

## CONTENTS

STATEMENTS OF FINANCIAL POSITION .....	2
STATEMENTS OF INCOME .....	4
STATEMENTS OF COMPREHENSIVE INCOME .....	6
STATEMENT OF CHANGES IN CONSOLIDATED EQUITY .....	7
STATEMENTS OF CASH FLOWS.....	8
STATEMENTS OF ADDED VALUE.....	10
NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS .....	11
1. OPERATING CONTEXT .....	11
2. BASIS OF PREPARATION .....	12
3. PRINCIPLES OF CONSOLIDATION .....	16
4. CONCESSIONS AND AUTHORIZATIONS.....	17
5. CASH AND CASH EQUIVALENTS.....	18
6. MARKETABLE SECURITIES.....	18
7. CUSTOMERS, TRADERS AND POWER TRANSPORT CONCESSION HOLDERS.....	19
8. RECOVERABLE TAXES .....	20
9. PIS/PASEP AND COFINS TAXES CREDITS OVER ICMS – FINAL COURT JUDGMENT .....	21
10. INCOME AND SOCIAL CONTRIBUTION TAXES .....	22
11. ESCROW DEPOSITS.....	25
12. CONCESSION FINANCIAL ASSETS.....	25
13. CONCESSION CONTRACT ASSETS .....	29
14. INVESTMENTS .....	30
15. PROPERTY, PLANT AND EQUIPMENT .....	41
16. INTANGIBLE ASSETS .....	43
17. LEASING TRANSACTIONS.....	44
18. SUPPLIERS .....	45
19. TAXES .....	45
20. LOANS, FINANCINGS AND DEBENTURES .....	46
21. REGULATORY CHARGES.....	49
22. POST-EMPLOYMENT OBLIGATIONS.....	50
23. PROVISIONS.....	51
24. EQUITY AND REMUNERATION TO SHAREHOLDERS .....	57
25. REVENUES .....	57
26. OPERATING COSTS AND EXPENSES .....	60
27. FINANCE INCOME AND EXPENSES.....	64
28. RELATED PARTY TRANSACTIONS .....	65
29. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT .....	68
30. OPERATING SEGMENTS.....	79
31. SUBSEQUENT EVENTS .....	81
CONSOLIDATED RESULTS .....	82
INDEPENDENT AUDITOR’S REVIEW REPORT ON QUARTERLY INFORMATION - ITR .....	94

## STATEMENTS OF FINANCIAL POSITION

AS OF JUNE 30, 2019 AND DECEMBER 31, 2018

### ASSETS

(Thousands of Brazilian Reais)

	Note	Consolidated		Parent Company	
		June 30, 2019	Dec. 31, 2018	June 30, 2019	Dec. 31, 2018
<b>CURRENT</b>					
Cash and cash equivalents	5	310,194	301,696	165,875	226,830
Marketable securities	6	274,244	161,848	93,544	12,922
Customers and Traders	7	1,169,328	879,875	1,038,232	730,991
Concession holders – transmission service	7	79,783	71,164	79,860	71,236
Recoverable taxes	8	44,826	48,505	33,792	41,166
Income and Social Contribution taxes recoverable	10a	963	159,160	-	156,738
Dividends receivable	28	24,618	98,842	47,397	98,842
Concession financial assets	12	434,763	423,511	185,284	180,995
Contract assets	13	131,989	130,951	131,989	130,951
Advances to suppliers		30,198	6,785	30,198	2,036
Hydrological risk renegotiation premium		17,863	17,159	17,863	17,159
Derivative financial instruments	29	114,916	69,643	114,916	69,643
Others		100,625	168,167	94,430	154,619
<b>TOTAL CURRENT</b>		<b>2,734,310</b>	<b>2,537,306</b>	<b>2,033,380</b>	<b>1,894,128</b>
<b>NON-CURRENT</b>					
Marketable securities	6	-	21,498	-	1,709
Customers and Traders	7	10,988	5,020	2,680	5,020
Deferred income and Social Contribution taxes	10c	2,058	-	-	-
Recoverable taxes	8	682,910	17,825	656,824	17,068
Income and Social Contribution taxes recoverable	10a	1,693	3,115	-	-
Escrow deposits	11	354,748	374,374	341,387	338,779
Receivable from related parties	28	378,602	921,288	384,738	927,913
Hydrological risk renegotiation premium		16,516	22,981	16,516	22,981
Advances to suppliers		20,150	87,285	20,150	87,285
Derivative financial instruments	29	1,269,354	743,692	1,269,354	743,692
Others		54,186	59,290	54,024	58,945
Concession financial assets	12	4,162,214	4,097,935	1,953,960	1,931,521
Contract assets	13	998,397	998,359	998,397	998,359
Investments	14	4,212,660	4,205,308	7,612,262	7,488,441
Property, plant and equipment	15	2,600,957	2,659,221	1,973,918	2,025,205
Intangible assets	16	184,719	197,583	29,473	30,715
Leasing – rights of use	17	63,418	-	62,029	-
<b>TOTAL NON-CURRENT</b>		<b>15,013,570</b>	<b>14,414,774</b>	<b>15,375,712</b>	<b>14,677,633</b>
<b>TOTAL ASSETS</b>		<b>17,747,880</b>	<b>16,952,080</b>	<b>17,409,092</b>	<b>16,571,761</b>

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

## STATEMENTS OF FINANCIAL POSITION

AS OF JUNE 30, 2019 AND DECEMBER 31, 2018

### LIABILITIES

(Thousands of Brazilian Reais)

	Note	Consolidated		Parent Company	
		June 30, 2019	Dec. 31, 2018	June 30, 2019	Dec. 31, 2018
<b>CURRENT</b>					
Loans and financings	20	214,718	44,338	43,626	44,338
Debentures	20	710,714	559,873	710,714	559,873
Suppliers	18	435,025	484,726	416,739	436,114
Income and Social Contribution taxes	10b	201,982	112,057	118,436	-
Taxes payable	19	54,786	57,664	40,898	46,453
Regulatory charges	21	159,472	139,457	151,701	131,615
Post-employment obligations	22	60,490	57,052	60,490	57,052
Interest on Equity, and dividends, payable		617,121	660,068	617,122	659,622
Payroll and related charges		62,270	62,724	61,322	61,743
Advances from customers	7	-	40,267	-	40,267
Leasing – obligations	17	19,531	-	18,937	-
Others		81,970	74,191	75,075	72,900
<b>TOTAL CURRENT</b>		<b>2,618,079</b>	<b>2,292,417</b>	<b>2,315,060</b>	<b>2,109,977</b>
<b>NON-CURRENT</b>					
Loans and financings	20	5,696,074	5,919,979	5,696,074	5,756,612
Debentures	20	1,197,739	1,674,722	1,197,739	1,674,722
Deferred income and Social Contribution taxes	10c	627,668	461,731	601,349	436,071
Taxes payable	19	4,919	4,445	4,245	4,124
Regulatory charges	21	53,189	59,349	47,643	54,048
Post-employment obligations	22	1,029,938	1,019,794	1,029,938	1,019,794
Provisions	23	106,991	98,708	106,771	97,793
Derivative financial instruments - Options	29	441,094	419,148	441,094	419,148
Leasing – obligations	17	44,333	-	43,504	-
Others		22,007	21,651	19,826	19,336
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>9,223,952</b>	<b>9,679,527</b>	<b>9,188,183</b>	<b>9,481,648</b>
<b>TOTAL LIABILITIES</b>		<b>11,842,031</b>	<b>11,971,944</b>	<b>11,503,243</b>	<b>11,591,625</b>
<b>SHAREHOLDERS' EQUITY</b>	24				
Share capital		2,600,000	2,600,000	2,600,000	2,600,000
Profit reserves		2,361,448	2,362,614	2,361,448	2,362,614
Equity valuation adjustments		9,997	17,522	9,997	17,522
Retained earnings		934,404	-	934,404	-
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>5,905,849</b>	<b>4,980,136</b>	<b>5,905,849</b>	<b>4,980,136</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>17,747,880</b>	<b>16,952,080</b>	<b>17,409,092</b>	<b>16,571,761</b>

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

## STATEMENTS OF INCOME

### FOR THE SIX-MONTH PERIODS ENDED JUNE 30, 2019 AND 2018

(Thousands of Brazilian Reais, except Net profit per share)

	Note	Consolidated		Parent Company	
		Jan. to June 2019	Jan. to June 2018	Jan. to June 2019	Jan. to June 2018
<b>REVENUE</b>	25	<b>4,197,573</b>	<b>3,275,675</b>	<b>3,678,080</b>	<b>2,946,534</b>
<b>OPERATING COSTS</b>					
<b>COST OF ENERGY</b>	26				
Charges for use of the national grid		(92,253)	(125,521)	(67,052)	(108,654)
Energy bought for resale		(1,699,161)	(1,692,509)	(1,696,797)	(1,666,009)
		<b>(1,791,414)</b>	<b>(1,818,030)</b>	<b>(1,763,849)</b>	<b>(1,774,663)</b>
<b>COST</b>	26				
Personnel and Managers		(141,518)	(138,410)	(130,944)	(125,915)
Materials		(9,028)	(4,477)	(6,556)	(3,650)
Outsourced Services		(58,277)	(48,209)	(38,703)	(42,638)
Depreciation and Amortization		(103,487)	(70,288)	(68,862)	(70,200)
Operating Provisions, net		(13,954)	(14,365)	(14,649)	(14,381)
Transmission infrastructure Construction cost		(82,989)	(4,732)	(82,989)	(4,732)
Other operating costs		(9,245)	(11,916)	(8,418)	(11,517)
		<b>(418,498)</b>	<b>(292,397)</b>	<b>(351,121)</b>	<b>(273,033)</b>
<b>TOTAL COST</b>		<b>(2,209,912)</b>	<b>(2,110,427)</b>	<b>(2,114,970)</b>	<b>(2,047,696)</b>
<b>GROSS PROFIT</b>		<b>1,987,661</b>	<b>1,165,248</b>	<b>1,563,110</b>	<b>898,838</b>
<b>OPERATING EXPENSES</b>	26				
Selling Expenses		(19,077)	(152)	(10,453)	(152)
General and Administrative Expenses		(56,986)	(49,817)	(56,986)	(49,817)
Other Operating Expenses		(805,576)	(78,169)	(805,067)	(77,730)
		<b>(881,639)</b>	<b>(128,138)</b>	<b>(872,506)</b>	<b>(127,699)</b>
Share of profit (loss) of associates and joint ventures, net	14	8,753	(140,412)	340,720	66,614
<b>Operating profit before financial revenue (expenses) and taxes</b>		<b>1,114,775</b>	<b>896,698</b>	<b>1,031,324</b>	<b>837,753</b>
Finance income	27	1,014,197	253,314	982,802	242,183
Finance expenses	27	(455,351)	(1,008,586)	(445,307)	(1,007,013)
<b>Income before finance income (expenses) and taxes</b>		<b>1,673,621</b>	<b>141,426</b>	<b>1,568,819</b>	<b>72,923</b>
Current income and social contribution taxes	10d	(583,680)	(68,492)	(477,828)	-
Deferred income and social contribution taxes	10c	(164,228)	(6,046)	(165,278)	(6,035)
<b>NET INCOME FOR THE PERIOD</b>		<b>925,713</b>	<b>66,888</b>	<b>925,713</b>	<b>66,888</b>
Basic and diluted Net income common share – R\$	24	0.3196	0.0231	0.3196	0.0231

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

## STATEMENTS OF INCOME

FOR THE QUARTERS ENDED JUNE 30, 2019 AND 2018

(Thousands of Brazilian Reais, except earnings per share)

	Note	Consolidated		Parent Company	
		2Q19	2Q18	2Q19	2Q18
<b>REVENUE</b>	25	<b>2,242,697</b>	<b>1,713,191</b>	<b>1,978,481</b>	<b>1,557,150</b>
<b>OPERATING COSTS</b>					
<b>COST OF ENERGY</b>	26				
Charges for use of the national grid		(46,168)	(55,879)	(33,806)	(46,880)
Energy bought for resale		(916,241)	(897,095)	(920,250)	(880,043)
		<b>(962,409)</b>	<b>(952,974)</b>	<b>(954,056)</b>	<b>(926,923)</b>
<b>COST</b>	26				
Personnel and Managers		(72,787)	(77,916)	(66,787)	(70,444)
Materials		(4,814)	(3,521)	(2,935)	(3,052)
Outsourced Services		(39,515)	(37,884)	(28,460)	(34,282)
Depreciation and Amortization		(60,264)	(35,093)	(33,885)	(35,046)
Operating Provisions, net		(11,549)	(10,409)	(11,392)	(10,425)
Transmission infrastructure Construction cost		(54,902)	(3,669)	(54,902)	(3,669)
Other operating costs		(10,020)	(11,876)	(8,451)	(11,685)
		<b>(253,851)</b>	<b>(180,368)</b>	<b>(206,812)</b>	<b>(168,603)</b>
<b>TOTAL COST</b>		<b>(1,216,260)</b>	<b>(1,133,342)</b>	<b>(1,160,868)</b>	<b>(1,095,526)</b>
<b>GROSS PROFIT</b>		<b>1,026,437</b>	<b>579,849</b>	<b>817,613</b>	<b>461,624</b>
<b>OPERATING EXPENSES</b>	26				
Selling Expenses		(2,379)	(19)	(1,686)	(19)
General and Administrative Expenses		(9,652)	(2,755)	(9,652)	(2,808)
Other Operating Expenses		(754,241)	(47,037)	(754,004)	(46,796)
		<b>(766,272)</b>	<b>(49,811)</b>	<b>(765,342)</b>	<b>(49,623)</b>
Share of profit (loss) of associates and joint ventures, net		(27,926)	(109,182)	137,848	(16,423)
<b>Operating profit before financial revenue (expenses) and taxes</b>		<b>232,239</b>	<b>420,856</b>	<b>190,119</b>	<b>395,578</b>
Finance income	27	850,301	120,670	828,244	115,434
Finance expenses	27	(226,095)	(770,883)	(221,704)	(770,805)
Operating profit before financial revenue (expenses) and taxes		<b>856,445</b>	<b>(229,357)</b>	<b>796,659</b>	<b>(259,793)</b>
Current income and social contribution taxes	10d	(376,971)	46,656	(317,324)	77,244
Deferred income and social contribution taxes	10c	(136,977)	2,311	(136,838)	2,159
<b>NET INCOME FOR THE PERIOD</b>		<b>342,497</b>	<b>(180,390)</b>	<b>342,497</b>	<b>(180,390)</b>
<b>Basic and diluted Net income common share – R\$</b>	24	<b>0.1182</b>	<b>(0.0623)</b>	<b>0.1182</b>	<b>(0.0623)</b>

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

**STATEMENTS OF COMPREHENSIVE INCOME**

**FOR THE SIX-MONTH PERIODS ENDED JUNE 30, 2019 AND 2018**

**(Thousands of Brazilian Reais)**

	Consolidated		Parent Company	
	June 30, 2019	Dec. 31, 2018	June 30, 2019	Dec. 31, 2018
NET INCOME FOR THE PERIOD	925,713	66,888	925,713	66,888
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>925,713</u>	<u>66,888</u>	<u>925,713</u>	<u>66,888</u>

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

**STATEMENTS OF COMPREHENSIVE INCOME**

**FOR THE QUARTERS ENDED JUNE 30, 2019 AND 2018**

**(Thousands of Brazilian Reais)**

	Consolidated		Parent Company	
	Apr to Jun 2019	Apr to Jun 2018	Apr to Jun 2019	Apr to Jun 2018
NET INCOME FOR THE PERIOD	342,497	(180,390)	342,497	(180,390)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>342,497</u>	<u>(180,390)</u>	<u>342,497</u>	<u>(180,390)</u>

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

## STATEMENT OF CHANGES IN CONSOLIDATED EQUITY

FOR THE SIX-MONTH PERIODS ENDED JUNE 30, 2019 AND 2018

(Thousands of Brazilian Reais) – except where otherwise stated

	Share capital	Advance against future capital increase	Profit reserves	Equity valuation adjustments	Retained earnings	Total equity
<b>BALANCES ON DECEMBER 31, 2017</b>	<b>1,837,710</b>	<b>100,000</b>	<b>2,702,600</b>	<b>153,522</b>	-	<b>4,793,832</b>
Net income for the period	-	-	-	-	66,888	66,888
Realization of deemed cost of PP&E	-	-	-	(9,626)	9,626	-
<b>BALANCES ON JUNE 30, 2018</b>	<b>1,837,710</b>	<b>100,000</b>	<b>2,702,600</b>	<b>143,896</b>	<b>76,514</b>	<b>4,860,720</b>
<b>BALANCES ON DECEMBER 31, 2018</b>	<b>2,600,000</b>	-	<b>2,362,614</b>	<b>17,522</b>	-	<b>4,980,136</b>
Reversal of reserve for tax incentives, prior periods (1)	-	-	(1,166)	-	1,166	-
Net income for the period	-	-	-	-	925,713	925,713
Realization of deemed cost of PP&E	-	-	-	(7,525)	7,525	-
<b>BALANCES ON JUNE 30, 2019</b>	<b>2,600,000</b>	-	<b>2,361,448</b>	<b>9,997</b>	<b>934,404</b>	<b>5,905,849</b>

(1) Reversion of reserve for tax incentives, prior periods

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

## STATEMENTS OF CASH FLOWS

### FOR THE SIX-MONTH PERIODS ENDED JUNE 30, 2019 AND 2018

(Thousands of Brazilian Reais)

	Note	Consolidated		Parent Company	
		Jan. to June 2019	Jan. to June 2018	Jan. to June 2019	Jan. to June 2018
<b>CASH FLOW FROM OPERATIONS</b>					
Net income for the period		925,713	66,888	925,713	66,888
Adjustments for:					
<b>Expenses (revenues) not affecting cash and cash equivalents:</b>					
Depreciation and amortization	26	113,935	73,088	79,310	73,001
Write-down of net residual value of PP&E, Intangible assets and Concession financial assets		2,516	7,746	1,874	7,745
Updating of concession contract assets and concession financial assets	12 e				
	13	(266,571)	(337,962)	(90,420)	(180,982)
Adjustment to expectation of contractual cash flow from the concession	13	(7,834)	(9,671)	(7,834)	(9,671)
Gain (loss) by equity method	14	(8,753)	140,412	(340,720)	(66,614)
Financial interest and inflation adjustment		377,121	395,345	369,581	397,902
Foreign exchange variations – loans and financings	20	(63,904)	548,353	(63,904)	548,353
Amortization of transaction cost of loans and financings	20	5,784	9,503	5,784	9,503
Deferred income and social contribution taxes	10c	164,228	6,046	165,278	6,035
Recovery of PIS/Pasep and Cofins taxes credits over ICMS	9	(665,818)	-	(640,163)	-
Provisions for operating losses, net	26c	721,062	14,970	713,133	14,986
Variation in fair value of derivative financial instruments – Swaps	29	(613,394)	(180,429)	(613,394)	(180,429)
Variation in fair value of derivative financial instruments (Put options)	29	21,946	24,606	21,946	24,606
Reimbursement for suspension of supply of power (Renova)	25	(62,575)	-	(62,575)	-
Post-employment obligations	22	50,230	43,874	50,230	43,874
		<b>693,686</b>	<b>802,769</b>	<b>513,839</b>	<b>755,197</b>
(Increase) / decrease in assets					
Customers and Traders		(314,498)	(827)	(315,354)	17,973
Recoverable taxes		4,412	4,038	7,781	4,106
Income and social contribution tax recoverable		(16,856)	(6,795)	(7,355)	(6,578)
Transport of energy		(8,619)	(5,620)	(8,624)	(5,646)
Escrow deposits		25,387	(2,085)	2,895	(2,085)
Dividends received		96,419	89,940	273,637	272,103
Concession financial assets		215,866	282,972	88,518	160,688
Contract assets		(19,914)	96,921	(19,914)	96,921
Advances to suppliers		(43,563)	(70,899)	(48,312)	(85,628)
Others		82,302	8,069	75,255	10,192
		<b>20,936</b>	<b>395,714</b>	<b>48,527</b>	<b>462,046</b>
(Increase) reduction in liabilities					
Suppliers		(49,701)	(103,794)	(19,375)	(103,074)
Taxes		(808)	(61,167)	(3,838)	(62,861)
Income and social contribution taxes		588,740	68,492	480,617	-
Payroll and related charges		(454)	2,507	(421)	2,507
Regulatory charges		13,855	(18,937)	13,681	(20,200)
Post-employment obligations	22	(36,648)	(33,296)	(36,648)	(33,296)
Advances from customers		(40,894)	(74,773)	(40,894)	(74,773)
Others		2,115	(23,033)	(3,005)	(20,367)
		<b>476,205</b>	<b>(244,001)</b>	<b>390,117</b>	<b>(312,064)</b>
<b>Cash generated by operations</b>		<b>1,190,827</b>	<b>954,482</b>	<b>952,483</b>	<b>905,179</b>
Income and social contribution taxes paid		(319,436)	(185,302)	(187,385)	(72,587)
Interest paid on loans	20	(430,614)	(382,229)	(430,614)	(382,229)
Settlement of derivative financial instruments (swap)		42,459	12,981	34,653	12,981
Interest paid on leasing transactions	17	(3,740)	-	(3,660)	-
<b>NET CASH FROM OPERATIONAL ACTIVITIES</b>		<b>479,496</b>	<b>399,932</b>	<b>365,477</b>	<b>463,344</b>



	Note	Consolidated		Parent Company	
		Jan. to June 2019	Jan. to June 2018	Jan. to June 2019	Jan. to June 2018
<b>CASH FLOWS IN INVESTMENT ACTIVITIES</b>					
Funding of investments	14b	(20,794)	(149,918)	(20,794)	(149,918)
Reduction of share capital in investee		-	-	15,500	-
Loan with related parties		46,599	-	46,599	-
Investment in fixed assets	15	(34,413)	(17,482)	(18,021)	(14,009)
Investment in Intangible assets	16	(932)	(1,422)	(924)	(1,422)
Investment in Securities		(90,898)	352,437	(78,913)	297,388
<b>NET CASH USED IN (FROM) INVESTMENT ACTIVITIES</b>		<b>(100,438)</b>	<b>183,615</b>	<b>(56,553)</b>	<b>132,039</b>
<b>CASH FLOW IN FINANCING ACTIVITIES</b>					
Interest on Equity, and dividends		(42,947)	(200,000)	(42,500)	(200,000)
Payments of loans and debentures	20	(319,927)	(289,955)	(319,927)	(289,955)
Leasing payments	17	(7,686)	-	(7,452)	-
<b>NET CASH USED IN FINANCING ACTIVITIES</b>		<b>(370,560)</b>	<b>(489,955)</b>	<b>(369,879)</b>	<b>(489,955)</b>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>		<b>8,498</b>	<b>93,592</b>	<b>(60,955)</b>	<b>105,428</b>
Cash and cash equivalents at start of period	5	301,696	403,339	226,830	366,169
Cash and cash equivalents at end of period	5	310,194	496,931	165,875	471,597

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

## STATEMENTS OF ADDED VALUE

FOR THE SIX-MONTH PERIODS ENDED JUNE 30, 2019 AND 2018

(Thousands of Brazilian Reais)

	Consolidated				Parent Company			
	Jan. to June 2019		Jan. to June 2018		Jan. to June 2019		Jan. to June 2018	
<b>REVENUES</b>								
Sales of energy and services	4,320,195		3,721,690		3,902,972		3,489,886	
Construction revenue	82,989		4,732		82,989		4,732	
Gain on financial updating of the Concession grant fee	176,151		156,980		-		-	
Investments in property, plant and equipment	17,763		28,538		17,763		28,538	
Transmission indemnity revenue	90,420		146,519		90,420		146,519	
Reimbursement revenue – Generation	-		34,463		-		34,463	
PIS/Pasep and Cofins taxes credits	424,403		-		408,612		-	
Provision for doubtful receivables	(19,077)		(152)		(10,453)		(152)	
Other revenues (expenses)	1,324		(221)		1,324		(221)	
	<b>5,094,168</b>		<b>4,092,549</b>		<b>4,493,627</b>		<b>3,703,765</b>	
<b>INPUTS ACQUIRED FROM THIRD PARTIES</b>								
Energy bought for resale	(1,864,493)		(1,851,519)		(1,861,441)		(1,823,614)	
Charges for use of national grid	(100,634)		(137,630)		(73,868)		(119,308)	
Outsourced services	(122,250)		(73,453)		(102,669)		(67,877)	
Materials	(57,905)		(22,871)		(55,433)		(22,044)	
Paid concession	(1,287)		(1,446)		(1,287)		(1,446)	
Other operating costs	(740,029)		(55,431)		(740,107)		(55,009)	
	<b>(2,886,598)</b>		<b>(2,142,350)</b>		<b>(2,834,805)</b>		<b>(2,089,298)</b>	
<b>GROSS VALUE ADDED</b>	<b>2,207,570</b>		<b>1,950,199</b>		<b>1,658,822</b>		<b>1,614,467</b>	
<b>RETENTIONS</b>								
Depreciation and amortization	(113,935)		(73,088)		(79,310)		(73,001)	
<b>NET VALUE ADDED</b>	<b>2,093,635</b>		<b>1,877,111</b>		<b>1,579,512</b>		<b>1,541,466</b>	
<b>ADDED VALUE RECEIVED BY TRANSFER</b>								
Share of (loss) profit, net, of associates and joint ventures	8,753		(140,412)		340,720		66,614	
Finance income	1,014,197		253,314		982,802		242,183	
	<b>1,022,950</b>		<b>112,902</b>		<b>1,323,522</b>		<b>308,797</b>	
<b>ADDED VALUE TO BE DISTRIBUTED</b>	<b>3,116,585</b>		<b>1,990,013</b>		<b>2,903,034</b>		<b>1,850,263</b>	
<b>DISTRIBUTION OF ADDED VALUE</b>								
<b>Employees</b>	<b>234,675</b>	<b>7.53</b>	<b>187,855</b>	<b>9.44</b>	<b>224,295</b>	<b>7.73</b>	<b>176,188</b>	<b>9.51</b>
Direct remuneration	157,583	5.06	121,874	6.12	147,497	5.08	111,101	6.00
Benefits	63,007	2.02	51,497	2.59	62,786	2.16	50,904	2.75
FGTS fund	8,231	0.26	7,753	0.39	8,158	0.28	7,452	0.40
Programmed Voluntary Retirement Plan	5,854	0.19	6,731	0.34	5,854	0.20	6,731	0.36
<b>Taxes</b>	<b>1,497,993</b>	<b>48.07</b>	<b>714,414</b>	<b>35.90</b>	<b>1,305,255</b>	<b>44.96</b>	<b>588,218</b>	<b>31.79</b>
Federal	1,198,728	38.46	441,519	22.19	1,043,678	35.95	337,690	18.25
State	294,974	9.46	271,517	13.64	259,348	8.93	249,172	13.47
Municipal	4,291	0.14	1,378	0.07	2,229	0.08	1,356	0.07
<b>Remuneration of external capital</b>	<b>458,204</b>	<b>14.70</b>	<b>1,020,856</b>	<b>51.30</b>	<b>447,771</b>	<b>15.42</b>	<b>1,018,969</b>	<b>55.08</b>
Interest	455,351	14.61	1,008,586	50.68	445,307	15.34	1,007,013	54.43
Rentals	2,853	0.09	12,270	0.62	2,464	0.08	11,956	0.65
<b>Remuneration of own capital</b>	<b>925,713</b>	<b>29.70</b>	<b>66,888</b>	<b>3.36</b>	<b>925,713</b>	<b>31.89</b>	<b>66,888</b>	<b>3.62</b>
Retained earnings	925,713	29.70	66,888	3.36	925,713	31.89	66,888	3.62
	<b>3,116,585</b>	<b>100.00</b>	<b>1,990,013</b>	<b>100.00</b>	<b>2,903,034</b>	<b>100.00</b>	<b>1,850,263</b>	<b>100.00</b>

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

## NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX-MONTH PERIODS ENDED JUNE 30, 2019

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

### 1. OPERATING CONTEXT

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

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

Cemig GT has too interests in 83 power plants – of these 75 are hydroelectric, six are wind power plants, one is thermal, and one is solar – and the associated transmission lines, mostly part of the Brazilian national generation and transmission grid system, with installed capacity for 5,555 MW (information not reviewed by external auditors).

The Company has stockholding interests in subsidiaries, jointly-controlled entities and affiliated companies, the principal objects of which are construction and operation of systems for production and sale of energy.

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 financial information has prepared in accordance with IAS 34 – *Interim Financial Reporting*, issued by the International Accounting Standards Board (IASB), Technical Pronouncement 21 (R1) – ‘CPC 21’, 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 December 31, 2018 financial statements, 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 Audit Board on March 28, 2019.

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 Executing Board authorized the issuance of this Interim financial information on August 12, 2019.

### 2.2 Adoption of new pronouncements from January 1, 2019

The Company and its subsidiaries have applied, for the first time, certain alterations to rules, which 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 leasing transactions in accordance with a single balance sheet model, similar to the accounting of financial leasing in the manner of IFRS 16 / CPC 06 (R2). At the date of start of a leasing operation, the lessee recognizes a liability to make the payments (a leasing liability) and an asset, representing the right to use the asset that is the subject of the leasing during the period in which it is in effect (an ‘asset of Right to Use’). Lessees are required to recognize separately: (i) the expenses of interest on the leasing liability; and (ii) the expense of depreciation of the asset of 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 in 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 IFRS 16 / CPC 06 (R2) in its interim accounting information as from January 1, 2019, and have adopted the exemption specified in the rule for short-term leasing operations (leasing transactions with a period of 12 months or less) without the option to purchase, and for low-value items. The Company and its subsidiaries have opted to adopt the modified retrospective method, and thus, in accordance with the requirements of IFRS 16/CPC 06 (R2), has not re-presented the information and balances on a comparative basis.

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

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

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

Jan. 1, 2019	Consolidated	Parent Company
Assets – right of use	61,202	59,545
Liabilities – Obligations referring to operating leasing agreements	(61,202)	(59,545)

This table shows the effects of adoption of IFRS 16 / CPC 06 R2 on the statement of financial position and the income statement for the six-months period ended June 30, 2019:

Statements of financial position	Consolidated			Parent Company		
	June 30, 2019 Without adoption of IFRS 16/CPC 06 (R2)	Adjustment IFRS 16/CPC 06 (R2)	June 30, 2019 With adoption of IFRS 16/CPC 06 (R2)	June 30, 2019 Without adoption of IFRS 16/CPC 06 (R2)	Adjustment IFRS 16/CPC 06 (R2)	June 30, 2019 With adoption of IFRS 16/CPC 06 (R2)
<b>Current assets</b>	<b>2,734,310</b>	-	<b>2,734,310</b>	<b>2,033,380</b>	-	<b>2,033,380</b>
<b>Non-current assets</b>	<b>14,950,152</b>	<b>63,418</b>	<b>15,013,570</b>	<b>15,313,683</b>	<b>62,029</b>	<b>15,375,712</b>
Right to use – Leasing	-	63,418	63,418	-	62,029	62,029
Other non-current assets	14,950,152	-	14,950,152	15,313,683	-	15,313,683
<b>Current liabilities</b>	<b>2,598,548</b>	<b>19,531</b>	<b>2,618,079</b>	<b>2,296,123</b>	<b>18,937</b>	<b>2,315,060</b>
Right to use – Leasing	-	19,531	19,531	-	18,937	18,937
Other current liabilities	2,598,548	-	2,598,548	2,296,123	-	2,296,123
<b>Non-current liabilities</b>	<b>9,179,476</b>	<b>44,476</b>	<b>9,223,952</b>	<b>9,144,539</b>	<b>43,644</b>	<b>9,188,183</b>
Right to use – Leasing	-	44,333	44,333	-	43,504	43,504
Deferred income and social contribution taxes	627,525	143	627,668	601,209	140	601,349
Other non-current liabilities	8,551,951	-	8,551,951	8,543,330	-	8,543,330
<b>Shareholders' equity</b>	<b>5,906,438</b>	<b>(589)</b>	<b>5,905,849</b>	<b>5,906,401</b>	<b>(552)</b>	<b>5,905,849</b>

Income statement	Consolidated			Parent Company		
	June 30, 2019 Without adoption of IFRS 16/CPC 06 (R2)	Adjustment IFRS 16/CPC 06 (R2)	June 30, 2019 With adoption of IFRS 16/CPC 06 (R2)	June 30, 2019 Without adoption of IFRS 16/CPC 06 (R2)	Adjustment IFRS 16/CPC 06 (R2)	June 30, 2019 With adoption of IFRS 16/CPC 06 (R2)
Net revenue	4,197,573	-	4,197,573	3,678,080	-	3,678,080
Operating costs and expenses	(3,094,845)	3,294	(3,091,551)	(2,990,724)	3,248	(2,987,476)
Share of profit (loss) of associates and joint ventures, net	8,753	-	8,753	340,720	-	340,720
Net finance income (expenses)	562,586	(3,740)	558,846	541,155	(3,660)	537,495
Income and social contribution taxes	(747,765)	(143)	(747,908)	(642,966)	(140)	(643,106)
<b>PROFIT (LOSS) FOR THE PERIOD</b>	<b>926,302</b>	<b>(589)</b>	<b>925,713</b>	<b>926,265</b>	<b>(552)</b>	<b>925,713</b>

Income statement	Consolidated			Parent Company		
	April to June 2019 Without adoption of IFRS 16/CPC 06 (R2)	Adjustment IFRS 16/CPC 06 (R2)	April to June 2019 With adoption of IFRS 16/CPC 06 (R2)	April to June 2019 Without adoption of IFRS 16/CPC 06 (R2)	Adjustment IFRS 16/CPC 06 (R2)	April to June 2019 With adoption of IFRS 16/CPC 06 (R2)
Net Revenue	2,242,697	-	2,242,697	1,978,481	-	1,978,481
Operating costs and expenses	(1,984,661)	2,129	(1,982,532)	(1,928,315)	2,105	(1,926,210)
Share of profit (loss) of associates and joint ventures, net	(27,926)	-	(27,926)	137,848	-	137,848
Net finance income (expenses)	626,229	(2,023)	624,206	608,524	(1,984)	606,540
Income and social contribution taxes	(513,622)	(326)	(513,948)	(453,841)	(321)	(454,162)
<b>PROFIT (LOSS) FOR THE PERIOD</b>	<b>342,717</b>	<b>(220)</b>	<b>342,497</b>	<b>342,697</b>	<b>(200)</b>	<b>342,497</b>

### 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.
- 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 best provides for resolution of the uncertainty. The interpretation is in effect for annual periods starting on or after January 1, 2019.

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	June 31, 2019	
1	1	Operating context
2	2	Basis of preparation
3	3	Principles of consolidation
4	4	Concessions and authorizations
5	30	Operating segments
6	5	Cash and cash equivalents
7	6	Marketable securities
8	7	Customers, Traders and Power Transport Concession Holders
9	8	Recoverable taxes
-	9	PIS/Pasep and Cofins taxes credits over ICMS – Final Court Judgment
10	10	Income and social contribution taxes
11	11	Escrow deposits
12	12	Concession financial assets
13	13	Contract assets
14	14	Investments
15	15	Property, plant and equipment
16	16	Intangible assets
-	17	Leasing transactions
17	18	Suppliers
18	19	Taxes
19	20	Loans, financings and debentures
20	21	Regulatory charges
21	22	Post-employment obligations
22	23	Provisions
23	24	Equity
24	25	Revenue
25	26	Operating costs and expenses
26	27	Financial revenue and expenses
27	28	Related party transactions
28	29	Financial instruments and risk management
31	31	Subsequent events

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 of the Note	Title of the Note
29	Insurance
30	Commitments

### 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. The following subsidiaries are included in the consolidated interim financial information.

The Company uses the criteria of full consolidation. Its directly owned equity interests are as follows:

Subsidiary	Valuation method	June 30, 2019 and Dec. 31, 2018	
		Direct stake, %	
Cemig Baguari Energia S.A.	Consolidation		100.00
Cemig Geração Três Marias S.A.	Consolidation		100.00
Cemig Geração Salto Grande S.A.	Consolidation		100.00
Cemig Geração Itutinga S.A.	Consolidation		100.00
Cemig Geração Camargos S.A.	Consolidation		100.00
Cemig Geração Sul S.A.	Consolidation		100.00
Cemig Geração Leste S.A.	Consolidation		100.00
Cemig Geração Oeste S.A.	Consolidation		100.00
Sá Carvalho S.A.	Consolidation		100.00
Horizontes Energia S.A.	Consolidation		100.00
Rosal Energia S.A.	Consolidation		100.00
Cemig PCH S.A.	Consolidation		100.00
Empresa de Serviços de Comercialização de Energia Elétrica S.A.	Consolidation		100.00
Usina Termelétrica do Barreiro S.A.	Consolidation		100.00
Cemig Comercializadora de Energia Incentivada S.A.	Consolidation		100.00
Cemig Trading S.A.	Consolidation		100.00
Central Eólica Praias de Parajuru S.A.	Consolidation		100.00
Central Eólica Volta do Rio S.A.	Consolidation		100.00



## 4. CONCESSIONS AND AUTHORIZATIONS

The Company, including its consortium interests and subsidiaries, holds the following concessions or authorizations, from Aneel:

	Company holding concession	Concession contract	Expiration date
<b>GENERATION</b>			
<b>Hydroelectric plants</b>			
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
Irapé (1)	Cemig GT	14/2000	Feb. 2035
Queimado (Consortium) (1)	Cemig GT	06/1997	Jan. 2033
Salto Morais (1)	Cemig GT	02/2013	Jul. 2020
Rio de Pedras (1)	Cemig GT	02/2013	Sep. 2024
Luiz Dias (1)	Cemig GT	02/2013	Aug. 2025
Poço Fundo (1)	Cemig GT	02/2013	Aug. 2025
São Bernardo (1)	Cemig GT	02/2013	Aug. 2025
Xicão (1)	Cemig GT	02/2013	Aug. 2025
Rosal (1)	Rosal Energia	01/1997	May 2032
Machado Mineiro (1)	Horizontes Energia	Resolution 331/2002	Jul. 2025
Salto Voltão (1)			Oct. 2030
Salto Paraopeba (1)			Oct. 2030
Salto do Passo Velho (1)			Oct. 2030
PCH Pai Joaquim (1)	Cemig PCH	Authorizing Resolution 377/2005	Apr. 2032
Sá Carvalho (1)	Sá Carvalho	01/2004	Dec. 2024
Três Marias (2)	Cemig Geração Três Marias S.A.	08/2016	Jan. 2046
Salto Grande (2)	Cemig Geração Salto Grande	09/2016	Jan. 2046
Itutinga (2)	Cemig Geração Itutinga	10/2016	Jan. 2046
Camargos (2)	Cemig Geração Camargos	11/2016	Jan. 2046
Coronel Domiciano, Joasal, Marmelos, Paciência and Piau (2)	Cemig Geração Sul	12/2016 and 13/2016	Jan. 2046
Dona Rita, Ervália, Neblina, Peti, Sinceridade and Tronqueiras (2)	Cemig Geração Leste	14/2016 and 15/2016	Jan. 2046
Cajurú, Gafanhoto and Martins (2)	Cemig Geração Oeste	16/2016	Jan. 2046
<b>Thermal plants</b>			
Igarapé (1)	Cemig GT	7/1997	Aug. 2024
<b>Wind farms</b>			
Central Geradora Eólica Praias de Parajuru (3)	Parajuru	Resolution 526/2002	Sep. 2032
Central Geradora Eólica Volta do Rio (3)	Volta do Rio	Resolution 660/2001	Jan. 2031
<b>TRANSMISSION</b>			
National grid (4)	Cemig GT	006/1997	Jan. 2043
Itajubá Substation (4)	Cemig GT	79/2000	Oct. 2030

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

## 5. CASH AND CASH EQUIVALENTS

	Consolidated		Parent Company	
	June 30, 2019	Dec. 31, 2018	June 30, 2019	Dec. 31, 2018
Bank accounts	767	4,135	384	3,583
Cash investments:				
Bank certificates of deposit (1)	233,133	246,691	139,492	219,204
Overnight (2)	76,294	50,870	25,999	4,043
	<b>309,427</b>	<b>297,561</b>	<b>165,491</b>	<b>223,247</b>
	<b>310,194</b>	<b>301,696</b>	<b>165,875</b>	<b>226,830</b>

- 1) *Bank Certificates of Deposit (Certificados de Depósito Bancário or CDBs)* accrue interest at between 85% and 106% of the CDI Rate (Interbank Rate for Interbank Certificates of Deposit (*CDIs*) published by the Custody and Settlement Chamber (*Câmara de Custódia e Liquidação, or Cetip*) (75% to 106% in 2018).
- 2) Overnight transactions are repos available for redemption on the following day. They are usually backed by Treasury Bills, Notes or Bonds and referenced to a pre-fixed rate. This rate averaged 6.39% (6.39% in 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 29 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

	Consolidated		Parent Company	
	June 30, 2019	Dec. 31, 2018	June 30, 2019	Dec. 31, 2018
Financial Notes (LFs) – Banks (1)	189,552	118,374	64,594	9,409
Treasury Financial Notes (LFTs) (2)	73,995	56,572	25,215	4,496
Debentures (3)	10,561	8,338	3,599	663
Others	136	62	136	63
	<b>274,244</b>	<b>183,346</b>	<b>93,544</b>	<b>14,631</b>
<b>Current assets</b>	<b>274,244</b>	<b>161,848</b>	<b>93,544</b>	<b>12,922</b>
<b>Non-current assets</b>	<b>-</b>	<b>21,498</b>	<b>-</b>	<b>1,709</b>

- 1) *Bank Financial Notes (Letras Financeiras, or LFs)* are fixed-rate fixed-income securities, issued by banks and remunerated at a percentage of the CDI rate published by Cetip. In 2018 the LFs in Cemig GT's portfolio were remunerated at rates varying from 102% to 111.25% of the CDI (102% to 111.25% in 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.
- 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 from 104.25% to 151% of the CDI Rate (104.25% to 161.54% of the CDI in 2018).

Note 29 gives a classification of these securities. Cash investments in securities of related parties are shown in Note 28.

## 7. CUSTOMERS, TRADERS AND POWER TRANSPORT CONCESSION HOLDERS

	Balances not yet due		Up to 90 days past due	91 to 360 days past due	More than 360 days past due	Consolidated	
	Billed	Unbilled				June 30, 2019	Dec. 31, 2018
Industrial	21,829	261,236	14,083	24,731	37,279	359,158	341,012
Commercial, services and others	12,681	66,315	382	98	-	79,476	67,675
Farmers	-	-	-	-	-	-	45
Wholesale supply to other concession holders	-	261,489	19,308	19,929	689	301,415	334,929
Concession holders – transmission service	3,286	71,556	268	98	4,575	79,783	71,164
CCEE (Wholesale Trading Exchange)	34,814	2,939	431,616	-	-	469,369	165,720
Provision for doubtful receivables	-	-	(634)	(4,533)	(23,935)	(29,102)	(24,486)
	<b>72,610</b>	<b>663,535</b>	<b>465,023</b>	<b>40,323</b>	<b>18,608</b>	<b>1,260,099</b>	<b>956,059</b>
<b>Current assets</b>						<b>1,249,111</b>	<b>951,039</b>
Customers and Traders						1,169,328	879,875
Concession holders – transmission service						79,783	71,164
<b>Non-current assets</b>						<b>10,988</b>	<b>5,020</b>
Customers and Traders						10,988	5,020

	Balances not yet due		Up to 90 days past due	91 to 360 days past due	More than 360 days past due	Consolidated	
	Billed	Unbilled				June 30, 2019	Dec. 31, 2018
Industrial	11,124	232,885	6,005	4,944	15,536	270,494	251,621
Commercial, services and others	12,681	66,315	382	97	-	79,475	67,675
Farmers	-	-	-	-	-	-	45
Wholesale supply to other concession holders	-	225,800	18,502	-	689	244,991	284,935
Concession holders – transmission service	3,311	71,608	268	98	4,575	79,860	71,236
CCEE (Wholesale Trading Exchange)	34,814	-	431,616	-	-	466,430	156,221
Provision for doubtful receivables	-	-	(634)	(4,533)	(15,311)	(20,478)	(24,486)
	<b>61,930</b>	<b>596,608</b>	<b>456,139</b>	<b>606</b>	<b>5,489</b>	<b>1,120,772</b>	<b>807,247</b>
<b>Current assets</b>						<b>1,118,092</b>	<b>802,227</b>
Customers and Traders						1,038,232	730,991
Concession holders – transmission service						79,860	71,236
<b>Non-current assets</b>						<b>2,680</b>	<b>5,020</b>
Customers and Traders						2,680	5,020

The exposure of the Company and its subsidiaries to credit risk related to Customers and traders is given in Note 29.

The provision for doubtful accounts is considered to be sufficient to cover any potential losses in the realization of these assets. The changes in its total have been as follows:

	Consolidated	Parent Company
<b>Balance at Dec. 31, 2017</b>	<b>21,623</b>	<b>21,623</b>
Provision made, net (Note 26c)	152	152
<b>Balance at June 31, 2018</b>	<b>21,775</b>	<b>21,775</b>
<b>Balance at Dec. 31, 2018</b>	<b>24,486</b>	<b>24,486</b>
Provision made, net (Note 26c)	19,077	10,453
Settled	(14,461)	(14,461)
<b>Balance at June 31, 2018</b>	<b>29,102</b>	<b>20,478</b>

## Advances from customers

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

Consolidated and Parent company		
<b>Balance at Dec. 31, 2017</b>		<b>190,758</b>
Inflation adjustment		5,411
Settled		(74,773)
<b>Balance at June 30, 2018</b>		<b>121,396</b>
<b>Balance at Dec. 31, 2018</b>		<b>40,267</b>
Inflation adjustment		627
Settled		(40,894)
<b>Balance at June 30, 2019</b>		<b>-</b>

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

Counterparty	June 30, 2019			Balance on June 30, 2019	Balance on Dec. 31, 2018
	Specified period for billing	Index for updating of pre-paid amounts	MWh delivered (1)		
White Martins Gases Industriais Ltda	Until June 2019	124% of CDI rate	323,057,344	-	40,267

1) Total volume delivered in the period of validity of the contract.

Revenue from advances on sales of supply is recognized in the statement of income only when the supply is actually delivered.

## 8. RECOVERABLE TAXES

	Consolidated		Parent Company	
	June 30, 2019	Dec. 31, 2018	June 30, 2019	Dec. 31, 2018
<b>Current</b>				
ICMS tax recoverable	24,119	24,300	16,563	18,385
Cofins tax	3,137	5,316	1,398	4,161
Pasep tax	788	1,018	171	773
Social security contributions	14,966	14,662	14,966	14,662
Others	1,816	3,209	694	3,185
	<b>44,826</b>	<b>48,505</b>	<b>33,792</b>	<b>41,166</b>
<b>Não Circulante</b>				
Cofins tax (1)	546,993	-	525,971	-
Pasep tax (1)	118,825	-	114,192	-
ICMS tax recoverable (2)	16,661	17,068	16,661	17,068
Others	431	757	-	-
	<b>682,910</b>	<b>17,825</b>	<b>656,824</b>	<b>17,068</b>
	<b>727,736</b>	<b>66,330</b>	<b>690,616</b>	<b>58,234</b>

(1) PIS/Pasep and Cofins taxes credits over ICMS. More details in Note 9.

(2) The ICMS credits recoverable, reported in Non-current assets, arise from acquisitions of property, plant and equipment, and intangible assets, and can be offset against taxes payable in the next 48 months.

## 9. PIS/PASEP AND COFINS TAXES CREDITS OVER ICMS – FINAL COURT JUDGMENT

On July 16, 2008, the Company filed an Ordinary Action for a declaration that it was unconstitutional to include the ICMS value added tax within the taxable amount for calculation of PIS/Pasep and Cofins; and for recognition of the Company's right to offsetting of amounts unduly paid for the 10 years prior to the action being filed, with monetary adjustment by the Selic rate.

In July 2008 the Company obtained an interim injunction, and from that time, made escrow deposits into court relating to the inclusion of ICMS tax amounts in the basis for calculation of PIS/Pasep and Cofins taxes. The Company maintained this procedure from August 2008 to August 2011, and from then on, although its continued to challenge the basis of calculation in the courts, 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 Company's argument. In 2017, based on the opinion of its legal advisers, the Company reversed the provision related to the escrow deposits made from 2008 to 2011.

On May 8, 2019 the Regional Federal Appeal Court of the First Region gave final judgment – against which there is no appeal – on the Ordinary Action, deciding in favor of the Company, and recognizing its right to exclude the ICMS amounts from the calculation basis of PIS/Pasep and Cofins taxes, backdated as from five years prior to the action initial filing– that is, from July 2003.

On June 11, 2019, based on this final judgment, the Company filed for release of the escrow deposits, in the total amount of R\$204,138 – still awaiting the court decision.

Final court judgment has also been given, against which there is no further appeal, in favor of the similar actions filed by Cemig's wholly-owned subsidiaries Sá Carvalho and UTE Barreiro.

The Company has two ways to recover the tax credit: (i) offsetting of the amount receivable against amounts payable of PIS/Pasep and Cofins taxes, monthly, within the five-year period specified by the relevant law of limitation; or (ii) receipt of specific credit instruments '*precatórios*' from the federal government. The offsetting option will be prioritized to accelerate the recovery of the credits.

Shown below are the accounting effects relating to the recognition of the PIS/Pasep and Cofins taxes credits, including their monetary updating by the Selic rate, recognized in the interim financial information for the period ended June 30, 2019:

PIS/Pasep and Cofins credits	Cemig GT	Sá Carvalho	UTE Barreiro	Total
<b>Effects on the statement of financial position</b>				
Recoverable taxes (July/2003 to May/2019)	640,163	24,020	1,635	665,818
Taxes payable (1)	(5,743)	(208)	(17)	(5,968)
Income and Social and contribution taxes	(212,416)	(8,096)	(550)	(221,062)
Equity	<b>422,004</b>	<b>15,716</b>	<b>1,068</b>	<b>438,788</b>
<b>Effects on net income</b>				
Recovery of PIS/Pasep and Cofins taxes credits over ICMS	408,612	14,797	994	424,403
Finance income	231,551	9,223	641	241,415
PIS/Pasep and Cofins taxes charged on financial revenues	(5,743)	(208)	(17)	(5,968)
Income and Social and contribution taxes	(212,416)	(8,096)	(550)	(221,062)
<b>Impact on Net Income of period</b>	<b>422,004</b>	<b>15,716</b>	<b>1,068</b>	<b>438,788</b>

(1) PIS/Pasep and Cofins taxes on the financial revenues comprising the monetary updating of the tax credits that have been recognized.

## 10. INCOME AND SOCIAL CONTRIBUTION TAXES

### a) Income and social contribution taxes recoverable

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

	Consolidated		Parent Company	
	June 30, 2019	Dec. 31, 2018	June 30, 2019	Dec. 31, 2018
<b>Current</b>				
Income tax	724	90,679	-	88,599
Social contribution tax	239	68,481	-	68,139
	<b>963</b>	<b>159,160</b>	<b>-</b>	<b>156,738</b>
<b>Non-current</b>				
Income tax	1,087	2,499	-	-
Social contribution tax	606	616	-	-
	<b>1,693</b>	<b>3,115</b>	<b>-</b>	<b>-</b>

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

### b) Income and social contribution Taxes

The balances of income and social contribution taxes recorded in Current liabilities refer mainly to the taxes owed by the Company and its subsidiaries that report by the Real Profit method, which have to pay the tax monthly on a estimated basis, and by the subsidiaries that have opted for the Presumed Profit method, in which payments are made quarterly.

On June 30, 2019 income and social contribution taxes were recognized on the amounts of PIS/Pasep and Cofins taxes credits over ICMS, recoverable as a result of the final judgment (subject to no further appeal) on the legal action filed by the Company and its subsidiaries, as explained in Note 9.

	Consolidated		Parent Company	
	June 30, 2019	Dec. 31, 2018	June 30, 2019	Dec. 31, 2018
<b>Current</b>				
Income tax	171,502	83,207	109,820	-
Social contribution tax	30,480	28,850	8,616	-
	<u>201,982</u>	<u>112,057</u>	<u>118,436</u>	<u>-</u>

### c) Deferred income and social contribution taxes

The Company and its subsidiaries have income tax credits, constituted at the rate of 25%, and social contribution tax credits, at the rate of 9%, on tax losses / carryforwards and temporary differences, as follows:

	Consolidated		Parent Company	
	June 30, 2019	Dec. 31, 2018	June 30, 2019	Dec. 31, 2018
<b>ASSETS</b>				
Post-employment obligations	323,539	316,092	323,539	316,092
Estimated losses on doubtful receivables	9,117	8,326	7,062	8,326
Provisions for contingencies	36,357	33,532	36,302	33,250
Provision for SAAG put option	149,972	142,510	149,972	142,510
Provisions for losses on investments	266,288	273,558	266,288	273,558
Other provisions	16,980	23,130	16,980	23,130
Paid concession	8,006	7,683	8,006	7,683
Others	14,130	6,534	14,113	6,262
	<u>824,389</u>	<u>811,365</u>	<u>822,262</u>	<u>810,811</u>
<b>LIABILITIES</b>				
Fair Value as cost attributed on IFRS adoption	(235,437)	(239,092)	(215,401)	(218,534)
Adjustment of expected cash flow from reimbursements of concession assets	(543,498)	(552,327)	(543,498)	(552,327)
Fair value of equity holdings	(151,154)	(155,457)	(151,154)	(155,457)
Updating on escrow deposits	(31,256)	(29,708)	(29,592)	(28,752)
Derivative financial instruments (Swaps)	(470,652)	(276,534)	(470,652)	(276,534)
Others	(18,002)	(19,978)	(13,314)	(15,278)
	<u>(1,449,999)</u>	<u>(1,273,096)</u>	<u>(1,423,611)</u>	<u>(1,246,882)</u>
<b>Net total</b>	<u>(625,610)</u>	<u>(461,731)</u>	<u>(601,349)</u>	<u>(436,071)</u>
<b>Total assets</b>	<b>2,058</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total liabilities</b>	<b>(627,668)</b>	<b>(461,731)</b>	<b>(601,349)</b>	<b>(436,071)</b>

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

	Consolidated	Parent Company
<b>Balance at Dec. 31, 2017</b>	<b>(416,446)</b>	<b>(416,305)</b>
Effects allocated to Income statement	(6,046)	(6,035)
<b>Balance at June 30, 2018</b>	<b>(422,492)</b>	<b>(422,340)</b>
<b>Balance at Dec. 31, 2018</b>	<b>(461,731)</b>	<b>(436,071)</b>
Effects allocated to Income statement	(164,228)	(165,278)
Others	349	-
<b>Balance at June 30, 2019</b>	<b>(625,610)</b>	<b>(601,349)</b>

### d) Reconciliation of the expense on income and social contribution taxes

The next table reconciles the statutory income tax (rate 25%) and the social contribution tax (rate 9%) with the current income tax expense in the Statement of income:

	Consolidated		Parent Company	
	June 30, 2019	Dec. 31, 2018	June 30, 2019	Dec. 31, 2018
<b>Pretax profit</b>	<b>1,673,621</b>	<b>141,426</b>	<b>1,568,819</b>	<b>72,923</b>
Income and Social Contribution taxes – nominal expense (34%)	(569,031)	(48,085)	(533,398)	(24,794)
<b>Tax effects applicable to:</b>				
Tax incentives	8,986	-	8,933	-
Share of profit (loss) of associates and joint ventures, net	(2,237)	(50,708)	112,877	19,681
Non-deductible penalties	(4)	(555)	(4)	(552)
Non-deductible contributions and donations	(329)	(179)	(313)	(179)
Difference between Presumed Profit and Real Profit methods	45,709	25,095	-	-
Estimated losses on doubtful accounts receivable from related parties	(233,931)	-	(233,931)	-
Others	2,929	(106)	2,730	(191)
<b>Income and Social contribution taxes – effective expense</b>	<b>(747,908)</b>	<b>(74,538)</b>	<b>(643,106)</b>	<b>(6,035)</b>
Current tax	(583,680)	(68,492)	(477,828)	-
Deferred tax	(164,228)	(6,046)	(165,278)	(6,035)
	<b>(747,908)</b>	<b>(74,538)</b>	<b>(643,106)</b>	<b>(6,035)</b>
<b>Effective rate</b>	<b>44.69%</b>	<b>52.70%</b>	<b>40.99%</b>	<b>8.28%</b>

	Consolidated		Parent Company	
	April to June 2019	April to June 2018	April to June 2019	April to June 2018
<b>Pretax profit</b>	<b>856,445</b>	<b>(229,357)</b>	<b>796,659</b>	<b>(259,793)</b>
Income and Social Contribution taxes – nominal expense (34%)	(291,191)	77,982	(270,864)	88,329
<b>Tax effects applicable to:</b>				
Tax incentives	2,354	(1,416)	2,304	(1,416)
Share of profit (loss) of associates and joint ventures, net	(13,698)	(38,606)	45,384	(7,068)
Non-deductible penalties	(2)	(294)	(2)	(291)
Non-deductible contributions and donations	(16)	(142)	-	(142)
Difference between Presumed Profit and Real Profit methods	19,489	11,411	-	-
Estimated losses on doubtful accounts receivable from related parties	(233,931)	-	(233,931)	-
Others	3,047	32	2,947	(9)
<b>Income and Social contribution taxes – effective expense</b>	<b>(513,948)</b>	<b>48,967</b>	<b>(454,162)</b>	<b>79,403</b>
Current tax	(376,971)	46,656	(317,324)	77,244
Deferred tax	(136,977)	2,311	(136,838)	2,159
	<b>(513,948)</b>	<b>48,967</b>	<b>(454,162)</b>	<b>79,403</b>
<b>Effective rate</b>	<b>60.01%</b>	<b>21.35%</b>	<b>57.01%</b>	<b>30.56%</b>



## 11. ESCROW DEPOSITS

	Consolidated		Parent Company	
	June 30, 2019	Dec. 31, 2018	June 30, 2019	Dec. 31, 2018
<b>Employment-law cases</b>	<b>28,447</b>	<b>30,183</b>	<b>27,867</b>	<b>29,649</b>
Tax issues				
Income tax on Interest on Equity	16,997	16,791	15,681	15,475
Pasep and Cofins taxes (1)	204,138	201,211	192,514	189,922
Income tax and Social Security contribution on indemnity for employees' 'Anuênio' benefit (2)	65,666	64,786	65,666	64,786
Urban property tax (IPTU)	10,817	10,364	10,817	10,364
Social contribution tax (3)	18,062	18,062	18,062	18,062
Others	1,950	1,496	2,178	1,496
	<b>317,630</b>	<b>312,710</b>	<b>304,917</b>	<b>300,105</b>
Others				
Court embargo	797	763	765	731
Regulatory	2,917	3,537	2,917	3,537
Others	4,957	27,181	4,921	4,757
	<b>8,671</b>	<b>31,481</b>	<b>8,603</b>	<b>9,025</b>
	<b>354,748</b>	<b>374,374</b>	<b>341,387</b>	<b>338,779</b>

(1) This refers to the escrow deposits into court made in the action challenging the constitutionality of inclusion of ICMS (VAT), already charged, within the taxable amount for calculation of these two contributions. See more details in Note 9.

(2) See more details in Note 23 – Provisions (*Indemnity of employees' future benefit – the 'Anuênio'*).

(3) 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.

## 12. CONCESSION FINANCIAL ASSETS

	Consolidated		Parent Company	
	June 30, 2019	Dec. 31, 2018	June 30, 2019	Dec. 31, 2018
Transmission – Indemnity receivable (1)	1,323,042	1,296,314	1,323,042	1,296,314
Generation – Indemnity receivable	816,202	816,202	816,202	816,202
Generation – Concession Grant Fee	2,457,733	2,408,930	-	-
	<b>4,596,977</b>	<b>4,521,446</b>	<b>2,139,244</b>	<b>2,112,516</b>
<b>Current</b>	<b>434,763</b>	<b>423,511</b>	<b>185,284</b>	<b>180,995</b>
<b>Non-current</b>	<b>4,162,214</b>	<b>4,097,935</b>	<b>1,953,960</b>	<b>1,931,521</b>

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

The changes in financial assets are as follows:

	Consolidated			Parent Company		
	Generation	Transmission	Total	Generation	Transmission	Total
<b>Balance at Dec. 31, 2017</b>	<b>4,237,892</b>	<b>2,475,838</b>	<b>6,713,730</b>	<b>1,900,757</b>	<b>2,475,838</b>	<b>4,376,595</b>
Effects of initial adoption of CPC 47 / IFRS 15	-	(1,092,271)	(1,092,271)	-	(1,092,271)	(1,092,271)
Inflation adjustment	191,443	66,637	258,080	34,463	66,637	101,100
Amounts received	(122,284)	(160,688)	(282,972)	-	(160,688)	(160,688)
<b>Balance at Jun. 30, 2018 (reclassified)</b>	<b>4,307,051</b>	<b>1,289,516</b>	<b>5,596,567</b>	<b>1,935,220</b>	<b>1,289,516</b>	<b>3,224,736</b>
Reclassification (a)	-	1,084,797	1,084,797	-	1,084,797	1,084,797
<b>Balance at June. 30, 2018 (originally shown)</b>	<b>4,307,051</b>	<b>2,374,313</b>	<b>6,681,364</b>	<b>1,935,220</b>	<b>2,374,313</b>	<b>4,309,533</b>
<b>Balance at Dec. 31, 2018</b>	<b>3,225,132</b>	<b>1,296,314</b>	<b>4,521,446</b>	<b>816,202</b>	<b>1,296,314</b>	<b>2,112,516</b>
Inflation adjustment	176,151	71,164	247,315	-	71,164	71,164
Amounts received	(127,348)	(88,518)	(215,866)	-	(88,518)	(88,518)
Transfers – Contract assets (note 13)	-	44,082	44,082	-	44,082	44,082
<b>Balance at June. 30, 2019</b>	<b>3,273,935</b>	<b>1,323,042</b>	<b>4,596,977</b>	<b>816,202</b>	<b>1,323,042</b>	<b>2,139,244</b>

(a) For comparability, the balances of certain assets linked to transmission concession infrastructure, originally presented on June 30, 2018 in financial assets, were reclassified to concession contract assets, due to the effects of the first adoption of CPC 47 / IFRS 15 on January 1, 2018 (see Note 13).

## Transmission - Indemnifiable receivable

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

On August 16, 2016, the regulator (Aneel), through its Dispatch 2181, homologated the amount of R\$892,050, in Reais of December 2012, for the residual portion of the assets not yet amortized by repayment 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 June 30, 2019, is R\$1,323,042 (R\$1,296,314 on December, 31, 2018) and 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\$891,904 (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 Silício 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\$431,138 at Junho 30, 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. The Company believes that this is a provisional decision, and that its right to receive the amount referring to the assets of the RBSE (*Rede Básica Sistema Elétrico*) is guaranteed by law, so that no adjustment to the amount recorded at June 30, 2019 is necessary.

### Generation – Indemnity receivable

As from August 2013, concessions for various plants operated under Concession Contract 007/1997 began to expire. Following each expiration, the Company has a right to receive an amount corresponding to the residual value of the infrastructure assets. The accounting balances corresponding to these assets, are recognized in Financial assets, at fair value through profit or loss, and totaled R\$816,202 on June 30, 2019 (R\$816,202 on December 31, 2018).

Generating plant	Concession expiration date	Installed capacity (MW)	Net balance of assets based on historic cost	Net balance of assets based on deemed cost
<b>Lot D</b>				
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
<b>Others</b>				
Volta Grande Hydroelectric Plant	Feb. 2017	380	25,621	70,118
Miranda Hydroelectric Plant	Dec. 2016	408	26,710	22,546
Jaguara Hydroelectric Plant	Aug. 2013	424	40,452	174,203
São Simão Hydroelectric Plant	Jan. 2015	1.710	1,762	2,711
		<b>3.601,70</b>	<b>203,545</b>	<b>816,202</b>

As required by the regulator (Aneel) Normative Resolution 615/2014, the valuation reports that support the amounts to be received by the Company in relation to the residual value of (a) the plants previously operated by Company that were included in Lot D, and (b) the *Volta Grande* plant have been submitted to the regulator. The Company does not expect losses on realization of these assets.

On June 30, 2019, investments made after the *Jaguara*, *São Simão* and *Miranda* plants came into operation, in the amounts of R\$174,203, R\$2,711 and R\$22,546, respectively, are recorded as concession financial assets, and the determination of the final amounts to be paid to the Company is in a process of discussion with the regulator. The Company's management does not expect losses in realization of these amounts.

## Concession grant fee – Generation concessions

The concession grant fee for the 30 years of concession contracts No.'s 08 to 16/2016, for the 18 hydroelectric plants of Lot D of Auction 12/2015, which the Company 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 remuneration interest (the total of which is equivalent to the internal rate of return of the project) during the period of the concession.

The changes in these financial assets are as follows:

SPC	Plant	Balance at Dec. 31, 2018	Monetary updating	Amounts received	Balance at June 30, 2019
Cemig Geração Três Marias S.A.	Três Marias	1,369,900	95,560	(68,423)	1,397,037
Cemig Geração Salto Grande S.A.	Salto Grande	429,910	30,116	(21,578)	438,448
Cemig Geração Itutinga S.A.	Itutinga	160,601	12,554	(9,174)	163,981
Cemig Geração Camargos S.A.	Camargos	120,452	9,357	(6,830)	122,979
Cemig Geração Sul S.A.	Coronel Domiciano, Joasal, Marmelos, Paciência and Piau	157,217	13,003	(9,609)	160,611
Cemig Geração Leste S.A.	Dona Rita, Ervália, Neblina, Peti, Sinceridade and Tronqueiras	106,697	9,685	(7,297)	109,085
Cemig Geração Oeste S.A.	Cajurú, Gafanhoto and Martins	64,153	5,876	(4,437)	65,592
<b>Total</b>		<b>2,408,930</b>	<b>176,151</b>	<b>(127,348)</b>	<b>2,457,733</b>

SPC	Plant	Balance at Dec. 31, 2017	Monetary updating	Amounts received	Balance at June 30, 2018
Cemig Geração Três Marias S.A.	Três Marias	1,330,134	84,877	(65,703)	1,349,308
Cemig Geração Salto Grande S.A.	Salto Grande	417,393	26,758	(20,721)	423,430
Cemig Geração Itutinga S.A.	Itutinga	155,594	11,237	(8,809)	158,022
Cemig Geração Camargos S.A.	Camargos	116,710	8,372	(6,558)	118,524
Cemig Geração Sul S.A.	Coronel Domiciano, Joasal, Marmelos, Paciência and Piau	152,170	11,680	(9,227)	154,623
Cemig Geração Leste S.A.	Dona Rita, Ervália, Neblina, Peti, Sinceridade and Tronqueiras	103,133	8,746	(7,007)	104,872
Cemig Geração Oeste S.A.	Cajurú, Gafanhoto and Martins	62,001	5,310	(4,259)	63,052
<b>Total</b>		<b>2,337,135</b>	<b>156,980</b>	<b>(122,284)</b>	<b>2,371,831</b>

Of the energy produced by these plants, 70% is sold in the Regulated Market (ACR) and 30% in the Free Market (ACL).

### 13. CONCESSION CONTRACT ASSETS

Under IFRS 15 / Technical Pronouncement CPC 47 – *Revenue from contracts with customers*, concession infrastructure assets during the period of construction for which the right to consideration depends on satisfaction of a performance obligations are classified as Contract assets. The balances of these on June 30, 2019 were as follows:

	Consolidated		Parent Company	
	June 30, 2019	Dec. 31, 2018	June 30, 2019	Dec. 31, 2018
Transmission – Reimbursement assets incorporated into the Assets Remuneration Base	414,069	492,405	414,069	492,405
Transmission – Assets remunerated by tariff	716,317	636,905	716,317	636,905
	<b>1,130,386</b>	<b>1,129,310</b>	<b>1,130,386</b>	<b>1,129,310</b>
<b>Current</b>	<b>131,989</b>	<b>130,951</b>	<b>131,989</b>	<b>130,951</b>
<b>Non-current</b>	<b>998,397</b>	<b>998,359</b>	<b>998,397</b>	<b>998,359</b>

The changes in contract assets are as follows:

<b>Balance at Dec. 31, 2017</b>	-
Effects of initial adoption of CPC 47 / IFRS 15 (note 12)	1,092,271
Additions	4,732
Inflation adjustment	79,882
Adjustment to expectation of contractual cash flow from the concession	9,671
Amounts received	(101,653)
Transfers to property, plant and equipment and to concession financial assets	(106)
<b>Balance at June. 30, 2018 (reclassified)</b>	<b>1,084,797</b>
Reclassification (a)	(1,084,797)
<b>Balance at June. 30, 2018 (originally submitted)</b>	<b>-</b>
<b>Balance at Dec. 31, 2018 (a)</b>	<b>1,129,310</b>
Additions	82,989
Inflation adjustment	19,256
Adjustment to expectation of contractual cash flow from the concession	7,834
Amounts received	(63,075)
Settled	(1,824)
Transfers to PP&E	(22)
Transfer to financial assets (note 12)	(44,082)
<b>Balance at June. 30, 2019</b>	<b>1,130,386</b>

(a) For comparability, the balances of certain assets linked to transmission concession infrastructure, originally presented on June 30, 2018 in financial assets, were reclassified to concession contract assets, due to the effects of the first adoption of CPC 47 / IFRS 15 on January 1, 2018 (see note 12).

The assets linked to the infrastructure of the transmission concession were classified as Contract 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:

#### *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\$414,069, at June 30, 2019 (R\$492,405 at December 31, 2018) was incorporated into the Assets Remuneration Base and is being recovered via RAP.

### 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 June 30, 2019 was R\$716,317 (R\$636,905 on December, 31, 2018).

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.

## 14. INVESTMENTS

	Consolidated		Parent Company	
	June 30, 2019	Dec. 31, 2018	June 30, 2019	Dec. 31, 2018
<b>Affiliated companies</b>				
Madeira Energia ( <i>Santo Antônio</i> Plant)	231,270	270,090	231,270	270,090
FIP Melbourne ( <i>Santo Antônio</i> Plant)	437,960	470,022	437,960	470,022
<b>Jointly-controlled entities</b>				
Hidrelétrica Cachoeirão	51,102	49,213	51,102	49,213
Guanhães Energia	131,261	111,838	131,261	111,838
Hidrelétrica Pipoca	29,227	30,629	29,227	30,629
LightGer	45,230	42,191	45,230	42,191
Baguari Energia	158,614	162,224	158,614	162,224
Aliança Norte ( <i>Belo Monte</i> plant)	661,121	663,755	661,121	663,755
Amazônia Energia ( <i>Belo Monte</i> Plant)	1,008,913	1,012,636	1,008,913	1,012,636
Aliança Geração	1,277,764	1,216,860	1,277,764	1,216,860
Retiro Baixo	175,386	170,720	175,386	170,720
Usina Hidrelétrica Itaocara S.A.	4,812	5,130	4,812	5,130
<b>Subsidiaries</b>				
Cemig Baguari	-	-	22	36
Cemig Geração Três Marias S.A.	-	-	1,410,905	1,395,614
Cemig Geração Salto Grande S.A.	-	-	448,235	440,083
Cemig Geração Itutinga S.A.	-	-	180,892	178,545
Cemig Geração Camargos S.A.	-	-	134,397	131,570
Cemig Geração Sul S.A.	-	-	177,619	176,424
Cemig Geração Leste S.A.	-	-	120,826	120,686
Cemig Geração Oeste S.A.	-	-	72,483	69,898
Rosal Energia S.A.	-	-	128,110	124,897
Sá Carvalho S.A.	-	-	133,168	94,447
Horizontes Energia S.A.	-	-	62,651	54,953
Cemig PCH S.A.	-	-	94,787	92,987
Usina Termelétrica do Barreiro S.A.	-	-	3,473	18,406
Empresa de Serviços de Comercialização de Energia Elétrica S.A.	-	-	54,159	26,755
Cemig Comercializadora de Energia Incentivada S.A.	-	-	2,906	2,841
Cemig Trading S.A.	-	-	57,276	28,135
Central Eólica Praias de Parajuru S.A.	-	-	144,617	145,880
Central Eólica Volta do Rio S.A.	-	-	173,076	180,976
<b>Total of investments</b>	<b>4,212,660</b>	<b>4,205,308</b>	<b>7,612,262</b>	<b>7,488,441</b>

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

#### a) Right to commercial operation of the regulated activity

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

Changes in these assets are as follows:

Parenty Company	Dec. 31, 2017	Amortization	June 30, 2018	Dec. 31, 2018	Amortization	June 30, 2019
Retiro Baixo	28,344	(591)	27,753	31,966	(695)	31,271
Central Eólica Praias de Parajuru	16,503	(707)	15,796	66,286	(3,107)	63,179
Central Eólica Volta do Rio	11,035	(436)	10,599	95,819	(4,107)	91,712
Central Eólica Praias de Morgado	23,956	(972)	22,984	-	-	-
Madeira Energia ( <i>Santo Antônio</i> Plant)	151,384	(2,979)	148,405	18,000	(368)	17,632
Aliança Geração	402,844	(12,655)	390,189	377,534	(12,655)	364,879
Aliança Norte ( <i>Belo Monte</i> plant)	54,546	(986)	53,560	52,575	(986)	51,589
	<b>688,612</b>	<b>(19,326)</b>	<b>669,286</b>	<b>642,180</b>	<b>(21,918)</b>	<b>620,262</b>

Consolidated	Dec. 31, 2017	Amortization	June 30, 2018	Dec. 31, 2018	Amortização	June 30, 2019
Retiro Baixo	28,344	(591)	27,753	31,966	(695)	31,271
Central Eólica Praias de Parajuru	16,503	(707)	15,796	-	-	-
Central Eólica Volta do Rio	11,035	(436)	10,599	-	-	-
Central Eólica Praias de Morgado	23,956	(972)	22,984	-	-	-
Madeira Energia ( <i>Santo Antônio</i> Plant)	151,384	(2,979)	148,405	18,000	(368)	17,632
Aliança Geração	402,844	(12,655)	390,189	377,534	(12,655)	364,879
Aliança Norte ( <i>Belo Monte</i> plant)	54,546	(986)	53,560	52,575	(986)	51,589
	<b>688,612</b>	<b>(19,326)</b>	<b>669,286</b>	<b>480,075</b>	<b>(14,704)</b>	<b>465,371</b>

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

Consolidated	Dec. 31, 2018	Gain (loss) by equity method	Capital contributions	Dividends	June. 30, 2019
Hidrelétrica Cachoeirão	49,213	5,310	-	(3,421)	51,102
Guanhães Energia	111,838	(343)	19,766	-	131,261
Hidrelétrica Pipoca	30,629	818	-	(2,220)	29,227
Madeira Energia ( <i>Santo Antônio</i> Plant)	270,090	(38,820)	-	-	231,270
FIP Melbourne ( <i>Santo Antônio</i> Plant)	470,022	(32,062)	-	-	437,960
Baguari Energia	162,224	9,953	-	(13,563)	158,614
Lightger	42,191	6,030	-	(2,991)	45,230
Amazônia Energia ( <i>Belo Monte</i> Plant)	1,012,636	(3,798)	75	-	1,008,913
Aliança Norte ( <i>Belo Monte</i> Plant)	663,755	(3,587)	953	-	661,121
Aliança Geração	1,216,860	60,904	-	-	1,277,764
Retiro Baixo	170,720	4,666	-	-	175,386
Usina Hidrelétrica Itaocara S.A.	5,130	(318)	-	-	4,812
<b>Total of investments</b>	<b>4,205,308</b>	<b>8,753</b>	<b>20,794</b>	<b>(22,195)</b>	<b>4,212,660</b>

Parent Company	Dec. 31, 2018	Gain (loss) by equity method	Capital contributions	Dividends	Others	June 30, 2019
Hidrelétrica Cachoeirão	49,213	5,310	-	(3,421)	-	51,102
Guanhães Energia	111,838	(343)	19,766	-	-	131,261
Hidrelétrica Pipoca	30,629	818	-	(2,220)	-	29,227
Madeira Energia ( <i>Santo Antônio</i> Plant)	270,090	(38,820)	-	-	-	231,270
FIP Melbourne ( <i>Santo Antônio</i> Plant)	470,022	(32,062)	-	-	-	437,960
Baguari Energia	162,224	9,953	-	(13,563)	-	158,614
Central Eólica Praias Parajuru	145,880	(1,251)	-	(12)	-	144,617
Central Eólica Volta do Rio	180,976	(7,900)	-	-	-	173,076
Lightger	42,191	6,030	-	(2,991)	-	45,230
Amazônia Energia ( <i>Belo Monte</i> Plant)	1,012,636	(3,798)	75	-	-	1,008,913
Aliança Norte ( <i>Belo Monte</i> Plant)	663,755	(3,587)	953	-	-	661,121
Aliança Geração	1,216,860	60,904	-	-	-	1,277,764
Retiro Baixo	170,720	4,666	-	-	-	175,386
Usina Hidrelétrica Itaocara S.A.	5,130	(318)	-	-	-	4,812
Cemig Baguari	36	(14)	-	-	-	22
Cemig Ger.Três Marias S.A.	1,395,614	94,725	-	(79,434)	-	1,410,905
Cemig Ger.Salto Grande S.A.	440,083	34,510	-	(26,358)	-	448,235
Cemig Ger. Itutinga S.A.	178,545	24,797	-	(22,450)	-	180,892
Cemig Geração Camargos S.A.	131,570	16,984	-	(14,157)	-	134,397
Cemig Geração Sul S.A.	176,424	24,655	-	(23,460)	-	177,619
Cemig Geração Leste S.A.	120,686	16,345	-	(16,205)	-	120,826
Cemig Geração Oeste S.A.	69,898	9,624	-	(7,039)	-	72,483
Rosal Energia S.A.	124,897	12,660	-	(9,447)	-	128,110
Sá Carvalho S.A.	94,447	38,721	-	-	-	133,168
Horizontes Energia S.A.	54,953	7,698	-	-	-	62,651
Cemig PCH S.A.	92,987	1,800	-	-	-	94,787
Usina Termelétrica do Barreiro S.A. (1)	18,406	1,295	-	(728)	(15,500)	3,473
Empresa de Serviços de Comercialização de Energia Elétrica S.A.	26,755	27,404	-	-	-	54,159
Cemig Comercializadora de Energia Incentivada S.A.	2,841	597	-	(532)	-	2,906
Cemig Trading S.A.	28,135	29,317	-	(176)	-	57,276
<b>Total of investments</b>	<b>7,488,441</b>	<b>340,720</b>	<b>20,794</b>	<b>(222,193)</b>	<b>(15,500)</b>	<b>7,612,262</b>

(1) The items in the column 'Others' refer to the reduction of share capital in the investee, approved by the Extraordinary General Meeting of Stockholders of February 11, 2019, in effect from April 20, 2019, as established by Law 6404/1976.

Consolidated	Dec. 31, 2017	Gain (loss) by equity method	Capital contributions	Dividends	June 30, 2018
Hidrelétrica Cachoeirão	57,957	6,739	-	(16,350)	48,346
Guanhães Energia	25,018	(299)	34,889	-	59,608
Hidrelétrica Pipoca	26,023	3,357	-	(1,203)	28,177
Madeira Energia ( <i>Santo Antônio</i> Plant)	534,761	(77,435)	84	-	457,410
FIP Melbourne ( <i>Santo Antônio</i> Plant)	582,504	(65,933)	-	-	516,571
Baguari Energia	148,422	16,088	-	(3,558)	160,952
Central Eólica Praias Parajuru	60,101	(6,086)	-	-	54,015
Central Eólica Volta do Rio	67,725	(13,636)	-	-	54,089
Central Eólica Praias de Morgado	50,569	(4,748)	-	-	45,821
Lightger	40,832	2,308	-	(1,779)	41,361
Amazônia Energia ( <i>Belo Monte</i> Plant)	866,554	28,243	70,181	-	964,978
Aliança Norte ( <i>Belo Monte</i> Plant)	576,704	17,420	41,365	-	635,489
Aliança Geração	1,242,170	38,212	-	-	1,280,382
Retiro Baixo	157,773	7,927	-	-	165,700
Renova	282,524	(89,092)	-	-	193,432
Usina Hidrelétrica Itaocara S.A.	3,699	(3,477)	3,399	-	3,621
<b>Total of investments</b>	<b>4,723,336</b>	<b>(140,412)</b>	<b>149,918</b>	<b>(22,890)</b>	<b>4,709,952</b>



Parent Company	Dec. 31, 2017	Gain (loss) by equity method	Capital contributions	Dividends	June 30, 2018
Hidrelétrica Cachoeirão	57,957	6,739	-	(16,350)	48,346
Guanhães Energia	25,018	(299)	34,889	-	59,608
Hidrelétrica Pipoca	26,023	3,357	-	(1,203)	28,177
Madeira Energia ( <i>Santo Antônio</i> Plant)	534,761	(77,435)	84	-	457,410
FIP Melbourne ( <i>Santo Antônio</i> Plant)	582,504	(65,933)	-	-	516,571
Baguari Energia	148,422	16,088	-	(3,558)	160,952
Central Eólica Praias Parajuru	60,101	(6,086)	-	-	54,015
Central Eólica Volta do Rio	67,725	(13,636)	-	-	54,089
Central Eólica Praias de Morgado	50,569	(4,748)	-	-	45,821
Lightger	40,832	2,308	-	(1,779)	41,361
Amazônia Energia ( <i>Belo Monte</i> Plant)	866,554	28,243	70,181	-	964,978
Aliança Norte ( <i>Belo Monte</i> Plant)	576,704	17,420	41,365	-	635,489
Aliança Geração	1,242,170	38,212	-	-	1,280,382
Retiro Baixo	157,773	7,927	-	-	165,700
Renova	282,524	(89,092)	-	-	193,432
Usina Hidrelétrica Itaocara S.A.	3,699	(3,477)	3,399	-	3,621
Cemig Baguari	23	(13)	-	-	10
Cemig Ger.Três Marias S.A.	1,391,822	90,379	-	(84,342)	1,397,859
Cemig Ger.Salto Grande S.A.	440,122	33,420	-	(29,456)	444,086
Cemig Ger. Itutinga S.A.	171,279	19,831	-	(17,007)	174,103
Cemig Geração Camargos S.A.	130,426	15,928	-	(14,554)	131,800
Cemig Geração Sul S.A.	167,571	21,347	-	(16,477)	172,441
Cemig Geração Leste S.A.	115,885	16,792	-	(12,951)	119,726
Cemig Geração Oeste S.A.	69,398	9,342	-	(7,376)	71,364
<b>Total of investments</b>	<b>7,209,862</b>	<b>66,614</b>	<b>149,918</b>	<b>(205,053)</b>	<b>7,221,341</b>

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

Company	Number of shares	On June 30, 2019			On December 31, 2018		
		Equity interest (%)	Share capital	Equity	Equity interest (%)	Share capital	Equity
<b>Affiliated companies</b>							
Madeira Energia ( <i>Santo Antônio</i> Plant)	12,034,025,147	15.51	10,619,786	4,201,884	15.51	10,619,786	4,656,593
<b>Jointly-controlled entities</b>							
Hidrelétrica Cachoeirão	35,000,000	49.00	35,000	104,290	49.00	35,000	100,434
Guanhães Energia	548,626,000	49.00	548,626	267,878	49.00	396,402	228,242
Hidrelétrica Pipoca	41,360,000	49.00	41,360	59,060	49.00	41,360	62,509
Baguari Energia (1)	26,157,300,278	69.39	186,573	228,591	69.39	186,573	233,793
Lightger	79,078,937	49.00	79,232	92,752	49.00	79,232	86,105
Aliança Norte ( <i>Belo Monte</i> Plant)	41,893,675,837	49.00	1,208,071	1,243,943	49.00	1,206,127	1,247,307
Amazônia Energia ( <i>Belo Monte</i> Plant) (1)	1,322,527,723	74.50	1,322,528	1,354,245	74.50	1,322,428	1,359,243
Aliança Geração	1,291,582	45.00	1,291,488	2,025,081	45.00	1,291,488	1,857,905
Retiro Baixo	225,350,000	49.90	225,350	288,808	49.90	222,850	278,065
Renova (2)	41,719,724	36.23	2,919,019	(685,314)	36.23	2,919,019	(76,489)
Usina Hidrelétrica Itaocara S.A.	22,165,114	49.00	22,165	9,821	49.00	22,165	10,470
<b>Subsidiaries</b>							
Cemig Baguari	306,000	100.00	306	22	100.00	306	36
Cemig Ger.Três Marias S.A.	1,291,423,369	100.00	1,291,423	1,410,905	100.00	1,291,423	1,395,614
Cemig Ger.Salto Grande S.A.	405,267,607	100.00	405,268	448,235	100.00	405,268	440,083
Cemig Ger. Itutinga S.A.	151,309,332	100.00	151,309	180,892	100.00	151,309	178,545
Cemig Geração Camargos S.A.	113,499,102	100.00	113,499	134,397	100.00	113,499	131,570
Cemig Geração Sul S.A.	148,146,505	100.00	148,147	177,619	100.00	148,147	176,424
Cemig Geração Leste S.A.	100,568,929	100.00	100,569	120,826	100.00	100,569	120,686
Cemig Geração Oeste S.A.	60,595,484	100.00	60,595	72,483	100.00	60,595	69,898
Rosal Energia S.A.	46,944,467	100.00	46,944	128,110	100.00	46,944	124,897
Sá Carvalho S.A.	361,200,000	100.00	36,833	133,168	100.00	36,833	94,447
Horizontes Energia S.A.	39,257,563	100.00	39,258	62,651	100.00	39,258	54,953
Cemig PCH S.A.	45,952,000	100.00	45,952	94,787	100.00	45,952	92,987
Usina Termelétrica do Barreiro S.A.	1,402,000	100.00	1,402	3,473	100.00	16,902	18,406
Empresa de Serviços de Comercialização de Energia Elétrica S.A.	486,000	100.00	486	54,159	100.00	486	26,755
Cemig Comercializadora de Energia Incentivada S.A.	1,000,000	100.00	1,000	2,906	100.00	1,000	2,841
Cemig Trading S.A.	1,000,000	100.00	1,000	57,276	100.00	1,000	28,135
Central Eólica Praias de Parajuru S.A.	71,834,843	100.00	71,835	81,438	100.00	71,835	79,594
Central Eólica Volta do Rio S.A.	138,867,440	100.00	138,867	81,364	100.00	138,867	85,157

(1) Control shared under a shareholders' agreement.

(2) Control shared under a shareholders' agreement. Due the net equity of Renova becoming negative, the Company reduced the carrying value of its interest in that investee to zero at December 31, 2018, remaining at June 30,2019.

### **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 on the Madeira River, and its transmission system, 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.

On June, 30, 2019 MESA reported a loss of R\$454,708 and current liabilities in excess of current assets by R\$11,046,981, due to, substantially, the reclassification of “Loans and Financing” to current liability, which was originally recognised in non-current liability, with maturity date after June, 31, 2020.

The reclassification of this amount to current liabilities occurred exclusively as a result of the financing contracts of MESA containing a clause allowing creditors to declare early maturity of the credits in the event of an application for Judicial Recovery by any one of the consenting parties to the financing contracts – which took place on 17, 2019, with the following consenting parties to the said contracts: Odebrecht Participações e Investimentos S.A. (OPI), Odebrecht Energia do Brasil S.A. (OEB), and Odebrecht S.A.

The management of MESA obtained, after June 30, 2019, declarations of “non-exercise” by the parties of the early maturity clause in the next 12 months as a function of the application for Judicial Recovery of the above-mentioned consenting parties. Thus, the reclassified portion of the debt, in the amount of R\$10,717,521, will again be classified in non-current liabilities in the next quarter.

In addition to the reclassification referred to above, it should be noted that hydroelectric projects constituted using project finance structurally present negative net working capital in the first years of operation, because they are built using high levels of financial leverage. On the other hand, they have firm contracts for sales of energy supply over the long term as support and guarantee of payment of their debts. To balance the situation of negative working capital, in addition to its long-term sale contracts that ensure regularity in its operational cash flow, MESA count with on the benefits of its debt reprofiling, that adjusted the flow of payments of the debt to its cash generation capacity, so that the investee does not depend on additional injections of capital by the shareholders.

#### Arbitration proceedings

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

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

### **Renova Energia S.A. (“Renova”)**

#### Going concern

In the period ended June 30, 2019, Renova Energia has reported: a loss of R\$608,825; accumulated losses of R\$3,659,712; consolidated current liabilities in excess of consolidated current assets by R\$940,928; an equity deficit of R\$685,314; and negative gross margin; and it has a need to obtain capital to comply with its operational commitments and, including, those for construction of wind and solar power plants. These events or conditions indicate the existence of material uncertainty that may raise significant doubt about its ability to continue as a going concern as of June 30, 2019.

Additionally, events in the second quarter of 2019 in Renova included the following: (i) cancellation by Aneel, on June 4, 2019 of the authorization of the Projects of AS3 Phase B, due to the delay in the schedule; (ii) on the same date, Aneel stated the intention of cancelling the regulated energy contract under the “LER 2013” auction (‘the AS3 Phase A PPA’), due to delay in the wind power complexes starting operation, and on the allegation that energy prices are now much higher than those of the last prior auctions of the Regulated Market; and (iii) on June 19, 2019, AES demonstrated the impossibility of continuing with the purchase on the basis of the AS3 PPA, due to the frustrated negotiation with the supplier of wind turbines. As a result, the commercial bases for sale of the AS III were altered in relation to the proposal previously signed, thus reducing the value of the asset. For this, a complementary impairment provision was constituted in Renova in the amount of R\$259,421, in the quarter ended June 30, 2019.

In response to this, the investee and its shareholders, including the Company maintain 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; renegotiation of debts maturity date with BNDES and reprofiling of amounts owed to related parties, including the Company. 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.

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

Additionally, the Company had accounts receivable from Renova in the amount of R\$688 million, at June 30, 2019, with monetary updating calculated at the rate of 150% to 155% of the CDI rate, and final maturity date in December 2021. Considering the Investee's equity deficit, and the uncertainties related to the process of its financial restructuring, as mentioned above, an estimated loss on realization of the credits was recognized in the second quarter of 2019, at the total amount of the balance receivable.

The continuity of Renova as a going concern 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.

#### Contract for acquisition of equity interest in Renova

As part of the corporate and financial restructuring plan of Renova, a share purchase agreement was signed on March 21, 2019 for acquisition, by the Company and by Light Energia, of the entire shareholding interest in Renova Energia held by CG I, and the signature of an Instrument of Assignment of Contractual Position is being discussed, which will transfer the entire rights and obligations of the Company to Light Energia. This restructuring also includes signature of an Investment Agreement with Light Energia for injections of capital by the Company into Renova which will be used by the investee in carrying out and maintaining its operational activities.

#### Negotiations 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, in relation to which financial questions and other obligations relating to the sale are still under discussion. 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 Brazilian Development Bank (BNDES).

As a result of the events that took place in the second quarter of 2019 and which were considered to be precedent and suspensive conditions for the negotiations with AES, the parties are negotiating extension of the said contract for an additional period of 60 (sixty) days, ending in October 2019.

#### Extension of period and reprofiling of debts with creditors

On July 23, 2019, Renova signed a Bank Credit Note with Citibank in the amount of R\$185.6 million, for reprofiling of debt past due, with final maturity at six years, payment of interest quarterly, and a one-year grace period for payment of the principal.

On August 15, 2019, the maturity date of the bridge loan contracted with the BNDES for funds for execution of the works on the Alto Sertão III Wind Complex, in the amount of R\$988 million at June 30, 2019, was extended for 60 days, from August 15 to October 15, 2019.

## **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, the Company owns an indirect equity interest in Nesa of 11.69%.

Nesa has expended significant funds for costs of assembly, organization and development and pre-operating costs, resulted in negative net working capital of R\$3,167,535 at June 30, 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 interim judgment ordering Aneel to "abstain, until hearing of the application for an injunction made in the origin case, from applying to Appellant any penalties or sanctions in relation to the Belo Monte Hydroelectric Plant not coming into operation on the date established in the original timetable for the project, including those specified in Aneel Normative Resolution 595/2013 and in the Concession Contract 01/2010-MME, of the Belo Monte Hydroelectric Plant". The legal advisers of Nesa have classified the probability of loss as 'possible'. The estimate of loss in *Belo Monte* up to June 30, 2019 is R\$1,889,881.

## **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 the Company as a loss by the equity method in that year.

On March 9, 2018 *Operação 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 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.

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

The 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 the Company, 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, with the support of external law firm. A separate independent internal monitoring committee was also set up in Renova, to accompany the internal investigation, jointly with the Audit Committee. 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. In July 25, 2019, the second phase of the operation occurred. 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 whether there are elements which would provide a basis for the items under investigation. As a result, except for the constitution of a provision for an infringement notice issued by the federal tax authority, in the amount of R\$1,788, no effect of the investigations has been included in the interim accounting information of Renova, nor of the Company, at June 30, 2019.

#### *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 and its parent 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, in its parent company, Cemig, and in certain investees, as described above, the governance bodies of the Cemig 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 Cemig head office 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 June, 30, 2019. The investigations continue, and are expected to be completed at the end of 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.



## 15. PROPERTY, PLANT AND EQUIPMENT

Consolidated	June 30, 2019			Dec. 31, 2018		
	Historic cost	Accumulated depreciation	Net value	Historic cost	Accumulated depreciation	Net value
<b>In service</b>	<b>7,468,863</b>	<b>(4,997,217)</b>	<b>2,471,646</b>	<b>7,439,599</b>	<b>(4,899,564)</b>	<b>2,540,035</b>
Land	247,605	(17,087)	230,518	231,141	(16,174)	214,967
Reservoirs, dams, watercourses	3,284,866	(2,166,400)	1,118,466	3,282,178	(2,131,683)	1,150,495
Buildings, works and improvements	1,111,402	(823,434)	287,968	1,113,821	(800,133)	313,688
Machinery and equipment	2,781,034	(1,953,267)	827,767	2,766,671	(1,913,617)	853,054
Vehicles	30,641	(26,948)	3,693	31,747	(27,222)	4,525
Furniture and utensils	13,315	(10,081)	3,234	14,041	(10,735)	3,306
<b>Under construction</b>	<b>129,311</b>	<b>-</b>	<b>129,311</b>	<b>119,186</b>	<b>-</b>	<b>119,186</b>
Assets in progress	129,311	-	129,311	119,186	-	119,186
<b>Net PP&amp;E</b>	<b>7,598,174</b>	<b>(4,997,217)</b>	<b>2,600,957</b>	<b>7,558,785</b>	<b>(4,899,564)</b>	<b>2,659,221</b>

Parent Company	June 30, 2019			Dec. 31, 2018		
	Historic cost	Accumulated depreciation	Net value	Historic cost	Accumulated depreciation	Net value
<b>In service</b>	<b>6,372,367</b>	<b>(4,483,600)</b>	<b>1,888,767</b>	<b>6,354,911</b>	<b>(4,415,024)</b>	<b>1,939,887</b>
Land	243,346	(16,805)	226,541	226,882	(15,919)	210,963
Reservoirs, dams, watercourses	3,009,217	(2,040,612)	968,605	3,006,652	(2,010,201)	996,451
Buildings, works and improvements	1,033,317	(789,341)	243,976	1,036,543	(767,280)	269,263
Machinery and equipment	2,042,999	(1,600,179)	442,820	2,039,652	(1,584,089)	455,563
Vehicles	30,425	(26,741)	3,684	31,532	(27,027)	4,505
Furniture and utensils	13,063	(9,922)	3,141	13,650	(10,508)	3,142
<b>Under construction</b>	<b>85,151</b>	<b>-</b>	<b>85,151</b>	<b>85,318</b>	<b>-</b>	<b>85,318</b>
Assets in progress	85,151	-	85,151	85,318	-	85,318
<b>Net PP&amp;E</b>	<b>6,457,518</b>	<b>(4,483,600)</b>	<b>1,973,918</b>	<b>6,440,229</b>	<b>(4,415,024)</b>	<b>2,025,205</b>

Changes in property, plant and equipment were as follows:

Consolidated	Balance at Dec. 31, 2018	Addition	Transfer (2)	Settled	Depreciation	June 30, 2019
<b>In service</b>	<b>2,540,035</b>	<b>-</b>	<b>28,639</b>	<b>(609)</b>	<b>(96,419)</b>	<b>2,471,646</b>
Land (1)	214,967	-	16,939	-	(1,388)	230,518
Reservoirs, dams, watercourses	1,150,495	-	8,450	-	(40,479)	1,118,466
Buildings, works and improvements	313,688	-	(16,379)	-	(9,341)	287,968
Machinery and equipment	853,054	-	19,608	(606)	(44,289)	827,767
Vehicles	4,525	-	(59)	-	(773)	3,693
Furniture and utensils	3,306	-	80	(3)	(149)	3,234
<b>Under construction</b>	<b>119,186</b>	<b>34,413</b>	<b>(24,288)</b>	<b>-</b>	<b>-</b>	<b>129,311</b>
<b>Net PP&amp;E</b>	<b>2,659,221</b>	<b>34,413</b>	<b>4,351</b>	<b>(609)</b>	<b>(96,419)</b>	<b>2,600,957</b>

- (1) Certain land sites linked to concession contracts and not having provision for reimbursement are amortized in accordance with the period of the concession.  
 (2) Balance relating to transfers from Assets in progress to Assets in service, Contract assets and Intangible assets.

Parent Company	Balance at Dec. 31, 2018	Addition	Transfer (2)	Settled	Depreciation	June 30, 2019
<b>In service</b>	<b>1,939,887</b>	<b>-</b>	<b>18,210</b>	<b>(50)</b>	<b>(69,280)</b>	<b>1,888,767</b>
Land (1)	210,963	-	16,939	-	(1,361)	226,541
Reservoirs, dams, watercourses	996,451	-	8,327	-	(36,173)	968,605
Buildings, works and improvements	269,263	-	(17,185)	-	(8,102)	243,976
Machinery and equipment	455,563	-	10,045	(50)	(22,738)	442,820
Vehicles	4,505	-	(59)	-	(762)	3,684
Furniture and utensils	3,142	-	143	-	(144)	3,141
<b>Under construction</b>	<b>85,318</b>	<b>18,021</b>	<b>(18,188)</b>	<b>-</b>	<b>-</b>	<b>85,151</b>
<b>Net PP&amp;E</b>	<b>2,025,205</b>	<b>18,021</b>	<b>22</b>	<b>(50)</b>	<b>(69,280)</b>	<b>1,973,918</b>

- (1) Certain land sites linked to concession contracts and not having provision for reimbursement are amortized in accordance with the period of the concession.  
 (2) Balance relating to transfers from Assets in progress to Assets in service, and to Contract assets.

Consolidated	Balance at Dec. 31, 2017	Addition	Transfer	Settled	Depreciation	June 30, 2018
<b>In service</b>	<b>2,074,200</b>	-	<b>15,850</b>	<b>(6,479)</b>	<b>(70,847)</b>	<b>2,012,724</b>
Land	207,132	-	-	(3)	(1,220)	205,909
Reservoirs, dams, watercourses	1,071,105	-	111	(1,966)	(36,459)	1,032,791
Buildings, works and improvements	284,619	-	568	(237)	(8,078)	276,872
Machinery and equipment	505,323	-	11,852	(4,273)	(24,293)	488,609
Vehicles	3,101	-	2,822	-	(666)	5,257
Furniture and utensils	2,920	-	497	-	(131)	3,286
<b>Under construction</b>	<b>88,690</b>	<b>17,482</b>	<b>(15,744)</b>	<b>(1,152)</b>	-	<b>89,276</b>
<b>Net PP&amp;E</b>	<b>2,162,890</b>	<b>17,482</b>	<b>106</b>	<b>(7,631)</b>	<b>(70,847)</b>	<b>2,102,000</b>

Parent Company	Balance at Dec. 31, 2017	Addition	Transfer	Settled	Depreciation	June 30, 2018
<b>In service</b>	<b>2,070,862</b>	-	<b>14,887</b>	<b>(6,478)</b>	<b>(70,760)</b>	<b>2,008,511</b>
Land	207,132	-	-	(3)	(1,220)	205,909
Reservoirs, dams, watercourses	1,071,105	-	3	(1,966)	(36,459)	1,032,683
Buildings, works and improvements	284,619	-	568	(237)	(8,078)	276,872
Machinery and equipment	501,985	-	10,997	(4,272)	(24,206)	484,504
Vehicles	3,101	-	2,822	-	(666)	5,257
Furniture and utensils	2,920	-	497	-	(131)	3,286
<b>Under construction</b>	<b>84,985</b>	<b>14,009</b>	<b>(14,781)</b>	<b>(1,152)</b>	-	<b>83,061</b>
<b>Net PP&amp;E</b>	<b>2,155,847</b>	<b>14,009</b>	<b>106</b>	<b>(7,630)</b>	<b>(70,760)</b>	<b>2,091,572</b>

The average annual depreciation rate for the Company and its subsidiaries is 3.18% p.a.

The Company and its subsidiaries have not identified any evidence of impairment of its property, plant and equipment assets. The generation concession contracts provide that at the end of each concession the grantor must determine the amount to be reimbursed to the Company – with the exception of the concession contracts related to Lot D of Auction 12/2015. Management believes that the amounts ultimately received will be higher than the historic residual value, after depreciation for their respective useful lives.

## Consortium

The Company is a partner in an energy generation consortium for the *Queimado* plant, for which no separate company with independent legal existence was formed to manage the object of the concession. The Company's portion in the consortium is recorded and controlled individually in the respective categories of PP&E and Intangible assets.

Consolidated and Parent Company	Stake in power output, %	Average annual depreciation rate %	June 30, 2019	Dec. 31, 2018
<b>In service</b>				
<i>Queimado</i> plant	82.50	3.73	217,210	217,210
Accumulated depreciation			(103,654)	(99,287)
<b>Total in operation</b>			<b>113,556</b>	<b>117,923</b>
<b>Under construction</b>				
<i>Queimado</i> plant	82.50	-	877	603
<b>Total under construction</b>			<b>877</b>	<b>603</b>
<b>Total</b>			<b>114,433</b>	<b>118,526</b>

## 16. INTANGIBLE ASSETS

Consolidated	June 30, 2019			Dec. 31, 2018		
	Historic cost	Accumulated amortization	Residual value	Historic cost	Accumulated amortization	Residual value
<b>In service</b>	<b>303,712</b>	<b>(125,761)</b>	<b>177,951</b>	<b>262,559</b>	<b>(71,424)</b>	<b>191,135</b>
Temporary easements	11,749	(3,001)	8,748	11,749	(2,664)	9,085
Paid concession	19,169	(12,270)	6,899	19,169	(11,930)	7,239
Assets of the concession (1)	210,215	(55,322)	154,893	162,106	-	162,106
Others	62,579	(55,168)	7,411	69,535	(56,830)	12,705
<b>Under construction</b>	<b>6,768</b>	<b>-</b>	<b>6,768</b>	<b>6,448</b>	<b>-</b>	<b>6,448</b>
Assets in progress	6,768	-	6,768	6,448	-	6,448
<b>Net intangible assets</b>	<b>310,480</b>	<b>(125,761)</b>	<b>184,719</b>	<b>269,007</b>	<b>(71,424)</b>	<b>197,583</b>

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

Parent Company	June 30, 2019			Dec. 31, 2018		
	Historic cost	Accumulated amortization	Residual value	Historic cost	Accumulated amortization	Residual value
<b>In service</b>	<b>93,102</b>	<b>(70,389)</b>	<b>22,713</b>	<b>94,147</b>	<b>(69,880)</b>	<b>24,267</b>
Temporary easements	11,451	(3,001)	8,450	11,451	(2,664)	8,787
Paid concession	19,169	(12,270)	6,899	19,169	(11,930)	7,239
Others	62,482	(55,118)	7,364	63,527	(55,286)	8,241
<b>Under construction</b>	<b>6,760</b>	<b>-</b>	<b>6,760</b>	<b>6,448</b>	<b>-</b>	<b>6,448</b>
Assets in progress	6,760	-	6,760	6,448	-	6,448
<b>Net intangible assets</b>	<b>99,862</b>	<b>(70,389)</b>	<b>29,473</b>	<b>100,595</b>	<b>(69,880)</b>	<b>30,715</b>

This table shows the changes in intangible assets:

Consolidated	Dec. 31, 2018	Addition	Capitalization / Transfer (1)	Written down	Amortization	June 30, 2019
<b>In service</b>	<b>191,135</b>	<b>-</b>	<b>(3,717)</b>	<b>(83)</b>	<b>(9,384)</b>	<b>177,951</b>
Temporary easements	9,085	-	-	-	(337)	8,748
Paid concessions	7,239	-	-	-	(340)	6,899
Assets of the concession	162,106	-	83	(83)	(7,213)	154,893
Others	12,705	-	(3,800)	-	(1,494)	7,411
<b>Under construction</b>	<b>6,448</b>	<b>932</b>	<b>(612)</b>	<b>-</b>	<b>-</b>	<b>6,768</b>
Assets in progress	6,448	932	(612)	-	-	6,768
<b>Total</b>	<b>197,583</b>	<b>932</b>	<b>(4,329)</b>	<b>(83)</b>	<b>(9,384)</b>	<b>184,719</b>

(1) Balance relating to transfer from Assets in progress to Assets in service and to PP&E.

Parent Company	Dec. 31, 2018	Addition	Capitalization / Transfer (1)	Amortization	June 30, 2019
<b>In service</b>	<b>24,267</b>	<b>-</b>	<b>612</b>	<b>(2,166)</b>	<b>22,713</b>
Temporary easements	8,787	-	-	(337)	8,450
Paid concessions	7,239	-	-	(340)	6,899
Others	8,241	-	612	(1,489)	7,364
<b>Under construction</b>	<b>6,448</b>	<b>924</b>	<b>(612)</b>	<b>-</b>	<b>6,760</b>
Assets in progress	6,448	924	(612)	-	6,760
<b>Total</b>	<b>30,715</b>	<b>924</b>	<b>-</b>	<b>(2,166)</b>	<b>29,473</b>

(1) Balance relating to transfer from Assets in progress to Assets in service.

Consolidated and Parent	Dec. 31, 2017	Addition	Capitalization / Transfer	Written down	Amortization	June 30, 2018
<b>In service</b>	<b>23,922</b>	-	<b>4,184</b>	<b>(115)</b>	<b>(2,241)</b>	<b>25,750</b>
Temporary easements	9,461	-	-	-	(337)	9,124
Paid concessions	7,918	-	-	-	(340)	7,578
Others	6,543	-	4,184	(115)	(1,564)	9,048
<b>Under construction</b>	<b>8,718</b>	<b>1,422</b>	<b>(4,184)</b>	-	-	<b>5,956</b>
Assets in progress	8,718	1,422	(4,184)	-	-	5,956
<b>Total</b>	<b>32,640</b>	<b>1,422</b>	<b>-</b>	<b>(115)</b>	<b>(2,241)</b>	<b>31,706</b>

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

Items in Intangible assets, rights of commercial operation, paid concessions, and others are amortized by the straight-line method; the rates used are based on the consumption pattern of these rights. The Company and its subsidiaries have not identified any evidence of impairment of its intangible assets. The Company and its subsidiaries have no intangible assets with non-defined useful life.

## 17. 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 valued their contracts and recognized an asset of Right to Use and a liability for leasing, for the following contracts which contain leasing:

### 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 by identified asset class is as follows:

	Consolidated		Parent Company	
	June 30, 2019	Dec. 31, 2019	June 30, 2019	Dec. 31, 2019
Real estate property	50,022	-	49,941	-
Vehicles	13,396	-	12,088	-
	<b>63,418</b>	<b>-</b>	<b>62,029</b>	<b>-</b>

Changes in the value of the assets of Right to Use:

Consolidated	Real estate property	Vehicles	Total
<b>Balances on December 31, 2018</b>	-	-	-
Initial adoption on January 1, 2019	44,823	16,379	61,202
Addition	10,348	-	10,348
Amortization	(5,149)	(2,983)	(8,132)
<b>Balances on June 30, 2019</b>	<b>50,022</b>	<b>13,396</b>	<b>63,418</b>

Parent Company	Real estate property	Vehicles	Total
<b>Balances on December 31, 2018</b>	-	-	-
Initial adoption on January 1, 2019	44,735	14,810	59,545
Addition	10,348	-	10,348
Amortization	(5,142)	(2,722)	(7,864)
<b>Balances on June 30, 2019</b>	<b>49,941</b>	<b>12,088</b>	<b>62,029</b>

## 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 and its subsidiaries marginal interest rate for borrowing.

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

	Consolidated	Parent Company
<b>Balances on December 31, 2018</b>	-	-
Initial adoption on January 1, 2019 (1)	61,202	59,545
Addition	10,348	10,348
Interest incurred	3,740	3,660
Payments made	(11,426)	(11,112)
<b>Balances on June 30, 2019</b>	<b>63,864</b>	<b>62,441</b>
<b>Current liabilities</b>	<b>19,531</b>	<b>18,937</b>
<b>Non-current liabilities</b>	<b>44,333</b>	<b>43,504</b>

(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 29.

## 18. SUPPLIERS

	Consolidated		Parent Company	
	June 30, 2019	Dec. 31, 2018	June 30, 2019	Dec. 31, 2018
Wholesale supply, and transport of supply	391,657	394,684	382,155	369,797
Materials and services	43,368	90,042	34,584	66,317
	<b>435,025</b>	<b>484,726</b>	<b>416,739</b>	<b>436,114</b>

## 19. TAXES

	Consolidated		Parent Company	
	June 30, 2019	Dec. 31, 2018	June 30, 2019	Dec. 31, 2018
<b>Current</b>				
ICMS (value added) tax	17,176	18,348	11,577	13,387
Pasep tax	4,728	4,884	3,266	3,885
Cofins tax	21,919	22,149	16,337	18,742
Social security contributions	4,375	4,895	3,871	4,046
ISS tax on services	1,251	1,752	1,047	1,369
Others	5,337	5,636	4,800	5,024
	<b>54,786</b>	<b>57,664</b>	<b>40,898</b>	<b>46,453</b>
<b>Non-current</b>				
Pasep tax	699	628	593	576
Cofins tax	4,220	3,817	3,652	3,548
	<b>4,919</b>	<b>4,445</b>	<b>4,245</b>	<b>4,124</b>
	<b>59,705</b>	<b>62,109</b>	<b>45,143</b>	<b>50,577</b>

## 20. LOANS, FINANCINGS AND DEBENTURES

Financing source	Principal maturity	Annual financing cost	Currency	Consolidated – June 30, 2019			Consolidated – Dec. 31, 2018
				Current	Non-current	Total	
<b>FOREIGN CURRENCY</b>							
KFW	2019	1.78%	EUR	-	-	-	229
Eurobonds	2024	9.25%	USD	43,441	5,748,300	5,791,741	5,856,124
(-) Transaction costs				-	(20,013)	(20,013)	(21,319)
(+/-) Funds advanced (1)				-	(32,213)	(32,213)	(34,269)
<b>Debt in foreign currency</b>				<b>43,441</b>	<b>5,696,074</b>	<b>5,739,515</b>	<b>5,800,765</b>
<b>BRAZILIAN CURRENCY</b>							
Pipoca Consortium	2019	IPCA	R\$	185	-	185	185
Caixa Econômica Federal (2)	2021	TJLP + 2.50%	R\$	58,093	-	58,093	55,576
Caixa Econômica Federal (3)	2022	TJLP + 2.50%	R\$	112,999	-	112,999	107,791
<b>Debt in Brazilian currency</b>				<b>171,277</b>	<b>-</b>	<b>171,277</b>	<b>163,552</b>
<b>Total of loans and financings</b>				<b>214,718</b>	<b>5,696,074</b>	<b>5,910,792</b>	<b>5,964,317</b>
Debentures – 3rd Issue, 2nd Series	2019	IPCA + 6.00%	R\$	-	-	-	156,361
Debentures – 3rd Issue, 3rd Series	2022	IPCA + 6.20%	R\$	359,163	684,185	1,043,348	1,049,331
Debentures – 6th Issue, 2nd series	2020	IPCA + 8.07%	R\$	18,997	16,490	35,487	33,322
Debentures – 7th Issue, Single series	2021	140.00% of CDI	R\$	341,586	510,619	852,205	1,022,646
(-) Transaction costs				(9,032)	(13,555)	(22,587)	(27,065)
<b>Total, debentures</b>				<b>710,714</b>	<b>1,197,739</b>	<b>1,908,453</b>	<b>2,234,595</b>
<b>Overall total</b>				<b>925,432</b>	<b>6,893,813</b>	<b>7,819,245</b>	<b>8,198,912</b>

- (1) Advance of funds to achieve the yield to maturity agreed in the Eurobonds contract.  
 (2) Central Eólica Praias de Parajuru  
 (3) Central Eólica Volta do Rio

Financing source	Principal maturity	Annual financing cost	Currency	Parent Company – June 30, 2018			Parent Company – Dec. 31, 2018
				Current	Non-current	Total	
<b>FOREIGN CURRENCY</b>							
KFW	2019	1.78%	EUR	-	-	-	229
Eurobonds	2024	9.25%	USD	43,441	5,748,300	5,791,741	5,856,124
(-) Transaction costs				-	(20,013)	(20,013)	(21,319)
(+/-) Funds advanced (1)				-	(32,213)	(32,213)	(34,269)
<b>Debt in foreign currency</b>				<b>43,441</b>	<b>5,696,074</b>	<b>5,739,515</b>	<b>5,800,765</b>
<b>BRAZILIAN CURRENCY</b>							
Pipoca Consortium	2019	IPCA	R\$	185	-	185	185
<b>Debt in Brazilian currency</b>				<b>185</b>	<b>-</b>	<b>185</b>	<b>185</b>
<b>Total of loans and financings</b>				<b>43,626</b>	<b>5,696,074</b>	<b>5,739,700</b>	<b>5,800,950</b>
Debentures – 3rd Issue, 2nd Series	2019	IPCA + 6.00%	R\$	-	-	-	156,361
Debentures – 3rd Issue, 3rd Series	2022	IPCA + 6.20%	R\$	359,163	684,185	1,043,348	1,049,331
Debentures – 6th Issue, 2nd series	2020	IPCA + 8.07%	R\$	18,997	16,490	35,487	33,322
Debentures – 7th Issue, Single series	2021	140.00% of CDI	R\$	341,586	510,619	852,205	1,022,646
(-) Transaction costs				(9,032)	(13,555)	(22,587)	(27,065)
<b>Total, debentures</b>				<b>710,714</b>	<b>1,197,739</b>	<b>1,908,453</b>	<b>2,234,595</b>
<b>Overall total</b>				<b>754,340</b>	<b>6,893,813</b>	<b>7,648,153</b>	<b>8,035,545</b>

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

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

There is an early maturity clause for cross-default in the event of non-compliance, by the Company or by its parent company Cemig, on any pecuniary obligation with individual or aggregate value greater than R\$50 million.

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	Total
<b>Currency</b>							
US dollar	43,441	-	-	-	-	5,748,300	5,791,741
<b>Total, currency-denominated</b>	<b>43,441</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5,748,300</b>	<b>5,791,741</b>
<b>Indexers</b>							
IPCA (1)	41,358	353,477	336,987	347,198	-	-	1,079,020
CDI (2)	171,380	340,412	340,413	-	-	-	852,205
TJLP (3)	171,092	-	-	-	-	-	171,092
<b>Total, governed by indexers</b>	<b>383,830</b>	<b>693,889</b>	<b>677,400</b>	<b>347,198</b>	<b>-</b>	<b>-</b>	<b>2,102,317</b>
(-) Transaction costs	(4,510)	(9,031)	(9,016)	(30)	-	(20,013)	(42,600)
(+/-) Funds advanced	-	-	-	-	-	(32,213)	(32,213)
<b>Overall total</b>	<b>422,761</b>	<b>684,858</b>	<b>668,384</b>	<b>347,168</b>	<b>-</b>	<b>5,696,074</b>	<b>7,819,245</b>

Parent Company	2019	2020	2021	2022	2023	2024	Total
<b>Currency</b>							
US dollar	43,441	-	-	-	-	5,748,300	5,791,741
<b>Total, currency-denominated</b>	<b>43,441</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5,748,300</b>	<b>5,791,741</b>
<b>Indexers</b>							
IPCA (1)	41,358	353,477	336,987	347,198	-	-	1,079,020
CDI (2)	171,380	340,412	340,413	-	-	-	852,205
<b>Total, governed by indexers</b>	<b>212,738</b>	<b>693,889</b>	<b>677,400</b>	<b>347,198</b>	<b>-</b>	<b>-</b>	<b>1,931,225</b>
(-) Transaction costs	(4,510)	(9,031)	(9,016)	(30)	-	(20,013)	(42,600)
(+/-) Funds advanced	-	-	-	-	-	(32,213)	(32,213)
<b>Overall total</b>	<b>251,669</b>	<b>684,858</b>	<b>668,384</b>	<b>347,168</b>	<b>-</b>	<b>5,696,074</b>	<b>7,648,153</b>

(1) IPCA ("Expanded Consumer Price") Inflation Index.

(2) CDI: Interbank Certificates of Deposit

(3) TJLP: Long-Term Interest Rate.

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

Currency	Accumulated change in 1H19, %	Accumulated change in 1H18, %	Indexer	Accumulated change in 1H19, %	Accumulated change in 1H18, %
US dollar	(1.10)	16.56	IPCA	2.22	2.60
			CDI	3.10	3.17
			TJLP	(10.32)	(5.71)

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

	Consolidated	Parent Company
<b>Balances on December 31, 2018</b>	<b>8,198,912</b>	<b>8,035,545</b>
Monetary updating	30,353	26,960
Foreign exchange variations	(63,904)	(63,904)
Financial costs recorded	398,641	394,309
Amortization of transaction costs	5,784	5,784
Financial charges paid	(430,614)	(430,614)
Amortization of financings	(319,927)	(319,927)
<b>Balances on June 30, 2019</b>	<b>7,819,245</b>	<b>7,648,153</b>

	Consolidated	Parent Company
<b>Balances on December 31, 2017</b>	<b>8,320,163</b>	<b>8,323,098</b>
Monetary updating	21,727	21,727
Foreign exchange variations	548,353	548,353
Financial costs recorded	405,737	405,737
Amortization of transaction costs	9,503	9,503
Financial charges paid	(382,229)	(382,229)
Amortization of financings	(289,955)	(289,955)
<b>Subtotal</b>	<b>8,633,299</b>	<b>8,636,234</b>
(-) FIC Pampulha – securities issued by the Company	7,275	6,297
<b>Balances on June 30, 2018</b>	<b>8,640,574</b>	<b>8,642,531</b>

## Guarantees

The Company's debtor balances on loans and financings guaranteed by the parent company, Cemig on June 30, 2019 were as follows:

	June 30, 2019
Surety guarantees	6,818,415
Receivables	471,092
Shares	529,738
<b>TOTAL</b>	<b>7,819,245</b>

### a) Restrictive covenants

The Company and its subsidiaries has contracts financial covenants as follows:

Security	Covenant	Ratio required – Cemig GT	Ratio required --- Cemig (guarantor)	Ratio required – Parajuru and Volta do Rio	Compliance required
7th debenture issue (1)	Net debt / (Ebitda + Dividends received)	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 (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, 2021 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 December 31, 2021	-	Half-yearly and annual
Financiamento Caixa Econômica Federal	Debt servicing coverage index	-	-	1.20 or more	Annual (during amortization)
Parajuru e Volta do Rio (3)	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 the Company, in December 2016, of R\$2,240,000.
- (2) In the event of overrun of the financial maintenance covenants, 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 'debt maintenance covenant', involving asset collateral of 2.0x Cemig's consolidated Ebitda (1.75x at Dec. 2017); and an 'incurrence' covenant comprising an asset guarantee in the Company of 1.5x Ebitda
- (3) The financing contracts with Caixa Econômica Federal for the *Praias de Parajuru* and *Volta do Rio* wind power plants have financial covenants with compliance relating to early maturity of the remaining balance of the debt. Compliance with the debt servicing coverage index is considered to be demandable only annually and during the period of amortization, which begins in July 2020.



The covenants were complied with on June 30, 2019, with the exception of non-compliance with the non-financial covenant of the loan contracts with the CEF of the subsidiaries Central Eólica Praias de Parajuru and Central Eólica Volta do Rio. Thus, exclusively to comply with the requirement of item 69 of CPC 26 (R1), the Company reclassified R\$ 171,092 to current liabilities, referring to the loans of those subsidiaries, which were originally classified in non-current liabilities. Additionally, the Company assessed the possible consequences arising from this matter in their other contracts for loans, financings and debentures, and concluded that no further adjustments were necessary.

Further, as mentioned in Note 14, the financing contracts of MESA contain a clause giving creditors the option to declare early maturity of the credits in the event of an application for Judicial Recovery by any of the consenting parties to the financing contracts, including the Company. On June 17, 2019, the following consenting parties to the said contracts – Odebrecht Participações e Investimentos S.A. (OPI), Odebrecht Energia do Brasil S.A. (OEB) and Odebrecht S.A. – applied for Judicial Recovery, resulting in non-compliance with the clause that provides for early maturity. The management of the Company has assessed the possible consequences for its contracts and has not identified any cross-default condition arising from the non-compliance with covenants by Mesa.

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 29.

## 21. REGULATORY CHARGES

	Consolidated		Parent Company	
	June 30, 2019	Dec. 31, 2018	June 30, 2019	Dec. 31, 2018
<b>Liabilities</b>				
Global Reversion Reserve (RGR)	2,761	4,523	-	1,996
Royalties for use of water resources ('CFURH')	4,996	5,804	2,830	3,737
Energy Development Account (CDE)	59,486	38,346	59,486	38,346
Electricity Services Inspection Charge (TFSEE)	893	851	708	686
Proinfa – Alternative Energy Program	8,585	6,631	8,585	6,631
National Scientific and Technological Development Fund (FNDCT)	1,542	1,668	1,102	1,187
Research and Development	133,442	139,986	125,943	132,348
Energy System Expansion Research	956	997	690	732
	<b>212,661</b>	<b>198,806</b>	<b>199,344</b>	<b>185,663</b>
<b>Current liabilities</b>	<b>159,472</b>	<b>139,457</b>	<b>151,701</b>	<b>131,615</b>
<b>Non-current liabilities</b>	<b>53,189</b>	<b>59,349</b>	<b>47,643</b>	<b>54,048</b>

## 22. POST-EMPLOYMENT OBLIGATIONS

Changes in net liabilities were as follows:

	Pension plans and retirement supplement plans	Health Plan	Dental Plan	Life insurance	Total
Net liabilities on December 31, 2017	435,902	398,630	8,441	61,558	904,531
Expense recognized in Profit and loss account	20,299	20,088	420	3,067	43,874
Contributions paid	(19,746)	(12,169)	(277)	(1,104)	(33,296)
<b>Net liabilities on June 30, 2018</b>	<b>436,455</b>	<b>406,549</b>	<b>8,584</b>	<b>63,521</b>	<b>915,109</b>
Net liabilities on December 31, 2018	456,211	515,889	10,374	94,372	1,076,846
Expense recognized in Profit and loss account	20,697	24,505	499	4,529	50,230
Contributions paid	(21,866)	(13,208)	(294)	(1,280)	(36,648)
<b>Net liabilities on June 30, 2019</b>	<b>455,042</b>	<b>527,186</b>	<b>10,579</b>	<b>97,621</b>	<b>1,090,428</b>
				<u>June 30, 2019</u>	<u>Dec. 31, 2018</u>
Current liabilities				60,490	57,052
Non-current liabilities				1,029,938	1,019,794

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

The amounts reported as expenses in the consolidated income statement refer to the tranches of the costs of post-employment obligations, totaling R\$42,631 (R\$36,370 on June 30, 2018), plus the financial costs and monetary updating on the debt agreed with Forluz, in the amount of R\$7,599 (R\$7,504 on June 30, 2018).

### Debt agreed with the pension fund (Forluz)

At June 30, 2019 the Company has an obligation recognized for past actuarial deficits relating to the pension fund in the amount of R\$139,220 (R\$147,540 on 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 the Company is required to pay this debt even if Forluz has a surplus, the Company maintains the record of the debt in full, and records the effects of monetary updating and interest in the 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, 2016 and 2017. On June 30, 2019 the total amount payable by the Company as a result of the Plan A deficits of 2015, 2016 and 2017 was R\$126,588 (R\$85,417 on December 31, 2018 as a result of the Plan A deficits of 2015 and 2016). The monthly amortizations, calculated by the constant installments system (Price Table), will be paid up to 2031 for the 2015 and 2016 deficits, and up to 2033 for the 2017 deficit. 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.

## 23. PROVISIONS

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

### Actions in which the Company is defendant

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

Consolidated	Dec. 31, 2018	Additions	Reversals	Settled	June 30, 2019
Employment-law cases	54,901	12,631	(1,450)	(4,536)	61,546
Civil cases	168	81	-	(73)	176
Tax	2,874	29	(749)	(30)	2,124
Regulatory	2,521	1,224	-	(919)	2,826
Environmental	48	3	-	-	51
Others	38,196	2,882	(697)	(113)	40,268
<b>Total</b>	<b>98,708</b>	<b>16,850</b>	<b>(2,896)</b>	<b>(5,671)</b>	<b>106,991</b>

Parent Company	Dec. 31, 2018	Additions	Reversals	Settled	June 30, 2019
Employment-law cases	54,035	12,631	(589)	(4,537)	61,540
Civil cases	168	81	-	(73)	176
Tax	2,874	29	(749)	(30)	2,124
Regulatory	2,521	1,224	-	(919)	2,826
Others	38,195	2,719	(697)	(112)	40,105
<b>Total</b>	<b>97,793</b>	<b>16,684</b>	<b>(2,035)</b>	<b>(5,671)</b>	<b>106,771</b>

Consolidated	Dec. 31, 2017	Additions	Reversals	Settled	June 30, 2018
Employment-law cases	48,964	12,414	(16)	(2,741)	58,621
Civil cases	251	33	(90)	(33)	161
Tax	9,046	-	(340)	-	8,706
Regulatory	2,206	137	-	(1)	2,342
Environmental	-	27	-	(27)	-
Others	35,843	4,222	(2,022)	(101)	37,942
<b>Total</b>	<b>96,310</b>	<b>16,833</b>	<b>(2,468)</b>	<b>(2,903)</b>	<b>107,772</b>

Parent Company	Dec. 31, 2017	Additions	Reversals	Settled	June 30, 2018
Employment-law cases	48,948	12,414	-	(2,741)	58,621
Civil cases	251	33	(90)	(33)	161
Tax	9,046	-	(340)	-	8,706
Regulatory	2,206	137	-	(1)	2,342
Environmental	-	27	-	(27)	-
Others	35,843	4,222	(2,022)	(101)	37,942
<b>Total</b>	<b>96,294</b>	<b>16,833</b>	<b>(2,452)</b>	<b>(2,903)</b>	<b>107,772</b>

The management of the Company and its subsidiaries, 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 this Interim financial information in relation to the possible timing of any cash outflows, or any possibility of reimbursements.

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

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

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

#### Labor claims

The company 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\$160,155 (R\$164,362 on December 31, 2018), of which R\$59,491 (R\$54,901 on December 31, 2018) has been recorded – the amount estimated as probably necessary for settlement of these disputes.

#### *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 the STF gave an interim injunction suspending the effects of the TST decision, on the grounds that general repercussion of constitutional matters should be adjudicated exclusively by the STF.

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\$6,087 (R\$5,072 at December 31, 2018), of which R\$2,055 has been provisioned upon assessment by the Company of the effects of the decision of the Regional Employment-Law Appeal Court of the third region (TRT3) in April 2019, on the subject of the joint judgment published by the TST, in the cases for which the chances of loss have been classified as 'probable' and which are at execution phase. 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 Federal Supreme Court, 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.

### Tax

The Company and its subsidiaries are involved in numerous administrative and judicial claims relating to taxes, including, among other matters, subjects relating to the Social Integration Program (*Programa de Integração Social*, or PIS); the Contribution to Finance Social Security (*Contribuição para o Financiamento da Seguridade Social*, or Cofins); Corporate Income tax (*Imposto de Renda Pessoa Jurídica*, or IRPJ); the Social contribution tax on Net income (*Contribuição Social sobre o Lucro Líquido*, or CSLL); and motions to stay tax enforcement. The aggregate amount of these contingencies is approximately R\$36,754 (R\$36,391 on December 31, 2018), of which R\$2,124 (R\$2,874 on December 31, 2018) has been recorded – the amount estimated as probably necessary for settlement of these disputes.

### Regulatory

The Company is defendant in court and administrative proceedings challenging, especially: reduction of an energy supply contract; limitation on a procedure for operation of the sluice dam of a hydroelectric plant; a claim of infringement arising from an inspection by the regulator; and other matters. The amount of the contingency is approximately R\$23,563 (R\$21,146 on December 31, 2018), of which R\$2,826 (R\$2,521 on December 31, 2018) has been recorded – the amount estimated as probably necessary for settlement of these disputes.

### Other legal actions in the normal course of business

The Company is involved, as plaintiff or defendant, in other lesser claims, related to the normal course of its operations, with an estimated total amount of R\$135,463 (R\$139,884 on December 31, 2018), of which R\$40,495 has been recorded (R\$38,412 on December 31, 2018). Management believes that it has appropriate defense for these actions, and does not expect these issues to give rise to significant losses that could have an adverse effect on the Company's financial position or profit. The main subjects related to these contingencies concern: (i) services of cleaning of power line pathways and fire breaks; and (ii) customer relations.

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

### Taxes

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

#### *Indemnity of employees’ future benefit (the ‘Anuênio’)*

In 2006 the Company paid an indemnity to its employees, totaling R\$41,860, in exchange for rights to future payments (referred to as the *Anuênio*) for time of service, which would otherwise be incorporated, in the future, into salaries. The company did not pay income tax nor Social Security contributions in relation to these amounts because it considered that those obligations are not applicable to amounts paid as an indemnity. However, to avoid the risk of a future fine, the Company decided to apply for an order of *mandamus*, which permitted payment into Court of R\$28,716. Updated, this amount is R\$65,666 (R\$64,786 at December 31, 2018). This was posted in Escrow deposits in litigation. The updated amount of the contingency is R\$66,866 (R\$71,554 on December 31, 2018) and, based on the arguments above, management has classified the chance of loss as ‘possible’.

#### *Social Security contributions*

The Brazilian federal tax authority (*Secretaria da Receita Federal*) has filed administrative proceedings against the Company related to various matters: employee profit sharing; the Workers’ Food Program (*Programa de Alimentação do Trabalhador*, or PAT); the education assistance payment; the food assistance payment; Special Additional Retirement Pensions; overtime payments; hazardous occupation payments; matters related to Sest/Senat (transport workers’ support programs); and fines for non-compliance with accessory obligations. The Company has presented the defenses and awaits judgment. The amount of the contingency is approximately R\$373,413 (R\$330,390 on December 31, 2018). Management has classified the chances of loss as ‘possible’, also taking into account assessment of the chance of loss in the judicial sphere, (the cases mentioned are in the administrative sphere), based on the analysis of the claims and the related case law.

#### *Non-homologation of offsetting of tax credits*

The federal tax authority did not ratify the Company’s declared offsetting, in Corporate income tax returns, of carry-forwards and undue or excess payment of federal taxes – Corporate income tax, the social contribution Tax, PIS and Cofins – identified by official tax deposit receipts (‘DARFs’ and ‘DCTFs’). The Company is contesting the non-homologation of the amounts offset. The amount of the contingency is R\$78,690 (R\$76,209 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.

### *The social contribution tax on net profit (CSLL)*

The federal tax authority issued tax assessments against the Company for the years of 2012 and 2013, alleging undue non-addition, or deduction, of amounts relating to the following items in calculating the CSLL: (i) taxes with liability suspended; (ii) donations and sponsorship (Law 8313/91); and (iii) fines for various alleged infringements. The amount of this contingency is R\$81,164 (R\$74,572 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

#### *Accounting of energy sale transactions on the Wholesale Trading Exchange (CCEE)*

In an claim dating from August 2002, AES Sul Distribuidora challenged in the courts the criteria for accounting of energy sale transactions in the wholesale electricity market (*Mercado Atacadista de Energia*, or MAE), predecessor of the present Wholesale 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 was to be put into effect in the CCEE as from November 2008, resulting in an additional disbursement for Cemig, referring to the expense on purchase of energy in the spot market on the CCEE, in the approximate amount of R\$332,866 (R\$317,460 on December 31, 2018). On November 9, 2008 the Company obtained an interim decision in the Regional Federal Appeal Court (*Tribunal Regional Federal*, or TRF), suspending the obligatory nature of the requirement to pay into court the amount that would have been owed under a Special Financial Settlement made by the CCEE.

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

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

Resolution 3 of the National Energy Policy Council (*Conselho Nacional de Política Energética*, or CNPE) of March 6, 2013 established new criteria for the prorating of the cost of additional dispatch of thermal plants. Under the new criteria, the 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 the Company is a member, obtained an interim court decision suspending the effects of Articles 2 and 3 of CNPE Resolution 3, exempting generators from payment of the ESS under that Resolution.



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

The applications of the plaintiff (APINE) were granted at the first instance, confirming the interim decision granted to its members, which include the Company and its subsidiaries. A special appeal was filed against this decision; but in June 2019 the case was set aside, since the action for annulment brought by APINE reached final judgment against which there was no further appeal. This made final and irreversible the court judgment that declared nullity of CNPE Resolution 3/2013 as to the part in which generation agents were included in the proportional sharing of the cost of the additional dispatch of plant to guarantee supply of energy. This results in the systemic structure of CNPE Resolution 8/2007 remaining definitively intact.

### Environmental issues

#### *Environmental impacts arising from construction of power plants*

The Public Attorneys of Minas Gerais State, together with an association and individuals, have brought class actions requiring the Company to invest at least 0.5% of the annual gross operating revenue of the *Emborcação, Pissarrão, Funil, Volta Grande, Poquim, Paraúna, Miranda, Nova Ponte, Rio de Pedras* and *Peti* plants, since 1997, in environmental protection and preservation of the water tables of the counties where those power plants are located, and proportional indemnity for allegedly irrecoverable environmental damage caused, arising from omission to comply with Minas Gerais State Law 12503/1997. The Company has filed appeals to the Higher Appeal Court (STJ) and the Federal Supreme Court (STF). Based on the opinions of its legal advisers, it believes that this is a matter involving legislation at infra-constitutional level (there is a Federal Law with an analogous object) and thus a constitutional matter, on the issue of whether the state law is constitutional or not, so that the final decision is one for the national Higher Appeal Court (STJ) and the Federal Supreme Court (STF). No provision has been made, since based on the opinion of its legal advisers management has classified the chance of loss as 'possible'. The amount of the contingency is R\$157,438 (R\$147,636 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, the Company has classified the chance of loss in this dispute as 'possible'. The estimated value of the contingency is R\$91,954 (R\$87,159 on December 31, 2018).

#### *Other environmental claims*

The Company is involved in environmental matters, relating to protected areas, environmental licenses, recovery of environmental damage, and other matters, in the amount of R\$10,626 (R\$10,738 at December 31, 2018). No provision has been made, since based on the opinion of its legal advisers management has classified the chance of loss as 'possible'.



## 24. EQUITY AND REMUNERATION TO SHAREHOLDERS

### Share capital

On June 30, 2019 and December 31, 2018 the Company's issued and outstanding share capital is R\$2,600,00, represented by 2,896,785,358 nominal common shares, fully subscribed, without nominal value, wholly owned by Cemig (Companhia Energética de Minas Gerais).

### Profit per share – Basic and diluted

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

	June 30, 2019	June 30, 2019	April to June 2019	April to June 2018
Number of shares	2,896,785,358	2,896,785,358	2,896,785,358	2,896,785,358
Net income for the period, R\$'000	925,713	66,888	342,497	(180,390)
Profit per share – Basic and diluted – in R\$	0.3196	0.0231	0.1182	(0.0623)

The put option of investments described in Note 29 could potentially dilute basic profit per share in the future; however, they have not caused dilution of profit per share in the business year presented here.

### Equity valuation adjustment

The composition of the equity valuation adjustments is as follows:

	June 30, 2019	Dec. 31, 2018
Adjustments to actuarial liabilities – Employee benefits	(406,692)	(406,692)
Deemed cost of PP&E	416,689	424,214
<b>Equity valuation adjustment</b>	<b>9,997</b>	<b>17,522</b>

### Profit Reserves

The breakdown of the profit reserve account is as follows:

	June 30, 2019	Dec. 31, 2018
<b>Profit reserves</b>		
Legal reserve	170,269	170,269
Tax Incentives reserve – Sudene	43,850	45,016
Appropriation of retained earnings to profit reserves	2,147,329	2,147,329
	<b>2,361,448</b>	<b>2,362,614</b>

## 25. REVENUES

Revenues are measured at the fair value of the consideration received or to be received and are recognizes on a monthlt 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.

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

	Consolidated		Parent Company	
	Jan. to June 2019	Jan. to June 2018	Jan. to June 2019	Jan. to June 2018
Total revenue from supply of energy – with taxes (a)	3,423,710	3,245,172	3,067,168	3,008,603
Transmission revenue – with taxes (b)	336,060	294,712	337,976	296,622
Revenue from updating of the Concession Grant Fee (c)	176,151	156,980	-	-
Construction Revenue (d)	82,989	4,732	82,989	4,732
Transactions on CCEE (e)	404,037	154,151	392,118	146,787
Transmission indemnity revenue (f)	90,420	146,519	90,420	146,519
Reimbursement revenue – Generation	-	34,463	-	34,463
Contractual reimbursements	64,640	-	64,640	-
Recovery of PIS/Pasep and Cofins taxes credits over ICMS (Note 9)	424,403	-	408,612	-
Other operating revenues	91,748	27,655	41,070	37,874
Sector / regulatory charges – Deductions from revenue (g)	(896,585)	(788,709)	(806,913)	(729,066)
	<b>4,197,573</b>	<b>3,275,675</b>	<b>3,678,080</b>	<b>2,946,534</b>

	Consolidated		Parent Company	
	April to June 2019	April to June 2018	April to June 2019	April to June 2018
Total revenue from supply of energy – with taxes (a)	1,693,260	1,714,697	1,514,141	1,590,702
Transmission revenue – with taxes (b)	172,904	151,166	173,861	152,122
Revenue from updating of the Concession Grant Fee (c)	95,363	75,153	-	-
Construction Revenue (d)	54,902	3,669	54,902	3,669
Transactions on CCEE (e)	144,821	32,417	150,229	40,112
Transmission indemnity revenue (f)	57,921	96,678	57,921	96,678
Reimbursement revenue – Generation	-	17,218	-	17,218
Contractual reimbursements	2,064	-	2,064	-
Recovery of PIS/Pasep and Cofins taxes credits over ICMS (Note 9)	424,403	-	408,612	-
Other operating revenues	44,355	14,388	18,182	18,979
Sector / regulatory charges – Deductions from revenue (g)	(447,296)	(392,195)	(401,431)	(362,330)
	<b>2,242,697</b>	<b>1,713,191</b>	<b>1,978,481</b>	<b>1,557,150</b>

## (a) Revenue from energy supply

This table shows energy supply by type of customer:

	Consolidated				Parent Company			
	Jan. to June 2019		Jan. to June 2018		Jan. to June 2019		Jan. to June 2018	
	MWh (1)		MWh (1)		MWh (1)		MWh (1)	
Industrial	6,557,653	1,493,622	6,997,103	1,554,617	5,793,177	1,366,804	6,450,956	1,430,822
Commercial	2,001,876	425,165	1,536,251	347,911	1,985,884	418,896	1,536,251	347,911
Rural	1,029	261	315	78	1,029	261	315	78
<b>Subtotal</b>	<b>8,560,558</b>	<b>1,919,048</b>	<b>8,533,669</b>	<b>1,902,606</b>	<b>7,780,090</b>	<b>1,785,961</b>	<b>7,987,522</b>	<b>1,778,811</b>
Net unbilled retail supply	-	30,274	-	(4,612)	-	25,200	-	(6,900)
	<b>8,560,558</b>	<b>1,949,322</b>	<b>8,533,669</b>	<b>1,897,994</b>	<b>7,780,090</b>	<b>1,811,161</b>	<b>7,987,522</b>	<b>1,771,911</b>
Wholesale supply to other concession holders (2)	5,563,323	1,493,358	5,590,372	1,420,996	5,391,263	1,278,004	5,590,372	1,310,510
Wholesale supply unbilled, net	-	(18,970)	-	(73,818)	-	(21,997)	-	(73,818)
	<b>14,123,881</b>	<b>3,423,710</b>	<b>14,124,041</b>	<b>3,245,172</b>	<b>13,171,353</b>	<b>3,067,168</b>	<b>13,577,894</b>	<b>3,008,603</b>

	Consolidated				Parent Company			
	April to June 2019		April to June 2018		April to June 2019		April to June 2018	
	MWh (1)		MWh (1)		MWh (1)		MWh (1)	
Industrial	3,326,304	768,521	3,733,998	790,961	2,920,604	699,481	3,430,046	724,228
Commercial	1,082,661	221,814	851,996	180,103	1,074,733	218,619	851,996	180,103
Rural	525	135	315	78	525	135	315	78
<b>Subtotal</b>	<b>4,409,490</b>	<b>990,470</b>	<b>4,586,309</b>	<b>971,142</b>	<b>3,995,862</b>	<b>918,235</b>	<b>4,282,357</b>	<b>904,409</b>
Net unbilled retail supply	-	5,842	-	40,874	-	1,500	-	39,300
	<b>4,409,490</b>	<b>996,312</b>	<b>4,586,309</b>	<b>1,012,016</b>	<b>3,995,862</b>	<b>919,735</b>	<b>4,282,357</b>	<b>943,709</b>
Wholesale supply to other concession holders (2)	2,454,621	659,182	2,969,502	741,733	2,384,281	555,706	2,969,502	686,045
Wholesale supply unbilled, net	-	37,766	-	(39,052)	-	38,700	-	(39,052)
	<b>6,864,111</b>	<b>1,693,260</b>	<b>7,555,811</b>	<b>1,714,697</b>	<b>6,380,143</b>	<b>1,514,141</b>	<b>7,251,859</b>	<b>1,590,702</b>

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

(2) Includes sales contracts in the Regulated Market to distribution companies, sales on the Free Market to traders and generation companies, 'bilateral contracts' with other agents, and the revenues from management of generation assets (GAG) for the 18 hydroelectric plants of Lot D of Auction no 12/2015.

### **(b) Transmission concession revenue**

Transmission revenue comprises: the sum of (a) the amount received from agents of the energy sector in relation to the performance obligations complied with by operating and maintaining transmission lines and networks of the national grid - this is called the Permitted Annual Revenue (*Receita Anual Permitida*, or RAP); plus (b) the adjustment to expectation of cash flow from the assets of the concession, arising from variation in the fair value of the Remuneration Assets Base, which in 1H19 was R\$7,834 (R\$9,671 in 1H18).

### **(c) Gain on financial updating of Concession Grant Fee**

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

### **(d) Construction revenue**

Construction revenue corresponds to the performance obligation that is complied with by the building of infrastructure, taking the form of the investment in concession transmission assets made by the Company in the period. Recognition of this revenue is directly related to the expenditure incurred on the addition of contract 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.

### **(e) Revenue from power supply transactions on the CCEE (Wholesale Trading Exchange)**

The revenue from transactions made through the Wholesale Trading Exchange (*Câmara de Comercialização de Energia Elétrica* – CCEE) corresponds to the monthly calculation of the 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 (i) the volume of energy sold, and (ii) the Spot Price.

### **(f) Transmission indemnity revenue**

On June 30, 2019 the Company recognized revenue in the total amount of R\$90,420 (R\$146,519 on June 30, 2018), corresponding to updating, by the IPCA index, of the balance of indemnity receivable.

For more details see Notes 12 and 13 to this interim financial information.

## (g) Deductions on Revenue

	Consolidated		Parent Company	
	Jan. to June 2019	Jan. to June 2018	Jan. to June 2019	Jan. to June 2018
<b>Taxes on revenue</b>				
ICMS tax (VAT)	294,464	271,101	259,078	248,819
Cofins tax	333,256	301,999	300,686	277,010
PIS and Pasep taxes	73,511	65,543	65,280	60,139
ISS tax on services	3,409	1,178	1,386	1,178
	<b>704,640</b>	<b>639,821</b>	<b>626,430</b>	<b>587,146</b>
<b>Charges to the customer</b>				
Global Reversion Reserve (RGR)	8,737	9,313	7,670	9,313
Energy Development Account (CDE)	116,301	73,861	116,301	73,861
Proinfra Program	26,329	19,443	26,329	19,443
Research and Development (R&D)	7,603	6,477	6,161	5,251
National Scientific and Technological Development Fund (FNDCT)	7,603	6,477	6,161	5,251
Energy System Expansion Research (EPE)	3,801	3,238	3,079	2,625
Electricity Services Inspection Charge (TFSEE)	5,059	3,939	3,948	3,069
Royalties for use of water resources (CFURH)	16,512	26,140	10,834	23,107
	<b>191,945</b>	<b>148,888</b>	<b>180,483</b>	<b>141,920</b>
	<b>896,585</b>	<b>788,709</b>	<b>806,913</b>	<b>729,066</b>

	Consolidated		Parent Company	
	April to June 2019	April to June 2018	April to June 2019	April to June 2018
<b>Taxes on revenue</b>				
ICMS tax (VAT)	153,722	134,515	134,225	122,503
Cofins tax	158,620	155,163	141,803	143,313
PIS and Pasep taxes	34,438	33,669	30,786	31,114
ISS tax on services	1,631	630	592	630
	<b>348,411</b>	<b>323,977</b>	<b>307,406</b>	<b>297,560</b>
<b>Charges to the customer</b>				
Global Reversion Reserve (RGR)	4,185	4,625	3,746	4,625
Energy Development Account (CDE)	64,520	35,190	64,520	35,190
Proinfra Program	13,024	9,202	13,024	9,202
Research and Development (R&D)	3,246	3,385	2,547	2,800
National Scientific and Technological Development Fund (FNDCT)	3,246	3,385	2,547	2,800
Energy System Expansion Research (EPE)	1,622	1,692	1,272	1,400
Electricity Services Inspection Charge (TFSEE)	2,529	1,944	1,974	1,508
Royalties for use of water resources (CFURH)	6,513	8,795	4,395	7,245
	<b>98,885</b>	<b>68,218</b>	<b>94,025</b>	<b>64,770</b>
	<b>447,296</b>	<b>392,195</b>	<b>401,431</b>	<b>362,330</b>

## 26. OPERATING COSTS AND EXPENSES

	Consolidated		Parent Company	
	Jan. to June 2019	Jan. to June 2018	Jan. to June 2019	Jan. to June 2018
Personnel (a)	168,274	164,930	157,700	152,435
Employee profit shares	42,331	4,511	42,282	4,511
Post-employment obligation (recovery of expense)	42,631	36,370	42,631	36,370
Materials	10,155	4,889	7,683	4,062
Outsourced services (b)	78,649	61,747	59,075	56,176
Depreciation and amortization	113,935	73,088	79,310	73,001
Provisions (c)	743,008	39,576	735,079	39,592
Charges for use of the national grid	92,253	125,521	67,052	108,654
Energy bought for resale (d)	1,699,161	1,692,509	1,696,797	1,666,009
Transmission infrastructure construction cost (e)	82,989	4,732	82,989	4,732
Other operating expenses, net (f)	18,165	30,692	16,878	29,853
	<b>3,091,551</b>	<b>2,238,565</b>	<b>2,987,476</b>	<b>2,175,395</b>

	Consolidated		Parent Company	
	April to June 2019	April to June 2018	April to June 2019	April to June 2018
Personnel (a)	77,669	85,391	71,669	77,972
Employee profit shares	27,042	(79)	27,053	(79)
Post-employment obligation (recovery of expense)	20,963	18,507	20,963	18,507
Materials	4,646	2,840	2,767	2,371
Outsourced services (b)	44,171	34,829	33,116	31,227
Depreciation and amortization	66,813	36,539	40,434	36,493
Provisions (c)	712,897	30,577	712,047	30,593
Charges for use of the national grid	46,168	55,879	33,806	46,880
Energy bought for resale (d)	916,241	897,095	920,250	880,043
Transmission infrastructure construction cost (e)	54,902	3,669	54,902	3,669
Other operating expenses, net (f)	11,020	17,906	9,203	17,473
	<b>1,982,532</b>	<b>1,183,153</b>	<b>1,926,210</b>	<b>1,145,149</b>

## 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 paid the standard legal severance payments – including: payment for the period of notice, an amount equal to the 'penalty' payment of 40% of the Base Value of the employee's FGTS fund, and the other payments specified by the legislation, but with no extra premium.

On March 2019 the Company reopened the 2019 PDVP program, with a joining period from April 1 to 10, 2019, with some changes in the requirements for joining, but with the same financial conditions.

A total of R\$17,502 has been appropriated as expense on the 2019 PDVP, including severance payments, corresponding to acceptance by 120 employees, R\$11,648 (78 employees) has been posted in the income statement for 2018 and R\$5,854 (42 employees) posted in the first half of 2019.

## b) Outsourced services

	Consolidated		Parent Company	
	Jan. to June 2019	Jan. to June 2018	Jan. to June 2019	Jan. to June 2018
Communication	1,745	1,320	1,471	1,288
Maintenance and conservation of electrical facilities and equipment	18,900	6,359	10,877	6,823
Building conservation and cleaning	13,606	14,450	10,315	11,706
Contracted labor	2,291	4,392	671	4,392
Freight and airfares	1,223	1,059	1,221	1,058
Accommodation and meals	1,703	1,447	1,692	1,429
Security services	3,877	5,215	2,660	4,225
Consultancy	2,463	953	2,270	953
Maintenance and conservation of furniture and utensils	446	284	364	258
Information technology	4,774	4,289	4,113	3,614
Maintenance and conservation of vehicles	181	156	148	143
Energy	1,893	1,960	1,615	1,808
Environment services	5,980	2,914	4,204	2,172
Cleaning of power line pathways	2,048	2,155	2,036	2,155
Printing and images	596	537	498	504
Legal services and procedural costs	2,473	1,882	2,366	1,882
Others	14,450	12,375	12,554	11,766
	<b>78,649</b>	<b>61,747</b>	<b>59,075</b>	<b>56,176</b>

	Consolidated		Parent Company	
	April to June 2019	April to June 2018	April to June 2019	April to June 2018
Communication	801	680	644	672
Maintenance and conservation of electrical facilities and equipment	12,450	4,247	6,772	3,772
Building conservation and cleaning	6,576	7,285	4,985	5,962
Contracted labor	535	2,953	305	2,953
Freight and airfares	627	721	625	720
Accommodation and meals	937	731	931	723
Security services	2,021	2,796	1,381	2,340
Consultancy	1,548	397	1,447	397
Maintenance and conservation of furniture and utensils	201	136	163	126
Information technology	4,244	2,386	3,661	1,926
Maintenance and conservation of vehicles	118	87	96	80
Energy	896	863	746	785
Environment services	2,695	1,412	1,780	929
Cleaning of power line pathways	949	1,157	938	1,157
Printing and images	352	158	297	153
Legal services and procedural costs	886	1,204	814	1,204
Others	8,335	7,616	7,531	7,328
	<b>44,171</b>	<b>34,829</b>	<b>33,116</b>	<b>31,227</b>

### c) Operating provisions (reversals)

	Consolidated		Parent Company	
	Jan. to June 2019	Jan. to June 2018	Jan. to June 2019	Jan. to June 2018
Provision for doubtful receivables (Note 7)	19,077	152	10,453	152
Estimated losses on other accounts receivable	-	453	-	453
Estimated losses on doubtful accounts receivable from related parties (Note 28)	688,031	-	688,031	-
Contingency provisions (reversals) (Note 23)				
Employment-law cases	11,181	12,398	12,042	12,414
Civil cases	81	(57)	81	(57)
Tax	(720)	(340)	(720)	(340)
Regulatory	1,224	137	1,224	137
Environmental	3	27	-	27
Others	2,185	2,200	2,022	2,200
	<b>13,954</b>	<b>14,365</b>	<b>14,649</b>	<b>14,381</b>
	721,062	14,970	713,133	14,986
Change in fair value of derivative instruments				
Put option – SAAG (Note 29)	21,946	24,606	21,946	24,606
	<b>743,008</b>	<b>39,576</b>	<b>735,079</b>	<b>39,592</b>

	Consolidated		Parent Company	
	April to June 2019	April to June 2018	April to June 2019	April to June 2018
Provision for doubtful receivables (Note 7)	2,379	19	1,686	19
Estimated losses on other accounts receivable	688,031	-	688,031	-
Estimated losses on doubtful accounts receivable from related parties (Note 28)	-	-	-	-
Contingency provisions (reversals) (Note 23)	10,014	7,557	10,022	7,573
Employment-law cases	77	(90)	77	(90)
Civil cases	(384)	(345)	(384)	(345)
Tax	213	79	213	79
Regulatory	2	-	-	-
Environmental	1,627	3,208	1,464	3,208
Others	11,549	10,409	11,392	10,425
	<b>701,959</b>	<b>10,428</b>	<b>701,109</b>	<b>10,444</b>
Change in fair value of derivative instruments				
Put option – SAAG (Note 29)	10,938	20,149	10,938	20,149
	<b>712,897</b>	<b>30,577</b>	<b>712,047</b>	<b>30,593</b>

## d) Energy bought for resale

	Consolidated		Parent Company	
	Jan. to June 2019	Jan. to June 2018	Jan. to June 2019	Jan. to June 2018
Spot market – CCEE (recovery of expenses)	26,324	54,745	21,794	45,976
Acquired in Free Market	1,838,169	1,796,774	1,839,648	1,777,639
Pasep and Cofins credits	(165,332)	(159,010)	(164,645)	(157,606)
	<b>1,699,161</b>	<b>1,692,509</b>	<b>1,696,797</b>	<b>1,666,009</b>

	Consolidated		Parent Company	
	April to June 2019	April to June 2018	April to June 2019	April to June 2018
Spot market – CCEE (recovery of expenses)	31,637	50,248	28,404	41,481
Acquired in Free Market	1,006,355	931,670	1,007,834	922,797
Pasep and Cofins credits	(121,751)	(84,823)	(115,988)	(84,235)
	<b>916,241</b>	<b>897,095</b>	<b>920,250</b>	<b>880,043</b>

## e) Transmission infrastructure Construction cost

	Consolidated		Parent Company	
	Jan. to June 2019	Jan. to June 2018	Jan. to June 2019	Jan. to June 2018
Personnel	4,058	2,383	4,058	2,383
Materials	48,076	1,010	48,076	1,010
Outsourced services	30,840	2,206	30,840	2,206
Other	15	(867)	15	(867)
	<b>82,989</b>	<b>4,732</b>	<b>82,989</b>	<b>4,732</b>

	Consolidated		Parent Company	
	April to June 2019	April to June 2018	April to June 2019	April to June 2018
Personnel	2,259	2,290	2,259	2,290
Materials	31,392	449	31,392	449
Outsourced services	21,248	1,893	21,248	1,893
Other	3	(963)	3	(963)
	<b>54,902</b>	<b>3,669</b>	<b>54,902</b>	<b>3,669</b>

## Other operating costs and expenses

	Consolidated		Parent Company	
	Jan. to June 2019	Jan. to June 2018	Jan. to June 2019	Jan. to June 2018
Leasing and rentals	1,936	11,493	1,547	11,178
Advertising	432	407	432	388
Subsidies and donations	966	677	920	677
Paid concessions	1,287	1,446	1,287	1,446
Taxes (IPTU, IPVA and others)	1,393	613	1,114	529
CCEE annual charge	1,457	2,079	1,456	2,079
Insurance	2,444	1,714	1,728	1,713
Loss (gain) on deactivation and disposal of assets	2,770	312	2,770	312
Forluz – Administrative running cost	3,104	3,457	3,104	3,457
Other (Recovery of expenses)	2,376	8,494	2,520	8,074
	<b>18,165</b>	<b>30,692</b>	<b>16,878</b>	<b>29,853</b>

	Consolidated		Parent Company	
	April to June 2019	April to June 2018	April to June 2019	April to June 2018
Leasing and rentals	87	5,766	(167)	5,607
Advertising	107	211	107	192
Subsidies and donations	46	568	-	568
Paid concessions	659	668	659	668
Taxes (IPTU, IPVA and others)	870	271	843	240
CCEE annual charge	686	1,014	686	1,014
Insurance	1,228	762	776	761
Loss (gain) on deactivation and disposal of assets	871	127	871	127
Forluz – Administrative running cost	1,614	1,494	1,615	1,494
Other (Recovery of expenses)	4,852	7,025	3,813	6,802
	<b>11,020</b>	<b>17,906</b>	<b>9,203</b>	<b>17,473</b>

## 27. FINANCE INCOME AND EXPENSES

	Consolidated		Parent Company	
	Jan. to June 2019	Jan. to June 2018	Jan. to June 2019	Jan. to June 2018
<b>FINANCE INCOME</b>				
Income from cash investments	21,165	19,218	8,814	12,899
Arrears fees on sale of energy	11,553	5,909	3,016	3,510
Monetary updating	8,680	7,238	8,464	7,060
Monetary updating on escrow deposits	5,761	5,622	5,503	5,622
Foreign exchange variations – loans and financings (Note 19)	63,904	-	63,904	-
Revenue from advance payments (Note 20)	228	11,850	148	9,287
Gains on Swap Instruments (Note 29)	613,394	180,429	613,394	180,429
Borrowing costs payable by related parties (Note 28)	45,979	-	45,979	-
Monetary updating on PIS/Pasep and Cofins taxes credits over ICMS (Note 9)	241,415	-	231,551	-
Others	12,289	26,425	11,658	26,387
Pasep and Cofins taxes on financial revenues	(10,171)	(3,377)	(9,629)	(3,011)
	<b>1,014,197</b>	<b>253,314</b>	<b>982,802</b>	<b>242,183</b>
<b>DESPESAS FINANCEIRAS</b>				
Costs of Loans and financings (Note 20)	(398,641)	(405,737)	(394,309)	(405,737)
Amortization of transaction cost (Note 20)	(5,784)	(9,503)	(5,784)	(9,503)
Monetary Updating – Forluz	(7,599)	(7,504)	(7,599)	(7,504)
Inflation adjustment – Loans and financings (Note 20).	(30,353)	(21,727)	(26,960)	(21,727)
Monetary updating	(5,472)	(6,553)	(5,270)	(6,421)
FX variation from loans and financings (Note 20).	-	(548,353)	-	(548,353)
Inflation adjustment – advance from customers (Note 7)	(627)	(5,411)	(627)	(5,411)
Leasing – Inflation adjustment (Note 17)	(3,740)	-	(3,660)	-
Others	(3,135)	(3,798)	(1,098)	(2,357)
	<b>(455,351)</b>	<b>(1,008,586)</b>	<b>(445,307)</b>	<b>(1,007,013)</b>
<b>NET FINANCE INCOME (EXPENSES)</b>	<b>558,846</b>	<b>(755,272)</b>	<b>537,495</b>	<b>(764,830)</b>

	Consolidated		Parent Company	
	April to June 2019	April to June 2018	April to June 2019	April to June 2018
<b>FINANCE INCOME</b>				
Income from cash investments	12,393	8,821	4,792	5,736
Arrears fees on sale of energy	5,855	2,762	1,472	1,581
Monetary updating	5,127	2,802	4,918	2,624
Monetary updating on escrow deposits	2,740	3,271	2,605	3,271
Foreign exchange variations – loans and financings	96,751	-	96,751	-
Revenue from advance payments	100	6,484	83	5,529
Gains on Swap Instruments	461,083	82,912	461,083	82,912
Borrowing costs payable by related parties	23,315	-	23,315	-
Monetary updating on PIS/Pasep and Cofins taxes credits over ICMS (Note 9)	241,415	-	231,551	-
Others	9,791	15,366	9,592	15,367
Pasep and Cofins taxes on financial revenues	(8,269)	(1,748)	(7,918)	(1,586)
	<b>850,301</b>	<b>120,670</b>	<b>828,244</b>	<b>115,434</b>
<b>DESPESAS FINANCEIRAS</b>				
Costs of Loans and financings	(200,177)	(216,474)	(195,845)	(216,474)
Amortization of transaction cost	(2,907)	(3,293)	(2,907)	(3,293)
Monetary Updating – Forluz	(4,153)	(3,429)	(4,153)	(3,429)
Inflation adjustment – Loans and financings	(12,899)	(8,610)	(13,612)	(8,610)
Monetary updating	(2,729)	(3,732)	(2,626)	(3,661)
FX variation from loans and financings	-	(532,425)	-	(532,425)
Inflation adjustment – advance from customers	(86)	(2,567)	(86)	(2,567)
Leasing – Inflation adjustment	(2,023)	-	(1,984)	-
Others	(1,121)	(353)	(491)	(346)
	<b>(226,095)</b>	<b>(770,883)</b>	<b>(221,704)</b>	<b>(770,805)</b>
<b>NET FINANCE INCOME (EXPENSES)</b>	<b>624,206</b>	<b>(650,213)</b>	<b>606,540</b>	<b>(655,371)</b>



## 28. RELATED PARTY TRANSACTIONS

The main principal balances and transactions with related parties are as follows (consolidated):

COMPANY	ASSETS		LIABILITIES		REVENUE		EXPENSES	
	June 30, 2018	Dec. 31, 2018	June 30, 2019	Dec. 31, 2018	Jan. to June 2019	Jan. to June 2018	Jan. to June 2019	Jan. to June 2018
<b>Controlling shareholder</b>								
<b>CEMIG</b>								
<b>Current</b>								
Cooperation Working Agreement (1)	-	-	-	536	-	-	-	(541)
Provision of services (2)	936	948	476	1,376	936	-	-	-
Interest on Equity, and dividends	-	-	617,121	659,622	-	-	-	-
Amount receivable (3)	-	6,243	-	-	-	-	-	-
<b>Non-current</b>								
Loans with related parties (4)	376,362	408,114	-	-	14,847	-	-	-
<b>Jointly-controlled entity</b>								
<b>Madeira Energia</b>								
<b>Current</b>								
Transactions in energy (5)	5,484	5,669	60,559	64,111	33,087	17,146	(331,154)	(324,342)
Advance for future power supply (6)	-	6,785	-	-	-	4,026	-	-
<b>Aliança Geração</b>								
<b>Current</b>								
Transactions in energy (5)	-	-	7,244	5,785	249	332	(38,016)	(36,847)
Provision of service (7)	1,129	1,792	-	-	4,728	5,964	-	-
Interest on Equity, and dividends	-	90,664	-	-	-	-	-	-
<b>Norte Energia</b>								
<b>Current</b>								
Transactions in energy (5)	130	130	-	-	9,199	8,287	-	-
Advance for future power supply (8)	30,198	-	-	-	-	-	-	-
<b>Non-current</b>								
Advance for future power supply (8)	20,150	-	-	-	-	-	-	-
<b>Baguari Energia</b>								
<b>Current</b>								
Provision of service (7)	211	211	-	-	466	446	-	-
Interest on Equity, and dividends	13,563	-	-	-	-	-	-	-
<b>Lightger</b>								
<b>Circulante</b>								
Transactions in energy (5)	-	-	2,010	1,424	-	-	(9,178)	(9,012)
Interest on Equity, and dividends	2,991	-	-	-	-	-	-	-
<b>Retiro Baixo</b>								
<b>Current</b>								
Interest on Equity, and dividends	5,718	5,718	-	-	-	-	-	-
<b>Hidrelétrica Pipoca</b>								
<b>Current</b>								
Transactions in energy (5)	-	-	1,699	1,303	-	-	(8,047)	(9,154)
Interest on Equity, and dividends	66	-	-	-	-	-	-	-
<b>Renova</b>								
<b>Current</b>								
Transactions in energy (5)	-	-	772	515	-	-	(772)	(66,548)
<b>Non-current</b>								
Accounts receivable (9)	-	594,323	-	-	93,708	19,786	688,031	-
<b>Light</b>								
<b>Current</b>								
Transactions in energy (5)	330	374	416	403	30,860	30,155	(2,394)	(512)
<b>Taesa</b>								
<b>Current</b>								
Transactions in energy (5)	-	-	1,460	1,460	-	-	(6,781)	(11,300)
Provision of service (7)	174	130	-	-	299	282	-	-
<b>Other related parties</b>								
<b>Cemig Distribuição</b>								
<b>Current</b>								
Cooperation Working Agreement (2)	2,197	-	-	-	4,058	663	-	-
Transactions in energy (5)	22,943	22,303	1,591	792	128,005	122,180	(12,683)	(12,184)
<b>FIC Pampulha</b>								
<b>Current</b>								
Cash and cash equivalents	76,294	53,038	-	-	-	-	-	-
Marketable securities	274,108	159,616	-	-	5,201	2,176	-	-
<b>Non-current</b>								
Marketable Securities	-	21,498	-	-	-	-	-	-

COMPANY	ASSETS		LIABILITIES		REVENUE		EXPENSES	
	June 30, 2018	Dec. 31, 2018	June 30, 2019	Dec. 31, 2018	Jan. to June 2019	Jan. to June 2018	Jan. to June 2019	Jan. to June 2018
<b>Forluz</b>								
<b>Current</b>								
Post-employment obligations (10)	-	-	31,258	27,876	-	-	(20,697)	(20,299)
Supplementary pension contributions – Defined contribution plan (11)	-	-	-	-	-	-	(10,240)	(9,608)
Administrative running costs (12)	-	-	-	-	-	-	(3,104)	(3,457)
Operating leasing (13)	-	-	13,069	382	-	-	(7,686)	(6,565)
<b>Non-current</b>								
Post-employment obligations (10)	-	-	423,784	428,335	-	-	-	-
Operating leasing (13)	47,875	-	35,624	-	-	-	-	-
<b>Cemig Saúde</b>								
<b>Current</b>								
Health Plan and Dental Plan (14)	-	-	27,747	26,940	-	-	(25,004)	(20,508)
<b>Non-current</b>								
Health Plan and Dental Plan (14)	-	-	-	-	510,018	499,323	-	-

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

- Technical Cooperation Working Agreement between Cemig, Cemig D and Cemig GT, instituted by Aneel Dispatch 3208/2016. Principally includes reimbursement of expenses related to sharing of infrastructure, personnel, transport, telecoms and IT.
- This refers to a service agreement between Cemig Telecomunicações (merged into Cemig on March 31, 2018), Cemig D and Cemig GT, instituted by Dispatch 2735/2016.
- This refers to the amount repaid by the parent company, Cemig, as a result of adjustment in the valuation opinion at book value of the stockholding restructuring of wholly-owned generation and trading subsidiaries.
- Refers to a loan contract in the amount of R\$ 400,000 between the Company and its parent company Cemig. The balance of the loan is augmented by interest at 125.52% of the CDI rate. As a guarantee, Cemig (the parent company) signed a promissory note in the global amount of R\$442,258, corresponding to the amount of the debt plus the estimated interest for the 15-month period of the agreement. The total balance on June 30, 2019 is R\$376,362. On July 19, 2019 the loan was settled in full, in the amount of R\$ 377,746.
- 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).
- Refers to advance payments for supply of power made in 2017 to Santo Antônio Energia, subsidiary of Madeira Energia, by Cemig GT. The final installment was paid in January 2019.
- Refers to a contract to provide plant operation and maintenance services.
- Refers to advance payments for energy supply made in 2019 to Norte Energia, established by auction and by contract registered with the CCEE. In June, Norte Energia delivered contracted supply in the amount of R\$ 10,267. In full-year 2020 it will deliver contracted supply in the amount of R\$ 40,081. Of this amount, R\$ 19,931 is presented in current assets, and R\$ 20,150 in non-current assets, on June 30, 2019. There is no financial updating of the contract;
- As mentioned in Note 17(b), in June 2019, due to the uncertainties related to continuity of Renova, an estimated loss on realization of the receivables was recorded for the full value of the balance, R\$ 688 million.
- The contracts of Forluz are updated by the Expanded Consumer Price Index (*Índice Nacional de Preços ao Consumidor Amplo*, or IPCA) calculated by the Brazilian Geography and Statistics Institute (IBGE) plus interest of 6% p.a. and will be amortized up to the business year of 2031 (see Note 22).
- 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.
- 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.
- 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, currently in final phase of renewal), with annual inflation adjustment by the IPCA index and price reviewed every 60 months in line with market prices (see Note 17).
- Post-employment obligations relating to the employees' health and dental plan (see Note 22).

## Dividends receivable from subsidiaries

Dividends receivable	Consolidated		Parent Company	
	June 30, 2019	Dec. 31, 2018	June 30, 2019	Dec. 31, 2018
Cemig Geração Itutinga	-	-	5,129	-
Cemig Geração Sul	-	-	5,695	-
Cemig Geração Leste	-	-	1,506	-
Rosal	-	-	9,447	-
UTE Barreiro	-	-	294	-
CCEI	-	-	532	-
Cemig Trading	-	-	176	-
Aliança Geração	-	90,664	-	90,664
Others	24,618	8,178	24,618	8,178
	<b>24,618</b>	<b>98,842</b>	<b>47,397</b>	<b>98,842</b>

## Cash investments in the *FIC Pampulha* investment fund

The invests part of its cash balance in a reserved (group) investment fund, which has the characteristics of fixed income and obeys the Company's cash investment policy. The amounts invested by the fund at June 30, 2019 are reported in Marketable Securities in Current or Non-current assets, in proportion to the interests held by the Company in the fund.

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.

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

Issuer of security	Type	Annual contractual conditions	Maturity	June 30, 2018			Dec. 31, 2018		
				Cemig GT 4.30%	Other subsidiaries 8.32% (1)	Total (consolidated) 12.62%	Cemig GT 0.74%	Other subsidiaries 8.65% (1)	Total (consolidated) 9.39%
ETAU (2)	Debentures	108% do CDI	Dec. 1, 2019	432	836	1,268	75	870	945
LIGHT	Promissory Note	CDI + 3.50%	Jan. 22, 2019	-	-	-	54	620	674
CEMIG D	Promissory Note	151% do CDI	Oct. 24, 2019	2,394	4,630	7,024	397	4,599	4,996
				<b>2,826</b>	<b>5,466</b>	<b>8,292</b>	<b>526</b>	<b>6,089</b>	<b>6,615</b>

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

(2) ETAU – 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 Council and Board of Directors – are within the limits approved by a General Meeting of Shareholders, and their effects in the Income statements in the six-month periods June 30, 2019 and 2018, are as follows:

	Jan. to June 2019	Jan. to June 2018
Remuneration	1,577	2,825
Profit shares	542	490
Assistance benefits	177	318
	<b>2,296</b>	<b>3,633</b>

## 29. 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 and its subsidiaries, are as follows:

	Level	June 30, 2019		Dec. 31, 2018	
		Balance	Fair value	Balance	Fair value
<b>Assets</b>					
<b>Amortized cost (1)</b>					
Marketable securities	2	38,465	38,465	28,312	28,312
Customers and Traders; Concession holders (transmission service)	2	1,260,099	1,260,099	956,059	956,059
Restricted cash	2	19,059	19,059	90,710	90,710
Receivable from related parties	2	378,602	378,602	921,288	921,288
Escrow deposits	2	354,748	354,748	374,374	374,374
Concession grant fee – Generation concessions	3	2,457,733	2,457,733	2,408,930	2,408,930
Reimbursements receivable – Transmission	3	1,323,042	1,323,042	1,296,314	1,296,314
		<b>5,831,748</b>	<b>5,831,748</b>	<b>6,075,987</b>	<b>6,075,987</b>
<b>Fair value through profit or loss</b>					
Cash equivalents – Investments	2	309,427	309,427	297,561	297,561
<b>Marketable securities</b>					
Financial Notes (LFs) – Banks	2	159,699	159,699	96,876	96,876
Treasury Financial Notes (LFTs)	1	73,995	73,995	56,572	56,572
Debentures	2	2,085	2,085	1,586	1,586
		<b>545,206</b>	<b>545,206</b>	<b>452,595</b>	<b>452,595</b>
Derivative financial instruments (swaps)	3	1,384,270	1,384,270	813,335	813,335
Reimbursements receivable – Generation	3	816,202	816,202	816,202	816,202
		<b>2,200,472</b>	<b>2,200,472</b>	<b>1,629,537</b>	<b>1,629,537</b>
		<b>8,577,426</b>	<b>8,577,426</b>	<b>8,158,119</b>	<b>8,158,119</b>
<b>Liabilities</b>					
<b>Amortized cost (1)</b>					
Loans, financings and debentures	2	(7,819,245)	(7,819,245)	(8,198,912)	(8,198,912)
Debt with pension fund (Forluz)	2	(139,220)	(139,220)	(147,540)	(147,540)
Deficit of pension fund (Forluz)	2	(126,588)	(126,588)	(85,417)	(85,417)
Concessions payable	3	(19,357)	(19,357)	(18,747)	(18,747)
Suppliers	2	(435,025)	(435,025)	(484,726)	(484,726)
Leasing transactions (2)	2	63,864	63,864	-	-
		<b>(8,475,571)</b>	<b>(8,475,571)</b>	<b>(8,935,342)</b>	<b>(8,935,342)</b>
<b>Fair value through profit or loss</b>					
Derivative financial instruments – Put options	3	(441,094)	(441,094)	(419,148)	(419,148)
		<b>(8,916,665)</b>	<b>(8,916,665)</b>	<b>(9,354,490)</b>	<b>(9,354,490)</b>

(1) The book values of the financial instruments on June 30, 2019 and December 31, 2018 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 17.

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**

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

Reimbursements 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 reimbursed on termination of the concession.

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

Derivative financial instruments: Derivative financial instruments held by the Company are: Put options; and Swap transactions for protection of debts.

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

Put options: The put options for units of FIP Melbourne and FIP Malbec (‘the SAAG Put’) were measured at fair value using the Black-Scholes-Merton (BSM) method. The fair value of these options has been calculated on the basis of the estimated exercise price on the day of exercise of the option, less the fair value of the shares that are the subject of the put option, also estimated for the date of exercise, brought to present value at the reporting date.

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

Other financial liabilities: Fair value of its Loans, financings and debentures were determined using 140.97% of the CDI rate – based on its most recent funding. For the following, the Company considered fair value to be substantially equal to book value: Loans, financings and debentures, and debt agreed with Forluz, with annual rates between IPCA + 6.00% to 8.07% and CDI + 1.63% to 3.23%.

## **b) Derivative financial instruments**

### The SAAG put option

Option Contracts were signed between Company and the private pension entities that participate in the investment structure of SAAG (comprising FIP Melbourne, Parma Participações S.A. and FIP Malbec – jointly, ‘the Investment Structure’), giving those entities the right to sell units in the Funds that comprise the Investment Structure, at the option of the Funds, in the 84th (eighty-fourth) month from June 2014. 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 Consumer Price (IPCA) index published by the IBGE, plus interest at 7% per year, less such dividends and Interest on Equity as shall have been paid by SAAG to the pension plan entities. This option was considered to be a derivative instrument, accounted at fair value through profit or loss.

The Company uses the Black-Scholes-Merton (‘BSM’) model for measurement of the fair value of the SAAG put option. The assumption was made that the future expenditures of FIP Malbec and FIP Melbourne are insignificant, so that the options are valued as if they 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 June, 30, 2019, 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\$441,094 (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:

	Consolidated and Parent
Balance at Dec. 31, 2017	311,593
Change in fair value	24,606
<b>Balance at June 30, 2018</b>	<b>336,199</b>
Balance at Dec. 31, 2018	419,148
Change in fair value	21,946
<b>Balance at June 30, 2019</b>	<b>441,094</b>

The Company performed 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 3.85% p.a. to 7.85% p.a., and for volatility between 17% and 77% p.a., were used, resulting in estimates of minimum and maximum price for the put option of R\$421,128 and R\$463,799, respectively.

This option to sell investments could potentially dilute basic profit per share in the future; however, it has not caused dilution of profit per share in the business years presented here, as shown in Note 24.

### Operações de Swap

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

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

The amounts of the principal of derivative transactions are not presented in the statement of financial position, since they refer to transactions that do not require cash principal payments to be made: only the gains or losses that actually occur are recorded. The net result of those transactions on June 30, 2019 was a positive adjustment of R\$613,394 (Positive adjustment of R\$180,429 on June 30, 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. The controlling shareholder Cemig is guarantor of the derivative instruments contracted by the Company.

This table shows the derivative instruments contracted by the Company at June 30, 2019 and December 31, 2018:

Receivable by Cemig GT (1)	Payable by Cemig GT (1)	Maturity period	Trading market	Value of principal contracted (2)	Unrealized gain (loss),		Unrealized gain (loss),	
					According to contract June 30, 2019	Fair value 2018 June 30, 2019	Valor Conforme contrato Dec. 31, 2018	Valor justo Dec. 31, 2018
In US\$ 9.25% p.a.	R\$ 150.49% do CDI	Interest: Half-yearly Principal: Dec. 2024	Over-the-counter	US\$1,000,000	592,948	1,021,334	679,530	626,888
In US\$ 9.25% p.a.	R\$ 125.52% do CDI	Interest: Half-yearly Principal: Dec. 2024	Over-the-counter	US\$500,000	1,804	362,936	32,781	186,447
					<b>594,752</b>	<b>1,384,270</b>	<b>712,311</b>	<b>813,335</b>
<b>Current assets</b>						<b>114,916</b>		<b>69,643</b>
<b>Non-current assets</b>						<b>1,269,354</b>		<b>743,692</b>

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

(2) In thousands of US dollars.

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

The fair value found on June 30, 2019 was R\$1,384,270 (R\$813,335 on December 31, 2018), which would be a reference point if the Company were to liquidate the hedges on June 30, 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\$594,752 on June 30, 2019 (R\$712,311 on December 31, 2018).

The Company is exposed to market risk as a function of having contracted this hedge, the principal potential impact being an alteration in futures of Brazilian interest rates or exchange rates. Based on the futures curves for interest rates and the dollar, the Company estimates that in a probable scenario, at the end of the accounting period its net income would suffer a negative impact of R\$981,462 million for the option (call spread), and R\$407,752 million for the swap – an aggregate R\$1,389,214 billion.



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

Parent Company and Consolidated	Base scenario June 30, 2019	'Probable' scenario	'Possible' scenario: FX depreciation and interest rate increase 25%	'Remote' scenario: FX depreciation and interest rate increase 50%
Swap, asset side	6,294,855	6,239,746	5,240,047	4,320,787
Swap, liability side	(5,887,031)	(5,831,994)	(5,964,152)	(6,086,270)
Option / Call spread	976,446	981,462	981,462	981,462
Derivative hedge instrument	<b>1,384,270</b>	<b>1,389,214</b>	<b>257,357</b>	<b>(784,021)</b>

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.

### c) Risk management

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

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

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

#### Interest rate risk

On June 30, 2019 the Company and its subsidiaries were exposed to the risk of reduction in Brazilian interest rates, since it has more assets than liabilities indexed to variation in interest rates:

Exposure to Brazilian domestic interest rates	Consolidated		Parent Company	
	June 30, 2019	Dec. 31, 2018	June 30, 2019	Dec. 31, 2018
<b>Assets</b>				
Cash equivalents (Note 5) – CDI rate	309,427	297,561	165,491	223,247
Securities (Note 6) – CDI and Selic rates	274,244	183,346	93,544	14,631
Accounts receivable – Renova (Note 28) – CDI	-	507,038	-	507,038
Loan with related parties (Note 28) – CDI	376,362	408,114	376,362	408,114
Restricted cash – CDI	19,059	90,710	19,006	90,656
	<b>979,092</b>	<b>1,486,769</b>	<b>654,403</b>	<b>1,243,686</b>
<b>Liabilities</b>				
Loans, financings and debentures – CDI rate (Note 20)	(852,205)	(1,022,646)	(852,205)	(1,022,646)
Loans, financings and debentures – TJLP Rate (Note 20)	(171,092)	(163,367)	-	-
	<b>(1,023,297)</b>	<b>(1,186,013)</b>	<b>(852,205)</b>	<b>(1,022,646)</b>
<b>Net assets (liabilities) exposed</b>	<b>(44,205)</b>	<b>300,756</b>	<b>(197,802)</b>	<b>221,040</b>

## Sensitivity analysis

The Company and its subsidiaries estimate that in a probable scenario, the Selic rate on June 30, 2020 will be 5.25% and the TJLP rate will be 5.5826%. They have made a sensitivity analysis of the effects on profit arising from increases of 25% and 50% in this rate in relation to the 'probable' scenario. Variation in the CDI rate accompanies the variation in the Selic rate.

Risk: Reduction in Brazilian interest rates – Consolidated	June 30, 2019		June 30, 2020	
	Amount Book value	'Probable' scenario: SELIC 5.25% TJLP 5.5826%	'Possible' scenario -25% SELIC 6.5625% TJLP 6.9783%	'Remote' scenario -50% SELIC 7.8750% TJLP 8.3739%
<b>Assets</b>				
Cash equivalents – Cash investments (note 5)	309,427	325,672	329,733	333,794
Marketable securities (Note 6)	274,244	288,642	292,241	295,841
Accounts receivable – Renova (Note 28)	-	-	-	-
Loan with related parties (Note 28)	376,362	396,121	401,061	406,001
Restricted cash	19,059	20,060	20,310	20,560
	<b>979,092</b>	<b>1,030,495</b>	<b>1,043,345</b>	<b>1,056,196</b>
<b>Liabilities</b>				
Loans, financings and debentures – CDI rate (Note 20)	(852,205)	(896,946)	(908,131)	(919,316)
Loans, financings and debentures – TJLP Rate (Note 20)	(171,092)	(180,643)	(183,031)	(185,419)
	<b>(1,023,297)</b>	<b>(1,077,589)</b>	<b>(1,091,162)</b>	<b>(1,104,735)</b>
<b>Net assets</b>	<b>(44,205)</b>	<b>(47,094)</b>	<b>(47,817)</b>	<b>(48,539)</b>
<b>Net effect of variation in interest rates</b>		<b>(2,889)</b>	<b>(3,612)</b>	<b>(4,334)</b>

## 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:

Exposure to inflation	Consolidated		Parent Company	
	June 30, 2019	Dec. 31, 2018	June 30, 2019	Dec. 31, 2018
<b>Assets</b>				
Generation – Concession Grant Fee – IPCA (Note 12)	2,457,733	2,408,930	-	-
Transmission – Reimbursement receivable – IPCA index (Note 12)	1,323,042	1,296,314	1,323,042	1,296,314
	<b>3,780,775</b>	<b>3,705,244</b>	<b>1,323,042</b>	<b>1,296,314</b>
<b>Liabilities</b>				
Loans, financings and debentures – IPCA (Note 20)	(1,079,020)	(1,239,199)	(1,079,020)	(1,239,199)
Debt agreed with pension fund (Forluz) – Note 22)	(139,220)	(147,540)	(139,220)	(147,540)
Solution for Forluz pension fund deficit (Note 22)	(126,588)	(85,417)	(126,588)	(85,417)
	<b>(1,344,828)</b>	<b>(1,472,156)</b>	<b>(1,344,828)</b>	<b>(1,472,156)</b>
<b>Net assets (liabilities) exposed</b>	<b>2,435,947</b>	<b>2,233,088</b>	<b>(21,786)</b>	<b>(175,842)</b>

## Sensitivity analysis

The Company and its subsidiaries estimate that in a probable scenario, the IPCA inflation index on June 30, 2020 will be 3.6472%. For the risk of reduction in inflation they have made a sensitivity analysis of the effects on profit arising from reductions in rates of 25% and 50% in relation to the 'probable' scenario.

Risk: reduction in inflation Consolidated	June 30, 2019		June 30, 2020	
	Book value	'Probable' scenario: IPCA 3.6472%	'Possible' scenario - 25% IPCA 2.7354%	Remote' scenario - 50% IPCA 1.8236%
<b>Assets</b>				
Generation – Concession Grant Fee – IPCA (Note 12)	2,457,733	2,547,371	2,524,962	2,502,552
Transmission – Reimbursement receivable – IPCA index (Note 12)	1,323,042	1,371,296	1,359,232	1,347,169
	<b>3,780,775</b>	<b>3,918,667</b>	<b>3,884,194</b>	<b>3,849,721</b>
<b>Liabilities</b>				
Loans, financings and debentures – IPCA (Note 20)	(1,079,020)	(1,118,374)	(1,108,536)	(1,098,697)
Debt agreed with pension fund (Forluz) (Note 22)	(139,220)	(144,298)	(143,028)	(141,759)
Solution for Forluz pension fund deficit (Note 22)	(126,588)	(131,205)	(130,051)	(128,896)
	<b>(1,344,828)</b>	<b>(1,393,877)</b>	<b>(1,381,615)</b>	<b>(1,369,352)</b>
<b>Net assets (liabilities) exposed</b>	<b>2,435,947</b>	<b>2,524,790</b>	<b>2,502,579</b>	<b>2,480,369</b>
<b>Net effect of variation in inflation</b>		<b>88,843</b>	<b>66,632</b>	<b>44,422</b>

## Exchange rate risk

The Company is exposed to risk of increase in exchange rates, with effect on Loans and financings, and cash flow.

The net exposure to exchange rates is as follows:

Exposure to exchange rates	Consolidated and Parent Company			
	June 30, 2019		Dec. 31, 2018	
	Foreign currency	R\$	Foreign currency	R\$
<b>US dólar</b>				
Loans and financings (Note 20)	(1,511,336)	(5,791,741)	(1,511,336)	(5,856,124)
<b>Euro</b>				
Loans and financings (Note 20)	-	-	(52)	(229)
<b>Net liabilities exposed</b>		<b>(5,791,741)</b>		<b>(5,856,353)</b>

## Sensitivity analysis

The Company estimates that in a probable scenario, at June 30, 2020 the exchange rates of foreign currencies in relation to the Real will be as follows: depreciation in the dollar exchange rate by 0.4854%, to R\$3.8136/US\$. The Company has made a sensitivity analysis of the effects on profit arising from depreciation of the Real exchange rate by 25%, and by 50%, in relation to this 'probable' scenario.

Risk: Exposure to exchange rates	June 30, 2019		June 30, 2020	
	Valor Contábil	'Probable' scenario Dólar 3.8136	Scenario +25% Dólar 4.7670	Scenario +50% Dólar 5.7204
<b>US dólar</b>				
Loans and financings (Note 20)	(5,791,741)	(5,763,630)	(7,204,538)	(8,645,445)
<b>Net liabilities exposed</b>	<b>(5,791,741)</b>	<b>(5,763,630)</b>	<b>(7,204,538)</b>	<b>(8,645,445)</b>
<b>Net effect of exchange rate variation</b>		<b>28,111</b>	<b>(1,412,797)</b>	<b>(2,853,704)</b>

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

## Liquidity risk

The Company has sufficient cash flow to cover the cash needs related to its operating activities.

The Company manages liquidity risk with a group of methods, procedures and instruments that are coherent with the complexity of the business, and applied in permanent control of the financial processes, to guarantee appropriate risk management.

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

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

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

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

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

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):						
<b>Floating rates</b>						
Loans, financings and debentures	53,746	69,051	1,323,745	4,097,726	6,483,098	12,027,366
Paid concessions	220	432	1,901	8,681	13,959	25,193
Debt agreed with pension fund (Forluz)	2,673	5,346	24,520	144,147	-	176,686
Solution for deficit of pension fund (Forluz)	1,184	2,373	27,183	47,522	157,168	235,430
Leasing transactions	1,779	3,558	16,011	32,055	103,163	156,566
	<u>59,602</u>	<u>80,760</u>	<u>1,393,360</u>	<u>4,330,131</u>	<u>6,757,388</u>	<u>12,621,241</u>
<b>Fixed rate</b>						
Suppliers	431,054	3,801	-	32	138	435,025
	<u>490,656</u>	<u>84,561</u>	<u>1,393,360</u>	<u>4,330,163</u>	<u>6,757,526</u>	<u>13,056,266</u>

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):						
<b>Floating rates</b>						
Loans, financings and debentures	53,746	69,051	1,323,745	3,926,637	6,483,098	11,856,277
Paid concessions	220	432	1,901	8,681	13,959	25,193
Debt agreed with pension fund (Forluz)	2,673	5,346	24,520	144,147	-	176,686
Solution for deficit of pension fund (Forluz)	1,184	2,373	27,183	47,522	157,168	235,430
Leasing transactions	1,727	3,454	15,541	31,081	103,106	154,909
	<b>59,550</b>	<b>80,656</b>	<b>1,392,890</b>	<b>4,158,068</b>	<b>6,757,331</b>	<b>12,448,495</b>
<b>Fixed rate</b>						
Suppliers	413,364	3,366	9	-	-	416,739
	<b>472,914</b>	<b>84,022</b>	<b>1,392,899</b>	<b>4,158,068</b>	<b>6,757,331</b>	<b>12,865,234</b>

## Credit Risk

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

The provision for doubtful debtors constituted on June 30, 2019, considered to be adequate in relation to the credits receivable and in arrears, was R\$29,102.

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

This Policy assesses and scales the credit risks of the institutions, 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, the Company divides the investment of its cash holdings between direct purchases of securities, forming its own portfolio, and investment funds. The investment funds invest the funds exclusively in fixed income products, and companies of the Group are the only unit holders. They obey the same policy adopted in the investments for the Company's directly-held own portfolio.

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

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

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

Group	Equity	Concentration	Limit per bank (% of equity) (1)
RF	Institutions which have the credit risk of the federal government	-	Entre 6% e 9%
A1	Over R\$ 3.5 billion	Minimum 80%	Entre 6% e 9%
A2	R\$ 1.0 billion to R\$ 3.5 billion	Maximum 20%	Entre 5% e 8%
A3	R\$ 400 million to R\$ 1.0 billion	Maximum 20%	Entre 5% e 7%

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

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

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

### Hydrological risk

The greater part of the energy sold by the Company is generated by hydroelectric plants. A prolonged period of scarce rainfall can result in lower water volumes in the reservoirs of these plants, which can lead to an increase in the cost of acquisition of energy, due to replacement by thermoelectric sources, or to reduction of revenues due to reduction in consumption caused by implementation of wide-ranging programs for saving of energy.

### Risk of debt early maturity

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

On June 30, 2019 the Company and its subsidiaries were compliant with all the covenants for financial index requiring half-yearly, annual and permanent compliance, except for non-compliance with the non-financial covenant of the loan contracts with the CEF of the subsidiaries Central Eólica Praias de Parajuru and Central Eólica Volta do Rio. More details in Note 20.

### d) Capital management

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

	Consolidated		Parent Company	
	June 30, 2019	Dec. 31, 2018	June 30, 2019	Dec. 31, 2018
Total liabilities	11,842,031	11,971,944	11,503,243	11,591,625
Cash and cash equivalents (Note 5)	(310,194)	(301,696)	(165,875)	(226,830)
<b>Net liabilities</b>	<b>11,531,837</b>	<b>11,670,248</b>	<b>11,337,368</b>	<b>11,364,795</b>
Total equity	5,905,849	4,980,136	5,905,849	4,980,136
<b>Net liabilities / equity</b>	<b>1.95</b>	<b>2.34</b>	<b>1.92</b>	<b>2.28</b>

### 30. OPERATING SEGMENTS

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

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

These tables show information by segment for the periods ended June 30, 2019 and 2018:

	June 30, 2019			
	Generation	Transmission	Trading (1)	Total
<b>ASSETS</b>	<b>14,853,229</b>	<b>2,775,633</b>	<b>119,018</b>	<b>17,747,880</b>
INVESTMENTS IN AFFILIATES AND JOINTLY-CONTROLLED ENTITIES	4,212,660	-	-	4,212,660
ADDITIONS TO THE SEGMENT	56,139	-	-	56,139
ADDITIONS TO CONTRACT ASSETS	-	82,989	-	82,989
<b>NET REVENUE</b>	<b>3,804,656</b>	<b>329,457</b>	<b>63,460</b>	<b>4,197,573</b>
<b>ENERGY COSTS</b>				
Charges for use of the national grid	(92,253)	-	-	(92,253)
Energy bought for resale	(1,699,161)	-	-	(1,699,161)
	<b>(1,791,414)</b>	<b>-</b>	<b>-</b>	<b>(1,791,414)</b>
<b>OPERATING COSTS AND EXPENSES</b>				
Personnel	(108,064)	(60,092)	(118)	(168,274)
Employee profit shares	(24,743)	(17,588)	-	(42,331)
Post-employment liabilities (Expense Recovery)	(24,447)	(18,184)	-	(42,631)
Materials	(8,020)	(2,135)	-	(10,155)
Outsourced services	(58,087)	(20,422)	(140)	(78,649)
Depreciation and amortization	(111,236)	(2,699)	-	(113,935)
Provisions	(733,227)	(9,781)	-	(743,008)
Transmission infrastructure Construction cost	-	(82,989)	-	(82,989)
Other operating costs and expenses, net	(10,605)	(7,550)	(10)	(18,165)
	<b>(1,078,429)</b>	<b>(221,440)</b>	<b>(268)</b>	<b>(1,300,137)</b>
<b>TOTAL COSTS AND EXPENSES</b>	<b>(2,869,843)</b>	<b>(221,440)</b>	<b>(268)</b>	<b>(3,091,551)</b>
Share of profit (loss) of associates and joint ventures, net	8,753	-	-	8,753
<b>Operating profit before Finance income (expenses)</b>	<b>943,566</b>	<b>108,017</b>	<b>63,192</b>	<b>1,114,775</b>
Finance income	946,388	65,550	2,259	1,014,197
Finance expenses	(409,415)	(45,928)	(8)	(455,351)
<b>Profit before income and social contribution taxes</b>	<b>1,480,539</b>	<b>127,639</b>	<b>65,443</b>	<b>1,673,621</b>
Income and social contribution taxes	(680,745)	(59,037)	(8,126)	(747,908)
<b>NET INCOME FOR THE PERIOD</b>	<b>799,794</b>	<b>68,602</b>	<b>57,317</b>	<b>925,713</b>

(1) A new operating segment resulting from acquisition of subsidiaries in the stockholding restructuring of the Cemig group, December 2018.

DESCRIÇÃO	June 30, 2018		
	Generation	Transmission	Total
<b>ASSETS</b>	<b>13,886,141</b>	<b>2,681,673</b>	<b>16,567,814</b>
INVESTMENTS IN AFFILIATES AND JOINTLY-CONTROLLED ENTITIES	4,709,952	-	4,709,952
ADDITIONS TO THE SEGMENT	168,822	-	168,822
ADDITIONS TO CONTRACT ASSETS	-	4,732	4,732
<b>NET REVENUE</b>	<b>2,948,986</b>	<b>326,689</b>	<b>3,275,675</b>
<b>ENERGY COSTS</b>			
Charges for use of the national grid	(1,692,509)	-	(1,692,509)
Energy bought for resale	(125,521)	-	(125,521)
	<b>(1,818,030)</b>	<b>-</b>	<b>(1,818,030)</b>
<b>OPERATING COSTS AND EXPENSES</b>			
Personnel	(112,355)	(52,575)	(164,930)
Employee profit shares	(2,934)	(1,577)	(4,511)
Post-employment liabilities (Expense Recovery)	(23,053)	(13,317)	(36,370)
Materials	(3,162)	(1,727)	(4,889)
Outsourced services	(42,867)	(18,880)	(61,747)
Depreciation and amortization	(73,088)	-	(73,088)
Provisions	(35,614)	(3,962)	(39,576)
Transmission infrastructure Construction cost	-	(4,732)	(4,732)
Other operating costs and expenses, net	(22,892)	(7,800)	(30,692)
	<b>(315,965)</b>	<b>(104,570)</b>	<b>(420,535)</b>
<b>TOTAL COSTS AND EXPENSES</b>	<b>(2,133,995)</b>	<b>(104,570)</b>	<b>(2,238,565)</b>
Share of profit (loss) of associates and joint ventures, net	(140,412)	-	(140,412)
<b>Operating profit before Finance income (expenses)</b>	<b>674,579</b>	<b>222,119</b>	<b>896,698</b>
Finance income	238,674	14,640	253,314
Finance expenses	(1,006,243)	(2,343)	(1,008,586)
<b>Profit before income and social contribution taxes</b>	<b>(92,990)</b>	<b>234,416</b>	<b>141,426</b>
Income and social contribution taxes	(12,542)	(61,996)	(74,538)
<b>NET INCOME FOR THE PERIOD</b>	<b>(105,532)</b>	<b>172,420</b>	<b>66,888</b>

The revenue of the Company and its subsidiaries in first half of 2019 and 2018 breaks down by segment as follows:

	June 30, 2019			
	Generation	Transmission	Trading (1)	Total
Total revenue from supply of energy – with taxes	3,423,710	-	-	3,423,710
Transmission revenue – with taxes	-	336,060	-	336,060
Revenue from updating of the Concession Grant Fee	176,151	-	-	176,151
Construction revenue	-	82,989	-	82,989
Transactions in energy on the CCEE	404,037	-	-	404,037
Transmission indemnity revenue	-	90,420	-	90,420
Reimbursement for suspension of supply of power	64,640	-	-	64,640
PIS/Pasep and Cofins taxes credits over ICMS	424,403	-	-	424,403
Other operating revenues	10,795	12,998	67,955	91,748
Sector / regulatory charges – Deductions from revenue	(699,080)	(193,010)	(4,495)	(896,585)
<b>Net operating revenue</b>	<b>3,804,656</b>	<b>329,457</b>	<b>63,460</b>	<b>4,197,573</b>

(1) A new operating segment resulting from acquisition of subsidiaries in the stockholding restructuring of the Cemig group, December 2018.

	June 30, 2018		
	Generation	Transmission	Total
Total revenue from supply of energy – with taxes	3,245,172	-	3,245,172
Transmission revenue – with taxes	-	294,712	294,712
Revenue from updating of the Concession Grant Fee	156,980	-	156,980
Construction revenue	-	4,732	4,732
Transactions in energy on the CCEE	154,151	-	154,151
Transmission indemnity revenue	-	146,519	146,519
Generation indemnity revenue	34,463	-	34,463
Other operating revenues	3,709	23,946	27,655
Sector / regulatory charges – Deductions from revenue	(645,489)	(143,220)	(788,709)
<b>Net operating revenue</b>	<b>2,948,986</b>	<b>326,689</b>	<b>3,275,675</b>

Details of operating revenue are in Note 25.



## **31. SUBSEQUENT EVENTS**

### **Prepayment of debt**

On July 24, 2019, the Company made extraordinary amortization of its 7<sup>th</sup> issue of non-convertible debentures, in the amount of R\$ 125 million, which had final maturity in December 2021.

### **Change in the Company's by-laws, and operational restructuring**

On August 7, 2019, the Extraordinary General Shareholders' Meeting approved changes to the Company's by-laws, adapting the naming and activities of the Chief Officers (members of the Executive Board).

## CONSOLIDATED RESULTS

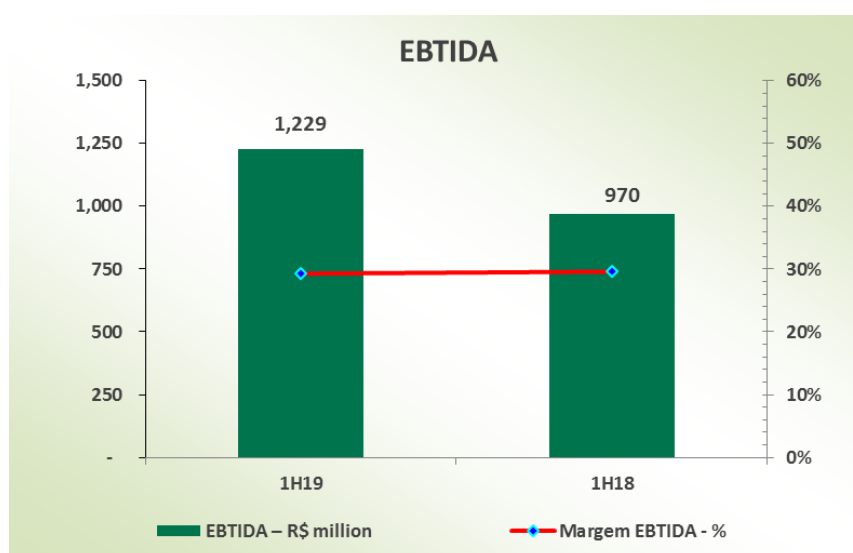
### Net income for the period

For the first half of 2019 (1H19) the Company reports net income of R\$925,713, which compares with its net income of R\$66,888 in first half 2018 (1H18), an increase of 1,283.98%. The main variations in revenue, costs, expenses and net finance income (expenses) are noted below.

### Ebitda (profit before interest, tax, depreciation and amortization)

Cemig GT's Ebitda was 26.70% higher in 1H19 than 1H18:

Ebitda - R\$ million	Jan. to June 2019	Jan. to June 2018	Change, %
Net income for the period	925,713	66,888	1,283.97
+ Current and deferred income and social contribution taxes	747,908	74,538	903.39
+ Net finance income (expenses)	(558,846)	755,272	(173.99)
+ Amortization and depreciation	113,935	73,088	55.89
<b>= Ebitda</b>	<b>1,228,710</b>	<b>969,786</b>	<b>26.70</b>



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

The higher Ebitda in 1H19 than 1H18 is principally due to a operational revenues 28.14% higher and a stronger equity method contribution from non-consolidated investees – in 1H19 this was a gain of R\$ 8,753, whereas in 1H18 it was a loss (expense) of R\$ 140,412.

Another important component in the higher Ebitda in 1H19 was recognition of revenue of R\$424,403 arising from the PIS/Pasep and Cofins taxes charged on amounts of ICMS tax, explained in Note 9. A negative component in Ebitda was Operational costs and expenses, excluding depreciation and amortization, 37.50% higher. This basically reflects higher operational provisions, the most important item being recognition of a provision for loss on credits receivable from Renova, in the amount of R\$ 688,031. Ebitda margin, at 29.27% in 1H19, was at a comparable level to the Ebitda margin of 29.61% in 1H18.

### **Revenue from supply of energy**

	Jan. to June 2019			Jan. to June 2018		
	MWh	R\$ (mn)	Average price/MWh billed – R\$/MWh <sup>1</sup>	MWh	R\$ (mn)	Average price/MWh billed – R\$/MWh
Industrial	6,557,653	1,493,622	239.35	6,997,103	1,554,617	222.18
Commercial	2,001,876	425,165	277.75	1,536,251	347,911	226.47
Rural	1,029	261	829.57	315	78	247.62
<b>Subtotal</b>	<b>8,560,558</b>	<b>1,919,048</b>	<b>247.76</b>	<b>8,533,669</b>	<b>1,902,606</b>	<b>222.95</b>
Net unbilled retail supply	-	30,274	-	-	(4,612)	-
	<b>8,560,558</b>	<b>1,949,322</b>	<b>250.66</b>	<b>8,533,669</b>	<b>1,897,994</b>	-
Wholesale supply to other concession holders	5,563,323	1,493,358	277.00	5,590,372	1,420,996	254.19
Wholesale supply unbilled, net	-	(18,970)	-	-	(73,818)	-
	<b>14,123,881</b>	<b>3,423,710</b>	-	<b>14,124,041</b>	<b>3,245,172</b>	-

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

For the first half of 2019 (1H19) the Company reports a revenue from supply of energy of R\$3,423,710, compared to R\$3,245,172 in 1H18 – or 5.50% higher, arising essentially from an increase in the average price per MWh; and, in counterpart, a lower volume of energy sold.

### **Transmission revenue**

The Company's revenue from transmission comprises the sum of the revenues from all the transmission assets. The concession contracts establish the Permitted Annual Revenue (RAP) for the existing assets of the system, updated annually based on the variation in the IPCA index. Whenever there is an upgrade or adaptation to an existing asset, made under specific authorization from Aneel, this is constituted as a new, added, component of the RAP – recorded as revenue.

This revenue was R\$336,060 in 1H19, compared to R\$294,712 in 1H18 – or 14.03% higher year-on-year. The higher figure arises from (i) the inflation adjustment of the annual RAP, applied in July 2018. It includes an additional adjustment of the expectation of cash flow from financial assets, arising from change in the fair value of the Regulatory Remuneration Assets Base (BRR).

The percentages and indices applied for the adjustment are different for different concessions: the IPCA index is applied to the contract of the Company, and the IGP–M index to the contract of Cemig Itajubá. In 2018, the adjustments made to the RAP were: positive 4.00% for the Company's concession contracts; and positive 3.30% for the concession contracts of Cemig Itajubá. The adjustments comprised (i) application of the inflation adjustment index, plus (ii) recognition of works to upgrade and improve the facilities.

### ***Transmission indemnity revenue***

The revenue from reimbursements of transmission assets in 1H19 was R\$90,420, – or 38.29% less than in 1H18 (R\$146,519).

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%.

The lower figure arises essentially from a reduction in the balance of asset reimbursements in the period, reflecting the lower indexor – which was 2.22 in 1H19, compared to 2.60 in 1H18.

More details in note 12 - Concession Financial Assets

### ***Revenue from transactions in the Wholesale Trading Exchange (CCEE)***

Revenue from transactions in energy on the CCEE in 1H19 was R\$404,037, or 162.10% higher than in 1H18 (R\$154,151). The higher figure mainly reflects higher physical guarantee allocations, associated with higher 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.

### ***Taxes and charges reported as deductions from revenue***

Taxes and charges applied to operating revenue in 1H19 were R\$896,585, or 13.68% more than in 1H18 (R\$788,709).

### **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-customer subsidy, the coal consumption subsidy, and the Fuels Consumption Account (CCC).

The charges for the CDE in 1H19 were R\$116,301, compared to R\$73,861 in 1H18, an increase of 57.46%. The TUSD charge (component of the CDE) of the transmission companies is homologated annually, together with the approval of the budget of the CDE, for each full calendar year. The TUSD-CDE charge that came into effect on January 1, 2019, approved by Homologating Resolution 2510/2018, was the result of an increase of 40% from 2018. The higher figure for the TUST / CDE was due to the higher annual quota in 2019 than 2018, which reflected both an average increase of 14% in the CDE unit cost (Annual quota per MWh), and also passthrough of the 2018 revision of the CDE budget. This 2018 budget review was reflected in a 16% increase in the Annual Quota, which in the case of the transmission sector was passed through to the consumer only in 2019.

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

### ***Operating costs and expenses (excluding Finance income/expenses)***

Operating costs and expenses (excluding Net financial revenue/expenses) in 1H19 totaled R\$3,091,551, 38.10% higher than in 1H18 (R\$2,238,565).

For more information on the components of Operating costs and expenses see Note 26.

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

#### Energy bought for resale

The expense on energy bought for resale in 1H19 was R\$1,699,161, compared to R\$1,692,509 in 1H18, representing an absolute increase of R\$6,652. This reflects an average volume of energy bought 1.72% lower YoY in 1H19, at 9,211,905 MWh, vs. 9,372,826 MWh in 1H18, with an offsetting effect from the average price per MWh 10.49% higher YoY (at R\$199.52 in 1H19, vs. R\$180.58 in 1H18).

#### Personnel expenses

The expense on personnel in 1H19 was R\$168,274, 2.03% higher than in 1H18 (R\$164,930). This arises mainly from the following factors:

- salary increase of 4.00% under the Collective Work Agreement, as from November 2018.
- the average number of employees was 3.84% higher in 1H19, at 1,353, compared to 1,303 in 1H18.
- recognition, in 1H19, of a cost of R\$5,854 on voluntary retirement plans, compared to R\$ 6,731 in 1H18.

### Employee profit shares

This expense was R\$42,331 in 1H19, compared to R\$4,511 in 1H18 – or 838.40% higher year-on-year. This change reflects the higher net profit – which was R\$66,888 in 1H18, and R\$924,713 in 1H19.

### Construction cost

Construction cost was R\$82,989 in 1H19 – compared to R\$4,732 in 1H18. This cost is offset in full by the accounting item Construction revenue, thus having no effect on net income. The main factor in the higher figure was the timetable for works approved for the 2018–2025 cycle, approved in 2017 but of which only a small part was realized in 2018.

### Post-employment obligations

The impact of the Company's post-employment obligation on operating profit was an expense of R\$42,631 in 1H19 – which compares with an expense of R\$36,370 in 1H18, an increase of 17.21%. This mainly reflects a higher cost for the Health Plan in 2019, due to reduction of the discount rate used in the actuarial valuation made in December 2018 – which increases the total of post-retirement obligations. Also, the actuarial valuation of 2018 included the assumption of real growth in contributions to the Health Plan 1.00% above inflation.

### Operating provisions

Net operating provisions in 1H19 total R\$743,008, compared to R\$39,576 in 1H18, an increase of 1,777.42%, arising mainly from the following factors:

- Provision made for estimated losses for doubtful receivables in 2019, of R\$19,077, compared to the related total provision of R\$152 in 2018 – reflecting in particular worsening of the financial condition of a client with a significant position in the portfolio.
- The provision for the SAAG put option was 10.81% lower in 1H19, at R\$21,946, compared to R\$24,606 in 1H18. There is more on the method of calculation in Note 29.
- Recognition, in June 2019, of a provision for loss on amounts receivable from Renova, in the amount of R\$ 688,031, as a result of an assessment made by the company of the credit risk of that investee. More details in Note 28.

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

A gain of R\$8,753 in the value of non-consolidated investees was posted by the equity method in 1H19, which compares with a net loss of R\$140,412 in 1H18.

The losses recognized in 1H18 were basically related to the investments in: (a) Renova, and (b) Santo Antônio Energia. No loss on the investment in Renova was recognized in 1H19, 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 Santo Antônio Energia was 50.56% lower in 1H19, R\$70,882 in 1H19, compared to R\$143,368 in 1H18.

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

### ***Finance income (expenses)***

The Company reports net financial income of R\$558,846 in 1H19, compared to net financial expenses of R\$755,272 in 1H18.

This mainly reflects higher gain on the hedge transactions contracted to protect the Eurobond issue: the gain in 1H19 was R\$613,394, compared to a gain of R\$180,429 in 1H18. This improvement mainly reflects lowering of the yield curve over the period of the contract, which helps reduce expectations for the amount of payments of Cemig's obligations, which are indexed to the CDI rate, increasing the fair value of the option.

Also, amortization of transaction costs was 39.14% lower YoY in 1Q19, due to bringing forward of debt contracts, and also the amortization of the debentures of the First Series of the Sixth Issue.

Another component of Net financial revenue (expenses) was a gain of R\$241,416, arising from monetary updating of the tax credits for PIS, Pasep and Cofins taxes, as a result of the final judgment in the company's favor on its legal action questioning inclusion of ICMS tax amounts in the basis of calculation for those taxes, with effects since July, 2003. More details in Note 9.

For a breakdown of financial income / expenses please see Note 27.

### ***Income and social contribution taxes***

In 1H19 the expense on income and the Social Contribution taxes was R\$747,908, on pre-tax profit of R\$1,673,621 – an effective rate of 44.69%. In 1H18, the expense on income and the Social Contribution taxes was R\$74,538, or 52.70% of the pre-tax profit of R\$141,426.

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

### ***Net income (loss) for the second quarter 2019***

On the second quarter of 2019 (2Q19) the Company reports net income of R\$342,497, which compares a loss of R\$180,390 in the second quarter of 2018 (2Q18). The main variations in revenue, costs and expenses are noted below, after the Interim Financial Information.

An important component of the net profit for 2Q19 is financial gains on the derivative instruments contracted by the Company to hedge exchange rate risks on the debt raised in December 2017 (Eurobonds), these comprised a gain of R\$461,083 in 2Q19, compared to a gain of R\$ 82,912 in 2Q18.

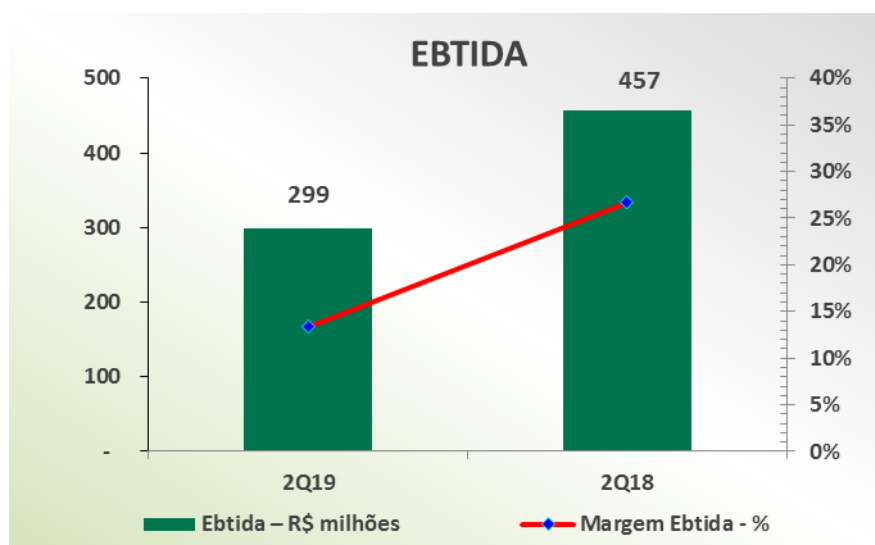
Also affected the result for 2Q19 was recognition of revenue totaling R\$438,788, net of tax effects, arising from the PIS/Pasep and Cofins taxes credits over ICMS. More details in Note 9.

In the contrary direction to the above effects was a provision of R\$ 688,031 made in 2Q19 for loss on amounts receivable from Renova, as a result of an assessment made by the company of the credit risk of that investee. More details in Note 28.

### Ebitda (profit before interest, tax, depreciation and amortization)

Cemig GT's Ebitda was 34.62% lower in 2Q19 than 2Q18:

Ebitda - R\$ million	2Q19	2Q18	Change %
Net income for the period	342,497	(180,390)	-
+ Current and deferred income and social contribution taxes	513,948	(48,967)	-
+ Net finance income (expenses)	(624,206)	650,213	-
+ Amortization and depreciation	66,813	36,539	82.85
= Ebitda	<u>299,052</u>	<u>457,395</u>	<u>(34.62)</u>



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



The lower Ebitda in 2Q19 than 2Q18 mainly reflected Operational costs and expenses (excluding amortization effects) 67.08% higher, partly offset by Operational revenue 30.91% higher. The higher figure for operational costs and expenses is basically due to higher operational provisions – in which the principal component was a provision for losses on amounts receivable from Renova, totaling R\$688,031, in June 2019. In line with the higher Ebitda, Ebitda margin in 2Q19 was 13.33%, compared to 26.70% in 2Q18.

### **Revenue from supply of energy**

	2Q19			2Q18		
	MWh	R\$ (mn)	Average price/MWh billed – R\$/MWh	MWh	R\$ (mn)	Average price/MWh billed – R\$/MWh
Industrial	3,326,304	768,521	255.41	3,733,998	790,961	211.83
Commercial	1,082,661	221,814	359.48	851,996	180,103	211.39
Rural	525	135	(712.62)	315	78	247.62
<b>Subtotal</b>	<b>4,409,490</b>	<b>990,470</b>	<b>273.17</b>	<b>4,586,309</b>	<b>971,142</b>	<b>211.75</b>
Net unbilled retail supply	-	5,842	-	-	40,874	-
	<b>4,409,490</b>	<b>996,312</b>	<b>274.78</b>	<b>4,586,309</b>	<b>1,012,016</b>	<b>-</b>
Wholesale supply to other concession holders	2,454,621	659,182	288.79	2,969,502	741,733	249.78
Wholesale supply unbilled, net	-	37,766	-	-	(39,052)	-
	<b>6,864,111</b>	<b>1,693,260</b>	<b>-</b>	<b>7,555,811</b>	<b>1,714,697</b>	<b>-</b>

For the second quarter of 2019 (2Q19) the Company reports a revenue from supply of energy of R\$1,693,260, compared to R\$1,714,697 in 2Q18 – or 1.25% lower, arising essentially from an increase in the average price per MWh; and, in counterpart, a lower volume of energy sold.

### **Transmission revenue**

The Company's revenue from transmission comprises the sum of the revenues from all the transmission assets. The concession contracts establish the Permitted Annual Revenue (RAP) for the existing assets of the system, updated annually based on the variation in the IPCA index. Whenever there is an upgrade or adaptation to an existing asset, made under specific authorization from Aneel, this is constituted as a new, added, component of the RAP – recorded as revenue.

This revenue was R\$172,904 in 2Q19, compared to R\$151,166 in 2Q18 – or 14.38% higher period-on-period. This variation arises basically from the inflation adjustment of the annual RAP, which was applied in July 2017, plus the new revenues related to the investments authorized to be included. It includes an additional adjustment for expectation of cash flow from financial assets, arising from change in the fair value of the Regulatory Remuneration Base of Assets (BRR).

In 2018 the adjustment was 4.00% (the IPCA index) for the concession of the Company, and 3.30% (the IGP-M Index) for the concession of Cemig Itajubá. The adjustments comprised (i) application of the inflation adjustment index, plus (ii) recognition of works to upgrade and improve the facilities.

### ***Revenue from transactions in the Wholesale Trading Exchange (CCEE)***

Revenue from transactions in energy on the CCEE in 2Q19 was R\$144,821, or 346.74% higher than in 2Q18 (R\$32,417). This mainly reflects the higher spot price in April 2019 than in April 2018, resulting in higher revenue in 2Q19 than 2Q18.

### ***Transmission indemnity revenue***

The revenue from reimbursements of transmission assets in 2Q19 was R\$57,921, compared to R\$96,678 in 2Q18.

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

More details in note 12 - Concession Financial Assets

### ***Taxes and charges reported as deductions from revenue***

Taxes and charges on revenue in 2Q19 totaled R\$447,296 – or 14.05% higher than in 2Q18 (R\$392,195).

### **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-customer subsidy, the coal consumption subsidy, and the Fuels Consumption Account (CCC).

The charges for the CDE in 2Q19 were R\$64,520, compared to R\$35,190 in 2Q18. The TUSD charge (component of the CDE) of the transmission companies is homologated annually, together with the approval of the budget of the CDE, for each full calendar year. The TUSD-CDE charge that came into effect on January 1, 2019, approved by Homologating Resolution 2510/2018, was the result of an increase of 40% from 2018. The higher figure for the TUSD / CDE was due to the higher annual quota in 2019 than 2018, which reflected both an average increase of 14% in the CDE unit cost (Annual quota per MWh), and also passthrough of the 2018 revision of the CDE budget. This 2018 budget review was reflected in a 16% increase in the Annual Quota, which in the case of the transmission sector was passed through to the consumer only in 2019.

### ***Operating costs and expenses (excluding Finance income/expenses)***

Operating costs and expenses (excluding Net Finance income/expenses) in 2Q19 totaled R\$1,982,532, or 67.56% less than in 2Q18 (R\$ 1,183,153).

For more information on the components of Operating costs and expenses see Note 26.

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

### Energy bought for resale

The expense on energy purchased for resale in 2Q19 was R\$916,241, which was 2.13% higher than the figure of R\$897,095 for this account in 2Q18. This reflects a volume of energy purchased 6.14% higher period-on-period in 2Q18, at 5,016,943 MWh, vs. 4,726,875 MWh in 2Q18, partially offset by the effect of average price per MWh in 2Q19 being 3.80% higher (at R\$ 197,01 in 2Q19, vs. R\$ 189.79 in 2Q18);

### Personnel expenses

The expense on personnel in 2Q19 was R\$77,669, or 9.04% lower than in 2Q18 (R\$85,391). This lower amount, in spite of the salary increase of 4% in the collective agreement in effect from November 2018, mainly reflects two factors:

- The average number of employees in 2Q19 was 4.03% higher, at 1,368, than in 2Q18 (1,315).
- Lower expense on the voluntary severance program: R\$5,854 in 2Q19, compared to R\$6,731 in 2Q18.

### Employee profit shares

This expense was R\$ 27,042 in 1H19, compared to a reversal of R\$ 79 in 1H18. This reflects the difference in net profit, of R\$ 342,497, in 2Q19, than in 2Q18 (R\$ 180,390).

### Construction cost

Construction cost was 1,396.38% higher period-on-period in 2Q19, at R\$ 54,902 – compared to R\$ 3,669 in 2Q18. This cost is offset in full by the accounting item Construction revenue, thus having no effect on net profit. The main factor in the higher figure was the timetable for works approved for the 2018–2025 cycle, approved in 2017 but of which only a small part was realized in 2018.

### Post-employment obligations

The impact of the Company's post-employment obligation on operating profit was an expense of R\$20,963 in 2Q19 – which compares with an expense of R\$18,507 in 2Q18, an increase of 13.27%. 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.

### Operating provisions

- Operating provisions represented an expense of R\$ 712,897 in 2Q19, compared to R\$30,577 in 2Q18, arising mainly from the recognition, in June 2019, of a provision for loss on amounts receivable from Renova, in the amount of R\$ 688,031, as a result of an assessment made by the company of the credit risk of that investee. More details in Note 28.

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

An equity loss of R\$27,926 was recorded in 2Q19 from equity in unconsolidated investees. This compares with a loss of R\$109,182 in 2Q18. No loss on the investment in Renova was recognized in 2Q19, since this investment had been written off in full in December 2018, due to that investee's uncovered liabilities. Also, the equity method result loss reported from the investment in Santo Antônio Energia was 38.05% lower in 2Q19, at R\$ 58,154, than in 2Q18 (R\$ 93,878).

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

### ***Finance income (expenses)***

The Company reports net financial income of R\$624,206 in 2Q19, compared to net financial expenses of R\$650,213 in 2Q18. The most significant variations in components were as follows:

- Gain on foreign exchange variation on loans and financings, in the amount of R\$96,751, in 2Q19, which compares with an expense of R\$532,425 in 2Q18 – reflecting depreciation of 1.66% in the US dollar against the Real in 2Q19, compared to an increase of 16.01% in that exchange rate in 2Q18.
- Gain on derivative financial instruments (swaps), of R\$461,083 in 2Q19, in comparison to a gain of R\$ 82,912 in 2Q18. This improvement mainly reflects lowering of the yield curve over the period of the contract, which helps reduce expectations for the amount of payments of Cemig's obligations, which are indexed to the CDI rate – increasing the fair value of the option.

For a breakdown of financial income / expenses please see Note 27.

### ***Income and social contribution taxes***

In 2Q19, the expense on income and the Social Contribution taxes was R\$513,948, on Income before income and social contribution taxes of R\$856,445 – an effective rate of 60.01%. In the same period of 2018, the credits on income and the Social Contribution taxes was R\$48,967, on a pre-tax loss of R\$ 229,357, representing an effective rate of 21.35%. These effective rates are reconciled with the nominal rates in Note 10c.

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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**  
Chief without portfolio

**Luciano de Araújo Ferraz**  
Chief Regulation and Legal

**Leonardo George de Magalhães**  
Controller  
CRC-MG 53.140

**Leonardo Felipe Mesquita**  
Business Accounting Manager  
Contador – CRC-MG 85.260



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

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## Independent Auditor's Review Report on Quarterly Information - ITR

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

### Introduction

We have reviewed the individual and consolidated interim financial information of Cemig Geração e Transmissão S.A (the "Company"), contained in the Quarterly Information Form (ITR) for the quarter ended June 30, 2019, which comprise the statement of financial position as at June 30, 2019 and the statements of profit or loss and comprehensive income for the three and six-month periods then ended and the statements of changes in equity and cash flows for the six-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.

## **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 14 to the interim financial information, currently investigations and other legal measures are being conducted by public authorities in connection with Company, its parent company and certain investees regarding certain expenditures and their allocations, which involve and also include some of their other shareholders and certain executives of the Company, of its parent company and of these other shareholders. The governance bodies of the parent company have authorized contracting of a specialized company to analyze the internal procedures related to these certain investments and to ascertain such claims. At this point, it is not possible to forecast future developments arising from these internal investigation procedures and conducted by the public authorities, nor their possible effects on the Company'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 14 to the interim financial information, the jointly-controlled investee Renova Energia S.A. has incurred recurring losses and, as at June 30, 2019, has negative net working capital, equity deficit and negative gross margin. These events or conditions in connection with other matters disclosed in Note 14 indicate the existence of relevant uncertainty that may raise significant doubt about the ability of this jointly-controlled investee to continue as a going concern. Our conclusion is not modified in respect of this matter.



## **Other matters**

### **Statements of value added**

We have also reviewed the individual and consolidated statements of value added (SVA) for the six-month period ended June 30, 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 (MG), August 15, 2019.

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