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REPORT OF MANAGEMENT FOR 2018

Dear Stockholders,

Cemig Geração e Transmissão ('Cemig GT' or 'the Company') submits for your consideration the Report of Management, the Financial Statements, the Opinion of the Audit Board and the Report of the Company's external auditors on the business year ended December 31, 2018, together with the statements of the executive officers who have reviewed the financial statements and the related report of the external auditors.

MESSAGE FROM MANAGEMENT

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

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

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

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

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

The tangible results we achieved in 2018 give us certainty of the correctness of the strategic direction adopted for Cemig GT's business by management and its well-qualified workforce.

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

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Cemig GT reports net income of R$591 million for 2018 – a significant increase of 38.08% over the 2017 profit of R$428 million.

In management of debt, we continue to focus on lengthening of average tenor, and reducing the cost of new financing. A highlight was the raising of a further US$ 500 million in Eurobonds, at a cost of 125.52% of the CDI rate, as provided by the associated hedge transaction, a cost significantly cheaper than the Eurobond issue of December 2017.

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

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

An important aspect of our investment program is the commitment to allocate more than R$1.1 billion to investment in transmission over the next five years, with funding assured from the amounts being received in reimbursement of our past investments in transmission, as a result of our acceptance of the terms of Law 12783/13 (MP 579).

We continue to put employees at the center of our thinking, and celebrate 2018 as one more year without any fatal accidents to Cemig GT's workforce – including both our own employees and those contracted by outsourced companies.

Sustainability and social responsibility are part of our culture. Cemig GT's controlling stockholder, Cemig, has been included in the ISE Corporate Sustainability Index of the São Paulo Stock Exchange since its creation in 1999, and was once again included in 2018. We are signatories of the UN Global Compact; and we have leading positions in several international and Brazilian sustainability ratings – all of these indices representing recognition of the value of our shares from the point of view of sustainability.

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

We express sincere thanks for the commitment and talent of our employees, stockholders and other stakeholders, in the joint effort to sustain recognition of Cemig GT as a benchmark company in Brazil.

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CEMIG GERAÇÃO E TRANSMISSÃO

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

Cemig GT has interests in 64 power plants – of these 60 are hydroelectric, two are wind power plants, one is thermal, and one is solar – and the associated transmission lines, mostly part of the Brazilian Transmission Grid System, with installed capacity for 5,555 MW.

Transmission

In 2018, Cemig GT operated and maintained 38 substations and 4,930 km of transmission lines, operating at 230kV, 345kV and 500kV, as part of Brazil's National Grid system. It also accesses six substations of other transmission companies, where it operates and maintains transmission assets.

Cemig GT operates and maintains transmission assets of 11 other companies, with whom it has operation and maintenance contracts, in 15 substations (of which three are not substations of Cemig GT), and serving 365 km of transmission lines.

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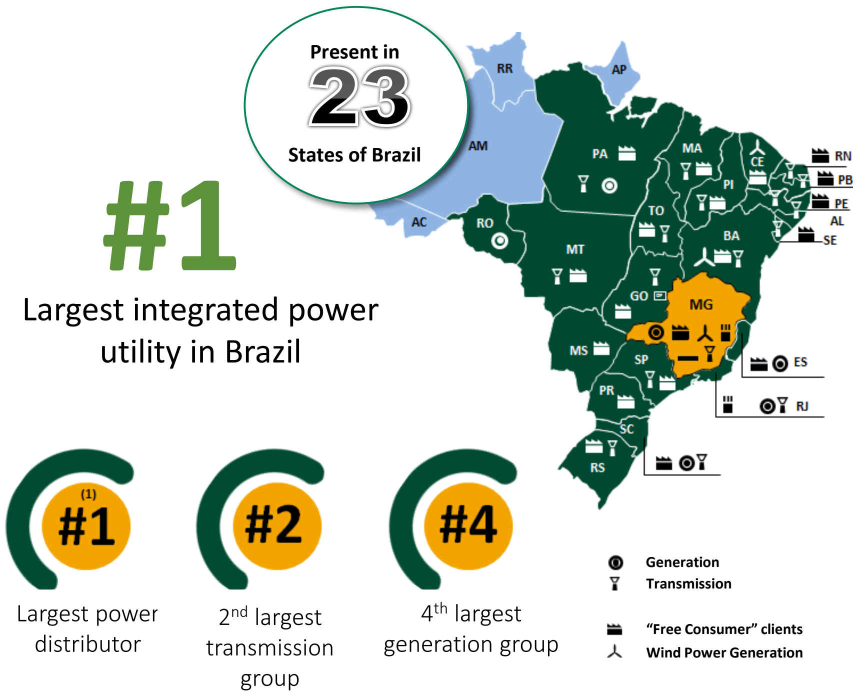
Area of operation

As the map below shows, the Company operates in various regions of Brazil, with the greatest concentration in the Southeast.



(1) By number of consumers, and by length of electricity distribution lines.

Our mission, vision and values

<u>Mission</u>

To provide the public with integrated solutions for clean and accessible energy in a way that is innovative, sustainable and competitive.

<u>Vision</u> *<u>(of the Parent company, Cemig, shared by Cemig GT in the applicable businesses):</u>*

To be among the three best integrated energy groups in Brazil in terms of governance, financial health, performance of assets and customer satisfaction.

<u>Values</u>

Respect for life; integrity; generation of value; sustainability and social responsibility; commitment and innovation.

Ethical Principles and Code of Professional Conduct

To discipline working behavior and decisions, Cemig GT has, since 2004, adopted its Statement of Ethical Principles and Code of Professional Conduct. This is available at http://www.cemig.com.br. It brings together 9 principles setting out the ethical conduct and values that are incorporated into our culture.

REGULATORY ENVIRONMENT

Energy generation

2018 was the fifth year in which Brazil's South-eastern region experienced water flows below average: Average Affluent Natural Energy (ENA) was 90% of the long-term average – the fourth weakest result in the last 10 years, and compared to 80% in 2017. This long dry series of seasons has had its effect on storage in Brazil's water reservoirs, which at the end of the 2018 rainy season were at only 44% of maximum level in the South-eastern region.

This caused the spot price of energy to reach an all-time high in July and August (R$505.18/MWh), with an average for the year of R$288.57/MWh (the third highest in the last 10 years), and 11% below the average spot price for 2017. The Generation Scaling Factor (GSF) was also affected by hydrology and in 2018 averaged 0.84 (its fourth lowest value in the last 10 years), compared to 0.81 in 2017. The exposure caused by the GSF was mitigated over the year by risk management and renegotiation of hydrological risk.

On August, 31, 2018 the Company received the reimbursement – of R$1,139 million – for its expense on execution of the basic plans of the *São Simão* and *Miranda* hydroelectric plants, as specified in Mining and Energy Ministerial Order 291/17. The amounts of these reimbursements were subjected to monetary updating by the variation resulting from the Selic interest rate, up to the date of receipt.

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

Energy transmission

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

The annual adjustment of transmission revenue takes place on July 1 of each year, except when there is a Periodic Tariff Review. This process aims to (i) adjust the approved RAP by the adjustment index specified in each concession contract; (ii) add a component of new RAP for improvements that have started commercial operation in the tariff cycle in question (July of the previous year to June of the year of the adjustment); and (iii) calculate the Adjustment Amount. The regulatory model adopts the revenue cap method.

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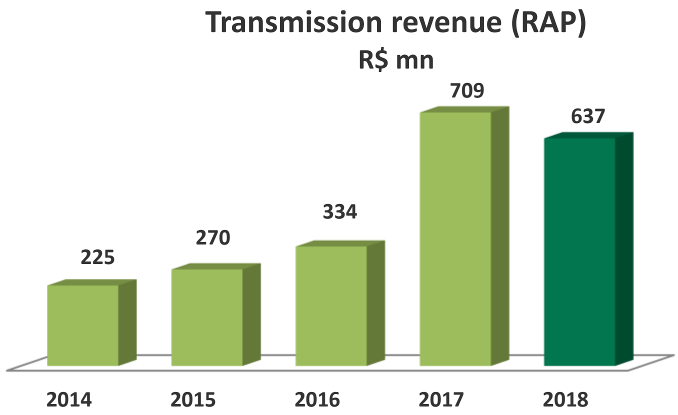
In July 2018 Cemig GT's RAP (under concession contract 006/97) was adjusted downward by 10.7%. This adjustment had two components: (a) 4% upward adjustment, from (i) application of the IPCA inflation index on the revenue level already previously approved, and (ii) recognition of the new upgrades and improvements to Cemig GT's assets; and (b) a reduction, of 23.2%, referring to the portion of the cost of capital not included in the calculation after the renewal of the concession which took place at the beginning of 2013, as per MME Ministerial Order 120/2016.

Cemig GT also has the concession for one substation, won by tender: the Itajubá 3 substation – its adjustment takes place in July, with updating by the IGP-M inflation index.

For Cemig Itajubá (Concession contract 079/2000), the increase in RAP was 3.3%. Under that concession contract, RAP remains at the same level for the first 15 years, and is reduced by half in the remaining 15 years. In this case the RAP underwent that reduction by half during the 2017-18 cycle, and as from that date will be adjusted only by the IGP-M inflation index.

The revenue ratified and approved for the 2018/19 period of the two concessions totals R$636.5 million, of which R$285 million is the cost of capital that was not previously included.



FINANCIAL RESULTS

Net income for the year

Cemig GT reported net income of R$591 million for 2018, which compares with net income of R$428 million in 2017. The main variations in revenue, costs and expenses are described below, after the consolidated financial statements.

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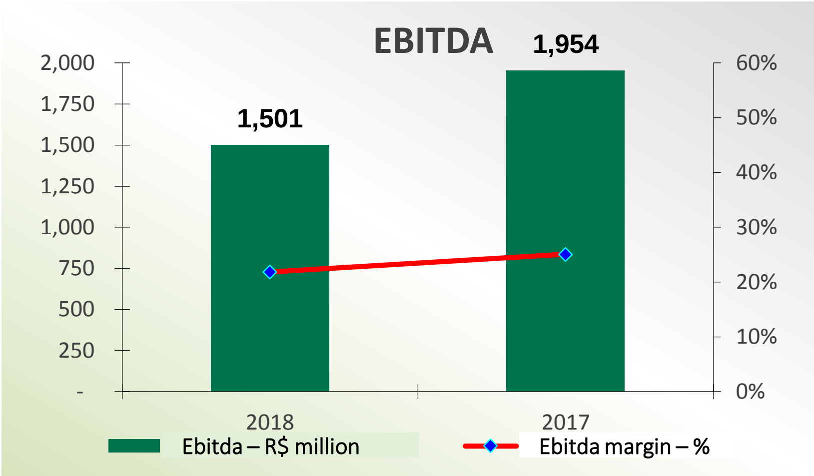
Ebitda (earnings before interest, tax, depreciation and amortization)

Cemig GT's Ebitda was 23.18% lower in 2018 than in 2017, as follows:

Ebitda – R$million	2018	2017	Change, %
Net income for the year	591	428	38.08
+ Current and deferred income tax and Social Contribution tax	385	420	(8.33)
+ Net finance income (expenses)	376	948	(60.34)
+ Amortization and depreciation	149	158	(5.70)
= Ebitda	**1,501**	**1,954**	**(24.62)**



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

The lower Ebitda in 2018 than 2017 was mainly the result of operational revenues being 11.72% lower, while the reduction in operational expenses (excluding depreciation and amortization) was smaller, at 4.07%. Ebitda margin was 21.84% in 2018, compared to 25.09% in 2017.

Revenue from supply of energy

	2018			2017		
	MWh	R$mn	Average price billed – R$/MWh [1]	*MWh*	R$ mn	Average price billed – R$/MWh [1]
Industrial	15,100,812	3,245	214.91	14,486,304	3,358	231.81
Commercial	3,190,021	708	221.94	2,226,405	569	255.57
Rural	1,343	0.3	246.46	-	-	-
Subtotal	**18,292,176**	**3,953**	**216.13**	**16,712,709**	**3,927**	**234.97**
Unbilled – retail supply, net	-	1	-	-	18	-
	18,292,176	**3,954**	-	**16,712,709**	**3,945**	-
Wholesale supply to other concession holders	12,121,762	2,908	239.88	12,841,006	3,244	252.63
Wholesale supply not yet billed, net	-	(4)	-	-	(53)	-
	30,413,938	**6,858**	-	**29,553,715**	**7,136**	-

(1) The calculation of the average price does not include revenue from supply not yet billed.

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Total revenue from supply of electricity was R$ 6.858 billion in 2018, compared to R$7.136 billion in 2017 – a year-on-year reduction of 3.90%, mainly due to the average price per MWh of electricity supply billed to final customers being 8.02% lower, partially offset by the volume of MWh sold being 2.91% 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 (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.

In 2018 this revenue was R$589 million, compared to R$519 million in 2017 – an increase of 13.49%. The higher figure arises basically from the inflation adjustment 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 indices applied for the price adjustment are different for different concessions: the IPCA index is applied to the contract of Cemig GT, and the IGPM index to the contract of Cemig Itajubá. In 2018, the adjustments made to the RAP were: positive 4.00% for Cemig GT's concession contracts; and positive 3.30% for those of Cemig Itajubá. The adjustments comprised application of the inflation adjustment index, and recognition of works to upgrade and improve the facilities.

Transmission reimbursement income

The income from the reimbursement of transmission assets in 2018 was R$250 million, 32.98% less than in 2017 (R$373 million). This arises mainly from the amount of R$149 million posted in 2017, relating to a backdated figure for transmission concession assets the values of which were not included in the calculation basis for revenues in the previous tariff reviews.

Additionally, in July 2018 the portion of RAP referring to the cost of capital not incorporated after the renewal of the concession (early 2013), as per MME Ministerial Order 120/2016, was adjusted downwards by 23.2%.

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.

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Revenue from transactions on the Wholesale Trading Exchange (CCEE)

Revenue from electricity sales on the CCEE (Wholesale Electricity Trading Exchange) was R$185 million, compared to R$651 million in 2017 – 71.58% lower year-on-year. This reflects the lower volume of energy available for settlement in the wholesale market in 2018. In the first quarter of 2017 the Company reported revenues relating to the available energy of the *Jaguara* and *Miranda* plants. Also, in 2018 the spot price (*Preço de Liquidação de Diferenças*, or PLD) was 10.98% lower year-on-year, at R$288.57/MWh, compared to R$324.17/MWh in 2017).

Generation indemnity revenue

In 2018 the Company recognized revenue of R$55 million (vs. R$272 million in 2017) for the adjustment to the balance not yet amortized of the value reimbursable to the Company, under Ministerial Order 291/17, for its construction of the basic components of the *São Simão* and *Miranda* Hydroelectric Plants. See more details in Note 12.

Taxes and charges reported as deductions from revenue

The sector charges that are deductions from revenue totaled R$1.610 billion in 2018, or 3.74% more than in 2017 (R$1.552 billion).

<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 (CCC).

Charges for the CDE in 2018 were R$153 million, compared to R$73 million in 2017.

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

Operating costs and expenses (excluding Financial income/expenses)

Operating costs and expenses (excluding Financial income (expenses)) totaled R$5.122 billion in 2018, 6.61% lower than in 2017 (R$5.472 billion).

There is more information on the breakdown of operating costs and expenses in Note 25.

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

<u>Energy bought for resale</u>

The expense on energy bought for resale in 2018 was R$3.853 billion, or 7.60% lower than in 2017 (R$4.170 billion). This reflects an average price per MWh 10.98% lower in 2018, at R$288.57/MWh vs. R$324.17/MWh in 2017.

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Personnel

The expense on personnel was R$332 million in 2018, or 13.32% less than in 2017 (R$383 million). This arises mainly from the following factors:

- A salary increase, under the Collective Agreement, of 1.83%, coming into effect in November 2017 (full effect in 2018).
- Salary increase of 4.00% under the Collective Work Agreement, as from November 2018.
- Reduction of 9.32% in the average number of employees, from 1,460 in 2017 to 1,324 in 2018.
- Lower cost of voluntary retirement programs in the year: R$18 million, compared to R$49 million in 2017.

Construction cost

Construction cost was R$96 million in 2018, compared to R$25 million in 2017. This cost is offset in full by the accounting item Construction revenue, thus having no effect on net income.

Post-retirement obligations

The impact of the post-retirement liabilities of the Company on operational profit was an expense of R$72 million in 2018, compared to a reversal of expense, of R$59 million, in 2017.

The positive amount in 2017 was due to changes in the life insurance system, in which the capital insured for retirees is reduced by 20%, every 5 years, as from age 60, reaching a minimum of 20%. This resulted in a reduction of R$142 million in the total for post-retirement liabilities posted on December 31, 2017 (with counterpart in the statement of income). There are more details in Note 21.

Operating provisions

Operating provisions in 2018 represent an expense of R$117 million. This is 22.00% lower than the expense on operating provisions in 2017 (R$150 million), reflecting the following factors:

- Lower provision for doubtful receivables – the allowance was reduced by R$5 million in 2018, while in 2017 it was increased by R$18 million. In 2017 the Company recognized an expense of R$15 million in recognition of the credit risk of a group of cement manufacturers.
- The provisions for the SAAG put option were 6.09% lower in 2018, at R$108 million, compared to an addition of R$115 million in 2017.

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

The net loss from equity method calculation of gains in non-consolidated investees in 2018 was R$352 million, compared to recognition of R$519 million in 2017. The losses in both years are basically related to the investments in: (a) Renova, and (b) Santo Antônio Energia.

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Note 14 gives the breakdown of equity method gains/losses, by investee.

Adjustment for impairment of Investments

Due to an analysis of indications, and of carrying out the impairment test, the Company recognized a provision, of R$127 million, for impairment of the premium on the investment in Madeira Energia (Santo Antônio plant), limiting its balance to the minimum amount of the excess of the future economic benefits arising from the use of the net fixed assets of this investee on December 31, 2018.

Result of business combinations

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

More details of the transaction are in Note 14.

Finance income (expenses)

The Company had a net financial expense of R$376 mn in 2018, compared to a net financial expense of R$948 million in 2017 – a year-on-year reduction of 60.34%. The most significant variations in components between the two years were:

- Revenue from inflation adjustment on escrow deposits in court proceedings was 86.75% lower in 2018, at R$11 million, than in 2017 (R$83 million). In 2017 the Company recognized revenue item of R$83 million, for reversal of the provision for the lawsuit challenging the constitutionality of *inclusion* of ICMS tax (payable or already paid) *within* the amount of revenue on which the Pasep and Cofins taxes are charged (more details in Note 17).
- Recognition, in 2018, of a gain of R$893 million from the hedge transaction related to the Eurobond Issue, compared to recognition of a loss of R$32 million in 2017. The adjustment of the hedge transaction to fair value resulted in a positive effect, due to a lower future curve for the US dollar. This gain should be seen together with the expense on foreign exchange variation arising from the Eurobond, as described below in this report.
- In 2018, a financial revenue gain of R$77 million was recognized arising from the updating of the debt owed by Energimp to the Company. The origin of this debt was non-compliance with the deadline for start of operation of the wind farms acquired in 2009. For more information see Note 14.
- Higher revenue from charges on debt owed by related parties: R$56 million in 2018, compared to R$13 million in 2017. This mainly reflects financial updating of the loan contract between Cemig GT and the parent company, Cemig, signed in 2018.
- There was a foreign exchange variation expense of R$579 million in 2018, relating to the dollar-indexed funding of the Eurobond issue (placed in two parts: US$1 billion (R$3.2 billion) in December 2017 and US$500 million (R$1.9 billion) in July 2018).

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- Borrowing costs on loans and financings were 7.11% lower: R$849 million in 2018, compared to R$914 million in 2017. This reflects the lower CDI rate (principal indexor of the debt) – which totaled a variation of 6.40% over the whole of 2018, compared to 9.93% in 2017 – and also the lower total volume of debt indexed to the CDI rate.
- Lower expense on financial updating of advances from customers: R$8 million in 2018, compared to R$45 million in 2017 - as a result of the lower balance advanced in 2018.

For a breakdown of financial income and expenses see Note 26.

Income tax and Social Contribution tax

In 2018, the expense on income tax and the Social Contribution tax totaled R$385 million, on pre-tax profit of R$976 million, an effective rate of 39.46%. In 2017, the expense on income tax and the Social Contribution tax totaled R$420 million, on pre-tax profit of R$849 million, an effective rate of 49.50%.

These effective rates are reconciled with the nominal tax rates in Note 10d.

Liquidity and capital resources

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

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

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

Cash and cash equivalents

Cash and cash equivalents at December 31, 2018 totaled R$302 million, compared to R$403 million on December 31, 2017. No cash nor cash equivalents were held in any other currency than the Real. The main components of this variation:

Cash flow from operations

Consolidated net cash generated by operations in 2018 totaled R$1.678 billion, which compares with consolidated net cash generated by operations in 2017 of R$778 million. This difference mainly reflects the receipt in 2018 of reimbursement for the assets related to the Basic Plans of the *São Simão* e *Miranda* hydroelectric plants not yet amortized or not depreciated.

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Cash flow from investment activities

Net cash consumed by investment activities in 2018 was R$626 million, which compares with R$373 million used in investment activities in 2017. This mainly reflects acquisitions of new subsidiaries for a total of R$304 million, and a loan transaction, for R$391 million, with related parties; partially offset by inflow of R$365 million from redemption of securities.

Cash flow in financing activities

In 2018, net cash consumed by financing activities totaled R$1.153 billion, mainly comprising: R$2.880 billion in amortization of loans, and payment of R$221 million in Dividends and Interest on Equity; partially offset by raising of loans totaling R$1.948 billion.

In 2017, net cash consumed by financing activities totaled R$430 million, mainly comprising: R$3.473 billion in amortization of loans, and payment of R$255 million in Interest on Equity; partially offset by raising of loans totaling R$3.198 billion.

Funding and debt management policy

In 2018, continuing its measures to balance cash flow, Cemig began to experience the positive results of the initiatives taken in 2017 for better distribution of its debt over the long term. It maintained its firm purpose of lengthening the debt and, continuing the reprofiling implemented in the previous year, returned to the market in 2018 with better conditions of credit quality and liquidity.

Cemig GT, with significant debt maturities in the second half, made the most of the interest expressed in its securities in the secondary bond market, reflecting the improvement of the company's risk perception, and decided to reopen its December 2017 Eurobond issue with an additional tranche, in July 2018, of US$500 million – placed for 9.14% p.a., with half-yearly interest and maturity in December 2024. At the same time it contracted a hedge structure covering the whole period of the issue: a Call Spread on the principal, in which Cemig GT was hedged in the interval between R$3.85/US$ and R$5.00/US$; and a swap for 100% of the interest, in which the 9.25% p.a. coupon was replaced by a rate equivalent to 125.52% of the CDI rate – a significant improvement in relation to the hedge transaction on the original issue, in which the rate was equivalent to 150% of the CDI rate. The proceeds were allocated to payment of debts with shorter maturities and higher average cost, resulting in lengthening of the debt profile and reduction of Cemig GT's financial expenses.

Corroborating these improvements, in 2018 the principal international risk rating agencies made successive upgrades in their credit risk ratings for Cemig GT, recognizing the success in implementing measures that improve its credit quality – improvement of the liquidity profile, sale of assets, refinancing of debts, greater operational efficiency, and increase in Ebitda, combined with a more prudent strategy for management of liabilities.

This table shows how Cemig GT's credit ratings have been changed, from December 2017 to November 2018:

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Fitch		Investment Grade										Speculative Grade											
Brazilian	Global	AAA	AA+	AA	AA-	A+	A	A-	BBB+	BBB	BBB-	BB+	BB	BB-	B+	B	B-	CCC	CC	C	RD/D		
December 2017																							
November 2018																							

Moodys		Investment Grade										Speculative Grade											
Brazilian	Global	Aaa	Aa1	Aa2	Aa3	A1	A2	A3	Baa1	Baa2	Baa3	Ba1	Ba2	Ba3	B1	B2	B3	Caa1	Caa2	Caa3	Ca	C	
December 2017																							
November 2018																							

S&P		Investment Grade										Speculative Grade											
Brazilian	Global	AAA	AA+	AA	AA-	A+	A	A-	BBB+	BBB	BBB-	BB+	BB	BB-	B+	B	B-	CCC+	CCC	CCC-	CC	C	D
December 2017																							
December 2018																							

Within its commitment to reduce debt, in September 2018 Cemig GT made full payment, from its cash position, of the Bank Credit Notes signed with Banco do Brasil at the end of 2017, totaling R$742 million, of which the cost had been 140% of the CDI rate, with original maturity on December 24, 2021.

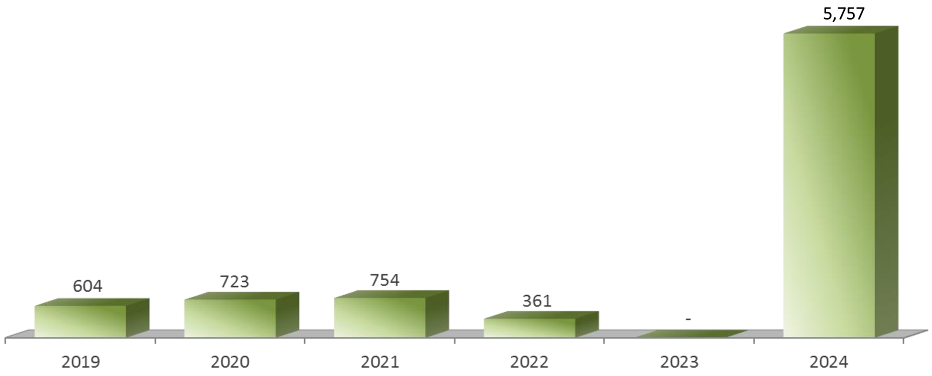
The details of funding raised, including costs and maturities, are given in Note 19.

Both the Eurobonds and the debentures have restrictive covenants limiting the indebtedness capacity of both the company and of Cemig (the guarantor). The Company is confident, however, that with continuation of disinvestment, the consequent reduction in leverage, and operational efficiency, these financial covenants will be complied with.

Cemig GT's debt on December 31, 2018 totaled R$8.199 billion, with average tenor of 5 years. There are more details in Note 19 to the Financial Statements.

This chart shows the present amortization timetable:

Debt amortization timetable
Position at December 2018 – R$million



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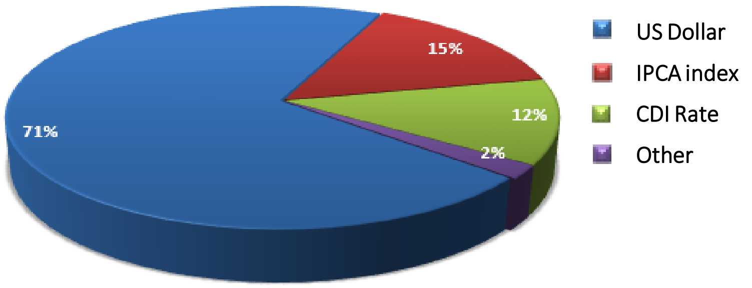
The composition of Cemig GT's debt is a reflection of the sources of funding available to it. Among these there is a significant proportion indexed by the CDI rate, and also a significant proportion of debt in foreign currency. The latter is hedged against FX variation by an instrument which exchanges its cost in US dollars for local interest indexed to the CDI rate. The average cost of the Company's debt is 5.45% p.a. in real terms, and 9.36% p.a. nominal.

Cemig GT – Debt breakdown



PROPOSAL FOR ALLOCATION OF NET INCOME

The Board of Directors decided to propose to the Annual General Meeting to be held on April 30, 2019 that the income for 2018, of R$591 million, and the balance of Reserve for Equity Valuation Adjustments, of R$34 million, should be allocated as follows:

- R$29 million to the legal reserve;
- R$50 million for payment of Interest on Equity;
- R$253 million for payment of the minimum mandatory dividend; and
- R$293 million to be held in Stockholders' equity in the Retained earnings reserve.

INVESTMENTS

Investments in generation:

The Cemig group is currently involved in the construction of the *Belo Monte* hydroelectric plant and four small hydroelectric plants (SHPPs): *Dores de Guanhães, Senhora do Porto, Fortuna II* and *Jacaré*. The (equity-proportional) addition to generation capacity provided by these plants will increase the Cemig Group's total hydroelectric installed generation capacity by 1,335 MW.

Asset	Proportional generation capacity (MW)
Belo Monte – (through Amazônia Energia)	818
Belo Monte – (through Aliança Norte Energia)	495
Guanhães	22
Total	**1,335**

Total investments in 2018 in these plants were: R$60 million in *Guanhães*, R$51 million in *Santo Antônio*, and R$112 million in *Belo Monte*.

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The Belo Monte project: Norte Energia S.A. (Nesa) is a special-purpose company holding the concession to build, operate and maintain the *Belo Monte* hydroelectric plant, on the Xingu River in the Amazon region in the north of Brazil. Cemig GT has an indirect interest of 11.69% in Nesa, through the companies Amazonia Energia S.A. (in partnership with Light) and Aliança Norte Energia Participações S.A. (in partnership with Vale), which are both shareholders of Nesa. Cemig GT has invested approximately R$1.6 billion in this project.

The first generation unit began operating in 2016, and 18 units are now generating commercially. When completed in 2020, Belo Monte will have a total capacity of 11,233 MW and will be one of the world's largest hydroelectric plants.

Guanhães project: Guanhães Energia S.A. ('Guanhães') was formed in June 2006 to build and operate four small hydro plants in the state of Minas Gerais with total capacity of 44 MW. Cemig GT has invested approximately R$249 million in this project.

Construction work was interrupted in 2015. Work was resumed in November 2017, and the first generating unit began commercial operation in May 2018. The ninth and last is planned to start commercial operation in April 2019.

On December 20, 2018 Cemig GT concluded acquisitions of equity stakes held by the company Energimp in the Parajuru and Volta do Rio wind farms, through an elimination of crossover stockholdings, which involved exchanges of assets and payment of approximately R$23 million. At the same time a stockholding restructuring was completed involving transfer of wholly-owned generation and trading subsidiaries from the parent company, Cemig, to Cemig GT. This transfer was realized for a consideration, of R$423 million. There are more details in Note 14 to the Financial Statements.

Investments in transmission

In the transmission business, the decision on rules for reimbursement of assets in previous years has ensured that we had a stable flow of cash for the coming year, making it possible to expand the multi-annual Program of investments for Cemig GT from R$1.1 billion to R$1.45 billion – which will make it possible in the future to add new revenues arising from these investments, and mitigate important risks to operation of the system.

RELATIONSHIP WITH EXTERNAL AUDITORS

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

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Complying with the requirement of the CVM, a turnover system of external auditors is adopted, with a frequency of 5 years. In accordance with this requirement, in 2017 we changed auditors. As from the interim financial statements of June 2017 our auditors are Ernst & Young Auditores Independentes S.S., who are also responsible for the audit of our financial statements at December 31, 2018. The services provided by the Company's external auditors have been as follows:

Service	2018	As % of audit fees	2017	As % of audit fees
Auditing services				
Auditing of Financial Statements	1,183	100%	991	100%
Review of tax accounting and quarterly provisions for income tax and Social Contribution tax	313	26%	56	6%
Comfort letter for issuance of debt instruments	912	77%	845	85%
Total	**2,408**	**203%**	**1,892**	**191%**

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

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

CORPORATE GOVERNANCE

The Company's Board of Directors has nine sitting members, and an equal number of substitute members, appointed by the stockholders. The by-laws specify that the period of office of all Board Members shall run concurrently and shall be of two years, and that a member may be reelected at the end of the period of office. In 2018, 31 meetings of the Board of Directors were held, to decide on a range of matters such as, among others, strategic and budgetary planning, investment projects and acquisitions.

The Audit Committee, created in June 2018, advises the Board of Directors on the exercise of its functions of auditing and inspection in relation to: the quality and integrity of the accounting statements; adherence to the legal and regulatory requirements; and effectiveness of the internal control systems and the internal and external auditing. It has three members, with term of office of three years, and re-election is allowed. One of its functions comprises the activities specified in the Sarbanes-Oxley Law for the Audit Committee.

The *Audit Board* is established permanently, and has five members, elected for periods of office of two years – able to be renewed for further periods. Its duties are set by the applicable Brazilian legislation and, when these do not conflict, by the laws of the countries in which Cemig has shares listed and traded. The Audit Board held 17 meetings in 2018.

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AUDITING AND MANAGEMENT OF RISKS

Cemig GT has an Annual Internal Audit Plan for assessing the principal corporate procedures. The objective is to ensure that procedures continue to be appropriate and fit for purpose, and that there is compliance with all laws, rules, standards and internal procedures. The decisions on which processes and companies will be audited in a year are based on the degree of risk that they represent for the business and for the Company's financial statements. Priority is given to procedures with higher risk, which are audited more frequently than those judged to be of lower risk.

Management of corporate risks is one of the processes of Cemig GT's Corporate Governance Practices. It consists of mapping of the events that could interfere with the Company achieving its strategic objectives – these are described as Top Risks. Structuring and analysis of operations from the point of view of risk management aim to optimize investment in the control of activities – reducing costs and losses, improving performance, and consequently helping the Company achieve its targets.

The mapping of Top Risks in 2018 was oriented by themes for priorities stated by the Risk Management Committee (CMRC) and validated by the Executive Board and the Board of Directors, covering the parent company and the distribution, generation, transmission and trading businesses – all the data being recorded in the SAP Risk Management (SAP RM) system. Reporting on the Top Risks, and recommendations by the CMRC for dealing with each case, are made to the Executive Board and the Board of Directors in accordance with a flow pattern approved by the Committee.

Anti-fraud Policy

The Company has a policy of prohibiting any type of gift, direct or indirect, or form of money or that can be estimated in terms of money, goods, or services, including in the form of publicity or advertising, that has a political objective of favoring any political party or its members, whether militantly active or not. This Policy applies to Cemig, and its wholly-owned and other subsidiaries, and is in line with the 'Elections Law' – Federal Law 9504 of September 30, 1997, as amended by Law 13487 of October 6, 2017.

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

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

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TECHNOLOGICAL MANAGEMENT AND INNOVATION

The electricity industry in Europe, the US and various other parts of the world is undergoing transformational changes, led by the intersection of various factors, such as: (i) growing decentralization of energy generation systems; (ii) advances in energy storage technologies; (iii) proliferation of digital technologies, which enable energy to be produced, transmitted and consumed more intelligently and efficiently; (iv) growth in various sources of renewable energy, such as wind and solar; and (v) the trend to decarbonization of the energy system, as part of global efforts to mitigate climate change.

All these transformations directly affect the power industry and represent at the same time threats and opportunities for a company like Cemig. These changes can be grouped into three trends – the "three D's": 1) Digitalization; 2) Decarbonization; and 3) Decentralization – placing new types of demand on the energy sector, coming from: the public in general, from other sectors of the economy, and indeed from the government, through its regulators.

With eyes on this new group of changes, in 2018 Cemig created the *CemigTech* program, and the *Strategic Digital Technology Plan* – covering training, diagnosis, prospecting and technological ways forward, aiming to:

- create new training for the new types of business emerging in the country and the world;
- define strategies for execution of R&D projects in the short, medium and long term;
- build project bid documents to collect R&D proposals in digital technology to place the company in harmony with technological evolution and the major digital transformations; and
- create projects that can boost new business activities that create economic and social benefit for the Company.

SOCIAL RESPONSIBILITY

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

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

The following are some of the highlights of 2018:

<u>The AI6% Program:</u> This program encourages employees and retirees of Cemig to use a program in which 6% of their income tax liability is paid to Infancy and Adolescents' Funds (*Fundos da Infância e da Adolescência*, or FIAs).

The 2018/2019 AI6% Campaign involved the participation of 489 employees, who voluntarily allocated R$409,000 to benefit children and teenagers in vulnerable situations, served by 151 institutions. Cemig GT also allocated part of its income tax payable to the same FIAs.

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Projects in culture, sport and health

Optimization of resources – the same principle that governs sustainability – was the challenge for the cultural, sport and health projects in 2018.

Health:

Cemig allocated almost R$2 million to improving service to the communities attended by the institutions in various regions of Minas Gerais, with a highlight for support to philanthropic hospitals in the State and some 185 social programs.

Sport:

In 2018, Cemig invested a total of R$4.3 million in sports.

For the community, sports programs create social recovery and citizenship benefits, especially for children and teenagers, not only by encouraging sports but also by generating opportunities for local young people to become athletes.

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

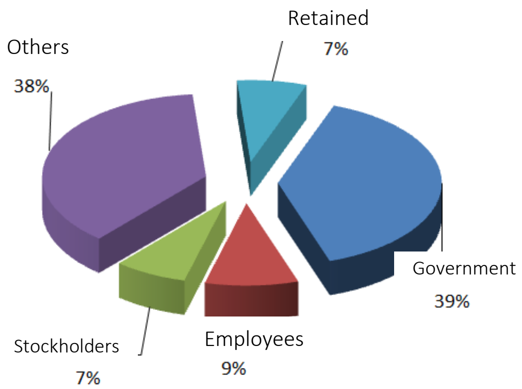
Culture

Strengthening the area of culture is one of the Company's continuing corporate citizenship priorities. Cemig allocated approximately R$18 million to cultural projects, since it believes that they generate leisure opportunities, help develop the critical faculty, and provide human development.

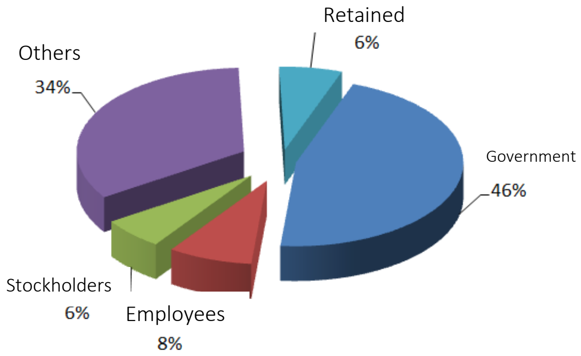
Value added

The Value Added Statement (*Demonstração do Valor Adicionado*, or DVA) is an indicator of wealth creation and of the Company's importance for society in general: the added value created in 2018 was R$4.188 billion, compared to R$3.516 billion in 2017.

Distribution of added value – 2018



Distribution of added value – 2017



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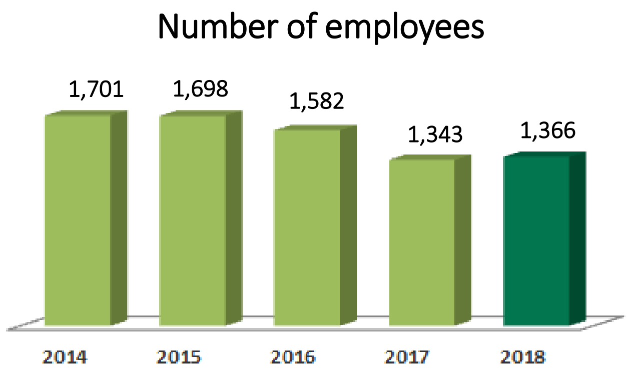
Human resources

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

Number of employees

In view of the reality imposed by the present conditions of regulations in the electricity sector, Cemig GT is working towards more efficiency and greater alignment with the sector benchmarks. In the last five years, as a consequence of the voluntary retirement programs put in place, which offered retirement for employees satisfying full conditions, the number of employees was reduced from 1,701 in 2014 to 1,366 in 2018, as shown:



UniverCemig

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

In 2018 Cemig hired 308 new employees, selected by two public competitions – No's 02/2017 and 03/2017 – and also under the directive that allowed hotline work at medium voltage to be carried out by outsourced contractors.

In this context, UniverCemig began professional training of 121 above-ground line and network electricians, 11 energy line assembly electricians, 9 transmission line electricians, 102 technicians, 6 engineers and approximately 65 people from outsourced contractors who will carry out hotline work.

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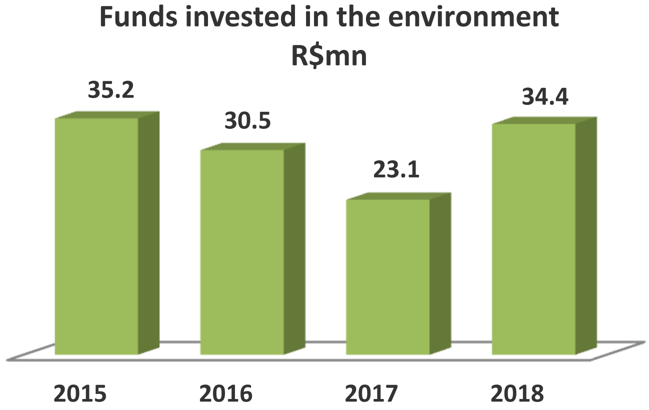
This volume of work significantly increased the number of participations in technical training, and consequently the indicator of total person-training-hours. In 2018 there were 7,233 technical training participations for Cemig group employees (2,037 for employees of Cemig GT), and 3,039 for employees of other companies. The total in the year was 325,564 person-hours of training, of which 230,454 were with Cemig group employees (60,922 with employees of Cemig GT), and 95,110 with people of other companies.

In online courses, more than R$156,000 was invested, serving approximately 7,000 employees, including members of the Executive Board, Audit Board and Board of Directors, outsourced workers and interns.

Environment

In 2018, Cemig invested approximately R$30.5 million in the environment. Within Cemig GT's Environmental Strategy, the Environmental Adaptation Committee periodically reviews the prioritization and allocation of these resources. The funds were applied in investments and expenses related to compliance with environmental obligations and improvements.



Water resources

Cemig makes daily figures on the levels of several of its reservoirs available on its website.

Although it does not consume water in its hydroelectric generation process, Cemig is a major user of this resource and as a result participates actively in decision committees and forums, accompanying and proposing the most appropriate decisions possible for the power industry, reconciling multiple uses of river basins. These organizations include: the National and State Water Sources Councils, the committees of the various river basins, Technical Chambers and Workgroups.

Cemig has indicators for management of water resources, which are periodically analyzed, showing the trend of compliance with targets, and making the occasional interventions required possible. One highlight is the Plant Energy Planning Efficiency Index (IEPE) – a measure of the efficiency of the energy operation of Cemig's hydroelectric plants: it compares actual generation to optimal generation, taking into account actual flows, maintenance of the generating unit, and compliance with operational restraints.

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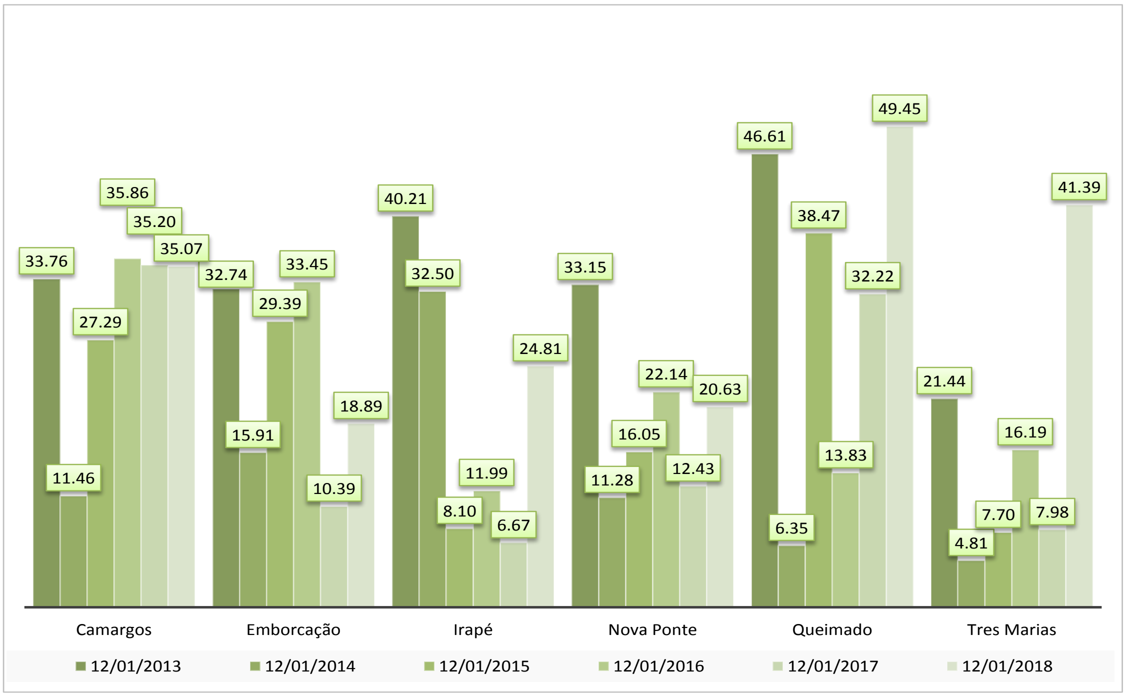
The chart below shows the information on water storage levels in Cemig's principal reservoirs in December 2018, compared with the same time in previous years.

Water availability – Percentages of total reservoir volumes



Dam safety

The process that aims to ensure safety of the dams operated and maintained by Cemig uses, in all its phases, a methodology founded on best Brazilian and international practices, also complying with Brazilian Federal Law 12334/2010, which established the National Dam Safety Policy and its associated regulation (Aneel Normative Resolution 696/2015).

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

The vulnerability of each dam is calculated automatically, and continuously, and monitored by the specialized *Inspetor* dam safety system. There are periodic reviews of dam safety by Cemig's professionals, which can also involve a multidisciplinary team of external consultants. These reviews go carefully into all matters relating to the safety of the dams. These are carefully investigated by highly-qualified specialists.

Cemig was the pioneer in Brazil in preparation of emergency plans ('PAEs') for dam rupture – it began studies on the subject in 2003. There are currently specific emergency plans available for each dam, covering the following items:

- Identification and analysis of possible emergency situations;
- Procedures to identify any malfunction or potential rupture conditions;

- Procedures for notification;
- Preventive and corrective procedures to be adopted in emergency situations;
- Responsibilities; and
- Dissemination, training and updating.

Internal training on these Emergency Action Plans (PAEs) is held periodically based on discussions or operations. The types of discussion can include seminars, workshops, tabletop exercises or games. Operational activities may include drills or simulations. The purpose of these training courses is to evaluate the PAEs, and propose improvements, especially in relation to the flow of communication and procedure for taking decisions.

In 2018 Cemig maintained its policy of increasingly close relations with the public, focused on emergency situations, through the Municipal Coordination Units for Protection and Civil Defense (COMPDECs). Working with the theme areas referred to by Law 12334/2010 and Aneel Normative Resolution 696/2015, it prepared the strategy for alerts and alarms, and means of communication in dam rupture emergency situations, to be put in place with communities that might potentially be affected by such situations. The document was divided into two parts, for the internal and external public:

- Internal PAE: describing all the procedures for detection, prevention and correction to be adopted in emergency situations, enabling technical management to take the best decision as well and fast as possible, making maximum efforts to preserve the structure of the dam and avoid accidents;
- External PAE: setting out the interfaces between the Company and the public during any emergency situations that are detected.

Complying with Normative Resolution 696/2015, the internal PAEs are being dealt with by internal management units of the companies responsible for operation and maintenance of the hydroelectric plants, and being made available to the projects and their structural maintenance and dam security technical teams. The external PAEs are required to be available at the projects, at the prefectures involved, and with the competent authorities and civil defense organizations.

The external document focuses on presenting the risk of flooding caused by ordinary floods, and also by possible dam rupture events. The intention is to build a culture of readiness for flood situations for the communities living along the rivers where Cemig's plants are located. In 2017 and 2018 a total of 18 external PAEs were delivered, covering 60 municipalities. In 2019, a further 24 external PAEs will be delivered, to approximately 45 municipalities.

To improve the perception of risk and enable municipality contingency plans to be developed with the best technical content, in 2018 Cemig, through a specialized company, carried out surveys of topography for the process of preparation of the cartographic base of the valleys upstream from 43 hydroelectric plants, also to be used in computer models of water propagation for eight flow scenarios, to support the preparation of the Emergency Action Plans to cover dam ruptures and natural floods.

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The project being developed enables:

- Construction of the cartographic base;
- Estimated hydrogram for a rupture;
- Simulation of propagation of flows for ordinary floods and for rupture;
- Preparation of thematic maps;
- Preliminary study of a system for mass notification and estimate of the population affected.

The major gain which the approach adopted by Cemig proposes is presentation of the impacts caused by natural floods, giving greater security to populations living by rivers, and developing the resilience of towns and cities to flood events. Further, the *Proximidade* program will have a mobile app for relationship with the population and with the *Compdecs*. This app will contain real-time information on hydrology, operations and climate, and serve as a work tool for the Compdec teams. Some 40 meetings are being planned for 2019, involving 500 Compdec agents.

Management of waste

Over the whole of 2018, 72 tons of industrial wastes were allocated for disposal: 29% of these wastes were sold or recycled; 11% regenerated, reused or decontaminated; and 60% co-processed, incinerated, sent for treatment (effluents and sedimentation), or disposed of in industrial landfills.

The disposed waste consists mainly of cables and wires, transformer scrap, scrap metal, scrapped meters, poles, cross-arms, and wood shavings and offcuts. The revenue from the sale of this waste in 2018 was R$41,000.

Programs for fish populations

The activities of the *Peixe Vivo* (‘*Live Fish*’) program are in three main areas: (a) conservation and handling programs, seeking to adopt best practices for fish conservation; (b) research and development, enlarging scientific knowledge of ichthyofauna and providing inputs for more efficient conservation strategies; and (c) relationship with the community, disseminating the program’s activities and results to the public, seeking their involvement in construction of the strategic planning.

In 2018 five research projects were carried out using funding from the R&D program, and from the company itself; and 12 works were published related to the projects or actions of the *Peixe Vivo* program, presenting results for projects in progress or completed. The research project coordinated by the *Peixe Vivo* team in 2018 involved a total of 32 people from teaching and research institutions.

Cemig’s fish repopulation program currently includes activities at its two research stations – at *Itutinga* and *Machado Mineiro*. A total of 198,596 fingerlings were grown and released in 2018. 26 fish population events took place, in 16 municipalities of Minas Gerais state, in the year.

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FINAL REMARKS – APPRECIATION

This is a moment to express thanks and appreciation for those who have helped make our achievements possible.

Cemig GT's management wishes in particular to thank its parent company majority stockholder, the State of Minas Gerais, for the trust and support that it has constantly shown during the year.

The Company also extends its thanks the other federal, state and municipal authorities, the communities served by the Company, the stockholders, other investors – and, above all, its highly qualified staff of employees, for their dedication.

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SOCIAL STATEMENT

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

1 - Basis of calculations	2018 – Holding Company			2017 – Holding Company		
	Amount (R$ '000)			Amount (R$ '000)		
Net revenue (NR)	6,174,729			7,150,456		
Operational profit (OP)	1,236,306			1,690,396		
Gross payroll (GP)	306,221			364,628		
2) Internal social indicators	**Amount (R$ '000)**	**% of GP**	**% of NR**	**Amount (R$ '000)**	**% of GP**	**% of NR**
Food	19,163	6.26	0.31	20,599	5.65	0.29
Mandatory charges/costs on payroll	70,226	22.93	1.14	75,169	20.62	1.05
Private pension plan	20,396	6.66	0.33	22,133	6.07	0.31
Health	10,720	3.50	0.17	11,849	3.25	0.17
Safety and medicine in the workplace	5,631	1.84	0.09	5,988	1.64	0.08
Education	264	0.09	0.00	74	0.02	0.00
Training and professional development	9,122	2.98	0.15	9,126	2.50	0.13
Provision of or assistance for day-care centers	762	0.25	0.01	732	0.20	0.01
Profit sharing	999	0.33	0.02	984	0.27	0.01
Other expenses	3,389	1.11	0.05	3,785	1.04	0.05
Internal social indicators – Total	**140,672**	**45.94**	**2.28**	**150,439**	**41.26**	**2.10**
3) External social indicators	**Amount (R$ '000)**	**% of OP**	**% of NR**	**Amount (R$ '000)**	**% of OP**	**% of NR**
Education	65	0.01	0.00	64	0.00	0.00
Culture	2,884	0.23	0.05	3,496	0.21	0.05
Health and water infrastructure	838	0.07	0.01	1,654	0.10	0.02
Sport	1,228	0.10	0.02	-	-	-
Other donations/subsidies / ASIN project	2,506	0.20	0.04	-	-	-
Total contributions to society	**7,521**	**0.61**	**0.12**	**5,214**	**0.31**	**0.07**
Taxes (excluding obligatory charges on payroll)	1,399,035	113.16	22.66	1,381,330	81.72	19.32
Internal social indicators – Total	**1,406,556**	**113.77**	**22.78**	**1,386,544**	**82.02**	**19.39**
4) Environmental indicators	**Amount (R$ '000)**	**% of OP**	**% of NR**	**Amount (R$ '000)**	**% of OP**	**% of NR**
Related to the company's operations	30,506	2.46	0.49	23,100	1.37	0.32
Total investment in the environment	**30,506**	**2.46**	**0.49**	**23,100**	**1.37**	**0.32**
As to annual targets to minimize toxic waste and consumption during operations, and increase efficacy of use of natural resources, the company:	(X) has no targets ( ) meets 0–50% of targets	( ) meets 51–75% of targets ( ) meets 76–100% of targets		(X) has no targets ( ) meets 0–50% of targets	( ) meets 51–75% of targets ( ) meets 76–100% of targets	
5) Workforce indicators						
Number of employees at end of business year	1,366			1,343		
Hirings during the business year	76			2		
Number of outsourced employees	127			127		
Number of interns	84			64		
Employees' levels of education						
- University and university extension	527			527		
- 2 Secondary	807			807		
- 1 Primary	10			10		
- Primary incomplete	0			-		
Number of employees over 45 years old	614			587		
Number of women employed	190			185		
% of supervisory positions held by women	12.50%			13.10		
Number of African-Brazilian employees	61			60		
% of supervisory positions held by African-Brazilians	2.50%			2.38		
Number of employees with disabilities	30			14		

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6) Corporate citizenship	2018			Targets for 2019		
Ratio between highest and lowest compensation in the Company	28.61			No target		
Total number of work accidents	23			0		
Who selects the company's social and environmental projects?	( ) senior management and line managers	(x) senior management and line managers	( ) all the employees	( ) senior management and line managers	( ) senior management and line managers	( ) all the employees
Who decides the company's work-environment health and safety standards?	( ) senior management and line managers	(x) all employees	( ) All + Accident Prevention Ctee.	( ) senior management and line managers	( ) all employees	( ) All + Accident Prevention Ctee.
In relation to labor union freedom, the right to collective bargaining, and/or internal employee representation, the company:	( ) does not get involved	(x) follows the ILO guidelines	( ) encourages and follows the ILO	( ) will not get involved	(x) will follow the ILO guidelines	( ) will encourage and follow ILO
The company pension plan covers	( ) senior management and line managers	( ) senior management and line managers	(x) all employees	( ) senior management and line managers	( ) senior management and line managers	( ) all employees
The profit-sharing program covers:	( ) senior management and line managers	( ) senior management and line managers	(x) all employees	( ) senior management and line managers	( ) senior management and line managers	( ) all employees
In selecting suppliers, the Company's own standards of ethics and social and environmental responsibility:	( ) are not considered	( ) are suggested	(x) are required	( ) will be suggested	( ) will be suggested	( ) will be required
In relation to employee participation in volunteer work programs, the company:	( ) supports	( ) supports	(x) organizes and encourages	( ) supports	( ) supports	(x) organizes and encourages
Total number of customer complaints and criticisms:	Via Procon N.A.	Via Procon N.A.	In the courts N.A.	Via Procon N.A.	Via Procon N.A.	In the courts N.A.
% of complaints and criticisms met or solved:	Via Procon N.A.	Via Procon N.A.	In the courts N.A.	Via Procon N.A.	Via Procon N.A.	In the courts N.A.
Total added value distributable (R$ '000)	In 2018: 4,191,472			In 2017: 3,516,251		
Distribution of added value (DVA)	38.65% government 6.40% stockholders 9.19% employees	37.33% others 7.24% retained		45.93% government 6.09% stockholders 8.16% employees	33.73% others 6.09% retained	

7) Other information	2018	2017
Investments in environmental issues	R$18.9 million	R$23.1 million
Monitoring of reservoir water quality	42 reservoirs and 192 physical, chemical and biological data collection stations	42 reservoirs and 180 physical, chemical and biological data collection stations
Non-reusable wastes and materials	21 tons	320.6 tons
Revenue from sales of waste	R$41,000	R$201,400

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CEMIG GT IN NUMBERS

Item	2018 Holding Company	2017 Holding Company
Service		
Number of customers	1,306	1,243
Number of employees	1,366	1,343
Energy sold per employee – MWh	20,804	21,332
Market		
Own generation – GWh	4,953	5,712
Average sale price (excluding ICMS tax), R$/MWh – Industrial	197.50	204.23
Expenses		
Number of plants in operation	53	59
Installed capacity (MW)	3,675	4,854
Financial		
Net operational revenue, R$ mn	6,175	7,150
Operational margin, %	20.02	23.64
Ebitda, R$ mn	1,501	1,849
Profit, R$ mn	591	428
Earnings per share	0.2039	0.1479
Stockholders' equity – R$ mn	4,980	4,794
Book value per share	1.72	1.65
Return on equity, %	11.86	9.34
Debt / Stockholder's equity, %	232.76	257.13
Current liquidity ratio	0.90	0.76
General liquidity ratio	1.43	0.61

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COMPOSITION OF BOARD OF DIRECTORS, AUDIT COMMITTEE AND EXECUTIVE BOARD

BOARD OF DIRECTORS
Adézio de Almeida Lima
Marco Antônio Soares da Cunha Castro Branco
Bernardo Afonso Salomão de Alvarenga
Luiz Guilherme Piva
Marco Aurélio Crocco Afonso
Marcelo Gasparino da Silva
José Pais Rangel
Patricia Gracindo Marques de Assis Bentes
Márcio José Peres

AUDIT BOARD	
SITTING MEMBERS	SUBSTITUTE MEMBERS
José Afonso Bicalho Beltrão da Silva	Helvécio Miranda Magalhães Júnior
Marco Antônio de Rezende Teixeira	Flávia Cristina Mendonça Faria Da Pieve
Camila Nunes da Cunha Pereira Paulino	Wieland Silberschneider
Rodrigo de Mesquita Pereira	Michele da Silva Gonsales
Cláudio Morais Machado	Carlos Roberto de Albuquerque Sá

THE AUDIT COMMITTEE
José Pais Rangel
Pedro Carlos Mello
Gilberto José Cardoso

THE EXECUTIVE BOARD	
NAME	POSITION
Cledorvino Belini	Chief Executive Officer
Dimas Costa	Chief Trading Officer
Daniel Faria Costa	Chief Officer for Management of Holdings
Ronaldo Gomes de Abreu	Chief Distribution and Sales Officer
Maurício Fernandes Leonardo Júnior	Chief Finance and Investor Relations Officer
Ronaldo Gomes de Abreu	Interim Chief Generation and Transmission Officer
Ronaldo Gomes de Abreu	Interim Chief Corporate Management Officer

INVESTOR RELATIONS

Investor Relations Office
Tel: (31) 3506-5024 and 3506-5028
Fax: (31) 3506-5025 and 3506-5026

Website: www.cemig.com.br
e-mail: ri@cemig.com.br

STATEMENTS OF FINANCIAL POSITION

AS OF DECEMBER 31, 2018 AND 2017

ASSETS

(Thousands of Brazilian Reais)

	Note	Consolidated		Holding company	
		2018	2017	2018	2017
CURRENT					
Cash and cash equivalents	6	301,696	403,339	226,830	366,169
Marketable Securities	7	161,848	520,963	12,922	397,734
Customers and Traders	8	879,875	850,487	730,991	763,187
Concession holders – transmission service	8	71,164	89,153	71,236	89,249
Recoverable taxes	9	48,505	30,840	41,166	30,064
Income and Social Contribution tax recoverable	10a	159,160	138,435	156,738	138,435
Dividends receivable		98,842	75,480	98,842	75,480
Concession financial assets	12	423,511	689,353	180,995	456,101
Contractual assets	13	130,951	-	130,951	-
Advances to suppliers		6,785	98,914	2,036	69,914
Hydrological risk renegotiation premium		17,159	16,681	17,159	16,681
Derivative financial instruments -Swap	28	69,643	-	69,643	-
Others		168,167	60,427	154,619	63,757
TOTAL, CURRENT		**2,537,306**	**2,974,072**	**1,894,128**	**2,466,771**
NON-CURRENT					
Securities – Cash investments	7	21,498	14,659	1,709	11,191
Customers and Traders	8	5,020	-	5,020	-
Recoverable taxes	9	17,825	8,272	17,068	8,272
Income tax and Social Contribution taxes recoverable	10a	3,115	-	-	-
Escrow deposits	11	374,374	309,994	338,779	309,994
Receivables from related parties	27	921,288	351,709	927,913	357,549
Hydrological risk renegotiation premium		22,981	35,060	22,981	35,060
Advances to suppliers		87,285	5,084	87,285	2,061
Derivative financial instruments - Swaps	28	743,692	8,649	743,692	8,649
Others		59,290	59,886	58,945	59,875
Concession financial assets	12	4,097,935	6,024,377	1,931,521	3,920,494
Contractual assets	13	998,359	-	998,359	
Investments	14	4,205,308	4,723,336	7,488,441	7,209,862
Property, plant and equipment	15	2,659,221	2,162,890	2,025,205	2,155,847
Intangible assets	16	197,583	32,640	30,715	32,640
TOTAL, NON-CURRENT		**14,414,774**	**13,736,556**	**14,677,633**	**14,111,494**
TOTAL ASSETS		**16,952,080**	**16,710,628**	**16,571,761**	**16,578,265**

The Notes are an integral part of the financial statements.

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STATEMENTS OF FINANCIAL POSITION

AS OF DECEMBER 31, 2018 AND 2017

LIABILITIES

(Thousands of Brazilian Reais)

	Note	Consolidated		Holding Company	
		2018	2017	2018	2017
CURRENT					
Loans and financings	19	44,338	153,991	44,338	153,991
Debentures	19	559,873	1,453,430	559,873	1,456,365
Suppliers	17	484,726	472,043	436,114	454,512
Income tax and Social Contribution tax	10b	112,057	99,832	-	-
Taxes	18	57,664	133,666	46,453	126,038
Regulatory charges	20	139,457	151,532	131,615	149,698
Post-retirement benefits	21	57,052	52,395	57,052	52,395
Interest on Equity, and dividends, payable	23	660,068	564,230	659,622	564,230
Payroll and related charges		62,724	48,547	61,743	48,547
Advances from customers	8	40,267	190,758	40,267	190,758
Derivative financial instruments -Swap	28	-	12,596	-	12,596
Others		74,191	59,230	72,900	54,734
TOTAL, CURRENT		**2,292,417**	**3,392,250**	**2,109,977**	**3,263,864**
NON-CURRENT					
Loans and financings	19	5,919,979	3,977,975	5,756,612	3,977,975
Debentures	19	1,674,722	2,734,767	1,674,722	2,734,767
Deferred income tax and Social Contribution tax	10c	461,731	416,446	436,071	416,305
Taxes	18	4,445	3,830	4,124	3,830
Regulatory charges	20	59,349	84,557	54,048	80,737
Post-retirement benefits	21	1,019,794	852,136	1,019,794	852,136
Provisions	22	98,708	96,310	97,793	96,294
Derivative financial instruments -Swap	28	-	28,515	-	28,515
Derivative financial instruments - options	28	419,148	311,593	419,148	311,593
Others		21,651	18,417	19,336	18,417
TOTAL, NON-CURRENT LIABILITIES		**9,679,527**	**8,524,546**	**9,481,648**	**8,520,569**
TOTAL LIABILITIES		**11,971,944**	**11,916,796**	**11,591,625**	**11,784,433**
STOCKHOLDERS' EQUITY	23				
Share capital		2,600,000	1,837,710	2,600,000	1,837,710
Profit reserves		2,362,614	2,702,600	2,362,614	2,702,600
Equity valuation adjustments		17,522	153,522	17,522	153,522
Advance against future capital increase		-	100,000	-	100,000
TOTAL STOCKHOLDERS' EQUITY		**4,980,136**	**4,793,832**	**4,980,136**	**4,793,832**
TOTAL LIABILITIES AND EQUITY		**16,952,080**	**16,710,628**	**16,571,761**	**16,578,265**

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STATEMENTS OF INCOME

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

(Thousands of Brazilian Reais, except earnings per share)

	Note	Consolidated		Holding Company	
		2018	2017	2018	2017
REVENUE	24	**6,874,237**	**7,786,741**	**6,174,729**	**7,150,456**
OPERATING COSTS					
COST OF ENERGY	25				
Charges for use of the national grid		(213,698)	(350,191)	(176,403)	(314,899)
Energy bought for resale		(3,853,066)	(4,169,830)	(3,764,279)	(4,109,536)
		(4,066,764)	(4,520,021)	(3,940,682)	(4,424,435)
COST	25				
Personnel and managers		(277,183)	(307,611)	(251,397)	(289,091)
Materials		(42,021)	(20,294)	(38,990)	(18,422)
Outsourced services		(117,081)	(80,105)	(94,707)	(63,611)
Depreciation and amortization		(143,242)	(152,974)	(140,680)	(152,897)
Operating provisions, net		(14,062)	(8,462)	(14,049)	(8,446)
Transmission infrastructure Construction cost		(95,712)	(24,827)	(95,712)	(24,827)
Other operating costs		(23,524)	(35,772)	(21,847)	(32,111)
		(712,825)	(630,045)	(657,382)	(589,405)
TOTAL COST		**(4,779,589)**	**(5,150,066)**	**(4,598,064)**	**(5,013,840)**
GROSS PROFIT		**2,094,648**	**2,636,675**	**1,576,665**	**2,136,616**
OPERATIONAL EXPENSES	25				
Selling expenses		4,628	(17,514)	(2,863)	(17,514)
General and administrative expenses		(109,480)	(173,222)	(109,480)	(173,222)
Other operating expenses		(237,379)	(130,829)	(235,672)	(130,208)
		(342,231)	(321,565)	(348,015)	(320,944)
Share of (loss) profit in associates and joint ventures, net	14	(352,389)	(519,024)	55,390	(125,276)
Restatement of prior holding in acquirees	14	79,693	-	79,693	-
Adjustment for impairment of Investments	14	(127,427)	-	(127,427)	-
Profit before Financial revenue (exp.) and taxes		**1,352,294**	**1,796,086**	**1,236,306**	**1,690,396**
Finance income	26	1,163,788	216,535	1,145,218	190,608
Finance expenses	26	(1,540,234)	(1,164,121)	(1,538,366)	(1,163,768)
Pre-tax profit		**975,848**	**848,500**	**843,158**	**717,236**
Current income tax and Social Contribution tax	10d	(313,003)	(253,842)	(180,278)	(122,074)
Deferred income tax and Social Contribution tax	10d	(72,062)	(166,199)	(72,097)	(166,703)
NET INCOME FOR THE YEAR		**590,783**	**428,459**	**590,783**	**428,459**
Basic and diluted net income per common share – R$	**23**	**0.2039**	**0.1479**	**0.2039**	**0.1479**

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STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

(Thousands of Brazilian Reais)

	Consolidated		Holding Company	
	2018	2017	2018	2017
NET INCOME FOR THE YEAR	**590,783**	**428,459**	**590,783**	**428,459**
Items not to be reclassified to profit or loss in subsequent periods				
Re-measurement of defined-benefit plan obligations (Note 21)	(153,918)	(105,666)	(153,918)	(105,666)
Income and Social Contribution tax on restatement of defined benefit plans (Note 10c)	52,331	35,927	52,331	35,927
	(101,587)	(69,739)	(101,587)	(69,739)
Items that may be reclassified to the Statement of income in subsequent business years				
Equity gain on Other comprehensive income, in subsidiary and jointly-controlled entity, relating to fair value of financial asset available for sale	-	(33,852)	-	(33,852)
COMPREHENSIVE INCOME FOR THE PERIOD	**489,196**	**324,868**	**489,196**	**324,868**

The Notes are an integral part of the financial statements.

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STATEMENT OF CHANGES IN CONSOLIDATED EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2018 E 2017

(Thousands of Brazilian Reais)

	Share capital	Advance against 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 year	-	-	-	-	428,459	428,459
Other comprehensive income						
Re-measurement of defined-benefit plan obligations	-	-	-	(69,739)	-	(69,739)
Equity gain on Other comprehensive income in jointly-controlled subsidiary	-	-	-	(33,852)	-	(33,852)
Comprehensive income for the period	**-**	**-**	**-**	**(103,591)**	**428,459**	**324,868**
Advance against future capital increase	-	100,000	-	-	-	100,000
Realization of reserves						
Realization of deemed cost of PP&E	-	-	-	(13,712)	13,712	-
Dividends under the by-laws (R$ 0.0740 per share)	-	-	-	-	(214,230)	(214,230)
Constitution of reserves						
Legal reserve	-	-	21,423	-	(21,423)	-
Appropriation of retained earnings to profit reserves	-	-	206,372	-	(206,372)	-
Tax incentives reserve	-	-	146	-	(146)	-
BALANCES ON DECEMBER 31, 2017	**1,837,710**	**100,000**	**2,702,600**	**153,522**	**-**	**4,793,832**
Net income for the year	-	-	-	-	590,783	590,783
Other comprehensive income						
Adjustment of actuarial liabilities – restatement of obligations of the defined benefit plans, net of taxes	-	-	-	(101,587)	-	(101,587)
Comprehensive income for the period	**-**	**-**	**-**	**(101,587)**	**590,783**	**489,196**
Capital increase	762,290	(100,000)	(662,290)	-	-	-
Realization of reserves						
Realization of deemed cost of PP&E	-	-	-	(34,413)	34,413	-
Interest on Equity (R$ 0.0173 p/share)	-	-	-	-	(50,000)	(50,000)
Dividends under the by-laws (R$ 0.0873 per share)	-	-	-	-	(252,892)	(252,892)
Constitution of reserves						
Legal reserve	-	-	29,539	-	(29,539)	-
Appropriation of retained earnings to profit reserves	-	-	292,765	-	(292,765)	-
BALANCES ON DECEMBER 31, 2018	**2,600,000**	**-**	**2,362,614**	**17,522**	**-**	**4,980,136**

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STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

(Thousands of Brazilian Reais)

	Note	Consolidated		Holding Company	
		2018	2017	2018	2017
CASH FLOW FROM OPERATIONS					
Net income for the year		590,783	428,459	590,783	428,459
Adjustments for:					
Expenses (revenues) not affecting cash and cash equivalents:					
Depreciation and amortization	25	148,756	158,226	146,194	158,150
Write-down of net residual value of PP&E, Intangible and Financial		29,443	26,796	29,404	26,796
Updating of Concession financial assets	12	(538,711)	(595,201)	(217,286)	(278,320)
Financial updating of contractual assets	13	(88,421)	-	(88,421)	-
Adjustment to expectation of contractual cash flow from the concession	13	(12,934)	-	(12,934)	-
Adjustment to BRR – transmission assets		-	(74,627)	-	(74,627)
Gain (loss) by equity method	14	352,389	519,024	(55,390)	125,276
Adjustment for impairment of Investments	14	127,427	-	127,427	-
Financial interest and inflation adjustment		730,830	961,683	734,531	962,862
Foreign exchange variations		579,609	(56,638)	579,609	(56,638)
Amortization of transaction cost of loans and financings	19	19,718	28,684	19,718	28,684
Deferred income tax and Social Contribution tax	10c	72,062	166,199	72,097	166,703
Adjustment of indemnity – plants with non-renewed concessions (Ministerial Order 291)	12	-	(271,607)	-	(271,607)
Provisions for operational losses, net	25	9,887	34,184	17,365	34,168
Loss on other credits	14	12,466	-	12,466	-
Variation in fair value of derivative financial instruments – Swaps	28	(892,643)	32,462	(892,643)	32,462
Variation in fair value of derivative financial instruments (Put options)	28	107,555	115,420	107,555	115,420
Provision for reimbursement for suspension of power supply – Renova		(60,341)	-	(60,341)	-
Post-employment obligations	21	87,747	(43,754)	87,747	(43,754)
Restatement of prior holding in subsidiaries acquired	14	(79,693)	-	(79,693)	-
Gain on dilution of an equity interest	14	(15,578)	-	(15,578)	-
Indemnity on elimination of crossover assets.	14	(2,108)	-	(2,108)	-
		1,178,243	**1,429,310**	**1,100,502**	**1,354,034**
(Increase) / decrease in assets					
Customers and Traders		14,097	(143,062)	24,313	(103,850)
Recoverable taxes		(22,332)	31,251	(19,898)	32,020
Income and Social Contribution tax recoverable		(22,922)	(13,585)	(19,999)	(13,585)
Transport of energy		17,989	(52,463)	18,013	(52,559)
Escrow deposits		(17,606)	2,140	(17,589)	2,140
Dividends received		107,917	165,457	469,148	554,605
Concession financial assets		1,638,192	398,220	1,388,562	164,709
Contractual assets		65,815	-	65,815	-
Advances to suppliers		(30,263)	(96,064)	(61,110)	(65,220)
Other expenses		(71,995)	72,756	(78,756)	96,510
		1,678,892	**364,650**	**1,768,499**	**614,770**
(Increase) reduction in liabilities					
Suppliers		(26,446)	95,005	(18,398)	81,808
Taxes		(52,078)	(95,948)	(51,706)	(99,662)
Income tax and Social Contribution tax		313,003	247,868	180,278	122,074
Payroll and related charges		13,131	(4,010)	13,196	(4,007)
Regulatory charges		(42,312)	38,066	(44,772)	36,316
Post-employment obligations		(69,350)	(63,843)	(69,350)	(63,843)
Advances from customers		(158,893)	(34,955)	(158,893)	(34,955)
Other expenses		(16,199)	8,364	(12,203)	5,209
		(39,144)	**190,547**	**(161,848)**	**42,940**
Cash generated by operations		**2,817,991**	**1,984,507**	**2,707,153**	**2,011,744**
Income tax and Social Contribution tax paid		(320,731)	(126,494)	(193,909)	(94,460)
Interest paid	19	(856,547)	(1,080,075)	(856,547)	(1,080,075)
Settlement of derivative financial instruments (swap)		37,330	-	37,330	-
NET CASH FROM OPERATIONAL ACTIVITIES		**1,678,043**	**777,938**	**1,694,027**	**837,209**

The Notes are an integral part of the financial statements.

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	Note	Consolidated		Holding Company	
		2018	2017	2018	2017
CASH FLOWS IN INVESTMENT ACTIVITIES					
Funding of investments	14b	(234,161)	(254,231)	(234,201)	(254,231)
Acquisition of subsidiaries in shareholding reorganization	14	(423,163)	-	(423,163)	-
Cash arising from shareholding reorganization	14	119,847	-	-	-
Acquisition of subsidiaries in business combination	14	(5,218)	-	(5,218)	-
Cash arising from business combination	14	4,144	-	-	-
Loan with related parties		(390,737)	-	(390,737)	-
Investment in fixed assets	15	(59,038)	(32,591)	(41,344)	(27,244)
Investment in Intangible assets	16	(2,654)	(1,858)	(2,654)	(1,858)
Investment in Securities		364,681	(83,841)	403,764	(119,054)
NET CASH FLOW IN INVESTMENT ACTIVITIES		**(626,299)**	**(372,521)**	**(693,553)**	**(402,387)**
CASH FLOW IN FINANCING ACTIVITIES					
Proceeds from loans and debentures	19	1,948,018	3,198,320	1,948,018	3,198,320
Interest on Equity, and dividends		(221,074)	(255,000)	(207,500)	(255,000)
Payments of loans	19	(2,880,331)	(3,473,225)	(2,880,331)	(3,473,225)
Advance against future capital increase	23	-	100,000	-	100,000
NET CASH FLOW IN FINANCING ACTIVITIES		**(1,153,387)**	**(429,905)**	**(1,139,813)**	**(429,905)**
NET CHANGE IN CASH AND CASH EQUIVALENTS		**(101,643)**	**(24,488)**	**(139,339)**	**4,917**
Cash and cash equivalents start of period	6	**403,339**	**427,827**	**366,169**	**361,252**
Cash and cash equivalents at end of period	6	**301,696**	**403,339**	**226,830**	**366,169**

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STATEMENT OF ADDED VALUE

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

(Thousands of Brazilian Reais)

	Consolidated				Holding Company			
	2018		2017		2018		2017	
REVENUES								
Sales of energy and services	7,761,383		8,351,996		7,258,852		7,923,921	
Construction revenue	95,712		24,827		95,712		24,827	
Gain on financial updating of the Concession grant fee	321,425		316,881		-		-	
Investments in property, plant and equipment	42,767		29,441		42,767		29,441	
Transmission indemnity revenue	250,375		373,217		250,375		373,217	
Reimbursement revenue – Generation	55,332		271,607		55,332		271,607	
Provision for doubtful receivables	4,628		(17,514)		(2,863)		(17,514)	
Other revenues (expenses)	117		-		117		-	
	8,531,739		**9,350,455**		**7,700,292**		**8,605,499**	
INPUTS ACQUIRED FROM THIRD PARTIES								
Enegy bought for resale	(4,223,835)		(4,539,084)		(4,128,863)		(4,474,032)	
Charges for use of national grid	(234,297)		(382,206)		(193,946)		(344,159)	
Outsourced services	(197,208)		(158,145)		(174,819)		(141,642)	
Materials	(126,711)		(63,367)		(123,679)		(61,495)	
Onerous concessions	(2,681)		(3,087)		(2,681)		(3,087)	
Other operating costs	(174,124)		(227,601)		(171,756)		(224,162)	
	(4,958,856)		**(5,373,490)**		**(4,795,744)**		**(5,248,577)**	
GROSS VALUE ADDED	**3,572,883**		**3,976,965**		**2,904,548**		**3,356,922**	
RETENTIONS								
Depreciation and amortization	(148,756)		(158,226)		(146,194)		(158,150)	
NET VALUE ADDED	**3,424,127**		**3,818,739**		**2,758,354**		**3,198,772**	
ADDED VALUE RECEIVED BY TRANSFER								
Share of (loss) profit, net, of associates and joint ventures	(352,389)		(519,024)		55,390		(125,276)	
Finance income	1,163,788		216,535		1,145,218		190,608	
Restatement of the prior holding in subsidiaries acquired	79,693		-		79,693		-	
Adjustment for impairment of Investments	(127,427)		-		(127,427)		-	
	763,665		**(302,489)**		**1,152,874**		**65,332**	
ADDED VALUE TO BE DISTRIBUTED	**4,187,792**		**3,516,250**		**3,911,228**		**3,264,104**	
DISTRIBUTION OF ADDED VALUE								
		%		%		%		%
Employees	**385,237**	**9.20**	**286,829**	**8.16**	**359,316**	**9.19**	**269,251**	**8.27**
Direct remuneration	245,702	5.87	245,639	6.98	219,754	5.62	229,125	7.04
Benefits	105,971	2.53	(23,730)	(0.67)	105,981	2.71	(24,483)	(0.75)
FGTS fund	15,185	0.36	15,437	0.44	15,202	0.39	15,126	0.46
Programmed Voluntary Retirement Plan	18,379	0.44	49,483	1.41	18,379	0.47	49,483	1.52
Taxes	**1,647,142**	**39.33**	**1,614,926**	**45.93**	**1,399,035**	**35.77**	**1,381,330**	**42.31**
Federal	1,085,962	25.93	994,251	28.28	883,496	22.59	797,871	24.44
State	557,776	13.32	617,362	17.56	512,484	13.10	580,155	17.77
Municipal	3,404	0.08	3,313	0.09	3,055	0.08	3,304	0.10
Remuneration of external capital	**1,564,630**	**37.36**	**1,186,036**	**33.73**	**1,562,094**	**39.94**	**1,185,064**	**36.30**
Interest	1,540,234	36.78	1,164,121	33.11	1,538,366	39.33	1,163,768	35.65
Rentals	24,396	0.58	21,915	0.62	23,728	0.61	21,296	0.65
Remuneration of own capital	**590,783**	**14.11**	**428,459**	**12.18**	**590,783**	**15.11**	**428,459**	**13.12**
Interest on Equity	50,000	1.19	-	-	50,000	1.28	-	-
Dividends	252,892	6.04	214,230	6.09	252,892	6.47	214,230	6.56
Retained earnings	287,891	6.87	214,229	6.09	287,891	7.36	214,229	6.56
	4,187,792	**100.00**	**3,516,250**	**100.00**	**3,911,228**	**100.00**	**3,264,104**	**100.00**

The Notes are an integral part of the financial statements.

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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

(In thousands of Brazilian Reais, 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, with head office in Belo Horizonte, Minas Gerais.

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

Cemig GT has interests in 64 power plants – of these 60 are hydroelectric, two are wind power plants, one is thermal, and one is solar – and the associated transmission lines, mostly part of the Brazilian Transmission Grid System, with installed capacity for 5,555 MW (information not reviewed by external auditors).

The Company has stockholding interests in the following subsidiaries, jointly-controlled subsidiaries and affiliated company, the principal objects of which are construction and operation of systems for production and sale of energy (information in MW has not been audited by the external auditors):

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

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

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- Hidrelétrica Pipoca S.A. ('Pipoca') (Jointly controlled): Independent production of energy, through construction and commercial operation of the *Pipoca* Small Hydro Plant (SHP, or *Pequena Central Hidrelétrica* – PCH), on the Manhuaçu River, in the municipalities of Caratinga and Ipanema, in the State of Minas Gerais.

  - Madeira Energia S.A. ('Madeira') (jointly controlled) – Construction and commercial operation of the *Santo Antônio* hydroelectric plant, through its subsidiary Santo Antônio Energia S.A., in the basin of the Madeira river, in the State of Rondônia.

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

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

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

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

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

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- Aliança Geração de Energia S.A. ('Aliança') (Jointly-controlled): Unlisted corporation created by Cemig GT and Vale S.A. to become a platform for consolidation of generation assets held by the two parties in generation consortia, and investments in future generation projects. The two parties subscribed their shares in the company by transfer of their interests in the following generation assets: *Porto Estrela, Igarapava, Funil, Capim Branco I, Capim Branco II, Aimorés,* and *Candonga*. With these assets Aliança has total installed generation capacity, in operation, of 1,170 MW (physical offtake guarantee 668 MW average). It also has other generation projects. Vale holds 55% of the total capital, and Cemig GT 45%.

- Usina Hidrelétrica Itaocara S.A. ('UHE Itaocara') – The UHE Itaocara consortium is a jointly-controlled corporation – formed by Cemig GT and Itaocara Energia (of the Light group). It is responsible for construction of the *Itaocara I* Hydroelectric Plant.

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

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

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

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

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

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

- Cemig Geração Sul S.A.: Corporation wholly owned by Cemig GT. Its objects are production and sale of energy as public concession holder, by commercial operation of the *Coronel Domiciano, Marmelos, Joasal, Paciência* and *Piau* Small Hydroelectric Plants, and trading in energy in the Free Market. Aggregate installed generation capacity of these plants is 39.53 MW; average offtake guarantee is 27.42 MW.

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

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

As mentioned in Note 14, in December 2018 a stockholding restructuring of the Cemig Group was completed, in which the following wholly-owned generation and trading subsidiaries were transferred from the parent company, Cemig, to Cemig GT:

- Sá Carvalho S.A. (Subsidiary): Production and sale of energy, as a public energy service concession holder, through the *Sá Carvalho* hydroelectric power plant.

- Horizontes Energia S.A. ('Horizontes') (Subsidiary): Independent power producer operating the *Machado Mineiro* and *Salto do Paraopeba* Hydroelectric Plants in Minas Gerais; and the *Salto do Voltão* and *Salto do Passo Velho* Hydroelectric Plants, in the state of Santa Catarina.

- Rosal Energia S.A. ('Rosal')(Subsidiary): Production and sale of energy, as a public energy service concession holder, through the *Rosal* hydroelectric power plant located on the border between the States of Rio de Janeiro and Espírito Santo.

- Cemig PCH S.A. ('Cemig PCH')(Subsidiary): Production and sale of energy as an independent power producer, through the *Pai Joaquim* hydroelectric power plant.

- Empresa de Serviços e Comercialização de Energia Elétrica S.A. ('ESCE') (Subsidiary): Production and sale of energy as an independent power producer, in future projects.

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- UTE Barreiro S.A. ('Barreiro')(Subsidiary): Production and sale of thermally generated energy, as an independent producer, through construction and operation of the *UTE Barreiro* thermal generation plant, located on the premises of V&M do Brasil S.A., in the State of Minas Gerais.

- Cemig Comercializadora de Energia Incentivada S.A. ('CCEI' – previously named Central Termelétrica de Cogeração S.A.) (Subsidiary) – Production and sale of energy as an independent thermal generation power producer, in future projects.

- Cemig Trading S.A. ('Cemig Trading') (Subsidiary): Trading and intermediation in supply of energy.

Subsidiaries and jointly-controlled entities at development stage:

- Guanhães Energia S.A. ('Guanhães Energia')(Jointly-controlled subsidiary): Production and sale of energy through building and commercial operation of the following Small Hydro Plants: *Dores de Guanhães, Senhora do Porto* and *Jacaré*, in the county of Dores de Guanhães; and *Fortuna II*, in the county of Virginópolis, in Minas Gerais. The *Senhora do Porto* and *Dores* small hydro plants began operation in 2018 and the other two (*Fortuna* and *Jacaré)* are expected to be operating in the second quarter of 2019.

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

For more details on this see Note 14.

In the year ended December 31, 2018 the Company generated positive consolidated operational cash flow of R$1.678 billion (which compares with positive R$778 million, in 2017). The figure for the parent company was R$1.792 billion positive in 2018, and R$837 million positive in 2017.

Additionally, on December 31, 2018, Cemig GT had totals of loans, financings and debentures as follows: R$604 million, short-term; and R$7.595 billion, long-term.

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

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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 13303/2016 (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 Audit Board (*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 financial statement of the Company have been prepared in accordance with accounting practices adopted in Brazil, which comprise: the rules issued by the Brazilian Securities Commission (CVM), and the pronouncements made by the Accounting Pronouncements Committee (CPC), and in accordance with the international accounting standards (IFRS) issued by IASB.

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

On March 28, 2019, the Company's Board of Director authorized filing of the Financial Statements for the year ended December 31, 2018.

2.2 Bases of measurement

These financial statements were prepared on a historical cost basis, except in the case of certain financial instruments which are measured at fair value, as detailed in Note 28.

2.3 Functional currency and presentation currency

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

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Transactions in foreign currency, that is to say, all those that were not made in the functional currency of the Company and its subsidiaries, have been converted to the functional currency at the exchange rate of the date on which the transactions were made. Balances of monetary assets and liabilities in foreign currency are revalued to the functional currency of the Company and its subsidiaries at the exchange rate of the reporting date for the financial statements. Foreign exchange gains and losses resulting from updating of the assets and liabilities are recognized as financial revenues and expenses in the Statement of income.

2.4 Use of estimates and judgments

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

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

The principal estimates and judgments related to the financial statements refer to recording of effects arising from:

- Adjustments for loss on doubtful accounts – see Note 8.
- Deferred income and Social Contribution taxes – see Note 10.
- Concession financial assets – see Note 12.
- Contractual assets – see Note 13.
- Investments – Note 14.
- PP&E and useful lives of assets – Note 15.
- Intangible assets and useful lives of assets – Note 16.
- Employee post-retirement liabilities – See Note 21.
- Provisions – Note 22.
- Energy supply not yet invoiced – see Note 24.
- Measurement of financial instruments and measurement at fair value – Note 28.

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

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2.5 New accounting standards, interpretation or revisions of accounting standards, applied for the first time in 2018

The Company and its subsidiaries has applied, for the first time, new accounting standards that became effective for annual periods beginning January 1, 2018 or later, as described below:

IFRS 15 / CPC 47 – Revenue from contracts with customers

IFRS 15 (CPC 47 – *Receita de contrato com clientes*) establishes a five-step model to account for revenues arising from contracts with customers. Under IFRS 15, revenue is recognized as and when a performance obligation is satisfied, for the amount which it is expected will be received in exchange for the goods or services transferred, which is to be allocated to this performance obligation. The entity should record the revenue only when it is probable that it will receive the consideration in exchange for the goods or services transferred, taking into account the client's capacity and intention to comply with the payment obligation. This new pronouncement will supersede all current requirements for recognition of revenue under the CPCs/IFRS. Additionally IFRS 15 / CPC 47 establishes requirements for more detailed presentation and disclosure than the rules until then in effect.

The Company and its subsidiaries have 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; and
5. Recognize the revenue when (or to the extent that) the entity satisfies each performance obligation of the contract.

The Company and its subsidiaries adopted the new rule based on the retrospective method, as from January 1, 2018. The impact of adoption of the rule refers to the alteration in the classification of the assets linked to the transmission infrastructure. Considering the performance obligation, during the period of the concession, as comprising availability of the transmission lines, the Company began, as from the start of 2018, to recognize as contractual assets the assets linked to the transmission infrastructure, which until 2017 were recognized as financial assets. For more details see Note 13 – *Contractual assets*.

The table below summarizes the impacts of adoption of IFRS 15/ CPC 47, net of taxes, on the Statement of financial position and the Statement of income as of and for the year ended December 31, 2018:

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Consolidated statement of financial position	2018 without adoption of IFRS 15 (CPC 47)	Adjustment IFRS 15 (CPC 47)	2018 with adoption of IFRS 15 (CPC 47)
Current assets	**2,537,306**	**-**	**2,537,306**
Concession financial assets	554,462	(130,951)	423,511
Contractual assets	-	130,951	130,951
Other current assets	1,982,844	-	1,982,844
Non-current assets	**14,414,774**	**-**	**14,414,774**
Concession financial assets	5,096,294	(998,359)	4,097,935
Contractual assets	-	998,359	998,359
Other non-current assets	9,318,480	-	9,318,480
Current liabilities	**2,292,417**	**-**	**2,292,417**
Non-current liabilities	**9,679,527**	**-**	**9,679,527**
Shareholders' equity	**4,980,136**	**-**	**4,980,136**

Holding Company statement of financial position	2018 without adoption of IFRS 15 (CPC 47)	Adjustment IFRS 15 (CPC 47)	2018 with adoption of IFRS 15 (CPC 47)
Current assets	**1,894,128**	**-**	**1,894,128**
Concession financial assets	311,946	(130,951)	180,995
Contractual assets	-	130,951	130,951
Other current assets	1,582,182	-	1,582,182
Non-current assets	**14,677,633**	**-**	**14,677,633**
Concession financial assets	2,929,880	(998,359)	1,931,521
Contractual assets	-	998,359	998,359
Other non-current assets	11,747,753	-	11,747,753
Current liabilities	**2,109,977**	**-**	**2,109,977**
Non-current liabilities	**9,481,648**	**-**	**9,481,648**
Shareholders' equity	**4,980,136**	**-**	**4,980,136**

IFRS 9/CPC 48 – Financial Instruments

IFRS 9 / (CPC 48 – *Instrumentos financeiros*) establishes that all financial assets recognized that are within the scope of IAS 39 (equivalent to CPC 38) should subsequently be measured at amortized cost or fair value, reflecting the business model in which the assets are administered, and their cash flow characteristics, not affecting accounting recognition of the assets and liabilities of the Company and its subsidiaries. IFRS 9 / CPC 48 contains three main categories of accounting for financial instruments: Amortized cost; Fair value through Other comprehensive income; and Fair value through profit or loss.

The new standard has eliminated the previous 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:

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Consolidated	Classification	
	IFRS 39 (CPC 38)	IFRS 9 (CPC 48)
Financial assets		
Cash equivalents – Investments (1)	Loans and receivables	Fair value – profit or loss
Securities – Investments (2)	Held to maturity	Amortized cost
Securities – Investments (2)	Held for trading	Fair value – profit or loss
Customers and Traders; Concession holders (transmission service)	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 – profit or loss	Fair value – profit or loss
Reimbursements receivable – Transmission	Loans and receivables	Amortized cost
Reimbursements receivable – Generation	Loans and receivables	Fair value – 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 customers	Amortized cost	Amortized cost
Derivative financial instruments (swaps)	Fair value – profit or loss	Fair value – profit or loss
Derivative financial instruments – Put options	Fair value – profit or loss	Fair value – profit or loss

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

Impairment of fixed assets

The adoption of IFRS 9 / CPC 48 has fundamentally changed the Company’s accounting for impairment losses for financial assets by replacing IAS 39’s incurred loss approach with a forward-looking expected credit loss (ECL) approach. This approach requires a significant degree of judgment on how the changes in economic factors affect expected losses in realization of credits, to be determined based on weighted probabilities. This model applies to financial assets measured at amortized cost, debt securities measured at fair value through other comprehensive income (FVOCI), with the exception of investments in equity instruments (shares) and concession contract assets.

Under IFRS 9 / CPC 48, provisions for expected losses are to be measured on one of the following bases: (i) 12-month expected credit losses, that is to say, losses of credit that result from possible default events within 12 months after the base date; and (ii) ‘full lifetime expected credit losses, i.e. credit losses expected to result from all of the possible default events over the expected life of a financial instrument, if the credit risk has increased significantly since its initial recognition. As required by IFRS 9 / CPC 48, the Company used the simplified approach in calculating ECL for trade receivables and contract assets that did not contain a significant financing component. The Company and its subsidiaries applied the practical expedient to calculate ECL using a provision matrix.

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 Financial Statements.

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Revision of Technical Pronouncements of CPC 12/17

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

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

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

- ICPC 01 (R1) – *Concession contracts*

The changes introduced by IFRS 15 / CPC 47 and IFRS 9 / CPC 48 have impacted the transmission sector in the classification and measurement of its assets, since these assets are within the scope of FRIC 12 / ICPC 01. Under the pronouncement, allocation of price is required for each type of performance obligation identified in the contract with the customer, and the financial asset must also be classified as either amortized cost or fair value through profit or loss. In accordance with IFRS 15 / CPC 47, the Company concluded, that as regards the transmission market, it has a single contract with a client (the transmission line concession), with the following performance obligations identified: (i) to build; (ii) to operate and maintain; and (iii) to finance the concession-granting power. Thus, based on the contractual characteristics, the Company classified the asset as contractual since, for its realization, the financial flows are influenced by factors of operational performance and also future conditions arising from procedures of periodic tariff reviews, and these assets do not become receivable only by passage of time – the latter being a condition for their classification as financial assets under IFRS 9 / CPC 48.

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

The impacts on measurement of the contractual assets are described in Note 13.

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2.6 Rules issued but not yet in force

Below are details of rules, new interpretations, and alterations issued but not yet in force up to the reporting date of the Company and its subsidiaries. The Company and its subsidiaries intend to adopt these rules, new interpretations, and alterations when they come into effect.

IFRS 16 / CPC 06 (R2) – Leases

This establishes principles for recognition, measurement, presentation and disclosure of leasing transactions and requires that lessees account all the leasing transactions in accordance with a single balance sheet model, similar to the accounting of financial leasing, as in the manner of IFRS 16 / CPC 06 (R1). At the date of start of a leasing operation, the lessee recognizes a liability to make the payments (a leasing liability) and an asset, representing the right to use the asset that is the subject of the leasing during the period in which it is in effect (an asset of right to use). Lessees are required to recognize separately: (i) the expenses of interest on the leasing liability; and (ii) the expense of depreciation of the asset of the right to use.

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

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

In 2018 the Company and its subsidiaries carried out a detailed evaluation of the impacts of adoption of CPC 06 (R2) / IFRS 16 based on the following contracts affected:

- Leasing of buildings used as administrative headquarters;
- Leasing of commercial vehicles used in operations.

Impact on the statement of financial position:

Consolidated and Holding Company	Jan 1, 2019
Assets – right of use	59,546
Liabilities – Obligations referring to operational leasing agreements	59,546

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

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

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

The entity is required to decide whether it treats each uncertain tax treatment separately, or as a group with one or more uncertain tax treatments. It is required to follow the approach that better provides for resolution of the uncertainty. The interpretation is in effect for annual periods starting on or after January 1, 2019, but there are certain exemptions applying to a transition period. The Company and its subsidiaries will adopt the interpretation as from the date on which the requirements come into effect.

The Company and its subsidiaries are still evaluating the potential effects of application of this new Interpretation to the amounts and disclosure presented by their financial statements.

The Company and its subsidiaries have analyzed the other changed rules and interpretations not in effect, and concluded they are unlikely to have a significant impact on their financial statements.

2.7 Summary of significant accounting policies

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

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

a) Financial instruments

Fair value through profit or loss – In this category are: Cash equivalents; Marketable securities; Derivative financial instruments; and Indemnities receivable for generation assets.

Derivatives (swap transactions) are held to regulate the Company's exposures to the risks of variation in the exchange rate. Derivatives are recognized initially at their fair value and the attributable transaction costs are recognized in the Statement of income when they are incurred. After the initial recognition, derivatives are measured at fair value and changes in fair value are accounted in the Statement of income.

Derivative financial instruments (Put options) – The options to sell units of FIP Melbourne and FIP Malbec ('the SAAG Put') were measured at fair value using the Black-Scholes-Merton (BSM) method, using as reference the prices of the related put options obtained by the BSM model valued on the reporting date of the 2018 financial statements.

Amortized cost – In this category are: Receivables from customers, traders, and concession holders (for transport of power); Advances to suppliers; Restricted cash; Court escrow deposits; Securities for which there is positive intention to hold to maturity; Concession financial assets related to the concession grant fee; Reimbursements receivable for transmission assets; Receivables from related parties; Loans, financings and debentures; Debt agreed with the pension fund (Forluz); Suppliers; Concessions payable; Advances to customers; and Other credits.

b) Customers, traders and power transport concession holders

Accounts receivable from customers, traders and power transport concession holders are initially recognized at the sales value and subsequently measured at amortized cost. Includes any direct taxes for which the company has the tax responsibility, less taxes withheld at source, which are considered to be tax credits.

The allowance for doubtful receivables is recorded based on estimates by management, in an amount sufficient to cover probable losses. The main criteria set by the company and its subsidiaries are: (i) For customers with significant balances, the balance receivable is analyzed in the light of the history of the debt, negotiations in progress, and asset guarantees; and (ii) for large customers, an individual analysis of the debtors and the initiatives in progress for receipt of the credits due.

a) Investments

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

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

b) Business combinations

A business combination takes place through an event in which the Company or its subsidiaries acquire the control of a new asset (business), whatever its legal form. At the moment of acquisition the acquiring company is required to recognize and measure the identifiable assets acquired, the liabilities assumed, and the stockholding interests of non-controlling equity holders at its fair value, which will result in recognition of a goodwill premium due to expectation of future profitability, or in a gain arising from an advantageous purchase, the gain being allocated to the Statement of income for the period. Costs generated by the acquisition of the assets must be allocated directly to the Statement of income as and when incurred.

In the parent company, the difference between the amount paid and the amount of the stockholders' equity of the entities acquired is recognized in Investments as: (i) added value, when the economic basis is substantially related to the fair value of the net assets of the subsidiary acquired; and (ii) goodwill premium, when the amount paid is higher than the fair value of the net asset, and this difference represents the expectation of generation of future value. The goodwill premium arising from the business combination is tested annually for impairment.

When a business combination is carried out in stages ("step-acquisition method"), the interest previously held by the Company in its investee is remeasured at the fair value at the acquisition date and the corresponding gain or loss, if any, is recognized in the statement of income. In the individual financial statements, the Company applies the requirements of ICPC 09 (R1) – *Individual financial statements, Separate financial statements, Consolidated financial statements and Application of the equity method* – which requires that any difference between the cost of acquisition and the interest of the Company in the net fair value of the assets, liabilities and identifiable contingent liabilities of the acquiree on the date of the acquisition, should be recognized as goodwill. The goodwill is added to the accounting value of the investment.

a) Concession assets

Transmission segment: As from January 1, 2018, the assets linked to the infrastructure of the transmission concession have been classified as contractual assets, due to the performance obligation during the period of the concession, represented by the availability of the transmission lines. Costs related to construction of infrastructure are posted in the Income statement when they take place, and a Construction revenue item is recorded based on the stage of conclusion of the works, including the taxes applicable to the revenue, and any profit margin.

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

Additions for expansion and improvements generate additional cash flow, and hence this new cash flow is incorporated into the asset balance of the contract.

Due to the acceptance of the terms of renewal of the old transmission concessions, part of the transmission assets of the concessions, having been written off on December 31, 2012, is the subject of reimbursement by the concession-granting power, and an item in Accounts receivable is posted corresponding to the estimated indemnity, to be received over a period of eight years. For more details see Note 13 – *Contractual assets*.

Generation segment: For the plants with concessions obtained in the Aneel auction of November 2015, as described in Note 12, the amount of the concession grant fee is recognized as a financial asset, due to the Company's unconditional right to receive the amount paid, with updating by the IPCA index, and remuneratory interest, during the period of the concession.

c) Intangible assets

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

d) Property, plant and equipment

Items in PP&E are valued at the cost incurred on the date of their acquisition or formation, including deemed cost, plus capitalized financial costs, less accumulated depreciation.

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

Assets not fully depreciated by the end of the concession will revert to the Concession-granting power, and the value of this non-depreciated portion will be reimbursed to the Company.

Gains and losses resulting from the disposal of a property, plant and equipment, are measured as the difference between the net proceeds obtained from the sale and the asset's book value, and are recognized in the Statement of income when the asset is disposed of.

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e) Impairment

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

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

f) Employee benefits

For the Company's retirement benefit pension plan obligations, the liability recorded in the statement of financial position is the greater of: (a) the debt agreed with the foundation for amortization of the actuarial obligations, and (b) the present value of the actuarial obligation, as calculated by a qualified actuary, less the fair value of the plan's assets. In the business years presented, the expenses related to the debt agreed with the pension fund are reported in Financial income (expenses), because they comprise interest and inflation adjustment. The other expenses on the pension fund are recorded as operating expenses.

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

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

g) Income tax and Social Contribution tax

Current

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

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Deferred

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

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

h) Operational revenue

In general, for the business of the Company and its subsidiaries in the energy sector, revenues are recognized when a performance obligation is satisfied, at the value that is expected to be received in exchange for the goods or services transferred, this value being allocated to that performance obligation. The entity records the revenue only when it is probable that it will receive the consideration in exchange for the goods or services transferred, taking into account the client’s capacity and intention to comply with the payment obligation.

Revenues from sale of energy are recorded based on the energy delivered and the tariffs specified in the terms of the contract or in effect in the market. Revenues from retail supply of energy to final customers are recorded when the delivery has taken place. The billing is carried out monthly. Unbilled retail supply of energy, from the period between the last billing and the end of each month, is estimated based on the supply contracted. Historically, the differences between the estimated amounts and the actual revenues realized are recorded in the following month.

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

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

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

i) Finance income and expenses

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

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Financial expenses include: interest expense on borrowings; and foreign exchange and inflation adjustment on debt, financings and debentures. Interest expense on the Company's borrowings that is not capitalized is recognized in the Statement of income using the effective interest method.

j) Segment reporting

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

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

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

3. PRINCIPLES OF CONSOLIDATION

The reporting dates of the subsidiaries and jointly-controlled entities used for the purposes of calculation of consolidation and equity in earnings of unconsolidated investees coincide with those of the Company. Accounting practices are applied uniformly and are the same as those used by the parent company.

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

Subsidiary	2018	2017
	Direct stake, %	Direct stake, %
Cemig Baguari Energia S.A.	100.00	100.00
Cemig Geração Três Marias S.A.	100.00	100.00
Cemig Geração Salto Grande S.A.	100.00	100.00
Cemig Geração Itutinga S.A.	100.00	100.00
Cemig Geração Camargos S.A.	100.00	100.00
Cemig Geração Sul S.A.	100.00	100.00
Cemig Geração Leste S.A.	100.00	100.00
Cemig Geração Oeste S.A.	100.00	100.00
Sá Carvalho S.A. (1)	100.00	-
Horizontes Energia S.A. (1)	100.00	-
Rosal Energia S.A. (1)	100.00	-
Cemig PCH S.A. (1)	100.00	-
Empresa de Serviços de Comercialização de Energia Elétrica S.A. 1 (1)	100.00	-
Usina Termelétrica do Barreiro S.A. (1)	100.00	-
Cemig Comercializadora de Energia Incentivada S.A. (1)	100.00	-
Cemig Trading S.A. (1)	100.00	-
Central Eólica Praias de Parajuru S.A. (2)	100.00	49.00
Central Eólica Volta do Rio S.A. (2)	100.00	49.00

(1) On November 30, 2018, Cemig, the Company's parent company, completed the transaction of stockholding restructuring which transferred to Cemig GT all ownership in Cemig's wholly-owned subsidiaries *Rosal Energia, Sá Carvalho, Horizontes Energia, Cemig PCH, UTE Barreiro, Empresa de Comercialização de Energia Elétrica, Cemig Comercializadora de Energia Incentivada* e *Cemig Trading*. More details in Note 14.

(2) Acquisitions arising from the elimination of crossover holdings between the Company and Energimp. (More details in Note 14.)

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4. CONCESSIONS AND AUTHORIZATIONS

Cemig GT, including and through its consortium interests and subsidiaries, holds the following concessions or authorizations, from Aneel:

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

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

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

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

(4) These refer to transmission concession contracts, which until the 2017 business year were within the scope of IPC 01 / IFRIC 12, within the financial assets model. However, with CPC 47 coming into effect on January 1, 2018, and the analysis of the performance obligations in the provision of energy transmission service, these assets were from then on defined as contractual assets.

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Generation concessions

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

Transmission concessions

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

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

For transmission concessions, the portion of the assets that will not be amortized during the concession is recorded as contractual assets, due to the performance obligation, during the period of the concession, to build, operate, and maintain the transmission lines and keep them available.

Onerous concessions

In obtaining the concessions to build certain generation projects, the Company and its subsidiaries have undertaken to make payments to Aneel, over the period of the contract; or for up to 5 years from the date of signature of the concession contract, for plants with installed capacity between 1 and 50 MW, as consideration for the right to commercial operation. The information on the concessions and the amounts to be paid is as follows:

Project	Stake, %	Nominal value in 2018	Present value in 2018	Period of the concession	Updating indexor
Irapé	100.00	32,964	14,707	Mar. 2006 to Feb. 2035	IGP-M
Queimado (Consortium)	82.50	8,229	4,027	Jan. 2004 to Dec. 2032	IGP-M
Salto Morais Small Hydro Plant	100.00	-	-	Jun. 2013 to Jul. 2020	IPCA
Rio de Pedras Small Hydro Plant	100.00	-	-	Jun. 2013 to Sep. 2024	IPCA
Various Small Hydro Plants (*)	100.00	-	-	Jun. 2013 to Aug. 2025	IPCA

(*) – with installed capacity less than 50 MW: *Luiz Dias, Poço Fundo, São Bernardo* and *Xicão*.

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

The portions paid to the grantor in 2018, the nominal value and the present value of the portions to be paid in the forthcoming period of 12 months, are as follows:

Project	Amounts paid in 2018	Nominal value of amounts to be paid in 12 months	Present value of amounts to be paid in 12 months
Irapé	1,762	2,019	1,902
Queimado (Consortium)	501	588	554
Salto Morais Small Hydro Plant	12	-	-
Rio de Pedras Small Hydro Plant	35	-	-
Various Small Hydro Plants (*)	171	-	-

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

The rate of 12.50% used by the Company and its subsidiaries to discount its liabilities to present value is the average cost of funding in usual conditions on the date of the registration of each concession.

5. OPERATING SEGMENTS

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

The Company operates in the segments of generation and transmission; its subsidiaries operate only in the generation segment, and trading.

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These tables show the information for 2018 and 2017 by segment, consolidated:

DESCRIPTION	December 31, 2018			
	Generation	Transmission	Trading	Total
ASSETS	**14,191,814**	**2,699,359**	**60,907**	**16,952,080**
Investments in affiliates and jointly-controlled entities	**4,205,308**	**-**	**-**	**4,205,308**
Additions to the segment	**542,243**	**-**	**-**	**542,243**
Additions to contractual assets	**-**	**95,712**	**-**	**95,712**
	-		-	
NET REVENUE	**6,188,724**	**675,656**	**9,857**	**6,874,237**
	-	-	-	-
COST OF ENERGY	-	-	-	-
Purchased via national grid	(3,853,066)	-	-	(3,853,066)
Energy bought for resale	(213,698)	-	-	(213,698)
	(4,066,764)	**-**	**-**	**(4,066,764)**
OPERATING COSTS AND EXPENSES			-	-
Personnel	(223,908)	(108,125)	(86)	(332,119)
Employee profit shares	(10,166)	(6,651)	-	(16,817)
Post-retirement liabilities	(45,619)	(26,716)	-	(72,335)
Materials	(38,043)	(5,059)	-	(43,102)
Outsourced services	(107,753)	(40,338)	(17)	(148,108)
Depreciation and amortization	(148,756)	-	-	(148,756)
Provisions	(105,916)	(11,526)	-	(117,442)
Transmission infrastructure Construction cost	-	(95,712)	-	(95,712)
Other operating costs and expenses, net	(63,755)	(16,906)	(4)	(80,665)
	(743,916)	**(311,033)**	**(107)**	**(1,055,056)**
TOTAL COSTS AND EXPENSES	**(4,810,680)**	**(311,033)**	**(107)**	**(5,121,820)**
	-	-	-	
Share of profit (loss) of associates and joint ventures, net	(352,389)	-	-	(352,389)
Result of business combinations	79,693	-	-	79,693
Adjustment for impairment of investments	(127,427)	-		(127,427)
Operating income before Finance income (expenses)	**977,921**	**364,623**	**9,750**	**1,352,294**
Finance income	1,102,622	60,959	207	1,163,788
Finance expenses	(1,535,727)	(4,507)	-	(1,540,234)
Income before income tax and Social Contribution tax	**544,816**	**421,075**	**9,957**	**975,848**
Income tax and Social Contribution tax	(261,780)	(122,073)	(1,212)	(385,065)
NET INCOME FOR THE YEAR	**283,036**	**299,002**	**8,745**	**590,783**

(1) A new operational segment – presented due to the acquisition of subsidiaries in the process of stockholding restructuring of the Cemig group, as referred to in Note 14.

This table shows the breakdown of the revenue of the Company and its subsidiaries, by activity, in 2008:

	Generation	Transmission	Trading	Total
Total revenue from supply of energy – with taxes	6,858,482	-	-	6,858,482
Transmission revenue – with taxes	-	589,055	-	589,055
Revenue from updating of the Concession Grant Fee	321,425	-	-	321,425
Construction revenue	-	95,712	-	95,712
Transactions in energy on the CCEE	185,469	-	-	185,469
Transmission indemnity revenue	-	250,375	-	250,375
Generation assets – reimbursement revenue	55,332	-	-	55,332
Other operating revenues	89,554	28,275	10,548	128,377
Sector / regulatory charges – Deductions from revenue	(1,321,538)	(287,761)	(691)	(1,609,990)
Net operating revenue	**6,188,724**	**675,656**	**9,857**	**6,874,237**

More details of operational revenue are in Note 24

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DESCRIPTION	December 31, 2017		
	Generation	Transmission	Total
ASSETS	**13,877,753**	**2,832,875**	**16,710,628**
INVESTMENTS IN AFFILIATES AND JOINTLY-CONTROLLED ENTITIES	**4,723,336**	**-**	**4,723,336**
ADDITIONS TO THE SEGMENT	**288,680**	**-**	**288,680**
ADDITIONS TO FINANCIAL ASSETS	**-**	**24,827**	**24,827**
NET REVENUE	**7,009,781**	**776,960**	**7,786,741**
COST OF ENERGY			
Energy bought for resale	(4,169,830)	-	(4,169,830)
Charges for use of the national grid	(350,191)	-	(350,191)
	(4,520,021)	**-**	**(4,520,021)**
OPERATING COSTS AND EXPENSES			-
Personnel	(276,863)	(106,285)	(383,148)
Employee profit shares	(925)	(59)	(984)
Post-retirement obligations (recovery of expense)	39,235	19,316	58,551
Materials	(20,641)	(3,595)	(24,236)
Outsourced services	(111,292)	(31,471)	(142,763)
Depreciation and amortization	(158,226)	-	(158,226)
Provisions	(139,528)	(10,076)	(149,604)
Transmission infrastructure Construction cost	-	(24,827)	(24,827)
Other operating costs and expenses, net	(115,661)	(10,712)	(126,373)
	(783,901)	**(167,709)**	**(951,610)**
TOTAL COSTS AND EXPENSES	**(5,303,922)**	**(167,709)**	**(5,471,631)**
Share of profit (loss) of associates and joint ventures, net	(519,024)	-	(519,024)
Operating income before Finance income (expenses)	**1,186,835**	**609,251**	**1,796,086**
Finance income	207,567	8,968	216,535
Finance expenses	(1,160,678)	(3,443)	(1,164,121)
Income before income tax and Social Contribution tax	**233,724**	**614,776**	**848,500**
Income tax and Social Contribution tax	(231,210)	(188,831)	(420,041)
NET INCOME FOR THE YEAR	**2,514**	**425,945**	**428,459**

Breakdown of 2017 revenue of the Company and its subsidiaries, by activity:

	Generation	Transmission	Total
Total revenue from supply of energy – with taxes	7,135,743	-	7,135,743
Transmission revenue – with taxes	-	519,184	519,184
Revenue from updating of the Concession Grant Fee	316,881	-	316,881
Construction revenue	-	24,827	24,827
Transactions in energy on the CCEE	651,132	-	651,132
Transmission indemnity revenue	-	373,217	373,217
Generation assets – reimbursement revenue	271,607	-	271,607
Other operational revenues	19,100	26,837	45,937
Sector / regulatory charges – Deductions from revenue	(1,384,682)	(167,105)	(1,551,787)
Net operating revenue	**7,009,781**	**776,960**	**7,786,741**

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6. CASH AND CASH EQUIVALENTS

	Consolidated		Holding Company	
	2018	2017	2018	2017
Bank accounts	4,135	4,700	3,583	2,077
Cash investments:				
Bank certificates of deposit (CDBs) (1)	246,691	282,675	219,204	274,542
Overnight (2)	50,870	111,657	4,043	85,243
Other expenses	-	4,307	-	4,307
	297,561	**398,639**	**223,247**	**364,092**
	301,696	**403,339**	**226,830**	**366,169**

(1) *Bank Certificates of Deposit* (*Certificados de Depósito Bancário* or CDBs) accrue interest at between 75% and 106% of the CDI Rate (Interbank Rate for Interbank Certificates of Deposit (*CDIs*) published by the Custody and Settlement Chamber (*Câmara de Custódia e Liquidação*, or Cetip) (85% to 106% in 2017).

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

Note 28 gives the exposure of the Company and its subsidiaries to interest rate risks, and a sensitivity analysis of their effects on financial assets and liabilities.

7. MARKETABLE SECURITIES

	Consolidated		Holding company	
	2018	2017	2018	2017
Bank certificates of deposit (CDBs)	-	1,214	-	927
Financial Notes (LFs) – Banks (1)	118,374	149,459	9,409	114,102
Treasury Financial Notes (LFTs) (2)	56,572	364,561	4,496	278,319
Debentures (3)	8,338	20,334	663	15,524
Other expenses	62	54	63	53
	183,346	**535,622**	**14,631**	**408,925**
Current assets	**161,848**	**520,963**	**12,922**	**397,734**
Non-current assets	**21,498**	**14,659**	**1,709**	**11,191**

(1) *Bank Financial Notes* (*Letras Financeiras*, or LFs) are fixed-rate fixed-income securities, issued by banks and remunerated at a percentage of the CDI rate published by Cetip. In 2018 the LFs in Cemig GT's portfolio were remunerated at rates varying from 102% to 111.25% of the CDI (102.10% to 112% in 2017).

(2) *Treasury Financial Notes* (LFTs) are floating-rate securities accruing interest at a percentage which follows the daily variation of the Selic rate between the date of purchase and the date of maturity.

(3) *Debentures* are medium and long term debt securities, which give their holders a right of credit against the issuing company. In 2018 the debentures had remuneration ranging from 104.25% to 151% of the CDI rate (104.25% to 161.54% of the CDI rate in 2017).

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

8. CUSTOMERS, TRADERS AND POWER TRANSPOORT CONCESSION HOLDERS

	Balances not yet due		Up to 90 days	91 to 360 days past due	Past due more than 360 days	Consolidated	
	Billed supply	Unbilled supply				2018	2017
Industrial	6,739	242,735	28,903	22,885	39,750	341,012	331,437
Commercial, services and others	11,243	55,687	735	-	10	67,675	38,589
Farmers	-	-	45	-	-	45	-
Wholesale supply to other concession holders	-	294,592	36,324	2,250	1,763	334,929	308,589
Concession holders – transmission service	3,293	62,369	638	294	4,570	71,164	89,153
CCEE (Wholesale Trading Exchange)	305	787	157,707	-	6,921	165,720	193,495
Allowance for doubtful receivables	-	-	-	-	(24,486)	(24,486)	(21,623)
	21,580	**656,170**	**224,352**	**25,429**	**28,528**	**956,059**	**939,640**
Current assets						**951,039**	**939,640**
Customers and Traders						**879,875**	**850,487**
Concession holders – transmission service						**71,164**	**89,153**
Non-current assets						**5,020**	**-**
Customers and Traders						**5,020**	**-**

(1) The transactions involving related parties are given in Note 27.

	Balances not yet due		Up to 90 days	91 to 360 days past due	More than 360 days past due	Holding Company	
	Billed supply	Unbilled supply				2018	2017
Industrial	6,739	218,313	1,181	7,142	18,246	251,621	286,360
Commercial, services and others	11,243	55,687	735	-	10	67,675	38,589
Farmers	-	-	45	-	-	45	-
Wholesale supply to other concession holders	-	247,796	33,780	1,596	1,763	284,935	273,526
Concession holders – transmission service	3,365	62,369	638	294	4,570	71,236	89,249
CCEE (Wholesale Trading Exchange)	304	-	155,917	-	-	156,221	186,335
Allowance for doubtful receivables	-	-	-	-	**(24,486)**	(24,486)	(21,623)
	21,651	**584,165**	**192,296**	**9,032**	**103**	**807,247**	**852,436**
Current assets						**802,227**	**852,436**
Customers and Traders						**730,991**	**763,187**
Concession holders - transmission service						**71,236**	**89,249**
Non-current assets						**5,020**	**-**
Customers and Traders						**5,020**	**-**

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

The allowance for doubtful receivables is considered sufficient to cover any losses on realization of these accounts receivable. The changes in its total have been as follows:

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	Consolidated	Holding Company
Balance at Dec. 31, 2016	**4,109**	**4,109**
Provision made, net	17,514	17,514
Balance at Dec. 31, 2017	**21,623**	**21,623**
Balance arising from stockholding reorganization	17,570	-
Written off	(10,079)	-
Net provision made (Note 28c)	(4,628)	2,863
Balance at Dec. 31, 2018	**24,486**	**24,486**

Advances from customers

The Company receives advance payments for sale of power supply from certain customers. Advance payments related to supply not yet provided are as follows:

Consolidated and Holding Company	
Balance at Dec. 31, 2016	**181,200**
Addition	282,602
Written down	(317,557)
Inflation adjustment	44,513
Balance at Dec. 31, 2017	**190,758**
Written down	(158,893)
Inflation adjustment	8,402
Balance at Dec. 31, 2018	**40,267**

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

2018				Balance 2018	Balance 2017
Counterparty	Specified period for billing	Index for updating of the pre-paid amounts	Quantity of MWh deliverable		
BTG Pactual	-	1.20 to 1.57% p.m.	-	-	42,920
Deal Comercializadora	-	1.2% p.m.	-	-	772
White Martins Gases Industriais Ltda	January to March 2019	124% of CDI rate	71,574	40,267	147,066
				40,267	**190,758**

Revenue from advanced sales of energy supply is recognized in the Statement of income only when the Company's performace obligation is satisfies when the energy supply actually take place.

9. RECOVERABLE TAXES

	Consolidated		Holding Company	
	2018	2017	2018	2017
Current				
ICMS tax recoverable	24,300	6,644	18,385	5,868
Cofins tax	5,316	2,400	4,161	2,400
Pasep tax	1,018	488	773	488
Social security contributions	14,662	13,690	14,662	13,690
Other expenses	3,209	7,618	3,185	7,618
	48,505	**30,840**	**41,166**	**30,064**
Non-current				
ICMS tax recoverable	17,068	7,731	17,068	7,731
Cofins tax	-	451	-	451
Pasep tax	-	90	-	90
Other expenses	757	-	-	-
	17,825	**8,272**	**17,068**	**8,272**
	66,330	**39,112**	**58,234**	**38,336**

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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 estimates by management of the amounts which will likely be realized up to December 2019.

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

10. INCOME TAX AND SOCIAL CONTRIBUTION TAX

a) Income tax and Social Contribution tax recoverable

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

	Consolidated		Holding Company	
	2018	2017	2018	2017
Current				
Income tax	90,679	85,093	88,599	85,093
Social Contribution tax	68,481	53,342	68,139	53,342
	159,160	**138,435**	**156,738**	**138,435**
Non-current				
Income tax	2,499	-	-	-
Social Contribution tax	616	-	-	-
	3,115	**-**	**-**	**-**

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

b) Income tax and Social Contribution Tax

The balances of income tax and Social Contribution tax recorded in Current liabilities refer mainly to the taxes owed by the subsidiaries that report by the Real Profit method and have opted for monthly payment based on estimated revenue, and by the subsidiaries that have opted for the Presumed Profit method, in which payments are made quarterly.

	Consolidated		Holding Company	
	2018	2017	2018	2017
Current				
Income tax	83,207	73,449	-	-
Social Contribution tax	28,850	26,383	-	-
	112,057	**99,832**	**-**	**-**

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c) Deferred income tax and Social Contribution tax

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

	Consolidated		Holding Company	
	2018	2017	2018	2017
ASSETS				
Post-retirement benefits	316,092	252,231	316,092	252,231
Estimated losses on doubtful receivables	8,326	7,352	8,326	7,352
Provisions for contingencies	33,532	32,740	33,250	32,740
Provision for SAAG put option	142,510	105,942	142,510	105,942
Provisions for losses on investments	273,558	244,774	273,558	244,774
Other provisions	23,130	15,588	23,130	15,588
Onerous concessions	7,683	8,227	7,683	8,227
Derivative financial instruments (Swap)	-	11,037	-	11,037
Other expenses	6,534	2,235	6,262	2,235
	811,365	**680,126**	**810,811**	**680,126**
LIABILITIES				
Deemed cost	(239,092)	(236,262)	(218,534)	(236,262)
Adjustment of expectation of cash flow from concession assets	(552,327)	(675,533)	(552,327)	(675,533)
Fair value of equity holdings	(155,457)	(136,967)	(155,457)	(136,967)
Updating on escrow deposits	(29,708)	(28,007)	(28,752)	(28,007)
Derivative financial instruments (Swap)	(276,534)	-	(276,534)	-
Others	(19,978)	(19,803)	(15,278)	(19,662)
	(1,273,096)	**(1,096,572)**	**(1,246,882)**	**(1,096,431)**
Total net liabilities presented in Statement of financial position	**(461,731)**	**(416,446)**	**(436,071)**	**(416,305)**

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

	Consolidated	Holding Company
Balance at Dec. 31, 2016	**(286,174)**	**(285,529)**
Re-measurement of defined-benefit plan obligations	35,927	35,927
Effects allocated to Statement of income	(166,199)	(166,703)
Balance at Dec. 31, 2017	**(416,446)**	**(416,305)**
Effects allocated to Statement of income	(72,062)	(72,097)
Re-measurement of defined-benefit plan obligations (Note 21)	52,331	52,331
Balance of deferred taxes arising from business combination (Note 14)	(3,300)	-
Balance of deferred taxes arising from stockholding reorganization (Note 14)	(22,254)	-
Balance at Dec. 31, 2018	**(461,731)**	**(436,071)**

On March 28, 2019, the Board of Directors meeting approved the Company's estimated future taxable profits forecast. This forecast was also submitted for examination by the Fiscal Council on March 28, 2019.

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According to the Company's estimates, future taxable profits enable the deferred tax asset existing on December 31, 2018 to be realized as follows:

2019	134,609
2020	128,646
2021	128,646
2022	128,646
2023	128,646
2024	32,435
2025	32,435
2026	32,435
2027	32,435
2028	32,432
	811,365

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

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

	Consolidated		Holding Company	
	2018	**2017**	**2018**	**2017**
Pretax profit	**975,848**	**848,500**	**843,158**	**717,236**
Income tax and Social Contribution tax – expected nominal expense (34%)	(331,788)	(288,489)	(286,674)	(243,860)
Tax effects applicable to:				
Interest on Equity	17,000		17,000	
Tax incentives	7,070	8,086	5,826	5,284
Share of profit (loss) of associates and joint ventures, net	(125,748)	(190,089)	12,897	(56,215)
Gain on dilution of an equity interest	-	7,686	-	7,686
Non-deductible penalties	(641)	(408)	(641)	(403)
Non-deductible contributions and donations	(1,797)	(1,882)	(1,447)	(1,108)
Difference between Presumed profit and Real profit methods	49,995	45,063	-	-
Provision for loss on investment	(4,238)	-	(4,238)	-
Others	5,082	(8)	4,902	(161)
Income tax and Social Contribution tax – effective expense	**(385,065)**	**(420,041)**	**(252,375)**	**(288,777)**
Current tax	(313,003)	(253,842)	(180,278)	(122,074)
Deferred tax	(72,062)	(166,199)	(72,097)	(166,703)
	(385,065)	**(420,041)**	**(252,375)**	**(288,777)**
Effective rate	**39.46%**	**49.50%**	**29.93%**	**40.26%**

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11. ESCROW DEPOSITS

	Consolidated		Holding Company	
	2018	2017	2018	2017
Employment-law cases	30,183	29,676	29,649	29,676
Tax issues				
Income tax on Interest on Equity	16,791	14,908	15,475	14,908
Pasep and Cofins tax	201,211	183,606	189,922	183,606
Income tax and Social Security contribution on indemnity for employees' 'Anuênio' benefit (1)	64,786	63,027	64,786	63,027
Urban property tax (IPTU)	10,364	6,497	10,364	6,497
Social Contribution tax (2)	18,062	-	18,062	-
Others	1,496	4,186	1,496	4,186
	312,710	**272,224**	**300,105**	**272,224**
Other expenses				
Court embargo	763	521	731	521
Regulatory	3,537	3,308	3,537	3,308
Other expenses	27,181	4,265	4,757	4,265
	31,481	**8,094**	**9,025**	**8,094**
	374,374	**309,994**	**338,779**	**309,994**

(1) See more details in Note 22 – Provisions (Indemnity of employees' future benefit – the 'Anuênio').
(2) Escrow deposit in the legal action challenging an infringement claim relating to application of Social Contribution tax to amounts of cultural and artistic donations and sponsorship, expenses on punitive fines, and taxes with liability suspended.

(a) Inclusion of ICMS tax in the taxable base for Pasep /Cofins

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, the Company opted to pay the taxes monthly.

In October 2017, the Federal Supreme Court (STF) published its Joint Judgment on the Extraordinary Appeal, which has the status of a global precedent, in favor of the Company's argument. Based on the opinion of its legal advisers, Cemig GT reversed the provision in the amount of R$101,233, with effect on the net profit for 2017, posting it as a reversal of Deductions from revenue, in the fourth quarter of that year, with an amount of R$201,211 remaining deposited in escrow (R$183,606 at December 31, 2017).

12. CONCESSION FINANCIAL ASSETS

The balances of these financial assets are as follows:

	Consolidated		Holding Company	
	2018	2017	2018	2017
Transmission – Residual value receivable (1)	1,296,314	1,928,038	1,296,314	1,928,038
Transmission – Assets remunerated by tariff (1)	-	547,800	-	547,800
Generation – Indemnity receivable	816,202	1,900,757	816,202	1,900,757
Generation – Concession Grant Fee	2,408,930	2,337,135	-	-
	4,521,446	**6,713,730**	**2,112,516**	**4,376,595**
Current	**423,511**	**689,353**	**180,995**	**456,101**
Non-current	**4,097,935**	**6,024,377**	**1,931,521**	**3,920,494**

(1) Part of the assets linked to transmission infrastructure began to be recognized, as from 2018, as contractual assets, as required by IFRS 15 / CPC 47. For more details see Note 13 – *Contractual assets*.

The changes in financial assets are as follows:

	Consolidated			Holding Company		
	Generation	Transmission	Total	Generation	Transmission	Total
Balance at Dec. 31, 2016	**2,800,389**	**2,287,511**	**5,087,900**	**546,624**	**2,287,511**	**2,834,135**
Addition	-	24,827	24,827	-	24,827	24,827
Inflation adjustment	316,881	223,962	540,843	-	223,962	223,962
Adjustment to expectation of cash flow	-	54,358	54,358	-	54,358	54,358
Amounts received	(233,511)	(264,164)	(497,675)	-	(264,164)	(264,164)
Written down	-	(1,741)	(1,741)	-	(1,741)	(1,741)
Transfers between PP&E, Financial assets and Intangible Assets	-	1,830	1,830	-	1,830	1,830
Transfer PP&E of the plants with concessions not renewed (*Volta Grande, Miranda* and *São Simão*)	1,082,526	-	1,082,526	1,082,526	-	1,082,526
Adjustment to BRR – transmission assets	-	149,255	149,255	-	149,255	149,255
Adjustment to reimbursements for plants not renewed (Ministerial Order 291) - including financial updating	271,607	-	271,607	271,607	-	271,607
Balance at Dec. 31, 2017	**4,237,892**	**2,475,838**	**6,713,730**	**1,900,757**	**2,475,838**	**4,376,595**
Effects of initial adoption of CPC 47 / IFRS 15 (1)	-	(1,092,271)	(1,092,271)	-	(1,092,271)	(1,092,271)
Monetary updating	376,757	161,954	538,711	55,332	161,954	217,286
Amounts received	(1,388,985)	(249,207)	(1,638,192)	(1,139,355)	(249,207)	(1,388,562)
Transfers – PP&E	(532)	-	(532)	(532)	-	(532)
Balance at Dec. 31, 2018	**3,225,132**	**1,296,314**	**4,521,446**	**816,202**	**1,296,314**	**2,112,516**

(1) For more details see Note 13.

Transmission – Indemnifiable receivable

The Company's transmission concession contracts are within the scope of ICPC 01 (IFRIC 12), which deals with accounting of concession contracts. They refer to the investment made in infrastructure that will be the subject of reimbursement by the grantor during and at the end of the concession contract, as specified in the regulatory framework of the sector and in 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. That 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').

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On August 16, 2016, the regulator, through its Dispatch 2181, 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 the reimbursement receivable, updated to December 31, 2018, of R$1,296,314 (R$1,928,038 on December, 31, 2017) is classified as a financial asset, measured at amortized cost, in accordance with IFRS 9 / CPC 48, as follows:

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

An amount of R$936,945 (R$992,802 on December 31, 2017) corresponding to remuneration and depreciation not paid since the extension of the concessions, until the tariff adjustment of 2017, which will be inflation adjusted using the IPCA (Expanded National Customer Price) index and remunerated at the weighted average cost of capital of the transmission segment as defined by the regulator for the periodic tariff review, to be paid over a period of eight years through the RAP, since July of 2017.

Residual Value of transmission assets – injunction awarded to industrial customers

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

The preliminary relief granted was partial, with effects related to suspension of the inclusion in the customer tariffs paid by these associations of the portion of the indemnity corresponding to the remuneration of cost of capital included since the date of extension of the concessions – amounting to R$359,369 at December 31, 2018 (R$316,138 at December 31, 2017) inflation-adjusted by the IPCA index.

In compliance with the court decision, the regulator, in its Technical Note 183/201-SGT/ANEEL of June 22, 2017, presented a new calculation, excluding the amounts that refer to the cost of own capital. Cemig believes that this is a provisional decision, and that its right to receive the amount referring to the assets of RBSE is guaranteed by law, so that no adjustment to the amount recorded at Monday, December 31, 2018 is necessary.

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

The regulator (Aneel), accepted the Company's claim for inclusion of certain conducting 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 to include the value of these cables in the Remuneration Assets Base (*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, in the period to June 2018.

Generation – Indemnity receivable

As from August 2013, concessions for various plants operated under Concession Contract 007/1997 began to expire. Following each expiration, the Company has a right to receive an amount corresponding to the residual value of the infrastructure assets. The accounting balances corresponding to these assets, including the deemed cost, are recognized in Financial assets, at fair value through profit or loss, and totaled R$816, 202 on December 31, 2018 (R$816,411 on December 31, 2017).

Generating plant	Concession expiration date	Installed capacity (MW)	Net balance of assets based on historic cost	Net balance of assets based on deemed cost
Lot D				
Três Marias Hydroelectric Plant	July 2015	396	71,694	413,450
Salto Grande Hydroelectric Plant	July 2015	102	10,835	39,379
Itutinga Hydroelectric Plant	July 2015	52	3,671	6,589
Camargos Hydroelectric Plant	July 2015	46	7,818	23,095
Piau Small Hydroelectric Plant	July 2015	18.01	1,531	9,005
Gafanhoto Small Hydroelectric Plant	July 2015	14	1,232	10,262
Peti Small Hydroelectric Plant	July 2015	9.4	1,346	7,871
Dona Rita Small Hydroelectric Plant	Sep. 2013	2.41	534	534
Tronqueiras Small Hydroelectric Plant	July 2015	8.5	1,908	12,323
Joasal Small Hydroelectric Plant	July 2015	8.4	1,379	7,622
Martins Small Hydroelectric Plant	July 2015	7.7	2,132	4,041
Cajuru Small Hydroelectric Plant	July 2015	7.2	3,576	4,252
Paciência Small Hydroelectric Plant	July 2015	4.08	728	3,936
Marmelos Small Hydroelectric Plant	July 2015	4	616	4,265
Others				
Volta Grande Hydroelectric Plant	Feb. 2017	380	25,621	70,118
Miranda Hydroelectric Plant	Dec. 2016	408	26,710	22,546
Jaguara Hydroelectric Plant	Aug. 2013	424	40,452	174,203
São Simão Hydroelectric Plant	Jan. 2015	1,710	1,762	2,711
		3,601.70	**203,545**	**816,202**

As specified by the regulator (Aneel), the valuation reports that support the amounts to be received by the Company in relation to the residual value of (a) the plants previously operated by Company that were included in Lot D, and (b) the Volta Grande plant have been submitted to the regulator. The Company does not expect any losses in the realization of these amounts.

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On December 31, 2018, investments made after the *Jaguara, São Simão* and *Miranda* plants came into operation, in the amounts of R$174,203, R$2,711 and R$22,546, respectively, are recorded as concession financial assets, and the determination of the final amounts to be paid to the Company is in a process of discussion with the regulator. The Company's 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 of funds representing the expense on execution of the basic plans of the *São Simão* and *Miranda* hydroelectric plants – this was a total of R$1,139,355, as specified in Mining and Energy Ministry Order 291/17. The amounts of these reimbursements were subjected to monetary updating by the variation resulting from the Selic interest rate, up to the date of receipt.

Plant	Miranda	São Simão	Total
Residual value of assets of the Basic Plan based on deemed cost on Dec. 31, 2017	**609,995**	**202,744**	**812,739**
Adjustment under Mining and Energy Ministry (MME) Order 291/17	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 Plans at Dec. 31, 2017	**809,525**	**274,821**	**1,084,346**
Updating (1)	42,118	12,891	55,009
Amounts received	**(851,643)**	**(287,712)**	**(1,139,355)**
Residual value of Basic Plan assets at Dec. 31, 2017	-	-	-

(1) Updating, net of transfers of R$323.

Concession grant fee – Generation concessions

The concession grant fee paid by Cemig GT for a 30-year concession contract related to 18 hydroelectric plants for an amount of R$2,216,353. The amount of the concession fee was recognized as a financial asset measured at amortized cost, as the Company has unconditional right to receive the amount paid, updated by the IPCA index and remuneratory interest (the total of which is equivalent to the internal rate of return on the project) 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).

The changes in concession financial assets are as follows:

SPE	Plants	Balance at Dec. 31, 2017	Monetary updating	Amounts received	Balance at Dec. 31, 2018
Cemig Geração Três Marias S.A.	*Três Marias*	1,330,134	173,892	(134,126)	1,369,900
Cemig Geração Salto Grande S.A.	*Salto Grande*	417,393	54,816	(42,299)	429,910
Cemig Geração Itutinga S.A.	*Itutinga*	155,594	22,990	(17,983)	160,601
Cemig Geração Camargos S.A.	*Camargos*	116,710	17,129	(13,387)	120,452
Cemig Geração Sul S.A.	*Coronel Domiciano, Joasal, Marmelos, Paciência* and *Piau*	152,170	23,884	(18,837)	157,217
Cemig Geração Leste S.A.	*Dona Rita, Ervália, Neblina, Peti, Sinceridade* and *Tronqueiras*	103,133	17,867	(14,303)	106,697
Cemig Geração Oeste S.A.	*Cajurú, Gafanhoto* and *Martins*	62,001	10,847	(8,695)	64,153
Total		**2,337,135**	**321,425**	**(249,630)**	**2,408,930**

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SPE	Plants	Balance at Dec. 31, 2016	Monetary updating	Amounts received	Balance at Dec. 31, 2017
Cemig Geração Três Marias S.A.	*Três Marias*	1,283,197	172,402	(125,465)	1,330,134
Cemig Geração Salto Grande S.A.	*Salto Grande*	402,639	54,322	(39,568)	417,393
Cemig Geração Itutinga S.A.	*Itutinga*	149,904	22,512	(16,822)	155,594
Cemig Geração Camargos S.A.	*Camargos*	112,447	16,786	(12,523)	116,710
Cemig Geração Sul S.A.	*Coronel Domiciano, Joasal, Marmelos, Paciência* and *Piau*	146,553	23,237	(17,620)	152,170
Cemig Geração Leste S.A.	*Dona Rita, Ervália, Neblina, Peti, Sinceridade* and *Tronqueiras*	99,315	17,198	(13,380)	103,133
Cemig Geração Oeste S.A.	*Cajurú, Gafanhoto* and *Martins*	59,710	10,424	(8,133)	62,001
Total		**2,253,765**	**316,881**	**(233,511)**	**2,337,135**

13. CONCESSION CONTRACT ASSETS

Under CPC 15 / IFRS 47 – *Revenue from contracts with customers* – The assets linked to the infrastructure of the transmission concession were classified as contractual assets as from January 1, 2018, reflecting the performance obligation, during the period of the concession, to keep the transmission lines available, as follows:

Outstanding balance to be received through RAP

The outstanding balance of the reimbursement for transmission, due to acceptance of the terms of Law 12783/13, of R$492,405, at December 31, 2018 (R$544,471 at December 31, 2017, previously classified as financial assets) was incorporated into the Assets Remuneration Base and is being recovered via RAP.

Transmission – Assets remunerated by tariff

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

Under the *Proret*, the revenue established in the Resolutions is payable to the transmission concession holders as from the date of start of commercial operation of the facilities. In the periods between tariff reviews, the revenues associated with the improvements and upgrades of facilities are provisional. They are then finally determined in the review immediately subsequent to the start of commercial operation of the facilities; this review then has effect starting on the date when commercial operations begin. The balance receivable on December, 31, 2018 was R$636,905 (R$547,800 on December, 31, 2017, classified as financial assets).

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

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Thus, the counterpart for infrastructure implementation services carried out on the concession assets as from January 1, 2018, is now recorded as a contractual asset, since consideration for those services is conditional on the satisfaction of another performance obligation.

The balances of the concession contract assets are as follows:

	Consolidated		Holding Company	
	2018	2017	2018	2017
Transmission – Reimbursement assets incorporated into the Assets Remuneration Base	492,405	-	492,405	-
Transmission – Assets remunerated by tariff	636,905	-	636,905	-
	1,129,310	**-**	**1,129,310**	**-**
Current	**130,951**	**-**	**130,951**	**-**
Non-current	**998,359**	**-**	**998,359**	**-**

Changes in contractual assets:

Balance at Dec. 31, 2017	**-**
Effects of initial adoption of CPC 47 / IFRS 1	1,092,271
Additions	95,712
Inflation adjustment	88,421
Adjustment to expectation of contractual cash flow from the concession	12,934
Amounts received	(161,527)
Transfers to PP&E	1,499
Balance at Dec. 31, 2018	**1,129,310**

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14. INVESTMENTS

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

	Consolidated		Holding Company	
	2018	2017	2018	2017
Affiliated companies				
Madeira Energia (*Santo Antônio* Plant)	270,090	534,761	270,090	534,761
FIP Melbourne (*Santo Antônio* Plant)	470,022	582,504	470,022	582,504
Jointly-controlled entities				
Hidrelétrica Cachoeirão	49,213	57,957	49,213	57,957
Guanhães Energia	111,838	25,018	111,838	25,018
Hidrelétrica Pipoca	30,629	26,023	30,629	26,023
LightGer	42,191	40,832	42,191	40,832
Baguari Energia	162,224	148,422	162,224	148,422
Aliança Norte (*Belo Monte* plant)	663,755	576,704	663,755	576,704
Amazônia Energia (*Belo Monte* Plant)	1,012,636	866,554	1,012,636	866,554
Aliança Geração	1,216,860	1,242,170	1,216,860	1,242,170
Retiro Baixo	170,720	157,773	170,720	157,773
Renova	-	282,524	-	282,524
Usina Hidrelétrica Itaocara S.A.	5,130	3,699	5,130	3,699
Central Eólica Praias de Parajuru (1)	-	60,101	-	60,101
Central Eólica Volta do Rio (1)	-	67,725	-	67,725
Central Eólica Praias de Morgado (1)	-	50,569	-	50,569
Subsidiaries				
Cemig Baguari	-	-	36	23
Cemig Geração Três Marias S.A.	-	-	1,395,614	1,391,822
Cemig Geração Salto Grande S.A.	-	-	440,083	440,122
Cemig Geração Itutinga S.A.	-	-	178,544	171,279
Cemig Geração Camargos S.A.	-	-	131,570	130,426
Cemig Geração Sul S.A.	-	-	176,424	167,571
Cemig Geração Leste S.A.	-	-	120,686	115,885
Cemig Geração Oeste S.A.	-	-	69,898	69,398
Rosal Energia S.A. (2)	-	-	124,898	-
Sá Carvalho S.A. (1)	-	-	94,447	-
Horizontes Energia S.A. (2)	-	-	54,953	-
Cemig PCH S.A. (2)	-	-	92,987	-
Usina Termelétrica do Barreiro S.A. (2)	-	-	18,406	-
Empresa de Serviços de Comercialização de Energia Elétrica S.A. (2)	-	-	26,755	-
Cemig Comercializadora de Energia Incentivada S.A. (2)	-	-	2,841	-
Cemig Trading S.A. (1)	-	-	28,135	-
Central Eólica Praias de Parajuru S.A. (1)	-	-	145,880	-
Central Eólica Volta do Rio S.A. (1)	-	-	180,976	-
Total of investments	**4,205,308**	**4,723,336**	**7,488,441**	**7,209,862**

(1) Changes arising from elimination of crossover holdings between the Company and Energimp. Details of the transaction are in the topic *Elimination of crossover holdings of assets between Cemig GT and Energimp – Acquisition of control* in this note.

(2) On November 30, 2018, Cemig, the Company's parent company, completed the stockholding restructuring which transferred to Cemig GT all ownership in Cemig's wholly-owned subsidiaries *Rosal Energia, Sá Carvalho, Horizontes Energia, Cemig PCH, UTE Barreiro, Empresa de Comercialização de Energia Elétrica, Cemig Comercializadora de Energia Incentivada* and *Cemig Trading*.

The Company's investees that are not consolidated are jointly-controlled entities, with the exception of the interest in the *Santo Antônio* power plant.

a) Right to commercial operation of the regulated activity

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

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Changes in these assets are as follows:

	Consolidated and Holding Company 2016	Amortiz-ation	Written down	Consolidated and Holding Company 2017	Addition	Amortiz-ation	Written down	Consolidated and Holding Company 2018
Retiro Baixo	29,525	(1,181)	-	28,344	5,691	(2,069)	-	31,966
Central Eólica Praias de Parajuru (1)	19,341	(1,527)	(1,311)	16,503	51,198	(1,415)	-	66,286
Central Eólica Volta do Rio (1)	13,807	(1,010)	(1,762)	11,035	85,655	(871)	-	95,819
Central Eólica Praias de Morgado (1)	27,406	(2,055)	(1,395)	23,956	-	(1,943)	(22,013)	-
Madeira Energia (2) (*Santo Antônio* Plant)	157,340	(5,956)	-	151,384	-	(5,957)	(127,427)	18,000
Aliança Norte (*Belo Monte* plant)	56,518	(1,972)	-	54,546	-	(1,971)	-	52,575
	303,937	**(13,701)**	**(4,468)**	**285,768**	**142,544**	**(14,226)**	**(149,440)**	**264,646**

(1) Changes arising from elimination of crossover holdings between the Company and Energimp. The rights of authorization of commercial operation that are considered as Investments in the financial statements of the parent company are classified in the consolidated statement of financial position under Intangible, in accordance with Technical Interpretation ICPC 09. Details of the transaction are in the topic *Elimination of crossover holdings of assets between Cemig GT and Energimp – Acquisition of control* in this note.

(2) Due to the result of the analysis of, and realization of the test for, impairment, the Company recognized a provision for loss of part of the residual value of the goodwill on the investment in Madeira Energia (*Santo Antônio* Plant) to limit its balance to the minimum value of the excess of the future economic benefits arising from the use of the net fixed assets of this investee at December 31, 2018.

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

Consolidated	2017	Gain (loss) by equity method	Capital contributions	Acquisitions	Dividends	Written down	Others	2018
Hidrelétrica Cachoeirão	57,957	10,065	-	-	(18,809)		-	49,213
Guanhães Energia	25,018	26,968	59,852	-	-		-	111,838
Hidrelétrica Pipoca	26,023	6,886	-	-	(2,280)		-	30,629
Madeira Energia (*Santo Antônio* plant) (1)	534,761	(162,564)	25,320	-	-		(127,427)	270,090
FIP Melbourne (*Santo Antônio* Plant)	582,504	(138,634)	26,152	-	-		-	470,022
Baguari Energia	148,422	28,411	-	-	(14,609)		-	162,224
Central Eólica Praias de Parajuru (2)	60,101	(6,011)	-	95,228	-	(3,438)	(145,880)	-
Central Eólica Volta do Rio (2)	67,725	(15,835)	-	151,162	-	(22,076)	(180,976)	-
Central Eólica Praias de Morgado (2)	50,569	(15,455)	-	-	-	(11,822)	(23,292)	-
LightGer	40,832	3,138	-	-	(1,779)		-	42,191
Amazônia Energia (*Belo Monte* Plant)	866,554	76,925	69,157	-	-		-	1,012,636
Aliança Norte (*Belo Monte* plant)	576,704	44,483	42,568	-	-		-	663,755
Aliança Geração	1,242,170	65,354	-	-	(90,664)		-	1,216,860
Retiro Baixo	157,773	10,394	5,691	-	(3,138)		-	170,720
Renova	282,524	(282,524)	-	-	-		-	-
Usina Hidrelétrica Itaocara S.A.	3,699	(3,990)	5,421	-	-		-	5,130
Total of investments	**4,723,336**	**(352,389)**	**234,161**	**246,390**	**(131,279)**	**(37,336)**	**(477,575)**	**4,205,308**

(1) Due to the result of the analysis of, and realization of the test for, impairment, the Company recognized a provision for loss of part of the residual value of the goodwill on the investment in Madeira Energia (Santo Antônio Plant) to limit its balance to the minimum value of the excess of the future economic benefits arising from the use of the net fixed assets of this investee at December 31, 2018.

(2) Changes arising from elimination of crossover holdings between the Company and Energimp. Details of the transaction are in the topic *Elimination of crossover holdings of assets between Cemig GT and Energimp – Acquisition of control* in this note.

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Holding company	2017	Gain (loss) by equity method	Capital contributions	Acquisitions	Written down	Dividends	Others	2018
Hidrelétrica Cachoeirão	57,957	10,065	-	-	-	(18,809)	-	49,213
Guanhães Energia	25,018	26,968	59,852	-	-	-	-	111,838
Hidrelétrica Pipoca	26,023	6,886	-	-	-	(2,280)	-	30,629
Madeira Energia (*Santo Antônio* plant)(1)	534,761	(162,564)	25,320	-	-	-	(127,427)	270,090
FIP Melbourne (*Santo Antônio* Plant)	582,504	(138,634)	26,152	-	-	-	-	470,022
Baguari Energia	148,422	28,411	-	-	-	(14,609)	-	162,224
Central Eólica Praias de Parajuru (2)	60,101	(6,011)	-	95,228	(3,438)	-	-	145,880
Central Eólica Volta do Rio (2)	67,725	(15,835)	-	151,162	(22,076)	-	-	180,976
Central Eólica Praias de Morgado (2)	50,569	(15,455)	-	-	(11,822)	-	(23,292)	-
LightGer	40,832	3,138	-	-	-	(1,779)	-	42,191
Amazônia Energia (*Belo Monte* Plant)	866,554	76,925	69,157	-	-	-	-	1,012,636
Aliança Norte (*Belo Monte* plant)	576,704	44,483	42,568	-	-	-	-	663,755
Aliança Geração	1,242,170	65,354	-	-	-	(90,664)	-	1,216,860
Retiro Baixo	157,773	10,394	5,691	-	-	(3,138)	-	170,720
Renova	282,524	(282,524)	-	-	-	-	-	-
Usina Hidrelétrica Itaocara S.A.	3,699	(3,990)	5,421	-	-	-	-	5,130
Cemig Baguari	23	(27)	40	-	-	-	-	36
Cemig Geração Três Marias S.A.	1,391,822	173,993	-	-	-	(170,201)	-	1,395,614
Cemig Geração Salto Grande S.A.	440,122	61,166	-	-	-	(61,205)	-	440,083
Cemig Geração Itutinga S.A.	171,279	36,464	-	-	-	(29,198)	-	178,545
Cemig Geração Camargos S.A.	130,426	30,830	-	-	-	(29,686)	-	131,570
Cemig Geração Sul S.A.	167,571	37,399	-	-	-	(28,546)	-	176,424
Cemig Geração Leste S.A.	115,885	30,945	-	-	-	(26,144)	-	120,686
Cemig Geração Oeste S.A.	69,398	16,751	-	-	-	(16,251)	-	69,898
Rosal Energia S.A. (3)	-	1,407	-	123,490	-	-	-	124,897
Sá Carvalho S.A. (2)	-	3,930	-	90,517	-	-	-	94,447
Horizontes Energia S.A. (3)	-	8,471	-	46,482	-	-	-	54,953
Cemig PCH S.A. (3)	-	(2,343)	-	95,330	-	-	-	92,987
Usina Termelétrica do Barreiro S.A. (3)	-	48	-	18,358	-	-	-	18,406
Empresa de Serviços de Comercialização de Energia Elétrica S.A. (3)	-	4,197	-	22,558	-	-	-	26,755
Cemig Comercializadora de Energia Incentivada S.A. (3)	-	67	-	2,774	-	-	-	2,841
Cemig Trading S.A. (3)	-	4,481	-	23,654	-	-	-	28,135
Total of investments	**7,209,862**	**55,390**	**234,201**	**669,553**	**(37,336)**	**(492,510)**	**(150,719)**	**7,488,441**

(1) Due to the result of the analysis of, and realization of the test for, impairment, the Company recognized a provision for loss of part of the residual value of the goodwill on the investment in Madeira Energia (Santo Antônio Plant) to limit its balance to the minimum value of the excess of the future economic benefits arising from the use of the net fixed assets of this investee at December 31, 2018.

(2) Changes arising from elimination of crossover holdings between the Company and Energimp. Details of the transaction are in the topic *Elimination of crossover holdings of assets between Cemig GT and Energimp – Acquisition of control* in this note.

(3) On November 30, 2018, Cemig, the Company's parent company, completed the stockholding restructuring which transferred to Cemig GT all ownership in Cemig's wholly-owned subsidiaries *Rosal Energia, Sá Carvalho, Horizontes Energia, Cemig PCH, UTE Barreiro, Empresa de Comercialização de Energia Elétrica, Cemig Comercializadora de Energia Incentivada* and *Cemig Trading*. This transfer was made for consideration of R$423,165, based on an Opinion valuing the equity at book value, on the base date of November 30, 2018.

Changes in dividends receivable in 2018 are as follows:

	Consolidated	Holding Company
Balance at Dec. 31, 2017	75,480	75,480
Investees' dividends proposed in 2018	131,279	492,510
Amounts received	(107,917)	(469,148)
Balance at Dec. 31, 2018	**98,842**	**98,842**

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Consolidated	Dec. 31, 2016	Gain (loss) by equity method	Capital contributions	Dividends	Comprehensive income	Others	Dec. 31, 2017
Hidrelétrica Cachoeirão	50,411	10,187	-	(2,641)	-	-	57,957
Guanhães Energia (1)	-	(13,099)	97,188	-	-	(59,071)	25,018
Hidrelétrica Pipoca	31,809	2,292	-	(8,078)	-	-	26,023
Madeira Energia (*Santo Antônio* Plant)	643,890	(109,129)	-	-	-	-	534,761
FIP Melbourne (*Santo Antônio* Plant)	677,182	(94,678)	-	-	-	-	582,504
Baguari Energia	162,106	16,590	-	(30,274)	-	-	148,422
Central Eólica Praias de Parajuru (2)	63,307	(1,489)	-	(406)	-	(1,311)	60,101
Central Eólica Volta do Rio (2)	81,228	(11,741)	-	-	-	(1,762)	67,725
Central Eólica Praias de Morgado (2)	59,586	(7,622)	-	-	-	(1,395)	50,569
LightGer	41,543	1,858	-	(2,569)	-	-	40,832
Amazônia Energia (*Belo Monte* Plant)	781,022	705	84,827	-	-	-	866,554
Aliança Norte (*Belo Monte* plant)	527,498	(2,352)	51,558	-	-	-	576,704
Aliança Geração	1,319,055	71,756	-	(148,641)	-	-	1,242,170
Retiro Baixo	161,848	9,688	-	(13,763)	-	-	157,773
Renova	688,625	(390,249)	18,000	-	(33,852)	-	282,524
Usina Hidrelétrica Itaocara S.A.	2,782	(1,741)	2,658	-	-	-	3,699
Total of investments	**5,291,892**	**(519,024)**	**254,231**	**(206,372)**	**(33,852)**	**(63,539)**	**4,723,336**
Guanhães – Uncovered liabilities of jointly-controlled entity (1)	(59,071)	-	-	-	-	59,071	-
Total	**5,232,821**	**(519,024)**	**254,231**	**(206,372)**	**(33,852)**	**(4,468)**	**4,723,336**

(1) Uncovered liability reversed through injection of capital.

(2) Reversal of the retention made by Cemig, of 2% of the acquisition price of the shares in the Wind Farms, as per arbitration decision given in 2017.

Holding Company	Dec. 31, 2016	*Gain (loss) by equity method*	Capital contributions	Dividends	Comprehensive income	Others	Dec. 31, 2017
Hidrelétrica Cachoeirão	50,411	*10,187*	-	(2,641)	-	-	57,957
Guanhães Energia (1)	-	*(13,099)*	97,188	-	-	(59,071)	25,018
Hidrelétrica Pipoca	31,809	*2,292*	-	(8,078)	-	-	26,023
Madeira Energia (Santo Antônio Plant)	643,890	*(109,129)*	-	-	-	-	534,761
FIP Melbourne (*Santo Antônio* Plant)	677,182	*(94,678)*	-	-	-	-	582,504
Baguari Energia	162,106	*16,590*	-	(30,274)	-	-	148,422
Central Eólica Praias de Parajuru (2)	63,307	*(1,489)*	-	(406)	-	(1,311)	60,101
Central Eólica Volta do Rio (2)	81,228	*(11,741)*	-	-	-	(1,762)	67,725
Central Eólica Praias de Morgado (2)	59,586	*(7,622)*	-	-	-	(1,395)	50,569
LightGer	41,543	*1,858*	-	(2,569)	-	-	40,832
Amazônia Energia (*Belo Monte* Plant)	781,022	*705*	84,827	-	-	-	866,554
Aliança Norte (*Belo Monte* plant)	527,498	*(2,352)*	51,558	-	-	-	576,704
Aliança Geração	1,319,055	*71,756*	-	(148,641)	-	-	1,242,170
Retiro Baixo	161,848	*9,688*	-	(13,763)	-	-	157,773
Renova	688,625	*(390,249)*	18,000	-	(33,852)	-	282,524
Usina Hidrelétrica Itaocara S.A.	2,782	*(1,741)*	2,658	-	-	-	3,699
Cemig Baguari	55	*(32)*	-	-	-	-	23
Cemig Geração Três Marias S.A.	1,399,282	*179,689*	-	(187,149)	-	-	1,391,822
Cemig Geração Salto Grande S.A.	440,148	*62,230*	-	(62,256)	-	-	440,122
Cemig Geração Itutinga S.A.	167,962	*37,410*	-	(34,093)	-	-	171,279
Cemig Geração Camargos S.A.	125,995	*31,058*	-	(26,627)	-	-	130,426
Cemig Geração Sul S.A.	165,133	*36,675*	-	(34,237)	-	-	167,571
Cemig Geração Leste S.A.	113,976	*29,707*	-	(27,798)	-	-	115,885
Cemig Geração Oeste S.A.	69,375	*17,011*	-	(16,988)	-	-	69,398
Total of investments	**7,773,818**	***(125,276)***	**254,231**	**(595,520)**	**(33,852)**	**(63,539)**	**7,209,862**
Guanhães – Uncovered liabilities of jointly-controlled entity (1)	(59,071)	-	-	-	-	59,071	-
Total	**7,714,747**	***(125,276)***	**254,231**	**(595,520)**	**(33,852)**	**(4,468)**	**7,209,862**

(1) Uncovered liability reversed through injection of capital.

(2) Reversal of the retention made by Cemig, of 2% of the acquisition price of the shares in the Wind Farms, as per arbitration decision given in 2017.

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This table shows the movement in dividends receivable in 2017:

	Consolidated	Holding Company
Balance at Dec. 31, 2016	**34,565**	**34,565**
Investees' dividends proposed in 2017	206,372	595,520
Amounts received	(165,457)	(554,605)
Balance at Dec. 31, 2017	**75,480**	**75,480**

c) Information from the subsidiaries, jointly-controlled entities and affiliates:

Company	Number of shares	On December 31, 2018			On December 31, 2017		
		Equity interest (%)	Share capital	Equity	Equity interest (%)	Share capital	Equity
Affiliated companies							
Madeira Energia (*Santo Antônio* Plant)	12,034,025,147	15.51	10,619,786	4,656,593	18.13	9,546,672	5,327,114
Jointly-controlled entities							
Hidrelétrica Cachoeirão	35,000,000	49.00	35,000	100,434	49.00	35,000	118,280
Guanhães Energia	396,401,600	49.00	396,402	228,242	49.00	330,536	51,058
Hidrelétrica Pipoca	41,360,000	49.00	41,360	62,509	49.00	41,360	53,108
Baguari Energia S.A. (1)	26,157,300,278	69.39	186,573	233,793	69.39	186,573	213,895
Central Eólica Praias de Parajuru (2)	-	-	-	-	49.00	70,560	88,976
Central Eólica Volta do Rio (2)	-	-	-	-	49.00	117,230	115,694
Central Eólica Praias de Morgado (2)	-	-	-	-	49.00	52,960	54,312
LightGer	79,078,937	49.00	79,232	86,105	49.00	79,232	83,331
Aliança Norte (Belo Monte Plant)	41,437,698,407	49.00	1,206,127	1,247,307	49.00	1,119,255	1,065,628
Amazônia Energia (*Belo Monte* Plant) (1)	1,322,427,723	74.50	1,322,428	1,359,243	74.50	1,229,600	1,163,160
Aliança Geração	1,291,582	45.00	1,291,488	1,857,905	45.00	1,291,488	1,857,905
Retiro Baixo	222,850,000	49.90	222,850	278,065	49.90	222,850	257,880
Renova (1)	41,719,724	36.23	2,919,019	(76,489)	36.23	2,919,019	779,808
Usina Hidrelétrica Itaocara S.A.	22,165,114	49.00	22,165	10,470	49.00	11,102	7,549
Subsidiaries							
Cemig Baguari	306,000	100.00	306	36	100.00	1	32
Cemig Geração Três Marias S.A.	1,291,423,369	100.00	1,291,423	1,395,614	100.00	1,291,423	1,391,822
Cemig Geração Salto Grande S.A.	405,267,607	100.00	405,268	440,083	100.00	405,268	440,122
Cemig Geração Itutinga S.A.	151,309,332	100.00	151,309	178,544	100.00	151,309	171,279
Cemig Geração Camargos S.A.	113,499,102	100.00	113,499	131,570	100.00	113,499	130,426
Cemig Geração Sul S.A.	148,146,505	100.00	148,147	176,424	100.00	148,147	167,571
Cemig Geração Leste S.A.	100,568,929	100.00	100,569	120,686	100.00	100,569	115,885
Cemig Geração Oeste S.A.	60,595,484	100.00	60,595	69,898	100.00	60,595	69,398
Rosal Energia S.A. (3)	46,944,467	100.00	46,944	124,897	-	-	-
Sá Carvalho S.A. (3)	361,200,000	100.00	36,833	94,447	-	-	-
Horizontes Energia S.A. (3)	39,257,563	100.00	39,258	54,953	-	-	-
Cemig PCH S.A. (3)	45,952,000	100.00	45,952	92,987	-	-	-
Usina Termelétrica do Barreiro S.A. (3)	16,902,000	100.00	16,902	18,406	-	-	-
Empresa de Serviços de Comercialização de Energia Elétrica S.A. (3)	486,000	100.00	486	26,755	-	-	-
Cemig Comercializadora de Energia Incentivada S.A. (3)	1,000,000	100.00	1,000	2,841	-	-	-
Cemig Trading S.A. (3)	1,000,000	100.00	1,000	28,135	-	-	-
Central Eólica Praias de Parajuru S.A. (2)	70,560,000	100.00	71,835	79,594	-	-	-
Central Eólica Volta do Rio S.A. (2)	117,230,000	100.00	138,867	85,157	-	-	-

(1) Jointly control shared under a Sharekholders' Agreement.

(2) Changes arising from elimination of crossover holdings between the Company and Energimp. Details of the transaction are in the topic *Elimination of crossover holdings between Cemig GT and Energimp – Acquisition of control* in this note.

(3) On November 30, 2018, Cemig, the Company's parent company, completed the stockholding restructuring which transferred to Cemig GT all ownership in Cemig's wholly- subsidiaries *Rosal Energia, Sá Carvalho, Horizontes Energia, Cemig PCH, UTE Barreiro, Empresa de Comercialização de Energia Elétrica, Cemig Comercializadora de Energia Incentivada* and *Cemig Trading*.

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On December 31, 2018 the current liabilities of some jointly-controlled entities exceeded their current assets or had significant retained losses, as follows:

Madeira Energia S.A. ('Mesa'): For 2018 Mesa reported a loss of R$1,743,636, and current liabilities in excess of current assets by R$663,103, primarily comprising the accounts *Suppliers*, *Advances from customers* and *Debentures.* To resolve the situation of negative working capital, Mesa: (i) has long-term sale contracts that ensure regularity in its operational cash flow; and (ii) concluded, in December 2018, negotiations for reprofiling of its debt to the BNDES, adjusting the flow of payments of the debt to its real cash generation capacity. To ensure its liquidity, Mesa can rely on financial support from its stockholders, under an equity support agreement signed for this purpose.

On December 31, 2018 the jointly controlled investee Renova reported a consolidated loss of R$856,297 accumulated losses of R$3,050,887, current liabilities in excess of current assets by R$457,663 an equity deficit of R$76,489, negative gross margin and needs to obtain capital to comply with its commitments, including those for construction of wind and solar power plants.

These events or conditions indicate the existence of relevant uncertainty that may raise significant doubt about its ability to continue as a going concern as of December 31, 2018.

In this scenario, the investee and its stockholders, including the Company, approved a corporate and financing restructuring plan with the aim of rebalancing its liquidity and cash flow structure, resolving the capital structure and honoring its commitments, including the approval of a binding proposal from AES for purchase of the investee's wind farms and renegotiation of debt with financial creditors. Management of the Company and the investee believe that, with the success of the measures approved, it will be possible to resume economic, financial and liquidity balance to continue the investee's business in the future.

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

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The full balances for the affiliated companies and jointly-controlled entities, at December 31, 2018 and 2017, are as follows:

2018	Hidrelétrica Cachoeirão	Baguari Energia	Guanhães Energia	Madeira Energia	Hidrelétrica Pipoca	LightGer
Assets						
Current	22,771	44,420	1,965	618,230	11,994	69,868
Cash and cash equivalents	17,792	8,161	1,127	68,645	3,721	58,418
Non-current	84,902	201,025	226,796	22,453,401	94,867	131,640
Total assets	**107,673**	**245,445**	**228,761**	**23,071,631**	**106,861**	**201,508**
Liabilities						
Current	7,239	6,795	488	1,281,333	11,521	44,205
Loans and financings	-	-	-	53,259	6,578	8,614
Non-current	-	4,857	31	17,133,705	32,831	71,198
Loans and financings	-	-	-	10,219,548	32,831	71,198
Stockholders’ equity	100,434	233,793	228,242	4,656,593	62,509	86,105
Total liabilities and equity	**107,673**	**245,445**	**228,761**	**23,071,631**	**106,861**	**201,508**
Cemig GT stake, %	49.00	69.39	49.00	15.51	49.00	49.00
Book value of the investment	**49,213**	**162,224**	**111,838**	**722,112**	**30,629**	**42,191**
Goodwill value of the concession	-	-	-	18,000	-	-
Adjusted book value of the investment	**49,213**	**162,224**	**111,838**	**740,112**	**30,629**	**42,191**
Statement of income						
Net sales revenue	50,188	73,856	-	3,005,553	29,270	45,178
Operating costs	(29,315)	(30,753)	-	(2,689,459)	(12,161)	(31,977)
Depreciation	(2,763)	(8,844)	-	-	(3,095)	(10,602)
Gross profit	**20,873**	**43,103**	**-**	316,094	**17,109**	**13,201**
General and administrative expenses	-	-	(1,882)	(194,849)	(324)	-
Finance income	1,593	3,038	478	127,777	596	3,479
Finance expenses	(169)	(950)	(66)	(1,880,828)	(4,033)	(7,658)
Operational profit	**22,297**	**45,191**	**(1,470)**	**(1,631,806)**	**13,348**	**9,022**
Income tax and Social Contribution tax	(2,218)	(4,041)	(5,495)	(111,830)	(1,203)	(2,616)
Reversal of impairment	-	-	62,000	-	-	-
Net profit (loss) for the period	**20,079**	**41,150**	**55,035**	**(1,743,636)**	**12,145**	**6,406**
Comprehensive income for the period						
Net profit (loss) for the period	20,079	41,150	**55,035**	(1,743,636)	12,145	6,406
Comprehensive income for the period	**20,079**	**41,150**	**55,035**	**(1,743,636)**	**12,145**	**6,406**

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2018	Amazônia Energy consumption	Renova	Retiro Baixo	Aliança Geração	Aliança Norte	Itaocara
Assets						
Current	111	294,783	46,994	711,921	478	4,802
Cash and cash equivalents	97	69	35,582	344,155	453	453
Non-current	1,359,670	1,228,919	354,135	2,277,501	1,247,161	14,534
Total assets	**1,359,781**	**1,523,702**	**401,129**	**2,989,422**	**1,247,639**	**19,336**
Liabilities						
Current	538	441,524	32,174	534,585	332	204
Loans and financings	-	341,568	13,660	149,120	-	-
Non-current	-	1,158,667	90,890	596,932	-	8,662
Loans and financings	-	-	81,905	140,000	-	-
Stockholders' equity	1,359,243	(76,489)	278,065	1,857,905	1,247,307	10,470
Total liabilities and equity	**1,359,781**	**1,523,702**	**401,129**	**2,989,422**	**1,247,639**	**19,336**
Cemig GT stake, %	74.50	36.23	49.90	45.00	49.00	49.00
Book value of the investment	**1,012,636**	**(27,712)**	**138,754**	**836,057**	**611,180**	**5,130**
Goodwill value of the concession	-	-	31,966	-	52,575	-
Stockholding reorganization - fair value	-	-	-	380,803	-	-
Uncovered liabilities of jointly-controlled entity	-	27,712	-	-	-	-
Adjusted book value of the investment	**1,012,636**	**-**	**170,720**	**1,216,860**	**663,755**	**5,130**
Statement of income						
Net sales revenue	-	-	71,137	906,852	-	-
Operating costs	-	(3,969)	(29,327)	(555,446)	-	(8,470)
Depreciation	-	(3,969)	(10,084)	(125,325)	-	-
Gross profit	**-**	**(3,969)**	**41,810**	**351,406**	**-**	**(8,470)**
General and administrative expenses	(207,500)	(93,123)	(3,945)	(31,091)	(2,481)	-
Finance income	2,213	1,045	1,953	30,345	995	338
Finance expenses	(2,076)	(84,317)	(10,511)	(67,013)	(1,093)	(10)
Operational profit	**(207,363)**	**(180,364)**	**29,307**	**283,647**	**(2,579)**	**(8,142)**
Share of (loss) profit, net, of associates and joint ventures	104,936	(675,933)	-	10,714	96,665	-
Income tax and Social Contribution tax	(684)	-	(2,835)	(96,042)	-	-
Net profit (loss) for the period	**(103,111)**	**(856,297)**	**26,472**	**198,319**	**94,086**	**(8,142)**
Comprehensive income for the period						
Net profit (loss) for the period	(103,111)	(856,297)	26,472	198,319	94,086	(8,142)
Comprehensive income for the period	**(103,111)**	**(856,297)**	**26,472**	**198,319**	**94,086**	**(8,142)**

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2017	Hidrelétrica Cachoeirão	Baguari Energia	Guanhães Energia	Madeira Energia	Hidrelétrica Pipoca
Assets					
Current	50,434	29,429	10,630	556,738	14,822
Cash and cash equivalents	46,397	5,449	7,428	54,517	5,834
Non-current	87,278	208,511	42,442	23,593,860	94,764
Total assets	**137,712**	**237,940**	**53,072**	**24,150,598**	**109,586**
Liabilities					
Current	9,854	18,338	1,970	2,030,334	17,448
Supplier	1,423	9,705	252	202,503	5,668
Non-current	9,578	5,707	44	16,793,149	39,030
Equity	118,280	213,895	51,058	5,327,115	53,108
Total liabilities and equity	**137,712**	**237,940**	**53,072**	**24,150,598**	**109,586**
Cemig GT stake, %	49.00	69.39	49.00	18.13	49.00
Book value of the investment	59,957	148,422	25,018	965,881	26,023
Goodwill value of the concession	-	-	-	151,384	-
Adjusted book value of the investment	**57,957**	**148,422**	**25,018**	**1,117,265**	**26,023**
Statement of income					
Net sales revenue	39,156	63,778	-	2,971,019	28,903
Cost of sales	(17,796)	(36,151)	(637)	(1,857,730)	(18,564)
Depreciation	(3,513)	(8,826)	-	-	(3,094)
Gross profit	**21,360**	**27,627**	**(637)**	**1,113,289**	**10,339**
General and administrative expenses	-	-	-	(817,254)	(983)
Provision for loss	-	-	(22,468)	-	-
Finance income	4,135	6,179	929	114,973	1,836
Financial expenses	(1,945)	(709)	(3,021)	(1,551,186)	(4,586)
Operational profit	**23,550**	**33,097**	**(25,197)**	**(1,140,178)**	**6,606**
Income tax and Social Contribution tax	(2,759)	(10,758)	-	48,676	(1,590)
Net Profit (Loss) for the period	**20,791**	**22,339**	**(25,197)**	**(1,091,502)**	**5,016**
Comprehensive income for the period					
Net Profit (Loss) for the period	20,791	22,339	(25,197)	(1,091,502)	5,016
Comprehensive income for the period	**20,791**	**22,339**	**(25,197)**	**(1,091,502)**	**5,016**

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2017	Central Eólica Praias de Parajuru	Central Eólica Praias de Morgado	Central Eólica Volta do Rio	LightGer	Amazônia Energy consumption
Assets					
Current	41,204	11,044	16,135	50,552	97
Cash and cash equivalents	35,373	6,595	4,704	1,201	70
Non-current	120,747	135,773	232,818	142,146	1,163,092
Total assets	**161,951**	**146,817**	**248,953**	**192,698**	**1,163,189**
Liabilities					
Current	26,105	89,522	126,180	30,340	29
Supplier	573	2,173	873	19,809	-
Non-current	46,870	2,983	7,079	79,027	-
Equity	88,976	54,312	115,694	83,331	1,163,160
Total liabilities and equity	**161,951**	**146,817**	**248,953**	**192,698**	**1,163,189**
Cemig GT stake, %	49.00	49.00	49.00	49.00	74.50
Book value of the investment	**43,598**	**26,613**	**56,690**	**40,832**	**866,554**
Goodwill value of the concession	16,503	23,956	11,035	-	-
Adjusted book value of the investment	**60,101**	**50,569**	**67,725**	**40,832**	**866,554**
Statement of income					
Net sales revenue	20,582	14,331	22,482	41,727	-
Operating costs	(15,609)	(17,372)	(29,139)	(28,341)	-
Depreciation	(9,521)	(10,004)	(16,819)	(10,564)	-
Gross profit	4,973	(3,041)	(6,657)	13,386	-
General and administrative expenses	(1,975)	(967)	(3,356)	(1,665)	(642)
Finance income	3,471	1,857	3,116	3,837	1,595
Financial expenses	(6,095)	(7,943)	(11,649)	(9,121)	(5)
Operational profit	**374**	**(10,094)**	**(18,546)**	**6,437**	**947**
Income tax and Social Contribution tax	(274)	(723)	(2,644)	(2,614)	(1)
Net income (loss) for the period	**100**	**(10,817)**	**(21,190)**	**3,823**	**947**
Comprehensive income for the period					
Net income (loss) for the period	100	(10,817)	(21,190)	3,823	947
Comprehensive income for the period	**100**	**(10,817)**	**(21,190)**	**3,823**	**947**

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2017	Renova	Retiro Baixo	Aliança Geração	Aliança Norte	Itaocara
Assets					
Current	31,242	23,875	621,660	516	4,954
Cash and cash equivalents	342	14,256	467,542	455	4,895
Non-current	1,679,389	365,562	2,398,524	1,065,355	11,135
Total assets	**1,710,631**	**389,437**	**3,020,184**	**1,065,871**	**16,089**
	-	-	-	-	-
Liabilities	-	-	-	-	-
Current	395,295	27,182	448,128	243	1,182
Supplier	39,305	2,898	43,582	-	1,047
Non-current	535,528	104,375	714,151	-	7,358
Equity	779,808	257,880	1,857,905	1,065,628	7,549
Total liabilities and equity	**1,710,631**	**389,437**	**3,020,184**	**1,065,871**	**16,089**
	-	-	-	-	-
Cemig GT stake, %	36.23	49.90	45.00	49.00	49.00
Book value of the investment	**282,524**	**129,429**	**836,057**	**522,158**	**3,699**
Goodwill value of the concession	-	28,344	-	54,546	-
Stockholding reorganization - fair value	-	-	406,113	-	-
Adjusted book value of the investment	**282,524**	**157,773**	**1,242,170**	**576,704**	**3,699**
Statement of income	-	-	-	-	-
Net sales revenue	-	67,204	919,788	-	-
Operating costs	(4,484)	(33,369)	(554,751)	-	(3,844)
Depreciation	(4,484)	(10,099)	(126,553)	-	-
Gross profit	(4,484)	33,835	365,037	-	(3,844)
General and administrative expenses	(1,121,010)		(10,530)	(855)	-
Finance income	3,817	2,816	29,596	85	291
Financial expenses	(139,273)	(12,344)	(64,844)	(6)	-
Operational profit	(1,260,950)	**24,307**	**319,259**	**(776)**	**(3,553)**
Income tax and Social Contribution tax	121,415	(2,526)	(103,559)	-	-
Net income (loss) for the period	**(1,139,535)**	**21,781**	**215,700**	**(776)**	**(3,553)**
	-	-	-	-	-
Comprehensive income for the period	-	-	-	-	-
Net Income (Loss) for the period	(1,139,535)	21,781	215,700	(776)	(3,553)
Other comprehensive income	(99,019)	-	-	-	-
Comprehensive income for the period	**(1,238,554)**	**21,781**	**215,700**	**(776)**	**(3,553)**

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

The Company has direct and indirect investments, of 8.54% and 6.97% respectively, in Madeira Energia S.A. (which holds an investment in Santo Antônio Energia S.A.), representing R$740,112 at December 31, 2018 (R$1,117,265 at December 31, 2017).

(Mesa) and its subsidiary Santo Antônio Energia S.A. (Saesa) are incurring establishment costs on the construction of the *Santo Antônio* Hydroelectric Plant. The assets – property plant and equipment, and intangible assets – constituted by these expenditures totaled R$20,787,932 (Mesa, consolidated) at December 31, 2018, and this amount, according to financial projections prepared by its management, is being absorbed by revenues, since all the entity's generating units are now in operation.

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

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

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

Increase in capital of Madeira Energia S.A.

On August 28, 2018, an EGM approved an increase in the capital of Mesa by up to R$972,512. Simultaneously, the stockholders Furnas Centrais Elétricas S.A. ('Furnas'), Odebrecht Energia do Brasil S.A. and Caixa Fundo de Investimento em Participações Amazônia Energia subscribed the credits that they held against Mesa, totaling R$754,669, and a balance of R$217,843 remained to be subscribed, comprising the rights of the Company, and of its indirect subsidiary SAAG Investimentos S.A. ('SAAG'), to subscribe shares.

On October 2, 2018, due to Cemig GT and SAAG not having exercised their right to subscribe in that capital increase, the stockholder Furnas Centrais Elétricas S.A. subscribed the remaining shares, and made partial payment, 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, changing the share capital of Mesa to R$10,386,341. Following these transactions, Cemig GT directly held 8.44%, and indirectly held 6.86%, of the share capital. The funds subscribed were allocated in their entirety as a capital contribution to Santo Antônio Energia S.A.

On October 3, 2018 an EGM approved a new increase in the share capital of Mesa, of R$300,000. On the same date, the Company, SAAG and Furnas Centrais Elétricas S.A. subscribed shares in the amounts of R$25,320, R$26,068, and R$124,620 respectively, which were fully paid-up by October 5, 2018. After homologation of this increase, the share capital of Mesa was R$10,562,350.

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On November 29, 2018 an EGM approved an increase in the share capital of Mesa of R$130,000. The stockholders Furnas and SAAG subscribed and paid up the amounts of R$55,198 and R$2,238, respectively, by December 21, 2018. The Company did not exercise its right of preference in the capital increase, which expired on December 29, 2018.

On December, 31, 2018 the subscribed share capital of Mesa, fully paid-up, was R$10,619,786. The Company had a direct holding of 8.54%, and an indirect holding of 6.97%.

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, to suspend 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. 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. Obeying this decision, the CCEE agreed to accept payment of the FID in installments, for a total of approximately R$738,000, recorded as liabilities under *Suppliers*, that has being paid in 36 equal installments, from September 2018, with the addition of inflation adjustment and 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 *in camera* 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 annulment of the acts being impugned. As a consequence of this decision, Mesa reversed the impairment, and posted a provision for doubtful receivables in the amount of R$678,551 in its financial statements at December 31, 2017.

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

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 manage that interest. Through the jointly-controlled entities referred to above, Company owns an indirect equity interest in Nesa of 11.69%.

Nesa has expended significant funds for costs of organization and development and pre-operating costs, resulting in negative net working capital of R$2,762,388 at December 31, 2018. The completion of the construction works for the *Belo Monte* plant, and consequent generation of revenues, in turn, depend on the capacity of the investee to continue to comply with the schedule of works envisaged, as well as obtaining the necessary financial resources, either from its shareholders and / or from third parties.

On 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 December 31, 2018 is R$1,643,000.

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

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

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

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

Going concern

On December 31, 2018 the jointly controlled investee Renova reported a consolidated loss of R$856,297 accumulated losses of R$3,050,887, current liabilities in excess of current assets by R$457,663 an equity deficit of R$76,489, negative gross margin and needs to obtain capital to comply with its commitments, including those for construction of wind and solar power plants.

In response to this scenario, on March 21, 2019 the Board of Directors of Renova approved a financial and stockholding restructuring plan to rebalance its liquidity and cash flow structure, including, among other measures, the following:

a) Replacement and reprofiling of the debts with related parties: R$768 million held by the Company (R$594 million on December, 31, 2018), and R$253 million held by Light Comercializadora de Energia S.A. (R$178 million on December 31, 2018), in March 2019 currency, through debt instruments issued by Renova in the amount of approximately R$1.021 billion, in March 2019 currency, with maturity at six years, grace period of one year, interest at 155% of the CDI rate, and both asset and surety guarantees.

b) Reprofiling of the debts of Renova to Citibank and BTG Pactual, in the amounts of approximately R$176 million and R$179 million respectively (R$171 million, and R$170 million, on December, 31, 2018), with maturity at six years, grace period of one year, interest at 155% of the CDI rate, and asset guarantee.

c) Approval of the binding proposal for the sale of the Alto Sertão III Wind Complex.

Operational continuity of Renova depends on the success of the implementation of these measures, continuity of the flow of dividends from its investees, and obtaining of the necessary funding, from its stockholders and/or from outside parties.

Negotiations on Alto Sertão III

As per a Material Announcement published on March 21, 2019, the Board of Directors of Renova approved the binding proposal from AES Tietê Energia S.A. for acquisition of the Alto Sertão III Wind Complex. The conclusion of the sale transaction is subject to conditions precedent that are common in this type of transaction involving, among other matters, obtaining of the necessary approvals.

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Attachment of the shares in Chipley held by Renova

Renova took cognizance of the decision of the judge of the 12th Civil Regional Court of Santo Amaro, in the Legal District of São Paulo, in Case Number 100080656-2016.8.26-0002, which ordered attachment of the shares in Chipley SP Participações S.A. ('Chipley') held by Renova, in relation to debt contracted with Banco BTG Pactual S.A. Chipley is controlled by Renova and directly holds a 51% equity interest in the company Brasil PCH S.A. Renova has filed the appropriate procedural measures to lift the charge on the asset, and these are awaiting judgment. As a consequence of the attachment of the shares the flow of payment of dividends to Renova is suspended.

Risks related to compliance with laws and regulations

On January 19, 2018 Renova responded to a formal letter from the Minas Gerais Civil Police received in November 2017 relating to an investigation being held by that authority into certain capital contributions made by Renova into development projects in previous years, and by its controlling stockholders, including Cemig GT. As a consequence of this matter, the governance bodies of Renova requested opening of an internal investigation on this subject, and this is being conducted by an independent company.

A separate independent internal monitoring committee was also set up to accompany the internal investigation, jointly with the Audit Committee. Its members are: one independent member of the Board; the Chair of the Audit Board; and the Chair of the Board of Directors.

The works of internal investigation are in progress, and it is not possible, up to the present moment, to measure any effects of this investigation, nor any impacts on the financial statements of Renova or of the Company for the year ended December 31, 2018.

Investment in Parajuru, Volta do Rio and Morgado

On May 17, 2018, Company signed a 'Private Transaction Agreement' with Energimp S.A. ('Energimp'), in relation to investments held by both, the Company and Energimp in 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') and settlement of the debt owed by Energimp to the Company.

The origin of the debt owed by Energimp to the Company was non-compliance with the deadline for start-up of operation of the three windfarms, agreed when the Company acquired a 49% interest in these wind farms held by Energimp, in February 2009. This delay gave rise to an adjustment to the original acquisition price, with the related financial updating and indemnities, through an Arbitration Proceeding held in the Market Arbitration Chamber, in which judgment was given on May 30, 2017.

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On December 20, 2018, upon compliance with the suspensive conditions specified in the related Transaction Agreement, elimination of crossover stockholdings was completed: the Company acquired the 51% equity interest held by Energimp in Parajuru and Volta do Rio, which thus became wholly-owned subsidiaries of Cemig GT; and Energimp became owner of 100% of the share capital of Morgado, having acquired the Company's 49% equity interest in that company.

This table shows the components of the consideration paid for a 51% interest in Parajuru and Volta do Rio:

Adjustment of the acquisition price of the investees Volta do Rio, Parajuru and Morgado, paid in 2009.	37,335
Inflation adjustment of the adjustment to the acquisition price (Note 30).	76,896
Reimbursements	2,108
Adjustments under the terms of negotiation for elimination of crossover holdings (1).	(12,466)
Debt of Energimp recognized in the arbitration process.	103,873
Value of 49% equity interest held by Cemig GT in Morgado (2).	38,870
Amount to be paid in cash (3)	23,953
Total value of the consideration paid for 51% interest in Parajuru and Volta do Rio	**166,696**

(1) Updated in accordance with criteria specified in the agreement. On conclusion of the transaction , on December 20, 2018, a valuation was made of the fair value of the net assets acquired, resulting in a loss, of R$12,466, corresponding to the difference between fair value of the net assets and the value used as reference in assets combination transaction.

(2) The fair value of Morgado for the purposes of the elimination of cross-holdings was calculated through the discounted cash flow of the investee, issued by independent valuers: the book value was R$23,292, and a capital gain of R$15,578 was ascertained representing the adjustment to fair value.

(3) Return to Energimp of the excess given in payment for settlement of the debt: R$5,219 has been paid in 2018, R$16,000 will be paid in 2019, and R$2,735 has been deposited in an escrow account as guarantee against future contingencies.

Prior to the transaction above, the Company owned an interest of 49% in the share capital of Parajuru and Volta do Rio. As such these investment were accounted for under the equity method.

Upon obtaining control, the Company remeasured the previously held interest in these investments at fair value, and the difference between the fair value and the carrying value was recognized in the statement of income for the year, as follows:

	Parajuru	Volta do Rio	Total
Fair value on the transaction date	145,880	180,976	326,856
Equity interest held by the Company before the acquisition of control	49%	49%	
Cemig GT's original interest, valued at fair value on the acquisition date	71,481	88,679	160,160
Original book value	50,652	29,815	80,467
Restatement of prior holding in subsidiaries acquired	20,829	58,864	79,693

This table shows the allocation of the fair value of the interest acquired, and the remeasurement of the interest previously held:

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	Parajuru	Volta do Rio	Total
Total value of the consideration paid for 51% interest in Parajuru and Volta do Rio.	74,399	92,297	166,696
Value of the original stake, at fair value on acquisition date – 49%	71,481	88,679	160,160
Total	145,880	180,976	326,856
Added value of the infrastructure (1)	66,286	95,820	162,106
Net equity of the companies acquired	79,594	85,156	164,750
Total	145,880	180,976	326,856

(1) Added value corresponding to the right of authorization to generate wind power granted to the investees, identifiable and with defined useful life.

The above effects are presented in the operational segment *generation*.

Stockholding restructuring of wholly-owned generation and trading subsidiaries

On December 14, 2018, the Board of Directors approved a stockholding restructuring involving the transfer to Cemig GT from its parent company, Cemig, of wholly-owned generation and trading companies. Because it involved entities under joint control, this restructuring is outside the scope of IFRS 3 / CPC 15 (R1).

This transfer, which had the prior consent of Aneel, was realized for R$423,163, based on a valuation opinion at book value on the base date, November 30, 2018, as follows:

	Equity value on November 30, 2018 (base date)
Sá Carvalho S.A.	90,517
Horizontes Energia S.A.	46,482
Rosal Energia S.A.	123,490
Cemig PCH S.A.	95,330
Empresa de Serviços de Comercialização de Energia Elétrica S.A.	22,558
Usina Termelétrica Barreiro S.A.	18,358
Cemig Comercializadora de Energia Incentivada S.A.	2,774
Cemig Trading S.A.	23,654
	423,163

Reconciliation of the amount paid with the statement of cash flows:	
Consideration transferred for acquisition of the equity interests	423,163
Balance of Cash and cash equivalents acquired in the combination of businesses	(119,847)
Amount disbursed, net of Cash and cash equivalents acquired	303,316

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The following is the schedule of net assets and liabilities of each one of these companies at November 30, 2018 as described in the valuation opinions:

	Cemig Comercializadora de Energia Incentivada	Cemig PCH	Cemig Trading	Empresa de Comercialização de Energia Elétrica	Horizontes Energia	Rosal Energia	Sá Carvalho	UTE Barreiro	Total
Assets									
Current	**2,946**	**31,243**	**24,363**	**23,447**	**21,752**	**28,056**	**31,109**	**19,257**	**182,173**
Cash and cash equivalents	2,643	18,972	18,929	18,183	19,982	6,650	18,007	16,481	119,847
Customers and traders	-	10,958	5,281	-	1,346	18,106	6,822	1	42,514
Recoverable taxes	-	1,312	111	17	329	1,672	379	125	3,945
Income and Social Contribution taxes recoverable	-	-	-	-	93	61	3,401	2,530	6,085
Advances to suppliers	-	-	-	-	-	1,194	2,255	-	3,449
Other credits	303	1	42	5,247	2	373	245	120	6,333
Non-current	**-**	**65,732**	**-**	**-**	**33,466**	**104,820**	**124,851**	**754**	**329,623**
Court escrow deposits	-	2,702	-	-	2,138	386	7,091	744	13,061
Recoverable taxes	-	-	-	-	-	431	355	-	786
Other credits	-	-	-	-	-	340	-	-	340
Property, plant and equipment	-	63,030	-	-	31,328	103,365	117,405	10	315,138
Intangible assets	-	-	-	-	-	298	-	-	298
Total assets	**2,946**	**96,975**	**24,363**	**23,447**	**55,218**	**132,876**	**155,960**	**20,011**	**511,796**
Liabilities									
Current	**139**	**1,180**	**638**	**828**	**8,221**	**8,742**	**40,010**	**1,463**	**61,221**
Suppliers	111	604	-	44	7,392	6,256	12,573	251	27,231
Taxes	5	283	21	9	648	959	2,297	824	5,046
Income tax and Social Contribution tax	18	204	615	681	83	-	10,167	312	12,080
Regulatory charges	-	5	-	-	3	690	676	76	1,450
Dividends payable	-	-	-	-	-	-	13,574	-	13,574
Payroll-associated and employment-law obligations	-	-	-	-	-	686	553	-	1,239
Related party transactions	-	84	-	-	89	139	140	-	452
Other obligations	5	-	2	94	6	12	30	-	149
Non-current	**33**	**465**	**71**	**61**	**515**	**644**	**25,433**	**190**	**27,412**
Suppliers	-	-	-	-	-	1	-	-	1
Taxes	-	59	-	-	107	-	120	15	301
Income tax and Social Contribution tax	27	406	71	61	384	25	21,530	107	22,611
Regulatory charges	-	-	-	-	-	562	2,949	68	3,579
Other obligations	6	-	-	-	24	56	834	-	920
Stockholders' equity	**2,774**	**95,330**	**23,654**	**22,558**	**46,482**	**123,490**	**90,517**	**18,358**	**423,163**
Share capital	1,000	45,952	1,000	486	39,258	46,944	36,833	16,902	188,375
Capital reserves	-	-	-	-	-	160	-	886	1,046
Profit reserves	778	2,192	200	97	5,901	9,389	7,367	-	25,924
Equity valuation adjustments	-	30,733	-	-	-	49,683	39,009	-	119,425
Retained earnings	996	16,453	22,454	21,975	1,323	17,314	7,308	570	88,393
Total liabilities and equity	**2,946**	**96,975**	**24,363**	**23,447**	**55,218**	**132,876**	**155,960**	**20,011**	**511,796**

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Internal procedures for risks related to compliance with law and regulations

Taking into account the investigations that are being made in the Company, in Cemig GT and in certain investees, the governance bodies of the Company have authorized contracting of a specialized company to analyze the internal procedures related to these investments.

The internal investigation have not yet been completed, and it is not possible, up to the present moment, to measure any effects of this investigation, nor any impacts on the financial statements of Renova, and of the Company and its subsidiaries for the year ended December 31, 2018.

15. PROPERTY, PLANT AND EQUIPMENT

Consolidated	2018			2017		
	Historic cost	Accumulated depreciation	Net value	Historic cost	Accumulated depreciation	Net value
In service	**7,439,599**	**(4,899,564)**	**2,540,035**	**6,342,503**	**(4,268,303)**	**2,074,200**
Land	231,141	(16,174)	214,967	220,582	(13,450)	207,132
Reservoirs, dams, watercourses	3,282,178	(2,131,683)	1,150,495	3,009,602	(1,938,497)	1,071,105
Buildings, works and improvements	1,113,821	(800,133)	313,688	1,039,564	(754,945)	284,619
Machinery and equipment	2,766,671	(1,913,617)	853,054	2,030,392	(1,525,069)	505,323
Vehicles	31,747	(27,222)	4,525	28,712	(25,611)	3,101
Furniture and utensils	14,041	(10,735)	3,306	13,651	(10,731)	2,920
Under construction	**119,186**	**-**	**119,186**	**88,690**	**-**	**88,690**
Assets in progress	119,186	-	119,186	88,690	-	**88,690**
Net PP&E	**7,558,785**	**(4,899,564)**	**2,659,221**	**6,431,193**	**(4,268,303)**	**2,162,890**

Holding Company	2018			2017		
	Historic cost	Accumulated depreciation	Net value	Historic cost	Accumulated depreciation	Net value
In service	**6,354,911**	**(4,415,024)**	**1,939,887**	**6,339,089**	**(4,268,227)**	**2,070,862**
Land	226,882	(15,919)	210,963	220,582	(13,450)	207,132
Reservoirs, dams, watercourses	3,006,652	(2,010,201)	996,451	3,009,602	(1,938,497)	1,071,105
Buildings, works and improvements	1,036,543	(767,280)	269,263	1,039,564	(754,945)	284,619
Machinery and equipment	2,039,652	(1,584,089)	455,563	2,026,978	(1,524,993)	501,985
Vehicles	31,532	(27,027)	4,505	28,712	(25,611)	3,101
Furniture and utensils	13,650	(10,508)	3,142	13,651	(10,731)	2,920
Under construction	**85,318**	**-**	**85,318**	**84,985**	**-**	**84,985**
Assets in progress	85,318	-	85,318	84,985	-	84,985
Net PP&E	**6,440,229**	**(4,415,024)**	**2,025,205**	**6,424,074**	**(4,268,227)**	**2,155,847**

Changes in property, plant and equipment were as follows:

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Changes in property, plant and equipment:

Consolidated	2017	Addition	Transfer	Assets arising from business combination and stockholding restructuring	Written down	Depreciation	2018
In service	**2,074,200**	**-**	**21,981**	**594,932**	**(6,786)**	**(144,292)**	**2,540,035**
Land (1)	207,132	-	6,303	4,027	(3)	(2,492)	214,967
Reservoirs, dams, watercourses	1,071,105	-	186	155,298	(2,042)	(74,052)	1,150,495
Buildings, works and improvements	284,619	-	1,460	44,524	(263)	(16,652)	313,688
Machinery and equipment	505,323	-	10,706	390,896	(4,475)	(49,396)	853,054
Vehicles	3,101	-	2,829	20	-	(1,425)	4,525
Furniture and utensils	2,920	-	497	167	(3)	(275)	3,306
In progress	**88,690**	**59,038**	**(22,948)**	**16,947**	**(22,541)**	**-**	**119,186**
Net PP&E	**2,162,890**	**59,038**	**(967)**	**611,879**	**(29,327)**	**(144,292)**	**2,659,221**

(1) Certain land sites linked to concession contracts and not having provision for reimbursement are amortized in accordance with the period of the concession.

Holding Company	2017	Addition	Transfer	Written down	Depreciation	2018
In service	**2,070,862**	**-**	**17,503**	**(6,748)**	**(141,730)**	**1,939,887**
Land	207,132	-	6,303	(3)	(2,469)	210,963
Reservoirs, dams, watercourses	1,071,105	-	78	(2,043)	(72,689)	996,451
Buildings, works and improvements	284,619	-	1,199	(267)	(16,288)	269,263
Machinery and equipment	501,985	-	6,597	(4,435)	(48,584)	455,563
Vehicles	3,101	-	2,829	-	(1,425)	4,505
Furniture and utensils	2,920	-	497	-	(275)	3,142
In progress	**84,985**	**41,344**	**(18,470)**	**(22,541)**	**-**	**85,318**
Net PP&E	**2,155,847**	**41,344**	**(967)**	**(29,289)**	**(141,730)**	**2,025,205**

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

(1) Amounts transferred to the account line Concession financial assets, in relation to the *Jaguara, Miranda* and *Volta Grande* Plants (more details in Note 12).

(2) These mainly refer to the inclusion of ICMS tax credits on assets acquired in prior business years previously recorded as offsetable taxes, and which the Company concluded were not able to be used as tax loss carryforwards.

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

(1) Amounts transferred to the account line Concession financial assets, in relation to the *Jaguara, Miranda* and *Volta Grande* Plants (more details in Note 12).

(2) These mainly refer to the inclusion of ICMS tax credits on assets acquired in prior business years previously recorded as offsetable taxes, and which the Company concluded were not able to be used as tax loss carryforwards.

The average annual depreciation rate for the Company and its subsidiaries is 3.18% p.a. The principal annual depreciation rates, which take into account the expected useful life of the assets, are revised annually by Management.

Generation	(%)	Administration	(%)
Reservoirs, dams and watercourses	2	Vehicles	14.29
Buildings – Machine room	2	IT equipment in general	16.67
Buildings – Other	3.33	General equipment	6.25
Generator	3.33	Buildings – Other	3.33
Water turbine	2.5		
Pressure tunnel	3.13		
Command station, panel and cubicle	3.57		
Town planning and improvements	3.33		

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

The residual value of the assets is the remaining balance of the assets at the end of the concession. As established in the contract signed between the Company and 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 power producer, no residual value is recognized, and the depreciation rates are adjusted so that all the assets are depreciated within the concession term.

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Consortium

The Company is a partner in an energy 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 individually in the respective categories of PP&E and Intangible assets.

Consolidated and Holding Company	Stake in power output, %	Average annual depreciation rate %	2018	2017
In service				
Queimado plant	82.50	3.73	217,210	217,109
Accumulated depreciation			(99,287)	(90,649)
Total in operation			**117,923**	**126,460**
Under construction				
Queimado plant	82.50	-	603	340
Total under construction			**603**	**340**

16. INTANGIBLE ASSETS

The composition of the balance at December 31, 2018 and 2017:

Consolidated	2018			2017		
	Historic cost	Accumulated amortization	Residual value	Historic cost	Accumulated amortization	Residual value
In service	**262,559**	**(71,424)**	**191,135**	**89,923**	**(66,001)**	**23,922**
Temporary easements	11,749	(2,664)	9,085	11,451	(1,990)	9,461
Onerous concessions	19,169	(11,930)	7,239	19,169	(11,251)	7,918
Rights of commercial operation (1)	162,106	-	162,106	-	-	-
Others	69,535	(56,830)	12,705	59,303	(52,760)	6,543
Under construction	**6,448**	**-**	**6,448**	**8,718**	**-**	**8,718**
Assets in progress	6,448	-	6,448	8,718	-	8,718
Net intangible assets	**269,007**	**(71,424)**	**197,583**	**98,641**	**(66,001)**	**32,640**

(1) The rights of authorization to generate wind power granted to the investees, which are considered as investments in the financial statements of parent company, are classified under Intangible assets in the consolidated statement of financial position of Cemig GT, as per Technical Interpretation ICPC 09.

Holding Company	2018			2017		
	Historic cost	Accumulated amortization	Residual value	Historic cost	Accumulated amortization	Residual value
In service	**94,147**	**(69,880)**	**24,267**	**89,923**	**(66,001)**	**23,922**
Temporary easements	11,451	(2,664)	8,787	11,451	(1,990)	9,461
Onerous concessions	19,169	(11,930)	7,239	19,169	(11,251)	7,918
Other expenses	63,527	(55,286)	8,241	59,303	(52,760)	6,543
Under construction	**6,448**	**-**	**6,448**	**8,718**	**-**	**8,718**
Assets in progress	6,448	-	6,448	8,718	-	8,718
Net intangible assets	**100,595**	**(69,880)**	**30,715**	**98,641**	**(66,001)**	**32,640**

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This table shows the changes in intangible assets:

Consolidated	2017	Addition	Assets arising from business combination and stockholding restructuring	Capitalization / Transfer	Written down	Amortization	2018
In service	**23,922**	**-**	**166,869**	**4,924**	**(116)**	**(4,464)**	**191,135**
Temporary easements	9,461	-	298	-	-	(674)	9,085
Onerous concessions	7,918	-	-	-	-	(679)	7,239
Right to commercial operation (1)	-	-	162,106	-	-	-	162,106
Other expenses	6,543	-	4,465	4,924	(116)	(3,111)	12,705
Under construction	**8,718**	**2,654**	**-**	**(4,924)**	**-**	**-**	**6,448**
Assets in progress	8,718	2,654	-	(4,924)	-	-	6,448
Total	**32,640**	**2,654**	**166,869**	**-**	**(116)**	**(4,464)**	**197,583**

(1) These refer to goodwill premium on the wind generation concessions, acquired in a business combination, as per Note 14. Assets tied to the right of commercial operation are recorded in PP&E. The rights of authorization of commercial operation that are considered as Investments in the balance sheet of the Holding Company are classified in the consolidated balance sheet as Intangible, in accordance with Technical Interpretation ICPC 09.

Holding Company	2017	Addition	Capitalization / Transfer	Written down	Amortization	2018
In service	**23,922**	**-**	**4,924**	**(115)**	**(4,464)**	**24,267**
Temporary easements	9,461	-	-	-	(674)	8,787
Onerous concessions	7,918	-	-	-	(679)	7,239
Other expenses	6,543	-	4,924	(115)	(3,111)	8,241
Under construction	**8,718**	**2,654**	**(4,924)**	**-**	**-**	**6,448**
Assets in progress	8,718	2,654	(4,924)	-	-	6,448
Total	**32,640**	**2,654**	**-**	**(115)**	**(4,464)**	**30,715**

Consolidated and Holding Company	2016	Addition	Volta Grande and Jaguara Plants Miranda	Capitalization / Transfer	Written down	Amortization	2017
In service	**26,532**	**-**	**(81)**	**2,327**	**-**	**(4,856)**	**23,922**
Temporary easements	10,136	-	-	-	-	(675)	9,461
Onerous concessions	8,597	-	-	-	-	(679)	7,918
Other expenses	7,799	-	(81)	2,327	-	(3,502)	6,543
Under construction	**9,220**	**1,858**	**-**	**(2,327)**	**(33)**	**-**	**8,718**
Assets in progress	**9,220**	1,858	-	(2,327)	(33)	-	8,718
Total	**35,752**	**1,858**	**(81)**	**-**	**(33)**	**(4,856)**	**32,640**

Taking into account the useful life of the related assets, the average annual amortization rate is 19.95%.

Items in Intangible assets, Rights of commercial operation, Onerous concessions, and Others are amortized by the straight-line method; the rates used are based on 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.

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17. SUPPLIERS

	Consolidated		Holding Company	
	2018	2017	2018	2017
Wholesale supply, and transport of supply	394,684	420,268	369,797	409,716
Materials and services	90,042	51,775	66,317	44,796
	484,726	**472,043**	**436,114**	**454,512**

(1) Transactions involving related parties are given in Note 27.

18. TAXES

	Consolidated		Holding Company	
	2018	2017	2018	2017
Current				
ICMS (value added) tax	18,348	60,635	13,387	57,723
Pasep tax	4,884	9,782	3,885	9,047
Cofins tax	22,149	45,139	18,742	41,748
Social security contributions	4,895	3,816	4,046	3,522
ISS tax on services	1,752	992	1,369	900
Other expenses	5,636	13,302	5,024	13,098
	57,664	**133,666**	**46,453**	**126,038**
Non-current				
Pasep tax	628	535	576	535
Cofins tax	3,817	3,295	3,548	3,295
	4,445	**3,830**	**4,124**	**3,830**
	62,109	**137,496**	**50,577**	**129,868**

19. LOANS, FINANCINGS AND DEBENTURES

In December 2017 and July 2018 two amounts, of US$1 billion (R$3.2 billion), and US$ 500 million (R$1.9 billion), respectively, were raised in a Eurobond issue outside Brazil, with maturity of the principal in 2024. Also, in 2018 early repayment was made of R$1.5 billion in debt – which was being borrowed at a cost of 140% of the CDI rate, with original maturity in 2021. These initiatives of 2017 and 2018 have balanced the Company's cash flows, extended average debt maturities, and improved credit quality.

The company has measured the effects related to renegotiation of the debts in 2017, and has not identifies any material changes in the financial conditions between the original debt and the new terms of the renegotiated debt such as would indicate the need for recognition of the effects in the statement of income for the period, as specified in Accounting Pronouncement CPC 48 (Financial instruments).

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Financing source	Principal maturity	Annual financial cost	Currency	Consolidated – 2018			Consolidated – 2017
				Current	Non-current	Total	
FOREIGN CURRENCY							
KfW	2019	1.78%	Euro	229	-	229	4,383
Eurobonds	2024	9.25%	USD	43,924	5,812,200	5,856,124	3,333,149
(–) Transaction costs				-	(21,319)	(21,319)	(15,400)
(±) Funds advanced (1)				-	(34,269)	(34,269)	(47,690)
Debt in foreign currency				**44,153**	**5,756,612**	**5,800,765**	**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$	-	-	-	121,470
Finep	2018	TJLP +5%, TJLP +8%	R$	-	-	-	2,359
Pipoca Consortium	2019	IPCA	R$	185	-	185	185
Caixa Econômica Federal (2)	2021	TJLP + 2.50%	R$	-	55,576	55,576	-
Caixa Econômica Federal (2)	2022	TJLP + 2.50%	R$	-	107,791	107,791	-
(–) Transaction costs				-	-	-	(8,854)
Debt in Brazilian currency				**185**	**163,367**	163,552	**857,524**
Total of loans and financings				**44,338**	**5,919,979**	**5,964,317**	**4,131,966**
Debentures – 3rd Issue, 2nd Series	2019	IPCA + 6.00%	R$	156,361	-	156,361	301,065
Debentures – 3rd Issue, 3rd Series	2022	IPCA + 6.20%	R$	53,446	995,885	1,049,331	1,010,202
Debentures – 5th Issue, Single series	2018	CDI rate + 1.70%	R$	-	-	-	703,021
Debentures – 6th Issue, 1st series	2018	CDI rate + 1.60%	R$	-	-	-	507,692
Debentures – 6th Issue, 2nd series	2020	IPCA + 8.07%	R$	17,240	16,082	33,322	32,093
Debentures – 7th Issue, Single series	2021	140.00% of CDI	R$	341,821	680,825	1,022,646	1,683,557
(–) FIC Pampulha – securities issued by the Company (3)				-	-	-	(12,405)
(–) Transaction costs				(8,995)	(18,070)	(27,065)	(37,028)
Total, debentures				**559,873**	**1,674,722**	**2,234,595**	**4,188,197**
Overall total				**604,211**	**7,594,701**	**8,198,912**	**8,320,163**

Financing source	Principal maturity	Annual financial cost	Currency	Holding Company – 2018			Holding Company – 2017
				Current	Non-current	Total	
FOREIGN CURRENCY							
KfW	2019	1.78%	Euro	229	-	229	4,383
Eurobonds	2024	9.25%	USD	43,924	5,812,200	5,856,124	3,333,149
(–) Transaction costs				-	(21,319)	(21,319)	(15,400)
(±) Funds advanced (1)				-	(34,269)	(34,269)	(47,690)
Debt in foreign currency				**44,153**	**5,756,612**	**5,800,765**	**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$	-	-	-	121,470
Finep	2018	TJLP +5%, TJLP +8%	R$	-	-	-	2,359
Pipoca Consortium (2)	2018	IPCA	R$	185	-	185	185
(–) Transaction costs				-	-	-	(8,854)
Debt in Brazilian currency				**185**	**-**	185	**857,524**
Total of loans and financings				**44,338**	**5,756,612**	**5,800,950**	**4,131,966**
Debentures – 3rd Issue, 2nd Series	2019	IPCA + 6.00%	R$	156,361	-	156,361	301,065
Debentures – 3rd Issue, 3rd Series	2022	IPCA + 6.20%	R$	53,446	995,885	1,049,331	1,010,202
Debentures – 5th Issue, Single series	2018	CDI rate + 1.70%	R$	-	-	-	703,021
Debentures – 6th Issue, 1st series	2018	CDI rate + 1.60%	R$	-	-	-	507,692
Debentures – 6th Issue, 2nd series	2020	IPCA + 8.07%	R$	17,240	16,082	33,322	32,093
Debentures – 7th Issue, Single series	2021	140.00% of CDI	R$	341,821	680,825	1,022,646	1,683,557
(–) FIC Pampulha – securities issued by the Company (3)				-	-	-	(9,470)
(–) Transaction costs				(8,995)	(18,070)	(27,065)	(37,028)
Total, debentures				**559,873**	**1,674,722**	**2,234,595**	**4,191,132**
Overall total				**604,211**	**7,431,334**	**8,035,545**	**8,323,098**

(1) Advance of funds to achieve the yield to maturity agreed in the Eurobonds contract.

(2) Refers to the balance of loans of the *Volta do Rio* and *Praias de Parajuru* wind farms, arising from the transaction to eliminate cross-stockholdings between Cemig GT and Energimp. For more details see Note 14.

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

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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-compliance, by Cemig GT or by its shareholder Cemig, with any pecuniary obligation with individual or aggregate value greater than R$50 million.

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

Consolidated	2019	2020	2021	2022	2023	2024	Total
Currency							
Euros	229	-	-	-	-	-	229
US dollar	43,924	-	-	-	-	5,812,200	5,856,124
Total, currency-denominated	**44,153**	**-**	**-**	**-**	**-**	**5,812,200**	**5,856,353**
Indexors							
IPCA (1)	227,232	344,724	328,642	338,601	-	-	1,239,199
CDI (2)	341,821	340,412	340,413	-	-	-	1,022,646
TJLP (3)	-	46,891	93,783	22,693	-	-	163,367
Total, governed by indexors	**569,053**	**732,027**	**762,838**	**361,294**	**-**	**-**	**2,425,212**
(–) Transaction costs	(8,995)	(9,029)	(9,005)	(36)	-	(21,319)	(48,384)
(+/-) Funds advanced	-	-	-	-	-	(34,269)	(34,269)
Overall total	**604,211**	**722,998**	**753,833**	**361,258**	**-**	**5,756,612**	**8,198,912**

Holding Company	2019	2020	2021	2022	2023	2024	Total
Currency							
Euros	229	-	-	-	-	-	229
US dollar	43,924	-	-	-	-	5,812,200	5,856,124
Total, currency-denominated	**44,153**	**-**	**-**	**-**	**-**	**5,812,200**	**5,856,353**
Indexors							
IPCA (1)	227,232	344,724	328,642	338,601	-	-	1,239,199
CDI (2)	341,821	340,412	340,413	-	-	-	1,022,646
Total, governed by indexors	**569,053**	**685,136**	**669,055**	**338,601**	**-**	**-**	**2,261,845**
(–) Transaction costs	(8,995)	(9,029)	(9,005)	(36)	-	(21,319)	(48,384)
(+/-) Funds advanced	-	-	-	-	-	(34,269)	(34,269)
Overall total	**604,211**	**676,107**	**660,050**	**338,565**	**-**	**5,756,612**	**8,035,545**

(1) IPCA: ('Expanded Customer Price') Inflation Index.
(2) CDI rate: Interbank Rate for Certificates of Deposit.
(3) TJLP: Long-Term Interest Rate.

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

Currency	Accumulated change in 2018, %	Accumulated change in 2017, %	Indexor	Accumulated change in 2018, %	Accumulated change in 2017, %
US dollar	17.13	1.50	IPCA	3.75	2.95
Euros	11.83	15.41	CDI	6.40	9.93
			TJLP	(0.29)	(6.67)

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

	Consolidated	Holding Company
Balance at Dec. 31, 2017	**8,320,163**	**8,323,098**
Liabilities arising from business combination (1)	163,367	-
Financings obtained	1,946,269	1,946,269
Transaction costs	(7,876)	(7,876)
Funds advanced	9,625	9,625
Net new borrowings	**1,948,018**	**1,948,018**
Monetary updating	43,924	43,924
Foreign exchange variations	579,609	579,609
Financial charges provisioned	848,586	848,586
Amortization of transaction cost	19,718	19,718
Financial charges paid	(856,547)	(856,547)
Amortization of financings	(2,880,331)	(2,880,331)
Subtotal	**8,186,507**	**8,026,075**
(+) FIC Pampulha – securities issued by the Company	12,405	9,470
Balance at Dec. 31, 2018	**8,198,912**	**8,035,545**

	Consolidated	Holding Company
Balance at Dec. 31, 2016	**8,633,671**	**8,643,585**
New borrowings	3,252,374	3,252,374
Transaction costs (2)	(15,530)	(15,530)
Interest paid in advance (2)	(48,097)	(48,097)
New borrowings, net	**3,188,747**	**3,188,747**
Monetary and exchange rate variation	93,983	93,983
Foreign exchange variations		
Financial costs provisioned	913,275	913,275
Amortization of transaction costs	28,684	28,684
Amortization of interest paid in advance	406	406
Financial charges paid	(1,080,075)	(1,080,075)
Amortization of financings	(3,473,225)	(3,473,225)
Subtotal	**8,305,466**	**8,315,380**
(+) FIC Pampulha – securities issued by the Company	14,697	7,718
Balance at Dec. 31, 2017	**8,320,163**	**8,323,098**

(1) Refers to the balance of loans of the *Volta do Rio* and *Praias de Parajuru* wind farms, arising from the transaction to eliminate crossover holdings between Cemig GT and Energimp. For more details see Note 14.

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

Guarantees

The Company's debtor balances on loans and financings guaranteed by the parent company, Cemig on December 31, 2018 were as follows:

	2018
Surety guarantees	7,039,580
Receivables	463,367
Shares	695,736
Without guarantee	229
TOTAL	**8,198,912**

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Funding raised

Financing source	Date of signature	Principal maturity	Annual financing cost	Amount
Foreign currency				
Eurobonds (1)	July 2018	2024	9.25%	1,946,269
(–) Transaction costs				(7,876)
(±) Funds advanced (2)				9,625
Total raised				**1,948,018**

(1) In July 2018 the Company completed an additional tranche to its initial Eurobond issue completed December 5, 2017. The new tranche, of R$500 million, which brought the total of the issue to R$1.946 billion, has six-monthly coupon of 9.25% p.a., with maturity of the principal in 2024.

(2) Advance of funds to achieve the yield to maturity agreed in the Eurobonds contract.

a) Restrictive covenants

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

Security	Covenant	Ratio required – Cemig GT	Ratio required Cemig (guarantor)	Ratio required – Parajuru and Volta do Rio	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 and annual
Eurobonds (2)	Net debt / (Ebitda adjusted for the Covenant)	Ratio to be the following, or less: 5.5 on Dec. 31, 2017 5.5 on Jun. 30, 2018 5.0 on Dec. 31, 2018 5.0 on Jun. 30, 2019 4.5 on Dec. 31, 2019 4.5 on Jun. 30, 2020 3.0 on Dec. 31, 2020 3.0 on Jun. 30, 2021 2.5 on/after Dec. 31,2021	Ratio to be the following, or less: 5.0 on Dec. 31, 2017 5.0 on Jun. 30, 2018 4.25 on Dec. 31, 2018 4.25 on Jun. 30, 2019 3.5 on Dec. 31, 2019 3.5 on Jun. 30, 2020 3.0 on Dec. 31, 2020 3.0 on Jun. 30, 2021 3.0 on/after Dec. 31, 2021	-	Half-yearly and annual
Caixa Econômica Federal Parajuru and Volta do Rio (3)	Debt servicing coverage index	-	-	1.20 or more	Annual (during amortization)
	Equity / Total liabilities	-	-	At least: 20.61% (Parajuru); 20.63% (Volta do Rio)	Permanent assets
	Share capital subscribed in investee / Total investments made in the project financed	-	-	At least: 20.61% (Parajuru); 20.63% (Volta do Rio)	Permanent assets

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

(2) In the event of a possible overrun of the financial maintenance covenants, interest will automatically be increased by 2% pa. during the period in which they remain exceeded. There is also an obligation to comply with a debt maintenance bond with collateral in the consolidated of Cemig in relation to Ebitda of 2.0x (1.75x in Dec. 2017) and an "incurrence" covenant comprising an asset guarantee in Cemig GT of 1.5x Ebitda.

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

At the end of December 31, 2018, all the covenants were complied with.

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20. REGULATORY CHARGES

	Consolidated		Holding Company	
	2018	2017	2018	2017
Liabilities				
Global Reversion Reserve (RGR)	4,523	8,753	1,996	8,753
Royalties for use of water resources ('CFURH')	5,804	14,622	3,737	13,549
Energy Development Account (CDE)	38,346	51,639	38,346	51,639
Energy Services Inspection Charge (TFSEE)	851	740	686	595
Proinfa – Alternative Energy Program	6,631	6,612	6,631	6,612
National Scientific and Technological Development Fund (FNDCT)	1,668	2,359	1,187	1,945
Research and Development	139,986	150,050	132,348	146,231
Energy System Expansion Research	997	1,314	732	1,111
	198,806	**236,089**	**185,663**	**230,435**
Current liabilities	**139,457**	**151,532**	**131,615**	**149,698**
Non-current liabilities	**59,349**	**84,557**	**54,048**	**80,737**

21. POST-EMPLOYMENT OBLIGATION

The Forluz Pension plan (a supplementary retirement pension plan)

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

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

The Mixed Benefits Plan ('Plan B'): This plan operates as a defined-contribution plan in the fund accumulation phase for retirement benefits for normal time of service, and as a defined-benefit plan for disability or death of participants still in active employment, and for receipt of benefits for time of contribution. The Sponsors match the basic monthly contributions of the participants. This is the only plan open for joining by new participants.

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

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

Actuarial obligations recognized in the financial statements

On this Note the Company discloses its obligations and expenses incurred for purposes of the Retirement Plan, Health Plan, Dental Plan and the Life Insurance Plan in accordance with the standards specified by Technical Pronouncement IAS 19 / CPC 33 – *Employee Benefits* (*Benefícios a Empregados*), and an independent actuarial opinion issued as of December 31, 2018.

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Debt agreed with the pension fund (Forluz)

At December 31, 2018 the Company has recognized an obligation for past actuarial deficits relating to the pension fund in the amount of R$147,540 (R$163,049 on December 31, 2017). This amount has been recognized as an obligation payable, and will be 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. The Company is required to pay this debt even if Forluz has a surplus, thus, the Company maintain the record of the debt in full, and records the effects of monetary updating and interest in the Statement of Income.

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 December 31, 2018 the total amount payable by Cemig GT as a result of Plan A deficit is R$85,417 (R$64,109 on December 31, 2017), with monthly amortizations up to 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.

On March 28, 2019 the Board of Directors of Cemig authorized signature of a new Debt Assumption Instrument between Forluz and the sponsors Cemig, Cemig GT and Cemig D, in accordance with a plan for coverage of the deficit of Plan A related to 2017. The total amount to be paid by Cemig GT as a result of the 2017 Plan A deficit is R$40,356, through 167 monthly installments. Remuneratory interest applicable to the outstanding balance is 6% p.a., plus the effect of the IPCA.
If the plan reaches actuarial balance surplus before the full period of amortization of thedebt, also Company will not be required to pay the remaining installments and the contract will be extinguished.

Independent actuarial information

2018	Pension plans and retirement supplement plans	Health Plan	Dental Plan	Life insurance	Total (consolidated)
Present value of the obligations	2,483,291	515,889	10,374	94,372	3,103,926
Fair value of plan assets	(2,071,598)	-	-	-	(2,071,598)
Initial net liabilities	**411,693**	**515,889**	**10,374**	**94,372**	**1,032,328**
Adjustment to asset ceiling	44,518	-	-	-	44,518
Net liabilities in the statement of financial position	**456,211**	**515,889**	**10,374**	**94,372**	**1,076,846**

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

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

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

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

	Pension plans and retirement supplement plans	Health Plan	Dental Plan	Life insurance	Total
Defined-benefit obligation at December 31, 2016 (Consolidated and Holding Company)	**2,199,918**	**356,833**	**7,662**	**184,867**	**2,749,280**
Cost of current service	1,286	2,539	59	772	4,656
Interest on the actuarial obligation	221,417	37,126	798	19,260	278,601
Actuarial losses (gains):					
Due to changes in demographic assumptions	39,024	-	-	6	39,030
Due to changes in financial assumptions	94,068	14,276	371	12,411	121,126
Due to adjustments based on experience	(8,623)	13,133	97	(12,273)	(7,666)
	124,469	27,409	468	144	152,490
Plan amendments – Past service	-	-	-	(141,544)	(141,544)
Benefits paid	(184,306)	(25,277)	(546)	(1,941)	(212,070)
Defined-benefit obligation at December 31, 2017 (Consolidated and Holding Company)	**2,362,784**	**398,630**	**8,441**	**61,558**	**2,831,413**
Cost of current service	1,009	2,259	56	335	3,659
Interest on the actuarial obligation	215,130	37,916	784	5,799	259,629
Actuarial losses (gains):					
Due to changes in financial assumptions	106,575	87,318	1,759	5,806	201,458
Due to adjustments based on experience	(9,038)	16,154	(115)	23,110	30,111
	97,537	103,472	1,644	28,916	231,569
Benefits paid	(193,169)	(26,388)	(551)	(2,236)	(222,344)
Defined-benefit obligation at December 31, 2018 (Consolidated and Holding Company)	**2,483,291**	**515,889**	**10,374**	**94,372**	**3,103,926**

On 2017, the Company and its subsidiaries have made changes to the life insurance policy, resulting in reduction of the retirees' capital insured by 20% at each 5-year interval, from aged 60, down to a minimum of 20%. These changes resulted in a reduction of R$141,544 in the post-employment obligations reported on December 31, 2017, with counterpart in the statement of income in 2017

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

	Pension plans and retirement supplement plans
Fair value of the plan assets at December 31, 2016 (Consolidated and Holding Company)	1,860,778
Real return on the investments	233,600
Contributions from the employer	36,079
Benefits paid	(184,306)
Fair value of the plan assets at December 31, 2017 (Consolidated and Holding Company)	**1,946,151**
Real return on the investments	278,441
Contributions from the employer	40,175
Benefits paid	(193,169)
Fair value of the plan assets at December 31, 2018 (Consolidated and Holding Company)	**2,071,598**

The amounts recognized in the 2018 and 2017 Statement of income are as follows:

Consolidated and Holding Company	Pension plans and retirement supplement plans	Health Plan	Dental Plan	Life insurance	Total
Cost of current service	1,009	2,259	56	335	3,659
Interest on the actuarial obligation	215,130	37,916	784	5,799	259,629
Return on the assets of the plan	(175,541)	-	-	-	(175,541)
Total expense in 2018 according to actuarial calculation	**40,598**	**40,175**	**840**	**6,134**	**87,747**

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

Changes in net liabilities were as follows:

	Pension plans and retirement supplement plans	Health Plan	Dental Plan	Life insurance	Total
Net liabilities at December 31, 2016 (Consolidated and Holding Company)	**357,099**	**356,833**	**7,662**	**184,867**	**906,461**
Expense recognized in Statement of income	37,236	39,665	857	20,032	97,790
Contributions paid	(36,079)	(25,277)	(546)	(1,941)	(63,843)
Plan amendments – Past service (gain)	-	-	-	(141,544)	(141,544)
Actuarial losses (1)	77,646	27,409	468	144	105,667
Net liabilities at December 31, 2017 (Consolidated and Holding Company)	**435,902**	**398,630**	**8,441**	**61,558**	**904,531**
Expense recognized in Statement of income	40,598	40,175	840	6,134	87,747
Contributions paid	(40,175)	(26,388)	(551)	(2,236)	(69,350)
Actuarial losses (1)	19,886	103,472	1,644	28,916	153,918
Net liabilities at December 31, 2018 (Consolidated and Holding Company)	**456,211**	**515,889**	**10,374**	**94,372**	**1,076,846**

				2018	**2017**
Current liabilities				**57,052**	**52,395**
Non-current liabilities				**1,019,794**	**852,136**

(1) Recognized directly in Comprehensive income.

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The amounts recorded in Current liabilities refer to the contributions to be made by the Company in the next 12 months, for amortization of post-retirement obligations.

The amounts reported as 'Expense recognized in the consolidated Statement of income' refer to the costs of post-employment obligations, totaling R$72,335 in 2018 (R$82,993 in 2017), plus the financial costs and monetary updating on the debt agreed with Forluz, in the amounts of R$15,412 in 2018 (R$14,797 in 2017).

The independent actuary's estimate for the expense amount to be recognized for the 2019 business year is as follows:

Consolidated	Pension plans and retirement supplement plans	Health Plan	Dental Plan	Life insurance	Total
Cost of current service	231	3,197	76	582	4,086
Interest on the actuarial obligation	216,300	45,813	921	8,475	271,509
Expected return on the assets of the Plan	(175,137)	-	-	-	(175,137)
Estimate of total expense in 2019 as per actuarial calculation report	**41,394**	**49,010**	**997**	**9,057**	**100,458**

The expectation for payment of benefits for 2019 is as follows:

Consolidated	Pension plans and retirement supplement plans	Health Plan	Dental Plan	Life insurance	Total
Estimate of payment of benefits	188,834	28,522	575	3,753	221,684

The Company has expectation of contribution to the pension fund in 2019 of R$41,716 for amortization of the deficit in Plan A, and of R$21,212 to the Defined Contribution plan (recorded directly in the Statement of income).

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

Pension plans and retirement supplement plans		Health Plan	Dental Plan	Life insurance
Plan A	Plan B			
9.59	11.31	12.72	12.67	16.50

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

	2018 Consolidated	2017 Consolidated
Shares	7.11%	6.71%
Fixed income securities	71.92%	74.68%
Real estate property	4.69%	7.61%
Others	16.28%	11.00%
Total	**100.00%**	**100.00%**

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

	2018 Consolidated	2017 Consolidated
Non-convertible debentures issued by the Company	192,335	185,174
Real estate properties of Forluz, occupied by the Company	192,101	216,500
	384,436	**401,674**

This table gives the main actuarial assumptions:

	2018			2017		
	Pension plans and retirement supplement plans	Health Plan and Dental Plan	Life insurance	Pension plans and retirement supplement plans	Health Plan and Dental Plan	Life insurance
Annual discount rate for present value of the actuarial obligation	9.02%	9.13%	9.16%	9.48%	9.60%	9.57%
Annual expected return on plan assets	9.02%	9.13%	9.16%	9.48%	9.60%	9.57%
Long-term annual inflation rate	4.01%	4.01%	4.01%	4.00%	4.00%	4.00%
Estimated future annual salary increases	4.01%	Not applicable.	5.26%	4.00%	Not applicable.	6.08%
General mortality rate table	AT-2000 M S10% D10%	AT-2000 M S10% D20%	AT-2000 M S10% D20%	AT-2000 M S10% D10%	AT-2000 M S10% D20%	AT-2000 M S10% D20%
Disability rate	Not applicable.	Álvaro Vindas D30%	Álvaro Vindas D30%	Not applicable.	Álvaro Vindas D30%	Álvaro Vindas D30%
Disabled mortality rate	AT 49	Winklevoss D30%	Winklevoss D30%	AT 49	Winklevoss D30%	Winklevoss D30%
Real growth of contributions above inflation (1)	-	1.00%	-	-	-	-

(1) Starting in 2018, the assumption was adopted that real growth of the contributions above inflation would be 1% p.a.

Sensitivity of changes in main actuarial assumptions used to determine the defined-benefit obligation, on December 31, 2018:

Effects on the defined-benefit obligation	Pension plans and retirement supplement plans	Health Plan	Dental Plan	Life insurance	Total (consolidated)
Reduction of one year in the mortality table	49,521	9,761	192	(3,398)	56,076
Increase of one year in the mortality table	(50,382)	(9,925)	(195)	3,599	(56,903)
Reduction of 1% in the discount rate	271,278	70,905	1,427	16,905	360,515

In the presentation of the sensitivity analysis, the present value of the defined-benefit obligation was calculated using the Unit Projected Credit method, the same method used to calculate the defined-benefit obligation recognized in the Statement of financial position. The Company has not made changes in the methods used to calculate its post-retirement obligations for the business years ending December 31, 2018 and 2017.

22. PROVISIONS

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

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Actions in which Cemig GT is defendant

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

Consolidated	2017	Liabilities arising from stockholding reorganization (1)	Additions	Reversals	Settled	2018
Employment-law cases	48,964	842	17,016	(15)	(11,906)	54,901
Civil cases	251	-	44	(83)	(44)	168
Tax	9,046	-	71	(6,179)	(64)	2,874
Regulatory	2,206	-	330	-	(15)	2,521
Environmental	-	47	28	-	(27)	48
Others	35,843	-	4,725	(1,875)	(497)	38,196
Total	**96,310**	**889**	**22,214**	**(8,152)**	**(12,553)**	**98,708**

(1) This refers to the balances transferred in consideration of the transfer from the parent company, Cemig, to Cemig GT, of ownership in generation and trading subsidiaries. More details in Note 14.

Holding Company	2017	Additions	Reversals	Settled	2018
Employment-law cases	48,948	16,993	-	(11,906)	54,035
Civil cases	251	44	(83)	(44)	168
Tax	9,046	71	(6,179)	(64)	2,874
Regulatory	2,206	330	-	(15)	2,521
Environmental	-	27	-	(27)	-
Others	35,843	4,721	(1,875)	(494)	38,195
Total	**96,294**	**22,186**	**(8,137)**	**(12,550)**	**97,793**

Consolidated	2016	Additions	Reversals	Settled	2017
Employment-law cases	46,286	17,965	-	(15,287)	48,964
Civil cases	364	13	(113)	(13)	251
Tax	7,145	2,717	(816)	-	9,046
Regulatory	50	2,739	(4)	(579)	2,206
Others	51,451	5,193	(19,232)	(1,569)	35,843
Total	**105,296**	**28,627**	**(20,165)**	**(17,448)**	**96,310**

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

Due to the long periods involved in Brazil's judiciary, tax and regulatory systems, and their manner of working, management believes that it is not practical to supply information that would be useful to the users of these financial statements about the time when any cash outflows, or any possibility of reimbursements, might take place in fact.

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.

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

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

Employment-law cases

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

The aggregate amount of the contingency is approximately R$164,362 (R$167,948 on December 31, 2017), of which R$54,901 (R$48,964 on December 31, 2017) has been provisioned – the amount estimated as probably necessary for settlement of these disputes.

Tax

Company and its subsidiaries are 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$36,391 (R$37,328 on December 31, 2017), of which R$2,874 (R$9,046 on December 31, 2017) has been provisioned – the amount estimated as probably necessary for settlement of these disputes. The lower total provision on December, 31, 2018 arises from re-evaluation of some chances of loss from 'probable' to 'possible', due to new case law in favor of the Company.

Regulatory

The Company is defendant in court and administrative proceedings challenging, especially: reduction of an energy supply contract; limitation on a procedure for operation of the sluice dam of a hydroelectric plant; a claim of infringement arising from an inspection by the regulator; and other matters. The amount of the contingency is approximately R$21,146 (R$23.319 on December 31, 2017), of which R$2,521 (R$2,206 on December 31, 2017) has been recognized – the amount estimated as probably necessary for settlement of these disputes.

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Other legal actions in the normal course of business

The Company is involved as plaintiff or defendant, in other lesser claims, related to the normal course of its operations, with an estimated total amount of R$139,844 (R$135,707 on December 31, 2017), of which R$38,412 has been provisioned (R$36,094 on December 31, 2017). Management believes that it has appropriate defense for these actions, and does not expect these issues to give rise to significant losses that could have an adverse effect on the Company's financial position or profit. The main subjects related to these contingencies concern: (i) services of cleaning of power line pathways and fire breaks; and (ii) customer relations.

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

Taxes and other contributions

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 obtained an injection, which permitted to make an escrow deposit R$28,716, Updated, this amount is R$64,786 (R$63,027 at December 31, 2017). The updated amount of the contingency is R$71,554 (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$330,390 (R$310,225 on December 31, 2017). Management has classified the chances 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 analysis of the claims and the related case law.

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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'). Corporate income tax, the Social Contribution tax, and PIS and Cofins taxes. The Company is contesting the non-homologation of the amounts offset. The amount of the contingency is R$76,209 (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 profit (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 profit: (i) taxes with liability suspended; (ii) donations and sponsorship (Law 8313/91); and (iii) fines for various alleged infringements. The amount of this contingency is R$74,572 (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 energy sale transactions on the Energy Trading Exchange (CCEE)

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

This should take effect in the CCEE as from November 2008, resulting in an additional disbursement for Cemig, related to the expense on purchase of energy in the spot market on the CCEE, in the approximate amount of R$317,460 (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 Energy Sector, in which the Company has the full documentation to support its arguments.

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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 Energy Security (*Encargos do Serviço do Sistema*, or ESS – paid by companies in relation to the need for security of power supply), which were previously prorated in full between free customers and distributors, was now to be prorated between all the agents participating in the National Grid System, including generators and traders.

In May 2013, the Brazilian Independent Energy 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 CNPE Resolution 3, exempting generators from payment of the ESS under that Resolution.

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

The applications by the plaintiff (Apine) were granted in the first instance, confirming the interim remedy granted in favor of its members, which include Cemig GT and its subsidiaries. This decision was confirmed in the judgment of the appeal distributed to the 7th panel of the Regional Federal Court of the First Region. A Special Appeal has been filed against this new judgment, and a hearing on its admissibility is awaited.

The amount of the contingency is approximately R$225,132 (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.

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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 12503/1997. 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, it 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$147,636 (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$87,159 (R$79,378 on December 31, 2017).

Other environmental claims

The Company is involved in environmental matters, relating to protected areas, environmental licenses, recovery of environmental damage, and other matters, in the amount of R$10,738 (R$64,241 at 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'. The lower balance of the contingency at December 31, 2018 is mainly due to removal of certain cases due to judgment being given in favor of the company.

Alteration of the monetary updating index of employment-law cases

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

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In a public joint judgment of November 1, 2018, the Higher Employment Appeal Court decided that the IPCA-E should be adopted as the index for inflation adjustment of employment-law debts for cases filed from March 25, 2015 to November 10, 2017, and the TR continue to be used for the other periods. This results in a reduction of the estimated value of the difference between the inflation adjustment indices for employment-law cases, which is R$5,072 (R$21,318 on December, 31, 2017). No additional provision has been made, since the Company, based on the assessment by its legal advisers, has assessed the chances of loss in the action as 'possible', as a result of the decision by the STF, and of there being no established case law, nor analysis by legal writers, on the subject, after the injunction given by the Federal Supreme Court.

23. EQUITY AND REMUNERATION TO SHAREHOLDERS

Share capital

As of September 18, 2018, an EGM approved an increase in the company's share capital by R$762,290, through absorption of profit reserves totaling R$662,290, and an Advance for Future Capital Increase (AFAC) of R$100,000, in accordance with Article 199 of the Corporate Law.

As a result the registered capital of Cemig GT on December 31, 2018 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 par value, wholly owned by Cemig (Companhia Energética de Minas Gerais).

The Company's share capital may be increased by up to a limit of 10% (ten percent) of the share capital set in the by-laws, without need for change in the by-laws and upon decision of the Board of Directors, having previously heard statement of opinion by the Audit Board.

Profit reserves

	2018	2017
Profit reserves		
Legal reserve	170,269	140,730
Tax Incentives reserve – Sudene	45,016	45,016
Appropriation of retained earnings to profit reserves	2,147,329	2,516,854
	2,362,614	**2,702,600**

Legal reserve

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

	2018	2017
Net profit (Loss) for the period	590,783	428,459
Legal reserve – 5%	5%	5%
Legal reserve constituted	29,539	21,423

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Appropriation of retained earnings to profit reserves

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

Incentives tax reserve

The federal tax authority (*Receita Federal*) has recognized the Company's right to reduction of 75% in income tax, including the tax paid at the additional rate, calculated on the basis of the operating profit, when earned in the region of Sudene (the Development Agency for the Northeast), for 10 years starting in 2014. The profit from commercial operation as calculated did not result in a reduction of income tax in the year ended December 31, 2018.

Dividends

The Company's by-laws state that 50% of the net profit in each business period must be allocated to payment of mandatory dividends to the Company's sole shareholder.

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

Article 9 of Law 9249 of December 26, 1995, allows Interest on Equity paid to shareholders to be deductible from taxable profit for the purposes of income tax and the Social Contribution tax. In the case of Cemig GT, Interest on Equity is calculated as shareholders' equity multiplied by the TJLP long-term interest rate.

On December 18, 2018 the Board of Directors decided to pay Interest on Equity in the amount of R$50,000 for 2018. The tax benefit arising from the payments was R$17,000. This is recognized in the Statement of income for 2018.

The calculation of the dividends for the 2018 and 2017 business years and as follows:

	2018	2017
Mandatory dividend		
Net income for the year	590,783	428,459
Mandatory dividend – 50% of Net income	295,392	214,230
Income tax withheld at source on Interest on Equity	7,500	-
	302,892	**214,230**
Dividends declared		
Interest on capital	50,000	-
Dividends under the by-laws	252,892	214,230
	302,892	**214,230**
Dividends per share		
Mandatory minimum dividend (in R$)	**0.1046**	**0.0740**

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This table gives the dividends and interest on capital payable:

	Consolidated	Holding Company
Balance at Dec. 31, 2017	**564,230**	**564,230**
Dividends proposed	252,892	239,036
Interest on Equity declared	50,000	50,000
Income tax on Interest on Equity	(7,500)	(7,500)
Payment	(213,574)	(200,000)
Balance of dividends arising from business combination	446	0
Balance of dividends arising from stockholding reorganization	13,574	0
Balance at Dec. 31, 2018	**660,068**	**645,766**

	Consolidated and Holding Company
Balance at Dec. 31, 2016	**605,000**
Dividends proposed	214,230
Payment	(255,000)
Balance at Dec. 31, 2017	**564,230**

Allocation of Net income for 2018 – Proposal by management

The Board of Directors decided to propose to the Annual General Meeting to be held on Tuesday, April 30, 2019 that the profit for 2018, in the amount of R$590,783, and the balance of Reserve for Equity Valuation Adjustments, of R$34,413, should be allocated as follows:

- R$29,539 to be allocated to the Legal Reserve; and
- R$50,000 for payment of Interest on Equity;
- R$252,892 to payment of dividends; and
- R$292,765 to be held in Shareholders' Equity in the Retained earnings reserve.

Earnings per share – Basic and diluted

Earnings per share has been calculated based on the weighted average number of the company's shares (it has only common shares) in each of the Business years referred to, as follows:

	2018	2017
Number of shares	2,896,785,358	2,896,785,358
Profit for the period	590,783	428,459
Earnings per share – Basic and diluted – in R$	0.2039	0.1479

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

Equity valuation adjustment

	2018	2017
Adjustments to actuarial liabilities – Employee benefits	(406,692)	(305,104)
Deemed cost of PP&E	424,214	458,626
Equity valuation adjustment	**17,522**	**153,522**

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The adjustments to post-employment benefit obligations comprise gains or losses resulting from re-measurements of the net defined-benefit obligation, in accordance with an actuarial reported.

The amounts recorded as deemed cost arise from the valuation of the generation assets represents using the replacement cost at initial adoption of IFRS on January 1, 2009. The valuation of the generation assets resulted in an increase in their value, posted in the specific line in Shareholders' equity, net of the tax effects. These values are being realized based on the depreciation of the assets.

24. REVENUE

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

	Consolidated		Holding Company	
	2018	2017	2018	2017
Total revenue from supply of energy – with taxes (a)	6,858,482	7,135,743	6,378,659	6,698,053
Transmission revenue – with taxes (b)	589,055	519,184	592,859	521,658
Revenue from updating of the Concession Grant Fee (c)	321,425	316,881	-	-
Construction Revenue (d)	95,712	24,827	95,712	24,827
Transactions on CCEE (e)	185,469	651,132	147,106	640,145
Transmission indemnity revenue (f)	250,375	373,217	250,375	373,217
Generation indemnity revenue (g)	55,332	271,607	55,332	271,607
Other operational revenues	128,377	45,937	140,228	64,065
Sector / regulatory charges – Deductions from revenue (h)	(1,609,990)	(1,551,787)	(1,485,542)	(1,443,116)
	6,874,237	**7,786,741**	**6,174,729**	**7,150,456**

(a) Revenue from energy supply

This table shows energy supply by type of customer:

	Consolidated				Holding Company			
	2018		2017		2018		2017	
	MWh (1)	R$	MWh (1)	R$	MWh (1)	R$	MWh (1)	R$
Industrial	15,100,812	3,245,245	14,486,304	3,357,639	13,399,018	3,004,036	13,581,588	3,151,950
Commercial	3,190,021	707,999	2,226,405	569,263	3,158,567	706,940	2,226,405	569,263
Rural	1,343	331	-	-	1,343	331	-	-
Subtotal	**18,292,176**	**3,953,575**	**16,712,709**	**3,926,902**	**16,558,928**	**3,711,307**	**15,807,993**	**3,721,213**
Net unbilled revenue	-	1,160	-	18,033	-	2,500	-	3,058
	18,292,176	**3,954,735**	**16,712,709**	**3,944,935**	**16,558,928**	**3,713,807**	**15,807,993**	**3,724,271**
Wholesale supply to other concession holders (2)	12,121,762	2,907,757	12,841,006	3,244,356	11,858,718	2,670,074	12,841,006	3,016,656
Wholesale supply unbilled, net	-	(4,010)	-	(53,548)	-	(5,222)	-	(42,874)
	30,413,938	**6,858,482**	**29,553,715**	**7,135,743**	**28,417,646**	**6,378,659**	**28,648,999**	**6,698,053**

(1) Information in MWh has not been reviewed by the 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 sum of (a) the amount received from agents of the energy sector in relation to the performance obligations complied with by operating and maintaining transmission lines and networks of the national grid - this is called the Permitted Annual Revenue (*Receita Anual Permitida*, or RAP); plus (b) the adjustment to expectation of cash flow from the assets of the concession, arising from variation in the fair value of the Remuneration Assets Base, which in 2018 was R$12,934.

(c) Gain on financial updating of Concession Grant Fee

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

(d) Construction Revenue

Construction revenue corresponds to the performance obligation that is complied with by the building of infrastructure, taking the form of the investment in concession transmission assets made by the Company in the year. Recognition of this revenue is directly related to the expenditure incurred on the addition of contractual assets. The construction margin is zero: Construction cost is equivalent to Construction revenue.

(a) Revenue from power supply transactions on the CCEE (Wholesale Trading Exchange)

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

(f) Transmission indemnity revenue

In 2018 Cemig posted a gain of R$250,375 (R$373,217 in 2017) corresponding to inflation adjustment, by the IPCA index, of the balance of transmission indemnity receivable.

There are more details in Notes 12 and 13.

(g) Generation indemnity revenue

In 2018 the Company recognized revenue of R$55,332 (R$271,607 in 2017), for updating of the balance of financial assets relating to indemnity for investment in the *São Simão* and *Miranda* Hydroelectric Plants, as per Ministerial Order 291/17. For more details please see Note 12.

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(h) Deductions on Revenue

	Consolidated		Holding Company	
	2018	2017	2018	2017
Taxes on revenue				
ICMS (VAT)	556,966	616,858	511,805	579,834
Cofins	623,766	546,773	571,536	499,303
PIS and Pasep	135,415	118,695	124,082	108,393
ISS tax on services	2,786	2,323	2,484	2,323
	1,318,933	**1,284,649**	**1,209,907**	**1,189,853**
Charges to the customer				
Global Reversion Reserve (RGR)	17,238	14,721	17,064	14,721
Energy Development Account (CDE)	153,006	72,662	153,006	72,662
Proinfa Program	39,971	39,437	39,971	39,437
Research and Development (R&D)	12,057	15,079	9,506	12,785
National Scientific and Technological Development Fund (FNDCT)	12,057	15,079	9,506	12,785
Energy System Expansion Research (EPE)	6,028	7,542	4,753	6,394
Energy Services Inspection Charge (TFSEE)	8,587	12,439	6,885	10,564
Royalties for use of water resources (CFURH)	42,113	90,179	34,944	83,915
	291,057	**267,138**	**275,635**	**253,263**
	1,609,990	**1,551,787**	**1,485,542**	**1,443,116**

25. OPERATING COSTS AND EXPENSES

	Consolidated		Holding Company	
	2018	2017	2018	2017
Personnel (a)	332,119	383,148	306,221	364,628
Employee profit shares	16,817	984	16,794	984
Post-employment liabilities (recovery of expense)	72,335	(58,551)	72,335	(58,551)
Materials	43,102	24,236	40,070	22,364
Outsourced services (b)	148,108	142,763	125,734	126,269
Depreciation and amortization	148,756	158,226	146,194	158,150
Provisions (c)	117,442	149,604	124,920	149,588
Charges for use of the national grid	213,698	350,191	176,403	314,899
Energy bought for resale(d)	3,853,066	4,169,830	3,764,279	4,109,536
Transmission infrastructure construction cost (e)	95,712	24,827	95,712	24,827
Other operating expenses, net (f)	80,665	126,373	77,417	122,090
	5,121,820	**5,471,631**	**4,946,079**	**5,334,784**

a) Personnel expenses

2018 Programmed Voluntary Retirement Plan ('PDVP')

In March 2018, the Company approved the 2018 Programmed Voluntary Retirement Plans ('the 2018 PDVP'). Those eligible to take part were any employees who will have worked with the Company for 25 years or more by December 31, 2018, and would join the program between April 2 and 30, 2018. The program paid 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, and the other payments specified by the legislation, but with no extra premium. In 2018 the amount appropriated as expense on the 2018 PDVP was R$6,731, corresponding to acceptance of the plan by 37 employees.

In 2017 the amount appropriated as expense for the 2017 PDVP was R$49,483, corresponding to acceptance by 249 employees.

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2019 Programmed Voluntary Retirement Plan ('PDVP')

In December 2018, the Company launched the Programmed Voluntary RetirementPlans for 2019 ('the 2019 PDVP'). Those eligible – any employees who had worked with the Company for 25 years or more by December 31, 2018 – were able to join from January 7 to 31, 2019. The program paid 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, and the other payments specified by the legislation, but with no extra premium. 78 employees joined the 2019 PDVP.

A total of R$11,648 has been appropriated as expense in 2018 related to the 2019 PDVP, including severance payments, corresponding to acceptance by 78 employees.

2019 PDVP reopened

On March 2019 the Company launchagain the 2019 PDVP, for those joining between April 1 and 10, 2019, with some changes in the requirements for joining, but the same financial conditions.

b) Outsourced services

	Consolidated		Holding Company	
	2018	/2017	2018	2017
Communication	3,235	3,261	3,093	3,167
Maintenance and conservation of electrical facilities and equipment	25,836	21,605	18,891	17,060
Building conservation and cleaning	28,921	28,964	23,231	23,675
Contracted labor	7,948	4,325	7,936	4,325
Freight and airfares	2,379	2,622	2,374	2,613
Accommodation and meals	3,036	3,266	3,006	3,137
Security services	10,049	12,110	7,882	10,441
Maintenance and conservation of furniture and utensils	988	772	908	753
Information technology	12,726	14,516	10,436	13,028
Maintenance and conservation of vehicles	387	216	342	199
Energy	4,680	4,364	4,238	4,020
Environment services	10,141	9,108	8,050	8,144
Cleaning of power line pathways	4,040	2,377	4,025	2,323
Printing and images	1,305	1,315	1,230	1,265
Legal services and procedural costs	3,636	5,098	3,634	5,088
Other expenses	28,801	28,844	26,458	27,031
	148,108	**142,763**	**125,734**	**126,269**

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c) Operational provisions (reversals)

	Consolidated		Holding Company	
	2018	2017	2018	2017
Allowance for doubtful receivables (Note 8)	(4,628)	17,514	2,863	17,514
Estimated losses on other accounts receivable (1)	453	8,208	453	8,208
Contingency provisions (reversals) (Note 22)				
Employment-law cases	17,001	17,965	16,993	17,949
Civil cases	(39)	(100)	(39)	(100)
Tax	(6,108)	1,901	(6,108)	1,901
Regulatory	330	2,735	330	2,735
Environmental	28	-	27	-
Others	2,850	(14,039)	2,846	(14,039)
	14,062	8,462	14,049	8,446
Change in fair value of derivative instruments				
Put option – SAAG (Note 28)	107,555	115,420	107,555	115,420
	117,442	**149,604**	**124,920**	**149,588**

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

d) Energy bought for resale

	Consolidated		Holding Company	
	2018	2017	2018	2017
Spot market - CCEE	168,413	26,773	132,218	15,597
Acquired in Free Market	4,001,734	4,458,436	3,996,645	4,458,436
‘Bilateral’ contracts	53,689	53,875	-	-
Pasep and Cofins credits	(370,770)	(369,254)	(364,584)	(364,497)
	3,853,066	**4,169,830**	**3,764,279**	**4,109,536**

e) Transmission infrastructure Construction cost

	Consolidated		Holding Company	
	2018	2017	2018	2017
Personnel	6,542	801	6,542	801
Materials	65,669	15,008	65,669	15,008
Outsourced services	24,195	9,152	24,195	9,152
Other expenses	(694)	(134)	(694)	(134)
	95,712	**24,827**	**95,712**	**24,827**

f) Other operating expenses, net

	Consolidated		Holding Company	
	2018	2017	2018	2017
Leasing and rentals	22,842	20,445	22,175	19,827
Advertising	3,097	4,099	3,077	4,099
Subsidies and donations	6,023	6,382	4,613	3,580
Onerous concessions	2,681	3,087	2,681	3,087
Taxes (IPTU, IPVA and others)	1,521	1,803	1,294	1,562
CCEE annual charge	3,446	4,068	3,446	4,068
Insurance	2,905	3,414	2,887	3,413
Net loss (gain) on deactivation and disposal of assets	21,768	43,130	21,768	43,130
Forluz – Administrative running cost	6,436	5,817	6,436	5,817
Losses on other credits (Note 14)	12,466	-	12,466	-
Others	(2,520)	34,128	(3,426)	33,507
	80,665	**126,373**	**77,417**	**122,090**

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26. FINANCE INCOME AND EXPENSES

	Consolidated		Holding Company	
	2018	2017	2018	2017
FINANCE INCOME				
Income from cash investments	67,033	62,343	56,667	39,133
Arrears fees on sale of energy	10,710	11,250	5,908	8,876
Monetary variations	12,482	10,999	12,292	10,999
Monetary updating on court escrow deposits	11,324	82,840	11,196	82,840
Revenue from advance payments	22,590	39,810	18,997	38,624
Gains on Swap Instruments (Note 28)	892,643	-	892,643	-
Inflation adjustment in arbitration case (1)	76,896	-	76,896	-
Borrowing costs payable by related parties (Note 27)	56,320	13,438	56,320	13,438
Others	26,717	6,008	26,616	5,994
Pasep and Cofins taxes on financial revenues	(12,927)	(10,153)	(12,317)	(9,296)
	1,163,788	**216,535**	**1,145,218**	**190,608**
FINANCE EXPENSES				
Costs of Loans and financings (Note 19)	(848,586)	(913,683)	(848,586)	(913,683)
Amortization of transaction cost (Note 19)	(19,718)	(28,684)	(19,718)	(28,684)
Monetary Updating – Forluz	(15,412)	(14,797)	(15,412)	(14,797)
Inflation adjustment – Loans financings (Note 19).	(43,924)	(37,345)	(43,924)	(37,345)
Monetary updating	(11,455)	(12,260)	(11,159)	(12,058)
FX variation from loans and financings (Note 19).	(579,609)	(56,638)	(579,609)	(56,638)
Inflation adjustment – advance from customers (Note 8)	(8,402)	(44,513)	(8,402)	(44,513)
Losses on Swap Instruments (Note 28)	-	(32,462)	-	(32,462)
Others	(13,128)	(23,739)	(11,556)	(23,588)
	(1,540,234)	**(1,164,121)**	**(1,538,366)**	**(1,163,768)**
NET FINANCE INCOME (EXPENSES)	**(376,446)**	**(947,586)**	**(393,148)**	**(973,160)**

(1) Inflation and other adjustments on the debt assumed by Energimp arising from the decision in favor of the company in arbitration, originating from non-compliance with the deadline for wind farms to start operation, agreed in the acquisition of a 49% interest in them, in 2009. For more information see Note 14.

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27. RELATED PARTY TRANSACTIONS

Cemig GT's main balances and transactions with related parties are as follow (consolidated):

COMPANY	ASSETS		LIABILITIES		REVENUE		EXPENSES	
	2018	2017	2018	2017	2018	2017	2018	2017
Controlling shareholder								
Minas Gerais State Government								
Current								
ICMS tax – early payment (1)	-	-	-	-	901	-	-	-
CEMIG								
Current								
Cooperation Working Agreement (2)	-	-	536	2,768	-	-	(1,335)	(1,578)
Provision of services (3)	948	-	1,376	-	-	-	-	-
Interest on Equity, and dividends	-	-	659,622	564,230	-	-	-	-
Amount receivable (4)	6,243	-	-	-	-	-	-	-
Non-current								
Loans with related parties (5)	408,114	-	-	-	8,114	-	-	-
Jointly-controlled entity								
Madeira Energia								
Current								
Transactions in energy (6)	5,669	-	64,111	40,162	70,491	27,130	(778,456)	(525,109)
Advance for future power supply (7)	6,785	49,048	-	-	8,767	-	-	-
Non-current								
Advance for future power supply (7)	-	5,084	-	-	-	-	-	-
Aliança Geração								
Current								
Transactions in energy (6)	-	-	5,785	-	-	-	(86,409)	(77,282)
Provision of service (8)	1,792	1,657	-	-	11,492	12,648	-	-
Interest on Equity, and dividends	90,664	72,315	-	-	-	-	-	-
Norte Energia								
Current								
Transactions in energy (6)	130	130	-	-	15,913	9,258	-	-
Baguari Energia								
Current								
Provision of service (8)	211	211	-	-	898	864	-	-
LightGer								
Current								
Transactions in energy (6)	-	-	1,424	-	-	-	(21,132)	(19,357)
Retiro Baixo								
Current								
Transactions in energy (6)	-	-	-	-	-	-	(92)	(975)
Interest on Equity, and dividends	5,718	2,581	-	-	-	-	-	-
Hidrelétrica Pipoca								
Current								
Transactions in energy (6)	-	-	1,303	-	-	-	(19,154)	(15,305)
Interest on Equity, and dividends	-	584	-	-	-	-	-	-
Renova								
Current								
Transactions in energy (6)	-	-	515	1,744	-	-	(81,453)	(178,691)
Non-current								
Advance for future power supply (9)	87,285	-	-	-	6,793	-	-	-
Accounts receivable (10)	445,108	350,200	-	-	37,355	-	-	-
Reimbursement for suspension of supply of power (11)	51,734	-	-	-	51,734	-	-	-
Reimbursement for cessation of power purchase agreement (12)	10,196	-	-	-	10,196	-	-	-
Empresa Amazonense de Transmissão de Energia (EATE)								
Current								
Transactions in energy (6)	-	-	230	725	-	-	(3,276)	(9,025)
Companhia Transirapé de Transmissão								
Current								
Transactions in energy (6)	-	-	18	46	-	-	(257)	(535)
Provision of service (8)	90	90	-	-	1,275	1,272	-	-
Light								
Current								
Transactions in energy (6)	374	1,128	403	404	60,364	54,350	(29)	(529)
Taesa								
Current								
Transactions in energy (6)	-	-	1,460	3,605	-	-	(18,075)	(39,593)
Provision of service (8)	130	404	-	-	566	1,273	-	-

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COMPANY	ASSETS		LIABILITIES		REVENUE		EXPENSES	
	2018	2017	2018	2017	2018	2017	2018	2017
Other related parties								
Cemig Distribuição								
Current								
Cooperation Working Agreement (3)	-	-	-	-	-	5,132	(663)	-
Transactions in energy (6)	22,303	22,212	792	3,263	248,199	210,263	(25,984)	(41,670)
Non-current								
Loans with related parties (13)	-	-	-	-	9,263	-	-	-
FIC Pampulha								
Current								
Cash and cash equivalents	53,038	214,663	-	-	-	-	-	-
Securities	159,616	447,073	-	-	3,150	3,752	-	-
(–) Securities issued by the Company itself (Note 19)	-	(12,405)	-	-	-	-	-	-
Non-current								
Securities	21,498	14,659	-	-	-	-	-	-
(–) Securities issued by the Company itself (Note 19)		-	-	-	-	-	-	-
Forluz								
Current								
Post-retirement obligations (14)	-	-	27,876	24,632	-	-	(40,598)	(37,236)
Supplementary pension contributions – Defined contribution plan (15)	-	-		-	-	-	(20,396)	(22,133)
Administrative running costs (16)	-	-		-	-	-	(6,436)	(5,817)
Operational leasing (17)	-	-	382	1,391	-	-	(13,089)	(16,380)
Non-current								
Post-retirement obligations (14)	-	-	428,335	411,270	-	-		-
Cemig Saúde								
Current								
Health Plan and Dental Plan (18)	-	-	26,940	25,822	-	-	(41,015)	(40,522)
Non-current								
Health Plan and Dental Plan (18)	-	-	499,323	338,673	-	-		-

The main conditions with reference to the related party transactions are:

(1) Refers to financial gain from bringing forward ICMS tax, as per Minas Gerais State Decree 47488.
(2) Technical Cooperation Working Agreement between Cemig, Cemig D and Cemig GT, instituted by Aneel Dispatch 3208/2016. Principally includes reimbursement of expenses related to sharing of infrastructure, personnel, transport, telecoms and IT.
(3) This refers to a service agreement between Cemig Telecomunicações (merged into Cemig on March 31, 2018), Cemig D and Cemig GT, instituted by Dispatch 2735/2016.
(4) This refers to the amount to be repaid by the parent company, Cemig, as a result of adjustment in the valuation opinion at book value of the stockholding restructuring of wholly-owned generation and trading subsidiaries (more details on this transaction in Note 14).
(5) Refers to a loan contract in the amount of R$400,000 between the company and its parent company Cemig. This will be settled in a single payment in December 2019, plus interest, corresponding to 125.52% of the CDI rate. As a guarantee, Cemig (the parent company) signed a promissory note in the global amount of R$442,258, corresponding to the amount of the debt plus the estimated interest for the 15-month period of the agreement.
(6) Transactions in energy between generators and distributors were made in auctions organized by the federal government; transactions for transport of energy, made by transmission companies, arise from the centralized operation of the National Grid carried out by the National System Operator (ONS).
(7) Refers to advance payments for supply of power made in 2017 to Santo Antônio Energia, subsidiary of Madeira Energia, by Cemig GT. The last installment was paid in January 2019.
(8) Refers to a contract to provide plant operation and maintenance services.
(9) This refers to bringing forward of payments under a Purchase Agreement for Incentive-Bearing Power becoming due in January through October 2019, to be settled by July 9, 2019, with monetary updating at 155% of the CDI rate. The agreement for early payment has guarantees, shared between Cemig and Light, related to their stockholding interest in Renova, dividends of its investees, and wind projects to be developed.
(10) Cemig GT has an item of R$445 million receivable from Renova that will be paid in monthly installments up to December 2021 with financial updating at 150% to 155% of the CDI rate. The accounts receivable have guarantees, shared between Cemig and Light, related to their stockholding interest in Renova, dividends of its investees, and wind projects to be developed.
(11) On February 20, 2009 the Company signed the eighth amendment to the wind power purchase agreement with Renova, extending the due date of the sole payment from January 10, 2019 to July 9, 2019. The financial updating is calculated on the basis of 155% of the CDI rate. On December, 31, 2018 the amount to be reimbursed by Renova as indemnity for suspension of supply of power from July to September 2018 is R$51,734. The amount to be reimbursed by Renova is covered by guarantees, shared between Cemig and Light, related to their stockholding interest and dividends of investees of Renova and also wind projects to be developed.
(12) On February 20, 2019, the Company signed the reimbursement contract arising from a term of assignment of a power purchase agreement for the period December 1 to 31, 2018. The amount of R$10,196 is to be settled by July 9, 2019 with monetary adjustment at 155% of the CDI rate. The amount to be reimbursed by Renova is covered by guarantees, shared between Cemig and Light, related to their stockholding interest and dividends of investees of Renova and also wind projects to be developed.
(13) This refers to the financial revenue on the loan contract signed between the company and Cemig D for R$630,000, settled in November and December 2018, plus interest totaling R$9,263, corresponding to 125.52% of the CDI rate. As guarantee, Cemig D signed a promissory note in the global amount of R$639,110, corresponding to the amount of the debt plus the estimated interest for the 104-day duration of the agreement. The loan had the consent of Aneel.

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(14) 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 21).
(15) 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.
(16) 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.
(17) Rental of the Company's administrative head offices, in effect up to October 2020 (able to be extended every five years, up to 2035) and February 2019 (contract in the process of renewal, able to be extended every five years, up to 2034), with annual inflation adjustment by the IPCA index and price reviewed every 60 months.
(18) Post-employment obligations relating to the employees' health and dental plan (see Note 21).

Cash investments in the *FIC Pampulha* investment fund

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 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	2018			2017		
				Cemig GT 0.75%	Other subsidiaries 8.65% (1)	Total (consolidated) 9.39%	Cemig GT 26.85%	Other subsidiaries 8.32% (1)	Total (consolidated) 35.17%
ETAU (2)	Debentures	108% of CDI	Dec. 1, 2019	75	870	945	2,706	838	3,544
Light	Promissory Note	CDI + 3.50%	Jan. 22, 2019	54	620	674	5,375	1,666	7,041
Cemig D	Promissory Note	151% of CDI	Oct. 24, 2019	397	4,599	4,996	-	-	-
				526	**6,089**	**6,615**	**8,081**	**2,504**	**10,585**

(1) Refers to the other companies consolidated by Cemig GT, which also have participation in the investment funds.
(2) ETAU – Empresa de Transmissão do Alto Uruguai S.A.

At December 31, 2018, Management believes that no provisions are necessary in the Company's financial statements for the purpose of meeting any obligations arising under these sureties and/or guarantees.

Remuneration of key management personnel

The total costs of key personnel, comprising the Executive Board, Fiscal Concil, the Audit Committee and Board of Directors – are within the limits approved at a General Shareholders' Meeting, and the effects on the income statements of the years ended December 31, 2018 and 2017 are as follows:

	2018	2017
Remuneration	4,965	4,015
Profit shares	736	105
Assistance benefits	526	342
	6,227	**4,462**

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28. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

a) Classification of financial instruments and fair value

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

	Level	2018		2017	
		Balance	Fair value	Balance	Fair value
Assets					
Amortized cost					
Marketable securities	2	28,312	28,312	21,291	21,291
Customers and Traders; Concession holders (transmission service)	2	956,059	956,059	939,640	939,640
Restricted cash	2	90,710	90,710	18,344	18,344
Advances to suppliers	2	94,070	94,070	103,998	103,998
Receivable from related parties	2	921,288	921,288	351,709	351,709
Escrow deposits	2	374,374	374,374	309,994	309,994
Concession grant fee – Generation concessions	3	2,408,930	2,408,930	2,337,135	2,337,135
Reimbursements receivable – Transmission	3	1,296,314	1,296,314	1,928,038	1,928,038
		6,170,057	**6,170,057**	**6,010,149**	**6,010,149**
Fair value through profit or loss					
Cash equivalents – Investments	2	297,561	297,561	398,639	398,639
Marketable Securities					
Bank certificates of deposit	2	-	-	1,214	1,214
Financial Notes (LFs) – Banks	2	96,876	96,876	142,881	142,881
Treasury Financial Notes (LFTs)	1	56,572	56,572	364,561	364,561
Debentures	2	1,586	1,586	5,675	5,675
		452,595	**452,595**	**912,970**	**912,970**
Derivative financial instruments (swaps)	3	813,335	813,335	8,649	8,649
Transmission concession financial assets – remunerated by tariff (2)	3	-	-	547,800	547,800
Reimbursements receivable – Generation	3	816,202	816,202	1,900,757	1,900,757
		2,082,132	**2,082,132**	**3,370,176**	**3,370,176**
		8,252,189	**8,252,189**	**9,380,325**	**9,380,325**
Liabilities					
Amortized cost					
Loans, financings and debentures	2	(8,198,912)	(8,198,912)	(8,320,163)	(8,320,163)
Debt with pension fund (Forluz)	2	(147,540)	(147,540)	(163,049)	(163,049)
Deficit of pension fund (Forluz)	2	(85,417)	(85,417)	(64,109)	(64,109)
Concessions payable	3	(18,747)	(18,747)	(21,227)	(21,227)
Suppliers	2	(484,726)	(484,726)	(472,043)	(472,043)
Advances from customers	2	(40,267)	(40,267)	(190,758)	(190,758)
		(8,975,609)	**(8,975,609)**	**(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	(419,148)	(419,148)	(311,593)	(311,593)
		(419,148)	(419,148)	**(352,704)**	**(352,704)**
		(9,394,757)	**(9,394,757)**	**(9,584,053)**	**(9,584,053)**

(1) On December 31, 2018 and 2017, the book values of financial instruments reflect their fair values.
(2) As from 2018 assets linked to transmission infrastructure have been recognized as contractual assets, as required by IFRS 15. For more details see Note 13 – *Contractual assets*.

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

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

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

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

Fair value calculation of financial positions

<u>Transmission concession financial assets remunerated by Tariff:</u> Measured at New Replacement Value (*Valor novo de reposição*, VNR), according to criteria established in regulations by the Concession-granting power ('the Grantor'), based on fair value of the concession assets in service and which will be revertible at the end of the concession, and on the Weighted average cost of capital (WACC) used by the Grantor, which reflects the concession holder's return on the operations of the concession. The VNR and the WACC are public information disclosed by the Grantor and by Cemig GT.

Indemnities receivable - Transmission: Measured at New Replacement Value (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, respectively.

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

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

Derivative financial instruments

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

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

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: Fair value of its Loans, financings and debentures were determined using 140.53% of the CDI rate – based on its most recent funding. For the loans, financings and debentures, and debt agreed with Forluz, with annual rates between IPCA + 6.00% to 8.07% and CDI + 2.56% to 2.85%.

b) Derivative financial instruments

Put option - SAAG

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

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For measurement of the fair value of the SAAG put option Cemig GT uses the Black-Scholes-Merton ('BSM') model. The assumption was made that the future expenditures of FIP Malbec and FIP Melbourne are insignificant, so that the options are valued as if they hold direct equity interests at Mesa. However, neither SAAG nor Mesa are traded on a securities exchange, so that some assumptions are necessary for calculation of the price of the asset and its volatility for application of the BSM model. The closing price of the shares of Mesa on December, 31, 2018, is ascertained from free cash flow to equity, including its share of results of associates and joint ventures via indirect interests held by the FIPs. Volatility, in turn, is measured as an average of historic volatility (based on the hypothesis that the series of the difference of continuously capitalized returns follows a normal distribution) of comparable companies in the energy generation sector that are traded at Bovespa.

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

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

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

The Company performedthe sensitivity analysis of the exercise price of the option, varying the risk-free interest rate and the volatility, keeping the other variables of the model unchanged. In this context, scenarios for the risk-free interest rate at 4.86% to 8.86% p.a., and for volatility between 23% and 83% p.a., were used, resulting in estimates of minimum and maximum price for the put option of R$395,569 and R$448,684, respectively.

This option to sell investments could potentially dilute basic earnings per share in the future; however, they have not caused dilution of earnings per share in the business years presented here, as shown in Note 23.

Swap transactions

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

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

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The notional amount of derivative transactions are not presented in the statement of financial position, since they refer to transactions that do not require cash principal payments to be made: only the gains or losses that actually incurred are recorded. The net result of those transactions on December 31, 2018 was a positive adjustment of R$892,643 (negative adjustment of R$32,462 on December 31, 2017), which was posted in Finance income (expenses).

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

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

This table presents the derivative instruments contracted by the Company at Monday, December 31, 2018 and 2017.

Eurobond agreement (1)	Payable under hedge contract (1)	Maturity period	Trading market	Value of principal contracted (2)	Unrealized gain (loss)		Unrealized gain (loss)	
					Amount according to contract 2018	Fair value 2018	Amount according to contract 2017	Fair value 2017
In US$ 9.25% p.a.	R$ 150.49% of CDI	Interest: Half-yearly Principal: Dec. 2024	Over-the-counter	US$ 1,000,000	679,530	626,888	50,792	(32,462)
In US$ 9.25% p.a.	R$ 125.52% of CDI	Interest: Half-yearly Principal: Dec. 2024	Over-the-counter	US$500,000	32,781	186,447	-	-
					712,311	**813,335**	**50,792**	**(32,462)**

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

(2) In thousands of US dollars

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

The fair value found on December, 31, 2018 was R$813,335, which would be a reference point if the Company were to liquidate the hedges on that date, but the swap contracts protect the company’s cash flow up to the maturity of the bonds in 2024. They have accrual value of R$712,311 at December, 31, 2018.

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The Company is exposed to market risk as a function of having contracted this hedge, the principal potential impact being an alteration in futures of Brazilian interest rates or exchange rates. Based on the futures curves for interest rates and the dollar, the Company estimates that in a probable scenario, at the end of the accounting period its net income would suffer a negative impact of R$1.2 billion for the option (call spread), partially compensated by a gain of R$43 million for the swap – comprising a total of R$1.15 billion.

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

Holding Company, and consolidated	Base scenario Dec. 31, 2018	'Probable' scenario:	'Possible' scenario FX depreciation and interest rate increase 25%	'Remote' scenario: FX depreciation and interest rate increase 50%
Swap, asset side	5,981,249	5,933,662	4,874,919	3,921,229
Swap, liability side	(6,095,357)	(5,977,168)	(6,130,070)	(6,268,786)
Option / Call spread	927,444	1,196,040	588,372	192,526
Derivative hedge instrument	**813,336**	**1,152,534**	**(666,779)**	**(2,155,031)**

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

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

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Interest rate risk

On December 31, 2018 Cemig GT and its subsidiaries were exposed to the risk of reduction in Brazilian interest rates, since it has more assets than liabilities indexed to variation in interest rates, as follows:

Exposure to Brazilian domestic interest rates	Consolidated		Holding Company	
	2018	2017	2018	2017
Assets				
Cash equivalents – Cash investments (note 6)	297,561	398,639	223,247	364,092
Securities (Note 7)	183,346	535,622	14,631	408,925
Accounts receivable – Renova (Note 27)	507,038	350,200	507,038	350,200
Loan with related parties (Note 27)	408,114	-	408,114	-
Advances to suppliers	94,070	103,998	89,321	71,975
Receivable for residual value – Generation – Selic rate (Note 12)	-	1,084,346	-	1,084,346
Restricted cash	90,710	18,344	90,656	18,326
	1,580,839	**2,491,149**	**1,333,007**	**2,297,864**
Liabilities				
Loans, financings and debentures – CDI rate (Note 19)	(1,022,646)	(3,745,699)	(1,022,646)	(3,748,634)
Loans, financings and debentures – TJLP Rate (Note 19)	(163,367)	(2,359)	-	(2,359)
Advances from customers – CDI (note 8)	(40,267)	(147,066)	(40,267)	(147,066)
	(1,226,280)	**(3,895,124)**	**(1,062,913)**	**(3,898,059)**
Net assets (liabilities) exposed	**354,559**	**(1,403,975)**	**270,094**	**(1,600,195)**

Sensitivity analysis

The Company and its subsidiaries estimate that in a probable scenario, the Selic rate on December 31, 2019 will be 6.5%. They have made a sensitivity analysis of the effects on profits arising from increases of 25% and 50% in this rate in relation to the 'probable' scenario. Variation in the CDI rate accompanies the variation in the Selic rate.

Risk: Increase in Brazilian interest rates – Consolidated	Dec. 31, 2018	Dec. 31, 2019		
	Amount Book value	'Probable' scenario: Selic 6.50%	'Possible' scenario –25% Selic 4.88%	'Remote' scenario -50% Selic 3.25%
Assets				
Cash equivalents – Cash investments (note 6)	297,561	316,902	312,082	307,232
Securities (Note 7)	183,346	195,263	192,293	189,305
Accounts receivable – Renova (Note 27)	507,038	539,995	531,781	523,517
Loan with related parties (Note 27)	408,114	434,641	428,030	421,378
Advances to suppliers	94,070	100,185	98,661	97,127
Restricted cash	90,710	96,606	95,137	93,658
	1,580,839	**1,683,592**	**1,657,984**	**1,632,217**
Liabilities				
Loans, financings and debentures – CDI rate (Note 19)	(1,022,646)	(1,089,118)	(1,072,551)	(1,055,882)
Loans, financings and debentures – TJLP Rate (Note 19)	(163,367)	(173,986)	(171,339)	(168,676)
Advances from customers – CDI (note 8)	(40,267)	(42,884)	(42,232)	(41,576)
	(1,226,280)	**(1,305,988)**	**(1,286,122)**	**(1,266,134)**
Net assets	**354,559**	**377,604**	**371,862**	**366,083**
Net effect of variation in interest rates		**23,045**	**17,303**	**11,524**

Inflation risk

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

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Exposure to inflation	Consolidated		Holding Company	
	2018	2017	2018	2017
Assets				
Generation – Concession Grant Fee – IPCA (Note 12)	2,408,930	2,337,135	-	-
Transmission – Indemnity receivable – IPCA index (Note 12)	1,296,314	1,928,038	1,296,314	1,928,038
Transmission – Assets remunerated by tariff – IPCA index (1)	-	496,121		496,121
	3,705,244	**4,761,294**	**1,296,314**	**2,424,159**
Liabilities				
Loans, financings and debentures – IPCA (Note 18)	(1,239,199)	(1,343,545)	(1,239,199)	(1,343,545)
Debt agreed with pension fund (Forluz) – IPCA (Note 20)	(147,540)	(163,049)	(147,540)	(163,049)
Forluz solution plan (Note 20)	(85,417)	(64,109)	(85,417)	(64,109)
	(1,472,156)	**(1,570,703)**	**(1,472,156)**	**(1,570,703)**
Net assets	**2,233,088**	**3,190,591**	**(175,842)**	**853,456**

(1) As from 2018 assets linked to transmission infrastructure have been recognized as contractual assets, as required by IFRS 15. For more details see Note 13 – *Contractual assets*.

Sensitivity analysis

The Company and its subsidiaries estimate that in a probable scenario, the IPCA inflation index on December 31, 2019 will be 4.0881%. For the risk of reduction in inflation they have made a sensitivity analysis of the effects on profit arising from reductions in rates of 25.00% and 50.00% in relation to the 'probable' scenario.

Risk: reduction in inflation Consolidated	Dec. 31, 2018	Dec. 31, 2019		
	Book value	'Probable' scenario: IPCA 4.0881%	'Possible' scenario –25% IPCA 3.07%	'Remote' scenario –50% IPCA 2.04%
Assets				
Generation – Concession Grant Fee – IPCA (Note 12)	2,408,930	2,507,409	2,482,790	2,458,171
Receivable for residual value – Transmission – IPCA (Note 12)	1,296,314	1,349,309	1,336,060	1,322,812
	3,705,244	**3,856,718**	**3,818,850**	**3,780,983**
Liabilities				
Loans, financings and debentures – IPCA (Note 19)	(1,239,199)	(1,289,859)	(1,277,194)	(1,264,529)
Debt agreed with pension fund (Forluz) – IPCA (Note 21)	(147,540)	(153,572)	(152,064)	(150,556)
Solution for deficit of pension fund (Forluz) (Note 21)	(85,417)	(88,909)	(88,036)	(87,163)
	(1,472,156)	**(1,532,340)**	**(1,517,294)**	**(1,502,248)**
Net assets	**2,233,088**	**2,324,378**	**2,301,556**	**2,278,735**
Net effect of variation in inflation		**91,290**	**68,468**	**45,647**

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			
	2018		2017	
	Foreign currency	R$	Foreign currency	R$
US dollar				
Loans and financings (Note 19)	1,511,336	5,856,124	1,007,785	3,333,149
Euros				
Loans and financings (Note 19)	52	229	1,105	4,383
Net liabilities exposed	**1,511,388**	**5,856,353**	**1,008,890**	**3,337,532**

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Sensitivity analysis

The Company estimates that in a probable scenario, the variation of the exchange rates of foreign currencies in relation to the Real at December 31, 2019 will be a depreciation in the dollar exchange rate by 2.19%, to R$3.8000/US$, and depreciation of the Euro rate by 1.12%, to R$4.3700/€. The Company has made a sensitivity analysis of the effects on profit arising from depreciation of the Real exchange rate by 25%, and by 50%, in relation to this 'probable' scenario.

Risk: Exposure to exchange rates R$ '000	Dec. 31, 2018	Dec. 31, 2019		
	Book value	'Probable' Scenario US$1=R$ 3.8 EUR1 = R$ 4.37	Scenario +25% US$1=R$ 4.75 EUR1 = R$ 5.46	Scenario +50% US$1=R$ 5.70 EUR1 = R$ 6.56
US dollar				
Loans and financings (Note 19)	5,856,124	5,743,966	7,179,957	8,615,948
Euros				
Loans and financings (Note 19)	229	226	283	340
Net liabilities exposed	**5,856,353**	**5,744,192**	**7,180,240**	**8,616,288**
Net effect of exchange rate variation		**(112,161)**	**1,323,887**	**2,759,935**

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.

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

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

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

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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 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.

This table shows the flow of payments of the Company's obligations to suppliers, for debts agreed with the pension fund, and loans, financings and debentures, at floating and fixed rates, including future interest up to contractual maturity dates:

	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	70,862	292,669	946,032	4,535,612	6,811,794	12,656,969
Onerous concessions	207	419	1,832	8,289	13,780	24,527
Debt with pension plan (Forluz)	2,623	5,263	24,045	141,746	19,617	193,294
Deficit of the pension plan (Forluz)	800	1,612	7,373	43,442	108,043	161,270
	74,492	**299,963**	**979,282**	**4,729,089**	**6,953,234**	**13,036,060**
Fixed rate						
Suppliers	479,480	5,246	-	-	-	484,726
	553,972	**305,209**	**979,282**	**4,729,089**	**6,953,234**	**13,520,786**

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 December 31, 2018, considered to be adequate in relation to the credits receivable and in arrears, was R$24,486.

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.

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

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

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

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

1. Rating by risk rating agencies;
2. Shareholders' equity greater or more 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)
RF	Institutions with federal government credit risk	-	Between 6% and 9%
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%
A3:	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 such as liquidity and quality of credit portfolio.

Further to these points, the Company also sets two concentration limits:

1. No bank may have more than 30% of the Group's portfolio.
2. At least 50% of the available funds must be placed with RF and A1 banks.

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 reservoirs of these plants, which can lead to an increase in the cost of acquisition of energy, due to replacement by thermoelectric sources, or reduction of revenues due to reduction in consumption caused by implementation of wide-ranging programs for saving of energy.

Risk of early maturity of debt

The Company has loans, financings and debentures contracts with covenants relating to financial index of Cemig GT and its parent company, and cross-default clauses.

On December, 31, 2018, the Company was compliant with all the covenants for financial indices requiring half-yearly and annual compliance. More details in Note 19.

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d) Capital management

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

	Consolidated		Holding Company	
	2018	2017	2018	2017
Total liabilities	11,971,944	11,916,796	11,591,625	11,784,433
Cash and cash equivalents (Note 5)	(301,696)	(403,339)	(226,830)	(366,169)
Net liabilities	**11,670,248**	**11,513,457**	**11,364,795**	**11,418,264**
Total equity	**4,980,136**	**4,793,832**	**4,980,136**	**4,793,832**
Net liabilities / equity	**2.34**	**2.40**	**2.28**	**2.38**

29. INSURANCE

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

Assets	Cover	Dates of cover	Amount insured (1)	Annual premium (1)
Air transport – Aircraft / Guimbal helicopter	Fuselage Third party	April 29, 2018 to April 29, 2019 April 29, 2018 to April 29, 2019	US$4,385 US$14,000	US$49
Warehouse stores	Fire	Nov. 2, 2018 to Nov. 2, 2019	R$21,775	R$22
Facilities in buildings	Fire	Jan. 8 2019 to Jan. 8, 2020	R$271,446	R$59
Telecoms equipment (3)	Fire	Jan. 8 2018 to Jan. 8, 2019	R$11,514	R$5
Operational risk – generators, rotors, and power equipment above R$1 million	(2)	Dec, 7, 2018 to Dec. 7, 2019	R$992,147	R$1,332

(1) Amounts expressed in thousands of Reais.
(2) The maximum indemnity limit (MIL) is R$230,662,000.
(3) Contracting of a new policy is in progress.

Except for air travel and aircraft insurance, the Company does not have third party accident liability insurance, and is not seeking proposals for this type of insurance. Additionally, the Company have not sought proposals for, and do not have current policies for, insurance against events that could affect their facilities such as earthquakes, floods, systemic failures or business interruption. The Company has not suffered significant losses arising from these risks. The Company has not suffered significant losses as a result of the above-mentioned risks.

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30. CONTRACTUAL COMMITMENTS

The Company has contractual obligations and commitments, including purchase of energy and operational leasing, as follows:

	2019	2020	2021	2022	2023	After 2023	Total
Purchase of energy	3,963,302	3,041,180	3,056,640	3,813,670	3,394,364	37,159,377	54,428,533
Operational leasing (1)	16,654	15,138	4,582	-	-	-	36,374
	3,979,956	**3,056,318**	**3,061,222**	**3,813,670**	**3,394,364**	**37,159,377**	**54,464,907**

(1) This refers to the total of non-cancellable future minimum payments on vehicle rental for the company's end-activities, with annual adjustment by the IGP–M inflation index, without renewal clauses; and rental of real estate properties at the administrative headquarters for end-activities (more details in Note 27).

31. SUBSEQUENT EVENTS

Extended and/or renewed debt recognition agreements with related parties

On February 20, 2019 Cemig GT and Renova signed the first amendment to Debt Recognition Agreement ('TARD') 01/2018, and the eighth amendment to TARD 047/2016, postponing the due dates of payments by Renova until July 9, 2019, with financial adjustment at 155% of the CDI rate from the original maturity date until actual settlement.

On the same day new debt recognition agreements were signed, for recognition of debts contracted by Renova in the total amount of R$139,483, with settlement to be made by July 9, 2019, with financial updating at 155% of the CDI rate.

Negotiations on Alto Sertão III – Renova

On March 21, 2019 the Board of Directors decided to accept a new binding proposal presented by AES Tietê Energia S.A., for acquisition of 100% of the shares (all belonging to Renova) in the special-purpose companies comprising the *Alto Sertão III* wind farm complex. The transaction is still subject to satisfactory negotiation of the definitive documents between the parties involved, which are to include compliance with conditions precedent, and the necessary approvals for completion.

Signature of contract to acquire interest in Renova, and public offer for shares

On March 21, 2019 a share purchase agreement was signed for acquisition by Cemig GT and Light Energia S.A. ('Light Energia') of up to 7,282,036 shares in Renova owned by CG I Fundo de Investimento em Participações ('CG I') and certain parties related to that Fund. The shares to be acquired from CG I include the shares currently bound by the Stockholders' Agreement of Renova, signed on December 19, 2014.

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The shares in CG I will be acquired in the proportion of 67.85% by Cemig GT and 32.15% by Light Energia. In consideration CG I will receive securities issued by Light Energia and by Cemig GT in the same proportions, corresponding to nominal value of R$14.68 per share in Renova, common or preferred, which will be subject to adjustments arising, among other matters, from the following: (i) the costs incurred for regularization of land ownership of Renova; and (ii) existence of certain contingencies up to the date of closing of the transaction.

The Agreement also provides that certain common shares owned by CG I shall be converted into preferred shares, enabling Cemig GT to form 'Units' in Renova in the terms specified in Article 54 of the by-laws of Renova. As a result, after the closing, Cemig GT will be owner of 50% or less of the common shares in Renova. Under the Agreement, Cemig GT and Light Energia must notify BNDES Participações S.A. (BNDESPar) for it to state its position on exercise (or not) of its right to joint sale ('tag-along' right), as specified in the stockholders' agreement signed on November 6, 2012.

The closing of the acquisition of shares is subject to compliance with the conditions that are usual in this type of transaction, and to completion of the acts of financial restructuring of Renova.

Also, the Board of Directors of Cemig GT have approved, subject to the closing of the share acquisition, a Public Offering to Acquire Shares in Renova, to be made by Cemig GT and Light Energia, on a date to be announced, in which the stockholders of Renova will be offered equal treatment to that being offered to CG I.

Renova – debt restructuring

On March 21, 2019, the Board of Directors of Cemig GT decided on re-profiling of the debts of Renova with related parties: R$768 million owed to Cemig GT, and R$253 million owed to Light Comercializadora de Energia S.A. ('LightCom') on base dates March 2019; and the debts to Citibank and BTG Pactual, of approximately R$176 million and R$179 million, respectively.

The re-profiled debts will have maturity of six years, grace period of one year and interest at 155% of the CDI rate, with asset and/or surety guarantees.

These transactions are still subject to satisfactory negotiation of the definitive documents between the parties involved.

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(The original is signed by the following signatories:)

Cledorvino Belini
Chief Executive Officer

Dimas Costa
Chief Trading Officer

Maurício Fernandes Leonardo Júnior
Chief Finance and Investor Relations Officer

Ronaldo Gomes de Abreu
Interim Chief Generation and Transmission Officer

Daniel Faria Costa
Chief Officer for Management of Holdings

Ronaldo Gomes de Abreu
Interim Director without portfolio

Ronaldo Gomes de Abreu
Interim Chief Corporate Management Officer

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 Financial Statements prepared in Brazilian currency in accordance with accounting practices adopted in Brazil and International Financial Reporting Standards (IFRS), issued by International Accounting Standards Board – IASB

INDEPENDENT AUDITOR'S REPORT ON INDIVIDUAL AND CONSOLIDATED FINANCIAL STATEMENTS

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

Opinion

We have audited the individual and consolidated financial statements of Cemig Geração e Transmissão S.A. (the "Company"), identified as Individual and Consolidated, respectively, which comprise the statement of financial position as at December 31, 2018, and the statements of profit or loss, of comprehensive income, of changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the individual and consolidated financial position of Cemig Geração e Transmissão S.A. as at December 31, 2018, and its individual and consolidated financial performance and cash flows for the year then ended in accordance with the accounting practices adopted in Brazil and with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB).

Basis for opinion

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

Emphasis of matter

Risks related to compliance with laws and regulations

As mentioned in Note 14 to the financial statements, 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' financial statements. Our opinion is not modified in respect of this matter.

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

As disclosed in Note 14 to the financial statements, the jointly-controlled investee Renova Energia S.A. has incurred recurring losses and, as at December 31, 2018, has negative net working capital, equity deficit and negative gross margin. These events or conditions in connection with other matters disclosed in Note 14 indicate the existence of relevant uncertainty that may raise significant doubt about the ability of this jointly-controlled investee to continue as a going concern. Our opinion is not modified in respect of this matter.

Key audit matters

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

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

Service concession’s infrastructure and financial assets

As disclosed in Notes 12 and 13 to the financial statements, as at December 31, 2018, the Company and its subsidiaries have concession’s financial and contract assets totaling R$ 4,521,446 thousand and R$ 1,129,310 thousand, respectively, representing the service concession’s infrastructure.

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

For generation services, the concession’s financial assets represent the concession grant fee related to hydroelectric plants paid in 2016 and the amounts invested by the Company that have not been fully amortized by the end of the concession term, and consequently will be indemnified by the granting authority.

The amount of investments in infrastructure for transmission concession services is an essential part of the methodology applied by the granting authority to define the RAP, under the terms of the Concession Agreement. In addition, the evaluation of the financial asset considers the internal rate return remuneration of the project and the portion of the indemnity to be received on the return of the assets to the granting authority. Definition of which costs are eligible and that should be capitalized as infrastructure cost is subject to Management’s judgment. During 2018, the Company recognized investments in the infrastructure assets of transmission services concession in the total amount of R$ 95,712 thousand.

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

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

How our audit addressed this matter

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

As part of our procedures, we also recalculated the financial assets recorded by the Company and its subsidiaries, and compared the calculation-related inputs with external market information and criteria established by the granting authority, in addition to evaluating the changes in the last tariff revisions. In addition, we assessed the adequacy of the Company's disclosures on this matter.

Based on the results of the audit procedures performed, which are consistent with management's assessment, we considered the estimates prepared by management to be acceptable, as well as the related disclosures in Notes 12 and 13 in the context of the financial statements taken as a whole.

Impairment of investments in associates and joint ventures

As disclosed in Note 14 to the financial statements, as at December 31, 2018, the Company has equity method investments in the amount R$4,205,308 thousand and determine annually, or whenever applicable, the need to recognize any additional impairment loss on the Company's total net investment in the investees. In 2018, as result of this analysis, the Company believed there was an indication of impairment of the direct and indirect investments it held in Madeira Energia S.A., Norte Energia S.A., Guanhães Energia S.A. and Renova Energia S.A. and, consequently, proceeded with the analysis and determination of its recoverable value, recognizing eventual losses, when applicable.

This matter was considered significant for our audit, considering the relevance of Company’s and its subsidiaries’ assets account balances, specially related to investments accounted for under the equity method, subjectivity of Management’s fair value estimates and to the existence of certain specific circumstances relating to some investees and joint ventures’ delayed operation start-up and going concern.

How our audit addressed this matter

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

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

Other matters

Statements of value added

The individual and consolidated statements of value added (SVA) for year ended December 31, 2018, prepared under the responsibility of Company management, and presented as supplementary information for purposes of IFRS, were submitted to audit procedures conducted together with the audit of the Company's financial statements. To form our opinion, we evaluated if these statements are reconciled to the financial statements and accounting records, as applicable, and if their form and content comply with the criteria defined by CPC 09 – Statement of Value Added. In our opinion, these statements of value added were prepared fairly, in all material respects, in accordance with the criteria defined in abovementioned accounting pronouncement, and are consistent in relation to the overall individual and consolidated financial statements.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Belo Horizonte, March 29, 2019

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

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

OPINION OF THE AUDIT BOARD

CEMIG Geração e Transmissão S.A.

The members of the Audit Board of Cemig Geração e Transmissão S.A., undersigned, in performance of their function under the law and the Company's by-laws, have examined the financial statements for the business year ended December 31, 2018 and the related complementary documents, approved by the Company's Board of Directors, on March 28, 2019. After verifying these documents, and considering the examinations carried out by this Board and the explanations provided by the Company's Management in relation to acts of management and the related records in the 2018 financial year, and also based on the unqualified Opinion of Ernst & Young Auditores Independentes (EY) issued on March 29, 2019, hereby express the following favorable opinion, namely that these statements are adequately presented in all material aspects, and thus merit approval by the stockholders in the Annual General Meeting to be held in 2019.

Belo Horizonte, March 29, 2019.

(Signed by:)

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

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Geração e Transmissão S.A.

DIRECTORS' STATEMENT OF REVIEW OF THE FINANCIAL STATEMENTS

Geração e Transmissão S.A.

STATEMENT

We hereby state, for the due purposes, under the responsibility of our positions, that in the 865th meeting of the Executive Board of Cemig Geração e Transmissão S.A. (Cemig GT), held on March 26, 2019, we approved the conclusion, on that date, of the Company's financial statements for the business year 2018; and also submission to the Board of Directors, for decision and submission to the Annual General Meeting, of the Report of Management, the Financial Statements for 2018 and the related complementary documents. In relation to those documents, we declare that we have reviewed, discussed and agree with the said Financial Statements.

Belo Horizonte, March 26, 2019.

(Signed by:)

Cledorvino Belini – Chief Executive Officer
Daniel Faria Costa – Chief Officer for Management of Holdings
Dimas Costa – Chief Trading Officer
Maurício Fernandes Leonardo Júnior – Chief Finance and Investor Relations Officer
Ronaldo Gomes de Abreu – Director without Portfolio; interim Chief Corporate Management Officer and Chief Generation and Transmission Officer

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

STATEMENT

We hereby state, for the due purposes, under the responsibility of our positions, that at the 865th meeting of the Executive Board of Cemig Geração e Transmissão S.A. (Cemig GT), held on March 26, 2019, we approved the conclusion, on that date, of the Company's financial statements for the business year 2018; and also submission to the Board of Directors, for decision and submission to the Annual General Meeting, of the Report of Management, the Financial Statements for 2018 and the related complementary documents. In relation to those documents, we declare that we have reviewed, discussed and agree with the opinions expressed by the representatives of the Independent External Auditors.

Belo Horizonte, March 26, 2019.

(Signed by:)

Cledorvino Belini – Chief Executive Officer
Daniel Faria Costa – Chief Officer for Management of Holdings
Dimas Costa – Chief Trading Officer
Maurício Fernandes Leonardo Júnior – Chief Finance and Investor Relations Officer
Ronaldo Gomes de Abreu – Director without Portfolio; interim Chief Corporate Management Officer and Chief Generation and Transmission Officer

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REPORT OF THE AUDIT COMMITTEE

SUMMARY OF THE REPORT OF THE AUDIT COMMITTEE

INTRODUCTION

The purpose of the Audit Committee, a statutory body of Companhia Energética de Minas Gerais ('Cemig'), Cemig Distribuição S.A. ('Cemig D'), Cemig Geração e Transmissão S.A. ('Cemig GT') and their related subsidiaries, is to advise the Board of Directors on the exercise of its functions of audit and inspection, and, among other duties specified in its Internal Regulations, evaluate and state opinions on: the quality and integrity of the accounting statements; adherence to the rules of law, the bylaws and regulations; and the effectiveness of the systems of internal control, and of independent and external auditing. The assessments made by the Committee are based (i) on information received from Management, from the external auditors, from internal audits, and from those responsible for management of risk and internal controls; and (ii) on its own analyses arising from direct observation. It is a function of the Committee, with the technical and operational support of the Company's Compliance area, to carry out analysis of the appropriateness of nominations to the post of Manager or member of the Audit Board by carrying out background checks of integrity and compliance.

COMPOSITION OF THE AUDIT COMMITTEE

The Audit Committee comprises: Mr. José Pais Rangel, who is a member of the Board of Directors and is Coordinator of the Committee; and the committee members Mr. Gilberto José Cardoso and Mr. Pedro Carlos de Mello.

The Committee was elected by the Board of Directors in an Extraordinary Meeting held on June 11, 2018, in compliance with a change in the bylaws.

ACTIVITIES CARRIED OUT IN THE SCOPE OF ITS DUTIES IN SECOND HALF 2018

In the second half of 2018 the Committee met 18 times. At the beginning of the first half of 2019 it has met 12 times. It has taken part in meetings of the Board of Directors three times. Four meetings were held jointly with the Audit Board in the second half of 2018, and one so far in the first half of 2019. The Committee has maintained permanent contact with the managers of the various areas of the Company, aiming to accompany the work carried out, and obtain input information on which to base its assessments. Six meetings were held with participation by the external auditors, Ernst and Young Auditores Independentes, to become aware of methodology, planning and results of the work, with a view to preparation of the Financial Statements at June 30, 2018, and December, 31, 2018. The Committee met with members of the Executive Board of the Company to deal with subjects related to general aspects of the management of the institution, in particular those relating to accounting, internal controls, internal auditing, management of capital, financial management and management of risks. The Committee has presented recommendations for enhancement of processes, and accompanied the implementations of improvements that it has recommended, and also recommendations in relation to internal and external audits, indicated in the course of its work. The Committee has maintained regular contacts with the Company's Board

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of Directors, and has also issued opinions of aspects related to its duties under regulations, and provided information to that Board on its activities.

THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS

The work carried out by the Office of the General Manager for Compliance and Corporate Risk Management (GC) was the subject of accompaniment by the Committee. The Audit Committee considers that the activity of the Company's management in ensuring the effectiveness of the institution's systems of internal controls and risk management is positive (although in its opinion some points require more attention).

INTERNAL AUDITING

Several meetings have been held with the General Manager and the Managers of Internal Auditing (AI), with a view to accompanying the work carried out by these units. The Committee has made an assessment of the scope and quality of the audits carried out, and the level of independence of the area – assessing it to be positive. In the work carried out by internal auditing, no failures to comply with the legislation in effect and/or the internal rules were found of which the degree of severity could put the solidity and continuity of the Company at risk.

EXTERNAL AUDITING

The Committee met with the external auditors, Ernst and Young Auditores Independentes S.S., to ascertain the principal events in the works carried out in the preparation of the financial statements for 2018, and in their assessment of the Company's present internal controls. The Committee considers the work carried out to be satisfactory, and has not identified any situations that could affect the objectivity and independence of the external auditors.

THE FINANCIAL STATEMENTS

The Committee has accompanied the process of preparation of the financial statements for 2018, examining trial balances, balance sheets and explanatory notes, and has considered the financial statements, the Report of Management, the Report of the External Auditors and other documents destined for publication. It has taken cognizance of the accounting practices used in the preparation of the financial statements, which are aligned with the fundamental principles of accounting and with Brazilian corporate legislation, and which adequately portray the institution's equity situation.

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CONCLUSION

By the closing date of this report the Audit Committee had not received any reports of any accusation of non-compliance with rules, or absence of controls, or any act or omission by the Company's Management, that might indicate the existence of fraud, failings or errors that might put at risk the continuity of the institution or the fidelity of its accounting statements. Based on the considerations above, the Audit Committee, having duly weighed and considered its responsibilities and the natural limitations arising from the scope of its activity, recommends to the Board of Directors that the Financial Statements of Cemig, Cemig D and Cemig GT for 2018 should be approved.

Belo Horizonte, March 28, 2019

The Audit Committee

JOSÉ PAIS RANGEL – Coordinator

PEDRO CARLOS DE MELLO – Member

GILBERTO JOSÉ CARDOSO – Member

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