Brazil's Best Energy

CONTENTS

REPORT OF MANAGEMENT FOR 2014 2
MESSAGE FROM MANAGEMENT 2
BRIEF HISTORY OF CEMIG 4
OUR BUSINESSES 7
FINANCIAL RESULTS 11
THE REGULATORY ENVIRONMENT 22
RELATIONSHIP WITH OUR CLIENTS 26
INVESTMENTS 28
CAPITAL MARKETS AND DIVIDENDS 33
DIVIDEND POLICY 35
PROPOSAL FOR ALLOCATION OF NET PROFIT 36
CORPORATE GOVERNANCE 36
RELATIONSHIP WITH EXTERNAL AUDITORS 37
AUDITING AND MANAGEMENT OF RISKS 37
TECHNOLOGICAL MANAGEMENT AND INNOVATION 39
SOCIAL RESPONSIBILITY 41
RECOGNITION – AWARDS 49
FINAL REMARKS 51
SOCIAL STATEMENT – CEMIG, CONSOLIDATED 52
MEMBERS OF BOARDS 53

STATEMENTS OF FINANCIAL POSITION 54
STATEMENTS OF INCOME 56
STATEMENTS OF COMPREHENSIVE INCOME 57
STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY – CONSOLIDATED 58
STATEMENTS OF CASH FLOW 59
STATEMENTS OF ADDED VALUE 61

NOTES TO THE FINANCIAL STATEMENTS 62
1. OPERATING CONTEXT 62
2. BASIS OF PREPARATION 68
3. PRINCIPLES OF CONSOLIDATION 87
4. CONCESSIONS AND AUTHORIZATIONS 89
5. OPERATING SEGMENTS 97
6. CASH AND CASH EQUIVALENTS 100
7. SECURITIES 100
8. CONSUMERS, TRADERS, AND POWER TRANSPORT CONCESSION HOLDERS 101
9. RECOVERABLE TAXES 102
10. INCOME AND SOCIAL CONTRIBUTION TAXES 102
11. ESCROW DEPOSITS 105
12. ENERGY DEVELOPMENT ACCOUNT (CDE) 105
13. FINANCIAL ASSETS OF THE CONCESSION 106
14. INVESTMENTS 111
15. PROPERTY, PLANT AND EQUIPMENT 126
16. INTANGIBLE ASSETS 132
17. SUPPLIERS 133
18. TAXES, INCOME TAXES AND SOCIAL CONTRIBUTION TAXES 133
19. LOANS, FINANCINGS AND DEBENTURES 135
20. REGULATORY CHARGES 140
21. POST-RETIREMENT LIABILITIES 141
22. PROVISIONS 146
23. EQUITY AND REMUNERATION TO SHAREHOLDERS 157
24. REVENUE 162
25. OPERATING COSTS AND EXPENSES 165
26. FINANCIAL REVENUE AND EXPENSES 168
27. RELATED PARTY TRANSACTIONS 169
28. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT 172
29. MEASUREMENT AT FAIR VALUE 179
30. INSURANCE 181
31. COMMITMENTS 182
32. NON-CASH TRANSACTIONS 182
33. SUBSEQUENT EVENTS 183

OPINION OF THE AUDIT BOARD 187
STATEMENT BY THE EXECUTIVE OFFICERS OF REVIEW OF THE FINANCIAL STATEMENTS 188
STATEMENT BY THE EXECUTIVE OFFICERS OF REVIEW OF THE REPORT BY THE EXTERNAL AUDITORS ON THE FINANCIAL STATEMENTS 189

REPORT OF MANAGEMENT FOR 2014

Dear Stockholders,

Companhia Energética de Minas Gerais ("**Cemig**" 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, 2014, 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

In his speech at the appointment ceremony of the new Executive Board on January 23, 2015, Minas Gerais State Governor Fernando Pimentel, gave the following brief description of the guidelines that will orient Cemig's activity in the coming years:

"There will be full support from the of Minas Gerais State government for our primary objective: to reconcile the legitimate interest of stockholders, productivity, profits and development with the very legitimate interests of the employees – safe working conditions and appropriate salaries – and the interests of consumers in efficiency and quality.

There is no contradiction between seeking to provide for the legitimate desires of the stockholder, and reconciling them with the expectations of consumers and employees. This is Cemig's great challenge, and I believe it is the great challenge for any company that has both the State and legitimate private interests as stockholders. It is a challenge which I am certain both the Board of Directors and the Executive Board will know how to judge."

We have a clear perception of the challenge.

Cemig has always had, and will continue to have, a leading role in the Brazilian electricity sector, acting as one of the major groups consolidating the sector and using its experience – from its more than 60 years' existence – in the building of major projects.

We have viable alternatives for growth, making use of the opportunities that the sector offers, as well as those which already represent a path for vigorous growth – such as the natural gas sector, and generation from renewable sources.

Clearly the greatest priority in the short term is to deal appropriately with the dispute on extension of the concession contracts of the Jaguara, São Simão and Miranda hydroelectric plants. The difficulties are many, but we are seeking the best solution for the legal dispute through negotiation with the federal government.

Another highlight is the alliance of generation assets that we have made with Vale S.A., creating a new company, Aliança Geração de Energia S.A., which will be come into being already with combined assets greater than R$ 4.5 billion, of which Cemig will have 45% ownership, starting activities in March 2015. With this association, we increase the potential of generating new business and maximizing profits in electricity generation, due to the combination of experiences in operational, financial and project management.

In electricity distribution, we have investments planned for the period 2015 to 2018, date of the next tariff review, totaling nearly R$ 3 billion, which demonstrates our commitment to the development of Minas Gerais State, and to producing quality electricity supply to our 8 million consumers in the State.

As well as its investment programs, Cemig is a company with a technical staff that is highly qualified to act firmly, together with the State and Federal governments, in improving the electricity tariffs system, reducing costs of generation of electricity, and serving consumers with more quality.

To our stockholders, the message that we would like to get to you in this first moment, is to emphasize the extremely important role that you have for Cemig, and to maintain our position: that we are always together, always jointly seeking the best results for all those who form the pillars of this Company.

We will at all time work transparently, and we consider that one of our challenges is to find the ideal balance so that all our publics are fully satisfied. A dividend policy that meets stockholders' desires, and also meets the need for growth to guarantee the market share of a company of this scale.

In relation to operational management, we will seek to meet the criteria for efficiency and quality with moderate costs, compatible with the best global and Brazilian practices. Complying with the regulatory rules will be priority for all our businesses that are regulated.

We believe that the Company's engines of growth are our employees. So we will employ the best management practices to ensure that the people who work in our Company have full opportunity and qualification.

Everything we do is always based on the principles of sustainability and social responsibility, and this is shown in Cemig's presence in the Dow Jones Sustainability World Index and in the Global Compact 100 index of the United Nations Global Compact – which brings together 100 companies from all over the world that are both committed to corporate sustainability and also have leading performance in the capital markets.

As well as the challenges inherent to the Company, in 2015 we will have to deal with a greater pressure on costs of electricity, with the thermal plants being dispatched to meet the needs of consumption, due to the low level of the reservoirs of the hydroelectric plants, due to the low rainfall since the end of 2013.

In this context, Brazil's rainfall in the coming months, as compared with historic averages, will be a determining factor for energy policy and prices of electricity in the short and medium term.

Finally, in spite of all the challenges and complexities of the electricity sector, we have confidence in the future, and we know we have the support of our employees and our stockholders for Cemig to continue to be recognized as: Brazil's Best Energy.

BRIEF HISTORY OF CEMIG

Cemig is a company with mixed public and private-sector ownership, controlled by the government of the Brazilian state of Minas Gerais. Its shares are traded on the exchanges of São Paulo, New York and Madrid (Latibex). Its market valuation at the end of 2014 was approximately R$ 16.8 billion. In 2004 it was selected for the 15th year running for inclusion in the *Dow Jones Sustainability World Index* for 2014-15, and it is the only company in the Latin American electricity sector that has been in the DJSI World since the creation of that index, in 1999. In these 15 years of participation Cemig has received important recognition, such as the world leadership in the electricity sector. For two years, Cemig was also leader in the utilities 'supersector', a category that includes providers of electricity, gas, water services and other public utilities. Cemig's overall score has increased by one point from the previous year. This places the company in the ranking of best scores in the utility sector.

The Cemig group comprises 206 companies, 18 consortia and two Equity Investment Funds. It is controlled by a holding company, and has assets and business in 23 of the Brazilian States, in the Brazilian Federal District, and also in Chile. Cemig also operates in data transmission, through Cemig Telecom, and in the provision of energy solutions, through Efficientia.

Our mission, vision and values

Mission:

"To operate in the energy sector with profitability, quality and social responsibility."

Vision:

"To consolidate Cemig's position, over the course of this decade, as the largest group in the Brazilian electricity sector by market value, with a presence in the natural gas market, and as a global leader in sustainability, admired by its clients and recognized for its solidity and performance".

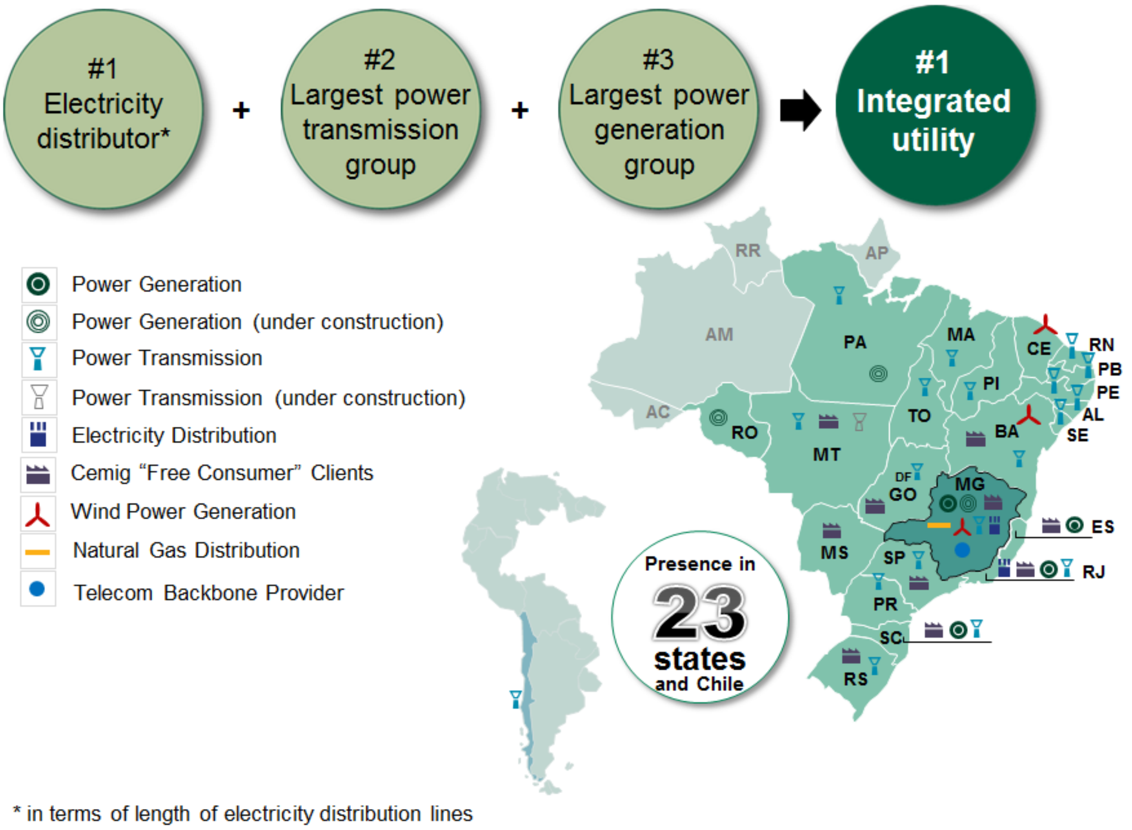
Values:
"Integrity, ethics, wealth, social responsibility, enthusiasm for the work, and entrepreneurial spirit".

Cemig's Statement of Ethical Principles and Code of Professional Conduct

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

Area of operation

As the map below shows, Cemig operates in various regions of Brazil, with the greatest concentrated in the Southeast. It also shows Cemig's first operation outside Brazil: the *Charrúa–Nueva Temuco* transmission line, in Chile, which began to operate in 2010.

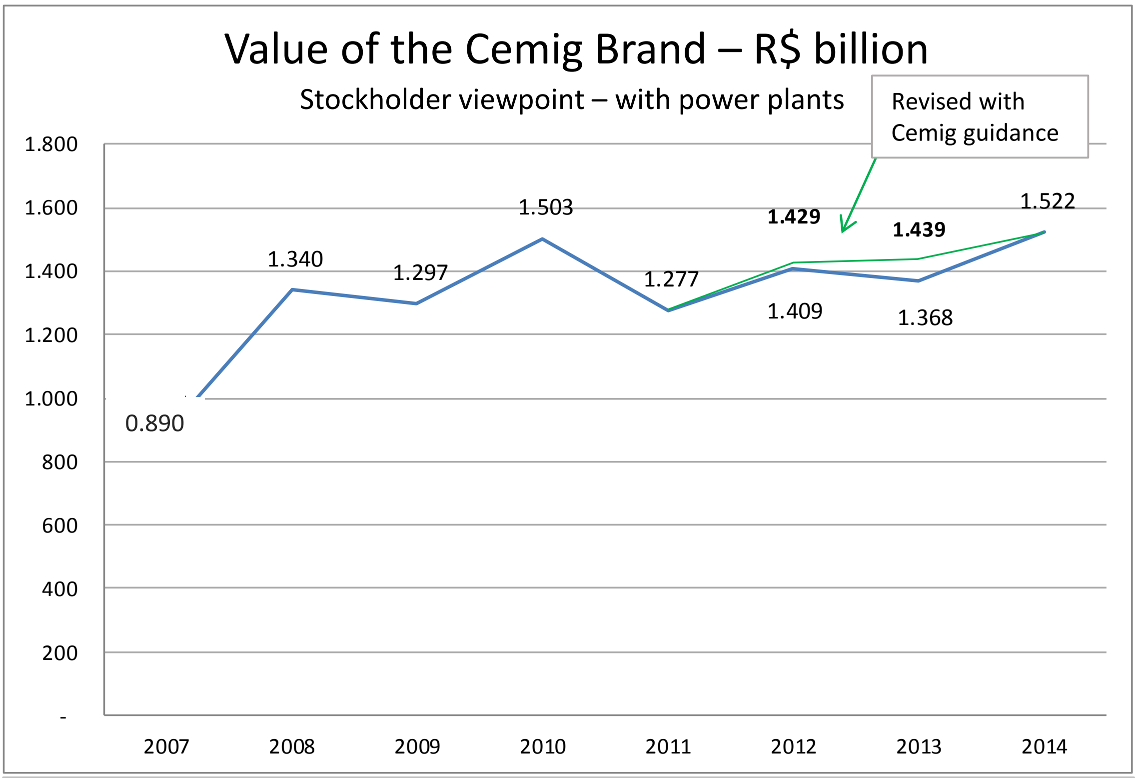


Cemig's brand and reputation

Cemig has been regularly carrying out a valuation of its brand and its reputation since 2007. The aim is to have a brand that is ever-increasing in strength and an increasingly positive reputation.

The Cemig brand

Since the company's began measurement of this value, research on valuation of the brand has been carried out by the contracted company *Brand Finance*. In 2014 there was an increase of 8% in the valuation of Cemig's brand from 2013, especially reflecting the better result indicated for the strength of the brand, and the better performance vis-à-vis clients and investors.

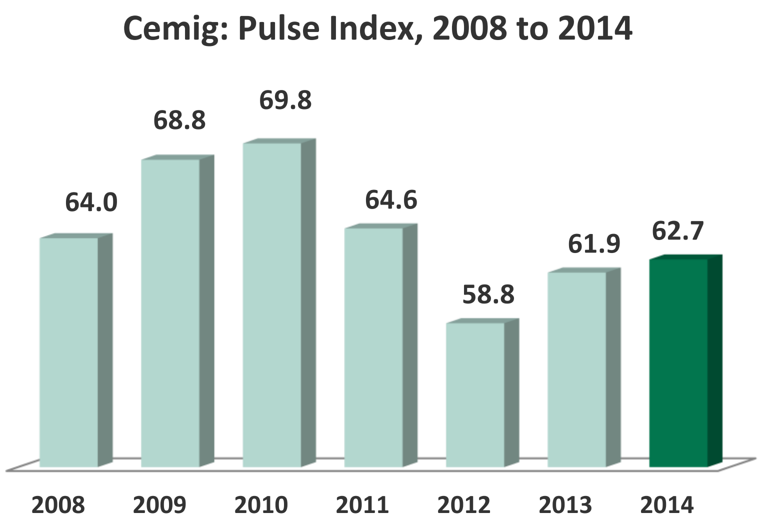


Note: In 2012 and 2013 the data input used included Balance sheet, Profit and loss account, Cost of capital, and the valuers' own forecasts based on data published by Cemig. In 2007–2011, and in 2014, the valuation used Cemig internal guidance figures. This year, the valuers have revised the figures for 2012 and 2013, to once again include consideration of the guidance figures.

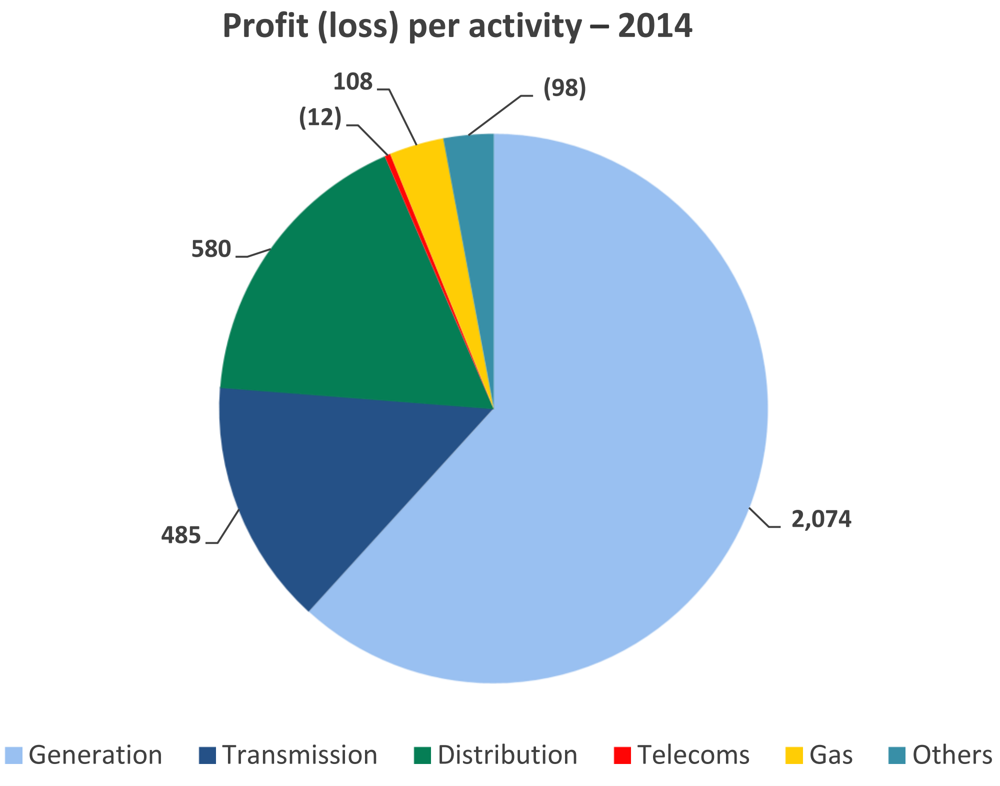
Cemig's Reputation

The Reputation Institute, a company contracted by Cemig, uses the RepTrak™ *Deep Dive* methodology to evaluate the degree of respect, admiration, confidence and empathy of the public that relates with the Company, forming the *Pulse* general index of reputation.

Since 2011 Cemig has had its Brand and Reputation Management Committee, comprising representatives from all the Director-level Departments. The aim is to decide on action to improve the Company's performance, strengthen the brand and make Cemig's reputation even more positive.



OUR BUSINESSES



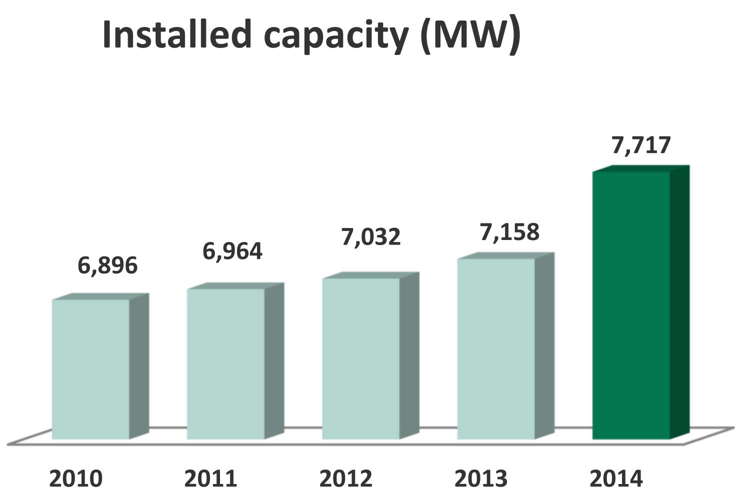
Generation

Taking into account its subsidiaries, jointly-controlled subsidiaries and affiliated companies, Cemig has 105 generation plants in operation, of which 79 are hydroelectric, 3 are thermoelectric and 23 are wind farms, with a total of 7,717 MW of installed capacity. This places the Cemig Group among the largest generators in Brazil.

Generation

Generating plants	Installed capacity, MW	Assured offtake (Average MW)
São Simão	1,710	1,281
Emborcação	1,192	497
Nova Ponte	510	276
Jaguara	424	336
Miranda	408	202
Três Marias	396	239
Volta Grande	380	229
Irapé	399	211
Aimorés	162	84
Santo Antônio	403	392
Others	1,068	624
Geração Light	282	210
Wind farms	199	90
Thermal plants	184	123
Total	**7,717**	**4,794**

In line with Cemig's growth strategy, its total installed generation capacity has grown constantly over the last five years:



The company has generation projects in progress, among which we highlight:

Generating plants	Installed capacity (MW)	Cemig interest	Scheduled date for operation at full capacity
Santo Antônio	3,150	17.76%	2016
Belo Monte	11,233	7.28%	2018

Wind power generation

Cemig is one of the pioneer companies in wind generation in Brazil – with its *Morro do Camelinho* wind plant, which was connected to the grid in 1992. Brazil has theoretical wind energy generation potential of 143.5GW. This is more than the total generation capacity currently installed in the whole country, of 107 GW.

In 2011 Cemig became a stockholder in Renova Energia, through Light. Renova owns Latin America's largest wind complex, in the central region of the state of Bahia.

In 2014 Cemig GT entered the controlling stockholding block of Renova, through subscription by GT of new shares in the company. Renova will use these funds for further investments, consolidating its position as one of the largest companies generating from renewable electricity sources in Brazil.

Cemig also has a 49% interest in three major wind farms already in operation, in the State of Ceará, with total potential generation capacity of approximately 100 MW.

Transmission

At the end of 2014 Cemig GT was operating 4,927 km of transmission lines that were part of the Brazilian National Grid.

Distribution

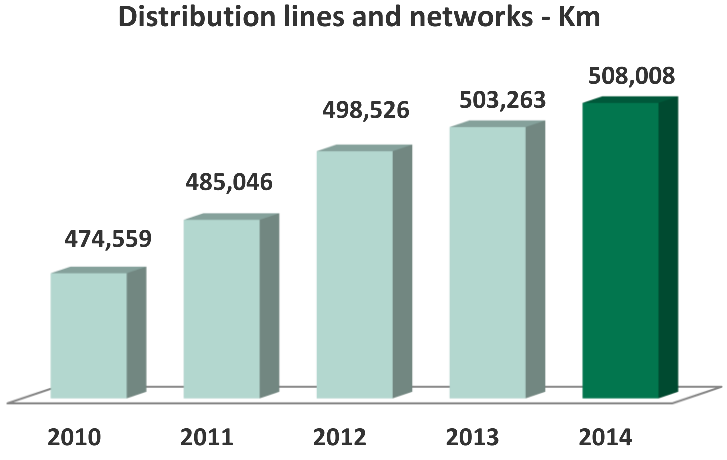
We are Brazil's largest electricity distribution group – operating in distribution primarily in the states of Minas Gerais and Rio de Janeiro, through **Cemig D** and Light S.A. (**Light**), serving more than 11 million consumers.

Cemig D

Cemig D is the largest distribution company in Latin America, with 491,848 km of distribution networks (99,818 km in urban areas and 392,030 km in rural areas), and 16,160 km of distribution lines, with 8 million consumers invoiced in December 2014.

Cemig D has one of the highest indices of consumers benefited by the Brazilian Social Tariff. Of the total of 6,445,860 residential consumers invoiced in December 2014, 15.1%, or 975,408, are low-income consumers.

This chart below shows the growth of Cemig D's sub-transmission and distribution lines over the last five years:

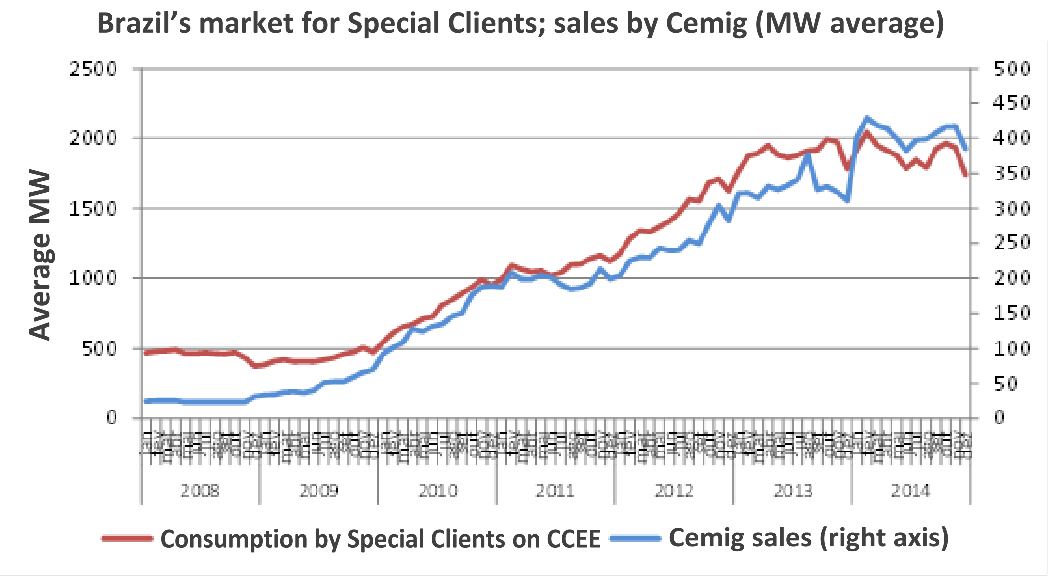


Trading in electricity

The companies of the Cemig group are leaders in serving the Free Market. We expand our area of activity to other states, consolidating our position by adding new clients in the states where we already work, of which the principal ones are Minas Gerais, São Paulo and Bahia.

In service to large Free Clients, Cemig's leadership arises from a volume of sales equivalent to twice the volume sold by the nearest competitor.

In serving Special Clients, Cemig's position has grown each year, especially from 2008 through 2014.



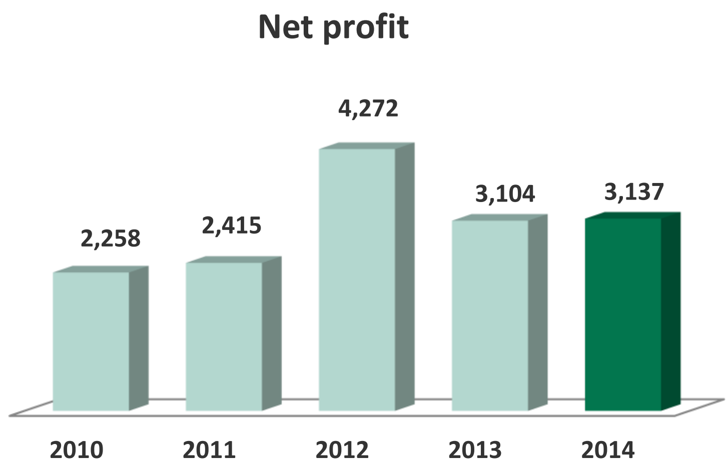
FINANCIAL RESULTS

Performance of our businesses in 2014

Net profit for the period

Cemig reports net profit of R$ 3,137 million for 2014, compared to net profit of R$ 3,104 million in 2013 – or an increase of 1.06%.

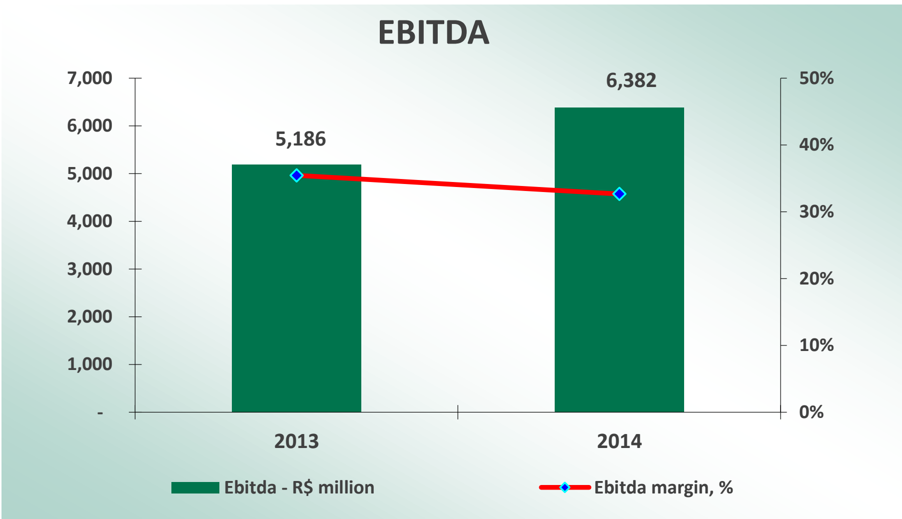
This chart shows changes in Cemig's net profit over 5 years.



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

Cemig's Ebitda was 23.06% higher in 2014 than 2013:

Ebitda - R$ '000	2014	2013	Change, %
Net profit for the period	3,137	3,104	1.06
+ Income tax and Social Contribution tax	1,343	950	41.37
+ Financial revenue (expenses)	1,101	308	257.47
+ Depreciation and amortization	801	824	(2.79)
= EBITDA	6,382	5,186	23.06



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

Ebitda margin in 2014 was 32.66%, which compares to 35.45% in 2013 – lower, among other factors, due to lower equity gain from subsidiaries.

Operational revenue

Operational revenue breakdown as follows:

R$ million	2014	2013	Change, %
Revenue from supply of electricity	17,232	14,741	16.90
Revenue from Use of Distribution Systems (the TUSD charge)	855	1,008	(15.18)
CVA and Other financial components in tariff increases	1,107	-	-
Transmission revenue			
Transmission concession revenue	557	404	37.87
Transmission construction revenue	80	91	(12.09)
Transmission indemnity revenue	420	21	1.900.00
Distribution construction revenue	862	884	(2.49)
Transactions in electricity on the CCEE	2,348	1,193	96.81
Other operational revenues	1,705	1,048	62.69
Taxes and charges applied to Revenue	(5,626)	(4,763)	18.12
Net operational revenue	**19,540**	**14,627**	**33.59**

Revenue from supply of electricity

Revenue from total sales of electricity in 2014 was R$ 17,232 million – or 16.90% more than in 2013, when this revenue was R$ 14,741 million.

Final consumers

Total revenue from electricity sold to final consumers, excluding Cemig's own consumption, was R$ 14,922 million in 2014 – or 18.46% more than in 2013 (R$ 12,597 million).

The main factors in revenue in 2014 were:

- Annual tariff adjustment, with average effects on consumer tariffs of 2.99%, effective from April 8, 2013 (full effect in 2014).

- Tariff increase for Cemig D, with average effect on tariffs for captive consumers of 14.76%, in effect from April 8, 2014.

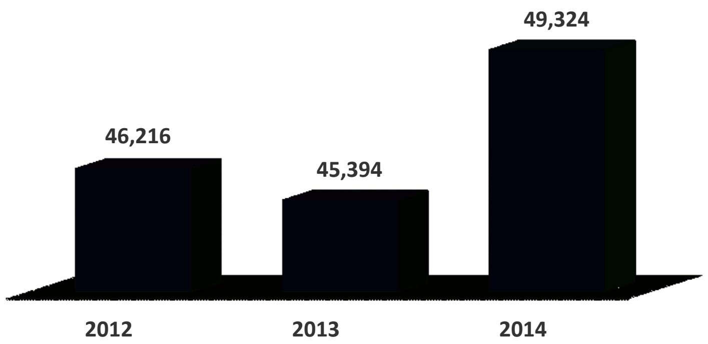
- The quantity of electricity supplied to final consumers was 8.66% higher in 2014.

Cemig's electricity market

The total of Cemig's consolidated electricity market comprises sales to: (i) captive consumers in Cemig's concession area in the State of Minas Gerais; (ii) Free Consumers in both the State of Minas Gerais and other States of Brazil, in the Free Market (*Ambiente de Contratação Livre*, or ACL); (iii) other agents of the electricity sector – traders, generators and independent power producers, also in the ACL; (iv) distributors, in the Regulated Market (*Ambiente de Contratação Regulada*, or ACR); and (v) the wholesale trading chamber (*Câmara de Comercialização de Energia Elétrica*, or CCEE), eliminating transactions between companies of the Cemig Group).

This chart shows changes in volumes of electricity supplied to final consumers over the last 3 years:

GWh invoiced to final consumers



The Cemig's market is detailed in the following table, with a breakdown of transactions in 2014 compared to 2013:

R$ '000	MWh		
	2014	2013	Change, %
Residential	10,013,757	9,473,426	5.70
Industrial	26,025,584	23,451,590	10.98
Commercial, Services and Others	6,395,473	6,035,454	5.97
Rural	3,390,096	3,028,459	11.94
Public authorities	891,454	860,709	3.57
Public illumination	1,298,047	1,267,202	2.43
Public service	1,272,365	1,241,897	2.45
Subtotal	**49,286,776**	**45,358,737**	**8.66**
Own consumption	37,590	35,162	6.91
	49,324,366	**45,393,899**	**8.66**
Wholesale supply to other concession holders (*)	14,146,109	16,127,376	(12.29)
Total	**63,470,475**	**61,521,275**	**3.17**

(*) Includes Regulated Market Electricity Sale Contracts (CCEARs) and 'bilateral contracts' with other agents.
The total volume of electricity sold by Cemig in 2014 was 3.25% more than in 2013.

Comments on the various consumer categories:

Residential: Consumption by the residential category grew by 5.70% in 2014, from 2013. The increase is associated mainly with connection of new consumers, higher temperatures in the year, and more use of air conditioners or ventilators in homes. The average monthly consumption per consumer rose by 2.2% from 2013, to 131.2 kWh/month, the highest level since 2001.

Industrial: Consumption by free and captive industrial clients was 10.98% higher than in 2013, mainly reflecting volume of electricity invoiced to Free Clients 13.7% higher in the year, as new clients were added, and as available supply was redirected following the termination, in December 2013, of supply contracts in the Regulated Market, to the Free Market.

Commercial: Consumption by Free and Captive commercial clients in Cemig's concession area in Minas Gerais, and outside the State, was 5.97% higher in 2014, basically reflecting connection of new consumer units, and also increase of consumption, principally through air conditioners as a result of the high temperature in 2014.

Rural: Consumption by rural consumers grew by 11.94% in the year, reflecting increase demand for electricity for irrigation, due to the a-typical climate conditions over the year of 2014, with less rain and higher temperatures.

Other consumer categories: Consumption by the other consumer categories (public authorities, public lighting, public services and Cemig's own consumption) was 2.73% higher in 2014.

<u>Revenue from supply to other concession holders</u>

Revenue from electricity sold to other concession holders in 2014 was R$ 2,310 million, 7.74% more than in 2013 (R$ 2,144 million).

Although the volume of electricity sold to other concession holders was 12.28% lower in the year, at 14,146,109 MWh, vs. 16,127,376 MWh in 2013, the increase in revenue resulted from the average sale price being 20.68% higher, at R$ 159.16 per MWh in 2014, compared to R$ 132.94/MWh in 2013.

The increase in average price was mainly due to the reduction of supply of electricity in 2014, which in turn was the result of the lower level of reservoirs.

Revenue from Use of Distribution Systems (the TUSD charge)

This is revenue from charging of the Tariff for Use of the Distribution System (*Tarifa de Uso do Sistema de Distribuição*, or TUSD), to Free Consumers, for transport of electricity sold. In 2014 this revenue was R$ 855 million, 15.18% less than in 2013 (R$ 1,008 million). The difference is mainly in Cemig Distribution, with: (a) lower industrial activity in the sector – reflected in 10.3% lower volume of energy transported; and (b) the tariff impact for Free Consumers as from April 8, 2013, with reduction of the TUSD by 33.22%, which began to be offset by the increase of 8.79% as from April 8, 2014.

The CVA Account and Other financial components, in tariff increases

Due to the alteration in the concession contracts of the electricity distributors, the Company began to recognize the balances of non-manageable costs to be passed through to the next tariff adjustment of Cemig D, representing a revenue of R$ 1,107 million in 2014. This is explained in detail in Explanatory Note 13 to the financial statements.

Revenue from transactions in the Electricity Trading Chamber (CCEE)

Revenue from transactions in electricity on the CCEE was R$ 2,348 million in 2014, compared to R$ 1,193 million in 2013 – an increase of 96.81%. This basically reflects the increase of 161.88% in the average price in the wholesale market, resulting from the low level of reservoirs of the hydroelectric plants in 2014 (R$ 688.89/MWh in 2014, compared to R$ 263.06/MWh in 2013).

Other operational revenues

Cemig's Other operational revenues are as follows:

R$ '000	Consolidated	
	2014	2013
Supply of gas	422	-
Charged service	11	10
Telecoms services	135	127
Services rendered	118	122
Subsidy payments received (*)	790	673
Rental and leasing	81	57
Others	148	59
	1,705	**1,048**

(*) Revenue recognized for the tariff subsidies applicable to users of distribution services, reimbursed by Eletrobras.

The higher figure in 2014 was mainly due to inclusion of the revenue from supply of gas, R$ 422 million, because of the change in the accounting system to consolidation of Gasmig, as from October 2014.

Taxes and charges applied to Revenue

Taxes and charges applied to revenue in 2014 were R$ 5,626 million, or 18.12% higher than in 2013 (R$ 4,762 million). This mainly reflects the increases in Revenue, to which they are applied.

Operational costs and expenses (excluding Financial revenue/expenses)

Operational costs and expenses, excluding Financial Revenue (expenses) in 2014 were R$ 14,451 million, 28.6% more than in 2013 (R$ 11,232 million). There is a breakdown of Operational costs and expenses in Explanatory note 25 to the financial statements.

The following paragraphs comment on the main variations:

Electricity purchased for resale

The expense on electricity purchased for resale in 2014 was R$ 7,428 million, which compares to R$ 5,207 million in 2013 – an increase of 42.65%. The main factors are:

- Expense on purchase of electricity in the free market in 2014 was R$ 477 million higher, due to higher trading activity, and also the higher price of electricity in 2014 due to low reservoir levels at the hydroelectric plants.
- Involuntary exposure of Cemig D (Distribution) to the spot market in 2014, together with the higher price of electricity, due to the low levels of the hydroelectric plants' reservoirs. This resulted in the company having an expense in this market of R$ 1,263 million in 2014, compared to R$ 304 million in 2013.
- The expense on electricity from Itaipu Binacional was 18.31% lower in 2014, at R 830 million in 2014, than in 2013 (R$ 1,016 million), reflecting a volume of electricity purchased 28.74% lower, at 6,254,980 MWh in 2014, compared to 8,777,227 MWh in 2013. This electricity is priced in dollars, and the effect of this reduction in quantity was partially offset by the appreciation of the dollar against the Real in 2014. The average exchange rate for the dollar in invoices in 2014 was R$ 2.35, compared to R$ 2.16 in 2013 – an increase of 8.80%.

Charges for use of the transmission network

Charges for use of the transmission network totaled R$ 744 million in 2014, compared to R$ 575 million in 2013, an increase of 29.39%.

This expense is payable by electricity distribution and generation agents for use of the facilities that are components of the national grid. The amounts to be paid are set by an Aneel Resolution.

This is a non-manageable cost: the difference between the amounts used as a reference for calculation of tariffs and the costs actually incurred is compensated for in the subsequent tariff adjustment.

Operational provisions

Operational provisions in 2014 totaled R$ 581 million, compared to R$ 305 million in 2013, an increase of 90.49%. This arises mainly from the following items:

- A provision of R$ 195 million made in 2014, comprising: R$ 166 million on the valuation of the put option for shares in Parati, and R$ 29 million from the same effect in the put options for shares in SAAG (investment in Madeira Energia), signed between Cemig GT and private pension plan entities. For more details please see Explanatory Note 14.
- Provisions for employment-law legal actions R$ 71 million higher in 2014 (at R$242 million, compared to R$ 171 million in in 2013). This mainly reflects a provision of R$ 127 million in 2014 resulting from the salary increase of 3% in real terms for the employees, resulting from the judicial arbitration, sought by representatives of the employees, on an annual collective employment agreement. More details are in Explanatory note 22.

Personnel

The expense on personnel was R$ 1,252 million in 2014, 2.49% less than in 2013 (R$ 1,284 million). This mainly reflects an extraordinary expense of R$ 78 million in 2013 on the PID Voluntary Retirement Program.

Raw materials and inputs for production of electricity

Expenses on raw materials and inputs for production of electricity in 2014 totaled R$ 282 million, compared with R$ 56 million in 2013 – an increase of 403.57%. This mainly reflects the need for acquisition of a higher quantity of fuel oil in 2014, for the Igarapé thermoelectric plant, which was dispatched more in this year due to the low level of water in the hydroelectric reservoirs.

Construction cost

Infrastructure Construction Costs in 2014 were R$ 942 million, 3.38% less than in 2013 (R$ 975 million). This line records the Company's investment in assets of the concession in the period, and is fully offset by the line Construction Revenue, in the same amount.

Net financial revenue (expenses)

Cemig reports financial expenses in 2014 of R$ 1,101 million, which compares with a net financial expense of R$ 308 million in 2013. The main factors in this difference are:

- In 2013 Cemig recorded a gain of R$ 313 million, recognized in Financial Revenue (expenses), comprising R$ 81 million as reversal of Pasep and Cofins taxes, and R$ 232 million as revenue from monetary updating. This resulted from final judgment (i.e. subject to no further appeal) on Cemig's court challenge claiming illegality of expansion of the calculation basis for the Pasep and Cofins taxes to include Financial revenue and other Non-operational revenue, for the period 1999 to January 2004.

- Charges for loans and finances were 33.38% higher, at R$ 931 million, in 2014, compared to R$ 698 million in 2013, due to the higher volume of funds indexed to the CDI rate in 2014, and also the CDI itself being higher (10.81% in 2014, vs. 8.05% in 2013).

- A financial expense of R$ 239 million was recognized in 2014 for complimentary monetary updating representing the difference between the Cemig rate and the IGP-M rate applied to the amount of the Advance against Future Capital Increase made by the Minas Gerais State government in previous years. For more details please see Explanatory Note 22.

The breakdown of Financial Revenues and Expenses is in Explanatory Note 26 to the financial statements.

Income tax and Social Contribution tax

In 2014, the expense on income tax and the Social Contribution tax totaled R$ 1,343 million, on pre-tax profit of R$ 4,479 million, an effective rate of 29.96%. In 2013, the expense on income tax and the Social Contribution tax totaled R$ 950 million, on pre-tax profit of R$ 4,054 million, an effective rate of 23.43%. There is a reconciliation of these effective rates with the nominal tax rates in Explanatory Note 10 to the financial statements.

Financial statements separated by company

FINANCIAL STATEMENTS SEPARATED BY COMPANY: DECEMBER 31, 2014

R$ '000	Holding company	Cemig GT	Cemig D	Gasmig	Cemig Telecom	Sá Carvalho	Rosal	Other subsidiaries	Eliminations / transfers	Total, subsidiaries	Taesa	Light	Madeira	Other jointly-controlled subsidiaries	Eliminations / transfers	Subsidiaries and jointly-controlled subsidiaries
ASSETS	**13,691,857**	**12,378,037**	**13,864,840**	**2,048,120**	**327,328**	**171,905**	**149,242**	**454,145**	**(8,085,471)**	**35,000,003**	**4,629,931**	**4,548,169**	**2,281,720**	**4,278,711**	**(6,296,276)**	**44,442,258**
Cash and cash equivalents	113,336	290,549	313,799	123,576	4,711	6,935	5,918	28,319	-	887,143	142,585	164,336	24,113	287,841	-	1,506,018
Accounts receivable	-	687,226	1,799,801	110,387	-	5,517	4,459	14,399	(23,468)	2,598,321	111,366	517,281	28,093	68,617	(8,547)	3,315,131
Securities – cash investments	47,275	611,037	102,545	109,155	8,706	16,022	15,615	100,917	-	1,011,272	(32,151)	-	-	66,740	-	1,045,861
Taxes	580,896	210,431	1,469,488	58,616	25,783	610	105	2,012	-	2,347,941	297,417	340,096	14,658	30,854	-	3,030,966
Other assets	809,915	366,741	1,644,619	315,989	25,355	3,914	515	35,233	(333,005)	2,869,276	81,481	534,463	115,054	122,279	(69,573)	3,652,980
Investments / PP&E / Intangible / Financial assets of the concession.	12,140,435	10,212,053	8,534,588	1,330,397	262,773	138,907	122,630	273,265	(7,728,998)	25,286,050	4,029,233	2,991,993	2,099,802	3,702,380	(6,218,156)	31,891,302
																-
LIABILITIES AND STOCKHOLDERS' EQUITY	**13,691,857**	**12,378,037**	**13,864,840**	**2,048,120**	**327,328**	**171,905**	**149,242**	**454,145**	**(8,085,471)**	**35,000,003**	**4,629,931**	**4,548,169**	**2,281,720**	**4,278,711**	**(6,296,276)**	**44,442,258**
Suppliers and supplies	5,766	309,010	1,119,485	164,745	13,579	8,663	6,622	10,575	(34,729)	1,603,716	22,865	506,938	128,150	54,361	(10,991)	2,305,039
Loans, financings and debentures	-	7,036,700	6,048,250	379,668	44,118	-	-	2	-	13,508,738	1,976,945	2,138,452	1,304,939	1,552,669	-	20,481,743
Interest on Equity, and dividends	1,643,451	-	214,955	36,458	-	17,707	19,366	17,031	(305,517)	1,643,451	173	51,235	-	48,696	(100,104)	1,643,451
Post-retirement liabilities	143,083	581,598	1,906,971	-	-	-	-	-	-	2,631,652	-	10,428	-	-	-	2,642,080
Taxes	57,975	570,751	1,241,630	333,601	7,664	38,269	1,644	37,870	-	2,289,404	726,332	379,288	33,972	51,831	-	3,480,827
Other liabilities	560,671	393,368	851,322	193,840	36,527	665	647	17,252	(16,202)	2,038,090	75,790	282,670	107,804	26,181	73,631	2,604,166
STOCKHOLDERS' EQUITY	**11,280,911**	**3,486,610**	**2,482,227**	**939,808**	**225,440**	**106,601**	**120,963**	**371,415**	**(7,729,023)**	**11,284,952**	**1,827,826**	**1,179,158**	**706,855**	**2,544,973**	**(6,258,812)**	**11,284,952**
Attributed to holding of controlling stockholders	11,280,911	3,486,610	2,482,227	935,767	225,440	106,601	120,963	371,415	(7,729,023)	11,280,911	1,827,826	1,179,158	706,855	2,544,973	(6,258,812)	11,280,911
Attributed to holding of non-controlling stockholder	-	-	-	4,041	-	-	-	-	-	4,041	-	-	-	-	-	4,041
NET PROFIT																
Net operational revenue	**321**	**7,714,717**	**11,241,118**	**340,395**	**118,521**	**57,014**	**45,720**	**318,500**	**(296,728)**	**19,539,578**	**834,372**	**2,996,529**	**185,636**	**861,343**	**(224,289)**	**24,193,169**
Operational costs and expenses	**(285,407)**	**(3,587,617)**	**(10,248,954)**	**(282,729)**	**(98,080)**	**(42,913)**	**(42,980)**	**(145,337)**	**283,408**	**(14,450,609)**	**(140,100)**	**(2,586,510)**	**(339,377)**	**(718,734)**	**157,610**	**(18,077,720)**
Electricity purchased for resale	-	(1,692,445)	(5,747,681)	-	-	(30,638)	(29,666)	(80,428)	152,477	(7,428,381)	-	(1,769,926)	(237,511)	(36,301)	148,035	(9,324,084)
Charges for the use of the national grid	-	(273,211)	(573,270)	-	-	-	(2,826)	(6,037)	110,913	(744,431)	-	-	(35,710)	(7,510)	48,292	(739,359)
Gas bought for resale	-	-	-	(254,488)	-	-	-	-	-	(254,488)	-	-	-	(465,399)	-	(719,887)
Construction cost	-	(80,358)	(861,437)	-	-	-	-	-	-	(941,795)	(25,547)	(305,549)	-	(8,933)	-	(1,281,824)
Personnel	(30,314)	(303,618)	(885,890)	(11,145)	(12,795)	(1,357)	(1,456)	(5,883)	-	(1,252,458)	(41,866)	(98,131)	(4,819)	(59,817)	-	(1,457,091)
Employee profit shares	(8,893)	(54,861)	(183,803)	-	(1,488)	(192)	(132)	-	-	(249,369)	(5,246)	-	(729)	(180)	-	(255,524)
Post-Retirement Liabilities	(11,068)	(48,156)	(152,692)	-	-	-	-	-	-	(211,916)	-	-	-	-	-	(211,916)
Materials	(472)	(298,875)	(79,997)	(570)	(48)	(472)	(352)	(321)	-	(381,107)	(35,205)	(8,786)	(748)	(1,887)	-	(427,733)
Outsourced services	(18,814)	(171,559)	(736,595)	(2,164)	(22,768)	(2,991)	(2,498)	(25,254)	29,610	(953,033)	(19,454)	(146,204)	(6,571)	(41,983)	9,320	(1,157,925)
Royalties for use of water resources	-	(122,593)	-	-	-	(1,389)	(1,025)	(2,193)	-	(127,200)	-	-	(3,462)	(764)	-	(131,426)
Depreciation and amortization	(522)	(296,841)	(427,643)	(3,697)	(34,312)	(5,492)	(4,384)	(17,747)	(10,280)	(800,918)	(1,088)	(134,771)	(29,644)	(68,417)	(37,880)	(1,072,718)
Operational provisions	(190,000)	(84,305)	(300,473)	-	(44)	-	(5)	(5,893)	-	(580,720)	707	(70,257)	-	(3,091)	-	(653,361)
Other expenses, net	(25,324)	(160,795)	(299,473)	(10,665)	(26,625)	(382)	(636)	(1,581)	688	(524,793)	(12,401)	(52,886)	(20,183)	(24,452)	(10,157)	(644,872)
Operational profit before Equity gain(loss) and Financial revenue(exp.)	**(285,086)**	**4,127,100**	**992,164**	**57,666**	**20,441**	**14,101**	**2,740**	**173,163**	**(13,320)**	**5,088,969**	**694,272**	**410,019**	**(153,741)**	**142,609**	**(66,679)**	**6,115,449**
Equity loss in subsidiaries	3,330,649	(388,498)	-	-	(27,518)	-	-	2,727	(2,706,876)	210,484	275	43,735	-	104,711	(494,065)	(134,860)
Fair value adjustment - business combination	280,945	-	-	-	-	-	-	-	-	280,945	-	-	-	-	-	280,945
Financial revenue	37,361	145,714	358,414	21,361	4,848	3,493	1,891	19,602	-	592,684	119,443	143,894	5,675	41,634	-	903,330
Financial expenses	(244,918)	(680,204)	(751,218)	(6,364)	(3,345)	(353)	(78)	(7,192)	-	(1,693,672)	(323,128)	(293,257)	(65,856)	(73,316)	-	(2,449,229)
Profit before income tax and Social Contribution tax	**3,118,951**	**3,204,112**	**599,360**	**72,663**	**(5,574)**	**17,241**	**4,553**	**188,300**	**(2,720,196)**	**4,479,410**	**490,862**	**304,391**	**(213,922)**	**215,638**	**(560,744)**	**4,715,635**
Income tax and Social Contribution tax	(18,191)	(1,056,188)	(114,264)	(4,542)	(6,605)	(5,956)	(2,133)	(51,347)	-	(1,259,226)	(34,117)	(39,089)	(5)	(32,121)	-	(1,364,558)
Deferred income tax and Social Contribution tax	35,879	(58,959)	(55,187)	(6,781)	(165)	1,054	(10)	888	-	(83,281)	(69,378)	(49,574)	486	(12,427)	-	(214,174)
Profit (loss) for the period	**3,136,639**	**2,088,965**	**429,909**	**61,340**	**(12,344)**	**12,339**	**2,410**	**137,841**	**(2,720,196)**	**3,136,903**	**387,367**	**215,728**	**(213,441)**	**171,090**	**(560,744)**	**3,136,903**
Interest of controlling stockholders	-	-	-	61,076	-	-	-	-	-	3,136,639	-	-	-	-	-	3,136,639
Interest of non-controlling stockholder	-	-	-	264	-	-	-	-	-	264	-	-	-	-	-	264
	3,136,639	**2,088,965**	**429,909**	**61,340**	**(12,344)**	**12,339**	**2,410**	**137,841**	**(2,720,196)**	**3,136,903**	**387,367**	**215,728**	**(213,441)**	**171,090**	**(560,744)**	**3,136,903**

Liquidity and capital resources

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

Our liquidity requirements are also affected by our dividend policy. We finance our liquidity and capital needs principally with cash generated by operations and, on a lesser scale, with funds from financing. We believe that our present cash reserves, generated by operations and expected funds from financings, will be sufficient to meet our liquidity needs over the next 12 months.

Cash and cash equivalents

Cash and cash equivalents at December 31, 2014 totaled R$ 887 million, compared to R$ 2,202 million on December 31, 2013. On December 31, 2014 none of our cash nor cash equivalents was in any other currencies than the Brazilian Real. Below are the main reasons for the changes:

Cash flow from operations

The totals of Net cash generated by operational activities in 2014 and 2013 were, respectively, R$ 3,734 million and R$ 3,515 million. The higher net cash from operational activities in 2014 than 2013 mainly reflects the higher net profit in 2014, after adjustment for items not affecting cash flow.

Cash used in investment activities

The Company used net cash of R$ 4,299 million in investment activities in 2014, compared to net cash inflow of R$ 2,503 million from investment activities in 2013. This mainly represents the acquisitions of equity interests in 2014, in which the highlights were *Renova, Madeira Energia* and *Gasmig*. For more details please see Explanatory Note 14.

Cash flow in financing activities

Net cash flow consumed by financing activities in 2014 totaled R$ 750 million, comprising amortizations of financings totaling R$ 1,394 million, and payments of R$ 3,917 million in dividends and Interest on Equity, less receipt of funds totaling R$ 4,562 million from financings.

Net cash flow consumed by financing activities in 2013 totaled R$ 5,735 million, comprising amortizations of financings totaling R$ 3,601 million, and payments of R$ 4,600 million in dividends and Interest on Equity, partially offset by receipt of funds from financings totaling R$ 2,467 million.

Funding and debt management policy

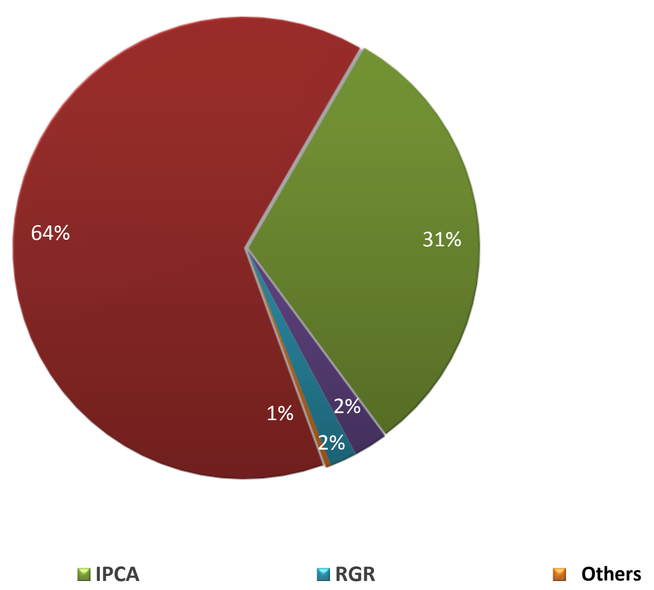
Cemig seeks to maintain its credit quality at satisfactory levels that denote low credit risk, to be able to benefit from financial costs that are compatible with the profitability of the business, and to show that the process of expansion of Cemig's activities has been carried out in a sustainable way.

In 2014 total funding of R$ 4,562 million was raised, mainly for the significant program of investments, led by *Renova* and *Santo Antônio*, and in the distribution business.

The details of funding raised are given in Explanatory Note 19 to the financial statements.

All issues by Cemig GT have the surety guarantee of its parent company, Cemig.

Main indexors of Cemig D's debt at December 31, 2014



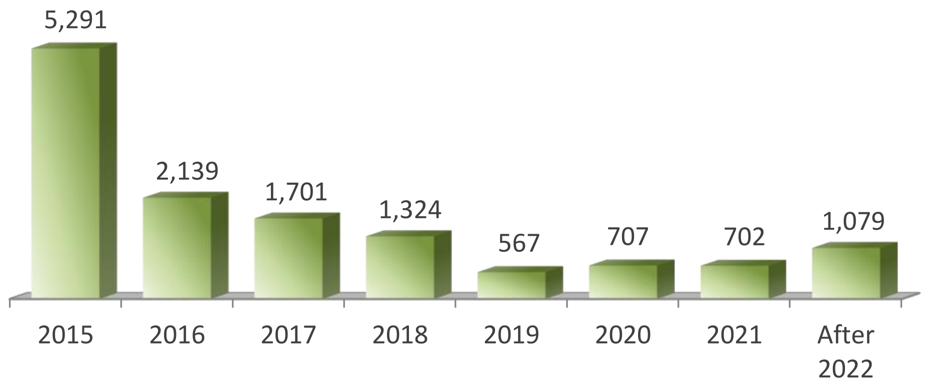
The composition of Cemig D's debt is a reflection of the sources of funding available to its subsidiaries – bank credit, used for rolling over of debt; and issues of debentures and promissory notes, in which a significant demand has been allocated in issues indexed to the local interest rate – and also its intention to avoid exposure to debt in foreign currency (currently 0.29%). The average cost of Cemig's debt is 7.05% p.a. in real terms.

The Company's debt management centers on: lengthening of tenors; limitation of indebtedness to the levels specified by the by-laws (Net debt/Ebitda ≤ 2 and Net debt/(Stockholders' equity + Net debt) ≤ 40%); reduction of the cost of financing; and preservation of the Company's payment capacity, while avoiding pressures on cash flows such as might suggest refinancing risk.

The Company's debt at December 31, 2014 was R$ 13,509 million, with average tenor of 4.1 years. The concentration of maturity in 2015 results from short-term transactions made in 2014, and we expect it to be refinanced on satisfactory terms.

This chart shows the present amortization timetable:

Debt amortization timetable
Position at December 2014 – R$ million



In 2014 the risk rating agency *Moody's* lowered its debt ratings for Cemig GT and Cemig D, from Baa3 to Ba1 and from Aa1.br to Aa2.br. *Standard & Poor's* and *Fitch* made no change to their risk ratings for Cemig GT and Cemig D in the year.

THE REGULATORY ENVIRONMENT

Electricity generation

The company opted not to accept the terms of PM579/12 (converted into Law 12783) for renewal of the 18 electricity generation concessions that had already been renewed once by the concession-granting power, and as a result it will continue to earn revenues from these assets under the terms of the concession contracts.

For the concessions for the *Jaguara, São Simão* and *Miranda* plants, which have expiry dates in August 2013, January 2015 and December 2016, respectively, the Company believes that it has the right to extend the concessions on the conditions prior to PM 579, under clauses existing in those contracts and under Article 19 of Law 9074/1995. See more details on this question in Explanatory Note 15 to the financial statements.

<u>Brazil's hydrological situation</u>

Brazil's capacity for hydroelectric generation has been strongly affected by the current hydrological situation, especially the generating plants in the Southeast, Center-West and Northeast.

This limitation on hydro generation has led to dispatching of the country's thermoelectric power plants – since the hydroelectric plants are generating at levels lower than their contractual commitments. This causes the generators to acquire supply for the shortfall in the CCEE (the Electricity Trading Chamber) at spot prices, which in this context are very high.

Electricity distribution

Because it operates in a regulated market, Cemig D (Distribution), the rates it charges to clients are regulated and inspected by the Federal Electricity Regulator, Aneel. As well as setting tariffs, Aneel also determines a cost associated with each type of consumer, which is used for calculation of the various tariffs at the various voltage levels of consumption.

In this process of setting tariffs, Cemig D works with Aneel for recognition of costs and investments that are necessary to provision of service with quality and availability.

The revenue raised by tariffs refers to two types of cost: Manageable costs, and Non-manageable costs. Manageable costs are the operational costs of distribution, the remuneration of stockholders and the quota for repayment of capital invested. The non-manageable costs are those which the distributor raises from the consumer and passes to the other agents of the sector: purchase of electricity, transmission, and the sector charges.

The Annual Tariff Adjustment – Cemig D

This takes place every year in April, except in years when there is a Periodic Tariff Review. The aim of the process is to pass on in full the non-manageable costs, and to provide monetary updating of the manageable costs which are established in the Tariff Review. The indexor for adjustment of manageable costs is the IGP–M inflation index, but a reduction factor, known as the X Factor, is applied to it, to recognize and capture productivity, following the price-cap regulation model.

The regulator, Aneel, decided an average increase of 16.33% for Cemig's tariff adjustments to come into effect on April 8, 2014 for 12 months.

The increase for residential consumers was 14.24% for industrial and service sector consumers, served at medium and high voltage, the average increase will be 12.41%. For consumers served at low voltage the average increase was 15.78%.

Of the amount charged in the invoice, only 25.8% stays with Cemig D itself – remunerating its investment, and covering its depreciation and running costs as a concession holder. The other 74.2% is passed on by Cemig D to a range of operational and regulatory costs and expenses: the cost of electricity purchased (39.8%); electricity sector regulatory charges (4.9%); costs of transmission (3.5%); the ICMS value added tax charged by Minas Gerais State (21%); and the federal Pasep and Cofins taxes (an aggregate 5%).

All these items, though charged on the customer's electricity bill, are in fact passed on to the state or federal governments and to other agents of the electricity sector.

The most significant increase in costs in 2014 was expenditure on purchase of electricity supply, as a result of the use of the thermoelectric generating plants, since the previous year. The increase in costs on purchase of electricity arising from the adjustment was R$ 679 million, compared to 2013. This component alone is responsible for 7.80 percentage points of the tariff adjustment.

In the 774 municipalities of Minas Gerais State where Cemig distributes electricity, more than 660,000 consumers are in the *Rural* category and about one million are classified as low-income consumers. These customers benefit from a subsidy, and pay less than cost for the electricity they consume. For low-income consumers with consumption up to 30kWh/month, the benefit results in a discount of approximately 65%. For consumption between 31kWh and 100kWh/month, the discount is 40%, and for the range between 101 and 220kWh/month the discount is 10%.

Cemig D's next tariff adjustment takes place in April 2015.

The 'Tariff Flag' system

Aneel has put in place, to start in 2015, a mechanism of tariff 'flags', designed to indicate to consumers the current conditions for electricity generation, with an additional charge on the rate they pay.

The system has three 'flags': the green flag indicates that conditions are favorable to generation, and carries no tariff increase, while the yellow and red flags indicate less favorable, and critical, conditions for generation, and result in additional charges on the consumer tariff.

The distribution companies will pass through the funds arising from the tariff flag charges, to a centralizing account, administered by the CCEE, and the funds from that account will be paid monthly to the distributors based on their costs for purchase of electricity generated by thermal plants, and their exposures to the spot market.

Management of power losses

Cemig's total index for power losses in Distribution in 2014 was 11.00%, of which 8.81% was recorded as Technical Losses, and 2.19% as Non-technical losses. This result is higher than the regulatory target established for the end of 2004, which is 10.76%. In deciding this target during the Third Tariff Review Cycle, Aneel made significant changes to the methodology of calculation of technical losses and non-technical losses, imposing limits that were extremely challenging for Cemig for the horizon of 2013 to 2017.

In 2014 specific action was taken to mitigate technical losses, such as continuation of the medium-voltage reactive compensation plan, and replacement of conventional, older and overloaded transformers by new amorphous core transformers, in which technical losses are 75% lower. In 2015 automatic capacitors will be installed on the medium-voltage networks.

In relation to management of non-technical losses, 55,000 inspections were made in 2014 at consumer units, resulting in a recovery of 66 GWh, an increase of 88 GWh – corresponding to aggregate revenues of R$ 39 million and R$ 27 million, respectively. Thus, the process of regularization in consumer units provided an additional revenue of R$ 66 million.

Further, improvements were made to the tool for selecting inspection targets (SGC/SAP/SAS); quality and productivity in the process of demand and collection for irregular consumption were improved; progress was made in 'bulletproofing' of revenue from medium-sized and large-scale consumers; approximately 30,000 obsolete meters were replaced; and 1,468 clandestine connections were regularized.

Electricity 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 a Periodic Review, an Extraordinary Review or the Annual Adjustment. Similarly to the distribution company, it works with the regulatory body seeking recognition of the transmission company's costs, in the processes of both review and adjustment, and also in the processes of homologation of the Permitted Annual Revenues (RAPs) for new assets.

When Provisional Measure 579/2012 (converted into Law 12783 of January 11, 2013) provided for bringing forward of expiration of concessions, the companies that agreed to renewal of their concessions, which Cemig GT did for its transmission business, retained their RAPs, that were time in force at that time, only up to December 2012. As another consequence of the renewal of concessions, the tariff review planned for 2013 will take place only in 2018.

In January 2013, as a result of the extraordinary review of transmission revenues, the new RAPs were published. The significant reduction of RAPs took place because the revenues of the transmissions companies, from that point on, included only the amounts relating to Operation and Maintenance of the assets, and other charges still existing at that time.

In July 2014 there was a further annual adjustment of tariffs and Cemig GT's RAP was increased to R$ 224 million, an adjustment of 12.3% from 2013 to July 2014.

The rules for renewal stipulated an indemnity for the assets not yet depreciated, pre-defined tariffs for the electricity of the generators, new RAPs for the transmission companies, new standards of quality to be set by Aneel, and use of the IPCA inflation index for the annual updating of revenues in annual adjustments for transmission revenues, instead of adjustment by the IGP-M index, previously used.

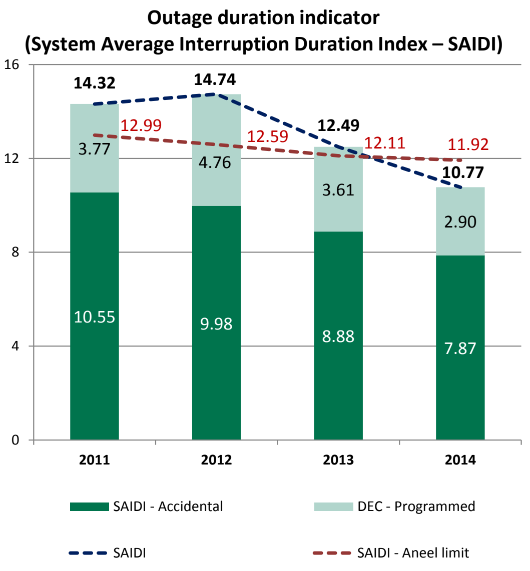
The assets of the transmissions companies to be indemnified were those formed up to December 31, 2012. The indemnity proposed for the Company, according to a Valuation Opinion delivered to Aneel, and preliminary analysis, not yet homologated by Aneel, is for the amount of R$ 1,157,106. There are more details in Explanatory Note 13.

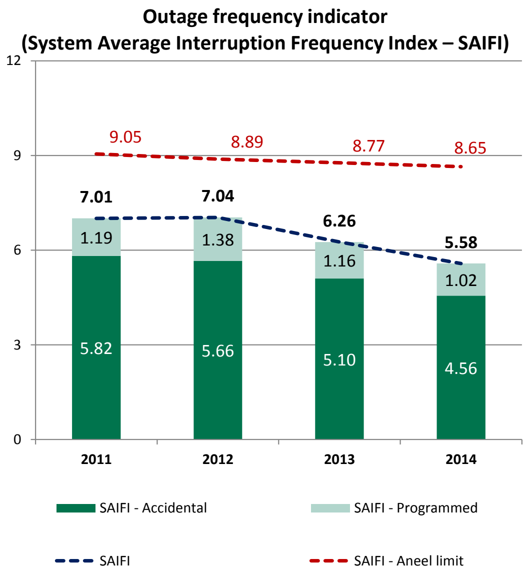
RELATIONSHIP WITH OUR CLIENTS

Quality of retail supply

Cemig D is continuously working to improve operational management, organization of the logistics of its services, and its permanent regime of preventive inspection and maintenance of substations, lines and distribution networks. It also invests in continually improving the qualifications of its professionals, in state-of-the-art technologies, and in standardization of work processes.

The charts below show the changes in Cemig's continuity indicators (SAIDI – the System Average Interruption Duration Index and SAIFI System Average Interruption Frequency Index) A significant continuous improvement can be seen in these indicators, meeting the standards established by Aneel, demonstrating that the investments made in the action described above to improve quality and supply of electricity are on the right path:





Service policy

To provide quality service, and to facilitate access for consumers, Cemig makes a mix of customer service channels available in various means of communication, both in-person and by telephone or online.

Cemig is present in all the 774 municipalities of its concession area. The in-person customer service is given by the *Cemig Fácil* service network through 156 Branches, and 621 Service Posts. In 2014, a total of 9.4 million customer contacts were made through this channel.

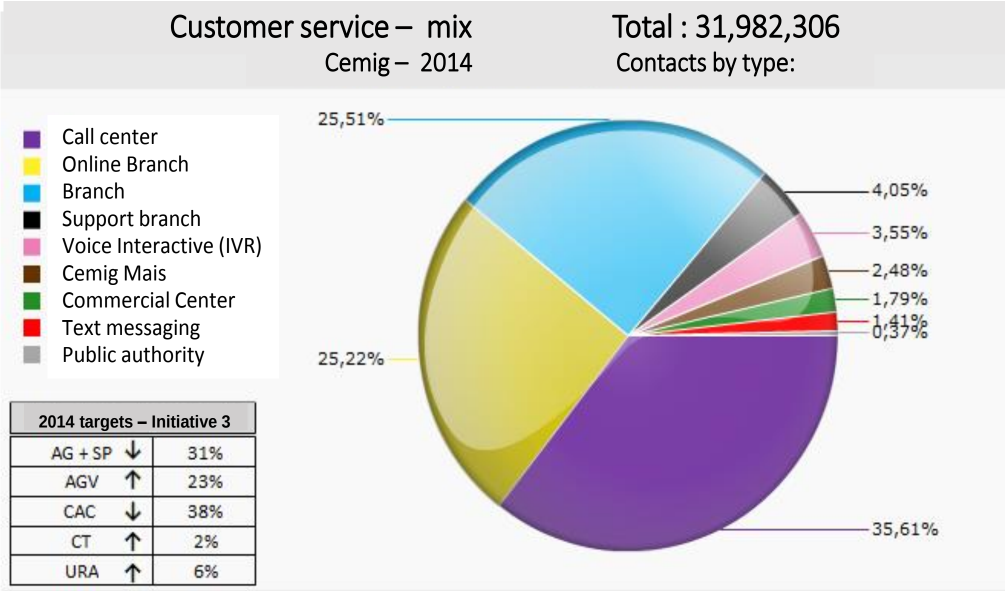
Our telephone customer service is through 'Talk to Cemig' ('*Fale com a Cemig*'), on the telephone numbers 116, or 0800 721 0116 or (for the hearing-challenged) 0800 723 8007. This channel is available 24 hours a day, 7 days a week, and also serves customers via social networks (Facebook and Twitter), via chat and via email. The number of contacts reported in 2014 was 12.5 million.

Another significant channel is the *Cemig torpedo* text messaging service which enables the consumer to request service for outages, consult balance payable and request meter readings, by text message sent to the number 29810. The client has only to give the account holder's tax number (CPF), plus the word for the service, and Cemig answers the call. A total of 452,000 messages were received in 2014.

For the online channels, the app *Cemig Atende* ('*Cemig Serves*') for smartphones and tablets on Android or IOS Clients enables a client to communicate disconnections or outages, report a meter reading, check balances due or receive a second copy of their bill. They can also access information under a case in progress, information about Cemig, tips for saving, and a consumption simulator.

On Cemig's site, which has just been redesigned, with more intuitive icons and offering access to services by providing tax number and password, the client can request the most frequently needed services such as second copy of electricity bill, consultation on balances due, change of payment date, or billing by email. Cemig's '*Online Branch*' had more than 8 million contacts in 2014.

This chart shows the number of the Company's interactions with clients through each medium / channel as a proportion of the total number of interactions in the year:



INVESTMENTS

Investments in Generation:

Cemig made the following investments in generation in 2014.

Renova Energia:

Cemig GT became a member of the controlling stockholding block of **Renova**, through subscription of R$ 1,550 million. After completion of this capital increase, Cemig GT's equity interest in Renova was 27.37% of the total stock and 36.62% of the voting stock.

Mesa:

Equity interest was increased through acquisition of an indirect position via the Melbourne Equity Fund (*FIP Melbourne*).

In 2014 Andrade Gutierrez Participações S.A. ('AGP') sold preferred and common shares corresponding to 83% of the total share capital and 49% of the voting capital of SAAG Investimentos S.A. ('SAAG') to FIP Melbourne, in which Cemig GT and private pension plan entities are investors through a structure of equity investment funds ('the Funds') and a special-purpose company ('the Investment Structure').

Cemig GT holds less than 50% of the NAV of the Funds and less than 50% of the voting shares in the SPC, preserving the private-sector nature of the Investment Structure. SAAG holds 12.4% of the total share capital of Mesa, and Cemig's interest in Mesa, through SAAG, is 7.87%.

Retiro Baixo:

Cemig GT acquired a 49.9% equity interest in the share capital of Retiro Baixo Energética S.A. – RBE. RBE is an unlisted corporation and holder of the concession for commercial operation of the Retiro Baixo Hydroelectric Plant, on the Paraopeba River in Minas Gerais State, Brazil, with installed generation capacity of 83.7MW and assured power level of 38.5 MW average.

Windfarms – partnership with Renova

Acquisition of 50% of a group of wind farms under an investment agreement with Renova. The project is for construction of 26 wind farms with a total installed capacity of 676.2 MW, in the municipality of Jacobina in Bahia state. This supply has already been contracted in the Free Market, with a commitment to start commercial operation in 2018, and planned investment of R$ 113 million.

Generation Expansion Project:

This is a strategic initiative of Cemig, including the *Project to expand the installed capacity of small hydro plants* (SHPs) – for expansion at *Salto do Paraopeba,* belonging to Horizontes Energia S.A.; *Poço Fundo* (belonging to Cemig GT); and *Paraúna*, owned by the federal government and under administration of Cemig GT (BUSA). The project aims to increase output by increasing installed capacity, and make better use of the hydroelectric potential.

Aliança:

The Company has constituted Aliança Geração de Energia S.A., which will be a platform for growth and consolidation of generation assets held by Cemig GT (45%) and by Vale (55%). The assets involved in the constitution of Aliança are the following generation consortia: *Porto Estrela, Igarapava, Funil, Capim Branco I, Capim Branco II, Aimorés,* and *Candonga*. The new company will have installed hydroelectric generation capacity of 1,158 MW (652 MW average), in operation, among other generation projects, and will be responsible for investments in future generation projects. Aliança is scheduled to start operating in March 2015.

Investments in Distribution

The Distribution Development Plan (PDD)

In August 2013 Cemig's Board approved a series of investments in the electricity system of Cemig D for the current tariff cycle (2013–2017), totaling R$ 3,749 million.

In 2014 a budget allotment of R$ 792 million was spent: R$ 289 million on the high voltage distribution system and R$ 503 million on the medium and low voltage distribution.

The total number of individual works specified for the 2013–17 cycle includes 800 individual works items on high voltage, and more than 50,000 on medium and low voltage, made possible by the work of more than 5,000 employees.

As well as these significant figures, another highlight is the number of new clients – a total of 1.2 million new connections in the period 2013 to 2017.

System expansion – Distribution lines (69 kV to 161kV)

To provide continuous increase in the availability of electricity, with quality and safety, in the quantity required by consumers, promoting social, industrial and commercial development, R$ 779 million was invested in 2014 in the electricity distribution system of Cemig D, including the high, medium and low voltage systems.

As well as the works on substations, 42km of distribution lines were built in 2014.

Rural electrification program

The Rural Universalization Program currently in progress aims to provide, free of charge, one electricity connection per property, for installed load of up to 50 kW, as determined by Law 10438 of April 26, 2002.

In 2014 Cemig connected approximately 6,000 new consumer units – this includes those which required construction of new network and those made on request where the network was already available at the door of the property. In addition, approximately 2,000 requests for increase of load were met, making possible expansion of farming activities on those properties. The amount invested in rural electrification in the year was more than R$ 100 million.

The urban market

Since 2006, the year in which the Regulator classified Cemig's urban concession area as 'universalized' – i.e. providing electricity to all citizens – Cemig D has been meeting all new requests for services. In 2014 Cemig connected approximately 240,000 new consumer units. This figure includes those connections for which construction of a new network was required, and also those requests for which an existing network was already available at the door of the property. The amount invested in urban electrification in 2014 was R$ 135 million.

Natural gas

On December 26, 2014 Gasmig and the Government of Minas Gerais State signed the Second Amendment to the Gasmig Concession Contract, extending Gasmig's concession for commercial operation of supply of piped gas for industrial, commercial, institutional and residential use in the State of Minas Gerais for 30 years. The agreement extends the expiration date of the concession from January 10, 2023 to January 10, 2053.

In 2014 Cemig acquired the 40% interest held by Petrobras in Companhia de Gás de Minas Gerais – Gasmig, becoming the controlling stockholder of Gasmig.

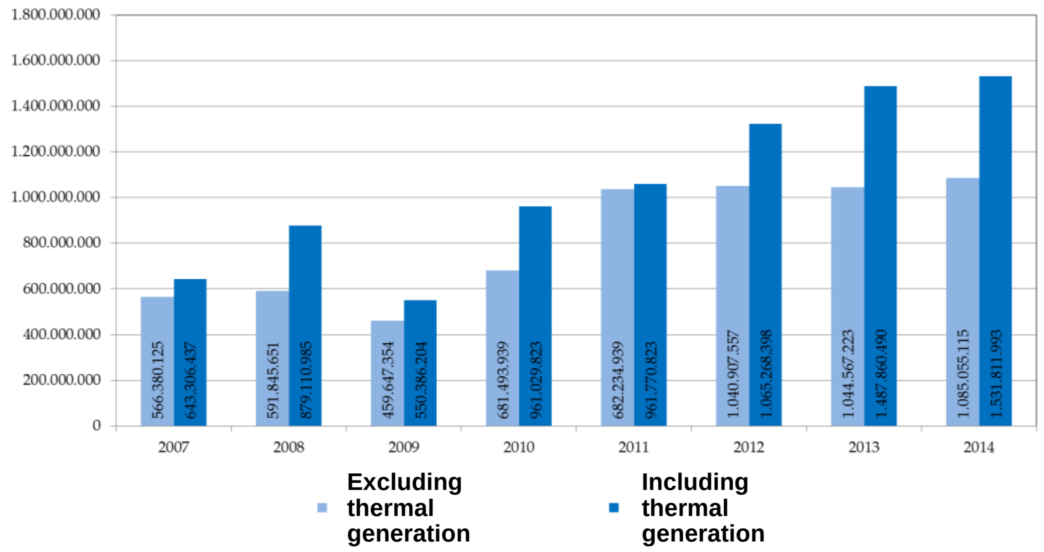
In 2014, Gasmig sold a total of 1,531,815 thousand cubic meters of natural gas to its market, an increase of 3.0% over the previous year.

Since the use of natural gas by the thermoelectric generation plants remained at the same high level of consumption as in 2013, with a small expansion of 0.78%, the growth in Gasmig's sales in 2014 was basically due to the increase in the use of natural gas by the industrial sector, of 4.62% by volume, in the year.

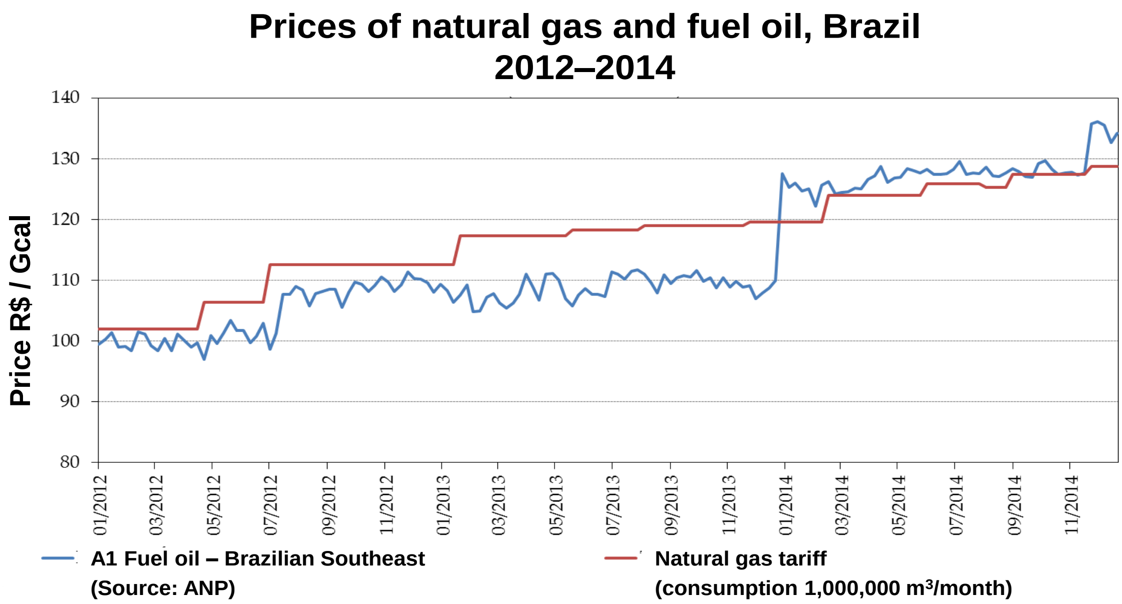
Gasmig maintained the strategy of offering the product 'Special Gas' to the large-volume industrial market, aiming to encourage additional volumes of consumption in addition to those already contracted, through more attractive trading terms.

The global volume of Gasmig's sales expanded by 3.0% in 2014, in spite of the retraction in Brazilian industry – which we can attribute to: the maturation of investments made in 2010 in the *Vale do Aço* (the 'Steel Valley') and *Sul de Minas* ('South of Minas') gas pipelines – which were responsible for 47.4% and 12.7%, respectively, of the volume of sales to the non-thermoelectric segment in 2014. These increases were based on high-volume industrial market – and supported by continuation of the offer of *Special Gas* supply to that market.

Gasmig: Gas sales volume – m^3 / year

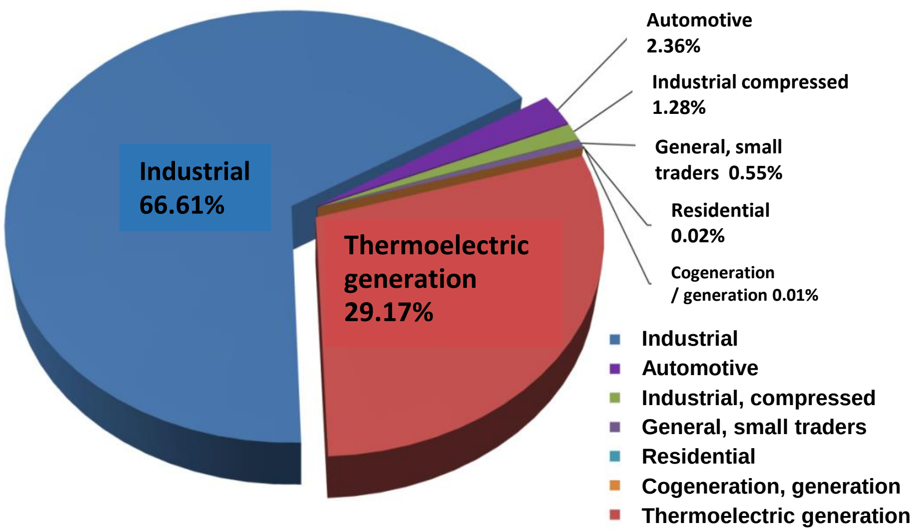


The loss of competitiveness of natural gas in relation to competing forms of energy such as liquefied petroleum gas (LPG) and fuel oil, over recent years – due to the distortion in the fuels market caused by the policy of administering prices of oil products – was staunched as from January 2014, when the price of A1 oil at the refineries was raised, and in the last 12 months the price of natural gas acquired by Gasmig has increased 8.16%, as shown in this chart which also shows the ex-refinery price of A1 oil.



Cemig continues its policy of establishing pioneering 'Structuring Projects' taking natural gas to the interior of Minas Gerais. These were begun in December 2013 with the supply of compressed natural gas (CNG) for industrial and commercial users in the cities of Governador Valadares and Itabira. In August 2014 Gasmig began the supply of natural gas to industrial companies in Pouso Alegre, with a further project supplied by liquefied natural gas (LNG).

STRUCTURE OF GASMIG'S GAS MARKET IN 2014

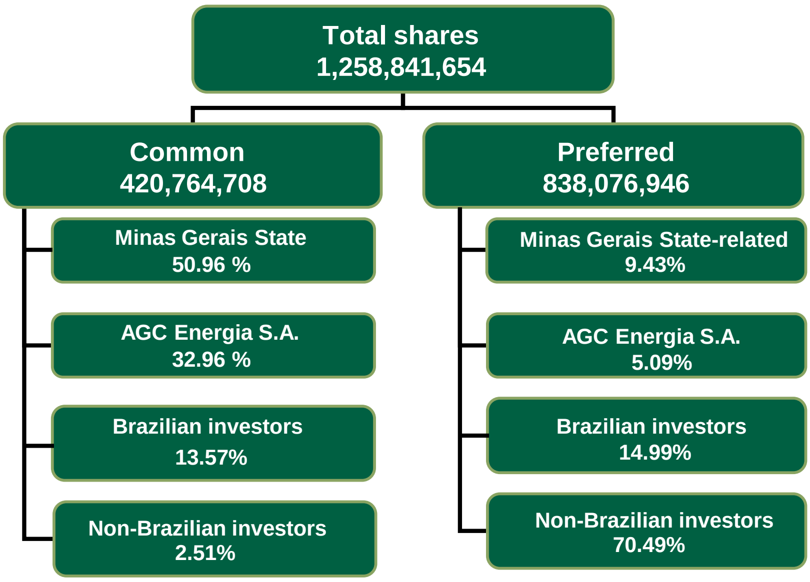


CAPITAL MARKETS AND DIVIDENDS

Cemig's shares were initially listed on the stock exchange of Minas Gerais State on October 14, 1960, and have been traded on the São Paulo stock exchange (Bovespa) since 1972 – under the tickers CMIG3 for the ON – common – shares, and CMIG4 for the preferred shares (PN). Since October 2001 Cemig has been listed at Corporate Governance Level 1 on the São Paulo stock exchange (Bovespa). Since 1993, ADRs for Cemig shares have traded on the New York stock exchange (tickers CIG and CIG/C) – at Level 2, since 2001; and Cemig shares have traded on the Madrid stock exchange (as XCMIG) since 2002.

Stockholding structure

This chart shows the stockholding structure of Cemig on December 31, 2014, with registered share capital of R$ 6,294 million:



Share prices

The closing prices of Cemig's securities in São Paulo (Bovespa), New York (NYSE) and Madrid (Latibex) in 2013 and 2014 were as follows:

Security	Ticker	Currency	Close of 2013	Close of 2014
Cemig PN	CMIG4	R$	14.01	13.14
Cemig ON	CMIG3	R$	14.20	13.80
ADR PN	CIG	US$	5.86	4.90
ADR ON	CIG.C	US$	6.39	5.35
Cemig PN (Latibex)	XCMIG	Euro	4.39	4.01

Source: Economática – prices adjusted by corporate action, including dividends.

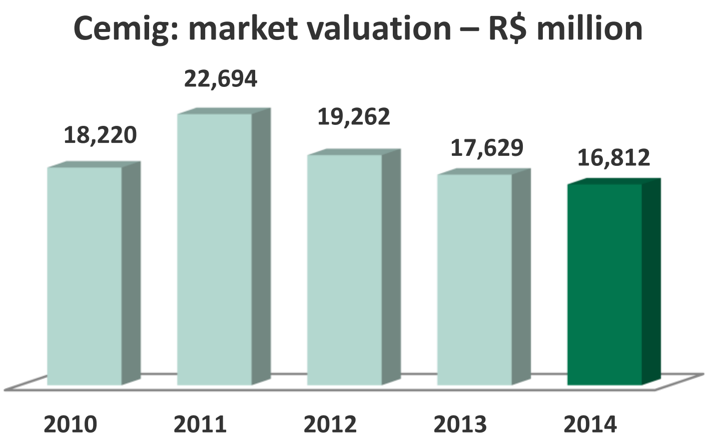
Total trading volume in the preferred shares, CMIG4, in 2014 was R$ 17.7 billion, a daily average of approximately R$ 71.4 million. With this volume, our preferred share (PN) is one of the most traded on the Bovespa, providing investors with security and liquidity.

It can be pointed out that the average daily trading volume representing the preferred shares on the New York stock exchange was the equivalent to the volumes traded in the Brazilian market when converted intLo Reais, which underlines Cemig's position as a global investment option. In 2014 the ADR for the PN shares (CIG) traded US$8.9 billion, with a daily average of approximately US$35.4 million.

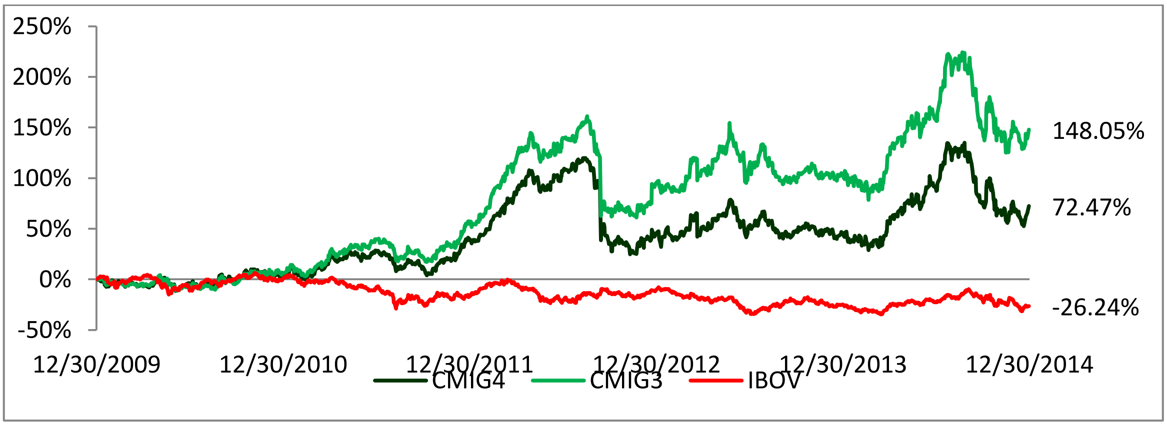
Both of Cemig's shares that trade on the Bovespa outperformed the Brazilian electricity sector index – the IEE – in 2014. The preferred shares (CMIG4) rose 16.06% and the common shares (CMIG3) 20.0%.

	CMIG4	CMIG3	CIG	CIG.C	IBOV	DJIA	IEE
2014	16.0%	20.0%	1.2%	3.7%	-2.9%	7.5%	3.5%

Market capitalization is calculated as the totality of the company shares at market price on the closing day of each year.

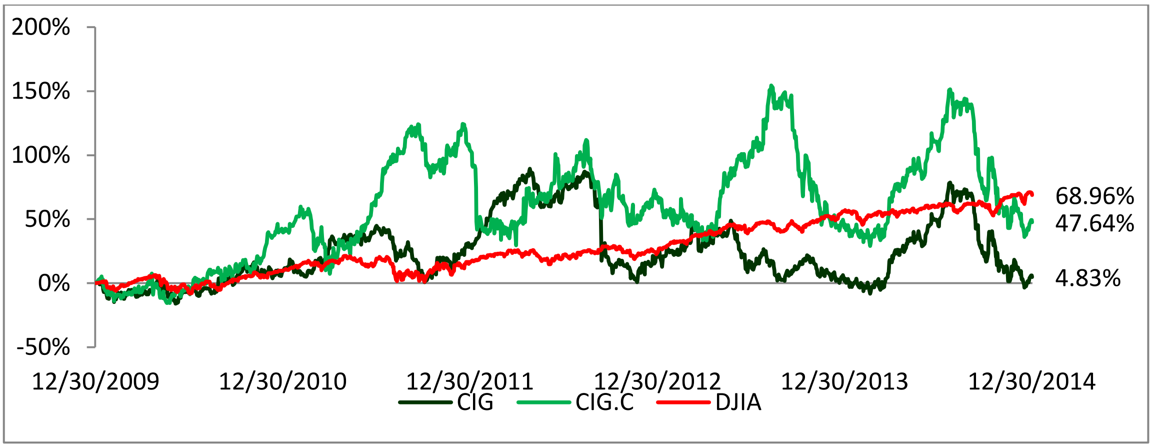


These charts show changes in our stock prices over recent years, compared to other indicators:



Source: Economática.

Av. Barbacena 1200 Santo Agostinho 30190-131 Belo Horizonte, MG Brazil Tel.: +55 31 3506-5024 Fax +55 31 3506-5026



Source: Economática.

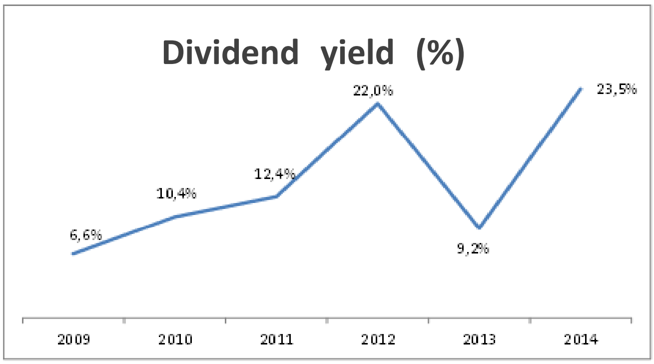
DIVIDEND POLICY

Cemig, through its bylaws, assumes the undertaking to distribute a minimum dividend of 50% of the net profit for each year. Additionally, extraordinary dividends can be distributed each two years, or more frequently, if cash availability permits.

The dividends are usually paid in two equal installments: by June 30 and December 30 of the year following the business year on the results of which they are based.

The dividends and Interest on Equity declared in corporate action by the Company in 2014 total R$ 4,394 million, as follows:

- R$ 2,859 million relating to the profit reserve existing in the 2013 business year:
  - R$ 1,704 million in extraordinary dividends (declared June 27, 2014);
  - R$ 1,100 million in extraordinary dividends (declared November 7, 2014); and
  - R$ 545 million in additional dividends (declared on April 30, 2014).
- R$230 million in Interest on Equity (declared on December 26, 2014), for the 2014 business year, to be accounted against the minimum obligatory dividend for 2014 expected to be declared at the Annual General Meeting of Stockholders in April 2015.



PROPOSAL FOR ALLOCATION OF NET PROFIT

The Board of Directors will propose to the Annual General Meeting, to be held in April 2015, that the profit for 2013, in the amount of R$ 3,137 million, and the balance of retained earnings, related to realization of the Valuation Adjustments Reserve in the amount of R$ 71 million, be allocated as follows:

- R$797 million, corresponding to 25% of the net profit, as dividends, by December 31, 2015, as follows :
  - R$ 230 million in Interest on Equity.
  - R$ 567 million as complementary dividends;
- R$ 2,410 million to be held in Stockholders' equity as follows:
  - R$ 797 million, corresponding to 25% of the net profit, to be held in the Reserve for obligatory dividend not distributed, to be paid as and when the Company's financial situation permits;
  - R$ 1,584 million in the Retained earnings reserve, to fund the Company's consolidated planned investments in 2015, as per a capital budget; and
  - R$ 29 million in the Tax incentive reserve, for tax incentives gained in 2014 due to investment in the region of Sudene.

CORPORATE GOVERNANCE

The Board of Directors of Cemig has 15 sitting members, and an equal number of substitute members, appointed by the stockholders. The by-laws specify that the period of office of all Board Members shall run concurrently and shall be of two years, and that a member may be reelected at the end of the period of office. In 2014, 37 meetings of the Board of Directors were held, to decide on a wide range of matters such as, among others, strategic and budgetary planning, investment projects and acquisitions.

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

Cemig's Audit Board is permanent. It has five members; and in the form constituted, it meets the requirements for exemption from creation of an Audit Committee under the US Securities Act and the Sarbanes-Oxley Law. In 2014 the Audit Board held 10 meetings.

RELATIONSHIP WITH EXTERNAL AUDITORS

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

A turnover system of external auditors is adopted with a frequency of 5 years, complying with the requirement of the CVM. Our financial statements are audited by Deloitte Touche Tohmatsu Auditores Independentes. The services provided by the external auditors of Cemig and of most of its subsidiaries were as follows:

R$ '000	2014	As % of audit fees	2013	As % of audit fees
Auditing services				
Auditing of Financial Statements	1,117	74.32	1,084	74.40
Evaluation of internal controls – SOX	372	24.75	360	24.71
Audit of regulatory assets and liabilities	14	0.93	13	0.89
	1,503	**100.00**	**1,257**	**100.00**
Additional services:				
Review of income tax returns and quarterly provisions for income tax and Social Contribution tax	74	4.92	70	4.58
Overall total	**1,577**	**104.92**	**1,527**	**104.58**

The additional services were contracted for the period June 2012 to March 2015, jointly with the external auditing services, and are restricted to review of the tax procedures adopted by the Company in calculating income tax and the Social Contribution Tax. They do not represent any type of consultancy, tax planning or conflict of interest.

It should be noted that any additional services to be provided by the external auditors, including that mentioned above, are subject to obligatory prior approval by the Executive Board and Board of Directors, subject to any conflict of interest, loss of independence or objectivity of the auditors, in accordance with the terms specified in the Sarbanes-Oxley Law and Article 2, Sub-item III, of CVM Instruction 381, of January 14, 2003.

AUDITING AND MANAGEMENT OF RISKS

Corporate risk management is a management tool that is an integral part of Cemig's corporate governance practices. It identifies the strategic risks and the operational / process risks. The objective is to provide senior management with information for taking decisions in relation to management of the more significant risks, preserving the value of the Company.

The process is supervised by the Company's Corporate Risk Monitoring Committee (CMRC), which also has the following attributions: to support management in decision on guidelines, policies, procedures and fault mechanisms for operation of the strategic monitoring of the corporate risks identified, and effective action to reduce levels of financial exposure and intangible impact to an acceptable level, with mitigating action plans, aligned with the Company's Long-term Strategic Plan.

With the objective of curing or preventing any possible non-conformities or irregularities in relation to law, regulation or the Company's internal rules, Cemig is working on the project '*Development of an innovative tool and method for continuous intelligent auditing*' (R&D project 506). The aim is to create and implement a system of continuous auditing that will enable Cemig's executive managers and internal auditors to monitor the Company's key processes continuously, with predictive capacity and relative ease. In real time, the system will be able to correct any irregularities, avoiding extra work, financial losses, regulatory difficulties and effects on image resulting from such inconsistencies.

Anti-fraud Policy

In its business and activities, Cemig does not accept practice or concealment of acts of fraud or corruption, in any form, including acts against the public administration defined by Law 12846/13, and this principle applies to all the members of the Board of Directors, the Audit Board, the Executive Board, employees and outsourced contractors. Suspicions or reports of such acts are rigorously investigated, and if they are proven, disciplinary procedures specified in the Company's internal rules, and legal and criminal proceedings, are applied when appropriate.

Sarbanes-Oxley and certification of internal controls

On April 30, 2014 Cemig's external auditors issued an unqualified opinion on the internal controls for publication of financial statements for the base date December 31, 2013.

Every year, based on an analysis and review of risks of processes, Cemig's management documents and tests the effectiveness of the internal controls governing disclosure of financial reports at the levels of the entity's processes, at the business level, and in terms of IT, in accordance with the rules of the US Securities and Exchange Commission (SEC), and based on the criteria of the Public Company Accounting Oversight Board (PCAOB), of the Committee of Sponsoring Organizations of the Treadway Commission (COSO) – 2013.

As well as complying with the Sarbanes-Oxley Law ("SOX"), the activities related to the Certification of Internal Controls help maximize the efficiency of the processes of risk management and corporate control and governance. They are carried out and monitored systematically and permanently.

TECHNOLOGICAL MANAGEMENT AND INNOVATION

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

Cemig employs strategic management of technology as a tool for achieving its mission, with two main components: coordination of its Research and Development Program; and investment in technological development, including successful partnerships.

Alternative energy sources – Research and development

Photovoltaic Solar Plant of the iconic Mineirão Stadium, Belo Horizonte.

Costing approximately €3.7 million, the solar-energy photovoltaic plant installed on the roof of the famous Mineirão football stadium in Belo Horizonte started operating in April 2014.

With installed capacity of 1.42 MWpeak, the Mineirão plant is today the largest photovoltaic plant on any stadium worldwide in terms of electricity generation – able to supply electricity equivalent to the consumption of approximately 1,200 medium-sized households.

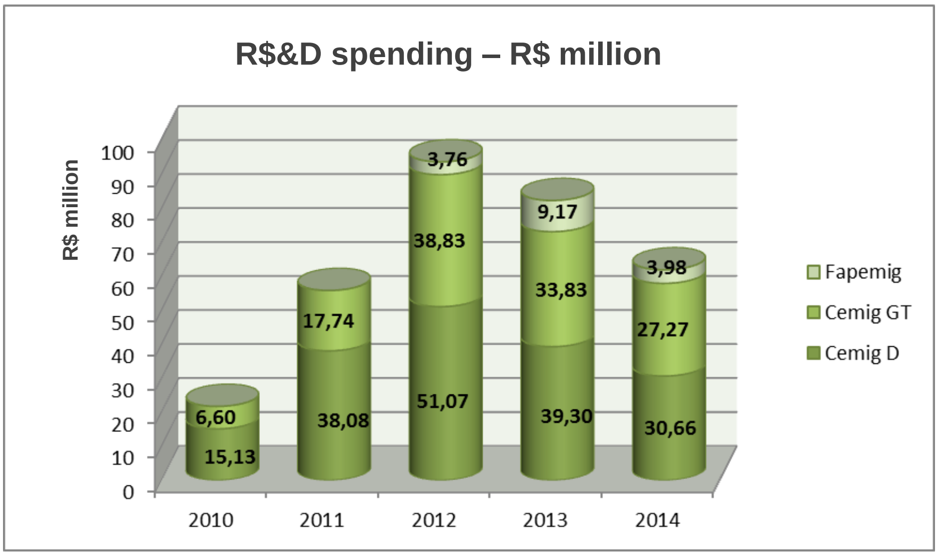
The Mineirão Solar Power Plant

THE CEMIG RESEARCH & DEVELOPMENT PROGRAM

The Cemig group invests approximately R$ 60 million in research and development projects annually. Funds for these projects are to be invested in technological development, generation of new processes and products, or improvement of characteristics of existing processes and products, and providing training/experience to people, aiming for improvement of quality, reduction of costs or supply of new services to clients – meeting the Company's main technological demands.

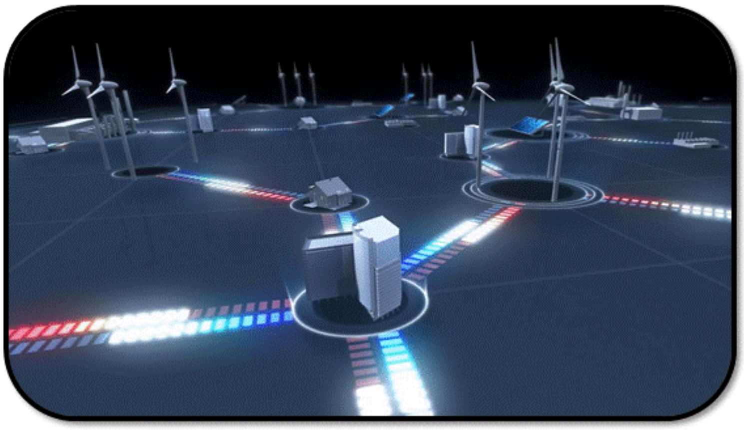
R&D – Cemig GT, 2014	
Number of projects contracted	Value
20	R$ 32.11 million

R&D – Cemig D, 2014	
Number of projects contracted	Value
9	R$ 22.61 million



Through the R&D program Cemig invests in projects related to various processes of the company, not restricted to engineering – for example there are projects related to the environment and sustainable development, development of new energy sources, commercial processes for serving clients, management, auditing, etc.

The Smart Grid



Cemig is preparing for a new concept of electricity distribution and relationship with clients. This is the *Cities of the Future* project, which is now a reality for some 3,000 residents of the city of Sete Lagoas (MG), Minas Gerais. The pilot project is to validate, on a scale that is appropriate and significant for Cemig, the products, services and innovative solutions inherent to the architecture of smart electricity grids. Equipment, computational applications and methodologies will be developed, and concept proof tests will be put in place in the field. In real-time interaction with consumers and distributed generators, Cemig intends to test, measure and validate market trends in its electricity and telecommunications facilities, computational systems and systems of relationship with clients.

SOCIAL RESPONSIBILITY

Cemig's social responsibility strategy is: to grow, while involving all the publics to which it relates. Cemig is currently present in 774 cities and 23 states of Brazil, delivering electricity with quality to millions of Brazilians.

In all its interactions Cemig takes care to respect and hear those who are affected by any of its activities or have any direct contact with it. In new projects or those that Cemig administers, the contact with communities takes place throughout the year, through projects providing education, incentives for artisanal and other local activities, rain warnings, periodic visits, and training activities, all with the purpose of providing assistance and accompanying local development.

The following are some of the highlights of 2014:

The low-income tariff: Approximately 845,000 families have registered to obtain the benefit of a discount on their Cemig electricity bills. To be eligible for the discount the client's household must have average per capita income of up to half the minimum wage, be inscribed in the federal government's Single Register for Social Programs, and have a Social Identification Number (NIS) or Continued Social Assistance Benefit (BPC).

The AI6% Program: This program encourages employees and retirees to redirect 6% of their income tax payable to the Infancy and Adolescence (FIA) Funds.

The 2014–15 campaign involved participation of 2,158 voluntary employees of Cemig, allocating funds to 102 municipalities to benefit 193 institutions. The amount allocated by the employees was R$ 1.4 million; the value invested by the Company was R$ 2.5 million. In total, R$ 3.9 million was allocated to serve approximately 24,814 children and teenagers.

Av. Barbacena 1200 Santo Agostinho 30190-131 Belo Horizonte, MG Brazil Tel.: +55 31 3506-5024 Fax +55 31 3506-5026

The *Proximidade* (Proximity) Program: This program focuses on developing a culture on the subject of floods – their origins, the actions and behavior that exacerbate them, actions that reduce their effects, and how the reservoirs work to minimize them. Cemig GT holds meetings over the whole year in various locations, giving lectures about weather forecasting, the Company's activity in control of floods, the procedures that ensure the physical safety of dams and barriers, environmental actions, and other subjects that are important for the local population. In 2014, the Program held 6 events, with approximately 350 people, serving communities neighboring the reservoirs of the *Gafanhoto, Itutinga/Camargos, Aimorés, Rio de Pedras, Queimado* and *Três Marias* hydroelectric plants. At each meeting, those attending were able to resolve doubts about operational and safety procedures adopted in the Company's plants, climatic conditions and environmental aspects, as well as having a guided tour of the facilities.

The *Smart Energy* Program: This program (*Energia Inteligente*) expresses Cemig's concern to serve clients with quality, and to orient them as to the correct and rational use of electricity. The investment in 2014 was R$ 51.8 million, resulting in reduction of 44.255 MWh/year and reduction of peak demand by 12.387 kW in the residential, rural, commercial and services categories. This program has some subprograms, among which we highlight:

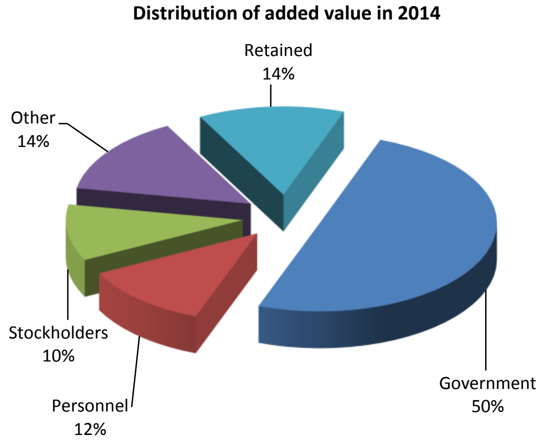
The *Versol* Project: To promote social empowerment and citizenship of young people and children from the lower income groups, the Versol Project offers socialization through sport, courses in professional activities related to nautical sports, environmental education and culture. The project trains people to sail. It is a partnership between the Company, the City Hall of Três Marias and the *Rumo Náutico* Institute, directed by the Grael brothers. The project offers 230 places, each 6 months, for children and teenagers, of both sexes, aged 9 to 24, that are pupils in the public education network. Participants receive lessons in sailing, canoeing, rowing, swimming, volleyball and other sports and practice activities of play, enjoyment and entertainment. They also learn about nautical mechanics, basic concepts of climate, ecotourism and biology.

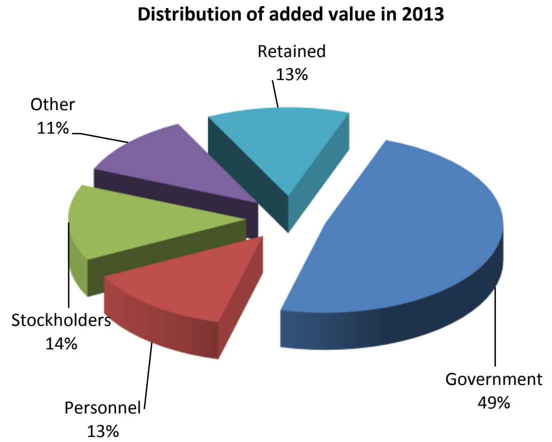
The *Conviver* ('Living Together') Project: This project was started in 2006, to orient low-income clients on measures for energy efficiency. R$ 15.5 million was invested in 2014, serving 55,000 families. A total of 4,282 refrigerators were replaced, and 232,445 lamps replaced with compact fluorescent lamps. The old refrigerators and lamps, collected by Cemig, have been recycled. This project makes possible significant gains in reduction of default, and power losses, in the communities served.

Energia do Bem – This project ('Energy for the public good') puts in place more economical equipment for philanthropic entities and non-profits such as hospitals, day-care centers and old people's care homes. Their objective is to optimize the use and consumption of electricity, concentrating on rational use, preserving the environment.

Value added

The Value Added Statement (*Demonstração do Valor Adicionado*, or DVA) is an indicator of the Company's importance for society in general, and its generation of wealth: the added value created in 2014 was measured as R$ 13,209 million, compared to R$ 11,568 million in 2013.



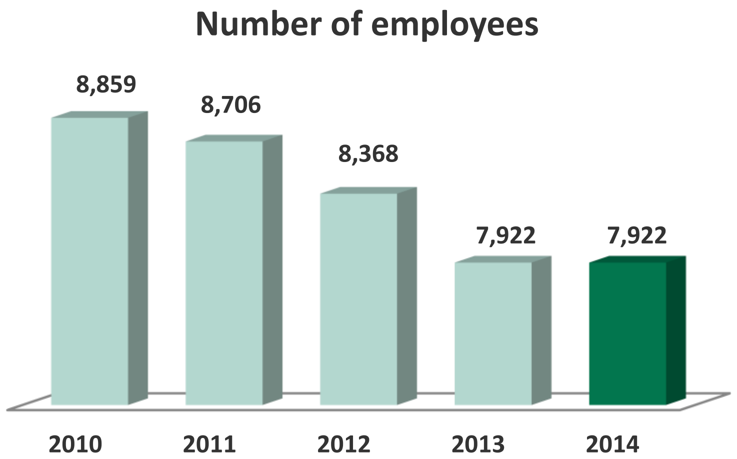


People

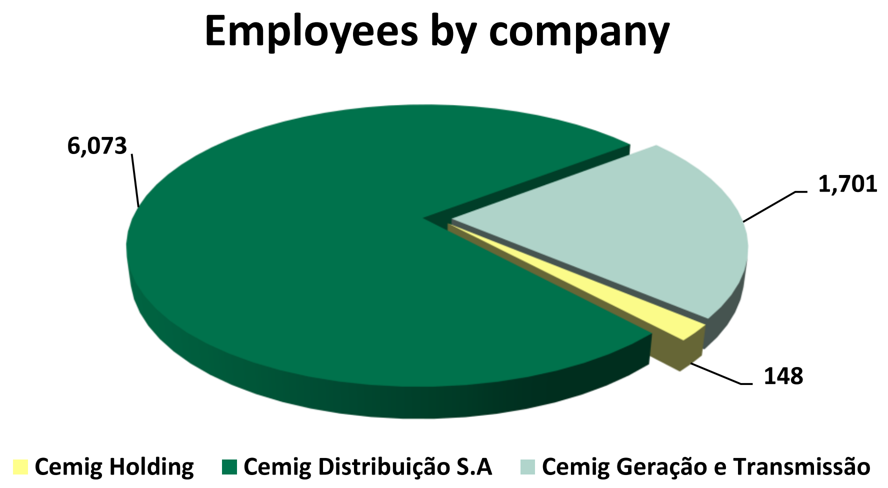
Cemig believes that its human capital is a fundamental element for fulfillment of its commitment to economic, social and environmental sustainability. With this focus, it adopts best practices in the labor market in its management of people.

<u>Number of employees</u>

The total number of the Company's employees has been reduced in the last 5 years, as shown:



Av. Barbacena 1200 Santo Agostinho 30190-131 Belo Horizonte, MG Brazil Tel.: +55 31 3506-5024 Fax +55 31 3506-5026



Hiring

Cemig's remuneration strategy, aiming to maintain a balanced and efficient work force, making the company attractive in the market, reflects a positioning compatible with the market, with competitive benefits and programs for the employees' welfare.

In its annual program of internships, Cemig provided 225 interns with the opportunity to develop in their area of qualification, associating theory and practice.

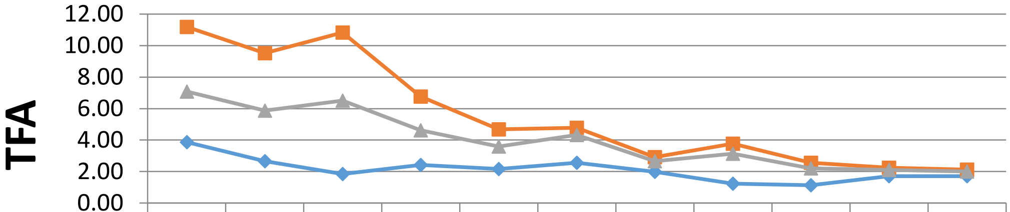
Under the Cemig-Cesam Apprenticeship Program, 255 teenagers from poor backgrounds developed new competencies, due to professional apprenticeship, under the supervision of Cemig employees as tutors.

To replace people who had left the company under the early retirement plans in 2013, the company hired 214 new employees in 2014, based on studies for personnel planning and policy, aligned with the corporate strategy, aiming for the optimum technical and quantitative balance.

Safety, health and well-being in the workplace

Cemig's accident indicators have fallen continuously over the last 10 years – for its own employees and for outsourced personnel – as a result of various actions under the heading of Occupational Safety, Health & Well-being. In 2014 the Frequency of Accidents with Time off Work (*Taxa de Frequência de Acidentes com Afastamento*, or TFA) for the workforce was 2.01, or 71% less than in 2004, when it was 7.08.

Cemig: Frequency of accidents with time off work (TFA)



	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Pessoal próprio	3.87	2.67	1.85	2.42	2.17	2.56	1.99	1.23	1.14	1.70	1.70
Contratados	11.18	9.53	10.84	6.76	4.68	4.78	2.92	3.78	2.56	2.24	2.13
Força de Trabalho	7.08	5.88	6.51	4.62	3.59	4.32	2.66	3.13	2.20	2.10	2.01

Pessoal próprio — Contratados — Força de Trabalho

<u>UniverCemig</u>

Cemig maintains its corporate university, UniverCemig, to offer opportunities of learning to employees of the group, suppliers, clients, other companies in Brazil and worldwide, on subjects related to electricity, health and safety in the workplace, strategic support, environment, quality, and sustainability.

In terms of quantitative results, 24,700 participations and 384,917 man-hours of training were offered by UniverCemig in 2014, to Cemig's own employees, and 2,438 participations and 61,982 man-hours of training were provided to employees of other companies. The total amount invested in training and development was R$ 38 million.

A training matrix was developed for contracted companies, aiming to improve quality, productivity and the culture of safety in the workplace for the companies supplying operation and maintenance services for the distribution networks. This matrix includes, for each function described in the service provision contracts, the principal training that is demanded and all the requirements for this training, so as to ensure compliance with its objectives, at the same time as helping companies that wish to structure their own training centers.

Cultural and sporting initiatives

Cemig's sponsorship for culture in 2014 supported 164 projects, with investments of R$ 7.4 million in its own funds and R$ 24.5 million under incentive pass-through laws. The principal program is *Cemig Cultural*, with investment in basic facilities of the cultural market, and the *Film it in Minas* program, which aims to stimulate audiovisual production in the state of Minas Gerais.

Cemig also invests in projects directed to sport, with its own funds and under the Sports Incentive Law. In 2014 it invested R$ 5.15 million. In 2014 Cemig received the *Sport-Friendly Entrepreneur* award, given by the Ministry of Sport, for the fifth year running – as the company that most invests in sport in the state of Minas Gerais.

Environment

In 2014 Cemig invested a total of R$ 52.8 million in funds related to environmental questions, comprising R$ 41.1 million in environmental management and R$ 11.7 million in research projects related to the environment.

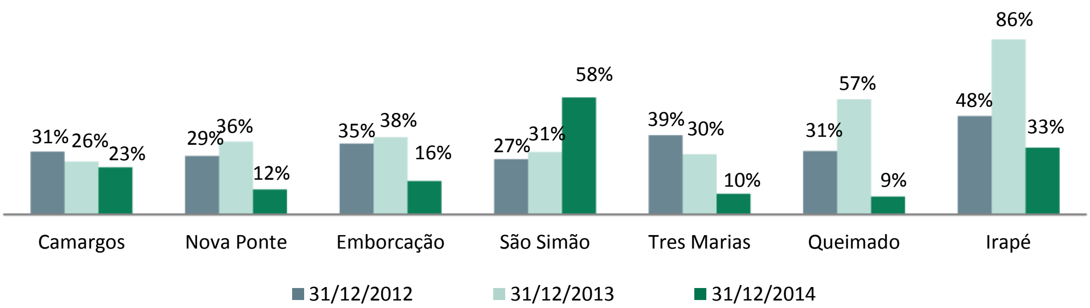
Funds invested in environment (R$ million)

Water resources

Cemig has a network that regularly monitors the principal river basins of Minas Gerais (the Rivers Grande, Paranaíba, Pardo, São Francisco, Doce, Paraíba do Sul, Itabapoana and Jequitinhonha) – a total of 43 reservoirs and more than 200 collection stations for physical, chemical and biological data.

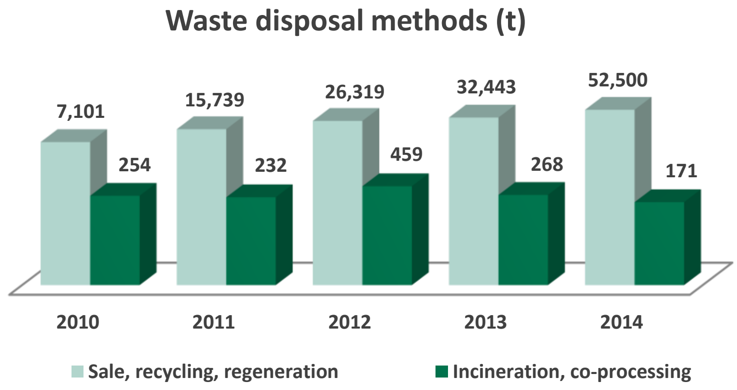
Cemig has a data bank on the monitoring of water quality of its reservoirs – the *Siságua* system – which is accessible to all on the internet, to share the information acquired about these aquatic ecosystems.

Reservoir storage levels – Cemig hydroelectric plants



Management of waste

In 2014 Cemig dealt with 52,671 tons of waste and unserviceable material: 52,500 tons were sold or recycled, and 171 tons were co-processed or incinerated. Of this total, 99.2% was waste disposed of by Cemig D (Distribution), arising from its System Modernization Plan.



Programs for fish populations

Cemig launched its *Peixe Vivo* ('Fish Alive') program in June 2007, and has been expanding and creating more effective measures for conservation of fish populations in the river basis where the company has hydroelectric plants, favoring the communities that use the water resources as a factor for development. With the help of various segments of the community, which have helped in the planning of preventive actions that have been incorporated into Cemig's Environmental Policy, the *Peixe Vivo* program operates on three fronts: programs for conservation of fish populations and river basins; production of scientific knowledge to support these programs; and promotion of community involvement in the activities involved.

A total of 661,000 fingerlings have been produced, totaling 14 tons, which were released in 72 fish stocking events, with the participation of 2,591 people from local communities in 42 municipalities.

Biodiversity

With the predominance of hydroelectric plants in Cemig's electricity supply, the Company's environmental strategy in relation to biodiversity is directed toward programs for conservation of the group of species of fish that live in the watercourses where Cemig has generation operations.

Climate change

Cemig's activity in relation to climate change is aligned with its business strategy, and was formulated in 2012 in a commitment entitled 'Ten Initiatives for the Climate', which defined the Company's lines of action. The involvement of senior management, and discussion about the key questions makes this activity more effective, as is shown by the establishment of voluntary targets for reduction of emissions, consumption of electricity, and power losses – and Cemig gives this degree of attention to this subject even though it already has low levels of greenhouse gas emissions.

In 2014 Cemig published its Inventory of Greenhouse Gas Emissions, verified by an independent audit. The complete document can be seen on the Cemig website.

Environmental licensing

Environmental licensing is one of the forms in which registration of the Company's enterprises has to be kept up to date. The activity of Cemig GT's licensing department ensures that all the studies and reports undertaken are properly analyzed, and all the rules issued by the competent bodies and under the legislation are complied with.

In those undertakings that are exempt from formal environmental licensing, Cemig's own environmental requirements are applied – these ensure identification, control and monitoring of environmental impacts. The facilities that began operation before 1986 are going through the procedures for corrective licensing. Cemig GT has 75.3% of its projects duly licensed, and 24.7% in the process of obtaining of the related environmental licenses – in other words it is 100% compliant with the inspection bodies. Cemig D has 71.4% of its facilities duly licensed, and 28.6% in the process of licensing.

RECOGNITION – AWARDS

Cemig's efforts in 2014 led to awards recognizing the excellence of its activities by various sectors of society. We highlight the following:

The Dow Jones Sustainability Index

Cemig was once again selected for inclusion in the *Dow Jones Sustainability World Index* for 2014-2015. Cemig has now been in this index for 15 years, and continues to be the only company in the Latin American electricity sector that has been in the DJSI World since its creation, in 1999.

The companies in this index, based on New York listing, are classified as those most capable of creating value for stockholders in the long-term, through management of the risks associated with environmental and social factors as well as economic factors.

The Anefac-Fipecafi-Serasa Transparency Trophy

This was the eleventh year running in which Cemig has won the *Transparency Trophy* (*Troféu Transparência*), awarded by the accounting organizations Anefac, Fipecafi, Serasa and Experian. The Transparency Trophy is given to companies practicing outstanding transparency in their accounting information, as reflected in the quality of the annual report and consistency of data reported, among other factors. Cemig won the award in the category *Public companies with billing above R$ 5 billion*, placing it among the ten listed companies with the best financial statements in Brazil.

The Bovespa ISE Corporate Sustainability Index

The ISE – *Corporate Sustainability* – Index of the São Paulo stock exchange (BM&FBovespa) lists companies that are committed to sustainability, distinguishing themselves in quality, level of commitment to sustainable development, equity, transparency and accountability, and nature of their products, as well as entrepreneurial performance in the economic, financial, social, environmental and climate-change dimensions. Cemig was selected for the tenth year running – it has been included in the ISE since the index was created, in 2005.

The Abap Sustainability Award

This award by the Brazilian Association of Advertising Agencies (Abap) recognizes corporate actions to promote cultural, social and environmental development of the state of Minas Gerais. Cemig won the prize in the *Special* category.

IR Magazine Awards Brazil

This is a survey by *IR Magazine* to identify outstanding Investor Relations professionals in the country. This year Cemig won in the *Public Services* category.

The *Carbon Efficient Index* of the BM&FBovespa and BNDES

Cemig was selected for this index, referred to as the ICO2. Developed by BM&FBovespa and the BNDES, this indicator signals to national and international capital markets that Brazil and the Brazilian companies listed are in alignment with the most advanced discussions on climate change. This is the 4th consecutive time that Cemig has been included in the ICO2.

Latam–Stars Index ranking

This index drawn up by consultants Management & Excellence (M&E), ranks actions by companies considered the best in sustainable management in Latin America, and includes 8 Brazilian companies in its portfolio of 16 chosen. Cemig is the only company selected in the electricity sector.

Carbon Disclosure Project – CDP

With the highest score among participating Brazilian companies, Cemig was selected by the Carbon Disclosure Project (CDP) 2014 edition as a leader in transparency in terms of information for climate change management business strategy. This is the third consecutive year in which Cemig has been recognized by the CDP, and the first time it has achieved the highest score in this category.

Brazilian Environmental Benchmarking

The Benchmarking Program is an independent seal of sustainability that recognizes and shares best sustainability practices adopted by Brazilian companies and institutions. With a focus on quality in managerial practices, it identifies companies and managers as leaders and benchmarks for the excellence of their practices. Cemig GT was ranked 9th, for its *Fish Alive* Program.

Hugo Werneck Award for Sustainability & Love of Nature

This award is sponsored by the *Sou Ecológico* ('I'm Ecological') Group, established by *Revista Ecológico* magazine. The *Fish Alive* Program won the prize for Best Example in Fauna.

Oekom Research – Nominated *Prime*

Cemig was rated Prime (B–) by the German sustainability rating agency Oekom-Research. Oekom is one of the world's leading investment classification agencies related to corporate sustainability, with more than 17 years' experience. Prime classification qualifies Cemig to receive investments from institutions that work with the Oekom criteria. The aggregate investments of these institutions total 90 billion Euros. This is the third consecutive year in which Oekom has been awarded Cemig prime (B–) status.

Featured in *Anuário Telecom*

Cemig won first place in the *electricity* category in this survey by *Isto É Dinheiro* magazine.

Aberje Award

First placed in the category *Communication of Corporate Sustainability Programs*, in the regional awards for Minas Gerais and the Center-West, with the Program *Attitudes that Move the World*.

Época / Reclame Aqui Service Quality Award

The winners of this prize organized by Época magazine and the *Reclame Aqui* ('*Complaints Line*') website are chosen by popular vote on the site. Cemig was the winner in the *Public Service – Electricity* category for the second year in a row.

Funcoge Award

Cemig received the trophy in the *Strategic Business Managemen*t category from Coge (Corporate Management Committee Foundation), for its work *Strategic Real Estate: An Invitation to Operational Efficiency*.

Child-Friendly Company

Recognition by the *Municipal Council for the Rights of Children and Teenagers* (CMDCA) of Belo Horizonte: CMDCA raises funds through allocations of income tax from partner companies and individuals for actions to protect and uphold the rights of Belo Horizonte's young people.

Sport-Friendly Entrepreneur Award

The 'Sport-Friendly Entrepreneur' award (*Prêmio Empresário Amigo do Esporte*) honors supporters of sports and para-sports projects that have contributed, through the Sports Incentive Law, to the development and strengthening of Brazilian sport in its various forms. The Sport Ministry recognized Cemig for the support given to sport in Minas Gerais as the company that allocated most funds under the Federal Sport Incentive Law, for the fifth consecutive year.

FINAL REMARKS

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

SOCIAL STATEMENT – CEMIG, CONSOLIDATED

1 – Basis of calculations	2014 Amount (R$ '000)	2013 Amount (R$ '000)
Net revenue (NR)	19,539,578	14,627,280
Operational profit (OP)	5,580,398	4,362,471
Gross payroll (GP)	1,109,968	1,038,555

2 – Internal social indicators	2014 Amount R$ '000	% of GP	% of NR	2013 Amount R$ '000	% of GP	% of NR
Food	79,436	7.16	0.41	75,221	7.24	0.51
Mandatory charges/costs on payroll	294,767	26.56	1.51	282,123	27.16	1.93
Private pension plan	78,644	7.09	0.40	77,058	7.42	0.53
Health	44,369	4.00	0.23	44,546	4.29	0.30
Safety and medicine in the workplace	21,372	1.93	0.11	18,716	1.80	0.13
Education	604	0.05	-	463	0.04	-
Culture	-	-	-	78	0.01	-
Training and professional development	37,553	3.38	0.19	27,125	2.61	0.19
Provision of or assistance for day-care centers	2,183	0.20	0.01	2,102	0.20	0.01
Profit sharing	238,664	21.50	1.22	228,763	22.03	1.56
Others	16,657	1.50	0.09	18,422	1.77	0.13
Internal social indicators – Total	**814,249**	**73.37**	**4.17**	**774,617**	**74.57**	**5.29**

3 – External social indicators	2014 Amount R$ '000	% of OP	% of NR	2013 Amount R$ '000	% of OP	% of NR
Education	287	0.01	-	1,200	0.03	0.01
Culture	28,816	0.48	0.14	24,831	0.57	0.17
Other donations/subsidies / ASIN project / Sport	66,699	1.20	0.34	51,638	1.18	0.35
Total contributions to society	**93,802**	**1.68**	**0.48**	**77,669**	**1.78**	**0.53**
Taxes (excl. obligatory extra payroll costs)	6,749,772	120.96	33.54	5,605,824	128.50	38.32
External social indicators – Total	**6,843,574**	**122.64**	**34.02**	**5,683,493**	**130.28**	**38.85**

4 – Environmental indicators	2014 Amount R$ '000	% of OP	% of NR	2013 Amount R$ '000	% of OP	% of NR
Related to the company's operations	52,838	0.95	0.27	181,300	4.16	1.24
Investments in external programs/projects	-	-	-	-	-	-
Total investment in the environment	**52,838**	**0.95**	**0.27**	**181,300**	**4.16**	**1.24**
As to setting of annual targets to minimize toxic waste and consumption in general during operations, and increase efficacy of use of natural resources, the company:	( ) 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	2014	2013
Number of employees at end of period	7,922	7,922
Number of hirings during period	217	776
Number of outsourced employees	ND	ND
Number of interns	277	336
Number of employees over 45 years old	3,596	3,375
Number of women employed	1,087	1,042
% of supervisory positions held by women	12.03	12.76
Number of African-Brazilian employees	2,546	2.542
% of supervisory positions held by African-Brazilians	14.11	13.17
Number of employees with disabilities	230	85

6 – Corporate citizenship	2014			Targets for 2015		
Ratio of highest to lowest compensation			**32.26**			**None**
Total number of work accidents			88			None
Who selects the company's social and environmental projects?	( ) senior management	(X) senior and functional managers	( ) all the employees	( ) senior management	(X) senior and functional managers	( ) all the employees
Who decides the company's work environment health and safety standards?	( ) senior and functional managers	(X) all employees	( ) All + Accident Prevention Committee	( ) senior and functional managers	(X) all employees	( ) All + Accident Prevention Committee
In labor union freedom, the right to collective bargaining and/or internal employee representation, the company:	( ) doesn't get involved	Follows ILO guidelines	( ) encourages and follows ILO	( ) doesn't get involved	Follows ILO guidelines	( ) encourages and follows ILO
The company pension plan covers:	( ) senior management	( ) senior and functional managers	(X) all employees	( ) senior management	( ) senior and functional managers	(X) all employees
The profit-sharing program covers:	( ) senior management	( ) senior and functional managers	(X) all employees	( ) senior management	( ) senior and functional managers	(X) all employees
In selecting suppliers, the company's standards of ethics and social and environmental responsibility:	( ) are not considered	( ) are suggested	(x) are required	( ) are not considered	( ) are suggested	(x) are required
As to employees' participation in voluntary work programs, the company:	( ) doesn't get involved	( ) supports	(X) organizes and encourages	( ) doesn't get involved	( ) supports	(X) organizes and encourages
Total number of consumer complaints and criticisms:	In the company N.A.	Via Procon N.A.	In the courts N.A.	In the company N.A.	Via Procon N.A.	In the courts N.A.
% of complaints and criticisms met or solved:	In the company N.A. %	Via Procon N.A. %	In the courts N.A. %	In the company N.A. %	Via Procon N.A. %	In the courts N.A. %
Total Added Value distributable (R$ '000)	In 2014:			In 2013:		
Distribution of added value (DVA)	50.23% government 10.33% stockholders 11.98% employees 14.08% others 13.42% retained			48.46% government 13.84% stockholders 13.46% employees 11.25% others 12.99% retained		

7 – Other information

I. In 2014 Cemig invested a total of R$ 52.8 million in funds related to environmental questions, comprising R$ 11.7 million in research projects related to the environment and R$ 41.1 million in environmental management.

II. Another important activity of Cemig is monitoring reservoirs water quality. Cemig has a network that regularly monitors the principal river basins of Minas Gerais (the Rivers Grande, Paranaíba, Pardo, São Francisco, Doce, Paraíba do Sul, Itabapoana and Jequitinhonha) – a total of 43 reservoirs and more than 200 collection stations for physical, chemical and biological data.

III. In 2014 Cemig dealt with 52,600 tons of waste and unserviceable material: 52,500 tons were sold, recycled or regenerated, and 171 tons were co-processed or incinerated. Of the total, 99.2% was waste of Cemig D (Distribution), arising from its System Modernization Plan. Of this total, 114 tons of insulating mineral oil not appropriate for internal use in the Company were regenerated, and 156 tons of oil-impregnated waste was co-processed. Of the total, 981 tons were hazardous wastes, and 51,700 tons non-hazardous wastes.

MEMBERS OF BOARDS

BOARD OF DIRECTORS	
SITTING MEMBERS	**SUBSTITUTE MEMBERS**
José Afonso Bicalho Beltrão da Silva	Bruno Westin Prado Soares Leal
Mauro Borges Lemos	Ana Sílvia Corso Matte
Allan Kardec de Melo Ferreira	Luiz Guilherme Piva
Arcângelo Eustáquio Torres Queiroz	Franklin Moreira Gonçalves
Helvécio Miranda Magalhães	Wieland Silberschneider
Marco Antônio de Rezende Teixeira	Antônio Dirceu Araújo Xavier
Marco Antônio Soares da Cunha Castello Branco	Ricardo Wagner Righi de Toledo
Nelson José Hubner Moreira	Carlos Fernando da Silveira Vianna
Guy Maria Villela Paschoal	Flávia Miarelli Piedade
Eduardo Borges de Andrade	Tarcísio Augusto Carneiro
Otávio Marques de Azevedo	Bruno Magalhães Menicucci
Paulo Roberto Reckziegel Guedes	Marina Rosenthal Rocha
Ricardo Coutinho de Sena	Newton Brandão Ferraz Ramos
Saulo Alves Pereira Junior	José Augusto Gomes Campos
José Pais Rangel	José João Abdalla Filho

AUDIT BOARD	
SITTING MEMBERS	**SUBSTITUTE MEMBERS**
Aristóteles Luiz Menezes Vasconcellos Drummond	Marcus Eolo de Lamounier Bicalho
Luiz Guaritá Neto	Ari Barcelos da Silva
Thales de Souza Ramos Filho	Aliomar Silva Lima
Lauro Sander	Salvador José Cardoso de Siqueira
Bruno Gonçalves Siqueira	Rafael Pinto Queiroz Neto

EXECUTIVE BOARD	
NAME	**POST**
Mauro Borges Lemos	Chief Executive Officer
Mateus de Moura Lima Gomes	Deputy CEO
Fabiano Maia Pereira	Chief Finance and Investor Relations Officer
Franklin Moreira Gonçalves	Chief Generation and Transmission Officer
Márcio Lúcio Serrano	Chief Corporate Management Officer
Fernando Henrique Schüffner Neto	Chief Business Development Officer:
Evandro Leite Vasconcelos	Chief Trading Officer
Luiz Fernando Rolla	Chief Institutional Relations and Communication Officer
Raul Lycurgo Leite	Chief Counsel

INVESTOR RELATIONS

Investor Relations Department
Tel.: (31) 3506-5024 - 3506-5028
Fax: (31) 3506-5025 - 3506-5026

Web
Site: www.cemig.com.br
E-Mail: ri@cemig.com.br

STATEMENTS OF FINANCIAL POSITION

AS OF DECEMBER 31, 2014 AND 2013

ASSETS

(THOUSAND OF BRAZILIAN REAIS - R$)

	Note	Consolidated		Holding company	
		2014	2013	2014	2013
CURRENT					
Cash and cash equivalents	6	887,143	2,201,827	113,336	286,183
Marketable Securities	7	993,994	933,571	46,284	163,591
Consumers and Traders	8	2,141,844	1,911,731	-	-
Concession holders – Transport of electricity	8	247,571	240,520	-	-
Financial assets of the concession	13	848,375	2,254	-	-
Recoverable taxes	9	213,602	481,544	4,816	4,817
Income and Social Contribution tax credits	10a	294,903	248,615	-	-
Traders – 'Free Energy' transactions		-	42,617	-	-
Dividends receivable		73,283	17,086	354,811	1,202,165
Restricted cash		1,110	1,877	273	98
Inventories		39,887	37,726	10	12
Energy Development Account (CDE)	12	344,896	174,613	-	-
Other credits		467,770	374,802	12,558	10,591
TOTAL, CURRENT		**6,554,378**	**6,668,783**	**532,088**	**1,667,457**
NON-CURRENT					
Marketable Securities	7	17,278	89,723	991	16,534
Consumers and Traders	8	202,734	180,307	-	-
Concession holders – Transport of electricity	8	6,172	8,288	-	-
Recoverable taxes	9	386,606	382,075	6,568	6,553
Income and Social Contribution taxes recoverable	10a	207,104	177,499	207,104	177,499
Deferred income and Social Contribution taxes	10b	1,245,726	1,220,896	362,408	322,372
Escrow deposits	11	1,534,805	1,180,274	423,044	147,839
Other credits		407,525	83,369	19,219	25,741
Financial assets of the concession	13	7,474,968	5,840,683	-	-
Investments	14	8,039,791	6,160,800	12,138,161	11,764,443
Property, plant and equipment	15	5,543,620	5,817,455	1,178	1,313
Intangible assets	16	3,379,296	2,003,990	1,096	753
TOTAL, NON-CURRENT		**28,445,625**	**23,145,359**	**13,159,769**	**12,463,047**
TOTAL ASSETS		**35,000,003**	**29,814,142**	**13,691,857**	**14,130,504**

The Notes are an integral part of these Financial Statements.

STATEMENTS OF FINANCIAL POSITION

AS OF DECEMBER 31, 2014 AND 2013

LIABILITIES

(THOUSAND OF BRAZILIAN REAIS - R$)

	Note	Consolidated		Holding company	
		2014	2013	2014	2013
Suppliers	17	1,603,716	1,066,358	5,766	15,325
Regulatory charges	20	105,558	153,437	-	-
Profit sharing		115,698	124,930	10,835	10,820
Taxes payable	18a	554,708	498,553	57,975	66,879
Income and Social Contribution taxes	18b	42,556	34,899	-	-
Interest on Equity and dividends payable		1,643,451	1,107,664	1,643,451	1,107,664
Loans and financings	19	4,151,063	1,056,225	-	-
Debentures	19	1,139,592	1,181,541	-	-
Payroll and related charges		194,608	185,693	8,555	9,957
Post-retirement liabilities	21	153,426	138,076	8,932	7,759
Concessions payable		22,013	20,400	-	-
Other obligations		396,928	353,865	13,716	30,834
TOTAL, CURRENT		**10,123,317**	**5,921,641**	**1,749,230**	**1,249,238**
NON-CURRENT					
Regulatory charges	20	251,937	193,025	-	-
Loans and financings	19	1,832,307	2,379,259	-	-
Debentures	19	6,385,776	4,840,339	-	-
Taxes payable	18a	723,176	705,497	-	-
Deferred income and Social Contribution taxes	18b	611,469	255,813	-	-
Provisions	22	754,975	306,385	308,767	67,714
Concessions payable		156,524	151,995	-	-
Post-retirement liabilities	21	2,478,226	2,310,652	134,151	117,558
Other obligations		397,344	111,179	218,798	57,637
TOTAL, NON-CURRENT		**13,591,734**	**11,254,144**	**661,716**	**242,909**
TOTAL LIABILITIES		**23,715,051**	**17,175,785**	**2,410,946**	**1,492,147**
EQUITY	23				
Share capital		6,294,208	6,294,208	6,294,208	6,294,208
Capital reserves		1,924,503	1,924,733	1,924,503	1,924,733
Profit reserves		2,593,868	3,839,882	2,593,868	3,839,882
Equity Valuation Reserve		468,332	579,534	468,332	579,534
EQUITY ATTRIBUTABLE TO THE CONTROLLING SHAREHOLDERS		**11,280,911**	**12,638,357**	**11,280,911**	**12,638,357**
EQUITY ATTRIBUTABLE TO NON-CONTROLLING SHAREHOLDERS		**4,041**	**-**	**-**	**-**
TOTAL EQUITY		**11,284,952**	**12,638,357**	**11,280,911**	**12,638,357**
TOTAL LIABILITIES AND EQUITY		**35,000,003**	**29,814,142**	**13,691,857**	**14,130,504**

The Notes are an integral part of these Financial Statements.

Av. Barbacena 1200 Santo Agostinho 30190-131 Belo Horizonte, MG Brazil Tel.: +55 31 3506-5024 Fax +55 31 3506-5026

STATEMENTS OF INCOME

FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

(THOUSAND OF BRAZILIAN REAIS - R$)
(except Net income per share)

	Note	Consolidated		Holding company	
		2014	2013	2014	2013
NET REVENUE	**24**	**19,539,578**	**14,627,280**	**321**	**321**
OPERATING COSTS					
COST OF ELECTRICITY AND GAS	**25**				
Electricity purchased for resale		(7,428,381)	(5,207,283)	-	-
Charges for the use of the national grid		(744,431)	(575,050)	-	-
Gas purchased for resale		(254,488)	-	-	-
		(8,427,300)	(5,782,333)	-	-
OTHER COSTS	**25**				
Personnel and managers		(999,362)	(946,081)	-	-
Materials		(58,013)	(55,680)	-	-
Raw materials and inputs for production of electricity		(282,447)	(55,597)	-	-
Outsourced services		(735,935)	(672,225)	-	-
Depreciation and amortization		(778,792)	(782,102)	-	-
Operating provisions		(262,304)	(212,100)	-	-
Royalties for use of water resources		(127,200)	(130,895)	-	-
Infrastructure Construction cost		(941,795)	(974,977)	-	-
Other		(189,335)	(236,767)	-	-
		(4,375,183)	(4,066,424)	-	-
TOTAL COST		**(12,802,483)**	**(9,848,757)**	**-**	**-**
GROSS PROFIT		**6,737,095**	**4,778,523**	**321**	**321**
OPERATIONAL EXPENSES	**25**				
Selling expenses		(128,416)	(121,005)	-	-
General and administrative expenses		(654,352)	(798,841)	(50,122)	(76,894)
Other operating expenses		(865,358)	(463,353)	(235,285)	(33,928)
		(1,648,126)	(1,383,199)	(285,407)	(110,822)
Equity in earnings of unconsolidated investees, net	14	210,484	763,808	3,330,649	2,944,430
Gain on disposal of equity investment		-	284,298	-	378,378
Unrealized profit on disposal of investment		-	(80,959)	-	(80,959)
Gain on acquisition of control of investee	14	280,945	-	280,945	-
Income before Financial income (expenses) and taxes		**5.580.398**	**4,362,471**	**3,326,508**	**3,131,348**
Financial revenues	**26**	592.684	885,503	37,361	98,359
Financial expenses	**26**	(1.693.672)	(1,193,978)	(244,918)	(28,412)
Income before income tax and social contribution tax		**4,479,410**	**4,053,996**	**3,118,951**	**3,201,295**
Current income and Social Contribution taxes	**10c**	(1,259,226)	(993,941)	(18,191)	(59,288)
Deferred income and Social Contribution taxes	**10c**	(83,281)	43,800	35,879	(38,152)
NET INCOME FOR THE YEAR		**3,136,903**	**3,103,855**	**3,136,639**	**3,103,855**
Total of net income for the year attributed to:					
Controlling shareholders		3,136,639	3,103,855		
Non-controlling shareholders		264	-		
		3,136,903	**3,103,855**		
Basic and diluted income per preferred share – R$	**23**	**2.49**	**2.47**	**2.49**	**2.47**
Basic and diluted income per common share – R$	**23**	**2.49**	**2.47**	**2.49**	**2.47**

The Notes are an integral part of these Financial Statements.

Av. Barbacena 1200 Santo Agostinho 30190-131 Belo Horizonte, MG Brazil Tel.: +55 31 3506-5024 Fax +55 31 3506-5026

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

(THOUSAND OF BRAZILIAN REAIS - R$)

	Consolidated		Holding company	
	2014	2013	2014	2013
NET INCOME FOR THE YEAR	**3,136,903**	**3,103,855**	**3,136,639**	**3,103,855**
OTHER COMPREHENSIVE INCOME				
Items that will not be reclassified to profit or loss				
Post retirement liabilities – restatement of obligations of the defined benefit plans, net of taxes	(43,588)	175,464	(8,070)	62,333
Equity gain (loss) on Other comprehensive income in jointly-controlled entities	(6,852)	30,845	(42,695)	143,976
	(50,440)	206,309	(50,765)	206,309
Items that may be reclassified to profit or loss				
Equity gain (loss) on Other comprehensive income in jointly-controlled entities	9,746	7,473	10,071	7,402
Cash flow hedge instruments, net of taxes	-	(71)	-	-
	9,746	7,402	10,071	7,402
COMPREHENSIVE INCOME FOR THE YEAR	**3,096,209**	**3,317,566**	**3,095,945**	**3,317,566**
Total of net profit for the year attributed to:				
Interest of the controlling shareholders	**3,095,945**	**3,317,566**		
Non controlling interest arising from business combination	**264**	-		
	3,096,209	**3,317,566**		

The Notes are an integral part of these Financial Statements.

STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY – CONSOLIDATED
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013
(THOUSAND OF BRAZILIAN REAIS - R$)

2013	Share capital	Capital reserves	Profit reserves	Equity Valuation adjustments	Retained earnings	Total, interest of the controlling shareholders	Non controlling interest arising from business combination	Total equity
AS OF DECEMBER 31, 2012	**4,265,091**	**3,953,850**	**2,856,176**	**474,879**	**-**	**11,549,996**	**-**	**11,549,996**
Net income for the year	-	-	-	-	3,103,855	3,103,855	-	3,103,855
Other comprehensive income								
Equity gain on Other comprehensive income in jointly-controlled entity	-	-	-	38,318	-	38,318	-	38,318
Cash flow hedge instruments	-	-	-	(71)	-	(71)	-	(71)
Post retirement liabilities, net of taxes	-	-	-	175,464	-	175,464	-	175,464
Total Comprehensive income for the year	**-**	**-**	**-**	**213,711**	**3,103,855**	**3,317,566**	**-**	**3,317,566**
Other changes in equity:								
Increase in share capital	2,029,117	(2,029,117)	-	-	-	-	-	-
Additional dividends proposed in 2012 (R$ 0.50 per share)	-	-	(628,131)	-	-	(628,131)	-	(628,131)
Interim dividends (R$ 0.85 per share)	-	-	-	-	(1,067,925)	(1,067,925)	-	(1,067,925)
Interest on Equity (R$ 0,42 per share)	-	-	-	-	(533,149)	(533,149)	-	(533,149)
Additional dividends proposed (R$ 0.04/share)	-	-	54,528	-	(54,528)	-	-	-
Constitution of reserves								
Reserve under the by-laws	-	-	1,557,309	-	(1,557,309)	-	-	-
Realization of reserves								
Equity valuation adjustments – deemed cost of PP&E	-	-	-	(109,056)	109,056	-	-	-
AS OF DECEMBER 31, 2013	**6,294,208**	**1,924,733**	**3,839,882**	**579,534**	**-**	**12,638,357**	**-**	**12,638,357**

2014	Share capital	Capital reserves	Profit reserves	Equity Valuation adjustments	Retained earnings	Total, interest of the controlling shareholders	Non controlling interest arising from business combination	Total equity
AS OF DECEMBER 31, 2013	**6,294,208**	**1,924,733**	**3,839,882**	**579,534**	**-**	**12,638,357**	-	**12,638,357**
Net income for the year					3,136,639	3,136,639	264	3,136,903
Other comprehensive income								
Post retirement liabilities, net of taxes	-	-	-	(43,588)	-	(43,588)	-	(43,588)
Cash flow hedge instruments	-	-	-	-	-	-	-	-
Equity gain on Other comprehensive income in jointly-controlled entity	-	-	-	2,894	-	2,894	-	2,894
Total Comprehensive income for the year	**-**	**-**	**-**	**(40,694)**	**3,136,639**	**3,095,945**	**264**	**3,096,209**
Other changes in equity:								
Reimbursement of shares of dissident shareholders	-	(230)	-	-	-	(230)	-	(230)
Additional dividends proposed in 2013 (R$ 0.04 per share)	-	-	(54,528)	-	-	(54,528)	-	(54,528)
Extraordinary dividends (R$ 2.23 per share)	-	-	(2,804,000)	-	-	(2,804,000)	-	(2,804,000)
Statutory dividends (R$ 1.04 per share)					(1,364,633)	(1,364,633)	-	(1,364,633)
Interest on Equity (R$ 0.18 per share)	-	-	-	-	(230,000)	(230,000)	-	(230,000)
Constitution of reserves								
Tax incentives reserve			29,070		(29,070)	-	-	-
Profit reserve	-	-	1,583,444	-	(1,583,444)	-	-	-
Realization of reserves								
Equity valuation adjustments – deemed cost of PP&E	-	-	-	(70,508)	70,508	-	-	-
ATTRIBUTED TO INTEREST OF THE CONTROLLING SHAREHOLDERS	**6,294,208**	**1,924,503**	**2,593,868**	**468,332**	**-**	**11,280,911**	**-**	**11,280,911**
Non controlling interest arising from business combination	-	-	-	-	-	-	**3,777**	**3,777**
SHAREHOLDERS' EQUITY	**6,294,208**	**1,924,503**	**2,593,868**	**468,332**	**-**	**11,280,911**	**4,041**	**11,284,952**

The Notes are an integral part of these Financial Statements.

STATEMENTS OF CASH FLOW

FOR THE YEARS ENDED DECEMBER 31, 2014 and 2013

(THOUSAND OF BRAZILIAN REAIS - R$)

	Consolidated		Holding company	
	2014	2013	2014	2013
CASH FLOW FROM OPERATIONS				
Net income for the year	3,136,903	3,103,855	3,136,639	3,103,855
Expenses (revenues) not affecting cash and cash equivalents				
Income and social contribution taxes	1,342,507	950,141	(17,688)	97,440
Depreciation and amortization	800,918	823,668	522	491
Write-offs of PP&E and Intangible assets	105,188	32,976	-	8
Equity in earnings of unconsolidated investees, net	(210,484)	(763,808)	(3,330,649)	(2,944,430)
Interest and monetary variation	1,144,629	941,518	-	(22,087)
Monetary variation on advance for future capital increase from Minas Gerais State government	239,445	-	239,445	-
Gain on disposal of investments	-	(284,298)	-	(378,378)
Unrealized profit	-	80,959	-	80,959
Provisions (reversals) for operational losses	580,720	305,239	190,000	(27,866)
Net gain on indemnity of assets	(420,013)	(20,673)	-	-
Financial assets - CVA	(1,106,675)	-	-	-
Provision for losses on financial instruments	(280,945)	-	(280,945)	-
Provision for losses on financial instruments	-	(1,685)	-	-
Post-retirement liabilities	310,910	269,174	15,939	21,371
	5,643,103	5,437,066	(46,737)	(68,637)
(Increase) / decrease in assets				
Consumers and Traders	(284,865)	(133,764)	-	-
Energy Development Account (CDE)	(170,283)	-	-	-
Recoverable taxes	319,991	(255,265)	(14)	55,487
Income and social contribution tax credit	(36,922)	(222,912)	(29,605)	(95,761)
Transport of electricity	(4,935)	109,003	-	-
Escrow deposits in litigation	(304,575)	120,233	(275,205)	122,863
Dividends received from investments	682,907	554,469	4,648,724	1,148,384
Financial assets	5,560	286,004	-	-
Other	(190,760)	6,567	4,558	15,978
	16,118	464,335	4,,348,458	1,246,951
Increase (reduction) in liabilities				
Suppliers	472,444	(239,577)	(9,559)	2,987
Taxes payable	53,781	2,453	(8,904)	6,760
Income tax and Social Contribution taxes payable	(21,717)	2,953	(18,191)	-
Payroll and related charges	3,927	(41,050)	(1,402)	(1,212)
Regulatory charges	11,033	(139,787)	-	-
Post-retirement liabilities	(194,522)	(180,765)	(10,400)	(9,862)
Other	(161,071)	(21,729)	(44,334)	(47,773)
	163,875	(617,502)	(92,790)	(49,100)
Cash generated by operating activities	5,823,096	5,283,899	4,208,931	1,129,214
Interest paid on loans and financings	(780,887)	(813,433)	-	(17,784)
Income and Social Contribution taxes paid	(1,308,279)	(955,206)	-	(113,115)
NET CASH GENERATED BY OPERATIONAL ACTIVITIES	3,733,930	3,515,260	4,208,931	998,315

	Consolidated		Holding company	
	2014	2013	2014	2013
CASH FLOWS FROM INVESTMENT ACTIVITIES				
Marketable securities	116,480	(267,036)	132,850	(145,135)
Financial assets	(80,358)	(91,176)	-	-
Accounts receivable from Minas Gerais state government	-	2,465,646	-	2,465,646
Restricted cash	767	130,616	(175)	135
Investments				
Acquisition of equity investees	(2,404,733)	-	-	-
Acquisition of subsidiary – Gasmig	(464,704)	(94,184)	(574,772)	-
Gain on disposal of investments	-	1,691,415	-	1,619,987
Capital increase in investees	(546,289)	(355,406)	(21,347)	(3,139)
PP&E	(121,917)	(69,250)	(119)	-
Intangible assets	(798,088)	(907,896)	(611)	-
NET CASH FROM (USED IN) INVESTMENT ACTIVITIES	(4,298,842)	2,502,729	(464,174)	3,937,494
CASH FLOW IN FINANCING ACTIVITIES				
Reimbursement of shares of dissident stockholders	(230)	-	(230)	-
Loans, financings and debentures	4,562,078	2,466,516	-	-
Payment of loans, financings and debentures	(1,394,246)	(3,601,452)	-	(1,106,397)
Interest on Equity and dividends	(3,917,374)	(4,600,351)	(3,917,374)	(4,600,351)
NET CASH USED IN FINANCIAL ACTIVITIES	(749,772)	(5,735,287)	(3,917,604)	(5,706,748)
NET CHANGE IN CASH AND CASH EQUIVALENTS	**(1,314,684)**	**282,702**	**(172,847)**	**(770,939)**
STATEMENT OF CHANGES IN CASH AND CASH EQUIVALENTS				
Beginning of the year	2,201,827	1,919,125	286,183	1,057,122
End of the year	887,143	2,201,827	113,336	286,183
NET CHANGE IN CASH AND CASH EQUIVALENTS	**(1,314,684)**	**282,702**	**(172,847)**	**(770,939)**

The Notes are an integral part of these Financial Statements.

Av. Barbacena 1200 Santo Agostinho 30190-131 Belo Horizonte, MG Brazil Tel.: +55 31 3506-5024 Fax +55 31 3506-5026

STATEMENTS OF ADDED VALUE
YEARS ENDED DECEMBER 31, 2014 and 2013
(THOUSAND OF BRAZILIAN REAIS - R$)

	Consolidated				Holding company			
	2014		2013		2014		2013	
REVENUES								
Sales of electricity, gas and services	23,803,452		18,393,975		321		321	
Distribution construction revenue	861,437		883,801		-		-	
Transmission construction revenue	80,358		91,176		-		-	
Transmission indemnity revenue	420,013		20,673		-		-	
Revenue on disposal of investments	-		1,691,415		-		1,619,987	
Other revenues	57,674		31,440		-		-	
Provision: Allowance for doubtful receivables	(128,460)		(121,005)		-		-	
	25,094,474		**20,991,475**		**321**		**1,620,308**	
INPUTS ACQUIRED FROM THIRD PARTIES								
Electricity purchased for resale	(8,139,164)		(5,701,145)		-		-	
Charges for use of national grid	(824,952)		(644,275)		-		-	
Outsourced services	(1,351,144)		(1,377,793)		(18,814)		(17,586)	
Gas bought for resale	(254,488)		-		-		-	
Materials	(840,520)		(514,401)		(472)		(494)	
Cost on disposal of investments	-		(1,407,117)		-		(1,241,609)	
Operational provisions	-		(305,239)		-		27,866	
OTHER OPERATIONAL COSTS	(758,520)		(218,627)		(214,924)		(31,534)	
	(12,168,788)		**(10,168,597)**		**(234,210)**		**(1,263,357)**	
GROSS VALUE ADDED	**12,925,686**		**10,822,878**		**(233,889)**		**356,951**	
RETENTIONS								
Depreciation and amortization	(800,918)		(823,668)		(522)		(491)	
NET ADDED VALUE PRODUCED BY THE COMPANY	**12,124,768**		**9,999,210**		**(234,411)**		**356,460**	
ADDED VALUE RECEIVED BY TRANSFER								
Equity loss in subsidiaries	210,485		763,808		3,330,649		2,944,430	
Unrealized profit	-		(80,959)		-		(80,959)	
Financial revenues	592,684		885,503		37,361		98,359	
Gain on change in accounting method in subsidiary	280,945		-		280,945		-	
ADDED VALUE TO BE DISTRIBUTED	**13,208,882**		**11,567,562**		**3,414,544**		**3,318,290**	
DISTRIBUTION OF ADDED VALUE								
		%		%		%		%
Employees	**1,578,263**	**11.94**	**1,556,985**	**13.46**	**38,695**	**1.13**	**71,279**	**2.14**
Direct remuneration	1,052,186	7.97	987,635	8.54	13,611	0.40	35,319	1.06
Benefits	460,116	3.47	416,857	3.60	21,153	0.62	28,012	0.84
FGTS fund	65,731	0.50	63,804	0.55	3,925	0.11	4,200	0.13
Others	230	-	88,689	0.77	6	-	3,748	0.11
Taxes on revenue and profit; social security	**6,634,426**	**50.23**	**5,605,824**	**48.46**	**(6,121)**	**(0.18)**	**109,699**	**3.31**
Federal	3,423,461	25.92	2,814,221	24.33	(6,438)	(0.19)	109,480	3.30
State	3,201,216	24.24	2,784,309	24.07	316	0.01	177	0.01
Municipal	9,749	0.07	7,294	0.06	1	-	42	-
Remuneration of external capital	**1,859,290**	**14.08**	**1,300,898**	**11.25**	**245,331**	**7.18**	**33,457**	**1.01**
Interest	1,743,530	13.20	1,193,977	10.32	244,918	7.17	28,412	0.86
Rentals	115,760	0.88	106,921	0.93	413	0.01	5,045	0.15
Remuneration of own capital	**3,136,903**	**23.75**	**3,103,855**	**26.83**	**3,136,639**	**91.87**	**3,103,855**	**93.54**
Interest on Equity, and dividends	1,594,633	12.07	1,601,074	13.84	1.594.633	46,71	1,601,074	48.25
Retained earnings	1,542,270	11.68	1,502,781	12.99	1.542.006	45,16	1,502,781	45.29
	13,208,882	**100.00**	**11,567,562**	**100.00**	**3,414,544**	**100.00**	**3,318,290**	**100.00**

The Notes are an integral part of these Financial Statements.

Av. Barbacena 1200 Santo Agostinho 30190-131 Belo Horizonte, MG Brazil Tel.: +55 31 3506-5024 Fax +55 31 3506-5026

NOTES TO THE FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2014 AND 2013

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

1. OPERATING CONTEXT

a) The Company

Companhia Energética de Minas Gerais (“**Cemig**”, also here in “the Company”, “Parent company” or “Holding company”) is a listed corporation registered in the Brazilian Registry of Corporate Taxpayers (CNPJ) under number 17.155.730/0001-64, with shares traded: on the BM&F Bovespa (“Bovespa”), at Corporate Governance Level 1; on the New York Stock Exchange (“NYSE”), through ADRs; and on the stock exchange of Madrid (“Latibex”). It is domiciled in Brazil, with head office at Avenida Barbacena 1200, Belo Horizonte, the capital of the state of Minas Gerais. It operates exclusively as a holding company, with stockholdings in companies controlled individually or jointly, the principal objects of which are the construction and operation of systems for generation, transformation, transmission, distribution and sale of electricity, and also activities in the various fields of energy, for the purpose of commercial operation.

On December 31, 2014, the Company’s consolidated current liabilities exceeded its consolidated current assets by R$ 3,568,939. The reason for this working capital deficiency was, primarily, new financings with short-term maturities for the Company’s Investment Program, and also an increase in the outflow of cash from the distribution business due to a higher average price of electricity supplied by the thermoelectric generation plants. Management plans include the renegotiation of financings, and new transactions to raise funds in the market. Additionally, the Company has reported positive cash flow from its operations of R$ 3,733,930 in 2014 and R$ 3,515,260 in 2013.

Cemig has interest in the following subsidiaries and jointly-controlled entities:

- **Cemig Geração e Transmissão S.A.** (**Cemig GT**) is Cemig’s wholly-owned subsidiary operating in generation and transmission. It is listed, in Brazil, but not traded. Cemig GT has interests in 51 power plants, and the transmission lines associated with them, most of which are part of the Brazilian national generation and transmission grid system. Of these power plants, 47 are hydroelectric, 3 are wind power plants and one is a thermal plant. **Cemig GT** has interest in the following jointly-controlled entities:

  Jointly-controlled entities in operation:

Av. Barbacena 1200 Santo Agostinho 30190-131 Belo Horizonte, MG Brazil Tel.: +55 31 3506-5024 Fax +55 31 3506-5026

– Hidrelétrica Cachoeirão S.A. (‘Cachoeirão’) (Jointly controlled): Production and sale of electricity as an independent power producer, through the *Cachoeirão* hydroelectric power plant, located at Pocrane, in the State of Minas Gerais. The plant began operating in 2009.

– 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. The plant began operation of its units from September 2009 to May 2010.

– Central Eólica Praias de Parajuru S.A. (‘Parajuru’) (Jointly controlled): Production and sale of electricity from the *Parajuru* wind farm at Beberibe, in the State of Ceará, Northern Brazil. The plant began operating in August 2009.

– Central Eólica Praias do Morgado S.A. (‘Praias do Morgado’) (Jointly controlled): Production and sale of electricity from the Morgado wind farm at Acaraú, in Ceará, Northern Brazil. The plant began operating in May 2010.

– Central Eólica Volta do Rio S.A. (‘Volta do Rio’) (Jointly controlled): Production and sale of electricity from the *Volta do Rio* wind farm also at Acaraú, in the State of Ceará, Northern Brazil. The plant began operating in September 2010.

– Hidroelétrica Pipoca S.A. (‘Pipoca’) (Jointly controlled): Independent production of electricity, 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. This hydroelectric plant began operating in October 2010.

– Madeira Energia S.A. (‘Madeira’) (Jointly controlled): Construction and commercial operation, through its subsidiary Santo Antônio Energia S.A., of the *Santo Antônio* hydroelectric plant in the basin of the Madeira River, in the State of Rondônia. This started commercial operation in March 2012. There are more details in Explanatory Note 14.

– Lightger S.A. (‘LightGer’) (Jointly controlled): Independent power production through building and commercial operation of 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. The plant started operating in May 2012.

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

– Retiro Baixo Energética S.A. ('RBE') (Jointly-controlled subsidiary): 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. The plant has installed capacity of 83.7 MW and assured energy offtake level of 38.5MW average.

Subsidiaries and jointly-controlled subsidiaries at development stage:

– Guanhães Energia S.A. ('Guanhães Energia') (Jointly controlled): Production and sale of electricity through building and commercial operation of the following Small Hydro Plants (PCHs): *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. First generation is scheduled for August 2015.

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

– Amazônia Energia Participações S.A ('Amazônia Energia') (Jointly controlled): Unlisted company whose object is to hold and manage equity interest 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. It is jointly controlled by Light S.A. (25.5%) and Cemig GT (74.5%). Amazônia Energia holds 9.77% of Nesa, and has significant influence in its management, but not joint control. The first rotor of *Belo Monte* is expected to be operating in 2015. There are more details in Explanatory Note 14.

- **Cemig Distribuição S.A.** (**'Cemig D'** or 'Cemig Distribution') (Subsidiary): Wholly-owned subsidiary, listed but not traded; distributor of electricity through networks and distribution lines throughout almost the whole of Minas Gerais State.

- **Transmissora Aliança** de Energia Elétrica S.A. ('**Taesa**') (Jointly controlled): Construction, operation and maintenance of electricity transmission facilities in 11 states of Brazil, through direct and indirect stockholdings in investees.

- **Light S.A.** ('Light') (Jointly-controlled subsidiary): Corporate objects are to hold direct or indirect interests in other companies and, directly or indirectly, to operate electricity services, including generation, transmission, trading or distribution, and other related services. Light has the following subsidiaries and jointly-controlled subsidiaries:

  – Light Serviços de Eletricidade S.A. **('Light Sesa')** (Subsidiary): A listed company operating primarily in electricity distribution, in various municipalities of Rio de Janeiro State;

  – **Light Energia** S.A. (Subsidiary): Listed company with objects: To study, plan, build, and commercially operate electricity generation, transmission and

Av. Barbacena 1200 Santo Agostinho 30190-131 Belo Horizonte, MG Brazil Tel.: +55 31 3506-5024 Fax +55 31 3506-5026

sales/trading systems and related services. Owns equity interests in two wind power companies, Central Eólica São Judas Tadeu Ltda. and Central Eólica Fontainha Ltda., and in Guanhães Energia S.A. and Renova Energia S.A.

– Light Esco Prestação de Serviços Ltda. (Subsidiary): Purchase, sale, importation and exportation of electricity, and consultancy services in the electricity sector. Light Esco has a stockholding in EBL Companhia de Eficiência Energética S.A.

– Itaocara Energia Ltda. (Subsidiary): This company, whose principal objects are planning, construction, installation, and commercial operation of electricity generation plants, is still at development stage. It is a member of the Itaocara Hydro Plant Consortium for commercial operation of the *Itaocara* Hydroelectric Plant (51%). Cemig GT owns 49%.

Lightger S.A. (“Lightger”) – Described in the list of jointly-controlled subsidiaries of Cemig GT, above.

- Light Soluções em Eletricidade Ltda. (‘Light Soluções’): Its main objects are provision of service to low-voltage clients including assembly, overhaul and maintenance of installations in general.

- Instituto Light para o Desenvolvimento Urbano e Social (*Light Institute for Urban and Social Development*) (Subsidiary): Objects are to take part in social and cultural projects; has interest in economic and social development of cities.

- Lightcom Comercializadora de Energia S.A. (‘Lightcom’) (Subsidiary): Purchase, sale, importation and exportation of electricity, and general consultancy, in the free and regulated electricity markets.

- Axxiom Soluções Tecnológicas S.A. (‘Axxiom’)(Jointly-controlled subsidiary): Unlisted corporation, providing technology and systems solutions for operational management of public service concession holders, including companies in electricity, gas, water, sewerage and other utilities. Jointly owned by **Light** (51%) and **Cemig** (49%).

- Amazônia Energia Participações S.A. (‘Amazônia Energia’)(Jointly-controlled subsidiary): Unlisted company whose object is to hold and manage equity interest 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. It is jointly controlled by Light S.A. (25.5%) and Cemig GT (74.5%). Amazônia Energia holds 9.8% of Nesa, and has significant influence in its management, but not joint control. The first rotor of Belo Monte is expected to operate in February 2015. There are more details in Explanatory Note 15.

- Renova Energia S.A. (Jointly controlled): Described in the list of holdings of Cemig GT, above.

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

- Usina Térmica Ipatinga S.A. ('Ipatinga') (Subsidiary): Production and sale, as an independent power producer, of thermally generated electricity, through the Ipatinga thermal plant, located on the premises of *Usiminas* (Usinas Siderúrgicas de Minas Gerais S.A.).

- Companhia de Gás de Minas Gerais ('Gasmig') (Jointly controlled): Acquisition, transport and distribution of combustible gas or sub-products and derivatives, through a concession for distribution of gas in the State of Minas Gerais. Cemig acquired a controlling interest in Gasmig in October 2014.

- Cemig Telecomunicações S.A. ('Cemig Telecom')(previously named Empresa de Infovias S.A.) (Subsidiary): Registered for listing; provides and commercially operates specialized telecommunications services through an integrated multi-service network of fiber optic cables, coaxial cables, and electronic and associated equipment. Cemig Telecom owns 49% of Ativas Data Center ("**Ativas**") (a jointly-controlled subsidiary), which operates primarily in supply of IT and communications infrastructure services, including physical hosting and services for medium-sized and large corporations.

- Efficientia S.A. ('Efficientia') (Subsidiary): Provides electricity efficiency and optimization services and energy solutions through studies and execution of projects, and services of operation and maintenance in energy supply facilities.

- Horizontes Energia S.A. ('Horizontes') (Subsidiary): Production and sale of electricity, as an independent power producer, through the *Machado Mineiro* and *Salto do Paraopeba* hydroelectric power plants in the State of Minas Gerais, and the *Salto do Voltão* and *Salto do Passo Velho* hydro power plants in the State of Santa Catarina.

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

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

- Empresa de Serviços e Comercialização de Energia Elétrica S.A. (ESCE – previously named Central Hidrelétrica Pai Joaquim S.A.) (Subsidiary): Production and sale of electricity as an independent power producer, in future projects.

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

- Cemig Capim Branco Energia S.A. ('Capim Branco') (Subsidiary): Production and sale of electricity as an independent producer, through the *Amador Aguiar I* and *Amador Aguiar II* hydroelectric power plants, built through a consortium with private-sector partners. This company was absorbed by Cemig GT in 2015.

- UTE Barreiro S.A. (Subsidiary): Production and sale of thermally generated electricity, as an independent producer, through the 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 Trading S.A. ('Cemig Trading') (Subsidiary): Sale and intermediation of business transactions related to energy.

- Companhia Transleste de Transmissão ('Transleste') (Jointly-controlled subsidiary): Operation of the transmission line connecting the substation located in Montes Claros to the substation of the *Irapé* hydroelectric power plant.

- Companhia Transudeste de Transmissão ('Transudeste') (Jointly-controlled subsidiary): Construction, operation and maintenance of national grid transmission facilities of the *Itutinga–Juiz de Fora* transmission line.

- Companhia Transirapé de Transmissão ('Transirapé') (Jointly-controlled subsidiary): Construction, operation and maintenance of the *Irapé–Araçuaí* transmission line.

- Axxiom Soluções Tecnológicas S.A. ('Axxiom') (Jointly-controlled subsidiary): Described in the list of investees of Light, above.

- Transchile Charrúa Transmisión S.A. ('Transchile') (Subsidiary): Construction, operation and maintenance of the *Charrúa - Nueva Temuco* transmission line, and two sections of transmission line at the *Charrúa* and *Nueva Temuco* substations, in the central region of Chile. The head office of Transchile is in Santiago, Chile. The transmission line started operating in January 2010.

- Companhia de Transmissão Centroeste de Minas ('Centroeste') (Subsidiary): Construction, operation and maintenance of *the Furnas-Pimenta* transmission line – part of the national grid. The line started operating in April 2010.

- Parati S.A. Participações em Ativos de Energia Elétrica ('Parati') (Subsidiary): Holding company owning interests in other companies, Brazilian or foreign, through shares or share units, in any business activity. Parati holds an equity interest of 25.64% in **Light.**

- Cemig Serviços S.A. ('Cemig Serviços') (Subsidiary): Provision of services related to planning, construction, operation and maintenance of electricity generation, transmission and distribution systems, and provision of administrative, commercial and engineering services in the various fields of energy, from any source.

Where Cemig exercises joint control it does so through stockholders' agreements with the other stockholders of the investee company.

2. BASIS OF PREPARATION

2.1 Statement of compliance

The individual and consolidated financial statements of the company have been prepared in accordance with International Financial Reporting Standards (IFRS), and accounting practices adopted in Brazil ('BRGAAP'), which comprise: the Brazilian Corporate Law, which incorporates the provisions of Laws 11638/07 and 11941/09; the Pronouncements, Orientations and Interpretations issued by the Brazilian Accounting Pronouncements Committee (*Comitê de Pronunciamentos Contábeis*, or CPC); and the rules of the Brazilian Securities Commission (*Comissão de Valores Mobiliários*, or CVM).

There is no difference between the Stockholders' equity and Net Profit presented in the consolidated form and the Stockholders' equity and Net profit of the Holding company. Thus, the consolidated financial statements of the Company and the individual financial statements of the holding company are being presented here side-by-side in a single group of financial statements.

On March 25, 2015 the Company's Executive Board authorized conclusion of the Financial Statements for the year ended December 31, 2014.

2.2 Bases of measurement

The individual and consolidated financial statements have been prepared based on historic cost, with the exception of the following material items recorded in the Statement of financial position (balance sheet):

- Non-derivative financial instruments measured at fair value through profit or loss.
- Financial assets held for trading, measured at fair value.
- Financial assets of the concession measured at New Replacement Value (*Valor Novo de Reposição*, or VNR), equivalent to fair value.

2.3 Functional currency and currency of presentation

These individual and consolidated financial statements are presented in Reais – the Company's functional currency. The financial information is in general presented in thousands of Reais, except where otherwise indicated.

2.4 Use of estimates and judgments

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

Estimates and assumptions are continuously reviewed, using as a reference historic experience and any material changes in the scenario that might affect the Company's equity situation or results in relation to the applicable items. Revisions in relation to accounting estimates are recognized in the period in which the estimates are reviewed, and in any future periods affected.

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

- Allowance for doubtful accounts – see Note 8.
- Deferred income tax and Social Contribution tax – see Note 10.
- Financial assets of the concession – see Note 13.
- Investments – See Note 14.
- Property, plant and equipment – See Note 15.
- Intangible assets – See Note 16.
- Depreciation – See Note 15.
- Amortization – See Note 16.
- Post-Employment obligations – See Note 21.
- Provisions – See Note 22.
- Unbilled electricity supplied – see Note 24.
- Measurement at Fair Value, and Financial Derivatives – see Note 29.

2.5 Rules, interpretations and changes that came into effect on January 1, 2014, with possible effects for the Company

ICPC 19 / IFRIC 21 – Taxes: This gives orientation on when to recognize a liability for a levy imposed by the government, for charges that are accounted in accordance with *IAS 37 – Provisions, contingent liabilities and contingent assets*, and for those in which the amounts and the period of the levy or charge are clear.

CPC 01 / IAS 36 – Impairment of assets: This adds orientation on reporting of recoverable values of non-financial assets. The amendments to IAS 36 remove the requirement to disclose the recoverable amount of a cash-generating unit to which the goodwill or other intangible assets with indefinite useful lives had been allocated when there has been no impairment or reversal of impairment of the related cash generating unit. Furthermore, the amendments introduce additional disclosure requirements applicable to when the recoverable amount of an asset or a cash generating unit is measured at fair value less costs of disposal. These new disclosures include the fair value hierarchy, key assumptions, and valuation techniques used which are in line with the disclosure required by IFRS 13 – Fair Value Measurements.

Changes to IAS 32 / CPC 39 – Offsetting Financial Assets and Financial Liabilities: The amendments to IAS 32 clarify the requirements relating to the offset of financial assets and financial liabilities. Specifically, the amendments clarify the meaning of 'currently has a legally enforceable right to set-off' and 'simultaneous realization and settlement'.

Changes to IFRS 10, IFRS 12 and IAS 27 (CPC 36, CPC 45 e CPC 35): These define an investment entity, and require that a reporting entity which fits the definition should not consolidate its subsidiaries but, instead, value them at fair value through profit or loss in its consolidated and separate financial statements. Changes have been made to IFRS 12 and IAS 27 to introduce new disclosure requirements for investment entities.

Technical Orientation OCPC 07 and CVM Decision 727 – Evidence in disclosure of general-purpose accounting and financial reports: This orientation deals with the basic requirements for preparation and provision of evidence to be obeyed when disclosing general-purchase accounting and financial reports. It aims to clarify and underline that, in the financial statements and their notes, only relevant information that helps users should be disclosed, taking into account the already existing rules, without omitting to comply with the minimum requirements existing in each Accounting Pronouncement issued by the CPC.

Technical Orientation OCPC 08 and CVM Decision 732 – Recognition of certain assets and liabilities in general-purpose accounting-financial reports of electricity distributors issued in accordance with Brazilian and international accounting rules: This orientation is applicable exclusively to public electricity distribution service concession and permission holders, and its objective is to deal with the basic requirements of recognition, measuring and reporting to be obeyed when disclosing general-purpose accounting and financial reports of Brazilian public concessions and permissions for electricity distribution.

Av. Barbacena 1200 Santo Agostinho 30190-131 Belo Horizonte, MG Brazil Tel.: +55 31 3506-5024 Fax +55 31 3506-5026

The Company has analyzed the possible impacts of these alterations on its financial statements and believes that they will have a material impact only in relation to Technical Orientation OCPC 08 and CVM Decision 732, as a result of the recognition of financial assets and liabilities. The recognition of these effects took place at the moment of signature of the amendment to the concession contract. With the adoption of this Orientation, the Company reports a gain of R$ 1,106,675 due to the recognition of financial assets related to the concession in the financial statements at December 31, 2014, as explained in Explanatory Note 13.

2.6 New and revised rules and interpretations already issued and not yet adopted, with possible impacts for the Company

IFRS 9 – Financial Instruments, issued in November 2009, introduced new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and derecognition. Another revised version of IFRS 9 was issued in July 2014 mainly to include (a) impairment requirements for financial assets; and (b) limited amendments to the classification and measurement requirements bt introducing a 'fair value through Other comprehensive income' measurement category for certain simple debt instruments.

The most significant effect of IFRS 9 in terms of the classification and measurements of financial liabilities is in accounting of changes in fair value of a financial liability (designated at fair value through profit or loss) that are attributable to changes in the credit risk of that liability. Specifically, under IFRS 9, in relation to the financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of the financial liability that it attributable to changes in the credit risk of that liability is presented in Other comprehensive income, unless the recognition of the effects of changes in the credit risk of the liability in Other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to the credit risk of a financial liability are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.

In relation to the impairment of financial assets, IFRS 9 requires an 'expected credit loss' model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires that the Company to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognized. It is not possible to disclose a reasonable estimate of this effect until the Company carries out a detailed review of these impacts.

Amendments to IFRS 11 / CPC 19 (R2) – Joint arrangements: The amendments to IFRS 11 provide guidance on how to account for the acquisition of a joint operation that constitutes a 'business', as defined i *IFRS 3 - Business combinations*. Specifically, the amendments state that the relevant principles on accounting for business combinations under IFRS 3 and other standards (such as *IAS 36 – Impairment of assets* regarding impairment testing of a cash-generating unit to which goodwill on acquisition of a joint operation has been allocated) should be applied. The alterations to IFRS 11 apply prospectively for annual periods beginning on or after January 1, 2016.

2.7 Principal accounting practices

The accounting policies described in detail below have been applied consistently to all the periods presented in these individual and consolidated financial statements.

The accounting policies referring to the Company's current operations, and consistently applied by the entities of the Group, are as follows:

a) Financial instruments

Non-derivative financial assets: The Company initially recognizes loans, receivables and deposits on the date on which they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognized initially on the trade date, the date on which the Company becomes one of the parties to the contractual provisions of the instrument.

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the rights to receive the contractual cash flows on a financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognized as an individual asset or liability.

Financial assets or liabilities are offset, and the net amount presented in the Statement of financial position, only when the Company has the legal right to offset the amounts and has the intention to settle on a net basis or to realize the asset and settle the liability simultaneously.

The company has the following non-derivative financial assets: Cash and bank deposits, Cash equivalents and securities – measured at fair value through profit or loss; Credits owed by consumers, Traders and Electricity transport concession holders; Restrict cash and Escrow deposits in litigation – recognized at nominal realization value, similar to fair value; and the CVA Account (for compensation of changes in Portion A costs) and other financial components of tariff adjustments, and Financial assets of the concession covered by Law 12783/13, measured at New Replacement Value (*valor novo de reposição*, or VNR), equivalent to fair value.

Non-derivative financial liabilities: The Company recognizes issued debt securities initially on the date on which they are originated. All the other financial liabilities (including assets designated at fair value through profit or loss) are recognized initially on the trade date on which the Company becomes one of the parties to the contractual provisions of the instrument. The company writes down a financial liability when its contractual obligations are withdrawn, are cancelled or expire.

The Company has the following non-derivative financial liabilities: Loans; Financings; Debentures; Suppliers; and Other accounts payable. These liabilities are recognized initially at fair value plus any attributable transaction costs. After the initial recognition, they are measured at amortized cost using the effective rates method.

Share capital: Common shares are classified as Stockholders' equity. Preferred shares are classified as Stockholders' equity if they are not redeemable, or if they are redeemable only at the Company's option. Preferred shares do not carry the right to vote; and also have preference in the event of liquidation of their portion of the share capital. The rights to minimum dividends as established for the preferred shares are described in Explanatory Note 23 to the consolidated financial statements.

The minimum obligatory dividends as defined in the by-laws are recognized as a liability.

Financial instruments at fair value through profit or loss: A financial asset is valued at fair value through profit or loss if it is classified as held for trading, that is to say, designated as such upon initial recognition. Financial assets are designated at fair value through profit or loss if the Company manages those investments and takes purchase and sale decisions based on their fair values in accordance with the Company's documented risk management and investment strategy. Transaction costs are recognized in the Profit and loss account as and when incurred. Financial assets recorded at fair value through profit or loss are measured at fair value, and changes in the fair value of these assets are recognized in the Profit and loss account for the period. Securities are classified in this category.

Financial instruments available for sale: A financial asset is classified as available for sale when the purpose for which it was acquired is not investment of funds to obtain short-term gains, and there is no intention of keeping the investments up to maturity or, further, when they do not fit in the other categories. As from December 31, 2012, assets in this category include the financial assets of the transmission and distribution concession that were covered by Law 12783 (of January 11, 2013). They are measured at New Replacement Value (*Valor Novo de Reposição*, or VNR), equivalent to fair value on the date of these financial statements.

The Company recognizes a financial asset resulting from a concession contract when it has an unconditional contractual right to receive cash or another financial asset from, or under the direction of, the Concession-granting power for the services of construction or improvement provided.

Loans and receivables: These are financial assets with fixed or calculable payments that are not quoted on an active market. These assets are recognized initially at fair value plus any attributable transaction costs. After initial recognition, loans and receivables are measured at amortized cost by the effective interest method, less any loss by impairments.

The category includes: Cash equivalents; Consumers and traders; Holders of electricity transport concessions; Financial assets of the concession not covered by Law 12783; the CVA Account (for compensation of changes in Portion A costs) and other financial components of tariff adjustments; and Traders – 'Free Energy' transactions.

Cash and cash equivalents includes: Cash balances, bank sight deposits, and cash investments with original maturity of three months or less from the date of contracting. These are subject to an insignificant risk of change in value. Cash and cash equivalents are maintained for the purpose of meeting cash commitments in the short term and not for investment or other purposes.

Financial assets not covered by Law 12783 are measured at fair value through the initial recognition. After the initial recognition, they are measured at amortized cost and classified as loans and receivables.

b) Foreign currency and transactions outside Brazil

Transactions in foreign currency are converted to the functional currency of the Company at the exchange rates of the dates of the transactions. Monetary assets and liabilities denominated and calculated in foreign currencies on the date of presentation are reconverted to the functional currency at the exchange rate found on that date. The exchange rate gain or loss on monetary items is the difference between the amortized cost in the functional currency at the beginning of the period, adjusted for interest and any payments made during the period, and the amortized cost in foreign currency at the exchange rate of the period of presentation. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are reconverted to the functional currency at the exchange rate on the date on which the fair value was calculated. Foreign currency differences resulting from reconversion are recognized in the Profit and loss account. Non-monetary items that are measured in terms of historic cost in foreign currency are converted at the exchange rate found on the transaction date.

Av. Barbacena 1200 Santo Agostinho 30190-131 Belo Horizonte, MG Brazil Tel.: +55 31 3506-5024 Fax +55 31 3506-5026

The gains and losses arising from variations in foreign currencies relating to the jointly-controlled subsidiary Transchile (the functional currency of which is the US Dollar) are recognized directly in Stockholders' equity in the account Accumulated conversion adjustment and recognized in the Profit and loss account when these investments are sold, partially or totally. The financial statements of a subsidiary outside Brazil are adjusted to Brazilian and international accounting practices and, subsequently, converted to the local functional currency at the exchange rate of the date of closing.

c) Consumers and traders; Electricity transport concession holders; and Traders – transactions in 'Free Energy'

Accounts receivable from Consumers and traders, and from Holders of concessions for transport of electricity, are initially recorded at fair value, whether already invoiced or not, and, subsequently, measured by amortized cost. They include any direct taxes for which the company has the tax responsibility, less taxes withheld at source, which are considered to be tax credits.

The provision for doubtful receivables, for low and medium voltage consumers, is recorded based on estimates by Management, in an amount sufficient to cover probable losses. The principal criteria set by the company are:

(i) For consumers with significant balances, the balance receivable is analyzed in the light of the history of the debt, negotiations in progress and real guarantees;
(ii) For other consumers, the following are provisioned 100%: Debts from residential consumers more than 90 days past due; debts from commercial consumers more than 180 days past due; and debts more than 360 days past due from other consumers.

These criteria are the same as those established by Aneel.

For large consumers an individual analysis is made of the debtors and of the initiatives that are in progress for receipt of the credits.

d) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is based on the principle of average cost of acquisition and includes expenses incurred in the acquisition of inventories and other costs incurred in bringing them to their present locations and conditions. Materials in inventory are classified in Current assets, and not depreciated or amortized; materials destined for works are classified in Property, plant and equipment or Intangible assets.

Net realizable value is the estimated sale price in the normal course of business, less estimated costs of conclusion and expenses of sales.

e) Investments

In the individual financial statements of the holding company, the financial information of subsidiaries and jointly-controlled subsidiaries that are characterized as 'joint ventures' is recognized by the equity method. The Company's investments include the goodwill premium identified on acquisitions, net of any accumulated losses by impairment.

In the consolidated financial statements, the financial information of the jointly-controlled subsidiaries, which are characterized as 'joint ventures', is recognized by the equity method. The Company's investments include the goodwill premium arising from acquisitions, net of any accumulated losses by impairment.

f) Business combinations

In the consolidated financial statements, acquisitions of businesses are accounted by the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the fair values of the assets transferred by the Company, of the liabilities incurred by the Company on the date of acquisition to the former controlling stockholders of the asset acquired, and of the holdings issued by the Company in exchange for the control of the acquired entity. The costs related to the acquisition are usually recognized in the profit and loss account, when incurred.

The goodwill is measured as the excess of: (the sum of the consideration transferred, the value of the non-controlling interests in the acquired entity, and the fair value of the interest of the acquiring party previously held in the acquired party, if any) over and above (the net amounts on the acquisition date of the assets acquired and identifiable liabilities assumed). If, after the valuation, the net amounts of the assets acquired and identifiable liabilities assumed on the acquisition date are higher than the sum of the consideration transferred, the amount of the non-controlling interests in the acquired entity and the fair value of the interest of the acquiring party previously held in the acquired entity (if any), the excess is immediately recognized in the profit and loss account as a gain.

The non-controlling interests that correspond to the present interests and confer upon their holders the right to a proportional part of the net assets of the entity in the event of liquidation will be initially measured based on the proportional part of the non-controlling interests in the amounts recognized of the identifiable net assets of the acquired entity.

When a business combination is carried out in stages, the interest previously held by the Company in the acquired entity is remeasured at fair value on the date of its acquisition and the corresponding gain or loss, if any, is recognized in the profit and loss account.

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 identifiably contingent liabilities of the acquired entity on the date of the acquisition, should be recognized as goodwill. The goodwill is added to the accounting value of the investment.

g) Operational leasing

Payments made under operational leasing contracts are recognized as expenses in the Profit and loss account on a straight-line basis over the period of the leasing contract.

h) Assets linked to the concession

Distribution activity: The portion of the assets of the concession that will be fully amortized during the concession period is recorded as an Intangible asset and is amortized in full during the concession contract period.

The amortization reflects the pattern of consumption of the rights acquired. It is calculated on the balance of the assets linked to the concession, by the straight-line method, based on the application of the rates set by Aneel for the electricity distribution activity.

The Company measures the value of the assets which will not be fully amortized by the end of the concession contract period, and reports this amount as a financial asset because it is an unconditional right to receive cash or other financial asset directly from the concession-granting power.

New assets are recorded initially in Intangible assets, valued at acquisition costs, including capitalized borrowing costs. When they start operation they are split into financial assets and intangible assets, according to the criterion mentioned in the previous paragraphs: The portion of the assets that is recorded in financial assets is valued based on the New Replacement Value (*Valor Novo de Reposição*, or VNR), having as a reference the amounts homologated by Aneel for the Remuneration Base of Assets (*Base Regulatória de Remuneração*, or BRR) in the processes of tariff review.

When an asset is replaced, the net book value of the asset is written off as an expense to the Profit and loss account.

Transmission activity: For the new transmission concessions, given after the year 2000, the costs related to construction of infrastructure are reported in the profit and loss account at the time they are ascertained, and an item of Construction revenue is recorded based on the stage of conclusion of the works carried out, including the taxes incident upon the revenue and any profit margin.

For the new transmission concessions, since the transmission contracts determine that the concession holders have an unconditional right to receive cash or another financial asset directly from, or in the name of, the Concession-granting power, the Company records a financial asset during the period of construction of lines, and the transmission revenue is to be received during the whole period of the concession, at fair value.

Of the invoiced amounts of Permitted Annual Revenue (*Receita Anual Permitida*, or RAP), the portion relating to the fair value of operation and maintenance of the assets is recorded as revenue, and the portion relating to the construction revenue, originally recorded at the time of the formation of the assets, is used to recover the financial assets.

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

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

Gas concession: The portion of the assets of the concession that will be consumed in full during the concession is recorded as an Intangible asset and amortized in full during the period during which the concession contract is in effect.

The amortization is calculated on the balance of the assets linked to the concession by the straight line method, applying amortization rates that reflect the estimated useful life of the assets.

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

Av. Barbacena 1200 Santo Agostinho 30190-131 Belo Horizonte, MG Brazil Tel.: +55 31 3506-5024 Fax +55 31 3506-5026

New assets are recorded initially in Intangible assets, valued at acquisition cost, including capitalized borrowing costs. When they start operation they are divided into financial asset and intangible asset, in accordance with a criterion mentioned in the previous paragraphs. When an asset is replaced, the net book value of the asset is written, with counterpart in the Profit and loss account.

i) Intangible assets

Intangible assets comprise assets relating to: service concession contracts, and software.

The following criteria are applied to individual cases: (i) Intangible assets acquired from third parties are measured at total acquisition cost, less expenses of amortization; and (ii) intangible assets generated internally are recognized as assets in the phase of development, provided that they have demonstrable technical feasibility and that the future economic benefits are probable. They are measured at cost, net of accumulated amortization and accumulated impairment losses.

For intangible assets linked to the concession, the accounting practices described in the item 'Assets linked to the concession' above are applied.

j) Property, plant and equipment

Property, plant and equipment assets are valued at the cost incurred on the date of their acquisition or formation, including deemed cost, and capitalized financial costs, less accumulated depreciation. The cost includes expenditures that are directly attributable to the acquisition of an asset. The cost of self-constructed assets includes the cost of materials and direct labor, and any other costs directly attributable to bringing the assets to a working condition necessary for their intended use.

The subsequent costs are capitalized to the extent that it is probable that the Company will receive future benefits associated with those expenditures.

When an asset is replaced, the net book value of the asset, taking into account expenses on repairs and maintenance, is written off with counterpart in the Profit and loss account.

Depreciation and amortization are calculated on the balance of the property, plant and equipment in service and investments in consortia on a straight-line basis, applying the rates set by Aneel, which reflect the estimated useful life of the assets, for the assets related to electricity activities.

The principal depreciation rates of the assets of Property, plant and equipment are given in Explanatory Note 15 to the consolidated financial statements.

Assets that will not be fully depreciated by the end of the concession will be reverted to the Concession-granting power, and indemnity is paid for the portion that has not been depreciated, which is classified in Financial assets of the concession.

Interest and other financing charges incurred on financings linked to works in progress are appropriated to PP&E assets in progress, and Consortia, during the period of construction.

For borrowings raised for the construction of a specific PP&E asset, the Company capitalizes all of the financial costs related to the borrowings directly to the respective assets being financed. For other borrowings raised that are not linked directly to a specific PP&E asset, a weighted average rate is established for the capitalization of the costs of those loans.

The residual value is the balance remaining of the asset at the end of the concession, since, as established in a contract signed between the Company and the Nation, at the end of the concession the assets will be reverted to the Nation which, in turn, will indemnify the Company for those assets that have not yet been totally depreciated. In cases where there is no indemnity at the end of the concession, no residual value is recognized, and the depreciation rates are adjusted so that all the assets are depreciated within the concession period. For more details please see Explanatory Note 13.

k) Impairment

Financial assets: A financial asset not carried at fair value through profit or loss is assessed at each presentation date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be reliably estimated.

The Company considers evidence of impairment for receivables both at specific asset level and at collective level. All individually significant receivables are assessed for specific impairment. Receivables that are not individually significant are collectively assessed for impairment by grouping them with receivables with similar risk characteristics.

In assessing impairment on a collective basis, the Company uses historical trends of the probability of default, timing of recoveries and the amount 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.

An impairment loss in relation to a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in the Profit and loss account and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognized through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Non-financial assets: The carrying amounts of the Company's non-financial assets, other than Inventories and Deferred income tax and Social Contribution tax, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication occurs, then the asset's recoverable amount is measured at the reporting date to ascertain whether there is objective evidence that impairment has occurred. Property, plant and equipment and intangible assets have their carrying amount tested if there are indications of impairment.

l) Benefits to employees

Defined contribution plans: A defined contribution plan is a post-employment benefits plan under which an entity pays fixed contributions into a separate entity (pension fund) and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognized as an employee benefit expense in the Profit and loss account in the periods during which services are rendered by employees. Prepaid contributions are recognized as an asset if a cash refund or a reduction in future payments is available.

Defined benefit plans: A defined benefit plan is a post-retirement benefit plan other than a defined contribution plan. The Company's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their services rendered in the current and prior periods; that benefit is discounted to determine its present value. Any unrecognized costs of past service and the fair value of any plan assets are deducted. The discount rate is the yield at the reporting date on AA credit-rated bonds that have maturity dates approximating the terms of the Company's obligations and that are denominated in the same currency in which the benefits are expected to be paid.

The calculation is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Company, the asset recognized is limited to the total of any unrecognized costs of past service and net actuarial losses and the present value of the economic benefits available in the form of future reimbursements or reductions in future contributions to the plan. In calculating the present value of the economic benefits, consideration is given to any requirements for funding of running costs that apply to any plan in the Company. An economic benefit is available to the Company if it is realizable during the life of the plan, or on settlement of the plan liabilities.

Cost of past service is the change in the present value of the defined benefit obligation resulting from alteration or reduction (shortening) of the plan. The entity should recognize the cost of past service as an expense on the date of the earlier of the following events: (a) the alteration in the plan; or (b) when the entity recognizes the corresponding costs of restructuring or the cancellation benefits.

Actuarial gains and losses arising from adjustments based on experience and on changes in the actuarial assumptions are recognized immediately in Other comprehensive income, so that the net assets or liabilities of the pension plan are recognized in the consolidated Statement of financial position to reflect the full value of the plan's deficit or surplus.

In the case of obligations for retirement pensions, the liability recognized in the Statement of financial position in relation to the defined benefit pension plans is the greater of: (i) the debt agreed with the foundation for amortization of the actuarial obligations, and (ii) the present value of the actuarial obligation, calculated in an actuarial opinion, less the fair value of the plan assets. In the business years presented, the debt agreed with the foundation is greater than the amounts of net liabilities. In this case, the annual amount recorded for the year in the Profit and loss account corresponds to the charges and monetary variation on that debt, which is allocated as a financial expense of the Company.

Other long-term benefits to employees: The Company's net obligation in respect of employee benefits other than pension plans is the amount of the future benefit that employees have earned in return for their service in the current and prior years. That benefit is discounted to determine its present value, and the fair value of any related assets is deducted. The calculation is carried out by the projected unit credit method. Any actuarial gains and losses are recognized in the profit and loss account in the period in which they arise.

The procedures mentioned above are used for the actuarial obligations relating to the health plan, life insurance and the dental plan.

Termination benefits: These are recognized as an expense when the Company is committed demonstrably, without realistic possibility of withdrawal, to a formal detailed plan to either terminate the employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognized as an expense if the Company has made an offer of voluntary redundancy, and if it is probable that the offer will be accepted, and if the number of acceptances by employees can be reliably estimated.

Short-term employee benefits: Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past services provided by the employee, and the obligation can be reliably estimated. Employees' profit shares specified in the Company's by-laws are accrued for in accordance with the requirements established in the collective agreements with the employee unions and recorded in Employees' and managers' profit shares in the Profit and loss account.

m) Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

Paid concessions: A provision for paid concessions is recognized when the benefits that are expected to be derived from a contract are less than the inevitable cost of meeting the obligations of the agreement. The provision is measured at present value by the lower of: (i) the expected cost of rescinding the concession contract and (ii) the expected net cost of continuing with it.

n) Income tax and Social Contribution tax

Income tax and the Social Contribution tax, current and deferred, are calculated based on the rates of: income tax at 15%, plus the additional rate of 10% on taxable income exceeding R$ 240,000 (two hundred and forty thousand Reais) per year; and for the Social Contribution tax, 9% on taxable profit. They include the offsetting of tax losses/carryforwards for both taxes, the aggregate total of which offsetting is limited to 30% of the real profit.

The expense on Income tax and the Social Contribution tax comprises current and deferred tax. The current tax and the deferred tax are recognized in the Profit and loss account except to the extent that they relate to a business combination, or items directly recognized in Stockholders' equity or in Other comprehensive income.

The current tax is the expected tax payable or receivable on the taxable profit for the business year, at the rates currently in force or substantially in force on the reporting date, and any adjustment to the taxes payable in relation to prior years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for taxation purposes. The deferred tax is measured at the rates that are expected to be applied to the temporary differences when they revert, based on the laws that have been decreed or substantial decreed up to the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity.

A deferred tax asset for credit of income tax and the Social Contribution tax is recognized for deductible temporary differences, and unused income tax losses and Social Contribution tax loss carryforwards, when it is probable that future taxable profits will be available against which they can be utilized.

Deferred income tax and Social Contribution tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

o) <u>Operational revenue</u>

In general, for the Company's business in the electricity, gas, telecommunications and other sectors, revenues are recognized when there is convincing evidence of agreements, when delivery of merchandise occurs or when the services are rendered, the prices are fixed or determinable, and receipt is reasonably assured, independently of actual receipt of the money.

Revenues from sale of electricity are recorded based on the electricity delivered and the tariffs specified in the terms of the contract or in effect in the market. Revenues from retail supply of electricity to final consumers are recorded when the delivery of the electricity has taken place. The billing is carried out monthly. Unbilled retail supply of electricity, from the period between the last billing and the end of each month, is estimated based on the billing from the previous month and is accrued for at the end of the month.

The differences between the estimated amounts accrued and the actual revenues realized are recorded in the following month. Historically, these have not been significant.

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

For the older 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 Profit and loss account each month.

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

The 'Portion A' revenue, and the Other financial items related to tariff adjustments, are recognized in the profit and loss account when the costs effectively incurred are different from those incorporated into the electricity distribution tariff. For more details, see Explanatory Note 13.

p) Financial revenue (expenses)

Financial revenue includes interest income on funds invested, fee income for consumer payments made late, interest income on financial assets of the concession, and interest income on other financial assets. Interest income is recognized in the Profit and loss account using the effective interest method.

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

q) Profit per share

Basic earnings per share (EPS) is calculated by dividing the profit or loss attributable to the controlling shareholders and non-controlling interest of the Company by the weighted average number of the common and preferred shares outstanding during the periods. Diluted EPS is determined by that average number of shares in circulation, adjusted for any instruments potentially convertible into shares, with dilutive effect, in the periods presented.

r) Segment reporting

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components. 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 and head office expenses.

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

s) Statement of added value

The purpose of this statement is to show the wealth created by the Company, and its distribution, in a given period. Under the Brazilian Corporate Law, it is presented as a required part of the individual financial statements; under IFRS, it is not a statement that is referred to nor obligatory, and is thus presented as supplementary information.

The added value statement has been prepared on the basis of the information obtained from the accounting records that serve as the basis for preparation of the financial statements and according to the provisions of *CPC 09 – Added Value Statements* (*Demonstração do Valor Adicionado*). In its first part it presents the wealth created by the Company, represented by the revenues (gross sales revenues, including taxes on them, other revenues, and the effects of the provision for the allowance for doubtful debtors), inputs acquired from third parties (cost of sales and acquisition of materials, electricity and services purchased from third parties, including the taxes included at the moment of acquisition, the effects of losses and recovery of assets, and depreciation and amortization) and the added value received from third parties (equity gains or losses in subsidiaries, financial revenues and other revenues). The second part of the Added Value Statement presents the distribution of the wealth between staff, taxes of all types, remuneration of third party capital and remuneration of own capital.

t) Determination of the adjustment to present value

The Company has applied adjustment to present value to certain concession contracts held for consideration, and also to the balance of debentures issued by the Company. Discount rates were used that are compatible with the cost of funding in transactions with the same maturity on the date of the transactions or of the transition to IFRS, as the case may be.

3. PRINCIPLES OF CONSOLIDATION

The financial statements date 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.

The Company uses the criteria of full consolidation for the following companies which are direct equity investments of Cemig:

Subsidiary	Form of Valuation	31/12/2014
		Direct stake (%)
Cemig GT (Generation and Transmission)	Consolidation	100.00
Cemig D (Distribution)	Consolidation	100.00
Gasmig	Consolidation	99.57
Cemig Telecom	Consolidation	100.00
Rosal Energia	Consolidation	100.00
Sá Carvalho	Consolidation	100.00
Horizontes Energia	Consolidation	100.00
Usina Térmica Ipatinga	Consolidation	100.00
Cemig PCH	Consolidation	100.00
Cemig Capim Branco Energia	Consolidation	100.00
Cemig Trading	Consolidation	100.00
Efficientia	Consolidation	100.00
Cemig Comercializadora de Energia Incentivada	Consolidation	100.00
UTE Barreiro	Consolidation	100.00
Empresa de Serviços e Comercialização de Energia Elétrica	Consolidation	100.00

Due to the aquisition of the additional equity interest in Gasmig in the fourth quarter of 2014, Cemig now exercises control of that subsidiary and, consequently, consolidates that investment in its financial statements, as described in Explanatory Note 14.

a) Subsidiaries and jointly-controlled entities

The financial statements of subsidiaries are included in the consolidated financial statements as from the date on which the control starts until the date on which the control ceases to exist. The assets, liabilities and profit (loss) of the subsidiaries were consolidated using full consolidation. The accounting policies of the subsidiaries are aligned with the policies adopted by the Company. The financial information of subsidiaries and jointly-controlled entities is recognized by the equity method.

Av. Barbacena 1200 Santo Agostinho 30190-131 Belo Horizonte, MG Brazil Tel.: +55 31 3506-5024 Fax +55 31 3506-5026

b) Consortia

The assets, liabilities, and profits (losses) of a consortium are recorded in accordance with the percentage interest held in the consortium, since these investments are considered to be "joint operations" in accordance with the requirements of IFRS 11.

c) Transactions eliminated in consolidation

Inter-group balances and transactions, and any revenues or expenses derived from inter-group transactions, are eliminated in preparing the consolidated financial statements. Unrealized gains arising from transactions with investee companies recorded by the equity method are eliminated against the investment in proportion to the Company's holding in the Investee. Unrealized losses are eliminated in the same way as unrealized gains are eliminated, but only up to the point at which there is no evidence of impairment.

The financial statements of Transchile, for the purposes of calculation by the equity method, are converted from United States dollars (the functional currency of Transchile) to Reais based on the last exchange rate of the year, since the functional currency of Cemig is the Real. Foreign currency differences are recognized in Other comprehensive income and presented in Stockholders' equity.

The consolidated financial statements include the balances and transactions of the investment funds in which the Company and its subsidiaries and jointly-held subsidiaries are the sole unit holders. These funds comprise public securities, private securities and debentures of companies, which have minimum risk classification A+(bra) (Brazilian long-term rating), ensuring high liquidity.

The exclusive funds, the financial statements of which are regularly reviewed/audited, are subject to limited obligations, namely payment for services provided by the administration of the assets, attributed to the operation of the investments, such as charges for custody, auditing and other expenses, and there are no significant financial obligations, nor are there assets of the unit holders to guarantee those obligations.

4. CONCESSIONS AND AUTHORIZATIONS

Cemig and its subsidiaries have the following concessions or authorizations, from Aneel.

	Location	Date of concession or authorization	Expiration date
GENERATION			
Hydroelectric plants			
São Simão (1)	Rio Paranaíba	01/1965	01/2015
Emborcação	Rio Paranaíba	07/1975	07/2025
Nova Ponte	Rio Araguari	07/1975	07/2025
Jaguara (1)	Rio Grande	08/1963	08/2013
Miranda	Rio Araguari	12/1986	12/2016
Três Marias	Rio São Francisco	04/1958	07/2015
Volta Grande	Rio Grande	02/1967	02/2017
Irapé	Rio Jequitinhonha	01/1999	02/2035
Aimorés	Rio Doce	07/2000	12/2035
Salto Grande	Rio Santo Antônio	10/1963	07/2015
Funil	Rio Grande	10/1964	12/2035
Queimado	Rio Preto	11/1997	01/2033
Itutinga	Rio Grande	01/1953	07/2015
Camargos	Rio Grande	08/1958	07/2015
Porto Estrela	Rio Santo Antônio	05/1997	07/2032
Igarapava	Rio Grande	05/1995	12/2028
Piau	Rio Piau / Pinho	10/1964	07/2015
Gafanhoto	Rio Pará	09/1953	07/2015
Cachoeirão SHP	Rio Manhuaçu	07/2000	07/2030
UHE Santo Antônio	Rio Madeira	06/2008	06/2043
UHE Baguari	Rio Doce	08/2006	08/2041
PCH Pipoca	Rio Manhuaçu	09/2001	09/2031
Others	Various	Various	Various
Wind farms (2)			
Morro do Camelinho	Gouveia – MG	03/2000	01/2017
Praias do Parajuru	Beberibe – CE	09/2002	08/2029
Volta do Rio	Acaraú – CE	12/2001	08/2034
Praia de Morgado	Acaraú – CE	12/2001	08/2034
Thermal plants			
Igarapé	Juatuba – MG	01/2001	08/2024
Ipatinga (3)	Ipatinga – MG	11/2000	12/2014
Barreiro	Belo Horizonte – MG	02/2002	04/2023
TRANSMISSION			
National grid	Minas Gerais	07/1997	07/2015
Substation – Itajubá	Minas Gerais	10/2000	10/2030
DISTRIBUTION			
North	Minas Gerais	04/1997	02/2016
South	Minas Gerais	04/1997	02/2016
East	Minas Gerais	04/1997	02/2016
West	Minas Gerais	04/1997	02/2016

(1) The extension of the concession specified in the concession contract is not included in these figures. See details in the Note.
(2) Permission to operate the activity of wind power generation is given by means of authorizations.
(3) This plant will not have its concession contract extended, and will be returned to Usiminas.

Generation concessions

In the generation business, the Company, as well as selling electricity through auctions to distributors in the Regulated Market, also sells electricity to Free Consumers in the Free Market (*Ambiente de Contratação Livre*, or ACL). In the Free Market, electricity is traded by generation concession holders, Small Hydro Plants (PCHs), self-producers, traders, and importers of electricity.

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

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

Transmission concessions

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

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

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

For the newer transmission concessions – those granted after the year 2000 – the portion of the assets that will not be used up during the concession is recorded as a financial asset, because there is an unconditional right to receive cash or other financial assets directly from the concession-granting power ('the Grantor') at the end of the concession agreement period.

Transmission concessions renewed under Law 12783/2013

For the older transmission concessions, granted before the year 2000, renewals have been applied for as from January 1, 2013 in accordance with Law 12783, under which the assets are the property of the Concession-granting power. The renewals were obtained and, as a result the Company is remunerated, as from 2013, for the operation and maintenance of these assets.

Distribution concessions

Cemig D has the following concessions from Aneel:

In the State of Minas Gerais	Date of grant	Expiration
North	04/1997	02/2016
South	04/1997	02/2016
East	04/1997	02/2016
West	04/1997	02/2016

As determined by the concession contract, all assets and facilities that are linked to the provision of the distribution service and which have been created by the concession holder are considered reversible and part of the assets of the related concession. These assets are automatically reverted to the Grantor at the end of the contract, and are then valued to determine the amount of the indemnity payable to the concession holder, subject to the amounts and the dates on which they were incorporated into the electricity system.

The Company does not have obligations to make payment in compensation for commercial operation of the distribution concessions, but it is required that standards of quality, and investments made, in accordance with the concession contract, are complied with.

The concession contracts, and the Brazilian legislation, establish a mechanism of maximum prices that allows for three types of adjustment to tariffs: (i) the Annual Tariff Adjustment; (ii) the Periodic Tariff Review; and (iii) the Extraordinary Tariff Review.

Each year the Company has the right to request the annual adjustment, the purpose of which is to compensate for the effects of inflation on the tariffs, and allow for certain changes in costs that are outside the Company's control to be passed through to clients – for example the cost of electricity bought for resale, the sector charges, and charges for the use of the transmission and distribution facilities.

Also, Aneel makes a Periodic Review of tariffs every five years, which aims to identify changes in the Company's costs, and to establish a factor based on scale gains, which will be applied in the annual tariff adjustments, for the purpose of sharing such gains with the Company's consumers.

The Company also has the right to request an extraordinary review of tariffs, in the event that any unforeseen development significantly alters the economic-financial equilibrium of the concession. The Periodic Review and the Extraordinary Review are subject, to a certain degree, to the discretion of ANEEL, although there are pre-established rules for each cycle of revision. Although concession contracts specify that the Company's economic and financial balance shall be maintained, it cannot be guaranteed that ANEEL will set tariffs that appropriately compensate the Company and that the operating revenue and profit will not be prejudiced by such tariffs. When the Company requests an annual tariff adjustment, it becomes necessary to prove the resulting financial impact of these events on operations.

Under the distribution concession contracts, the Company is authorized to charge its consumers a tariff consisting of two components: (i) a portion relating to the costs of electricity bought for resale, charges for use of the national grid and charges for use of the electricity distribution system – these are deemed non-manageable costs and referred to as 'Portion A Costs'; and (ii) a portion of operational costs ('Portion B Costs'). Both portions are established as part of the original concession, for specific initial periods. Subsequently to the initial periods, and at regular intervals (as described above), Aneel reviews the Company's costs, for the purpose of determining the adjustment for inflation (or a similar adjustment factor) – known as the Scalar adjustment – to the Portion B costs for the subsequent period. This review can result in a scalar adjustment that is positive, or zero, or negative.

On November 25, 2014 Aneel decided to amend the concession contracts of Brazilian electricity distribution companies to ensure that, in the event of extinction of the concession contract, for whatever reason, the remaining balances (assets and liabilities) of any shortfall of payment or reimbursement resulting from the tariff should also be taken into account by the concession-granting power for the purposes of indemnity. There are more details on this amendment in Explanatory Note 13.

Renewal of concessions

On September 11, 2012 the Brazilian federal government issued Provisional Measure 579 ('PM 579'), subsequently approved by Congress and sanctioned as Law 12,783 of January 11, 2013, which makes provisions governing: electricity generation, transmission and distribution concessions; reduction of the sector charges; and provisions for reduction of tariffs.

PM 579, when dealing with the extensions of concessions for electricity distribution, transmission and generation covered by the articles listed above, imposed new conditions on the concession holders for extension: they allowed extension for a period of 30 years.

The extension referred to also depends on express acceptance by the concession holder of the criteria for remuneration, allocation of power output, and quality standards contained in PM 579; and PM 579 also specifies that indemnity for assets not yet amortized or depreciated will be based on the New Replacement Value (Valor Novo de Reposição, or VNR).

In compliance with the terms of PM 579, on October 15, 2012 Cemig D submitted to Aneel its statement of interest in extension of its Concession Contracts for electricity distribution which in its understanding were within the criteria of the PM, without prejudice to any rights provided in law for conversion.

On January 17, 2014 Aneel sent the Company Circular Letter 01/2014-DR/ANEEL informing that it was studying the requests for extension of a concession, and the final decision on approval of this request lay with the Concession-granting power. Up to the date of the approval of these Financial Statements, the terms of the extension are not known to the Company's management.

Management's expectation is that this request for extension will be approved by the Concession-granting power, on conditions similar to the present ones, and for a period of 30 years.

Gas concessions

The concessions for distribution of natural gas are given by Brazilian states, and in the state of Minas Gerais the tariffs for natural gas are set by the regulatory body – the State's Economic Development Secretariat – by market segment. The tariffs comprise a portion for the cost of gas and a portion for the operation of the Concession. Every quarter the tariffs are adjusted to pass through the cost of gas, and once a year they are adjusted to update the portion allocated to cover the costs relating to the provision of the distribution service – remuneration of invested capital and to cover all the operational, commercial and administrative expenses of the concession holder.

In addition to these adjustments, a tariff review is planned for July 2015. These reviews occur every five years, to evaluate the changes in the costs of the Company and to adapt the tariffs. The Concession Contract also specifies the possibility of an extraordinary review of tariffs if any event occurs that puts the economic-financial balance of the Concession at risk.

On December 26, 2014 the Second Amendment to the Concession Contract was signed by Gasmig and the Minas Gerais State Government, extending by 30 years the period of concession in which Gasmig may commercially operate the services of industrial, commercial, institutional and residential piped gas in the state of Minas Gerais. The expiration date of the contract is thus now extended from January 10, 2023 to January 10, 2053.

Provisional Measure 579 (Federal Law 12783)

On September 11, 2012 the Brazilian federal government issued Provisional Measure 579 ('PM 579') – later approved by the Brazilian Congress as Law 12783 of January 11, 2013 – governing changes to the law on concessions for generation, transmission and distribution of electricity; reduction of the sector charges; moderation of tariffs; and other matters.

PM 579/2012, when dealing with the extensions of concessions for electricity distribution covered by Law 9074/95, imposed new conditions on the concession holders for extension of concessions for a period of up to 30 years.

The extension referred to also depends on express acceptance by the concession holder of the criteria for remuneration, allocation of power output, and quality standards contained in PM 579; and PM 579 also specifies that indemnity for assets not yet amortized or depreciated will be based on the New Replacement Value (*Valor novo de reposição*, or VNR).

In compliance with PM 579, on October 15, 2012 Cemig advised Aneel of its interest in extending the electricity distribution contracts which in the Company's view were within the criteria of the PM, without prejudice to any rights specified in the law into which Congress might convert the Provisional Measure.

On January 17, 2014 Aneel sent to the Company Official Circular Letter 01/2014-DR/ANEEL stating that it was analyzing the request for extension of the concession, and that the final decision on the request rested with the Concession-granting power. Up to the date of approval of these financial statements, the terms of the extension are not known to the Company's management.

Management expects that the Concession-granting power will grant this request for extension, on conditions similar to the present ones, and for a period of 30 years.

Electricity generation

The Company opted not to renew the electricity generation concessions for the power plants listed below, which are included in Concession Contract 007/97–Cemig Geração:

Generating plant	Concession expiry date	Installed capacity (MW)	Net value of assets based on historic costs at Dec. 31, 2014	Net value of assets based on deemed costs at Dec. 31, 2014
Hydroelectric plants				
Três Marias	Jul. 2015	396	45,493	388,666
Volta Grande	Feb. 2017	380	24,143	64,866
Salto Grande	Jul. 2015	102	11,533	39,405
Itutinga	Jul. 2015	52	3,733	9,159
Camargos	Jul. 2015	46	6,167	20,197
Small hydro plants				
Piau	Jul. 2015	18.01	1,475	8,552
Gafanhoto	Jul. 2015	14	1,654	13,430
Peti	Jul. 2015	9.4	1,526	8,112
Tronqueiras	Jul. 2015	8.5	2,028	12,731
Joasal	Jul. 2015	8.4	1,576	8,207
Martins	Jul. 2015	7.7	402	2,901
Cajuru	Jul. 2015	7.2	3,643	1,103
Paciência	Jul. 2015	4.08	905	4,548
Marmelos	Jul. 2015	4	734	4,862
Sumidouro	Jul. 2015	2.12	1,855	1,198
Anil	Jul. 2015	2.08	530	162
Poquim	Jul. 2015	1.41	2,259	4,205
		1,063	**109,656**	**592,304**

Note: The amounts referring to deemed cost were recorded at the time of adoption of the new accounting rules in accordance with international standards, on December 31, 2010. The difference between the amount of the deemed cost and the historic cost is recorded directly in a specific line of the Company's Stockholders' equity, this posting having no initial effect on the Company's profit.

For the concessions of the *Jaguara* and *São Simão* plants, which had initial expiration dates in August 2013 and January 2015, respectively, and the *Miranda* plant, the concession of which has an expiration date in December 2016, the Company is of the opinion that it has the right to renewal of these concessions on the conditions in effect prior to PM 579, under clauses in the concession contracts and in Article 19 of Law 9074/1995. The historic balances of the assets of the plants mentioned correspond, on December 31, 2014, to a total of R$ 942,809 and, based on deemed cost, used in the adoption of the new accounting standards, correspond to the amount of R$ 1,136,258. According to the terms of the concession contracts, Cemig GT will have the right to indemnity of the assets not depreciated at the termination of the concessions which, in the Company's interpretation, will take place after the extension referred to above. There is more information in Explanatory Note 15 – *Property, plant and equipment*.

Electricity transmission

The Company opted to accept the terms of PM 579 for renewal of the transmission concessions. The information relating to the amounts of indemnity is in Explanatory Note 13 – *Financial assets of the concession*.

Av. Barbacena 1200 Santo Agostinho 30190-131 Belo Horizonte, MG Brazil Tel.: +55 31 3506-5024 Fax +55 31 3506-5026

Electricity distribution

In compliance with PM 579, on October 15, 2012 Cemig advised Aneel of its interest in extending the electricity distribution contracts which in the Company's view were within the criteria of the PM, without prejudice to any rights specified in the law into which Congress might convert the Provisional Measure.

The expiry dates of the distribution concessions of Cemig D, which will be extended for 30 years, are in February 2016.

Concessions payable

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

Project	Nominal value in 2014	Present value in 2014	Amortization period	Updating indexor
Porto Estrela (Consortium)	394,662	147,855	08/2001 to 07/2032	IGPM
Irapé	32,459	12,378	03/2006 to 02/2035	IGPM
Queimado (Consortium)	8,334	3,449	01/2004 to 12/2032	IGPM
Capim Branco	20,610	7,577	09/2007 to 09/2035	IGPM
Various hydro and small hydro plants (*)	1,537	1,515	06/2013 to 07/2015	IPCA
Salto Morais SHP	161	141	06/2013 to 07/2020	IPCA
Rio de Pedras SHP	816	646	06/2013 to 09/2024	IPCA
Various SHPs (**)	4,308	3,342	06/2013 to 08/2025	IPCA

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

The portions paid to the Concession-granting power in 2014, the present value and the nominal value of the portions to be paid in the forthcoming period of 12 months, are as follows:

Project	Amounts paid in 2014	Present value of amounts to be paid in 12 months	Nominal value of amounts to be paid in 12 months
Porto Estrela (Consortium)	15,782	15,517	16,424
Irapé	1,552	1,510	1,603
Queimado (Consortium)	443	433	459
Capim Branco	928	907	966
Various hydro and small hydro plants(*)	2,589	1,515	1,537
Salto Morais SHP	28	28	28
Rio de Pedras SHP	81	80	82
Various SHPs (**)	391	390	400

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

(*) *Anil, Cajuru, Camargos, Gafanhoto, Joasal, Marmelos, Martins, Paciência, Peti, Piau, Poquim, Sumidouro* and *Tronqueiras.*
(**) *Luiz Dias, Poço Fundo, São Bernardo* and *Xicão.*

5. OPERATING SEGMENTS

The operating segments of Cemig reflect the structure of the regulatory framework for the Brazilian electricity sector, with different legislation for the sectors of generation, transmission and distribution of electricity.

The Company also operates in gas, telecommunications and in other businesses, which have a smaller impact on the results of its operations.

These segments are reflected in the Company's management, organizational structure, and monitoring of results. In accordance with the regulatory framework of the Brazilian electricity sector, there is no segmentation by geographical area.

Impact of the acquisition on the consolidated results of Cemig

The Company's net revenue includes R$ 340,395 and net profit for the year includes R$ 108,499, attributable to the operations of Gasmig after the date of the combination of the businesses.

If this business combination had taken place on January 1, 2014, the consolidated net revenue of Cemig would have been increased by R$ 979,479 and the net profit for the year would have been increased by R$ 32,589.

The operational costs and expenses for 2014 and 2013 are shown in consolidated form in these tables:

OPERATING SEGMENTS, 2014

ITEM	Electricity			TELECOMS	GAS	OTHERS	ELIMINATIONS	TOTAL
	GENERATION	TRANSMISSION	DISTRIBUTION					
SEGMENT ASSETS	**11,527,761**	**3,881,636**	**15,064,076**	**327,327**	**2,549,492**	**2,006,510**	**(356,799)**	**35,000,003**
ADDITIONS TO (REDUCTION IN) THE SEGMENT	**2,995,102**	**80,358**	**791,609**	**28,909**	**500,802**	**19,669**	**-**	**4,416,449**
INVESTMENTS IN ASSOCIATES AND JOINTLY-CONTROLLED ENTITIES	**4,035,710**	**2,314,889**	**1,199,236**	**-**	**-**	**489,956**	**-**	**8,039,791**
NET REVENUE	**7,339,128**	**707,793**	**11,241,118**	**118,521**	**340,395**	**89,349**	**(296,726)**	**19,539,578**
COSTS								
Electricity purchased for resale	(1,833,176)	-	(5,747,681)	-	-	-	152,476	(7,428,381)
Charges for the use of the national grid	(281,782)	(292)	(573,269)	-	-	-	110,912	(744,431)
Gas purchased for resale	-	-	-	-	(254,488)	-	-	(254,488)
Total operational costs	**(2,114,958)**	**(292)**	**(6,320,950)**	**-**	**(254,488)**	**-**	**263,388**	**(8,427,300)**
OTHER COSTS								
Personnel	(201,326)	(105,106)	(885,890)	(12,795)	(11,145)	(36,196)	-	(1,252,458)
Employees' and managers' profit shares	(38,721)	(16,463)	(183,803)	(1,489)	-	(8,893)	-	(249,369)
Post-Retirement Liabilities	(34,206)	(13,950)	(152,692)	-	-	(11,068)	-	(211,916)
Materials	(294,665)	(5,328)	(79,997)	(48)	(570)	(499)	-	(381,107)
Outsourced services	(158,798)	(39,348)	(736,595)	(22,768)	(2,164)	(22,970)	29,610	(953,033)
Depreciation and amortization	(324,459)	-	(427,643)	(34,312)	(3,697)	(10,807)	-	(800,918)
Royalties for use of water resources	(127,200)	-	-	-	-	-	-	(127,200)
Operational provisions (reversals)	(61,929)	(25,629)	(300,473)	(44)	-	(192,645)	-	(580,720)
Construction costs	-	(80,358)	(861,437)	-	-	-	-	(941,795)
Other operational expenses, net	(129,693)	(33,377)	(299,476)	(26,625)	(10,929)	(28,685)	3,728	(524,793)
Total cost of operation	**(1,370,997)**	**(319,559)**	**(3,928,006)**	**(98,081)**	**(28,505)**	**(311,763)**	**33,338**	**(6,023,309)**
TOTAL COSTS AND EXPENSES	**(3,485,955)**	**(319,851)**	**(10,248,956)**	**(98,081)**	**(282,993)**	**(311,763)**	**296,726**	**(14,450,609)**
Operational profit before Equity gains (losses) and Financial revenue (expenses)	**3,853,173**	**387,942**	**992,162**	**20,440**	**57,402**	**(222,414)**	**-**	**5,088,969**
Equity in earnings of unconsolidated investees, net	(385,771)	386,087	150,391	(27,518)	47,159	40,136	-	210,484
Gain on acquisition of control of investee	-	-	-	-	-	280,945	-	280,945
Financial revenues	118,889	46,119	358,414	4,848	21,361	43,053	-	592,684
Financial revenues	(396,260)	(291,247)	(751,218)	(3,345)	(6,364)	(245,238)	-	(1,693,672)
Income before income tax and social contribution taxes	**3,190,031**	**528,901**	**749,749**	**(5,575)**	**119,558**	**(103,518)**	**-**	**4,479,410**
Current income and social contribution taxes	(1,060,681)	(41,986)	(114,264)	(6,605)	(4,542)	(31,148)	-	(1,259,226)
Deferred income and social contribution taxes	(55,320)	(2,344)	(55,187)	(165)	(6,781)	36,516	-	(83,281)
NET INCOME FOR THE YEAR	**2,074,030**	**484,571**	**580,298**	**(12,345)**	**108,235**	**(98,150)**	**-**	**3,136,903**
Interest of the controlling shareholders	**2,074,030**	**484,571**	**580,298**	**(12,345)**	**108,235**	**(98,150**	**-**	**3,136,639**
Non controlling interest arising from business combination	**-**	**-**	**-**	**-**	**264**	**-**	**-**	**264**
	2,074,030	**484,571**	**580,298**	**(12,345)**	**108,499**	**(98,150)**	**-**	**3,136,903**

OPERATING SEGMENTS, 2013								
R$ '000	**GENERATION**	**TRANSMISSION**	**DISTRIBUTION**	**TELECOMS**	**GAS**	**Others**	**ELIMINATIONS**	**TOTAL**
SEGMENT ASSETS	**10,224,063**	**3,451,659**	**13,688,399**	**327,861**	**577,239**	**3,090,662**	**(1,545,741)**	**29,814,142**
ADDITIONS TO (REDUCTION IN) THE SEGMENT	**520,407**	**(1,600,239)**	**883,801**	**-**	**-**	**22,528**	**-**	**(173,503)**
INVESTMENTS IN ASSOCIATES AND JOINTLY-CONTROLLED ENTITIES	**1,623**	**2,379**	**1,191**	**4**	**577**	**387**	**-**	**6,161**
NET REVENUE	**5,253,313**	**277,116**	**9,205,932**	**113,739**	**-**	**95,576**	**(318,396)**	**14,627,280**
COST OF ELECTRICITY SERVICE								
COST OF ELECTRICITY								
Electricity purchased for resale	(1,294,248)	-	(4,089,448)	-	-	(9)	176,422	(5,207,283)
Charges for the use of the national grid	(263,956)	(286)	(410,290)	-	-	-	99,482	(575,050)
Total operational costs – Electricity	**(1,558,204)**	**(286)**	**(4,499,738)**	**-**	**-**	**(9)**	**275,904**	**(5,782,333)**
OTHER COSTS								
Personnel	(215,140)	(103,007)	(893,619)	(13,739)	-	(58,577)	-	(1,284,082)
Employees' and managers' profit shares	(39,948)	(19,286)	(146,437)	(1,544)	-	(14,184)	-	(221,399)
Post-Retirement Liabilities	(26,751)	(13,058)	(118,840)	-	-	(16,758)	-	(175,407)
Materials	(64,202)	(4,782)	(52,581)	(721)	-	(609)	-	(122,895)
Outsourced services	(152,666)	(40,470)	(720,655)	(20,812)	-	(20,945)	38,558	(916,990)
Depreciation and amortization	(370,751)	-	(416,096)	(30,783)	-	(512)	(5,526)	(823,668)
Royalties for use of water resources	(130,895)	-	-	-	-	-	-	(130,895)
Operational provisions (reversals)	(36,842)	(17,995)	(274,942)	(17)	-	24,557	-	(305,239)
Construction costs	-	(91,176)	(883,801)	-	-	-	-	(974,977)
Other operational expenses, net	(80,848)	(31,051)	(327,813)	(19,259)	-	(39,034)	3,934	(494,071)
Total cost of operation	**(1,118,043)**	**(320,825)**	**(3,834,784)**	**(86,875)**	**-**	**(126,062)**	**36,966**	**(5,449,623)**
TOTAL COSTS AND EXPENSES	**(2,676,247)**	**(321,111)**	**(8,334,522)**	**(86,875)**	**-**	**(126,071)**	**312,870**	**(11,231,956)**
Operational profit before Equity gains (losses) and Financial revenue (expenses)	**2,577,066**	**(43,995)**	**871,410**	**26,864**	**-**	**(30,495)**	**(5,526)**	**3,395,324**
Equity in earnings of unconsolidated investees, net	75,064	484,128	113,079	(19,986)	90,702	15,295	5,526	763,808
Gain on disposal of equity investment	-	(94,080)	-	-		378,378	-	284,298
Unrealized profit on disposal of investment	-	-	-	-		(80,959)	-	(80,959)
Financial revenue	227,898	93,774	453,099	6,377		104,355	-	885,503
Financial expenses	(288,313)	(226,244)	(646,877)	(3,970)		(28,574)	-	(1,193,978)
Income before income tax and social contribution taxes	**2,591,715**	**213,583**	**790,711**	**9,285**	**90,702**	**358,000**	**-**	**4,053,996**
Income and Social Contribution taxes	(726,008)	78,931	(187,378)	(5,722)		(109,964)	-	(950,141)
NET INCOME FOR THE YEAR	**1,865,707**	**292,514**	**603,333**	**3,563**	**90,702**	**248,036**	**-**	**3,103,855**

Av. Barbacena 1200 Santo Agostinho 30190-131 Belo Horizonte, MG Brazil Tel.: +55 31 3506-5024 Fax +55 31 3506-5026

6. CASH AND CASH EQUIVALENTS

	Consolidated		Holding company	
	2014	2013	2014	2013
Bank accounts	88,767	74,713	4,893	7,724
Cash investments				
Bank certificates of deposit	750,376	1,892,939	105,937	236,521
'Overnight' (Repos)	48,000	228,131	2,506	41,938
Others	-	6,044	-	-
	798,376	2,127,114	108,443	278,459
	887,143	**2,201,827**	**113,336**	**286,183**

Cash investments are transactions carried out with Brazilian institutions, and international financial institutions with branch offices in Brazil, at normal market conditions and rates. All the transactions are liquid, promptly convertible into a known amount of cash, are subject to insignificant risk of change in value, and have no restrictions on use. Bank Certificates of Deposit (*Certificados de Depósito Bancário*, or CBDs), with fixed or floating rates, are remunerated at a percentage (varying from 80% to 109.6%) of the CDI rate (Interbank Rate for Certificates of Deposit – *Certificados de Depósito Inter-bancário* – CDIs) published by the Custody and Settlement Chamber (*Câmara de Custódia e Liquidação*, or Cetip). Repo transactions state, in their trading notes, the Bank's commitment to repurchase the security, at sight, on the maturity date of the transaction, or earlier, at the Company's option.

As a means for efficient cash flow management of the companies investing in the Company's Funds, part of the net asset value of these Funds is allocated in overnight repo transactions – short-term cash investments, with availability for redemption on the day following the date of investment. Usually overnight repos are backed by Treasury Bills, Notes or Bonds and referenced to a pre-fixed rate; their purpose is to settle obligations of the unit holders of the Fund or to be used in the purchase of other assets with better remuneration to replenish the portfolio.

The Company's exposure to interest rate risk and an analysis of sensitivity of financial assets and liabilities are given in Explanatory Note 28.

7. SECURITIES

	Consolidated		Holding company	
	2014	2013	2014	2013
Cash investments				
Current				
Bank certificates of deposit	237,605	196,506	10,616	27,854
Financial Notes – Banks	556,395	503,832	25,877	92,839
Treasury Financial Notes (LFTs)	85,752	37,758	3,988	6,958
Debentures	98,319	170,248	4,682	31,371
Others	15,923	25,227	1,121	4,569
	993,994	**933,571**	**46,284**	**163,591**
Non-current				
Bank certificates of deposit	420	40	209	8
Financial Notes – Banks	16,524	89,068	765	16,412
Debentures	-	-	-	-
Others	334	615	17	114
	17,278	**89,723**	**991**	**16,534**
	1,011,272	**1,023,294**	**47,275**	**180,125**

Av. Barbacena 1200 Santo Agostinho 30190-131 Belo Horizonte, MG Brazil Tel.: +55 31 3506-5024 Fax +55 31 3506-5026

Securities refers to financial investments in transactions contracted with Brazilian financial institutions, and international financial institutions with branch offices in Brazil, contracted at market prices and on market conditions.

Fixed-rate or floating-rate Bank certificates of deposit (*Certificados de Depósito Bancário*, or CDBs) are remunerated at a percentage of the rate for interbank deposits (*Certificado de Depósito Interbancário*, or CDI, rate), which is published by the Custody and Settlement Chamber (*Câmara de Custódia e Liquidação*, or Cetip). This percentage ranges from 80% to 109.6% depending on the transaction.

Classification of these securities, in accordance with the categories specified in accounting practices adopted in Brazil, is presented in Explanatory Note 28.

8. CONSUMERS, TRADERS, AND POWER TRANSPORT CONCESSION HOLDERS

	Consolidated				
	Balances not yet due	Up to 90 days past due	More than 90 days past due	31/12/2014	31/12/2013
Invoiced supply	883,091	421,059	715,138	2,019,288	1,726,317
Supply not yet invoiced	668,348	-	-	668,348	511,537
Wholesale supply to other concession holders	236,254	23,872	46,665	306,791	438,744
Concession holders – Transport of electricity	90,332	3,749	159,663	253,744	248,808
(–) Allowance for doubtful accounts	-	-	(649,850)	(649,850)	(584,560)
	1,878,025	**448,680**	**271,616**	**2,598,321**	**2,340,846**
Current assets				**2,389,415**	**2,152,251**
Non-current assets				**208,906**	**188,595**

The Company's exposure to credit risk related to Consumers and Traders is given in Explanatory Note 28.

The provision for the Allowance for doubtful receivables is considered to be sufficient to cover any losses in the realization of these assets, and breaks down by type of consumer as follows:

	2014	2013
Residential	173,899	147,327
Industrial	328,516	298,660
Commercial, services and others	99,130	83,679
Rural	17,891	18,422
Public authorities	10,126	10,298
Public illumination	5,137	11,060
Public service	9,936	10,357
Others	5,215	4,757
	649,850	**584,560**

Changes in the provision for doubtful receivables from 2013 to 2014 were as follows:

	01/01/2013	New provisions	Written off	2013	New provisions	Written off	2014
Allowance for doubtful receivables)	515,100	121,005	(51,545)	584,560	128,460	(63,170)	649,850

9. RECOVERABLE TAXES

	Consolidated		Holding Company	
	2014	2013	2014	2013
Current				
ICMS tax recoverable	169,491	115,398	3,431	3,429
PIS and Pasep taxes	6,651	47,144	-	-
Cofins tax	30,733	313,509	-	-
Others	6,727	5,493	1,385	1,388
	213,602	481,544	4,816	4,817
Non-Current				
ICMS tax recoverable	282,676	248,711	4,754	4,754
PIS and Pasep taxes	18,150	23,414	3	1
Cofins tax	83,984	108,155	15	3
Others	1,796	1,795	1,796	1,795
	386,606	382,075	6,568	6,553
	600,208	**863,619**	**11,384**	**11,370**

The credits of the PIS, Pasep and Cofins taxes arise mainly from acquisitions of property, plant and equipment, and can be offset over 48 months.

The recoverable ICMS tax credits in Non-current assets arise from acquisitions of property, plant and equipment and can be applied against taxes payable in 48 months. The transfer to Non-current assets was made in accordance with estimates by Management of the amounts which will likely be realized by December 2015.

10. INCOME AND SOCIAL CONTRIBUTION TAXES

a) Income and Social Contribution taxes recoverable

The balances of income tax and Social Contribution tax refer to tax credits in corporate income tax returns of previous years and to advance payments in 2014, which will be offset against federal taxes payable for the year 2015. These are posted in Taxes and contributions.

	Consolidated		Holding company	
	2014	2013	2014	2013
Current				
Income tax	201,693	181,033	-	-
Social Contribution tax	93,210	67,582	-	-
	294,903	248,615	-	-
Non-Current				
Income tax	195,933	167,260	195,933	167,260
Social Contribution tax	11,171	10,239	11,171	10,239
	207,104	177,499	207,104	177,499
	502,007	**426,114**	**207,104**	**177,499**

Av. Barbacena 1200 Santo Agostinho 30190-131 Belo Horizonte, MG Brazil Tel.: +55 31 3506-5024 Fax +55 31 3506-5026

b) Deferred income tax and Social Contribution taxes

	Consolidated		Holding company	
	2014	2013	2014	2013
Tax credits				
Tax loss carryforwards	267,964	259,396	251,351	259,396
Provisions	305,929	104,055	161,353	23,023
Post-Retirement Liabilities	623,473	558,475	35,274	29,097
Allowance for doubtful receivables	220,835	200,617	6,804	7,988
Taxes payable – suspended liability (1)	196,032	179,217	-	-
Paid concession	66,638	67,053	-	-
'Parcel A' Items Variation Compensation Account ('CVA') (2)	-	105,561	-	-
Others	50,083	42,966	3,147	2,868
Total	**1,730,954**	**1,517,340**	**457,929**	**322,372**
Deferred obligations				
Funding cost	(1,993)	(3,551)	-	-
Deemed cost	(305,248)	(335,232)	-	-
Adjustment to present value	(59,091)	(84,319)	-	-
IRT	(9,552)	-	-	-
Purchase price allocation adjustments	(356,087)	-	(95,521)	-
Borrowing costs, capitalized	(59,892)	(40,907)	-	-
Taxes on revenues not redeemed – Presumed Profit accounting method	(1,511)	(2,053)	-	-
Transmission companies: Indemnity gain	(227,341)	(84,537)	-	-
Updating of financial asset	(75,982)	(1,658)	-	-
Total	**(1,096,697)**	**(552,257)**	**(95,521)**	**-**
Total, net	**634,257**	**965,083**	**362,408**	**322,372**
Total assets	**1,245,726**	**1,220,896**	**362,408**	**322,372**
Total liabilities	**(611,469)**	**(255,813)**	**-**	**-**

(1) Refers to the court escrow deposit relating to PIS, Pasep and Cofins taxes applicable to amounts of ICMS tax.
(2) Adjustment arising from Law 11638/2007 – Transition Tax Regime (RTT), on adoption of IFRS.

Movement in Deferred income tax and Social Contribution tax:

	Consolidated	Holding company
Balance on January 1, 2013	**996,732**	**392,635**
Effects allocated to Statement of income	43,800	(38,153)
Effects allocated to Statement of comprehensive income	(90,388)	(32,110)
Realized	14,939	-
Balance on December 31, 2013	**965,083**	**322,372**
Effects allocated to Statement of income	(83,283)	35,878
Deferred taxes recognized in business combination	(258,865)	
Effects allocated to Statement of comprehensive income	22,541	4,158
Realized	(59)	-
Balance on December 31, 2014	**645,417**	**362,408**

At a meeting on March 25, 2015 the Board of Directors approved a technical study prepared by the CFO's office, projecting the Company's future profitability, adjusted to present value. This indicates capacity for realization of the Deferred tax asset in a maximum period of 10 years, as defined in CVM Instruction 371. This study was submitted to examination by the Audit Board on March 25, 2015.

Deductible temporary differences and accumulated tax losses do not expire by limitation of time, under the Brazilian tax legislation currently in force. Deferred tax assets have been recognized in relation to these items, because it is probable that the future taxable profits will be available for the Company to be able to use the benefit of them.

Av. Barbacena 1200 Santo Agostinho 30190-131 Belo Horizonte, MG Brazil Tel.: +55 31 3506-5024 Fax +55 31 3506-5026

As per the individual estimates of the Company and is subsidiaries, future taxable profits permit realization of the Deferred Tax Asset existing on December 31, 2014, as follows:

	Consolidated	Holding company
2015	226,842	48,508
2016	363,610	43,348
2017	189,020	46,996
2018	195,797	49,335
2019	204,373	53,026
2020 - 2022	318,807	119,291
2023 - 2024	232,505	97,425
	1,730,954	**457,929**

c) **Reconciliation of expenses on income and Social Contribution taxes**

This table reconciles the nominal expense on income tax (rate 25%) and the Social Contribution tax (rate 9%) with the actual expense, presented in the Statement of income:

	Consolidated		Holding company	
	2014	2013	2014	2013
Profit before income tax and Social Contribution tax	4,479,146	4,053,996	3,118,951	3,201,295
Income tax and Social Contribution tax – nominal expense	(1,522,910)	(1,378,358)	(1,060,444)	(1,088,440)
Tax effects applicable to:				
Gain (loss) in subsidiaries by equity method (net of Interest on Equity)	25,259	187,311	994,351	803,667
Interest on Equity	78,200	181,271	78,200	181,271
Non-deductible contributions and donations	(13,636)	(10,707)	(630)	(644)
Tax incentives	66,306	38,794	624	2,347
Tax credits not recognized	(1,238)	3,620	(82)	195
Difference between Presumed Profit and Real Profit	7,897	29,166	-	-
Cemig/Minas Gerais State settlement for TUSD ICMS case	(5,667)	-	(8)	(2)
Excess reactive power and excess demand	(11,929)	(9,813)	-	-
Others	35,211	8,575	5,677	4,166
Income tax and Social Contribution – effective gain (expense)	**(1,342,507)**	**(950,141)**	**17,688**	**(97,440)**
Effective rate	**29.97%**	**23.44%**	**0.57%**	**3.04%**
Current tax	**(1,259,226)**	**(993,941)**	**(18,191)**	**(59,288)**
Deferred tax	**(83,281)**	**43,800**	**35,879**	**(38,152)**

Law 12973/14

Provisional Measure 627 of 2013 (passed as Law 12973/2014) was enacted to end the Transition Taxation Regime (*Regime Tributário de Transição*, or RTT) for all taxpayers, in calendar-year 2015, and adapt the tax legislation to International Financial Reporting Standards, which are included in the Corporate Law by Law 11638 of 2007. Law 12973/14 gave taxpayers the option, to be declared irrevocably, of adopting the change in advance, from January 1, 2014, to be stated definitively by February 2015, under normative Instructions issued by the federal tax authority (*Secretaria da Receita Federal*). The Company decided not to opt for early adoption of the tax rules established by this law.

Av. Barbacena 1200 Santo Agostinho 30190-131 Belo Horizonte, MG Brazil Tel.: +55 31 3506-5024 Fax +55 31 3506-5026

Tax incentives - Sudene

By its Decision Dispatch 1352 DRF/BHE of July 21, 2014, the federal tax authority (*Receita Federal*) recognized the right to a reduction of 75% in income tax, including the part paid at the additional rate, calculated based on the operational profit made in the region under the aegis of Sudene (the Development Authority for the Northeast), for 10 years from 2014. The incentive amount recorded was R$ 24,834.

11. ESCROW DEPOSITS

These payments are mainly for legal actions relating to employment-law contingencies and tax obligations.

The most important escrow deposits for tax obligations refer to income tax withheld at source on Interest on Equity, and the Pasep and Cofins taxes – in actions seeking to exclude the ICMS tax itself from the calculation base of the Pasep and Cofins taxes.

	Consolidated		Holding company	
	2014	2013	2014	2013
Employment law cases	**300,439**	**282,387**	**30,771**	**28,653**
Tax issues				
Income tax on Interest on Equity	14,774	14,478	-	-
Pasep and Cofins taxes (1)	720,175	719,973	-	-
Others	192,804	97,429	130,339	87,601
	927,753	**831,880**	**130,339**	**87,601**
Other				
Monetary updating on AFAC from Minas Gerais State Government (2)	239,445	-	239,445	-
Regulatory	37,276	34,610	8,730	13,148
Third party	8,799	9,639	6,512	6,946
Consumer relations	3,580	5,032	1,450	2,397
Court embargo	10,312	12,896	4,261	6,837
Other	7,201	3,830	1,536	2,257
	306,613	**66,007**	**261,934**	**31,585**
	1,534,805	**1,180,274**	**423,044**	**147,839**

(1) The balances of the escrow deposits relating to the Pasep and Cofins (challenging the inclusion, in the basis of calculation of the Pasep and Cofins taxes, of the amount of ICMS tax also payable) have a corresponding provision recorded in Taxes. See more details in Explanatory Note 19;

(2) Administrative deposit seeking suspension of enforceability of the credit charged by the Minas Gerais State Government for a difference in the monetary updating on the Advance against Future Capital Increase. See more details in Explanatory Note 23.

12. ENERGY DEVELOPMENT ACCOUNT (CDE)

Reimbursement of tariff subsidies payments

The subsidies applicable to tariffs charged to users of public electricity distribution service, which are reimbursed through payments of funds from the Energy Development Account (*Conta de Desenvolvimento Energético*, or CDE). These funds received were recognized in the consolidated financial statements at December 31, 2014 as revenue from subsidies, in the amount of R$ 790,011 (487,798 in 2013). Of the amount provisioned, the Company has R$ 344,896 receivable (136,026 in 2013), recorded in Current assets.

Reimbursement of cost of energy purchased

Due to the low level of the reservoirs of the hydroelectric plants, and the consequent increase in the price of electricity, with a significant effect on the cost of electricity purchased by distributors of electricity in Brazil, the federal government, through Decree 7945 (of 2013), decided to pay funds from the Energy Development Account (*Conta de Desenvolvimento Energético*, or CDE), to cover, mainly, the costs arising from dispatching of the thermoelectric plants and involuntary exposure of the distributors to the wholesale electricity market.

These payments were recognized in the Statement of income as a compensation for costs of electricity purchased in the spot market, in the amount of R$ 2,301,670 (R$ 518,978 in 2013). An amount receivable of R$ 344,896 is still outstanding.

13. FINANCIAL ASSETS OF THE CONCESSION

Consolidated	31/12/2014	31/12/2013
Assets related to infrastructure (a)		
Distribution concessions	5,943,682	5,063,802
Transmission concessions		
Contract 006/97 – Indemnity receivable	953,601	533,588
Contract 006/97 – Assets remunerated by tariff	276,659	200,586
Contract 079/00 – Assets remunerated by tariff	42,726	44,961
	7,216,668	5,842,937
CVA (Parcel A Variation Compensation Account) and Other financial components in tariff adjustments (b)	1,106,675	-
Total	**8,323,343**	**5,842,937**
Current assets	**848,375**	**2,254**
Non-current assets	**7,474,968**	**5,840,683**

a) Assets related to infrastructure

The distribution, transmission and gas contracts of the Company and its subsidiaries are within the criteria for application of Technical Interpretation IFRIC 12, which governs accounting of concessions. These contracts refer to the investment made in infrastructure, which will be the subject of indemnity by the Concession-granting power, during the period and at the end of the concessions, as specified in the regulations of the electricity sector and in the concession contract signed between Cemig and its subsidiaries and ANEEL.

The portion of the assets of the concession that will be fully used up during the concession period is recorded as an Intangible asset and is amortized in full during the concession agreement period. The part of the value of the assets that will not be fully amortized by the end of the concession agreement period is reported as a Financial asset because it is an unconditional right to receive cash or other financial asset directly from the grantor.

Transmission assets

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

The valuation opinion delivered to Aneel on July 31, 2014 represented an indemnity to the Company in the amount of R$ 1,169,145, on base date December 31, 2012, of which R$ 285,438 has been received in the first quarter of 2013.

On February 23, 2015, Aneel sent the Company the Report of Inspection with the preliminary review of the Opinion sent by the Company, which corresponded to the amount of R$ 1,157,106, which updated to December 31, 2014 represents the value of R$ 1,239,039.

The amounts recorded corresponding to the indemnity specified for the transmission assets relating to concession grant 006/97, formed up to December 31, 2012, and the subject of the Valuation opinion referred to above, are R$ 596,903, this figure being net of the R$ 285,438 received.

Thus, the Company reported in the Profit and loss account for 2014 the difference between the amount of the preliminary Opinion inspected by Aneel, which corresponds to an indemnity of R$ 953,601 (net of the R$ 285,438 already received), and the accounting value of R$ 596,903, corresponding to a revenue item of R$ 356,698.

It will be the responsibility of the Mining and Energy Ministry to define the complementary guidelines in relation to the form and period of payment of the amounts referred to in the related Ministerial Order.

The remaining balance in relation to the transmission concessions refers to investments which will be remunerated through Permitted Revenue, as established by Aneel through specific authorizations.

Distribution assets

The process of Tariff Review of the subsidiary Cemig D takes place every five years, through a process of economic evaluation, in which the tariffs of the Company's distribution concessions in the state of Minas Gerais are decided. Within the process of tariff review, a variable known as the Remuneration Base of Assets (*Base Regulatória de Remuneração*, or BRR), related to the assets linked to the concessions, is decided.

On March 11, 2013, the Economic and Financial Inspection Management Unit (*Superintendência de Fiscalização Econômico Financeira*, or SSF) of Aneel, by its Dispatch 689, published the preliminary BRR of Cemig D, in the amount of R$ 5,111,837. Shortly after the publication of the preliminary BRR, Management began discussions with Aneel with the aim of demonstrating technically to that Agency the need for the said amount to be reviewed. On April 5, 2013 in a meeting with the Council of Aneel the revised BRR of Cemig D, in the amount of R$ 5,511,768 was homologated.

The Company filed a further appeal to Aneel questioning certain criteria and value of the BRR that was decided on April 5, 2013, since the amounts considered in the revised published BRR, relating principally to expenses made by the Company for the Light for Everyone (Programa *Luz Para Todos, or PLPT*) are still substantially lower than those actually incurred in the execution of the program.

On March 25, 2014, the Director-General of Aneel issued Director-General's Dispatch 729, which partially granted the Company's requests for reconsideration in the Administrative Appeal filed by Cemig D against Dispatch 689/2013 – approving a new value for the Company's BRR, to R$ 5,849,143, an increase of R$ 337,375.

The effect of the homologation of the final BRR, representing a reduction in the Company's financial assets in the amount of R$ 110,398, was recognized in the Profit and loss account for 2014.

The changes of Financial assets of the concession related to infrastructure is as follows:

	Transmission	Distribution	Gasmig	Consolidated
Balance on December 1, 2013	**1,005,420**	**4,757,735**	**-**	**5,763,155**
Addition	91,176	-		91,176
Written off	(578)	(17,748)		(18,326)
Reversal of provision	23,543	-		23,543
Transfers	(51,552)	318,940		267,388
Amounts received	(288,874)	-		(288,874)
Monetary updating	-	4,875		4,875
Balance on December 31, 2013	**779,135**	**5,063,802**	**-**	**5,842,937**
Additions	80,358	-	-	80,358
Written off	(16)	(22,489)	-	(22,505)
Revenue recorded for adjustment in the value of the transmission indemnity	420,013	-	-	420,013
Asset acquired in business combination	-	-	656,327	656,327
Transfers	(944)	844,185	(656,327)	186,914
Amounts received	(5,560)	-	-	(5,560)
Monetary updating	-	58,184		58,184
Balance on December 31, 2014	**1,272,986**	**5,943,682**	**-**	**7,216,668**

b) CVA Acount (Compensation of Portion A items) and Other Financial Components, in tariff adjustments

On November 25, 2014, ANEEL amended the concession contracts of the Brazilian electric power distribution companies to guarantee that in the event that the concession contract is terminated for any reason, the remaining balances (assets and liabilities) of any remaining payment or reimbursement through the tariff process is considered by the grantor for compensation purposes.

Thus, as from the signature of the amendment on December 10, 2014, Cemig D now recognizes the balance of the CVA account and the balance of other financial components, accumulated up to that date. The initial recognition was in lines of financial assets or liabilities, depending on the case, with counterpart in the current Profit and loss account, in Revenue from sales of goods and services.

The Company has financial assets and liabilities, recognized as from December 2014, as a result of the contractual amendment, as shown below.

This table shows the composition of the balance of CVA and other financial components recognized on December 31, 2014:

Balance at December 31, 2014	Amounts homologated by Aneel in the last tariff adjustment	Amounts to be homologated by Aneel in the next tariff adjustment	TOTAL
ASSETS			
Quota for the Energy Development Account (CDE)	-	12,920	12,920
Tariff for use of transmission facilities of grid participants	16,203	78,480	94,683
Tariff for transport of electricity provided by Itaipu	165	2,116	2,281
Program to encourage alternative sources of electricity – Proinfa	2,361	-	2,361
System Service Charges (ESS) and Reserve Energy Charge (EER)	3,333	-	3,333
Electricity purchased for resale	446,542	1,617,113	2,063,655
Overcontracting of supply	6,312	205,159	211,471
Others	35,365	7	35,372
Total assets	**510,281**	**1,915,795**	**2,426,076**
Liabilities			
System Service Charges (ESS) and Reserve Energy Charge (EER)	(22,698)	(287,463)	(310,161)
Electricity purchased for resale	(345,164)	(649,297)	(994,461)
Neutrality of Portion A	(6,160)	(4,823)	(10,983)
Others	(2,363)	(1,433)	(3,796)
Total liabilities	**(376,385)**	**(943,016)**	**(1,319,401)**
Total net assets presented in Statement of financial position	**133,896**	**972,778**	**1,106,675**
Current assets	**133,124**	**710,669**	**843,793**
Non-current assets	**772**	**262,110**	**262,882**

The following is a brief description of main features of these assets and liabilities:

Account for Compensation of Portion A Costs Variation (CVA) and neutrality of sector charges

The balance on the Account of CVA (Compensation for Variation of Portion A items) in tariff adjustments and for Neutrality of Sector Charges refers to the positive and negative differences between the estimate of the Company's non-manageable costs and the payments actually made. The variations found are the subject of monetary updating based on the Selic rate and compensated in the subsequent tariff adjustments.

'Other financial components'

This refers to the other positive or negative differences between the estimate of non-manageable costs, not defined as CVA, and the payments actually made, compensated in the subsequent tariff adjustments.

14. INVESTMENTS

The table below gives a summary of the financial information on investments in subsidiaries, affiliated companies and jointly-controlled enterprises. The information presented below has been adjusted for the percentage of the stake or interest held by the Company.

	Consolidated		Holding company	
	31/12/2014	31/12/2013	31/12/2014	31/12/2013
Cemig GT (Generation and Transmission)	-	-	3,486,611	3,815,017
Hidrelétrica Cachoeirão	34,296	33,922		-
Guanhães Energia	67,428	67,428		-
Hidrelétrica Pipoca	28,807	25,069		-
Retiro Baixo	149,944	-		-
Madeira Energia (Santo Antônio plant)	778,206	642,585		-
FIP Melbourne (Santo Antônio plant)	603,887			
LightGer	38,900	40,076		-
Baguari Energia	193,351	199,411		-
Renova	1,538,299	-		-
Aliança	3,323	-		-
Central Eólica Praias de Parajuru	61,999	61,201		-
Central Eólica Volta do Rio	84,023	77,884		-
Central Eólica Praias de Morgado	62,332	60,948		-
Amazônia Energia	394,238	310,797		-
Cemig D	-	-	2,482,227	2,492,858
Light	1,199,236	1,190,464	1,199,236	1,190,464
Taesa	2,187,623	2,249,382	2,187,623	2,249,382
Cemig Telecom	-	-	225,440	237,172
Ativas Data Center	-	4,397	-	-
Gasmig	-	577,239	1,436,815	577,239
Rosal Energia	-	-	120,964	140,005
Sá Carvalho	-	-	106,601	121,816
Horizontes Energia	-	-	70,118	76,103
Usina Térmica Ipatinga	-	-	24,166	26,362
Cemig PCH	-	-	66,560	87,569
Cemig Capim Branco Energia	-	-	130,128	128,426
Epícares Empreendimentos e Participações Ltda.	92,641	103,271		-
Transleste	13,588	28,933	13,588	28,933
UTE Barreiro	-	-	28,822	34,775
Companhia Transudeste de Transmissão	12,725	13,809	12,725	13,809
Empresa de Comercialização de Energia Elétrica	-	-	9,067	10,448
Companhia Transirapé de Transmissão	13,827	14,262	13,827	14,262
Transchile	66,141	54,825	66,141	54,825
Efficientia	-	-	4,934	7,253
Cemig Comercializadora de Energia Incentivada	-	-	6,042	5,942
Companhia de Transmissão Centroeste de Minas	20,985	17,666	20,985	17,666
Cemig Trading	-	-	31,182	46,886
Axxiom Soluções Tecnológicas	23,633	7,886	23,633	7,886
Parati	370,359	379,345	370,359	379,345
Cemig Overseas (*)	-	-	366	-
	8,039,791	**6,160,800**	**12,138,161**	**11,764,443**

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

The following table shows the movement of investments in subsidiaries and jointly-controlled subsidiaries:

Holding company	31/12/2013	Equity gains (Statement of income)	Equity gain (Other comprehensive income)	Dividends	Other / cash injection	31/12/2014
Cemig Geração e Transmissão	3,815,017	2,088,965	-	(2,417,371)	-	3,486,611
Cemig Distribuição	2,492,858	429,909	(35,843)	(404,697)	-	2,482,227
Cemig Telecom	237,172	(12,057)	325	-	-	225,440
Rosal Energia	140,005	(4,764)	-	(14,277)	-	120,964
Sá Carvalho	121,816	12,340	-	(27,555)	-	106,601
Gasmig	577,239	103,483	-	(95,788)	851,881	1,436,815
Horizontes Energia	76,103	1,969	-	(7,954)		70,118
Usina Térmica Ipatinga	26,362	13,285	-	(15,481)	-	24,166
Cemig PCH	87,569	(17,181)	-	(8,828)	5,000	66,560
Cemig Capim Branco Energia	128,426	71,861	-	(70,159)	-	130,128
Companhia Transleste de Transmissão	28,933	1,958	-	(17,303)	-	13,588
UTE Barreiro	34,775	(2,668)	-	(3,285)	-	28,822
Companhia Transudeste de Transmissão	13,809	1,148	-	(2,232)	-	12,725
Empresa de Comercialização de Energia Elétrica	10,448	11,311	-	(12,692)	-	9,067
Companhia Transirapé de Transmissão	14,262	452	-	(887)	-	13,827
Transchile	54,825	1,714	9,602	-	-	66,141
Efficientia	7,253	(2,319)	-	-	1	4,935
Cemig Comercializadora de Energia Incentivada	5,942	380	-	(280)	-	6,042
Companhia de Transmissão Centroeste de Minas	17,666	4,353	-	(1,034)	-	20,985
Light	1,190,464	150,391	(5,500)	(136,119)	-	1,199,236
Cemig Trading	46,886	63,135	-	(78,839)	-	31,182
Axxiom Soluções Tecnológicas	7,886	(599)	-	-	16,346	23,633
Parati	379,345	40,735	(1,353)	(48,368)	-	370,359
Taesa	2,249,382	376,462	-	(438,221)	-	2,187,623
Cemig Overseas	-	(3,614)	144	-	3,836	366
	11,764,443	**3,330,649**	**(32,625)**	**(3,801,370)**	**877,064**	**12,138,161**

(*) Control of Gasmig was acquired in October 2014, as presented below in this Explanatory note.

Consolidated	31/12/2013	Equity gain (Statement of income)	Equity gain (Other comprehensive income)	Dividends	Injections / acquisitions	Other	31/12/2014
Gasmig (*)	577,239	47,159	-	(55,077)	-	(569,321)-	-
Companhia Transleste de Transmissão	28,933	1,958	-	(17,303)	-	-	13,588
Companhia Transudeste de Transmissão	13,809	1,148	-	(2,232)	-	-	12,725
Companhia Transirapé de Transmissão	14,262	452	-	(887)	-	-	13,827
Transchile	54,825	1,714	9,602	-	-	-	66,141
Companhia de Transmissão Centroeste de Minas	17,666	4,353	-	(1,034)	-	-	20,985
Light	1,190,464	150,391	(5,500)	(136,119)	-	-	1,199,236
Axxiom Soluções Tecnológicas	7,886	(599)	-	-	16,346	-	23,633
Hidrelétrica Cachoeirão	33,922	8,393	-	(8,019)	-	-	34,296
Guanhães Energia	67,428	-	-	-	-	-	67,428
Hidrelétrica Pipoca	25,069	4,845	-	(1,107)	-	-	28,807
Madeira Energia (Santo Antônio Plant)	642,585	293,746)	-	-	429,367		778,206
FIP Melbourne (Santo Antônio Plant)	-	(93,909)	-	-	697,796		603,887
Lightger	40,076	(57)	-	(1,119)	-	-	38,900
Baguari Energia	199,411	8,135	-	(14,195)	-	-	193,351
Central Eólica Praias de Parajuru	61,201	2,170	-	(1,372)	-	-	61,999
Central Eólica Volta do Rio	77,884	6,185	-	(46)	-	-	84,023
Central Eólica Praias de Morgado	60,948	2,032	-	(648)	-	-	62,332
Amazônia Energia	310,797	(17,135)	-	-	100,576	-	394,238
Ativas Data Center	4,397	(27,518)	-	-	-	23,121	23,121
Epícares Empreendimentos	103,271	2,727	-	(13,357)	-	-	92,641
Parati	379,345	40,735	(1,353)	(48,368)	-	-	370,359
Taesa	2,249,382	376,462	-	(438,221)	-	-	2,187,623
Renova	-	(11,772)	-	-	1,550,071	-	1,538,299
Aliança	-	-	-	-	3,323	-	3,323
Retiro Baixo	-	(3,639)	-	-	153,583	-	149,944
	6,160,800	**210,484**	**2,749**	**(739,104)**	**2,951,062**	**546,200**	**8,039,791**

(*) Consolidation of Gasmig began as from October 2014, and as a result the value of the investment, of R$ 569,321 was eliminated.

Av. Barbacena 1200 Santo Agostinho 30190-131 Belo Horizonte, MG Brazil Tel.: +55 31 3506-5024 Fax +55 31 3506-5026

Goodwill on acquisition of equity interests

In the process of allocation of the acquisition prices of investments, intangible assets were identified relating to the rights of commercial operation of the regulated activities, and these were supported by economic and financial valuation opinions.

These amounts, adjusted for tax effects, will be amortized, on the straight-line basis, over the remaining periods of the authorizations for operation of each facility.

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

Company	Number of shares	31/12/2014			31/12/2013		
		Cemig interest %	Share capital	Stockholders' equity	Cemig interest %	Share capital	Stockholders' equity
Cemig GT (Generation and Transmission)	2,896,785,358	100.00	1,700,000	3,486,611	100.00	893,192	3,815,017
Cemig D	2,261,997,787	100.00	2,261,998	2,482,227	100.00	2,261,998	2,492,858
Light	203,934,060	26.06	2,225,822	4,601,827	26.06	2,225,822	4,567,728
Cemig Telecom	381,023,385	100.00	225,082	225,440	100.00	225,082	237,172
Rosal Energia	46,944,467	100.00	46,944	120,964	100.00	46,944	140,005
Sá Carvalho	361,200,000	100.00	36,833	106,601	100.00	36,833	121,816
Gasmig	409,255,483	99.57	665,429	1,436,815	59.57	643,780	969,009
Horizontes Energia	64,257,563	100.00	64,258	70,118	100.00	64,258	76,103
Usina Térmica Ipatinga	14,174,281	100.00	14,174	24,166	100.00	14,174	26,362
Cemig PCH	30,952,000	100.00	30,952	66,560	100.00	30,952	87,569
Cemig Capim Branco Energia	87,579,000	100.00	87,579	130,128	100.00	87,579	128,426
Transleste	49,569,000	25.00		54,352	25.00	49,569	115,732
UTE Barreiro	30,902,000	100.00	30,902	28,822	100.00	30,902	34,775
Companhia Transudeste de Transmissão	30,000,000	24.00	30,000	53,021	24.00	30,000	57,537
Empresa de Comercialização de Energia Elétrica	486,000	100.00	486	9,067	100.00	486	10,448
Companhia Transirapé de Transmissão	22,340,490	24.50	22,340	56,437	24.50	22,340	58,812
Transchile	56,407,271	49.00	161,122	134,982	49.00	142,100	111,888
Efficientia	6,051,944	100.00	6,052	4,935	100.00	6,052	7,253
Cemig Comercializadora de Energia Incentivada	5,000,000	100.00	5,001	5,001	100.00	5,001	5,941
Companhia de Transmissão Centroeste de Minas	28,000,000	51.00	28,000	41,147	51.00	28,000	34,639
Cemig Trading	160,297	100.00	160	31,182	100.00	160	46,886
Axxiom Soluções Tecnológicas	17,200,000	49.00	17,200	48,231	49.00	13,700	16,093
Parati	1,432,910,602	25.00	1,432,910	1,481,436	25.00	1,432,910	1,517,376
Taesa	1,033,496,721	43.36	3,042,034	5,045,277	43.36	3,042,034	5,187,689

The full balances for the jointly-controlled subsidiaries in 2014 and 2013 are as follows:

2014	Parati	Transleste	Transirapé	Centroeste	Transudeste	Transchile	Light	Taesa	Axxiom	Ativas	Epícares
Assets											
Current	125,412	46,721	35,109	66,713	29,813	24,219	2,465,991	2,292,167	69,516	40,109	31,030
Cash and cash equivalents	42,105	6,870	7,379	18,832	4,307	22,235	505,803	328,840	8,976	16,456	13,546
Non-current	1,389,864	122,033	101,300	390	80,212	208,119	12,140,800	7,196,432	14,204	70,796	157,318
Total assets	**1,515,276**	**168,754**	**136,409**	**67,103**	**110,025**	**232,338**	**14,606,791**	**9,488,599**	**83,720**	110,905	188,348
Liabilities											
Current	33,840	6,402	16,285	8,124	11,893	15,466	2,962,594	939,639	26,240	58,634	1,254
Suppliers	22	170	3,283	4	219	141	1,945,086	52,733	2,094	5,199	-
Non-current	-	-	-	-	-	-	579,797	723,404	-	-	-
Equity	-	108,000	63,687	17,832	45,111	81,890	7,042,370	3,503,683	9,249	78,975	2,059
Total liabilities	1,481,436	54,352	56,437	41,147	53,021	134,982	4,601,827	5,045,277	48,231	(26,704)	185,035
Profit and loss account											
Net sales revenue	-	30,307	51,604	13,544	20,258	20,108	9,222,926	1,924,291	56,612	25,571	41,121
Cost of sales	-	(3,504)	(34067)	(4,047)	(1,942)	(13,026)	(7,798,166)	(294,507)	(54,065)	(29,349)	(14,584)
Depreciation and amortization	-	(150)	(18)	-	(20)	(5,130)	(414,807)	(2,509)	854	7,152	8,157
Gross profit	**-**	**26,803**	**17,537**	**9,497**	**18,316**	**7,082**	**1,424,760**	**1,629,784**	**2,547**	**(3,778)**	**26,537**
General and administrative expenses	(5,550)	(227)	(170)	(41)	(148)	-	(162,776)	(28,601)	-	(10,116)	(11,670)
Net financial revenue (expenses)	142,549	(5,252)	(3,777)	(441)	(4,585)	(3,031)	(325,111)	(469,118)	(948)	(13,624)	1,302
Financial revenues	142,647	1,006	965	1,619	666		577,496	276,104	557	1,721	1,302
Financial expenses	(98)	(6,258)	(4,742)	(2,060)	(5,251)	(3,031)	(902,607)	(745,222)	(1,505)	(15,345)	
Operational profit	**136,999**	**21,324**	**13,590**	**9,015**	**13,583**	**4,051**	**936,873**	**1,132,065**	**1,599**	**-**	16,169
Income tax and Social Contribution tax	(1,579)	(13,490)	(11,745)	(990)	(8,799)	(931)	(272,893)	(238,688)	291	-	(1,734)
Profit (loss) for the period	**135,420**	**7,834**	**1,845**	**8,025**	**4,784**	**3,120**	**663,980**	**893,377**	**1,890**	**(27,518)**	**14,435**
Comprehensive income for the period											
Net profit for the period	**135,420**	**7,834**	**1,845**	**8,025**	**4,784**	**3,120**	**663,980**	**893,377**	**1,890**	**(27,518)**	**14,435**
Gain on conversion of financial statements	**-**	**-**	**-**	**-**	**-**	**18,500**	**-**	**-**	**-**	**-**	**-**
Actuarial gain (loss)	**-**	**-**	**-**	**-**	**-**	**-**	**(16,927)**	**-**	**-**	**-**	**-**
Comprehensive income for the period	**135,420**	**7,834**	**1,845**	**8,025**	**4,784**	**21,620**	**647,053**	**893,377**	**1,890**	**(27,518)**	**14,435**

2014	Hidrelétrica Cachoeirão	Baguari Energia	Guanhães Energia	Madeira Energia	Hidrelétrica Pipoca	Retiro Baixo	Renova	Eólica de Parajuru	Eólica de Morgado	Eólica de Volta do Rio	Lightger	Amazônia Energia
Assets												
Current	22,997	96,489	34,004	1,476,582	18,559	12,260	847,268	14,638	26,549	41,069	20,575	469
Cash and cash equivalents	19,414	14,583	27,055	241,159	12,979	3,169	595,516	4,040	3,769	3,813	16,441	458
Non-current	90,969	227,611	510,416	22,151,667	104,033	453,090	8,402,093	204,275	224,175	304,927	171,209	528,815
Total assets	**113,966**	**324,100**	**544,420**	**23,628,249**	**122,592**	**465,350**	**9,249,361**	**218,913**	**250,724**	**345,996**	**191,784**	**529,284**
Liabilities												
Current	13,714	39,340	406,812	1,961,267	7,182	19,555	655,977	17,247	22,029	26,225	10,081	106
Suppliers	1,539	8,997	898	1,281,660	40	417	129,564	1,784	2,492	2,427	1,186	105
Loans and financings – current	-	-	-	406,379	-	-	-	-	-	-	-	-
	30,261	6,107	-	13,884,927	56,621	145,306	2,973,001	75,137	101,487	148,295	102,315	-
Equity	69,991	278,653	137,608	7,782,055	58,789	300,489	5,620,383	126,529	127,208	171,476	79,388	529,178
Total liabilities	**113,966**	**324,100**	**544,420**	**23,628,249**	**122,592**	**465,350**	**9,249,361**	**218,913**	**250,724**	**345,996**	**191,784**	**529,284**
Profit and loss account												
Net sales revenue	30,258	55,511	-	1,858,446	25,121	54,710	163,062	27,446	35,021	54,775	31,672	-
Cost of sales	(9,552)	(45,742)	-	(3,193,806)	(9,282)	(34,853)	(111,246)	(12,689)	(16,423)	(24,547)	(24,019)	-
Depreciation and amortization	(2,645)	(8,815)	-	(296,474)	(3,120)	(2,668)	(30,861)	(8,602)	(10,115)	(17,018)	(10,551)	-
Gross profit	**20,706**	**9,769**	**-**	**(1,335,360)**	**15,839**	**19,857**	**51,816**	**14,757**	**18,598**	**30,228**	**7,653**	**-**
General and administrative expenses	(779)	(437)	-	(202,039)	(1,454)	(4,012)	(13,783)	(1,044)	(1,304)	(2,803)	(377)	(23,005)
Net financial revenue (expenses)	(1,024)	8,009	-	(602,297)	(3,162)	(11,874)	(45,014)	(5,291)	(7,784)	(11,251)	(5,664)	27
Financial revenues	2,124	8,575	-	56,754	1,480	1,003	24,088	833	845	1,210	2,102	27
Financial expenses	(3,148)	(566)	-	(659,051)	(4,642)	(12,877)	(69,102)	(6,124)	(8,629)	(12,461)	(7,766)	-
Operational profit	**18,903**	**17,341**	**-**	**(2,139,696)**	**11,223**	**3,971**	**(6,981)**	**8,422**	**9,510**	**16,174**	**1,612**	**(22,978)**
Income tax and Social Contribution tax	(1,774)	(5,583)	-	4,814	(1,335)	(2,084)	(6,273)	(927)	(1,266)	(1,490)	(1,713)	-
Profit (loss) for the period	**17,129**	**11,758**	**-**	**2,134,882**	**9,888**	**1,887**	**(13,254)**	**7,495**	**8,244**	**14,684**	**(101)**	**(22,978)**
Comprehensive income for the period												
Net profit for the period	17,129	11,758	-	2,134,882	9,888	1,887	(13,254)	7,495	8,244	14,684	(101)	(22,978)
Comprehensive income for the period	**17,129**	**11,758**	**-**	**2,134,882**	**9,888**	**1,887**	**(13,254)**	**7,495**	**8,244**	**14,684**	**(101)**	**(22,978)**

Av. Barbacena 1200 Santo Agostinho 30190-131 Belo Horizonte, MG Brazil Tel.: +55 31 3506-5024 Fax +55 31 3506-5026

2013	Parati	Transleste	Transirapé	Centroeste	Transudeste	Transchile	Light	Taesa	Axxiom	Ativas	Epícares
Assets											
Current	99,903	41,402	29,706	60,846	26,905	18,007	3,631,585	1,680,377	33,563	94,461	31,030
Cash and cash equivalents	99,478	5,246	9,330	13,536	3,537	16,002	546,000	121,000	10,045	24,546	27,277
Non-current	1,417,582	124,937	74,203	374	80,739	188,800	9,516,422	7,537,068	8,149	123,232	185,033
Total assets	**1,517,485**	**166,339**	**103,909**	**61,220**	**107,644**	**206,807**	**13,148,007**	**9,217,445**	**41,712**	217,693	216,063
Liabilities											
Current	109	9,165	4,481	6,409	4,483	17,801	3,312,431	830,108	15,040	73,015	510
Suppliers	3	159	82	31	247	564	907,000	52,000	1,409	16,122	507
Loans and financings – current	-	-	-	-	-	-	642,459	660,647	-	-	
Non-current	-	41,442	41,216	20,172	45,624	77,118	5,267,848	3,199,648	10,579	184,812	876
Equity	1,517,376	115,732	58,212	34,639	57,537	111,888	4,567,728	5,187,689	16,093	(40,134)	214,677
Total liabilities	**1,517,485**	**166,339**	**103,909**	**61,220**	**107,644**	**206,807**	**13,148,007**	**9,217,445**	**41,712**	217,693	216,063
Profit and loss account											
Net sales revenue	-	33,398	20,148	11,951	20,344	16,782	7,764,887	1,253,661	37,590	62,819	34,674
Depreciation	-	(3,794)	(2,309)	(118)	(2,488)	(2,150)	(391,000)	(2,000)	(57)	(56,350)	(3,760)
Cost of sales	-	(2,419)	(1,566)	(206)	(1,415)	(2,150)	(4,190,904)	(257,304)	(27,752)	(1,103)	
Gross profit	-	**30,979**	**18,582**	**11,745**	**18,929**	**14,632**	**3,573,983**	**996,357**	**9,838**	6,469	30,914
General and administrative expenses	(1,843)	(1,425)	(1,018)	(2,506)	(746)	(7,955)	(2,262,636)	-	(7,123)	(28,044)	
Net financial revenue (expenses)	104,511	(3,254)	(3,336)	(730)	(3,814)	(5,144)	(459,244)	**(228,904)**	(2)	(19,212)	(173)
Financial revenues	104,550	578	577	1,361	473		364,756	196,000	732	3,053	40
Financial expenses	(39)	(3,832)	(3,913)	(2,091)	(4,287)	(5,144)	(824,000)	(424,904)	(734)	(22,265)	(213)
Operational profit	**102,668**	**26,300**	**14,228**	**8,509**	**14,369**	**1,533**	**852,103**	**767,453**	**2,713**	(40,787)	30,741
Income tax and Social Contribution tax	(1,122)	(1,263)	(830)	(828)	(804)	(564)	(264,768)	121,253	(778)	-	(1,098)
Profit (loss) for the period	**101,546**	**25,037**	**13,398**	**7,681**	**13,565**	**969**	**587,335**	**888,706**	**1,935**	(40,787)	29,643
Comprehensive income for the period											
Net profit for the period	**101,546**	**25,037**	**13,398**	**7,681**	**13,565**	**969**	**587,335**	**888,706**	**1,935**	(40,787)	29,643
Gain on conversion of financial statements	-	-	-	-	-	**7,473**	-	-	-	-	-
Actuarial gains (losses)						-	**95**				
Comprehensive income for the period	**101,546**	**25,037**	**13,398**	**7,681**	**13,565**	**8,442**	**682,000**	**888,706**	**1,935**	(40,787)	29,643

Av. Barbacena 1200 Santo Agostinho 30190-131 Belo Horizonte, MG Brazil Tel.: +55 31 3506-5024 Fax +55 31 3506-5026

2013	Hidrelétrica Cachoeirão	Baguari Energia	Guanhães Energia	Madeira Energia	Hidrelétrica Pipoca	Eólica de Parajuru	Eólica de Morgado	Eólica de Volta do Rio	Lightger	Amazônia Energia	Gasmig
Assets											
Current	27,067	69,680	24,300	700,921	18,394	10,403	7,882	30,194	21,381	287	367,676
Cash and cash equivalents	20,667	26,516	22,649	298,370	13,658	808	1,966	743	17,703	274	48,812
Non-current	93,282	239,014	242,643	19,318,985	107,163	164,901	177,567	291,351	181,651	416,890	1,401,042
Total assets	**120,349**	**308,694**	**266,943**	**20,019,906**	**125,557**	**175,304**	**185,449**	**321,545**	**203,032**	**417,177**	**1,768,718**
Liabilities											
Current	9,765	17,749	124,025	1,028,707	11,541	15,959	18,334	34,714	11,351	-	297,933
Suppliers	1,484	5,433	1,392	309,516	-	873	368	875	1,434	-	44,057
Loans and financings – current	-	-	-	234,785	-	-	-	-	-	-	49,822
Non-current	41,357	3,565	5,310	12,565,348	62,854	83,264	111,246	162,247	109,894	-	541,413
Equity	69,227	287,380	137,608	6,425,851	51,162	76,081	55,869	124,584	81,787	417,177	929,372
Total liabilities	**120,349**	**308,694**	**266,943**	**20,019,906**	**125,557**	**175,304**	**185,449**	**321,545**	**203,032**	**417,177**	**1,768,718**
Profit and loss account											
Net sales revenue	28,612	48,692	-	1,300,586	22,844	29,708	28,028	51,783	29,149	-	1,203,049
Depreciation	(7,348)	(36,407)	-	(929,565)	(7,162)	(13,706)	(14,441)	(23,486)	(19,458)	-	-
Cost of sales	(2,619)	14,782	-	(230,612)	(3,120)	(9,604)	(10,120)	(16,897)	(59)	-	(955,632)
Gross profit	**21,264**	**12,285**	**-**	**371,021**	**15,682**	16,002	13,587	28,297	9,691	-	247,417
General and administrative expenses	(486)	-	-	(100,430)	(1,003)	(1,347)	(1,435)	(2,922)	(417)	(601)	-
Net financial revenue (expenses)	(1,873)	4,166	-	(305,781)	(4,054)	(6,679)	(8,804)	(12,487)	(6,371)	(4,075)	-
Financial revenues	1,303	4,818	-	18,115	1,023	639	358	1,354	2,010	14	-
Financial expenses	(3,176)	(652)	-	(323,896)	(5,077)	(7,318)	(9,162)	(13,481)	(8,381)	(4,089)	-
Operational profit	18,905	16,451	-	(35,190)	10,625	7,976	3,348	12,888	2,903	-	-
Income tax and Social Contribution tax	(1,596)	(5,812)	-	(12,548)	(1,109)	(890)	(512)	(1,702)	(1,034)	-	-
Profit (loss) for the period	**17,309**	**10,639**	**-**	**(47,738)**	**9,516**	**7,086**	**2,836**	**11,186**	**1,869**	**(4,676)**	**120,906**
Comprehensive income for the period											
Net profit for the period	17,309	10,639	-	(47,738)	9,516	7,086	2,836	11,186	1,869	(4,676)	120,906
Comprehensive income for the period	**17,309**	**10,639**	**-**	**(47,738)**	**9,516**	**7,086**	**2,836**	**11,186**	**1,869**	**(4,676)**	**120,906**

Acquisition of control

a) Additional equity interest in Gasmig

In October 2014, Cemig concluded the acquisition under its share purchase agreement with Petróleo Brasileiro S.A. (Petrobras) for acquisition of the 40% interest held by its subsidiary Gaspetro in Companhia de Gás de Minas Gerais (Gasmig), which had been approved by the Boards of Directors of both Cemig and Petrobras. The amount paid was R$ 570,976, being the result of R$ 600,000 specified in the share purchase agreement, updated by the IGP-M index, less the dividends paid between the base date and the closing of the agreement. The acquisition was completed after the approval by the Brazilian Monopolies Authority (*Conselho Administrativo de Defesa Econômica*, or CADE) and consent from the concession-granting power, the State of Minas Gerais.

The following are the fair values of the interest acquired in Gasmig:

	Fair values of the interests acquired (40%)
Assets	
Cash and cash equivalents	106,272
Securities	104,910
Accounts receivable	71,685
Inventories	5,748
Other current assets	71,340
Other current assets – Non-current	303,830
Financial assets of the concession	659,162
Intangible assets	1,182,153
Liabilities	
Current liabilities	(334,913)
Provisions	(48,315)
Deferred taxes	(311,105)
Other non-current liabilities	(381,659)
Minority interests	(3,953)
Total net assets acquired	**1,425,155**

<u>Business combination carried out in stages – additional effects</u>

Up to the date of the acquisition of the controlling interest in Gasmig, Cemig had an equity interest of 59.57% in the share capital of Gasmig. However, Cemig did not consolidate Gasmig since there was a shareholders' agreement which gave Petrobras significant participating rights.

Thus, in the individual financial statements of the holding company, the financial information of Gasmig was recognized by the equity method.

With the acquisition of the 40% interest in Cemig, referred to above, Cemig obtained control over Gasmig, and began to consolidate Gasmig as from the date of this acquisition.

As specified in Accounting Pronouncement CPC 15 (*Business combinations*), it was necessary for the Company to value its previous interest in Gasmig at fair value, recognizing the difference in the profit and loss account for the period.

Considering that the valuation opinion for the acquisition of the additional interest of 40% in Gasmig represents the fair value of the assets on the date of acquisition, Cemig made the measurement of its original interest in the investment, as follows:

R$ '000	Fair value of the original interest (59.60%)
Fair value of Gasmig on the date of acquisition of control	1,426,621
Cemig's original interest, of 59.57%, valued at fair value on the acquisition date	850,266
Book value	569,321
Gain recorded in 2014	280,945

In the business combination a complementary amount of R$ 765,981 was recognized in intangible assets, and deferred tax liabilities were recognized in the amount of R$ 260,565, related to the right to commercial operation of the concession, to be amortized by the straight-line method during the period of the concession, corresponding to the difference between the fair value of the transaction and the fair value of the other assets and liabilities existing in the balance sheet of Gasmig.

Thus the amounts taken into account by the Company for the measurement of the total value involved in the combination of businesses were:

	R$ '000
Consideration transferred for acquisition of the 40% interest	570,976
Fair value of the interest previously held	850,266
Fair value involved in the business combination	**1,421,242**
Reconciliation of the amount paid with the statement of cash flows:	
Consideration transferred for acquisition of the 40% interest	570,976
Balance of Cash and cash equivalents acquired in the business combination	(106,272)
Amount disbursed, net of Cash and cash equivalents acquired	**464,704**

Acquisition of investments in jointly-controlled subsidies and affiliated companies

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

Madeira Energia S.A. (Mesa) and its subsidiary Santo Antônio Energia S.A. (Saesa) are incurring establishment costs on the construction of the Santo Antônio Hydroelectric Plant. The property, plant and equipment asset constituted by these expenditures totaled R$ 20,998,021 (consolidated) on December 31, 2014, and this amount, in accordance with financial projections prepared by its management, is to be absorbed by future revenues generated as from the start of operations of all the generator rotors of that entity.

On December 31, 2014, the amount of PP&E proportional to the Company's interest in this jointly-controlled subsidiary is R$ 3,729,248. During this development phase of the project, the jointly-controlled subsidiary Mesa, has suffered recurring losses in its operations and, on December 31, 2014 its current liabilities exceeded its current assets by R$ 481,706. The management of Mesa has plans to correct the situation of negative net working capital.

In this context, Mesa and its subsidiary Saesa have the benefit of direct and indirect cash investments by their stockholders, of which R$ 2,777,110 was injected in 2014 (R$ 1,677,100 in 2013), and also a pre-approved long-term supplementary credit line in the amount of R$ 1,190,000.

The physical average offtake guarantee level for the Santo Antônio Hydro Plant is 2,218 MW. This was reached in September 2014 with the start of commercial operation of the 32nd generating rotor.

The Company recognized negative contribution by the equity method in relation to its direct and indirect interests in Mesa, in the amount of R$ 387,655 on December 31, 2014 (R$ 46,931 in positive equity method gain on December 31, 2013), arising, principally, from the recognition in 2014 by Mesa of expenses relating to: (i) purchase of supply on the short-term market (Wholesale Trading Chamber, or CCEE); (ii) allocation of the GSF (Generation Scaling Factor); and (iii) the FID (Availability Factor).

On October 21, 2014 Mesa held an Extraordinary General Meeting of Stockholders, which approved, by majority, an increase of R$ 1.59 billion in the share capital of Mesa.

On November 19, 2014, SAAG Investimentos S.A. (SAAG) and Cemig GT filed an action for provisional remedy against Mesa, requesting an interim order to suspend, until consideration on the merit by the Arbitration Tribunal, the period for exercise, by SAAG and by Cemig GT, of the right of first refusal to subscribe the additional portion of the capital in of Mesa, in the amount of R$ 174.72 million, approved in the Stockholders' Meeting of Mesa held on October 21, 2014.

The action also requested suspension of all the effects of the decisions as they relate to SAAG and Cemig GT and to their interests in Mesa, including in relation to the dilution and the penalties specified in the Stockholders' Agreement of Mesa.

The application for provisional remedy was granted on November 21, 2014, by the 39th Civil Court of the Central Jurisdiction of São Paulo, and the arbitration referred to in the action for provisional remedy, if it takes place, will be *in camera,* under the Regulations of the Market Arbitration Chamber, and will have Mesa (and not Saesa) as a party.

Increase in equity stake through acquisition of an indirect position via the Melbourne Equity Fund

On June 6, 2014, Andrade Gutierrez Participações S.A. ('AGP') sold nominal preferred and common shares corresponding to 83% of the total share capital and 49% of the voting capital of SAAG Investimentos S.A. ('SAAG'), to FIP Melbourne, administered by Banco Modal, in which Cemig GT and private pension plan entities are investors through a structure of equity investment funds ('the Funds') and a special-purpose company (jointly, the 'Investment structure').

Cemig GT holds less than 50% of the NAV of the Funds and less than 50% of the voting shares in the SPC, preserving the private-sector nature of the Investment Structure. SAAG owns 12.4% of the total share capital of Madeira Energia S.A. ("Mesa").

Conclusion of the transaction gives Cemig GT an indirect holding of 7.87% in Mesa.

The value for the acquisition was determined by the discounted cash flow method, and the difference between the book value and fair value of the assets was allocated to the concession of the project, having as basis the cash generation expected during the period of the concession. This intangible asset will be amortized by the straight-line method from the acquisition date until June 2043, the date of termination of the concession.

The chart below shows the fair values of the interest acquired in the Santo Antônio Plant, through FIP Melbourne, classified in the statement of financial position as investment with significant influence:

	Fair values of the interests acquired (7.87%)
Investments	1,099,450
Intangible	258,683
Deferred income tax	(87,952)
Total of the interest acquired by the Company	**697,796**

On the acquisition date the book value of the interest acquired was R$ 527,055. The difference in relation to the fair value of the assets, namely R$ 170,741, was allocated as an intangible right of commercial operation of the regulated activity.

In addition to the amount of R$ 697,796 paid for purchase of 7.87% of Mesa, Cemig GT made an advance against future capital increase (*Adiantamento para Futuro Aumento de Capital*, or 'AFAC') in the Investment Structure, of R$ 81,000, in the third quarter of 2014.

b) Investment in Amazônia Energia S.A. and Norte Energia S.A. (Nesa)

The objects of Amazônia Energia Participações S.A ('Amazônia Energia') (jointly controlled) are to hold and manage an equity interest 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. Amazônia Energia owns 9.77% of the share capital of Nesa. On August 20, 2014, Nesa signed a concession contract with the Mining and Energy Ministry for commercial operation of electricity generation services, for 35 years from signature. Under that contract 70% of the guaranteed uptake level of electricity generated will go to the regulated market, 10% to self-producers and 20% to the Free Market.

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

c) Cemig GT enters into controlling block of Renova

In 2013 Cemig GT's board entered into an Investment Agreement with Renova Energia S.A. ('Renova'), RR Participações S.A. ('RR'), Light Energia S.A. ('Light Energia') and Chipley SP Participações S.A. ('Chipley'), governing the entry of Cemig GT, directly or indirectly, into the control block of Renova through subscription of new common shares in Renova.

The Investment Agreement also specified the structuring of Chipley, with stockholdings by Cemig GT and the Renova Group, to carry out the acquisition, specified in the Share Purchase Agreement ('the Brasil PPCH Share Purchase Agreement') signed with Petrobras on June 14, 2013, of 49% of the common shares in Brasil PCH S.A.

The transaction to acquire an interest in Brasil PCH was subject to rights of first refusal and/or joint sale by the other stockholders of Brasil PCH. At the expiration of the period for that exercise of first refusal, none of the stockholders holding that right had decided to do so; and only one stockholder, Jobelpa S.A. ('Jobelpa'), holder of 2% of the common shares of Brasil PCH, exercised its ('tag-along') right of joint sale. In total, 51% of the common shares in Brasil PCH were acquired.

The transaction for acquisition of the interest in Brasil PCH was completed on February 14, 2014, with payment by Chipley of R$ 739,943. The injection of funds into Chipley for conclusion of the transaction took place by an Advance against Future Capital Increase, made in full by Cemig GT.

As specified in the Investment Agreement, the payment for the subscription of the shares in Renova was made by 100% assignment to Renova of the credit related to the Advance against Future Capital Increase made by Cemig GT in Chipley, referred to in the previous paragraph.

On February 20, 2014 the Board of Directors of Renova approved updating of the capital increase in Renova contained in the Investment Agreement, by the CDI rate from December 31, 2012 to February 20, 2014, resulting in R$ 1,550,071, equivalent to R$ 0.0177789 per share.

On March 31, 2014 Cemig GT paid an Advance against Future Capital Increase of Renova, in the amount of R$ 810,128.

Thus, the undertaking to invest a total of R$ 1,414,733 in Renova (in currency of December 31, 2012), was complied with by: (i) the Advance against Future Capital Increase of Renova, made on March 31, 2014; in the amount of R$ 810,128; and (ii) the assignment, by Cemig GT to Renova, of the credit relating to the Advance against Future Capital Increase made in Chipley, in the amount of R$ 739,943.

These funds, totaling R$ 1,550,071, were paid up on September 29, 2014, on which date a new stockholders' agreement was signed, under which Cemig GT, RR and Light Energia became part of the controlling stockholding block of Renova.

On October 27, 2014 following expiry of the legal periods for exercise by other stockholders in Renova of rights of first refusal and subscription of the unsubscribed remaining shares, the Board of Directors of Renova homologated the increase of its capital, comprising issuance of 87,196,901 nominal common shares without par value, at the issue price of R$ 0.0177789 per share, for a total capitalization of R$ 1,550,265, of which 87,186,035 common shares are the property of Cemig GT, with total value of R$ 1,550,071 .

The following are the fair values of the interest acquired in Renova:

	Fair values of the interests acquired (27.37%)
Assets	
Cash and cash equivalents	56,124
Accounts receivable	10,478
Other assets	94,239
Investments	204,579
Fixed assets	1,026,968
Intangible assets	1,295,222
Liabilities	
Current and non-current liabilities	(697,164)
Deferred taxes	(440,375)
Total net assets	**1,550,071**
AFAC in Chipley for acquisition of shares in Brasil PCH	739,943
Total amount of the AFAC in Renova	**810,128**

After the homologation of the capital increase, Cemig GT's equity interest in Renova was 27.37% of the total stock and 36.62% of the voting stock – as follows:

RENOVA ENERGIA	ON shares		PN shares		Total shares	% of total share capital
	Quantity	%	Quantity	%	Quantity	%
Controlling stockholder block	188,309,629	79.10	-	-	188,309,629	59.12
RR Participações	50,561,797	21.24	-	-	50,561,797	15.87
Light Energia	50,561,797	21.24	-	-	50,561,797	15.87
Cemig GT	87,186,035	36.62	-	-	87,186,035	27.38
Other stockholders	49,786,482	20.90	80,408,816	100.00	130,195,298	40.88
RR Participações	9,560,093	4.02	-	-	9,560,093	3.00
BNDESPar	9,311,425	3.91	18,622,850	23.16	27,934,275	8.77
InfraBrasil	11,651,467	4.89	23,302,933	28.98	34,954,400	10.97
FIP Caixa Ambiental	5,470,293	2.30	10,940,586	13.61	16,410,879	5.15
Others	13,793,204	5.78	27,542,447	34.25	41,335,651	12.99
Total	**238,096,111**	**100.00**	**80,408,816**	**100.00**	**318,504,927**	**100.00**

Investment agreement between Renova Energia and Cemig GT for creation of wind farms

On July 17 an investment agreement was signed between Cemig and Renova for a wind farm project in the region of Jacobina in the state of Bahia. The agreement provided for Cemig to have a 50% interest in the project. The monopolies authority, Cade (*Conselho Administrativo de Defesa Econômica,* or Administrative Council for Economic Defense) approved the signature of this investment agreement on October 22, 2014.

d) Acquisition of an equity interest in Retiro Baixo Energética S.A. ('RBE')

On September 5, 2014, Cemig GT concluded the acquisition of a 49.9% interest in the share capital of Retiro Baixo Energética S.A ('RBE'). RBE holds the concession for commercial operation of the *Retiro Baixo* Hydroelectric Plant, on the Paraopeba River in Minas Gerais State, Brazil, with installed generation capacity of 83.7 MW and assured power level of 38.5 MW average.

The amount transferred in relation to the indirect holding acquired was R$ 150,837.

The value of the acquisition was calculated by the discounted cash flow method. The difference between the consideration transferred and the fair value of the assets was allocated to the concession for the project, based on the cash expected to be generated during the period of the concession. This intangible asset will be amortized on the straight-line basis from the date of acquisition, October 2014 up to December 2041, expiration date of the concession.

The table below shows the fair values of the interest acquired in Retiro Baixo Energética S.A., classified in the consolidated statement of financial position as investment in a jointly-controlled subsidiary:

	Fair values of the interests acquired (49.9%)
Assets	
Cash and cash equivalents	2,323
Accounts receivable	3,419
Securities	3,553
Fixed assets	192,726
Intangible assets	48,760
Liabilities	
Current and non-current liabilities	(83,365)
Deferred taxes	(16,579)
Total net assets	**150,837**

On the acquisition date the net book value of the interest acquired was R$ 118,656. The difference from the fair value of the assets, of R$ 32,181, was allocated as an intangible right of commercial operation of the regulated activity.

Put options

Taesa

Cemig granted to the Coliseu Equity Investment Fund (*Fundo de Participações Coliseu*), which is a stockholder of Taesa, an option to sell its shares in Taesa, exercisable in October 2014. The price of the option is calculated using the sum of the value of the injections of capital by the fund into Taesa, plus the running expenses of the Fund, less any Interest on Equity, and dividends, distributed by Taesa. The net amount was to be updated by the IPCA inflation index (published by IBGE) plus financial remuneration. The Coliseu Fund did not make any statement within the specified period for exercise of the option (i.e. by July 2, 2014, 90 days before the exercise date), thus the option was not exercised. The exercise price of the option on the shares in Taesa was lower than the market price of those shares.

Parati

Cemig granted to *Fundo de Participações Redentor*, which is a stockholder in Parati, a put option to sell the totality of its shares in Parati, exercisable in May 2016. The exercise price of the option is calculated from the sum of the value of the amounts injected by the Fund into Parati, plus the running expenses of the fund, less Interest on Equity, and dividends, distributed by Parati.

The exercise price is subject to monetary updating by the CDI (Interbank CD) Rate plus financial remuneration at 0.9% per year.

The Equity Fund owns common and preferred shares in Light, and at present exercises joint control, with the Company, over the activities of that company. This being so, this option has been considered to be a derivative instrument which should be accounted at fair value through profit or loss.

For the purposes of determination of the method to be used in measuring the fair value of this option, the Company observed the daily trading volume of the shares of Light, and also the fact that such option, if exercised by the Fund, will require the sale to the Company, in a single transaction, of shares in Light in a quantity higher than the daily exchange trading averages. Thus, the Company has adopted the discounted cash flow method for measurement of the fair values of the options. The fair value of that option was calculated as the amount of the exercise price estimated on the date of exercise, less the fair value of the shares subject of the put option, also estimated on the date of the exercise of the option, brought to present value on the reporting date.

The main variable with effect on the calculation of the option is the discount rate. In a sensitivity analysis, a change of 1% in the discount rate altered the value of the option by R$ 101 million.

Based on the studies carried out, Cemig recorded obligations in its financial statements arising from this option in the amount of R$ 165,801 – posted in full in 2014.

SAAG

Cemig GT and the private pension plan entities participating in the investment structure of SAAG signed put options which the funds could exercise in the eighty fourth month after June 2014. The exercise price of the put options will correspond to the amount invested by each private pension plan in the Investment Structure, updated *pro rata temporis*, by the 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.

To decide the method to be used for measuring the fair value of that option, since Madeira Energia (investment of SAAG) is an unlisted company, the Company adopted the discounted cash flow method to measure the fair value of the options. The fair value of these options was calculated on the basis of the estimated exercise price on the day of exercise of the option, less the fair value of the shares that are the subject of the put option, also estimated for the date of exercise, brought to present value at the reporting date.

The main variable with effect on the calculation of the option is the discount rate. In a sensitivity analysis, a change of 1% in the discount rate altered the value of the option by R$ 32 million.

Based on the studies carried out, Cemig GT recorded obligations of R$ 29,028 in the Profit and loss account for 2014 arising from the best estimate of loss on those options.

15. PROPERTY, PLANT AND EQUIPMENT

Consolidated	2014			2013		
	Historic cost	Accumulated depreciation	Net value	Historic cost	Accumulated depreciation	Net value
In service						
Land	382,377	(9,375)	373,002	382,377	(4,518)	377,859
Reservoirs, dams and watercourses	7,465,953	(5,205,671)	2,260,282	7,466,002	(5,071,260)	2,394,742
Buildings, works and improvements	2,137,972	(1,528,400)	609,572	2,285,119	(1,573,213)	711,906
Machinery and equipment	7,642,968	(5,589,719)	2,053,249	7,424,595	(5,345,096)	2,079,499
Vehicles	28,919	(19,675)	9,244	29,528	(17,569)	11,959
Furniture and utensils	16,738	(12,531)	4,207	14,443	(12,503)	1,940
	17,674,927	(12,365,371)	5,309,556	17,602,064	(12,024,159)	5,577,905
Under construction	234,064	-	234,064	239,550	-	239,550
Net PP&E	**17,908,991**	**(12,365,371)**	**5,543,620**	**17,841,614**	**(12,024,159)**	**5,817,455**

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

Consolidated	Balance at Dec. 31, 2013	Additions	Written down	Depreciation	Transfers / capitalizations	Balance at Dec. 31, 2014
In service						
Land	377,859	-	-	(4,857)	-	373,002
Reservoirs, dams and watercourses	2,394,742	-	-	(134,403)	(57)	2,260,282
Buildings, works and improvements	711,906	53	(706)	(24,842)	(76,839)	609,572
Machinery and equipment	2,079,499	8	(5,783)	(177,077)	156,602	2,053,249
Vehicles	11,959	-	(26)	(2,691)	2	9,244
Furniture and utensils	1,940	36	(27)	(265)	2,523	4,207
	5,577,905	97	(6,542)	(344,135)	82,231	5,309,556
Under construction	239,550	121,820	(50,292)	-	(77,014)	234,064
Net PP&E	**5,817,455**	**121,917**	**(56,834)**	**(344,135)**	**5,217**	**5,543,620**

Consolidated	Balance at Jan. 1, 2013	Additions	Transfers	Written down	Depreciation	Balance at end-2013
In service						
Land	380,460	4,215		(1)	(6,815)	377,859
Reservoirs, dams and watercourses	2,552,191	7,859		(41)	(165,267)	2,394,742
Buildings, works and improvements	742,519	18,292		(3,150)	(45,755)	711,906
Machinery and equipment	2,197,812	19,121	35,100	(3,536)	(168,998)	2,079,499
Vehicles	6,109	7,775		-	(1,925)	11,959
Furniture and utensils	1,122	977		-	(159)	1,940
	5,880,213	58,239	35,100	(6,728)	(388,919)	5,577,905
Under construction	228,516	11,034	-	-	-	239,550
Net PP&E	**6,108,729**	**69,273**	**35,100**	**(6,728)**	**(388,919)**	**5,817,455**

The average annual depreciation rate is 3.12%. The average annual depreciation rates, by activity, as per Aneel resolution 474 of February 7, 2012 and the decisions made by Decree 2003 of September 10, 1996, are:

Hydroelectric generation	Thermal generation	Management and other	Telecoms
2.86%	4.45%	8.88%	5.96%

The company has not identified evidence of impairment of its Property, plant and equipment assets. The generation concession contracts provide that at the end of each concession the Concession-granting power shall determine the amount to be indemnified to the Company. Management believes that the indemnity of these assets will be greater than the amount of their historic cost, depreciated over their useful lives.

Under the Brazilian regulatory framework Aneel, the regulator, is responsible for establishing the useful economic life of the generation and transmission assets in the electricity sector, and for periodically reviewing the estimates. The rates established by Aneel are used in the processes of Tariff Reviews and in calculating the indemnity amounts due to concession holders at the end of the concession period, and are recognized as a reasonable estimate of the useful life of the assets of the concession. Thus, these rates were used as the basis for depreciation of the Company's property, plant, and equipment assets.

As a general rule, depreciation of the assets in Property, plant and equipment, including the consortia, is calculated on the balance of the PP&E in service on the straight-line basis, applying the rates determined by Aneel for the assets related to the electricity activities, reflecting the estimated useful life of the assets. The residual value of the assets is the remaining balance of the assets at the end of the concession – since, 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. In cases where there is no indemnity, or there is uncertainty related to the indemnity, at the end of the concession, such as thermal generation and hydroelectric generation as an independent power producer, no residual amount is recognized and the depreciation rates are adjusted so that all the assets are depreciated during the concession.

Av. Barbacena 1200 Santo Agostinho 30190-131 Belo Horizonte, MG Brazil Tel.: +55 31 3506-5024 Fax +55 31 3506-5026

Consortia

The Company participates in electricity generation consortia, for which separate companies with independent legal existence are not formed to manage the subject of the concession, the controls being kept in Fixed assets, Intangible assets and Activities linked to the concession. The Company's portion in each of the assets allocated to the consortia is recorded and controlled individually in the respective types of PP&E presented above.

The amounts of the investments in PP&E, accumulated, by project, are as follows:

	Stake in the electricity generated	Average annual depreciation rate %	2014	2013
In service				
Porto Estrela plant	33.33%	3.68	38,917	38,826
Igarapava plant	14.50%	2.50	58,638	58,295
Funil plant	49.00%	4.21	183,446	183,229
Queimado plant	82.50%	4.00	212,531	212,531
Aimorés plant	49.00%	3.75	548,781	552,204
Capim Branco Energia Consortium	21.05%	3.75	56,240	56,240
Accumulated depreciation			(310,853)	(257,806)
			787,700	**843,519**
In progress				
Queimado plant	82.50%		1,645	1,626
Funil plant	49.00%		-	205
Aimorés plant	49.00%		-	147
Igarapava plant	14.50%		25	358
Porto Estrela plant	33.33%		2,274	89
Capim Branco Energia Consortium	21.05%		2,524	2,244
			6,468	**4,669**
Total			**794,168**	**848,188**

This table shows, by project, the interests of the other partners in the energy generated by the consortia:

Consortium	Other participants	Interest %
Porto Estrela plant	Coteminas (Companhia de Tecidos Norte de Minas Gerais)	33.34
	Vale S.A.	33.33
Igarapava plant	Vale S.A.	38.15
	Companhia Mineira de Metais – CMN	23.93
	Companhia Siderúrgica Nacional – CSN	17.92
	Mineração Morro Velho – MMV	5.50
Funil plant	Vale S.A.	51.00
Queimado plant	CEB – Companhia Energética de Brasília	17.50
Aimorés plant	Vale S.A.	51.00
Baguari plant	Furnas – Furnas Centrais Elétricas S.A.	15.00
	Baguari I Geração de Energia Elétrica S.A.	51.00
Amador Aguiar I and II	Vale S.A.	48.43
	Comercial e Agrícola Paineiras Ltda	17.89
	Companhia Mineira de Metais – CMN	12.63

Renewal of concession of the Jaguara Plant

As specified in the concession contract for the *Jaguara* Plant, the Company applied for renewal of the concession. The Mining and Energy Ministry, by a Dispatch of May 3, 2013, refused the Company's application, on the grounds that the application was made outside the time limits set by Law 12783/13.

On June 20, 2013, Cemig GT obtained an interim injunction in its application for an order of *mandamus* before the Higher Appeal Court (*Superior Tribunal de Justiça* – STJ), against the decision of the Mining and Energy Ministry not to entertain the application for extension of the period of concession of the Jaguara plant (424MW, assured offtake level 336MW), for which there was an expiration date on August 28, 2013. The interim remedy, given by Reporting Justice Sérgio Kukina, ensured that Cemig GT would continue to operate the concession for the Jaguara plant until final judgment in the action.

On August 30, 2013 the Higher Appeal Court (STJ) granted an interim injunction to Cemig GT in Cemig GT's further application for an order of mandamus against the more recent decision by the Mining and Energy Ministry which, in a dispatch published on August 23, 2013 refused, after consideration on its merits, the application by Cemig GT for extension of the concession of the Jaguara Hydroelectric Plant under Concession Contract 007/97. This interim injunction gives Cemig GT the right to remain in control of the Jaguara Plant, commercially operating the public service concession granted to it, until final judgment of the case.

Since it remains in control of the asset, the Company has continued to record the operational revenues, costs and expenses of the plant in accordance with current accounting practices.

On May 14, 2014, the Higher Appeal Court started its judgment on the application by Cemig GT for an order of mandamus to annul the decision of the Mining and Energy Ministry which, on August 23, 2013, refused, on a consideration on its merits, the request by Cemig GT for extension of its concession to operate the Jaguara Hydroelectric Plant, as specified in its Concession Contract, No. 007/97.

The judgment was suspended due to the request by one of the justices for a study of the full papers in the case, the session being adjourned with a tied vote – two votes in favor of Cemig GT's application and two against.

The judgment was resumed on August 14, 2014. On this occasion it was adjourned at the request of Justice Mauro Campbell Marques, who had requested sight of the case records in the judgment session held on May 14, 2014.

The STJ resumed the judgment on August 27, 2014, but Cemig GT, which attached documents and a statement to the case records, requested postponement of the judgment, which was granted by Justice Mauro Campbell.

On September 10, 2014 the judgment session was resumed, and Justice Campbell, who had asked for sight of the proceedings, voted to refuse the remedy applied for by the Company. The judgment was then immediately suspended due to a new request to review the records, by Justice Benedito Gonçalves. Judgment was renewed on December 10, 2014, and Justice Benedito refused the remedy applied for. There was a further request for sight of the proceedings by Justice Assusete Magalhães.

Thus the judgment has been suspended and has a partial result of two votes in favor and four against the application for extension by Cemig GT.

At present the case records are delivered to Justice Assusete Magalhães, and the judgment will be resumed in 2015.

There are now two justices to give their judgment vote: Justice Assusete Magalhães and Justice Sérgio Kukina of the 1st Panel of the STJ. The interim remedy given, enabling Cemig GT to continue to commercially operate generation service at the Jaguara Hydroelectric plant, under Contract 007/1997, until the final judgment of the application for mandamus, continues to be in effect. That decision is of a preliminary nature and does not yet represent the decision on the merits of the action initially brought to court.

The Company has been recording the revenues and operational costs and expenses of the plant in accordance with the accounting practices currently in effect, since it remains in control of the asset.

Renewal of the concession to operate the São Simão Hydroelectric Plant

On June 3, 2014, the Company filed its request for extension of the concession of the *São Simão* hydroelectric plant, since it believes that the concession contract for this plant is not subject to the new rules created by Provisional Measure 579 (which became Law 12783/2013).

On August 5, 2014 the Council of Aneel decided to recommend to the Mining and Energy Ministry (MME) that renewal of the concession for the São Simão plant should be refused on the view that Cemig did not make the request within the period established by Law 12783/13.

By an un-numbered MME dispatch of August 28, 2014, published on August 29, 2014, the Mining and Energy Minister decided to refuse the request for extension of the period of concession of the São Simão hydro plant, based on Opinion No. 559/2014/CONJURMME/CGU/AGU.

On September 10, 2014, Cemig GT filed a Hierarchy Appeal with the MME, with request for reconsideration, for the Mining and Energy Minister to reconsider his decision and to grant the Company's request based only on Concession Contract 007/1997, and, successively, that the appeal should be sent to the President of the Republic, so that the President should issue a decision in favor of the Company's request in the same terms.

On September 16, 2014 the MME, via Official Letter 239/2014, requested a statement by Cemig GT as to whether it was interested in remaining responsible for the provision of the public service of electricity generation at the São Simão plant. In reply (Letter DPR-0558A/2014), the concession holder highlighted that it reserves the right to make a statement about maintaining control of that plant after the final judgment in the administrative sphere (the Hierarchy Review) and in the judiciary (in relation to the Jaguara plant, which is in the same legal and factual situation).

On November 4, 2014 Cemig GT received a further Official Letter, No. 332/2014, to state its interest in remaining responsible for the provision of the service, and stating that explicit non-statement would be understood as a negative answer to the MME's request. In reply to this Official Letter the Company reiterated, on November 17, 2014, the statement of Letter DPR-0558A/2014.

The Hierarchy Review is still pending consideration by the MME and by the President of the Republic.

On December 15, 2014 Cemig GT filed an application for *mandamus*, with the Higher Appeal Court, requesting interim relief, against an act that was illegal and violated the net and certain right of the plaintiff, practiced by his Excellency the Mining and Energy Minister, for the purpose of obtaining extension of the period of concession of the São Simão plant based on Clause 4 of Contract 007/1997.

On December 17, 2014 Justice Mauro Campbell gave an interim injunction (published on December 19, 2014) that Cemig GT should remain in control of the plant, commercially operating the public service conceded to it, until the final judgment on the application for *mandamus* No. 20.432/DF (governing the *Jaguara* plant), or until a re-examination of the application, in the event that consideration of the question is not completed within 45 days after the start of judgment activities of the First Section in the year of 2015.

The Company has been recording the revenues and operational costs and expenses of the plant in accordance with the accounting practices currently in effect, since it remains in control of the asset.

16. INTANGIBLE ASSETS

a) Composition of the balance at December 31, 2014 and 2013

Consolidated	2014			2013		
	Historic cost	Accumulated amortization	Residual value	Historic cost	Accumulated amortization	Residual value
In service						
Useful life defined						
Temporary easements	13,819	(1,957)	11,862	13,757	(1,318)	12,439
Paid concession	39,868	(16,125)	23,743	39,868	(12,440)	27,428
Assets of concession	8,707,590	(6,484,556)	2,223,034	6,748,458	(5,882,416)	866,042
Others	66,144	(48,799)	17,345	67,838	(44,102)	23,736
	8,827,421	(6,551,437)	2,275,984	6,869,921	(5,940,276)	929,645
Under construction	1,103,312	-	1,103,312	1,074,345	-	1,074,345
Net intangible assets	**9,930,733**	**(6,551,437)**	**3, 379,296**	**7,944,266**	**(5,940,276)**	**2,003,990**

Holding company	Average amortization rate	2014			2013		
		Historic cost	Accumulated amortization	Residual value	Historic cost	Accumulated amortization	Residual value
In service							
Useful life defined							
Software use rights	20%	3,789	(3,311)	478	3,705	(2,960)	745
Brands and patents	10%	9	(5)	4	9	(4)	5
		3,798	(3,316)	482	3,714	(2,964)	750
Under construction		614	-	614	3	-	3
Net intangible assets		**4,412**	**(3,316)**	**1,096**	**3,717**	**(2,964)**	**753**

b) Changes in Intangible assets

Consolidated	Balance at Dec. 31, 2013	Adjustment due to business combination	Additions	Written down	Amortization	Transfers	Balance at Dec. 31, 2014
In service							
Useful life defined							
Temporary easements	12,439		-	-	(639)	62	11,862
Paid concession	27,428		-	-	(3,685)	-	23,743
Assets of concession	866,042	1,072,975	-	,-	(447,622)	731,639	2,223,034
Others	23,736		116	-	(4,837)	(1,670)	17,345
	929,645	1,072,975	116	,-	(456,783)	730,031	2,275,984
Under construction	1,074,345	109,178	867,800	(25,849)	-	(922,162)	1,103,312
Net intangible assets – Consolidated	**2,003,990**	**1,182,153**	**867,916**	**(25,849)**	**(456,783)**	**(192,131)**	**3,379,296**

Consolidated	Balance at Jan. 1, 2013	Additions	Written down	Amortization	Transfers	Balance at Dec. 31, 2013
In service						
Useful life defined						
Temporary easements	11,409	-	-	(586)	1,616	12,439
Paid concession	20,994	9,222	-	(2,788)	-	27,428
Assets of concession	1,132,033	-	(5,846)	(428,430)	168,285	866,042
Others	5,537	11,404	-	(5,021)	11,816	23,736
	1,169,973	20,626	(5,846)	(436,825)	181,717	929,645
Under construction	704,381	887,270	(33,201)	-	(484,105)	1,074,345
Net intangible assets – Consolidated	**1,874,354**	**907,896**	**(39,047)**	**(436,825)**	**(302,388)**	**2,003,990**

The annual average amortization rate is 4.12%. The average annual depreciation rates, by activity, as per Aneel Resolution 474 of February 7, 2012 and the decisions made by Decree 2003 of September 10, 1996, are:

Hydroelectric generation	Thermal generation	Distribution	Management and other	Telecoms
6.58%	7.06%	3.59%	14.26%	7.74%

The Company has not identified indications of impairment of its intangible assets that have defined useful lives. The Company has no intangible assets with non-defined useful life.

Av. Barbacena 1200 Santo Agostinho 30190-131 Belo Horizonte, MG Brazil Tel.: +55 31 3506-5024 Fax +55 31 3506-5026

Assets of the concession

In accordance with Technical Interpretation ICPC 01 – *Accounting for concessions* (*Contabilidade de Concessões*), the portion of the distribution infrastructure that will be amortized during the concession, comprising the distribution assets, net of the interests held by consumers ('Special Obligations'), is reported in Intangible assets.

Under the Brazilian regulatory framework Aneel is responsible for setting the economic useful life of the distribution assets of the electricity sector, periodically establishing a review in the valuation of these assets. The rates established by Aneel are used in the processes of Tariff Reviews and in calculating the indemnity amounts due to concession holders at the end of the concession period, and are recognized as a reasonable estimate of the useful life of the assets of the concession. These rates, therefore, were used as a basis for valuation and amortization of intangible assets.

The intangible assets Temporary easements, Paid concessions, Right of commercial operation of concessions, and Others, are amortized on the straight-line basis and the rates used are those set by Aneel. The Company has not identified indications of impairment of its intangible assets that have defined useful lives. The Company has no intangible assets with non-defined useful life.

17. SUPPLIERS

	Consolidated	
	31/12/2014	31/12/2013
Electricity on spot market – CCEE	329.535	77.382
Charges for use of electricity network	87,702	63,653
Electricity purchased for resale	595,546	465,693
Itaipu Binacional	148,864	179,924
Gas purchased for resale (*)	151,394	-
Materials and services	290,675	279,706
	1,603,716	**1,066,358**
Current	**1,603,716**	**1,066,358**

(*) Consolidation of Gasmig began in October 2014.

18. TAXES, INCOME TAXES AND SOCIAL CONTRIBUTION TAXES

a) Taxes

The Pasep and Cofins tax items in Non-current liabilities refer to the proceedings challenging the constitutionality of inclusion of the amounts of ICMS tax in the basis of calculation of the taxable amount for those taxes, and seeking authorization to offset the amounts paid over the last ten years. The Company and its subsidiaries Cemig D and Cemig GT obtained a court judgment enabling them not to make the payment, and authorizing payment into court as from 2008. The Company maintained this procedure for tax-generating events up to July 2011, and after that date, although it maintained the court challenge based on the calculation, opted to pay the contributions monthly.

	Consolidated		Holding company	
	2014	2013	2014	2013
Current				
ICMS tax	365,187	323,234	18,091	18,091
Cofins tax	96,186	103,423	30,856	37,118
Pasep tax	21,231	22,611	6,699	8,059
Social security payments	21,158	22,835	1,651	2,120
Others	50,946	26,450	678	1,491
	554,708	**498,553**	**57,975**	**66,879**
Non-current				
Cofins tax	594,093	579,494	-	-
Pasep tax	128,980	125,811	-	-
Others	103	192	-	-
	723,176	**705,497**	**-**	**-**
	1,277,884	**1,204,050**	**57,975**	**66,879**

b) Income tax and Social Contribution taxes:

	Consolidated	
	2014	2013
Current		
Income tax	38,981	25,711
Social Contribution tax	3,575	9,188
	42,556	**34,899**

19. LOANS, FINANCINGS AND DEBENTURES

Lender	Principal maturity	Annual financial cost, %	Currency	Consolidated			
				31/12/2014			31/12/2013
				Current	Non-current	Total	Total
Foreign currency							
Banco do Brasil – Various bonds (1)	2024	Various	US$	1,041	23,514	24,555	32,345
KfW	2016	4.50	Euro	2,128	2,129	4,257	6,384
KfW	2024	1.78	Euro	554	9,971	10,525	-
Toshiba	2014	LIBOR+5.36	US$	-	-	-	7,420
Debt in foreign currency				**3,723**	**35,614**	**39,337**	46,149
BRAZILIAN CURRENCY							
Banco do Brasil	2017	108.33% of CDI Rate	R$	80,184	132,046	212,230	208,611
Banco do Brasil	2017	108.00% of CDI	R$	155,670	294,899	450,569	449,124
Banco do Brasil	2016	104.10% of CDI	R$	558,830	360,000	918,830	1,017,436
Banco do Brasil	2015	98.50% of CDI	R$	205,633	-	205,633	384,045
Banco do Brasil	2015	99.50% of CDI	R$	237,666	-	237,666	212,469
Banco do Brasil	2016	104.25% of CDI	R$	-	706,062	706,062	634,428
Promissory Notes - 5th Issue (GT)	2015	106.85 of CDI	R$	1,483,984	-	1,483,984	-
Promissory Notes - 7th Issue (GT)	2015	105.00% of CDI	R$	1,311,205	-	1,311,205	-
BNDES	2026	TJLP+2.34	R$	7,909	80,759	88,668	96,303
BNDES	2026	TJLP+2.48	R$	2,262	11,242	13,504	-
Bradesco	2014	CDI+1.70	R$	-	-	-	500
Eletrobras	2023	UFIR; RGR+6.00–8.00	R$	67,259	184,930	252,189	334,090
Large consumers	2018	Various	R$	5,316	1,779	7,095	6,707
FINEP	2018	TJLP+5; TJLP+2.5	R$	3,474	8,621	12,095	13,271
Pipoca Consortium	2015	IPCA index	R$	185	-	185	185
BNDES – Cemig Telecom (4)	2018	Various	R$	7,939	16,355	24,294	32,166
Promissory Notes –1st Issue (4)	2015	110.40% of CDI	R$	19,824	-	19,824	-
Debt in Brazilian currency				**4,147,340**	**1,796,693**	**5,944,033**	**3,389,335**
Total of loans and financings				**4,151,063**	**1,832,307**	**5,983,370**	**3,435,484**
Debentures – 1st Issue (3)	2014	IGP-M+10.50	R$	-	-	-	424,172
Debentures, 2nd Issue (3)	2017	IPCA+7.96	R$	200,612	397,233	597,845	560,983
Debentures - 3rd Issue, 1st Series (2)	2017	CDI+0.90	R$	49,359	479,506	528,865	518,319
Debentures – 2nd Issue, 2nd Series (2)	2015	IPCA+7.68	R$	554,158	-	554,158	1,024,686
Debentures - 3rd Issue, 3rd Series (2)	2022	IPCA+6.20	R$	42,597	790,445	833,042	782,247
Debentures - 3rd Issue, 2nd Series (2)	2019	IPCA+6.00	R$	12,302	235,970	248,272	233,127
Debentures - 3rd Issue, 2nd Series (3)	2021	IPCA+4.70	R$	49,797	1,216,371	1,266,168	1,188,288
Debentures - 3rd Issue, 3rd Series (3)	2025	IPCA+5.10	R$	32,274	725,664	757,938	711,380
Debentures - 3rd Issue, 1st Series (3)	2018	CDI+0.69	R$	41,441	410,463	451,904	442,272
Debentures (5)	2018	CDI+0.80	R$	-	-	-	77,054
Debentures – Minas Gerais state government (7)	2031	IGP-M	R$	-	-	-	59,352
Debentures - 4th Issue, 2nd Series (2)	2016	CDI+085	R$	1,172	500,000	501,172	-
Debentures - 5th Issue, 1st Series (2)	2018	CDI+1.70	R$	6,336	1,400,000	1,406,336	-
Debentures (6)	2016	TJLP+3.12	R$	49,097	40,674	89,771	-
Debentures (6)	2015	CDI+0.62	R$	100,028	-	100,028	-
Debentures (6)	2018	CDI+0.74	R$	93	99,570	99,663	-
Debentures (6)	2022	TJLP+7.82 (75%) e Selic+1.82(25%)	R$	326	89,880	90,206	-
Total, debentures				**1,139,592**	**6,385,776**	**7,525,368**	**6,021,880**
Overall total – Consolidated				**5,290,655**	**8,218,083**	**13,508,738**	**9,457,364**

(1) Interest rates vary: 2.00 to 8.00% p.a.; six-month Libor plus spread of 0.81% to 0.88% p.a.
(2) Cemig Geração e Transmissão.
(3) Cemig Distribuição.
(4) Cemig Telecom.
(5) Capim Branco.
(6) Gasmig.
(7) Contracts adjusted to present value, as per CPC12.

Guarantees

The guarantees of the debtor balance on loans and financings, on December 31, 2014, were as follows:

	R$ '000
Promissory Notes: Sureties and guarantees	10,750,438
Receivables	1,388,986
Without guarantee	1,369,314
TOTAL	**13,508,738**

Av. Barbacena 1200 Santo Agostinho 30190-131 Belo Horizonte, MG Brazil Tel.: +55 31 3506-5024 Fax +55 31 3506-5026

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

	2015	2016	2017	2018	2019	2020	2021	After 2021	TOTAL
Currency									
US dollar	1,041	-	-	-	-	-	-	23,514	24,555
Euro	2,682	3,236	1,108	1,108	1,108	1,108	1,108	3,324	14,782
Total, foreign-currency denominated	**3,723**	**3,236**	**1,108**	**1,108**	**1,108**	**1,108**	**1,108**	**26,838**	**39,337**
Indexors									
IPCA (1)	892,362	198,173	198,174	117,566	519,467	662,376	674,357	995,126	4,257,601
Ufir / RGR (2)	67,654	49,627	40,201	35,362	23,562	20,465	5,685	9,631	252,187
CDI (3)	4,251,214	1,812,391	1,426,391	1,143,986	-	-	-	-	8,633,982
URTJ / TJLP (4)	71,007	74,380	33,706	25,721	22,719	22,719	20,471	47,814	318,537
IGP–DI (6)	3,059	716	716	484	-	-	-	-	4,975
TR (7)	1,636	-	386	97	-	-	-	-	2,119
Total, governed by indexors	**5,286,932**	**2,135,287**	**1,699,574**	**1,323,216**	**565,748**	**705,560**	**700,513**	**1,052,571**	**13,469,401**
Overall total	**5,290,655**	**2,138,523**	**1,700,682**	**1,324,324**	**566,856**	**706,668**	**701,621**	**1,079,409**	**13,508,738**

(1) Expanded National Consumer Price (IPCA) Index.
(2) Fiscal Reference Unit (Ufir / RGR).
(3) Interbank Rate for Certificates of Deposit.
(4) URTJ: Interest rate reference unit.
(5) IGP-M ('General Price Index – Market') inflation index.
(6) IGP-DI (General Domestic Availability Price Index).
(7) TR Reference Interest Rate

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

Currency	2014 (%)	2013 (%)	Indexor	2014 (%)	2013 (%)
US dollar	13.39	14.64	IPCA index	6.41	5.91
Euro	0.02	19.70	CDI rate	10.81	8.05

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

	Consolidado
Balance on January 1, 2013	**10,415,793**
Loans and financings obtained	2,475,083
Funding costs	(8,567)
Financings obtained net of funding costs	2,466,516
Monetary and exchange rate variation	247,930
Financial charges provisioned	742,010
Financial charges paid	(813,433)
Amortization of financings	(3,601,452)
Balance on December 31, 2013	**9,457,364**
Loans and financings obtained	4,562,259
Funding costs	(181)
Financings obtained net of funding costs	4,562,078
Additions due to combination of businesses (*)	391,788
Monetary and exchange rate variation	266,139
Financial charges provisioned	1,006,502
Financial charges paid	(780,887)
Amortization of financings	(1,394,246)
Balance on December 31, 2014	**13,508,738**

(*) Balance arising from consolidation of Gasmig starting in October 2014 (See Note 14).

Av. Barbacena 1200 Santo Agostinho 30190-131 Belo Horizonte, MG Brazil Tel.: +55 31 3506-5024 Fax +55 31 3506-5026

Borrowing costs, capitalized

The Company transferred to Intangible assets the costs of loans and financings linked to works, as follows:

	2014	2013
Costs of loans and financings	1,060,502	737,963
Financial costs transferred to Intangible assets	(69,828)	(40,136)
Net effect in Profit and loss account	**990,674**	**697,827**

The value of the charges capitalized, R$ 69,828, has been excluded from the Statement of Cash Flow, and from the additions to the Cash flow in investment activities, because it does not represent an outflow of cash for acquisition of the related asset.

The average rate of capitalization of the loans and financings whose costs were transferred to works was 11.62%.

Funding raised

This table gives the consolidated totals of funds raised in 2014:

Lender	Principal maturity	Annual financial cost, %	Amount raised, R$ '000
Foreign currency			
KfW (GT)	2024	1.78	9.916
Total in foreign currency			**9.916**
Brazilian currency			
Debentures – 4th Issue (GT)	2016	CDI + 0.85	505.368
Promissory Notes - 5th Issue (GT)	2015	106.85% of the CDI Rate	1.400.000
Debentures – 5th Issue (GT)	2018	CDI + 1.70	1.400.000
Finep (GT)	2018	TJLP + 2.5	3.485
Brazilian Development Bank (BNDES) (D)	2020	TJLP + 2.48	13.490
Promissory Notes - 7th Issue (D)	2015	105.00% of the CDI Rate	1.210.000
Promissory notes – 1st Issue – Cemig Telecom	2015	110.4% of the CDI Rate	19.819
Total in Brazilian currency			**4.552.162**
Total raised			**4.562.078**

In January 2014, Cemig GT completed its 4ª Debenture Issue – placing 50,000 non-convertible, unsecured debentures in a single series, with restricted placement efforts, with nominal unit value of R$ 10 on the issue date (December 23, 2013), for a total of R$ 500,000. The net proceeds from the issuance were allocated to recuperate the cash due to payment of debts. The debentures have maturity three years from the issue date, on December 23, 2016, and pay remuneratory interest of 100% of the CDI Rate, capitalized by a spread of 0.85% per year. The remuneratory interest will be paid annually and the amortization of the principal will be paid in a single payment on the maturity date. This issue by Cemig GT has a surety guarantee from the issuer's parent company, Cemig.

In April 2014 Cemig completed its seventh issue of Commercial Promissory Notes, with restricted placement efforts of distribution, issuing 121 promissory notes, in a single series, with nominal unit value of R$ 10,000 on the issue date, April 8, 2014, for a total of R$ 1,210,000. The net proceeds from the issue of the notes were allocated to payment of debt and to investments in works to expand, renew and improve the Company's electricity distribution structure. The Notes have tenor of 360 days from the issue date, maturing on April 3, 2015, and pay remuneratory interest of 105% of the CDI Rate. The remuneratory interest will be paid on maturity together with the amortization. This issue of commercial promissory notes by Cemig D has a surety guarantee from its controlling stockholder, Cemig.

In June 2014 Cemig GT completed its fifth issue of Commercial Promissory Notes, distributed with restricted placement efforts, issuing 140 promissory notes, in a single series, with nominal unit value of R$ 10,000 on the issue date, June 27, 2014, totaling R$ 1,400,000. The net proceeds from the issue of the notes were allocated to payment of debt, acquisition of stockholding interests, and replenishment of cash following acquisitions of stockholding interests by the Company. The Notes have tenor of 360 days from the issue date, maturing on June 22, 2015, and pay remuneratory interest of 106.85% of the CDI Rate. The remuneratory interest will be paid on maturity together with the amortization. This issue has a surety guarantee from the controlling stockholder, Cemig.

On December 17, 2014, Cemig GT concluded its fifth public issue of non-convertible debentures, with restricted placement efforts, issuing 140,000 unsecured non-convertible debentures in a single series with nominal unit value of R$ 10,000.00 on the issue date, which was December 10, 2014, totaling R$ 1,400,000. The net proceeds from the issue were used for payment of debt, investment in equity holdings and replenishment of cash expended on equity holdings during 2014. The debentures have a maturity at four years from the issue date, on December 10, 2018, and pay remuneration of 100% of the CDI rate capitalized by a spread of 1.70% per year. The remuneratory interest will be paid annually and the amortization of the principal will be paid in two equal consecutive instalments, on December 10, 2017 and December 10, 2018, each of 50% of the nominal unit value. The issue has a surety guarantee from the controlling stockholder, Cemig.

Optional acquisition of the debentures of Cemig issued for the construction of the Irapé hydroelectric plant.

In the years 2002 to 2006, Cemig issued a series of subordinated, non-convertible debentures for private distribution, subscribed by the State of Minas Gerais, as authorized by State Law 13954/01, for the purpose of spending the funds on the construction of the Irapé hydroelectric plant.

In December 2014 Cemig GT made early settlement of those debentures. The amount negotiated for prepayment of the debentures, of R$ 90,000, represents discounting of the payments from their respective due dates (over the period 2027-31). Cemig will cancel the debentures acquired by Cemig GT. On December 31, 2014, the debentures were still held in treasury.

The pre-payment represented a financial expense of R$ 26,789, which was reported in the Profit and loss account, corresponding to the difference between the amount paid and the book value.

Settlement of debentures issued by Cemig Capim Branco S.A.

In March 2013 Cemig Capim Branco made an issue of non-convertible debentures in the amount of R$ 72 million, to fund purchase of participation in the Capim Branco Energia Consortium. The debentures were acquired in their entirety by Banco do Brasil.

In August 2014 Cemig GT and Vale signed their Definitive Contract, which specified, among other matters, that total absorption of Cemig Capim Branco Energia S.A. ('Cemig Capim Branco') by Cemig GT was a condition precedent for conclusion of the Association between Cemig GT and Vale, since one of the assets to be subscribed by Cemig GT into the new company, Aliança, was its direct and indirect holding in the Capim Branco Consortium.

Since Cemig Capim Branco would be totally absorbed by Cemig GT, resulting in the extinction of Cemig Capim Branco (issuer of the debentures) and in the absorption of all its assets and liabilities by Cemig GT, it was necessary to proceed to the repurchase by Cemig Capim Branco of the 7,200 debentures in circulation, which was made at their nominal unit value of R$ 10,000.00, plus the Remuneratory Interest, calculated *pro rata temporis* from the date of the last payment of the Remuneratory Interest up to the date of repurchase, resulting in a total amount on December 19, 2014 of R$ 78,198.

The debentures acquired by Cemig Capim Branco will be cancelled. However, on December 31, 2014 they remained in Treasury.

Debentures

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

Issuer	Type of guarantee	Annual cost, %	Maturity	31/12/2014	31/12/2013
Cemig GT – Minas Gerais State Govt.	None	IGP-M	2031	-	59,352
Cemig GT – 2nd Issue – 2nd Series	None	IPCA + 7.68	2015	554,158	1,024,686
Cemig GT – 3rd Issue – 1st Series	Unsecured	CDI + 0.90	2017	528,865	518,319
Cemig GT – 3rd Issue – 3rd Series	Unsecured	IPCA + 6.20	2022	833,042	782,247
Cemig GT – 3rd Issue – 2nd Series	Unsecured	IPCA + 6.00	2019	248,272	233,127
Cemig GT – 4th Issue	Unsecured	CDI + 0.85	2016	501,172	-
Cemig GT – 5th Issue	Unsecured	CDI*1.70	2018	1,406,336	-
Cemig D – 3rd Issue – 1st Series	Surety	CDI + 0.69	2018	451,904	442,272
Cemig D – 3rd Issue – 2nd Series	Surety	IPCA + 4.70	2021	1,266,168	1,188,288
Cemig D – 3rd Issue – 3rd Series	Surety	IPCA + 5.10	2025	757,938	711,380
Capim Branco	Surety	CDI + 0.80	2018	-	77,054
Cemig D – 2nd Issue	None	IPCA + 7.96	2017	597,845	560,983
Cemig D – 1st Issue	Unsecured	IGP-M + 10.50	2014	-	424,172
Gasmig	Unsecured	TJLP+3.12	2016	89,771	-
Gasmig	Unsecured	CDI+0.62	2015	100,028	-
Gasmig	Unsecured	CDI+0.74	2018	99,663	-
Gasmig	Unsecured	TJLP+7.82 (75%) and Selic+1.82(25%)	2022	90,206	-
TOTAL				**7,525,368**	**6,021,880**

Av. Barbacena 1200 Santo Agostinho 30190-131 Belo Horizonte, MG Brazil Tel.: +55 31 3506-5024 Fax +55 31 3506-5026

For the debentures issued by the Company, there are no restrictive covenants, nor agreements for renegotiation, nor debentures held in treasury. There is an early maturity cross-default clause in the event of non-payment of any pecuniary obligation with individual or aggregate value greater than R$ 50 million.

Restrictive covenants

The Company has financing contracts with the Brazilian Development Bank (BNDES), with covenants related to financial indices, calculated annually in a balance sheet audited by an independent auditing company registered with the CVM, as follows:

Ratio	Requirement
Stockholders' equity of the Guarantor / Total assets of the Guarantor (1)	30% or more
Stockholders' equity / Total assets of the Guarantor (Cemig – Cia. Energética de Minas Gerais) (2)	30% or more
Net debt / Ebitda (2)	4x or less

(1) If it does not succeed in achieving the required ratio, the subsidiary Cemig GT will have six months from the end of the business year in which the ratio was found, to: (i) constitute real guarantees which in the assessment of the BNDES represent 130.00% of the value of the debtor balance of the contract; or (ii) present an interim balance sheet, audited by an auditor registered with the CVM (Securities Commission), that indicates the return to the index required.

(2) If it does not meet the required indices, the Company must, within 30 calendar days from the date of written notice by the BNDES on non-achievement of one of the indices, constitute real guarantees which in the assessment of the BNDES represent 130.00% of the value of the amount outstanding under the contract, unless the levels referred to have been re-established within that period.

On December 31, 2014, all restrictive covenants were complied with.

20. REGULATORY CHARGES

	Consolidated	
	2014	2013
Global Reversion Reserve (RGR)	47,628	57,574
Energy Development Account – CDE	20,660	12,139
Eletrobras – Compulsory loan	1,207	1,207
Aneel inspection charge	3,155	3,163
Energy Efficiency	138,449	123,419
Research and Development	98,789	103,070
Energy System Expansion Research	4,250	3,305
National Scientific and Technological Development Fund	8,229	6,457
Proinfa Alternative Energy Program	4,118	5,110
Emergency capacity charge	31,010	31,018
	357,495	**346,462**
Current liabilities	**105,558**	**153,437**
Non-current liabilities	**251,937**	**193,025**

21. POST-RETIREMENT LIABILITIES

The Forluz Pension plan (Supplementary retirement pension plan)

Cemig is a sponsor of Forluz – Forluminas Social Security Foundation, a non-profit legal entity whose object is to provide its associates and participants and their dependents with a financial income to complement retirement and pension, in accordance with the Forluz pension plan that they are subscribed in.

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

The Mixed Benefits Plan ("Plan B"): This plan operates as a defined-contribution plan during 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.

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

Amortization of the actuarial obligations and recognition in the financial statements

In this Note the Company states its obligations and expenses incurred for purposes of the Retirement Plan, Health Plan, Dental Plan and the Life Insurance Plan in accordance with the standards specified by Technical Pronouncement CPC 33 – *Benefits to Employees* (*Benefícios a Empregados*), and an independent actuarial opinion issued as of December 31, 2014.

The Company has recognized an obligation for past actuarial deficits relating to the pension fund in the amount of R$ 799,487 on December 31, 2014 (R$ 807,739 on December 31, 2013). This amount has been recognized as an obligation payable by Cemig, its subsidiaries and jointly-controlled subsidiaries, and is being amortized by June 2024, through monthly installments calculated by the system of constant installments (known as the 'Price' table), and adjusted by the IPCA (Expanded National Consumer Price) inflation index (published by the Brazilian Geography and Statistics Institute – IBGE) plus 6% per year.

Thus, for the retirement obligations, the liability recognized in the Statement of financial position is the debt agreed with Forluz for amortization of the actuarial obligations, mentioned above, in view of the fact that it is greater than the liability to the pension fund contained in the actuary's opinion. Because the Company is required to pay this debt even if Forluz has a surplus, the Company decided to record the debt in full, and record the effects of monetary updating and interest in the Profit and loss account.

Independent Actuarial Information

The consolidated actuarial information of the Holding company and of the subsidiaries Cemig GT and Cemig D is as follows:

	Pension plans and retirement supplement plans	Health Plan	Dental Plan	Life insurance	TOTAL
Present value of the liabilities	8,124,131	1,120,185	31,946	680,034	9,956,296
Fair value of the plan assets	(8,051,319)	-	-	-	(8,051,319)
Initial net liabilities	**72,812**	**1,120,185**	**31,946**	**680,034**	**1,904,977**
Adjustment to the asset ceiling	79,306	-	-	-	79,306
Adjusted net liabilities	**152,118**	**1,120,185**	**31,946**	**680,034**	**1,984,283**
Complementary amount related to the debt to Forluz	647,369	-	-	-	647,369
Net liabilities in the statement of financial position at Dec. 31, 2014	**799,487**	**1,120,185**	**31,946**	**680,034**	**2,631,652**

	Pension plans and retirement supplement plans	Health Plan	Dental Plan	Life insurance	TOTAL
Present value of the liabilities	7,351,556	1,011,719	28,677	600,593	8,992,545
Fair value of the plan assets	(7,727,771)	-	-	-	(7,727,771)
Initial net liabilities	**(376,215)**	**1,011,719**	**28,677**	**600,593**	**1,264,774**
Adjustment to the asset ceiling	376,215	-	-	-	376,215
Adjusted net liabilities	**-**	**1,011,719**	**28,677**	**600,593**	**1,640,989**
Complementary amount related to the debt to Forluz	807,739	-	-	-	807,739
Net liabilities in the statement of financial position at Dec. 31, 2013	**807,739**	**1,011,719**	**28,677**	**600,593**	**2,448,728**

As noted above, the Company records an additional obligation to account for the difference between the net obligation for supplementary provision of retirement pensions stated in the actuarial opinion and the debt agreed upon with Forluz.

The difference between the net liability recorded in the Statement of financial position and the net liabilities found in the actuarial opinion was recognized in full, with a counterpart in Stockholders' equity. As a result there was an accumulated reduction in Stockholders' equity in December 2014 as a result of this accounting practice, in the amount of R$ 50,765 (net of deferred tax effects).

Av. Barbacena 1200 Santo Agostinho 30190-131 Belo Horizonte, MG Brazil Tel.: +55 31 3506-5024 Fax +55 31 3506-5026

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

	Pension and retirement supplement plan	Health Plan	Dental Plan	Life insurance	Total
Defined-benefit obligation on Jan. 1, 2013	**9,190,642**	**819,780**	**22,343**	**735,848**	**10,768,613**
Cost of current service	10,634	16,852	467	8,371	36,324
Interest on the actuarial obligation	806,096	72,187	1,961	67,990	948,234
Employee's contribution	53	-	-	-	53
Actuarial losses (gains) recognized	(2,036,813)	168,743	5,838	(199,527)	(2,061,759)
Benefits paid	(619,056)	(65,843)	(1,932)	(12,089)	(698,920)
Defined-benefit obligation on December 31, 2013	**7,351,556**	**1,011,719**	**28,677**	**600,593**	**8,992,545**
Cost of current service	6,050	6,476	189	3,202	15,917
Interest on the actuarial obligation	869,290	125,023	3,544	73,482	1,071,339
Actuarial losses (gains) recognized	569,662	50,244	1,606	14,686	636,198
Benefits paid	(672,427)	(73,277)	(2,070)	(11,929)	(759,703)
Defined-benefit obligation on Dec. 31, 2014	**8,124,131**	**1,120,185**	**31,946**	**680,034**	**9,956,296**

The changes in the fair value of the assets of the plans have been as follows:

	Pension and retirement supplement plan
Fair value of the plan's assets at January 1, 2013	**8,142,438**
Real return on the investments	103,435
Contributions from the Employer	100,901
Contributions from the Employees	53
Benefits paid	(619,056)
Fair value of the plan's assets at December 31, 2013	**7,727,771**
Real return on the investments	888,729
Contributions from the Employer	107,246
Benefits paid	(672,427)
Fair value of the plan's assets at December 31, 2014	**8,051,319**

The amounts recognized in the 2014 Profit and loss account are as follows:

	Pension and retirement supplement plan	Health Plan	Dental Plan	Life insurance	Total
Cost of current service	6,050	6,476	189	3,202	15,917
Interest on the actuarial obligation	869,290	125,023	3,544	73,482	1,071,339
Expected return on the assets of the Plan	(922,114)	-	-	-	(922,114)
Expense (revenue) as per actuarial calculation	**(46,774)**	**131,499**	**3,733**	**76,684**	**165,142**
Adjustment to the asset ceiling	46,774	-	-	-	46,774
Adjustment relating to debt to Forluz	98,994	-	-	-	98,994
Total expense in 2014	**98,994**	**131,499**	**3,733**	**76,684**	**310,910**

	Pension and retirement supplement plan	Health Plan	Dental Plan	Life insurance	Total
Cost of current service	10,634	16,852	467	8,371	36,324
Interest on the actuarial obligation	806,096	72,187	1,961	67,990	948,234
Expected return on the assets of the Plan	(717,328)	-	-	-	(717,328)
Expense (revenue) as per actuarial calculation	**99,402**	**89,039**	**2,428**	**76,361**	**267,230**
Adjustment relating to debt to Forluz	1,944	-	-	-	1,944
Total expense in 2013	**101,346**	**89,039**	**2,428**	**76,361**	**269,174**

Av. Barbacena 1200 Santo Agostinho 30190-131 Belo Horizonte, MG Brazil Tel.: +55 31 3506-5024 Fax +55 31 3506-5026

Changes in net liabilities:

Holding company	Pension and retirement supplement plan	Health Plan	Dental Plan	Life insurance	Total
Net liabilities on December 31, 2013	**39,741**	**48,535**	**1,402**	**35,639**	**125,317**
Expense recognized in the Profit and loss account	4,871	6,373	189	4,506	15,939
Contributions paid	(5,277)	(4,318)	(116)	(689)	(10,400)
Actuarial losses (gains)	-	12,595	511	(879)	12,227
Net liabilities on December 31, 2014	**39,335**	**63,185**	**1,986**	**38,577**	**143,083**
Current liabilities on December 31, 2014					**8,932**
Non-current liabilities on December 31, 2014					**134,151**

Consolidado	Pension and retirement supplement plan	Health Plan	Dental Plan	Life insurance	Total
Net liabilities on January 1, 2013	**1,048,204**	**819,780**	**22,343**	**735,848**	**2,626,175**
Expense recognized in the Profit and loss account	101,346	89,039	2,428	76,361	269,174
Contributions paid	(100,901)	(65,843)	(1,932)	(12,089)	(180,765)
Actuarial losses (gains)	(240,910)	168,743	5,838	(199,527)	(265,856)
Net liabilities on December 31, 2013	**807,739**	**1,011,719**	**28,677**	**600,593**	**2,448,728**
Expense recognized in the Profit and loss account	98,994	131,499	3,733	76,684	310,910
Contributions paid	(107,246)	(73,277)	(2,070)	(11,929)	(194,522)
Actuarial losses	-	50,244	1,606	14,686	66,536
Net liabilities on December 31, 2014	**799,487**	**1,120,185**	**31,946**	**680,034**	**2,631,652**
Current liabilities on December 31, 2014					**153,426**
Non-current liabilities on December 31, 2014					**2,478,226**

The expenses on pension funds are recorded in Financial revenues (expenses) because they represent the interest and monetary adjustments on the debt to Forluz, as mentioned previously in this Note. The expenses on the health, dental, and life insurance plans are recorded in Other operational expenses.

The estimate for the expense amount to be recognized for the 2015 business year is as follows:

Consolidado	Pension and retirement supplement plan	Health Plan	Dental Plan	Life insurance	Total
Cost of current service	5,120	7,381	229	3,492	16,222
Interest on the actuarial obligation	933,443	134,645	3,840	80,848	1,152,776
Expected return on the assets of the Plan	(921,786)	-	-	-	(921,786)
Total expense in 2015 according to actuarial opinion	**16,777**	**142,026**	**4,069**	**84,340**	**247,212**
Complementary amount related to the debt to Forluz	82,630	-	-	-	82,630
Total expense in 2015	**99,407**	**142,026**	**4,069**	**84,340**	**329,842**

Although the actuarial calculation shows a revenue in 2015 in relation to the pension fund, the company will record a complement for the financial expense relating to the debt agreed with the Foundation, as mentioned above in this note. The expectation for the financial expense related to the debt in 2015 is R$ 99,407.

The expectation for payment of benefits for the 2015 business year is as follows:

	Pension and retirement supplement plan	Health Plan	Dental Plan	Life insurance	Total
Estimate of payment of benefits	709,411	77,307	2,186	12,822	**801,726**

The Company and its subsidiaries have the expectation of making payments in 2015 of R$ 113,140 to the pension fund, and R$ 85,621 to the Defined Contribution Plan (recorded directly in the Profit and loss account for the year).

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

	Cemig, Cemig GT e Cemig D	
	2014	2013
Shares in Brazilian companies	8.68%	9.83%
Fixed income securities	58.16%	63.51%
Real estate property	8.16%	4.99%
Others	25.00%	21.67%
Total	**100.00%**	**100.00%**

The assets of the Pension Plan include the following assets, valued at fair value, of Cemig, Cemig GT and Cemig D:

	2014	2013
Non-convertible debentures issued by the Sponsor and its subsidiaries	344,630	396,606
Shares issued by the Sponsor	8,910	9,370
Real estate properties of the Foundation, occupied by the Sponsors	230,000	215,000
	583,540	**620,976**

Below is a sensitivity analysis of the effects of changes in the principal actuarial assumptions used to determine the defined-benefit obligation on December 31, 2014:

Effects of the defined benefit obligation	Pension and retirement supplement plan	Health Plan	Dental Plan	Life insurance	Total
Change in the Mortality Table by one year	297,343	16,940	466	25,841	340,590
Reduction of 1% in the discount rate	818,912	136,411	3,862	119,006	1,078,191

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, 2014 and 2013.

This table gives the main actuarial assumptions:

	Cemig, Cemig GT and Cemig D	
	2014	2013
Annual discount rate for present value of the actuarial obligation	12.00%	12.36%
Annual expected return on plan assets	12.00%	12.36%
Long-term annual inflation rate	5.50%	5.50%
Annual salary increases	7.61%	7.61%
Mortality rate	AT-2000	AT-2000
Disability rate	Álvaro Vindas	Álvaro Vindas
Disabled mortality rate	AT 49	AT 49

Av. Barbacena 1200 Santo Agostinho 30190-131 Belo Horizonte, MG Brazil Tel.: +55 31 3506-5024 Fax +55 31 3506-5026

22. PROVISIONS

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

Actions in which the company would be debtor

The Company and its subsidiaries have made Provisions for contingencies in relation to the legal actions in which, based on the assessment of the Company and its legal advisors, the chances of loss (i.e. that an outflow of funds to settle the obligation will be necessary) are assessed as "probable", as follows:

	Consolidated					
	31/12/2013	Additions	Reversals	Settled	Adjustments due to business combination[1]	2014
Employment-law cases	146,229	249,550	(7,443)	(65,811)	-	322,525
Civil cases						
Consumer relations	29,102	9,949	(10,046)	(9,790)	-	19,215
Other civil actions	23,097	12,326	(6,176)	(4,975)	-	24,272
	52,199	22,275	(16,222)	(14,765)	-	43,487
Tax	26,027	30,242	(17,670)	(15,558)	50,018	73,059
Environmental	1,179	854	(818)	-	-	1,215
Regulatory	50,228	8,067	(22,498)	(412)	-	35,385
Corporate (2)	-	239,445	-	-	-	239,445
Others	30,523	13,159	(2,064)	(1,759)	-	39,859
TOTAL	**306,385**	**563,592**	**(66,715)**	**(98,305)**	**50,018**	**754,975**

1. Acquisition of an additional equity interest in, and control of, Gasmig, which began to consolidated in October 2014. More details in Note 14 to the financial statements. The difference in monetary updating of the Advance against Future Capital Increase made by the government of Minas Gerais State, subject of dispute, has been provisioned with a counterpart in Financial revenue (expenses). There are more details in Explanatory Note 26.

	Holding company				
	31/12/2013	Additions	Reversals	Settled	2014
Employment-law cases	25,973	28,110	(3,374)	(19,021)	31,688
Civil cases					
Consumer relations	6,679	487	(3,519)	(397)	3,250
Other civil actions	6,266	654	(6,176)	(573)	171
	12,945	1,141	(9,695)	(970)	3,421
Tax	7,356	5,303	(971)	(1,860)	9,828
Environmental	276	37	-	-	313
Regulatory	20,394	5,636	(2,953)	(12)	23,065
Corporate	-	239,445	-	-	239,445
Others	770	1,122	(157)	(728)	1,007
Total	**67,714**	**280,794**	**(17,150)**	**(22,591)**	**308,767**

The Company's management, in view of the long periods and manner of working of the Brazilian judiciary, tax and regulatory systems, believes that it is not practicable to provide information that would be useful to the users of these interim financial statements about the time when any cash outflows, or any possibility of reimbursements, might take place in fact. The Company's management believes that any disbursements in excess of the amounts provisioned, when the respective processes are completed, will not significantly affect the Company's result of operations or financial position.

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

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

Employment-law cases

The Company and its subsidiaries are parties in various legal actions brought by its employees and by outsourced professionals. Most of these claims relate to overtime and compensation for occupational hazards. In addition to these actions, there are others relating to outsourcing of labor, complementary additions to or re-calculation of retirement pension payments by Forluz, and salary adjustments. The amount of the contingency is approximately R$ 666,200 (R$ 535,683 on December 31, 2013). Of this total, R$ 322,525 has been provisioned (R$ 146,229 on December 31, 2013) – this being the best probable estimate for funds needed to settle these disputes.

The increase in the amount of the contingency is due, among other factors, to the larger volume of legal actions being taken by former employees, arising from severances over recent years, and also the higher volume of actions on hazard remuneration, due to new arguments which have emerged following recent legislative changes.

In addition to the issues described above the Company is party in an appeal to the courts arising from the collective work negotiation by representatives of the employees, to set terms for work to govern employment contracts in the period November 1, 2012 to October 31, 2013. This seeks various clauses including replenishment of inflation losses, real-terms increase, a salary floor and adjustment to the economic clauses. The Judgment Summary of the Regional Federal Employment Court was published on July 4, 2013 and maintained the existing clauses in the prior collective agreement, without adding any new obligations upon the Company. On October 13, 2014 the Higher Employment Law Appeal Court (TST) published its judgment on an Ordinary Appeal, granting the appeal made by *Sindieletro* and granting a 3% (three per cent) real increase to the employees under the heading of productivity. The Company filed a motion for clarification with the specialized collective agreements panel of the TST, which denied its appeal on December 15, de 2014.

On December 31, 2014 the amount involved in this action was approximately R$ 127,411, which has been duly registered, due to the present phase of the case, and this has resulted in the assessment of the chances of loss in this action being adjusted from 'possible' to 'probable'.

Consumer relations

The Company and its subsidiaries are parties in various civil actions relating to indemnity for pain and suffering and for material damages, arising, principally, from allegations of irregularity in measurement of consumption, and claims of undue charging, in the normal course of business, totaling R$ 30,241 (R$ 61,458 on December 31, 2013), of which R$ 19,215 (R$ 29,102 on December 31, 2013) has been provisioned – this being the probable estimate for funds needed to settle these disputes.

This reduction is mainly due to the annulment of various penalty payments imposed on the Company by Procon.

Other civil actions

Cemig and its subsidiaries are parties in various civil actions claiming indemnity for pain and suffering and for material damages, among others, arising from incidents occurring in the normal course of business, in the amount of R$ 174,621 (R$ 131,719 on December 31, 2013), of which R$ 24,272 (R$ 23,097 on December 31, 2013) – the amount estimated as probably necessary for settlement of these disputes – has been provisioned.

Tax

The Company and its subsidiaries are parties in numerous administrative and court actions relating to taxes, including, among other matters, subjects relating to the ICMS (Value Added) tax on goods and services; the Urban Property Tax (*Imposto sobre a Propriedade Territorial Urbana*, or IPTU); the Rural Property Tax (ITR); the tax on donations and legacies (ITCD), the Social Integration Program (*Programa de Integração Social*, or PIS), the Contribution to Finance Social Security (*Contribuição para o Financiamento da Seguridade Social*, or Cofins), Corporate Income Tax (*Imposto de Renda Pessoa Jurídica*, or IRPJ), the Social Contribution Tax (*Contribuição Social sobre o Lucro Líquido*, or CSLL) and applications to stay tax execution on tax matters. The amount of the contingency is approximately R$ 266,157 (R$ 115,423 on December 31, 2013). Of this total, R$ 73,059 has been provisioned (R$ 26,027 on December 31, 2013) – this being the best probable estimate for funds needed to settle these disputes.

The increase in the amount of the contingency arises principally from completion of the acquisition of an additional equity stake in Gasmig, which began to be consolidated in October 2014, and also new administrative and court proceedings on subjects relating to the IPTU, ITR and ITCD. There are more details on the additional stake in Gasmig in Explanatory Note 14 to these financial statements.

Environmental

The Company and its subsidiaries are involved in environmental matters, in which the subjects include protected areas, environmental licenses, recovery of environmental damage, and other matters, in the approximate total amount of R$ 20,416 (R$ 5,263 on December 31, 2013), of which R$ 1,215 (R$ 1,179 on December 31, 2013) has been provisioned – the amount estimated as probably necessary for settlement of these disputes.

Regulatory

The Company and its subsidiaries are parties in numerous administrative and court proceedings in which the main issues disputed are:

(i) tariff charges in invoices for use of the distribution system by self-producers;
(ii) alleged violation of targets for indicators of continuity in retail supply of electricity; and
(iii) the tariff increase made during the federal government's economic stabilization plan referred to as the "Cruzado Plan", in 1986.

The amount of the contingency is approximately R$ 154,312 (R$ 180,293 on December 31, 2013) of which R$ 35,385 (R$ 50,228 on December 31, 2013) has been provisioned – the amount estimated as probably necessary for settlement of these disputes.

This reduction results principally from finalization of the administrative proceeding on the subject of supposed violation of service provision continuity indicator targets, due to partial judgment in favor by Aneel.

Stockholding subjects

Difference of monetary updating on the Advance against Future Capital Increase (AFAC) made by the Minas Gerais State Government

On December 19, 2014 the Finance Secretary of Minas Gerais State sent an Official Letter to Cemig requesting recalculation of the amounts relating to the Advances against Future Capital Increase made in 1995, 1996, and 1998, which were returned to Minas Gerais State in December 2011, for review of the criterion used by the Company for monetary updating, arguing that application of the Selic rate would be more appropriate, replacing the IGP-M index.

On December 29, 2014 the Company made an administrative deposit applying for suspension of enforceability of the credit being requested by the state, and for its non-inclusion in the Register of Debts owed to the state and in the Registry of Defaulted Payments owed to the state (CADIN).

Based on the opinion of our legal advisors, the chances of loss have been assessed as 'probable' and the amount provisioned, with a counterpart in Financial revenue (expenses) of R$ 239,445, which is the estimated probable amount of funds that might be used to settle the matter.

Other cases in the normal course of business

Alleged breach of contract – services of cleaning power line pathways and firebreaks

The Company is a party in disputes alleging losses suffered as a result of supposed breach of contract at the time of provision of services of cleaning of power line pathways and firebreaks. The amount provisioned is R$ 23,745 (R$ 20,020 at December 31, 2013), this being estimated as the likely amount of funds necessary to settle this dispute.

Other legal actions

In addition to the issues described above, the Company is involved, on plaintiff or defendant side, in other cases, of smaller scale, related to the normal course of its operations, with an estimated total amount of R$ 99,474 (R$ 91,356 on December 31, 2013), of which R$ 16,114 (R$ 10,503 on December 31, 2013) – the amount estimated as probably necessary for settlement of these disputes – has been provisioned. 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.

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

Employment-law matters – outsourced labor

The Company is a party in a class action brought by the Public Attorneys for Employment Matters, in which the discussion centers on outsourcing of labor in a company's end-activity. The amount of the contingency is approximately R$ 376 (R$ 59,004 at December 31, 2013), and carries the possibility of a penalty if the Company does not comply with a requirement for specific performance within a period determined by the court. Due to the decision in the Company's favor by the Higher Employment-Law Appeal Court (*Tribunal Superior do Trabalho*, or TST), on acceptability of the action, in September 2014, the issue of penalty for non-compliance with specific performance was ruled out, leaving for argument only the issue of indemnity for collective pain and suffering. On this latter point the chances of loss continue to be assessed as 'possible', based on the opinion of the Company's legal advisors.

Tax and similar charges

The Company is a party in numerous administrative and court proceedings in relation to taxes and similar charges. Below are details of the principal cases:

Indemnity for the employees' future benefit – the 'Anuênio'

In 2006 the Company paid an indemnity to its employees, totaling R$ 177,686, in exchange for rights to future payments (referred to as the *Anuênio*) for time of service, which would otherwise be incorporated, in the future, into salaries. The company 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 arising from a differing interpretation by the federal tax authority and the National Social Security Institution (*Instituto Nacional de Seguridade Social*, or INSS), the Company decided to apply for an order of *mandamus*, and the court permitted payment into Court of R$ 121,834. This was posted in Escrow deposits in litigation. The amount of the contingency, updated, is R$ 239,230 (R$ 218,832 on December 31, 2013).

Social Security contributions

The Brazilian federal tax authority (*Secretaria da Receita Federal*) has brought administrative proceedings against the Company, under various headings: employee profit shares (*Participação nos Lucros e Resultados*, or PLR), the Workers' Food Program (*Programa de Alimentação do Trabalhador*, or PAT), 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$ 1,220,930 (R$ 824,286 on December 31, 2013). The chances of loss have been assessed as 'possible' – reflecting the belief that the requirements of Law 10101/2000 have been complied with, and also that there is no legal obligation to sign an agreement prior to the business year to which the case refers.

The change from 2013 to 2014 is mainly the result of new infringement notices, arising from more recent tax-generating events.

Non-ratification of offsetting of tax credits

In several administrative cases, the federal tax authority did not accept (and ratify) the Company's declared offsetting of federal taxes using credits arising from undue or excess payment of federal taxes. The amount of the contingency is R$ 654,926 (R$ 302,230 on December 31, 2013). The Company has assessed the chance of loss as 'possible', since it believes that it has met the requirements of the National Tax Code (*Código Tributário Nacional*, or CTN) – and also because it is awaiting a statement of position by the Tax Administration on the data presented.

The increase in the contingency is mainly the effect of the Dispatch by the Federal Tax Department which did not homologate offsettings made by the Company in relation to the PIS and Cofins taxes, alleging that certain financial revenues were directly related with the activities of the Company.

The probability of loss is assessed as 'possible', due to the Company having obtained a decision in favor, which became subject to no further appeal in 2012, in an Ordinary Action 0for recognition of unconstitutionality of application of PIS and Cofins taxes to revenues that did not originate from sales of merchandize or provision of services.

Corporate tax return – restitution and offsetting

The Company is a party in an administrative case involving requests for restitution and compensation of credits arising from tax carryforward balances indicated in the tax returns for the calendar years from 1997 to 2000, and also for excess payments identified by the corresponding tax payment receipts (known as DARFs and DCTFs). Due to completion of all appeals in the administrative sphere, an ordinary legal action has been filed, for the approximate total amount of R$ 432,260 (R$ 363,124 on December 31, 2013). The chances of loss in this action are assessed as 'possible', due to nullities in the conduct of the administrative proceedings and mistaken assumptions made by the inspectors in the administrative judgment.

The increase in the contingency arises mainly from inclusion of a charge payable in cases of debits inscribed in the receivable debt of the federal government that are the subject of tax execution.

Income tax withheld at sourced (IRRF) on capital gain in a stockholding transaction

The federal tax authority served an infringement notice on Cemig as party jointly responsible with its jointly-controlled subsidiary Parati S.A. Participações em Ativos de Energia Elétrica (Parati), relating to income tax withheld at source (*Imposto de Renda Retido na Fonte*, or IRRF) allegedly applicable to returns paid by reason of a capital gain in a stockholding transaction relating to the purchase by Parati of 100.00% of the equity interest held by Enlighted in Luce LLC (a company with head office in Delaware, USA), holder of 75.00% of the shares in the Luce Brasil equity investment fund (FIP Luce), which was indirect holder, through Luce Empreendimentos e Participações S.A., of approximately 13.03% of the total and voting stock of Light S.A. (Light). The amount of the contingency is approximately R$ 169,620, and the chances of loss have been assessed as 'possible'.

Social Contribution tax ('CSLL') on net income

The federal tax authority issued a claim for incorrect payment against the Company for the business years 2012 and 2013, alleging non-addition, or deduction, by the Company, of amounts relating to the following items in calculating the Social Contribution tax on Net income: (i) Taxes with liability suspended; (ii) donations and sponsorship (Law 8313/91); and (iii) fines for various alleged infringements. The amount of this contingency is R$ 203,010. The Company has classified the chances of loss as 'possible', in accordance with the analysis of the case law on the subject and because it has presented arguments with consistent grounds.

Regulatory matters

Contribution for Public Illumination (CIP)

The Company is defendant in several actions seeking declaration of nullity of the clause in the Electricity Supply Contracts for public illumination signed between the Company and the various municipalities of its concession area, and restitution by the Company of the difference representing the amounts charged in the last 20 years, in the event that the courts recognize that these amounts were unduly charged. The actions are grounded on a supposed mistake by Cemig in the estimate of time that was used for calculation of the consumption of electricity for public illumination, funded by the Public Lighting Contribution (*Contribuição para Iluminação Pública*, or CIP).

The Company has not constituted a provision for this action, the amount of which is estimated at R$ 1,457,337 (R$ 1,290,887 on December 31, 2013). It has assessed the chances of loss in this action as 'possible', due to the Consumer Defense Code (*Código de Defesa do Consumidor*, or CDC) not being applicable, because the matter is governed by the specific regulation of the electricity sector, and because Cemig complied with Aneel Resolutions 414 and 456, which deal with the subject.

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

In an action dating from August 2002, AES Sul Distribuidora has challenged in the courts the criteria for accounting of electricity sale transactions in the wholesale electricity market (*Mercado Atacadista de Energia*, or MAE, precursor of the present Electricity Trading Chamber – *Câmara de Comercialização de Energia Elétrica*, or CCEE) during the period of rationing in 2001–02. AES obtained a judgment in its favor in February 2006, which ordered Aneel and the CCEE to comply with AES's claim, and recalculate the settlement of the transactions during the rationing period leaving out of account Aneel's Dispatch No. 288 of 2002. This was to be put into effect in the CCEE as from November 2008, resulting in an additional disbursement for Cemig, referring to the expense on purchase of energy in the spot market on the CCEE, in the approximate amount of R$ 195,470 (R$ 146,057 on December 31, 2013). On November 9, 2008 the Company obtained an interim remedy 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 is a unique action – no similar action having previously been judged – and because it deals with the General Agreement for the Electricity Sector, in which the Company has the full documentation to support its arguments.

System Service Charges (ESS) – Resolution issued by 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 dispatching of the thermal plants. Under the new criteria, the cost of the System Service Charges (*Encargos do Serviço do Sistema*, or ESS – paid by companies in relation to the need for security of power supply), which was previously prorated in full between Free Consumers and Distributors, was now to be prorated between all the agents participating in the National Grid System, including generators and traders.

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

The federal government filed an Interlocutory Appeal against the interim decision at the first instance, and the Regional Federal Appeal Court has begun its final judgment hearing on the matter.

As a result of the interim remedy, the Wholesale Trading Chamber (CCEE) carried out the financial settlement, as from April 2013, using the criteria prior to the said Resolution. The Company has thus recorded the costs of the ESS in accordance with the criteria for financial settlement published by the CCEE, excluding the effects of CNPE Resolution 3.

The amount of the contingency is approximately R$ 126,893 (R$ 108,893 on December 31, 2013). Based on the arguments and facts presented above, the Company's legal advisors have assessed the chances of loss in this contingency as 'possible'.

PPE assets in service

In August 2014 Aneel filed a notice of infringement alleged the Company had not met all the requirements for appropriation of costs in works and other procedures adopted and its compliance with the current legislation. This is a type of inspection and complaint that has never happened before, relating as it does to the Electricity Sector Property Control Manual. The amount of the contingency is R$ 59,081, on December 31, 2014. The Company has classified the chances of loss as 'possible', because it believes it has arguments of merit for legal defense. It has therefore not constituted a provision for this action.

Tariff increases

Exclusion of consumers inscribed as low-income

The Federal Public Attorneys' Office filed a class action against the Company and Aneel, to avoid exclusion of consumers from classification in the Low-income Residential Tariff sub-category, requesting an order for the Company to pay 200% of the amount allegedly paid in excess by consumers. Judgment was given in favor of the plaintiffs, but the Company and Aneel have filed an interlocutory appeal and await judgment. The amount of the contingency is approximately R$ 189,671 (R$ 142,496 on December 31, 2013). The Company has classified the chances of loss as 'possible' due to other favorable judgments on this theme.

The Periodic Tariff Review – Neutrality of Portion A

The Municipal Association for Protection of the Consumer and the Environment (*Associação Municipal de Proteção ao Consumidor e ao Meio Ambiente*, or Amprocom) filed a class action against the Company and against Aneel, for identification of all the consumers allegedly damaged in the processes of Periodic Review and Annual Adjustment of tariffs, in the period 2002 to 2009, and restitution, through credits on electricity bills, of any amounts unduly charged arising from not taking into account the effect of future variations in electricity consumption demand, in non-manageable components of costs ('Portion A'), and the allegedly undue inclusion of these gains in the manageable ('Portion B') costs of the distributor, causing economic/financial imbalance of the contract. This is an action that could affect all distribution concession holders, which could thus lead to a new Electricity Sector Agreement. The estimated amount of the contingency is R$ 233,812 (R$ 182,451 on December 31, 2013). The Company has classified the chance of loss as 'possible', because it believes it has arguments of merit for legal defense and therefore has not made a provision for this action.

Environmental

Environmental effects arising from construction of power plants

An environmental association, in a class action, has claimed indemnity for supposed collective environmental damages as a result of the construction and operation of the *Nova Ponte* Hydroelectric Plant.

Due to the changes made in the environmental legislation and the trend toward a consensus in case law, the Company has re-evaluated the amounts and probabilities of loss on the claims in this action from: R$ 253,706, with chance of loss 'possible', and R$ 807,356 with chance of loss 'remote', comprising a total of R$ 1,061,062 (R$ 1,800,804 on December 31, 2013). The Company believes it has arguments of merit for legal defense, and the adversary party has not demonstrated elements to prove its arguments, which will result in the need for an expert witness proof to corroborate them.

The Public Attorneys' Office of the State of Minas Gerais has brought civil public actions requiring the Company to invest at least 0.5% of the gross operational revenue of the *Itutinga, Miranda, Nova Ponte, Rio de Pedras, Peti* and *Salto Grande* plants, since 1997, in environmental protection and preservation of the water tables of the municipalities where those plants are located, with proportional indemnity for allegedly irreparable environmental damage caused, arising from alleged omission to comply with Minas Gerais State Law 12503/97. The Company has filed appeals to the Higher Appeal Court (*Superior Tribunal de Justiça* – STJ) and to the Federal Supreme Court (*Supremo Tribunal Federal* – STF). No provision has been constituted. The estimated amount of the contingency is R$ 76.844 (R$ 107,697 on December 31, 2013).

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 probability of loss in this dispute as 'possible'. The estimated value of the contingency is R$ 23,864.

Other contingent liabilities

Early settlement of the CRC (Earnings Compensation) Account

The Company is a party in an administrative proceeding before the Audit Court of the State of Minas Gerais which challenges (i) a difference of amounts relating to the discount offered by Cemig for early repayment of the credit owed to Cemig by the State under the Receivables Assignment Contract in relation to the CRC Account (*Conta de Resultados a Compensar*, or Earnings Compensation Account) – this payment was completed in the first quarter of 2013 – and also (ii) possible undue financial burden on the State after the signature of the Amendments that aimed to re-establish the economic and financial balance of the Contract. The amount of the contingency is approximately R$ 327,530, and the Company believes that it has met the legal requirements, having based its actions on the Opinion of the Public Attorneys' Office of the Audit Board of the State of Minas Gerais. Thus, it has assessed the chances of loss as 'possible', since it believes that the adjustment was made in faithful obedience to the legislation applicable to the case.

Alleged breach of contract

The Company is a party in disputes alleging losses suffered as a result of supposed breach of contract at the time of implementation of part of the rural electrification program known as the *Luz Para Todos* ('Light for Everyone') Program. The estimated amount is R$ 183,257 (R$ 155,150 on December 31, 2013) and no provision has been made. The Company has classified the chances of loss as 'possible' as a result of the analysis that has been made of the argument and documentation used by the contracted parties in attempting to make the Company liable for any losses that allegedly occurred.

The Company is also a party in other disputes arising from alleged non-compliance with contracts in the normal course of business, for an estimated total of R$ 25,311.

Irregularities in competitive tender proceedings

The Company is a party in a dispute alleging irregularities in competitive tender proceedings, governed by an online invitation to bid. The estimated amount is R$ 39,325, and no provision has been made. The Company has classified the chances of loss as 'possible', after analysis of the case law on this subject.

23. EQUITY AND REMUNERATION TO SHAREHOLDERS

The Company's registered share capital on December 31, 2014 is R$ 6,294,208, in 420,764,708 common shares and 838,076,946 preferred shares, all with nominal value of R$ 5.00, as follows:

Shareholders	Number of shares in 2014					
	Common	%	Preferred	%	TOTAL	%
State of Minas Gerais	214,414,739	51	-	-	214,414,739	17
Other entities of Minas Gerais State	56,703	-	79,001,657	9	79,058,360	7
AGC Energia S.A.	138,700,848	33	42,671,763	5	181,372,611	15
Others						
In Brazil	57,399,306	14	129,586,308	16	186,985,614	14
Rest of world	10,193,112	2	586,817,218	70	597,010,330	47
Total	**420,764,708**	**100**	**838,076,946**	**100**	**1,258,841,654**	**100**

Shareholders	Number of shares in 2013					
	Common	%	Preferred	%	TOTAL	%
State of Minas Gerais	214,414,739	51	65,965,387	8	280,380,126	22
Other entities of Minas Gerais State	56,703	-	13,036,270	2	13,092,973	1
AGC Energia S.A.	138,700,848	33	42,671,763	5	181,372,611	15
Others						
In Brazil	55,080,872	13	209,157,483	25	264,238,355	21
Rest of world	12,511,546	3	507,246,043	60	519,757,589	41
Total	**420,764,708**	**100**	**838,076,946**	**100**	**1,258,841,654**	**100**

Earnings per share

The number of shares used in the calculation of basic profit and diluted profit per share, including the effect of the issuance of new shares, is as follows:

Number of shares	2014	2013
Common shares	420,764,708	420,764,708
Preferred shares	838,076,946	838,076,946
	1,258,841,654	1,258,841,654
Held in Treasury	(560,718)	(536,655)
Total	**1,258,280,936**	**1,258,304,999**

The Company does not have any dilutive instruments; each class of share carries an equal share in profits.

The following is the calculation of the basic and diluted profit per share:

	2014	2013
Net income (A)	3,136,639	3,103,855
Total number of shares (B)	1,258,280,936	1,258,304,999
Basic and diluted profit per share (A/B) (R$)	**2.49**	**2.47**

Shareholders' agreement

On August 1, 2011, the government of Minas Gerais State signed a Stockholders' Agreement with AGC Energia S.A., with BNDES Participações S.A. as consenting party, valid for 15 years. The agreement maintains the State of Minas Gerais as dominant, sole and sovereign controlling stockholder of the Company, and attributes to AGC Energia certain prerogatives for the purpose of contributing to the sustainable growth of the Company, among other provisions.

(b) Reserves

The account lines Capital reserves and Profit reserves are made up as follows:

Capital reserves and shares in Treasury	2014	2013
Investment-related subsidies	1,856,628	1,856,628
Goodwill on issuance of shares	69,230	69,230
Monetary updating of capital	7	7
Shares in Treasury	(1,362)	(1,132)
	1,924,503	**1,924,733**

The Reserve for investment-related donations and subsidies basically refers to the compensation by the federal government for the difference between the profitability obtained by Cemig up to March 1993 and the minimum return guaranteed by the legislation in effect at the time.

The reserve for treasury shares refers to the pass-through by Finor of shares arising from funds applied in Cemig projects in the area covered by Sudene (the Development Agency for the Northeast) under tax incentive programs.

Profit reserves	2014	2013
Legal reserve	853,018	853,018
Reserve under the by-laws	57,214	2,861,214
Retained earnings reserve	1,654,566	71,122
Tax incentives reserve	29,070	-
Proposal for distribution of additional dividends	-	54,528
	2,593,868	**3,839,882**

Legal reserve

Constitution of the Legal reserve is obligatory, 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. The Company did not deposit in the Legal Reserve in 2014 due to its having reached its legal limit.

Reserve under by-laws

The Reserve under the by-laws is for future payment of extraordinary dividends, in accordance with Article 28 of the by-laws.

Retained earnings reserve

The Retained Earnings Reserves are for profits not distributed in previous years, to guarantee execution of the Company's Investment Program, and amortizations of loans and financings planned for the 2015 business year. The retentions are supported by capital budgets approved by the Board of Directors in the periods in question.

Tax Incentives Reserve

By its Decision Dispatch of July 21, 2014, the Brazilian federal tax authority (*Receita Federal*) recognized the Company's right to reduction of 75% in income tax, including the tax paid at the additional rate, calculated on the basis of the operational profit in the region of Sudene (the Development Agency for the Northeast), for 10 years starting in 2014. The amount of the tax incentive gain recorded was R$ 29,070.

(c) Dividends

Ordinary dividends

Under its by-laws, Cemig is required to pay to its stockholders, as obligatory dividends, 50% of the net profit of each business year.

The preferred shares have preference in the event of reimbursement of capital and participate in profits on the same conditions as the common shares. They have the right to a minimum annual dividend equal to the greater of:

(a) 10% of their par value and

(b) 3% of the portion of stockholders' equity that they represent.

Under the by-laws, Cemig's shares held by private individuals have the right to a minimum dividend of 6% per year on their par value in all years when Cemig does not obtain sufficient profits to pay dividends to its stockholders. This guarantee is given by the State of Minas Gerais by Article 9 of State Law 828 of December 14, 1951 and Article 1 of State Law 8796 of April 29, 1985.

Under the Company's by-laws, if the Company is able to pay dividends higher than the obligatory minimum dividend required for the preferred stockholders, and the remainder of net profit is sufficient to offer equal dividends for both the common and preferred shares, then the dividends per share will be the same for the holders of common shares and the holders of preferred shares. In all the periods presented, the Company has distributed equal dividends per share to the two classes of holders.

Dividends declared are paid in two equal installments, the first by June 30 and the second by December 30, of the year following the generation of the profit to which they refer. The Executive Board decides the location and processes of payment, subject to these periods.

The calculation of the dividends proposed for distribution to stockholders for 2014 is as follows:

Calculation of the Minimum Dividend required by the Bylaws for the preferred shares	Holding company 2014	Holding company 2013
Nominal value of the preferred shares	4,190,385	4,190,385
Percentage applied to the nominal value of the preferred shares	10.00%	10.00%
Amount of the dividends by the First payment criterion	419,039	419,039
Equity	11,280,911	12,638,357
Preferred shares as a percentage of Equity (net of shares held in Treasury)	66.58%	66.58%
Portion of Equity represented by the preferred shares	7,510,831	8,414,618
Percentage applied to the portion of Equity represented by the preferred shares	3.00%	3.00%
Amount of the dividends by the Second payment criterion	225,325	252,439
Calculation of the Minimum Dividends required by the Bylaws for the preferred shares	419,039	419,039
Obligatory Dividend		
Net profit for the year	3,136,639	3,103,855
Obligatory dividend – 50.00% of net income		
Income tax withheld at source on Interest on Equity	1,568,320	1,551,928
Total dividends recorded as of December 31, 2014	26,313	49,146
	1,594,633	1,601,074
Dividends proposed by management to the Annual General Meeting		
Interest on Equity		
Ordinary dividends	230,000	533,149
	567,317	1,067,925
	797,317	1,601,074
Additional dividends proposed	-	54,528
Total dividends (net of withholding Income tax on Interest on Equity)	797,317	1,655,602
Total of the dividend for the preferred shares	530,854	1,069,273
Total of the dividend for the common shares	66,463	537,183
Dividends per share – R$		
Minimum Dividends required by the by-laws for the preferred shares	0.50	0.50
Obligatory Dividend	1.27	1.27
Dividends proposed (net of withholding Income tax on Interest on Equity)	0.63	1.32

In December 2014 the Company declared payment of Interest on Equity, on account of the calculation of the obligatory dividend for 2014, in the amount of R$ 230,000, corresponding to R$ 0.18 per share – this results in a tax benefit of R$ 78,200.

Allocation of Net income for 2014 – Proposal by management

The Board of Directors will propose to the Annual General Meeting, to be held by April 30, 2015, that the profit for 2014, in the amount of R$ 3,136,639, and the balance of retained earnings, of R$ 70,508, should be allocated as follows:

- R$ 797,317 to be paid as minimum obligatory dividend to the stockholders of the Company, as follows:

Av. Barbacena 1200 Santo Agostinho 30190-131 Belo Horizonte, MG Brazil Tel.: +55 31 3506-5024 Fax +55 31 3506-5026

– R$ 230,000 in the form of Interest on Equity, in two equal installments by June 30 and December 30, 2015 to stockholders whose names were on the Company's nominal share registry on December 26, 2014.

– R$ 567,317 as dividends for 2014, to be paid by December 30, 2015 to stockholders whose names are on the Company's nominal share registry on the date on which the Annual General Meeting is held.

- R$ 797, 316 to be held in in Stockholders' equity in the Reserve for obligatory dividends not distributed, to be paid as and when the Company's financial situation permits;
- R$ 1,583,443 to be held in Stockholders' equity in the Retained earnings reserve, to guarantee the Company's consolidated investments planned for the 2015 business year, in accordance with a capital budget; and
- R$ 29,070 million to be held in Stockholders' equity in the Tax incentives reserve, in reference to the tax incentive amounts obtained in 2014 in relation to the investments made in the region of Sudene.

Extraordinary dividends

Cemig's Bylaws establish that, without prejudice to the obligatory dividend, every two years, or more frequently if the Company's cash position permits, the Company will use the specific profit reserve for the distribution of extraordinary dividends, up to the limit of cash available, as decided by the Board of Directors, always complying with the Company's Strategic Guidelines Plan and the dividend policy specified in that plan.

In a meeting held on June 27, 2014, the Board of Directors decided to pay extraordinary dividends in the amount of R$ 1,704,000, corresponding to R$ 1.35 per share.

The payment of the dividends was made in two portions, as to: R$ 1,100,000, corresponding to R$ 0.87 per share, paid in July 2014; and R$ 604,000, corresponding to R$ 0.48 per share, paid in September 2014.

In a meeting held on November 7, 2014, the Board of Directors decided to pay extraordinary dividends in the amount of R$ 1,100,000, corresponding to R$ 0.87 per share.

(d) Adjustments to Stockholders' equity

Adjustments to Stockholders' equity	Consolidated	
	2014	2013
Adjustments to Actuarial liabilities – Employee benefits	(14,223)	(6,154)
Comprehensive income in subsidiary and jointly-controlled subsidiary		
Deemed cost of PP&E	779,739	850,247
Cumulative translation adjustments	26,706	17,498
Adjustments to Actuarial liabilities – Employee benefits	(324,300)	(281,770)
Cash flow hedge instruments	410	(287)
	482,555	585,688
Equity valuation adjustments	**468,332**	**579,534**

Cumulative Translation Adjustments refer to the foreign exchange variance incurred upon conversion and consolidation of Transchile's financial statements, based on the period-end exchange rates. This difference is posted directly in this account of Equity.

The amounts recorded as *Deemed cost* for the generation assets reflects the new valuation of the generation assets in which fair value is defined as replacement cost in the initial adoption of IFRS on January 1, 2009. The new valuation of the generation assets resulted in an increase in their value, posted in the specific account in Stockholders' equity, net of tax effects.

24. REVENUE

	Consolidated	
	2014	2013
Revenue from supply of electricity (a)	17,232,105	14,741,288
Revenue from use of the electricity distribution systems (TUSD) (b)	854,945	1,007,802
CVA and Other financial components in tariff increases (c)	1,106,675	-
Transmission revenue		
Transmission concession revenue (d)	556,633	404,040
Transmission construction revenue (e)	80,358	91,176
Transmission indemnity revenue (f)	420,013	20,673
Distribution construction revenue (e)	861,437	883,801
Transactions in electricity on the CCEE (g)	2,348,483	1,193,262
Other operating revenues (h)	1,704,609	1,047,583
Deductions from Revenue (i)	(5,625,680)	(4,762,345)
Net operating revenue	**19,539,578**	**14,627,280**

Av. Barbacena 1200 Santo Agostinho 30190-131 Belo Horizonte, MG Brazil Tel.: +55 31 3506-5024 Fax +55 31 3506-5026

a) Revenue from supply of electricity

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

	MWh (1)		R$	
	2014	2013	2014	2013
Residential	10,013,757	9,473,426	5,183,149	4,517,613
Industrial	26,025,584	23,451,590	4,793,414	4,023,309
Commercial, Services and Others	6,395,473	6,035,454	2,785,659	2,354,195
Rural	3,390,096	3,028,459	908,436	740,809
Public authorities	891,454	860,709	381,144	328,240
Public illumination	1,298,047	1,267,202	357,892	310,770
Public service	1,272,365	1,241,897	368,136	319,661
Subtotal	**49,286,776**	**45,358,737**	**14,777,830**	**12,594,597**
Own consumption	37,590	35,162	-	-
Uninvoiced supply , net	-	-	144,162	2,670
	49,324,366	**45,393,899**	**14,921,992**	**12,597,267**
Wholesale supply to other concession holders (2)	14,146,109	16,127,376	2,251,431	2,127,114
Supply not yet invoiced, net	-	-	58,682	16,907
Total	**63,470,475**	**61,521,275**	**17,232,105**	**14,741,288**

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

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

A significant part of the large industrial consumers in the concession areas of Cemig D are now 'Free Consumers' – energy is sold to them by the Cemig group's generation and transmission company, Cemig GT, as well as by other generators. When these users became Free Consumers, they began to pay separate charges for use of the distribution network. This line ("TUSD") records those charges.

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

The gains arising from variations in the CVA account (Parcel A Cost Variations Compensation Account) and Other Financial Components, used in calculation of tariffs, were recognized based on amendments to the distribution concession contracts, made on December 10, 2014. Due to recognition prospectively, in accordance with Technical Orientation OCPC 08, the amounts recognized initially arise from balances constituted at the time of the last tariff adjustment and not yet amortized, and also from amounts constituted in the current period to be homologated in the next tariff period.

d) Transmission concession revenue and Indemnity Revenue

Transmission Revenue comprises the following:

- Concession Transmission Revenue, which includes the portion received from agents of the electricity sector relating to operation and maintenance of the transmission lines;

- Generation Connection System Revenue, arising from the transmission assets belonging to the generating units.

e) Construction Revenue

Construction Revenue is substantially offset by Construction costs, and corresponds to the Company's investments in assets of the concession in the period. In certain projects, it also includes the profit margin involved in the operation.

f) Transmission indemnity revenue

In June 2014 the Company made a reversal of R$ 63,315 to a provision made in 2012, relating to the investments in transmission made in the period May through December 2012, which were included in the Valuation Opinion filed with Aneel on July 31, 2014. This provision was made at that time due to the uncertainties relating to the process of deciding the indemnity of the assets relating to that period.

In December 2014 the Company recorded in the profit and loss account for the year the difference between the amount of the Valuation Opinion preliminarily inspected by Aneel, which corresponds to an indemnity of R$ 953,601 (net of the R$ 285,438 already received) in relation to the book value of R$ 596,903, which corresponded to a gain of R$ 356,698. For more information please see Explanatory Note 13.

g) Revenue from transactions in electricity on the CCEE (Wholesale Trading Chamber)

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

h) Other operational revenues

	Consolidated	
	2014	2013
Supply of gas	422,379	-
Charged services	11,136	9,793
Telecoms services	134,672	126,638
Services rendered	117,767	122,570
Subsidy (*)	790,011	672,562
Rental and leasing	80,707	57,395
Others	147,937	58,625
	1,704,609	**1,047,583**

(*) Revenue recognized for the tariff subsidies applicable to users of distribution services, reimbursed by Eletrobras.

i) Deductions from Revenue

	Consolidated	
	2014	2013
Taxes on revenue		
ICMS tax	3,198,088	2,780,450
Cofins tax	1,627,642	1,300,636
PIS and Pasep taxes	353,333	282,356
Others	5,710	4,785
	5,184,773	4,368,227
Charges to the consumer		
Global Reversion Reserve (RGR)	38,563	69,651
Energy Efficiency Program (P.E.E.)	46,922	39,817
Energy Development Account – CDE	211,132	131,987
Quota for the Fuel Consumption Account – CCC	-	25,487
Research and Development (P&D)	48,506	40,656
National Scientific and Technological Development Fund – FNDCT	48,363	33,003
Energy system expansion research – EPE/MME	24,249	18,287
Consumer charges – Proinfa alternative sources program	28,786	27,000
0.30% additional payment (Law 12111/09) (1)	(5,614)	8,230
	440,907	394,118
	5,625,680	**4,762,345**

(1) Reimbursement recognized by the Company in first quarter 2014, as per Official Letter 782/2013 authorized by Aneel, due to excess payment.

25. OPERATING COSTS AND EXPENSES

	Consolidated		Holding company	
	2014	2013	2014	2013
Personnel (a)	1,252,458	1,284,082	30,314	52,612
Employees' and managers' profit shares	249,369	221,399	8,893	13,486
Post-Retirement Liabilities	211,916	175,407	11,068	16,758
Materials	98,660	67,298	472	494
Raw materials and inputs for production of electricity	282,447	55,597	-	-
Outsourced services (b)	953,033	916,990	18,814	17,586
Electricity bought for resale (c)	7,428,381	5,207,283	-	-
Depreciation and amortization	800,918	823,668	522	491
Royalties for use of water resources	127,200	130,895	-	-
Provisions (reversals) for operational losses (d)	580,720	305,239	190,000	(27,866)
Charges for the use of the national grid	744,431	575,050	-	-
Gas purchased for resale	254,488	-	-	-
Construction costs (e)	941,795	974,977	-	-
Other operational expenses, net (f)	,524,793	494,071	25,324	37,261
	14,450,609	**11,231,956**	**285,407**	**110,822**

a) Personnel expenses

	Consolidated		Holding company	
	2014	2013	2014	2013
Remuneration and salary-related charges and expenses	1,098,265	1,038,555	40,198	41,531
Supplementary pension contributions – Defined-contribution plan	80,132	77,058	4,858	5,210
Assistance benefits	143,708	140,291	3,219	3,980
	1,322,105	1,255,904	48,275	50,721
Voluntary retirement program	3,871	78,034	247	3,168
(-) Personnel costs transferred to Works in progress	(73,518)	(49,856)	(18,208)	(1,277)
	(69,647)	28,178	(17,961)	1,891
	1,252,458	**1,284,082**	**30,314**	**52,612**

b) Outsourced services

	Consolidated		Holding company	
	2014	2013	2014	2013
Collection / Meter reading / Bill delivery Agents	183,727	183,134	-	-
Communication	66,950	63,385	715	775
Maintenance and conservation of electrical facilities and equipment	230,152	207,756	41	93
Building conservation and cleaning	91,267	86,909	187	395
Contracted labor	6,932	16,974	-	21
Freight and airfares	10,948	8,001	2,070	1,979
Accommodation and meals	18,212	14,693	489	412
Security services	26,233	22,631	-	-
Consultancy	23,944	20,944	5,805	3,707
Maintenance and conservation of furniture and utensils	36,571	37,883	582	4,901
Maintenance and conservation of vehicles	11,800	9,426	43	26
Disconnection and reconnection	19,277	17,325	-	-
Environment	28,648	27,294	-	-
Legal services and procedural costs	30,858	32,359	5,814	2,381
Tree pruning	22,890	23,748	-	-
Cleaning of power line pathways	28,735	31,754	-	-
Copyng and legal publications	8,768	9,170	492	505
Inspection of consumer units	4,365	5,232	-	-
Printing of tax invoices and electricity bills	5,110	6,507	-	-
Aircraft maintenance	438	940	19	903
Other	97,208	90,925	2,557	1,488
	953,033	**916,990**	**18,814**	**17,586**

c) Electricity purchased for resale

	Consolidated	
	2014	2013
From Itaipu Binacional	830,140	1,015,530
Physical guarantee quota contracts	220,585	226,140
Quotas of Angra I and II nuclear plants	179,395	160,413
Spot market	1,263,281	303,564
Proinfa Program	261,782	255,535
‘Bilateral’ contracts	380,328	333,451
Electricity acquired in Regulated Market auctions	3,241,522	2,121,040
Electricity acquired in the Free Market	1,762,132	1,285,471
Credits of Pasep and Cofins taxes	(710,784)	(493,861)
	7,428,381	**5,207,283**

d) Operating provisions (reversals)

	Consolidated		Holding company	
	2014	2013	2014	2013
Allowance for doubtful receivables	128,459	121,005	-	-
Contingency provisions (reversals)				
Employment-law cases	242,107	171,181	24,736	5,969
Civil cases	6,053	(15,534)	(8,554)	(6,877)
Tax	12,572	(5,380)	4,332	(21,138)
Environmental	36	(4,197)	37	(708)
Regulatory	(14,431)	16,287	2,683	(3,468)
Others	11,095	21,877	965	(1,644)
	257,432	**184,234**	**24,199**	**(27,866)**
Provision for losses on investments				
Put option - Parati (Note 14)	165,801	-	165,801	-
Put option - SAAG (Note 14)	29,028	-	-	-
	580,720	**305,239**	**190,000**	**(27,866)**

e) Construction cost

	Consolidated	
	2014	2013
Personnel and managers	60,220	51,738
Materials	414,647	387,345
Outsourced services	384,706	460,590
Others	82,222	75,304
	941,795	**974,977**

f) Other operating expenses, net

	Consolidated		Holding company	
	2014	2013	2014	2013
Leasing and rentals	112.358	104.091	377	4.948
Advertising	18.749	43.044	1.300	1.532
Own consumption of electricity	16.654	12.901	-	-
Subsidies and donations	49.929	40.283	2.003	2.414
Aneel inspection charge	36.476	39.494	-	-
Paid concession	22.855	21.802	-	-
Taxes and charges (IPTU, IPVA and others)	106.871	85.143	265	200
Insurance	8.627	8.159	3.276	2.809
CCEE annual charge	7.167	8.170	2	3
Net loss on deactivation and disposal of assets	99.913	83.405	32	1
Forluz – Administrative running cost	22.162	22.304	1.089	1.096
Support and sponsorships	6.140	8.368	327	570
Property and use rights	5.028	4.835	-	-
Indemnities – legal	1.323	4.081	-	-
Expense on O&M (*)	7.865	-	-	-
Other (Recovery of) expenses	2.676	7.991	16.653	23.688
	524.793	**494.071**	**25.324**	**37.261**

(*) Cost arising from consolidation of Gasmig as from October 2014.

<u>Operating Leases</u>

The Company has operational leasing contracts relating, mainly, to vehicles and buildings used in its operational activities. Their amounts are not material in relation to the Company's total costs.

26. FINANCIAL REVENUE AND EXPENSES

	Consolidated		Holding company	
	2014	2013	2014	2013
FINANCIAL REVENUES				
Income from cash investments	298,175	299,757	53,665	89,733
Late charges on overdue electricity bills	166,245	158,762	-	-
Foreign exchange variations	15,121	16,568	7	1
Pasep and Cofins taxes charged on financial revenues	(37,563)	80,556	(37,563)	(46,227)
Gains on financial instruments	-	1,685	-	-
Monetary variations	53,043	-	13,022	-
Monetary updating on Court escrow deposits (Note 11)	-	209,433	-	3,501
Monetary updating of CRC Account	-	43,547	-	43,547
Net updating of the Financial assets of the concession	58,184	4,875	-	-
Contractual penalty payments	9,711	18,725	-	
Others	29,768	51,595	8,230	7,804
	592,684	**885,503**	**37,361**	**98,359**
FINANCIAL EXPENSES				
Costs of loans and financings	(,930,855)	(697,827)	-	(21,460)
Foreign exchange variations	(26,320)	(44,690)	(60)	(9)
Monetary updating – Loans and financings	(270,987)	(235,316)	-	-
Monetary updating – concession agreements	(17,131)	(24,571)	-	-
Charges and monetary updating on Post-retirement liabilities	(98,994)	(93,768)	(4,871)	(4,613)
Monetary updating – AFAC from Minas Gerais state government	(239,445)	-	(239,445)	
Others	(109,940)	(97,806)	(542)	(2,330)
	(1,693,672)	**(1,193,978)**	**(244,918)**	**(28,412)**
NET FINANCIAL REVENUE (EXPENSES)	**(1,100,988)**	**(308,475)**	**(207,557)**	**69,947**

The Pasep and Cofins expenses apply to Interest on Equity.

In 2013 Cemig received final judgment in its favor, against which there is no further appeal, in its action challenging the legality of §1º of Article 3 of Law 9718, of November 27, 1998, which had sought to expand the taxable calculation base for the Pasep and Cofins contributions on Financial revenue and Other non-operational revenues, in relation to the period 1999 through January 2004.

In a consequent decision authorization was given to transfer the credit to its subsidiaries, as to 51.93% for Cemig D, and 48.07% for Cemig GT, and for these credits to be used to offset other federal taxes. Of the total gain of R$ 313,100, R$ 127,429 was recognized as reversal of Pasep and Cofins, and R$ 185,671 as revenue from monetary updating.

27. RELATED PARTY TRANSACTIONS

The Company's principal balances and transactions with related parties, shown consolidated, are:

COMPANY	ASSETS		LIABILITIES		REVENUE		EXPENSES	
	31/12/2014	31/12/2013	31/12/2014	31/12/2013	31/12/2014	31/12/2013	31/12/2014	31/12/2013
Controlling shareholder								
MINAS GERAIS STATE GOVT.								
Current								
Consumers and Traders (3)	2,577	20,695	-	-	105,273	87,694	-	-
Financings – BDMG	-	-	1,187	1,016	-	-	(659)	(743)
Non-current								
Financings – BDMG	-	-	12,610	7,365	-	-	-	-
Debentures (4)	-	-	-	59,352	-	-	(30,201)	(6,595)
Jointly-controlled entities								
LIGHTGER								
Current								
Transactions in electricity (1)	-	-	-	-	-	-	(10,415)	(9,682)
TAESA								
Current								
Transactions in electricity (1)	-	-	4,126	3,253	-	-	(33,009)	(29,005)
Interest on Equity, and dividends	-	-	-	-	-	-	-	-
BAGUARI ENERGIA								
Current								
Transactions in electricity (1)	-	-	489	331	-	-	(5,993)	(5,591)
Interest on Equity, and dividends	20,183	5,968	-	-	-	-	-	-
EATE								
Current								
Transactions in electricity (1)	-	-	783	634	-	-	(6,087)	(5,429)
CENTROESTE DE MINAS								
Current								
Transactions in electricity (1)	-	-	63	-	-	-	(514)	-
Interest on Equity, and dividends	1,964	930	-	-	-	-	-	-
MADEIRA ENERGIA								
Transactions in electricity (1)	-	-	2,220	-	-	-	(123,818)	-
CACHOEIRÃO								
Current								
Interest on Equity, and dividends	1,993	2,014	-	-	-	-	-	-
PARATI								
Current								
Interest on Equity, and dividends	8,038	-	-	-	-	-	-	-
LIGHT								
Current								
Transactions in electricity (1)	230	530	153	1,139	8,731	19,512	-	-
Interest on Equity, and dividends	41,099	-	-	-	-	-	-	-
AXXIOM Soluções Tecnológicas								
Current								
Services (2)	-	-	1,553	-	-	-	(8,433)	-
Interest on Equity, and dividends	-	225	-	-	-	-	-	-
Other related parties								
FORLUZ								
Current								
Post-retirement benefits (5)	-	-	64,874	57,437	-	-	(98,994)	(101,346)
Personnel expenses (6)	-	-	-	-	-		(80,132)	(77,058)
Administrative running costs (7)	-	-	-	-	-	-	(22,160)	(22,302)
Operational leasing (8)	-	-	1,434	1,404	-	-	(17,286)	(16,684)
Non-current								
Post-retirement benefits (5)	-	-	734,614	750,302	-	-	-	-
CEMIG SAÚDE (HEALTH)								
Current								
Health Plan and Dental Plan (9)	-	-	74,497	67,775	-	-	(135,232)	(91,467)
Non-current								
Health Plan and Dental Plan (9)	-	-	1,077,634	972,622	-	-	-	-

Main material comments on the above transactions:

(1) Transactions in electricity between generators and distributors are through auctions organized by the federal government; transport of electricity by transmission companies takes place under the centralized operation of the National Electricity System Operator (ONS). These transactions thus take place on terms equivalent to those that prevail in arm's length transactions.

(2) Refers to obligations and expenses on development of management software.

(3) Refers to sale of electricity to the government of the State of Minas Gerais – transactions made on terms equivalent to those which prevail in the transactions with independent parties, considering that the price of the electricity is that defined by Aneel through a Resolution referring to the Company's annual tariff adjustment.
(4) Private issue of R$ 120,000 in non-convertible debentures, updated by the IGP–M inflation index, for completion of the Irapé hydroelectric plant, with redemption 25 years from the issue date. The contracts have been adjusted to present value, as per CPC12 (see Explanatory Note 19).
(5) The contracts of Forluz are updated by the Expanded Consumer Price Index (IPCA) calculated by the Brazilian Geography and Statistics Institute (*Instituto Brasileiro de Geografia e Estatística*, or IBGE) (See Explanatory Note 21) and will be amortized up to the business year of 2024.
(6) The Company's contributions to the pension fund for the employees participating in the Mixed Plan, and calculated on the monthly remuneration (see Explanatory Note 25), in accordance with the regulations of the Fund.
(7) 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.
(8) Rental of the head office building.
(9) Contribution by the sponsor to the employees' Health Plan and Dental Plan.

For more information on the principal transactions, please see Notes 8, 17 and 24.

Optional acquisition of debentures from Minas Gerais State

On December 30, 2014, Cemig GT exercised its option to acquire the totality of the debentures subscribed by Minas Gerais State that had been issued for the construction of the *Irapé* Hydroelectric plant. For more details please see Note 19.

Increase in equity interest

Andrade Gutierrez Participações S.A. transferred the interest comprising 83% of the total share capital and 49% of the voting shares of SAAG Investimentos S.A. to an equity investment fund in which Cemig GT is an investor. For more details please see Explanatory Note 14.

Guarantees and sureties for loans, financings and debentures

Cemig is provider of surety or guarantee of loans, financings and debentures of the following related parties – not consolidated in the financial statements because they relate to jointly-controlled subsidiaries or affiliated companies:

Related party	Relationship	Type	Object of guarantee	2014	Maturity
Light / Norte Energia S.A.	Jointly-controlled entity	Counter-guarantee	Financing	683,615	2042
Norte Energia S.A.	Affiliated	Surety	Financing	1,138,219	2042
Santo Antônio Energia S.A.	Jointly-controlled entity	Surety	Financing	988,412	2034
Santo Antônio Energia S.A.	Jointly-controlled entity	Surety	Debentures	316,528	2037
Guanhães	Jointly-controlled entity	Surety	Debentures	100,534	2014
Centroeste	Jointly-controlled entity	Surety	Financing	10,294	2023
				3,237,602	

At December 31, 2014, Management believes that there is no need to recognize any provisions in the Company's interim accounting statements for the purpose of meeting any obligations arising under these sureties and/or guarantees.

Av. Barbacena 1200 Santo Agostinho 30190-131 Belo Horizonte, MG Brazil Tel.: +55 31 3506-5024 Fax +55 31 3506-5026

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

Cemig and its subsidiaries and affiliates invest part of their financial resources in an exclusive investment fund, which has the characteristics of fixed income and obeys the Company's cash investment policy. The amounts invested by the fund are accounted under 'Securities' in current and non-current assets on December 31, 2014, in proportion to the interests held by the companies in the fund.

The funds applied in this investment fund 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 in securities of related parties, corresponding to the proportionate holding of the Cemig group in the investment fund, on December 31, 2014, are as follows:

Issuer of security	Type	Annual contractual conditions	Maturity	Cemig Holding Company 3.41%	Cemig GT 44.89%	Cemig D 7.08%	Other subsidiaries* 15.33% *
Axxiom	Debentures	109.00%% of the CDI Rate	29/01/2016	379	4,978	785	1,700
Cemig GT	Debentures	CDI + 0.75%	23/12/2016	1,709	22,463	3,543	7,670
Cemig GT	Debentures	CDI + 0.90%	15/02/2017	364	4,791	756	1,636
Cemig GT	Promissory Notes	106.85%% of CDI Rate	22/06/2015	724	9,519	1,501	3,250
ETAU	Debentures	108.00%% of CDI Rate	01/12/2019	345	4,533	715	1,548
Cemig Telecom	Promissory Notes	110.40%% of CDI Rate	14/12/2015	171	2,252	355	769
				3,692	**48,536**	**7,655**	**16,573**

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

Remuneration of key management personnel

The costs of key management personnel are recorded and paid, in full, by the holding company, and are shown in this table:

	2014	2013
Remuneration	9,126	8,692
Profit shares	2,568	2,450
Post-retirement benefits	993	930
Assistance benefits	270	129
Total	**12,957**	**12,201**

28. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The financial instruments of the Company and its subsidiaries are restricted to the following: Cash and cash equivalents; Securities; Consumers, Traders and Electricity transport concession holders; Financial assets of the concession related to infrastructure; Investments in infrastructure; Restrict cash; Escrow deposits in litigation; the CVA (Portion A Costs Variation Compensation) Account and Other Financial Components in tariff adjustments; Loans and financings; Concession obligations payable; Suppliers; and Post-employment obligations. The gains and losses on transactions are recorded in full in the profit and loss account for the business year or in Stockholders' equity, by the accrual method.

The Company's financial instruments and those of its subsidiaries are recorded at fair value and measured in accordance with the following classifications:

- *Loans and receivables* – This category contains: Cash equivalents; Credits receivable from consumers, Traders and Electricity transport concession holders; Restrict cash; the CVA account and Other Financial Components in calculation of tariffs; Escrow deposits in litigation; and Financial assets of the concession not covered by Law 12783/13 (Provisional Measure 579); and also Funds received from the Energy Development Account (CDE). They are recognized at their nominal realization value, which is similar to fair value.

- *Financial instruments measured at fair value through profit or loss* – In this category are: Securities; and Put options. They are valued at fair value and the gains or losses are recognized directly in the Profit and loss account.

- *Financial instruments held to maturity* – Securities are in this category, when there is a positive intention to hold them to maturity. They are measured at amortized cost, using the effective interest method.

- *Financial instruments available for sale* – In this category are: Financial assets of the Concession Related to Infrastructure covered by Provisional Measure 579. They are measured at New Replacement Value (*valor novo de reposição*, or VNR), equivalent to fair value at the reporting date.

- Non-derivative financial liabilities – In this category are: Loans and financings; Obligations under debentures; Debt agreed with the Pension Fund (Forluz); Concessions payable; Post-retirement obligations; and Suppliers. They are measured at amortized cost using the effective rates method. The Company has calculated the fair value of its Loans, financings and debentures using the CDI rate + 1.70% p.a. – based on its most recent funding. For the following, the Company considered fair value to be substantially equal to book value: Loans, financings and debentures with annual rates between IPCA + 6.00% to 7.96% and CDI + 0.69% to 1.70%. For the financings from the BNDES and Eletrobras, fair value is conceptually similar to book value, due to the specific characteristics of the transactions.

Av. Barbacena 1200 Santo Agostinho 30190-131 Belo Horizonte, MG Brazil Tel.: +55 31 3506-5024 Fax +55 31 3506-5026

Financial instrument categories	31/12/2014		31/12/2013	
	Book value	Fair value	Book value	Fair value
Financial assets:				
Loans and receivables				
Cash equivalents - Banks	88,767	88,767	74,713	74,713
Cash equivalents - Cash investments	798,376	798,376	2,127,114	2,127,114
Consumers and traders	2,344,578	2,344,578	2,092,038	2,092,038
Concession holders – Transport of electricity	253,743	253,743	248,808	248,808
Financial assets of the concession related to transmission infrastructure	1,272,986	1,272,986	779,135	779,135
Reimbursement of tariff subsidies, and Funding from the Energy Development Account (CDE)	344,896	344,896	174,613	174,613
Escrow Deposits In Litigation	1,534,805	1,534,805	1,180,274	1,180,274
Financial assets of distribution concession – CVA and Other financial components	1,106,675	1,106,675	-	-
Restricted cash	1,110	1,110	1,877	1,877
	7,745,936	**7,745,936**	**6,678,572**	**6,678,572**
Available for sale				
Financial assets of the concession related to distribution infrastructure	5,943,682	5,943,682	5,063,802	5,063,802
Held to maturity				
Securities	110,629	109,621	385,582	384,755
Measured at fair value through profit or loss:				
Held for trading				
Securities	900,643	900,643	637,712	637,712
Financial liabilities:				
Fair value through profit or loss:				
Put options	194,829	194,829	-	
Valued at amortized cost				
Suppliers	1,603,716	1,603,716	1,066,358	1,066,358
Loans, financings and debentures	13,508,738	13,240,742	9,457,364	9,620,195
Concessions payable	178,537	223,220	172,395	267,000
Debt agreed with pension fund (Forluz)	799,487	799,487	807,739	807,739
	16,090,478	**16,867,165**	**11,503,856**	**11,761,292**

Risks Management

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

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

A key aim of the Financial Risks Management Committee is to give predictability to the Company's cash flow and position for a maximum of 12 months, taking into account the economic scenario published by a firm of external consultants.

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

Av. Barbacena 1200 Santo Agostinho 30190-131 Belo Horizonte, MG Brazil Tel.: +55 31 3506-5024 Fax +55 31 3506-5026

Exchange rate risk

Cemig and its subsidiaries are exposed to the risk of increase in exchange rates, especially of the US dollar against the Real, with significant impact on indebtedness, profit and cash flow.

This table gives the net exposure to exchange rates:

Exposure to exchange rates	2014		2013	
	Foreign currency	R$	Foreign currency	R$
US dollar				
Loans and financings (Note 19)	9,244	24,555	16,975	39,765
Suppliers (Itaipu Binacional)	57,433	148,864	76,982	179,924
	66,677	173,419	93,957	219,689
Euro				
Loans and financings – Euro (Note 19)	4,581	14,782	1,974	6,384
Net liabilities exposed		**188,201**		**226,073**

(*) BNDES monetary unit – reflects the weighted average of the FX variations in the BNDES Basket of Currencies.

Sensitivity analysis

Based on its financial consultants, the Company estimates that in a probable scenario, the variation in foreign currencies in relation to the Real at December 31, 2015 will be an appreciation of the dollar by 12.95%, for the dollar, to R$ 3.00; and against the Euro a depreciation of 2.26%, to R$ 3.30. The Company has made a sensitivity analysis of the effects on the Company's profit arising from depreciation of the Real exchange rate by 25%, and by 50%, in relation to this 'probable' scenario, naming these scenarios 'possible' and 'remote' respectively.

Risk: foreign exchange rate exposure	Base scenario Dec. 31, 2014	'Probable' scenario	'Possible' scenario: FX depreciation 25%	'Remote' scenario: FX depreciation 50%
US dollar				
Loans and financings (Note 19)	24,555	27,734	34,668	41,601
Suppliers (Itaipu Binacional)	148,864	168,137	210,171	252,206
	173,419	195,871	244,839	293,807
Euro				
Loans and financings (Note 19)	14,782	15,116	18,895	22,675
Net liabilities exposed	**188,201**	**210,987**	**263,734**	**316,482**
Net effect of exchange rate variation		**22,787**	**75,534**	**128,282**

Interest rate risk

Cemig and its subsidiaries are exposed to the risk of increase in international interest rates, affecting loans and financings in foreign currency with floating interest rates (principally Libor), in the amount of R$ 48,717 (R$ 50,511 on December 31, 2013).

The Company is exposed to the risk of increase in domestic Brazilian interest rates through its net liabilities, indexed to the variations in the Selic and CDI rates, as follows:

Exposure to changes in domestic interest rates	Consolidated	
	2014	2013
Assets		
Cash equivalents – Cash investments (note 6)	798,376	2,127,114
Securities (Note 7)	1,011,272	1,023,294
Restricted cash	1,110	1,877
CVA and Other financial components in tariffs – Selic rate * (Note 13)	1,106,675	-
	2,917,433	3,152,285
Liabilities		
Loans, financings and debentures – CDI rate (Note 19)	(8,633,982)	(3,944,258)
Loans, financings and debentures – TJLP rate (Note 19)	(318,537)	(141,741)
	(8,952,519)	(4,085,999)
Net liabilities exposed	**(6,035,086)**	**(933,714)**

(*) Amounts of CVA and Other financial components, indexed to the Selic rate.

<u>Sensitivity analysis</u>

The Company estimates that, in a probable scenario, on December 31, 2015 the Selic rate will be 13.25% p.a. and the TJLP will be 6.50% p.a. The Company has made a sensitivity analysis of the effects on its profit arising from increases in rates of 25% and 50% in relation to this 'probable' scenario. Variation in the CDI rate accompanies the variation in the Selic rate.

Estimation of the scenarios for the path of interest rates will consider the projection of the Company's scenarios, based on its financial consultants.

Risk: Increase in Brazilian interest rates	31/12/2014	December 31, 2015		
	Book value	'Probable' scenario Selic 13.25% TJLP 6.50%	'Possible' scenario Selic 16.56% TJLP 8.13%	'Remote' Scenario Selic 19.88% TJLP 9.75%
Assets				
Cash investments (Note 6)	798,376	904,161	930,587	957,093
Securities (Note 7)	1,011,272	1,145,266	1,178,739	1,212,313
Restricted cash	1,110	1,257	1,294	1,331
CVA and Other financial components of tariff – Selic rate	1,106,675	1,253,309	1,289,940	1,326,682
	2,917,433	3,303,993	3,400,560	3,497,419
Liabilities				
Loans and financings – CDI rate (Note 19)	(8,633,982)	(9,777,985)	(10,063,769)	(10,350,418)
Loans and financings – TJLP rate (Note 19)	(318,537)	(339,242)	(344,434)	(349,594)
	(8,952,519)	(10,117,227)	(10,408,203)	(10,700,012)
Net assets (liabilities) exposed	**(6,035,086)**	**(6,813,234)**	**(7,007,643)**	**(7,202,593)**
Net effect of variation in interest rates		**(778,148)**	**(972,557)**	**(1,167,507)**

Risk of increase in inflation

The Company has assets indexed to inflation in amounts higher than its liabilities, on December 31, 2014, as follows:

Risk: Exposure to increase in inflation	2014	2013
Assets		
Financial assets of the concession related to infrastructure – IGP-M index (note 13)*	5,369,722	5,597,390
Liabilities		
Loans, financings and debentures – IPCA index (Note 19)	(4,257,601)	(4,500,896)
Loans, financings and debentures – IGP-M index (Note 19)	-	(483,524)
	(4,257,601)	(4,984,420)
Net assets exposed	**1,112,121**	**612,970**

(*) Value of the Financial assets of the concession homologated by Aneel in Dispatch 729 of March 25, 2014.

Sensitivity analysis

In relation to the most significant risk of increase in inflation, the Company estimates that, in a probable scenario, on December 31, 2015 the IPCA inflation index will be 7.83%. The Company has made a sensitivity analysis of the effects on its profit arising from increases in inflation of 25% and 50% in relation to the 'probable' scenario, naming these the 'possible' and 'remote' scenarios, respectively.

Risk: increase in Brazilian inflation	31/12/2014	December 31, 2015		
	Book value	'Probable' scenario IPCA 7.83% IGP-M 6.16%	'Possible' scenario IPCA 9.79% IGP-M 7.70%	'Remote' scenario IPCA 11.75% IGP-M 9.24%
Assets				
Financial assets of the concession related to infrastructure– IGP-M index (note 14)	5,369,722	5,700,497	5,783,191	5,865,884
Liabilities				
Loans, financings and debentures – IPCA index (Note 19)	(4,257,601)	(4,590,971)	(4,674,420)	(4,757,869)
Net assets exposed	**1,112,121**	**1,109,526**	**1,108,771**	**1,108,015**
Net effect of variation in IPCA and IGP–M indices		**(2,595)**	**(3,350)**	**(4,106)**

Liquidity risk

Cemig has sufficient cash flow to cover its cash requirements related to its operational activities.

The Company manages liquidity risk with a group of methods, procedures and instruments that are coherent with the complexity of the business, and applied in permanent control of the financial processes, to guarantee appropriate risk management.

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

Av. Barbacena 1200 Santo Agostinho 30190-131 Belo Horizonte, MG Brazil Tel.: +55 31 3506-5024 Fax +55 31 3506-5026

Short-term investments must comply with certain rigid investing principles established in the Company's Cash Investment Policy, which was approved by the Financial Risks Management Committee. These include applying its resources in exclusive 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 on its investment transactions through performing a rigid analysis of financial institutions' credit, obeying operational limits with banks based on assessments that take into account the financial institutions' ratings, risk exposures and equity position. It also seeks greater returns on investments by strategically investing in securities with longer investment maturities, while bearing in mind the Company's minimum liquidity control requirements.

The greater part of the electricity produced by the Company is generated by hydroelectric plants.

A prolonged period of scarce rainfall can result in lower water volumes in the plants' reservoirs, possibly causing losses due to increased costs of purchasing electricity, due to replacement by thermoelectric generation, or reduction of revenues due to reduction in consumption caused by implementation of wide-ranging programs for saving of electricity. Prolongation of generation by thermoelectric plants can pressure costs of acquisition of electricity for the distributors, causing a greater need for cash, and can impact future tariff increases – as indeed has happened with the Extraordinary Tariff Review granted to the distributors in March 2015.

On the reporting date the Company had excess of current liabilities over current assets as described in Note 1. The flow of payments of the Company's obligations, for debt agreed with the pension fund, and under loans, financings and debentures, for floating and fixed rates, including the interest specified in contracts, is shown in the table below:

Consolidated	Up to 1 month	1 to 3 months	3 months to 1 year	1 months to 5 year	Over 5 years	Total
Financial instruments at (interest rates):						
- Floating rates						
Loans, financings and debentures	807,963	1,936,421	3,030,095	8,675,490	3,093,562	17,543,531
Concessions payable	1,863	5,499	13,191	76,772	139,828	237,153
Debt agreed with pension fund (Forluz)	9,226	28,136	76,924	665,625	560,186	1,340,097
	819,052	**1,970,056**	**3,120,210**	**9,417,887**	**3,793,576**	**19,120,781**
- Fixed rate						
Suppliers	1,499,225	104,491	-	-	-	1,603,716
	2,318,277	**2,074,547**	**3,120,210**	**9,417,887**	**3,793,576**	**20,724,497**

Holding company	Up to 1 month	1 to 3 months	3 months to 1 year	1 months to 5 year	Over 5 years	Total
Financial instruments at (interest rates):						
- Floating rates						
Debt agreed with pension fund (Forluz)	454	1.384	3.785	32.749	27.561	65.933
	454	**1.384**	**3.785**	**32.749**	**27.561**	**65.933**
- Fixed rate						
Suppliers	5.766	-	-	-	-	5.766
	6.220	**1.384**	**3.785**	**32.749**	**27.561**	**71.699**

Av. Barbacena 1200 Santo Agostinho 30190-131 Belo Horizonte, MG Brazil Tel.: +55 31 3506-5024 Fax +55 31 3506-5026

Credit risk

The risk arising from the possibility of Cemig and its subsidiaries incurring losses as a result of difficulty in receiving amounts billed to its clients is considered to be low. The Company carries out monitoring for the purpose of reducing default, on an individual basis, with its consumers. Negotiations are also entered into for receipt of any receivables in arrears. The risk is also reduced by the extremely wide client base.

The allowance for doubtful debtors constituted on December 31, 2014, considered to be adequate in relation to the credits in arrears receivable by the Company and its subsidiaries and jointly-controlled entities, was R$ 650.

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.

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

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

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

As a management instrument, Cemig divides the investment of its funds into direct purchases of securities (own portfolio) and two 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 three risk rating agencies.
2. Stockholders' equity greater than R$ 400 million.
3. Basel ratio above 12.

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

Group	Stockholders' equity	Concentration	Limit per bank (% of Stockholders' equity)*
A1	Over R$ 3.5 billion	Minimum 80%	6% to 9%
A2	R$ 1.0 billion to R$ 3.5 billion	Maximum 20%	5% to 8%
B	R$ 400 million to R$ 1.0 billion	Maximum 20%	5% to 7%

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

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

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

Risk of early maturity of debt

The subsidiaries Cemig GT and Cemig D have financing contracts with restrictive covenants normally applicable to this type of transaction, related to the guarantor, Cemig, complying with a financial index, required to be compliant annually. Non-compliance with these clauses, which is checked annually at the end of the year, obliges the debtor to constitute additional guarantees, on penalty of accelerating maturity of the debt.

On December 31, 2014, all restrictive covenants were complied with.

Capital management

This table shows the Company's net liabilities in relation to its Equity at the end of the business year:

	31/12/2014	31/12/2013
Total liabilities	23,715,051	17,175,785
(–) Cash and cash equivalents	(887,143)	(2,201,827)
(–) Restricted cash	(1,110)	(1,877)
Net liabilities	**22,826,798**	**14,972,081**
Total of equity	**11,284,952**	**12,638,357**
Net liabilities / Equity	**2.02**	**1.18**

29. MEASUREMENT AT FAIR VALUE

The Company measures its financial assets and liabilities at fair value. Fair value is a market-based measurement that should be determined based on assumptions (inputs) that market participants would use in pricing an asset or liability. The Fair Value Hierarchy aims to increase consistency and comparability: it divides the inputs used in measuring fair value into three broad levels, as follows:

- **Level 1 –** Active market – Quoted prices: A financial instrument is considered to be quoted in an active market if the prices quoted are promptly and regularly made available by an exchange or organized over-the-counter market, by operators, by brokers or by a market association, by entities whose purpose is to publish prices, or by regulatory agencies, and if those prices represent regular arm's length market transactions.
- **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, mainly related to discounted cash flow analysis.

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

	Balance at Dec. 31, 2014	Fair value at December 31, 2014		
		Active market – Quoted price (Level 1)	No active market – Valuation technique (Level 2)	No active market – Unobservable inputs (Level 3)
Assets				
Securities				
Bank certificates of deposit	231,552	-	231,552	-
Treasury Financial Notes (LFTs)	85,417	85,417		
Financial Notes – Banks	470,167	-	470,167	-
Debentures	98,319	-	98,319	-
Others	15,188	-	15,188	-
	900,643	**85,417**	**815,226**	**-**
Restricted cash	1,110	-	1,110	-
Financial assets of the concession	5,943,682	-	-	5,943,682
	6,845,435	**85,417**	**816,336**	**5,943,682**
Liabilities				
Put options	(194,829)	-		(194,829)
	6,650,606	**85,417**	**816,336**	**6,138,511**

	Balance at Dec. 31, 2013	Fair value at December 31, 2013		
		Active market – Quoted price (Level 1)	No active market – Valuation technique (Level 2)	No active market – Unobservable inputs (Level 3)
Assets				
Securities				
Bank certificates of deposit	117,333	-	117,333	-
Treasury Financial Notes (LFTs)	37,758	37,758	-	-
Financial Notes – Banks	354,857	-	354,857	-
Debentures	106,848	-	106,848	-
Others	20,915	-	20,915	-
	637,711	37,758	599,953	-
Restricted cash	1,877	-	1,877	-
Financial assets of the concession related to Infrastructure	5,558,708	-	-	5,558,708
	6,198,296	**37,758**	**601,830**	**5,558,708**

Methodology of calculation of fair value of positions

Financial assets of the concession related to infrastructure: Measured at New Replacement Value (*valor novo de reposição*, or VNR), according to criteria established in regulations by the Concession-granting power ('Grantor'), based on fair value of the assets in service belonging to the concession 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. The movement in Financial assets of the concession is shown in Note 13 to the financial statements.

Av. Barbacena 1200 Santo Agostinho 30190-131 Belo Horizonte, MG Brazil Tel.: +55 31 3506-5024 Fax +55 31 3506-5026

Cash investments: These are measured taking into account market prices for the security, or market information which makes such a calculation possible, taking into consideration future interest and exchange rates related to similar securities. The market value of the security is deemed to be its maturity value discounted to present value using the discount factor obtained from the market yield curve in Reais.

Put options: The Company has adopted the discounted cash flow method for measurement of the fair value of the options of Light and SAAG, using the most up-to-date information relating to the business plan of the Companies. The fair value of these options was calculated on the basis of the estimated exercise price on the day of exercise of the option, less the fair value of the shares that are the subject of the put option, also estimated for the date of exercise, brought to present value at the reporting date. The balances were posted in full in 2014.

30. INSURANCE

Cemig and its subsidiaries maintain insurance policies to cover damages to certain items of its assets, in accordance with orientation by specialists, as listed below (item relating to the policy of Cemig – the holding company), taking into account the nature and the degree of risk, for amounts considered sufficient to cover any significant losses related to its assets and liabilities. 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 reviewed by the external auditors.

	Cover	Dates of cover	Amount insured (**)	Annual premium (**)
Cemig Geração e Transmissão				
Air transport – Aircraft	Fuselage Third party liability	29/04/2014 to 29/04/2015	US$7,465 US$14,000	US$129
Warehouse stores		02/10/2014 to 02/10/2015	R$14,164	R$23
Facilities in buildings (1)	Fire	08/01/2015 to 08/01/2017	R$,354,257	R$84
Telecommunications equipment (2)	Fire	08/01/2015 to 08/01/2016	R$11,514	R$5
Operational risk – generators, rotors, and power equipment above R$ 1.5 million (3)	Total	07/12/2014 to 07/12/2015	R$1,318,095	R$1,645
Cemig Distribuição				
Air transport – Aircraft / Guimbal Equipment	Fuselage Third party liability	29/04/2014 to 29/04/2015	US$ 4,824 US$ 14,000	US$ 72
Warehouse stores		02/10/2014 to 02/10/2015	R$ 93,239	R$ 148
Facilities in buildings	Fire	08/01/2015 to 08/01/2017	R$ 540,809	R$ 120
Telecommunications equipment		08/01/2015 to 08/01/2016	R$ 15,958	R$ 7
Operational risk – Transformers above 15 MVA and other power equipment of the distributor with value above R$ 1.5 million (4)	Total	07/12/2014 to 07/12/2015	R$ 662,472	R$ 827
Gasmig				
Gas distribution network / Third party	Third party liability	15/12/2014 to 15/12/2015	R$ 60,000	R$ 472
Own vehicle fleet	Damage to third parties only	07/07/2014 to 07/07/2015	R$ 500	R$ 10
Facilities - multirisk (5)	Robbery, theft and fire	01/01/2014 to 01/01/2015	R$ 33,868	R$ 21

(**) Amounts expressed in R$ '000 or US$'000.

(1) The new period of validity is from January 8, 2015 to January 8, 2017.
(2) The new period of validity is from January 8, 2015 to January 8, 2016.
(3) The maximum indemnity limit (MIL) is R$ 200,001.
(4) The maximum indemnity limit (MIL) is R$ 200,101.
(5) The Multi-risk Facilities Insurance Policy, with period of cover up to January 1, 2015, was renewed from that date to January 1, 2016, with cover for R$ 36,020,420.66 insured, and annual premium of R$ 22,428.46.

Cemig does not have general third-party liability insurance covering accidents, except for its aircraft, and is not seeking proposals for this type of insurance. Additionally, Cemig has not sought proposals for, and does not have current policies for, insurance against events that could affect its facilities, such as earthquakes, floods, systemic failures or business interruption risk.

The Company has not suffered significant losses as a result of the above-mentioned risks.

31. COMMITMENTS

Cemig and its subsidiaries have contractual obligations and commitments that include, principally, amortization of loans and financings, contracts with contractors for construction of new projects, and purchase of electricity from Itaipu and other sources, as follows:

	2015	2016	2017	2018	2019	After 2019	Total
Loans and financings	5,290,655	2,138,523	1,700,682	1,324,324	566,856	2,487,698	**13,508,738**
Purchase of electricity from Itaipu	1,285,538	1,295,578	1,392,447	1,338,687	1,282,997	41,416,452	48,011,699
Purchase of electricity at auctions	4,031,021	4,167,887	3,950,974	4,186,447	5,295,321	112,767,816	134,399,466
Purchase of energy – 'bilateral contracts'	308,810	266,849	274,752	288,092	301,982	1,995,950	3,436,435
Quotas for Angra 1 and Angra 2	179,957	190,722	201,221	211,631	213,709	9,691,653	10,688,893
Physical quota guarantees	545,738	233,903	179,567	234,668	212,380	9,856,958	11,263,214
Transport of electricity from Itaipu	27,922	28,514	29,965	31,452	33,012	1,537,639	1,688,504
Other electricity purchase contracts	2,720,771	2,389,386	2,916,368	3,015,725	2,748,613	43,338,162	57,129,025
Purchase of gas for resale	891,583	938,504	980,298	1,108,934	1,108,934	11,459,996	16,488,249
Paid concession	22,013	16,920	15,076	13,428	11,963	99,137	178,537
Debt to pension plan – Forluz	64,874	68,766	72,892	77,266	81,902	433,788	799,488
Operational leasing contracts	63,528	19,393	20,446	21,444	3,602	-	128,413
Total	**15,432,410**	**11,754,945**	**11,734,688**	**11,852,098**	**11,861,271**	**235,085,249**	**297,720,661**

32. NON-CASH TRANSACTIONS

In the business years 2014 and 2013, the Company made the following transactions not involving cash, which are not reflected in the Cash flow statements:

	2014	2013
Transfers from Intangible assets to Financial assets	843,241	267,388
Financial charges capitalized	69,828	40,136
Revenues relating to construction of own assets	941,795	974,977
	1,854,864	**1,282,501**

Av. Barbacena 1200 Santo Agostinho 30190-131 Belo Horizonte, MG Brazil Tel.: +55 31 3506-5024 Fax +55 31 3506-5026

33. SUBSEQUENT EVENTS

Conclusion of constitution of Aliança Geração de Energia

On February 27, 2015, the transaction of association between Vale S.A. (Vale) and Cemig GT, through injection of assets into Aliança Geração de Energia S.A. (*Aliança*), of the equity interests held by Vale and Cemig GT in the following generation assets was concluded: *Porto Estrela, Igarapava, Funil, Capim Branco I, Capim Branco II, Aimorés* and *Candonga*. The resulting total for the installed hydroelectric generating capacity of Aliança, arising from the Association, is 1,158 MW in operation (assured offtake level 652 MW), as well as other generation projects.

With the constitution of Aliança, Vale and Cemig GT hold, respectively, 55% and 45% of the total capital. The conclusion of the transaction does not involve any financial disbursement: both companies subscribe assets.

The association between Vale and Cemig GT, with conclusion of the acquisition of a 49% in Aliança Norte Energia Participações S.A., holder of 9% of Norte Energia S.A., belonging to Vale, is still subject to the condition precedent that this must occur by June 19, 2015. If the transaction does not take place by that date, Vale may at its option undo the association, within 60 days from June 19, 2015.

Extraordinary tariff adjustment for Cemig D

On February 27, 2015, Aneel published the rates to be invoiced by Cemig D as from March 2, 2015, resulting from its Extraordinary Tariff Review. This adjustment responds to the costs arising from: (i) increase in the quota charged for the CDE; (ii) increase of costs on purchase of electricity arising from the adjustment of the rate for Itaipu; (iii) the result of the 14th auction for supply from existing power plants, and the 18th Adjustment Auction; and (iv) costs arising from involuntary exposure to the spot market. The average impact on Cemig D's clients is an increase of 28.76%.

Rates were defined under the Tariff Flag ('*Bandeira*'), as follows: R$ 2.50 for the Yellow Flag, and R$ 5.50 for the Red Flag, for each 100 kWh consumed. These amounts will cover the increase in costs arising from the less favorable conditions for generation of electricity due to the low level of the reservoirs of the hydroelectric plant, which makes it necessary to generate more power from thermoelectric sources, and generates exposures to the spot market.

Advance against future capital increase, in Cemig D

On March 11, 2015 the Board of Directors of Cemig decided to authorize transfer to Cemig D of up to R$ 100,000, in the form of an Advance against Future Capital Increase (*Adiantamento para Futuro Aumento de Capital*, or AFAC), and to submit a proposal to an Extraordinary General Meeting of Stockholders to orient the vote of Cemig's representatives in the Extraordinary Meeting of Cemig D in favor of approval of increase in the share capital of Cemig D, with alteration to the by-laws of that company to reflect the capital increase.

The share capital of Cemig D will increase from R$ 2,261,998 to R$ 2,361,998, by issue of 97,116 new nominal common shares without par value, issued for R$ 1.0297 each, to be subscribed by Cemig from the AFAC.

The issue price was determined on the basis of the value of Stockholders' equity per share. The total number of shares will increase from 2,261,998 to 2,359,113 nominal common shares without par value.

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

(The original is signed by:)

Mauro Borges Lemos Chief Executive Officer	**Mateus de Moura Lima Gomes** Deputy CEO	**Fabiano Maia Pereira** Chief Finance and Investor Relations Officer
Márcio Lúcio Serrano Chief Corporate Management Officer	**Luiz Fernando Rolla** Chief Institutional Relations and Communication Officer	**Evandro Leite Vasconcelos** Chief Trading Officer
Franklin Moreira Gonçalves Chief Generation and Transmission Officer	**Fernando Henrique Schüffner Neto** Chief Business Development Officer	**Raul Lycurgo Leite** Chief Counsel
Leonardo George de Magalhães Controller CRC-MG 53,140		**Leonardo Felipe Mesquita** Accounting Manager Accountant – CRC-MG-85.260

Deloitte Touche Tohmatsu
Rua Paraíba, 1122
20º e 21º andares
30130-141 - Belo Horizonte - MG
Brasil

Tel: +55 (31) 3269-7400
Fax: +55 (31) 3269-7470
www.deloitte.com.br

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We have audited the accompanying consolidated balance sheets of Companhia Energética de Minas Gerais - CEMIG and subsidiaries (the "Company") as of December 31, 2014 and 2013, and the related consolidated statements of income, comprehensive income, changes in equity and cash flows for each of the three years in the period ended December 31, 2014. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Companhia Energética de Minas Gerais - CEMIG and subsidiaries as of December 31, 2014 and 2013, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2014, in accordance with International Financial Reporting Standards - IFRS, as issued by the International Accounting Standards Board - IASB.

As discussed in Notes 4 and 15 to the consolidated financial statements, the Usina Hidrelétrica Jaguara ("UHE Jaguara") and Usina Hidrelétrica São Simão ("UHE São Simão") concession agreements expired in August, 2013 and January, 2015, respectively. The Company is discussing in courts the extension for these concessions and continues to operate these plants based on a preliminary injunctions issued by the Superior Tribunal de Justiça - STJ, Brazilian Superior Court of Justice.

As discussed in Note 4 to the consolidated financial statements, the Company's distribution concession agreements will expire in February, 2016. The Company has requested the renewal of these concessions from the Granting Authority. As of the date of this report, it is unknown whether or not these concessions will be renewed and, if renewed, the related conditions of the respective renewals.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of December 31, 2014, based on the criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring

Organizations of the Treadway Commission and our report dated April 10, 2015 expressed an unqualified opinion on the Company's internal control over financial reporting.

DELOITTE TOUCHE TOHMATSU
Auditores Independentes

Belo Horizonte, MG, Brazil
April 10, 2015

Companhia Energética de Minas Gerais

OPINION OF THE AUDIT BOARD

The members of the Audit Board of Companhia Energética de Minas Gerais – Cemig, undersigned, in the performance of their functions under the law and under the by-laws, have examined the Report of Management and the Financial Statements for the business year 2014 and the related complementary documents. After verifying that the above-mentioned documents reflect the economic and financial situation of the Company and considering, also, the explanations given by the representatives of the Company's Management and of its external auditors, the opinion of the members of the Audit Board is, unanimously, in favor of their approval in the Ordinary and Extraordinary General Meetings of Stockholders to be held, concurrently, on April 30, 2015.

Belo Horizonte, March 26, 2015.

(Signed by:)

Aristóteles Luiz Menezes Vasconcellos Drummond
Bruno Gonçalves Siqueira
Lauro Sander
Luis Guaritá Neto
Thales Souza de Ramos Filho
Aliomar Silva Lima

STATEMENT BY THE EXECUTIVE OFFICERS OF REVIEW OF THE FINANCIAL STATEMENTS

CEMIG
Companhia Energética de Minas Gerais

STATEMENT

We hereby declare, for the due purposes, that at the 2,808th meeting of the Executive Board of Companhia Energética de Minas Gerais – Cemig, held on March 23, 2015, we approved the completion, on March 23, 2015, of the Company's Financial Statements for the business year of 2014, and submission to the Board of Directors, for consideration and submission to the Annual General Meeting of Stockholders, of the Report of Management, the Financial Statements for the 2014 business year and the related complementary documents. In relation to those documents, we declare that we have reviewed, discussed and agree with the said Financial Statements. This being the truth, we hereby issue this certificate, under the responsibility of our positions.

Belo Horizonte, March 23, 2015

(Signed by:)

Mauro Borges Lemos – Chief Executive Officer
Mateus de Moura Lima Gomez – Deputy Chief Executive Officer
Fernando Henrique Schüffner Neto – Chief Officer for New Business Development
Márcio Lúcio Serrano – Chief Corporate Management Officer
Eduardo Lima Andrade Ferreira – Chief Officer for the Gas Division
Ricardo José Charbel – Chief Distribution and Sales Officer
Evandro Leite Vasconcelos – Chief Trading Officer
Fabiano Maia Pereira – Chief Financial and Investor Relations Officer
Franklin Moreira Gonçalves – Chief Generation and Transmission Officer
Luiz Fernando Rolla – Chief Institutional Relations and Communication Officer
Raul Lycurgo Leite – Chief Counsel

Av. Barbacena 1200 Santo Agostinho 30190-131 Belo Horizonte, MG Brazil Tel.: +55 31 3506-5024 Fax +55 31 3506-5025

STATEMENT BY THE EXECUTIVE OFFICERS OF REVIEW OF THE REPORT BY THE EXTERNAL AUDITORS ON THE FINANCIAL STATEMENTS

CEMIG
Companhia Energética de Minas Gerais

STATEMENT

We hereby declare, for the due purposes, that at the 2,808th meeting of the Executive Board of Companhia Energética de Minas Gerais – Cemig, held on March 23, 2015, we approved the completion, on March 23, 2015, of the Company's Financial Statements for the business year of 2014; and submission to the Board of Directors, for consideration and submission to the Annual General Meeting of Stockholders, of the Report of Management, the Financial Statements for the 2014 business year 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 External Auditors. This being the truth, we hereby issue this certificate, under the responsibility of our positions.

Belo Horizonte, March 23, 2015

(Signed by:)
Mauro Borges Lemos – Chief Executive Officer
Mateus de Moura Lima Gomez – Deputy Chief Executive Officer
Fernando Henrique Schüffner Neto – Chief Officer for New Business Development
Márcio Lúcio Serrano – Chief Corporate Management Officer
Eduardo Lima Andrade Ferreira – Chief Officer for the Gas Division
Ricardo José Charbel – Chief Distribution and Sales Officer
Evandro Leite Vasconcelos – Chief Trading Officer
Fabiano Maia Pereira – Chief Financial and Investor Relations Officer
Franklin Moreira Gonçalves – Chief Generation and Transmission Officer
Luiz Fernando Rolla – Chief Institutional Relations and Communication Officer
Raul Lycurgo Leite – Chief Counsel

Av. Barbacena 1200 Santo Agostinho 30190-131 Belo Horizonte, MG Brazil Tel.: +55 31 3506-5024 Fax +55 31 3506-5025