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STATEMENTS OF FINANCIAL POSITION

AS OF MARCH 31, 2019 AND DECEMBER 31, 2018

ASSETS
(Thousands of Brazilian Reais)

R$ '000	Note	Consolidated		Parent company	
		Mar. 31, 2019	Dec. 31, 2018	Mar. 31, 2019	Dec. 31, 2018
CURRENT					
Cash and cash equivalents	5	796,441	890,804	15,464	54,330
Marketable Securities	6	506,095	703,551	21,317	80,781
Customers and traders and concession holders – Transport of energy		4,268,352	4,091,722	5,042	5,813
Concession financial and sector assets	14	1,325,308	1,070,384	-	-
Contractual assets	15	131,085	130,951	-	-
Recoverable taxes	8	115,190	124,183	3,156	3,020
Income and Social Contribution taxes recoverable	9a	371,881	386,668	33,085	41,274
Dividends receivable	31	119,414	119,743	945,584	945,584
Restricted cash	10	88,177	90,993	128	129
Inventories		32,010	35,619	10	10
Advances to suppliers		-	6,785	-	-
Reimbursement of tariff subsidy payments	13	169,177	90,845	-	-
Low-income subsidy		41,546	30,232	-	-
Derivative financial instruments – Swap	32	75,496	69,643	-	-
Others		432,958	507,918	8,409	13,801
		8,473,130	8,350,041	1,032,195	1,144,742
Assets classified as held for sale	34	19,285,433	19,446,033	1,573,967	1,573,967
TOTAL, CURRENT		**27,758,563**	**27,796,074**	**2,606,162**	**2,718,709**
NON-CURRENT					
Marketable Securities	6	85,988	108,683	2,950	10,691
Advances to suppliers		-	87,285	-	-
Customers and traders and concession holders – Transport of energy	7	89,034	80,889	-	-
Recoverable taxes	8	241,834	242,356	3,672	3,672
Income and Social Contribution taxes recoverable	9a	4,967	5,516	1,900	2,401
Deferred income tax and Social Contribution tax	9c	2,147,228	2,146,863	831,549	809,270
Escrow deposits	12	2,482,838	2,501,512	304,757	326,345
Derivative financial instruments – Swap	32	890,150	743,692	-	-
Accounts receivable from Minas Gerais State	11	250,867	245,566	250,867	245,566
Others		889,247	697,389	21,876	35,756
Concession financial and sector assets	14	4,798,090	4,927,498	-	-
Contractual assets	15	1,580,628	1,597,996	-	-
Investments	16	5,301,804	5,234,578	13,250,169	12,405,706
Property, plant and equipment	17	2,627,256	2,661,585	2,145	2,250
Intangible assets	18	10,740,943	10,777,191	5,708	6,125
Leasing – rights of use	19	324,190	-	17,427	-
TOTAL NON-CURRENT		**32,455,064**	**32,058,599**	**14,693,020**	**13,847,782**
TOTAL ASSETS		**60,213,627**	**59,854,673**	**17,299,182**	**16,566,491**

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

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STATEMENTS OF FINANCIAL POSITION

AS OF MARCH 31, 2019 AND DECEMBER 31, 2018

LIABILITIES
(Thousands of Brazilian Reais)

R$ '000	Note	Consolidated		Parent company	
		Mar. 31, 2019	Dec. 31, 2018	Mar. 31, 2019	Dec. 31, 2018
Suppliers	20	2,012,244	1,801,252	8,433	9,285
Regulatory charges	23	498,334	514,412	5,661	5,671
Employees' and managers' profit shares		143,734	78,759	8,635	4,813
Taxes payable	21a	298,202	409,825	3,933	45,014
Income tax and Social Contribution tax	21b	42,603	112,063	-	-
Interest on Capital, and dividends, payable		861,637	863,703	861,412	861,420
Loans, financings and debentures	22	2,650,243	2,197,566	-	-
Payroll and related charges		276,600	283,730	15,019	17,446
Post-employment obligations	24	257,155	252,688	14,558	13,774
Leasing – obligations	19	92,518	-	10,042	-
Advances from customers	7	32,523	79,405	-	-
Payable to related parties	31	-	-	369,221	408,114
Other obligations		482,732	527,942	3,163	12,084
		7,648,525	7,121,345	1,300,077	1,377,621
Liabilities directly related to assets held for sale	34	16,111,639	16,272,239	-	-
TOTAL, CURRENT		**23,760,164**	**23,393,584**	**1,300,077**	**1,377,621**
NON-CURRENT					
Regulatory charges	23	160,700	178,525	-	-
Loans, financings and debentures	22	11,486,574	12,574,262	45,879	45,081
Taxes payable	21a	29,780	29,396	-	-
Deferred income and Social Contribution	9b	755,729	728,419	-	-
Provisions	25	603,271	640,671	64,469	64,204
Post-employment obligations	24	4,768,461	4,735,656	501,869	495,677
Pasep and Cofins taxes to be reimbursed to customers	21a	1,129,697	1,123,680	-	-
Derivative financial instruments – Options	32b	430,156	419,148	-	-
Leasing – obligations	19	234,819	-	7,547	-
Other obligations		118,574	92,005	4,410	5,189
TOTAL, NON-CURRENT		**19,717,761**	**20,521,762**	**624,174**	**610,151**
TOTAL LIABILITIES		**43,477,925**	**43,915,346**	**1,924,251**	**1,987,772**
SHAREHOLDERS' EQUITY	26				
Share capital		7,293,763	7,293,763	7,293,763	7,293,763
Capital reserves		2,249,721	2,249,721	2,249,721	2,249,721
Profit reserves		6,362,022	6,362,022	6,362,022	6,362,022
Equity valuation adjustments		(1,332,979)	(1,326,787)	(1,332,979)	(1,326,787)
Retained earnings		802,404	-	802,404	-
ATTRIBUTABLE TO CONTROLLING SHAREHOLDERS	27	**15,374,931**	**14,578,719**	**15,374,931**	**14,578,719**
ATTRIBUTABLE TO NON-CONTROLLING STOCKHOLDER		**1,360,771**	**1,360,608**	**-**	**-**
SHAREHOLDERS' EQUITY		**16,735,702**	**15,939,327**	**15,374,931**	**14,578,719**
TOTAL LIABILITIES AND EQUITY		**60,213,627**	**59,854,673**	**17,299,182**	**16,566,491**

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STATEMENTS OF INCOME

FOR THE THREE-MONTH PERIODS ENDED MARCH 31, 2019 AND 2018

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

R$ '000	Note	Consolidated		Parent company	
		Jan to Mar 2019	Jan to Mar 2018	Jan to Mar 2019	Jan to Mar 2018
CONTINUING OPERATIONS					
NET REVENUE	28	**5,913,178**	**4,935,431**	**2,737**	**73**
OPERATING COSTS					
COST OF ENERGY AND GAS	29				
Energy bought for resale		(2,594,181)	(2,263,693)	-	-
Charges for use of the national grid		(333,796)	(392,542)	-	-
Gas bought for resale		(394,982)	(263,233)	-	-
		(3,322,959)	(2,919,468)	-	-
OTHER COSTS	29				
Personnel and managers		(263,087)	(240,802)	-	-
Materials		(12,472)	(7,155)	-	-
Outsourced services		(219,756)	(170,770)	-	-
Depreciation and amortization		(194,910)	(194,686)	-	-
Operating provisions		(634)	(12,779)	-	-
Infrastructure construction cost		(199,118)	(180,669)	-	-
Others		(2,160)	(3,286)	-	-
		(892,137)	(810,147)	-	-
TOTAL COST		**(4,215,096)**	**(3,729,615)**	-	**-**
GROSS PROFIT		**1,698,082**	**1,205,816**	**2,737**	**73**
OPERATING EXPENSES	29				
Selling expenses		(79,351)	(76,183)	-	-
General and administrative expenses		(222,710)	(216,649)	(21,867)	(9,596)
Operating provisions		(29,021)	(43,686)	(18,013)	(39,311)
Other operating expenses		(203,938)	(132,160)	(16,356)	(14,375)
		(535,020)	(468,678)	(56,236)	(63,282)
Share of (loss) profit of associates and joint ventures, net	16	67,226	56,874	834,955	498,370
Operating profit before financial revenue (expenses) and taxes		**1,230,288**	**794,012**	**781,456**	**435,161**
Finance income	30	350,518	241,854	3,006	11,248
Finance expenses	30	(452,078)	(399,654)	(9,665)	(894)
Income before finance income (expenses) and taxes		**1,128,728**	**636,212**	**774,797**	**445,515**
Current income tax and social contribution taxes	9c	(304,722)	(185,026)	-	-
Deferred income tax and social contribution taxes	9c	(26,767)	13,409	22,279	18,934
NET INCOME FOR THE PERIOD		**797,239**	**464,595**	**797,076**	**464,449**
Net income for the period attributed to:					
Equity holders of the parent		797,076	464,449	797,076	464,449
Interest of non-controlling shareholders	27	163	146	-	-
		797,239	**464,595**	**797,076**	**464,449**
Basic and diluted profit per preferred share, R$	26	**0.55**	**0.32**	**0.55**	**0.32**
Basic and diluted profit per common share, R$	26	**0.55**	**0.32**	**0.55**	**0.32**

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STATEMENTS OF COMPREHENSIVE INCOME

FOR THE THREE-MONTH PERIODS ENDED MARCH 31, 2019 AND 2018

(Thousands of Brazilian Reais)

R$ '000	Consolidated		Parent company	
	Jan to Mar 2019	Jan to Mar 2018	Jan to Mar 2019	Jan to Mar 2018
NET INCOME FOR THE PERIOD	**797,239**	**464,595**	**797,076**	**464,449**
OTHER COMPREHENSIVE INCOME				
Items not to be reclassified to profit or loss in subsequent periods				
Post retirement liabilities – remesurement of obligations of the defined benefit plans	(1,310)	(416)	-	-
Income and social contribution tax on restatement of defined benefit plans	446	-	-	-
Equity gain (loss) on other comprehensive income in subsidiary and jointly-controlled entity, net of tax	-	-	(864)	(416)
	(864)	(416)	(864)	(416)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**796,375**	**464,179**	**796,212**	**464,033**
Total of comprehensive income attributed to:				
Interest of controlling shareholders	796,212	464,033	796,212	464,033
Interest of non-controlling shareholders	163	146	-	-
	796,375	**464,179**	**796,212**	**464,033**

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STATEMENT OF CHANGES IN CONSOLIDATED EQUITY

FOR THE THREE-MONTH PERIODS ENDED MARCH 31, 2019 AND 2018

R$ ’000 – except where otherwise stated

R$ ’000	Share capital	Capital reserves	Profit reserves	Equity valuation adjustments	Retained earnings	Total interest of controlling shareholders	Minority interests	Total equity
BALANCES ON DECEMBER 31, 2018	**7,293,763**	**2,249,721**	**6,362,022**	**(1,326,787)**		**14,578,719**	**1,360,608**	**15,939,327**
Net income for the period	-	-	-	-	797,076	**797,076**	163	**797,239**
Other comprehensive income	**-**	**-**	**-**	**(864)**	**-**	**(864)**	**-**	**(864)**
Realization of deemed cost	-	-	-	(5,328)	5,328	**-**	-	**-**
BALANCES ON MARCH 31, 2019	**7,293,763**	**2,249,721**	**6,362,022**	**(1,332,979)**	**802,404**	**15,374,931**	**1,360,771**	**16,735,702**

R$ ’000	Share capital	Subscription of shares, to be capitalized	Capital reserves	Profit reserves	quity valuatio adjustments	Retained earnings	Total interest of controlling shareholders	Minority interests	Total equity
BALANCES ON DECEMBER 31, 2017	**6,294,208**	**1,215,223**	**1,924,503**	**5,728,574**	**(836,522)**	**-**	**14,325,986**	**4,150**	**14,330,136**
Effects of initial adoption of CPC 48 / IFRS 9	-	-	-	-	-	(181,846)	(181,846)	-	(181,846)
Subscription of shares, to be capitalized	-	109,550	-	-	-	-	109,550	-	109,550
Net income for the period	**-**	**-**	**-**	**-**	**-**	**464,449**	**464,449**	**146**	**464,595**
Other comprehensive income	-	-	-	-	(416)	-	(416)	-	(416)
Realization of deemed cost	-	-	-	-	10,177	7,345	**17,522**	-	**17,522**
Allocation of the net income for the period									
Tax incentives reserve	-	-	-	976	-	(976)	**-**	-	**-**
Dividends under the by-laws	-	-	-	-	-	-	**-**	(100)	**(100)**
BALANCES ON MARCH 31, 2018	**6,294,208**	**1,324,773**	**1,924,503**	**5,729,550**	**(826,761)**	**288,972**	**14,735,245**	**4,196**	**14,739,441**

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STATEMENTS OF CASH FLOWS

FOR THE THREE-MONTH PERIODS ENDED MARCH 31, 2019 AND 2018

(Thousands of Brazilian Reais)

R$ '000	Note	Consolidated		Parent company	
		Jan to Mar 2019	Jan to Mar 2018	Jan to Mar 2019	Jan to Mar 2018
CASH FLOW FROM OPERATIONS					
Net income for the period		797,239	464,595	797,076	464,449
Expenses (revenues) not affecting cash and cash equivalents:					-
Deferred income tax and social contribution tax	9.d	26,767	(13,409)	(22,279)	(18,934)
Depreciation and amortization	20	230,896	212,991	2,939	118
Write-off of net residual value of unrecoverable Concession financial assets, PP&E and Intangible assets	14, 15,17 e 18	5,657	928	-	-
Share of (loss) profit, net, of associates and joint ventures	16	(67,226)	(56,874)	(834,955)	(498,370)
Updating of concession financial assets	14	(112,652)	-	-	-
Financial updating of contractual assets	15	(6,675)	-	-	-
Adjustment to expectation of contractual cash flow from the concession	15	(5,596)	(2,927)	-	-
Financial interest and inflation adjustment		301,487	180,967	3,023	(11,199)
Foreign exchange variations – loans and financings	22	32,980	16,031	-	-
Amortization of transaction cost of loans and financings	22	6,933	9,000	39	-
Operating provisions and estimated losses	29.d	97,998	94,297	18,013	4,776
Variation in fair value of derivative financial instruments – Swaps	30	(152,311)	(97,517)	-	-
Variation in fair value of derivative financial instruments (Put options)	29.d	11,008	38,910	-	34,535
CVA (Portion A Compensation) Account and *Other Financial Components* in tariff adjustment	14	(120,350)	(441,156)	-	-
Post-employment obligations	24	116,138	101,279	11,699	10,995
		1,162,293	**507,115**	**(24,445)**	**(13,630)**
(Increase) / decrease in assets					
Customers, traders and concession holders		(264,126)	262,384	771	-
CVA (Portion A Compensation) Account and *Other Financial Components* in tariff adjustment	14	74,534	153,267	-	-
Recoverable taxes		9,515	(76)	(136)	(76)
Income and social contribution taxes recoverable		(43)	(4,419)	(729)	(350)
Escrow deposits		28,177	(17,652)	22,121	997
Dividends received		329	35,642	-	261,155
Concession financial assets: reimbursement – generation plants	14	107,933	190,403	-	-
Concession contractual assets	15	3,556	-	-	-
Advances to suppliers		6,785	(47,499)	-	-
Reimbursement of tariff subsidies		(78,332)	-	-	-
Low-income subsidy		(11,314)	(383)	-	-
Others		(4,387)	3,376	19,054	13,564
		(127,373)	**575,043**	**41,081**	**275,290**
Increase (reduction) in liabilities					
Suppliers		210,992	(719,290)	(852)	(2,732)
Taxes		(105,222)	(25,723)	(23,279)	170
Income tax and social contribution tax payable		287,139	185,026	-	-
Payroll and related charges		10,672	(20,423)	(2,427)	(986)
Regulatory charges		(33,903)	(69,019)	(10)	-
Advances from customers		(48,030)	(55,891)	-	-
Post-employment obligations	24	(78,866)	(71,357)	(4,723)	(3,802)
Others		(9,530)	(115,141)	(23,443)	(5,521)
		233,252	**(891,818)**	**(54,734)**	**(12,871)**
Cash from (used by) operating activities		**1,268,172**	**190,340**	**(38,098)**	**248,789**
Interest paid on loans, financings and debentures	22	(284,847)	(344,753)	-	-
Interest in leasing contracts	19	(9,340)	-	(392)	-
Income and social contribution taxes paid		(357,981)	(218,654)	(8,382)	-
CASH FROM (USED IN) OPERATING ACTIVITIES		**616,004**	**(373,067)**	**(46,872)**	**248,789**

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R$ '000	Note	Consolidated		Parent company	
		Jan to Mar 2019	Jan to Mar 2018	Jan to Mar 2019	Jan to Mar 2018
CASH FLOW IN INVESTMENT ACTIVITIES					
Marketable Securities		225,171	648,697	67,205	45,012
Restricted cash		-	(1,970)	-	(1,393)
Investments	16				
Capital contributions in investees	16	-	(82,309)	(10,337)	(420,016)
Settlement received through merger		-	-	-	428
Property, plant and equipment	17	(6,125)	(12,398)	-	-
Intangible assets	18	(6,290)	(173,707)	-	(7)
Concession contract assets – gas and distribution infrastructure		(152,341)	-	-	-
NET CASH FLOW FROM (USED IN) INVESTMENT ACTIVITIES		**60,415**	**378,313**	**56,868**	**(375,976)**
CASH FLOW IN FINANCING ACTIVITIES					
Subscription of shares, to be capitalized		-	109,550	-	109,550
Interest on capital, and dividends, paid to controlling stockholder		(2,066)	(263)	(8)	(5)
Loans with related parties		-	-	(46,599)	-
Proceeds from Loans, financings and debentures	22	(753,603)	(722,462)	-	-
Leasing liabilities paid	19	(15,113)	-	(2,255)	
NET CASH FROM (USED IN) FINANCIAL ACTIVITIES		**(770,782)**	**(613,175)**	**(48,862)**	**109,545**
NET CHANGE IN CASH AND CASH EQUIVALENTS		(94,363)	(607,929)	(38,866)	(17,642)
Cash and cash equivalents at start of period	5	890,804	1,030,257	54,330	38,672
Cash and cash equivalents at end of period	**5**	**796,441**	**422,328**	**15,464**	**21,030**

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STATEMENTS OF ADDED VALUE

FOR THE THREE-MONTH PERIODS ENDED MARCH 31, 2019 AND 2018

(Thousands of Brazilian Reais)

R$ '000	Consolidated				Parent company			
	Jan to Mar 2019		Jan to Mar 2018		Jan to Mar 2019		Jan to Mar 2018	
REVENUES								
Sales of energy, gas and services	8,736,257		7,321,858		3,650		80	
Distribution construction revenue	171,031		176,797		-		-	
Transmission construction revenue	28,087		1,063		-		-	
Gain on financial updating of the Concession grant fee	80,788		81,827		-		-	
Adjustment to expectation of reimbursement of distribution concession financial assets	6,040		792		-		-	
Transmission assets – reimbursement revenue	32,499		49,841		-		-	
Generation assets – reimbursement revenue	-		17,245		-		-	
Investment in PP&E	3,976		18,527		-		-	
Other revenues	2,924		3,689		-		-	
Provision for doubtful receivables	(79,351)		(76,183)		-		-	
	8,982,251		**7,595,456**		**3,650**		**80**	
INPUTS ACQUIRED FROM THIRD PARTIES								
Energy bought for resale	(2,844,918)		(2,477,831)		-		-	
Charges for use of national grid	(372,488)		(437,078)		-		-	
Outsourced services (1)	(359,965)		(311,249)		(5,312)		(1,967)	
Gas bought for resale	(501,565)		(263,233)		-		-	
Materials (1)	(105,888)		(107,126)		(6)		(42)	
Other operating costs (1)	(94,113)		(108,989)		(19,630)		(41,043)	
	(4,278,937)		**(3,705,506)**		**(24,948)**		**(43,052)**	
GROSS VALUE ADDED	**4,703,314**		**3,889,950**		**(21,298)**		**(42,972)**	
RETENTIONS								
Depreciation and amortization	(230,896)		(212,991)		(2,939)		(118)	
NET ADDED VALUE PRODUCED BY THE COMPANY	**4,472,418**		**3,676,959**		**(24,237)**		**(43,090)**	
ADDED VALUE RECEIVED BY TRANSFER								
Share of (loss) profit, net, of associates and joint ventures	67,226		56,874		834,955		498,370	
Financial revenues	350,518		241,854		3,006		11,248	
ADDED VALUE TO BE DISTRIBUTED	**4,890,162**		**3,975,687**		**813,724**		**466,528**	
DISTRIBUTION OF ADDED VALUE								
		%		%		%		%
Employees	**500,572**	**10.24**	**404,065**	10.16	**27,295**	**3.36**	**17,816**	**3.82**
Direct remuneration	326,156	6.67	269,062	6.77	13,417	1.65	6,631	1.42
Post-employment obligations and Other benefits	136,039	2.78	117,811	2.96	12,346	1.52	10,808	2.32
FGTS fund	16,886	0.35	17,192	0.43	624	0.08	377	0.08
Voluntary retirement program	21,491	0.44	-	-	908	0.11	-	-
Taxes	**3,127,870**	**63.96**	**2,675,845**	**67.31**	**(19,346)**	**(2.38)**	**(17,544)**	**(3.76)**
Federal	1,600,601	32.73	1,416,111	35.62	(20,319)	(2.50)	(17,843)	(3.822)
State	1,521,528	31.11	1,254,322	31.55	434	0.05	95	0.02
Municipal	5,741	0.12	5,412	0.14	539	0.07	204	0.04
Remuneration of external capital	**464,481**	**9.50**	**431,182**	**10.84**	**8,699**	**1.07**	**1,807**	**0.39**
Interest	462,693	9.46	407,298	10.24	9,665	1.19	894	0.19
Rentals	1,788	0.04	23,884	0.60	(966)	(0.12)	913	0.20
Remuneration of own capital	**797,239**	**16.30**	**464,595**	**11.69**	**797,076**	**97.95**	**464,449**	**99.55**
Retained earnings	797,076	16.30	464,449	11.69	797,076	97.95	464,449	99.55
Non-controlling interest in Retained earnings	163	-	146	-	-	-	-	-
	4,890,162	**100.00**	**3,975,687**	**100.00**	**813,724**	**100.00**	**466,528**	**100.00**

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

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NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE THREE-MONTH PERIOD ENDED AS OF MARCH 31, 2019

In thousands of Brazilian Reais, except where otherwise indicated

1. OPERATING CONTEXT

a) The Company

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

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

2. BASIS OF PREPARATION

2.1 Statement of compliance

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

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

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

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

The Company's Executive Board authorized the issuance of this Interim financial information on May 10, 2019.

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

The Company and its subsidiaries have applied, for the first time, certain alterations to rules, that are in effect for annual periods beginning January 1, 2019 or later.

The following paragraphs describe each of these new rules and their effects:

IFRS 16 / CPC 06 (R2) – *Leases*

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

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

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

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

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

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

R$ '000	Consolidated	Parent company
Assets – right of use	342,450	19,844
Liabilities – Obligations referring to operational leasing agreements	(342,450)	(19,844)

This table shows the effects of adoption of IFRS 16 / CPC 06 R2 on the statements of financial position and the income statements for first quarter 2019 (1Q19):

Statement of financial position R$ '000	Consolidated			Parent company		
	Mar. 31, 2019 without adoption of IFRS 16 / CPC 06 R2	Adjustment IFRS 16 / CPC 06 R2	Mar. 31, 2019 with adoption of IFRS 16 / CPC 06 R2	Mar. 31, 2019 without adoption of IFRS 16 / CPC 06 R2	Adjustment IFRS 16 / CPC 06 R2	Mar. 31, 2019 with adoption of IFRS 16 / CPC 06 R2
Current assets	**27,758,563**	**-**	**27,758,563**	**2,606,162**	**-**	**2,606,162**
Non-current assets	**32,129,809**	**325,255**	**32,455,064**	**14,675,538**	**17,482**	**14,693,020**
Deferred income tax and Social contribution tax	2,146,163	1,065	2,147,228	831,494	55	831,549
Right to use – Leasing	-	324,190	324,190	-	17,427	17,427
Other non-current assets	29,983,646	-	29,983,646	13,844,044	-	13,844,044
Current liabilities	**23,667,646**	**92,518**	**23,760,164**	**1,290,035**	**10,042**	**1,300,077**
Leasing liabilities	-	92,518	92,518	-	10,042	10,042
Other current liabilities	23,667,646	-	23,667,646	1,290,035	-	1,290,035
Non-current liabilities	**19,482,942**	**234,819**	**19,717,761**	**616,627**	**7,547**	**624,174**
Leasing liabilities	**-**	**234,819**	234,819	-	7,547	7,547
Other non-current liabilities	19,482,942	-	19,482,942	616,627	-	616,627
Shareholders' equity	**16,737,783**	**(2,081)**	**16,735,702**	**15,375,038**	**(107)**	**15,374,931**
Retained earnings	804,485	(2,081)	802,404	802,511	(107)	802,404
Other lines in Equity	15,933,298	-	15,933,298	14,572,527	-	14,572,527

Statement of income R$ '000	Consolidated			Parent company		
	Jan to Mar 2019 without adoption of IFRS 16 / CPC 06 (R2)	Adjustment IFRS 16 / CPC 06 (R2)	Jan to Mar 2019 with adoption of IFRS 16 / CPC 06 (R2)	Jan to Mar 2019 without adoption of IFRS 16 / CPC 06 (R2)	Adjustment IFRS 16 / CPC 06 (R2)	Jan to Mar 2019 with adoption of IFRS 16 / CPC 06 (R2)
GOING CONCERN OPERATIONS						
NET REVENUE	**5,913,178**	**-**	**5,913,178**	**2,737**	**-**	**2,737**
OPERATING COSTS	**(4,196,837)**	**(18,259)**	**(4,215,096)**	**-**	**-**	**-**
OPERATING EXPENSES	**(559,473)**	**24,453**	**(535,020)**	**(56,466)**	**230**	**(56,236)**
Share of (loss) profit, net, of associates and joint ventures	67,226	-	67,226	834,955	-	834,955
Net financial revenue (expenses)	(92,220)	(9,340)	(101,560)	(6,267)	(392)	(6,659)
Income tax and social contribution tax	(332,554)	1,065	(331,489)	22,224	55	22,279
Net income from going concern operations	**799,320**	**(2,081)**	**797,239**	**797,183**	**(107)**	**797,076**

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

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

- Whether the entity considers uncertain tax treatments separately.
- The assumptions that the entity makes in relation to examination of the tax treatments by the tax authorities.

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- How the entity determines real profit (or tax losses), the bases of calculation, unused tax losses, intertemporal tax credits and tax rates.
- How the entity considers changes of facts and circumstances.

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

The Company and its subsidiaries have analyzed the tax treatments adopted which could generate uncertainties in the calculation of income taxes and which might potentially expose the Company and its subsidiaries to materially probable risks of loss. The conclusion of these analyses is that none of the significant positions adopted by the Company and its subsidiaries have been altered in relation to expectation of losses due to any questioning or challenge by the tax authorities.

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

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

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

Number	Title of the Note
34	Insurance
35	Commitments
36	Annual Tariff Adjustment and Tariff Review of Cemig D

3. PRINCIPLES OF CONSOLIDATION

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

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

Subsidiary	Form of valuation	Mar. 31, 2019		Dec. 31, 2018	
		Direct stake, %	Indirect stake, %	Direct stake, %	Indirect stake, %
Cemig Geração e Transmissão	Consolidation	100.00	-	100.00	-
Cemig Distribuição	Consolidation	100.00	-	100.00	-
Gasmig	Consolidation	99.57	-	99.57	-
Cemig Geração Distribuída (Ipatinga thermal plant)	Consolidation	100.00	-	100.00	-
Efficientia	Consolidation	100.00	-	100.00	-
Luce Empreendimentos e Participações S.A.	Consolidation	100.00	-	100.00	-
Rio Minas Energia e Participações	Consolidation	100.00	-	100.00	-
Light (1)	Consolidation	26.06	23.93	26.06	23.93
LightGer (2)	Consolidation	-	74.49	-	74.49
Guanhães (2)	Consolidation	-	74.49	-	74.49
Axxiom (2)	Consolidation	49.00	25.49	49.00	25.49
UHE Itaocara (2)	Consolidation	-	74.49	-	74.49

(1) As from December 2018 Cemig acquired shareholding control of **Light**, with a 49.99% interest, and this began to consolidate light in its financial statements. As described in Note 34, the investment held in Light has been classified under Assets held for Sale – discontinued operation.
(2) After assuming control of Light, Cemig began to consolidate these companies in its financial statements because it had assumed control of them through its direct and indirect equity holdings.

As from the acquisition of control of Light, the holdings in the companies that were from then on consolidated became the following:

Subsidiary	Form of valuation	Dec. 31, 2018			
		Direct stake, (%)	Indirect stake, % Via Cemig GT (%)	Indirect stake, % Via Light (%)	Total interest (%)
LightGer	Consolidation	-	49.00	25.49	74.49
Guanhães	Consolidation	-	49.00	25.49	74.49
Axxiom	Consolidation	49.00	-	25.49	74.49
UHE Itaocara	Consolidation	-	49.00	25.49	74.49

Although Cemig, indirectly, holds 87.25% of the total shares of Amazônia Energia Participações S.A., that company has not been consolidated in Cemig’s Interim accounting information. Amazônia does not have operations; it has only one material asset, which is the investment in Norte Energia S.A., an investee in which the Company has control shared with other shareholders.

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4. CONCESSIONS AND AUTHORIZATIONS

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

	Company holding concession or authorization	Concession or authorization contract	Expiration date
POWER GENERATION			
Hydroelectric plants			
Emborcação (1)	Cemig GT	7/1997	Jul. 2025
Nova Ponte (1)	Cemig GT	7/1997	Jul. 2025
Santa Luzia (1)	Cemig GT	7/1997	Feb. 2026
Sá Carvalho (1)	Sá Carvalho	1/2004	Dec. 2024
Rosal (1)	Rosal Energia	1/1997	May 2032
Machado Mineiro (1)	Horizontes Energia	Resolution 331/2002	Jul. 2025
Salto Voltão (1)	Horizontes Energia	Resolution 331/2002	Oct. 2030
Salto Paraopeba (1)	Horizontes Energia	Resolution 331/2002	Oct. 2030
Salto do Passo Velho (1)	Horizontes Energia	Resolution 331/2002	Oct. 2030
PCH Pai Joaquim (1)	Cemig PCH	Resolution 377/2005	Apr. 2032
Irapé (1)	Cemig GT	14/2000	Feb. 2035
Queimado (Consortium) (1)	Cemig GT	06/1997	Jan. 2033
Salto Morais (1)	Cemig GT	02/2013	Jul. 2020
Rio de Pedras (1)	Cemig GT	02/2013	Sep. 2024
Luiz Dias (1)	Cemig GT	02/2013	Aug. 2025
Poço Fundo (1)	Cemig GT	02/2013	Aug. 2025
São Bernardo (1)	Cemig GT	02/2013	Aug. 2025
Xicão (1)	Cemig GT	02/2013	Aug. 2025
Três Marias (2)	Cemig Geração Três Marias S.A.	08/2016	Jan. 2046.
Salto Grande (2)	Cemig Geração Salto Grande	09/2016	Jan. 2046
Itutinga (2)	Cemig Geração Itutinga	10/2016	Jan. 2046
Camargos (2)	Cemig Geração Camargos	11/2016	Jan. 2046
Coronel Domiciano, Joasal, Marmelos, Paciência and Piau (2)	Cemig Geração Sul	12/2016 and 13/2016	Jan. 2046
Dona Rita, Ervália, Neblina, Peti, Sinceridade and Tronqueiras (2)	Cemig Geração Leste	14/2016 and 15/2016	Jan. 2046
Cajurú, Gafanhoto and Martins (2)	Cemig Geração Oeste	16/2016	Jan. 2046
Thermal plants			
Igarapé (1)	Cemig GT	7/1997	Aug. 2024
Wind farms			
Central Eólica Praias de Parajuru (3)	Parajuru	Resolution 526/2002	Sep. 2032
Central Geradora Eólica Volta do Rio (*)	Volta do Rio	Resolution 660/2001	Jan. 2031
POWER TRANSMISSION			
National grid (4)	Cemig GT	006/1997	Jan. 2043
Itajubá Substation (4)	Cemig GT	79/2000	Oct. 2030.
ENERGY DISTRIBUTION (5)	Cemig D	002/1997 003/1997 004/1997 005/1997	Dec. 2045
GAS DISTRIBUTION (5)	Gasmig	State Law 11021/1993	Jan. 2053
DISCONTINUED OPERATIONS			
Light Sesa	Light	06/1996	Jun. 2026
Light Energia	Light	06/1996	Jun. 2026
Lajes Small Hydro Plant	Light	7/2014	May 2026

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

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

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

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

(5) These refer to concession contracts that are within the scope of ICPC 01 / IFRIC 12 and whose concession infrastructure assets are recorded in accordance with the model of separation between intangible assets and financial assets; and in which, compliance with CPC 47, infrastructure under construction has been classified in contractual assets. On December 14, 2018, through Official Letter SEDECTES/SMEL Nº. 22/2018, the Minas Gerais State Department for Economic, Scientific, Technological and Higher Education Development ('Sedectes') or ('the grantor power') presented a study, made by FGV, for economic and financial rebalancing of the concession contract of Gasmig, also based on a consultation of the General Attorney's Office of the State. The rebalancing that the grantor power sought consists of replacement of the contractual obligation to build a gas pipeline to serve the Nitrogen Fertilizers Unit (UFN), which would be built by Petrobras, in the Minas Triangle region, for payment of a consideration to the State, in the form of a Concession Grant Fee, the amount of which Sedectes estimates at R$852 million. Based on the study, Sedectes requested a statement of opinion from Gasmig and began talks for solution of the imbalance referred to, considering that one of its conditions for extension of the concession contract (from 2023 to 2053, as specified in the second amendment to the contract) was execution of investments for construction of the gas pipeline.

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5. CASH AND CASH EQUIVALENTS

R$ '000	Consolidated		Parent company	
	Mar. 31, 2019	Dec. 31, 2018	Mar. 31, 2019	Dec. 31, 2018
Bank accounts	43,892	107,516	4,349	7,602
Cash investments				
Bank certificates of deposit (CDBs) (1)	658,988	555,008	7,424	21,534
Overnight (2)	93,561	228,280	3,691	25,194
	752,549	783,288	11,115	46,728
	796,441	**890,804**	**15,464**	**54,330**

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

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

Note 32 gives the exposure of the Company and its subsidiaries to interest rate risks, and a sensitivity analysis of their effects on financial assets and liabilities.

6. MARKETABLE SECURITIES

R$ '000	Consolidated		Parent company	
	Mar. 31, 2019	Dec. 31, 2018	Mar. 31, 2019	Dec. 31, 2018
Cash investments				
Current				
Financial Notes (LFs) – Banks (1)	335,920	434,735	13,254	47,979
Treasury Financial Notes (LFTs) (2)	161,353	253,868	6,366	28,018
Debentures (3)	2,869	11,292	1,037	4,129
Others	5,953	3,656	660	655
	506,095	**703,551**	**21,317**	**80,781**
Non-current				
Bank certificates of deposit (CDBs) (4)	243	240	45	44
Financial Notes (LFs) – Banks (1)	85,745	108,443	2,905	10,647
	85,988	**108,683**	**2,950**	**10,691**
	592,083	**812,234**	**24,267**	**91,472**

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

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

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

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

Note 32 shows the classification of these securities, and cash investments in securities of related parties.

7. CUSTOMERS, TRADERS AND POWER TRANSPORT CONCESSION HOLDERS

R$ '000	Consolidated					
	Balances not yet due	Up to 90 days past due	91 to 360 days past due	More than 360 days past due	Mar. 31, 2019	Dec. 31, 2018
Billed supply of energy	1,378,678	749,487	442,327	516,092	3,086,584	2,988,791
Energy supply not yet billed	1,008,953	-	-	-	1,008,953	1,048,261
Other concession holders – Wholesale supply	-	40,916	460	1,124	42,500	46,978
Other concession holders – Wholesale supply, not yet billed	221,455	-	-	-	221,455	281,655
CCEE (Wholesale Power Exchange)	126,482	258,871	-	-	385,353	165,720
Concession holders – billed for transmission	75,781	8,808	7,395	86,951	178,935	180,036
Concession holders – for transmission, not yet billed	225,668	-	-	-	225,668	212,338
(–) Provision for doubtful receivables	(190,987)	(20,508)	(24,656)	(555,911)	(792,062)	(751,168)
	2,846,030	**1,037,574**	**425,526**	**48,256**	**4,357,386**	**4,172,611**
Current assets					**4,268,352**	**4,091,722**
Non-current assets					**89,034**	**80,889**

R$ '000	Parent company					
	Balances not yet due	Up to 90 days past due	91 to 360 days past due	More than 360 days past due	Mar. 31, 2019	Dec. 31, 2018
Billed supply (telecoms services)	112	16	3,639	21,305	25,072	25,843
Supply not yet invoiced	2,254	-	-	-	2,254	2,254
(–) Provision for doubtful receivables	-	-	(1,130)	(21,154)	(22,284)	(22,284)
	2,366	**16**	**2,509**	**151**	**5,042**	**5,813**
Current assets					**5,042**	**5,813**

The exposure of the Company and its subsidiaries to credit risk related to Customers and traders is given in Note 32.

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

Consolidated R$ '000	Mar. 31, 2019	Dec. 31, 2018
Residential	142,087	136,866
Industrial	185,576	171,732

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Commercial, services and others	194,601	188,819
Rural	32,484	33,517
Public authorities	139,027	119,571
Public lighting	3,066	5,615
Public services	27,507	27,318
Charges for use of the network (TUSD)	67,714	67,730
	792,062	**751,168**

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

Consolidated	
Balance at Dec. 31, 2017	**567,956**
Initial adoption of CPC 48	150,114
Net new provisions (Note 29 d)	76,183
Receivables settled	(68,078)
Balance at Mar. 31, 2018	**726,175**
Balance at Dec. 31, 2018	**751,168**
Net new provisions – effect on Profit and loss account (Note 29 d)	79,351
Settled	(38,457)
Balance at March 31, 2019	**792,062**

Advances from customers

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

	R$ '000
Balance at Dec. 31, 2017	**232,762**
Settled	(59,510)
Inflation adjustment (Note 30)	3,619
Balance at Mar. 31, 2018	**176,871**
Balance at Dec. 31, 2018	**79,405**
Settled	(48,030)
Inflation adjustment (Note 30)	1,148
Balance at March 31, 2019	**32,523**

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

Mar. 31, 2019				Balance at Mar. 31, 2019	Balance at Dec. 31, 2018
Counterparty	Specified period for billing	Index for updating of pre-paid amounts	Quantity of MWh deliverable		
White Martins Gases Industriais Ltda.	2Q19	124% of CDI rate	25,548	12,935	40,601
Ferroligas	2Q19	136% of CDI rate	-	19,588	38,804
				32,523	**79,405**

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

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8. RECOVERABLE TAXES

R$ '000	Consolidated		Parent company	
	Mar. 31, 2019	Dec. 31, 2018	Mar. 31, 2019	Dec. 31, 2018
Current				
ICMS tax recoverable	85,552	79,956	2,778	2,778
PIS and Pasep taxes	2,285	4,150	47	20
Cofins tax	9,438	21,463	233	125
Others	17,915	18,614	98	97
	115,190	**124,183**	**3,156**	**3,020**
Non-current				
ICMS tax recoverable	239,593	239,789	1,862	1,862
PIS and Pasep taxes	3	3	3	3
Cofins tax	12	12	12	12
Others	2,226	2,552	1,795	1,795
	241,834	**242,356**	**3,672**	**3,672**
	357,024	**366,539**	**6,828**	**6,692**

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

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

9. INCOME TAX AND SOCIAL CONTRIBUTION TAX

a) Income and social contribution tax recoverable

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

R$ '000	Consolidated		Parent company	
	Mar. 31, 2019	Dec. 31, 2018	Mar. 31, 2019	Dec. 31, 2018
Income tax	231,112	252,756	18,883	36,023
Social contribution tax	145,736	139,428	16,102	7,652
	376,848	**392,184**	**34,985**	**43,675**
Current	**371,881**	**386,668**	**33,085**	**41,274**
Non-current	**4,967**	**5,516**	**1,900**	**2,401**

b) Deferred income tax and social contribution tax

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

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R$ '000	Consolidated		Parent company	
	Mar. 31, 2019	Dec. 31, 2018	Mar. 31, 2019	Dec. 31, 2018
Deferred tax assets				
Tax loss carryforwards	353,990	373,413	135,995	118,761
Provisions for contingencies	204,688	217,908	21,919	21,829
Provisions for losses on investments	643,394	609,159	609,159	609,159
Operating provisions	424,071	455,437	897	1,732
Provisions for profit sharing	25,540	24,586	2,591	1,418
Post-employment obligations	1,495,879	1,476,519	166,099	163,399
Provision for doubtful receivables	313,122	278,897	8,161	8,161
Paid concessions	7,855	7,683	-	-
Others	9,739	26,753	55	-
Total	**3,478,278**	**3,470,355**	**944,876**	**924,459**
Deferred tax liabilities				
Funding transaction costs	(22,909)	(25,254)	-	-
Deemed cost	(237,079)	(239,092)	-	-
Fair value of equity holdings	(495,594)	(501,311)	(111,810)	(113,673)
Capitalized borrowing costs	(169,109)	(167,454)	-	-
Taxes on revenues not redeemed – Presumed Profit accounting method	(1,141)	(4,715)	-	-
Adjustment of expected cash flow from reimbursements of concession assets	(795,626)	(804,077)	-	-
Adjustment to fair value – Swaps	(328,320)	(276,534)	-	-
Others	(37,001)	(33,474)	(1,517)	(1,516)
Total	**(2,086,779)**	**(2,051,911)**	**(113,327)**	**(115,189)**
Total, net	**1,391,499**	**1,418,444**	**831,549**	**809,270**
Total assets	**2,147,228**	**2,146,863**	**831,549**	**809,270**
Total liabilities	**(755,729)**	**(728,419)**	**-**	**-**

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

R$ '000	Consolidated	Parent company
Balances on December 31, 2017	**1,136,539**	**762,683**
Effects allocated to Income statement	13,410	17,548
Effects allocated to Equity	68,586	-
Variations in deferred tax assets and liabilities	(3,512)	(3,508)
Balances on March 31, 2018	**1,215,023**	**776,723**
Balances on December 31, 2018	**1,418,444**	**809,270**
Effects allocated to Income statement	(26,767)	22,279
Others	(178)	-
Balances on March 31, 2019	**1,391,499**	**831,549**

c) Reconciliation of the expense 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:

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R$ '000	Consolidated		Parent company	
	Jan to Mar 2019	Jan to Mar 2018	Jan to Mar 2019	Jan to Mar 2018
Profit (loss) on going concern operations before income and social contribution taxes	**1,128,728**	**636,212**	**774,797**	**445,515**
Income and Social Contribution taxes – Nominal expense (34%)	(383,768)	(216,312)	(263,431)	(151,475)
Tax effects applicable to:				
Share of (loss) profit, of associates and joint ventures (net of effects of Interest on Equity)	21,934	17,737	286,010	170,069
Non-deductible contributions and donations	(763)	(369)	-	-
Tax incentives	12,563	3,191	-	-
Difference between Presumed and Real Profit methods	27,253	27,210	-	-
Non-deductible penalties	(7,939)	(4,006)	(4)	(6)
Others	(769)	932	(296)	346
Income tax and Social Contribution – effective (expense)/gain	**(331,489)**	**(171,617)**	**22,279**	**18,934**
Current income tax and Social Contribution tax	**(304,722)**	**(185,026)**	**-**	**-**
Deferred income tax and Social Contribution tax	**(26,767)**	**13,409**	**22,279**	**18,934**
	(331,489)	**(171,617)**	**22,279**	**18,934**
Effective rate	**29.37%**	**26.97%**	**2.88%**	**4.25%**

10. RESTRICTED CASH

The total of restricted cash, R$88,177 (R$90,993 on December 31, 2018), comprises mainly the amount deposited in a guarantee account by Cemig GT in relation to guarantees of power purchase agreements with Saesa, Eletronorte and Copel.

11. ACCOUNTS RECEIVABLE FROM THE STATE OF MINAS GERAIS

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

Considering the provision referred to in the previous paragraph, the Company made a retention on December 28, 2018, of R$7,597, corresponding to the dividends that would have been payable to Minas Gerais State on that date.

On March 31, 2019, the balance receivable was R$250,867 (R$245,566 on December 31, 2018). This was recognized in non-current assets, recognizing arrears overdue since January 2018. Management believes that it will not suffer losses in the realization of these receivables, for reasons including the guarantees mentioned above, which the Company intends to execute in the event of non-receipt of the amount agreed in the debt recognition agreement.

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12. ESCROW DEPOSITS

R$ '000	Consolidated		Parent company	
	Mar. 31, 2019	Dec. 31, 2018	Mar. 31, 2019	Dec. 31, 2018
Employment-law cases	**328,299**	**334,685**	**39,969**	**41,015**
Tax issues				
Income tax on Interest on Equity	27,997	27,852	268	265
Pasep and Cofins taxes (a)	1,411,142	1,402,117	-	-
Donations and Legacy Tax (ITCD)	51,583	51,075	51,144	50,635
Urban property tax (IPTU)	74,476	86,906	56,407	69,242
Social security contributions	48,272	48,272	46,118	46,118
PIS and Cofins	9,037	9,037	8,261	8261
Finsocial tax	38,822	38,455	38,822	38,455
Income tax and Social Security contribution on 'Anuênio' employee indemnity (1)	276,723	274,871	13,289	13,200
Income tax withheld at source on inflationary profit	8,463	8,438	8,463	8,437
Social Contribution tax (2)	18,062	18,062	-	-
ICMS credits on PP&E	38,365	38,193	-	-
Others	55,534	59,862	11,167	11,037
	2,058,476	**2,063,140**	**233,939**	**245,650**
Others				
Regulatory	43,882	52,701	21,068	29,565
Third party liability	9,552	9,328	3,577	3,568
Customer relations	6,099	6,132	1,099	987
Court embargo	14,017	12,394	3,858	4,148
Others	22,513	23,132	1,247	1,412
	96,063	**103,687**	**30,849**	**39,680**
	2,482,838	**2,501,512**	**304,757**	**326,345**

(1) See more details in Note 25 – *Provisions (Anuênio indemnity)*.
(2) Escrow deposit in the legal action challenging an infringement claim relating to application of Social Contribution tax to amounts of cultural and artistic donations and sponsorship, expenses on punitive fines, and taxes with liability suspended.

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

This refers to the escrow payments into court made in the action challenging the constitutionality of *inclusion* of ICMS tax, already charged, *within* the taxable amount for calculation of these two contributions. The subsidiaries Cemig D and Cemig GT obtained interim relief from the Court allowing them not to make the payment, and authorizing payment as escrow deposits, starting in 2008, and maintained this procedure until August 2011. After that date, while continuing to challenge the basis of the calculation in court, they opted to pay the taxes monthly.

In October 2017, the Federal Supreme Court (STF) published its Joint Judgment on the Extraordinary Appeal, in the form that has status of overall precedent, in favor of the argument of Cemig D and GT. Based on the opinion of its legal advisers, the subsidiaries adopted the following:

- Cemig GT reversed the provision in the amount of R$101,233, with effect on the net income for 2017, posting it as a reversal of Deductions from revenue, in the fourth quarter of that year, with an amount of R$202,409 remaining deposited in escrow on March 31, 2019 (R$201,211 on December 31, 2018).

- Cemig D maintains an escrow deposit of R$1,154,914 (R$1,148,604 on December 31, 2018); wrote down the liabilities relating to these contributions; and constituted a liability for reimbursement to its customers. More details in Note 21.

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13. REIMBURSEMENT OF TARIFF SUBSIDIES

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

On March 31, 2019 the total recognized as subsidies was R$251,647 (R$225,493 on March 31, 2018). Of this amount, Cemig D has a receivable R$164,940 as of March 31, 2019 (R$82,470 in 2018) and Cemig GT has a receivable of R$4,237 (R$8,375 in 2018) in current assets.

14. CONCESSION FINANCIAL AND SECTOR ASSETS AND LIABILITIES

Concession financial assets – consolidated R$ '000	Mar. 31, 2019	Dec. 31, 2018
Financial assets related to infrastructure (14.1)		
Distribution concessions	411,776	395,743
Indemnity receivable – transmission (14.2)	1,321,961	1,296,314
Reimbursement receivable – generation (14.3)	816,202	816,202
Concession grant fee – generation concessions (14.4)	2,426,044	2,408,930
	4,975,983	**4,917,189**

Sector financial assets – consolidated R$ '000	Mar. 31, 2019	Dec. 31, 2018
CVA (Portion A Compensation) Account and *Other Financial Components* in tariff-setting (14.5)	1,147,415	1,080,693
Total	**6,123,398**	**5,997,882**
Current assets	**1,325,308**	**1,070,384**
Non-current assets	**4,798,090**	**4,927,498**

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

R$ '000	Transmission	Generation	Distribution	Consolidated
Balances on December 31, 2017	**2,475,838**	**4,237,892**	**369,762**	**7,083,492**
Additions	1,063	-	-	1,063
Amounts received	(130,324)	(61,142)	-	(191,466)
Transfers between PP&E, Financial assets and Intangible assets	-	-	5,250	5,250
Monetary updating	52,768	99,071	792	152,631
Written down	-	-	(46)	(46)
Balances on March 31, 2018	**2,399,345**	**4,275,821**	**375,758**	**7,050,924**
Balances on December 31, 2018	**1,296,314**	**3,225,132**	**395,743**	**4,917,189**
Amounts received	(44,259)	(63,674)	-	(107,933)
Transfers between PP&E and contractual assets	44,082	-	10,147	54,229
Inflation adjustment	25,824	80,788	6,040	112,652
Written down	-	-	(154)	(154)
Balances on March 31, 2019	**1,321,961**	**3,242,246**	**411,776**	**4,975,983**

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14.1 Distribution – Financial assets related to infrastructure

The energy and gas distribution concession contracts are within the scope of ICPC 01 (IFRIC 12). The financial assets under these contracts refer to the investments made in infrastructure for which the residual value will paid by grantor at the end of the concession period and they are measured at fair value through profit or loss.

14.2 Transmission – Indmnifiable receivable

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

On August 16, 2016, the regulator, by its Dispatch 2181, ratified the amount of R$892,050, in December 2012 Reais, for the portion of the residual value of assets to be paid to the Company. This amount was recorded as a financial asset, with specific maturity and interest rate, in accordance with its characteristics.

The amount of the reimbursement receivable, updated to March 31, 2019, of R$1,321,961 (R$1,296,314 on December, 31, 2018) is classified as a financial asset, at amortized cost, in accordance with IFRS 9 / CPC 48, as follows:

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

The portions of remuneration and depreciation not paid since the extensions of the concessions, up to the tariff process of 2017, in the amount of R$904,700 (R$936,945 on December 31, 2018) are updated by the IPCA index (*Expanded National Consumer Price Index*) and remunerated at the weighted average cost of capital of the transmission industry as defined by Aneel in the methodologies for concession holders' Periodic Tariff Reviews, to be paid over a period of eight years, in the form of reimbursement through the RAP, from July 2017.

Residual Value of transmission assets – injunction awarded to industrial customers

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

The preliminary relief granted was partial, with effects related to suspension of the inclusion in the customer tariffs paid by these associations of the portion of the indemnity corresponding to the remuneration of cost of capital included since the date of extension of the concessions – amounting to R$417,261 at March 31, 2019 (R$359,369 at December 31, 2018) inflation-adjusted by the IPCA index.

In compliance with the court decision, the regulator, in its Technical Note 183/201-SGT/ANEEL of June 22, 2017, presented a new calculation, excluding the amounts that refer to the cost of own capital. Cemig believes that this is a provisional decision, and that its right to receive the amount referring to the assets of RBSE is guaranteed by law, so that no adjustment to the amount recorded at March 31, 2019 is necessary.

14.3 Generation – Indemnity receivable

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

Generating plant	Concession expiration date	Installed capacity (MW)	Net balance of assets based on historic cost R$ '000	Net balance of assets based on deemed cost, R$ '000
Lot D				
Três Marias Hydroelectric Plant	July 2015	396	71,694	413,450
Salto Grande Hydroelectric Plant	July 2015	102	10,835	39,379
Itutinga Hydroelectric Plant	July 2015	52	3,671	6,589
Camargos Hydroelectric Plant	July 2015	46	7,818	23,095
Piau Small Hydroelectric Plant	July 2015	18,01	1,531	9,005
Gafanhoto Small Hydroelectric Plant	July 2015	14	1,232	10,262
Peti Small Hydroelectric Plant	July 2015	9,4	1,346	7,871
Dona Rita Small Hydroelectric Plant	Sep. 2013	2,41	534	534
Tronqueiras Small Hydroelectric Plant	July 2015	8,5	1,908	12,323
Joasal Small Hydroelectric Plant	July 2015	8,4	1,379	7,622
Martins Small Hydroelectric Plant	July 2015	7,7	2,132	4,041
Cajuru Small Hydroelectric Plant	July 2015	7,2	3,576	4,252
Paciência Small Hydroelectric Plant	July 2015	4,08	728	3,936
Marmelos Small Hydroelectric Plant	July 2015	4	616	4,265
Others				
Volta Grande Hydroelectric Plant	Feb. 2017	380	25,621	70,118
Miranda Hydroelectric Plant (1)	Dec. 2016	408	26,710	22,546
Jaguara Hydroelectric Plant	Aug. 2013	424	40,452	174,203
São Simão Hydroelectric Plant	Jan. 2015	1,710	1,762	2,711
		3,601,70	**203,545**	**816,202**

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

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

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14.4 Concession Grant Fee – Generation concessions

The Concession Grant Fee for 30 years, of concession contracts No.'s 08 to 16/2016, for the 18 hydroelectric plants of Lot D of Auction 12/2015, which Cemig GT won, was R$2,216,353. The amount of the concession fee was recognized as a financial asset measured at amortized cost, as the Company has unconditional right to receive the amount paid, updated by the IPCA index and remuneratory interest (the total of which is equivalent to the internal rate of return on the project) during the period of the concession. Of the energy produced by these plants, 70% is sold in the Regulated Market (ACR) and 30% in the Free Market (ACL).

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

SPC	Plant	Balance at Dec. 31, 2018	Monetary updating	Amounts received	Balance at March 31, 2019
Cemig Geração Três Marias S.A.	Três Marias	1,369,900	43,660	(34,212)	1,379,348
Cemig Geração Salto Grande S.A.	Salto Grande	429,910	13,764	(10,789)	432,885
Cemig Geração Itutinga S.A.	Itutinga	160,601	5,787	(4,587)	161,801
Cemig Geração Camargos S.A.	Camargos	120,452	4,311	(3,415)	121,348
Cemig Geração Sul S.A.	Coronel Domiciano, Joasal, Marmelos, Paciência and Piau	157,217	6,018	(4,805)	158,430
Cemig Geração Leste S.A.	Dona Rita, Ervália, Neblina, Peti, Sinceridade and Tronqueiras	106,697	4,510	(3,648)	107,559
Cemig Geração Oeste S.A.	Cajurú, Gafanhoto and Martins	64,153	2,738	(2,218)	64,673
Total		**2,408,930**	**80,788**	**(63,674)**	**2,426,044**

SPC	Plant	Balance at Dec. 31, 2017	Monetary updating	Amounts received	Balance at Mar. 31, 2018
Cemig Geração Três Marias S.A.	Três Marias	1,330,134	44,361	(32,851)	1,341,644
Cemig Geração Salto Grande S.A.	Salto Grande	417,393	13,981	(10,360)	421,014
Cemig Geração Itutinga S.A.	Itutinga	155,594	5,837	(4,405)	157,026
Cemig Geração Camargos S.A.	Camargos	116,710	4,350	(3,279)	117,781
Cemig Geração Sul S.A.	Coronel Domiciano, Joasal, Marmelos, Paciência and Piau	152,170	6,050	(4,614)	153,606
Cemig Geração Leste S.A.	Dona Rita, Ervália, Neblina, Peti, Sinceridade and Tronqueiras	103,133	4,509	(3,503)	104,139
Cemig Geração Oeste S.A.	Cajurú, Gafanhoto and Martins	62,001	2,738	(2,130)	62,609
Total		**2,337,135**	**81,826**	**(61,142)**	**2,357,819**

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Concession Sector assets (liabilities)

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

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

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

Statement of financial position R$ '000	Mar. 31, 2019			Dec. 31, 2018		
	Amounts ratified by Aneel in the last tariff adjustment	Amounts to be ratified by Aneel in the next tariff adjustments	Total	Amounts ratified by Aneel in the last tariff adjustment	Amounts to be ratified by Aneel in the next tariff adjustments	Total
Assets	**425,438**	**3,127,882**	**3,553,320**	**1,184,458**	**2,545,994**	**3,730,452**
Current assets	425,438	2,485,861	2,911,299	1,184,458	1,505,264	2,689,722
Non-current assets	-	642,021	642,021	-	1,040,730	1,040,730
Liabilities	**(422,770)**	**(1,983,135)**	**(2,405,905)**	**(1,140,507)**	**(1,509,252)**	**(2,649,759)**
Current liabilities	(422,770)	(1,590,610)	(2,013,380)	(1,140,507)	(902,341)	(2,042,848)
Non-current liabilities		(392,525)	(392,525)	-	(606,911)	(606,911)
Total current, net	2,668	895,251	897,919	43,951	602,923	646,874
Total non-current, net	-	249,496	249,496	-	433,819	433,819
Total, net	**2,668**	**1,144,747**	**1,147,415**	**43,951**	**1,036,742**	**1,080,693**

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Financial components R$ '000	Mar. 31, 2019			Dec. 31, 2018		
	Amounts ratified by Aneel in the last tariff adjustment	Amounts to be ratified by Aneel in the next tariff adjustments	Total	Amounts ratified by Aneel in the last tariff adjustment	Amounts to be ratified by Aneel in the next tariff adjustments	Total
Items of 'Portion A'						
Quota for the Energy Development Account (CDE)	1,852	237,113	238,965	1,172	220,016	221,188
Tariff for use of transmission facilities of grid participants	9,162	(16,425)	(7,263)	24,263	(5,577)	18,686
Tariff for transport of Itaipu supply	876	21,006	21,882	2,266	15,580	17,846
Alternative power sources program (Proinfa)	1,043	20,737	21,780	3,106	5,154	8,260
ESS (System Service Charge) and EER (Reserve Energy Charge)	(82,272)	(389,249)	(471,521)	(246,181)	(287,474)	(533,655)
Energy bought for resale (1)	232,014	1,662,133	1,894,147	667,149	1,401,917	2,069,066
'Other financial components'						
Overcontracting of supply	(81,622)	42,829	(38,793)	(204,056)	(12,920)	(216,976)
Neutrality of Portion A	21,047	(61,049)	(40,002)	53,008	(14,883)	38,125
Other financial components in tariff adjustments	(94,385)	(285,499)	(379,884)	(235,964)	(211,525)	(447,489)
Tariff Flag balances (2)	-	(101)	(101)	-	(11,215)	(11,215)
Excess demand and reactive power	(5,047)	(86,748)	(91,795)	(20,812)	(62,331)	(83,143)
TOTAL	**2,668**	**1,144,747**	**1,147,415**	**43,951**	**1,036,742**	**1,080,693**

(1) The amount of the CVA for power supply constituted in 2018 after the Tariff Review, for inclusion in the tariff adjustment of 2019, is due mainly to the increased expenses on purchase of energy and coverage of hydrological risk, in view of the increase in the price of energy in the wholesale market, and operation of the thermoelectric plants, due to the low level of reservoirs.

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

Changes in sector assets and liabilities have been as follows:

	R$ '000
Balance at Dec. 31, 2017	**(45,790)**
Net constitution of financial assets	178,444
Assets realized	262,712
Advances from the Flag Tariff Centralizing Account	(153,267)
Inflation adjustment – Selic rate (Note 30)	447
Balance at Mar. 31, 2018	**242,546**
Balance at Dec. 31, 2018	**1,080,693**
Net constitution of financial assets	167,230
Assets realized	(46,880)
Advances from the Flag Tariff Centralizing Account	(74,534)
Inflation adjustment – Selic rate (Note 30)	20,906
Balance at March 31, 2019	**1,147,415**

Payments from the Flag Tariff Centralizing Account

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

In 1Q19 funds passed through by the Flag Account totaled R$54,533 (R$153,267 in 1Q18), and were recognized as a partial realization of CVA receivables constituted.

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15. CONCESSION CONTRACT ASSETS

Under IFRS 15 / Technical Pronouncement CPC 47 – *Revenue from contracts with customers*, concession infrastructure assets during the period of construction are classified as Contractual assets. The balances of these on March, 31, 2019 were as follows:

R$ '000	Consolidated	
	Mar. 31, 2019	Dec. 31, 2018
Distribution – Infrastructure assets under construction	533,690	518,162
Gas – Infrastructure assets under construction	85,079	81,475
Transmission – Reimbursement assets incorporated into the Assets Remuneration Base	428,104	492,405
Transmission – Assets remunerated by tariff	664,840	636,905
	1,711,713	**1,728,947**
Current	**131,085**	**130,951**
Non-current	**1,580,628**	**1,597,996**

The changes in contractual assets are as follows:

R$ '000	Transmission	Distribution	Gas	Consolidated
Balance at December 31, 2018	**1,129,310**	**518,162**	**81,475**	**1,728,947**
Additions	28,087	153,482	9,091	190,660
Inflation adjustment	6,675	-	-	6,675
Adjustment to expectation of contractual cash flow from the concession	5,596	-	-	5,596
Amounts received	(31,643)	-	-	(31,643)
Settled	(926)	-	(536)	(1,462)
Transfers to Financial assets	(44,082)	(10,147)	-	(54,229)
Transfers to Intangible assets	-	(127,807)	(4,951)	(132,758)
Transfers to PP&E	(73)	-	-	(73)
Balance at March 31, 2019	**1,092,944**	**533,690**	**85,079**	**1,711,713**

The amount of additions in 1Q19 includes R$10,232 under the heading Capitalized borrowing costs, as presented in Note 22.

Energy and gas distribution activities

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

The transmission activity

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

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Outstanding balance to be received through RAP: The outstanding balance of the reimbursement for transmission, due to acceptance of the terms of Law 12783/13, of R$428,104, at March 31, 2019 (R$492,405 at December 31, 2018) was incorporated into the Assets Remuneration Base and is being recovered via RAP.

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

Under the *Proret*, the revenue established in the Resolutions is payable to the transmission concession holders as from the date of start of commercial operation of the facilities. In the periods between tariff reviews, the revenues associated with the improvements and upgrades of facilities are provisional. They are then finally determined in the review immediately subsequent to the start of commercial operation of the facilities; this review then has effect starting on the date when commercial operations begin. The balance receivable on March 31, 2019 was R$664,840 (R$636,905 on December, 31, 2018, previously classified as financial assets).

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

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16. INVESTMENTS

Investee R$ '000	Control	Consolidated		Parent company	
		Mar. 31, 2019	Dec. 31, 2018	Mar. 31, 2019	Dec. 31, 2018
Cemig Geração e Transmissão	Subsidiary	-	-	5,643,703	5,064,127
Hidrelétrica Cachoeirão	Jointly-controlled	51,793	49,213	-	-
Hidrelétrica Pipoca	Jointly-controlled	30,589	30,629	-	-
Retiro Baixo	Jointly-controlled	174,119	170,720	-	-
Aliança Norte (*Belo Monte* plant)	Jointly-controlled	662,381	663,755	-	-
Madeira Energia (*Santo Antônio* plant)	Affiliated	263,183	270,090	-	-
FIP Melbourne (*Santo Antônio* plant)	Affiliated	464,201	470,022	-	-
Baguari Energia	Jointly-controlled	167,039	162,224	-	-
Aliança Geração	Jointly-controlled	1,254,488	1,216,860	-	-
Amazônia Energia (*Belo Monte* Plant)	Jointly-controlled	1,011,395	1,012,635	-	-
Cemig Distribuição	Subsidiary	-	-	4,830,712	4,642,358
Taesa	Jointly-controlled	1,176,050	1,143,189	1,176,050	1,143,189
Ativas Data Center	Affiliated	16,344	16,509	16,344	16,509
Gasmig	Subsidiary	-	-	1,472,482	1,439,005
Cemig Geração Distribuída	Subsidiary	-	-	11,395	2,741
Lepsa (2)	Subsidiary	-	-	5,185	5,099
RME (1/2)	Subsidiary	-	-	47,300	47,155
Efficientia	Subsidiary	-	-	17,522	17,532
Janaúba photovoltaic plant – Distributed Generation	Affiliated	9,082	9,042	-	-
Companhia de Transmissão Centroeste de Minas	Jointly-controlled	21,140	19,690	21,140	19,690
Axxiom Soluções Tecnológicas	Subsidiary	-	-	8,301	8,301
Cemig Overseas	Subsidiary	-	-	35	-
Total of investments		**5,301,804**	**5,234,578**	**13,250,169**	**12,405,706**

(1) On November 30, 2018 the Company acquired all the shares in RME, and therefore as from that date now consolidates that company in its financial statements. RME's sole asset is its holding in the share capital of Light. Hence the Company no longer presents the investment that it previously held in RME in its consolidated statements, presenting only the interest in Light.

(2) As mentioned in Note 36, these subsidiaries were merged into the Company on April 24, 2019.

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

a) Right to operate regulated activity

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

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Parent company						
Investees R$ '000	**Dec. 31, 2017**	**Amortization**	**Mar. 31, 2018**	**Dec. 31, 2018**	**Amortization**	**Mar. 31, 2019**
Cemig Geração e Transmissão	**688,612**	**(9,663)**	**678,949**	**726,170**	**(14,877)**	**711,293**
Retiro Baixo	28,344	(296)	28,048	31,966	(347)	31,619
Central Eólica Praias de Parajuru (1)	16,503	(354)	16,149	66,286	(1,554)	64,732
Central Eólica Volta do Rio (1)	11,035	(218)	10,817	95,819	(2,053)	93,766
Central Eólica Praias de Morgado (1)	23,956	(486)	23,470	-	-	-
Madeira Energia (*Santo Antônio* plant)(2)	151,384	(1,489)	149,895	18,000	(184)	17,816
LightGer (4)	-	-	-	83,990	(3,919)	80,071
Aliança Geração	402,844	(6,327)	396,517	377,534	(6,327)	371,207
Aliança Norte (*Belo Monte* plant)	54,546	(493)	54,053	52,575	(493)	52,082
Taesa	188,745	(2,330)	186,415	179,424	(2,330)	177,094
Light (4)	186,437	(5,590)	180,847	-	-	-
Gasmig	457,273	(3,814)	453,459	442,016	(3,814)	438,202
RME (3)	43,365	(1,266)	42,099	-	-	-
OVERALL TOTAL	**1,564,432**	**(22,663)**	**1,541,769**	**1,347,610**	**(21,021)**	**1,326,589**

(1) Movements arising from the business combination between the subsidiary Cemig GT and Energimp.

(2) As a result of the analysis of tests for indication of impairment, in view of the recurring losses reported by Investees, a provision was made for loss of part of the residual added value of the investment in Madeira, to limit its balance to the minimum amount of the excess balance of future economic benefits arising from the use of the net fixed asset on December, 31, 2018, using the nominal WACC (weighted average cost of capital) of 9.59% as a discount rate. The provision is presented in the profit and loss account for the year ended December, 31, 2018 as *Adjustment for impairment of investments*.

(3) Write-down arising from acquisition by the company of the totality of the shares in RME.

(4) Movement arising from remeasurement of the equity interest held before the acquisition of control of Light.

Consolidated						
Investees R$ '000	**Dec. 31, 2017**	**Amortization**	**Mar. 31, 2018**	**Dec. 31, 2018**	**Amortization**	**Mar. 31, 2019**
Cemig Geração e Transmissão	**688,612**	**(9,663)**	**678,949**	**480,075**	**(7,351)**	**472,724**
Retiro Baixo	28,344	(296)	28,048	31,966	(347)	31,619
Central Eólica Praias de Parajuru	16,503	(354)	16,149	-	-	-
Central Eólica Volta do Rio	11,035	(218)	10,817	-	-	-
Central Eólica Praias de Morgado	23,956	(486)	23,470	-	-	-
Madeira Energia (*Santo Antônio* plant)	151,384	(1,489)	149,895	18,000	(184)	17,816
Aliança Geração	402,844	(6,327)	396,517	377,534	(6,327)	371,207
Aliança Norte (*Belo Monte* plant)	54,546	(493)	54,053	52,575	(493)	52,082
Taesa	188,745	(2,330)	186,415	179,424	(2,330)	177,094
Light	186,437	(5,590)	180,847	-	-	-
RME	43,365	(1,266)	42,099	-	-	-
OVERALL TOTAL	**1,107,159**	**(18,849)**	**1,088,310**	**659,499**	**(9,681)**	**649,818**

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

PARENT COMPANY					
Investees R$ '000	**Dec. 31, 2018**	**Gain (loss) by equity method (Income statement)**	**Capital contributions / acquisitions**	**Other**	**Mar. 31, 2019**
Cemig Geração e Transmissão	5,064,127	579,576	-	-	5,643,703
Cemig Distribuição	4,642,358	188,354	-	-	4,830,712
Ativas Data Center	16,509	(165)	-	-	16,344
Gasmig	1,439,005	34,341	-	(864)	1,472,482
Cemig Geração Distribuida	2,741	(1,683)	10,337	-	11,395
Lepsa	5,099	86	-	-	5,185
RME	47,155	145	-	-	47,300
Efficientia	17,532	(10)	-	-	17,522
Companhia de Transmissão Centroeste de Minas	19,690	1,450	-	-	21,140
Axxiom Soluções Tecnológicas	8,301	-	-	-	8,301
Taesa	1,143,189	32,861	-	-	1,176,050
Cemig Overseas	-	-	-	35	35
	12,405,706	**834,955**	**10,337**	**(829)**	**13,250,169**

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CONSOLIDATED			
Investees R$ '000	**Dec. 31, 2018**	**Gain (loss) by equity method (Income statement)**	**Mar. 31, 2019**
Companhia de Transmissão Centroeste de Minas	19,690	1,450	21,140
Hidrelétrica Cachoeirão	49,213	2,580	51,793
Hidrelétrica Pipoca	30,629	(40)	30,589
Madeira Energia (*Santo Antônio* plant)	270,090	(6,907)	263,183
FIP Melbourne (*Santo Antônio* plant)	470,022	(5,821)	464,201
Baguari Energia	162,224	4,815	167,039
Amazônia Energia (*Belo Monte* Plant)	1,012,635	(1,240)	1,011,395
Aliança Norte (*Belo Monte* plant)	663,755	(1,374)	662,381
Ativas Data Center	16,509	(165)	16,344
Taesa	1,143,189	32,861	1,176,050
Aliança Geração	1,216,860	37,628	1,254,488
Retiro Baixo	170,720	3,399	174,119
Janaúba photovoltaic plant – distributed generation	9,042	40	9,082
Total of investments	**5,234,578**	**67,226**	**5,301,804**

PARENT COMPANY							
Investees R$ '000	**Dec. 31, 2017**	**Gain (loss) by equity method (Income statement)**	**Gain (loss) by equity method (Other comprehensive income)**	**Dividends**	**Capital contributions**	**Others**	**Mar. 31, 2018**
Cemig Geração e Transmissão	4,793,832	247,279	-	-	-	-	5,041,111
Cemig D (2)	3,737,310	65,722	-	-	420,000	(99,076)	4,123,956
Cemig Telecom (1)	247,313	4,778	(416)	-	-	(251,675)	-
Ativas Data Center (1)	-	-	-	-	-	17,116	17,116
Rosal Energia	106,897	7,123	17,547	-	-	-	131,567
Sá Carvalho	102,536	10,766	-	-	-	-	113,302
Gasmig	1,418,271	30,023	-	(23,226)	-	-	1,425,068
Horizontes Energia	53,165	7,524	-	-	-	-	60,689
Usina Térmica Ipatinga	4,932	53	-	-	-	-	4,985
Cemig PCH	96,944	9,605	-	-	-	-	106,549
Lepsa (2)	455,861	11,914	(6)	(3,463)	-	(22,077)	442,229
RME (2)	383,233	7,479	(5)	(1,200)	-	(16,560)	372,947
UTE Barreiro	17,982	148	-	-	-	-	18,130
Empresa de Comercialização de Energia Elétrica	18,403	13,000	-	-	-	-	31,403
Efficientia	7,084	364	-	-	-	-	7,448
Cemig Comercializadora de Energia Incentivada	2,004	115	-	-	-	-	2,119
Companhia de Transmissão Centroeste de Minas	20,584	1,394	-	(1,201)	-	-	20,777
Light (2)	1,083,140	24,156	(13)	(7,689)	-	(44,134)	1,055,460
Cemig Trading	29,206	13,179	-	-	-	-	42,385
Axxiom Soluções Tecnológicas	11,866	(1,802)	-	-	-	-	10,064
Taesa	1,101,462	45,550	-	-	-	-	1,147,012
Cemig Overseas	158	-	-	-	16	-	174
	13,692,183	**498,370**	**17,107**	**(36,779)**	**420,016**	**(416,406)**	**14,174,491**

(1) Changes included in the *Others* column arise from the merger of Cemig Telecom in March 2018.

(2) The movement included in the *Others* column arises from initial adoption of the new accounting pronouncements on January 1, 2018, recognized by the investees directly in equity without inclusion in the Income statement.

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CONSOLIDATED							
Investees **R$ '000**	**Dec. 31, 2017**	**Gain (loss) by equity method (Income statement)**	**Gain (loss) by equity method (Other comprehensive income)**	**Dividends**	**Contributions / acquisitions**	**Others**	**Mar. 31, 2018**
Companhia de Transmissão Centroeste de Minas	20,584	1,394	-	(1,201)	-	-	20,777
Light (1)	1,534,294	36,244	(13)	(11,532)	-	(66,210)	1,492,783
Axxiom Soluções Tecnológicas	11,866	(1,802)	-	-	-	-	10,064
RME (1)	383,233	7,479	(5)	(1,200)	-	(16,560)	372,947
Hidrelétrica Cachoeirão	57,957	2,713	-	(12,913)	-	-	47,757
Guanhães Energia	25,018	(145)	-	-	17,975	-	42,848
Hidrelétrica Pipoca	26,023	2,859	-	(396)	-	-	28,486
Madeira Energia (*Santo Antônio* plant)	534,761	(26,476)	-	-	-	-	508,285
FIP Melbourne (*Santo Antônio* plant)	582,504	(23,014)	-	-	-	-	559,490
LightGer	40,832	2,025	-	(445)	-	-	42,412
Baguari Energia	148,422	10,153	-	-	-	-	158,575
Central Eólica Praias de Parajuru	60,101	(1,750)	-	-	-	-	58,351
Central Eólica Volta do Rio	67,725	(6,315)	-	-	-	-	61,410
Central Eólica Praias de Morgado	50,569	(1,743)	-	-	-	-	48,826
Amazônia Energia (*Belo Monte* Plant)	866,554	10,821	-	-	38,316	-	915,691
Ativas Data Center	17,450	(763)	-	-	-	429	17,116
Taesa	1,101,462	45,552	-	-	-	-	1,147,014
Renova	282,524	(41,316)	-	-	-	-	241,208
Usina Hidrelétrica Itaocara S.A.	3,699	(191)	-	-	2,896	-	6,404
Aliança Geração	1,242,170	29,976	-	-	-	-	1,272,146
Aliança Norte (*Belo Monte* plant)	576,704	7,492	-	-	23,122	-	607,318
Retiro Baixo	157,773	3,681	-	-	-	-	161,454
Total of investments	**7,792,225**	**56,874**	**(18)**	**(27,687)**	**82,309**	**(82,341)**	**7,821,362**

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

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

Investees	Number of shares	Mar. 31, 2019			Dec. 31, 2018		
		Cemig stake %	Share capital, R$ '000	Equity R$ '000	Cemig stake %	Share capital, R$ '000	Equity R$ '000
Cemig Geração e Transmissão	2,896,785,358	100.00	2,600,000	5,563,354	100.00	2,600,000	4,980,136
Madeira Energia (*Santo Antônio* Plant)	12,034,025,147	15.51	10,619,786	4,575,704	15.51	10,619,786	4,656,593
Hidrelétrica Cachoeirão	35,000,000	49.00	35,000	105,700	49.00	35,000	100,434
Guanhães Energia	516,087,600	49.00	516,088	260,533	49.00	396,402	228,242
Hidrelétrica Pipoca	41,360,000	49.00	41,360	62,426	49.00	41,360	62,509
Baguari Energia S.A. (1)	26,157,300,278	69.39	186,573	240,733	69.39	186,573	233,793
Central Eólica Praias de Parajuru	71,834,843	100.00	71,835	81,991	100.00	71,835	79,594
Central Eólica Volta do Rio	138,867,440	100.00	138,867	87,093	100.00	138,867	84,355
LightGer	79,078,937	49.00	79,232	92,576	49.00	79,232	86,105
Aliança Norte (*Belo Monte* Plant)	41,437,698,407	49.00	1,206,127	1,245,508	49.00	1,206,127	1,247,307
Amazônia Energia (*Belo Monte* Plant) (1)	1,322,427,723	74.50	1,322,428	1,357,577	74.50	1,322,428	1,359,243
Aliança Geração	1,291,582	45.00	1,291,488	1,955,583	45.00	1,291,488	1,857,905
Retiro Baixo	222,850,000	49.90	222,850	285,571	49.90	222,850	278,065
Renova (1)	41,719,724	36.23	2,919,019	(257,563)	36.23	2,919,019	(76,489)
Usina Hidrelétrica Itaocara S.A.	22,165,114	49.00	22,165	10,169	49.00	22,165	10,470
Cemig Baguari	306,000	100.00	306	21	100.00	306	36
Cemig Geração Três Marias S.A.	1,291,423,369	100.00	1,291,423	1,440,115	100.00	1,291,423	1,395,614
Cemig Geração Salto Grande S.A.	405,267,607	100.00	405,268	456,711	100.00	405,268	440,083
Cemig Geração Itutinga S.A.	151,309,332	100.00	151,309	190,158	100.00	151,309	178,544
Cemig Geração Camargos S.A.	113,499,102	100.00	113,499	139,898	100.00	113,499	131,570
Cemig Geração Sul S.A.	148,146,505	100.00	148,147	188,454	100.00	148,147	176,424
Cemig Geração Leste S.A.	100,568,929	100.00	100,569	128,848	100.00	100,569	120,686
Cemig Geração Oeste S.A.	60,595,484	100.00	60,595	74,520	100.00	60,595	69,898
Rosal Energia S.A.	46,944,467	100.00	46,944	137,245	100.00	46,944	124,897
Sá Carvalho S.A.	361,200,000	100.00	36,833	107,259	100.00	36,833	94,447
Horizontes Energia S.A.	39,257,563	100.00	39,258	58,646	100.00	39,258	54,953
Cemig PCH S.A.	45,952,000	100.00	45,952	95,417	100.00	45,952	92,987
Usina Termelétrica do Barreiro S.A.	16,902,000	100.00	16,902	18,565	100.00	16,902	18,406
Empresa de Serviços de Comercialização de Energia Elétrica S.A.	486,000	100.00	486	40,272	100.00	486	26,755
Cemig Comercializadora de Energia Incentivada S.A.	1,000,000	100.00	1,000	3,104	100.00	1,000	2,841
Cemig Trading S.A.	1,000,000	100.00	1,000	42,511	100.00	1,000	28,135
Cemig Distribuição	2,359,113,452	100.00	2,771,998	4,830,712	100.00	2,771,998	4,642,358
Light	203,934,060	26.06	2,225,822	3,553,711	26.06	2,225,821	3,389,492
Taesa	1,033,496,721	21.68	3,042,034	4,731,633	21.68	3,042,034	4,572,051
Ativas Data Center	456,540,718	19.60	182,063	83,392	19.60	182,063	84,232
Gasmig	409,255,483	99.57	665,429	1,038,745	99.57	665,429	1,001,294
Cemig Geração Distribuida	174,281	100.00	174	11,395	100.00	174	2,741
Lepsa	1,379,839,905	100.00	406,341	446,894	100.00	406,341	446,591
RME	1,365,421,406	100.00	403,040	425,431	100.00	403,040	423,228
Efficientia	15,121,845	100.00	15,122	17,522	100.00	15,122	17,532
Companhia de Transmissão Centroeste de Minas	28,000,000	51.00	28,000	41,453	51.00	28,000	38,608
Axxiom Soluções Tecnológicas	46,600,000	49.00	46,600	14,050	49.00	46,600	16,943

(1) Control shared under a shareholders' agreement.

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Madeira Energia S.A. (Mesa) and FIP Melbourne

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

Operational continuity

In 1Q19 Mesa reported a loss of R$80,888, and current liabilities in excess of current assets by R$383,234, primarily comprising the accounts *Suppliers*, *Advances from customers* and *Debentures.* Mesa has so far accumulated losses totaling R$6.044 billion. To deal with the situation of negative working capital, Mesa, as well as achieving regularity in its operational cash flow through long term sales contracts, has the positive impacts of the reprofiling of its debts, which adjusted the flow of payments to its real cash generation capacity. To ensure its liquidity, Mesa can rely on financial support from its shareholders, under the equity support agreement signed for this purpose.

Arbitration proceedings

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

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

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

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Renova Energia S.A. ('Renova')

Going concern

For 1Q19 Renova has reported a loss of R$182,286; accumulated losses of R$3,233,173; current liabilities in excess of consolidated current assets by R$655,207; negative equity of R$258,775; and negative gross margin; and has a need to obtain capital to comply with its commitments, including those for construction of wind and solar power plants.

These events or conditions indicate the existence of material uncertainty, at March 31, 2019, that could raise significant doubts as to its capacity to remain operational.

In response to this, the investee and its shareholders, including the Company, have approved a corporate and financing restructuring plan with the aim of rebalancing its liquidity and cash flow structure, resolving the capital structure and honoring its commitments. This includes: approval of a binding proposal from AES Tietê Energia S.A. for purchase of the investee's wind farms; reprofiling of amounts owed to related parties; and renegotiation of debt with financial creditors. Management of the Company and the investee believe that, with the success of the measures approved, it will be possible to resume economic, financial and liquidity balance to continue the investee's business in the future.

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

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

Negotiations on Alto Sertão III

On April 9, 2019 Renova signed a share purchase agreement for the transaction to sell the Alto Sertão III Wind Generation Complex to AES Tietê Energia S.A., subdivided into Phases A and B, for R$350 million and R$90 million respectively, plus a purchase option on wind projects under development, for up to R$76 million.

The transaction is subject to the following conditions:

(i) The overall price may be augmented by an agreed earn-out amount, if the performance of Phase A exceeds the reference level specified in the negotiation.

(ii) Settlement of the debts owed to creditors of the project: AES Tietê will assume the financial debt, estimated at R$988 million, most of which is owed to the BNDES;

(iii) Reduction of R$20 million/month in the acquisition value of Phase A, *pro rata die*, in favor of the purchaser, due to delay in the closing of the transaction, originally scheduled for May 2, 2019.

The transaction is still subject to satisfactory negotiation of the definitive documents between the parties involved, which are to include compliance with conditions precedent, and the necessary approvals for their completion.

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

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

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

The Agreement also provides that certain common shares owned by CG I shall be converted into preferred shares, enabling Cemig GT to form ‘Units’ in Renova in the terms specified in Article 54 of the by-laws of Renova. As a result, after the closing, Cemig GT will be owner of 50% or less of the common shares in Renova. On April 24, 2019 Cemig GT received notification from BNDES Participações S.A. (BNDESPar) of exercise of its right to joint sale (‘tag-along’ right) of the totality of its interest, comprising 696,683 units, representing 5.01% of the share capital of Renova, as specified in the Shareholders’ Agreement.

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

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

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

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

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Nesa has expended significant funds for costs of organization and development and pre-operating costs, resulting in negative net working capital of R$3,092,856 at March 31, 2019. The completion of the construction works for the *Belo Monte* plant, and consequent generation of revenues, in turn, depend on the capacity of the investee to continue to comply with the schedule of works envisaged, as well as obtaining the necessary financial resources, either from its shareholders and / or from third parties.

On September 21, 2015, Nesa was awarded a preliminary injunction ordering the regulator to "abstain, until hearing of the application for an injunction made in the origin case, from applying to Appellant any penalties or sanctions in relation to the Belo Monte Hydroelectric Plant not coming into operation on the date established in the original timetable for the project, including those specified in Aneel Normative Resolution 595/2013 and in the Concession Contract 01/2010-MME, of the Belo Monte Hydroelectric Plant". The legal advisers of Nesa have classified the probability of loss as 'possible'. The estimate of loss in *Belo Monte* up to March 31, 2019 is R$1,800,000.

Companhia de Transmissão Centroeste de Minas

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

As officially reported by Eletrobras on October 22, 2018, the winning bid was R$43,169, in currency of December 31, 2017.

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

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c) Risks related to compliance with laws and regulations

Jointly-controlled investees:

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

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

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

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

Madeira Energia S.A. (‘Mesa’)

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

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

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

Renova Energia S.A. ('Renova')

Since 2017 Renova has been one of the subjects in an investigation being made by the Minas Gerais Civil Police relating to certain capital contributions made by its controlling shareholders, including Cemig GT, and other capital contributions made in previous years by Renova in certain projects under development. As a consequence of this matter, the governance bodies of Renova requested opening of an internal investigation on this subject, and this is being conducted by an independent company. A separate independent internal monitoring committee was also set up in Renova, to accompany the internal investigation, jointly with the Audit Committee. Its members are: one independent member of the Board; the Chair of the Audit Board; and the Chair of the Board of Directors.

In this context, the scope of the independent internal investigation consists of assessment as to whether there are any irregularities, including the Brazilian legislation related to acts of corruption and money-laundering, and Renova's Code of ethics and integrity policies.

On April 11, 2019, as part of the fourth phase of 'Operation Descarte', the Federal Police, the federal tax authority and the federal Public Attorneys' Office began the operation called 'Gone with the Wind', which resulted in a search and seizure warrant executed at the head office of the investee Renova in São Paulo, to establish whether any contracts had been over-invoiced without related provision of services, within the activities of this investee, in periods prior to 2015.

The investigations of 'Operation Gone with the Wind' are still in progress, and according to a Market Notice published on April 11, 2019, Renova is collaborating fully with the authorities in relation to these investigations.

Although there is evidence of deficiencies of internal controls, related to certain payments and filing of support documentation for services provided by outside parties, additional procedures are being requested to determine the existence of elements which would provide a basis for the items under investigation.

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As a result, no effect of the investigations has been included in the interim accounting information at March, 31, 2019 of Renova, nor of the Company.

Other investigations

In addition to the matter mentioned above, there are investigations being conducted by the Public Attorneys' Office and Civil Police of Minas Gerais State, to identify possible irregularities in the Company's investments in Guanhães and Mesa.

These procedures are being carried out by analysis of documents demanded by the respective authorities, and by hearing of witnesses.

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

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

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

The first phase of the Company's internal investigation was completed and the report delivered on May 13, 2019. Considering the present phase and preliminary results of this first phase of the internal investigations, no effect has been recorded in the Company's interim accounting statements at March, 31, 2019.

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

17. PROPERTY, PLANT AND EQUIPMENT

Consolidated R$ '000	Mar. 31, 2019			Dec. 31, 2018		
	Historic cost	Accumulated depreciation	Net value	Historic cost	Accumulated depreciation	Net value
In service						
Land	231,223	(16,805)	214,418	231,223	(16,174)	215,049
Reservoirs, dams, watercourses	3,282,586	(2,150,764)	1,131,822	3,282,178	(2,131,683)	1,150,495
Buildings, works and improvements	1,114,865	(805,098)	309,767	1,114,229	(800,430)	313,799
Machinery and equipment	2,776,496	(1,932,445)	844,051	2,772,738	(1,918,442)	854,296
Vehicles	31,747	(27,603)	4,144	31,747	(27,222)	4,525
Furniture and utensils	16,377	(12,761)	3,616	16,385	(12,718)	3,667
	7,453,294	**(4,945,476)**	**2,507,818**	**7,448,500**	**(4,906,669)**	**2,541,831**
In progress	119,438	-	119,438	119,754	-	119,754
Net PP&E	**7,572,732**	**(4,945,476)**	**2,627,256**	**7,568,254**	**(4,906,669)**	**2,661,585**

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Parent company R$ '000	Mar. 31, 2019			Dec. 31, 2018		
	Historic cost	Accumulated depreciation	Net value	Historic cost	Accumulated depreciation	Net value
In service						
Land	82	-	82	82	-	82
Buildings, works and improvements	408	(297)	111	408	(297)	111
Machinery and equipment	5,840	(4,730)	1,110	5,840	(4,627)	1,213
Furniture and utensils	2,238	(1,880)	358	2,238	(1,878)	360
	8,568	(6,907)	1,661	**8,568**	**(6,802)**	**1,766**
In progress	484	-	484	484	-	484
Net PP&E - parent company	9,052	(6,907)	2,145	**9,052**	**(6,802)**	**2,250**

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

Consolidated R$ '000	Balance at Dec. 31, 2018	Addition	Settled	Depreciation	Transfers/ Capitalizations	Balance at March 31, 2019
In service						
Land (1)	215,049	-	-	(631)	-	214,418
Reservoirs, dams, watercourses	1,150,495	-	-	(20,324)	1,651	1,131,822
Buildings, works and improvements	313,799	-	-	(4,668)	636	309,767
Machinery and equipment	854,296	-	(722)	(13,721)	4,198	844,051
Vehicles	4,525	-	-	(381)	-	4,144
Furniture and utensils	3,667	-	-	(80)	29	3,616
	2,541,831	**-**	**(722)**	**(39,805)**	**6,514**	**2,507,818**
In progress	119,754	6,125	-	-	(6,441)	119,438
Net PP&E	**2,661,585**	**6,125**	**(722)**	**(39,805)**	**73**	**2,627,256**

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

Consolidated R$ '000	Balance at Dec. 31, 2017	Addition	Settled	Depreciation	Transfers/ Capitalizations	Balance at Mar. 31, 2018
In service						
Land (1)	211,272	-	-	(623)	-	210,649
Reservoirs, dams and watercourses	1,233,576	-	-	(20,382)	3	1,213,197
Buildings, works and improvements	331,362	-	-	(4,680)	449	327,131
Machinery and equipment	873,551	-	(52)	(22,295)	18,950	870,154
Vehicles	3,105	-	-	(280)	-	2,825
Furniture and utensils	3,395	-	-	(86)	-	3,309
	2,656,261	**-**	**(52)**	**(48,346)**	**19,402**	**2,627,265**
In progress	106,049	**12,398**			(20,000)	98,447
Net PP&E	**2,762,310**	**12,398**	**(52)**	**(48,346)**	**(598)**	**2,725,712**

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

Parent company R$ '000	Balance at Dec. 31, 2018	Depreciation	Balance at March 31, 2019
In service			
Land	82	-	82
Buildings, works and improvements	111	-	111
Machinery and equipment	1,213	(103)	1,110
Furniture and utensils	360	(2)	358
	1,766	**(105)**	**1,661**
In progress	484	-	484
Net PP&E - parent company	**2,250**	**(105)**	**2,145**

The average annual depreciation rate for the Company and its subsidiaries in 1Q19 is 3.72%.

The Company and its subsidiaries have not identified any evidence of impairment of its Property, plant and equipment assets. The generation concession contracts provide that at

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the end of each concession the grantor must determine the amount to be reimbursed to the Company – with the exception of the concession contracts related to Lot D of Auction12/2015. Management believes that the indemnity of these assets will be greater than the amount of their historic cost, after depreciation over their useful lives.

18. INTANGIBLE ASSETS

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

Consolidated R$ '000	Mar. 31, 2019			Dec. 31, 2018		
	Historic cost	Accumulated amortization	Amount Residual value	Historic cost	Accumulated amortization	Residual value
In service						
Defined useful life						
Temporary easements	11,749	(2,832)	8,917	11,749	(2,664)	9,085
Paid concessions	19,169	(12,100)	7,069	19,169	(11,930)	7,239
Assets of concession	18,797,654	(8,147,190)	10,650,464	18,674,138	(7,994,650)	10,679,488
Others	85,267	(67,278)	17,989	84,868	(66,071)	18,797
	18,913,839	**(8,229,400)**	**10,684,439**	**18,789,924**	**(8,075,315)**	**10,714,609**
In progress	**56,504**	**-**	**56,504**	**62,582**	**-**	**62,582**
Net intangible assets	**18,970,343**	**(8,229,400)**	**10,740,943**	**18,852,506**	**(8,075,315)**	**10,777,191**

Parent company R$ '000	Mar. 31, 2019			Dec. 31, 2018		
	Historic cost	Accumulated amortization	Residual value	Historic cost	Accumulated amortization	Residual value
In service						
Defined useful life						
Software use rights	14,880	(9,363)	5,517	14,880	(8,946)	5,934
Brands and patents	8	(8)	-	8	(8)	-
Others	231	(73)	158	231	(73)	158
	15,119	**(9,444)**	**5,675**	**15,119**	**(9,027)**	**6,092**
In progress	**33**	**-**	**33**	**33**	**-**	**33**
Net intangible assets	**15,152**	**(9,444)**	**5,708**	**15,152**	**(9,027)**	**6,125**

This table shows the changes in intangible assets:

Consolidated R$ '000	Balance at Dec. 31, 2018	Addition	Settled	Amortization	Transfers	Balance at March 31, 2019
In service						
Defined useful life						
Temporary easements	9,085	-	-	(168)	-	8,917
Paid concessions	7,239	-	-	(170)	-	7,069
Assets of concession	10,679,488	-	(3,319)	(171,309)	145,604	10,650,464
Others	18,797	-	-	(1,184)	376	17,989
	10,714,609	**-**	**(3,319)**	**(172,831)**	**145,980**	**10,684,439**
In progress	62,582	7,144	-	-	(13,222)	56,504
Net intangible assets – Consolidated	**10,777,191**	**7,144**	**(3,319)**	**(172,831)**	**132,758**	**10,740,943**

Consolidated R$ '000	Balance at Dec. 31, 2017	Addition	Settled	Amortization	Transfer (1)	Balance at Mar. 31, 2018
In service						
Useful life defined						
Temporary easements	9,759	-	-	(168)	-	9,591
Paid concession	7,918	-	-	(170)	-	7,748
Right to commercial operation	10,435,391	(1,486)	(351)	(163,043)	122,345	10,392,856
Others	17,188	909	4,043	(1,264)	598	21,474
	10,470,256	**(577)**	**3,692**	**(164,645)**	**122,943**	**10,431,669**
In progress	685,672	182,556	(4,522)	-	(127,595)	736,111
Net intangible assets – Consolidated	**11,155,928**	**181,979**	**(830)**	**(164,645)**	**(4,652)**	**11,167,780**

(1) The residual balance of the transfers refers to the balances transferred to Financial assets.

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Parent company	Balance at Dec. 31, 2018	Amortization	Balance at March 31, 2019
In service			
Defined useful life			
Software use rights	5,934	(417)	5,517
Others	158	-	158
	6,092	**(417)**	**5,675**
In progress	**33**	**-**	**33**
Net intangible assets	**6,125**	**(417)**	**5,708**

Concession assets

The portion of the distribution infrastructure that will be fully used up during the concession is recorded in Intangible assets. Assets linked to the infrastructure of the concession that are still under construction are posted initially as contractual assets, as detailed in Note 15.

The intangible assets Easements, Paid concessions, Right to commercial operation of the concession, and Others, are amortizable by the straight-line method, taking into account the consumption pattern of these rights. The amount of additions in 1Q19 includes R$854 (R$8,272 on March 31, 2018) under the heading Capitalized borrowing costs, as presented in Note 22.

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

19. LEASING TRANSACTIONS

As mentioned in Note 2.2, as from January 1, 2019 the standard IFRS 16 / CPC 06 (R2) – *Leases* came into effect. The Company and its subsidiaries have opted to adopt the modified retrospective method, and thus, in accordance with the requirements of this Standard, do not re-present the information and balances on a comparative basis; they consider the asset of Right to Use as having the same value as the leasing liabilities on the initial adoption date.

The Company and its subsidiaries have valued their contracts and recognized an asset of Right to Use and a liability for leasing, for the following contracts which contain leasing:

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

The Company and its subsidiaries have opted to use the exemptions specified in the rule for short-term leasing operations (leasing transactions with a period of 12 months or less) without the option to purchase, and for low-value items. Thus, these leasing agreements are recognized as an expense in the income statement on the straight-line basis, over the period of the leasing. Their effects on net income in 1Q19 were immaterial.

a) Right to Use

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

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

R$ '000	Consolidated		Parent company	
	Mar. 31, 2019	Jan 1, 2019	Mar. 31, 2019	Jan 1, 2019
Real estate property	229,774	238,482	17,427	19,844
Vehicles	94,082	103,557	-	-
Others	334	411	-	-
	324,190	**342,450**	**17,427**	**19,844**

Changes in the asset Right to Use are as follows:

Consolidated R$ '000	Real estate property	Vehicles	Others	Total
Balances on December 31, 2018	-	-	-	-
Initial adoption on January 1, 2019	238,482	103,557	411	342,450
Amortization	(8,708)	(9,475)	(77)	(18,260)
Balances on March 31, 2019	**229,774**	**94,082**	**334**	**324,190**

Parent company R$ '000	Real estate property
Balance at Dec. 31, 2018	-
Initial adoption on January 1, 2019	19,844
Amortization	(2,417)
Balance at March 31, 2019	**17,427**

b) Leasing liabilities

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

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

R$ '000	Consolidated	Parent company
Balances on December 31, 2018	-	-
Initial adoption on January 1, 2019 (1)	342,450	19,844
Interest incurred	9,340	392
Payments made	(24,453)	(2,647)
Balances on March 31, 2019	**327,337**	**17,589**
Current liabilities	**92,518**	**10,042**
Non-current liabilities	**234,819**	**7,547**

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

The profile of maturity dates of gross leasing liabilities is shown in Note 32.

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20. SUPPLIERS

R$ '000	Consolidated	
	Mar. 31, 2019	Dec. 31, 2018
Energy on spot market – CCEE	398,247	139,375
Charges for use of energy network	127,329	122,374
Energy bought for resale	813,058	775,336
Itaipu Binacional	261,444	268,004
Gas bought for resale	147,420	123,664
Materials and services	264,746	372,499
	2,012,244	**1,801,252**

21. TAXES, AND AMOUNTS REIMBURSABLE TO CUSTOMERS

a) Taxes, and amounts to be restituted to customers

	Consolidated		Parent company	
	Mar. 31, 2019	Dec. 31, 2018	Mar. 31, 2019	Dec. 31, 2018
Current				
ICMS (value added) tax	105,266	167,886	1,395	1,587
Cofins tax	123,564	146,004	45	18,404
Pasep tax	26,963	31,664	3	3,988
Social security contributions	21,780	22,730	1,798	2,226
Others	20,629	41,541	692	18,809
	298,202	**409,825**	**3,933**	**45,014**
Non-current				
Cofins tax	25,609	25,280	-	-
Pasep tax	4,171	4,116	-	-
	29,780	**29,396**	**-**	**-**
	327,982	**439,221**	**3,933**	**45,014**
Amounts to be restituted to customers				
Non-current				
Pasep and Cofins taxes (i)	1,129,697	1,123,680	-	-
	1,129,697	**1,123,680**	**-**	**-**

(i) The non-current obligations for the Pasep and Cofins taxes included the amounts relating to the Court challenge of the constitutionality of inclusion of the ICMS tax within the base on which Pasep and Cofins are calculated. The subsidiaries Cemig D and Cemig GT obtained interim relief from the Court allowing them not to make the payment and authorizing payment of the deposits into court (starting in 2008), and maintained this procedure until August 2011. After that date, while continuing to challenge the basis of the calculation in court, the Company opted to pay the taxes monthly.

In October 2017, the Federal Supreme Court (STF) published its Joint Judgment on the Extraordinary Appeal, in the form that creates overall precedent, in favor of the argument of the two subsidiaries. Based on the opinion of its legal advisers, the subsidiaries write off the liabilities for these contributions, and Cemig D recorded a liability for the reimbursement of these amounts to its customers. At the end of 2018 this liability was R$1,129,697 (R$1,123,680 on December 31, 2018), which is equivalent to the updated value of the escrow deposits amounting R$1,154,914 (R$1,148,607 on December 31, 2018), net of the Pasep and Cofins taxes applicable to the amounts of the inflation-adjustment updating, which was R$25,924 (R$24,924 on December 31, 2018). This liability has been constituted because Cemig D passes through to its customers the tax effects which are incident upon energy bills, maintaining what is referred to as 'tariff neutrality'. The restitution to customers will depend upon the escrow deposit being lifted and decision by regulator (Aneel) on the mechanisms to be adopted. There are no effects in the income statement arising from this matter.

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b) Income tax and social contribution tax

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

R$ '000	Consolidated	
	Mar. 31, 2019	Dec. 31, 2018
Current		
Income tax	31,204	83,213
Social Contribution	11,399	28,850
	42,603	**112,063**

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22. LOANS, FINANCINGS AND DEBENTURES

Financing source R$ '000	Principal maturity	Annual Financial cost	Currency	Consolidated – R$ '000			
				Mar. 31, 2019			Dec. 31, 2018
				Current	Non-current	Total	Total
FOREIGN CURRENCY							
Banco do Brasil – Various bonds (1) (4)	2024	Diversas	US$	4,128	24,194	28,322	25,936
Eurobonds (2)	2024	9.25%	US$	203,192	5,845,050	6,048,242	5,856,124
KfW (2)	2019	1.78%	EURO	227	-	227	229
(–) Transaction costs				-	(20,669)	(20,669)	(21,319)
(±) Funds advanced (3)				-	(33,238)	(33,238)	(34,269)
Debt in foreign currency				**207,547**	**5,815,337**	**6,022,884**	**5,826,701**
BRAZILIAN CURRENCY							
Banco do Brasil (4)	2022	146.50% of CDI	R$	53,156	449,375	502,531	502,531
Caixa Econômica Federal (4)	2022	146.50% of CDI	R$	64,685	562,170	626,855	626,632
Caixa Econômica Federal (5)	2021	TJLP + 2.50%	R$	-	56,865	56,865	55,576
Caixa Econômica Federal (6)	2022	TJLP + 2.50%	R$	-	110,608	110,608	107,791
Eletrobras (4)	2023	UFIR + 6.00% to 8.00%	R$	14,028	17,074	31,102	33,182
Large customers (4)	2024	IGP-DI + 6.00%	R$	2,490	2,616	5,106	4,985
Pipoca Consortium (2)	2019	IPCA	R$	185	-	185	185
Sonda (7)	2021	110.00% of CDI	R$	-	46,290	46,290	45,531
Promissory Notes - 9th Note Issue – Single series (4)	2019	151.00% of CDI	R$	435,330	-	435,330	425,571
(–) FIC Pampulha: Securities of subsidiary companies (9)				(18,488)	-	(18,488)	(23,508)
(–) Transaction costs				(2,386)	(7,478)	(9,864)	(12,524)
Debt in Brazilian currency				**549,000**	**1,237,520**	**1,786,520**	**1,765,952**
Total of loans and financings				**756,547**	**7,052,857**	**7,809,404**	**7,592,653**
Debentures – 3rd Issue, 2nd Series (2)	2019	IPCA + 6.00%	R$	-	-	-	156,361
Debentures – 3rd Issue, 3rd Series (2)	2022	IPCA + 6.20%	R$	339,395	675,350	1,014,745	1,049,331
Debentures – 6th Issue, 2nd series (2)	2020	IPCA + 8.07%	R$	18,090	16,277	34,367	33,322
Debentures – 7th Issue, Single series (2)	2021	140.00% of CDI	R$	341,703	595,722	937,425	1,022,646
Debentures – 3rd Issue, 2nd Series (4)	2021	IPCA + 4.70%	R$	517,679	527,881	1,045,560	1,596,419
Debentures – 3rd Issue, 3rd Series (4)	2025	IPCA + 5.10%	R$	5,134	926,412	931,546	955,722
Debentures – 5th Issue, Single series (4)	2022	146.50% of CDI	R$	165,159	1,415,532	1,580,691	1,580,121
Debentures – 6th Issue, Single series (4)	2020	CDI + 1.75%	R$	415,783	137,170	552,953	551,214
Debentures (8)	2022	TJLP+1.82% (69%) and Selic+1.82% (31%)	R$	33,206	84,031	117,237	124,801
Debentures (8)	2019	116.50% of CDI	R$	50,115	-	50,115	50,086
Debentures (8)	2023	CDI + 1.50%	R$	20,032	80,000	100,032	100,033
(–) Transaction costs				(12,600)	(24,658)	(37,258)	(40,881)
Total, debentures				**1,893,696**	**4,433,717**	**6,327,413**	**7,179,175**
Overall total – Consolidated				**2,650,243**	**11,486,574**	**14,136,817**	**14,771,828**

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Financing source R$ '000	Principal maturity	Annual financial cost	Currency	Parent company – R$ '000			
				Mar. 31, 2019			Dec. 31, 2018
				Current	Non-current	Total	Total
BRAZILIAN CURRENCY							
Sonda (7)	2021	110.00% of CDI	R$	-	46,290	46,290	45,531
(–) Transaction costs				-	(411)	(411)	(450)
Total of loans and financings				-	**45,879**	**45,879**	**45,081**

(1) Net balance of the Restructured Debt comprising bonds at par and discounted, with balance of R$178,021, less the amounts given as Deposits in guarantee, with balance of R$149,699. Interest rates vary – from 2 to 8% p.a.; six-month Libor plus spread of 0.81% to 0.88% p.a.
(2) Cemig Geração e Transmissão
(3) Advance of funds to achieve the yield to maturity agreed in the Eurobonds contract.
(4) Cemig Distribuição
(5) Central Eólica Praias de Parajuru
(6) Central Eólica Volta do Rio
(7) Cemig (parent company). Arising from merger of Cemig Telecom into Cemig.
(8) Gasmig
(9) FIC Pampulha has financial investments in securities issued by subsidiary companies of the Company. For more information and characteristics of this fund, see Note 31.

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

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

Guarantees

The guarantees of the debtor balance on loans and financings, on March 31, 2019, were as follows:

R$ '000	Mar. 31, 2019
Promissory notes: Sureties	9,019,411
Receivables	3,886,393
Shares	1,073,851
No guarantee	157,162
TOTAL	**14,136,817**

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

Consolidated	2019	2020	2021	2022	2023	2024	2025	Total
Currency								
Euros	227	-	-	-	-	-	-	227
US dollar	207,320	-	-	-	-	5,869,244	-	6,076,564
Total, currency-denominated	**207,547**	**-**	**-**	**-**	**-**	**5,869,244**	**-**	**6,076,791**
Indexers								
IPCA (1)	35,491	861,269	860,516	574,318	231,603	231,603	231,603	3,026,403
Ufir / RGR (2)	10,843	11,208	3,407	3,265	2,379	-	-	31,102
CDI (3)	1,221,550	1,009,319	1,145,263	1,453,980	20,000	-	-	4,850,112
URTJ / TJLP (4)	17,623	69,315	117,071	44,323	-	-	-	248,332
IGP–DI (5)	2,490	259	945	565	565	282	-	5,106
Total, governed by indexers	**1,287,997**	**1,951,370**	**2,127,202**	**2,076,451**	**254,547**	**231,885**	**231,603**	**8,161,055**
(–) Transaction costs	(11,082)	(13,087)	(13,950)	(8,508)	(165)	(20,834)	(165)	(67,791)
(±) Funds advanced	-	-	-	-	-	(33,238)	-	(33,238)
Overall total	**1,484,462**	**1,938,283**	**2,113,252**	**2,067,943**	**254,382**	**6,047,057**	**231,438**	**14,136,817**

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Parent company	2019	2020	2021	2022	2023	2024	2025	Total
Indexers								
CDI (3)	-	-	46,290	-	-	-	-	46,290
Total, governed by indexers	**-**	**-**	**46,290**	**-**	**-**	**-**	**-**	**46,290**
(–) Transaction costs	-	-	(411)	-	-	-	-	(411)
Overall total	**-**	**-**	**45,879**	**-**	**-**	**-**	**-**	**45,879**

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

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

Currency	Change in 1Q19, %	Change in 1Q18, %	Indexer	Change in 1Q19, %	Change in 1Q18, %
US dollar	0.57	0.48	IPCA	1.51	0.70
Euro	(1.42)	2.91	CDI	1.51	1.59
			TJLP	0.72	(3.57)

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

R$ '000	Consolidated	Parent company
Balances on December 31, 2017	**14,397,697**	**-**
Monetary updating	38,674	-
Foreign exchange variations	16,031	-
Financial costs recorded	295,620	-
Amortization of transaction cost	9,000	-
Financial charges paid	(344,753)	-
Amortization of financings	(722,462)	-
Subtotal	**13,689,807**	-
(–) FIC Pampulha: Securities of subsidiary companies	9,009	-
Balances on March 31, 2018	**13,698,816**	-
Balances on December 31, 2018	**14,771,828**	**45,081**
Inflation adjustments	44,008	-
Foreign exchange variations	32,980	-
Borrowing costs recorded	314,498	759
Appropriation of transaction cost	6,933	39
Borrowing costs paid	(284,847)	-
Amortization of financings	(753,603)	-
Subtotal	**14,131,797**	**45,879**
(–) FIC Pampulha: Securities of subsidiary companies	5,020	-
Balances on March 31, 2019	**14,136,817**	**45,879**

Capitalized borrowing costs

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

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

R$ '000	Jan to Mar 2019	Jan to Mar 2018
Costs of loans and financings	314,498	304,620
Capitalized borrowing costs, in Intangible assets (1)(Note 18)	(854)	(8,272)
Capitalized borrowing costs in contractual assets (Note 15)	(10,232)	-
Net effect in Income statement	**303,412**	**296,348**

(1) The average capitalization rate p.a. in 2019 was 8.69% (9.64% p.a. In 2018).

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

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Restrictive covenants

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

Security	Covenant	Ratio required – Issuer	Ratio required Cemig (guarantor)	Ratio required – Parajuru and Volta do Rio	Compliance required
7th debenture issue – Cemig GT (1)	Net debt / (Ebitda + Dividends received)	Ratio to be the following, or less: 4.5 in 2019 3.0 in 2020 2.5 in 2021	Ratio to be the following, or less: 3.5 in 2019 3.0 in 2020 2.5 in 2021	-	Half-yearly and annual
Eurobonds Cemig GT (2)	Net debt / (Ebitda adjusted for the Covenant)	The following or less: 5.0 on Jun. 30, 2019 4.5 on Dec. 31, 2019 4.5 on Jun. 30, 2020 3.0 on Dec. 31, 2020 3.0 on Jun. 30, 2021 2.5 on/after Dec. 31, 2021	Ratio to be the following, or less: 4.25 on Jun. 30, 2019 3.5 on Dec. 31, 2019 3.5 on Jun. 30, 2020 3.0 on Dec. 31, 2020 3.0 on Jun. 30, 2021 3.0 on/after Dec. 31, 2021	-	Half-yearly and annual
Bank Credit Notes of Banco Brasil and Caixa Econômica Federal; 5th and 6th Debenture Issues; and 9th Note issue Cemig D (3)	Net debt / (Ebitda + Dividends received)	The following, or less: 3.8 on Jun. 30, 2019 3.8 on Dec. 31, 2019 3.3 on Jun. 30, 2020 3.3 on Dec. 31, 2020 3.3 on Jun. 30, 2021 3.3 on/after Dec. 31, 2021	Ratio to be the following, or less: 4.25 on Jun. 30, 2019 3.5 on Dec. 31, 2019 3.5 on Jun. 30, 2020 3.0 on Dec. 31, 2020 3.0 on Jun. 30, 2021 2.5 on/after Dec. 31, 2021	-	Half-yearly and annual
	Current liquidity	0.6x or more	0.6x or more	-	
Debentures Gasmig (4)	Overall indebtedness (Total liabilities/Total assets)	Less than 0.6	-	-	Annual
	Ebitda / Debt servicing	1.3 or more	-	-	Annual
	Ebitda / Net financial revenue (expenses)	2.5 or more	-	-	Annual
	Net debt/Ebitda:	2.5 or more	-	-	Annual
Financing - Caixa Econômica Federal Parajuru and Volta do Rio (5)	Debt servicing coverage index	-	-	1.20 or more	Annual (during amortization)
	Equity / Total liabilities	-	-	20.61% (Parajuru); 20.63% (Volta do Rio)	Always
	Share capital subscribed in investee / Total investments made in the project financed	-	-	20.61% (Parajuru); 20.63% (Volta do Rio)	Always

(1) 7th Issue of Debentures by Cemig GT, in December 2016, of R$2,240,000.
(2) In the event the financial maintenance covenants being exceeded, interest will automatically be increased by 2% p.a. during the period in which they remain exceeded. There is also an obligation to comply with a 'maintenance' covenant – which requires that the debt in Cemig Consolidated (as per financial statements) shall have asset guarantee for debt of 1.75x Ebitda (2.0 in December 2017); and a 'damage' covenant, requiring real guarantee for debt in Cemig GT of 1.5x Ebitda.
(3) The instruments described above have compliance requirements for their covenants with specific ratios up to their maturity dates, as shown in the detailed table at the beginning of this Note.
(4) If Gasmig does not achieve the required ratio, it must, within 120 days from the date of notice in writing from BNDESPar or the BNDES, constitute guarantees acceptable to the debenture holders for the total amount of the debt, subject to the rules of the National Monetary Council (CMN), unless the required ratios are restored within that period. Cross-default: Certain contractually specified situations can cause early maturity of other debts.
(5) The financing contracts with Caixa Econômica Federal for the *Praias de Parajuru* and *Volta do Rio* wind power plants have financial covenants with compliance relating to early maturity of the remaining balance of the debt. Compliance with the debt servicing coverage index is considered to be demandable only annually and during the period of amortization, which begins in July 2020.

On March 31, 2019 the covenants requiring permanent compliance were complied with.

The information on the derivative financial instruments (swaps) contracted to hedge the debt servicing of the Eurobonds (principal, in foreign currency, plus interest), and the Company's exposure to interest rate risks, are given in Note 32.

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23. REGULATORY CHARGES

R$ '000	Consolidated	
	Mar. 31, 2019	Dec. 31, 2018
Liabilities		
Global Reversion Reserve (RGR)	27,071	29,068
Energy Development Account (CDE)	105,846	122,217
Aneel inspection charge	2,370	2,329
Energy Efficiency	253,755	257,956
Research and development	211,024	224,970
Energy System Expansion Research	2,719	2,536
National Scientific and Technological Development Fund	5,067	4,746
Proinfa – Alternative Energy Program	8,079	6,631
Royalties for use of water resources	6,431	5,804
Emergency capacity charge	30,994	30,994
Others	5,678	5,686
	659,034	**692,937**
Current liabilities	**498,334**	**514,412**
Non-current liabilities	**160,700**	**178,525**

24. POST-EMPLOYMENT OBLIGATIONS

Changes in net liabilities were as follows:

Consolidated R$ '000	Pension plans and retirement supplement plans	Health Plan	Dental Plan	Life insurance	Total
Net liabilities on December 31, 2017	**2,068,355**	**1,809,441**	**38,505**	**269,880**	**4,186,181**
Expense recognized in Income statement	47,985	45,581	953	6,760	101,279
Contributions paid	(41,240)	(27,214)	(619)	(2,284)	(71,357)
Net liabilities on March 31, 2018	**2,075,100**	**1,827,808**	**38,839**	**274,356**	**4,216,103**
Net liabilities on December 31, 2018	**2,169,610**	**2,343,799**	**47,552**	**427,383**	**4,988,344**
Expense recognized in Income statement	49,173	55,587	1,138	10,240	116,138
Contributions paid	(45,547)	(29,686)	(646)	(2,987)	(78,866)
Net liabilities on March 31, 2019	**2,173,236**	**2,369,700**	**48,044**	**434,636**	**5,025,616**
				31/03/2019	**31/12/2018**
Current liabilities				257,155	252,688
Non-current liabilities				4,768,461	4,735,656

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Parent company R$ '000	Pension plans and retirement supplement plans	Health Plan	Dental Plan	Life insurance	Total
Net liabilities on December 31, 2017	**333,484**	**111,568**	**2,659**	**11,786**	**459,497**
Expense recognized in Income statement	7,917	2,694	64	320	10,995
Contributions paid	(2,029)	(1,657)	(38)	(78)	(3,802)
Net liabilities on March 31, 2018	**339,372**	**112,605**	**2,685**	**12,028**	**466,690**
Net liabilities on December 31, 2018	**357,354**	**132,188**	**3,198**	**16,711**	**509,451**
Expense recognized in Income statement	8,147	3,064	76	412	11,699
Contributions paid	(2,239)	(2,318)	(41)	(125)	(4,723)
Net liabilities on March 31, 2019	**363,262**	**132,934**	**3,233**	**16,998**	**516,427**
				31/03/2019	**31/12/2018**
Current liabilities				14,558	13,774
Non-current liabilities				501,869	495,677

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

The amounts reported as expenses in the income statement refer to the tranches of the costs of post-employment obligations, totaling R$100,909 (R$83,271 for 1Q18), plus the financial costs and monetary updating on the debt agreed with Forluz, in the amount of R$15,299 (R$18,007 for 1Q18).

Debt agreed with the pension fund (Forluz)

On March 31, 2019 the Company and its subsidiaries have an obligation for past actuarial deficits relating to the pension fund in the amount of R$632,298 (R$651,966 at December 31, 2018). This amount has been recognized as an obligation payable, and is being amortized up to June 2024, through monthly installments calculated by the system of constant installments (known as the 'Price' table), and adjusted by the IPCA (Expanded National Consumer Price) inflation index (published by the Brazilian Geography and Statistics Institute – IBGE) plus 6% per year. Because this debt is required to be paid even if Forluz has a surplus, the Company and its subsidiaries maintain record of this debt, specifically, in full, and record the effects of monetary updating and interest in the Profit and loss account.

Contract for solution to the deficit on Forluz Pension Plan 'A'

Forluz and the sponsors Cemig, Cemig GT and Cemig D have signed Debt Assumption Instruments to cover the deficit of Plan A for the years 2015 and 2016. On March 31, 2019 the total amount payable by the Company and its subsidiaries as a result of the Plan A deficits of 2015 and 2016 was R$377,114 (R$377,449 on December 31, 2018), with monthly amortizations up to 2031, calculated by the system of constant installments (known as the 'Price Table'). Remuneratory interest applicable to the outstanding balance is 6% p.a., plus the effect of the IPCA (Expanded National Consumer Price) index published by the IBGE. If the plan reaches actuarial balance before the full period of amortization of the contract, the Company and its subsidiaries will be dispensed from payment of the remaining installments and the contract will be extinguished.

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On April 3, 2019 a new Debt Assumption Instrument was signed between Forluz and the sponsors Cemig, Cemig GT and Cemig D, in accordance with a plan for coverage of the deficit of Plan A of Forluz relating to the year of 2017. The total amount to be paid by the Company and its subsidiaries as a result of the deficit for 2017 in Plan A is R$178.328, with monthly amortization payments up to 2033. Remuneratory interest applicable to the outstanding balance is 6% p.a., plus the effect of the IPCA. If the plan reaches actuarial balance surplus before the full period of amortization of the debt, also Company will not be required to pay the remaining installments and the contract will be extinguished.

25. PROVISIONS

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

Actions in which the Company is defendant

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

R$ '000	Consolidated				
	Dec. 31, 2018	Additions	Reversals	Settled	Mar. 31, 2019
Employment-law cases	456,889	37,596	(36,160)	(35,416)	422,909
Civil cases					
Customer relations	18,876	2,972	(3,858)	(2,947)	15,043
Other civil actions	29,011	1,129	(2,738)	(1,122)	26,280
	47,887	**4,101**	**(6,596)**	**(4,069)**	**41,323**
Tax	51,894	15,546	(620)	(15,369)	51,451
Environmental	1,257	47	-	-	1,304
Regulatory	36,691	1,783	(1,107)	(875)	36,492
Others	46,053	5,177	(1,303)	(135)	49,792
Total	**640,671**	**64,250**	**(45,786)**	**(55,864)**	**603,271**

R$ '000	Consolidated				
	Dec. 31, 2017	Additions	Reversals	Settled	Mar. 31, 2018
Employment-law cases	473,874	17,054	-	(3,090)	487,838
Civil cases					
Customer relations	18,632	5,005	(320)	(4,519)	18,798
Other civil actions	43,105	82	(6,066)	(64)	37,057
	61,737	**5,087**	**(6,386)**	**(4,583)**	**55,855**
Tax	57,048	69	-	(27)	57,090
Environmental	45	28	-	(27)	46
Regulatory	39,812	3,385	-	(237)	42,960
Others	45,597	1,099	(2,782)	(42)	43,872
Total	**678,113**	**26,722**	**(9,168)**	**(8,006)**	**687,661**

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R$ '000	Parent company				
	Dec. 31, 2018	Additions	Reversals	Settled	Mar. 31, 2019
Employment-law cases	32,807	2,717	-	(2,268)	33,256
Civil cases				-	
Customer relations	931	14	(464)	(14)	467
Other civil actions	759	4	-	(1)	762
	1,690	**18**	**(464)**	**(15)**	**1,229**
Tax	11,269	15,435	-	(15,282)	11,422
Regulatory	17,180	715	-	-	17,895
Others	1,258	15	(606)	-	667
Total	**64,204**	**18,900**	**(1,070)**	**(17,565)**	**64,469**

R$ '000	Parent company					
	Dec. 31, 2017	Absorption of CemigTelecom	Additions	Reversals	Settled	Mar. 31, 2018
Employment-law cases	38,603	22	1,110	-	(299)	39,436
Civil cases	-					
Customer relations	1,024	-	714	-	(307)	1,431
Other civil actions	958	-	14	-	-	972
	1,982	**-**	**728**	**-**	**(307)**	**2,403**
Tax	7,473	-	15	-	(12)	7,476
Regulatory	13,959	-	2,959	-	(40)	16,878
Others	1,177	-	31	(67)	-	1,141
Total	**63,194**	**22**	**4,843**	**(67)**	**(658)**	**67,334**

The Company's management, in view of the extended periods and the Brazilian judiciary tax and regulatory systems, believes that it is not practical to provide information that would be useful to the users of these financial statements about the time when any cash outflows, or any possibility of reimbursements, might take place in fact. The management of the Company and its subsidiaries believe that any disbursements in excess of the amounts recorded, when the respective processes are completed, will not significantly affect the Company's operational profit or financial situation.

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

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

Labor claims

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

The aggregate amount of the contingency is approximately R$1,670,455 (R$1,724,455 on December 31, 2018), of which R$422,909 has been recorded (R$456,889 on December 31, 2018) – the amount estimated as probably necessary for settlement of these disputes.

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Customers claims

Company and its subsidiaries are involved in various civil actions relating to indemnity for moral injury and for material damages, arising, principally, from allegations of irregularity in measurement of consumption, and claims of undue charging, in the normal course of business, totaling R$63,145 (R$66,399 on December 31, 2018), of which R$15,043 has been recorded (R$18,876 on December 31, 2018) – this being the probable estimate for funds needed to settle these disputes.

Other civil cases

Cemig and its subsidiaries are involved in various civil actions claiming indemnity for moral and for material damages, among others, arising from incidents occurring in the normal course of business, in the amount of R$290,670 (R$277,048 on December 31, 2018), of which R$26,280 has been recorded (R$29,011 on December 31, 2018) – the amount estimated as probably necessary for settlement of these disputes.

Tax

Company and its subsidiaries are involved in numerous administrative and juditial claims relating to taxes, including, among other matters, subjects relating to the Rural Property Tax (ITR); the Tax on Donations and Legacies (ITCD); the Social Integration Program (*Programa de Integração Social*, or PIS); the Contribution to Finance Social Security (*Contribuição para o Financiamento da Seguridade Social*, or Cofins); Corporate Income Tax (*Imposto de Renda Pessoa Jurídica*, or IRPJ); the Social Contribution (*Contribuição Social sobre o Lucro Líquido*, or CSLL); and motions tax enforcement. The aggregate amount of this contingency is approximately R$168,598 (R$160,420 on December 31, 2018), of which R$46,796 (R$46,472 on December 31, 2018) has been recorded – the amount estimated as probably necessary for settlement of these disputes.

In addition to the issues above, the Company and its subsidiaries are involved in various court actions arguing non-applicability of the Urban Land Tax (IPTU), to real estate properties in use for public service concessions. The aggregate amount of the contingency is approximately R$72,396 (R$142,210 on December 31, 2018). Of this total, R$4,655 has been recorded (R$5,422 on December 31, 2018) – the amount estimated as probably necessary for settlement of these disputes. The company has been successful in its efforts to have its IPTU tax liability suspended, winning judgments in favor in some cases – this being the principal factor in the reduction of the total value of the contingency.

Environmental

Company and its subsidiaries are involved in environmental matters, in which the subjects include protected areas, environmental licenses, recovery of environmental damage, and other matters, in the approximate total amount of R$15,719 (R$15,154 on December 31, 2018), of which R$1,304 (R$1,257 on December 31, 2018) has been recorded – the amount estimated as probably necessary for settlement of these disputes.

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Regulatory

The Company and its subsidiaries are involved in various administrative and judicial proceedings in which the main issues disputed are: (i) tariff charges in invoices for use of the distribution system by a self-producer; (ii) alleged violation of targets for indicators of continuity in retail supply of energy; and (iii) the tariff increase made during the federal government's economic stabilization plan referred to as the 'Cruzado Plan', in 1986. The aggregate amount of the contingency is approximately R$275,633 (R$259,800 on December 31, 2018), of which R$36,492 (R$36,691 on December 31, 2018) has been recognized – the amount estimated as probably necessary for settlement of these disputes.

Other legal actions in the normal course of business

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

Company and its subsidiaries are involved in disputes alleging losses suffered as a result of supposed breaches of contract at the time of provision of services of cleaning of power line pathways and firebreaks. The amount recorded is R$37,455 (R$36,280 at December 31, 2018), this being estimated as the likely amount of funds necessary to settle this dispute.

Other legal proceedings

Company and its subsidiaries are involved, as plaintiff or defendant, in other less significant claims, related to the normal course of their operations, including: environmental matters; provision of cleaning service in power line pathways and firebreaks; removal of residents from risk areas; and indemnities for rescission of contracts, related to the normal course of its operations, with an estimated amount of R$182,500 (R$188,743 at December 31, 2017), of which R$12,337 (R$11,030 on December, 31, 2017) the amount estimated as probably necessary for settlement of these disputes – has beenrecognized. Management believes that it has appropriate defense for these proceeding, and does not expect these issues to give rise to significant losses that could have an adverse effect on the financial position or profit of the Company or its subsidiaries.

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

Taxes and other contributions

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

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

In 2006 the Company and its subsidiaries paid an indemnity to its employees, totaling R$177,686, in exchange for rights to future payments (referred to as the *Anuênio*) for time of service, which would otherwise be incorporated, in the future, into salaries. The Company and its subsidiaries did not pay income tax nor Social Security contributions on this amount because it considered that those obligations are not applicable to amounts paid as an indemnity. However, to avoid the risk of a future fine, the Company obtained an injection, which permitted to make an escrow deposit of R$121,834, which updated now represents the amount of R$276,723 (R$274,871 at December 31, 2018). The updated amount of the contingency is R$280,812 (R$303,584 on December 31, 2018) and, based on the arguments above, management has categorized the chances of loss as 'possible'.

Social Security contributions

The Brazilian federal tax authority (*Secretaria da Receita Federal*) has filed administrative proceedings related to various matter: employee profit sharing; the Workers' Food Program (*Programa de Alimentação do Trabalhador*, or PAT); education benefit; food benefit; Special Additional Retirement payment; overtime payments; hazardous occupation payments; matters related to Sest/Senat (transport workers' support programs); and fines for non-compliance with accessory obligations. The Company and its subsidiaries have presented defenses and await judgment. The amount of the contingency is approximately R$1,441,182 (R$1,419,637 on December 31, 2018). Management has classified the chance of loss as 'possible', also taking into account assessment of the chance of loss in the judicial sphere, based on the evaluation of the claims and the related case law.

Non-homologation of offsetting of tax credit

The federal tax authority did not ratify the Company's declared offsetting, in Corporate income tax returns, of carry-forwards and undue or excess payment of federal taxes – IRPJ, CSLL, PIS and Cofins – identified by official tax deposit receipts ('DARFs' and 'DCTFs'). Corporate income tax, the Social Contribution tax, and PIS and Cofins taxes. The Company and its subsidiaries are contesting the non-ratification of the amounts offset. The amount of the contingency is R$149,132 (R$145,689 on December 31, 2018). The Company has assessed the chance of loss as 'possible', since the relevant requirements of the National Tax Code (CTN) have been complied with.

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Income tax withheld on capital gain in a shareholding transaction

The federal tax authority issued a tax assessment against Cemig as a jointly responsible party with its jointly-controlled entity Parati S.A. Participações em Ativos de Energia Elétrica (Parati), relating to withholding income tax (*Imposto de Renda Retido na Fonte*, or IRRF) allegedly applicable to returns paid by reason of a capital gain in a shareholding transaction relating to the purchase by Parati, and sale, by Enlighted, on July 7, 2011, of 100.00% of the equity interests in Luce LLC (a company with head office in Delaware, USA), holder of 75.00% of the shares in the Luce Brasil equity investment fund (FIP Luce), which was indirect holder, through Luce Empreendimentos e Participações S.A., of approximately 13.03% of the total and voting shares of Light S.A. (Light). The amount of the contingency is approximately R$223,609 (R$221,414 on December 31, 2018, and the loss has been assessed as 'possible'.

The Social Contribution tax on net profit (CSLL)

The federal tax authority issued a claim against the Company and its subsidiaries alleging non-addition, or undue deduction, by the Company, in 2012 and 2013 of amounts in calculating the Social Contribution tax on Net profit (CSLL), including the following: (i) Taxes with liability suspended; (ii) donations and sponsorships (Law 8313/91); and (iii) fines for various alleged infringements. The amount of this contingency is R$372,474 (R$349,760 on December 31, 2018). The Company has classified the chances of loss as 'possible', in accordance with the analysis of the case law on the subject.

Regulatory matters

Public Lighting Contribution (CIP)

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

Company and its subsidiaries believe it has arguments of merit for defense in these claims, and has obtained a judgment partially in favor. As a result it has not constituted a provision for this action, the amount of which is estimated at R$997,510 (R$975,196 on December 31, 2018). The Company has assessed the chances of loss in this action as 'possible', due to the Consumer Defense Code (*Código de Defesa do Consumidor*, or CDC) not being applicable, because the matter is governed by the specific regulation of the energy sector, under Aneel Resolutions 414 and 456, which deal with the subject.

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

In a claim dating from August 2002, AES Sul Distribuidora challenged in the courts the criteria for accounting of energy sale transactions in the wholesale energy market (*Mercado Atacadista de Energia*, or MAE), predecessor of the present Electricity Trading Exchange (*Câmara de Comercialização de Energia Elétrica*, or CCEE), during the period of rationing. It obtained a favorable interim judgment on February 2006, which ordered the regulator (Aneel), working with the CCEE, to comply with the claim by AES Sul and recalculate the settlement of the transactions during the rationing period, leaving out of account Aneel's Dispatch 288 of 2002. This should take effect in the CCEE as from November 2008, resulting in an additional disbursement for Cemig GT, related to the expense on purchase of energy in the spot market on the CCEE, in the approximate amount of R$323,275 (R$317,460 on December 31, 2018). On November 9, 2008 Cemig GT obtained an interim decision in the Regional Federal Appeal Court (*Tribunal Regional Federal*, or TRF), suspending the obligatory nature of the requirement to pay into court the amount that would have been owed under a Special Financial Settlement made by the CCEE. Cemig GT has classified the chances of loss as 'possible' since this is action General Agreement of the Energy Sector, in which Cemig GT has qualifying documentation for its allegations.

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

Resolution 3 of the National Energy Policy Council (*Conselho Nacional de Política Energética*, or CNPE) of March 6, 2013 established new criteria for the prorating of the cost of additional dispatch of thermal plants. Under the new criteria, the cost of the System Service Charges for Electricity Security (*Encargos do Serviço do Sistema*, or ESS – paid by companies in relation to the need for security of power supply), which were previously prorated in full between free customers and distributors, was now to be prorated between all the agents participating in the National Grid System, including generators and traders.
In May 2013, the Brazilian Independent Electricity Producers' Association (*Associação Brasileira dos Produtores Independentes de Energia Elétrica*, or Apine), of which Cemig GT is a member, obtained an interim court remedy suspending the effects of Articles 2 and 3 of CNPE Resolution 3, exempting generators from payment of the ESS under that Resolution.

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

The applications by the plaintiff (Apine) were granted in the first instance, confirming the interim decision granted in favor of its members, which include Cemig GT and its subsidiaries. This decision was subject of an appeal, which is still pending of judgment.

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The amount of the contingency is approximately R$233,105 (R$225,132 on December 31, 2018). In spite of the successful judgment at first instance, the Association's legal advisers still considered the chances of loss in this contingency as 'possible'. The Company agrees with this, since there are not yet elements to make it possible to foresee the outcome of the Appeal filed by the federal government.

Tariff increases

Exclusion of customers inscribed as low-income

The Federal Public Attorneys' Office filed a class action against the Company and Aneel, to avoid exclusion of customers from classification in the *Low-income residential* tariff sub-category, requesting an order for Cemig D to pay 200% of the amount allegedly paid in excess by customers. Judgment was given in favor of the plaintiffs, but the Company and Aneel have filed an interlocutory appeal and await judgment. The amount of the contingency is approximately R$308,196 (R$302,890 on December 31, 2018). Cemig D has classified the chances of loss as 'possible' due to other favorable judgments on this theme.

Environmental issues

Impact arising from construction of power plants

The Public Attorneys of Minas Gerais State, together with an association and individuals, have brought class actions requiring the Company to invest at least 0.5% of the annual gross operating revenue of the *Emborcação, Pissarrão, Funil, Volta Grande, Poquim, Paraúna, Miranda, Nova Ponte, Rio de Pedras* and *Peti* plants in environmental protection and preservation of the water tables of the counties where these power plants are located, and proportional indemnity for allegedly irrecoverable environmental damage caused, arising from alleged omission to comply with Minas Gerais State Law 12503/1997. Cemig GT has filed appeals to the Higher Appeal Court (STJ) and the Federal Supreme Court (STF). Based on the opinions of its legal advisers, Cemig GT believes that this is a matter involving legislation at infra-constitutional level (there is a Federal Law with an analogous object) and thus a constitutional matter, on the issue of whether the state law is constitutional or not, so that the final decision is one for the national Higher Appeal Court (STJ) and the Federal Supreme Court (STF). No provision has been made, since based on the opinion of its legal advisers management has classified the chance of loss as 'possible'. The amount of the contingency is R$152,710 (R$148,205 on December 31, 2018).

The Public Attorneys' Office of Minas Gerais State has filed class actions requiring the formation of a Permanent Preservation Area (APP) around the reservoir of the *Capim Branco* hydroelectric plant, suspension of the effects of the environmental licenses, and recovery of alleged environmental damage. Based on the opinion of its legal advisers in relation to the changes that have been made in the new Forest Code and in the case law on this subject, Cemig GT has classified the chance of loss in this dispute as 'possible'. The estimated value of the contingency is R$89,319 (R$87,159 on December 31, 2018).

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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$416,353 (R$412,054 on December 31, 2018), and, based on the Opinion of the Public Attorneys' Office of the Audit Board of the State of Minas Gerais, the Company believes that it has met the legal requirements. Thus, it has assessed the chances of loss as 'possible', since it believes that the adjustment was made in faithful obedience to the legislation applicable to the case.

Contractual imbalance

Cemig D is a party in disputes alleging losses suffered by third parties as a result of supposed breach of contract at the time of implementation of part of the rural electrification program known as *Luz Para Todos* ('Light for Everyone'). The estimated amount is R$298,703 (R$291,262 on December 31, 2018). No provision has been made. Cemig D 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.

Cemig D is also a party in other disputes arising from alleged non-compliance with contracts in the normal course of business, for an estimated total of R$93,113 (R$90,288 on December 31, 2018). Cemig D has classified the chance of loss as 'possible', after analysis of the case law on this subject.

Alteration of the monetary updating index of employment-law cases

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

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In a joint judgment published on November 1, 2018, the TST decided that the IPCA-E should be adopted as the index for inflation adjustment of employment-law debts for cases filed from March 25, 2015 to November 10, 2017, and the TR would continue to be used for the other periods. The estimated amount of the contingency is R$91,942 (R$87,573 on December 31, 2018). No additional provision has been made, since the Company, based on the assessment by its legal advisers, has assessed the chances of loss in the action as 'possible', as a result of the decision by the STF, and of there being no established case law, nor analysis by legal writers, on the subject, after the injunction given by the Federal Supreme Court.

26. EQUITY AND REMUNERATION TO SHAREHOLDERS

a) Share capital

The Company's registered share capital on December 31, 2018 is R$7,293,763, held in 487,614,213 common shares and 971,138,388 preferred shares, all with nominal value of R$5.00 (five reais).

b) *Profit per share*

	Number of shares	
	March 31, 2019	December 31, 2018
Common shares subscribed and paid	487,614,213	420,764,708
Common shares to be paid up	-	66,849,505
Shares in Treasury	(69)	(69)
	487,614,144	487,614,144
Preferred shares subscribed and paid	971,138,388	838,076,946
Preferred shares to be paid up	-	133,061,442
Shares in Treasury	(560,649)	(560,649)
	970,577,739	970,577,739
Total	**1,458,191,883**	**1,458,191,883**

Basic and diluted profit per share

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

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

	Jan to Mar 2019	Jan to Mar 2018
Net income for the period (A) – R$ '000	797,076	464,449
Total number of shares (B) – R$ '000	1,458,191,883	1,458,191,883
Basic and diluted profit (loss) per share (A/B) – R$	**0.55**	**0.32**

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c) Equity valuation adjustments

Equity valuation adjustments R$ '000	Consolidated	
	Mar. 31, 2019	Dec. 31, 2018
Adjustments to actuarial liabilities – Employee benefits	(256,943)	(256,943)
Subsidiary and jointly-controlled entity		
Adjustments to actuarial liabilities – Employee benefits	(1,682,348)	(1,681,484)
Deemed cost of PP&E	605,863	611,191
Translation adjustments	362	362
Cash flow hedge instruments	87	87
	(1,076,036)	(1,069,844)
Equity valuation adjustments	**(1,332,979)**	**(1,326,787)**

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

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

Company	Equity interest held by non-controlling partner, %	
	Mar. 31, 2019	Dec. 31, 2018
Gasmig	0.43%	0.43%
Light S.A.	50.01%	50.01%
LightGer	25.51%	25.51%
Guanhães	25.51%	25.51%
Axxiom	25.51%	25.51%
Amazônia	12.75%	12.75%
UHE Itaocara	25.51%	25.51%

Total equity held by non-controlling shareholders:

Company	Consolidated – R$ '000	
	Mar. 31, 2019	Dec. 31, 2018
Gasmig	4,469	4,306
Light S.A.	1,277,098	1,277,098
LightGer	21,973	21,973
Guanhães	50,158	50,158
Axxiom	4,402	4,402
UHE Itaocara	2,671	2,671
Total	**1,360,771**	**1,360,608**

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

Company	Consolidated – R$ '000	
	Mar. 31, 2019	Dec. 31, 2018
Gasmig	163	146
Total	**163**	**146**

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28. REVENUE

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

R$ '000	Consolidated	
	Jan to Mar 2019	Jan to Mar 20198
Revenue from supply of energy (a)	6,601,417	5,397,905
Revenue from use of the energy distribution systems (TUSD) (b)	630,044	373,741
CVA, and *Other financial components* in tariff increases (c)	120,350	441,156
Transmission revenue		
Transmission concession revenue (d)	117,179	100,991
Transmission construction revenue (e)	28,087	1,063
Transmission reimbursement revenue (f)	32,499	49,841
Generation assets – reimbursement revenue	-	17,245
Distribution construction revenue (e)	171,031	176,797
Adjustment to expectation from reimbursement of distribution concession financial assets (g)	6,040	792
Inflation adjustment to Concession Grant Fee (h)	80,788	81,827
Transactions in energy on the CCEE (i)	252,616	134,327
Supply of gas	596,278	428,071
Fine for violation of continuity indicator	(22,825)	(16,446)
Other operating revenues (j)	441,198	462,113
Taxes and charges reported as deductions from revenue (k)	(3,141,524)	(2,713,992)
Net operating revenue	**5,913,178**	**4,935,431**

a) *Revenue from supply of energy*

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

This table shows supply of energy by type of customer:

	MWh (1)		R$ '000	
	Jan to Mar 2019	Jan to Mar 2018	Jan to Mar 2019	Jan to Mar 2018
Residential	2,743,798	2,593,117	2,458,438	1,917,981
Industrial	3,872,005	4,028,060	1,140,542	1,105,786
Commercial, services and others	2,279,357	2,042,937	1,339,038	1,069,278
Rural	860,624	765,502	456,879	342,763
Public authorities	223,700	213,598	153,592	120,850
Public lighting	351,964	343,406	150,845	124,416
Public services	339,111	322,058	167,496	134,272
Subtotal	**10,670,559**	**10,308,678**	**5,866,830**	**4,815,346**
Own consumption	9,983	12,124	-	-
Unbilled revenue	-	-	(25,814)	(81,954)
	10,680,542	**10,320,802**	**5,841,016**	**4,733,392**
Wholesale supply to other concession holders (2)	3,077,493	2,632,799	817,138	701,491
Wholesale supply unbilled, net	-	-	(56,737)	(36,978)
Total	**13,758,035**	**12,953,601**	**6,601,417**	**5,397,905**

(1) Information not reviewed by the external auditors.
(2) Includes a CCEAR (Regulated Market Sales Contract), 'bilateral contracts' with other agents, and the revenues from management of generation assets ('GAG') for the 18 hydroelectric plants of Lot D of Auction no 12/2015.

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

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

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

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

d) Transmission concession revenue

Transmission concession revenue comprises the amount received from agents of the energy sector for operation and maintenance of transmission lines of the national grid, in the form of the Permitted Annual Revenue (*Receita Anual Permitida*, or RAP), plus an adjustment for expectation of cash flow arising from the variation in the fair value of the Remuneration Assets Base, in the amount of R$5,596 in 1Q19 (R$2,927 in 1Q18).

e) Construction revenue

Construction revenue corresponds to the performance obligation to build the infrastructure which becomes the investment in concession assets made by the subsidiaries in the period. Recognition of this revenue is directly related to the expenditure incurred on the addition of contractual assets. Considering that the regulatory model currently in effect does not provide for specific remuneration for construction or upgrading of the infrastructure of the concession; that constructions and improvements are substantially executed through specialized services of outsourced parties; and that all construction revenue is related to construction of infrastructure, the Company's management has decided to record construction contract revenue with a zero profit margin.

f) Transmission indemnity revenue

In 1Q19 Cemig recognized revenue in total amount of R$32,499 (R$49,841 in 1Q18), corresponding to updating by the IPCA index of the balance of transmission indemnity receivable. For further information, please see Note 14.

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

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

h) Gain on financial updating of the Concession grant fee

Represents the inflation adjustment using the IPCA inflation index, plus interest, on the Concession Grant Fee for the concession awarded as Lot D of Auction 12/2015. See Note 14.

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

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

j) Other operating revenues

R$ '000	Consolidated	
	Jan to Mar 2019	Jan to Mar 20198
Charged service	4,356	2,936
Telecoms services	1,304	44,037
Services rendered	51,563	41,711
Subsidies (1)	291,514	265,272
Rental and leasing	29,467	20,915
Contractual reimbursements	62,576	84,092
Others	418	3,150
	441,198	**462,113**

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

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k) Deductions on revenue

R$ '000	Consolidated	
	Jan to Mar 2019	Jan to Mar 20198
Taxes on revenue		
ICMS	1,580,579	1,253,097
Cofins	669,255	558,380
PIS and Pasep	146,458	121,232
Other	2,255	2,248
	2,398,547	**1,934,957**
Charges to the customer		
Global Reversion Reserve (RGR)	4,552	5,240
Energy Efficiency Program	16,883	13,213
Energy Development Account (CDE)	652,349	587,855
Research and Development	11,111	8,513
National Scientific and Technological Development Fund (FNDCT)	11,111	8,513
Energy System Expansion Research (EPE of MME)	5,555	4,257
Customer charges – Proinfa alternative sources program	13,305	10,241
Energy Services Inspection Charge	6,942	6,217
Royalties for use of water resources	9,999	18,214
Customer charges – the 'Flag Tariff' system	11,156	116,772
Other	14	-
	742,977	**779,035**
	3,141,524	**2,713,992**

29. OPERATING COSTS AND EXPENSES

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

R$ '000	Consolidated		Parent company	
	Jan to Mar 2019	Jan to Mar 2018	Jan to Mar 2019	Jan to Mar 2018
Personnel (a)	365,041	331,664	13,613	7,469
Employees' and managers' profit shares	66,037	19,577	4,487	1,411
Post-employment obligations – Note 24	100,909	83,271	10,950	10,109
Materials	20,490	15,290	6	42
Outsourced services (b)	283,728	235,793	5,308	1,967
Energy bought for resale (c)	2,594,181	2,263,693	-	-
Depreciation and amortization	230,896	212,991	2,939	118
Operating provisions and adjustments for operating losses (d)	109,006	133,207	18,013	39,311
Charges for use of the national grid	333,796	392,542	-	-
Gas bought for resale	394,982	263,233	-	-
Construction costs (e)	199,118	180,669	-	-
Other operating expenses, net (f)	51,932	66,363	920	2,855
	4,750,116	**4,198,293**	**56,236**	**63,282**

For details on the costs and expenses of discontinued operations, see Note 34.

a) Personnel expenses

2019 Programmed Voluntary Retirement Plan ('PDVP')

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

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A total of R$65,596 has been appropriated as expense on the 2019 PDVP, including severance payments, corresponding to acceptance by 458 employees, and has been posted in the income statement for 2018.

2019 PDVP reopened

In March 2019, the Company launch again the 2019 voluntary retirement plan, for applications made over April 1–10, 2019; and also changes to the requirements for qualification, but with the same financial advantages, which include: the severance payments specified by law, including payment for the period of prior notice, the 40% ‘penalty payment’ of the amount in the employee’s FGTS account; and other payments specified in the legislation. The amount appropriated for this phase of the 2019 PDVP, including severance payments, was R$21,491 - corresponding to acceptance by 155 employees.

b) Outsourced services

R$ ’000	Consolidated		Parent company	
	Jan to Mar 2019	Jan to Mar 2018	Jan to Mar 2019	Jan to Mar 2018
Meter reading and bill delivery	32,043	31,196	-	-
Communication	20,291	18,409	1,452	126
Maintenance and conservation of electrical facilities and equipment	100,534	78,393	3	5
Building conservation and cleaning	26,518	25,930	113	58
Contracted labor	3,673	3,941	-	-
Freight and airfares	1,374	847	282	115
Accommodation and meals	2,972	2,584	26	39
Security services	4,008	4,978	-	-
Consultancy	3,393	3,288	1,284	38
Maintenance and conservation of furniture and utensils	915	595	1	-
Information technology	7,232	11,161	152	192
Maintenance and conservation of vehicles	540	498	-	-
Disconnection and reconnection	17,546	10,139	-	-
Environment services	3,407	2,134	-	-
Legal services	6,421	4,781	444	271
Costs (recovery of costs) of proceedings	(416)	371	-	-
Tree pruning	8,252	4,029	-	-
Cleaning of power line pathways	13,712	5,973	-	-
(Recovery of) costs of printing and legal publications	4,483	4,207	(17)	71
Inspection of customer units	2,089	1,863	-	-
Other expenses	24,741	20,476	1,568	1,052
	283,728	**235,793**	**5,308**	**1,967**

c) Energy bought for resale

R$ ’000	Consolidated	
	Jan to Mar 2019	Jan to Mar 20198
Supply from Itaipu Binacional	333,156	288,243
Physical guarantee quota contracts	178,931	171,384
Quotas for Angra I and II nuclear plants	67,293	66,712
Spot market	513,977	219,111
Proinfa Program	95,308	79,848
‘Bilateral’ contracts	113,646	105,085
Energy acquired in Regulated Market auctions	710,792	723,513
Acquired in Free Market	831,814	823,936
Credits of Pasep and Cofins taxes	(250,736)	(214,139)
	2,594,181	**2,263,693**

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

R$ '000	Consolidated		Parent company	
	Jan to Mar 2019	Jan to Mar 2018	Jan to Mar 2019	Jan to Mar 20198
Estimated losses on doubtful accounts receivables (Note 7)	79,351	76,183	-	-
Estimated losses on other accounts receivable (1)	183	560	183	-
Contingency provisions (reversals) (2) (Rating 25)				
Employment-law cases	1,436	17,054	2,717	1,110
Civil cases	(2,495)	(1,299)	(446)	728
Tax	14,926	69	15,435	15
Environmental	47	28	-	-
Regulatory	676	3,385	715	2,959
Others	3,874	(1,683)	(591)	(36)
	18,464	**17,554**	**17,830**	**4,776**
	97,998	**94,297**	**18,013**	**4,776**
Adjustment for losses				
Put options	-	34,535	-	34,535
Put option – SAAG (Note 32)	11,008	4,375	-	-
	11,008	**38,910**	**-**	**34,535**
	109,006	**133,207**	**18,013**	**39,311**

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

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

e) Infrastructure construction cost

R$ '000	Consolidated	
	Jan to Mar 2019	Jan to Mar 20198
Personnel and managers	13,452	14,570
Materials	87,459	75,934
Outsourced services	75,294	74,028
Other	22,913	16,137
	199,118	**180,669**

f) Other operating expenses (revenues), net

R$ '000	Consolidated		Parent company	
	Jan to Mar 2019	Jan to Mar 20198	Jan to Mar 2019	Jan to Mar 2018
(Recovery of) leasing and rental costs	513	22,495	(1,039)	829
Advertising	1,737	1,512	38	4
Own consumption of energy	6,289	6,597	-	-
Subsidies and donations	2,911	1,805	-	-
Paid concession	628	778	-	-
Insurance	2,123	1,918	400	402
CCEE annual charge	1,637	1,924	-	-
Forluz – Administrative running cost	6,712	7,862	329	278
Collection agents	20,958	17,458	-	-
Net loss (gain) on deactivation and disposal of assets	7,499	1,982	-	-
Taxes and charges	4,669	4,582	339	299
Other expenses (income).	(3,744)	(2,550)	853	1,043
	51,932	**66,363**	**920**	**2,855**

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30. FINANCE INCOME AND EXPENSES

R$ '000	Consolidated		Parent company	
	Jan to Mar 2019	Jan to Mar 2018	Jan to Mar 2019	Jan to Mar 2018
FINANCE INCOME				
Income from cash investments	25,032	23,727	1,477	2,575
Arrears fees on sale of energy	86,518	75,662	-	-
Foreign exchange variations	-	2,508	-	-
Inflation adjustments	4,985	5,186	1	-
Inflation adjustment – CVA (Note 14)	20,906	447	-	-
Monetary updating on escrow deposits	6,687	6,452	532	7,347
Pasep and Cofins taxes charged on financial revenues	(9,265)	(8,927)	(147)	(549)
Gains on financial instruments – swaps (Note 32)	152,311	97,517	-	-
Revenue from advance payments	938	6,790	1	-
Lending costs charged to related parties (Note 31)	22,664	-	-	-
Others	39,742	32,492	1,142	1,875
	350,518	**241,854**	**3,006**	**11,248**
FINANCE EXPENSES				
Costs of loans and financings	(303,412)	(287,348)	(759)	-
Amortization of transaction cost (Note 22)	(6,933)	(9,000)	(39)	-
FX variation – loans and financings (Note 22).	(32,980)	(16,031)	-	-
FX adjustment – Itaipu Binacional	-	(3,241)	-	-
Inflation adjustment – loans and financings (Note 22).	(44,008)	(38,674)	-	-
Inflation adjustment – paid concession	(881)	(664)	-	-
Borrowing costs and inflation adjustment on post-employment obligations (Note 24).	(15,229)	(18,007)	(749)	(886)
Inflation adjustment – advance from customers (Note 7)	(1,148)	(3,619)	-	-
Leasing – Inflation adjustment (Note 19)	(9,340)	-	(392)	-
Others	(38,147)	(23,070)	(7,726)	(8)
	(452,078)	**(399,654)**	**(9,665)**	**(894)**
NET FINANCE INCOME (EXPENSES)	**(101,560)**	**(157,800)**	**(6,659)**	**10,354**

The Pasep and Cofins expenses apply to Interest on Equity.

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31. RELATED PARTY TRANSACTIONS

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

COMPANY R$ '000	ASSETS		LIABILITIES		REVENUE		EXPENSES	
	Mar. 31, 2019	Dec. 31, 2018	Mar. 31, 2019	Dec. 31, 2018	Jan to Mar 2019	Jan to Mar 2018	Jan to Mar 2019	Jan to Mar 2018
Controlling shareholder								
Minas Gerais State Government								
Current								
Customers and Traders (1)	268,978	244,960	-	-	38,821	30,588	-	-
Public Lighting Contribution (CIP) (1)	2,050	2,050	-	-	-	-	-	-
Accounts receivable – AFAC (2)	-	-	-	-	-	3,851	-	-
Non-current								
Accounts receivable – AFAC (2)	250,867	245,566	-	-	5,289	-	-	-
Jointly-controlled entity								
Aliança Geração								
Current								
Transactions in energy (3)	-	-	13,514	12,957	9,640	6,598	(37,004)	(38,088)
Provision of services (4)	1,570	1,792	-	-	3,567	3,269	-	-
Interest on Equity, and dividends	90,664	90,664	-	-	-	-	-	-
Baguari Energia								
Current								
Transactions in energy (3)	-	-	881	969	-	-	-	(1,805)
Provision of service (4)	280	211	-	-	233	223	-	-
Madeira Energia								
Current								
Transactions in energy (3)	-	5,669	52,873	64,111	6,158	8,552	(156,626)	(148,493)
Advance for future power supply (5)	-	6,785	-	-	-	3,373	-	-
Reimbursement for decontracted supply (6)	35,038	42,046	-	-	818	135	-	-
Non-current								
Reimbursement for decontracted supply (6)	-	3,504	-	-	-	-	-	-
Norte Energia								
Current								
Transactions in energy (3)	130	130	5,638	5,841	4,531	3,967	(51,320)	(43,411)
LightGer								
Current								
Transactions in energy (3)	-	-	1,424	-	-	-	(4,135)	(4,629)
Interest on Equity, and dividends	748	-	-	-	-	-	-	-
Hidrelétrica Pipoca								
Current								
Transactions in energy (3)	-	-	-	1,303	-	-	(1,303)	(5,167)
Retiro Baixo								
Current								
Transactions in energy (3)	-	-	541	544	-	-	(1,349)	(1,142)
Interest on Equity, and dividends	5,718	5,719	-	-	-	-	-	-
Hidrelétrica Cachoeirão								
Current								
Interest on Equity, and dividends	2,460	2,460	-	-	-	-	-	-
Renova								
Current								
Transactions in energy (3)	-	-	-	515	-	-	-	(30,866)
Non-current								
Accounts receivable (7)	671,858	594,323	-	-	77,535	9,111	-	-
Empresa Amazonense de Transmissão de Energia (EATE)								
Current								
Transactions in energy (3)	-	-	1,547	1,547	-	-	(3,512)	(5,972)
Light								
Current								
Transactions in energy (3)	-	374	503	502	15,427	15,584	(296)	(254)
Interest on Equity, and dividends	19,683	19,683	-	-	-	-	-	-

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COMPANY R$ '000	ASSETS		LIABILITIES		REVENUE		EXPENSES	
	Mar. 31, 2019	Dec. 31, 2018	Mar. 31, 2019	Dec. 31, 2018	Jan to Mar 2019	Jan to Mar 2018	Jan to Mar 2019	Jan to Mar 2018
Taesa								
Current								
Transactions in energy (3)	-	-	8,408	8,295	-	-	(24,252)	(31,613)
Provision of service (4)	174	130	-	-	151	139	-	-
Companhia Transirapé de Transmissão								
Current								
Transactions in energy (3)	-	-	972	976	-	-	(2,515)	(2,353)
Provision of services (4)	97	90	-	-	327	319	-	-
Axxiom								
Current								
Provision of services (8)	-	-	2,073	195	-	-	-	-
Transudeste								
Current								
Transactions in energy (3)	-	-	156	159	-	-	(366)	(405)
Provision of services (4)	157	157	-	-	159	130	-	-
Transleste								
Current								
Transactions in energy (3)	-	-	257	257	-	-	(590)	(653)
Provision of services (4)	123	123	-	-	288	276	-	-
Centroeste								
Current								
Interest on Equity, and dividends	1,218	1,218	-	-	-	-	-	-
Luce								
Current								
Interest on Equity, and dividends	4,979	4,979	-	-	-	-	-	-
RME								
Current								
Interest on Equity, and dividends	2,058	2,058	-	-	-	-	-	-
Other related parties								
FIC Pampulha								
Current								
Cash and cash equivalents	150,467	273,570	-	-	-	-	-	-
Securities	512,269	727,011	-	-	9,830	8,515	-	-
(–) Securities issued by subsidiary companies (Note 22)	(18,488)	(23,508)	-	-	-	-	-	-
Non-current								
Securities	79,073	101,151	-	-	-	-	-	-
Forluz								
Current								
Post-employment obligations (9)	-	-	125,941	123,184	-	-	(49,173)	(47,985)
Supplementary pension contributions – Defined contribution plan (10)	-	-	-	-	-	-	(18,895)	(19,092)
Administrative running costs (11)	-	-	-	-	-	-	(6,712)	(7,862)
Operational leasing (12)	-	-	46,017	1,778	-	-	(13,895)	(11,528)
Non-current								
Post-employment obligations (9)	-	-	2,047,295	2,046,426	-	-	-	-
Operational leasing (12)	210,177	-	165,929	-	-	-	-	-
Cemig Saúde								
Current								
Health Plan and Dental Plan (13)	-	-	122,842	120,344	-	-	(56,725)	(46,534)
Non-current								
Health Plan and Dental Plan (13)	-	-	2,294,802	2,271,007	-	-	-	-

Main points in the above:

(1) This refers to sale of power to the government of Minas Gerais State – the price of the supply is that decided by Aneel through a Resolution which decides the Company's annual tariff adjustment. In 2017 the government of Minas Gerais State signed a debt recognition agreement with Cemig D for payment of debits relating to the supply of power due and unpaid, in the amount of R$113,032, to be settled in 24 installments, inflation-adjusted monthly by the IGP-M index, up to November 2019. The first installment, of R$5,418, was paid in December 2017. Twelve installments were unpaid at March 31, 2019. These receivables have guarantee in the form of Cemig's right to retain dividends and Interest on Equity otherwise payable to the State (in proportion to the State's equity interest in the Company), for as long as any payments are overdue or in default. The amount of the CIP++ relating to the debt recognition agreement at January 31, 2018 is R$2,050.

(2) This refers to the recalculation of the inflation adjustment of amounts relating to the Advance against Future Capital Increase (AFAC), which were returned to the State of Minas Gerais. Amount transferred to Accounts receivable from Minas Gerais State, on September 30, 2017 (see Note 11).

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

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

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

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(6) This refers to reimbursement for the supply that was decontracted due to alteration of the power purchase agreements (CCEARs) between Santo Antônio Energia S.A., a subsidiary of Madeira Energia, and Cemig Distribuição – totaling R$84,092, to be settled in 24 monthly installments, with inflation adjustment by the Selic rate and maturities up to January 2020. The outstanding amount at March 31, 2019 was R$35,038.

(7) Cemig GT has an item of R$671, 858 receivable from Renova Energia, with final maturity in December 2021. The outstanding amount is adjusted at 150% to 155% of the CDI rate. Part of this credit arises from new Debt Recognition Agreements signed between Cemig GT and Renova on February 20, 2019 for recognition of debts contracted by Renova, in the total amount, updated to March 31, 2019, of R$148,182 – settlement is scheduled for July 9, 2019 with updating at 155% of the CDI rate. The accounts receivable have guarantees, shared between Cemig and Light, related to their shareholding interest in Renova, dividends of its investees, and wind projects to be developed.

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

(9) The contracts of Forluz are updated by the Expanded Customer Price Index (*Índice Nacional de Preços ao Consumidor Amplo*, or IPCA) calculated by the Brazilian Geography and Statistics Institute (IBGE) plus interest of 6% p.a. and will be amortized up to business year 2031 (see Note 24).

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

(11) 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.

(12) Rental of the Company's administrative head offices, in effect up to October 2020 (able to be extended every five years, up to 2035) and February 2019 (able to be extended every five years, up to 2034, in final phase of renewal), with annual inflation adjustment by the IPCA index and price reviewed every 60 months (see Note 19).

(13) Post-employment obligations – health and dental plan (Note 24).

Dividends receivable from subsidiaries

Dividends receivable R$ '000	Consolidated		Parent company	
	Mar. 31, 2019	Dec. 31, 2018	Mar. 31, 2019	Dec. 31, 2018
Cemig GT	-	-	659,622	659,622
Cemig D	-	-	267,435	267,435
Others (1)	119,414	119,743	18,527	18,527
	119,414	**119,743**	**945,584**	**945,584**

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

Loans from related parties

In September 2018 a loan agreement was signed between Cemig GT (lender) and Cemig (borrower), for R$400,000, to be settled in a single payment in December 2019, bears interest at 125.52% of the CDI rate. As a guarantee, Cemig signed a promissory note in the amount of R$442,258, corresponding to the amount of the debt plus the estimated interest for the 15-month period of the agreement. R$46,599 was amortized on March 13, 2019. The full amount at March 31, 2019 is R$369,221.

Guarantees on loans, financing and debentures

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

Related party	Relationship	Type	Objective	Mar. 31, 2019	Maturity
Norte Energia ('Nesa')	Affiliated company	Surety	Financing	2,565,638	2042
Light (1)	Jointly-controlled	Counter-guarantee	Financing	683,615	2042
Santo Antônio Energia S.A. (Saesa) (2)	Jointly-controlled	Surety	Financing	893,829	2034
Santo Antônio Energia S.A. (Saesa) (2)	Jointly-controlled	Surety	Debentures	411,025	2037
Centroeste	Jointly-controlled	Surety	Financing	6,448	2023
				4,560,555	

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

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At March 31, 2019, management believes that there is no need to recognize any provisions in the Company's interim accounting statements for the purpose of meeting any obligations arising under these sureties and/or guarantees.

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

Cemig and its subsidiaries and affiliates invest part of their financial resources in an investment fund which has the characteristics of fixed income and obeys the Company's cash investment policy. The amounts invested by the fund at March 31, 2019 are reported in Marketable Securities in Current or Non-current assets, or presented after deduction of the account line *Debentures* in Current or Non-current liabilities.

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

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

Issuer of security	Type	Annual contractual conditions	Maturity	Mar. 31, 2019 – R$ '000				
				Cemig 1.25%	Cemig GT 0.34%	Cemig D 10.74%	Other subsidiaries 21.66% (1)	Total 33.99%
ETAU (1)	Debentures	108.00% of CDI	Dec. 1, 2019	128	35	1,098	2,215	3,476
				128	35	1,098	2,215	3,476

Issuer of security	Type	Annual contractual conditions	Maturity	Dec. 31, 2018 – R$ '000				
				Cemig 4.65%	Cemig GT 0.75%	Cemig D 24.47%	Other subsidiaries 14.33% (1)	Total 44.20%
ETAU (1)	Debentures	108.00% of CDI	Dec. 1, 2019	468	75	2,463	1,442	4,448
Light	Promissory Note	CDI + 3.50%	Jan. 22, 2019	334	54	1,754	1,130	3,272
				802	**129**	**4,217**	**2,572**	**7,720**

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

Remuneration of key management personnel

The total costs of key personnel, comprising the Executive Board, Audit Board, Fiscal Concli and Board of Directors – are within the limits approved by a General Meeting of Shareholders, and the effects in the Income statements of the years ended March 31, 2019 and 2018 are as follows:

R$ '000	Jan to Mar 2019	Jan to Mar 2018
Remuneration	7,904	7,703
Profit shares	473	142
Assistance benefits	471	522
Total	**8,848**	**8,367**

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32. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

a) Classification of financial instruments and fair value

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

	Level	Mar. 31, 2019		Dec. 31, 2018	
		Balance	Fair value	Balance	Fair value
Financial assets					
Amortized cost (1)					
Marketable Securities – Cash investments	2	89,436	89,436	116,513	116,513
Customers and Traders; Concession holders (transmission service)	2	4,088,408	4,088,408	3,927,651	3,927,651
Restricted cash	2	88,177	88,177	90,993	90,993
Advances to suppliers	2	-	-	94,070	94,070
Customers – Accounts receivable from Minas Gerais State		268,978	268,978	244,960	244,960
Other accounts receivable from Minas Gerais State (CIP)		2,050	2,050	2,050	2,050
Accounts receivable from Minas Gerais State (AFAC)	2	250,867	250,867	245,566	245,566
Concession financial assets – *CVA* (Portion 'A' Costs Variation Compensation) Account, and *Other financial components*	3	1,147,415	1,147,415	1,080,693	1,080,693
Reimbursement of tariff subsidies	2	169,177	169,177	90,845	90,845
Low-income subsidy	2	41,546	41,546	30,232	30,232
Escrow deposits	2	2,482,838	2,482,838	2,501,512	2,501,512
Concession grant fee – Generation concessions	3	2,426,044	2,426,044	2,408,930	2,408,930
Reimbursements receivable – Transmission		1,321,961	1,321,961	1,296,314	1,296,314
Accounts receivable – Renova	2	671,858	671,858	507,038	507,038
Reimbursement – Decontracting of supply	2	35,038	35,038	45,550	45,550
		13,083,793	**13,083,793**	**12,682,917**	**12,682,917**
Fair value through profit or loss					
Cash equivalents – Cash investments		752,549	752,549	783,288	783,288
Securities					
Bank certificates of deposit	2	-	-	-	-
Treasury Financial Notes (LFTs)	1	161,353	161,353	253,868	253,868
Financial Notes – Banks	2	335,920	335,920	434,735	434,735
Debentures	2	5,374	5,374	7,118	7,118
		1,255,196	**1,255,196**	**1,479,009**	**1,479,009**
Derivative financial instruments (Swaps)	3	965,646	965,646	813,335	813,335
Derivative financial instruments (Ativas and Sonda Put options)	3	4,460	4,460	4,460	4,460
Concession financial assets – Distribution infrastructure	3	411,776	411,776	395,743	395,743
Reimbursements receivable – Generation	3	816,202	816,202	816,202	816,202
		3,453,280	**3,453,280**	**3,508,749**	**3,508,749**
		16,537,073	**16,537,073**	**16,191,666**	**16,191,666**
Financial liabilities					
Amortized cost (1)					
Loans, financings and debentures	2	(14,136,817)	(14,136,817)	(14,771,828)	(14,771,828)
Debt with pension fund (Forluz)	2	(632,298)	(632,298)	(651,966)	(651,966)
Deficit of pension fund (Forluz)	2	(377,114)	(377,114)	(377,449)	(377,449)
Concessions payable	3	(19,083)	(19,083)	(18,747)	(18,747)
Suppliers	2	(2,012,244)	(2,012,244)	(1,801,252)	(1,801,252)
Advances from customers	2	(32,523)	(32,523)	(79,405)	(79,405)
Leasing transactions (2)	2	(327,337)	(327,337)	-	-
		(17,537,416)	**(17,537,416)**	**(17,700,647)**	**(17,700,647)**
Fair value through profit or loss					
Derivative financial instruments (SAAG put options)	3	(430,156)	(430,156)	(419,148)	(419,148)
		(430,156)	**(430,156)**	**(419,148)**	**(419,148)**
		(17,967,572)	**(17,967,572)**	**(18,119,795)**	**(18,119,795)**

(1) On March 31, 2019 and December 31, 2018 the book values of financial instruments reflect their fair values.
(2) Leasing transactions have been recognized in accordance with initial adoption of IFRS 16 / CPC 06 (R2). For more information see Note 19.

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

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

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

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

Fair value calculation of financial positions

<u>Distribution infrastructure concession financial assets, and Transmission concession financial assets – Assets remunerated by tariff</u>: These are measured at New Replacement Value (*Valor novo de reposição*, or VNR), according to criteria established by the Concession-granting power ('Grantor'), based on fair value of the concession assets in service and which will be revertible at the end of the concession, and on the weighted average cost of capital (WACC) used by the Grantor, which reflects the concession holder's return on the operations of the concession. The VNR and the WACC are public information, disclosed by the Grantor and by Cemig respectively. Changes in concession financial assets are disclosed in Note 14.

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Indemnifiable receivable – Transmission: These are measured at New Replacement Value (*Valor novo de reposição*, or VNR), according to criteria set by the Concession-granting power ('Grantor'), based on fair value of the assets to be reimbursed as a result of acceptance of the terms of Law 12783/13, and on the weighted average cost of capital (WACC) used by the Grantor, which reflects the concession holder's return on the operations of the concession. The VNR and the WACC are public information disclosed by the Grantor and by Cemig, respectively.

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

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

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

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

Other financial liabilities: Fair value of its loans, financings and debentures were determined using 142.17% of the CDI rate – based on its most recent funding. For the loans, financings and debentures, and debt renegotiated with Forluz, with annual rates between IPCA + 4.70% to 8.07% and CDI + 0.64% to 3.26%, Company believes that their carrying amount is approximated to their fair value.

b) Derivative financial instruments

Put options

The Company and its subsidiaries hold options to sell certain securities (put options) for which it has calculated the fair value based on the Black and Scholes Merton (BSM) model, considering the following variables assumptions: exercise price of the option; closing price of the underlying asset as of March 31, 2019; risk-free interest rate; volatility of the price of the underlying asset; and time to maturity of the option.

Analytically, calculation of the exercise price of the options, the risk-free interest rate and the time to maturity is primarily deterministic, so that the main divergence in the put options takes place in the measurement of the closing price and the volatility of the underlying asset. On March 31, 2019 and December 31, 2018 the Company's options were as follows:

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Consolidated R$ '000	Balance at March 31, 2019	Balance at Dec. 31, 2018
Put option – SAAG	430,156	419,148
Put / call options – Ativas and Sonda	(4,460)	(4,460)
	425,696	**414,688**

Put option – SAAG

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

For measurement of the fair value of the SAAG put option Cemig GT uses the Black-Scholes-Merton ('BSM') model. The assumption was made that the future expenditures of FIP Malbec and FIP Melbourne are insignificant, so that the options are valued as if they hold direct equity interests at Mesa. However, neither SAAG nor Mesa are traded on a securities exchange, so that some assumptions are necessary for calculation of the price of the asset and its volatility for application of the BSM model. The closing price of the shares of Mesa on December, 31, 2018, is ascertained from free cash flow to equity, in proportion to the indirect interests held by the FIPs. Volatility is measured as an average of historic volatility of comparable generation companies listed on the B3 (assuming that the data series for the difference of capitalized returns, over time, follows a normal distribution).

Based on the studies made, a liability of R$430,156 (R$419,148 on December 31, 2018) is recorded in the Company's interim accounting information, for the difference between the exercise price and the estimated fair value of the assets.

Changes in the values of the options are as follows:

R$ '000	Consolidated
Balance at Dec. 31, 2017	**311,593**
Change in fair value	4,457
Reversals	-
Balance at Mar. 31, 2018	**316,050**
Balance at Dec. 31, 2018	**419,148**
Change in fair value	11,008
Balance at March 31, 2019	**430,156**

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Cemig GT performad the sensitivity analysis of the exercise price of the option, varying the risk-free interest rate and the volatility, keeping the other variables of the model unchanged. In this context, scenarios for the risk-free interest rate at 4.50% p.a. to 8.50% p.a., and for volatility between 21% and 81% p.a., were used, resulting in estimates of minimum and maximum price for the put option of R$408,334 and R$456,376, respectively.

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

Sonda options

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

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

The put and call options in Ativas ('the Ativas Options') were measured at fair value and posted at their net value, i.e. the difference between the fair values of the two options on the reporting date of the interim financial statements at March 31, 2019. Depending on the value of the options, the net value of the Ativas Options may be an asset or a liability of the Company.

The measurement has been made using the Black-Scholes-Merton (BSM) model. In the calculation of the fair value of the Ativas Options based on the BSM model, the following variables are taken into account: closing price of the underlying asset on March 31, 2019; the risk-free interest rate; the volatility of the price of the underlying asset; the time to maturity of the option; and the exercise prices on the exercise date.

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

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

Swap transactions

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

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

The notional amount of derivative transactions are not presented in the statement of financial position, since they refer to transactions that do not require cash as only the gains or losses that actually incurred are recorded. The net result of those transactions on March 31, 2019 was a positive adjustment of R$152,311 (Positive adjustment of R$97,517 on March 31, 2018), which was posted in Finance income (expenses).

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

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

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This table presents the derivative instruments contracted by the Company at March 31, 2019 and December 31, 2018:

Eurobond terms: payable by Cemig GT (1)	Terms of swap: payable by Cemig GT (1)	Maturity period	Trading market	Value of principal contracted US$ '000 (2)	Unrealized gain (loss) R$ '000		Unrealized gain (loss) R$ '000	
					According to contract Mar. 31, 2019	Fair value Mar. 31, 2019	According to contract Dec. 31, 2018	Fair value Dec. 31, 2018
In US$ 9.25% p.a.	R$ 150.49% of CDI	Interest: Half-yearly Principal: Dec. 2024	Over-the-counter	US$ 1,000,000	705,563	731,743	679,530	626,888
In US$ 9.25% p.a.	R$ 125.52% of CDI	Interest: Half-yearly Principal: Dec. 2024	Over-the-counter	US$500,000	55,181	233,903	32,781	186,447
					760,744	**965,646**	**712,311**	**813,335**
Current assets						**75,496**		**69,643**
Non-current assets						**890,150**		**743,692**

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

(2) In thousands of US dollars.

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

The fair value found on March 31, 2019 was R$965,646 (R$813,335 on December 31, 2018), which would be a reference point if the Company were to liquidate the hedges on March 31, 2019, but the swap contracts protect the company's cash flow up to the maturity of the bonds in 2024. They have accrual value of R$760,744 at March 31, 2019 (R$712,311 on December 31, 2018).

Cemig GT is exposed to market risk as a function of having contracted this hedge, the principal potential impact being an alteration in futures of Brazilian interest rates or FX rates. Based on the futures curves for interest rates and the dollar, the Company estimates that in a probable scenario, at the end of the accounting period its net profit would suffer a negative impact of R$1 billion for the option (call spread), and R$70 million for the swap – an aggregate R$1.1 5 billion.

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

Parent company, and consolidated R$ '000	Base scenario March 31, 2019	'Probable' scenario:	'Possible' scenario: FX depreciation and interest rate increase 25%	'Remote' scenario: FX depreciation and interest rate increase 50%
Swap, asset side	6,170,480	6,112,816	5,064,330	4,109,765
Swap, liability side	(6,154,140)	(6,041,976)	(6,217,001)	(6,379,342)
Option / Call spread	949,306	1,217,052	608,889	101,359
Derivative hedge instrument	**965,646**	**1,287,892**	**(543,782)**	**(2,168,218)**

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

a) Risk management

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

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

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

Exchange rate risk

Cemig and its subsidiaries are exposed to the risk of increase in exchange rates, with effect on Loans and financings, Suppliers, and cash flow.

The net exposure to exchange rates is as follows:

Exposure to exchange rates R$ '000	Mar. 31, 2019		Dec. 31, 2018	
	Foreign currency	R$	Foreign currency	R$
US dollar				
Loans and financings (Note 22)	1,559,414	6,076,564	1,518,029	5,882,060
Suppliers (Itaipu Binacional)	67,094	261,444	69,166	268,004
	1,626,508	6,338,008	1,587,195	6,150,064
Euros				
Loans and financings – Euros (Note 22)	52	227	52	229
Net liabilities exposed	**1,626,560**	**6,338,235**	**1,587,247**	**6,150,293**

<u>Sensitivity analysis</u>

Based on information from its financial consultants, the Company estimates that in a probable scenario the variation of the exchange rates of foreign currencies in relation to the Real at March 31, 2020 will be a depreciation in the dollar exchange rate by 2.01%, to R$3.8133/US$, and depreciation of the Euro rate by 1.00%, to R$4.4197/€. The Company has made a sensitivity analysis of the effects on its profit arising from depreciation of the Real exchange rate by 25%, and by 50%, in relation to this 'probable' scenario.

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Risk: foreign exchange rate exposure R$ '000	Book value	'Probable' scenario: US$1=R$3.8183 €1 = R$4.4197	'Possible' scenario US$1=R$4.7729 €1 = R$5.5246	'Remote' scenario US$1=R$5.7275 €1 = R$6.6296
US dollar				
Loans and financings	6,076,564	5,954,333	7,442,922	8,931,537
Suppliers (Itaipu Binacional)	261,444	256,185	320,231	384,279
	6,338,008	6,210,518	7,763,153	9,315,816
Euros				
Loans and financings	227	229	286	344
Net liabilities exposed	**6,338,235**	**6,210,747**	**7,763,439**	**9,316,160**
Net effect of exchange rate variation		(127,488)	1,425,204	2,977,925

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

Interest rate risk

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

Risk: Exposure to domestic interest rate changes	Consolidated – R$ '000	
	Mar. 31, 2019	Dec. 31, 2018
Assets		
Cash equivalents (Note 5) – CDI rate	752,549	783,288
Securities (Note 6) – CDI and Selic rates	592,083	812,234
Accounts receivable – Renova (Note 31) – CDI	671,858	507,038
Advances to suppliers – CDI	-	94,070
Restricted cash – CDI	88,177	90,993
CVA and *Other financial components* in tariffs – Selic rate* (Note 14)	1,147,415	1,080,693
Reimbursement – Decontracting of supply (Note 31) – CDI	35,038	45,550
	3,287,120	3,413,866
Liabilities		
Loans, financings and debentures – CDI rate (Note 22)	(4,850,112)	(4,919,571)
Loans, financings and debentures – TJLP (Note 22)	(248,332)	(249,454)
Advances from customers – CDI	(32,523)	(79,405)
	(5,130,967)	(5,248,430)
Net liabilities exposed	**(1,843,847)**	**(1,834,564)**

(*) Amounts of *CVA* and *Other financial components* indexed by the Selic rate.

Sensitivity analysis

In relation to the risks of the most significant interest rates, the Company and its subsidiaries estimate that, in a probable scenario, on March 31, 2020 the Selic rate will be 6.50% and the TJLP will be 5.9196%. The Company and its subsidiaries have made a sensitivity analysis of the effects on its profit arising from increases in rates of 25% and 50% in relation to the 'probable' scenario. Variation in the CDI rate accompanies the variation in the Selic rate.

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Risk: Increase in Brazilian interest rates R$ '000	Mar. 31, 2019	Mar. 31, 2020		
	Book value	'Probable' scenario: Selic 6.50% TJLP 5.9196%	'Possible' scenario: Selic 8.12% TJLP 7.40%	'Remote' scenario: Selic 9.75% TJLP 8.88%
Assets				
Cash equivalents – Short-term investments (Note 5)	752,549	801,465	813,731	825,923
Securities (Note 6)	592,083	630,568	640,219	649,811
Accounts receivable – Renova (Note 31)	671,858	715,529	726,480	737,364
Restricted cash	88,177	93,909	95,346	96,774
CVA and *Other financial components* in tariffs – Selic rate * (Note 14)	1,147,415	1,221,997	1,240,700	1,259,288
indemnity – Decontracting of supply (Note 31)	35,038	37,315	37,887	38,454
	3,287,120	**3,500,783**	**3,554,363**	**3,607,614**
Liabilities				
Loans, financings and debentures – CDI rate (Note 22)	(4,850,112)	(5,165,369)	(5,244,426)	(5,322,998)
Loans, financings and debentures – TJLP (Note 22)	(248,332)	(263,032)	(266,709)	(270,384)
Advances from customers – CDI	(32,523)	(34,637)	(35,167)	(35,694)
	(5,130,967)	**(5,463,038)**	**(5,546,302)**	**(5,629,076)**
Net assets (liabilities) exposed	**(1,843,847)**	**(1,962,255)**	**(1,991,939)**	**(2,021,462)**
Net effect of variation in interest rates		**(118,408)**	**(148,093)**	**(177,615)**

(*) Amounts of *CVA* and *Other financial components* indexed by the Selic rate.

Inflation risk

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

Company's exposure to reduction in inflation R$ '000	Mar. 31, 2019	Dec. 31, 2018
Assets		
Distribution-related Concession financial assets – IPCA index (1)	411,776	395,743
Receivable from Minas Gerais state government (Debt recognition agreement) – IGPM index (Note 11)	271,028	247,010
Receivable from Minas Gerais state govt. (AFAC) – IGPM (Note 31)	250,867	245,566
Transmission reimbursement receivable – IPCA (Note 14)	1,321,961	1,296,314
Concession Grant Fee – IPCA (Note 14)	2,426,044	2,408,930
	4,681,676	4,593,563
Liabilities		
Loans, financings and debentures – IPCA (Note 22)	(3,026,403)	(3,791,340)
Debt agreed with pension fund (Forluz) – IPCA	(632,298)	(651,966)
Forluz deficit solution plan – IPCA	(377,114)	(377,449)
	(4,035,815)	(4,820,755)
Net assets (liabilities) exposed	**645,861**	**(227,192)**

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

Sensitivity analysis

This analysis reflects the Company having more assets than liabilities indexed to inflation indicators. Cemig and its subsidiaries estimate that, in a probable scenario on March 31, 2020 the IPCA inflation index will be 3.62%, and the IGP–M inflation index will be 4.89%. 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.

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Risk: Increase in inflation	Mar. 31, 2019	Mar. 31, 2020		
	Amount Book value	'Probable' scenario: IPCA 3.62% Selic 4.89%	'Possible' scenario (25%) IPCA 2.71% Selic 3.67%	'Remote' scenario (50%) IPCA 1.81% Selic 2.45%
Assets				
Distribution infrastructure-related Concession financial assets – IPCA (1)	411,776	426,675	422,950	419,225
Receivable from Minas Gerais state government (Debt recognition agreement) – IGPM index (Note 11)	271,028	284,291	280,976	277,660
Receivable from Minas Gerais state govt. (AFAC) – IGPM (Note 31)	250,867	263,144	260,075	257,005
Transmission – Reimbursement receivable – IPCA index (Note 14)	1,321,961	1,369,791	1,357,834	1,345,877
Concession Grant Fee – IPCA (Note 14)	2,426,044	2,513,821	2,491,877	2,469,934
	4,681,676	**4,857,722**	**4,813,712**	**4,769,701**
Liabilities				
Loans, financings and debentures – IPCA	(3,026,403)	(3,135,902)	(3,108,527)	(3,081,154)
Debt agreed with pension fund (Forluz) – IPCA	(632,298)	(655,175)	(649,456)	(643,737)
Forluz pension fund deficit solution plan	(377,114)	(390,758)	(387,347)	(383,936)
	(4,035,815)	**(4,181,835)**	**(4,145,330)**	**(4,108,827)**
Net assets (liabilities)	**645,861**	**675,887**	**668,382**	**660,874**
Net effect of variation in IPCA and IGPM indices		**30,026**	**22,521**	**15,013**

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

Liquidity risk

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

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

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

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

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

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

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

Consolidated	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
Financial instruments at (interest rates):						
- Floating rates						
Loans, financings and debentures	65,549	430,897	3,043,501	8,880,526	7,471,330	19,891,803
Paid concessions	220	432	1,859	8,514	13,919	24,944
Debt with pension plan (Forluz) (Note 24)	11,766	23,522	107,329	630,558	43,373	816,548
Deficit of the pension plan (FORLUZ) (Note 24)	3,591	7,226	32,911	193,255	460,593	697,576
Leasing agreements (Note 19)	8,122	16,242	72,795	181,493	494,781	773,433
	89,248	**478,319**	**3,258,395**	**9,894,346**	**8,483,996**	**22,204,304**
- Fixed rate						
Suppliers	1,870,511	141,143	590	-	-	2,012,244
	1,959,759	**619,462**	**3,258,985**	**9,894,346**	**8,483,996**	**24,216,548**

Parent company	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
Financial instruments at (interest rates):						
- Floating rates						
Loans, financings and debentures	-	-	-	53,638	-	53,638
Loan with related parties	-	-	393,597	-	-	393,597
Debt with pension plan (Forluz) (Note 24)	579	1,157	5,281	31,023	2,134	40,174
Deficit of the pension plan (FORLUZ) (Note 25)	177	356	1,619	9,508	22,661	34,321
Leasing agreements (Note 19)	876	1,751	7,631	7,323	3,742	21,323
	1,632	**3,264**	**408,128**	**101,492**	**28,537**	**543,053**
- Fixed rate						
Suppliers	8,428	5	-	-	-	8,433
	10,060	**3,269**	**408,128**	**101,492**	**28,537**	**551,486**

Credit risk

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

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

The provision for doubtful debtors constituted on March 31, 2019, considered to be adequate in relation to the credits in arrears receivable by the Company and its subsidiaries, was R$792,062.

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

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

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

All investments are made in financial securities that have fixed-income characteristics, the majority of them indexed to the CDI rate. The Company does not make any transactions that would incorporate volatility risk into its financial statements.

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

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

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

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

Group	Equity	Concentration	Limit per bank (% of equity)*
A1	Over R$3.5 billion	Minimum 80%	Between 6% and 9%
A2	R$1.0 billion to R$3.5 billion	Maximum 20%	Between 5% and 8%
B	R$400 million to R$1.0 billion	Maximum 20%	Between 5% and 7%

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

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

1. No bank may have more than 30% of the Group’s portfolio.

2. No bank may have more than 50% of the portfolio of any individual company.

Risk of over-contracting and under-contracting of supply

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

Risk to continuity of the concession

The risk to continuity of the distribution concession arises from the new terms included in the extension of Cemig D’s concession for 30 years from January 1, 2016, as specified by Law 12783/13. The extension brought with it changes to the previous contract, making continuity of the concession conditional on compliance by the Distributor with new criteria for quality, and for economic and financial sustainability.

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

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

The efficiency criteria for continuity of supply and for economic and for financial management, required to maintain the distribution concession, were met in the year ended December 31, 2018.

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Hydrological risk

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

Risk of debt early maturity

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

On March 31, 2019 the Company and its subsidiaries were compliant with all the covenants for financial index requiring half-yearly, annual and permanent compliance. More details in Note 22.

Capital management

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

R$ '000	Consolidated		Parent company	
	Mar. 31, 2019	Dec. 31, 2018	Mar. 31, 2019	Dec. 31, 2018
Total liabilities	43,477,925	43,915,346	1,924,251	1,987,772
(–) Cash and cash equivalents	(796,441)	(890,804)	(15,464)	(54,330)
(–) Restricted cash	(88,177)	(90,993)	(128)	(129)
Net liabilities	**42,593,307**	**42,933,549**	**1,908,659**	**1,933,313**
Total equity	**16,735,702**	**15,939,327**	**15,374,931**	**14,578,719**
Net liabilities / equity	**2.55**	**2.69**	**0.13**	**0.13**

33. OPERATING SEGMENTS

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

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

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These tables show the consolidated operating costs and expenses for the periods ended March 31, 2019 and 2018:

INFORMATION BY SEGMENT AT MARCH 31, 2019 – R$ ’000							
DESCRIPTION	ELECTRICITY			GAS	OTHERS (1)	ELIMINATIONS	TOTAL
	GENERATION (1)	TRANSMISSION	DISTRIBUTION (1)				
ASSETS OF THE SEGMENT	**14,813,536**	**3,893,771**	**36,627,133**	**1,873,628**	**2,525,195**	**480,364**	**60,213,627**
INVESTMENTS IN AFFILIATES AND JOINTLY-CONTROLLED ENTITIES	4,088,270	1,197,190	-	-	16,344	-	5,301,804
ADDITIONS TO THE SEGMENT	**6,549**	**-**	**6,720**	**-**	**-**	**-**	**13,269**
ADDITIONS TO CONTRACTUAL ASSETS	**-**	**28,087**	**153,482**	**9,091**	**-**	**-**	**190,660**
GOING CONCERN OPERATIONS							
NET REVENUE	**1,783,080**	**140,429**	**3,550,422**	**473,989**	**36,158**	**(70,900)**	**5,913,178**
COST OF ENERGY AND GAS							
Energy bought for resale	(782,919)	-	(1,828,301)	-	-	17,039	(2,594,181)
Charges for use of the national grid	(46,085)	-	(338,942)	-	-	51,231	(333,796)
Gas bought for resale	-	-	-	(394,982)	-	-	(394,982)
Total	**(829,004)**	**-**	**(2,167,243)**	**(394,982)**	**-**	**68,270**	**(3,322,959)**
OPERATING COSTS AND EXPENSES							
Personnel	(59,150)	(31,969)	(247,659)	(11,077)	(15,186)	-	(365,041)
Employees’ and managers’ profit shares	(8,828)	(6,461)	(46,261)	-	(4,487)	-	(66,037)
Post-employment obligations	(12,627)	(9,041)	(68,291)	-	(10,950)	-	(100,909)
Materials	(4,678)	(833)	(14,585)	(388)	(10)	4	(20,490)
Outsourced services	(26,483)	(8,130)	(239,462)	(4,422)	(6,917)	1,686	(283,728)
Depreciation and amortization	(44,406)	-	(148,849)	(18,857)	(525)	-	(212,637)
Amortization of Rights to Use of assets	(1,773)	(943)	(13,116)	-	(2,427)	-	(18,259)
Operating provisions (reversals) and adjustments for operational losses	(25,781)	(4,330)	(59,136)	(1,746)	(18,013)	-	(109,006)
Infrastructure construction costs	-	(28,087)	(160,201)	(10,830)	-	-	(199,118)
Other operating expenses (revenues), net	(2,940)	(4,200)	(41,692)	(2,700)	(1,340)	940	(51,932)
Total cost of operation	**(186,666)**	**(93,994)**	**(1,039,252)**	**(50,020)**	**(59,855)**	**2,630**	**(1,427,157)**
OPERATING COSTS AND EXPENSES	**(1,015,670)**	**(93,994)**	**(3,206,495)**	**(445,002)**	**(59,855)**	**70,900**	**(4,750,116)**
Share of profit (loss) of associates and joint ventures, net	36,679	34,311	-	-	(3,764)	-	67,226
OPER. PROFIT BEFORE FIN. REV. (EXP.) AND TAXES	**804,089**	**80,746**	**343,927**	**28,987**	**(27,461)**	**-**	**1,230,288**
Financial revenues	181,319	14,598	119,282	30,410	4,909	-	350,518
Financial expenses	(236,037)	(26,066)	(173,856)	(6,431)	(9,688)	-	(452,078)
PRE-TAX PROFIT	**749,371**	**69,278**	**289,353**	**52,966**	**(32,240)**	**-**	**1,128,728**
Income tax and Social Contribution tax	(219,534)	(10,482)	(100,999)	(18,824)	18,350	-	(331,489)
NET INCOME (LOSS) FOR THE PERIOD	**529,837**	**58,796**	**188,354**	**34,142**	**(13,890)**	**-**	**797,239**
Equity holders of parent company	**529,837**	**58,796**	**188,354**	**33,979**	**(13,890)**	**-**	**797,076**
Non-controlling interest (Note 27)	**-**	**-**	**-**	**163**	**-**	**-**	**163**
	529,837	**58,796**	**188,354**	**34,142**	**(13,890)**	**-**	**797,239**

(1) As stated in Note 34, certain assets in generation, distribution, telecommunications and other market segments were classified as held for sale.

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DESCRIPTION	NFORMATION BY SEGMENT ON MARCH 31, 2018 – R$ '000 ELECTRICITY GENERATION	TRANSMISSION	DISTRIBUTION	GAS	TELECOMS	OTHER	ELIMINATIONS	TOTAL
ASSETS OF THE SEGMENT	**14,029,538**	**3,829,674**	**19,051,688**	**1,845,118**	**-**	**1,887,499**	**(6,564)**	**40,636,953**
INVESTMENT IN AFFILIATES AND JOINTLY-CONTROLLED ENTITIES	**4,760,661**	**1,167,791**	**1,865,730**	**-**	**-**	**27,180**	**-**	**7,821,362**
ADDITIONS TO THE SEGMENT	**87,984**	**-**	**170,074**	**10,243**	**-**	**8,645**	**-**	**276,946**
ADDITIONS TO FINANCIAL ASSETS	**-**	**1,063**	**-**	**-**	**-**	**-**	**-**	**1,063**
NET REVENUE	**1,473,883**	**139,272**	**2,983,541**	**346,954**	**36,459**	**31,657**	**(76,335)**	**4,935,431**
COST OF ENERGY AND GAS								
Energy bought for resale	(796,464)	-	(1,485,293)	-	-	(3)	18,067	(2,263,693)
Charges for use of national grid	(70,394)	-	(370,845)	-	-	-	48,697	(392,542)
Gas bought for resale	-	-	-	(263,233)	-	-	-	(263,233)
Operating costs, total	**(866,858)**	**-**	**(1,856,138)**	**(263,233)**	**-**	**(3)**	**66,764**	**(2,919,468)**
OPERATING COSTS AND EXPENSES								
Personnel	(55,527)	(25,179)	(225,825)	(11,215)	(4,785)	(9,133)	-	(331,664)
Employees' and managers' profit shares	(3,006)	(1,654)	(13,856)	-	351	(1,412)	-	(19,577)
Post-employment obligations	(11,634)	(6,229)	(55,300)	-	-	(10,108)	-	(83,271)
Materials	(1,609)	(554)	(12,546)	(323)	(220)	(44)	6	(15,290)
Outsourced services	(23,009)	(6,874)	(198,675)	(3,561)	(6,719)	(1,594)	4,639	(235,793)
Depreciation and amortization	(40,995)	-	(144,893)	(17,885)	(9,089)	(129)	-	(212,991)
Operating provisions (reversals)	(7,973)	(1,029)	(84,765)	-	(213)	(39,308)	81	(133,207)
Construction costs	-	(1,063)	(170,074)	(6,722)	(2,810)	-	-	(180,669)
Other operating expenses, net	(10,126)	(2,864)	(47,252)	(2,965)	(4,818)	(3,183)	4,845	(66,363)
Total cost of operation	**(153,879)**	**(45,446)**	**(953,186)**	**(42,671)**	**(28,303)**	**(64,911)**	**9,571**	**(1,278,825)**
OPERATING COSTS AND EXPENSES	**(1,020,737)**	**(45,446)**	**(2,809,324)**	**(305,904)**	**(28,303)**	**(64,914)**	**76,335**	**(4,198,293)**
Share of profit (loss), net, of associates and joint ventures	(31,230)	46,944	43,722	-	(763)	(1,799)	-	56,874
OPER. PROFIT BEFORE FIN. REV. (EXP.) AND TAXES	**421,916**	**140,770**	**217,939**	**41,050**	**7,393**	**(35,056)**	**-**	**794,012**
Finance income	127,366	8,211	78,905	14,258	925	12,189	-	241,854
Finance expenses	(236,767)	(1,170)	(149,504)	(9,774)	(1,539)	(900)	-	(399,654)
PRE-TAX PROFIT	**312,515**	**147,811**	**147,340**	**45,534**	**6,779**	**(23,767)**	**-**	**636,212**
Income tax and Social Contribution tax	(99,900)	(30,988)	(37,896)	(15,365)	(2,472)	15,004	-	(171,617)
NET INCOME (LOSS) FOR THE PERIOD	**212,615**	**116,823**	**109,444**	**30,169**	**4,307**	**(8,763)**	**-**	**464,595**
Equity holders of parent company	**212,615**	**116,823**	**109,444**	**30,023**	**4,307**	**(8,763)**	**-**	**464,449**
Minorities (Note 27)	**-**	**-**	**-**	**146**	**-**	**-**	**-**	**146**
	212,615	**116,823**	**109,444**	**30,169**	**4,307**	**(8,763)**	**-**	**464,595**

The revenue of the Company and its subsidiaries in 1Q19 breaks down by segment as follows:

R$ '000	ELECTRICITY GENERATION	TRANSMISSION	DISTRIBUTION	GAS	OTHER	ELIMINATIONS	TOTAL
Revenue from supply of energy	1,730,450	-	4,889,692	-	-	(18,725)	6,601,417
Revenue from Use of Distribution Systems (the TUSD charge)	-	-	636,237	-	-	(6,193)	630,044
CVA and *Other financial components* in tariff adjustments	-	-	120,350	-	-	-	120,350
Transmission concession revenue	-	163,156	-	-	-	(45,977)	117,179
Transmission construction revenue	-	28,087	-	-	-	-	28,087
Reimbursement revenue – Transmission	-	32,499	-	-	-	-	32,499
Distribution construction revenue	-	-	160,201	10,830	-	-	171,031
Adjustment to expected reimbursement – distribution concession financial assets	-	-	6,040	-	-	-	6,040
Gain on updating of Concession Grant Fee	80,788	-	-	-	-	-	80,788
Transactions in energy on the CCEE	252,616	-	-	-	-	-	252,616
Supply of gas	-	-	-	596,283	-	(5)	596,278
Fine for violation of continuity indicator	-	-	(22,825)	-	-	-	(22,825)
Other operating revenues	76,436	6,557	318,626	26	39,553	-	441,198
Sector / Regulatory charges reported as Deductions from revenue	(357,210)	(89,870)	(2,557,899)	(133,150)	(3,395)	-	(3,141,524)
Net operating revenue	**1,783,080**	**140,429**	**3,550,422**	**473,989**	**36,158**	**(70,900)**	**5,913,178**

Details of operational revenue are in Note 28.

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R$ '000	ELECTRICITY GENERATION	ELECTRICITY TRANSMISSION	ELECTRICITY DISTRIBUTION	GAS	TELECOMS	OTHER	ELIMINATIONS	TOTAL
Revenue from supply of energy	1,582,153	-	3,835,474	-	-	-	(19,722)	5,397,905
Revenue from Use of Distribution Systems (the TUSD charge)	-	-	379,882	-	-	-	(6,141)	373,741
CVA and *Other financial components* in tariff adjustments	-	-	441,156	-	-	-	-	441,156
Transmission concession revenue	-	143,546	-	-	-	-	(42,555)	100,991
Transmission construction revenue	-	1,063	-	-	-	-	-	1,063
Reimbursement revenue – Transmission	-	49,841	-	-	-	-	-	49,841
Reimbursement revenue – Generation	17,245	-	-	-	-	-	-	17,245
Distribution construction revenue	-	-	170,074	6,723	-	-	-	176,797
Adjustment to expected reimbursement – distribution concession financial assets	-	-	792	-	-	-	-	792
Gain on updating of Concession Grant Fee	81,827	-	-	-	-	-	-	81,827
Transactions in energy on the CCEE	134,327	-	-	-	-	-	-	134,327
Supply of gas	-	-	-	428,077	-	-	(6)	428,071
Fine for violation of continuity indicator	-	-	(16,446)	-	-	-	-	(16,446)
Other operating revenues	4,438	7,844	375,318	3	48,408	34,013	(7,911)	462,113
Sector / Regulatory charges reported as Deductions from revenue	(341,094)	(68,035)	(2,202,709)	(87,849)	(11,949)	(2,356)	-	(2,713,992)
Net operating revenue	**1,478,896**	**134,259**	**2,983,541**	**346,954**	**36,459**	**31,657**	**(76,335)**	**4,935,431**

34. ASSETS AND LIABILITIES HELD FOR SALE AND DISCONTINUED OPERATIONS

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

R$ '000	Mar. 31, 2019	
	Consolidated Investments	Parent company Investments
Assets	19,285,433	1,573,967
Liabilities	(16,111,639)	-
Net assets	**3,173,794**	**1,573,967**
Attributed to controlling shareholders	1,817,746	1,573,967
Attributed to non-controlling shareholders	1,356,048	-

R$ '000	Dec. 31, 2018					
	Consolidated			Parent company		
	Investments	Telecom assets	Total	Investments	Telecom assets	Total
Assets	19,446,033	-	19,446,033	1,573,967	-	1,573,967
Liabilities	(16,272,239)	-	(16,272,239)	-	-	-
Net assets	**3,173,794**	**-**	**3,173,794**	**1,573,967**	**-**	**1,573,967**
Attributed to controlling shareholders	1,817,746	-	1,817,746	1,573,967		1,573,967
Attributed to non-controlling shareholders	1,356,048	-	1,356,048	1,573,967	-	1,573,967
NET INCOME (LOSS) FROM DISCONTINUED OPERATIONS	**72,880**	**290,542**	**363,422**	**31,465**	**276,012**	**307,477**
Attributed to controlling shareholders	32,027	290,542	322,569	31,465	276,012	307,477
Attributed to non-controlling shareholders	40,853	-	40,853	-	-	

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

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

This table gives information on the assets and liabilities of the investees classified as discontinued operations on March 31, 2019:

R$ '000	Light	LightGer	Guanhães	Axxiom	Itaocara
ASSETS					
Assets classified as held for sale					
Cash and cash equivalents	1,187,198	64,287	4,949	4,300	3,478
Customers and traders	3,219,075	13,784	204	-	-
Recoverable taxes	181,137	-	-	5,001	-
Accounts receivable	981,772	106	268	19,424	4
Inventories	61,463	-	-	-	-
Total, current assets	**5,630,645**	**78,177**	**5,421**	**28,725**	**3,482**
Customers and traders	1,321,686	-	-	-	-
Recoverable taxes	52,319	-	-	-	-
Deferred income tax and Social Contribution tax	245,149	-	-	-	-
Concession financial assets	4,356,441	-	-	17,559	-
Property, plant and equipment	1,554,565	127,958	409,004	1,346	6,765
Intangible assets	3,515,298	47	2,654	5,863	8,946
Capex	573,223	-	-	-	-
Other non-current assets	549,280	1,103	15,392	1,551	-
Total, non-current assets	**12,167,961**	**129,108**	**427,050**	**26,319**	**15,711**
Total assets	**17,798,606**	**207,285**	**432,471**	**55,044**	**19,193**
LIABILITIES					
Liabilities directly related to assets held for sale					
Suppliers	2,485,371	33,179	12,915	2,708	103
Loans and financings	1,451,284	8,662	12,867	8,164	-
Regulatory charges	47,970	-	-	-	-
Taxes	416,062	1,997	-	2,023	-
Other current liabilities	853,794	74	1,715	22,923	60
Total, non-current liabilities	**5,254,481**	**43,912**	**27,497**	**35,818**	**163**
Loans and financings	8,153,352	69,271	139,170	1,304	-
Taxes	288,520	-	823	736	-
Other non-current liabilities	641,499	-	4,448	3,136	8,945
Total, non-current liabilities	**9,083,371**	**69,271**	**144,441**	**5,176**	**8,945**
Total liabilities	**14,337,852**	**113,183**	**171,938**	**40,994**	**9,108**

Light – funding raised for 2017-18 capex

On February 26, 2019, the subsidiary Light Sesa received R$200,000, the first release of funds under the contract with the BNDES for financing of capex for 2017–18. The cost of the transaction is TLP +3.16% p.a., with maturity at seven years and monthly amortization.

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35. NON-CASH TRANSACTIONS

In the quarters ended March 31, 2019 and 2018, the subsidiaries had the following transactions not involving cash, which are not reflected in the Cash flow statements:

- Capitalized borrowing costs of R$11,086 in 1Q19 (R$8,272 in 1Q18).

36. SUBSEQUENT EVENTS

Merger of wholly-owned subsidiaries into Cemig

On April 24, 2019 Cemig absorbed two of its wholly-owned subsidiaries, Rio Minas Energia Participações S.A. ('RME') and Luce Empreendimentos e Participações S.A. ('Lepsa'). The equity value of the two companies was the subject of a valuation opinion approved by the Extraordinary General Meeting of Shareholders of March 25, 2019.

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

Since this is an absorption of a wholly-owned subsidiary, there will be no capital increase nor need for issue of new shares by Cemig.

Note also that this merger does not change the aggregate percentage equity interest in Light held by Cemig.

Approval of the Report of management and the Financial statements for 2018

On May 3, 2019, the Annual General Meeting approved the statutory financial statements of the Company at December 31, 2018, and the allocation of retained earnings and net income for the year of 2018, as proposed by the Board of Directors. This meeting also approved the proposal for remuneration of the managers – comprising the Board of Directors, the Executive Board, and the members of the Audit Board and the Audit Committee.

Reprofiling of the debt of Renova

As part of the financial restructuring of the jointly-controlled entity Renova, the following instruments for renegotiation of debt were signed on May 3, 2019:

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- Banco Citibank S.A.; Bank Credit Note for up to R$185,000, updated at 155%, p.a., of the CDI rate, for a total period of six years, of which one is a grace period, amortization of the principal and quarterly interest payments. This transaction has two principal guarantees: (i) surety given by Chipley; and (ii) fiduciary assignment of 40% of the dividends of Chipley.

- Banco BTG Pactual S.A.: Second and first amendments to the debt recognition agreements CD 8/17 and 14/17, respectively, setting the following conditions and guarantees: the total of the debt will be paid in 20 quarterly installments, after a grace period of one year from the date of signature.

- The principal is subject to remuneratory interest of 155% p.a. of the CDI rate, payable during the whole of the period of the debt in quarterly payments, with no grace period. The main guarantee of this transaction is fiduciary assignment of the totality of the shares in Enerbras owned by the Company.

16th debenture issue by the subsidiary Light Sesa

On May 7, 2019 the subsidiary Light Sesa made its 16th debenture issue, in three series, for a total of R$617,950.

The amounts and characteristics of the issue are as follows:

Series:	Amount, R$ '000	Interest rate, p.a.	Maturity
1st series	132,500	CDI rate + 0.90%	April 15, 2022
2nd Series	422,950	CDI rate + 1.25%	April 15, 2024
3rd Series	62,500	CDI rate + 1.35%	April 15, 2025

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CONSOLIDATED RESULTS

(Figures in R$ ’000 unless otherwise indicated)

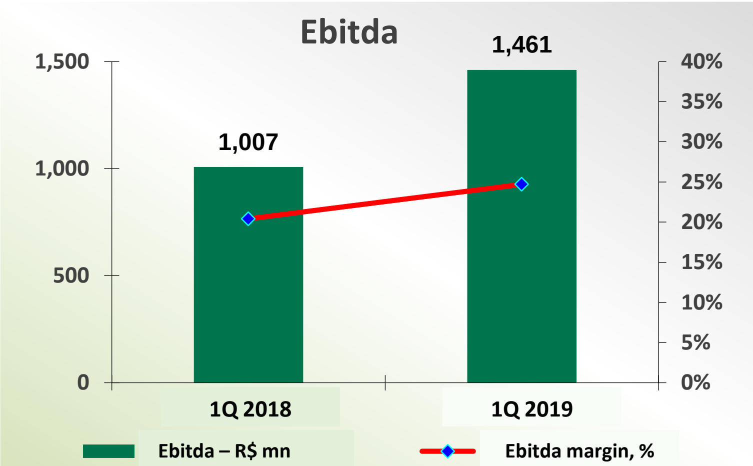
Net income for the period

For the first quarter of 2019 (1Q19) Cemig reports profit of R$797,239, or 71.60% more than its profit of R$464,595 in first quarter 2018 (1Q18). The following items describe the main variations between the two periods in revenues, costs, expenses and financial items.

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

Cemig’s consolidated Ebitda in 1Q19 was 45.10% higher than its Ebitda of 1Q18. In line with the lower Ebitda, Ebitda margin was higher, at 24.71%, in 1Q19, compared to 1Q18 – when it was 20.40%.

Ebitda – R$ ’000	1Q19	1Q18	Change, %
Profit (loss) for the period	797,239	464,595	71.60%
+ Income tax and the Social Contribution tax	331,489	171,617	93.16%
+ Net financial revenue (expenses)	101,560	157,800	(35.64%)
+ Depreciation and amortization	230,896	212,991	8.41%
= Ebitda	**1,461,184**	**1,007,003**	**45.10%**



Ebitda is a non-accounting measure prepared by the Company, reconciled with the consolidated Interim accounting information in accordance with CVM Circular SNC/SEP 1/2007 and CVM Instruction 527 of October 4, 2012. It comprises Net income adjusted by the effects of net Financial revenue (expenses), Depreciation and amortization, and Income tax and Social Contribution tax. Ebitda is not a measure recognized by Brazilian GAAP nor by IFRS; it does not have a standard meaning; and it may be non-comparable with measures with similar titles provided by other companies. Cemig publishes Ebitda because it uses it to measure its own performance. Ebitda should not be considered in isolation or as a substitution for net income or operational profit, nor as an indicator of operational performance or cash flow, nor to measure liquidity nor the capacity for payment of debt.

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The higher Ebitda in 1Q19 than 1Q18 mainly reflects net operational revenue 19.81% higher year-on-year, while operating expenses (excluding depreciation and amortization) were up by only 13.40% YoY.

The main items in revenue in the period:

Revenue from supply of energy

Revenue from sales of energy in 1Q19 were R$6,601,417, compared to R$5,397,905 in 1Q18 – i.e. up 22.30% YoY.

Final customers

Total revenue from energy sold to final customers in 1Q19 was R$5,841,016 – or 23.40% higher than in 1Q18 (R$4,733,392).

The main factors in this revenue were:

- The annual tariff adjustment for Cemig D, effective May 28, 2018 (full effect in 2019) resulting in an average *increase* in customer tariffs of 23.19%; and
- Volume of energy sold to final customers 3.51% higher year-on-year.

Cemig's energy market

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

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

(ii) Free Customers in both the State of Minas Gerais and other States of Brazil, in the Free Market (*Ambiente de Contratação Livre*, or ACL);

(iii) other agents of the energy sector – traders, generators and independent power producers, also in the Free Market;

(iv) Distributors, in the Regulated Market (*Ambiente de Contratação Regulada*, or ACR); and

(v) the Wholesale Power Exchange (*Câmara de Comercialização de Energia Elétrica*, or CCEE)

(– eliminating transactions between companies of the Cemig Group).

This table details Cemig's market and the changes in sales of energy by customer category, comparing 1Q19 to 1Q18:

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Revenue from supply of energy

	1Q19			1Q18			Change %	
	MWh (2)	R$	Average price billed – R$/MWh (1)	*MWh* (2)	R$	Average price billed – R$/MWh (1)	*MWh*	R$
Residential	2,743,798	2,458,438	896.00	2,593,117	1,917,981	739.64	5.81	28.18
Industrial	3,872,005	1,140,542	294.56	4,028,060	1,105,786	274.52	(3.87)	3.14
Commercial, services and others	2,279,357	1,339,038	587.46	2,042,937	1,069,278	523.40	11.57	25.23
Rural	860,624	456,879	530.87	765,502	342,763	447.76	12.43	33.29
Public authorities	223,700	153,592	686.60	213,598	120,850	565.78	4.73	27.09
Public lighting	351,964	150,845	428.58	343,406	124,416	362.30	2.49	21.24
Public services	339,111	167,496	493.93	322,058	134,272	416.92	5.30	24.74
Subtotal	**10,670,559**	**5,866,830**	**549.81**	**10,308,678**	**4,815,346**	**467.12**	**3.51**	**21.84**
Own consumption	9,983	-	-	12,124	-	-	(17.66)	-
Unbilled retail supply, net	-	(25,814)	-	-	(81,954)	-	-	(68.50)
	10,680,542	**5,841,016**	**546.88**	**10,320,802**	**4,733,392**	**458.63**	**3.49**	**23.40**
Wholesale supply to other concession holders (3)	3,077,493	817,138	265.52	2,632,799	701,491	266.44	16.89	16.49
Wholesale supply not yet invoiced, net	-	(56,737)	-	-	(36,978)	-	-	53.43
Total	**13,758,035**	**6,601,417**	**479.82**	**12,953,601**	**5,397,905**	**416.71**	**6.21**	**22.30**

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

An important feature is the 3.51% year-on-year growth in the volume of supply sold to final customers. Note that all the user categories were affected by the first quarter of 2019 having 2.7 more business days than 1Q18. The following factors are also important:

- growth in consumption by the *residential, commercial* and *public authority* customer categories was influenced by the higher average temperatures in 1Q19 than in 1Q18;
- growth in the *rural* category was influenced by higher consumption for irrigation due to the lower volume of rainfall; and
- The *public services* category was affected by higher consumption related to capture of water, also due to the lower volume of rainfall.

Contrasting with this, the volume of energy sold to the *industrial* customer category was 3.87% lower, mainly reflecting non-resumption of growth in industrial economic activity to the levels expected for the period.

<u>Revenue from Use of Distribution Systems (the TUSD charge)</u>

This is revenue from charging Free Customers the Tariff for Use of the Distribution System (TUSD), on the volume of energy distributed. In 1Q19, this was R$630,044, compared to R$373,741 in 1Q18 - year-on-year increase of 68.58%. The higher figure reflected the increase of approximately 65.60% (covering both power transport volume, and demand levels) in the TUSD charge, in effect from May 28, 2018 (i.e. with full effect in 2019).

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<u>*CVA* and *Other financial components* in tariff adjustments</u>

These items are the recognition of the difference between actual non-controllable costs (in which the contribution to the CDE – the Energy Development Account and energy bought for resale, are significant components) and the costs that were used in calculating rates charged to customers. The amount of this difference is passed through to customers in the next tariff adjustment of Cemig D (the distribution company). In 1Q19 this represented a gain (posted in revenue) of R$120,350, whereas in 1Q18 it produced a revenue gain of R$441,156. The difference mainly reflects a higher difference between costs of power supply in 2018 and the estimates provided for in advance in the tariff calculation (the difference generating a financial asset to be reimbursed to the Company through the next tariff adjustment). There are more details in Note 14.

<u>Transmission concession revenue</u>

Cemig GT's transmission revenue comprises the sum of the revenues of all the transmission assets. The concession contracts establish the Permitted Annual Revenue (*Receita Anual Permitida*, or RAP) for the assets of the existing system, updated annually based on the variation in the IPCA inflation index. Whenever there is an upgrade or adaptation to an existing asset, made under specific authorization from Aneel, an addition is made to the RAP. This revenue was R$117,179 in 1Q19, compared to R$100,991 in 1Q18 – or 16.03% higher year-on-year. The higher figure arises from the inflation adjustment of the annual RAP, applied in July 2018, plus the new revenues related to the investments authorized to be included. Additionally, it includes an adjustment to expectation of cash flow from financial assets, arising from change in the fair value of the Regulatory Remuneration Base of Assets (BRR).

The percentages and indices applied for the price adjustment are different for different concessions: the IPCA index is applied to the contract of Cemig GT, and the IGPM index to the contract of Cemig Itajubá. In 2018, the adjustments made to the RAP were: positive 4.00% for Cemig GT's concession contracts; and positive 3.30% for those of Cemig Itajubá. The adjustments comprised application of the inflation adjustment index, and recognition of works to upgrade and improve the facilities.

<u>Transmission reimbursement revenue</u>

The revenue from reimbursements of transmission assets in 1Q19 was R$32,499, – or 34.79% less than in 1Q18 (R$49,841).

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

In July 2018 the portion of RAP referring to the cost of capital not incorporated after the renewal of the concession (early 2013), as per MME Ministerial Order 120/2016, was adjusted downwards by 23.2%.
For more details see Note 14 – *Financial assets of the concession*.

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Revenue from transactions in the Wholesale Trading Exchange (CCEE)

Revenue from transactions in energy on the CCEE in 1Q19 was R$252,616, or 88.06% higher than in 1Q18 (R$134,327). The higher figure mainly reflects higher physical guarantee allocations, associated with Generation Scaling Factors (GSFs) in 1Q19 than in 1Q18, increasing the available excess supply; this excess supply, in turn, was valued at a higher Spot Price (PLD) than in 1Q18, contributing to the higher figure for revenue from transactions on the CCE.

Revenue from supply of gas

Cemig reports revenue from supply of gas totaling R$596,278 in 1Q19, compared to R$428,071 in 1Q18 – 39.29% higher YoY. This basically reflects the increase in the price of gas, which was passed through to customers – since the volume of gas sold was in fact 19.31% higher (at 315,240 m³ in 1Q19, vs. 264,226 m³ in 1Q18).

Construction revenue

Infrastructure construction revenue in 1Q19 was R$199,118, or 11.95% more than in 1H18 (R$177,860). This revenue is fully offset by Construction costs, of the same amount, and corresponds to the Company's investments in assets of the concession in the period.

Other operating revenues

The *Other operating revenues* line for the Company and its subsidiaries in 1Q19 totaled R$441,198, compared to R$462,113 in 1Q18 – a reduction of 4.53%. See Note 28 for a breakdown of Other operating revenues.

Taxes and regulatory charges reported as Deductions from revenue

The taxes and charges that are recorded as deductions from operating revenue totaled R$3,141,524 in 1Q19, or 15.75% more than in 1Q18 (R$2,731,992).

The Energy Development Account – CDE

The amounts of payments to the Energy Development Account (CDE) are decided by an Aneel Resolution. The purpose of the CDE is to cover costs of concession indemnities (reimbursements of costs of assets), tariff subsidies, the subsidy for balanced tariff reduction, the low-income-consumer subsidy, the coal consumption subsidy, and the Fuels Consumption Account (CCC). Charges for the CDE in 1Q19 were R$652,349, compared to R$587,855 in 1Q18.

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

Customer charges – the 'Flag' Tariff system

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The 'Flag' Tariff bands are activated as a result of low levels of water in the system's reservoirs – tariffs are temporarily increased due to scarcity of rain. The 'Red' band has two levels – Level 1 and Level 2. Level 2 comes into effect when scarcity is more intense. Activation of the flag tariffs generates an impact on billing in the subsequent month.

Customer charges resulting from the 'Flag' tariff system were lower in 1Q19, at R$11,156, than in 1Q18 (R$116,772) – or 90.45% lower year-on-year.

The lower figure is because no 'red' or 'yellow' flag tariffs were activated in first quarter 2019 – the entire quarter took place under the 'green' flag. In 1Q18 there was an effect on profit arising from activation, in December 2017, of the 'red' tariff band, at Level I, with effects on the amount billed in January 2018.

Other taxes and charges on revenue

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

Operating costs and expenses (excluding Financial income/expenses)

Operating costs and expenses in 1Q19 totaled R$4,750,116, or 13.14% more than in 1Q18 (R$4,198,293). For more on the components of Operating costs and expenses see Note 29.

The following paragraphs comment on the main variations:

Personnel

The expense on personnel in 1Q19 was R$365,041, 10.06% higher than in 1Q18 (R$331,664). This arises mainly from the following factors:

- Recognition, in 1Q19, of a cost of R$21,491 on voluntary retirement plans.
- Salary increase of 4.00% under the Collective Work Agreement, as from November 2018.
- The average number of employees was 3.01% higher in 1Q19, at 6,031, compared to 5,855 in 1Q18.

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Energy bought for resale

This expense in 1Q19 was 14.60% higher YoY, at R$2,594,181, compared to R$2,263,693 in 1Q18. This arises mainly from the following items:

- Higher expense on purchase of supply in the spot market: R$513,977 in 1Q19, compared to R$219,111 in 1Q18. This variation arises mainly from transactions in supply on the CCEE (Wholesale Trading Exchange). The power supply deficit in January and February 2019, totaling 50,228 MWh – which made it necessary to buy supply on the spot market. In 1Q18, there was an excess of supply, of 223,166 MWh, resulting in sales on the CCEE, consequently reducing the net expense in that period.

- Expense on supply from Itaipu 15.58% higher, at R$333,156 in 1Q19, compared to R$288,243 in 1Q18. This is mainly due to the higher exchange rate for the dollar in 1Q19 than 1Q18.

This is a non-manageable cost: the difference between the amounts used as a reference for calculation of tariffs and the costs actually incurred is compensated for in the subsequent tariff adjustment. For more details please see Note 29.

Charges for use of the transmission network

Charges for use of the transmission network in 1Q19 totaled R$333,796, a reduction of 14.97% compared with 1Q18 (R$392,542).

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

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

Operating provisions

Operating costs and expenses in 1Q19 totaled R$109,006, or 18.17% less than in 1Q18 (R$133,207). This arises mainly from the following items:

- Lower provision for the Parati option: in 1Q18 a provision of R$34,535 was constituted; in 1Q19 this provision no longer existed, as the option was exercised in November 2018.

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- Provisions for employment-law legal actions were lower, at net R$1,436 in 1Q19, compared to net R$17,054 in 1Q18. This change mainly reflects the effect of new case law in the Federal Supreme Court (STF) on the lawfulness of outsourcing of any activities, whether for means or for end-use, which led to re-evaluation of the potential loss on several actions on this subject, with consequent reduction of the amounts previously recorded.
- Net additional provisions for employment-law legal actions were higher, at R$14,926 in 1Q19, compared to net R$69 in 1Q18. This variation arises from the provision made in 1Q19, of R$15,278, reflecting payment of an amount for the legal action challenging the demandability of the IPTU tax, in view of the Company and its adversary agreeing a settlement.
- The provisions for the SAAG put option were 146.98% higher in 2019, at R$11.008, compared to R$4,457 in 1Q18.

Construction cost

Infrastructure construction costs in 1Q19 totaled R$199,118, or 10.21% more than in 1Q18 (R$180,669). This line records the Company's investment in assets of the concession in the period, and is fully offset by the line Construction revenue, in the same amount.

Gas bought for resale

In 1Q19 the Company recorded an expense of R$394,982 on acquisition of gas, 50.05% more than its comparable expense of R$263,233 in 1Q18. This is basically due to volume of gas sold 19% higher (at 315,240 m³ in 1 Q19, compared to 264,115 m³ in 1Q18), and an increase of 37% in the cost of gas bought from Petrobras.

Post-employment obligations

The impact of the Company's post-employment obligation on operating profit was an expense of R$100,909 in 1Q19 – which compares with an expense of R$83,271 in 1Q18. This is mainly the result of reduction in the discount rate used in the actuarial calculation – which increased the amount of the actuarial liabilities, and consequently the scale of the expense reported.

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

The result of equity method valuation of interests in non-consolidated investees was a gain of R$67,226 in 1Q19, compared to a gain of R$56,874 in 1Q18.

The losses recognized in 1Q18 were basically related to the investments in: (i) Renova, and (ii) Madeira Energia. No loss on the investment in Renova was recognized in 1Q19, since this had been written off in December 2018, due to that investee's uncovered liabilities. Also, the negative equity method result from the investment in Madeira Energia was 74.28% lower in 1Q19 than in 1Q18.

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The breakdown of the results from the investees recognized under this line is given in detail in Note 16.

Net financial revenue (expenses)

Cemig reports net financial expenses in 1Q19 of R$101,560, compared to net financial expenses of R$157,800 in 1Q18. The main factors are:

- Higher gain on the hedge transaction contracted to protect the Eurobond issue from exchange rate variation: the gain in 1Q19 was R$152,311, compared to a gain of R$97,517 in 1Q18. The higher figure was the result of the dollar future curve moving upward, resulting in both the call spread and the asset becoming more valuable; and also due to the curve for the future DI interest rate (the liability side of the transaction) moving downward, contributing to an increase in fair value.

- Higher net result of monetary updating on the balances of *CVA* and *Other financial components* in tariff adjustments: net gain of R$20,906 in 1Q19, compared to net gain of R$447 in 1Q18, basically reflecting the higher balance of net assets in 1Q19 than in 1Q18.

- Monetary updating on loans and financings 5.59% higher, at R$303,412 in 1Q19, compared to R$287,348 in 1Q18. This basically reflects the higher balance of loans and financings indexed to the CDI rate in 1Q19 than in 1Q18.

For a breakdown of financial revenues and expenses please see Note 30.

Income tax and Social Contribution tax

In 1Q19, the expense on income tax and the Social Contribution tax totaled R$331,489, on pre-tax profit of R$1,128,782, an effective rate of 29.37%. In 1Q18, the expense on income tax and the Social Contribution tax was R$171,617, on pre-tax profit of R$636,212 an effective rate of 26.97%.

These effective rates are reconciled with the nominal tax rates in Note 9(c).

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OTHER INFORMATION THAT THE COMPANY BELIEVES TO BE MATERIAL

Board of Directors

Meetings

The Board of Directors met 7 times up to March 31, 2019, to discuss strategic planning, projects, acquisition of new assets, various investments, and other subjects.

Membership, election and period of office

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

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

Principal responsibilities and duties:

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

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

Qualification and remuneration

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

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

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The Audit Committee

The Audit Committee is an independent, consultative body, permanently established, with its own budget allocation. Its objective is to provide advice and assistance to the Board of Directors, to which it reports. It also has the responsibility for such other activities as are attributed to it by legislation.

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

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

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

Executive Board

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

Members are allowed simultaneously also to hold non-remunerated positions in the management of wholly-owned subsidiaries, subsidiaries or affiliates of Cemig, upon decision by the Board of Directors. They are also, obligatorily under the by-laws, members, with the same positions, of the Boards of Directors of Cemig GT (Generation and Transmission) and Cemig D (Distribution).

The period of office of the present Chief Officers expires at the first meeting of the Board of Directors held after the Annual General Meeting of 2020.

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

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

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

Audit Board

<u>Meetings</u>

- The Audit Board held four meetings in first quarter 2019.

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

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

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

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

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

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

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Qualification and remuneration

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

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

The Sarbanes-Oxley Law

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

Corporate risk management

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

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

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

Statement of Ethical Principles and Code of Professional Conduct

On May 11, 2004 Cemig's Board of Directors approved the *Statement of Ethical Principles and Code of Professional Conduct*, which aims to orient and discipline everyone acting in the name of, or interacting with, Cemig, to ensure ethical behavior at all times, and always in accordance with the law and regulations. The code can be seen at http://ri.cemig.com.br. It was updated in 2018.

The Ethics Committee

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

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

The Ethics Channel

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

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

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

SHAREHOLDING POSITION OF HOLDERS OF MORE THAN 5% OF THE VOTING STOCK ON MARCH 31, 2019

	COMMON SHARES	%	PREFERRED SHARES	%	TOTAL SHARES	%
State of Minas Gerais	248,480,146	50.96	-	-	248,480,146	17.03
FIA Dinâmica Energia S.A.	48,700,000	9.99	55,905,344	5.76	104,605,344	7.17
BNDESPar	54,342,992	11.14	26,220,938	2.70	80,563,930	5.52

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CONSOLIDATED SHAREHOLDING POSITION OF THE CONTROLLING SHAREHOLDERS AND MANAGERS, AND FREE FLOAT, ON MARCH 31, 2019

	March 31, 2019	
	Common (ON) shares	Preferred (PN) shares
Controlling stockholder	248,480,146	-
Board of Directors	-	16,600
Executive Board	-	19,600
Shares in Treasury	69	560,649
Free float	239,133,998	970,541,539
TOTAL	**487,614,213**	**971,138,388**

Investor Relations

In 2018 we expanded Cemig's exposure to the Brazilian and global capital markets, through strategic actions intended to enable investors and shareholders to make a correct valuation of our businesses and our prospects for growth and addition of value.

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

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

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

At the end of May 2018 we held our 23rd *Annual Meeting with the Capital Markets*, in Belo Horizonte, Minas Gerais – where market professionals had the opportunity to interact with the Company's directors and principal executives.

Corporate governance

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

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

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

In June 2018 an Extraordinary Meeting of Shareholders approved alterations to the Company's bylaws, to maintain best corporate governance practices, and adapt to Law 13303/2016 (also known as the State Companies Law).

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

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

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(The original is signed by the following signatories:)

Cledorvino Belini
Chief Executive Officer

Dimas Costa
Chief Trading Officer

Maurício Fernandes Leonardo Júnior
Chief Finance and Investor Relations Officer

Paulo Mota Henriques
Chief Generation and Transmission Officer

Daniel Faria Costa
Chief Officer for Management of Holdings

Ronaldo Gomes de Abreu
Director without portfolio

Ronaldo Gomes de Abreu
Interim Chief Corporate Management Officer

Leonardo George de Magalhães
Controller
CRC-MG 53,140

Leonardo Felipe Mesquita
Accounting Manager
Accountant – CRC-MG 85.260

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

Independent Auditor's Review Report on Quarterly Information - ITR

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

Introduction

We have reviewed the individual and consolidated interim financial information of Companhia Energética de Minas Gerais - CEMIG (the "Company"), contained in the Quarterly Information Form (ITR) for the quarter ended March 31, 2019, which comprise the statement of financial position as at March 31, 2019 and the statements of profit or loss, of comprehensive income, of changes in equity and cash flows for the three-month period then ended, including notes to the interim financial information.

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

Scope of review

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

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Conclusion on the individual and consolidated interim financial information

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

Emphasis of matter

Risks related to compliance with laws and regulations

As mentioned in Note 16 to the interim financial information, currently investigations and other legal measures are being conducted by public authorities in connection with Company and certain investees regarding certain expenditures and their allocations, which involve and also include some of their other shareholders and certain executives of the Company and of these other shareholders. The governance bodies of the Company have authorized contracting of a specialized company to analyze the internal procedures related to these certain investments and to ascertain such claims. At this point, it is not possible to forecast future developments arising from these internal investigation procedures and conducted by the public authorities, nor their possible effects on the Company’s and its subsidiaries' interim financial information. Our conclusion is not modified in respect of this matter.

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

As disclosed in Note 16 to the interim financial information, the jointly-controlled investee Renova Energia S.A. has incurred recurring losses and, as at March 31, 2019, has negative net working capital, equity deficit and negative gross margin. These events or conditions in connection with other matters disclosed in Note 16, indicate the existence of relevant uncertainty that may raise significant doubt about the ability of this jointly-controlled investee to continue as a going concern. Our conclusion is not modified in respect of this matter.

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Other matters

Statements of value added

We have also reviewed the individual and consolidated statements of value added (SVA) for the three-month period ended March 31, 2019, prepared under Company's Management responsibility, whose form and content presentation in the interim financial information are required in accordance with the criteria defined by CPC 09 – Statement of Value Added and rules issued by the Brazilian Securities and Exchange Commission (CVM) applicable to preparation of Quarterly Information Form (ITR), and as supplementary information by the International Financial Reporting Standards (IFRS), which do not require SVA presentation. These statements have been subject to the same review procedures previously described and, based on our review, nothing has come to our attention that causes us to believe that they were not prepared, in all material respects, consistently with the overall interim financial information.

Belo Horizonte, May 15, 2019.

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

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

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