself	**(27,102)**	**(17,188)**
Balance at December 31, 2016	**8,633,671**	**8,643,585**

Borrowing costs, capitalized

The Company had no borrowing costs linked to works transferred to Fixed assets in 2017.

Funding raised

This table shows the funds raised in 2017:

	Principal maturity	Annual financial costs, %	Amount raised R$ '000
Foreign currency			
Financings obtained	2024	9.25%	3,252,374
Transaction costs (1)			(15,530)
Interest paid in advance (1)			(48,097)
Financings obtained, net			**3,188,747**

(1) Includes taxes with no cash effect, of R$ 9,573.

Issue of Eurobonds

In December 2017 the Company issued Eurobonds in the international market in the amount of US$1 billion, with six-monthly coupon of 9.25% p.a., and tenor of seven years – maturing December 2024, with option for pre-payment, without premium, after six years from issue date. The issue, which has a surety guarantee from Cemig, was used to amortize the existing short-term debt. It was rated 'B' by Fitch and Standard&Poors. To protect against foreign exchange variation, concomitantly with the receipt of proceeds on December 5, 2017 Cemig GT made a hedge transaction, at the cost of 150.5% of the variation arising from the CDI rate, for the total amount including the interest, through a combination of interest rate swap and call spread on the principal (i.e. in which Cemig GT accepts that the protection is up to an agreed price level). The Issue deed contains covenants and default events, which could generate early maturity of the debt. The package of covenants contains restrictions on investment, on indebtedness, on payment of dividends and asset guarantees, among other items, thus providing a combination of operational and financial flexibility for the issue and protection for investors. The covenants were decided according to the commonly accepted covenants for High Yield issues, and will ceased to be applied if and when Cemig GT is rated 'investment grade' by two rating agencies.

Guarantees

On December 31, 2017 the debtor balance of the Company's loans and financings was guaranteed by its holding company, Cemig, as follows:

R$ '000	2017
Surety guarantees	5,931,742
Receivables	1,036,319
Shares	1,347,719
Without guarantee	4,383
TOTAL	**8,320,163**

Debentures

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

	Maturity	Type of guarantee	Annual financing cost	Consolidated – R$ '000		Holding company – R$ '000	
				Balance at 2017	Balance at 2016	Balance at 2017	Balance at 2016
3rd Issue – 1st Series	2017	Unsecured	CDI + 0.90%	-	543,214	-	543,214
3rd Issue – 2nd Series	2019	Unsecured	IPCA + 6.00%	301,065	293,152	301,065	293,152
3rd Issue – 3rd Series	2022	Unsecured	IPCA + 6.20%	1,010,202	983,679	1,010,202	983,679
5th Issue – 1st Series	2018	Unsecured	CDI + 1.70%	703,021	1,411,295	703,021	1,411,295
6th Issue – 1st Series	2018	Unsecured	CDI + 1.60%	507,692	1,040,715	507,692	1,040,715
6th Issue – 2nd Series	2020	Unsecured	IPCA + 8.07%	32,093	31,223	32,093	31,223
7th Issue – 1st Series	2021	Unsecured	140% of CDI	1,683,557	2,241,592	1,683,557	2,241,592
(–) FIC Pampulha				(12,405)	(27,102)	(9,470)	(17,188)
(–) Transaction costs				(37,028)	(47,809)	(37,028)	(47,809)
TOTAL				**4,188,197**	**6,469,959**	**4,191,132**	**6,479,873**

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

a) Restrictive covenant clauses

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

Title	Parameter	Ratio required for Cemig GT	Ratio required Cemig (guarantor)	Compliance required
Banco do Brasil – Bank Credit Notes, and – Fixed Credit (1)	Net debt / (Ebitda + Dividends received)	Ratio to be the following, or less: 5.5 on June 30, 2018 5.0 on December 31, 2018 5.0 on June 30, 2019 4.5 on December 31, 2019 4.5 on June 30, 2020 3.0 on December 31, 2020 3.0 on June 30, 2021 2.5 on and after Dec. 31, 2021	Ratio to be the following, or less: 4.5 on June 30, 2018 4.25 on December 31, 2018 4.25 on June 30, 2019 3.5 on December 31, 2019 3.5 on June 30, 2020 3.0 on December 31, 2020 3.0 on June 30, 2021 2.5 on and after Dec. 31, 2021	Half-yearly
7th debenture issue (2)	Net debt / (Ebitda + Dividends received)	Ratio to be the following, or less: 5.5 in 2017 5.0 in 2018 4.5 in 2019 3.0 in 2020 2.5 in 2021	Ratio to be the following, or less: 4.5 in 2017 4.25 in 2018 3.5 in 2019 3.0 in 2020 2.5 in 2021	Half-yearly
Eurobonds (3)	Net debt / Ebitda adjusted for the Covenant	Ratio to be the following, or less: 5.5 on December 31, 2017 5.5 on June 30, 2018 5.0 on December 31, 2018 5.0 on June 30, 2019 4.5 on December 31, 2019 4.5 on June 30, 2020 3.0 on December 31, 2020 3.0 on June 30, 2021 2.5 on and after Dec. 31, 2021	Ratio to be the following, or less: 5.0 on December 31, 2017 5.0 on June 30, 2018 4.25 on December 31, 2018 4.25 on June 30, 2019 3.5 on December 31, 2019 3.5 on June 30, 2020 3.0 on December 31, 2020 3.0 on June 30, 2021 3.0 on and after Dec. 31, 2021	Half-yearly

(1) Through contractual amendments, a requirement was added to the early maturity clauses of Cemig GT's Bank Credit Notes and Fixed Credit Line with Banco do Brasil S.A., for compliance with a financial ratio similar to that required by the Eurobond issue.
(2) 7th Issue of Debentures by Cemig GT, in December 2016, of R$ 2,240,000.
(3) In the event that 'maintenance financial covenants' are exceeded at any time, the interest rate will automatically be increased by 2% p.a. during the period in which the excess continues. There is also an obligation to comply with a "maintenance covenant" which requires that the debt in Cemig Consolidated shall have asset guarantee for debt of 2.0x Ebitda (1.75x in December 2017); and a "damage" covenant, requiring asset guarantee for debt in Cemig GT of 1.5x Ebitda.

The covenants requiring compliance half-yearly were complied with on December 31, 2017.

Geração e Transmissão S.A.

20. REGULATORY CHARGES

R$ '000	Consolidated		Holding company	
	2017	2016	2017	2016
Current assets				
Receivables from Eletrobras (1)	-	48,379	-	48,379
	-	**48,379**	**-**	**48,379**
Liabilities				
Global Reversion Reserve (RGR)	8,753	-	8,753	-
Royalties for use of water resources (CFURH)	14,622	22,316	13,549	20,535
Energy Development Account (CDE)	51,639	7,838	51,639	7,838
Energy Services Inspection Charge (TFSEE)	740	1,469	595	1,251
Proinfa – Alternative Energy Incentive Program	6,612	7,720	6,612	7,721
National Scientific and Technological Development Fund (FNDCT)	2,359	4,057	1,945	3,659
Research and Development (R&D)	150,050	152,472	146,231	151,146
Energy System Expansion Research	1,314	2,151	1,111	1,969
	236,089	**198,023**	**230,435**	**194,119**
Current liabilities	**151,532**	**69,955**	**149,698**	**67,377**
Non-current liabilities	**84,557**	**128,068**	**80,737**	**126,742**

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

21. POST-RETIREMENT OBLIGATIONS

The Forluz Pension plan (a Supplementary retirement pension plan)

Cemig GT is one of the sponsors of the Forluminas Social Security Foundation (*Fundação Forluminas de Seguridade Social*, or Forluz), a non-profit entity whose object is to provide its associates and participants and their dependents with an income supplementing retirement and pension income, depending on which private pension plan they are subscribed in.

Forluz makes the following supplementary pension benefit plans available to its participants:

<u>Mixed Benefits Plan (‘Plan B’):</u> This plan operates as a defined-contribution plan in the fund accumulation phase for retirement benefits for normal time of service, and as a defined-benefit plan for disability or death of participants still in active employment, and for receipt of benefits for time of contribution. The Sponsors’ contribution is in parity with the basic monthly contributions of the participants. This is the only plan open to entry by new members.

<u>Funded Benefit Balances Plan (‘Plan A’):</u> This plan includes all currently employed and assisted participants who opted to migrate from the Company’s previously sponsored defined benefit plan, and are entitled to a benefit proportional to those balances. For participants who are still working, this benefit has been deferred to the retirement date.

Cemig GT also maintains, independently of the plans made available by Forluz, payments of part of the life insurance premium for the employees and retirees, and contributes to a health plan and a dental plan for the employees, retired employees and dependents, administered by Cemig Saúde.

Amortization of the actuarial obligations and recognition in the financial statement

In this Note the Company states its obligations and expenses incurred for purposes of the Retirement Plan, Health Plan, Dental Plan and the Life Insurance Plan in accordance with the terms of CPC Technical Pronouncement 33 R1/IAS 19 (*Employee Benefits*), and an independent actuarial opinion issued as of December 31, 2017.

The Company has recognized an obligation for past actuarial deficits relating to the pension fund in the amount of R$ 163,049 on December 31, 2017 (R$ 178,099 on December 31, 2016). This amount has been recognized as an obligation payable by the Company, 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 the Company is required to pay this debt even if Forluz has a surplus, the Company decided to record the debt in full, and record the effects of monetary updating and interest in the Income and loss account.

Agreement to cover the deficit on Forluz Pension Plan 'A'

In May 2017 Forluz and the sponsors Cemig, Cemig GT and Cemig D signed an Instrument of Assumption of Debt for Coverage of Deficit in accordance with the deficit solution plan for Plan A (the Retirement Benefits Balances Plan) approved by the Governing Council of Forluz on December 15, 2016. On December 31, 2017 the total amount payable by Cemig GT as a result of the deficit found in Plan A is R$ 64,109, with monthly amortizations up to June 2031, calculated by the system of constant installments (known as the 'Price Table'). Remuneratory interest applicable to the outstanding balance is 6% p.a., plus the effect of the IPCA (Expanded National Consumer Price) index published by the IBGE. If the plan reaches actuarial surplus before the full period of amortization of the contract, the Company and its subsidiaries will not be required to pay the remaining installments and the contract will be extinguished.

In February 2018 the Board of Directors of Cemig authorized signature of a new Debt Assumption Instrument 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. The total amount to be paid by Cemig GT as a result of the deficit found in Plan A is R$ 22,444, through 167 monthly installments. Remuneratory interest applicable to the outstanding balance is 6% p.a., plus the effect of the IPCA (Expanded National Consumer Price) index published by the IBGE. If the plan reaches actuarial surplus before the full period of amortization of the contract, the Company and its subsidiaries will not be required to pay the remaining installments and the contract will be extinguished.

Actuarial information

2017 R$ '000	Pension plans and retirement supplement plans	Health Plan	Dental Plan	Life insurance	Total – Consolidated
Present value of funded obligations	2,362,784	398,630	8,441	61,558	2,831,413
Fair value of plan assets	(1,946,151)	-	-	-	(1,946,151)
Initial net liabilities	**416,633**	**398,630**	**8,441**	**61,558**	**885,262**
Adjustment to asset ceiling	19,269	-	-	-	19,269
Net liabilities in the statement of financial position	**435,902**	**398,630**	**8,441**	**61,558**	**904,531**

The *asset ceiling* is the present value of any economic benefits available in the form of restitutions coming from the plan or reductions in future contributions to the plan.

The present value of the liabilities of the pension plan is adjusted to the asset ceiling, which corresponds to the surplus result of Plan B, which has a specific destination allocation under the regulations of the National Private Pension Plans Council (CNPC).

The changes in the present value of the defined benefit obligation are as follows:

R$ '000	Pension plans and retirement supplement plans	Health Plan	Dental Plan	Life insurance	Total
Defined-benefit obligation on December 31, 2015 (Holding company)	**1,803,638**	**277,652**	**6,173**	**126,699**	**2,214,162**
Cost of current service	1,703	1,907	43	586	4,239
Interest on the actuarial obligation	227,226	36,478	811	16,538	281,053
Actuarial losses (gains):					
Due to changes in demographic assumptions	(273)	-	-	11	(262)
Due to changes in financial assumptions	287,894	80,961	1,791	39,841	410,487
Due to adjustments based on experience	58,049	(17,722)	(693)	3,945	43,579
	345,670	63,239	1,098	43,797	453,804
Benefits paid	(178,319)	(22,443)	(463)	(2,753)	(203,978)
Defined-benefit obligation on December 31, 2016 (Consolidated and Holding company)	**2,199,918**	**356,833**	**7,662**	**184,867**	**2,749,280**
Cost of current service	1,286	2,539	59	772	4,656
Interest on the actuarial obligation	221,417	37,126	798	19,260	278,601
Actuarial losses (gains):					
Due to changes in demographic assumptions	39,024	-	-	6	39,030
Due to changes in financial assumptions	94,068	14,276	371	12,411	121,126
Due to adjustments based on experience	(8,623)	13,133	97	(12,273)	(7,666)
	124,469	27,409	468	144	152,490
Plan amendment – Past service	-	-	-	(141,544)	(141,544)
Benefits paid	(184,306)	(25,277)	(546)	(1,941)	(212,070)
Defined-benefit obligation on December 31, 2017 (Consolidated and Holding company)	**2,362,784**	**398,630**	**8,441**	**61,558**	**2,831,413**

The Company made changes to the life insurance, resulting in reduction of the capital insured of retirees by 20% at each 5-year interval, from aged 60, down to a minimum of 20%. These changes resulted in a reduction of R$ 141,544 in the post-retirement obligation reported on December 31, 2017, with counterpart in the consolidated statement of Income.

Changes in the fair values of the plan assets were as follows:

R$ '000	Pension plans and retirement supplement plans
Fair value of the plan assets at December 31, 2015 (Holding company)	**1,492,692**
Real return on the investments	517,626
Contributions from the employer	28,779
Benefits paid	(178,319)
Fair value of the plan assets at December 31, 2016 (Consolidated and Holding company)	**1,860,778**
Real return on the investments	233,600
Contributions from the employer	36,079
Benefits paid	(184,306)
Fair value of the plan assets at December 31, 2017 (Consolidated and Holding company)	**1,946,151**

The amounts recognized in the Income and Loss accounts of 2017 and 2016 are:

Consolidated R$ '000	Pension plans and retirement supplement plans	Health Plan	Dental Plan	Life insurance	Total
Cost of current service	1,286	2,539	59	772	4,656
Interest on the actuarial obligation	221,417	37,126	798	19,260	278,601
Expected return on the assets of the Plan	(185,467)	-	-	-	(185,467)
Past service cost	-	-	-	(141,544)	(141,544)
Expense (recovery of expense) in 2017 according to actuarial calculation	**37,236**	**39,665**	**857**	**(121,512)**	**(43,754)**

Consolidated R$ '000	Pension plans and retirement supplement plans	Health Plan	Dental Plan	Life insurance	Total
Cost of current service	1,703	1,907	43	586	4,239
Interest on the actuarial obligation	227,226	36,478	811	16,538	281,053
Expected return on the assets of the Plan	(185,040)	-	-	-	(185,040)
Total expense in 2016 according to actuarial calculation	**43,889**	**38,385**	**854**	**17,124**	**100,252**

Changes in net liabilities were as follows:

R$ '000	Pension plans and retirement supplement plans	Health Plan	Dental Plan	Life insurance	Total
Net liabilities on December 31, 2015 (Holding company)	**310,946**	**277,652**	**6,173**	**126,699**	**721,470**
Expense recognized in Income and loss account	43,889	38,385	854	17,124	100,252
Contributions paid	(28,779)	(22,443)	(463)	(2,753)	(54,438)
Actuarial losses (gains) (*)	31,043	63,239	1,098	43,797	139,177
Net liabilities on December 31, 2016 (Consolidated and Holding company)	**357,099**	**356,833**	**7,662**	**184,867**	**906,461**
Expense recognized in Income and loss account	37,236	39,665	857	20,032	97,790
Contributions paid	(36,079)	(25,277)	(546)	(1,941)	(63,843)
Plan amendment – Past service – gain	-	-	-	(141,544)	(141,544)
Actuarial losses (gains) (*)	77,646	27,409	468	144	105,667
Net liabilities on December 31, 2017 (Consolidated and Holding company)	**435,902**	**398,630**	**8,441**	**61,558**	**904,531**

	2017	2016
Current liabilities	52,395	45,377
Non-current liabilities	852,136	861,084

(*) Recognized directly in Comprehensive income.

The amounts reported as 'Expense recognized in the income and loss account' refer to the costs of post-employment obligations, totaling R$ 82,993 (R$ 77,034 in 2016, plus the financial costs and monetary updating on the debt agreed with Forluz, in the amount of R$ 14,797 (R$ 23,218 in 2016). Further, due to the alterations in the life insurance, a recovery of expense, of R$ 141,544, was posted in the income and loss account in 2017.

The independent actuary's estimation for the expense to be recognized for 2018 is as follows:

Consolidated R$ '000	Pension plans and retirement supplement plans	Health Plan	Dental Plan	Life insurance	Total
Cost of current service	1,009	2,258	56	335	3,658
Interest on the actuarial obligation	215,130	37,917	784	5,799	259,630
Expected return on the assets of the Plan	(175,541)	-	-	-	(175,541)
Total expense in 2018 according to actuarial calculation	**40,598**	**40,175**	**840**	**6,134**	**87,747**

The expectation for payment of benefits for 2018 is as follows:

Consolidated R$ '000	Pension plans and retirement supplement plans	Health Plan	Dental Plan	Life insurance	Total
Estimate of payment of benefits	191,678	26,288	568	2,028	220,562

The Company has expectation of making contributions to the pension plan in 2018 of R$ 37,522 for amortization of the deficit of Plan A, and R$ 22,538 for the Defined Contribution Plan (recorded directly in the Consolidated statement of Income for the year).

The average maturity periods of the obligations of the benefit plans, in years, are as follows:

Pension plans and retirement supplement plans		Health Plan	Dental Plan	Life insurance
Plan A	Plan B			
9.28	11.55	13.68	13.68	11.55

The main categories of assets of the plan, as a percentage of the total of the plan's assets, are as follows:

R$ '000	2017 Consolidated	2016 Consolidated
Shares in Brazilian companies	6.71%	3.91%
Fixed income securities	74.68%	75.46%
Real estate property	7.61%	7.73%
Others	11.00%	12.90%
Total	**100.00%**	**100.00%**

The following assets of the pension plan, valued at fair value, are related to the Company:

R$ '000	2017 Consolidated	2016 Consolidated
Non-convertible debentures issued by the Company	185,174	178,618
Real estate properties of Forluz, occupied by the Company	216,500	152,650
	401,674	**331,268**

This table gives the main actuarial assumptions:

R$ '000	2017 Consolidated	2016 Consolidated
Annual discount rate for present value of the actuarial obligation	9.48%	10.50%
Annual expected return on plan assets	9.48%	10.50%
Long-term annual inflation rate	4.00%	4.50%
Estimated future annual salary increases	6.08%	6.59%
General mortality rate table	AT-2000 D10%	AT-2000
Disability table	Not adopted	Álvaro Vindas
Disabled mortality table	AT 49	AT 49

Below is a sensitivity analysis of the effects of changes in the main actuarial assumptions used to determine the defined-benefit obligation on December 31, 2017:

Effects on the defined-benefit obligation R$ '000	Pension plans and retirement supplement plans	Health Plan	Dental Plan	Life insurance	Total – Consolidated
Reduction of one year in the mortality table.	59,201	6,647	131	(3,635)	62,344
Increase of one year in the mortality table.	-	-	-	3,481	3,481
Reduction of 1% in the discount rate	252,374	51,576	1,086	9,706	314,742

In the presentation of the sensitivity analysis, the present value of the defined-benefit obligation was calculated using the Unit Projected Credit method, the same method used to calculate the defined-benefit obligation recognized in the Statement of financial position. The Company did not make alterations to the methods used to calculate its post-employment obligations for the business years ended December 31, 2017 and 2016.

22. PROVISIONS

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

Actions in which the Company is defendant

The Company and its subsidiaries recorded Provisions for contingencies in relation to the legal actions in which, based on the assessment of the Company 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 R$ '000	2016	Additions	Reversals	Settled	2017
Labor claims	46,286	17,965	-	(15,287)	48,964
Civil cases	364	13	(113)	(13)	251
Tax	7,145	2,717	(816)	-	9,046
Regulatory	50	2,739	(4)	(579)	2,206
Other	51,451	5,193	(19,232)	(1,569)	35,843
Total	**105,296**	**28,627**	**(20,165)**	**(17,448)**	**96,310**

Holding company R$ '000	2016	Additions	Reversals	Settled	2017
Labor claims	46,286	17,949	-	(15,287)	48,948
Civil cases	364	13	(113)	(13)	251
Tax	7,145	2,717	(816)	-	9,046
Regulatory	50	2,739	(4)	(579)	2,206
Other	51,451	5,193	(19,232)	(1,569)	35,843
Total	**105,296**	**28,611**	**(20,165)**	**(17,448)**	**96,294**

R$ '000	Holding company – 2015	Initial balance for purposes of consolidation	Additions	Reversals	Settled	Consolidated and Holding company 2016
Labor claims	44,559	44,559	18,629	(3,383)	(13,519)	46,286
Civil cases	305	305	222	-	(163)	364
Tax	5,161	5,161	2,054	(67)	(3)	7,145
Regulatory	2,670	2,670	273	(2,620)	(273)	50
Other	25,015	25,015	27,623	(3)	(1,184)	51,451
Total	**77,710**	**77,710**	**48,801**	**(6,073)**	**(15,142)**	**105,296**

The Company's management, due to the long periods and manner of working of Brazil's judiciary, tax and regulatory systems, believes that it is not practical to supply information that would be useful to the users of these financial statement about the time when any cash outflows, or any possibility of reimbursements, might occur in fact. The Company believes that any disbursements in excess of the amounts provisioned, after the closure of the related legal cases, will not significantly affect the income from its operation or its financial position.

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

(1) Provisions, made for legal actions with chance of loss assessed as 'probable'; and Contingent liabilities, for actions with chance of loss assessed as 'possible':

Labor claims

The Company is involved in various legal actions claims filed by its employees and by employees of providers of outsourced services. 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 amount of the contingency is approximately R$ 167,948 (R$ 135,739 on December 31, 2016), of which R$ 48,964 (R$ 46,286 on December 31, 2016) has been provisioned – the amount estimated as probably necessary for settlement of these disputes.

Tax

The Company is involved in numerous administrative and judicial claims relating to taxes – in which disputes relate, among other matters to the Social Integration Program (*Programa de Integração Social*, or PIS), the Contribution to Finance Social Security (*Contribuição para o Financiamento da Seguridade Social*, or Cofins), Corporate Income Tax (*Imposto de Renda Pessoa Jurídica*, or IRPJ), the Social Contribution Tax on net income (*Contribuição Social sobre o Lucro Líquido*, or CSLL); and motions to tax enforcement. The amount of the contingency is approximately R$ 37,328 (R$ 114,865 on December 31, 2016), of which R$ 9,046 (R$ 7,145 on December 31, 2016) has been provisioned – the amount estimated as probably necessary for settlement of these disputes.

Regulatory

The Company is defendant in court and administrative proceedings challenging, especially, reduction of an energy supply contract, limitation on the procedure for operation of the sluice dam of a hydroelectric plant, an infraction accusation arising from an inspection by the regulator – and other matters. The aggregate amount of the contingency is approximately R$ 23,319 (R$ 20,958 on December 31, 2016), of which R$ 2,206 (R$ 50 on December 31, 2016) has been recognized as provision 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

The Company is involved in disputes alleging losses suffered as a result of supposed breach of contract at the time of provision of services of cleaning of power line pathways and firebreaks. The amount recorded is R$ 31,987 (R$ 28,389 at December 31, 2016), this being estimated as the likely amount of funds necessary to settle this dispute.

Other legal proceedings

The Company is involved in a case relating to removal of residents in areas of access to, or under, transmission line towers. The chances of loss have been assessed as 'remote', since in a similar action the judiciary ruled against the Public Attorneys' Office. On December 31, 2016 the amount provisioned was R$ 21,407.

In addition to the issues described above, the Company is involved, on plaintiff or defendant side, in other litigation, of smaller scale, related to the normal course of its operations, with an estimated total amount of R$ 77,571 (R$ 65,726 on December 31, 2016), of which R$ 4,107 has been provisioned (R$ 1,655 on December 31, 2016). Management believes that it has adequate defense for these disputes and does not expect any material losses in relation to these issues that could adversely affect the Company's financial position or incomes.

2. Contingent liabilities – whose loss are assessed as 'possible', and the company believes it has arguments of merit for legal defense

Taxes and similar contributions

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

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

The Company paid an indemnity to its employees, in 2006 of R$ 41,860, in exchange for rights relating to future benefits relating to time of service known as the 'Anuênio', which would be incorporated into salaries. The Company did not make the deductions for Income tax and Social Security contribution on this amount because it considered that these obligations do not apply to amounts given as indemnity. However, to avoid the risk of a future fine, the Company obtained an injection, which permitted to make a escrow deposit of R$ 28,716, which updated is R$ 63,027 (R$ 60,126 at December 31, 2016). The updated amount of the contingency is R$ 73,334 (R$ 68,403 on December 31, 2016) and, based on the arguments above, management has classified the chance of loss as 'possible'.

Social Security contributions

The Brazilian federal tax authority (*Secretaria da Receita Federal*) has brought administrative proceedings against the Company related to various matters: employee income shares; the Workers' Food Program (*Programa de Alimentação do Trabalhador*, or PAT); the education assistance payment; the food assistance payment; Special Additional Retirement Pensions; overtime payments; hazardous occupation payments; matters related to Sest/Senat (transport workers' support programs); and fines for non-compliance with accessory obligations. The Company has presented defenses and awaits judgment. The amount of the contingency is approximately R$ 458,619 (R$ 244,659 on December 31, 2016). Management has classified the chances of loss as 'possible' – based on evaluation of loss in the courts, grounded on analysis of pleas and case law in relation to the issues.

Non-homologation of offsetting of tax credits

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 and Cofins – identified by official tax deposit receipts ('DARFs' and 'DCTFs'). The Company has contested the non-ratification of these offsettings. The amount of the contingency is R$ 126,880 (R$ 115,057 on December 31, 2016). The Company has assessed the chance of loss as 'possible', since it believes it has complied with the relevant requirements of the National Tax Code (*Código Tributário Nacional*, or CTN).

The Social Contribution tax on net income (CSLL)

The federal tax authority issued a tax infringement claim against the Company for the business years 2012 and 2013, alleging non-addition, or deduction, by the Company, of amounts relating to the following items in calculating the Social Contribution tax on net income: (i) taxes with liability suspended; (ii) donations and sponsorship (Law 8,313/91); and (iii) fines for various alleged infringements. The amount of this contingency is R$ 72,584 (R$ 52,045 on December 31, 2016). The Company has classified the changes of loss as 'possible', in accordance with the analysis of the related case law.

Regulatory matters

Accounting of energy sale transproceedings in the Energy Trading Chamber (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 Wholesale Energy Exchange Chamber – *Câmara de Comercialização de Energia Elétrica*, or CCEE), during the period of rationing. It obtained a favorable interim judgment in February 2006, which ordered Aneel, working with the CCEE, to comply with the claim by AES Sul and recalculate the settlement of the transactions during the rationing period, not considering 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$ 287,515 (R$ 263,847 on December 31, 2016). On November 9, 2008 Cemig GT obtained an interim decision in the Regional Federal Appeal Court (*Tribunal Regional Federal*, or TRF) suspending the mandatory nature of the requirement to pay into court the amount that would have been owed under the Special Financial Settlement made by the CCEE.

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

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

Resolution 3 of the National Energy Policy Council (*Conselho Nacional de Política Energética*, or CNPE) of March 6, 2013 established new criteria for the prorating of the cost of additional dispatch of thermal plants. Under the new criteria, the costs of the System Service Charges for Energy Security (*Encargos do Serviço do Sistema*, or ESS), 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 Energy Producers' Association (*Associação Brasileira dos Produtores Independentes de Energia Elétrica*, or Apine), of which the Company is a member, obtained an interim court remedy suspending the effects of Articles 2 and 3 of Resolution CNPE 3, exempting generators from payment of the ESS under that Resolution.

As a result of the interim remedy, the CCEE carried out the financial settlement for transproceedings in April through December 2013 using the criteria prior to the said Resolution. As a result, the Company 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.

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

The amount of the contingency is approximately R$ 201,586 (R$ 182,232 on December 31, 2016). In spite of the successful judgment at the first instance, the Association's legal advisers still considered the chances of loss in this contingency as 'possible'. The Company agrees with this, since there are not yet elements to make it possible to foresee the outcome of the Appeal filed by the federal government.

<u>Environmental claims</u>

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 its annual gross operating revenue of the *Emborcação, Pissarrão, Funil, Volta Grande, Poquim, Paraúna, Miranda, Nova Ponte, Rio de Pedras* and *Peti* plants in environmental protection and preservation of the water tables of the counties where these power plants are located, and proportional indemnity for allegedly irrecoverable environmental damage caused, arising from omission to comply with Minas Gerais State Law 12,503/1997. 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$ 126,159 (R$ 112,704 on December 31, 2016).

The Public Attorneys' Office of Minas Gerais State has filed class actions requiring the formation of a Permanent Preservation Area (APP) around the reservoir of the *Capim Branco* hydroelectric plant, suspension of the effects of the environmental licenses, and recovery of alleged environmental damage.

Based on the opinion of its legal advisors in relation to the changes that have been made in the new Forest Code and in the case law on this subject, the Company has classified the chance of loss in this dispute as 'possible'. The estimated value of the contingency is R$ 79,378 (R$ 73,169 on December 31, 2016).

Other environmental matters

The Company is involved in environmental matters, relating to protected areas, environmental licenses, and recovery of alleged environmental damage, in the amount of R$ 64,241 (vs. R$ 30,839 at December 31, 2016). No provision has been made, since Management, based on the opinion of its legal advisors, has classified the chance of loss as 'possible'.

Other contingent liabilities

Irregularities in competitive tender proceedings

The Company is a party in a dispute alleging irregularities in competitive tender proceedings, governed by an online invitation to bid. The estimated amount is R$ 26,149 (R$ 25,650 on December 31, 2016). No provision has been made. The Company has assessed the chance of loss as 'possible' on analysis of the case law on the subject.

Alteration of the monetary updating index of labor claims

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

The estimated value of the difference between the monetary updating indices of the labor claims is R$ 21,318 (R$ 17,052 on December 31, 2016). 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 STF, and of there being no established case law, nor analysis by legal writers, on the subject, after the injunction given by the Federal Supreme Court.

23. EQUITY AND REMUNERATION TO STOCKHOLDERS

The registered capital of Cemig GT on December 31, 2017 is R$ 1,837,710, represented by 2,896,785,358 nominal common shares, fully subscribed, without par value, wholly owned by Cemig (Companhia Energética de Minas Gerais).

Advance against future capital increase

On February 10, 2017 the Board of Directors of Cemig, the Company's controlling stockholder, authorized an *Advance against future capital increase* (AFAC), of R$ 100,000 which will be capitalized, through a specific decision at an Extraordinary General Meeting of Stockholders.

Profit reserves

R$ '000	2017	2016
Profit reserves		
Legal Reserve	140,730	119,307
Tax Incentives reserve – Sudene	45,016	44,870
Retained Earnings reserve	2,516,854	2,310,482
	2,702,600	**2,474,659**

Legal Reserve

Constitution of the Legal Reserve is mandatory, up to the limits established by law. The purpose of the Reserve is to ensure the security of the share capital, its use being allowed only for offsetting of losses or increase in the share capital.

Retained Earnings reserve

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

Incentives tax reserve

The federal tax authority (*Receita Federal*) recognized the Company's right to reduction of 75% in income tax, including the tax paid at the additional rate, calculated on the basis of the operating income in the region of Sudene (the Development Agency for the Northeast), for 10 years starting in 2014. The amount of the incentive reported in the Income and loss account in 2017 was R$ 146 in 2017 (R$ 276 in 2016). This was subsequently transferred to the Tax Incentive Reserve. The amount of the Tax incentives reserve on December 31, 2017 was R$ 45,016 (R$ 44,870 at December 31, 2016).

Dividends

The Company's by-laws require it to pay a minimum dividend of 50% of the net income for each year, to its controlling stockholder, before calculating and paying the Legal Reserve.

Dividends declared, whether mandatory or extraordinary, are paid in 2 (two) equal installments, the first by June 30 and the second by December 31, of the year following the generation of the income. The Executive Board decides the location and processes of payment, subject to these periods.

Article 9 of Law 9,249 of December 26, 1995, allows Interest on Equity paid to stockholders to be deductible from taxable income for the purposes of income tax and the Social Contribution tax. In the case of Cemig GT Interest on Equity is calculated as stockholders' equity multiplied by the TJLP long-term interest rate.

The calculation of the dividends for the 2017 and 2016 business years is as follows:

R$ '000	2017	2016
Mandatory dividend		
Net income for the year	428,459	69,868
Mandatory dividend – 50% of Net income	214,230	34,934
Income tax withheld at source on Interest on Equity	-	45,000
	214,230	**79,934**
Dividends declared		
Interest on Equity	-	83,246
Dividends under the by-laws	214,230	216,754
	214,230	300,000
Dividends per share		
Mandatory dividend (R$)	**0.0740**	**0.0276**
Dividends recorded (R$)	-	**0.1036**

Allocation of Net income for 2017 – Proposal by management

The Board of Directors decided to propose to the Annual General Meeting to be held on April 30, 2018 the following allocation of funds comprising the Net income for 2017, in the amount of R$ 428,459, and realization of the Equity Valuation Adjustment Reserve, of R$ 13,712:

- R$ 214,230, being 50% of the net income, to mandatory minimum dividends.
- R$ 206,372 to be held in Stockholders' Equity, in the Retained earnings account.
- R$ 21,423 to the Legal reserve.
- R$ 146 to the Tax Incentives Reserve.

Capital increase – proposal by Management

Considering that, on December 31, 2017 the Income reserve exceeded the share capital by R$ 819,874, the Board of Directors will submit to the Annual General Meeting the proposal for increase in the share capital to R$ 2,600,000, including the R$ 100,000 of the AFAC, as per Article 199 of the Corporate Law of 1976 – Law 6,404/76.

Income per share – Basic and diluted

Income per share has been calculated based on the weighted average number of the company's shares in each of the periods referred to, as follows:

R$ '000	2017	2016
Number of shares	2,896,785,358	2,896,785,358
Income for the period	428,459	69,868
Income per share – Basic and diluted – in R$	0.1479	0.0241

The purchase and sale options of investments described in Note 28 could potentially dilute basic income per share in the future; however, they have not caused dilution of income per share in the periods presented here.

Equity valuation adjustments

R$ '000	2017	2016
Adjustments to Actuarial liabilities – Employee benefits	(305,104)	(235,365)
Variation in the fair value of a financial asset available for sale in a jointly-controlled entity	-	33,852
Deemed cost of PP&E	458,626	472,338
Equity valuation adjustments	**153,522**	**270,825**

The amounts reported as deemed cost of the generation assets are due to the valuation of the generation assets: their fair value was defined as replacement cost in the initial adoption of IFRS on January 1, 2009. The valuation of the generation assets resulted in an increase in their value, posted in the specific line of Equity, net of the tax effects. These values are being realized based on the depreciation of the assets.

24. REVENUE

The revenue of the Company and its subsidiaries is as follows:

R$ '000	Consolidated 2017	Consolidated 2016	Holding company 2017	Holding company 2016
Total revenue from supply of energy – with taxes (a)	7,135,743	6,576,277	6,698,053	6,414,792
Transmission revenue – with taxes (b)	519,184	410,294	521,658	410,506
Revenue from financial updating of the Concession Grant Fee * (c)	316,881	299,537	-	115,274
Construction Revenue (d)	24,827	53,824	24,827	53,824
Transactions with energy on CCEE (e)	651,132	152,456	640,145	152,456
Transmission Indemnity Revenue (f)	373,217	751,101	373,217	751,101
Generation Indemnity Revenue (g)	271,607	-	271,607	-
Other operational revenues	45,937	37,163	64,065	45,650
Sector / regulatory charges – Deductions from revenue (h)	(1,551,787)	(1,471,677)	(1,443,116)	(1,448,842)
	7,786,741	**6,808,975**	**7,150,456**	**6,494,761**

(*) In 2016, the amounts are presented net of monetary updating of the remaining portion at that time payable for the Concession Grant Fee, which was settled in July 2016.

(a) Revenue from energy supply

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

R$ '000	Consolidated 2017 MWh (1)	Consolidated 2017 R$	Consolidated 2016 MWh (1)	Consolidated 2016 R$	Holding company 2017 MWh (1)	Holding company 2017 R$	Holding company 2016 MWh (1)	Holding company 2016 R$
Industrial	14,486,304	3,357,639	15,494,833	3,468,182	13,581,588	3,151,950	15,494,833	3,468,182
Commercial	2,226,405	569,263	832,443	215,144	2,226,405	569,263	832,443	215,144
Subtotal	**16,712,709**	**3,926,902**	**16,327,276**	**3,683,326**	**15,807,993**	**3,721,213**	**16,327,276**	**3,683,326**
Retail supply not yet invoiced, net	-	18,033	-	(36,558)	-	3,058	-	(36,558)
	16,712,709	**3,944,935**	**16,327,276**	**3,646,768**	**15,807,993**	**3,724,271**	**16,327,276**	**3,646,768**
Wholesale supply to other concession holders (2)	12,841,006	3,244,356	12,601,237	2,670,957	12,841,006	3,016,656	12,601,237	2,555,027
Unbilled wholesale supply , net	-	(53,548)	-	258,552	-	(42,874)	-	212,997
	29,553,715	**7,135,743**	**28,928,513**	**6,576,277**	**28,648,999**	**6,698,053**	**28,928,513**	**6,414,792**

(1) Information in MWh has not been reviewed by the external auditors.
(2) Includes: A Contract for sale in the Regulated Market to distributors; sales in the Free Market to traders and generators; '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) Transmission concession revenue

Transmission 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.

(c) Gain on financial updating of concession grant fee

Represents updating by the IPCA index, plus remunerative interest, on the Concession Grant Fee for the concession awarded as Lot D of Auction 12/2015. There are more details in Note 13.

(d) Construction Revenue

Construction revenue corresponds to the investments in assets of the transmission concession made by the Company in the year. The construction margin is zero, and the construction costs are equal to the construction revenue.

(e) Revenue from transactions in energy in the CCEE

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

(f) Transmission indemnity revenue

In 2017 Cemig GT recognized revenue in the total amount of R$ 373,217, of which R$ 223,962 corresponded to updating, by the IPCA index, of the balance of indemnity receivable existing in December 2016, and R$ 149,255 for the adjustment of the BRR of the transmission assets, due to the recognition of the amounts to be paid relating to the conducting cables not being part of the calculation of transmission revenue in prior periods.

There are more details in Note 13.

(g) Generating Indemnity Revenue

In 2017 the Company recognized revenue of R$ 271,607 for the adjustment to the non-amortized balance of the concessions of the *São Simão* and *Miranda* hydroelectric plants, as per Ministerial Order 291/17, also taking into account the updating of the amounts. There are more details in Notes 4 and 13.

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(h) Taxes and charges applied to Revenue

R$ '000	Consolidated		Holding company	
	2017	2016	2017	2016
Taxes on revenue				
ICMS(1)	616,858	552,507	579,834	552,507
Cofins	546,773	543,587	499,303	533,215
PIS and Pasep	118,695	118,009	108,393	115,761
ISS tax on services	2,323	1,849	2,323	1,850
	1,284,649	**1,215,952**	**1,189,853**	**1,203,333**
Charges to the consumer				
Global Reversion Reserve (RGR)	14,721	(20,146)	14,721	(20,146)
Energy Development Account (CDE)	72,662	33,933	72,662	33,933
Proinfa Program	39,437	42,827	39,437	42,827
Research and Development (R&D)	15,079	24,098	12,785	22,802
National Scientific and Technological Development Fund (FNDCT)	15,079	24,098	12,785	22,802
Energy System Expansion Research (EPE)	7,542	12,051	6,394	11,401
Energy Services Inspection Charge (TFSEE)	12,439	18,123	10,564	16,816
Royalties for use of water resources (CFURH)	90,179	120,741	83,915	115,074
	267,138	**255,725**	**253,263**	**245,509**
	1,551,787	**1,471,677**	**1,443,116**	**1,448,842**

1) In September 2017, the Company joined and accepted the terms of the Minas Gerais State Tax Amnesty Program (*Plano de Regularização de Créditos Tributários*, or PRCT), for payment of ICMS tax by installments, updated and net of the reductions of penalty payments and interest as specified in State Law 22,549, and subsequent decrees that specified the conditions for payment of tax debits by installments.

The tax issue that led to the Company adopting the PRCT relates to payment of ICMS tax on transfer of power supply received from a Consortium, where there was a difference in understanding between the Company and the tax authority in relation to the moment of payment. The amount of R$ 29,951, net of the reduction of 95% in the interest payments and fines, was settled at sight on October 31, 2017, and its effects were recognized in the account line Taxes on revenue.

25. OPERATING COSTS AND EXPENSES

R$ '000	Consolidated		Holding company	
	2017	2016	2017	2016
Personnel (a)	383,148	379,050	364,628	374,263
Employee income shares	984	855	984	855
Post-retirement liabilities (recovery of expense)	(58,551)	77,034	(58,551)	77,034
Materials	13,865	13,174	11,993	12,537
Raw materials and inputs for production of energy	10,371	40	10,371	40
Outsourced services (b)	142,763	140,550	126,269	133,666
Depreciation and amortization	158,226	182,785	158,150	182,785
Provisions (c)	149,604	97,765	149,588	97,765
Charges for use of the national grid	350,191	317,994	314,899	296,951
Energy bought for resale (d)	4,169,830	3,052,167	4,109,536	3,052,165
Transmission Infrastructure construction cost (e)	24,827	53,824	24,827	53,824
Other operational costs and expenses, net (f)	126,373	77,767	122,090	77,552
	5,471,631	**4,393,005**	**5,334,784**	**4,359,437**

a) Personnel expenses

2017 PDVP Programmed Voluntary Retirement Plan

In March 2017, the Company approved the 2017 Employee Voluntary Severance Program ('the 2017 PDVP'). Those eligible to take part were any employees who will have worked with Cemig for 25 years or more by December 31, 2017. The period for acceptance of the 2017 PDVP was April 3 2017, through October 17, 2017. It provided for payment of an additional premium of five monthly salaries to employees who joined in April 2017 and resigned the Company in May 2017. The premium diminished progressively depending on the month of acceptance. Thus, for employees who adhered to the program only in August 2017, for voluntary retirement in September 2017, the corresponding premium payment was only one month's salary. For those who joined as from September 1, 2017, there was no premium. The program also paid the standard legal severance payments – including: payment for the period of notice, and especially, an amount equal to the 'penalty' payment of 40% of the Base Value of the employee's FGTS fund, as well as the other payments specified by the legislation. On December 31, 2017 the amount appropriated as expense on the 2017 voluntary retirement plan, including severance amounts, was R$ 49,483, corresponding to acceptance, up to that date, by 249 employees. In 2016, the expense appropriated for the PDVP plan at the time was R$ 23,325.

b) Outsourced services

R$ '000	Consolidated		Holding company	
	2017	2016	2017	2016
Communication	3,261	5,003	3,167	4,983
Maintenance and conservation of electrical facilities and equipment	21,605	17,078	17,060	16,146
Building conservation and cleaning	28,964	28,530	23,675	25,534
Contracted labor	4,325	3,914	4,325	3,914
Freight and airfares	2,622	2,313	2,613	2,313
Accommodation and meals	3,266	3,021	3,137	3,016
Security services	12,110	14,004	10,441	12,995
Consultancy	6,138	4,441	5,995	4,378
Maintenance and conservation of furniture and utensils	772	686	753	676
Information technology	14,516	9,196	13,028	9,196
Maintenance and conservation of vehicles	216	3,180	199	3,028
Energy	4,364	4,854	4,020	4,660
Environment	9,108	14,680	8,144	13,588
Cleaning of power line pathways	2,377	1,498	2,323	1,491
Printing and images	1,315	1,101	1,265	1,098
Legal services and court costs	5,098	4,615	5,088	4,615
Others	22,706	22,436	21,036	22,035
	142,763	**140,550**	**126,269**	**133,666**

c) Operational provisions (reversals)

R$ '000	Consolidated		Holding company	
	2017	2016	2017	2016
Provision (reversal) for estimated loss on doubtful receivables	17,514	(135)	17,514	(135)
Estimated losses on Other accounts receivable (1)	8,208	6,613	8,208	6,613
Contingency provisions (reversals)				
Labor claims	17,965	15,246	17,949	15,246
Civil cases	(100)	222	(100)	222
Tax	1,901	1,987	1,901	1,987
Regulatory	2,735	(2,347)	2,735	(2,347)
Other	(14,039)	27,620	(14,039)	27,620
	8,462	42,728	8,446	42,728
Change in fair value of derivatives				
Put option – SAAG (Note 14)	115,420	48,559	115,420	48,559
	149,604	**97,765**	**149,588**	**97,765**

(1) The estimated loss for other credits receivable is recorded in the Income and Loss account as an operational expense.

d) Energy purchased for resale

R$ '000	Consolidated		Holding company	
	2017	2016	2017	2016
Energy on spot market – CCEE	26,773	68,980	15,597	68,978
Energy acquired in the Free Market	4,458,436	3,279,164	4,458,436	3,279,164
'Bilateral' contracts	53,875	-	-	-
Credits of Pasep and Cofins	(369,254)	(295,977)	(364,497)	(295,977)
	4,169,830	**3,052,167**	**4,109,536**	**3,052,165**

e) Transmission Infrastructure Construction Cost

R$ '000	Consolidated		Holding company	
	2017	2016	2017	2016
Personnel	801	1,014	801	1,014
Materials	15,008	24,832	15,008	24,832
Outsourced services	9,152	26,137	9,152	26,137
Other (Recovery of expenses)	(134)	1,841	(134)	1,841
	24,827	**53,824**	**24,827**	**53,824**

f) Other operational costs and expenses)

R$ '000	Consolidated		Holding company	
	2017	2016	2017	2016
Leasing and rentals	20,445	28,440	19,827	28,427
Advertising	4,099	1,019	4,099	1,019
Subsidies and donations	6,382	1,988	3,580	1,988
Paid concessions	3,087	2,889	3,087	2,889
Taxes and charges (IPTU, IPVA and others)	1,803	1,689	1,562	1,652
CCEE annual charge	4,068	3,924	4,068	3,924
Insurance	3,414	3,357	3,413	3,357
Net loss on deactivation and disposal of assets	43,130	446	43,130	446
Forluz – Administrative running cost	5,817	5,665	5,817	5,665
Others	34,128	28,350	33,507	28,185
	126,373	**77,767**	**122,090**	**77,552**

Operating leasing

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

26. FINANCE INCOME (EXPENSES)

R$ '000	Consolidated		Holding company	
	2017	2016	2017	2016
FINANCE INCOME				
Income from cash investments	62,343	80,997	39,133	71,019
Arrears fees on sale of energy	11,250	11,650	8,876	11,449
Monetary variations	10,999	36,968	10,999	36,968
Monetary updating on Escrow deposits	82,840	10,883	82,840	10,883
Revenue from advance payments	39,810	37,010	38,624	37,010
Pasep and Cofins on Finance income	(10,153)	(9,457)	(9,296)	(9,457)
Foreign exchange variations	-	2,396	-	2,396
Other	19,446	11,071	19,432	11,070
	216,535	**181,518**	**190,608**	**171,338**
FINANCE EXPENSES				
Costs of loans and financings	(913,683)	(1,128,329)	(913,683)	(1,128,329)
Amortization of transaction cost	(28,684)	(44,709)	(28,684)	(44,709)
Monetary updating – Forluz	(14,797)	(23,218)	(14,797)	(23,218)
Monetary updating – Loans and financings	(37,345)	(75,850)	(37,345)	(75,850)
Monetary updating	(12,260)	(17,575)	(12,058)	(17,545)
FX variations on loans and financings	(56,638)	-	(56,638)	-
Adjustment to present value	(2,320)	(107)	(2,320)	(107)
Monetary updating – advances from clients	(44,513)	-	(44,513)	-
Monetary updating – CCEE obligations	-	(9,562)	-	(9,562)
Losses on derivative financial instruments (swap)	(32,462)	-	(32,462)	-
Other	(21,419)	(24,820)	(21,268)	(24,817)
	(1,164,121)	**(1,324,170)**	**(1,163,768)**	**(1,324,137)**
NET FINANCE EXPENSES	**(947,586)**	**(1,142,652)**	**(973,160)**	**(1,152,799)**

27. RELATED PARTY TRANSPROCEEDINGS

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

COMPANY	ASSETS		LIABILITIES		REVENUE		EXPENSES	
R$ '000	2017	2016	2017	2016	2017	2016	2017	2016
Shareholder								
CEMIG								
Current								
Cooperation Working Agreement (1)	-	-	2,768	-	-	-	(1,578)	(1,736)
Interest on Equity, and dividends	-	-	564,230	605,000	-	-	-	-
Jointly-controlled entity								
Madeira Energia								
Current								
Transactions with energy (2)	-	-	40,162	-	27,130	7,790	(525,109)	(420,828)
Advance for future delivery of power supply (3)	49,048	-	-	-	-	-	-	-
Non-current								
Advance for future delivery of power supply (3)	5,084	86,941	-	-	-	-	-	-
Aliança Geração								
Current								
Transactions with energy (2)	-	-	-	-	-	-	(77,282)	(64,613)
Services (4)	1,657	3,673	-	-	12,648	13,184	-	-
Interest on Equity, and dividends	72,315	-	-	-	-	-	-	-
Norte Energia								
Current								
Transactions with energy (2)	130	130	-	-	9,258	1,606	-	-
Baguari Energia								
Current								
Services (4)	211	398	-	-	864	942	-	-
Lightger								
Current								
Transactions with energy (2)	-	-	-	-	-	-	(19,357)	(18,551)
Retiro Baixo								
Current								
Transactions with energy (2)	-	1,059	-	-	-	-	(975)	(1,933)
Interest on Equity, and dividends	2,581	2,146	-	-	-	-	-	-
Hidrelétrica Pipoca								
Current								
Transactions with energy (2)	-	-	-	1,228	-	-	(15,305)	(16,002)
Interest on Equity, and dividends	584	-	-	-	-	-	-	-
Guanhães Energia								
Current								
Adjustment for losses (5)	-	-	-	59,071	-	-	-	-
Renova								
Current								
Transactions with energy (2)	-	-	1,744	-	-	-	(178,691)	(159,368)
Non-current								
Accounts receivable (6)	350,200	73,722	-	-	-	-	-	-
Advance for future delivery of power supply	-	229,053	-	-	-	-	-	-
Empresa Amazonense de Transmissão de Energia (EATE)								
Current								
Transactions with energy (2)	-	-	725	1,291	-	-	(9,025)	(11,062)
Companhia Transirapé de Transmissão								
Current								
Transactions with energy (2)	-	-	46	70	-	-	(535)	(554)
Services (5)	90	301	-	-	1,272	1,205	-	-
Light								
Current								
Transactions with energy (2)	1,128	464	404	406	54,350	58,863	(529)	(59)
Taesa								
Current								
Transactions with energy (2)	-	-	3,605	5,215	-	-	(39,593)	(45,201)
Services (4)	404	482	-	-	1,273	793	-	-
Other related involved								
Cemig Distribuição								
Current								
Cooperation Working Agreement (1)	-	-	-	-	5,132	6,196	-	-
Transactions with energy (2)	22,212	17,137	3,263	3,124	210,263	151,109	(41,670)	(39,822)
Non-current								
Cooperation Working Agreement (1)	-	621	-	-	-	-	-	-

COMPANY R$ '000	ASSETS		LIABILITIES		REVENUE		EXPENSES	
	2017	2016	2017	2016	2017	2016	2017	2016
FIC Pampulha								
Current								
Cash and cash equivalents	492,982	260,908	-	-	-	-	-	-
Securities	168,754	350,220	-	-	3,752	55,823	-	-
(–) Securities issued by the Company itself (7)	(12,405)	(20,781)	-	-	-	-	-	-
Non-current								
Securities	14,660	19,358	-	-	-	-	-	-
(–) Securities issued by the Company itself (7)	-	(6,321)	-	-	-	-	-	-
Forluz								
Current								
Post-retirement obligation (8)	-	-	24,632	19,497	-	-	(37,236)	(43,889)
Administrative running costs (9)	-	-	-	-	-	-	(5,817)	(5,665)
Operational leasing (10)	-	-	1,391	3,129	-	-	(16,380)	(10,804)
Non-current								
Post-retirement obligations (8)	-	-	411,270	337,602	-	-	-	-
Cemig Saúde								
Current								
Health Plan and Dental Plan (11)	-	-	25,822	23,024	-	-	(40,522)	(39,239)
Non-current								
Health Plan and Dental Plan (11)	-	-	338,673	341,471	-	-	-	-

The comments below state the main factors relating to these transproceedings:

(1) Technical Cooperation Working Agreement between Cemig, Cemig D and Cemig GT, instituted by Aneel Dispatch 3,208/2016. Principally includes reimbursement of expenses related to sharing of infrastructure, personnel, transport, telecoms and IT.

(2) Transactions with energy between generators and distributors were made in auctions organized by the federal government; transproceedings 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).

(3) In 2017 the Company advanced R$ 51,874 to Santo Antônio Energia, a subsidiary of Madeira Energia. Invoices for supply of energy, to be issued, in 12 tranches, as from 2018, will be used for the purpose of settlement.

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

(5) A liability was recognized in 2016 corresponding to the Company's interest in the share capital of Guanhães, due to its negative equity. (See Note 14).

(6) Cemig GT has R$ 272,000 receivable from Renova, as follows: (i) R$ 60,000, to be paid by an initial payment of R$ 6,000 in January 2018, and 11 monthly installments, the last becoming due in December 2018, with monetary updating at 150% of the CDI rate; (ii) R$ 94,000 to be settled in 12 monthly installments over the year 2020 with updating at 155% of the CDI rate; and (iii) R$ 118,000 to be settled in 12 monthly installments over 2021 with actualization at 155% of the CDI rate. In relation to the amount of R$ 60,000, the initial payment and the first two installments were postponed to April 2018.

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

(8) The contracts of Forluz are updated by the Expanded Consumer Price Index (*Índice Nacional de Preços ao Consumidor Amplo*, or IPCA) calculated by the Brazilian Geography and Statistics Institute (IBGE) and will be amortized up to the business year of 2024 (see Note 21).

(9) 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.

(10) Rental of the Company's administrative head offices, in effect up to March 2019 and May 2034, adjusted annually by the IPCA inflation index.

(11) Post-employment obligations relating to the employees' health and dental plan (see Note 21).

Cash investments in *FIC Pampulha* investment fund

Cemig GT and its subsidiaries apply part of their cash balances in a reserved (group) investment fund, which has the characteristics of fixed income and obeys the Company's cash investment policy. The amounts invested by the fund are accounted under 'Securities' in Current and Non-current assets on December 31, 2017, in proportion to the interests held by the companies in the fund.

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

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

Issuer of security	Type	Annual terms	Maturity	2017 – R$ '000			2016 – R$ '000		
				Cemig GT 26.85%	Other subsidiaries 8.32% (1)	Overall total – Consolidated 35.17%	Cemig GT 20.86%	Other subsidiaries 12.03% (1)	Overall total – Consolidated 32. 92%
ETAU	Debentures	108.00% of CDI	Dec. 1, 2019	2,706	838	3,544	2,110	1,217	3,327
Light	Notes	CDI + 3.50%	Jan. 22, 2019	5,375	1,666	7,041	-	-	-
Axxiom	Debentures	109.00% of CDI	Jan. 29, 2017	-	-	-	1,194	688	1,882
				8,081	**2,504**	**10,585**	**3,304**	**1,905**	**5,209**

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

Remuneration of key management personnel

The total costs of key personnel, comprising the Executive Board, the Audit Board and the Board of Directors, in the business years 2017 and 2016, are as follows:

R$ '000	2017	2016
Remuneration	4,015	3,739
Income shares	105	(215)
Assistance benefits	342	353
	4,462	**3,877**

28. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Financial instruments of the Company and its subsidiaries are: Cash equivalent; Securities; Customers and Traders; Concession holders (power transport); Advances from clients;Concession financial assets; Amounts receivable from related parties; Restricted funds; Amounts in Escrow for litigation; Loans and financings; Obligations under paid concessions; Suppliers; post-retirement obligations; and Put options and swap and the gains and losses on the transactions are registered in full in the Income and loss account or in Stockholders' equity, by the accrual method.

See Note 1 on the various steps taken by the Company to increase liquidity by new financing contracts, or refinancing of existing obligations, and possible sales of assets that are not part of the end-activity. Any additional lowering of credit ratings could have negative consequences for the Company's capacity to obtain financing, or could impact the cost of financing, making refinancing of maturing obligations more difficult or more costly. Any financing or refinancing of the Company's debt may be contracted on the basis of higher interest rates and could require that the Company complies with more onerous restrictive covenants, which could further restrict operational activities.

The financial instruments of the Company and its subsidiaries are classified as follows:

- Loans and receivables: In this category are: Cash equivalents; Receivables from Customers and traders, receivables from holders of concessions for transport of energy; Escrow deposits in litigation; Restricted funds; Concession financial assets; and amounts receivable from related parties. They are recognized at their nominal realization values, which are similar to fair value.

- Financial instruments measured at fair value through the consolidated statement of income –

  1. *Securities held for trading,* in the amount of R$ 514,331 (R$ 408,813 on December 31, 2016). They are valued at fair value and the gains or losses are recognized directly in the Income and loss account.

  2. *Derivative financial instruments (Swap transactions)*: The Company maintains derivative hedge instruments to regulate its exposure to risks of variation in exchange rates. Derivatives are recognized initially at their fair value and the attributable transaction costs are recognized in the consolidated statement of income when they are incurred. After the initial recognition, derivatives are measured at fair value and changes in fair value are accounted in the consolidated statement of income.

  3. *Derivative financial instruments (put options)* – Financial liability for put option: the option to sell units in FIP Melbourne and FIP Malbec ('the SAAG Put') has been measured at fair value using the Black-Scholes-Merton (BSM) method. Up to third quarter of 2016 this option was calculated using discounted cash flow, and the BSM method was adopted as from fourth quarter 2016.

- Financial instruments held to maturity: In this category are Securities, in the amount of R$ 21,291 on December 31, 2017, and R$ 28,271 on December 31, 2016, included in Note 7. There is positive intention to hold them to maturity. They are measured at amortized cost using the effective rates method. Fair value, R$ 21,262 on December 31, 2017, and R$ 28,143 on December 31, 2016, was measured using information of Level 2.

- Other financial liabilities – Non-derivative financial liabilities: In this category are Loans and financings; Obligations under debentures; Obligations to the Pension Fund (Forluz); Concessions payable; Suppliers; and Advances from clients. They are measured at amortized cost using the effective rates method. The Company has calculated the fair value of its Loans, financings and debentures using 148.10% of the CDI rate – based on its most recent funding. For the following, the Company considered fair value to be substantially equal to book value: Loans, financings and debentures with annual rates between IPCA + 6.20% and 8.07% and CDI + 1.60% to 5.62%. For the financings, fair value is conceptually similar to book value, due to the specific characteristics of the transactions.

On December 31, 2017 the book values are similar to the fair values of the financial instruments. The same is the case at December 31, 2016, except in relation to loans, of which book value was R$ 8,663,671, and the fair value was R$ 8,301,021, using measurement by Level 2, on the basis of similar liabilities as reference.

a) Financial instruments – derivatives

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. The exercise price of the Put Options will correspond to the amount invested by each private pension plan in the Investment Structure, updated pro rata temporis by the Expanded National Consumer Price (IPCA) index published by the IBGE, plus interest at 7% per year, less such dividends and Interest on Equity as shall have been paid by SAAG to the pension plan entities. This option was considered to be a derivative instrument, accounted at fair value through the consolidated statement of income.

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 were direct equity interests in 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 share of Mesa on December 31, 2017 is ascertained on the basis of free cash flow to equity holders (FCFE), expressed by equivalence of the indirect interests held by the FIPs. Volatility, in turn, is measured as an average of historic volatility (based on the hypothesis that the series of the difference of continuously capitalized returns follows a normal distribution) of comparable companies in the energy generation sector that are traded on the Bovespa.

Based on the studies made, a liability of R$ 311,593 is recorded in the Company's financial statement (R$ 196,173 on December 31, 2016), for the difference between the exercise price and the estimated fair value of the assets.

The changes in the value of the options are as follows:

R$ '000	Consolidated	Holding company
Balance on December 31, 2015	**-**	**147,614**
Initial balance for purposes of consolidation	147,614	-
Adjustment to fair value	48,559	48,559
Balance at December 31, 2016	**196,173**	**196,173**
Variation in fair value	120,754	120,754
Reversals	(5,334)	(5,334)
Balance on December 31, 2017	**311,593**	**311,593**

The Company has made an analysis of the sensitivity of the exercise price of the option, varying the risk-free interest rate and the volatility, keeping the other variables of the model unchanged. In this context, scenarios for the risk-free interest rate at 6.05% to 10.05% p.a., and for volatility between 23% and 83% p.a., were used, resulting in estimates of minimum and maximum price for the put option of R$ 276,199 and R$ 376,787, respectively.

Swap transactions

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

The derivative instruments contracted by the Company have the purpose of protecting its operations against the risks arising from foreign exchange variation; they are not used for speculative purposes.

The amounts of the principal of derivative transactions are not presented in the balance sheet, since they refer to transactions that do not require cash principal payments to be made: only the gains or losses that actually occur are recorded. The net result of these transactions was negative adjustment, on December 31, 2017, of R$ 32,462, recorded in Finance revenue (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. In implementing plans of action, this Committee sets guidelines for proactive control of the financial risks environment.

The table below shows the derivative instruments contracted at December 31, 2017:

Cemig's right (1)	Cemig's obligation	Maturity periods	Trading market	Value of principal contracted	Unrealized gain (loss)	
					Amount according to contract 2017 R$ '000	Fair value 2017 R$ '000
US$ (FX) + Rate (9.25% p.a.)	R$ 150.49% of CDI	12/2017 to 12/2024	Over the counter	US$1,000,000	50,792	(32,462)

1) For the principal, the swap operation has a floor of R$ 3.25 and ceiling of R$ 5.00.

The counterparties of the derivative transactions are the banks Bradesco, Itaú, Goldman Sachs and BTG Pactual.

The parent Company, Cemig, is guarantor of the derivative instruments contracted by Cemig GT.

b) Risk management

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

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

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

Interest rate risk

On December 31, 2017 the Company was 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:

Exposure to Brazilian domestic interest rates R$ '000	Consolidated		Holding company	
	2017	2016	2017	2016
Assets				
Cash equivalents – Cash investments (Note 6)	398,639	424,965	364,092	358,441
Securities (Note 7)	535,622	437,084	408,925	282,153
Accounts receivable – Renova (Note 27)	350,200	74,630	350,200	74,630
Advance for future delivery of power supply	103,998	230,112	71,975	230,112
Restricted cash	18,344	891	18,326	887
	1,406,803	**1,167,682**	**1,213,518**	**946,223**
Liabilities				
Loans, financings and debentures – CDI rate (Note 19)	(3,745,699)	(7,313,557)	(3,748,634)	(7,323,471)
Loans, financings and debentures – TJLP Rate (Note 19)	(2,359)	(78,893)	(2,359)	(78,893)
Advances from clients – CDI (Note 8)	(147,066)	-	(147,066)	-
	(3,895,124)	**(7,392,450)**	**(3,898,059)**	**(7,402,364)**
Net liabilities exposed	**(2,488,321)**	**(6,224,768)**	**(2,684,541)**	**(6,456,141)**

Sensitivity analysis

In relation to the most significant interest rate risk, the Company and its subsidiaries estimate that, in a probable scenario, on December 31, 2018 the Selic rate and the TJLP will be 6.75%. The Company has made a sensitivity analysis of the effects on its income 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.

Estimation of scenarios for the path of interest rates consider the projections made by the Company and its subsidiaries, based on its financial consultants.

Risk: Increase in Brazilian interest rates – Consolidated R$ '000	2017	2018		
	Book value	'Probable' scenario Selic 6.75% TJLP 6.75%	'Possible' scenario Selic 8.44% TJLP 8.44%	'Remote' scenario Selic 10.13% TJLP 10.13%
Assets				
Cash equivalents – Cash investments (Note 6)	398,639	425,547	432,284	439,021
Securities (Note 7)	535,622	571,776	580,828	589,881
Accounts receivable – Renova – CDI (Note 27)	350,200	373,839	379,757	385,675
Advance for future delivery of energy supply	103,998	111,018	112,775	114,533
Restricted cash	18,344	19,582	19,892	20,202
	1,406,803	**1,501,762**	**1,525,536**	**1,549,312**
Liabilities				
Loans, financings and debentures – CDI rate (Note 19)	(3,745,699)	(3,998,534)	(4,061,836)	(4,125,138)
Loans, financings and debentures – TJLP (Note 19)	(2,359)	(2,518)	(2,558)	(2,598)
Advances from clients	(147,066)	(156,993)	(159,478)	(161,964)
	(3,895,124)	**(4,158,045)**	**(4,223,872)**	**(4,289,700)**
Net liabilities exposed	**(2,488,321)**	**(2,656,283)**	**(2,698,336)**	**(2,740,388)**
Net effect of variation in interest rates		**(167,962)**	**(210,015)**	**(252,067)**

Risk of increase in inflation

The Company is not exposed to risk of increase of inflation on December 31, 2017, since it has more assets than liabilities indexed to variation of inflation indices, as shown below:

Exposure to increase in inflation R$ '000	Consolidated		Holding company	
	2017	2016	2017	2016
Assets				
Generation – Concession Grant Fee – IPCA (Note 13)	2,337,135	2,253,765	-	-
Generation – Indemnity receivable – IPCA (Note 13)	1,900,757	546,624	1,900,757	546,624
Transmission – Indemnity receivable – IPCA (Note 13)	1,928,038	1,805,230	1,928,038	1,805,230
	6,165,930	**4,605,619**	**3,828,795**	**2,351,854**
Liabilities				
Loans, financings and debentures – IPCA (Note 19)	(1,343,545)	(1,308,239)	(1,343,545)	(1,308,239)
Debt agreed with pension fund (Forluz) (note 21)	(163,049)	(178,099)	(163,049)	(178,099)
Forluz - deficit of pension plan (Note 21)	(64,109)	-	(64,109)	-
	(1,570,703)	**(1,486,338)**	**(1,570,703)**	**(1,486,338)**
Net assets	**4,595,227**	**3,119,281**	**2,258,092**	**865,516**

Sensitivity analysis

In relation to the most significant risk of increase in inflation, the Company estimates that, in a probable scenario, on December 31, 2018 the IPCA inflation index will be 4.28%. The Company has made a sensitivity analysis of the effects on its income arising from increases in rates of 25% and 50% in relation to the 'probable' scenario.

Risk: increase in inflation Consolidated R$ '000	2017 Book value	2018 'Probable' scenario IPCA 4.28%	'Possible' scenario IPCA 5.35%	'Remote' scenario IPCA 6.42%
Assets				
Generation – Concession Grant Fee – IPCA (Note 13)	2,337,135	2,437,164	2,462,172	2,487,179
Generation – Indemnity receivable – IPCA (Note 13)	1,900,757	1,982,109	2,002,447	2,022,786
Transmission – Indemnity receivable – IPCA (Note 13)	1,928,038	2,010,558	2,031,188	2,051,818
	6,165,930	**6,429,831**	**6,495,807**	**6,561,783**
Liabilities				
Loans, financings and debentures – IPCA (Note 19)	(1,343,545)	(1,401,049)	(1,415,425)	(1,429,801)
Debt agreed with pension fund (Forluz) (note 21)	(163,049)	(170,027)	(171,772)	(173,517)
Forluz - deficit of pension plan (Note 21)	(64,109)	(66,853)	(67,539)	(68,225)
	(1,570,703)	**(1,637,929)**	**(1,654,736)**	**(1,671,543)**
Net assets	**4,595,227**	**4,791,902**	**4,841,071**	**4,890,240**
Net effect of variation in inflation		**196,675**	**245,844**	**295,013**

Exchange rate risk

Cemig GT is exposed to the risk of increase in exchange rates, with effect on Loans and financings, and cash flow.

The net exposure to exchange rates is as follows:

Exposure to exchange rates R$ '000	Consolidated and Holding company 2017 Foreign currency	 2017 R$	 2016 Foreign currency	 2016 R$
US dollar				
Loans and financings (Note 19)	1,007,785	3,333,149	-	-
Euros				
Loans and financings (Note 19)	1,105	4,383	2,157	7,416
Net liabilities exposed	**1,008,890**	**3,337,532**	**2,157**	**7,416**

<u>Sensitivity analysis</u>

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 December 31, 2018 will an appreciation of the dollar by 3.12%, (to R$ 3.4106) and a depreciation of 1.13% for Euro (to R$ 3.922) The Company has made a sensitivity analysis of the effects on the Company's income arising from depreciation of the Real exchange rate by 25%, and by 50%, in relation to the 'probable' scenario.

Risk: foreign exchange rate exposure R$ '000	2017 Book value	2018 Scenario USD=R$ 3.41 Euro=R$ 3.92	Scenario USD=R$ 4.26 Euro=R$ 4.90	Scenario USD=R$ 5.12 Euro=R$ 5.88
US dollar				
Loans and financings (Note 19)	3,333,149	3,437,152	4,296,491	5,155,729
Euros				
Loans and financings (Note 19)	4,383	4,333	5,417	6,500
Net liabilities exposed	3,337,532	3,441,485	4,301,908	5,162,229
Net effect of exchange rate variation		**103,953**	**964,376**	**1,824,697**

Liquidity risk

Cemig GT 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, daily, over 180 days.

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

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

On the reporting date, the Company (holding company and consolidated) presented excess of current liabilities over current assets.

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

The flow of payments of the Company's obligation to suppliers, for debts agreed with the pension fund, loans, financings and debentures, at floating and fixed rates, including future interest up to contractual maturity dates, is shown in this table:

R$ '000	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
Financial instruments at (interest rates):						
- Floating rates						
Suppliers	462,752	9,291	-	-	-	**472,043**
Loans, financings and debentures	17,930	396,647	1,992,092	5,731,139	5,123,779	**13,261,587**
Paid concessions	249	491	2,106	9,564	15,017	**27,427**
Debt agreed with pension fund (Forluz)	2,528	5,080	23,177	137,289	58,710	**226,784**
Forluz solution plan	573	1,152	5,277	31,248	90,429	**128,679**
	484,032	**412,661**	**2,022,652**	**5,909,240**	**5,287,935**	**14,116,520**

Credit risk

The Company's risk of losses due to difficulty in receipt of amounts invoiced to clients is considered to be low. The Company carries out monitoring for the purpose of reducing default, on an individual basis, with its customers. Negotiations are also entered into for receipt of any receivables in arrears.

The allowance for doubtful debtors on December 31, 2017, considered to be adequate in relation to the credits receivable and in arrears, was R$ 21,623.

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

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

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

All investments are made in financial securities that have fixed-income characteristics, always indexed to the CDI rate. The Company does not carry out any transactions that would bring volatility risk into its financial statement.

As a management instrument, Cemig GT divides the investment of its cash holdings between direct purchases of securities, forming its own portfolio, and investment funds. The investment funds invest the funds exclusively in fixed income products, and companies of the Group are the only unit holders. They obey the same policy adopted in the investments for the Company's directly-held own portfolio.
The minimum requirements for concession of credit to financial institutions are centered on three items:

1. Rating by risk rating agencies;
2. Stockholders' equity greater than R$ 400 million;
3. Basel ratio 1% 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	Stockholders' equity	Concentration	Limit per bank (% of Stockholders' equity) (1)
A1	Over R$ 3.5 billion	Minimum of 80%	Between 6% and 9%
A2	R$ 1.0 billion to R$ 3.5 billion	Maximum 20%	Between 5% and 8%
B	R$ 400 million to R$ 1.0 billion	Maximum 20%	Between 5% and 7%

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

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

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

Hydrological risk

The greater part of the energy produced by the Company is generated by hydroelectrical plants. A prolonged period of scarce rainfall can result in lower water volumes in the plants' reservoirs, possibly causing losses due to increased costs of purchasing energy, due to replacement by thermoelectric generation, or reduction of revenues due to reduction in consumption caused by implementation of wide-ranging programs for saving of energy.

Risk of early maturity of debt

The Company has contracts for loans, financings and debentures with covenants relating to financial indices of Cemig GT and its controlling stockholder, and cross-default clauses.

The covenants requiring compliance half-yearly were complied with on December 31, 2017. For fuller details please see Note 19.

c) Capital management

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

	Consolidated		Holding company	
R$ '000	2017	2016	2017	2016
Total liabilities	11,916,796	11,901,050	11,784,433	11,890,751
Cash and cash equivalents (Note 6)	(403,339)	(427,827)	(366,169)	(361,252)
Net liabilities	**11,513,457**	**11,473,223**	**11,418,264**	**11,529,499**
Total equity	**4,793,832**	**4,583,194**	**4,793,832**	**4,583,194**
Net liabilities / equity	**2.40**	**2.50**	**2.38**	**2.52**

CEMIG Geração e Transmissão S.A.

29. MEASUREMENT AT FAIR VALUE

In the initial recognition, the Company measures its financial assets and liabilities at fair value; after initial recognition it classifies them into the categories defined for financial instruments. Fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or liability. We adopt the 'Fair Value Hierarchy', to maximize coherence and comparability; this separation divides the inputs potentially used in measuring fair value into three broad levels, as follows:

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

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

Consolidated R$ '000	Balance at 2017	Fair value at 2017		
		Active market – quoted price (Level 1)	No active market – Valuation technique (Level 2)	No active market – No observable inputs (Level 3)
Assets				
Fair value through income or loss				
Securities held for trading				
Bank certificates of deposit	1,214	-	1,214	-
Financial Notes (LFs) – Banks	142,881	-	142,881	-
Treasury Financial Notes (LFTs)	364,561	364,561	-	-
Debentures	5,675	-	5,675	-
	514,331	364,561	149,770	-
Derivative financial instruments – Swaps	8,649	-	-	8,649
	522,980	364,561	149,770	8,649
Liabilities				
Fair value through income or loss				
Derivative financial instruments – Swaps	(41,111)	-	-	(41,111)
Derivative financial instruments – Options	(311,593)	-	-	(311,593)
	170,276	**364,561**	**149,770**	**(344,055)**

Holding company R$ '000	Balance at 2017	Fair value at 2017		
		Active market – quoted price (Level 1)	No active market – Valuation technique (Level 2)	No active market – No observable inputs (Level 3)
Assets				
Fair value through income or loss				
Securities held for trading				
Bank certificates of deposit	927	-	927	-
Financial Notes (LFs) – Banks	109,080	-	109,080	-
Treasury Financial Notes (LFTs)	278,319	278,319		-
Debentures	4,333	-	4,333	-
	392,659	278,319	114,340	-
Derivative financial instruments – Swaps	8,649	-	-	8,649
	401,308	278,319	114,340	8,649
Liabilities				
Fair value through income or loss				
Derivative financial instruments – Swaps	(41,111)	-	-	(41,111)
Derivative financial instruments – Options	(311,593)	-	-	(311,593)
	48,604	**278,319**	**114,340**	**(344,055)**

Fair value calculation of financial positions

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

Derivative financial instruments

The Company's derivative financial instruments are put options and swap transactions for protection of debts.

Swap transactions: Fair value of swap transactions was calculated considering the market value of corresponding securities at maturity, discounted to present value by the discount factor obtained from the market yield curve in Reais.

Put options: The put options for units of FIP Melbourne and FIP Malbec ('the SAAG Put') were measured at fair value using the Black-Scholes-Merton (BSM) method. Up to third quarter of 2016 these options were calculated using discounted cash flow, and the BSM method was adopted as from fourth quarter 2016.

The movement in relation to the put options, and other information on derivative instruments, is given in Note 28.

30. INSURANCE

The Company maintains insurance policies to cover damages to certain assets, in accordance with orientation by specialists, as listed below, taking into account the nature and the degree of risk, for amounts considered to be sufficient to cover any significant losses related to its assets and responsibilities. The risk assumptions adopted, due to their nature, are not part of the scope of an audit of the financial statement, and consequently have not been examined by the external auditors.

Assets	Cover	Dates of cover	Amount insured (1)	Annual premium (1)
Air transport / Aircraft	Fuselage Third party	Apr. 29, 2017 to Apr. 28, 2018	US$4,675 US$14,000	US$58
Warehouse stores	Fire	Oct. 02, 2017 to Oct. 01, 2018	R$ 14,931	R$ 21
Buildings	Fire	Jan. 08, 2018 to Jan. 07, 2019	R$ 454,828	R$ 98
Telecoms equipment	Fire	Jan. 08, 2018 to Jan. 07, 2019	R$ 11,514	R$ 5
Operational risk – generators, rotors, and power equipment above R$ 1 billion.	(2)	Dec. 07, 2017 to Dec. 06, 2018	R$ 1,333,711	R$ 1,790

(1) Amounts expressed in R$ ’000 or US$’000. (2) The maximum indemnity limit (MIL) is R$ 230,661

The Company, except for its aircraft, does not have third party liability insurance covering accidents, and is not seeking proposals for this type of insurance. Additionally, the Company has not sought proposals for, and does not have current policies for, insurance against events that could affect its facilities such as earthquakes, floods, systemic failures or business interruption. The Company has not suffered significant losses arising from the above-mentioned risks.

31. CONTRACTUAL COMMITMENTS

The Company has contractual obligations, and commitments, that include purchase of power supply and operational leasing, as shown in this table:

R$ ’000	2018	2019	2020	2021	2022	After 2023	Total
Purchase of energy	3,532,425	2,734,524	2,757,608	2,993,556	3,030,128	22,750,388	37,798,629
Operational leasing transactions	20,679	13,411	9,407	9,910	10,512	11,163	75,082
	3,553,104	**2,747,935**	**2,767,015**	**3,003,466**	**3,040,640**	**22,761,551**	**37,873,711**

32. SUBSEQUENT EVENTS

2018 PDVP Programmed Voluntary Retirement Plan

In March 2018, the Company approved the Programmed Voluntary Retirement Program ('the 2018 PDVP'). Those eligible to take part were any employees who will have worked with Cemig for 25 years or more by December 31, 2018. The period for joining the program will be April 2 through 30, 2018. For program offers payment of the severance amounts specified by law, including payment for the period of notice, and especially deposit of the 'penalty' amount of 40% of the FGTS Base Value, and other charges specified by the legislation, with no provision for payment of an additional premium.

Advanced payment for future delivery of energy supply

In the first quarter of 2018, Cemig GT made an advanced payment to Renova of R$ 46,550, in relation to invoices for energy supply becoming due between April and August 2018. These advances were discounted at a rate of 155% of the Interbank Deposit Certificate (CDI).

As a consequence of the process of sale of generation assets by Renova, the parties are in negotiations on the manner of payment of the amounts advanced by Cemig GT.

Binding proposal to Renova

On March 27, 2018 Cemig GT presented a binding proposal to Renova for acquisition of 100% of the shares in Chipley held by Renova, or 51% of the shares in Brasil PCH held by Chipley. Cemig GT's intention is that Renova should sell its interest in Brasil PCH to a third party, or to the Company itself or any of its affiliated companies, in the terms of the Proposal, to make it possible for payment to be made of the amounts owed to Cemig GT. The conclusion of the transaction, if accepted by Renova, will depend on conditions present specified in the Offer of the type that are usual for this type of transaction.

****

(The original is signed by the following signatories:)

Bernardo Afonso Salomão de Alvarenga
Chief Executive Officer

Bernardo Afonso Salomão de Alvarenga
Deputy CEO (interim)

Maurício Fernandes Leonardo Júnior
Chief Finance and Investor Relations Officer

José de Araújo Lins Neto
Chief Corporate Management Officer

Dimas Costa
Chief Trading Officer

Daniel Faria Costa
Chief Business Development Officer

Thiago de Azevedo Camargo
Chief Institutional Relations and Communication Officer

Luciano de Araújo Ferraz
Chief Counsel

Ronaldo Gomes de Abreu
Director without portfolio

Franklin Moreira Gonçalves
Chief Generation and Transmission Officer

Maura Galuppo Botelho Martins
Chief Officer for Human Relations and Resources

Leonardo George de Magalhães
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Leonardo Felipe Mesquita
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A free translation from Portuguese into English of Independent Auditor's Report on Financial Statements 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 REPORT ON INDIVIDUAL AND CONSOLIDATED FINANCIAL STATEMENTS

To the shareholders and Management of:
Cemig Geração e Transmissão S.A.
Belo Horizonte - MG

Opinion

We have audited the individual and consolidated financial statements of Cemig Geração e Transmissão S.A. (the "Company"), identified as Individual and Consolidated, respectively, which comprise the statement of financial position as at December 31, 2017, and the statement of profit or loss, of comprehensive income, of changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the individual and consolidated financial position of Cemig Geração e Transmissão S.A. as at December 31, 2017, and its individual and consolidated financial performance and cash flows for the year then ended in accordance with the accounting practices adopted in Brazil and with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB).

Basis for opinion

We conducted our audit in accordance with Brazilian and International Standards on Auditing. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the individual and consolidated financial statements section of our report. We are independent of the Company and its subsidiaries in accordance with the relevant ethical principles set forth in the Code of Professional Ethics for Accountants, the professional standards issued by the Brazil's National Association of State Boards of Accountancy (CFC) and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter

Risks related to compliance with laws and regulations

As mentioned in Note 14 to the financial statements, the Company has direct and indirect investments in Madeira Energia S.A. and in Renova Energia S.A. and indirect investment in Norte Energia S.A. (jointly referred to as "non-controlled investees"), which are accounted for under the equity method. Currently, investigations and other legal measures are being conducted by public authorities in connection with these non-controlled investees regarding certain expenditures and their allocations, which involve and also include some of their other shareholders and certain executives of these shareholders. At this point, it is not possible to forecast future developments arising from these investigation procedures by the public authorities, nor their possible effects on the Company's financial statements. Our opinion is not qualified in respect of this matter.

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

As discussed in Note 14 to the financial statements, the non-controlled investee Renova Energia S.A. has incurred recurring losses and, as at December 31, 2017, has negative net working capital. These events or conditions indicate the existence of relevant uncertainty that may raise significant doubt about its ability to continue as a going concern. Our opinion is not qualified in respect of this matter.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the individual and consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide an individual opinion on these matters. For each matter below, our description of how our audit addressed the matter, including any commentary on the findings or outcome of our procedures, is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the individual and consolidated financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Information Technology (“TI”) Environment

In view of the high volume of transactions and given the fact that the Company's operations are highly dependent on the proper operation of the IT structure and its systems, along with the complexities inherent in the nature of its business, we consider the information technology environment to be a key audit matter.

How our audit addressed this matter

Our audit procedures included, but not limited to, an evaluation of the design and operating effectiveness of IT general controls ("ITGC") implemented by the Company for the systems considered relevant to the auditing process. The evaluation of ITGCs included audit procedures to evaluate controls over logical access (manage access), manage changes and other technology-related aspects. With regard to the audit of logical access, we tested, on a sample basis, the process of authorizing and granting new user profiles, the timely removal of access of transferred or terminated employees, and the regular review of user profiles.

In addition, we reviewed passwords policies, security settings, and access to technology resources. With regard to the manage changes process, we checked whether system changes were adequately authorized and approved by the Company's Management, as well as the existence of segregation of duties. We also reviewed the operations management process, focusing on the policies to protect information and the timing for incidents resolution. We engaged our IT specialists in the performance of these procedures.

The combination of internal control deficiencies in the logical access and manage changes process represented a significant deficiency, and therefore changed our assessment of nature, timing, and extent of the planned substantive procedures to obtain sufficient and adequate audit evidence regarding the accounting records involved, including those mentioned in the matters described in the following topics.

Revenue recognition - electric power supply

As mentioned in Note 24 to the financial statements, part of the revenue recognized by the Company and its subsidiaries in 2017, totaling R$ 7,135,743 thousand, is derived from electric power supply. Part of the revenue from electric power supply recognized by the Company and its subsidiaries refers to unbilled services provided to customers ("unbilled revenue"), since billing is based on measurements, which in some cases occur after the accounting closing period. The balances of consolidated accounts receivable from billed and unbilled power supply totaled R$ 104,243 thousand and R$ 574,372 thousand as at December 31, 2017, respectively, and are disclosed in Note 8 to the financial statements.

Our audit focused on this matter due to the materiality of amounts involved and to the specific nature of both the billing process, which is highly dependent on computer systems, and the unbilled revenue estimation process, which consider contractual information, reports containing a large number of data obtained from the Company's systems, manual inputs, as well as judgments made by Management on the estimated consumption by customers and final consumers, in order to ensure that revenue is accounted for in the adequate accrual period.

How our audit addressed this matter

Our procedures included, but were not limited to: (i) evaluating the design and operating effectiveness of the internal controls implemented by Company to adequately account for revenue transactions; (ii) physical inspection of documentation support for a sample of revenue journal entries; (iii) testing the mathematical accuracy of unbilled revenue, including understanding and documenting the estimation process, determining and reviewing Management’s assumptions; and (iv) involving experienced audit professionals to define the testing strategy, to review the audit supporting documentation, and to oversee the audit procedures performed. In addition, we assessed the adequacy of the Company's disclosures on this matter.

Based on the results of the audit procedures performed, which are consistent with management's assessment, we considered the estimates prepared by Management to be acceptable, as well as the related disclosures in Notes 8 and 24 in the context of the financial statements taken as a whole.

Service concession’s infrastructure and financial assets

As described in Note 13 to the financial statements, as at December 31, 2017, Company have concession’s financial assets related to transmission and generation services totaling R$ 2,475,838 thousand and R$ 4,237,892 thousand, respectively, representing the service concession’s infrastructure.

For transmission services, the infrastructure of the concession will be recovered through the amounts receivable guaranteed by the granting authority related to the Annual Allowed Revenue (RAP) during the term of the concession and through the indemnification of the reversible assets at the end of the term of the concession.

For generation services, the concession’s financial assets represents represents the amounts invested by the subsidiaries that have not been fully amortized by the end of the concession term, and consequently will be indemnified by the granting authority.

The amount of investments in infrastructure for transmission concession services is an essential part of the methodology applied by the granting authority to define the RAP, under the terms of the Concession Agreement. In addition, the evaluation of the financial asset considers the internal rate return remuneration of the project and the portion of the indemnity to be received on the return of the assets to the granting authority. Definition of which costs are eligible and that should be capitalized as infrastructure cost is subject to Management's judgment. During 2017, the Company recognized investments in the infrastructure assets of transmission services concession in the total amount of R$ 24,827 thousand.

Additionally, determination of costs that qualify as infrastructure investment of generation concession services also has direct impact on evaluation of concession financial assets, which represents the amounts invested by the subsidiaries that have not been fully amortized by the end of the concession term, and consequently will be indemnified by the granting authority.

Our audit focused on this matter due to the specific aspects of the capitalization process, the subsequent evaluation of infrastructure costs, in addition to the relevance of amounts involved.

How our audit addressed this matter

Our audit procedures involved, but were not limited to, evaluating the design and operational effectiveness of the Company's internal controls over accounting for infrastructure investments, including the allocation of indirect costs, policies defined by the Company for such accounting and its applicability to accounting standards in force, and comparison of costs with historical data and observable industry standards.

As part of our procedures, we also recalculated the financial assets recorded by the Company, and compared the calculation-related inputs with external market information and criteria established by the granting authority, in addition to evaluating the changes in the last tariff revisions. An audit adjustment was identified indicating the need to supplement the financial assets restatement of the transmission concession, which was not adjusted by the Company due to their immateriality in relation to the financial statements taken as a whole.

In addition, we assessed the adequacy of the Company's disclosures on this matter.

Based on the results of the audit procedures performed, which are consistent with management's assessment, we considered the estimates prepared by management to be acceptable, as well as the related disclosures in Note 13 in the context of the financial statements taken as a whole.

Post-retirement obligation

At December 31, 2017, net actuarial obligations related to post-retirement benefit plans sponsored by the Company, computed in accordance with the actuarial report issued by its consultant actuary, totaled R$ 904,531 thousand.

Our audit focused on this matter due to the relevance of the amounts recognized in liabilities, in addition to the level of judgment associated with the obligation measurement process, which includes complex assumptions such as long-term interest rates, yield on plan assets, salary increase, turnover, mortality and discount rates. Changes in these assumptions may have a material impact on the amounts recognized in the financial statements.

How our audit addressed this matter

During our audit, we engaged actuarial specialists to support us in evaluate the assumptions used in the calculation of the actuarial assets and liabilities of post-retirement benefit plans described in Note 21 to the financial statements. We compared these assumptions with comparable market data and benchmark standards internally developed based on independent calculations made as part of our procedures. Additionally, our actuarial specialists supported us to carry out procedures for identification of possible post-retirement benefit plans which had not been previously identified and upon evaluation of adequacy of disclosures made by the Company.

Based on the results of the audit procedures performed on post-retirement obligations, which are consistent with management's assessment, we considered that the criteria and assumptions adopted in relation to the recognition of such obligations, the identification of existing obligations, as well as the related disclosures in Note 21, are appropriate in the context of the financial statements taken as a whole.

Impairment of investments in associates and joint ventures

Pursuant to CPC 18 (R2) Investments in Associates, Subsidiaries and Joint Ventures, equivalent to IAS 28, after applying the equity method, the Company shall apply the requirements of Technical Pronouncement CPC 38 - Financial Instruments: Recognition and Measurement, equivalent to IAS 39, to determine the need to recognize any additional impairment loss on the Company's total net investment in the investee. In 2017, as a result of this analysis, the Company and its subsidiaries believed that there was no indication of impairment of their investments; therefore no impairment loss was recognized.

Monitoring this matter was considered significant for our audit, considering the relevance of Company's and its subsidiaries' assets account balances, especially with respect to equity method investments in the amount of R$ 4,723,336 thousand, as disclosed in Note 14 to the financial statements, and to the existence of certain specific circumstances relating to some investees and joint ventures' delayed operation start-up and going concern risk.

How our audit addressed this matter

Our audit procedures included, but were not limited to (i) reviewing internal and external information that could indicate a significant impairment of investments accounted for under the equity method, such as the history of dividends received and the change in the value of publicly-traded shares (if applicable); (ii) reviewing the adequate application of CPC 38 by the investees and joint ventures, by checking the analysis of indications and the calculation of the net recoverable value of assets, as applicable; (iii) reviewing the process, controls and assumptions adopted by Management to identify impairment indications and the calculation of their net recoverable value, as applicable; and (iv) involving experienced audit professionals to define the testing strategy, to review the audit supporting documentation, and to oversee the audit procedures performed. In addition, we assessed the adequacy of the Company's disclosures on this matter.

Based on the results of the audit procedures performed on the balances of investments in associates and joint ventures, which are consistent with management's assessment, we considered that the criteria and assumptions relating to the impairment of investments adopted by Management, as well as the related disclosures in Note 14, are appropriate in the context of the financial statements taken as a whole.

Other matters

Statements of value added

The individual and consolidated statements of value added (SVA) for year ended December 31, 2017, prepared under the responsibility of Company management, and presented as supplementary information for purposes of IFRS, were submitted to audit procedures conducted together with the audit of the Company's financial statements. To form our opinion, we evaluated if these statements are reconciled to the financial statements and accounting records, as applicable, and if their form and content comply with the criteria defined by CPC 09 – Statement of Value Added. In our opinion, these statements of value added were prepared fairly, in all material respects, in accordance with the criteria defined in abovementioned accounting pronouncement, and are consistent in relation to the overall individual and consolidated financial statements.

Audit of corresponding figures

Company's financial statements for the year ended December 31, 2016, were audited by another auditor who expressed an unmodified opinion on those statements on April 11, 2017, containing emphasis of matters on the issues described above and on the uncertainty of the renewal of the concession for Jaguara, São Simão and Miranda.

Other information accompanying the individual and consolidated financial statements and the auditor's report

Management is responsible for such other information, which comprise the Management Report.

Our opinion on the individual and consolidated financial statements does not cover the Management Report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the individual and consolidated financial statements, our responsibility is to read the Management Report and, in doing so, consider whether this report is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of the Management Report, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the individual and consolidated financial statements

Management is responsible for the preparation and fair presentation of the individual and consolidated financial statements in accordance with the accounting practices adopted in Brazil and with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free of material misstatement, whether due to fraud or error.

In preparing the individual and consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company and its subsidiaries or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's and its subsidiaries' financial reporting process.

Auditor's responsibilities for the audit of the individual and consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the individual and consolidated financial statements as a whole are free of material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Brazilian and International standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Brazilian and International Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the individual and consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's and its subsidiaries' internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's and its subsidiaries' ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the individual and consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and its subsidiaries to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the individual and consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements, including applicable independence requirements, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Belo Horizonte, March 28, 2018.

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

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

OPINION OF THE AUDIT BOARD

The members of the Audit Board of Cemig Geração e Transmissão S.A., undersigned, in performance of their duties under the law and the by-laws, have examined the Report of Management and the Financial Statement for 2017, and the related complementary documents. After verifying that these documents reflect the economic and financial situation of the Company, and considering also the explanations provided by the representatives of the Company's management and of its external auditors, the members of the Audit Board are unanimously in favor of their approval by the Ordinary and Extraordinary General Meetings of Shareholders to be held, concurrently, in 2018.

Belo Horizonte, March 28, 2018.

Signed: Edson Moura Soares
Camila Nunes da Cunha Pereira Paulino
Manuel Jeremias Leite Caldas
Rodrigo de Mesquita Pereira

DIRECTORS’ STATEMENT OF REVIEW OF THE FINANCIAL STATEMENT

STATEMENT

We hereby declare for the due purposes and upon the responsibility of our positions that at the 806th meeting of the Executive Board of Cemig Geração e Transmissão S.A., held on March 28, 2018, we approved completion, on March 28, 2018, of the Financial Statement of the Company for the 2017 business year; and submission to the Board of Directors, for decision and submission to the Annual General Meeting of the Report of Management, the Financial statement for the 2017 business year and the respective complementary documents.

In relation to those documents we declare that we have reviewed, discussed and agree with the said Financial Statement.

Belo Horizonte, March 28, 2018.

Signed:

Bernardo Afonso Salomão de Alvarenga,	Chief Executive Officer; interim Deputy CEO
Daniel Faria Costa	Chief Business Development Officer
Dimas Costa	Chief Trading Officer
Franklin Moreira Gonçalves	Chief Generation and Transmission Officer
José de Araújo Lins Neto	Chief Corporate Management Officer
Maura Galuppo Botelho Martins	Chief Officer for Human Relations and Resources
Maurício Fernandes Leonardo Júnior	Chief Finance and Investor Relations Officer
Ronaldo Gomes de Abreu	Chief without portfolio; interim Chief Counsel
Thiago de Azevedo Camargo	Chief Institutional Relations and Communication Officer

DIRECTORS' STATEMENT OF REVIEW OF THE REPORT BY THE EXTERNAL AUDITORS ON THE FINANCIAL STATEMENT

STATEMENT

We hereby declare for the due purposes and upon the responsibility of our positions that at the 806th meeting of the Executive Board of Cemig Geração e Transmissão S.A, held on March 28, 2018, we approved completion, on March 28, 2018, of the Financial Statement of the Company for the 2017 business year; and submission to the Board of Directors, for decision and submission to the Annual General Meeting, of the Report of Management, the Financial statement for the 2017 business year and the respective complementary documents.

In relation to those documents we declare that we have reviewed, discussed and agree with the opinion expressed by the representatives of the External Auditors.

Belo Horizonte, March 28, 2018.

Signed:

Bernardo Afonso Salomão de Alvarenga,	Chief Executive Officer; interim Deputy CEO
Daniel Faria Costa	Chief Business Development Officer
Dimas Costa	Chief Trading Officer
Franklin Moreira Gonçalves	Chief Generation and Transmission Officer
José de Araújo Lins Neto	Chief Corporate Management Officer
Maura Galuppo Botelho Martins	Chief Officer for Human Relations and Resources
Maurício Fernandes Leonardo Júnior	Chief Finance and Investor Relations Officer
Ronaldo Gomes de Abreu	Chief without portfolio; interim Chief Counsel
Thiago de Azevedo Camargo	Chief Institutional Relations and Communication Officer