CEMIG Geração e Transmissão S.A.

CONTENTS

STATEMENTS OF FINANCIAL POSITION

AS OF SEPTEMBER 30, 2018 AND DECEMBER 31, 2017

ASSETS

(Thousands of Brazilian Reais)

	Note	Consolidated		Holding company	
		Sep. 30, 2018	Dec. 31, 2017	Sep. 30, 2018	Dec. 31, 2017
CURRENT					
Cash and cash equivalents	5	845,622	403,339	831,286	366,169
Securities	6	409,912	520,963	352,843	397,734
Customers and Traders	7	868,358	850,487	753,441	763,187
Concession holders – Transport of energy	7	74,793	89,153	74,865	89,249
Recoverable taxes	8	103,086	30,840	101,455	30,064
Income and Social Contribution taxes recoverable	9a	160,752	138,435	160,752	138,435
Concession financial assets	11	551,862	689,353	310,338	456,101
Advances to suppliers		44,956	98,914	33,429	69,914
Hydrological risk renegotiation premium		17,161	16,681	17,161	16,681
Derivative financial instruments - Swaps	26	46,789	-	46,789	-
Other		81,349	135,907	140,645	139,237
TOTAL, CURRENT		**3,204,640**	**2,974,072**	**2,823,004**	**2,466,771**
NON-CURRENT					
Securities	6	68,083	14,659	58,603	11,191
Customers and Traders	7	4,044	-	4,044	-
Recoverable taxes	8	6,005	8,272	6,005	8,272
Escrow deposits	10	340,821	309,994	340,821	309,994
Receivables from related parties	25	1,520,099	351,709	1,523,879	357,549
Hydrological risk renegotiation premium		26,418	35,060	26,418	35,060
Advances to suppliers		85,277	5,084	85,277	2,061
Derivative financial instruments – Swaps	26	226,847	8,649	226,847	8,649
Other		59,052	59,886	59,050	59,875
Concession financial assets	11	5,037,402	6,024,377	2,882,019	3,920,494
Investments – Equity method	12	4,609,463	4,723,336	7,034,289	7,209,862
Property, plant and equipment	13	2,090,825	2,162,890	2,079,204	2,155,847
Intangible assets	14	30,747	32,640	30,747	32,640
TOTAL, NON-CURRENT		**14,105,083**	**13,736,556**	**14,357,203**	**14,111,494**
TOTAL ASSETS		**17,309,723**	**16,710,628**	**17,180,207**	**16,578,265**

The condensed notes are an integral part of the interim financial information.

STATEMENTS OF FINANCIAL POSITION

AS OF SEPTEMBER 30, 2018 AND DECEMBER 31, 2017

LIABILITIES

(Thousands of Brazilian Reais)

	Note	Consolidated		Holding company	
		Sep. 30, 2018	Dec. 31, 2017	Sep. 30, 2018	Dec. 31, 2017
CURRENT					
Loans and financings	17	336,860	153,991	336,860	153,991
Debentures	17	1,256,973	1,453,430	1,257,305	1,456,365
Suppliers	15	470,930	472,043	436,149	454,512
Income tax and Social Contribution tax		78,145	99,832	-	-
Taxes payable	16	79,771	133,666	71,341	126,038
Regulatory charges	18	122,119	151,532	117,815	149,698
Post-retirement obligation	19	56,466	52,395	56,466	52,395
Profit sharing		364,230	564,230	364,230	564,230
Payroll and related charges		54,638	48,547	54,638	48,547
Advances from clients	7	76,042	190,758	76,042	190,758
Derivative financial instruments - Swaps	26	-	12,596	-	12,596
Other obligations		37,574	59,230	36,705	54,734
TOTAL, CURRENT		**2,933,748**	**3,392,250**	**2,807,551**	**3,263,864**
NON-CURRENT					
Loans and financings	17	5,948,633	3,977,975	5,948,633	3,977,975
Debentures	17	1,826,579	2,734,767	1,826,579	2,734,767
Deferred income tax and Social Contribution tax	9b	359,450	416,446	359,420	416,305
Taxes payable	16	4,052	3,830	4,052	3,830
Regulatory charges	18	76,735	84,557	73,446	80,737
Post-retirement obligation	19	863,614	852,136	863,614	852,136
Provisions	20	107,025	96,310	107,025	96,294
Derivative financial instruments - Swap		-	28,515	-	28,515
Derivative financial instruments - Put options	26	374,184	311,593	374,184	311,593
Other obligations		16,634	18,417	16,634	18,417
TOTAL, NON-CURRENT LIABILITIES		**9,576,906**	**8,524,546**	**9,573,587**	**8,520,569**
TOTAL LIABILITIES		**12,510,654**	**11,916,796**	**12,381,138**	**11,784,433**
EQUITY	21				
Share capital		2,600,000	1,837,710	2,600,000	1,837,710
Profit reserves		2,040,310	2,702,600	2,040,310	2,702,600
Equity valuation adjustments		122,674	153,522	122,674	153,522
Advance against future capital increase		-	100,000	-	100,000
Retained earnings		36,085	-	36,085	-
TOTAL OF EQUITY		**4,799,069**	**4,793,832**	**4,799,069**	**4,793,832**
TOTAL LIABILITIES AND EQUITY		**17,309,723**	**16,710,628**	**17,180,207**	**16,578,265**

The condensed notes are an integral part of the interim financial information.

STATEMENTS OF INCOME

FOR THE NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2018 AND 2017

(Thousands of Brazilian Reais, except earnings per share)

	Note	Consolidated		Holding company	
		Jan to Sep 2018	Jan to Sep 2017	Jan to Sep 2018	Jan to Sep 2017
NET REVENUE	22	**5,121,455**	**5,716,449**	**4,609,463**	**5,238,030**
OPERATING COSTS					
COSTS OF ENERGY	23				
Charges for use of the national grid		(169,376)	(257,420)	(142,742)	(232,259)
Energy purchased for resale		(2,865,752)	(2,990,677)	(2,799,647)	(2,950,140)
		(3,035,128)	**(3,248,097)**	**(2,942,389)**	**(3,182,399)**
COST	23				
Personnel and managers		(200,065)	(232,488)	(181,508)	(223,502)
Materials		(32,169)	(6,713)	(30,651)	(5,414)
Outsourced services		(74,260)	(52,791)	(63,160)	(42,915)
Depreciation and amortization		(105,255)	(117,520)	(105,117)	(117,470)
Operating provisions, net		(14,876)	(22,729)	(14,892)	(22,713)
Infrastructure construction cost		(12,726)	(11,226)	(12,726)	(11,226)
Other		(17,463)	(9,835)	(15,929)	(8,486)
		(456,814)	**(453,302)**	**(423,983)**	**(431,726)**
TOTAL COST		**(3,491,942)**	**(3,701,399)**	**(3,366,372)**	**(3,614,125)**
GROSS PROFIT		**1,629,513**	**2,015,050**	**1,243,091**	**1,623,905**
OPERATING EXPENSES	23				
Selling expenses		(138)	(16,257)	(138)	(16,257)
General and administrative expenses		(78,991)	(131,841)	(78,991)	(131,841)
Other operating expenses		(164,697)	(154,576)	(164,040)	(154,278)
		(243,826)	**(302,674)**	**(243,169)**	**(302,376)**
Share of (loss) profit, net, of associates and joint ventures	12	(250,755)	(157,710)	48,738	151,127
Income before finance income (expenses) and taxes		**1,134,932**	**1,554,666**	**1,048,660**	**1,472,656**
Finance income	24	459,349	120,579	444,356	98,474
Finance expenses	24	(1,505,431)	(849,456)	(1,503,755)	(849,183)
Income before Income Tax and Social Contribution tax		**88,850**	**825,789**	**(10,739)**	**721,947**
Current Income and Social Contribution taxes	9c	(140,609)	(209,620)	(40,909)	(105,173)
Deferred Income and Social Contribution taxes	9c	56,996	(90,762)	56,885	(91,367)
NET INCOME FOR THE PERIOD		**5,237**	**525,407**	**5,237**	**525,407**
Basic and diluted earnings per common share – R$	21	**0,0018**	**0,1814**	**0,0018**	**0,1814**

The condensed notes are an integral part of the interim financial information.

STATEMENTS OF INCOME

FOR THE THREE-MONTH PERIODS ENDED SEPTEMBER 30, 2018 AND 2017

(Thousands of Brazilian Reais, except earnings per share)

	Note	Consolidated		Holding company	
		Jul to Sep 2018	Jul to Sep 2017	Jul to Sep 2018	Jul to Sep 2017
NET REVENUE	22	**1,845,780**	**2,047,279**	**1,662,929**	**1,873,762**
OPERATING COSTS					
COSTS OF ENERGY	23				
Charges for use of the national grid		(43,855)	(91,364)	(34,088)	(82,433)
Energy purchased for resale		(1,173,243)	(1,275,814)	(1,133,638)	(1,256,951)
		(1,217,098)	**(1,367,178)**	**(1,167,726)**	**(1,339,384)**
COST	23				
Personnel and managers		(61,655)	(69,568)	(55,593)	(66,919)
Materials		(27,692)	(2,446)	(27,001)	(1,913)
Outsourced services		(26,051)	(18,028)	(20,522)	(15,339)
Depreciation and amortization		(34,967)	(34,288)	(34,917)	(34,267)
Operating provisions, net		(512)	(2,924)	(512)	(2,923)
Infrastructure construction cost		(7,994)	(4,201)	(7,994)	(4,201)
Other operating costs (reversals)		(5,546)	3,085	(4,411)	3,350
		(164,417)	**(128,370)**	**(150,950)**	**(122,212)**
TOTAL COST		**(1,381,515)**	**(1,495,548)**	**(1,318,676)**	**(1,461,596)**
GROSS PROFIT		**464,265**	**551,731**	**344,253**	**412,166**
OPERATING EXPENSES	23				
Selling expenses (reversals)		14	(16,257)	14	(16,257)
General and administrative expenses		(29,174)	(42,570)	(29,174)	(42,570)
Other operating expenses		(86,528)	(58,787)	(86,310)	(58,699)
		(115,688)	**(117,614)**	**(115,470)**	**(117,526)**
Share of (loss) profit, net, of associates and joint ventures	12	(110,343)	(172,177)	(17,876)	(65,361)
Income before finance income (expenses) and taxes		**238,234**	**261,940**	**210,907**	**229,279**
Finance income	24	206,035	35,820	202,173	32,101
Finance expenses	24	(496,845)	(231,334)	(496,742)	(231,177)
Income before income tax and social contribution tax		**(52,576)**	**66,426**	**(83,662)**	**30,203**
Current income and Social Contribution taxes	9c	(72,117)	(37,199)	(40,909)	833
Deferred income and Social Contribution taxes	9c	63,042	(34,372)	62,920	(36,181)
NET INCOME (LOSS) FOR THE PERIOD		**(61,651)**	**(5,145)**	**(61,651)**	**(5,145)**
Basic and diluted earnings per common share – R$	21	**(0,0213)**	**(0,0018)**	**(0,0213)**	**(0,0018)**

The condensed notes are an integral part of the interim financial information.

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2018 AND 2017

(Thousands of Brazilian Reais)

	Consolidated		Holding company	
	Jan to Sep 2018	Jan to Sep 2017	Jan to Sep 2018	Jan to Sep 2017
NET INCOME FOR THE PERIOD	**5,237**	**525,407**	**5,237**	**525,407**
Items that might be reclassified to statements of income in subsequent periods				
Equity gain (loss) on Other comprehensive income in subsidiary and jointly-controlled entity, regarding the fair value of a financial asset available for sale	-	(33,852)	-	(33,852)
COMPREHENSIVE INCOME FOR THE PERIOD	**5,237**	**491,555**	**5,237**	**491,555**

The condensed notes are an integral part of the interim financial information.

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE QUARTERS ENDED SEPTEMBER 30, 2018 AND 2017

(Thousands of Brazilian Reais)

	Consolidated		Holding company	
	Jul to Sep 2018	Jul to Sep 2017	Jul to Sep 2018	Jul to Sep 2017
NET INCOME (LOSS) FOR THE PERIOD	**(61,651)**	**(5,145)**	**(61,651)**	**(5,145)**
COMPREHENSIVE INCOME FOR THE PERIOD	**(61,651)**	**(5,145)**	**(61,651)**	**(5,145)**

The condensed notes are an integral part of the interim financial information.

STATEMENT OF CHANGES IN CONSOLIDATED EQUITY

FOR THE NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2018 AND 2017

(Thousands of Brazilian Reais)

	Share capital	Advance for future capital increase	Profit reserves	Equity valuation adjustments	Retained earnings	Total Equity
BALANCES ON DECEMBER 31, 2016	**1,837,710**	**-**	**2,474,659**	**270,825**	**-**	**4,583,194**
Net income for the period	-	-	-	-	525,407	525,407
Other comprehensive income						
Equity gain (loss) on other comprehensive income in subsidiary and jointly-controlled entity	-	-	-	(33,852)	-	(33,852)
Total Comprehensive income for the period	**-**	**-**	**-**	**(33,852)**	**525,407**	**491,555**
Advance for future capital increase	-	100,000	-	-	-	100,000
Realization of reserves						
Realization of deemed cost of PP&E	-	-	-	(13,673)	13,673	-
BALANCES ON SEPTEMBER 30, 2017	**1,837,710**	**100,000**	**2,474,659**	**223,300**	**539,080**	**5,174,749**
BALANCES ON DECEMBER 31, 2017	**1,837,710**	**100,000**	**2,702,600**	**153,522**	**-**	**4,793,832**
Net income for the period	-	-	-	-	5,237	5,237
Total Comprehensive income for the period	**-**	**-**	**-**	-	**5,237**	**5,237**
Capital increase	762,290	(100,000)	(662,290)	-	-	-
Realization of reserves						
Realization of deemed cost of PP&E	-	-	-	(30,848)	30,848	-
BALANCES ON SEPTEMBER 30, 2018	**2,600,000**	**-**	**2,040,310**	**122,674**	**36,085**	**4,799,069**

The condensed notes are an integral part of the interim financial information.

STATEMENTS OF CASH FLOWS

FOR THE NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2018 AND 2017
(Thousands of Brazilian Reais)

	Note	Consolidated		Holding company	
		Jan to Sep 2018	Jan to Sep 2017	Jan to Sep 2018	Jan to Sep 2017
CASH FLOW FROM OPERATIONS					
Net income for the period		5,237	525,407	5,237	525,407
Expenses (revenues) that do not affect cash and cash equivalents:					
Depreciation and amortization	23	109,445	122,951	109,307	122,901
Loss on write off of net residual value of unrecoverable Concession financial assets , PP&E and Intangible assets		34,889	8,913	34,891	8,913
Share of loss (profit) of associates and joint ventures	12	250,755	157,710	(48,738)	(151,127)
Interest, monetary variation and updating of Concession financial assets		75,265	344,599	324,198	585,408
Foreign exchange variations	17	774,340	659	774,340	659
Amortization of loans' transaction costs	17	16,764	23,115	16,764	23,115
Income tax and Social Contribution tax	9c	83,613	300,382	(15,976)	196,540
Adjustment of indemnity – plants with non-renewed concessions (Ministerial Order 291)		-	(259,516)	-	(259,516)
Provisions for operating losses, net	23	15,468	38,986	15,484	38,970
Fair value adjustment of derivative financial instruments - Swap	24	(322,847)	-	(322,847)	-
Fair value adjustment of derivative financial instruments - Put options	26	62,591	67,965	62,591	67,965
Provision for reimbursement due to suspension of supply – Renova		(51,635)		(51,635)	
Post-retirement obligation	19	65,811	73,342	65,811	73,342
The Minas Gerais State Tax Amnesty Plan ('PRCT')		-	29,951	-	29,951
		1,119,696	**1,434,464**	**969,427**	**1,262,528**
(Increase) / decrease in assets					
Customers and Traders		(22,053)	(105,740)	5,564	(67,895)
Recoverable taxes		(78,221)	5,747	(77,366)	6,206
Income and Social Contribution taxes recoverable		(11,823)	(2,914)	(11,033)	(2,913)
Transport of energy		14,360	(59,928)	14,384	(60,029)
Escrow deposits		(21,978)	(2,840)	(21,978)	(2,840)
Dividends received from investments		92,230	110,541	397,571	522,362
Concession financial assets		1,645,708	153,992	1,459,751	(18,376)
Advances to suppliers		(69,387)	(99,232)	(93,087)	(68,387)
Others		7,566	108,268	9,543	116,334
		1,556,402	**107,894**	**1,683,349**	**424,462**
Increase (decrease) in liabilities					
Suppliers		(1,113)	120,544	(18,363)	109,378
Taxes payable		(18,865)	(82,128)	(19,667)	(86,085)
Income and Social Contribution taxes payable		-	(10,598)	-	(5,029)
Payroll and related charges		6,091	4,991	6,091	4,994
Regulatory charges		(37,235)	42,263	(39,174)	41,257
Post-retirement obligation	19	(50,262)	(45,945)	(50,262)	(45,945)
Advances from clients		(122,089)	93,246	(122,089)	93,246
Others		(27,600)	(52,432)	(23,973)	(51,339)
		(251,073)	**69,941**	**(267,437)**	**60,477**
Cash generated by operating activities		**2,425,025**	**1,612,299**	**2,385,339**	**1,747,467**
Income tax and Social Contribution tax paid		(193,184)	(123,892)	(72,587)	(100,144)
Interest paid on loans and financings	17	(473,922)	(663,553)	(473,922)	(663,553)
Settlement of derivative financial instruments - Swap		12,981	-	12,981	-
NET CASH FROM OPERATING ACTIVITIES		**1,770,900**	**824,854**	**1,851,811**	**983,770**
CASH FLOWS FROM INVESTING ACTIVITIES					
Capital contribution in investees	12b	(167,565)	(228,205)	(167,605)	(228,205)
Loans with related parties		(1,030,000)	-	(1,030,000)	-
Property, plant and equipment	13	(41,848)	(20,268)	(37,134)	(18,585)
Intangible assets	14	(1,569)	(528)	(1,569)	(528)
Marketable securities		67,651	372,193	4,900	265,088
NET CASH FROM (USED IN) INVESTING ACTIVITIES		**(1,173,331)**	**123,192**	**(1,231,408)**	**17,770**

The condensed notes are an integral part of the interim financial information.

	Note	Consolidated		Holding company	
		Jan to Sep 2018	Jan to Sep 2017	Jan to Sep 2018	Jan to Sep 2017
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from Loans, financings and debentures	17	1,948,018	-	1,948,018	-
Interest on capital and dividends paid		(200,000)	-	(200,000)	-
Payment of loans	17	(1,903,304)	(1,256,551)	(1,903,304)	(1,256,551)
Advance for future capital increase	21	-	100,000	-	100,000
NET CASH USED IN FINANCING ACTIVITIES		**(155,286)**	**(1,156,551)**	**(155,286)**	**(1,156,551)**
NET INCREASE IN CASH AND CASH EQUIVALENTS		**442,283**	**(208,505)**	**465,117**	**(155,011)**
Cash and cash equivalents at the beginning of the period	5	403,339	427,827	366,169	361,252
Cash and cash equivalents at the end of the period	5	**845,622**	**219,322**	**831,286**	**206,241**

The condensed notes are an integral part of the interim financial information.

STATEMENTS OF ADDED VALUE

FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2018 AND 2017

(Thousands of Brazilian Reais)

	Consolidated				Holding company			
	Jan to Sep 2018		Jan to Sep 2017		Jan to Sep 2018		Jan to Sep 2017	
REVENUES								
Sales of electricity and services	5,771,655		6,109,542		5,414,554		5,790,944	
Construction revenue	12,726		11,226		12,726		11,226	
Gain on financial updating of the Concession Grant Fee	245,729		240,420		-		-	
Investments in PP&E	52,513		19,130		52,513		19,130	
Transmission Indemnity revenue	208,164		295,749		208,164		295,749	
Generation Indemnity revenue	82,331		259,516		82,331		259,516	
Provision for doubtful receivables (PECLD)	(138)		(16,257)		(138)		(16,257)	
Other revenues (expenses)	191		-		191		-	
	6,373,171		**6,919,326**		**5,770,341**		**6,360,308**	
INPUTS ACQUIRED FROM THIRD PARTIES								
Energy purchased for resale	(3,140,598)		(3,254,478)		(3,069,395)		(3,210,789)	
Charges for use of national grid	(185,729)		(280,785)		(156,863)		(253,631)	
Outsourced services	(134,282)		(104,132)		(123,173)		(94,251)	
Materials	(57,982)		(30,022)		(56,464)		(28,723)	
Paid concession	(2,068)		(2,264)		(2,068)		(2,264)	
Other operational costs	(128,952)		(107,479)		(127,439)		(106,485)	
	(3,649,611)		**(3,779,160)**		**(3,535,402)**		**(3,696,143)**	
GROSS VALUE ADDED	**2,723,560**		**3,140,166**		**2,234,939**		**2,664,165**	
RETENTIONS								
Depreciation and amortization	(109,445)		(122,951)		(109,307)		(122,901)	
NET ADDED VALUE	**2,614,115**		**3,017,215**		**2,125,632**		**2,541,264**	
ADDED VALUE RECEIVED BY TRANSFER								
Share of (loss) profit, net, of associates and joint ventures	(250,755)		(157,710)		48,738		151,127	
Finance income	459,349		120,579		444,356		98,474	
	208,594		**(37,131)**		**493,094**		**249,601**	
ADDED VALUE TO BE DISTRIBUTED	**2,822,709**		**2,980,084**		**2,618,726**		**2,790,865**	
DISTRIBUTION OF ADDED VALUE								
		%		%		%		%
Employees	**271,022**	**9.60**	**338,406**	**11.37**	**253,773**	**9.70**	**329,420**	**11.79**
Direct remuneration	177,210	6.28	193,623	6.52	161,364	6.16	184,637	6.60
Benefits	75,963	2.69	87,977	2.95	75,027	2.87	87,977	3.15
FGTS	11,118	0.39	12,290	0.41	10,651	0.41	12,290	0.44
Programmed Voluntary Retirement Plan	6,731	0.24	44,516	1.49	6,731	0.26	44,516	1.60
Taxes	**1,022,373**	**36.22**	**1,251,410**	**41.98**	**837,803**	**31.99**	**1,071,918**	**38.41**
Federal	607,718	21.53	786,582	26.39	456,312	17.42	634,379	22.73
State	412,486	14.61	462,314	15.51	379,365	14.49	435,026	15.59
Municipal	2,169	0.08	2,514	0.08	2,126	0.08	2,513	0.09
Remuneration of external capital	**1,524,077**	**53.99**	**864,861**	**29.02**	**1,521,913**	**58.11**	**864,120**	**30.97**
Interest	1,505,431	53.33	849,456	28.50	1,503,755	57.42	849,183	30.43
Rentals	18,646	0.66	15,405	0.52	18,158	0.69	14,937	0.54
Remuneration of own capital	**5,237**	**0.19**	**525,407**	**17.63**	**5,237**	**0.20**	**525,407**	**18.83**
Retained earnings	5,237	0.19	525,407	17.63	5,237	0.20	525,407	18.83
	2,822,709	**100.00**	**2,980,084**	**100.00**	**2,618,726**	**100.00**	**2,790,865**	**100.00**

The condensed notes are an integral part of the interim financial information.

CONDENSED NOTES TO THE INTERIM FINANCIAL STATEMENTS

FOR THE NINE-MONTH PERIOD ENDED AS OF SEPTEMBER 30, 2018

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

1. OPERATING CONTEXT

Cemig Geração e Transmissão S.A. (‘the Company’, ‘**Cemig GT**’ or ‘Cemig Geração e Transmissão’) is a Brazilian corporation registered with the Brazilian Securities Commission (*Comissão de Valores Mobiliários*, or 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, Belo Horizonte, Minas Gerais.

Company is engaged in: (i) study, plan, design, build and commercially operate systems of generation, transmission and sale of electricity and related services for which concessions are granted, under any form of law, to it or to subsidiaries; (ii) operate in the various fields of energy sector, from any source, for the purpose of economic and commercial operation; (iii) provide consultancy services within its field of operation to companies in Brazil and abroad; and (iv) carry out activities directly or indirectly related to its objects.

Cemig GT has interests in 59 power plants, of which 54 are hydroelectric, three are wind power plants, one is thermal, and one is solar, and the associated transmission lines, most of which are part of the Brazilian national generation and transmission grid system, with installed capacity for 4,854 MW (information not reviewed by external auditors).

Cemig GT has equity interests in affiliated companies and subsidiaries, individually or jointly controlled with other companies, whose objects are construction and operation of systems for production and sale of electricity.

In the period from January to September of 2018, the Company generated positive consolidated operating cash flow of R$ 1,770,900 (R$ 824,854 in the period from January to September of 2017); and positive operating cash flow of R$ 1,851,811 in the holding company (R$ 983,770 in the same period of 2017).

As of September 30, 2018, the Company’s consolidated indebtedness from loans, financings and debentures on current and non-current liabilities totaled R$ 1,593,833 and R$ 7,775,212, respectively.

As part of the Company’s indebtedness management, in December 2017 and July 2018 the Company issued Eurobonds for an amount of US$ 1 billion (R$ 3.2 billion) and US$ 500 million (R$1.9 billion), respectively, which mature in 2024. In addition, from January to September of 2018 there was early settlement of debts in the amount of R$ 1.3 billion, which had been contracted at a cost of 140% of the CDI rate with original maturity in

December 2021. These initiatives have balanced the Company's cash flows, extended average debt maturities, and improved credit quality.

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

Changes in the Company's by-laws – enhancement of corporate governance

On June 11, 2018 a General Meeting of Shareholders approved changes to the Company's by-laws, to formalize best corporate governance practices and meet the requirements of Law 13,303/2016 (the 'State Companies Law'). The improvements now formally incorporated in the by-laws include:

- Reduction of the number of members of the Board of Directors from 15 to 9, in line with the IBGC Best Corporate Governance Practices Code, and the Corporate Sustainability Evaluation Manual of the Dow Jones Sustainability Index.

- Creation of the Audit Committee (*Comitê de Auditoria*). The Fiscal Council (*Conselho Fiscal*) remains in existence.

The changes in the by-laws have not affected the Company's dividend policy.

2. BASIS OF PREPARATION

2.1 Statement of compliance

The interim financial information has been prepared in accordance with International Accounting Standard No. 34 – Interim Financial Reporting, issued by the International Accounting Standards Board (IASB), Accounting Pronouncement 21 (R1) – 'CPC21', which applies to interim financial information, and the rules issued by the Brazilian Securities Commission (*Comissão de Valores Mobiliários*, or CVM), applicable to preparation of Interim Financial Information (*Informações Trimestrais*, or ITR).

This interim financial information has been prepared according to principles, practices and criteria consistent with those adopted in the preparation of the December 31, 2017 financial statements, except for the adoption of new pronouncements that came into force as from January 1, 2018, the impacts of which are presented in Note 2.2 to this interim financial information.

Thus, this interim financial information should be read in conjunction with the said financial statements, approved by the Company's Fiscal Council on March 28, 2018.

The material information in the interim financial information is being disclosed, which is used by Management in its administration of the Company.

On November 5, 2018 the Company's Executive Board authorized the issuance of this Interim financial information.

2.2 Adoption of new pronouncements effective as from January 1, 2018

IFRS 15/CPC 47 (Revenue from contracts with customers)

IFRS 15/CPC 47 - Revenue from contracts with customers - establishes a five-step model to account for revenues arising from contracts with customers. Under IFRS 15, revenue is recognized at an amount which reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. This new pronouncement will supersede all current requirements for recognition of revenue under the CPCs/IFRS. Additionally IFRS 15/ CPC 47 establishes requirements for more detailed presentation and disclosure than the pronouncement in effect.

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

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

The Company and its subsidiaries have adopted the new standard based on the prospective method, as from January 1, 2018, without significant financial effects in its Interim financial information.

IFRS 9/CPC 48 – Financial Instruments

IFRS 9/CPC 48 – Financial Instruments - 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, not affecting accounting recognition of the Company and its subsidiaries financial assets and liabilities. IFRS 9 / CPC 48 contains three categories of accounting for financial instruments: Amortized cost; Fair value through other comprehensive income; and Fair value through profit or loss.

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

Consolidated	Classification	
	IFRS 39 (CPC 38)	IFRS 9 (CPC 48)
Financial assets		
Cash equivalents – Investments	Loans and receivables	Amortized cost
Securities – Investments (1)	Held to maturity	Amortized cost
Securities – Investments (1)	Available for sale	Fair value through profit or loss
Customers and Traders; Concession holders (Transport of energy)	Loans and receivables	Amortized cost
Restricted cash	Loans and receivables	Amortized cost
Advances to suppliers	Loans and receivables	Amortized cost
Receivable from related parties	Loans and receivables	Amortized cost
Escrow deposits	Loans and receivables	Amortized cost
Derivative financial instruments - Swaps	Fair value through profit or loss	Fair value through profit or loss
Concession financial assets – Transmission - Assets remunerated by tariff	Loans and receivables (2)	Fair value through profit or loss
Indemnities receivable – Transmission	Loans and receivables (2)	Fair value through profit or loss
Indemnities receivable – Generation	Loans and receivables (2)	Fair value through profit or loss
Concession grant fee – Generation concessions	Loans and receivables	Amortized cost
Other	Loans and receivables	Amortized cost
Financial liabilities		
Loans, financings and debentures	Amortized cost	Amortized cost
Debt agreed with pension fund (Forluz)	Amortized cost	Amortized cost
Concessions payable	Amortized cost	Amortized cost
Suppliers	Amortized cost	Amortized cost
Advances from clients	Amortized cost	Amortized cost
Derivative financial instruments - Swaps	Fair value through profit or loss	Fair value through profit or loss
Derivative financial instruments – Put options	Fair value through profit or loss	Fair value through profit or loss

1) The Company has ‘securities’ with various classifications under IFRS 9/CPC 48.
2) Recognized at their nominal realization values, which are similar to fair value.

The Company and its subsidiaries have adopted the new standard based on the prospective method, as from January 1, 2018, without significant financial effects in its Interim financial information.

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

The table below shows the correlation between the Explanatory Notes published in the financial statements on December 31, 2017 and the interim financial information on September 30, 2018.

The Company understands that this interim financial information presents the material updating of information relating to its equity situation, and its results for the nine-month period ended September 30, 2018, in compliance with the requirements for disclosure stated by the CVM (the Brazilian Securities Commission).

Number of the Note		Title of the Note
Dec. 31, 2017	Sep. 30, 2018	
1	1	Operational context
2	2	Basis of preparation
3	3	Consolidation principles
4	4	Concessions and authorizations
5	27	Operational segments
6	5	Cash and cash equivalents
7	6	Securities
8	7	Customers and Traders
9	8	Recoverable taxes
10	9	Income and Social Contribution tax recoverable
11	9	Income and Social Contribution tax
12	10	Escrow deposits in litigation
13	11	Concession financial assets
14	12	Investments
15	13	Property, plant and equipment
16	14	Intangible assets
17	15	Suppliers
18	16	Taxes and social security
19	17	Loans, financings and debentures
20	18	Regulatory charges
21	19	Post-retirement obligation
22	20	Provisions
23	21	Equity
24	22	Revenue
25	23	Operating costs and expenses
26	24	Finance income and expenses
27	25	Related party transactions
28	26	Financial instruments and risk management
29	26	Measurement at fair value
32	28	Subsequent events

The Notes to the 2017 financial statements that have not been included in these interim financial statements because they had no material changes, and/or were not applicable to the interim information, are as follows:

Number of the Note	Title of the Note
30	Insurance
31	Commitments

3. PRINCIPLES OF CONSOLIDATION

The reporting dates for the interim financial information of subsidiaries and jointly-controlled entities used for the purposes of consolidation and equity method gains (losses), respectively, coincide with those of the Company. Accounting practices are applied uniformly in line with those used by the Company.

The following subsidiaries and are included in the interim financial information:

Subsidiary	Sep. 30, 2018 and Dec. 31, 2017
	Direct interest, %
Cemig Baguari	100.00
Cemig Geração Três Marias S.A.	100.00
Cemig Geração Salto Grande S.A.	100.00
Cemig Geração Itutinga S.A.	100.00
Cemig Geração Camargos S.A.	100.00
Cemig Geração Sul S.A.	100.00
Cemig Geração Leste S.A.	100.00
Cemig Geração Oeste S.A.	100.00

4. CONCESSIONS AND AUTHORIZATIONS

Cemig GT, including its subsidiaries and consortium, holds the following concessions or authorizations:

	Company holding concession	Concession contract	Expiration date
POWER GENERATION			
Hydroelectric plants			
Emborcação (1)	Cemig GT	07/1997	07/2025
Nova Ponte (1)	Cemig GT	07/1997	07/2025
Santa Luzia (1)	Cemig GT	07/1997	02/2026
Irapé (1)	Cemig GT	14/2000	02/2035
Queimado (Consortium) (1)	Cemig GT	06/1997	01/2033
Salto Morais (1)	Cemig GT	02/2013	07/2020
Rio de Pedras (1)	Cemig GT	02/2013	09/2024
Luiz Dias (1)	Cemig GT	02/2013	08/2025
Poço Fundo (1)	Cemig GT	02/2013	08/2025
São Bernardo (1)	Cemig GT	02/2013	08/2025
Xicão (1)	Cemig GT	02/2013	08/2025
Três Marias (2)	Cemig Geração Três Marias S.A.	08/2016	01/2046
Salto Grande (2)	Cemig Geração Salto Grande	09/2016	01/2046
Itutinga (2)	Cemig Geração Itutinga	10/2016	01/2046
Camargos (2)	Cemig Geração Camargos	11/2016	01/2046
Coronel Domiciano, Joasal, Marmelos, Paciência and Piau (2)	Cemig Geração Sul	12/2016 and 13/2016	01/2046
Dona Rita, Ervália, Neblina, Peti, Sinceridade and Tronqueiras (2)	Cemig Geração Leste	14/2016 and 15/2016	01/2046
Cajurú, Gafanhoto and Martins (2)	Cemig Geração Oeste	16/2016	01/2046
Thermal plants			
Igarapé (1)	Cemig GT	07/1997	08/2024
POWER TRANSMISSION			
National grid (3)	Cemig GT	006/1997	01/2043
Itajubá Substation (3)	Cemig GT	79/2000	10/2030

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

(2) Generation concession contracts whose revenue related to the Concession Grant Fee is within the scope of ICPC 01 /IFRIC 12, and is classified as concession financial assets.

(3) Transmission concession contracts that are within the scope of ICPC 01 /IFRIC 12, considering the financial asset model, and the income and costs of the construction works related to the formation of the financial asset is recognized as expenses are incurred. The financial asset to be reimbursed is identified when the implementation of the infrastructure is finalized and included as remuneration for the services of implementation of the infrastructure.

5. CASH AND CASH EQUIVALENTS

	Consolidated		Holding company	
	Sep. 30, 2018	Dec. 31, 2017	Sep. 30, 2018	Dec. 31, 2017
Bank accounts	398	4,700	322	2,077
Cash investments:				
Bank certificates of deposit (CDBs)	747,143	282,675	746,540	274,542
Overnight	98,081	111,657	84,424	85,243
Others	-	4,307	-	4,307
	845,224	**398,639**	**830,964**	**364,092**
	845,622	**403,339**	**831,286**	**366,169**

Bank Certificates of Deposit (*Certificados de Depósito Bancário* or CDBs) accrued interest at 75% to 106% 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) on September 30, 2018 (85% to 106% on December 31, 2017).

Overnight transactions are repos available for redemption on the following day. They are usually backed by Treasury Bills, Notes or Bonds and referenced to a pre-fixed rate of 6.39%, on September 30, 2018 (6.89% on December 31, 2017). Their purpose is to settle the Company and its subsidiaries' short-term obligations, or to be used in the acquisition of other assets with better return to replenish the portfolio.

The Company and its subsidiaries' exposure to interest rate risks and a sensitivity analysis for financial assets and liabilities are disclosed in Note 26.

6. SECURITIES

	Consolidated		Holding company	
	Sep. 30, 2018	Dec. 31, 2017	Sep. 30, 2018	Dec. 31, 2017
Bank certificates of deposit (CDBs)	-	1,214	-	927
Financial Notes (LFs) – Banks	228,955	149,459	197,074	114,102
Treasury Financial Notes (LFTs)	226,356	364,561	194,837	278,319
Debentures	22,622	20,334	19,473	15,524
Others	62	54	62	53
	477,995	**535,622**	**411,446**	**408,925**
Current	**409,912**	**520,963**	**352,843**	**397,734**
Non-current	**68,083**	**14,659**	**58,603**	**11,191**

Bank Financial Notes (*Letras Financeiras*, or LFs) are fixed-rate fixed-income securities, issued by banks and that accrued interest a percentage of the CDI published by the Custody and Settlement Chamber (Câmara de Custódia e Liquidação, or Cetip). The LFs in Cemig GT's portfolio have remuneration rates varying from 102% to 111.25% of the CDI (102.01% to 112% in 2017).

Treasury Financial Notes (LFTs) are fixed-income securities, their yield follows the daily changes in 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 from

104.25% to 151% of the CDI Rate on September 30, 2018 (104.25% to 161.54% on December 31, 2017).

Note 26 provides further information of these securities. Investments in securities of related parties are shown in Note 25.

7. CUSTOMERS, TRADERS AND TRANSPORT OF ENERGY CONCESSION HOLDERS

	Balances not yet due		Up to 90 days past due	More than 90 days past due	Consolidated		Holding company	
	Billed supply	Unbilled supply			Sep. 30, 2018	Dec. 31, 2017	Sep. 30, 2018	Dec. 31, 2017
Industrial	12,226	252,764	23,901	51,754	340,645	331,437	272,740	286,360
Commercial, Services and others	9,084	48,740	-	10	57,834	38,589	57,834	38,589
Other concession holders – wholesale supply	-	251,092	19,415	3,698	274,205	308,589	234,421	273,526
Concession Holders – Transport of energy	3,821	63,940	2,167	4,865	74,793	89,153	74,865	89,249
CCEE (Wholesale Electricity Trading Chamber)	283	-	218,221	2,975	221,479	193,495	214,251	186,335
(–) Provision for doubtful receivables	-	-	-	(21,761)	(21,761)	(21,623)	(21,761)	(21,623)
	25,414	616,536	263,704	41,541	947,195	939,640	832,350	852,436
					Sep. 30, 2018	Dec. 31, 2017	Sep. 30, 2018	Dec. 31, 2017
Current assets								
Customers and Traders					868,358	850,487	753,441	763,187
Transport of energy Concession Holders					74,793	89,153	74,865	89,249
Non-current assets								
Customers and Traders					4,044	-	4,044	-

Note 26 presents Company and its subsidiaries' exposure to credit risk related to customers and traders.

The allowance for doubtful accounts is considered to be sufficient to cover any potential losses in the realization of accounts receivable, and its changes is as follows:

Consolidated and Holding company	
Balance at December 31, 2016	**4,109**
Additions, net	16,257
Balance on September 30, 2017	**20,366**
Balance at December 31, 2017	**21,623**
Additions, net	138
Balance at September 30, 2018	**21,761**

Advances from clients

Cemig GT receives advance payments for the sale of energy from certain customers. Advance payments related to services not yet provided are as follows:

Consolidated and Holding company	
Balance on December 31, 2016	**181,200**
Addition	282,601
Supply completed	(189,355)
Monetary adjustments	37,666
Balance on September 30, 2017	**312,112**
Balance on December 31, 2017	**190,758**
Supply completed	(122,089)
Monetary adjustments	7,373
Balance on September 30, 2018	**76,042**

Advance payments are adjusted until the actual delivery of the energy supply under the following terms:

Sep. 30, 2018				Balances on Sep. 30, 2018	Balances on Dec. 31, 2017
Counterparty	Specified period for energy billing	Index for adjusting prepaid amounts	MWh deliverable		
BTG Pactual	-	1.57% a.m.	-	-	17,287
BTG Pactual	-	1.2% p.m.	-	-	25,633
Deal Comercializadora	-	1.2% p.m.	-	-	772
White Martins Gases Industriais Ltda.	Nov. 2018 – Mar. 2019	124% of CDI rate	143,094	76,042	147,066
				76,042	**190,758**

Revenue from advanced sales of energy supply is recognized in the statement of income only when the supply actually take place.

8. RECOVERABLE TAXES

	Consolidated		Holding company	
	Sep. 30, 2018	Dec. 31, 2017	Sep. 30, 2018	Dec. 31, 2017
Current				
ICMS (VAT)	24,427	6,644	23,562	5,868
ICMS – advance payment (1)	55,950	-	55,950	-
COFINS	5,377	2,400	4,748	2,400
PASEP	304	488	167	488
Social Security Contributions	13,882	13,690	13,882	13,690
Others	3,146	7,618	3,146	7,618
	103,086	**30,840**	**101,455**	**30,064**
Non-current				
ICMS (VAT)	6,005	7,731	6,005	7,731
COFINS	-	451	-	451
PASEP	-	90	-	90
	6,005	**8,272**	**6,005**	**8,272**
	109,091	**39,112**	**107,460**	**38,336**

(1) On September 14, 2018 the State of Minas Gerais issued Decree 47488 ordering that payments of ICMS tax relating to November and December 2018 should be paid on September 20, 2018. The ICMS tax paid, in the amount of R$ 55,854, is being updated at the Selic rate until the date of payment of the remaining balance and was defined based on 75% of the amount paid by the company in August 2018. The remaining balance for

the months of November and December 2018 will be paid by December 7, 2018 and January 8, 2019, respectively. The updated balance at September 30, 2018 is R$ 55,950.

The ICMS (VAT) credits that are reported in non-current assets arise from acquisitions of property, plant and equipment, and intangible assets, and can be offset against taxes payable in the next 48 months. The transfer to non-current was made in accordance with management's best estimate of the amounts which will likely be realized after September 2019.

Credits of PIS, PASEP and COFINS generated by the acquisition of machinery and equipment can be offset immediately.

9. INCOME AND SOCIAL CONTRIBUTION TAX

a) Income and Social Contribution tax recoverable

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

	Consolidated		Holding company	
	Sep. 30, 2018	Dec. 31, 2017	Sep. 30, 2018	Dec. 31, 2017
Current				
Income tax	88,792	85,093	88,792	85,093
Social contribution tax	71,960	53,342	71,960	53,342
	160,752	**138,435**	**160,752**	**138,435**

b) Deferred income tax and Social Contribution tax

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

	Consolidated		Holding company	
	Sep. 30, 2018	Dec. 31, 2017	Sep. 30, 2018	Dec. 31, 2017
ASSETS				
Post-retirement obligation	261,244	252,231	261,244	252,231
Estimated provision for doubtful receivables	7,399	7,352	7,399	7,352
Provisions for contingencies	36,389	32,740	36,389	32,740
Other provisions	373,023	366,304	373,023	366,304
Paid concession	7,704	8,227	7,704	8,227
Adjustment to fair value: Swap/loss	-	11,037	-	11,037
Others	2,092	2,235	2,092	2,235
	687,851	**680,126**	**687,851**	**680,126**
LIABILITIES				
Deemed cost	(220,371)	(236,262)	(220,371)	(236,262)
Adjustment to expectation of cash flow from the indemnifiable Concession financial assets	(558,815)	(675,533)	(558,815)	(675,533)
Cost of acquisition of equity interests	(130,513)	(136,967)	(130,513)	(136,967)
Escrow deposits monetary adjustment	(28,253)	(28,007)	(28,253)	(28,007)
Adjustment to fair value of Swap - Gain	(93,036)	-	(93,036)	-
Others	(16,313)	(19,803)	(16,283)	(19,662)
	(1,047,301)	**(1,096,572)**	**(1,047,271)**	**(1,096,431)**

Total net liabilities presented in Statement of financial position	**(359,450)**	**(416,446)**	**(359,420)**	**(416,305)**

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

	Consolidated	Holding company
Balance on December 31, 2016	**(286,174)**	**(285,529)**
Effects allocated to statement of income	(90,762)	(91,367)
Balance on September 30, 2017	**(376,936)**	**(376,896)**
Balance on December 31, 2017	**(416,446)**	**(416,305)**
Effects allocated to statement of income	56,996	56,885
Balance on September 30, 2018	**(359,450)**	**(359,420)**

c) Reconciliation of income tax and the Social Contribution tax effective rate:

This table reconciles the statutory income tax (rate 25%) and the Social Contribution tax (rate 9%) with the current income tax expense in the Income Statement:

	Consolidated		Holding company	
	Jan to Sep 2018	Jan to Sep 2017	Jan to Sep 2018	Jan to Sep 2017
Income before income tax and social contribution tax	**88,850**	**825,789**	**(10,739)**	**721,947**
Income tax and social contribution tax – nominal expense	(30,209)	(280,768)	3,651	(245,462)
Tax effects applicable to:				
Tax incentives	2,474	3,106	1,604	2,424
Share of profit (loss) in associates and joint ventures	(89,710)	(65,760)	12,118	39,245
Gain on dilution of an equity interest	-	7,686	-	7,686
Non-deductible penalties	(911)	(99)	(907)	(99)
Non-deductible contributions and donations	(508)	(415)	(275)	(245)
Difference between Presumed profit and Real profit	35,341	35,927	-	-
Others	(90)	(59)	(215)	(89)
Income tax and social contribution tax – effective expense	**(83,613)**	**(300,382)**	**15,976**	**(196,540)**
Current tax	(140,609)	(209,620)	(40,909)	(105,173)
Deferred tax	56,996	(90,762)	56,885	(91,367)
	(83,613)	**(300,382)**	**15,976**	**(196,540)**
Effective rate	**94,11%**	**36,38%**	**148,77%**	**27,22%**

	Consolidated		Holding company	
	Jul to Sep 2018	Jul to Sep 2017	Jul to Sep 2018	Jul to Sep 2017
Income before income tax and social contribution tax	**(52,576)**	**66,426**	**(83,662)**	**30,203**
Income tax and social contribution tax – nominal expense	17,876	(22,585)	28,445	(10,269)
Tax effects applicable to:				
Tax incentives	2,474	(1,225)	1,604	(1,225)
Share of profit (loss) in associates and joint ventures	(39,002)	(60,025)	(7,563)	(23,707)
Non-deductible penalties	(356)	(28)	(355)	(28)
Non-deductible contributions and donations	(329)	(96)	(96)	(96)
Difference between Presumed profit and Real profit	10,246	12,402	-	-
Others	16	(14)	(24)	(23)
Income tax and social contribution tax – effective expense	**(9,075)**	**(71,571)**	**22,011**	**(35,348)**
Current tax	(72,117)	(37,199)	(40,909)	833
Deferred tax	63,042	(34,372)	62,920	(36,181)
	(9,075)	**(71,571)**	**22,011**	**(35,348)**
Effective rate	**17.26%**	**107.75%**	**26.31%**	**117.03%**

10. ESCROW DEPOSITS

These deposits are mainly related to legal proceedings relating to labor and tax contingencies, as follows:

	Consolidated		Holding company	
	Sep. 30, 2018	Dec. 31, 2017	Sep. 30, 2018	Dec. 31, 2017
Labor claims	33,976	29,676	33,976	29,676
Tax contingencies				
Income tax on Interest on Equity	15,316	14,908	15,316	14,908
Pasep and Cofins taxes (1)	188,384	183,606	188,384	183,606
Income and social contr. tax on indemnity for employees' 'Anuênio' benefit (2)	64,349	63,027	64,349	63,027
Urban property tax (IPTU)	10,275	6,497	10,275	6,497
The Social Contribution tax on net income (CSLL) (3)	18,062	-	18,062	-
Others	1,054	4,186	1,054	4,186
	297,440	**272,224**	**297,440**	**272,224**
Others				
Court embargo	1,207	521	1207	521
Regulatory	3,485	3,308	3,485	3,308
Others	4,713	4,265	4,713	4,265
	9,405	**8,094**	**9,405**	**8,094**
	340,821	**309,994**	**340,821**	**309,994**

(1) The escrow deposits relating to Pasep and Cofins taxes refer to the case challenging the constitutionality of *inclusion* of the ICMS (VAT), which has been charged, *within* the amount on which the Pasep and Cofins taxes are calculated.

(2) See more details in Note 20 – *Provisions (Indemnity of employees' future benefit – the 'Anuênio').*

(3) Escrow deposit due to an infringement notice related to CSLL tax on the amounts of cultural and artistic donations and sponsorships, expenses of punitive fines, and taxes with enforcement suspended.

1) Inclusion of ICMS tax in the taxable base for Pasep and Cofins taxes

This refers to escrow deposits in the action challenging the constitutionality of inclusion of ICMS tax within the amount to which Pasep and Cofins taxes are applied. The Company obtained an interim permission from the court not to make the payment, and authorization to make an escrow deposit, as from 2008, and maintained this practice until August 2011. After that date, while continuing to challenge the basis of the calculation in court, they opted to pay the taxes monthly.

In October 2017, the Federal Supreme Court (*Supremo Tribunal Federal*, or STF) published its Joint Judgment on the Extraordinary Appeal, which has the status of a global precedent, in favor of the Company's argument. Cemig GT reversed the provision in the amount of R$ 101,233, with effect on the net income for 2017, and recorded the reversal as a deduction on revenue, in the fourth quarter of that year, remaining an escrow deposit in amount of R$ 188,384 as of September 30, 2018.

11. CONCESSION FINANCIAL ASSETS

The balances of the financial assets are as follows:

	Consolidated		Holding company	
	Sep. 30, 2018	Dec. 31, 2017	Sep. 30, 2018	Dec. 31, 2017
Transmission – Receivable for residual value	1,817,663	1,928,038	1,817,663	1,928,038
Transmission – Assets remunerated by tariff	557,960	547,800	557,960	547,800
Generation – Receivable for residual value	816,734	1,900,757	816,734	1,900,757
Generation – Concession grant fee	2,396,907	2,337,135	-	-
	5,589,264	**6,713,730**	**3,192,357**	**4,376,595**
Current	**551,862**	**689,353**	**310,338**	**456,101**
Non-current	**5,037,402**	**6,024,377**	**2,882,019**	**3,920,494**

The changes in concession financial assets are as follows:

	Consolidated			Holding company		
	Generation	Transmission	Total	Generation	Transmission	Total
Balance on December 31, 2016	**2,800,389**	**2,287,511**	**5,087,900**	**546,624**	**2,287,511**	**2,834,135**
Additions	-	11,226	11,226	-	11,226	11,226
Monetary updating	240,420	146,494	386,914	-	146,494	146,494
Amounts received	(172,368)	(142,105)	(314,473)	-	(142,105)	(142,105)
Disposals	-	(3,232)	(3,232)	-	(3,232)	(3,232)
Transfers – Plants not renewed (Volta Grande, Miranda and São Simão)	879,818	-	879,818	879,818	-	879,818
Adjustment of the BRR of Transmission Assets	-	149,255	149,255	-	149,255	149,255
Adjustment on indemnities of plants not renewed (Ministerial Order 291) – including financial updating	259,516	-	259,516	259,516	-	259,516
Balance on September 30, 2017	**4,007,775**	**2,449,149**	**6,456,924**	**1,685,958**	**2,449,149**	**4,135,107**
Balance on December 31, 2017	**4,237,892**	**2,475,838**	**6,713,730**	**1,900,757**	**2,475,838**	**4,376,595**
Additions	-	12,726	12,726	-	12,726	12,726
Monetary updating (1)	301,061	208,164	509,225	55,332	208,164	263,496
Adjustment of expectation of cash flow from Concession financial assets	-	11,977	11,977	-	11,977	11,977
Amounts received	(1,325,312)	(333,122)	(1,658,434)	(1,139,355)	(333,122)	(1,472,477)
Transfers – PP&E	-	40	40	-	40	40
Balance on September 30, 2018	**3,213,641**	**2,375,623**	**5,589,264**	**816,734**	**2,375,623**	**3,192,357**

(1) The revenue corresponding to financial updating is shown net of a write-off of R$ 26,999 of the deemed cost of the Miranda and São Simão plants.

Transmission – Residual value receivable

Company's transmission concession contracts are within the scope of ICPC 01 (IFRIC 12). The financial assets under these contracts refer to the investment made in infrastructure that will be returned to the grantor at the end of the concession contract and for which the Company is entitled to receive an amount corresponding to the residual value of the infrastructure assets at the end of the concession contract.

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 corresponding to the residual value of the assets. The Ministerial Order determined that the amounts homologated by the regulator 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, the regulator, through its Dispatch 2,181, homologated the amount of R$ 892,050, in Reais as of December 2012, for the portion of the residual value of assets to be paid to the Company. This amount was recorded as a financial asset, with specific maturity and interest rate, in accordance with its characteristics.

The amount of indemnity to be received, updated to September 30, 2018, in the amount of R$ 1,817,663 (R$ 1,928,038 on December 31, 2017), 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$ 957,872 (R$ 992,802 on December 31, 2017). This amount is to be inflation adjusted by the IPCA index (Expanded National Customer Price Index) and remunerated at the weighted average cost of capital of the transmission industry as defined by the regulator for the Periodic Tariff Review, to be paid over a period of eight years, in the form of reimbursement through the RAP, from July 2017.

Residual Value of transmission assets – injunction awarded to industrial customers

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

The preliminary injunction was partial, with effects related to suspension of the inclusion in the customer tariffs paid by these associations of the portion of the indemnity corresponding to the remuneration of cost of capital included since the date of extension of the concessions – amounting to R$ 399,796 on September 30, 2018 (R$ 316,138 on December 31, 2017) updated by the IPCA inflation index.

In compliance with the court decision, the regulator, in its Technical Note 183/2017-SGT/ANEEL of June 22, 2017, presented a new calculation, excluding the amounts that refer to the cost of own capital. Cemig believes that this is a provisional decision, and that its right to receive the amount referring to the assets of the basic national grid system (*Rede Básica Sistema Elétrico*, or RBSE) is guaranteed by law, so that no adjustment to the amount recorded on September 30, 2018 is necessary.

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

The regulator, Aneel, accepted the Company's claim for inclusion of certain cables in the basis for the tariff calculation, and calculated the differences between the revenue amounts ratified in the tariff reviews of June 23, 2009 and June 8, 2010. The new amounts, calculated with the inclusion of the value of these cables in the regulatory remuneration base of assets (*Base de Remuneração de Ativos*, or BRR), for the period from July 2005 through December 2012, resulted in a credit of R$ 149,255, when updated to currency of July 2017, and Cemig received this amount in twelve months, through RAP, until June, 2018.

Remaining balance to be received through RAP

The remaining balance, of R$ 459,995 on September 30, 2018 (R$ 544,471 on December 31, 2017) was incorporated into the regulatory remuneration base of assets, and is being recovered via RAP.

The Company expects to receive in full the receivables in relation to the residual value of the transmission assets.

Transmission – Assets remunerated by tariff

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

Under the *Proret*, the revenue established in the Resolutions is payable to the transmission concessionaires as from the date of start of commercial operation of the facilities. In the periods between tariff reviews, the revenues associated with the improvements and upgrades of facilities are provisional. They are then ultimately determined in the review immediately subsequent to the start of commercial operation of the facilities; this review then has effect starting on the date when commercial operations begin. On September 30, 2018, the receivable amounts are R$ 557,960 (R$ 547,800 on December 31, 2017).

Generation – Residual value financial asset

Starting August 2013, various concession under the Concession Contract 007/1997 started expiring. Upon expiration of the concession contract, the Company has a right to receive an amount corresponding to the residual value of the infrastructure assets, as specified in the concession contract. The financial asset balance corresponding to such amounts, including Deemed Cost, are recognized in Financial Assets, amounted to R$ 816,734 on September 30, 2018 (R$ 816,411 on December 31, 2017).

Generating plant	Concession expiration date	Installed capacity (MW)	Net balance of assets based on historical cost	Net balance of assets based on fair value (replacement cost)
Lot D				
Três Marias Hydroelectric Plant	July 2015	396	71,694	413,450
Salto Grande Hydroelectric Plant	July 2015	102	10,835	39,379
Itutinga Hydroelectric Plant	July 2015	52	3,671	6,589
Camargos Hydroelectric Plant	July 2015	46	7,818	23,095
Piau Small Hydroelectric Plant	July 2015	18.01	1,531	9,005
Gafanhoto Small Hydroelectric Plant	July 2015	14	1,232	10,262
Peti Small Hydroelectric Plant	July 2015	9.4	1,346	7,871
Dona Rita Small Hydroelectric Plant	Sep. 2013	2.41	534	534
Tronqueiras Small Hydroelectric Plant	July 2015	8.5	1,908	12,323
Joasal Small Hydroelectric Plant	July 2015	8.4	1,379	7,622
Martins Small Hydroelectric Plant	July 2015	7.7	2,132	4,041
Cajuru Small Hydroelectric Plant	July 2015	7.2	3,576	4,252
Paciência Small Hydroelectric Plant	July 2015	4.08	728	3,936
Marmelos Small Hydroelectric Plant	July 2015	4	616	4,265
Others				
Volta Grande Hydroelectric Plant	Feb. 2017	380	25,621	70,118
Miranda Hydroelectric Plant	Dec. 2016	408	26,710	22,546
Jaguara Hydroelectric Plant	Aug. 2013	424	40,452	174,203
São Simão Hydroelectric Plant	Jan. 15	1,710	2,258	3,243
		3,601.70	**204,041**	**816,734**

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

On September 30, 2018, investments made after the *Jaguara, São Simão* and *Miranda* plants came into operation, in the amounts of R$ 174,203, R$ 3,243 and R$ 22,546, respectively, are recorded as concession financial assets, and the determination of the final amounts to be paid to the Company are under discussions with the regulator. Management does not expect losses in realization of these amounts.

Miranda and São Simão plants – Basic plans

On August 31, 2018 the Company received the indemnity relating to the basic plans of the *São Simão* and *Miranda* hydroelectric plants, totaling R$ 1,139,355, as specified in Ministerial Order 291/17 of the Mining and Energy Ministry (MME). The amounts of the reimbursement were subjected to monetary updating by the variation in the Selic rate up to the date of receipt.

Plants	Miranda	São Simão	Total
Concession termination date	Dec. 2016	Jan. 15	
Residual value of assets based on deemed cost on 12/31/2017	**609,995**	**202,744**	**812,739**
Adjustment (1)	174,157	40,855	215,012
Amounts based on MME Order	**784,152**	**243,599**	**1,027,751**
Monetary updating	25,373	31,222	56,595
Residual value of assets of basic project on 12/31/2017	**809,525**	**274,821**	**1,084,346**
Monetary updating (2)	42,118	12,891	55,009
Amounts received	**(851,643)**	**(287,712)**	**(1,139,355)**
Residual value of assets of basic project on 09/30/2018	-	-	-

(1) Adjustment of the residual value of the *São Simão* and *Miranda* plants, as per MME Order 291/17.
(2) The revenue corresponding to financial updating is shown net of a write-off of R$ 26,999 of the deemed cost of the Miranda and São Simão plants.

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, were transferred to the related specific-purpose entities (SPEs), wholly-owned subsidiaries of Company, as follows:

SPE	Plants	Balance on Dec. 31, 2017	Monetary updating	Amounts received	Balance on Sep. 30, 2018
Cemig Geração Três Marias S.A.	Três Marias	1,330,134	133,096	(99,914)	1,363,316
Cemig Geração Salto Grande S.A.	Salto Grande	417,393	41,952	(31,510)	427,835
Cemig Geração Itutinga S.A.	Itutinga	155,594	17,549	(13,396)	159,747
Cemig Geração Camargos S.A.	Camargos	116,710	13,077	(9,973)	119,814
Cemig Geração Sul S.A.	Coronel Domiciano, Joasal, Marmelos, Paciência and Piau	152,170	18,207	(14,032)	156,345
Cemig Geração Leste S.A.	Dona Rita, Ervália, Neblina, Peti, Sinceridade and Tronqueiras	103,133	13,596	(10,655)	106,074
Cemig Geração Oeste S.A.	Cajurú, Gafanhoto and Martins	62,001	8,252	(6,477)	63,776
Total		**2,337,135**	**245,729**	**(185,957)**	**2,396,907**

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

The Company paid a concession fee for a 30-year concession contract related to 18 hydroelectric plants was R$ 2,216,353. The amount of the concession fee was recognized as a financial asset, as the Company has an unconditional right to receive the amount paid, updated by the IPCA Index and remuneratory interest (the total amounts is equivalent to the project's internal return rate), during the period of the concession. Of the energy produced by these plants, 70% is sold in the Regulated Market (ACR) and 30% in the Free Market (ACL).

12. INVESTMENTS

Information on investments in the subsidiaries, jointly-controlled entities and affiliated companies is as follows:

	Consolidated		Holding company	
	Sep. 30, 2018	Dec. 31, 2017	Sep. 30, 2018	Dec. 31, 2017
Affiliated companies				
Madeira Energia (Santo Antônio Plant)	416,066	534,761	416,066	534,761
FIP Melbourne (Santo Antônio Plant)	481,470	582,504	481,470	582,504
Jointly-controlled entities				
Hidrelétrica Cachoeirão	49,954	57,957	49,954	57,957
Guanhães Energia	75,524	25,018	75,524	25,018
Hidrelétrica Pipoca	29,368	26,023	29,368	26,023
Lightger	41,143	40,832	41,143	40,832
Baguari Energia	167,379	148,422	167,379	148,422
Central Eólica Praias de Parajuru	44,825	60,101	44,825	60,101
Central Eólica Volta do Rio	53,619	67,725	53,619	67,725
Central Eólica Praias de Morgado	44,620	50,569	44,620	50,569
Aliança Norte (Belo Monte Plant)	651,980	576,704	651,980	576,704
Amazônia Energia (Belo Monte Plant)	992,434	866,554	992,434	866,554
Aliança Geração	1,282,773	1,242,170	1,282,773	1,242,170
Retiro Baixo	168,253	157,773	168,253	157,773
Renova	106,100	282,524	106,100	282,524
Usina Hidrelétrica Itaocara S.A.	3,955	3,699	3,955	3,699
Subsidiaries				
Cemig Baguari	-	-	38	23
Cemig Geração Três Marias S.A.	-	-	1,354,449	1,391,822
Cemig Geração Salto Grande S.A.	-	-	427,507	440,122
Cemig Geração Itutinga S.A.	-	-	169,869	171,279
Cemig Geração Camargos S.A.	-	-	123,902	130,426
Cemig Geração Sul S.A.	-	-	169,272	167,571
Cemig Geração Leste S.A.	-	-	113,538	115,885
Cemig Geração Oeste S.A.	-	-	66,251	69,398
Total	**4,609,463**	**4,723,336**	**7,034,289**	**7,209,862**

The Company's investees that are not consolidated are jointly-controlled entities and 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 together with the acquisition cost of the investments in the previous table. These assets will be amortized over the remaining period of the concessions on the straight-line basis.

	Consolidated and Holding company Dec. 31, 2016	Amortization	Consolidated and Holding company Sep. 30, 2017	Consolidated and Holding company Dec. 31, 2017	Amortization	Consolidated and Holding company Sep. 30, 2018
Retiro Baixo	29,525	(888)	28,637	28,344	(886)	27,458
Central Eólica Praias de Parajuru	19,341	(1,146)	18,195	16,503	(1,060)	15,443
Central Eólica Volta do Rio	13,807	(756)	13,051	11,035	(653)	10,382
Central Eólica Praias de Morgado	27,406	(1,542)	25,864	23,956	(1,457)	22,499
Madeira Energia (Santo Antônio plant)	157,340	(4,467)	152,873	151,384	(4,467)	146,917
Aliança Norte (Belo Monte plant)	56,518	(1,479)	55,039	54,546	(1,478)	53,068
	303,937	**(10,278)**	**293,659**	**285,768**	**(10,001)**	**275,767**

b) Changes of investments in subsidiaries, jointly-controlled entities and affiliated companies are as follows:

Consolidated	Dec. 31, 2017	Gain (loss) by equity method (Income statement)	Injections/acquisitions	Dividends	Sep. 30, 2018
Hidrelétrica Cachoeirão	57,957	8,347	-	(16,350)	49,954
Guanhães Energia	25,018	(564)	51,070	-	75,524
Hidrelétrica Pipoca	26,023	4,548	-	(1,203)	29,368
Madeira Energia (Santo Antônio Plant)	534,761	(118,779)	84	-	416,066
FIP Melbourne (Santo Antônio Plant)	582,504	(101,034)	-	-	481,470
Baguari Energia	148,422	22,515	-	(3,558)	167,379
Central Eólica Praias de Parajuru	60,101	(7,483)	-	(7,793)	44,825
Central Eólica Volta do Rio	67,725	(14,106)	-	-	53,619
Central Eólica Praias de Morgado	50,569	(5,949)	-	-	44,620
Lightger	40,832	2,090	-	(1,779)	41,143
Amazônia Energia (Belo Monte Plant)	866,554	55,699	70,181	-	992,434
Aliança Norte (Belo Monte Plant)	576,704	33,107	42,169	-	651,980
Aliança Geração	1,242,170	40,603	-	-	1,282,773
Retiro Baixo	157,773	10,480	-	-	168,253
Renova	282,524	(176,424)	-	-	106,100
Usina Hidrelétrica Itaocara S.A.	3,699	(3,805)	4,061	-	3,955
Total of investments	**4,723,336**	**(250,755)**	**167,565**	**(30,683)**	**4,609,463**

Holding company	Dec. 31, 2017	Gain (loss) by equity method (Income statement)	Injections/ acquisitions	Dividends	Sep. 30, 2018
Hidrelétrica Cachoeirão	57,957	8,347	-	(16,350)	49,954
Guanhães Energia	25,018	(564)	51,070	-	75,524
Hidrelétrica Pipoca	26,023	4,548	-	(1,203)	29,368
Madeira Energia (Santo Antônio Plant)	534,761	(118,779)	84	-	416,066
FIP Melbourne (Santo Antônio Plant)	582,504	(101,034)	-	-	481,470
Baguari Energia	148,422	22,515	-	(3,558)	167,379
Central Eólica Praias de Parajuru	60,101	(7,483)	-	(7,793)	44,825
Central Eólica Volta do Rio	67,725	(14,106)	-	-	53,619
Central Eólica Praias de Morgado	50,569	(5,949)	-	-	44,620
Lightger	40,832	2,090	-	(1,779)	41,143
Amazônia Energia (Belo Monte Plant)	866,554	55,699	70,181	-	992,434
Aliança Norte (Belo Monte Plant)	576,704	33,107	42,169	-	651,980
Aliança Geração	1,242,170	40,603	-	-	1,282,773
Retiro Baixo	157,773	10,480	-	-	168,253
Renova	282,524	(176,424)	-	-	106,100
Usina Hidrelétrica Itaocara S.A.	3,699	(3,805)	4,061	-	3,955
Cemig Baguari	23	(25)	40	-	38
Cemig Geração Três Marias S.A.	1,391,822	132,828	-	(170,201)	1,354,449
Cemig Geração Salto Grande S.A.	440,122	48,590	-	(61,205)	427,507
Cemig Geração Itutinga S.A.	171,279	27,788	-	(29,198)	169,869
Cemig Geração Camargos S.A.	130,426	23,162	-	(29,686)	123,902
Cemig Geração Sul S.A.	167,571	30,248	-	(28,547)	169,272
Cemig Geração Leste S.A.	115,885	23,797	-	(26,144)	113,538
Cemig Geração Oeste S.A.	69,398	13,105	-	(16,252)	66,251
Total of investments	**7,209,862**	**48,738**	**167,605**	**(391,916)**	**7,034,289**

Consolidated	Dec. 31, 2016	Gain (loss) by equity method (Income statement)	Injections/acquisitions	Dividends – Provision	Other comprehensive income	Others	Sep. 30, 2017
Hidrelétrica Cachoeirão	50,411	8,950	-	(2,641)	-	-	56,720
Guanhães Energia (1)	-	(2,037)	86,280	-	-	(59,071)	25,172
Hidrelétrica Pipoca	31,809	3,228	-	(1,284)	-	-	33,753
Madeira Energia (Santo Antônio Plant)	643,890	(84,553)	-	-	-	-	559,337
FIP Melbourne (Santo Antônio Plant)	677,182	(73,209)	-	-	-	-	603,973
Baguari Energia	162,106	13,887	-	(30,274)	-	-	145,719
Central Eólica Praias de Parajuru	63,307	(1,293)	-	(406)	-	-	61,608
Central Eólica Volta do Rio	81,228	(5,439)	-	-	-	-	75,789
Central Eólica Praias de Morgado	59,586	(3,991)	-	-	-	-	55,595
Lightger	41,543	2,280	-	(2,569)	-	-	41,254
Amazônia Energia (Belo Monte Plant)	781,022	(6,965)	76,686	-	-	-	850,743
Aliança Norte (Belo Monte Plant)	527,498	(6,376)	46,707	-	-	-	567,829
Aliança Geração	1,319,055	39,977	-	(51,576)	-	-	1,307,456
Retiro Baixo	161,848	8,460	-	(11,182)	-	-	159,126
Renova	688,625	(50,048)	18,000	-	(33,852)	-	622,725
Usina Hidrelétrica Itaocara S.A.	2,782	(581)	532	-	-	-	2,733
Total of investments	**5,291,892**	(157,710)	228,205	(99,932)	(33,852)	(59,071)	5,169,532
Guanhães – Uncovered liabilities of jointly-controlled entity (1)	(59,071)	-	-	-	-	59,071	-
Total	**5,232,821**	(157,710)	228,205	(99,932)	(33,852)	-	5,169,532

(1) Transfer to uncovered liabilities.

Holding company	Dec. 31, 2016	Gain (loss) by equity method (Income statement)	Injections / acquisitions	Dividends – Provision	Other comprehensive income	Others	Sep. 30, 2017
Hidrelétrica Cachoeirão	50,411	8,950	-	(2,641)	-	-	56,720
Guanhães Energia (1)	-	(2,037)	86,280	-	-	(59,071)	25,172
Hidrelétrica Pipoca	31,809	3,228	-	(1,284)	-	-	33,753
Madeira Energia (Santo Antônio Plant)	643,890	(84,553)	-	-	-	-	559,337
FIP Melbourne (Santo Antônio Plant)	677,182	(73,209)	-	-	-	-	603,973
Baguari Energia	162,106	13,887	-	(30,274)	-	-	145,719
Central Eólica Praias de Parajuru	63,307	(1,293)	-	(406)	-	-	61,608
Central Eólica Volta do Rio	81,228	(5,439)	-	-	-	-	75,789
Central Eólica Praias de Morgado	59,586	(3,991)	-	-	-	-	55,595
Lightger	41,543	2,280	-	(2,569)	-	-	41,254
Amazônia Energia (Belo Monte Plant)	781,022	(6,965)	76,686	-	-	-	850,743
Aliança Norte (Belo Monte Plant)	527,498	(6,376)	46,707	-	-	-	567,829
Aliança Geração	1,319,055	39,977	-	(51,576)	-	-	1,307,456
Retiro Baixo	161,848	8,460	-	(11,182)	-	-	159,126
Renova	688,625	(50,048)	18,000	-	(33,852)	-	622,725
Usina Hidrelétrica Itaocara S.A.	2,782	(581)	532	-	-	-	2,733
Cemig Baguari	55	(18)	-	-	-	-	37
Cemig Geração Três Marias S.A.	1,399,282	139,267	-	(187,149)	-	-	1,351,400
Cemig Geração Salto Grande S.A.	440,148	48,891	-	(62,256)	-	-	426,783
Cemig Geração Itutinga S.A.	167,962	29,346	-	(34,093)	-		163,215
Cemig Geração Camargos S.A.	125,995	23,863	-	(26,627)	-	-	123,231
Cemig Geração Sul S.A.	165,133	29,342	-	(34,237)	-	-	160,238
Cemig Geração Leste S.A.	113,976	23,939	-	(27,798)	-	-	110,117
Cemig Geração Oeste S.A.	69,375	14,207	-	(16,988)	-	-	66,594
Total of investments	**7,773,818**	**151,127**	**228,205**	**(489,080)**	**(33,852)**	**(59,071)**	**7,571,147**
Guanhães – Uncovered liabilities of jointly-controlled entity (1)	(59,071)	-	-	-	-	59,071	-
Total	**7,714,747**	**151,127**	**228,205**	**(489,080)**	**(33,852)**	**-**	**7,571,147**

(1) Transfer to uncovered liabilities.

c) Information on the subsidiaries, affiliated and and jointly-controlled entities, not adjusted for the Company's percentage ownership interest:

Company	Number of shares	On September 30, 2018			On December 31, 2017		
		Interest (%)	Share capital	Equity	Interest (%)	Share capital	Equity
Affiliated companies							
Madeira Energia (Santo Antônio Plant)	11,343,088,100	18.13	10,310,341	4,139,327	18.13	9,546,672	5,327,114
Jointly-controlled entities							
Hidrelétrica Cachoeirão	35,000,000	49.00	35,000	101,946	49.00	35,000	118,280
Guanhães Energia	358,511,000	49.00	386,139	154,131	49.00	330,536	51,058
Hidrelétrica Pipoca	41,360,000	49.00	41,360	59,934	49.00	41,360	53,108
Baguari Energia S.A. (1)	26,157,300,278	69.39	186,573	241,223	69.39	186,573	213,895
Central Eólica Praias de Parajuru	70,560,000	49.00	70,560	59,964	49.00	70,560	88,976
Central Eólica Volta do Rio	117,230,000	49.00	117,230	88,238	49.00	117,230	115,694
Central Eólica Praias de Morgado	52,960,000	49.00	52,960	45,145	49.00	52,960	54,312
Lightger	79,078,937	49.00	79,232	83,965	49.00	79,232	83,331
Aliança Norte (Belo Monte Plant)	41,410,158,283	49.00	1,205,315	1,222,271	49.00	1,119,255	1,065,628
Amazônia Energia (Belo Monte Plant) (1)	1,281,030,446	74.50	1,323,660	1,332,127	74.50	1,229,600	1,163,160
Aliança Geração	1,291,582,500	45.00	1,291,488	1,990,320	45.00	1,291,488	1,857,905
Retiro Baixo	222,850,000	49.90	222,850	282,155	49.90	222,850	257,880
Renova	417,197,244	36.23	2,919,019	292,852	36.23	2,919,019	779,808
Usina Hidrelétrica Itaocara S.A.	17,014,114	49.00	19,390	8,071	49.00	11,102	7,549
Subsidiaries							
Cemig Baguari	1,000	100.00	1	38	100.00	1	32
Cemig Geração Três Marias S.A.	1,291,423,369	100.00	1,291,423	1,354,449	100.00	1,291,423	1,391,822
Cemig Geração Salto Grande S.A.	405,267,607	100.00	405,268	427,507	100.00	405,268	440,122
Cemig Geração Itutinga S.A.	151,309,332	100.00	151,309	169,869	100.00	151,309	171,279
Cemig Geração Camargos S.A.	113,499,102	100.00	113,499	123,901	100.00	113,499	130,426
Cemig Geração Sul S.A.	148,146,505	100.00	148,147	169,271	100.00	148,147	167,571
Cemig Geração Leste S.A.	100,568,929	100.00	100,569	113,538	100.00	100,569	115,885
Cemig Geração Oeste S.A.	60,595,484	100.00	60,595	66,252	100.00	60,595	69,398

(1) Jointly-controlled under a Shareholders' Agreement.

On September 30, 2018, the current liabilities of some jointly-controlled entities exceeded their current assets, as follows:

Madeira Energia S.A. ('Mesa'): In the nine-month period ended September 30, 2018, Mesa showed a loss of R$ 1,187,787 and at the end of the period excess of current liabilities over current assets equals to R$ 1,373,071, mainly due to the balances of the accounts 'Suppliers' and 'Loans and financings'. To resolve the situation of negative working capital, Mesa is renegotiating the flow of debt servicing payments with the BNDES and onlending banks, and the release of funds from the Reserve account, as a result of this renegotiation. The process of debt reprofiling is at an advanced stage of approval by the creditors and shareholders, and the remaining requirement for its conclusion is the definition of part of the corporate guarantees to be offered.

Renova Energia S.A. ('Renova'): On September 30, 2018, Renova Energia reported a loss of R$ 486,956, accumulated Losses of R$ 2,681,546 and current liabilities in excess of current assets in the amount of R$ 172,078. Renova Energia is required to obtain capital to comply with its commitments, including the construction of wind and solar generating plants.

Due to this scenario, Renova has been taking actions to rebalance its liquidity and cash flow structure, and is working with its controlling shareholders on a new restructuring plan, aiming to rebalance the capital structure and honor its commitments.

The Management of Renova believes that with the success of these measures it will be possible to recover economic and financial equilibrium, and liquidity.

The events or conditions described above indicate the existence of relevant uncertainty that may cast significant doubt on Renova Energia ability to continue as a going concern as of September 30, 2018.

The Company is committed to the plans of Management of the investee and has concluded that, at the present moment, there are no indicators of additional impairment need other than those already posted in the Interim financial information of the investee for the period ended September 30, 2018, which has been recognized by the Company thru equity method. The Company will continue to reflect any need for additional impairment of this investment in a timely manner in its financial statements.

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$ 897,536 on September 30, 2018 (R$ 1,117,265 on December 31, 2017).

Madeira Energia S.A. ('Mesa') and its subsidiary Santo Antônio Energia S.A. ('Saesa') are incurring construction costs related to the construction of the *Santo Antônio* hydroelectric plant. On September 30, 2018 the total PP&E and intangible assets constituted by these costs amounted to R$ 21,019,315 (Mesa, consolidated). According to financial projections prepared by its management, these construction costs will be recovered through future revenues from operations as all the entity's generation plants are currently under operation.

The Federal Public Attorneys' Office has conducted and is in the process of conducting investigations, and other legal measures are in progress, involving 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 on irregularities involving contractors and suppliers of Mesa and of its other shareholders. In response to allegations of possible illegal activities, the investee and its other shareholders have started an independent internal investigation. 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 affect the investee.

The effects of any changes to the current scenario will be reflected, appropriately, in the financial statements of the Company.

Capital increase in Madeira Energia S.A.

On August 28, 2018 an Extraordinary General Meeting ('EGM') of Shareholders approved an increase in the capital of Mesa of up to R$ 972,512. Simultaneously, the shareholders Furnas Centrais Elétricas S.A., Odebrecht Energia do Brasil S.A. and Caixa Fundo de Investimento em Participações Amazônia Energia subscribed and paid up in full the credits that they hold against Mesa, in a total of R$ 754,669, such that an amount of capital equal to R$ 217,843 remained, referring to the subscription right of the Company and of its indirect affiliate SAAG Investimento S.A.

On October 2, 2018, since the Company and SAAG had not exercised their right to subscribe in the mentioned capital increase, the shareholder Furnas Centrais Elétricas S.A. subscribed these remaining shares, paying them up in part in the amount of R$ 85,000. On the same date the Board of Directors of Mesa partially ratified the capital increase approved on August 28, 2018, in the amount of R$ 839,670. The total of funds subscribed will be allocated in full to subscription of shares in Santo Antônio Energia S.A. With the homologation of the increase, the share capital of Mesa was increased to R$ 10,386,341, and the Company then held: a direct equity interest of 8.44%; and an indirect equity interest of 6.86%.

In an EGM held on October 3, 2018, a further capital increase in Mesa of up to R$ 300,000 was approved. On that date the Company, SAAG and Furnas Centrais Elétricas S.A. subscribed shares in the amount of R$ 25,320, R$ 26,068 and R$ 124,620, respectively, paid up in full on October 5, 2018. The other shareholders that did not subscribe shares, thus did not exercise their right of first refusal in the capital increase that had been approved, the period for which expired on November 3, 2018. Thus, after homologation of this increase, the share capital of Mesa was R$ 10,562,350, and the Company's direct and indirect equity interests in Mesa are now 8.63% and 7.05%, respectively.

The FID (Availability Factor)

On July 31, 2015, the Regional Federal Appeal Court accepted the request by Santo Antônio Energia S.A. for interim relief, on appeal. This relief suspended the application of the Availability Factor (FID) related to the generating units of the Santo Antônio hydroelectric plant not dispatched by the National System Operator (ONS). This decision, which had ordered Aneel and the CCEE to adopt the necessary procedures to make that decision effective in the CCEE's accounting and settlement, was suspended by the Higher Appeal Court (STJ), and was subsequently re-established after an injunction was granted in a Constitutional Appeal to the Federal Supreme Court (STF). However, on April 10, 2018 the Supreme Court ruled against allowing the Constitutional Appeal to go forward, re-establishing the effects of the decision given by the STJ. Due to the decision by the Supreme Court, the CCEE, after authorization by Aneel, agreed the payment by installments of the debt, of R$ 738,000, relating to the Availability Factor. This was posted in the Liabilities of Saesa in Suppliers, to be paid in 36 equal installments, starting from September, 2018, adjusted by inflation, plus interest.

Arbitration proceedings

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

The arbitration judgment by the Market Arbitration Chamber recognized the right of the Company and SAAG in full, and ordered the annulment of the acts being impugned. As a consequence of this decision, Mesa reversed the impairment, and posted a provision for doubtful accounts in the amount of R$ 678,551 in its financial statements as of 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. This process is confidential under the Arbitration Regulations of the ICC.

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

Amazônia Energia and Aliança Norte are Shareholders in Norte Energia S.A. ('NESA'), which holds the concession to operate the Belo Monte Hydroelectric Plant, on the Xingu River, in the State of Pará, and manages that interest. Through the jointly-controlled entities referred to above, the Company owns an indirect equity interest in Nesa of 11.74%.

NESA has expended significant funds for costs of organization, development and pre-operating costs, resulting in negative net working capital of R$ 2,791,888 on September 30, 2018. The completion of the construction works for *Belo Monte* plant, and consequent generation of revenues, in turn, depend on the capacity of the investee to continue to comply with the schedule of works envisaged, as well as obtaining the necessary financial resources, either from its shareholders and / or from third parties.

On April 7, 2015, NESA was awarded a preliminary injunction ordering the regulator to "abstain, until hearing of the application for an injunction made in the origin case, from applying to Appellant any penalties or sanctions in relation to the Belo Monte Hydroelectric Plant not coming into operation on the date established in the original timetable for the project, including those specified in Aneel Normative Resolution

595/2013 and in the Concession Contract 01/2010-MME, of the Belo Monte Hydroelectric Plant". The legal advisers of NESA have classified the probability of loss as 'possible'. The estimate of loss in *Belo Monte* up to September 30, 2018 is R$ 632,000.

Investigations and other legal measures are in progress, conducted by the Federal Public Attorneys' Office, which involve other Shareholders of the investees and certain executives of those other shareholders. In this context, the Federal Public Attorneys have started investigations into irregularities involving contractors and suppliers of NESA and of its other shareholders, which are still in progress. At present it is not possible to determine the outcome of these investigations, and their possible consequences. These might at some time in the future include consequences for the investee, and also, based on the results of the independent internal investigation conducted by NESA and its other shareholders, a write-down of the value of the infrastructure of NESA, by R$ 183,000 was already recorded in 2015.

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

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

Negotiations on Alto Sertão III

Renova is negotiating sale of the *Alto Sertão III* Wind Complex, and has received non-binding proposals for acquisition of this project from certain investors, which are at a final stage of due diligence process.

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 into certain injections of capital made by the controlling shareholders of Renova, including the Company, 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 opening of an internal investigation on this subject, and this is being conducted by an independent company.

In addition, a monitoring committee was set up, comprising by an independent counselor, the Chairman of the Fiscal Council and the chairman of the Board of Directors, who, together with the Audit Committee, will monitor the internal investigation.

The investigation is in progress, and it is not possible to determine any effects of this investigation, nor any impacts on the interim financial information of Renova, or the Company, for the nine-month period ended September 30, 2018.

Resolution of crossover assets of Cemig GT and Energimp

On May 17, 2018, a document entitled ‘Private Transaction Agreement’ was signed between the Company and Energimp S.A. (‘Energimp’), for resolution of crossover shareholdings currently held by the Company and Energimp in the companies Central Eólica Praias de Parajuru S.A. (‘Parajuru’), Central Eólica Volta do Rio S.A. (‘Volta do Rio’) and Central Eólica Praia de Morgado S.A. (‘Morgado’).

The transaction will result in 100% of the share capital of Parajuru and Volta do Rio being wholly owned by the Company, and 100% of the shares in Morgado being wholly owned by Energimp.

This transaction to resolve crossover shareholding was approved by the competition authority, CADE, and is in the process of approval by the financing bank.

Internal procedures on risks related to compliance with law and regulations

Considering the investigations that are being made in relation to the Company, its parent Company (Cemig) and certain investees, the governance bodies of the parent company (Cemig) have authorized contracting of a specialized company to analyze the internal procedures related to these investments.

Considering that the work is still preliminary, at present it is not possible to measure any effects of these analyses or any impacts on the Company’s Interim financial information for the period ended September 30, 2018.

13. PROPERTY, PLANT AND EQUIPMENT

Consolidated	Sep. 30, 2018			Dec. 31, 2017		
	Historical cost	Accumulated depreciation	Net value	Historical cost	Accumulated depreciation	Net value
In service	**6,356,414**	**(4,378,442)**	**1,977,972**	**6,342,503**	**(4,268,303)**	**2,074,200**
Land	220,579	(15,280)	205,299	220,582	(13,450)	207,132
Reservoirs, dams, watercourses	3,006,682	(1,992,186)	1,014,496	3,009,602	(1,938,497)	1,071,105
Buildings, works and improvements	1,034,741	(761,730)	273,011	1,039,564	(754,945)	284,619
Machinery and equipment	2,049,226	(1,572,154)	477,072	2,030,392	(1,525,069)	505,323
Vehicles	31,532	(26,652)	4,880	28,712	(25,611)	3,101
Furniture and utensils	13,654	(10,440)	3,214	13,651	(10,731)	2,920
In progress	**112,853**	**-**	**112,853**	**88,690**	**-**	**88,690**
Assets in progress	112,853	-	112,853	88,690	-	88,690
Net property, plant and equipment	**6,469,267**	**(4,378,442)**	**2,090,825**	**6,431,193**	**(4,268,303)**	**2,162,890**

Holding company	Sep. 30, 2018			Dec. 31, 2017		
	Historical cost	Accumulated depreciation	Net value	Historical cost	Accumulated depreciation	Net value
In service	**6,351,494**	**(4,378,229)**	**1,973,265**	**6,339,089**	**(4,268,227)**	**2,070,862**
Land	220,579	(15,280)	205,299	220,582	(13,450)	207,132
Reservoirs, dams, watercourses	3,006,574	(1,992,186)	1,014,388	3,009,602	(1,938,497)	1,071,105
Buildings, works and improvements	1,034,566	(761,730)	272,836	1,039,564	(754,945)	284,619
Machinery and equipment	2,044,589	(1,571,941)	472,648	2,026,978	(1,524,993)	501,985
Vehicles	31,532	(26,652)	4,880	28,712	(25,611)	3,101
Furniture and utensils	13,654	(10,440)	3,214	13,651	(10,731)	2,920
In progress	**105,939**	**-**	**105,939**	**84,985**	**-**	**84,985**
Assets in progress	105,939	-	105,939	84,985	-	84,985
Net property, plant and equipment	**6,457,433**	**(4,378,229)**	**2,079,204**	**6,424,074**	**(4,268,227)**	**2,155,847**

The changes in PP&E are as follows:

Consolidated	Dec. 31, 2017	Addition	Transfer	Disposals	Depreciation	Sep. 30, 2018
In service	**2,074,200**	**-**	**16,493**	**(6,623)**	**(106,098)**	**1,977,972**
Land	207,132	-		(3)	(1,830)	205,299
Reservoirs, dams, watercourses	1,071,105	-	111	(2,046)	(54,674)	1,014,496
Buildings, works and improvements	284,619	-	743	(237)	(12,114)	273,011
Machinery and equipment	505,323	-	12,313	(4,337)	(36,227)	477,072
Vehicles	3,101	-	2,829	-	(1,050)	4,880
Furniture and utensils	2,920	-	497	-	(203)	3,214
In progress	**88,690**	**41,848**	**(16,533)**	**(1,152)**	**-**	**112,853**
Net property, plant and equipment	**2,162,890**	**41,848**	**(40)**	**(7,775)**	**(106,098)**	**2,090,825**

Holding company	Dec. 31, 2017	Addition	Transfer	Disposals	Depreciation	Sep. 30, 2018
In service	**2,070,862**	**-**	**14,988**	**(6,625)**	**(105,960)**	**1,973,265**
Land	207,132	-		(3)	(1,830)	205,299
Reservoirs, dams, watercourses	1,071,105	-	3	(2,046)	(54,674)	1,014,388
Buildings, works and improvements	284,619	-	568	(237)	(12,114)	272,836
Machinery and equipment	501,985	-	11,091	(4,339)	(36,089)	472,648
Vehicles	3,101	-	2,829		(1,050)	4,880
Furniture and utensils	2,920	-	497		(203)	3,214
In progress	**84,985**	**37,134**	**(15,028)**	**(1,152)**	**-**	**105,939**
Net property, plant and equipment	**2,155,847**	**37,134**	**(40)**	**(7,777)**	**(105,960)**	**2,079,204**

Consolidated	Dec. 31, 2016	Addition	V. Grande, Jaguara, Miranda Plants (1)	Transfer	Disposals	Depreciation	Sep. 30, 2017
In service	**3,053,781**	**-**	**(868,652)**	**34,563**	**(4,997)**	**(117,718)**	**2,096,977**
Land	274,455	-	(61,287)	-	-	(5,367)	207,801
Reservoirs, dams and watercourses	1,590,003	-	(440,923)	308	303	(58,464)	1,091,227
Buildings, works and improvements	369,448	-	(68,971)	668	-	(12,690)	288,455
Machinery and equipment	812,749	-	(297,471)	33,587	(5,300)	(40,115)	503,450
Vehicles	4,225	-	-	-	-	(844)	3,381
Furniture and utensils	2,901	-	-	-	-	(238)	2,663
In progress	**116,371**	**20,268**	**(130)**	**(34,563)**	**(2,062)**	**-**	**99,884**
Net property, plant and equipment	**3,170,152**	**20,268**	**(868,782)**	**-**	**(7,059)**	**(117,718)**	**2,196,861**

Holding company	Dec. 31, 2016	Addition	V. Grande, Jaguara, Miranda Plants (1)	Transfer	Disposals	Depreciation	Sep. 30, 2017
In service	**3,053,781**	**-**	**(868,652)**	**33,196**	**(4,997)**	**(117,668)**	**2,095,660**
Land	274,455	-	(61,287)	-	-	(5,367)	207,801
Reservoirs, dams and watercourses	1,590,003	-	(440,923)	308	303	(58,464)	1,091,227
Buildings, works and improvements	369,448	-	(68,971)	668	-	(12,690)	288,455
Machinery and equipment	812,749	-	(297,471)	32,220	(5,300)	(40,065)	502,133
Vehicles	4,225	-	-	-	-	(844)	3,381
Furniture and utensils	2,901	-	-	-	-	(238)	2,663
In progress	**114,599**	**18,585**	**(130)**	**(33,196)**	**(2,062)**	**-**	**97,796**
Net property, plant and equipment	**3,168,380**	**18,585**	**(868,782)**	**-**	**(7,059)**	**(117,668)**	**2,193,456**

(1) Amounts transferred to Concession financial assets relating to the *Jaguara, Miranda* and *Volta Grande* plants.

The average annual depreciation rate for the Company and its subsidiaries is 3.02%. The principal 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. The generation concession contracts provide that at the end of each concession the grantor must determine the amount to be paid to the Company for the residual value of the infrastructure assets. Management believes that the amounts ultimately received will be higher than the historic residual value.

The residual value of the assets is the residual balance of the assets at the end of the concession. As established in the contract signed between the Company and the Nation, at the end of the concession the assets will revert to the Nation, which in turn will indemnify the Company for those assets that have not yet been totally depreciated. For contracts under which Company does not have a right to receive such amounts or there is uncertainty related to collection of the amounts, such as in the case of thermal generation and hydroelectric generation as an independent energy 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 an electricity generation consortium for the *Queimado* plant, for which no separate company with independent legal existence was formed to manage the object of the concession, the controls being kept in Fixed assets and Intangible assets. The Company's portion in the consortium is recorded and controlled separately in the respective categories of PP&E and Intangible assets.

Consolidated and Holding company	Interest in power output, %	Average annual depreciation rate %	Sep. 30, 2018	Dec. 31, 2017
In service				
Queimado plant	82.50	4.03	217,210	217,109
Accumulated depreciation			(97,202)	(90,649)
Total in operation			**120,008**	**126,460**
In progress				
Queimado plant	82.50	-	291	340
Total In progress			**291**	**340**

14. INTANGIBLE ASSETS

Composition of the balance on September 30, 2018 and December 31, 2017 are as follows:

Consolidated and Holding company	Sep. 30, 2018			Dec. 31, 2017		
	Historical cost	Accumulated amortization	Residual value	Historical cost	Accumulated amortization	Residual value
In service	**93,531**	**(68,768)**	**24,763**	**89,923**	**(66,001)**	**23,922**
Temporary easements	11,451	(2,495)	8,956	11,451	(1,990)	9,461
Paid concession	19,169	(11,761)	7,408	19,169	(11,251)	7,918
Others	62,911	(54,512)	8,399	59,303	(52,760)	6,543
In progress	**5,984**	**-**	**5,984**	**8,718**	**-**	**8,718**
Assets in progress	5,984	-	5,984	8,718	-	8,718
Net intangible assets	**99,515**	**(68,768)**	**30,747**	**98,641**	**(66,001)**	**32,640**

Changes in intangible assets are as follows:

Consolidated and Holding company	Dec. 31, 2017	Addition	Transfers / capitalizations	Disposals	Amortization	Sep. 30, 2018
In service	**23,922**	**-**	**4,303**	**(115)**	**(3,347)**	**24,763**
Temporary easements	9,461	-	-	-	(505)	8,956
Paid concession	7,918	-	-	-	(510)	7,408
Others	6,543	-	4,303	(115)	(2,332)	8,399
In progress	**8,718**	**1,569**	**(4,303)**	**-**	**-**	**5,984**
Assets in progress	8,718	1,569	(4,303)	-	-	5,984
Total	**32,640**	**1,569**	**-**	**(115)**	**(3,347)**	**30,747**

Consolidated and Holding company	Dec. 31, 2016	Addition	V. Grande, Jaguara, Miranda Plants	Transfers / capitalizations	Disposals	Amortization	Sep. 30, 2017
In service	**26,532**	**-**	**(80)**	**614**	**-**	**(3,840)**	**23,226**
Temporary easements	10,136	-	-	-	-	(505)	9,631
Paid concession	8,597	-	-	-	-	(510)	8,087
Others	7,799	-	(80)	614	-	(2,825)	5,508
							-
In progress	**9,220**	528	-	(614)	(15)	-	9,119
Assets in progress	9,220	**528**	**-**	**(614)**	**(15)**	**-**	**9,119**
Total	**35,752**	**528**	**(80)**	**-**	**(15)**	**(3,840)**	**32,345**

Taking into account the useful life of the related assets, the average annual amortization rate is 13.33%.

The intangible assets easements, onerous concessions, and others, are amortized by the straight-line method and taking into account the consumption pattern of these rights. The Company and its subsidiaries have not identified any evidence of impairment of its intangible assets. The Company and its subsidiaries have no intangible assets with non-defined useful life.

15. SUPPLIERS

	Consolidated		Holding company	
	Sep. 30, 2018	Dec. 31, 2017	Sep. 30, 2018	Dec. 31, 2017
Wholesale supply and transport of energy	418,502	420,268	386,217	409,716
Materials and services	52,428	51,775	49,932	44,796
	470,930	**472,043**	**436,149**	**454,512**

16. TAXES PAYABLE

	Consolidated		Holding company	
	Sep. 30, 2018	Dec. 31, 2017	Sep. 30, 2018	Dec. 31, 2017
Current				
ICMS (VAT)	45,689	60,635	42,183	57,723
PASEP	4,514	9,782	3,581	9,047
COFINS	19,806	45,139	16,665	41,748
Social Security Contributions	3,840	3,816	3,224	3,522
ISSQN	828	992	779	900
Others	5,094	13,302	4,909	13,098
	79,771	**133,666**	**71,341**	**126,038**
Non-current				
PASEP	566	535	566	535
COFINS	3,486	3,295	3,486	3,295
	4,052	**3,830**	**4,052**	**3,830**
	83,823	**137,496**	**75,393**	**129,868**

17. LOANS, FINANCINGS AND DEBENTURES

Financing source	Principal maturity	Annual financing cost	Currency	Consolidated – Sep. 30, 2018			Consolidated – Dec. 31, 2017
				Current	Non-current	Total	
FOREIGN CURRENCY							
KFW	2019	1.78%	Euro	2,702	-	2,702	4,383
Eurobonds	2024	9.25%	USD	204,879	6,005,851	6,210,730	3,333,149
(–) Transaction costs				(83)	(21,877)	(21,960)	(15,400)
(+/-) Funds advanced (1)				101	(35,341)	(35,240)	(47,690)
Debt in foreign currency				**207,599**	**5,948,633**	**6,156,232**	**3,274,442**
BRAZILIAN CURRENCY							
Banco do Brasil	2018	140.00% of CDI rate	R$	-	-	-	742,364
Banco da Amazônia S.A.	2018	CDI rate + 1.90%	R$	129,115	-	129,115	121,470
Finep	2018	TJLP +5%, TJLP +8%	R$	-	-	-	2,359
Pipoca Consortium (2)	2018	IPCA	R$	185	-	185	185
(–) Transaction costs				(39)	-	(39)	(8,854)
Debt in Brazilian currency				**129,261**	**-**	129,261	**857,524**
Total of loans and financings				**336,860**	**5,948,633**	**6,285,493**	**4,131,966**
Debentures – 3rd Issue, 2nd Series (3)	2019	IPCA + 6.00%	R$	153,125	-	153,125	301,065
Debentures – 3rd Issue, 3rd Series (3)	2022	IPCA + 6.20%	R$	37,782	989,360	1,027,142	1,010,202
Debentures – 5th Issue, Single series (3)	2018	CDI rate + 1.70%	R$	746,171	-	746,171	703,021
Debentures – 6th Issue, 1st series (3)	2018	CDI rate + 1.60%	R$	-	-	-	507,692
Debentures – 6th Issue, 2nd series (3)	2020	IPCA 8.07%	R$	16,502	15,976	32,478	32,093
Debentures – 7th Issue, single series (3)	2021	140.00% of CDI	R$	313,688	842,668	1,156,356	1,683,557
(–) FIC Pampulha – securities issued by the Company (4)				(2,381)	-	(2,381)	(12,405)
(–) Transaction costs				(7,914)	(21,425)	(29,339)	(37,028)
Total, debentures				**1,256,973**	**1,826,579**	**3,083,552**	**4,188,197**
Overall total				**1,593,833**	**7,775,212**	**9,369,045**	**8,320,163**

Financing source	Principal maturity	Annual financing cost	Currency	Holding company – Sep. 30, 2018			Holding company – Dec. 31, 2017
				Current	Non – current	Total	Total
FOREIGN CURRENCY							
KfW	2019	1.78%	Euro	2,702	-	2,702	4,383
Eurobonds	2024	9.25%	USD	204,879	6,005,851	6,210,730	3,333,149
(-) Transaction costs				(83)	(21,877)	(21,960)	(15,400)
(+/-) Funds advanced (1)				101	(35,341)	(35,240)	(47,690)
Debt in foreign currency				**207,599**	**5,948,633**	**6,156,232**	**3,274,442**
BRAZILIAN CURRENCY							
Banco do Brasil	2018	140.00% of CDI	R$	-	-	-	742,364
Banco da Amazônia S.A.	2018	CDI rate + 1.90%	R$	129,115	-	129,115	121,470
Finep	2018	TJLP +5%, TJLP +8%	R$	-	-	-	2,359
Pipoca Consortium (2)	2018	IPCA	R$	185	-	185	185
(–) Transaction costs				(39)	-	(39)	(8,854)
Debt in Brazilian currency				**129,261**	-	129,261	**857,524**
Total of loans and financings				**336,860**	**5,948,633**	**6,285,493**	**4,131,966**
Debentures – 3rd Issue, 2nd Series (3)	2019	IPCA + 6.00%	R$	153,125	-	153,125	301,065
Debentures – 3rd Issue, 3rd Series (3)	2022	IPCA + 6.20%	R$	37,782	989,360	1,027,142	1,010,202
Debentures – 5th Issue – Single series (3)	2018	CDI rate + 1.70%	R$	746,171	-	746,171	703,021
Debentures – 6th Issue, 1st series (3)	2018	CDI rate + 1.60%	R$	-	-	-	507,692
Debentures – 6th Issue, 2nd series (3)	2020	IPCA 8.07%	R$	16,502	15,976	32,478	32,093
Debentures – 7th Issue, Single series (3)	2021	140.00% of CDI	R$	313,688	842,668	1,156,356	1,683,557
(–) FIC Pampulha – securities issued by the Company itself (4)				(2,049)	-	(2,049)	(9,470)
(–) Transaction costs				(7,914)	(21,425)	(29,339)	(37,028)
Total, debentures				**1,257,305**	**1,826,579**	**3,083,884**	**4,191,132**
Overall total				**1,594,165**	**7,775,212**	**9,369,377**	**8,323,098**

(1) Funds advanced to reach the yield to maturity agreed in the Eurobonds contract.
(2) Credit for the payment of the share capital of Hidrelétrica Pipoca S.A.
(3) Simple Debentures, not convertible into shares, without preference, nominative and book-entry.
(4) FIC Pampulha has financial investments in securities issued by the Company. For more information and characteristics of this fund, see Note 25.

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

There is an early maturity clause for cross-default in the event of non-payment, by Cemig GT or by its shareholder Cemig, of any pecuniary obligation with individual or aggregate value greater than R$ 50 million (‘cross default’).

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

Consolidated	2018	2019	2020	2021	2022	2023	2024	Total
Currency								
Euro	2,462	240	-	-	-	-	-	2,702
US dollar	204,879	-	-	-	-	-	6,005,851	6,210,730
Total, currency-denominated	**207,341**	**240**	**-**	**-**	**-**	**-**	**6,005,851**	**6,213,432**
Indexers								
IPCA (1)	43,952	163,642	342,465	326,489	336,382	-	-	1,212,930
CDI (2)	905,704	374,519	374,518	374,520	-	-	-	2,029,261
Total, governed by Indexers	**949,656**	**538,161**	**716,983**	**701,009**	**336,382**	**-**	**-**	**3,242,191**
(–) Transaction costs	(910)	(9,491)	(9,524)	(9,497)	(39)	-	(21,877)	(51,338)
(+/–) Funds advanced	101	-	-	-	-	-	(35,341)	(35,240)
Overall total	**1,156,188**	**528,910**	**707,459**	**691,512**	**336,343**	**-**	**5,948,633**	**9,369,045**

Holding company	2018	2019	2020	2021	2022	2023	2024	Total
Currency								
Euro	2,462	240	-	-	-	-	-	2,702
US dollar	204,879	-	-	-	-	-	6,005,851	6,210,730
Total, currency-denominated	**207,341**	**240**	**-**	**-**	**-**	**-**	**6,005,851**	**6,213,432**
Indexers								
IPCA (1)	43,952	163,642	342,465	326,489	336,382	-	-	1,212,930
CDI (2)	906,036	374,519	374,518	374,520	-	-	-	2,029,593
Total, governed by Indexers	**949,988**	**538,161**	**716,983**	**701,009**	**336,382**	**-**	**-**	**3,242,523**
(–) Transaction costs	(910)	(9,491)	(9,524)	(9,497)	(39)	-	(21,877)	(51,338)
(+/–) Funds advanced	101	-	-	-	-	-	(35,341)	(35,240)
Overall total	**1,156,520**	**528,910**	**707,459**	**691,512**	**336,343**	**-**	**5,948,633**	**9,369,377**

(1) IPCA ('Expanded Customer Price') Inflation Index.
(2) CDI rate: Interbank Rate for Certificates of Deposit.

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

Currency	Accumulated change in 09/30/2018, %	Accumulated change in 09/30/2017, %	Indexer	Accumulated change in 09/30/2018, %	Accumulated change in 09/30/2017, %
US dollar	21.04	(2.80)	IPCA	3.34	1.78
Euros	17.26	8.86	CDI	4.81	8.03

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

	Consolidated	Holding company
Balance on December 31, 2017	**8,320,163**	**8,323,098**
Financings obtained	1,946,269	1,946,269
Transaction costs	(7,876)	(7,876)
Funds advanced	9,625	9,625
Net financings obtained	**1,948,018**	**1,948,018**
Monetary variations	36,215	36,215
Foreign exchange variations	774,340	774,340
Financial charges provisioned	640,747	640,747
Amortization of transaction cost	16,764	16,764
Financial charges paid	(473,922)	(473,922)
Amortization of financings	(1,903,304)	(1,903,304)
Subtotal	**9,359,021**	**9,361,956**
(+) FIC Pampulha – Securities issued by the Company	10,024	7,421
Balance on September 30, 2018	**9,369,045**	**9,369,377**

	Consolidated	Holding company
Balance at December 31, 2016	**8,633,671**	**8,643,585**
Monetary variations	25,888	25,888
Foreign exchange variations	659	659
Financial charges provisioned	727,098	727,098
Amortization of transaction cost	23,115	23,115
Financial charges paid	(663,553)	(663,553)
Amortization of financings	(1,256,551)	(1,256,551)
Subtotal	**7,490,327**	**7,500,241**
(+) FIC Pampulha – Securities issued by the Company	21,006	16,896
Balance on September 30, 2017	**7,511,333**	**7,517,137**

Guarantees

On September 30, 2018, the guarantees of the debtor balance on loans and financings were as follows:

	Sep. 30, 2018
Sureties	8,239,152
Receivables	-
Shares	1,127,191
Without guarantee	2,702
TOTAL	**9,369,045**

Funding raised

Financing sources	Date of signature	Principal maturity	Annual financial cost	Amount
Foreign currency				
Eurobonds (1)	July 2018	2024	9.25%	1,946,269
(-) Transaction cost				(7,876)
(+) Funds advanced (2)				9,625
Total funding raised				**1,948,018**

(1) In July 2018 the Company completed settlement of its second tranche of the Eurobond originally issued on December 5, 2017. This second tranche was for US$ 500 million, corresponding to R$ 1.946 billion, with 6-monthly coupon of 9.25% p.a., and principal maturity in December 2024.

(2) Funds advanced to reach the yield to maturity agreed in the Eurobonds contract.

Restrictive covenants

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

Title	Parameter	Ratio required – Issuer – Cemig GT	Ratio required – Guarantor – Cemig	Compliance required
7th debenture issue (1)	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 (2)	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 /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) 7th Issue of Debentures by Cemig GT, in December 2016, of R$ 2,240 million.

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

Eurobonds - Payment limit temporary exceeded

On October 10, 2018, the Company, in the scope of its Eurobonds issurance, notified the issuer's trustee that the permitted threshold level of investments under the issue's Limitation on Restricted Payments clause has, exceptionally, been momentarily exceeded, and that this excess would be reversed if requested within the cure period established in the Issue Deed.

The situation is due to a loan made by the Company to Cemig D, on September 18, 2018, in the amount of R$ 630 million, to be repaid in two installments, in November and December 2018. The payment of the first installment (in November) will result in the Company being compliant with the Limitation on Restricted Payments clause. As soon as the payment is made, the Company will use the funds to pre-pay currently existing debt, accelerating the process of deleverage currently in progress.

To make the loan, the Company used funds from the reimbursement, of R$ 1.14 billion, received on August 31, 2018, for the value of assets not previously reimbursed or depreciated relating to the Basic Projects of the *São Simão* and *Miranda* hydroelectric plants.

On September 30, 2018 the Company remains compliant with all the other covenants, especially in relation to the ratio Net debt / Ebitda.

18. REGULATORY CHARGES

	Consolidated		Holding company	
	Sep. 30, 2018	Dec. 31, 2017	Sep. 30, 2018	Dec. 31, 2017
Liabilities				
Global Reversion Reserve - RGR	-	8,753	-	8,753
Royalties for use of water resources	5,314	14,622	4,140	13,549
Energy Development Account - CDE	39,152	51,639	39,152	51,639
Electricity Services Inspection Charge - TFSEE	819	740	686	595
Proinfa – Alternative Energy Program	7,004	6,612	7,004	6,612
National Scientific and Technological Development Fund - FNDCT	1,260	2,359	801	1,945
Research and Development	144,541	150,050	138,938	146,231
Energy System Expansion Research	764	1,314	540	1,111
	198,854	**236,089**	**191,261**	**230,435**
Current liabilities	**122,119**	**151,532**	**117,815**	**149,698**
Non-current liabilities	**76,735**	**84,557**	**73,446**	**80,737**

19. POST-RETIREMENT OBLIGATION

Changes in net liabilities were as follows:

	Pension plans and retirement supplement plans	Health Plan	Dental Plan	Life insurance	Total
Net liabilities on December 31, 2016	**357,099**	**356,833**	**7,662**	**184,867**	**906,461**
Expense recognized in statement of income	27,927	29,749	642	15,024	73,342
Contributions paid	(26,846)	(17,289)	(408)	(1,402)	(45,945)
Net liabilities on September 30, 2017	**358,180**	**369,293**	**7,896**	**198,489**	**933,858**
Net liabilities on December 31, 2017	**435,902**	**398,630**	**8,441**	**61,558**	**904,531**
Expense recognized in statement of income	30,449	30,131	630	4,601	65,811
Contributions paid	(29,922)	(18,264)	(415)	(1,661)	(50,262)
Net liabilities on September 30, 2018	**436,429**	**410,497**	**8,656**	**64,498**	**920,080**
				Sep. 30, 2018	**Dec. 31, 2017**
Current liabilities				56,466	52,395
Non-current liabilities				863,614	852,136

The amounts recorded in Current liabilities refer to the contributions to be made by Cemig GT in the next 12 months amortize the post-retirement obligations.

The amounts reported as expenses in the Consolidated statement of income refer to the cost of post-employment obligations, totaling R$ 53,703 (R$ 62,389 in the nine-month period ended September 30, 2017), plus the costs and monetary updating on the debt agreed with Forluz, in the amount of R$ 12,108 (R$ 10,953 for the nine-month period ended September 30, 2017).

Debt agreed with the pension fund (Forluz)

On September 30, 2018 the Company has recognized an obligation for past actuarial deficits relating to the pension fund in the amount of R$ 152,092 (R$ 163,049 on December 31, 2017). 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 Customer 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 maintains the record of the debt in full, and records the effects of monetary updating and interest in the Income Statement.

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

Forluz and the sponsors Cemig, Cemig GT and Cemig D have signed Debt Assumption Instruments to cover the Deficit of Plan A for the years 2015 and 2016. On September 30, 2018 the total amount payable by Cemig GT as a result of the deficit found in Plan A was R$ 85,999 (R$ 64,109 on December 31, 2017), 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 Customer Price) index published by the IBGE. If the plan reaches actuarial balance before the full period of amortization of the contract, Cemig GT will be exempted from payment of the remaining installments and the contract will be extinguished.

20. PROVISIONS

The Company and its subsidiaries are involved in certain legal and administrative proceedings in 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 have made 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 being necessary), as follows:

Consolidated	Dec. 31, 2017	Additions	Reversals	Settled	Sep. 30, 2018
Labor	48,964	13,984	(16)	(3,957)	58,975
Civil	251	33	(85)	(34)	165
Tax	9,046	75	(3,034)	(1)	6,086
Regulatory	2,206	239	-	(1)	2,444
Environmental		27	-	(27)	-
Other	35,843	5,675	(2,022)	(141)	39,355
Total	**96,310**	**20,033**	**(5,157)**	**(4,161)**	**107,025**

Holding company	Dec. 31, 2017	Additions	Reversals	Settled	Sep. 30, 2018
Labor	48,948	13,984	-	(3,957)	58,975
Civil	251	33	(85)	(34)	165
Tax	9,046	75	(3,034)	(1)	6,086
Regulatory	2,206	239	-	(1)	2,444
Environmental		27	-	(27)	-
Other	35,843	5,675	(2,022)	(141)	39,355
Total	**96,294**	**20,033**	**(5,141)**	**(4,161)**	**107,025**

Consolidated	Dec. 31, 2016	Additions	Reversals	Settled	Sep. 30, 2017
Labor	46,286	15,980	-	(7,355)	54,911
Civil	364	14	(207)	(14)	157
Tax	7,145	69	(815)	-	6,399
Regulatory	50	2,567	(4)	(500)	2,113
Other	51,451	5,125	-	(634)	55,942
Total	**105,296**	**23,755**	**(1,026)**	**(8,503)**	**119,522**

Holding company	Dec. 31, 2016	Additions	Reversals	Settled	Sep. 30, 2017
Labor	46,286	15,964	-	(7,354)	54,896
Civil	364	14	(207)	(14)	157
Tax	7,145	69	(815)	-	6,399
Regulatory	50	2,567	(4)	(500)	2,113
Other	51,451	5,125	-	(634)	55,942
Total	**105,296**	**23,739**	**(1,026)**	**(8,502)**	**119,507**

The Company's management, in view of the long periods and manner of working of the Brazilian judiciary and tax and regulatory systems, believes that it is not practical to provide information that would be useful to the users of this Interim Financial Information in relation to the possible timing of any cash outflows, or any possibility of reimbursements.

The Company believes that any disbursements in excess of the amounts provisioned, when the respective cases are completed, will not significantly affect the Company's profit or financial position.

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

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

Labor claims

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

The aggregate amount of the contingency is approximately R$ 173,144 (R$ 167,948 on December 31, 2017), of which R$ 58,975 (R$ 48,964 on December 31, 2017) 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 actions relating to taxes, including, among other matters, subjects relating 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 (*Contribuição Social sobre o Lucro Líquido*, or CSLL); and motions to stay tax enforcement. The aggregate amount of these contingencies is approximately R$ 43,903 (R$ 37,328 on December 31, 2017), of which R$ 6,086 (R$ 9,046 on December 31, 2017) 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, mainly, reduction of an electricity 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 amount of the contingency is approximately R$ 20,550 (R$ 23.319 on December 31, 2017), of which R$ 2,444 (R$ 2,206 on December 31, 2017) has been provisioned – 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 breaches of contract at the time of provision of services of cleaning of power line pathways and firebreaks. The amount recorded is R$ 35,332 (R$ 31,987 on December 31, 2017), this being estimated as the likely amount of funds necessary to settle this dispute.

Other legal proceedings

The Company is involved as plaintiff or defendant, in other less significant claims, related to the normal course of its operations, with an estimated total amount of R$ 72,072 (R$ 77,571 on December 31, 2017), of which R$ 4,188 has been provisioned (R$ 4,107 on December 31, 2017). Management believes that it has appropriate defense for these proceedings, and does not expect these issues to give rise to significant losses that could have an adverse effect on the Company's financial position or profit.

Contingent liabilities in which losses are assessed as 'possible', and the Company believes it has arguments of merit for legal defense

Taxes and contributions

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

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

In 2006 the Company paid an indemnity to its employees, totaling R$ 41,860, in exchange for rights to future payments (referred to as the *Anuênio*) for time of service, which would otherwise be incorporated, in the future, into salaries. The company did not pay income tax nor Social Security contributions in relation to these amounts because it considered that those obligations are not applicable to amounts paid as an indemnity. However, to avoid the risk of a future fine, the Company decided to apply for an order of *mandamus*, which permitted payment into Court of R$ 28,716, which updated is R$ 64,349 (R$ 63,027 on December 31, 2017). This was posted in Escrow deposits in litigation. The updated amount of the contingency is R$ 70,724 (R$ 73,334 on December 31, 2017) 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 filed administrative proceedings against the Company related to various matters: employee profit sharing; 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$ 308,639 (R$ 458,619 on December 31, 2017). Management has classified the chance of loss as 'possible', also taking into account assessment of the chance of loss in the judicial sphere, (the cases mentioned are in the administrative sphere), based on the evaluation of the claims and the related case law.

Non-homologation of offsetting of tax 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 is contesting the non-homologation of the amounts offset. The amount of the contingency is R$ 72,325 (R$ 126,880 on December 31, 2017). The Company has assessed the chance of loss as 'possible', since the relevant requirements of the National Tax Code (CTN) have been complied with.

The Social Contribution tax on net income (CSLL)

The federal tax authority issued a tax assessment against the Company for the years of 2012 and 2013, alleging undue non-addition, or deduction, 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$ 71,457 (R$ 72,584 on December 31, 2017). The Company has classified the chances of loss as 'possible', in accordance with the analysis of the case law on the subject.

<u>Regulatory matters</u>

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

In a claim dating from August 2002, AES Sul Distribuidora challenged in the courts the criteria for accounting of electricity sale transactions in the wholesale electricity market (*Mercado Atacadista de Energia*, or MAE), predecessor of the present Wholesale Electricity Trading 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 electricity in the spot market on the CCEE, in the approximate amount of R$ 310,268 (R$ 287,515 on December 31, 2017). On November 9, 2008 the Company obtained an interim decision in the Regional Federal Appeal Court (*Tribunal Regional Federal*, or TRF) suspending the obligatory nature of the requirement to pay into court the amount that would have been owed under 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 Electricity 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 cost of the System Service Charges for Electricity 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 Electricity Producers' Association (*Associação Brasileira dos Produtores Independentes de Energia Elétrica*, or Apine), of which the Company is a member, obtained an interim court decision 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 decision, the CCEE carried out the financial settlement for transactions from April through December 2013 using the criteria prior to 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 Resolution CNPE 3.

The applications by the plaintiff (Apine) were granted in the first instance, confirming the interim decision 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 judgment.

The amount of the contingency is approximately R$ 220,050 (R$ 201,586 on December 31, 2017). 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.

Environmental issues

Impact arising from construction of power plants

The Public Attorneys of Minas Gerais State, together with an association and individuals, have brought class actions requiring the Company to invest at least 0.5% of the annual gross operating revenue of the *Emborcação, Pissarrão, Funil, Volta Grande, Poquim, Paraúna, Miranda, Nova Ponte, Rio de Pedras* and *Peti* plants, since 1997, in environmental protection and preservation of the water tables of the counties where those 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. The Company has filed appeals to the Higher Appeal Court (STJ) and the Federal Supreme Court (STF). Based on the opinions of its legal advisers, believes that this is a matter involving legislation at infra-constitutional level (there is a Federal Law with an analogous object) and thus a constitutional matter, on the issue of whether the state law is constitutional or not, so that the final decision is one for the national Higher Appeal Court (STJ) and the Federal Supreme Court (STF). No provision has been made, since based on the opinion of its legal advisers management has classified the chance of loss as 'possible'. The amount of the contingency is R$ 144,072 (R$ 126,159 on December 31, 2017).

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$ 85,535 (R$ 79,378 on December 31, 2017).

Other environmental claims

The Company is involved in environmental matters, in which the subjects include protected areas, environmental licenses, recovery of environmental damage, and other matters, in the amount of R$ 10,454 (R$ 64,241 on December 31, 2017). No provision has been made, since based on the opinion of its legal advisers management 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 invitation to an online competitive bid. The estimated amount is R$ 26,958 (R$ 26,149 on December 31, 2017) and no provision has been made. The Company has classified the chance of loss as 'possible', after analysis of the case law on this subject.

21. EQUITY AND REMUNERATION TO SHAREHOLDERS

Share Capital increase

On September 18, 2018 the Extraordinary General Meeting of Shareholders approved the Company's share capital increase to R$ 2,600,000 by capitalization of the profit reserves in the amount of R$ 662,290 and advances for capital increase in the amount of R$ 100,000, to comply with Article 199 of the Corporate Law (Law 6,404/76).

Therefore, on September 30, 2018, the Company's issued and outstanding share capital is R$ 2,600,000 (R$ 1,837,710 on December 31, 2017), represented by 2,896,785,358 nominal common shares, fully subscribed, without nominal value, wholly owned by Cemig (Companhia Energética de Minas Gerais).

Basic and diluted earnings per share

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

	Jan to Sep 2018	Jan to Sep 2017	Jul to Sep 2018	Jul to Sep 2017
Number of shares	2,896,785,358	2,896,785,358	2,896,785,358	2,896,785,358
Net Income (loss) for the period	5,237	525,407	(61,651)	(5,145)
Earnings per share – Basic and diluted (in R$)	**0,0018**	**0,1814**	**(0,0213)**	**(0,0018)**

The call and put options related to investments described in Note 26 could potentially dilute basic earnings per share in the future; however, they have not caused dilution of earnings per share in the periods presented here.

22. REVENUE

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

	Consolidated		Holding company	
	Jan to Sep 2018	Jan to Sep 2017	Jan to Sep 2018	Jan to Sep 2017
Revenue from supply of energy – with taxes (a)	5,069,097	5,230,682	4,714,827	4,903,051
Transmission revenue – with taxes (b)	443,095	327,720	445,950	329,235
Revenue from updating of the Concession Grant Fee (c)	245,729	240,420	-	-
Construction Revenue (d)	12,726	11,226	12,726	11,226
Energy transactions on the CCEE (e)	168,323	520,943	147,106	516,395
Transmission indemnity revenue (f)	208,164	295,749	208,164	295,749
General indemnity revenue (g)	82,331	259,516	82,331	259,516
Other operational revenues	91,140	30,197	106,671	42,263
Deductions on revenue (h)	(1,199,150)	(1,200,004)	(1,108,312)	(1,119,405)
	5,121,455	**5,716,449**	**4,609,463**	**5,238,030**

	Consolidated		Holding company	
	Jul to Sep 2018	Jul to Sep 2017	Jul to Sep 2018	Jul to Sep 2017
Revenue from supply of energy – with taxes (a)	1,823,925	1,896,723	1,706,224	1,781,612
Transmission revenue – with taxes (b)	148,383	86,320	149,328	87,285
Revenue from financial updating of the Concession Grant Fee (c)	88,749	89,943	-	-
Construction Revenue (d)	7,994	4,201	7,994	4,201
Energy transactions on the CCEE (e)	14,172	108,868	319	105,083
Transmission indemnity revenue (f)	61,645	25,894	61,645	25,894
Generation indemnity revenue (g)	47,868	259,516	47,868	259,516
Other operational revenues	63,485	12,841	68,797	17,380
Deductions on revenue (h)	(410,441)	(437,027)	(379,246)	(407,209)
	1,845,780	**2,047,279**	**1,662,929**	**1,873,762**

(a) Revenue from energy supply

This table shows energy supply by type of customer:

	Consolidated				Holding company			
	Jan to Sep 2018		Jan to Sep 2017		Jan to Sep 2018		Jan to Sep 2017	
	MWh (1)	R$	MWh (1)	R$	MWh (1)	R$	MWh (1)	R$
Industrial	10,751,823	2,402,818	10,710,503	2,479,533	9,935,754	2,219,251	10,047,354	2,328,775
Commercial	2,325,050	520,714	1,620,592	414,045	2,325,050	520,714	1,620,592	414,045
Rural	795	196	3,660	537	795	196	3,660	537
Subtotal	**13,077,668**	**2,923,728**	**12,334,755**	**2,894,115**	**12,261,599**	**2,740,161**	**11,671,606**	**2,743,357**
Unbilled revenue, net	-	15,036	-	23,399	-	12,900	-	6,658
	13,077,668	**2,938,764**	**12,334,755**	**2,917,514**	**12,261,599**	**2,753,061**	**11,671,606**	**2,750,015**
Wholesale supply to other concession holders (2)	8,755,439	2,167,139	9,225,587	2,334,428	8,755,439	2,000,084	9,225,587	2,163,621
Wholesale supply unbilled, net		(36,806)	-	(21,260)	-	(38,318)	-	(10,585)
	21,833,107	**5,069,097**	**21,560,342**	**5,230,682**	**21,017,038**	**4,714,827**	**20,897,193**	**4,903,051**

	Consolidated				Holding company			
	Jul to Sep 2018		Jul to Sep 2017		Jul to Sep 2018		Jul to Sep 2017	
	MWh (1)	R$	MWh (1)	R$	MWh (1)	R$	MWh (1)	R$
Industrial	3,754,720	848,201	3,644,647	838,360	3,484,798	788,429	3,385,783	779,868
Commercial	788,799	172,803	561,786	145,331	788,799	172,803	561,786	145,331
Rural	480	118	3,660	537	480	118	3,660	537
Subtotal	**4,543,999**	**1,021,122**	**4,210,093**	**984,228**	**4,274,077**	**961,350**	**3,951,229**	**925,736**
Unbilled revenue, net	-	19,648	-	(172)	-	19,800	-	(1,300)
	4,543,999	**1,040,770**	**4,210,093**	**984,056**	**4,274,077**	**981,150**	**3,951,229**	**924,436**
Wholesale supply to other concession holders (2)	3,165,067	746,143	3,447,975	859,378	3,165,067	689,574	3,447,975	806,879
Wholesale supply unbilled, net	-	37,012	-	53,289	-	35,500	-	50,297
	7,709,066	**1,823,925**	**7,658,068**	**1,896,723**	**7,439,144**	**1,706,224**	**7,399,204**	**1,781,612**

(1) Information in MWh has not been reviewed by external auditors.

(2) Includes sales contracts in the Regulated Market to distribution companies, sales on the Free Market to traders and generation companies, ‘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 electricity sector for operation and maintenance of transmission lines of the national grid, in the form of the Permitted Annual Revenue (*Receita Anual Permitida*, or RAP), plus an adjustment for expectation of cash flow arising from the variation in the fair value of the Remuneration Assets Base, in the amount of R$ 11,977, in the nine-month period ended September 30, 2018.

(c) Gain on financial updating of Concession Grant fee

Represents the monetary variation using the IPCA inflation index, plus interest, on the Concession Grant Fee for the concession awarded as Lot D of Auction 12/2015. For more details see Note 11.

(d) Construction Revenue

Construction Revenue corresponds to the investments in assets of the transmission concession made by the Company in the period, and is totally offset by the item Construction costs.

(e) Revenue from energy transactions in the CCEE (Wholesale Electricity Trading Chamber)

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

(f) Transmission indemnity revenue

In the nine-month period ended September 30, 2018, the Company recognized revenue in the total amount of R$ 208,164 (R$ 295,749 in the nine-month period ended September 30, 2017), corresponded to updating, by the IPCA index, of the balance of indemnity receivable existing.

For more details see Note 11.

(g) Generation indemnity revenue

In the nine-month period ended September 30, 2018, the Company recognized revenue of R$ 82,331 (R$ 259,516 in the nine-month period ended September 30, 2017) for the adjustment to the balance of non-amortized indemnities for the concessions of the *São Simão* and *Miranda* Hydroelectric Plants, as per Ministerial Order 291/17. For more details see Note 11.

(h) Taxes and charges applied to Revenue

	Consolidated		Holding company	
	Jan to Sep 2018	Jan to Sep 2017	Jan to Sep 2018	Jan to Sep 2017
Taxes on revenue				
ICMS (VAT)	411,923	461,999	378,881	434,862
COFINS	466,004	457,844	427,364	422,391
PIS and Pasep	101,165	99,390	92,782	91,696
ISSQN	1,760	1,636	1,763	1,636
	980,852	**1,020,869**	**900,790**	**950,585**
Charges to the customer				
Global Reversion Reserve - RGR	13,317	8,795	13,317	8,795
Energy Development Account - CDE	113,190	36,209	113,190	36,209
Customer charges – Proinfa alternative sources program	29,620	29,626	29,620	29,626
Research and Development (R&D)	9,015	11,613	7,133	9,918
National Scientific and Technological Development Fund (FNDCT)	9,015	11,613	7,133	9,918
Energy System Expansion Research (EPE)	4,508	5,807	3,567	4,959
Electricity Services Inspection Charge (TFSEE)	6,247	10,336	4,977	8,895
Royalties for use of water resources	33,386	65,136	28,585	60,500
	218,298	**179,135**	**207,522**	**168,820**
	1,199,150	**1,200,004**	**1,108,312**	**1,119,405**

	Consolidated		Holding company	
	Jul to Sep 2018	Jul to Sep 2017	Jul to Sep 2018	Jul to Sep 2017
Taxes on revenue				
ICMS (VAT)	140,822	176,897	130,062	166,367
COFINS	164,005	167,406	150,354	154,397
PIS and Pasep	35,622	36,341	32,643	33,519
ISSQN	582	630	585	630
	341,031	**381,274**	**313,644**	**354,913**
Charges to the customer				
Global Reversion Reserve - RGR	4,004	9,802	4,004	9,802
Energy Development Account - CDE	39,329	4,637	39,329	4,637
Customer charges – Proinfa alternative sources program	10,177	10,049	10,177	10,049
Research and Development (R&D)	2,538	3,114	1,882	2,514
National Scientific and Technological Development Fund (FNDCT)	2,538	3,114	1,882	2,514
Energy System Expansion Research (EPE)	1,270	1,557	942	1,257
Electricity Services Inspection Charge (TFSEE)	2,308	2,125	1,908	1,692
Royalties for use of water resources	7,246	21,355	5,478	19,831
	69,410	**55,753**	**65,602**	**52,296**
	410,441	**437,027**	**379,246**	**407,209**

23. OPERATING COSTS AND EXPENSES

	Consolidated		Holding company	
	Jan to Sep 2018	Jan to Sep 2017	Jan to Sep 2018	Jan to Sep 2017
Personnel (a)	239,115	300,528	220,558	291,542
Employees' and managers' profit sharing	4,511	5,779	4,511	5,779
Post-retirement obligations	53,703	62,389	53,703	62,389
Materials	33,069	9,178	31,551	7,880
Outsourced services (b)	97,701	96,212	86,601	86,335
Depreciation and amortization	109,445	122,951	109,307	122,901
Operating provisions (c)	78,059	106,951	78,075	106,935
Charges for use of the national grid	169,376	257,420	142,742	232,259
Energy purchased for resale (d)	2,865,752	2,990,677	2,799,647	2,950,140
Transmission Infrastructure Construction Cost (e)	12,726	11,226	12,726	11,226
Other operating expenses, net (f)	72,311	40,762	70,120	39,115
	3,735,768	**4,004,073**	**3,609,541**	**3,916,501**

	Consolidated		Holding company	
	Jul to Sep 2018	Jul to Sep 2017	Jul to Sep 2018	Jul to Sep 2017
Personnel (a)	74,185	88,963	68,123	86,314
Employees' and managers' profit sharing	-	155	-	155
Post-retirement obligations	17,333	21,637	17,333	21,637
Materials	28,180	3,396	27,489	2,864
Outsourced services (b)	35,954	32,422	30,425	29,732
Depreciation and amortization	36,357	36,618	36,306	36,597
Operating provisions (c)	38,483	45,544	38,483	45,543
Charges for use of the national grid	43,855	91,364	34,088	82,433
Energy purchased for resale (d)	1,173,243	1,275,814	1,133,638	1,256,951
Transmission infrastructure construction cost (e)	7,994	4,201	7,994	4,201
Other operational expenses, net (f)	41,619	13,048	40,267	12,695
	1,497,203	**1,613,162**	**1,434,146**	**1,579,122**

a) Personnel expenses

Programmed Voluntary Retirement Plan (PDVP)

In March 2018, the Company approved the 2018 Employee Voluntary Severance Program ('the 2018 PDVP'). Those eligible to take part were any employees who have worked with the Company for 25 years or more by December 31, 2018. The acceptance period was from April 2 to 30, 2018 and it will pay the standard legal severance payments – including: payment for the period of notice, an amount equal to the 'penalty' payment of 40% of the Base Value of the employee's FGTS fund, as well as the other payments specified by the legislation and there is no provision for additional premium payment. In the nine-month period ended September 30, 2018, the amount appropriated as expense on the 2018 PDVP, including severance payments, was R$ 6,731, corresponding to the acceptance by 37 employees.

In the nine-month period ended September 30, 2017, the amount appropriated as expense related to the 2017 PDVP, including severance payments, was R$ 44,516, corresponding to the acceptance by 229 employees.

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b) Outsourced services

	Consolidated		Holding company	
	Jan to Sep 2018	Jan to Sep 2017	Jan to Sep 2018	Jan to Sep 2017
Communication	1,956	2,199	1,889	2,129
Maintenance and conservation of electrical facilities and equipment	13,112	12,671	11,667	9,498
Building conservation and cleaning	21,785	20,498	17,608	17,350
Contracted labor	6,659	3,065	6,659	3,065
Freight and airfares	1,647	1,859	1,645	1,852
Accommodation and meals	2,267	2,426	2,242	2,311
Security services	7,907	9,125	6,490	7,872
Maintenance and conservation of furniture and utensils	492	396	448	383
Information technology	6,713	6,756	5,611	6,749
Maintenance and conservation of vehicles	219	147	198	133
Electricity	3,306	3,336	3,028	3,099
Environment	5,353	8,390	4,084	7,557
Cleaning of power line pathways	3,237	1,607	3,237	1,568
Copying services	964	923	906	895
Legal services and procedural costs	2,716	3,498	2,714	3,487
Others expenses	19,368	19,316	18,175	18,387
	97,701	**96,212**	**86,601**	**86,335**

	Consolidated		Holding company	
	Jul to Sep 2018	Jul to Sep 2017	Jul to Sep 2018	Jul to Sep 2017
Communication	636	574	601	550
Maintenance and conservation of electrical facilities and equipment	6,753	4,211	4,844	3,525
Building conservation and cleaning	7,335	8,159	5,902	7,270
Contracted labor	2,267	1,130	2,267	1,130
Freight and airfares	588	774	587	772
Accommodation and meals	820	825	813	804
Security services	2,692	3,056	2,265	2,641
Maintenance and conservation of furniture and utensils	208	115	190	111
Information technology	2,424	1,131	1,997	1,131
Maintenance and conservation of vehicles	63	41	55	37
Electricity	1,346	985	1,220	971
Environment	2,439	1,489	1,912	1,389
Cleaning of power line pathways	1,082	873	1,082	866
Printing and images	427	347	402	324
Legal services and procedural costs	834	1,582	832	1,571
Others expenses	6,040	7,130	5,456	6,640
	35,954	**32,422**	**30,425**	**29,732**

c) Operating provisions (reversals)

	Consolidated		Holding company	
	Jan to Sep 2018	Jan to Sep 2017	Jan to Sep 2018	Jan to Sep 2017
Estimated losses on doubtful receivables	138	16,257	138	16,257
Estimated losses on other accounts receivable (1)	454	-	454	-
Contingency provisions (reversals)				
Labor claims	13,968	15,980	13,984	15,964
Civil	(52)	(193)	(52)	(193)
Tax	(2,959)	(746)	(2,959)	(746)
Regulatory	239	2,563	239	2,563
Environmental	27	-	27	-
Other	3,653	5,125	3,653	5,125
	14,876	22,729	14,892	22,713
Adjustment to fair value of derivative instruments				
Put option – SAAG (Note 26)	62,591	67,965	62,591	67,965
	78,059	**106,951**	**78,075**	**106,935**

	Consolidated		Holding company	
	Jul to Sep 2018	Jul to Sep 2017	Jul to Sep 2018	Jul to Sep 2017
Provision for estimate of doubtful receivables	(14)	16,257	(14)	16,257
Contingency provisions (reversals)				
Labor claims	1,571	1,241	1,571	1,240
Civil	5	(224)	5	(224)
Tax	(2,619)	805	(2,619)	805
Regulatory	102	37	102	41
Other	1,453	1,065	1,453	1,061
	512	2,924	512	2,923
Adjustment to fair value of derivative instruments				
Put option – SAAG (Note 26)	37,985	26,363	37,985	26,363
	38,483	**45,544**	**38,483**	**45,543**

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

d) Energy purchased for resale

	Consolidated		Holding company	
	Jan to Sep 2018	Jan to Sep 2017	Jan to Sep 2018	Jan to Sep 2017
Spot market – CCEE	140,239	31,933	110,085	20,507
Energy acquired in Free Market	2,960,760	3,190,282	2,959,309	3,190,282
'Bilateral' contracts	39,599	32,263	-	-
Pasep and Cofins credits	(274,846)	(263,801)	(269,747)	(260,649)
	2,865,752	**2,990,677**	**2,799,647**	**2,950,140**

	Consolidated		Holding company	
	Jul to Sep 2018	Jul to Sep 2017	Jul to Sep 2018	Jul to Sep 2017
Spot market – CCEE	85,494	(7,455)	64,109	4,525
Energy acquired in Free Market	1,181,670	1,366,030	1,181,670	1,366,030
'Bilateral' contracts	21,915	32,263	-	-
Pasep and Cofins credits	(115,836)	(115,024)	(112,141)	(113,604)
	1,173,243	**1,275,814**	**1,133,638**	**1,256,951**

e) Transmission infrastructure construction cost

	Consolidated		Holding company	
	Jan to Sep 2018	Jan to Sep 2017	Jan to Sep 2018	Jan to Sep 2017
Personnel	4,293	676	4,293	676
Materials	1,071	6,129	1,071	6,129
Outsourced services	8,146	4,844	8,146	4,844
Others	(784)	(423)	(784)	(423)
	12,726	**11,226**	**12,726**	**11,226**

	Consolidated		Holding company	
	Jul to Sep 2018	Jul to Sep 2017	Jul to Sep 2018	Jul to Sep 2017
Personnel	1,910	111	1910	111
Materials	61	2,388	61	2388
Outsourced services	5,940	1,583	5,940	1583
Others	83	119	83	119
	7,994	**4,201**	**7,994**	**4,201**

f) Other operating expenses, net

	Consolidated		Holding company	
	Jan to Sep 2018	Jan to Sep 2017	Jan to Sep 2018	Jan to Sep 2017
Leasing and rentals	17,492	14,319	17,005	13,851
Advertising	428	1,553	408	1,553
Subsidies and donations	1,887	1,536	1,017	853
Paid concessions	2,068	2,264	2,068	2,264
Taxes (IPTU, IPVA and others)	1,064	1,501	889	1,300
CCEE annual charge	3,005	3,008	3,005	3,008
Insurance	2,318	2,464	2,317	2,464
Net loss (gain) on deactivation and disposal of assets	1,530	1,847	1,530	1,847
Forluz – Administrative running cost	4,946	4,356	4,946	4,356
Write-off (1)	26,999	-	26,999	-
Other expenses	10,574	7,914	9,936	7,619
	72,311	**40,762**	**70,120**	**39,115**

	Consolidated		Holding company	
	Jul to Sep 2018	Jul to Sep 2017	Jul to Sep 2018	Jul to Sep 2017
Leasing and rentals	5,999	7,014	5,827	6,847
Advertising	21	1,466	20	1,466
Subsidies and donations	1,210	375	340	374
Paid concessions	622	735	622	735
Taxes charges (IPTU, IPVA and others)	451	568	360	468
CCEE annual charge	926	1,017	926	1,017
Insurance	604	573	604	573
Net loss (gain) on deactivation and disposal of assets	1,218	151	1,218	151
Forluz – Administrative running cost	1,489	1,459	1,489	1,459
Write-off (1)	26,999	-	26,999	-
Other expenses	2,080	(310)	1,862	(395)
	41,619	**13,048**	**40,267**	**12,695**

(1) Write-off of deemed cost of the *Miranda* e *São Simão* Plants.

24. FINANCIAL REVENUE (EXPENSES)

	Consolidated		Holding company	
	Jan to Sep 2018	Jan to Sep 2017	Jan to Sep 2018	Jan to Sep 2017
FINANCE INCOME				
Income from cash investments	48,311	51,787	40,129	30,587
Arrears fees on sale of electricity	9,040	6,830	5,209	5,613
Monetary variations	9,377	8,499	9,187	8,499
Monetary updating on court escrow deposits	8,849	14,650	8,849	14,650
Gain on advanced payment	18,819	41,011	15,606	40,620
Pasep and Cofins charged on finance income	(6,427)	(5,515)	(5,925)	(4,802)
Gains on financial instruments (Note 26)	322,847	-	322,847	-
Other	48,533	3,317	48,454	3,307
	459,349	**120,579**	**444,356**	**98,474**
FINANCE EXPENSES				
Costs of loans and financings	(640,747)	(727,098)	(640,747)	(727,098)
Amortization of transaction costs	(16,764)	(23,115)	(16,764)	(23,115)
Monetary updating – Forluz	(12,108)	(10,953)	(12,108)	(10,953)
Monetary updating – Loans and financings	(36,215)	(25,888)	(36,215)	(25,888)
Monetary updating	(9,789)	(9,109)	(9,579)	(8,963)
Foreign exchange variations – loans and financings	(774,340)	(659)	(774,340)	(659)
Monetary adjustment – Advances from clients	(7,373)	(37,666)	(7,373)	(37,666)
Other	(8,095)	(14,968)	(6,629)	(14,841)
	(1,505,431)	**(849,456)**	**(1,503,755)**	**(849,183)**
NET FINANCE INCOME (EXPENSES)	**(1,046,082)**	**(728,877)**	**(1,059,399)**	**(750,709)**

	Consolidated		Holding company	
	Jul to Sep 2018	Jul to Sep 2017	Jul to Sep 2018	Jul to Sep 2017
FINANCE INCOME				
Income from cash investments	29,093	11,446	27,230	8,390
Arrears fees on sale of electricity	3,131	1,714	1,699	1,324
Monetary variations	2,139	4,389	2,127	4,389
Monetary updating on Escrow deposits	3,227	5,908	3,227	5,908
Revenue from advance payments	6,969	13,252	6,319	12,863
Pasep and Cofins charged on Finance income	(3,050)	(1,682)	(2,914)	(1,565)
Gains on financial instruments (Note 26)	142,418	-	142,418	-
Other	22,108	793	22,067	792
	206,035	**35,820**	**202,173**	**32,101**
FINANCE EXPENSES				
Costs of loans and financings	(235,010)	(201,071)	(235,010)	(201,071)
Amortization of transaction cost	(7,261)	(5,424)	(7,261)	(5,424)
Monetary Updating – Forluz	(4,604)	(2,810)	(4,604)	(2,810)
Monetary updating – loans and financings	(14,488)	(1,994)	(14,488)	(1,994)
Monetary updating	(3,236)	(2,982)	(3,158)	(2,924)
Foreign exchange variations – loans and financings	(225,987)	52	(225,987)	52
Monetary adjustment – Advances from clients	(1,962)	(12,986)	(1,962)	(12,986)
Other	(4,297)	(4,119)	(4,272)	(4,020)
	(496,845)	**(231,334)**	**(496,742)**	**(231,177)**
NET FINANCE INCOME (EXPENSES)	**(290,810)**	**(195,514)**	**(294,569)**	**(199,076)**

25. RELATED PARTY TRANSACTIONS

Company's main balances and transactions with related parties (consolidated) are shown here:

COMPANY	ASSETS		LIABILITIES		REVENUE		EXPENSES	
	Sep. 30, 2018	Dec. 31, 2017	Sep. 30, 2018	Dec. 31, 2017	Jan to Sep 2018	Jan to Sep 2017	Jan to Sep 2018	Jan to Sep 2017
Controlling shareholder								
Government of Minas Gerais state								
Current								
ICMS – advanced payment (1)	55,950	-	-	-	96	-	-	-
CEMIG								
Current								
Cooperation Working Agreement (2)	-	-	257	2,768	-	-	(798)	-
Interest on Equity, and dividends	-	-	364,230	564,230	-	-	-	-
Non-current								
Loans with related parties (3)	400,494		-		494	-	-	-
Jointly-controlled entity								
Madeira Energia								
Current								
Transactions in energy (4)	2,073	-	22,625	40,162	54,180	18,213	(555,797)	(384,217)
Advance for future energy supply (5)	19,386	49,048	-	-	6,127	653	-	-
Non-current								
Advance for future energy supply (5)	-	5,084	-	-	-	-	-	-
Aliança Geração								
Current								
Transactions in energy (4)	-	-	7,498	-	472	359	(67,571)	(57,443)
Services (6)	1,483	1,657	-	-	8,555	9,471	-	-
Interest on Equity, and dividends	-	72,315	-	-	-	-	-	-
Norte Energia								
Current								
Transactions in energy (4)	130	130	-	-	12,078	5,680	-	-
Baguari Energia								
Current								
Services (6)	277	211	-	-	669	646	-	-
Interest on Equity, and dividends	3,558	-	-	-	-	-	-	-
Lightger								
Current								
Transactions in energy (4)	-	-	1,864	-	-	-	(16,592)	(15,188)
Retiro Baixo								
Current								
Transactions in energy (4)	1,296	-	-	-	-	-	(1,203)	(975)
Interest on Equity, and dividends	2,581	2,581	-	-	-	-	-	-
Hidrelétrica Pipoca								
Current								
Transactions in energy (4)	-	-	1,706	-	-	-	(14,385)	(12,064)
Interest on Equity, and dividends	-	584	-	-	-	-	-	-
Central Eólica Praia de Parajuru								
Current								
Interest on Equity, and dividends	7,793	-	-	-	-	-	-	-
Renova								
Current								
Transactions in energy (4)	-	-	3,083	1,744	-	-	(87,944)	(140,771)
Non-current								
Advance for future energy supply (7)	85,277	-	-	-	4,785	38,162	-	-
Accounts receivable (8)	434,937	350,200	-	-	27,183	-	-	-
Reimbursement for suspension of power supply (9)	51,984		-		51,984	-	-	-
Empresa Amazonense de Transmissão de Energia (AETE)								
Current								
Transactions in energy (4)	-	-	230	725	-	-	(2,754)	(7,383)
Companhia Transirapé de Transmissão								
Current								
Transactions in energy (4)	-	-	22	46	-	-	(203)	(427)
Services (6)	90	90	-	-	956	953	-	-
Light,								
Current								
Transactions in energy (4)	460	1,128	403	404	38,187	38,203	(22)	(522)
Taesa								
Current								
Transactions in energy (4)	-	-	1,474	3,605	34	33	(14,722)	(31,352)
Services (6)	172	404	-	-	424	667	-	-

COMPANY	ASSETS		LIABILITIES		REVENUE		EXPENSES	
	Sep. 30, 2018	Dec. 31, 2017	Sep. 30, 2018	Dec. 31, 2017	Jan to Sep 2018	Jan to Sep 2017	Jan to Sep 2018	Jan to Sep 2017
Other related parties								
Cemig Distribuição								
Current								
Cooperation Working Agreement (2)	-	-	-	-	-	5,132	(663)	-
Transactions in energy (4)	22,546	22,212	981	3,263	184,921	151,266	(19,060)	(31,452)
Non-current								
Loans with related parties (10)	631,752		-		1,752	-	-	-
FIC Pampulha (a)								
Current								
Cash and cash equivalents	98,081	214,663	-	-	-	-	-	-
Securities	412,231	447,073	-	-	6,451	367	-	-
(–) Securities issued by the Company (17)	(2,381)	(12,405)	-	-	-	-	-	-
Non-current								
Securities	68,083	14,659	-	-	-	-	-	-
Forluz								
Current								
Post-retirement obligations (11)	-	-	27,308	24,632	-	-	(30,449)	(27,927)
Supplementary pension contributions (12)	-	-	-	-	-	-	(14,191)	(16,016)
Administrative running costs (13)	-	-	-	-	-	-	(4,946)	(4,356)
Operational leasing (14)	-	-	370	1,391	-	-	(9,633)	(12,703)
Non-current								
Post-retirement obligations (11)	-	-	409,121	411,270	-	-	-	-
Cemig Saúde								
Current								
Health Plan and Dental Plan (15)	-	-	26,805	25,822	-	-	(30,761)	(30,391)
Non-current								
Health Plan and Dental Plan (15)	-	-	392,348	338,673	-	-	-	-

The main conditions and characteristics of interest with reference to the related party transactions are:

(1) Pre-payment of ICMS tax in accordance with Minas Gerais State Decree 47488 (see Note 8).
(2) 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.
(3) Refers to the loan contract for R$ 400,000 between the Company and its parent company (Cemig). This is to be settled in a single payment in December 2019, plus interest at the rate of 125.52% of the CDI. As a guarantee, Cemig (the parent company) signed a Promissory Note in the total amount of R$ 442,258, corresponding to the amount of the debt plus estimated interest for the 15-month period of the contract.
(4) Transactions with energy between generators and distributors were made in auctions organized by the Federal Government; transactions for Transport of energy, made by transmission companies, arise from the centralized operation of the National Grid carried out by the National System Operator (ONS).
(5) Refers to advance payments made in 2017 to Santo Antônio Energia, subsidiary of Madeira Energia. Settlement will be by invoices for energy supply to be issued by Santo Antônio Energia starting in 2018, in 12 tranches.
(6) Refers to a contract to provide plant operation and maintenance services.
(7) Refers to early payments for purchase of incentive-bearing supply becoming due in January and October 2019, discounted at 155% of the CDI rate (published by Cetip). The pre-payments have guarantees, shared between Cemig and Light, related to the stockholding positions in and dividends from investees of Renova, and also the wind projects to be developed.
(8) Cemig GT has an item of R$ 435 million receivable from Renova that will be paid in monthly installments up to December 2021 with updating at 150% to 155% of the CDI rate. The accounts receivable have guarantees, shared between Cemig and Light, stockholding positions in and dividends from investees of Renova, and also the wind projects to be developed.
(9) On August 3, 2018 the Company signed the 7th amendment to the contract for sale of wind energy with Renova suspending supply of incentive-bearing wind energy contracted for the period July–December 2018, and setting the calculation of any financial compensations for the Company. The total amount will be settled in a single instalment in January 2019, updated by 155% of the CDI rate. On September 30, 2018 the amount to be reimbursed by Renova as indemnity for suspension of supply of power for the period July-September 2018 is R$ 51,984. The amount to be reimbursed by Renova has guarantees, shared between Cemig and Light, related to the stockholding positions in and dividends from investees of Renova, and also the wind projects to be developed.
(10) This refers to the loan contract signed by the Company and Cemig D for R$ 630,000, to be settled in two instalments becoming due in November and December 2018, plus interest at 125.52% of the CDI rate. As guarantee, Cemig D signed a Promissory Note in the total amount of R$ 639,110, corresponding to the amount of the debt plus estimated interest for the period of the contract.
(11) The contracts of Forluz are updated by the Expanded Customer Price Index (*Índice Nacional de Preços ao Consumidor Amplo*, or IPCA) calculated by the Brazilian Geography and Statistics Institute (IBGE) plus interest of 6% p.a. and will be amortized up to the business year of 2031 (see Note 19).
(12) The Company's contributions to the pension fund for the employees participating in the Mixed Plan, and calculated on the monthly remuneration, in accordance with the regulations of the Fund.
(13) Funds for annual current administrative costs of the Pension Fund in accordance with the specific legislation of the sector. The amounts are estimated as a percentage of the Company's payroll.
(14) Rental of the Company's administrative head offices, in effect up to March 2019 and May 2034, adjusted annually by the IPCA inflation index.

(15) Post-employment obligations relating to the employees' health and dental plan (see Note 19).

Cash investments in FIC Pampulha

Cemig GT invests part of its cash balance 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 on September 2018 are reported in 'Securities' in Current or Non-current assets, in proportion to the interests held by the Company in the fund.

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

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

Issuer of security	Type	Annual contractual conditions	Maturity	Sep. 30, 2018			Dec. 31, 2017		
				Cemig GT 19.60%	Other subsidiaries 3.17% (1)	Total (consolidated) 22.77%	Cemig GT 26.85%	Other subsidiaries 8.32% (1)	Total (consolidated) 35.17%
ETAU	Debentures	108% do CDI	12/1/2019	2,006	324	2,330	2,706	838	3,544
LIGHT	Promissory Note	CDI + 3.50%	1/22/2019	1,376	223	1,599	5,375	1,666	7,041
Cemig D	Promissory Note	151% of CDI rate	10/24/2019	10,186	1,648	11,834	-	-	-
				13,568	**2,195**	**15,763**	**8,081**	**2,504**	**10,585**

(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 Fiscal Council, the Audit Committee and the Board of Directors, in the nine-month period ended September 30, 2018 and 2017, are as follows:

	Jan to Sep 2018	Jan to Sep 2017
Remuneration	3,150	2,094
Profit sharing	555	-
Assistance benefits	445	177
Total	**4,150**	**2,271**

26. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

a) Classification of financial instruments and fair value

The principal financial instruments, classified according to the accounting practices adopted by the Company and its subsidiaries, are:

	Level	Sep. 30, 2018		Dec. 31, 2017	
		Book value	Fair value	Book value	Fair value
Assets					
Amortized cost (1)					
Cash equivalents – investments	2	845,224	845,224	398,639	398,639
Securities	2	69,743	69,743	21,291	21,291
Customers and Traders; Concession holders (Transport of energy)	2	947,195	947,195	939,640	939,640
Restricted cash	2	19,657	19,657	18,344	18,344
Advances to suppliers	2	130,233	130,233	103,998	103,998
Receivable from related parties	2	1,520,099	1,520,099	351,709	351,709
Escrow deposits in litigation	2	340,821	340,821	309,994	309,994
Concession grant fee – Generation concessions	3	2,396,907	2,396,907	2,337,135	2,337,135
		6,269,879	**6,269,879**	**4,480,750**	**4,480,750**
Fair value through profit or loss					
Securities					
Bank certificates of deposit	2	-	-	1,214	1,214
Financial Notes (LFs) – Banks	2	177,719	177,719	142,881	142,881
Treasury Financial Notes (LFTs)	1	226,356	226,356	364,561	364,561
Debentures	2	4,177	4,177	5,675	5,675
		408,252	408,252	**514,331**	**514,331**
Derivative financial instruments (swaps)	3	273,636	273,636	8,649	8,649
Concession financial assets – Transmission – Assets remunerated by tariff	3	557,960	557,960	547,800	547,800
Indemnities receivable – Transmission	3	1,817,663	1,817,663	1,928,038	1,928,038
Indemnities receivable – Generation	3	816,734	816,734	1,900,757	1,900,757
		3,874,245	**3,874,245**	**4,899,575**	**4,899,575**
		10,144,124	**10,144,124**	**9,380,325**	**9,380,325**
Liabilities					
Amortized cost (1)					
Loans, financings and debentures	2	(9,369,045)	(9,369,045)	(8,320,163)	(8,320,163)
Debt agreed with pension fund (Forluz)	2	(152,092)	(152,092)	(163,049)	(163,049)
Settlement of deficit of pension fund (Forluz)	2	(85,999)	(85,999)	(64,109)	(64,109)
Concessions payable	3	(18,979)	(18,979)	(21,227)	(21,227)
Suppliers	2	(470,930)	(470,930)	(472,043)	(472,043)
Advances from clients	2	(76,042)	(76,042)	(190,758)	(190,758)
		(10,173,087)	**(10,173,087)**	**(9,231,349)**	**(9,231,349)**
Fair value through profit or loss					
Derivative financial instruments Swap transactions	3	-	-	(41,111)	(41,111)
Derivative financial instruments (Put options)	3	(374,184)	(374,184)	(311,593)	(311,593)
		(374,184)	**(374,184)**	**(352,704)**	**(352,704)**
		(10,547,271)	**(10,547,271)**	**(9,584,053)**	**(9,584,053)**

(1) On September 30, 2018 and December 31, 2017, the book values of financial instruments were similar to the fair values.

In the initial recognition the Company and its subsidiaries measure its financial assets and liabilities at fair value and classify them according to the accounting rules currently in effect. *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. The Fair Value Hierarchy aims to increase consistency and comparability: it divides the inputs used in measuring fair value into three broad levels, as follows:

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

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

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

Fair value calculation of financial positions

<u>Transmission – Assets remunerated by tariff</u>: Measured at New Replacement Value (Valor Novo de Reposição, or VNR), according to criteria established in regulations by the Concession-granting power ('Grantor'), based on the fair value of the assets in service belonging to the concession which will be reverted at the end of the concession, and the weighted average cost of capital (WACC) used by the Grantor, which reflects the concession holder's return on the operations of the concession. The VNR and the WACC are public information disclosed by the Grantor and by Cemig GT.

<u>Indemnities receivable – Transmission:</u> Measured at New Replacement Value (Valor Novo de Reposição, or VNR), according to criteria established in regulations by the Concession-granting power ('Grantor'), based on the fair value of the assets to be indemnified, and the Weighted average cost of capital (WACC) used by the Grantor, which reflects the concession holder's return on the operations of the concession. The VNR and the WACC are public information disclosed by the Grantor and by Cemig.

<u>Indemnities receivable – Generation:</u> Measured at New Replacement Value (Valor Novo de Reposição, or VNR), as per criteria established in regulations by the concession Grantor, based on the fair value of the assets to be indemnified due to termination of the concession.

<u>Cash investments:</u> 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: The fair value of the swap transactions was calculated on the basis that the market value of the security was its maturity value brought 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.

The movement in relation to the put options, and other information on the derivative instruments, is given in the item "b) Financial instruments – Derivatives", in this Note.

Other financial liabilities: 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, and debt agreed with Forluz, with annual rates between IPCA + 6.00% to 8.07% and CDI + 1.60% to 2.60%.

b) Derivatives Financial instruments

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 Customer Price (IPCA) index published by the IBGE, plus interest at 7% per year, less such dividends and Interest on Equity as shall have been paid by SAAG to the pension plan entities. This option was considered to be a derivative instrument, accounted at fair value through profit or loss.

Cemig GT uses the Black-Scholes-Merton ('BSM') model for measurement of the fair value of the SAAG put option. 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 September 30, 2018 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 electricity generation sector that are traded on the Bovespa.

Based on the studies made, a liability of R$ 374,184 (R$ 311,593 on December 31, 2017) is recorded in the Company's Interim Financial Information, 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:

	Consolidated	Holding company
Balance at December 31, 2016	**196,173**	**196,173**
Adjustment to fair value	73,299	73,299
Reversals	(5,334)	(5,334)
Balance on September 30, 2017	**264,138**	**264,138**
Balance at December 31, 2017	**311,593**	**311,593**
Adjustment to fair value	62,591	62,591
Balance on September 30, 2018	**374,184**	**374,184**

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 5.20% p.a. to 9.20% p.a., and for volatility between 20% and 80% p.a., were used, resulting in estimates of minimum and maximum price for the put option of R$ 348,825 and R$ 415,096, respectively.

Swap transactions

Considering that part of the loans and financings of the Company's subsidiaries 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 the operations against the risks arising from foreign exchange variation and 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 on September 30, 2018 was a positive adjustment of R$ 322,847, recorded in Finance income (expenses).

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

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

Cemig is guarantor of the derivative instruments contracted by Cemig GT.

The table below shows the derivative instruments contracted by the Company on September 30, 2018 and December 31, 2017.

Company's right (1)	Company's obligation (1)	Maturity period	Trading market	Value of principal contracted (2)	Unrealized gain (loss)		Unrealized gain (loss)	
					Amount according to contract – Sep. 30, 2018	Fair value – Sep. 30, 2018	Amount according to contract – Dec. 31, 2017	Fair value – Dec. 31, 2017
US$: FX variation + Rate (9.25% p.a.)	In R$: 150.49% of CDI rate	From July 2018 to Dec. 2024	Over the counter	US$ 1,000,000	821,268	256,898	50,792	(32,462)
US$: FX variation + Rate (9.25% p.a.)	In R$: 125.52% of CDI rate	From July 2018 to Dec. 2024	Over the counter	US$ 500,000	109,538	16,738	-	-
					930,806	**273,636**	**50.792**	**(32.462)**

1) For the original US$ 1 billion Eurobond issue of December 2017, was contracted a combination of a call spread on the principal, with floor at R$ 3.25/US$ and ceiling at R$ 5.00/US$ and for the interest, a swap for 9.25% p.a. coupon in Reais, and average of 150.49% of the CDI rate.

For the additional US$ 500 million Eurobond tranche, issued in July 2018, was contracted a combination of a call spread on the principal, with floor at US$ 3.85/US$ and ceiling at R$ 5.00/US$ and for the whole of the interest, a swap for 9.25% p.a. coupon in Reais, and average rate equivalent to 125.52% of the CDI.

2) In thousands of US$.

The Company uses a mark-to-market methodology for the derivative financial instruments used to protect the Eurobond, in accordance with market practices. The main indicators to measure the fair value of the swap are the market curves for the DI rate, and dollar future traded in the B3 future market. To price the call spread (options) the Black & Scholes model is used.

The fair value at September 30, 2018 was R$ 273,636 which would be a reference if the Company had settled the derivative instrument on September 30, 2018; however, the swap contracts protect the Company's cash flow up to maturity of the bonds in 2024, and have a contractual value of R$ 930,806, at September 30, 2018, underlining the effectiveness of the hedge strategy adopted by the Company.

c) Risk management

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

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

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

Interest rate risk

On September 30, 2018 the Company and its subsidiaries were exposed to the risk of decrease in Brazilian domestic interest rates, due to having more assets than liabilities indexed to variation in interest rates, as follows:

Exposure to Brazilian domestic interest rate changes	Consolidated		Holding company	
	Sep. 30, 2018	Dec. 31, 2017	Sep. 30, 2018	Dec. 31, 2017
Assets				
Cash equivalents – Cash investments (Note 5)	845,224	398,639	830,964	364,092
Securities (Note 6)	477,995	535,622	411,446	408,925
Accounts receivable – Renova (Note 25)	486,921	350,200	486,921	350,200
Loans with related parties (Note 25)	1,032,246	-	1,032,246	-
Advances to suppliers	130,233	103,998	118,706	71,975
Receivable for residual value – Generation – SELIC (Note 11)	-	1,084,346	-	1,084,346
Restricted cash	19,657	18,344	19,524	18,326
	2,992,276	**2,491,149**	**2,899,807**	**2,297,864**
Liabilities				
Loans, financings and debentures – CDI rate (Note 17)	(2,029,261)	(3,745,699)	(2,029,593)	(3,748,634)
Loans, financings and debentures – TJLP (Note 17)	-	(2,359)	-	(2,359)
Advances from clients – CDI (Note 7)	(76,042)	(147,066)	(76,042)	(147,066)
	(2,105,303)	**(3,895,124)**	**(2,105,635)**	**(3,898,059)**
Net assets (liabilities) exposed	**886,973**	**(1,403,975)**	**794,172**	**(1,600,195)**

Sensitivity analysis

The Company and its subsidiaries estimate that, in a probable scenario, on September 30, 2019 the SELIC rate will be 7.00%. In relation to the probability of interest rate decrease, the Company and its subsidiaries have made a sensitivity analysis of the effects on its net income arising from decreases in rates of 25% and 50% in relation to the 'probable' scenario. Variation in the CDI rate accompanies the variation in the SELIC rate.

Risk: Decrease in Brazilian interest rates – Consolidated	Sep. 30, 2018	Sep. 30, 2019		
	Book value	'Probable' scenario: SELIC 7.00%	'Possible' scenario (-25%): Selic 5.25%	'Remote' scenario (-50%): Selic 3.50%
Assets				
Cash equivalents – Cash investments (note 5)	845,224	904,390	889,598	874,807
Securities (Note 6)	477,995	511,455	503,090	494,725
Receivables – Renova (Note 25)	486,921	521,005	512,484	503,963
Loans with related parties (Note 25)	1,032,246	1,104,503	1,086,439	1,068,375
Advances to suppliers	130,233	139,349	137,070	134,791
Restricted cash	19,657	21,033	20,689	20,345
	2,992,276	**3,201,735**	**3,149,370**	**3,097,006**
Liabilities				
Loans, financings and debentures – CDI rate (Note 17)	(2,029,261)	(2,171,309)	(2,135,797)	(2,100,285)
Advances from clients – CDI (note 7)	(76,042)	(81,365)	(80,034)	(78,703)
	(2,105,303)	**(2,252,674)**	**(2,215,831)**	**(2,178,988)**
Net assets	**886,973**	**949,061**	**933,539**	**918,018**
Net effect of variation in interest rates		**62,088**	**46,566**	**31,045**

Inflation Risk

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

Exposure to inflation	Consolidated		Holding company	
	Sep. 30, 2018	Dec. 31, 2017	Sep. 30, 2018	Dec. 31, 2017
Assets				
Generation – Concession Grant Fee – IPCA (Note 11)	2,396,907	2,337,135	-	-
Receivable for residual value – Transmission – IPCA index (Note 11)	1,817,663	1,928,038	1,817,663	1,928,038
Assets remunerated by tariff – Transmission – IPCA index (note 11)	462,989	496,121	462,989	496,121
	4,677,559	**4,761,294**	**2,280,652**	**2,424,159**
Liabilities				
Loans, financings and debentures – IPCA (Note 17)	(1,212,930)	(1,343,545)	(1,212,930)	(1,343,545)
Debt agreed with pension fund (Forluz) – IPCA (Note 19)	(152,092)	(163,049)	(152,092)	(163,049)
Forluz deficit of pension plan (Note 19)	(85,999)	(64,109)	(85,999)	(64,109)
	(1,451,021)	**(1,570,703)**	**(1,451,021)**	**(1,570,703)**
Net assets	**3,226,538**	**3,190,591**	**829,631**	**853,456**

Sensitivity analysis

The Company and its subsidiaries estimate that, in a probable scenario, on September 30, 2019 the IPCA inflation index will be 4.0738%. In relation to the most significant risk of decrease in inflation, the Company and its subsidiaries have made a sensitivity analysis of the effects on its net income arising from decreases in rates of 25.00% and 50.00% in relation to the 'probable' scenario.

Risk: Decrease in inflation Consolidated	Sep. 30, 2018	Sep. 30, 2019		
	Book value	'Probable' scenario: IPCA 4.0738%	'Possible' scenario (-25%): IPCA 3.0554%	'Remote' scenario (-50%): IPCA 2.0369%
Assets				
Generation – Concession Grant Fee – IPCA (Note 11)	2,396,907	2,494,552	2,470,142	2,445,730
Receivable for residual value – Transmission – IPCA (Note 11)	1,817,663	1,891,711	1,873,200	1,854,687
Assets remunerated by tariff – Transmission – IPCA index (note 11)	462,989	481,850	477,135	472,420
	4,677,559	4,868,113	4,820,477	4,772,837
Liabilities				
Loans, financings and debentures – IPCA (Note 17)	(1,212,930)	(1,262,342)	(1,249,990)	(1,237,636)
Debt agreed with pension fund (Forluz) – IPCA (Note 19)	(152,092)	(158,288)	(156,739)	(155,190)
Forluz deficit of pension plan (Note 19)	(85,999)	(89,502)	(88,627)	(87,751)
	(1,451,021)	**(1,510,132)**	**(1,495,356)**	**(1,480,577)**
Net assets	**3,226,538**	**3,357,981**	**3,325,121**	**3,292,260**
Net effect of variation in inflation		**131,443**	**98,583**	**65,722**

Exchange rate risk

The Company is exposed to 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	Consolidated and Holding company			
	Sep. 30, 2018		Dec. 31, 2017	
	Foreign currency	R$	Foreign currency	R$
US dollar				
Loans and financings (Note 17)	1,551,170	6,210,730	1,007,785	3,333,149
Euros				
Loans and financings (Note 17)	581	2,702	1,105	4,383
Net liabilities exposed	**1,551,751**	**6,213,432**	**1,008,890**	**3,337,532**

Sensitivity analysis

The Company estimates that in a probable scenario the variation of the exchange rates of foreign currencies in relation to the Real on September 30, 2019 will be an depreciation of the dollar exchange rate by 6.19%, to R$ 3.7560/US$, and depreciation of the Euro exchange rate by 7.20%, to R$ 4.3194/€. The Company has made a sensitivity analysis of the effects on the Company's net income arising from depreciation of the Real exchange rate by 25%, and by 50%, in relation to this 'probable' scenario.

Risk: Exposure to exchange rates	Sep. 30, 2018	Sep. 30, 2019		
	Book value	Scenario US$1=R$ 3.7560 EUR1=R$ 4.3194	Scenario (+25%) US$1=R$ 4.6950 EUR1= R$ 5.3993	Scenario (+50%) US$1=R$ 5.6340 EUR1= R$ 6.4791
US dollar				
Loans and financings (Note 17)	6,210,730	5,826,195	7,282,744	8,739,292
Euro				
Loans and financings (Note 17)	2,702	2,507	3,134	3,761
Net liabilities exposed	**6,213,432**	**5,828,702**	**7,285,878**	**8,743,053**
Net effect of exchange rate variation		**(384,730)**	**1,072,446**	**2,529,621**

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

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.

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

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

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

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 obligations 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:

	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
Financial instruments at (interest rates):						
Floating rates						
Loans, financings and debentures	7,984	1,142,377	880,781	4,678,519	7,317,162	14,026,823
Concessions payable	203	401	1,828	8,304	14,637	25,373
Debt agreed with pension plan (Forluz)	2,600	5,219	23,945	142,254	29,949	203,967
Solution plan for deficit of the pension plan (FORLUZ)	797	1,601	7,340	43,585	115,307	168,630
	11,584	**1,149,598**	**913,894**	**4,872,662**	**7,477,055**	**14,424,793**
Fixed rate						
Suppliers	466,840	4,090	-	-	-	470,930
	478,424	**1,153,688**	**913,894**	**4,872,662**	**7,477,055**	**14,895,723**

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 constituted on September 30, 2018, considered to be adequate in relation to the credits receivable and in arrears, was R$ 21,761.

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

Cemig 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 incorporate volatility risk into its financial statements.

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

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

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

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

Group	Equity	Concentration	Limit per bank (% of equity) (1)
A1	Over R$ 3.5 billion	Minimum 80%	Between 6% and 9%
A2	R$ 1.0 billion to R$ 3.5 billion	Maximum 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 individual assessment of indicators, e.g. liquidity, and quality of the credit portfolio.

Further to these points, Company 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 sold by the Company is generated by hydroelectric plants. A prolonged period of scarce rainfall can result in lower water volumes in the plants' reservoirs, possibly causing losses due to increased costs of purchasing electricity, due to replacement by thermoelectric generation, or reduction of revenues due to reduction in consumption caused by implementation of wide-ranging programs for saving of electricity.

Risk of early maturity of debt

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

On September 30, 2018, the Company was compliant with all of its covenants linked to financial indices requiring compliance on a six-monthly basis. More details in Note 17.

d) Capital management

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

	Consolidated		Holding company	
	Sep. 30, 2018	Dec. 31, 2017	Sep. 30, 2018	Dec. 31, 2017
Total liabilities	12,510,654	11,916,796	12,381,138	11,784,433
Cash and cash equivalents (Note 5)	(845,622)	(403,339)	(831,286)	(366,169)
Net liabilities	**11,665,032**	**11,513,457**	**11,549,852**	**11,418,264**
Total equity	**4,799,069**	**4,793,832**	**4,799,069**	**4,793,832**
Net liabilities / equity	**2.43**	**2.40**	**2.41**	**2.38**

27. OPERATING SEGMENTS

The operating segments of the Company reflect their management and their organizational structure, used to monitoring its results, and are aligned with the regulatory framework of the Brazilian electricity sector, with different legislation for the sectors of generation, and transmission, of electricity.

The Company operates in the generation and transmission segments while its subsidiaries operate only in the generation segment.

The tables below show the information by segment for the nine-month periods ended September 30, 2018 and 2017:

DESCRIPTION	September 30, 2018		
	Generation	Transmission	Total
ASSETS	**14,536,038**	**2,773,685**	**17,309,723**
INVESTMENTS IN AFFILIATES AND JOINTLY-CONTROLLED ENTITIES	**4,609,463**	**-**	**4,609,463**
ADDITIONS TO THE SEGMENT	**210,982**	**-**	**210,982**
ADDITIONS TO FINANCIAL ASSETS	**-**	**12,726**	**12,726**
NET REVENUE	**4,643,197**	**478,258**	**5,121,455**
ENERGY COSTS			
Energy purchased for resale	(2,865,752)	-	(2,865,752)
Charges for use of the national grid	(169,376)	-	(169,376)
	(3,035,128)	**-**	**(3,035,128)**
OPERATING COSTS AND EXPENSES			
Personnel	(162,528)	(76,587)	(239,115)
Employees' and managers' profit sharing	(2,934)	(1,577)	(4,511)
Post-retirement obligations	(33,817)	(19,886)	(53,703)
Materials	(30,102)	(2,967)	(33,069)
Outsourced services	(69,655)	(28,046)	(97,701)
Depreciation and amortization	(109,445)	-	(109,445)
Provisions	(73,962)	(4,097)	(78,059)
Construction costs	-	(12,726)	(12,726)
Other operating expenses, net	(60,796)	(11,515)	(72,311)
	(543,239)	**(157,401)**	**(700,640)**
TOTAL COSTS AND EXPENSES	**(3,578,367)**	**(157,401)**	**(3,735,768)**
Share of net income (loss), net, of associates and joint ventures	(250,755)	-	(250,755)
Operating Income before finance income (expenses)	**814,075**	**320,857**	**1,134,932**
Finance income	435,035	24,314	459,349
Finance expenses	(1,501,737)	(3,694)	(1,505,431)
Income before income tax and Social Contribution tax	**(252,627)**	**341,477**	**88,850**
Income and Social Contribution taxes	461	(84,074)	(83,613)
NET INCOME FOR THE PERIOD	**(252,166)**	**257,403**	**5,237**

DESCRIPTION	September 30, 2017		
	Generation	Transmission	Total
ASSETS	**13,954,975**	**2,476,571**	**16,431,546**
INVESTMENTS IN AFFILIATES AND JOINTLY-CONTROLLED ENTITIES	**5,169,532**	**-**	**5,169,532**
ADDITIONS TO THE SEGMENT	**249,001**	**-**	**249,001**
ADDITIONS TO FINANCIAL ASSETS	**-**	**11,226**	**11,226**
NET REVENUE	**5,169,270**	**547,179**	**5,716,449**
ENERGY COSTS			
Energy purchased for resale	(2,990,677)	-	(2,990,677)
Charges for use of the national grid	(257,158)	(262)	(257,420)
	(3,247,835)	**(262)**	**(3,248,097)**
OPERATING COSTS AND EXPENSES			
Personnel	(216,506)	(84,022)	(300,528)
Employees' and managers' profit sharing	(3,908)	(1,871)	(5,779)
Post-retirement liabilities	(42,539)	(19,850)	(62,389)
Materials	(7,068)	(2,110)	(9,178)
Outsourced services	(74,934)	(21,278)	(96,212)
Depreciation and amortization	(122,951)	-	(122,951)
Provisions	(97,803)	(9,148)	(106,951)
Construction costs	-	(11,226)	(11,226)
Other operating costs and expenses, net	(34,212)	(6,550)	(40,762)
	(599,921)	**(156,055)**	**(755,976)**
TOTAL COSTS AND EXPENSES	**(3,847,756)**	**(156,317)**	**(4,004,073)**
Share of net income (loss), net, of associates and joint ventures	(157,710)	-	(157,710)
Income before finance revenue (expenses)	**1,163,804**	**390,862**	**1,554,666**
Finance income	115,566	5,013	120,579
Finance expenses	(847,570)	(1,886)	(849,456)
Income before income tax and Social Contribution tax	**431,800**	**393,989**	**825,789**
Income and Social Contribution tax	(180,049)	(120,333)	(300,382)
NET INCOME FOR THE PERIOD	**251,751**	**273,656**	**525,407**

28. SUBSEQUENT EVENTS

Debt prepayment

On November 6, 2018 the Company has repurchased 24,565 debentures of its Fifth Issue – in the amount of R$ 132 million, in order to reduce debt, increase profitability and enhance its credit quality.

CONSOLIDATED RESULTS

(Thousands of Brazilian Reais - R$ except where otherwise indicated)

NET INCOME (LOSS) FOR THE PERIOD

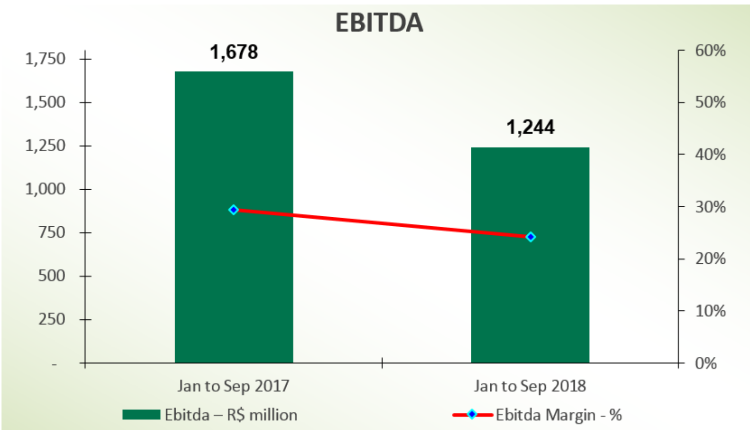
In the nine-month period ended September 30, 2018 ('9M18'), Cemig GT reports net income of R$ 5,237, which compares with net income of R$ 525,407 in the nine-month period ended September 30, 2017 ('9M17'). The main variations in revenue, costs and expenses are noted below.

Net profit in 9M18 was significantly affected by an expense of R$ 773,700 for the effects of foreign exchange variations on the debt raised in the international market (Eurobonds), this effect being partially offset by the gains arising from the hedge transaction related to this issue, which totaled R$ 322,847.

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

Cemig GT's Ebitda was 25.82% lower in 9M18 than in the same period of 2017:

Ebitda	Jan to Sep 2018	Jan to Sep 2017	Change, %
Net income for the period	5,237	525,407	(99.00)
+ Current and deferred income tax and Social Contribution tax	83,613	300,382	(72.16)
+ Finance income (expenses)	1,046,082	728,877	43.52
+ Amortization and depreciation	109,445	122,951	(10.98)
= Ebitda	**1,244,377**	**1,677,617**	**(25.82)**



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

The main factor in Ebitda being lower in 9M18 than the same period of 2017 was: operating revenues were 10.41% lower period-on-period, while the reduction in operating expenses was lower, at 6.57%, excluding depreciation and amortization. Ebitda Margin in the 9M18 was 29.35%, compared to 24.30% in the same period of 2017.

Revenue from supply of energy

	Jan to Sep 2018			Jan to Sep 2017		
	MWh	R$ mn	Average price billed – R$/MWh (1)	*MWh*	R$ mn	Average price billed – R$/MWh (1)
Industrial	10,751,823	2,402,818	223,48	10,710,503	2,479,533	231,50
Commercial	2,325,050	520,714	223,96	1,620,592	414,045	255,49
Rural	795	196	246,54	3,660	537	146,72
Subtotal	**13,077,668**	**2,923,728**	**223,57**	**12,334,755**	**2,894,115**	**234,63**
Retail supply unbilled, net	-	15,036	-	-	23,399	-
	13,077,668	**2,938,764**	**-**	**12,334,755**	**2,917,514**	**-**
Wholesale supply to other concession holders	8,755,439	2,167,139	247,52	9,225,587	2,334,428	253,04
Wholesale supply unbilled, net		(36,806)	-	-	(21,260)	-
	21,833,107	**5,069,097**	**233,17**	**21,560,342**	**5,230,682**	**242,51**

(1) Average price stated does not include revenue from supply not yet billed.

Total revenue from supply of energy in 9M18, was R$ 5,069,097, compared to R$ 5,230,682 in the same period of 2017 – i.e. 3.09% lower period-on-period. This mainly reflected the fact that the average price billed to final customers was 3.85% lower period-on-period and also included supply to other concession holders, partially offset by the volume of MWh sold being 1.27% higher.

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 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.

This revenue was R$ 443,095 in the nine-month period ended September 30, 2018, compared to R$ 327,720 in the same period of 2017 – or 35.21% higher period-on-period. The higher figure arises basically from the monetary variation of the annual RAP, which was applied in July 2018, plus the new revenues related to the investments authorized to be included. It includes an additional adjustment for expectation of cash flow from financial assets, arising from change in the fair value of the Regulatory Remuneration Assets Base (BRR).

The percentages and the indices applied in this adjustment vary according to the concessions. In 2018 the adjustment was 2.86% (the IPCA index) for the concession of Cemig GT, and 4.27% (the IGP-M Index) for the concession of Cemig Itajubá.

Revenue from transactions in the Wholesale Electricity Trading Chamber (CCEE)

Revenue from energy transactions at CCEE in the nine-month period ended September 30, 2018, was R$ 168,323, or 67.69% lower than in the same period of 2017 (R$ 520,943). The lower revenue from this source reflects the lower quantity of energy available for settlement in the wholesale market in 2018, being that, in 1Q17, the company recognized revenues related to energy available in Jaguara and Miranda. On the other hand, there was an increase by 10.99% of the average Spot Price (PLD) (R$ 332.34/MWh in 9M18, vs. R$ 299.42/MWh in 9M17).

Transmission indemnity revenue

The revenue from the transmission Indemnities in the nine-month period ended September 30, 2018, was R$ 208,164, which was 29.61% less than in the same period of 2017 (R$ 295,749). We highlight the amount of R$ 149,255 recorded for 9M18, due mainly to a backdated revenue registration relating to certain transmission concession assets for which the values had not been included in the calculation basis for revenues in the previous tariff reviews.

The Company reports the updating of the amount of indemnity receivable based on the average regulatory cost of capital, as specified in the sector regulations.

Generation indemnity revenue

In 9M18 the Company recognized revenue of R$ 82,331 (R$ 259,516 in the same period of 2017) for the adjustment to the balance not yet amortized relating to the basic plans of the concessions for the *São Simão* and *Miranda* hydroelectric plants, according to Ministerial Order 291/17. For more details see Note 11.

Taxes and charges reported as deductions from revenue

Taxes and charges on revenue in 9M18 totaled R$ 1,199,150, compared to R$ 1,200,004 in 9M17 – a period-on-period decrease of 0.07%.

<u>The Energy Development Account – CDE</u>

The amounts of payments to the Energy Development Account (CDE) are decided by an Aneel Resolution. The purpose of the CDE is to cover costs of concession indemnities, tariff subsidies, the subsidy for balanced tariff reduction, the low-income customer subsidy, the coal consumption subsidy, and the Fuels Consumption Account.

The charges for the CDE in 9M18 were R$ 113,190, compared to R$ 36,209 in 9M17.

The other taxes and charges with significant scale are mainly taxes calculated as a percentage of billing – and their variations thus arise, substantially, from the variations in revenue.

Operating costs and expenses (excluding Finance income/expenses)

Operating costs and expenses (excluding Net finance income/expenses) in 9M18, totaled R$ 3,735,768, or 6.70% less than in the same period of 2017 (R$ 4,004,073).

For more information on the components of Operational costs and expenses see Note 23.

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

Energy purchased for resale

The expense on energy purchased for resale in 9M18 was R$ 2,865,752, which was 4.18% less than the figure of R$ 2,990,677 for this account in 9M17. This reflects an average volume of energy purchased 7.00% lower in 9M18, at 15,448,527 MWh, vs. 16,611,973 MWh in 9M17, with an offsetting effect from the average price per MWh 3.04% higher (at R$ 185.50 in 9M18, vs. R$ 180.03 in 9M17).

Personnel expenses

The expense on personnel in 9M18, was R$ 239,115, or 20.44% lower than in 9M17 (R$ 300,528). The lower figure, in spite of the wage increase of 1.83% as from November 2017, under the Collective Wage Agreement, mainly reflects:

- The average number of employees 11.97% lower in 9M18 at 1,317, compared to 1,496 in 9M17.
- Lower expense on voluntary severance programs: R$ 6,731 in 9M18, compared to R$ 44,516 in 9M17.

Construction cost

Construction cost was 13.36% higher period-on-period in nine-month period ended September 30, 2018, at R$ 12,726 – compared to R$ 11,226 in the same period of 2017. This line records the Company's investment in assets of the concession in the period, and is fully offset by the line Construction Revenue, in the same amount.

Post-retirement obligation

The impact of the Company's post-retirement obligation on operating profit was an expense of R$ 53,703 in 9M18– or 13.92% lower than the expense of R$ 62,389 in 9M17.

This variation mainly reflects the reduction in the total amount of the life insurance obligation, in 4Q17, due to alterations in the capital insured, with effect on the expense recognized as from January, 2018.

Operating provisions

Operating provisions in 9M18, represented ax expense of R$ 78,059, or 27.01% less than in the same period of 2017 (R$ 106,951). This difference is, mainly, due to:

- Lower new provisions for doubtful receivables: a total of R$ 138 in 9M18, compared to a total of R$ 16,257 in 9M17.;
- Lower provisions for contingencies: R$ 14,876 in 9M18, compared to R$ 22,729 in 9M17. This mainly reflects provisions for employment-law cases R$ 2,012 lower, and provisions for regulatory cases R$ 2,324 lower.

Share of net income (loss) in associates and joint ventures

The result of equity method valuation of interests in investees was an expense of R$ 250,755 in 9M18, compared to an expense of R$ 157,710 recorded in the same period of 2017. This basically reflects losses in 2018 on the interests in Renova and Santo Antônio Energia.

The breakdown of the results from the investees recognized under this line is given in detail in Note 12.

Finance income (expenses)

In 9M18, the Company posted net Finance expenses of R$ 1,046,082. This was 43.52% higher than the net Finance expenses of R$ 728,877 in the same period of 2017. The most significant variations in components between the two periods were:

- Lower volume of early payments in 9M18: R$ 18,819, compared to R$ 41,011 in 9M17 – reflecting lower volume of early payments to suppliers in 2018.
- Recognition, in 2018, of gains totaling R$ 322,847 on the hedge transaction related to the Eurobond issue. There had been a negative effect in the fair value adjustment of the hedge due to a higher variation in the future curve for the DI rate than in the curve for future expectation of the R$ /US$ exchange rate.
- Foreign exchange variation expense of R$ 773,700, in 9M18, on the amounts of the dollar-indexed Eurobond issues – made in December 2017 (US$ 1 billion, or R$ 3.2 billion) and July 2018 (US$ 500 million, or R$ 1.9 billion).
- Lower costs of servicing loans and financings: R$ 640,747 in 9M18, compared to R$ 727,098 in 9M17 – a reduction of 11.88%. This mainly reflects the lower variation represented by the CDI rate, the principal indexor of the debt, which was 4.81% in 9M18, compared to 8.03% in 9M17. The total expense also reflected a lower volume of debt indexed to the CDI.
- Lower expense on financial updating of advances from clients: R$ 7,373 in 9M18, compared to R$ 37,666 in 9M17, reflecting a lower total of advances in 2018.

For a breakdown of Finance income and expenses please see Note 24 of these Interim financial information.

Income and Social Contribution taxes

In 9M18, the expense on income tax and the Social Contribution tax was R$ 83,613, on Income before income tax and social contribution tax of R$ 88,850 – an effective rate of 94.11%**.** In 9M17, the expense on income tax and the Social Contribution tax was R$ 300,382, or 36.38% of Income before income tax and social contribution tax of R$ 825,789. These effective rates are reconciled with the nominal rates in Note 9c.

Net income (loss) for the third quarter 2018

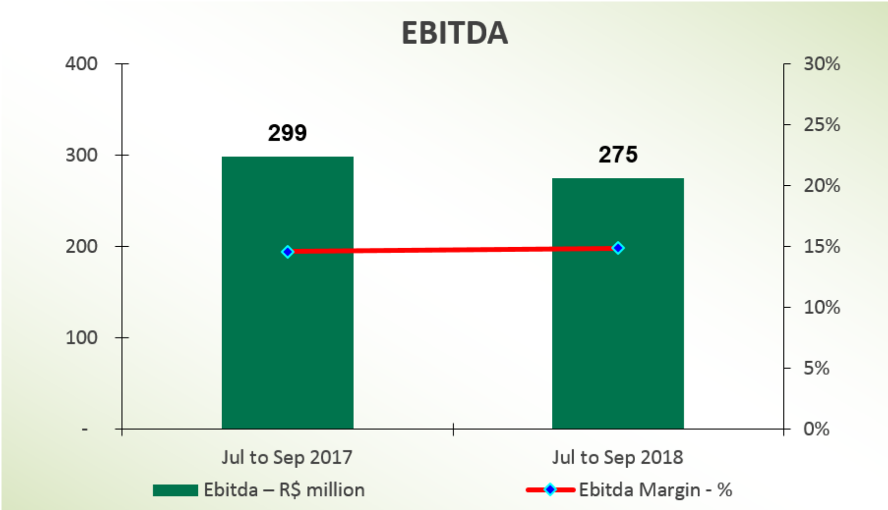
On the third quarter of 2018 (‘3Q18’) Company reports a loss of R$ 61,651, which compares to loss of R$ 5,145 in the third quarter of 2017 (‘3Q17’). The main variations in revenue, costs and expenses are noted below, after the Interim Financial Information.

Net profit in 3Q18 was significantly affected by the expense of R$ 225,900 for the exchange rate effect on the debt raised in the international market (Eurobonds), this effect being partially offset by a gain, of R$ 142,418, arising from the hedge transaction for this issue.

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

Cemig GT’s Ebitda was 8.03% lower in 3Q18 than 3Q17:

Ebitda	Jul to Sep 2018	Jul to Sep 2017	Change, %
Net income (loss) for the period	(61,651)	(5,145)	-
+ Current and deferred income tax and Social Contribution tax	9,075	71,571	(87.32)
+ Finance income (expenses)	290,810	195,514	48.74
+ Amortization and depreciation	36,357	36,618	(0.71)
= Ebitda	**274,591**	**298,558**	(8.03)



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

Ebitda for 3Q18 was 9.84% lower than in 3Q17, mainly reflecting operating revenues 7.34% (excluding depreciation and amortization) lower period-on-period. Ebitda margin in 3Q18 was 14.88%, compared to 14.58% in 3Q17.

Revenue from supply of energy

	Jul to Sep 2018			Jul to Sep 2017		
	MWh	R$ mn	Average price invoiced – R$/MWh (1)	*MWh*	R$ mn	Average price invoiced – R$/MWh (1)
Industrial	3,754,720	848,201	225,90	3,644,647	838,360	230,03
Commercial	788,799	172,803	219,07	561,786	145,331	258,69
Rural	480	118	245,83	3,660	537	146,72
Subtotal	**4,543,999**	**1,021,122**	**224,72**	**4,210,093**	**984,228**	**233,78**
Retail supply unbilled, net	-	19,648	-	-	(172)	-
	4,543,999	**1,040,770**	**-**	**4,210,093**	**984,056**	**-**
Wholesale supply to other concession holders	3,165,067	746,143	235,74	3,447,975	859,378	249,24
Wholesale supply unbilled, net	-	37,012	-	-	53,289	-
	7,709,066	**1,823,925**	**229,25**	**7,658,068**	**1,896,723**	**240,74**

(1) Average price stated does not include revenue from supply not yet billed.

Total revenue from supply of energy in 3Q18 was R$ 1,823,925, which is 3.84% lower than in 3Q17 (R$ 1,896,723), mainly due to 4.77% lower average sale prices (per MWh) period-on-period for supply sold to final customers and for supply sold to other concession holders.

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 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.

This revenue was R$ 148,383 in 3Q18, compared to R$ 86,320 in 3Q17 – or 71.90% higher period-on-period. This variation arises basically from the monetary variation of the annual RAP, which was applied in July 2018, plus the new revenues related to the investments authorized to be included. 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 2018 the adjustment was 2.86% (the IPCA index) for the concession of Cemig GT, and 4.27% (the IGP-M Index) for the concession of Cemig Itajubá.

Revenue from transactions on the Wholesale Electricity Trading Chamber (CCEE)

Revenue from transactions in energy supply on the CCEE in 3Q18 was R$ 14,172, or 86.98% lower than in 3Q17 (R$ 108,868). The difference is due to the lower volume of energy available for settlement in the wholesale market in 3Q18, due to the Company's seasonal profile. In counterpart to this, the average spot price (PLD) was 13.63% higher (R$ 494.61/MWh in 3Q18, vs. R$ 435.27/MWh in 3Q17).

Generation indemnity revenue

In 3Q18 the Company recognized revenue of R$ 47,868 (R$ 259,516 in 3Q17) for the adjustment, as specified by Ministerial Order 291/17, to the balance not yet amortized of the value of the basic plans of the concessions for the *São Simão* and *Miranda* Hydroelectric Plants. For more details see Note 11.

Taxes and charges reported as deductions from revenue

Taxes and charges on revenue in 3Q18 totaled R$ 410,441 – or 6.08% less than in 3Q17 (R$ 437,027).

The Energy Development Account – CDE

The amounts of payments to the Energy Development Account (CDE) are decided by an Aneel Resolution. The purpose of the CDE is to cover costs of concession indemnities, tariff subsidies, the subsidy for balanced tariff reduction, the low-income customer subsidy, the coal consumption subsidy, and the Fuels Consumption Account (CCC).

The charges for the CDE in 3Q18 were R$ 39,329, compared to R$ 4,637 in 3Q17.

The other taxes and charges with significant scale are mainly taxes calculated as a percentage of billing – and their variations that arise, substantially, from the variations in revenue.

Operating costs and expenses (excluding Finance income/expenses)

Operating costs and expenses (excluding Net Finance income/expenses) in 3Q18 totaled R$ 1,497,203, or 7,19% less than in 3Q17 (R$ 1,613,162).

For more information on the components of Operational costs and expenses see Note 23.

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

Energy purchased for resale

The expense on energy purchased for resale in 3Q18 was R$ 1,173,243, which was 8.04% less than the figure of R$ 1,275,814 for this account in 3Q17. This reflects a volume of energy purchased 12.08% lower period-on-period in 3Q18 – at 5,999,382 MWh, vs. 6,823,933 MWh in 3Q17; partially offset by the effect of average price per MWh in 3Q18 being 4.60% higher (at R$ 195.56 in 3Q18, vs. R$ 186.96 in 3Q17);

Personnel expenses

The expense on personnel in 3Q18 was R$ 74,185, or 16.61% lower than in 3Q17 (R$ 88,963). This lower amount, in spite of the salary increase of 1.83% in the collective agreement in effect from November 2017, mainly reflects two factors:

- The average number of employees ion 3Q18 was 7.73% lower, at 1,302, than in 3Q17 (1,411).
- Recognition, in 3Q2017, of expense on the voluntary severance program in the amount of R$ 6,900.

Construction cost

Construction cost increased at R$ 7,994 in 3Q18, compared to R$ 4,201 in 3Q17. This cost is offset in full by the accounting item Construction revenue, thus having no effect on net profit.

Post-retirement obligations

The impact of the Company's post-retirement obligations on operating profit was an expense of R$ 17.333 in 3Q18 – or 19.89% less than the effect of R$ 21,637 in 3Q17.

This variation mainly reflects the reduction in the total amount of the life insurance obligation in 4Q17, due to alterations in the capital insured, with effect on the expense recognized as from January, 2018.

Operating provisions

Operating provisions represented an expense of R$ 38,483 in 3Q18, compared to R$ 45,544 in 3Q17. This difference mainly reflects two factors:

- Lower provisions for doubtful receivables: A provision of only R$ 14 in 3Q18, compared to provisions of R$ 16,257 in 3Q17.
- Lower provisions for contingencies: R$ 512 in 3Q18, compared to R$ 2,924 in 3Q17. This mainly reflected provisions for employment-law cases R$ 3,424 lower.

Share of net income (loss) in associates and joint ventures

An equity loss of R$ 110,343 was recorded in 3Q18 from equity in unconsolidated investees, compared to R$ 172,177 in 3Q17. This difference is mainly due to the gain of R$ 43,143 in 3Q18 from the interests in Renova and Santo Antônio Energia.

Note 12 gives the breakdown of equity method gains/losses, by investee.

Finance income (expenses)

The company posted net Finance expenses of R$ 290,810 in 3Q18, 48.74% more than the net Finance expenses reported for 3Q17, of R$ 195,514. The most significant variations in components between the two years were:

- Higher cash investment income: R$ 29,093 in 3Q18, compared to R$ 11,446 in 3Q17. This difference is mainly due to the higher volume of cash invested in 3Q18, compared to 3Q17;
- Recognition in 3Q18 of gains from the hedge transaction on the Eurobond issue, of R$ 142,418. In previous quarters this line – which reflects adjustment to fair value of the hedge transaction – had been negative, due to the future curve for the DI (Interbank Deposit) rate being higher than the future curve for the US dollar exchange rate.
- Foreign exchange variation expense, of R$ 225,900 in 3Q18, related to the two parts of the Eurobond issue: US$ 1 billion (R$ 3.2 billion) in December 2017, and US$ 500 million (R$ 1.9 million), in July 2018.
- Higher borrowing costs on loans and financings: R$ 235,010 in 3Q18, or 16.88% higher than in 3Q17 (R$201,071), due to a higher balance of loans in 3Q18;

For a breakdown of Finance income and expenses please see Note 24 of these Interim financial information.

Income and Social Contribution taxes

In 3Q18, the expense on income tax and the Social Contribution tax was R$ 9,075, on loss before income tax and social contribution tax of R$ 52,576 – an effective rate of 17.26%. In 3Q17, the expense on income tax and the Social Contribution tax was R$ 71,571, or 107.75% of the Income before income tax and social contribution tax of R$ 66,426. These effective rates are reconciled with the nominal rates in Note 9c.

(The original is signed by the following signatories:)

Bernardo Afonso Salomão de Alvarenga
Chief Executive Officer

Luiz Humberto Fernandes
Deputy CEO

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 Officer for Management of Holdings

Thiago de Azevedo Camargo
Chief Institutional Relations and Communication Officer

Neila Maria Barreto Leal
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

Leonardo George de Magalhães
Controller
CRC-MG 53.140

Leonardo Felipe Mesquita
Accounting Manager
Accountant – CRC-MG 85.260

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

Report on the review of interim information - ITR

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

Introduction

We have reviewed the individual and consolidated interim financial information of Cemig Geração e Transmissão S.A. ("Company"), contained in the Quarterly Information Form (ITR) for the quarter ended September 30, 2018, which comprise the statement of financial position as at September 30, 2018 and the statements of profit or loss and comprehensive income for the three and nine-month periods then ended and the statements of changes in equity and cash flows for the nine-month period then ended, including notes to the interim financial information.

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

Scope of review

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

Conclusion on the individual and consolidated interim financial information

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

Emphasis of matter

Risks related to compliance with laws and regulations

As mentioned in Note 12 to the interim financial information, currently investigations and other legal measures are being conducted by public authorities in connection with Company, its parent company and certain investees regarding certain expenditures and their allocations, which involve and also include some of their other shareholders and certain executives of these other shareholders. The governance bodies of the parent company have authorized contracting of a specialized company to analyze the internal procedures related to these certain investments and to ascertain such claims. At this point, it is not possible to forecast future developments arising from these internal investigation procedures and conducted by the public authorities, nor their possible effects on the Company and its subsidiaries' interim financial information. Our conclusion is not modified in respect of this matter.

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

As disclosed in Note 12 to the interim financial information, the non-controlled investee Renova Energia S.A. has incurred recurring losses and, as at September 30, 2018, 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 conclusion is not modified in respect of this matter.

Other matters

Statements of value added

We have also reviewed the individual and consolidated Statements of Value Added (SVA) for the nine-month period ended September 30, 2018, prepared under the responsibility of Company management, the presentation of which in the interim financial information is required by the rules issued by the Brazilian Securities and Exchange Commission (CVM) applicable to the preparation of Quarterly Information (ITR), and as supplementary information under the IFRS, whereby no SVA presentation is required. These statements have been subject to the same review procedures previously described and, based on our review, nothing has come to our attention that causes us to believe that they are not consistently prepared, in all material respects, in relation to the overall accompanying interim financial information.

November 14, 2018

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

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