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Av. Barbacena 1200 Santo Agostinho 30190-131 Belo Horizonte, MG Brazil Tel.: +55 31 3506-5024 Fax +55 31 3506-5025

Geração e Transmissão S.A.

STATEMENTS OF FINANCIAL POSITION

AS OF SEPTEMBER 30, 2019 AND DECEMBER 31, 2018

ASSETS

(Thousands of Brazilian Reais)

	Note	Consolidated		Parent Company	
		Sep. 30, 2019	Dec. 31, 2018	Sep. 30, 2019	Dec. 31, 2018
CURRENT					
Cash and cash equivalents	5	356,542	301,696	266,256	226,830
Marketable securities	6	486,671	161,848	211,966	12,922
Customers and traders	7	1,071,546	879,875	944,724	730,991
Concession holders – transmission service	7	94,392	71,164	94,470	71,236
Recoverable taxes	8	44,616	48,505	33,582	41,166
Income tax and social contribution tax recoverable	10a	380,083	159,160	378,167	156,738
Dividends receivable	28	20,424	98,842	196,898	98,842
Concession financial assets	12	436,490	423,511	186,806	180,995
Contract assets	13	179,617	130,951	179,617	130,951
Advances to suppliers		30,006	6,785	30,006	2,036
Hydrological risk renegotiation premium		17,860	17,159	17,860	17,159
Derivative financial instruments	29	215,996	69,643	215,996	69,643
Others		91,588	168,167	86,503	154,619
TOTAL CURRENT		**3,425,831**	**2,537,306**	**2,842,851**	**1,894,128**
NON-CURRENT					
Marketable securities	6	-	21,498	-	1,709
Customers and traders	7	8,515	5,020	1,607	5,020
Deferred income tax and social contribution tax	10c	4,237	-	-	-
Recoverable taxes	8	691,540	17,825	665,211	17,068
Income tax and social contribution tax recoverable	10a	1,693	3,115	-	-
Escrow deposits	11	362,736	374,374	348,973	338,779
Receivable from related parties	28	1,805	921,288	6,454	927,913
Hydrological risk renegotiation premium		12,652	22,981	12,652	22,981
Advances to suppliers		10,075	87,285	10,075	87,285
Derivative financial instruments	29	1,654,110	743,692	1,654,110	743,692
Others		53,361	59,290	48,353	58,945
Concession financial assets	12	4,142,436	4,097,935	1,932,285	1,931,521
Contract assets	13	979,439	998,359	979,439	998,359
Investments	14	4,212,619	4,205,308	7,437,948	7,488,441
Property, plant and equipment	15	2,558,663	2,659,221	1,938,675	2,025,205
Intangible assets	16	180,678	197,583	28,742	30,715
Leasing – rights of use	17	59,816	-	58,560	-
TOTAL NON-CURRENT		**14,934,375**	**14,414,774**	**15,123,084**	**14,677,633**
TOTAL ASSETS		**18,360,206**	**16,952,080**	**17,965,935**	**16,571,761**

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STATEMENTS OF FINANCIAL POSITION

AS OF SEPTEMBER 30, 2019 AND DECEMBER 31, 2018

LIABILITIES

(Thousands of Brazilian Reais)

	Note	Consolidated		Parent Company	
		Sep. 30, 2019	Dec. 31, 2018	Sep. 30, 2019	Dec. 31, 2018
CURRENT					
Loans and financings	20	392,038	44,338	217,336	44,338
Debentures	20	674,317	559,873	674,317	559,873
Suppliers	18	502,599	484,726	458,101	436,114
Income tax and social contribution tax	10b	111,249	112,057	-	-
Taxes payable	19	47,240	57,664	32,862	46,453
Regulatory charges	21	164,648	139,457	156,912	131,615
Post-employment obligations	22	61,127	57,052	61,127	57,052
Interest on equity, and dividends, payable		617,121	660,068	617,121	659,622
Payroll and related charges		64,408	62,724	63,397	61,743
Advances from customers	7	-	40,267	-	40,267
Leasing – obligations	17	20,679	-	20,085	-
Others		66,813	74,191	61,780	72,900
TOTAL CURRENT		**2,722,239**	**2,292,417**	**2,363,038**	**2,109,977**
NON-CURRENT					
Loans and financings	20	6,196,150	5,919,979	6,196,150	5,756,612
Debentures	20	1,035,866	1,674,722	1,035,866	1,674,722
Deferred income tax and social contribution tax	10c	659,471	461,731	634,976	436,071
Taxes payable	19	638	4,445	72	4,124
Regulatory charges	21	53,354	59,349	46,395	54,048
Post-employment obligations	22	1,035,345	1,019,794	1,035,345	1,019,794
Provisions	23	370,784	98,708	370,570	97,793
Derivative financial instruments - options	29	451,767	419,148	451,767	419,148
Leasing – obligations	17	40,829	-	40,122	-
Others		21,866	21,651	19,737	19,336
TOTAL NON-CURRENT LIABILITIES		**9,866,070**	**9,679,527**	**9,831,000**	**9,481,648**
TOTAL LIABILITIES		**12,588,309**	**11,971,944**	**12,194,038**	**11,591,625**
SHAREHOLDERS' EQUITY	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		7,063	17,522	7,063	17,522
Retained earnings		803,386	-	803,386	-
TOTAL SHAREHOLDERS' EQUITY		**5,771,897**	**4,980,136**	**5,771,897**	**4,980,136**
TOTAL LIABILITIES AND EQUITY		**18,360,206**	**16,952,080**	**17,965,935**	**16,571,761**

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STATEMENTS OF INCOME

FOR THE NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2019 AND 2018

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

	Note	Consolidated		Parent Company	
		Jan. to Sep. 2019	Jan. to Sep. 2018	Jan. to Sep. 2019	Jan. to Sep. 2018
REVENUE	25	**5,963,697**	**5,121,455**	**5,174,410**	**4,609,463**
OPERATING COSTS					
COST OF ENERGY	26				
Charges for use of the national grid		(142,377)	(169,376)	(102,253)	(142,742)
Energy bought for resale		(2,825,618)	(2,865,752)	(2,785,509)	(2,799,647)
		(2,967,995)	**(3,035,128)**	**(2,887,762)**	**(2,942,389)**
COST	26				
Personnel and managers		(208,887)	(200,065)	(193,893)	(181,508)
Materials		(13,822)	(32,169)	(9,725)	(30,651)
Outsourced services		(88,487)	(74,260)	(59,812)	(63,160)
Depreciation and amortization		(154,882)	(105,255)	(102,852)	(105,117)
Operating provisions, net		(279,635)	(14,876)	(280,335)	(14,892)
Transmission infrastructure construction cost		(150,158)	(12,726)	(150,158)	(12,726)
Other operating costs		(18,096)	(17,463)	(15,015)	(15,929)
		(913,967)	**(456,814)**	**(811,790)**	**(423,983)**
TOTAL COST		**(3,881,962)**	**(3,491,942)**	**(3,699,552)**	**(3,366,372)**
GROSS PROFIT		**2,081,735**	**1,629,513**	**1,474,858**	**1,243,091**
OPERATING EXPENSES	26				
Selling rxpenses		(31,315)	(138)	(7,374)	(138)
General and administrative expenses		(81,661)	(78,991)	(81,661)	(78,991)
Operating provisions		(691,278)	(454)	(691,278)	(454)
Other operating expenses		(133,036)	(164,243)	(132,185)	(163,586)
		(937,290)	**(243,826)**	**(912,498)**	**(243,169)**
Share of profit (loss) of associates and joint ventures, net	14	(11,390)	(250,755)	454,412	48,738
Operating profit before financial revenue (expenses) and taxes		**1,133,055**	**1,134,932**	**1,016,772**	**1,048,660**
Finance income	27	1,471,376	459,349	1,429,838	444,356
Finance expenses	27	(1,125,243)	(1,505,431)	(1,111,243)	(1,503,755)
Income before finance income (expenses) and taxes		**1,479,188**	**88,850**	**1,335,367**	**(10,739)**
Current income tax and social contribution tax	10d	(493,576)	(140,609)	(344,700)	(40,909)
Deferred income tax and social contribution tax	10c	(193,851)	56,996	(198,906)	56,885
NET INCOME FOR THE PERIOD		**791,761**	**5,237**	**791,761**	**5,237**
Basic and diluted net income common share – R$	**24**	**0.2733**	**0.0018**	**0.2733**	**0.0018**

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STATEMENTS OF INCOME

FOR THE QUARTERS ENDED SEPTEMBER 30, 2019 AND 2018

(Thousands of Brazilian Reais, except earnings per share)

	Note	Consolidated		Parent Company	
		3Q19	3Q18	3Q19	3Q18
REVENUE	25	**1,766,124**	**1,845,780**	**1,496,330**	**1,662,929**
OPERATING COSTS					
COST OF ENERGY	26				
Charges for use of the national grid		(50,124)	(43,855)	(35,201)	(34,088)
Energy bought for resale		(1,126,457)	(1,173,243)	(1,088,712)	(1,133,638)
		(1,176,581)	**(1,217,098)**	**(1,123,913)**	**(1,167,726)**
COST	26				
Personnel and managers		(67,369)	(61,655)	(62,949)	(55,593)
Materials		(4,794)	(27,692)	(3,169)	(27,001)
Outsourced services		(30,210)	(26,051)	(21,109)	(20,522)
Depreciation and amortization		(51,395)	(34,967)	(33,990)	(34,917)
Operating provisions, net		(265,681)	(512)	(265,685)	(512)
Transmission infrastructure construction cost		(67,169)	(7,994)	(67,169)	(7,994)
Other operating costs		(8,851)	(5,546)	(6,597)	(4,411)
		(495,469)	**(164,417)**	**(460,668)**	**(150,950)**
TOTAL COST		**(1,672,050)**	**(1,381,515)**	**(1,584,581)**	**(1,318,676)**
GROSS PROFIT		**94,074**	**464,265**	**(88,251)**	**344,253**
OPERATING EXPENSES	26				
Selling expenses		(12,238)	14	3,078	14
General and administrative expenses		(24,675)	(29,174)	(24,675)	(29,174)
Other operating expenses		(18,738)	(86,528)	(18,396)	(86,310)
		(55,651)	**(115,688)**	**(39,993)**	**(115,470)**
Share of profit (loss) of associates and joint ventures, net		(20,143)	(110,343)	113,692	(17,876)
Operating profit before financial revenue (expenses) and taxes		**18,280**	**238,234**	**(14,552)**	**210,907**
Finance income	27	521,083	206,035	510,940	202,173
Finance expenses	27	(733,796)	(496,845)	(729,840)	(496,742)
Operating profit before financial revenue (expenses) and taxes		**(194,433)**	**(52,576)**	**(233,452)**	**(83,662)**
Current income tax and social contribution tax	10d	90,104	(72,117)	133,128	(40,909)
Deferred income tax and social contribution tax	10c	(29,623)	63,042	(33,628)	62,920
NET INCOME FOR THE PERIOD		**(133,952)**	**(61,651)**	**(133,952)**	**(61,651)**
Basic and diluted net income common share – R$	24	**(0.0462)**	**(0.0213)**	**(0.0462)**	**(0.0213)**

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STATEMENTS OF COMPREHENSIVE INCOME

FOR THE NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2019 AND 2018

(Thousands of Brazilian Reais)

	Consolidated		Parent Company	
	Jan. to Sep. 2019	Jan. to Sep. 2018	Jan. to Sep. 2019	Jan. to Sep. 2018
NET INCOME FOR THE PERIOD	791,761	5,237	791,761	5,237
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	791,761	5,237	791,761	5,237

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

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE QUARTERS ENDED SEPTEMBER 30, 2019 AND 2018

(Thousands of Brazilian Reais)

	Consolidated		Parent Company	
	July to Sep. 2019	July to Sep. 2018	July to Sep. 2019	July to Sep. 2018
NET INCOME FOR THE PERIOD	(133,952)	(61,651)	(133,952)	(61,651)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	(133,952)	(61,651)	(133,952)	(61,651)

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STATEMENT OF CHANGES IN CONSOLIDATED EQUITY

FOR THE NINE-MONTH PERIODS ENDED SEPTEMBER 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
BALANCES ON DECEMBER 31, 2017	**1,837,710**	**100,000**	**2,702,600**	**153,522**	**-**	**4,793,832**
Net income for the period	-	-	-	-	5,237	5,237
Capital increase	762,290	(100,000)	(662,290)	-	-	-
Realization of deemed cost of PP&E	-	-	-	(30,848)	30,848	-
BALANCES ON SEPTEMBER 30, 2018	**2,600,000**	**-**	**2,040,310**	**122,674**	**36,085**	**4,799,069**
BALANCES ON DECEMBER 31, 2018	**2,600,000**	**-**	**2,362,614**	**17,522**	**-**	**4,980,136**
Reversal of reserve for tax incentives, prior periods (1)	-	-	(1,166)	-	1,166	-
Net income for the period	-	-	-	-	791,761	791,761
Realization of deemed cost of PP&E	-	-	-	(10,459)	10,459	-
BALANCES ON SEPTEMBER 30, 2019	**2,600,000**	**-**	**2,361,448**	**7,063**	**803,386**	**5,771,897**

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

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STATEMENTS OF CASH FLOWS

FOR THE NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2019 AND 2018

(Thousands of Brazilian Reais)

	Note	Consolidated		Parent Company	
		Jan. to Sep. 2019	Jan. to Sep. 2018	Jan. to Sep. 2019	Jan. to Sep. 2018
CASH FLOW FROM OPERATIONS					
Net income for the period		791,761	5,237	791,761	5,237
Adjustments for:					
Expenses (revenues) not affecting cash and cash equivalents:					
Depreciation and amortization	26	171,231	109,445	119,200	109,307
Write-down of net residual value of PP&E, Intangible assets and Concession financial assets		8,699	34,889	3,276	34,891
Updating of concession financial and contract assets	12 and 13	(368,126)	(536,224)	(124,057)	(290,495)
Adjustment to expectation of contractual cash flow from the concession	13	(8,483)	(11,977)	(8,483)	(11,977)
Gain (loss) by equity method	14	11,390	250,755	(454,412)	(48,738)
Financial interest and inflation adjustment		585,899	623,466	575,127	626,670
Foreign exchange variations – loans and financings	20	434,396	774,340	434,396	774,340
Amortization of transaction cost of loans and financings	20	8,751	16,764	8,751	16,764
Deferred income tax and social contribution tax	10c	193,851	(56,996)	198,906	(56,885)
Recovery of PIS/Pasep and Cofins taxes credits over ICMS	9	(666,122)	-	(640,455)	-
Provisions for operating losses, net	26c	1,002,228	15,468	978,987	15,484
Variation in fair value of derivative financial instruments – Swaps	29	(1,099,230)	(322,847)	(1,099,230)	(322,847)
Variation in fair value of derivative financial instruments (Put options)	29	32,619	62,591	32,619	62,591
Provision for reimbursement for suspension of supply of power (Renova)		(62,575)	(51,635)	(62,575)	(51,635)
Post-employment obligations	22	75,343	65,811	75,343	65,811
		1,111,632	**979,087**	**829,154**	**928,518**
(Increase) / decrease in assets					
Customers and traders		(226,481)	(22,053)	(217,694)	5,564
Recoverable taxes		2,544	(78,221)	5,912	(77,366)
Income tax and social contribution tax recoverable		(27,111)	(11,823)	(15,677)	(11,033)
Power transport concession holders		(23,228)	14,360	(23,234)	14,384
Escrow deposits		21,462	(21,978)	(817)	(21,978)
Dividends received		102,767	92,230	434,399	397,571
Concession financial assets		328,002	1,645,708	134,838	1,459,751
Contract assets		(41,872)	-	(41,872)	-
Advances to suppliers		(33,296)	(69,387)	(38,045)	(93,087)
Others		93,219	7,566	91,395	9,543
		196,006	**1,556,402**	**329,205**	**1,683,349**
(Increase) reduction in liabilities					
Suppliers		17,873	(1,113)	21,987	(18,363)
Taxes		(14,231)	(18,865)	(17,643)	(19,667)
Income tax and social contribution tax		493,576	140,609	344,700	40,909
Payroll and related charges		1,684	6,091	1,654	6,091
Regulatory charges		19,196	(37,235)	17,644	(39,174)
Post-employment obligations	22	(55,717)	(50,262)	(55,717)	(50,262)
Advances from customers		(40,894)	(122,089)	(40,894)	(122,089)
Others		(15,070)	(27,600)	(18,278)	(23,973)
		406,417	**(110,464)**	**253,453**	**(226,528)**
Cash from operations activities		**1,714,055**	**2,425,025**	**1,411,812**	**2,385,339**
Interest received		24,578	-	24,578	-
Income tax and social contribution tax paid		(686,774)	(193,184)	(542,646)	(72,587)
Interest paid on loans	20	(449,205)	(473,922)	(449,205)	(473,922)
Settlement of derivative financial instruments (swap)		42,459	12,981	34,653	12,981
Interest paid on leasing transactions	17	(5,531)	-	(5,415)	-
CASH FROM OPERATING ACTIVITIES		**639,582**	**1,770,900**	**473,777**	**1,851,811**

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	Note	Consolidated		Parent Company	
		Jan. to Sep. 2019	Jan. to Sep. 2018	Jan. to Sep. 2019	Jan. to Sep. 2018
CASH FLOW IN INVESTMENT ACTIVITIES					
Funding of investments	14b	(43,050)	(167,565)	(43,050)	(167,605)
Reduction of share capital in investee		-	-	15,500	-
Loan with related parties		400,000	(1,030,000)	400,000	(1,030,000)
Investment in fixed assets	15	(45,156)	(41,848)	(17,371)	(37,134)
Investment in Intangible assets	16	(1,563)	(1,569)	(1,255)	(1,569)
Investment in Securities		(303,325)	67,651	(197,335)	4,900
NET CASH FROM (USED IN) INVESTMENT ACTIVITIES		**6,906**	**(1,173,331)**	**156,489**	**(1,231,408)**
CASH FLOW IN FINANCING ACTIVITIES					
Loans and financings		-	1,948,018	-	1,948,018
Interest on equity, and dividends		(42,947)	(200,000)	(42,501)	(200,000)
Payments of loans and debentures	20	(537,892)	(1,903,304)	(537,892)	(1,903,304)
Leasing payments	17	(10,803)	-	(10,447)	-
NET CASH USED IN FINANCIAL ACTIVITIES		**(591,642)**	**(155,286)**	**(590,840)**	**(155,286)**
NET CHANGE IN CASH AND CASH EQUIVALENTS		**54,846**	**442,283**	**39,426**	**465,117**
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	**356,542**	**845,622**	**266,256**	**831,286**

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CEMIG Geração e Transmissão S.A.

STATEMENTS OF ADDED VALUE

FOR THE NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2019 AND 2018

(Thousands of Brazilian Reais)

	Consolidated				Parent Company			
	Jan. to Sep. 2019		Jan. to Sep. 2018		Jan. to Sep. 2019		Jan. to Sep. 2018	
REVENUES								
Sales of energy and services	5,959,947		5,771,655		5,308,306		5,414,554	
Construction revenue	150,158		12,726		150,158		12,726	
Gain on financial updating of the Concession grant fee	244,069		245,729		-		-	
Investments in property, plant and equipment	17,688		52,513		17,688		52,513	
Transmission indemnity revenue	124,057		208,164		124,057		208,164	
Reimbursement revenue – generation	-		82,331		-		82,331	
PIS/Pasep and Cofins taxes credits	424,403		-		408,612		-	
Provision for doubtful receivables	(31,315)		(138)		(7,374)		(138)	
Other revenues (expenses)	17,921		191		17,921		191	
	6,906,928		**6,373,171**		**6,019,368**		**5,770,341**	
INPUTS ACQUIRED FROM THIRD PARTIES								
Energy bought for resale	(3,098,219)		(3,140,598)		(3,055,137)		(3,069,395)	
Charges for use of national grid	(155,199)		(185,729)		(112,645)		(156,863)	
Outsourced services	(181,250)		(134,282)		(152,564)		(123,173)	
Materials	(106,808)		(57,982)		(102,711)		(56,464)	
Paid concession	(2,127)		(2,068)		(2,120)		(2,068)	
Other operating costs	(1,027,411)		(128,952)		(1,025,950)		(127,439)	
	(4,571,014)		**(3,649,611)**		**(4,451,127)**		**(3,535,402)**	
GROSS VALUE ADDED	**2,335,914**		**2,723,560**		**1,568,241**		**2,234,939**	
RETENTIONS								
Depreciation and amortization	(171,231)		(109,445)		(119,200)		(109,307)	
NET VALUE ADDED	**2,164,683**		**2,614,115**		**1,449,041**		**2,125,632**	
ADDED VALUE RECEIVED BY TRANSFER								
Share of (loss) profit, net, of associates and joint ventures	(11,390)		(250,755)		454,412		48,738	
Finance income	1,471,376		459,349		1,429,838		444,356	
	1,459,986		**208,594**		**1,884,250**		**493,094**	
ADDED VALUE TO BE DISTRIBUTED	**3,624,669**		**2,822,709**		**3,333,291**		**2,618,726**	
DISTRIBUTION OF ADDED VALUE								
		%		%		%		%
Employees	**322,178**	**8.88**	**271,022**	**9.60**	**307,410**	**9.23**	**253,773**	**9.70**
Direct remuneration	210,360	5.80	177,210	6.28	196,028	5.88	161,364	6.16
Benefits	93,909	2.59	75,963	2.69	93,580	2.81	75,027	2.87
FGTS fund	12,055	0.33	11,118	0.39	11,948	0.36	10,651	0.41
Programmed voluntary retirement plan	5,854	0.16	6,731	0.24	5,854	0.18	6,731	0.26
Taxes	**1,380,308**	**38.10**	**1,022,373**	**36.22**	**1,118,769**	**33.56**	**837,803**	**31.99**
Federal	896,024	24.72	607,718	21.53	693,508	20.81	456,312	17.42
State	478,323	13.20	412,486	14.61	422,483	12.67	379,365	14.49
Municipal	5,961	0.18	2,169	0.08	2,778	0.08	2,126	0.08
Remuneration of external capital	**1,130,422**	**31.18**	**1,524,077**	**53.99**	**1,115,351**	**33.46**	**1,521,913**	**58.11**
Interest	1,125,243	31.04	1,505,431	53.33	1,111,243	33.34	1,503,755	57.42
Rentals	5,179	0.14	18,646	0.66	4,108	0.12	18,158	0.69
Remuneration of own capital	**791,761**	**21.84**	**5,237**	**0.19**	**791,761**	**23.75**	**5,237**	**0.20**
Retained earnings	791,761	21.84	5,237	0.19	791,761	23.75	5,237	0.20
	3,624,669	**100.00**	**2,822,709**	**100.00**	**3,333,291**	**100.00**	**2,618,726**	**100.00**

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

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NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE NINE-MONTH PERIODS ENDED SEPTEMBER 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 the Company 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.

The Company 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 5,561 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.

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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 November 11, 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:

<u>IFRS 16 / CPC 06 (R2) – *Leases*</u>

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.

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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 three and nine-months periods ended September 30, 2019:

Statements of financial position	Consolidated			Parent Company		
	Sep. 30, 2019 Without adoption of IFRS 16/CPC 06 (R2)	Adjustment IFRS 16/CPC 06 (R2)	Sep. 30, 2019 With adoption of IFRS 16/CPC 06 (R2)	Sep.30, 2019 Without adoption of IFRS 16/CPC 06 (R2)	Adjustment IFRS 16/CPC 06 (R2)	Sep. 30, 2019 With adoption of IFRS 16/CPC 06 (R2)
Current assets	**3,425,831**	**-**	**3,425,831**	**2,842,851**	**-**	**2,842,851**
Non-current assets	**14,874,559**	**59,816**	**14,934,375**	**15,064,524**	**58,560**	**15,123,084**
Right to use – Leasing	-	59,816	59,816	-	58,560	58,560
Other non-current assets	14,874,559	-	14,874,559	15,064,524	-	15,064,524
Current liabilities	**2,701,560**	**20,679**	**2,722,239**	**2,342,953**	**20,085**	**2,363,038**
Right to use – Leasing	-	20,679	20,679	-	20,085	20,085
Other current liabilities	2,701,560	-	2,701,560	2,342,953	-	2,342,953
Non-current liabilities	**9,824,678**	**41,392**	**9,866,070**	**9,790,318**	**40,682**	**9,831,000**
Right to use – Leasing	-	40,829	40,829	-	40,122	40,122
Deferred income tax and social contribution tax	658,908	563	659,471	634,416	560	634,976
Other non-current liabilities	9,165,770	-	9,165,770	9,155,902	-	9,155,902
Shareholders' equity	**5,774,152**	**(2,255)**	**5,771,897**	**5,774,104**	**(2,207)**	**5,771,897**

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Income statement	Consolidated			Parent Company		
	Sep. 30, 2019 Without adoption of IFRS 16/CPC 06 (R2)	Adjustment IFRS 16/CPC 06 (R2)	Sep. 30, 2019 With adoption of IFRS 16/CPC 06 (R2)	Sep. 30, 2019 Without adoption of IFRS 16/CPC 06 (R2)	Adjustment IFRS 16/CPC 06 (R2)	Sep. 30, 2019 With adoption of IFRS 16/CPC 06 (R2)
Net revenue	**5,963,697**	**-**	**5,963,697**	**5,174,410**	**-**	**5,174,410**
Operating costs and expenses	**(4,823,091)**	**3,839**	**(4,819,252)**	**(4,615,818)**	**3,768**	**(4,612,050)**
Share of profit (loss) of associates and joint ventures, net	(11,390)	-	(11,390)	454,412	-	454,412
Net finance income (expenses)	351,664	(5,531)	346,133	324,010	(5,415)	318,595
Income tax and social contribution tax	(686,864)	(563)	(687,427)	(543,046)	(560)	(543,606)
PROFIT (LOSS) FOR THE PERIOD	**794,016**	**(2,255)**	**791,761**	**793,968**	**(2,207)**	**791,761**

Income statement	Consolidated			Parent Company		
	July to Sep. 2019 Without adoption of IFRS 16/CPC 06 (R2)	Adjustment IFRS 16/CPC 06 (R2)	July to Sep. 2019 With adoption of IFRS 16/CPC 06 (R2)	July to Sep. 2019 Without adoption of IFRS 16/CPC 06 (R2)	Adjustment IFRS 16/CPC 06 (R2)	July to Sep. 2019 With adoption of IFRS 16/CPC 06 (R2)
Net Revenue	**1,766,124**	**-**	**1,766,124**	**1,496,330**	**-**	**1,496,330**
Operating costs and expenses	**(1,728,246)**	**545**	**(1,727,701)**	**(1,625,094)**	**520**	**(1,624,574)**
Share of profit (loss) of associates and joint ventures, net	(20,143)	-	(20,143)	113,692	-	113,692
Net finance income (expenses)	(210,922)	(1,791)	(212,713)	(217,145)	(1,755)	(218,900)
Income tax and social contribution tax	60,901	(420)	60,481	99,920	(420)	99,500
PROFIT (LOSS) FOR THE PERIOD	**(132,286)**	**(1,666)**	**(133,952)**	**(132,297)**	**(1,655)**	**(133,952)**

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.

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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	Sep. 30, 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 tax and social contribution tax
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

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

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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	Sep. 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
Cemig Geração Poço Fundo S.A. (1)	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

(1) The Extraordinary General Meeting of Stockholders held on August 29, 2019 approved changes to the bylaws of the subsidiary, changing its name and its corporate objects. With the alteration, the name of Usina Termelétrica Barreiro S.A. was changed to Cemig Geração Poço Fundo S.A.

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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
GENERATION			
Hydroelectric plants			
Emborcação (1)	Cemig GT	7/1997	Jul. 2025
Nova Ponte (1)	Cemig GT	7/1997	Jul. 2025
Santa Luzia (1)	Cemig GT	7/1997	Feb. 2026
Irapé (1)	Cemig GT	14/2000	Feb. 2035
Queimado (Consortium) (1)	Cemig GT	06/1997	Jan. 2033
Salto Morais (1)	Cemig GT	02/2013	Jul. 2020
Rio de Pedras (1)	Cemig GT	02/2013	Sep. 2024
Luiz Dias (1)	Cemig GT	02/2013	Aug. 2025
Poço Fundo (1)	Cemig GT	02/2013	Aug. 2025
São Bernardo (1)	Cemig GT	02/2013	Aug. 2025
Xicão (1)	Cemig GT	02/2013	Aug. 2025
Rosal (1)	Rosal Energia	01/1997	May 2032
Machado Mineiro (1)	Horizontes Energia	Resolution 331/2002	Jul. 2025
Salto Voltão (1)			Oct. 2030
Salto Paraopeba (1)			Oct. 2030
Salto do Passo Velho (1)			Oct. 2030
PCH Pai Joaquim (1)	Cemig PCH	Authorizing Resolution 377/2005	Apr. 2032
Sá Carvalho (1)	Sá Carvalho	01/2004	Dec. 2024
Três Marias (2)	Cemig Geração Três Marias S.A.	08/2016	Jan. 2046
Salto Grande (2)	Cemig Geração Salto Grande	09/2016	Jan. 2046
Itutinga (2)	Cemig Geração Itutinga	10/2016	Jan. 2046
Camargos (2)	Cemig Geração Camargos	11/2016	Jan. 2046
Coronel Domiciano, Joasal, Marmelos, Paciência and Piau (2)	Cemig Geração Sul	12/2016 and 13/2016	Jan. 2046
Dona Rita, Ervália, Neblina, Peti, Sinceridade and Tronqueiras (2)	Cemig Geração Leste	14/2016 and 15/2016	Jan. 2046
Cajurú, Gafanhoto and Martins (2)	Cemig Geração Oeste	16/2016	Jan. 2046
Thermal plants			
Igarapé (1)	Cemig GT	7/1997	Aug. 2024
Wind farms			
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
TRANSMISSION			
National grid (4)	Cemig GT	006/1997	Jan. 2043
Itajubá Substation (4)	Cemig GT	79/2000	Oct. 2030

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

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

(3) These are concessions, given by authorization, for generation of wind power as an independent power producer, to be sold under *Proinfa* (the program to encourage alternative energy sources). Assets tied to the right of commercial operation are recorded in PP&E. The rights of authorization of commercial operation that are considered as Investments in the 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, in accordance with IFRS 15 / CPC 47, are recognized as contract asset for being subject to satisfaction of performance obligations.

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5. CASH AND CASH EQUIVALENTS

	Consolidated		Parent Company	
	Sep. 30, 2019	Dec. 31, 2018	Sep. 30, 2019	Dec. 31, 2018
Bank accounts	3,152	4,135	549	3,583
Cash investments:				
Bank certificates of deposit (1)	295,214	246,691	240,374	219,204
Overnight (2)	58,176	50,870	25,333	4,043
	353,390	**297,561**	**265,707**	**223,247**
	356,542	**301,696**	**266,256**	**226,830**

1) *Bank Certificates of Deposit* (*Certificados de Depósito Bancário* or CDBs) accrue interest at between 85% and 103.10% 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 5.39% (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	
	Sep. 30, 2019	Dec. 31, 2018	Sep. 30, 2019	Dec. 31, 2018
Financial Notes (LFs) – Banks (1)	369,047	118,374	160,702	9,409
Treasury Financial Notes (LFTs) (2)	110,723	56,572	48,214	4,496
Debentures (3)	6,822	8,338	2,971	663
Others	79	62	79	63
	486,671	**183,346**	**211,966**	**14,631**
Current assets	**486,671**	**161,848**	**211,966**	**12,922**
Non-current assets	-	**21,498**	-	**1,709**

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 101.95% to 113% 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 149.8% of the CDI Rate (104.25% to 151% 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.

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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				Sep. 30, 2019	Dec. 31, 2018
Industrial	7,309	263,561	25,978	21,798	34,857	353,503	341,012
Commercial, services and others	10,167	74,136	1,535	130	-	85,968	67,675
Farmers	-	-	-	-	-	-	45
Wholesale supply to other concession holders	5,483	219,150	23,885	13,385	623	262,526	334,929
Concession holders – transmission service	10,424	78,920	296	67	4,685	94,392	71,164
CCEE (Wholesale Trading Exchange)	-	-	419,405	-	-	419,405	165,720
Provision for doubtful receivables	-	-	(9,045)	(16,547)	(15,749)	(41,341)	(24,486)
	33,383	**635,767**	**462,054**	**18,833**	**24,416**	**1,174,453**	**956,059**
Current assets						**1,165,938**	**951,039**
Customers and traders						1,071,546	879,875
Concession holders – transmission service						94,392	71,164
Non-current assets						**8,515**	**5,020**
Customers and traders						8,515	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				Sep. 30, 2019	Dec. 31, 2018
Industrial	505	228,864	639	5,435	15,108	250,551	251,621
Commercial, services and others	10,167	74,136	1,535	129	-	85,967	67,675
Farmers	-	-	-	-	-	-	45
Wholesale supply to other concession holders	-	191,100	15,642	434	623	207,799	284,935
Concession holders – transmission service	10,446	78,975	296	67	4,686	94,470	71,236
CCEE (Wholesale Trading Exchange)	-	-	419,414	-	-	419,414	156,221
Provision for doubtful receivables	-	-	(734)	(5,842)	(10,824)	(17,400)	(24,486)
	21,118	**573,075**	**436,792**	**223**	**9,593**	**1,040,801**	**807,247**
Current assets						**1,039,194**	**802,227**
Customers and traders						944,724	730,991
Concession holders – transmission service						94,470	71,236
Non-current assets						**1,607**	**5,020**
Customers and traders						1,607	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
Balance at Dec. 31, 2017	**21,623**	**21,623**
Provision made, net (Note 26c)	138	138
Balance at Sep. 30, 2018	**21,761**	**21,761**
Balance at Dec. 31, 2018	**24,486**	**24,486**
Provision made, net (Note 26c)	31,315	7,374
Settled	(14,460)	(14,460)
Balance at Sep. 30, 2018	**41,341**	**17,400**

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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	
Balance at Dec. 31, 2017	**190,758**
Inflation adjustment	7,373
Settled	(122,089)
Balance at Sep. 30, 2018	**76,042**
Balance at Dec. 31, 2018	**40,267**
Inflation adjustment	627
Settled	(40,894)
Balance at Sep. 30, 2019	-

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

Sep. 30, 2019				Balance on Sep. 30, 2019	Balance on Dec. 31, 2018
Counterparty	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	
	Sep. 30, 2019	Dec. 31, 2018	Sep. 30, 2019	Dec. 31, 2018
Current				
ICMS tax recoverable	22,217	24,300	15,118	18,385
Cofins tax	3,528	5,316	1,412	4,161
Pasep tax	872	1,018	172	773
Social security contributions	14,959	14,662	14,959	14,662
Others	3,040	3,209	1,921	3,185
	44,616	**48,505**	**33,582**	**41,166**
Não Circulante				
ICMS tax recoverable (1)	18,740	17,068	18,740	17,068
Cofins tax (2)	552,375	-	531,155	-
Pasep tax (2)	119,995	-	115,316	-
Others	430	757	-	-
	691,540	**17,825**	**665,211**	**17,068**
	736,156	**66,330**	**698,793**	**58,234**

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

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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$205,966 – 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 Cemig Geração Poço Fundo S.A. (formerly called Usina Termelétrica Barreiro S.A.).

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 at September 30, 2019:

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PIS/Pasep and Cofins credits	Cemig GT	Sá Carvalho	Cemig Geração Poço Fundo	Total
Effects on the statement of financial position				
Recoverable taxes (July/2003 to May/2019)	646,471	24,248	1,651	672,370
Taxes payable (1)	(6,035)	(219)	(18)	(6,272)
Income tax and social contribution tax	(217,748)	(8,170)	(555)	(226,473)
Equity	**422,688**	**15,859**	**1,078**	**439,625**
Effects on net income				
Recovery of PIS/Pasep and Cofins taxes credits over ICMS	408,612	14,797	994	424,403
Finance income	237,859	9,451	657	247,967
PIS/Pasep and Cofins taxes charged on financial revenues	(6,035)	(219)	(18)	(6,272)
Income tax and social contribution tax	(217,748)	(8,170)	(555)	(226,473)
Impact on Net Income of period	**422,688**	**15,859**	**1,078**	**439,625**

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

10. INCOME TAX AND SOCIAL CONTRIBUTION TAX

a) Income tax and social contribution tax recoverable

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

	Consolidated		Parent Company	
	Sep. 30, 2019	Dec. 31, 2018	Sep. 30, 2019	Dec. 31, 2018
Current				
Income tax	252,482	90,679	251,204	88,599
Social contribution tax	127,601	68,481	126,963	68,139
	380,083	**159,160**	**378,167**	**156,738**
Non-current				
Income tax	1,087	2,499	-	-
Social contribution tax	606	616	-	-
	1,693	**3,115**	**-**	**-**

The balances of Income tax and social contribution tax posted in non-current assets arise from retentions at source of tax relating to 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 tax and social contribution tax

The balances of income tax and social contribution tax recorded in Current liabilities refer mainly to the taxes owed by the 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.

	Consolidated	
	Sep. 30, 2019	Dec. 31, 2018
Current		
Income tax	82,161	83,207
Social contribution tax	29,088	28,850
	111,249	**112,057**

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c) Deferred income tax and social contribution tax

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	
	Sep. 30, 2019	Dec. 31, 2018	Sep. 30, 2019	Dec. 31, 2018
Deferred tax assets				
Post-employment obligations	327,507	316,092	327,507	316,092
Estimated losses on doubtful receivables	10,145	8,326	5,916	8,326
Provisions for contingencies	117,489	33,532	117,434	33,250
Provision for SAAG put option	153,601	142,510	153,601	142,510
Provisions for losses on investments	262,652	273,558	262,652	273,558
Other provisions	16,980	23,130	16,980	23,130
Paid concession	7,957	7,683	7,957	7,683
Others	12,742	6,534	12,716	6,262
	909,073	**811,365**	**904,763**	**810,811**
Deferred tax liabilities				
Fair Value as cost attributed on IFRS adoption	(233,660)	(239,092)	(213,885)	(218,534)
Adjustment of expected cash flow from reimbursements of concession assets	(528,712)	(552,327)	(528,712)	(552,327)
Fair value of equity holdings	(149,003)	(155,457)	(149,003)	(155,457)
Updating on escrow deposits	(722)	(29,708)	-	(28,752)
Derivative financial instruments (Swaps)	(635,836)	(276,534)	(635,836)	(276,534)
Others	(16,374)	(19,978)	(12,303)	(15,278)
	(1,564,307)	**(1,273,096)**	**(1,539,739)**	**(1,246,882)**
Net total	**(655,234)**	**(461,731)**	**(634,976)**	**(436,071)**
Total assets	**4,237**	**-**	**-**	**-**
Total liabilities	**(659,471)**	**(461,731)**	**(634,976)**	**(436,071)**

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

	Consolidated	Parent Company
Balance at Dec. 31, 2017	**(416,446)**	**(416,305)**
Effects allocated to Income statement	56,996	56,885
Balance at Sep. 30, 2018	**(359,450)**	**(359,420)**
Balance at Dec. 31, 2018	**(461,731)**	**(436,070)**
Effects allocated to Income statement	(193,851)	(198,906)
Others	348	-
Balance at Sep. 30, 2019	**(655,234)**	**(634,976)**

d) Reconciliation of the expense on income tax and social contribution tax

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:

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	Consolidated		Parent Company	
	Jan. to Sep. 2019	Jan. to Sep. 2018	Jan. to Sep. 2019	Jan. to Sep. 2018
Pretax profit	**1,479,188**	**88,850**	**1,335,367**	**(10,739)**
Income tax and social contribution tax – nominal expense (34%)	(502,924)	(30,209)	(454,025)	3,651
Tax effects applicable to:				
Tax incentives	4,299	2,474	3,342	1,604
Share of profit (loss) of associates and joint ventures, net	(11,800)	(89,710)	150,048	12,118
Non-deductible penalties	(9,066)	-	(9,066)	-
Non-deductible contributions and donations	(981)	(911)	(659)	(907)
Difference between presumed profit and real profit methods	65,989	(508)	-	(275)
Estimated losses on doubtful accounts receivable from related parties	(233,930)	35,341	(233,930)	-
Others	986	(90)	684	(215)
Income tax and social contribution tax – effective expense	**(687,427)**	**(83,613)**	**(543,606)**	**15,976**
Current tax	(493,576)	(140,609)	(344,700)	(40,909)
Deferred tax	(193,851)	56,996	(198,906)	56,885
	(687,427)	**(83,613)**	**(543,606)**	**15,976**
Effective rate	**46.47%**	**94.11%**	**40.71%**	**148.77%**

	Consolidated		Parent Company	
	July to Sep. 2019	July to Sep. 2018	July to Sep. 2019	July to Sep. 2018
Pretax profit	**(194,433)**	**(52,576)**	**(233,452)**	**(83,662)**
Income tax and Social Contribution tax – nominal expense (34%)	66,107	17,876	79,373	28,445
Tax effects applicable to:				
Tax incentives	(4,687)	2,474	(5,591)	1,604
Share of profit (loss) of associates and joint ventures, net	(9,563)	(39,002)	37,171	(7,563)
Non-deductible penalties	(9,062)	(356)	(9,062)	(355)
Non-deductible contributions and donations	(652)	(329)	(346)	(96)
Difference between presumed profit and real profit methods	20,280	10,246	-	-
Others	(1,942)	16	(2,045)	(24)
Income tax and social contribution tax – effective expense	**60,481**	**(9,075)**	**99,500**	**22,011**
Current tax	90,104	(72,117)	133,128	(40,909)
Deferred tax	(29,623)	63,042	(33,628)	62,920
	60,481	**(9,075)**	**99,500**	**22,011**
Effective rate	**31.11%**	**17.26%**	**42.62%**	**26.31%**

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11. ESCROW DEPOSITS

	Consolidated		Parent Company	
	Sep. 30, 2019	Dec. 31, 2018	Sep. 30, 2019	Dec. 31, 2018
Employment-law cases	**32,107**	**30,183**	**31,526**	**29,649**
Tax issues				
Income tax on Interest on Equity	17,120	16,791	15,804	15,475
Pasep and Cofins taxes (1)	205,966	201,211	194,073	189,922
Income tax and social security contribution on indemnity for employees' 'Anuênio' benefit (2)	66,104	64,786	66,104	64,786
Urban property tax (IPTU)	10,990	10,364	10,990	10,364
Social contribution tax (3)	18,062	18,062	18,062	18,062
Others	2,438	1,496	2,533	1,496
	320,680	**312,710**	**307,566**	**300,105**
Others				
Court embargo	1,960	763	1,928	731
Regulatory	2,961	3,537	2,961	3,537
Others	5,028	27,181	4,992	4,757
	9,949	**31,481**	**9,881**	**9,025**
	362,736	**374,374**	**348,973**	**338,779**

(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 – PIS/Pasep and Cofins Taxes Credits over ICMS – Final Court Judgment.
(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	
	Sep. 30, 2019	Dec. 31, 2018	Sep.30, 2019	Dec. 31, 2018
Transmission – Indemnity receivable (1)	1,302,889	1,296,314	1,302,889	1,296,314
Generation – Indemnity receivable	816,202	816,202	816,202	816,202
Generation – Concession grant fee	2,459,835	2,408,930	-	-
	4,578,926	**4,521,446**	**2,119,091**	**2,112,516**
Current	**436,490**	**423,511**	**186,806**	**180,995**
Non-current	**4,142,436**	**4,097,935**	**1,932,285**	**1,931,521**

(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
Balance at Dec. 31, 2017	**4,237,892**	**2,475,838**	**6,713,730**	**1,900,757**	**2,475,838**	**4,376,595**
Effects of initial adoption of CPC 47 / IFRS 15	-	(1,092,271)	(1,092,271)	-	(1,092,271)	(1,092,271)
Inflation adjustment (a)	301,061	128,675	429,736	55,332	128,675	184,007
Amounts received	(1,325,312)	(204,948)	(1,530,260)	(1,139,355)	(204,948)	(1,344,303)
Balance at Sep. 30, 2018 (reclassified)	**3,213,641**	**1,307,294**	**4,520,935**	**816,734**	**1,307,294**	**2,124,028**
Reclassification (b)	-	1,068,329	1,068,329	-	1,068,329	1,068,329
Balance at Sep. 30, 2018 (originally shown)	**3,213,641**	**2,375,623**	**5,589,264**	**816,734**	**2,375,623**	**3,192,357**
Balance at Dec. 31, 2018	**3,225,132**	**1,296,314**	**4,521,446**	**816,202**	**1,296,314**	**2,112,516**
Inflation adjustment	244,069	97,331	341,400	-	97,331	97,331
Amounts received	(193,164)	(134,838)	(328,002)	-	(134,838)	(134,838)
Transfers – Contract assets (note 13)		44,082	44,082	-	44,082	44,082
Balance at Sep. 30, 2019	**3,276,037**	**1,302,889**	**4,578,926**	**816,202**	**1,302,889**	**2,119,091**

(a) The revenue corresponding to financial updating is shown net of a write-off of R$ 26,999 of the deemed cost of the Miranda and São Simão plants.
(b) For comparability, the balances of certain assets linked to transmission concession infrastructure, originally presented on September 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 – Contract assets).

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Transmission - Indemnifiable receivable

On April 20, 2016, the Mining and Energy Ministry (MME) issued its Ministerial Order 120, which set the amounts ratified by Aneel through its Dispatches, relating to the facilities of the National Grid not yet amortized nor depreciated nor yet reimbursed by the concession-granting power, related to the concession contracts renewed under Law 12,783/2013. These became a component of the Regulatory Remuneration Base of the electricity transmission concession holders, as from the 2017 tariff-setting process. These regulations determined the amounts receivable as Permitted Annual Revenue (*Receita Annual Permitida - RAP*) of the amounts relating to the National Grid.

Based on the regulations of Aneel and the Mining and Energy Ministry, in particular MME Ministerial Order 120/2016 and Aneel Resolution 762/2017, the portion of the Company's receivable rights for which passage of time is required for their payment is governed by CPC 48 (*financial asset*).

Thus, the portion not yet paid, since the extension of the concessions, for the period January 1, 2013 to June 30, 2017, to be received over a period of eight years, considered as a Financial Component, is classified as a Financial asset, since it no longer involves the construction of infrastructure assets, and represents exclusively the portions not paid in the period 2013 to 2017, updated by the regulatory cost of capital of the transmission sector.

The classification of this portion as a financial asset is based on the non-existence of assets linked to the financial component of the National Grid, for which a performance obligation is required for its receipt. In this context, the Company has the unconditional right to the receivable, specified in Article 15 of Law 12,783/2013 and also in the regulations of Aneel, requiring, basically, only the passage of time for receipt of the amounts payable. Considering that the regulatory cost of capital, previously set by Aneel through its Resolution 762/2017, is used for remuneration of the financial asset recognized, this is classified as measured at amortized cost, in the terms of IFRS 09 / CPC 48, because it is maintained in a business model whose objective is the receipt of contractual cash flows, constituting payment of principal and interest on the principal yet unpaid.

In relation to the facilities of the National Grid linked to the Company's concession contract, Aneel ratified, through its Dispatch 2,181, on august, 16, 2016, homologated the amount of R$892,050, in December 2012 Reais, for the portion of the residual value of assets to be paid to the Company. This amount was recorded as a financial asset, with specific maturity and interest rate, in accordance with its characteristics.

The amount of the reimbursement receivable, updated to September 30, 2019, is R$1,302,889 (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:

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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$863,103 at September 30, 2019 (R$936,945 on December 31, 2018) are updated by the IPCA index (*Expanded National Consumer Price Index*) and remunerated at the weighted average cost of capital of the transmission industry as defined by Aneel in the methodologies for concession holders' Periodic Tariff Reviews, to be paid over a period of eight years, in the form of reimbursement through the RAP, from July 2017.

Residual Value of transmission assets – injunction awarded to industrial customers

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

The preliminary relief granted was partial, with effects related to suspension of the inclusion in the customer tariffs paid by these associations of the portion of the indemnity corresponding to the remuneration of cost of capital included since the date of extension of the concessions – amounting to R$439,786 at September 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 Compay 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 September 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 September 30, 2019 (R$816,202 on December 31, 2018).

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Generating plant	Concession expiration date	Installed capacity (MW)	Net balance of assets based on historic cost	Net balance of assets based on deemed cost
Lot D				
Três Marias Hydroelectric Plant	July 2015	396	71,694	413,450
Salto Grande Hydroelectric Plant	July 2015	102	10,835	39,379
Itutinga Hydroelectric Plant	July 2015	52	3,671	6,589
Camargos Hydroelectric Plant	July 2015	46	7,818	23,095
Piau Small Hydroelectric Plant	July 2015	18,01	1,531	9,005
Gafanhoto Small Hydroelectric Plant	July 2015	14	1,232	10,262
Peti Small Hydroelectric Plant	July 2015	9,4	1,346	7,871
Dona Rita Small Hydroelectric Plant	Sep. 2013	2,41	534	534
Tronqueiras Small Hydroelectric Plant	July 2015	8,5	1,908	12,323
Joasal Small Hydroelectric Plant	July 2015	8,4	1,379	7,622
Martins Small Hydroelectric Plant	July 2015	7,7	2,132	4,041
Cajuru Small Hydroelectric Plant	July 2015	7,2	3,576	4,252
Paciência Small Hydroelectric Plant	July 2015	4,08	728	3,936
Marmelos Small Hydroelectric Plant	July 2015	4	616	4,265
Others				
Volta Grande Hydroelectric Plant	Feb. 2017	380	25,621	70,118
Miranda Hydroelectric Plant	Dec. 2016	408	26,710	22,546
Jaguara Hydroelectric Plant	Aug. 2013	424	40,452	174,203
São Simão Hydroelectric Plant	Jan. 2015	1,710	1,762	2,711
		3,601.70	**203,545**	**816,202**

As 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 September 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 Sep. 30, 2019
Cemig Geração Três Marias S.A.	Três Marias	1,369,900	131,837	(103,787)	1,397,950
Cemig Geração Salto Grande S.A.	Salto Grande	429,910	41,564	(32,731)	438,743
Cemig Geração Itutinga S.A.	Itutinga	160,601	17,494	(13,916)	164,179
Cemig Geração Camargos S.A.	Camargos	120,452	13,032	(10,359)	123,125
Cemig Geração Sul S.A.	Coronel Domiciano, Joasal, Marmelos, Paciência and Piau	157,217	18,203	(14,576)	160,844
Cemig Geração Leste S.A.	Dona Rita, Ervália, Neblina, Peti, Sinceridade and Tronqueiras	106,697	13,651	(11,068)	109,280
Cemig Geração Oeste S.A.	Cajurú, Gafanhoto and Martins	64,153	8,288	(6,727)	65,714
Total		**2,408,930**	**244,069**	**(193,164)**	**2,459,835**

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

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 September 30, 2019 were as follows:

	Consolidated		Parent Company	
	Sep. 30, 2019	Dec. 31, 2018	Sep. 30, 2019	Dec. 31, 2018
Transmission – Reimbursement assets incorporated into the assets remuneration Base	381,179	492,405	381,179	492,405
Transmission – Assets remunerated by tariff	777,877	636,905	777,877	636,905
	1,159,056	**1,129,310**	**1,159,056**	**1,129,310**
Current	**179,617**	**130,951**	**179,617**	**130,951**
Non-current	**979,439**	**998,359**	**979,439**	**998,359**

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The changes in contract assets are as follows:

Balance at Dec. 31, 2017	-
Effects of initial adoption of CPC 47 / IFRS 15 (note 12)	1,092,271
Additions	12,726
Inflation adjustment	79,489
Adjustment to expectation of contractual cash flow from the concession	11,977
Amounts received	(128,174)
Transfers to property, plant and equipment to concession financial assets	40
Balance at September 30, 2018 (reclassified)	**1,068,329**
Reclassification (a)	(1,068,329)
Balance at September 30, 2018 (originally submitted)	-
Balance at Dec. 31, 2018 (a)	**1,129,310**
Additions	150,158
Inflation adjustment	26,726
Adjustment to expectation of contractual cash flow from the concession	8,483
Amounts received	(108,286)
Settled	(3,259)
Transfers to PP&E (note 15)	6
Transfer to financial assets (note 12)	(44,082)
Balance at September 30, 2019	**1,159,056**

(a) For comparability, the balances of certain assets linked to transmission concession infrastructure, originally presented on September 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 – Concession financial assets).

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 portion of the RAP relating to the facilities of the National Grid arising from the regulatory reintegration quota incorporated into the Remuneration Base, under Mining and Energy Ministry Order 120/2016 and Aneel Resolution 762/2017, is classified as a contractual asset, since satisfaction of the performance obligation linked to their construction occurs during their useful life (availability of the network).

The right to the consideration linked to these assets depends on the availability of the network, since they were reincorporated into the Remuneration Base by the renewal of the concession contract, under Law 12,783/2013, and will be received for the remaining period of their useful life, as and when the services of operation and maintenance are rendered.

Thus, the asset is recognized, under IFRS 15 / CPC 47, as a contract asset, representing the performance concluded prior to the right to receipt of the consideration, which will take place during the utilization of the infrastructure built, for the period of its useful life, in accordance with Aneel Resolution 762/2017, concomitantly with the provision of services of operation and maintenance, which are necessary for availability of the network.

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The outstanding balance of the reimbursement for transmission, due to acceptance of the terms of Law 12,783/13, of R$381,179, at September 30, 2019 (R$492,405 at December 31, 2018) was incorporated into the Assets Remuneration Base and is being recovered through 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 September 30, 2019 was R$777,877 (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.

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14. INVESTMENTS

	Consolidated		Parent Company	
	Sep. 30, 2019	Dec. 31, 2018	Sep. 30, 2019	Dec. 31, 2018
Affiliated companies				
Madeira Energia (*Santo Antônio* Plant)	202,094	270,090	202,094	270,090
FIP Melbourne (*Santo Antônio* Plant)	413,955	470,022	413,955	470,022
Jointly-controlled entities				
Hidrelétrica Cachoeirão	55,291	49,213	55,291	49,213
Guanhães Energia	131,052	111,838	131,052	111,838
Hidrelétrica Pipoca	28,549	30,629	28,549	30,629
LightGer	45,306	42,191	45,306	42,191
Baguari Energia	163,505	162,224	163,505	162,224
Aliança Norte (*Belo Monte* plant)	675,283	663,755	675,283	663,755
Amazônia Energia (*Belo Monte* plant)	1,033,525	1,012,636	1,033,525	1,012,636
Aliança Geração	1,278,775	1,216,860	1,278,775	1,216,860
Retiro Baixo	180,116	170,720	180,116	170,720
Usina Hidrelétrica Itaocara S.A.	5,168	5,130	5,168	5,130
Subsidiaries				
Cemig Baguari	-	-	20	36
Cemig Geração Três Marias S.A.	-	-	1,390,759	1,395,614
Cemig Geração Salto Grande S.A.	-	-	455,131	440,083
Cemig Geração Itutinga S.A.	-	-	168,758	178,545
Cemig Geração Camargos S.A.	-	-	128,650	131,570
Cemig Geração Sul S.A.	-	-	166,729	176,424
Cemig Geração Leste S.A.	-	-	114,354	120,686
Cemig Geração Oeste S.A.	-	-	69,392	69,898
Rosal Energia S.A.	-	-	121,492	124,897
Sá Carvalho S.A.	-	-	118,112	94,447
Horizontes Energia S.A.	-	-	51,160	54,953
Cemig PCH S.A.	-	-	87,777	92,987
Cemig Geração Poço Fundo S.A. (1)	-	-	3,562	18,406
Empresa de Serviços de Comercialização de Energia Elétrica S.A.	-	-	14,596	26,755
Cemig Comercializadora de Energia Incentivada S.A.	-	-	2,859	2,841
Cemig Trading S.A.	-	-	16,234	28,135
Central Eólica Praias de Parajuru S.A.	-	-	146,741	145,880
Central Eólica Volta do Rio S.A.	-	-	169,003	180,976
Total of investments	**4,212,619**	**4,205,308**	**7,437,948**	**7,488,441**

(1) The Extraordinary General Meeting of Stockholders held on August 29, 2019 approved changes to the bylaws of the subsidiary, changing its name and its corporate objects. With the alteration, the name of Usina Termelétrica Barreiro S.A. was changed to Cemig Geração Poço Fundo S.A.

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

a) Right to commercial operation of the regulated activity

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

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Changes in these assets are as follows:

Parenty Company	Dec. 31, 2017	Amortization	Sep. 30, 2018	Dec. 31, 2018	Amortization	Sep. 30, 2019
Retiro Baixo	28,344	(886)	27,458	31,966	(1,042)	30,924
Central Eólica Praias de Parajuru	16,503	(1,060)	15,443	66,286	(4,661)	61,625
Central Eólica Volta do Rio	11,035	(653)	10,382	95,819	(6,160)	89,659
Central Eólica Praias de Morgado	23,956	(1,457)	22,499	-	-	-
Madeira Energia (*Santo Antônio* plant)	151,384	(4,467)	146,917	18,000	(552)	17,448
Aliança Geração	402,844	(18,982)	383,862	377,534	(18,982)	358,552
Aliança Norte (*Belo Monte* plant)	54,546	(1,478)	53,068	52,575	(1,479)	51,096
	688,612	**(28,983)**	**659,629**	**642,180**	**(32,876)**	**609,304**

Consolidated	Dec. 31, 2017	Amortization	Sep. 30, 2018	Dec. 31,2018	Amortização	Sep. 30, 2019
Retiro Baixo	28,344	(886)	27,458	31,966	(1,042)	30,924
Central Eólica Praias de Parajuru	16,503	(1,060)	15,443	-	-	-
Central Eólica Volta do Rio	11,035	(653)	10,382	-	-	-
Central Eólica Praias de Morgado	23,956	(1,457)	22,499	-	-	-
Madeira Energia (*Santo Antônio* plant)	151,384	(4,467)	146,917	18,000	(552)	17,448
Aliança Geração	402,844	(18,982)	383,862	377,534	(18,982)	358,552
Aliança Norte (*Belo Monte* plant)	54,546	(1,478)	53,068	52,575	(1,479)	51,096
	688,612	**(28,983)**	**659,629**	**480,075**	**(22,055)**	**458,020**

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

Consolidated	Dec. 31, 2018	Gain (loss) by equity method	Capital contributions	Dividends	Sep. 30, 2019
Hidrelétrica Cachoeirão	49,213	9,499	-	(3,421)	55,291
Guanhães Energia	111,838	(552)	19,766	-	131,052
Hidrelétrica Pipoca	30,629	2,294	-	(4,374)	28,549
Madeira Energia (*Santo Antônio* Plant)	270,090	(67,996)	-	-	202,094
FIP Melbourne (*Santo Antônio* Plant)	470,022	(56,067)	-	-	413,955
Baguari Energia	162,224	14,844	-	(13,563)	163,505
Lightger	42,191	6,106	-	(2,991)	45,306
Amazônia Energia (*Belo Monte* Plant)	1,012,636	20,814	75	-	1,033,525
Aliança Norte (*Belo Monte* Plant)	663,755	10,575	953	-	675,283
Aliança Geração	1,216,860	61,915	-	-	1,278,775
Retiro Baixo	170,720	9,396	-	-	180,116
Usina Hidrelétrica Itaocara S.A.	5,130	(22,218)	22,256	-	5,168
Total of investments	**4,205,308**	**(11,390)**	**43,050**	**(24,349)**	**4,212,619**

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Parent Company	Dec. 31, 2018	Gain (loss) by equity method	Capital contributions	Dividends	Others	Sep. 30, 2019
Hidrelétrica Cachoeirão	49,213	9,499	-	(3,421)	-	55,291
Guanhães Energia	111,838	(552)	19,766	-	-	131,052
Hidrelétrica Pipoca	30,629	2,294	-	(4,374)	-	28,549
Madeira Energia (*Santo Antônio* Plant)	270,090	(67,996)	-	-	-	202,094
FIP Melbourne (*Santo Antônio* Plant)	470,022	(56,067)	-	-	-	413,955
Baguari Energia	162,224	14,844	-	(13,563)	-	163,505
Central Eólica Praias Parajuru	145,880	873	-	(12)	-	146,741
Central Eólica Volta do Rio	180,976	(11,973)	-	-	-	169,003
Lightger	42,191	6,106	-	(2,991)	-	45,306
Amazônia Energia (*Belo Monte* Plant)	1,012,636	20,814	75	-	-	1,033,525
Aliança Norte (*Belo Monte* Plant)	663,755	10,575	953	-	-	675,283
Aliança Geração	1,216,860	61,915	-	-	-	1,278,775
Retiro Baixo	170,720	9,396	-	-	-	180,116
Usina Hidrelétrica Itaocara S.A.	5,130	(22,218)	22,256	-	-	5,168
Cemig Baguari	36	(16)	-	-	-	20
Cemig Ger.Três Marias S.A.	1,395,614	132,652	-	(137,507)	-	1,390,759
Cemig Ger.Salto Grande S.A.	440,083	48,707	-	(33,659)	-	455,131
Cemig Ger. Itutinga S.A.	178,545	31,180	-	(40,967)	-	168,758
Cemig Geração Camargos S.A.	131,570	24,222	-	(27,142)	-	128,650
Cemig Geração Sul S.A.	176,424	30,832	-	(40,527)	-	166,729
Cemig Geração Leste S.A.	120,686	22,689	-	(29,021)	-	114,354
Cemig Geração Oeste S.A.	69,898	13,668	-	(14,174)	-	69,392
Rosal Energia S.A.	124,897	18,038	-	(21,443)	-	121,492
Sá Carvalho S.A.	94,447	45,005	-	(21,340)	-	118,112
Horizontes Energia S.A.	54,953	12,273	-	(16,066)	-	51,160
Cemig PCH S.A.	92,987	9,419	-	(14,629)	-	87,777
Cemig Geração Poço Fundo S.A. (1) (2)	18,406	1,384	-	(728)	(15,500)	3,562
Empresa de Serviços de Comercialização de Energia Elétrica S.A.	26,755	41,416	-	(53,575)	-	14,596
Cemig Comercializadora de Energia Incentivada S.A.	2,841	1,082	-	(1,064)	-	2,859
Cemig Trading S.A.	28,135	44,351	-	(56,252)	-	16,234
Total of investments	**7,488,441**	**454,412**	**43,050**	**(532,455)**	**(15,500)**	**7,437,948**

(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.
(2) The Extraordinary General Meeting of Stockholders held on August 29, 2019 approved changes to the bylaws of the subsidiary, changing its name and its corporate objects. With the alteration, the name of Usina Termelétrica Barreiro S.A. was changed to Cemig Geração Poço Fundo S.A.

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

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

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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 September 30, 2019			On December 31, 2018		
		Equity interest (%)	Share capital	Equity	Equity interest (%)	Share capital	Equity
Affiliated companies							
Madeira Energia (*Santo Antônio* plant)	12,034,025,147	15.51	10,619,786	3,860,128	15.51	10,619,786	4,656,593
Jointly-controlled entities							
Hidrelétrica Cachoeirão	35,000,000	49.00	35,000	111,542	49.00	35,000	100,434
Guanhães Energia	548,626,000	49.00	548,626	267,499	49.00	396,402	228,242
Hidrelétrica Pipoca	41,360,000	49.00	41,360	58,263	49.00	41,360	62,509
Baguari Energia (1)	26,157,300,278	69.39	186,573	235,640	69.39	186,573	233,793
Lightger	79,078,937	49.00	79,232	92,464	49.00	79,232	86,105
Aliança Norte (*Belo Monte* plant)	41,893,675,837	49.00	1,208,071	1,273,852	49.00	1,206,127	1,247,307
Amazônia Energia (*Belo Monte* plant) (1)	1,322,527,723	74.50	1,322,528	1,359,208	74.50	1,322,428	1,359,243
Aliança Geração	1,291,582	45.00	1,291,488	2,037,678	45.00	1,291,488	1,857,905
Retiro Baixo	225,350,000	49.90	225,350	295,555	49.90	222,850	278,065
Renova (2)	41,719,724	36.23	2,919,019	(851,318)	36.23	2,919,019	(76,489)
Usina Hidrelétrica Itaocara S.A.	67,585,514	49.00	67,586	10,547	49.00	22,165	10,470
Subsidiaries							
Cemig Baguari	306,000	100.00	306	20	100.00	306	36
Cemig Ger.Três Marias S.A.	1,291,423,369	100.00	1,291,423	1,390,759	100.00	1,291,423	1,395,614
Cemig Ger.Salto Grande S.A.	405,267,607	100.00	405,268	455,131	100.00	405,268	440,083
Cemig Ger. Itutinga S.A.	151,309,332	100.00	151,309	168,758	100.00	151,309	178,545
Cemig Geração Camargos S.A.	113,499,102	100.00	113,499	128,650	100.00	113,499	131,570
Cemig Geração Sul S.A.	148,146,505	100.00	148,147	166,729	100.00	148,147	176,424
Cemig Geração Leste S.A.	100,568,929	100.00	100,569	114,354	100.00	100,569	120,686
Cemig Geração Oeste S.A.	60,595,484	100.00	60,595	69,392	100.00	60,595	69,898
Rosal Energia S.A.	46,944,467	100.00	46,944	121,492	100.00	46,944	124,897
Sá Carvalho S.A.	361,200,000	100.00	36,833	118,112	100.00	36,833	94,447
Horizontes Energia S.A.	39,257,563	100.00	39,258	51,160	100.00	39,258	54,953
Cemig PCH S.A.	45,952,000	100.00	45,952	87,777	100.00	45,952	92,987
Cemig Geração Poço Fundo S.A. (3)	1,402,000	100.00	1,402	3,562	100.00	16,902	18,406
Empresa de Serviços de Comercialização de Energia Elétrica S.A.	486,000	100.00	486	14,596	100.00	486	26,755
Cemig Comercializadora de Energia Incentivada S.A.	1,000,000	100.00	1,000	2,859	100.00	1,000	2,841
Cemig Trading S.A.	1,000,000	100.00	1,000	16,234	100.00	1,000	28,135
Central Eólica Praias de Parajuru S.A.	71,834,843	100.00	71,835	85,116	100.00	71,835	79,594
Central Eólica Volta do Rio S.A.	138,867,440	100.00	138,867	79,344	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 September 30,2019.
(3) The Extraordinary General Meeting of Stockholders held on August 29, 2019 approved changes to the bylaws of the subsidiary, changing its name and its corporate objects. With the alteration, the name of Usina Termelétrica Barreiro S.A. was changed to Cemig Geração Poço Fundo S.A.

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.

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On September, 30, 2019 MESA reported a loss of R$796,465 and current liabilities in excess of current assets by R$328,913. 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")

In the period ended September 30, 2019, Renova has reported a loss of R$774,829, accumulated losses of R$3,825,716, consolidated current liabilities in excess of consolidated current assets by R$2,336,280, an equity deficit of R$851,318.

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.

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Additionally, considering the worsening Renova's financial conditions and the events that took place in 2019, the Company recognized, since that moment, an estimated loss on realization of the credits owned by that jointly-controlled investee at the total amount of the balances receivable, in the amount of R$688 million, on September 30, 2019.

Negotiations on Alto Sertão III

On April 9, 2019 Renova signed a share purchase agreement for the transaction to sell the Alto Sertão III Wind Generation Complex to AES Tietê Energia S.A.. Following certain events not being completed in 2019 that were considered to be conditions precedent and suspensive conditions for the negotiations with AES, the transaction for the disposal of the Alto Sertão III wind complex was terminated, since the parties did not reach agreement on commercial terms of the transaction.

Change in control of Renova

On October 15, 2019, Light sold the totality of its shares in the jointly-controlled investee Renova to CG I Fundo de Investimento em Participações Multiestratégia, namely 7,163,074 shares and 98 preferred shares, equivalent in total to 17.17% of the share capital of the company, for R$1.00. Additionally, Lightcom Comercializadora de Energia S.A. signed an Assignment Agreement through which it assigned all the credits held against Renova to CG I. With the expiry of the period specified in the Stockholders' Agreement of Renova, the Company did not exercise its right of first refusal nor its right of joint sale, and thus there has been no change in its direct equity interest in Renova.

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.

Also, the bridge loan contracted with the BNDES with funds for execution of the works on the Alto Sertão III wind power complex, in the amount of R$1,012 million on September 30, 2019, becoming due October 15, 2019, was not settled, and the subsidiary became in default with the BNDES.

On October 17, 2019, Renova received notice from the BNDES informing it that due to the bridge loan having matured on October 15, 2019, the guarantee letters issued by the banks Bradesco S.A., Citibank S.A., Itaú Unibanco S.A. and ABC Brasil S.A., in the total amount of R$568,075, had been executed.

Due to the occurrence of default events by the subsidiaries Renova Diamantina and Chipley, the banks Itaú and Bradesco decreed early maturity of the bank credit notes, and Light S.A., as non-joint surety of the obligations, made a payment on October 21, 2019, of R$15,892.

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Application to the court by Renova for Judicial Recovery

On October 16, 2019, the second Bankruptcy and Judicial Recovery Court of the legal district of São Paulo State granted the application for judicial recovery applied for by Renova, and by the other companies of the group ('the Renova Group'), and determined, among other measures, the following:

(i) Appointment of KPMG Corporate Finance to act as judicial administrator.
(ii) Suspension of actions and executions against the companies of the Renova Group for 180 days, under Article 6 of Law 11,101/2005.
(iii) Presentation of accounts by the 30th of each month, while the Judicial Recovery proceedings continue, on penalty of the controlling stockholders of the companies of the Renova Group being removed, and replaced by administrators, under Article 52, IV, of Law 11,101/2005.
(iv) Dispensation of presentation of certificates of absence of debt so that the companies of the Renova Group can exercise their activities; and
(v) Order to publish a tender, in the terms of §1 of Article 52 of Law 11,101/2005, with 15 days for presentation of qualifications and/or divergences of credits in relation to the Judicial Recovery.

In this context, on October 23, 2019, the Board of Directors of Renova approved signature of contracts for an Advance against Future Capital Increase up to the total aggregate amount of R$50,000, with any stockholder of the company, by December 31, 2019.

Considering the non-existence of any legal or constructive obligations to the investee, the Company has concluded that the granted of judicial recovery filed by Renova does not have any additional impact in its financial statements.

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$3,663,068 at September 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.

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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 September 30, 2019 is R$1,900,000.

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.

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Madeira Energia S.A. ("MESA")

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

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.

Additionally, on October 30, 2019, Renova published a notice to the market that it had received an infringement notice issued by the Brazilian tax authority (Receita Federal do Brasil), based on 'Operation Descarte', questioning the calculation of income tax and social contribution tax, and payment of income tax withheld at source, alleged to be owed by the investee, in the respective amounts, including penalty payments and interest, of R$8,037, R$2,893 and R$78,388. Renova stated that it will evaluate the grounds of the said infringement notice with its legal advisers and, as the case may be, present an impugnment of the posting within the regulatory period.

In June 2019 the tax authority had previously issued an infringement notice against the indirectly controlled company Espra, relating to contracts signed for provision of services which allegedly did not have the due consideration, so that the demand was for income tax withheld at source, plus penalty payments and interest, in the estimated amount of R$1.788. The Company is complying with all the demands required by the tax authorities, such as periods, site visits and inspections, presenting reports and all the documents demanded.

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 September 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.

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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 September, 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	September 30, 2019			Dec. 31, 2018		
	Historic cost	Accumulated depreciation	Net value	Historic cost	Accumulated depreciation	Net value
In service	**7,477,625**	**(5,045,205)**	**2,432,420**	**7,439,599**	**(4,899,564)**	**2,540,035**
Land	247,594	(17,950)	229,644	231,141	(16,174)	214,967
Reservoirs, dams, watercourses	3,285,926	(2,186,237)	1,099,689	3,282,178	(2,131,683)	1,150,495
Buildings, works and improvements	1,111,874	(828,114)	283,760	1,113,821	(800,133)	313,688
Machinery and equipment	2,788,277	(1,975,415)	812,862	2,766,671	(1,913,617)	853,054
Vehicles	30,640	(27,332)	3,308	31,747	(27,222)	4,525
Furniture and utensils	13,314	(10,157)	3,157	14,041	(10,735)	3,306
Under construction	**126,243**	**-**	**126,243**	**119,186**	**-**	**119,186**
Assets in progress	126,243	-	126,243	119,186	-	119,186
Net PP&E	**7,603,868**	**(5,045,205)**	**2,558,663**	**7,558,785**	**(4,899,564)**	**2,659,221**

Parent Company	September 30, 2019			Dec. 31, 2018		
	Historic cost	Accumulated depreciation	Net value	Historic cost	Accumulated depreciation	Net value
In service	**6,375,983**	**(4,517,962)**	**1,858,021**	**6,354,911**	**(4,415,024)**	**1,939,887**
Land	243,335	(17,655)	225,680	226,882	(15,919)	210,963
Reservoirs, dams, watercourses	3,009,217	(2,058,289)	950,928	3,006,652	(2,010,201)	996,451
Buildings, works and improvements	1,033,653	(793,393)	240,260	1,036,543	(767,280)	269,263
Machinery and equipment	2,046,290	(1,611,511)	434,779	2,039,652	(1,584,089)	455,563
Vehicles	30,425	(27,119)	3,306	31,532	(27,027)	4,505
Furniture and utensils	13,063	(9,995)	3,068	13,650	(10,508)	3,142
Under construction	**80,654**	**-**	**80,654**	**85,318**	**-**	**85,318**
Assets in progress	80,654	-	80,654	85,318	-	85,318
Net PP&E	**6,456,637**	**(4,517,962)**	**1,938,675**	**6,440,229**	**(4,415,024)**	**2,025,205**

Changes in property, plant and equipment were as follows:

Consolidated	Balance at Dec. 31, 2018	Addition	Transfer (2)	Settled	Depreciation	Sep. 30, 2019
In service	**2,540,035**	**-**	**41,831**	**(4,766)**	**(144,680)**	**2,432,420**
Land (1)	214,967	-	16,939	(10)	(2,252)	229,644
Reservoirs, dams, watercourses	1,150,495	-	14,303	(4,753)	(60,356)	1,099,689
Buildings, works and improvements	313,688	-	(15,904)	-	(14,024)	283,760
Machinery and equipment	853,054	-	26,469	-	(66,661)	812,862
Vehicles	4,525	-	(60)	-	(1,157)	3,308
Furniture and utensils	3,306	-	84	(3)	(230)	3,157
Under construction	**119,186**	**45,156**	**(38,093)**	**(6)**	**-**	**126,243**
Net PP&E	**2,659,221**	**45,156**	**3,738**	**(4,772)**	**(144,680)**	**2,558,663**

(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 (see Note 13) and Intangible assets (see Note 16).

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Parent Company	Balance at Dec. 31, 2018	Addition	Transfer (2)	Settled	Depreciation	Sep. 30, 2019
In service	**1,939,887**	**-**	**22,023**	**(11)**	**(103,878)**	**1,858,021**
Land (1)	210,963	-	16,939	(11)	(2,211)	225,680
Reservoirs, dams, watercourses	996,451	-	8,327	-	(53,850)	950,928
Buildings, works and improvements	269,263	-	(16,848)	-	(12,155)	240,260
Machinery and equipment	455,563	-	13,521	-	(34,305)	434,779
Vehicles	4,505	-	(59)	-	(1,140)	3,306
Furniture and utensils	3,142	-	143	-	(217)	3,068
Under construction	**85,318**	**17,371**	**(22,029)**	**(6)**	**-**	**80,654**
Net PP&E	**2,025,205**	**17,371**	**(6)**	**(17)**	**(103,878)**	**1,938,675**

(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 (see Note 13).

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

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

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.

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Consolidated and Parent Company	Stake in power output, %	Average annual depreciation rate %	Sep. 30, 2019	Dec. 31, 2018
In service				
Queimado plant	82.50	3.73	217,210	217,210
Accumulated depreciation			(105,836)	(99,287)
Total in operation			**111,374**	**117,923**
Under construction				
Queimado plant	82.50	-	894	603
Total under construction			**894**	**603**
Total			**112,268**	**118,526**

16. INTANGIBLE ASSETS

Consolidated	Sep. 30, 2019			Dec. 31, 2018		
	Historic cost	Accumulated amortization	Residual value	Historic cost	Accumulated amortization	Residual value
In service	**303,711**	**(130,432)**	**173,279**	**262,559**	**(71,424)**	**191,135**
Temporary easements	11,749	(3,170)	8,579	11,749	(2,664)	9,085
Paid concession	19,169	(12,439)	6,730	19,169	(11,930)	7,239
Assets of the concession (1)	210,215	(58,929)	151,286	162,106	-	162,106
Others	62,578	(55,894)	6,684	69,535	(56,830)	12,705
Under construction	**7,399**	**-**	**7,399**	**6,448**	**-**	**6,448**
Assets in progress	7,399	-	7,399	6,448	-	6,448
Net intangible assets	**311,110**	**(130,432)**	**180,678**	**269,007**	**(71,424)**	**197,583**

(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	Sep. 30, 2019			Dec. 31, 2018		
	Historic cost	Accumulated amortization	Residual value	Historic cost	Accumulated amortization	Residual value
In service	**93,101**	**(71,450)**	**21,651**	**94,147**	**(69,880)**	**24,267**
Temporary easements	11,451	(3,170)	8,281	11,451	(2,664)	8,787
Paid concession	19,169	(12,439)	6,730	19,169	(11,930)	7,239
Others	62,481	(55,841)	6,640	63,527	(55,286)	8,241
Under construction	**7,091**	**-**	**7,091**	**6,448**	**-**	**6,448**
Assets in progress	7,091	-	7,091	6,448	-	6,448
Net intangible assets	**100,192**	**(71,450)**	**28,742**	**100,595**	**(69,880)**	**30,715**

This table shows the changes in intangible assets:

Consolidated	Dec. 31, 2018	Addition	Capitalization / Transfer (1)	Written down	Amortization	Sep. 30, 2019
In service	**191,135**		**(3,132)**	**(668)**	**(14,056)**	**173,279**
Temporary easements	9,085		-	-	(506)	8,579
Paid concessions	7,239		-	-	(509)	6,730
Assets of the concession	162,106		2,881	(668)	(13,033)	151,286
Others	12,705		(6,013)		(8)	6,684
Under construction	**6,448**	1,563	(612)	-	-	7,399
Assets in progress	6,448	1,563	(612)	-	-	7,399
Total	**197,583**	**1,563**	**(3,744)**	**(668)**	**(14,056)**	**180,678**

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

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Parent Company	Dec. 31, 2018	Addition	Capitalization / Transfer (1)	Amortization	Sep. 30, 2019
In service	**24,267**	**-**	**612**	**(3,228)**	**21,651**
Temporary easements	8,787	-	-	(506)	8,281
Paid concessions	7,239	-	-	(509)	6,730
Others	8,241	-	612	(2,213)	6,640
Under construction	**6,448**	**1,255**	**(612)**	**-**	**7,091**
Assets in progress	6,448	1,255	(612)	-	7,091
Total	**30,715**	**1,255**	**-**	**(3,228)**	**28,742**

(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	Sep. 30, 2018
In service	**23,922**	**-**	**4,303**	**(115)**	**(3,347)**	**24,763**
Temporary easements	9,461	-	-	-	(505)	8,956
Paid concessions	7,918	-	-	-	(510)	7,408
Others	6,543	-	4,303	(115)	(2,332)	8,399
Under construction	**8,718**	**1,569**	**(4,303)**	**-**	**-**	**5,984**
Assets in progress	8,718	1,569	(4,303)	-	-	5,984
Total	**32,640**	**1,569**	**-**	**(115)**	**(3,347)**	**30,747**

Taking into account the useful life of the related assets, the average annual of the Company and its subsidiares 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 subsidiares have valued their contracts and recognized right to use and a liability for leasing, for the following contracts which contain leasing:

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

a) Right to use

The asset of tight 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.

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The breakdown of the balance by identified asset class is as follows:

	Consolidated		Parent Company	
	Sep. 30, 2019	Dec. 31, 2018	Sep. 30, 2019	Dec. 31, 2018
Real estate property	47,912	-	47,833	-
Vehicles	11,904	-	10,727	-
	59,816	**-**	**58,560**	**-**

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

Consolidated	Real estate property	Vehicles	Total
Balances on December 31, 2018	-	-	-
Initial adoption on January 1, 2019	44,823	16,379	61,202
Adittion	11,109	-	11,109
Amortization	(8,020)	(4,475)	(12,495)
Balances on September 30, 2019	**47,912**	**11,904**	**59,816**

Parent Company	Real estate property	Vehicles	Total
Balances on December 31, 2018	-	-	-
Initial adoption on January 1, 2019	44,735	14,810	59,545
Adittion	11,109	-	11,109
Amortization	(8,011)	(4,083)	(12,094)
Balances on September 30, 2019	**47,833**	**10,727**	**58,560**

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 subsidiares marginal interest rate for borrowing.

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

	Consolidated	Parent Company
Balances on December 31, 2018	-	-
Initial adoption on January 1, 2019 (1)	61,202	59,545
Adittion	11,109	11,109
Interest incurred	5,531	5,415
Payments made	(16,334)	(15,862)
Balances on September 30, 2019	**61,508**	**60,207**
Current liabilities	**20,679**	**20,085**
Non-current liabilities	**40,829**	**40,122**

(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.

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18. SUPPLIERS

	Consolidated		Parent Company	
	Sep. 30, 2019	Dec. 31, 2018	Sep. 30, 2019	Dec. 31, 2018
Wholesale supply, and transport of supply	458,414	394,684	424,127	369,797
Materials and services	44,185	90,042	33,974	66,317
	502,599	**484,726**	**458,101**	**436,114**

19. TAXES

	Consolidated		Parent Company	
	Sep. 30, 2019	Dec. 31, 2018	Sep. 30, 2019	Dec. 31, 2018
Current				
ICMS (value added) tax	19,124	18,348	13,237	13,387
Pasep tax	3,186	4,884	1,708	3,885
Cofins tax	13,529	22,149	7,840	18,742
Social security contributions	4,732	4,895	4,066	4,046
ISS tax on services	1,229	1,752	992	1,369
Others	5,440	5,636	5,019	5,024
	47,240	**57,664**	**32,862**	**46,453**
Non-current				
Pasep tax	102	628	10	576
Cofins tax	536	3,817	62	3,548
	638	**4,445**	**72**	**4,124**
	47,878	**62,109**	**32,934**	**50,577**

20. LOANS, FINANCINGS AND DEBENTURES

Financing source	Principal maturity	Annual financing cost	Currency	Consolidated – September 30, 2019			Consolidated – Dec. 31, 2018
				Current	Non-current	Total	
FOREIGN CURRENCY							
KFW	2019	1.78%	EUR	-	-	-	229
Eurobonds	2024	9.25%	USD	217,151	6,246,600	6,463,751	5,856,124
(–) Transaction costs				-	(19,326)	(19,326)	(21,319)
(+/–) Funds advanced (1)				-	(31,124)	(31,124)	(34,269)
Debt in foreign currency				**217,151**	**6,196,150**	**6,413,301**	**5,800,765**
BRAZILIAN CURRENCY							
Pipoca Consortium	2019	IPCA	R$	185	-	185	185
Caixa Econômica Federal (2)	2021	TJLP + 2.50%	R$	59,319	-	59,319	55,576
Caixa Econômica Federal (3)	2022	TJLP + 2.50%	R$	115,383	-	115,383	107,791
Debt in Brazilian currency				**174,887**	**-**	**174,887**	**163,552**
Total of loans and financings				**392,038**	**6,196,150**	**6,588,188**	**5,964,317**
Debentures – 3rd Issue, 2nd Series	2019	IPCA + 6.00%	R$	-	-	-	156,361
Debentures – 3rd Issue, 3rd Series	2022	IPCA + 6.20%	R$	376,883	686,285	1,063,168	1,049,331
Debentures – 6th Issue, 2nd series	2020	IPCA + 8.07%	R$	16,823	-	16,823	33,322
Debentures – 7th Issue, Single series (4)	2021	140.00% of CDI	R$	289,641	360,859	650,500	1,022,646
(–) Transaction costs				(9,030)	(11,278)	(20,308)	(27,065)
Total, debentures				**674,317**	**1,035,866**	**1,710,183**	**2,234,595**
Overall total				**1,066,355**	**7,232,016**	**8,298,371**	**8,198,912**

(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
(4) On July 24, 2019 the Company made extraordinary amortization of its Seventh Issue of Non-convertible ventures, in the amount of R$125 million, with final maturity in December 2021.

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Financing source	Principal maturity	Annual financing cost	Currency	Parent Company – Sep. 30,2018			Parent Company – Dec. 31, 2018
				Current	Non-current	Total	
FOREIGN CURRENCY							
KFW	2019	1.78%	EUR	-	-	-	229
Eurobonds	2024	9.25%	USD	217,151	6,246,600	6,463,751	5,856,124
(–) Transaction costs				-	(19,326)	(19,326)	(21,319)
(+/–) Funds advanced (1)				-	(31,124)	(31,124)	(34,269)
Debt in foreign currency				**217,151**	**6,196,150**	**6,413,301**	**5,800,765**
BRAZILIAN CURRENCY							
Pipoca Consortium	2019	IPCA	R$	185	-	185	185
Debt in Brazilian currency				**185**	**-**	**185**	185
Total of loans and financings				**217,336**	**6,196,150**	**6,413,486**	**5,800,950**
Debentures – 3rd Issue, 2nd Series	2019	IPCA + 6.00%	R$	-	-	-	156,361
Debentures – 3rd Issue, 3rd Series	2022	IPCA + 6.20%	R$	376,883	686,285	1,063,168	1,049,331
Debentures – 6th Issue, 2nd series	2020	IPCA + 8.07%	R$	16,823	-	16,823	33,322
Debentures – 7th Issue, Single series (2)	2021	140.00% of CDI	R$	289,641	360,859	650,500	1,022,646
(–) Transaction costs				(9,030)	(11,278)	(20,308)	(27,065)
Total, debentures				**674,317**	**1,035,866**	**1,710,183**	**2,234,595**
Overall total				**891,653**	**7,232,016**	**8,123,669**	**8,035,545**

(1) Advance of funds to achieve the yield to maturity agreed in the Eurobonds contract.
(2) On July 24, 2019 the Company made extraordinary amortization of its Seventh Issue of Non-convertible ventures, in the amount of R$125 million, with final maturity in December 2021.

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
Currency							
US dollar	217,151	-	-	-	-	6,246,600	6,463,751
Total, currency-denominated	**217,151**	**-**	**-**	**-**	**-**	**6,246,600**	**6,463,751**
Indexers							
IPCA (1)	39,329	354,562	338,021	348,264	-	-	1,080,176
CDI (2)	73,123	288,691	288,686	-	-	-	650,500
TJLP (3)	174,702	-	-	-	-	-	174,702
Total, governed by indexers	**287,154**	**643,253**	**626,707**	**348,264**	**-**	**-**	**1,905,378**
(–) Transaction costs	(2,245)	(9,030)	(9,006)	(27)	-	(19,326)	(39,634)
(+/-) Funds advanced	-	-	-	-	-	(31,124)	(31,124)
Overall total	**502,060**	**634,223**	**617,701**	**348,237**	**-**	**6,196,150**	**8,298,371**

Parent Company	2019	2020	2021	2022	2023	2024	Total
Currency							
US dollar	217,151	-	-	-	-	6,246,600	6,463,751
Total, currency-denominated	**217,151**	**-**	**-**	**-**	**-**	**6,246,600**	**6,463,751**
Indexers							
IPCA (1)	39,329	354,562	338,021	348,264	-	-	1,080,176
CDI (2)	73,123	288,691	288,686	-	-	-	650,500
Total, governed by indexers	**112,452**	**643,253**	**626,707**	**348,264**	**-**	**-**	**1,730,676**
(–) Transaction costs	(2,245)	(9,030)	(9,006)	(27)	-	(19,326)	(39,634)
(+/-) Funds advanced	-	-	-	-	-	(31,124)	(31,124)
Overall total	**327,358**	**634,223**	**617,701**	**348,237**	**-**	**6,196,150**	**8,123,669**

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

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

Currency	Accumulated change Jan. to Sep. 2019, %	Accumulated change Jan. to Sep. 2018, %	Indexer	Accumulated change Jan. to Sep. 2019, %	Accumulated change Jan. to Sep. 2018, %
US dollar	7.47	21.04	IPCA	2.49	3.34
			CDI	4.67	4.81
			TJLP	(14.76)	(6.29)

Currency	Accumulated change July to Sep. 2019, %	Accumulated change July to Sep. 2018, %	Indexer	Accumulated change July to Sep. 2019, %	Accumulated change July to Sep. 2018, %
US dollar	8.67	3.84	IPCA	0.26	0.72
			CDI	1.52	1.59
			TJLP	(4.95)	(0.61)

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

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

	Consolidated	Parent Company
Balances on December 31, 2018	**8,198,912**	**8,035,545**
Monetary updating	36,580	30,136
Foreign exchange variations	434,396	434,396
Financial costs recorded	606,829	601,938
Amortization of transaction costs	8,751	8,751
Financial charges paid	(449,205)	(449,205)
Amortization of financings	(537,892)	(537,892)
Balances on September 30, 2019	**8,298,371**	**8,123,669**

Guarantees

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

	Sep. 30, 2019
Surety guarantees	7,493,372
Receivables	174,702
Shares	630,297
TOTAL	**8,298,371**

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a) Restrictive covenants

The Company and its subisidiares 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, 2020 3.0 on Jun. 30, 2021 2.5 on/after Dec. 31, 2021	Ratio to be the following, or less: 4.25 on Jun. 30, 2019 3.5 on Dec. 31, 2019 3.5 on Jun. 30, 2020 3.0 on Dec. 31, 2020 3.0 on Jun. 30, 2021 3.0 on/after December 31, 2021	-	Half-yearly and annual
Financiamento Caixa Econômica Federal Parajuru and Volta do Rio (3)	Debt servicing coverage index	-	-	1.20 or more	Annual (during amortization)
	Equity / Total liabilities	-	-	20.61% (Parajuru); 20.63% (Volta do Rio)	Aways
	Share capital subscribed in investee / Total investments made in the project financed	-	-	20.61% (Parajuru); 20.63% (Volta do Rio)	Aways

(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 remain in compliance as of September 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$174,702 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.

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.

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21. REGULATORY CHARGES

	Consolidated		Parent Company	
	Sep. 30, 2019	Dec. 31, 2018	Sep. 30, 2019	Dec. 31, 2018
Liabilities				
Global reversion reserve (RGR)	3,314	4,523	531	1,996
Royalties for use of water resources (‘CFURH’)	8,905	5,804	6,693	3,737
Energy development account (CDE)	60,712	38,346	60,712	38,346
Electricity services inspection charge (TFSEE)	999	851	809	686
Proinfa – alternative energy program	8,789	6,631	8,789	6,631
National scientific and technological development fund (FNDCT)	1,127	1,668	626	1,187
Research and development	133,407	139,986	124,695	132,348
Energy system expansion research	749	997	452	732
	218,002	**198,806**	**203,307**	**185,663**
Current liabilities	**164,648**	**139,457**	**156,912**	**131,615**
Non-current liabilities	**53,354**	**59,349**	**46,395**	**54,048**

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	30,449	30,131	630	4,601	65,811
Contributions paid	(29,922)	(18,264)	(415)	(1,661)	(50,262)
Net liabilities on September 30, 2018	**436,429**	**410,497**	**8,656**	**64,498**	**920,080**
Net liabilities on December 31, 2018	**456,211**	**515,889**	**10,374**	**94,372**	**1,076,846**
Expense recognized in Profit and loss account	31,045	36,757	748	6,793	75,343
Contributions paid	(33,477)	(19,947)	(442)	(1,851)	(55,717)
Net liabilities on September 30, 2019	**453,779**	**532,699**	**10,680**	**99,314**	**1,096,472**
				30/09/2019	**31/12/2018**
Current liabilities				**61,127**	**57,052**
Non-current liabilities				**1,035,345**	**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$65,314 (R$53,703 in the none month period ended September 30, 2018), plus the financial costs and monetary updating on the debt agreed with Forluz, in the amount of R$10,029 (R$12,108 for the nine month period ended September 30, 2018).

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Debt agreed with the pension fund (Forluz)

At September 30, 2019 the Company has an obligation recognized for past actuarial deficits relating to the pension fund in the amount of R$133,593 (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 September 30, 2019 the total amount payable by the Company as a result of the Plan A deficits of 2015, 2016 and 2017 was R$125,159 (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	Sep. 30, 2019
Employment-law cases	54,901	18,562	(1,456)	(6,339)	65,668
Civil cases	168	110	-	(99)	179
Tax	2,874	258,685	(724)	(60)	260,775
Regulatory	2,521	1,301	-	(918)	2,904
Environmental	48	4	-	-	52
Others	38,196	3,815	(662)	(143)	41,206
Total	**98,708**	**282,477**	**(2,842)**	**(7,559)**	**370,784**

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Parent Company	Dec. 31, 2018	Additions	Reversals	Settled	Sep. 30, 2019
Employment-law cases	54,035	18,562	(589)	(6,340)	65,668
Civil cases	168	110		(99)	179
Tax	2,874	258,685	(724)	(60)	260,775
Regulatory	2,521	1,301		(918)	2,904
Others	38,195	3,653	(663)	(141)	41,044
Total	**97,793**	**282,311**	**(1,976)**	**(7,558)**	**370,570**

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

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

The management of the Company and its subisidiaries, 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 subsidiares 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$161,316 (R$164,362 on December 31, 2018), of which R$65,006 has been recorded (R$54,901 on December 31, 2018) – the amount estimated as probably necessary for settlement of these disputes.

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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$6,078 (R$5,072 at December 31, 2018), of which R$662 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.

<u>Tax</u>

Social Security contributions on profit sharing payments

The Brazilian tax authority (*Receita Federal*) has filed administrative and court proceedings against the Company, relating to social security contributions on the payment of profit shares to its employees over the period 1999 to 2016, alleging that the Company did not comply with the requirements of Law 10,101/2000 on the argument that it did not previously establish clear and objective rules for the distribution of these amounts. In August 2019, the Regional Federal Court of the First Region published a decision against the Company on this issue. As a result the Company, based on the opinion of its legal advisers, reassessed the chances of loss from ‘possible’ to ‘probable’ for some portions paid as profit-sharing amounts, maintaining the classification of the chance of loss as 'possible' for the other portions, since it believes that it has arguments on the merit for defense and/or because it believes that the amounts questioned are already within the period of limitation.

The amount of the contingencies is approximately R$337,991 (R$298,602 on December 31, 2018), of which R$258,625 has been provisioned, this being the estimate of the probable amount of funds to settle these disputes.

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Other tax actions

The Company 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$60,841 (R$36,391 on December 31, 2018), of which R$2,150 (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$30,435 (R$21,146 on December 31, 2018), of which R$2,904 (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$139,468 (R$139,844 on December 31, 2018), of which R$41,437 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:

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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$66,104 (R$64,786 at December 31, 2018). This was posted in Escrow deposits in litigation. The updated amount of the contingency is R$67,549 (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: 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$13,408 (R$31,788 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$79,765 (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$82,336 (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.

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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$338,002 (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 and 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.

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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 12,503/1997. The Company has filed appeals to the Higher Appeal Court (STJ) and the Federal Supreme Court (STF). Based on the opinions of its legal advisers, 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$161,418 (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$93,439 (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$10,970 (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'.

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24. EQUITY AND REMUNERATION TO SHAREHOLDERS

Share capital

On September 30, 2019 and December 31, 2018 the Company's issued and outstanding share capital is R$2,600,000, represented by 2,896,785,358 nominal common shares, fully subscribed, without nominal value, wholly owned by Cemig (Companhia Energética de Minas Gerais).

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

Profit 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:

	Sep. 30, 2019	Sep. 30, 2018	July to Sep. 2019	July to Sep. 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$'000	791,761	5,237	(133,952)	(61,651)
Profit per share – Basic and diluted – in R$	**0.2733**	**0.0018**	**(0.0462)**	**(0.0213)**

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:

	Sep. 30, 2019	Dec. 31, 2018
Adjustments to actuarial liabilities – Employee benefits	(406,692)	(406,692)
Deemed cost of PP&E	413,755	424,214
Equity valuation adjustment	**7,063**	**17,522**

Profit Reserves

The breakdown of the profit reserve account is as follows:

	Sep. 30, 2019	Dec. 31, 2018
Profit reserves		
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
	2,361,448	**2,362,614**

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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 Sep. 2019	Jan. to Sep. 2018	Jan. to Sep. 2019	Jan. to Sep. 2018
Total revenue from supply of energy – with taxes (a)	5,247,834	5,069,097	4,675,991	4,714,827
Transmission revenue – with taxes (b)	520,238	443,095	523,318	445,950
Revenue from updating of the concession grant fee (c)	244,069	245,729	-	-
Construction revenue (d)	150,158	12,726	150,158	12,726
Transactions on CCEE (e)	413,848	168,323	393,662	147,106
Transmission indemnity revenue (f)	124,057	208,164	124,057	208,164
Reimbursement revenue – Generation	-	82,331	-	82,331
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	137,790	91,140	59,307	106,671
Sector / regulatory charges – Deductions from revenue (g)	(1,363,340)	(1,199,150)	(1,225,335)	(1,108,312)
	5,963,697	**5,121,455**	**5,174,410**	**4,609,463**

	Consolidated		Parent Company	
	July to Sep. 2019	July to Sep. 2018	July to Sep. 2019	July to Sep. 2018
Total revenue from supply of energy – with taxes (a)	1,824,124	1,823,925	1,608,823	1,706,224
Transmission revenue – with taxes (b)	184,178	148,383	185,342	149,328
Revenue from updating of the concession grant fee (c)	67,918	88,749	-	-
Construction revenue (d)	67,169	7,994	67,169	7,994
Transactions on CCEE (e)	9,811	14,172	1,544	319
Transmission indemnity revenue (f)	33,637	61,645	33,637	61,645
Reimbursement revenue – Generation	-	47,868	-	47,868
Other operating revenues	46,042	63,485	18,237	68,797
Sector / regulatory charges – Deductions from revenue (g)	(466,755)	(410,441)	(418,422)	(379,246)
	1,766,124	**1,845,780**	**1,496,330**	**1,662,929**

(a) Revenue from energy supply

This table shows energy supply by type of customer:

	Consolidated				Parent Company			
	Jan. to Sep. 2019		Jan. to Sep. 2018		Jan. to Sep. 2019		Jan. to Sep. 2018	
	MWh (1)	R$	MWh (1)	R$	MWh (1)	R$	MWh (1)	R$
Industrial	10,129,091	2,338,288	10,751,823	2,402,818	8,930,673	2,132,952	9,935,754	2,219,251
Commercial	3,148,662	653,568	2,325,050	520,714	3,125,020	644,315	2,325,050	520,714
Rural	1,940	504	795	196	1,940	504	795	196
Subtotal	**13,279,693**	**2,992,360**	**13,077,668**	**2,923,728**	**12,057,633**	**2,777,771**	**12,261,599**	**2,740,161**
Net unbilled retail supply	-	35,556	-	15,036	-	29,000	-	12,900
	13,279,693	**3,027,916**	**13,077,668**	**2,938,764**	**12,057,633**	**2,806,771**	**12,261,599**	**2,753,061**
Wholesale supply to other concession holders (2)	8,575,742	2,267,271	8,755,439	2,167,139	8,287,479	1,925,916	8,755,439	2,000,084
Wholesale supply unbilled, net	-	(47,353)	-	(36,806)	-	(56,696)	-	(38,318)
	21,855,435	**5,247,834**	**21,833,107**	**5,069,097**	**20,345,112**	**4,675,991**	**21,017,038**	**4,714,827**

	Consolidated				Parent Company			
	July to Sep. 2019		July to Sep. 2018		July to Sep. 2019		July to Sep. 2018	
	MWh (1)		MWh (1)		MWh (1)		MWh (1)	
Industrial	3,571,438	844,666	3,754,720	848,201	3,137,496	766,148	3,484,798	788,429
Commercial	1,146,786	228,403	788,799	172,803	1,139,136	225,419	788,799	172,803
Rural	911	243	480	118	911	243	480	118
Subtotal	**4,719,135**	**1,073,312**	**4,543,999**	**1,021,122**	**4,277,543**	**991,810**	**4,274,077**	**961,350**
Net unbilled retail supply	-	5,282	-	19,648	-	3,800	-	19,800
	4,719,135	**1,078,594**	**4,543,999**	**1,040,770**	**4,277,543**	**995,610**	**4,274,077**	**981,150**
Wholesale supply to other concession holders (2)	3,012,419	773,913	3,165,067	746,143	2,896,216	647,912	3,165,067	689,574
Wholesale supply unbilled, net	-	(28,383)	-	37,012	-	(34,699)	-	35,500
	7,731,554	**1,824,124**	**7,709,066**	**1,823,925**	**7,173,759**	**1,608,823**	**7,439,144**	**1,706,224**

(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 was R$8,483 in the nine-month period ended September 30, 2018 (R$11,977 in the nine-month period ended September 30, 2018).

(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.

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(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 September 30, 2019 the Company recognized revenue in the total amount of R$124,057 (R$208,164 on September 30, 2018), corresponding to updating, by the IPCA index, of the balance of indemnty receivable.

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

(g) Deductions on Revenue

	Consolidated		Parent Company	
	Jan. to Sep. 2019	Jan. to Sep. 2018	Jan. to Sep. 2019	Jan. to Sep. 2018
Taxes on revenue				
ICMS tax	477,569	411,923	422,109	378,881
Cofins tax	483,978	466,004	434,281	427,364
PIS and Pasep taxes	106,230	101,165	94,285	92,782
ISS tax on services	4,987	1,760	1,916	1,763
	1,072,764	**980,852**	**952,591**	**900,790**
Charges to the customer				
Global Reversion Reserve (RGR)	12,600	13,317	10,980	13,317
Energy Development Account (CDE)	176,846	113,190	176,847	113,190
Proinfa Program	39,369	29,620	39,369	29,620
Research and Development (P&D)	10,300	9,015	8,047	7,133
National Scientific and Technological Development Fund (FNDCT)	10,300	9,015	8,047	7,133
Energy System Expansion Research (EPE)	5,150	4,508	4,023	3,567
Electricity Services Inspection Charge (TFSEE)	7,906	6,247	6,224	4,977
Royalties for use of water resources (CFURH)	28,105	33,386	19,207	28,585
	290,576	**218,298**	**272,744**	**207,522**
	1,363,340	**1,199,150**	**1,225,335**	**1,108,312**

	Consolidated		Parent Company	
	July to Sep. 2019	July to Sep. 2018	July to Sep. 2019	July to Sep. 2018
Taxes on revenue				
ICMS tax	183,105	140,822	163,031	130,062
Cofins tax	150,722	164,005	133,595	150,354
PIS and Pasep taxes	32,719	35,622	29,005	32,643
ISS tax on services	1,578	582	530	585
	368,124	**341,031**	**326,161**	**313,644**
Charges to the customer				
Global Reversion Reserve (RGR)	3,863	4,004	3,310	4,004
Energy Development Account (CDE)	60,545	39,329	60,546	39,329
Proinfa Program	13,040	10,177	13,040	10,177
Research and Development (R&D)	2,697	2,538	1,886	1,882
National Scientific and Technological Development Fund (FNDCT)	2,697	2,538	1,886	1,882
Energy System Expansion Research (EPE)	1,349	1,270	944	942
Electricity Services Inspection Charge (TFSEE)	2,847	2,308	2,276	1,908
Royalties for use of water resources (CFURH)	11,593	7,246	8,373	5,478
	98,631	**69,410**	**92,261**	**65,602**
	466,755	**410,441**	**418,422**	**379,246**

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26. OPERATING COSTS AND EXPENSES

	Consolidated		Parent Company	
	Jan. to Sep. 2019	Jan. to Sep. 2018	Jan. to Sep. 2019	Jan. to Sep. 2018
Personnel (a)	246,091	239,115	231,096	220,558
Employee profit shares	38,140	4,511	38,002	4,511
Post-employment obligation (recovery of expense)	65,314	53,703	65,314	53,703
Materials	15,064	33,069	10,967	31,551
Outsourced services (b)	118,779	97,701	90,104	86,601
Depreciation and amortization	171,231	109,445	119,200	109,307
Provisions (c)	1,034,847	78,059	1,011,606	78,075
Charges for use of the national grid	142,377	169,376	102,253	142,742
Energy bought for resale (d)	2,825,618	2,865,752	2,785,509	2,799,647
Transmission infrastructure construction cost (e)	150,158	12,726	150,158	12,726
Other operating expenses, net (f)	11,633	72,311	7,841	70,120
	4,819,252	**3,735,768**	**4,612,050**	**3,609,541**

	Consolidated		Parent Company	
	July to Sep. 2019	July to Sep. 2018	July to Sep. 2019	July to Sep. 2018
Personnel (a)	77,817	74,185	73,396	68,123
Employee profit shares	(4,191)	-	(4,280)	-
Post-employment obligation (recovery of expense)	22,683	17,333	22,683	17,333
Materials	4,909	28,180	3,284	27,489
Outsourced services (b)	40,130	35,954	31,029	30,425
Depreciation and amortization	57,296	36,357	39,890	36,306
Provisions (c)	288,592	38,483	273,280	38,483
Charges for use of the national grid	50,124	43,855	35,201	34,088
Energy bought for resale (d)	1,126,457	1,173,243	1,088,712	1,133,638
Transmission infrastructure construction cost (e)	67,169	7,994	67,169	7,994
Other operating expenses, net (f)	(3,285)	41,619	(5,790)	40,267
	1,727,701	**1,497,203**	**1,624,574**	**1,434,146**

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.

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b) Outsourced services

	Consolidated		Parent Company	
	Jan. to Sep. 2019	Jan. to Sep. 2018	Jan. to Sep. 2019	Jan. to Sep. 2018
Communication	2,776	1,956	2,315	1,889
Maintenance and conservation of electrical facilities and equipment	29,327	13,112	15,614	11,667
Building conservation and cleaning	20,426	21,785	15,690	17,608
Contracted labor	1,276	6,659	1,231	6,659
Freight and airfares	1,805	1,647	1,802	1,645
Accommodation and meals	2,505	2,267	2,488	2,242
Security services	6,046	7,907	4,045	6,490
Consultancy	4,186	-	3,879	-
Maintenance and conservation of furniture and utensils	659	492	539	448
Information technology	7,516	6,713	6,256	5,611
Maintenance and conservation of vehicles	303	219	250	198
Energy	2,972	3,306	2,500	3,028
Environment services	8,195	5,353	5,914	4,084
Cleaning of power line pathways	3,061	3,237	3,032	3,237
Printing and images	1,973	964	1,226	906
Legal services and procedural costs	4,414	2,716	4,303	2,714
Others	21,339	19,368	19,020	18,175
	118,779	**97,701**	**90,104**	**86,601**

	Consolidated		Parent Company	
	July to Sep. 2019	July to Sep. 2018	July to Sep. 2019	July to Sep. 2018
Communication	1,031	636	844	601
Maintenance and conservation of electrical facilities and equipment	10,427	6,753	4,737	4,844
Building conservation and cleaning	6,820	7,335	5,375	5,902
Contracted labor (recovery of expenses)	(1,015)	2,267	560	2,267
Freight and airfares	582	588	581	587
Accommodation and meals	802	820	796	813
Security services	2,169	2,692	1,385	2,265
Consultancy	1,723	-	1,609	-
Maintenance and conservation of furniture and utensils	213	208	175	190
Information technology	2,742	2,424	2,143	1,997
Maintenance and conservation of vehicles	122	63	102	55
Energy	1,079	1,346	885	1,220
Environment services	2,215	2,439	1,710	1,912
Cleaning of power line pathways	1,013	1,082	996	1,082
Printing and images	1,377	427	728	402
Legal services and procedural costs	1,941	834	1,937	832
Others	6,889	6,040	6,466	5,456
	40,130	**35,954**	**31,029**	**30,425**

c) Operating provisions (reversals)

	Consolidated		Parent Company	
	Jan. to Sep. 2019	Jan. to Sep. 2018	Jan. to Sep. 2019	Jan. to Sep. 2018
Provision for doubtful receivables (Note 7)	31,315	138	7,374	138
Estimated losses on other accounts receivable	3,247	454	3,247	454
Estimated losses on doubtful accounts receivable from related parties (Note 28)	688,031	-	688,031	-
Contingency provisions (reversals) (Note 23)				
Employment-law cases	17,106	13,968	17,973	13,984
Civil cases	110	(52)	110	(52)
Tax	257,961	(2,959)	257,961	(2,959)
Regulatory	1,301	239	1,301	239
Environmental	4	27	-	27
Others	3,153	3,653	2,990	3,653
	279,635	**14,876**	**280,335**	**14,892**
	1,002,228	**15,468**	**978,987**	**15,484**
Change in fair value of derivative instruments				
Put option – SAAG (Note 29)	32,619	62,591	32,619	62,591
	1,034,847	**78,059**	**1,011,606**	**78,075**

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	Consolidated		Parent Company	
	July to Sep. 2019	July to Sep. 2018	July to Sep. 2019	July to Sep. 2018
Provision for doubtful receivables (Note 7)	12,238	(14)	(3,078)	(14)
Contingency provisions (reversals) (Note 23)				
Employment-law cases	5,925	1,571	5,931	1,571
Civil cases	29	5	29	5
Tax	258,681	(2,619)	258,681	(2,619)
Regulatory	77	102	77	102
Others	969	1,453	967	1,453
	265,681	512	265,685	512
	277,919	498	262,607	498
Change in fair value of derivative instruments				
Put option – SAAG (Note 29)	10,673	37,985	10,673	37,985
	288,592	38,483	273,280	38,483

d) Energy bought for resale

	Consolidated		Parent Company	
	Jan. to Sep. 2019	Jan. to Sep. 2018	Jan. to Sep. 2019	Jan. to Sep. 2018
Spot market – CCEE	91,657	140,239	57,178	110,085
Acquired in free market	3,006,562	3,000,359	2,997,959	2,959,309
Pasep and Cofins credits	(272,601)	(274,846)	(269,628)	(269,747)
	2,825,618	2,865,752	2,785,509	2,799,647

	Consolidated		Parent Company	
	July to Sep. 2019	July to Sep. 2018	July to Sep. 2019	July to Sep. 2018
Spot market – CCEE	65,333	85,494	35,384	64,109
Acquired in free market	1,168,393	1,203,585	1,158,311	1,181,670
Pasep and Cofins credits	(107,269)	(115,836)	(104,983)	(112,141)
	1,126,457	1,173,243	1,088,712	1,133,638

e) Transmission infrastructure Construction cost

	Consolidated		Parent Company	
	Jan. to Sep. 2019	Jan. to Sep. 2018	Jan. to Sep. 2019	Jan. to Sep. 2018
Personnel	6,664	4,293	6,664	4,293
Materials	89,606	1,071	89,606	1,071
Outsourced services	53,915	8,146	53,915	8,146
Other (recovery of expenses)	(27)	(784)	(27)	(784)
	150,158	12,726	150,158	12,726

	Consolidated		Parent Company	
	July to Sep. 2019	July to Sep. 2018	July to Sep. 2019	July to Sep. 2018
Personnel	2,606	1,910	2,606	1910
Materials	41,530	61	41,530	61
Outsourced services	23,075	5,940	23,075	5,940
Other (recovery of expenses)	(42)	83	(42)	83
	67,169	7,994	67,169	7,994

f) Other operating costs and expenses

	Consolidated		Parent Company	
	Jan. to Sep. 2019	Jan. to Sep. 2018	Jan. to Sep. 2019	Jan. to Sep. 2018
Leasing and rentals	3,830	17,492	2,759	17,005
Advertising	2,375	428	2,375	408
Subsidies and donations	2,884	1,887	1,938	1,017
Paid concessions	2,127	2,068	2,120	2,068
Taxes (IPTU, IPVA and others)	1,830	1,064	1,283	889
CCEE annual charge	2,275	3,005	2,275	3,005
Insurance	3,641	2,318	2,521	2,317
Loss (gain) on deactivation and disposal of assets	(14,585)	1,530	(14,585)	1,530
Forluz – Administrative running cost	5,226	4,946	5,225	4,946
Settled (1)	-	26,999	-	26,999
Other	2,030	10,574	1,930	9,936
	11,633	72,311	7,841	70,120

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	Consolidated		Parent Company	
	July to Sep. 2019	July to Sep. 2018	July to Sep. 2019	July to Sep. 2018
Leasing and rentals	1,894	5,999	1,212	5,827
Advertising	1,943	21	1,943	20
Subsidies and donations	1,918	1,210	1,018	340
Paid concessions	840	622	833	622
Taxes (IPTU, IPVA and others)	437	451	169	360
CCEE annual charge	818	926	819	926
Insurance	1,197	604	793	604
Loss (gain) on deactivation and disposal of assets	(17,355)	1,218	(17,355)	1,218
Forluz – Administrative running cost	2,122	1,489	2,121	1,489
Settled (1)	-	26,999	-	26,999
Other (Recovery of expenses)	2,901	2,080	2,657	1,862
	(3,285)	**41,619**	**(5,790)**	**40,267**

(1) Write down of São Simão and Miranda Hydroelectric Plant's deemed cost.

27. FINANCE INCOME AND EXPENSES

	Consolidated		Parent Company	
	Jan. to Sep. 2019	Jan. to Sep. 2018	Jan. to Sep. 2019	Jan. to Sep. 2018
FINANCE INCOME				
Income from cash investments	33,389	48,311	15,451	40,129
Arrears fees on sale of energy	16,272	9,040	3,994	5,209
Monetary updating	11,369	9,377	10,964	9,187
Monetary updating on escrow deposits	9,824	8,849	9,377	8,849
Revenue from advance payments	295	18,819	208	15,606
Gains on Swap Instruments (Note 29)	1,099,230	322,847	1,099,230	322,847
Borrowing costs payable by related parties	47,596	29,778	47,596	29,778
Monetary updating on PIS/Pasep and Cofins taxes credits over ICMS (Note 9)	247,967	-	237,859	-
Pasep and Cofins taxes on financial revenues	(11,858)	(6,427)	(11,134)	(5,925)
Others	17,292	18,755	16,293	18,676
	1,471,376	**459,349**	**1,429,838**	**444,356**
DESPESAS FINANCEIRAS				
Costs of loans and financings (Note 20)	(606,829)	(640,747)	(601,938)	(640,747)
Amortization of transaction cost (Note 20)	(8,751)	(16,764)	(8,751)	(16,764)
Monetary updating – Forluz	(10,029)	(12,108)	(10,029)	(12,108)
Inflation adjustment – Loans and financings (Note 20)	(36,580)	(36,215)	(30,136)	(36,215)
Monetary updating	(7,192)	(9,789)	(6,874)	(9,579)
FX variation from loans and financings (Note 20)	(434,396)	(774,340)	(434,396)	(774,340)
Inflation adjustment – advance from customers (Note 7)	(627)	(7,373)	(627)	(7,373)
Leasing – Inflation adjustment (Note 17)	(5,531)		(5,415)	
Others	(15,308)	(8,095)	(13,077)	(6,629)
	(1,125,243)	**(1,505,431)**	**(1,111,243)**	**(1,503,755)**
NET FINANCE INCOME (EXPENSES)	**346,133**	**(1,046,082)**	**318,595**	**(1,059,399)**

	Consolidated		Parent Company	
	July to Sep. 2019	July to Sep. 2018	July to Sep. 2019	July to Sep. 2018
FINANCE INCOME				
Income from cash investments	12,224	29,093	6,637	27,230
Arrears fees on sale of energy	4,719	3,131	978	1,699
Monetary updating	2,689	2,139	2,500	2,127
Monetary updating on escrow deposits	4,063	3,227	3,874	3,227
Revenue from advance payments	67	6,969	60	6,319
Gains on swap instruments	485,836	142,418	485,836	142,418
Borrowing costs payable by related parties	1,617	12,542	1,617	12,542
Monetary updating on PIS/Pasep and Cofins taxes credits over ICMS	6,552	-	6,308	-
Pasep and Cofins taxes on financial revenues	(1,687)	(3,050)	(1,505)	(2,914)
Others	5,003	9,566	4,635	9,525
	521,083	**206,035**	**510,940**	**202,173**
DESPESAS FINANCEIRAS				
Costs of loans and financings	(208,188)	(235,010)	(207,629)	(235,010)
Amortization of transaction cost	(2,967)	(7,261)	(2,967)	(7,261)
Monetary updating – Forluz	(2,430)	(4,604)	(2,430)	(4,604)
Inflation adjustment – Loans and financings	(6,227)	(14,488)	(3,176)	(14,488)
Monetary updating	(1,720)	(3,236)	(1,604)	(3,158)
FX variation from loans and financings	(498,300)	(225,987)	(498,300)	(225,987)
Inflation adjustment – advance from customers	-	(1,962)	-	(1,962)
Leasing – Inflation adjustment	(1,791)	-	(1,755)	-
Others	(12,173)	(4,297)	(11,979)	(4,272)
	(733,796)	**(496,845)**	**(729,840)**	**(496,742)**
NET FINANCE INCOME (EXPENSES)	**(212,713)**	**(290,810)**	**(218,900)**	**(294,569)**

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28. RELATED PARTY TRANSACTIONS

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

COMPANY	ASSETS		LIABILITIES		REVENUE		EXPENSES	
	Sep. 30, 2018	Dec. 31, 2018	Sep. 30, 2019	Dec. 31, 2018	Jan. to Sep. 2019	Jan. to Sep. 2018	Jan. to Sep. 2019	Jan. to Sep. 2018
Controlling shareholder								
Minas Gerais State Government								
Current								
ICMS – Advances (1)	-	-	-	-	-	96	-	-
CEMIG								
Current								
Cooperation Working Agreement (2)	-	-	-	536	-	-	-	(798)
Provision of services (3)	-	948	-	1,376	-		-	
Interest on Equity, and dividends	-	-	617,121	659,622	-	-	-	-
Amount receivable (4)	-	6,243	-	-	-	-	-	-
Non-current								
Loans with related parties (5)	-	408,114	-	-	16,464	494	-	-
Jointly-controlled entity								
Madeira Energia								
Current								
Transactions in energy (6)	5,648	5,669	72,201	64,111	50,484	54,180	(540,595)	(555,797)
Advance for future power supply (7)	-	6,785	-	-	-	6,127	-	-
Aliança Geração								
Current								
Transactions in energy (6)	-	-	7,858	5,785	6,027	472	(62,114)	(67,571)
Provision of service (8)	1,129	1,792	-	-	-	8,555	-	-
Interest on Equity, and dividends	-	90,664	-	-	-	-	-	-
Norte Energia								
Current								
Transactions in energy (6)	130	130	-	-	14,977	12,078	(10,267)	-
Advance for future power supply (9)	30,006	-	-	-	-	-	-	-
Non-current								
Advance for future power supply (9)	10,075	-	-	-	-	-	-	-
Baguari Energia								
Current								
Provision of service (8)	280	211	-	-	762	669	-	-
Interest on Equity, and dividends	13,563	-	-	-	-	-	-	-
Lightger								
Circulante								
Transactions in energy (6)	-	-	2,018	1,424	-	-	(15,366)	(16,592)
Interest on Equity, and dividends	-	-	-	-	-	-	-	-
Retiro Baixo								
Current								
Interest on Equity, and dividends	5,718	5,718	-	-	-	-	-	-
Hidrelétrica Pipoca								
Current								
Transactions in energy (6)	-	-	1,816	1,303	-	-	(13,618)	(14,385)
Interest on Equity, and dividends	1,143	-	-	-	-	-	-	-
Renova								
Current								
Transactions in energy (6)	-	-	-	515	4,447	-	-	(87,944)
Non-current								
Accounts receivable (10)	-	594,323	-	-	93,708	83,952	(688,031)	-
Light								
Current								
Transactions in energy (6)	261	374	1,174	403	79,302	38,187	(5,556)	(22)
Taesa								
Current								
Transactions in energy (6)	-	-	1,264	1,460	35	34	(9,845)	(14,722)
Provision of service (8)	174	130	-	-	446	424	-	-
								-
Other related parties								
Cemig Distribuição								
Current								
Cooperation Working Agreement (3)	1,752	-	-	-	5,810	663	-	-
Transactions in energy (6)	25,137	22,303	846	792	198,369	184,921	(20,657)	(19,060)
FIC Pampulha								
Current								
Cash and cash equivalents	58,176	53,038	-	-	-	-	-	-
Marketable securities	486,593	159,616	-	-	5,526	6,451	-	-
Non-current								-
Marketable Securities	-	21,498	-	-	-	-	-	-

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COMPANY	ASSETS		LIABILITIES		REVENUE		EXPENSES	
	Sep. 30, 2018	Dec. 31, 2018	Sep. 30, 2019	Dec. 31, 2018	Jan. to Sep. 2019	Jan. to Sep. 2018	Jan. to Sep. 2019	Jan. to Sep. 2018
Forluz								
Current								
Post-employment obligations (11)	-	-	31,796	27,876	-	-	(31,045)	(30,449)
Supplementary pension contributions – Defined contribution plan (12)	-	-	-	-	-	-	(14,923)	(14,191)
Administrative running costs (13)	-	-	-	-	-	-	(5,225)	(4,946)
Operating leasing (14)	45,912	-	13,480	382	-	-	(11,804)	(9,633)
Non-current								
Post-employment obligations (11)	-	-	421,982	428,335	-	-	-	-
Operating leasing (14)	-	-	33,612	-	-	-	-	-
Cemig Saúde								
Current								
Health Plan and Dental Plan (15)	-	-	28,403	26,940	-	-	(37,505)	(30,761)
Non-current								
Health Plan and Dental Plan (15)	-	-	514,976	499,323	-	-	-	-

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

(1) ICMS tax anticipation, as per Minas Gerais State Decree 47,488, made in 2018.
(2) Technical Cooperation Working Agreement between Cemig, Cemig D and Cemig GT, instituted by Aneel Dispatch 3208/2016. Principally includes reimbursement of expenses related to sharing of infrastructure, personnel, transport, telecoms and IT.
(3) This refers to a service agreement between Cemig Telecomunicações (merged into Cemig on March 31, 2018), Cemig D and the Company, instituted by Dispatch 2735/2016.
(4) 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.
(5) 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$442,258, corresponding to the amount of the debt plus the estimated interest for the 15-month period of the agreement. On July 19, 2019 the loan was settled in full, in the amount of R$ 377,979.
(6) Transactions in energy between generators and distributors were made in auctions organized by the federal government; transactions for transport of energy, made by transmission companies, arise from the centralized operation of the National Grid carried out by the National System Operator (ONS).
(7) Refers to advance payments for supply of power made in 2017 to Santo Antônio Energia, subsidiary of Madeira Energia, by Cemig GT. The final installment was paid in January 2019.
(8) Refers to a contract to provide plant operation and maintenance services.
(9) Refers to advance payments for energy supply made in 2019 to Norte Energia, established by auction and by contract registered with the CCEE. In full-year 2020 it will deliver contracted supply in the amount of R$ 40,081. Of this amount, R$30,006 is presented in current assets, and R$10,075 in non-current assets, on September 30, 2019. There is no financial updating of the contract;
(10) As mentioned in Note 17(b), in June 2019, due to the uncertainties related to continuity of Renova, an estimated loss on realization of the receivables was recorded for the full value of the balance, R$ 688 million.
(11) 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).
(12) The Company's contributions to the pension fund for the employees participating in the Mixed Plan, and calculated on the monthly remuneration, in accordance with the regulations of the Fund.
(13) Funds for annual current administrative costs of the Pension Fund in accordance with the specific legislation of the sector. The amounts are estimated as a percentage of the Company's payroll.
(14) Rental of the Company's administrative head offices, in effect up to October 2020 (able to be extended every five years, up to 2035) and august 2024 (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). Aiming at costs reduction, in october, 2019, Cemig and Forluz agreed on parcial devolution of Aureliano Chaves building until november 30, 2019.
(15) Post-employment obligations relating to the employees' health and dental plan (see Note 22).

Dividends receivable from subsidiaries

Dividends receivable	Consolidated		Parent Company	
	Sep. 30, 2019	Dec. 31, 2018	Sep. 30, 2019	Dec. 31, 2018
Cemig Geração Três Marias	-	-	58,074	-
Cemig Geração Itutinga	-	-	18,518	-
Cemig Geração Camargos	-	-	12,985	-
Cemig Geração Sul	-	-	17,067	-
Cemig Geração Leste	-	-	12,816	-
ESCEE	-	-	27,403	-
Cemig Geração Poço Fundo (1)	-	-	294	-
Cemig Trading	-	-	29,317	-
Aliança Geração	-	90,664	-	90,664
Others	20,424	8,178	20,424	8,178
	20,424	**98,842**	**196,898**	**98,842**

(1) The Extraordinary General Meeting of Stockholders held on August 29, 2019 approved changes to the bylaws of the subsidiary, changing its name and its corporate objects. With the alteration, the name of Usina Termelétrica Barreiro S.A. was changed to Cemig Geração Poço Fundo S.A.

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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 September 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	September 30, 2018			Dec. 31, 2018		
				Cemig GT 7.76%	Other subsidiaries 10.06% (1)	Total (consolidated) 17.82%	Cemig GT 0.74%	Other subsidiaries 8.65% (1)	Total (consolidated 9.39%
ETAU (2)	Debentures	108% of CDI	Dec. 1, 2019	793	1,028	1,821	75	870	945
LIGHT	Promissory Note	CDI + 3.50%	Jan. 22, 2019	-	-	-	54	620	674
CEMIG D	Promissory Note	151% of CDI	Oct. 24, 2019	-	-	-	397	4,599	4,996
GASMIG	Promissory Note	107% of CDI	Sep. 25, 2020	775	1,005	1,780			
				1,568	**2,033**	**3,601**	**526**	**6,089**	**6,615**

(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 Concil and Board of Directors – are within the limits approved by a General Meeting of Shareholders, and their effects in the Income statements in the nine-month periods September 30, 2019 and 2018, are as follows:

	Jan. to Sep. 2019	Jan. to Sep. 2018
Remuneration	2,307	3,150
Profit shares	629	555
Assistance benefits	227	445
	3,163	**4,150**

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	Sep. 30, 2019		Dec. 31, 2018	
		Balance	Fair value	Balance	Fair value
Assets					
Amortized cost (1)					
Marketable securities	2	46,838	46,838	28,312	28,312
Customers and traders concession holders (transmission service)	2	1,174,453	1,174,453	956,059	956,059
Restricted cash	2	12,633	12,633	90,710	90,710
Receivable from related parties	2	1,805	1,805	921,288	921,288
Escrow deposits	2	362,736	362,736	374,374	374,374
Concession grant fee – Generation concessions	3	2,459,835	2,459,835	2,408,930	2,408,930
Reimbursements receivable – Transmission	3	1,302,889	1,302,889	1,296,314	1,296,314
		5,361,189	**5,361,189**	**6,075,987**	**6,075,987**
Fair value through profit or loss					
Cash equivalents – Investments	2	353,390	353,390	297,561	297,561
Marketable securities					
Financial notes (LFs) – Banks	2	326,154	326,154	96,876	96,876
Treasury financial notes (LFTs)	1	110,723	110,723	56,572	56,572
Debentures	2	2,956	2,956	1,586	1,586
		793,223	**793,223**	**452,595**	**452,595**
Derivative financial instruments (swaps)	3	1,870,106	1,870,106	813,335	813,335
Reimbursements receivable – Generation	3	816,202	816,202	816,202	816,202
		2,686,308	**2,686,308**	**1,629,537**	**1,629,537**
		8,840,720	**8,840,720**	**8,158,119**	**8,158,119**
Liabilities					
Amortized cost (1)					
Loans, financings and debentures	2	(8,298,371)	(8,298,371)	(8,198,912)	(8,198,912)
Debt with pension fund (Forluz)	2	(133,593)	(133,593)	(147,540)	(147,540)
Deficit of pension fund (Forluz)	2	(125,159)	(125,159)	(85,417)	(85,417)
Concessions payable	3	(19,212)	(19,212)	(18,747)	(18,747)
Suppliers	2	(502,599)	(502,599)	(484,726)	(484,726)
Leasing transactions (2)	2	(61,508)	(61,508)	-	-
		(9,140,442)	**(9,140,442)**	**(8,935,342)**	**(8,935,342)**
Fair value through profit or loss					
Derivative financial instruments – Put options	3	(451,767)	(451,767)	(419,148)	(419,148)
		(9,592,209)	**(9,592,209)**	**(9,354,490)**	**(9,354,490)**

(1) The book values of the financial instruments on September 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.

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

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

Fair value calculation of financial positions

<u>Transmission concession financial assets remunerated by Tariff:</u> 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. More details see note 12.

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

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

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

<u>Swap transactions:</u> 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.

<u>Put options:</u> 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.

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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 + 1.38% to 2.73%.

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 September, 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$451,767 (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	62,591
Balance at September 30, 2018	**374,184**
Balance at Dec. 31, 2018	**419,148**
Change in fair value	32,619
Balance at September 30, 2019	**451,767**

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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 3.21% p.a. to 7.21% p.a., and for volatility between 13% and 73% p.a., were used, resulting in estimates of minimum and maximum price for the put option of R$434,041 and R$470,985, 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.

Swap transactions

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

The derivative 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 September 30, 2019 was a positive adjustment of R$1,099,230 (Positive adjustment of R$322,847 on September 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 September 30, 2019 and December 31, 2018:

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Receivable by Cemig GT (1)	Payable by Cemig GT (1)	Maturity period	Trading market	Value of principal contracted (2)	Unrealized gain (loss), According to contract Sep. 30, 2019	Unrealized gain (loss), Fair value Sep. 30, 2019	Unrealized gain (loss), According to contract Dec. 31, 2018	Unrealized gain (loss), Fair value Dec. 31, 2018
In US$ 9.25% p.a.	R$ 150.49% of CDI	Interest: Half-yearly Principal: Dec. 2024	Over-the-counter	US$1,000,000	920,376	1,355,766	679,530	626,888
In US$ 9.25% p.a.	R$ 125.52% of CDI	Interest: Half-yearly Principal: Dec. 2024	Over-the-counter	US$500,000	162,591	514,340	32,781	186,447
					1,082,967	**1,870,106**	**712,311**	**813,335**
Current assets						**215,996**		**69,643**
Non-current assets						**1,654,110**		**743,692**

(1) For the initial Eurobond issue of US$1 billion, placed in December 2017: (1) for the principal, a call spread was contracted, with floor at R$3.25/US$ and ceiling at R$ 5.00/US$, and (2) a swap was contracted for the total of the interest, 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$500 million issuance of the same Eurobond issue, in July 2018 (1) a c all spread was contracted for the principal, with floor at R$ 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 September 30, 2019 was R$1,870,106 (R$813,335 on December 31, 2018), which would be a reference point if the Company were to liquidate the hedges on September 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$1,082,967 on September 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$1,112,117 million for the option (call spread), and R$669,109 million for the swap – an aggregate R$1,811,226 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 Sep. 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	6,686,714	6,489,504	5,465,005	4,515,983
Swap, liability side	(5,918,425)	(5,790,395)	(5,915,996)	(6,032,645)
Option / Call spread	1,101,817	1,112,117	519,672	77,061
Derivative hedge instrument	**1,870,106**	**1,811,226**	**68,681**	**(1,439,601)**

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.

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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 September 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	
	Sep. 30, 2019	Dec. 31, 2018	Sep. 30, 2019	Dec. 31, 2018
Assets				
Cash equivalents (Note 5) – CDI rate	353,390	297,561	265,707	223,247
Securities (Note 6) – CDI and Selic rates	486,671	183,346	211,966	14,631
Accounts receivable – Renova (Note 28) – CDI	-	507,038	-	507,038
Loan with related parties (Note 28) – CDI	-	408,114	-	408,114
Restricted cash – CDI	12,633	90,710	12,494	90,656
	852,694	**1,486,769**	**490,167**	**1,243,686**
Liabilities				
Loans, financings and debentures – CDI rate (Note 20)	(650,500)	(1,022,646)	(650,500)	(1,022,646)
Loans, financings and debentures – TJLP Rate (Note 20)	(174,702)	(163,367)	-	-
	(825,202)	**(1,186,013)**	**(650,500)**	**(1,022,646)**
Net assets (liabilities) exposed	**27,492**	**300,756**	**(160,333)**	**221,040**

Sensitivity analysis

The Company and its subsidiaries estimate that in a probable scenario, the Selic rate on September 30, 2020 will be 4.5% and the TJLP rate will be 5.22%. 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	Sep. 30, 2019	Sep.30, 2020		
	Amount Book value	'Probable' scenario: Selic 4.50% TJLP 5.2211%	'Possible' scenario -25% Selic 3.375% TJLP 3.9158%	Remote' scenario -50% Selic 2.25% TJLP 2.6106%
Assets				
Cash equivalents – Cash investments (note 5)	353,390	369,293	365,317	361,341
Marketable securities (note 6)	486,671	508,571	503,096	497,621
Restricted cash	12,633	13,201	13,059	12,917
	852,694	**891,065**	**881,472**	**871,879**
Liabilities				
Loans, financings and debentures – CDI rate (note 20)	(650,500)	(679,773)	(672,454)	(665,136)
Loans, financings and debentures – TJLP Rate (note 20)	(174,702)	(183,823)	(181,543)	(179,263)
	(825,202)	**(863,596)**	**(853,997)**	**(844,399)**
Net assets	**27,492**	**27,469**	**27,475**	**27,480**
Net effect of variation in interest rates		**(23)**	**(17)**	**(12)**

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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	
	Sep. 30, 2019	Dec. 31, 2018	Sep. 30, 2019	Dec. 31, 2018
Assets				
Generation – Concession grant fee – IPCA (note 12)	2,459,835	2,408,930	-	-
Transmission – Reimbursement receivable – IPCA index (note 12)	1,302,889	1,296,314	1,302,889	1,296,314
	3,762,724	**3,705,244**	**1,302,889**	**1,296,314**
Liabilities				
Loans, financings and debentures – IPCA (note 20)	(1,080,176)	(1,239,199)	(1,080,176)	(1,239,199)
Debt agreed with pension fund (Forluz) – (note 22)	(133,593)	(147,540)	(133,593)	(147,540)
Solution for Forluz pension fund deficit (note 22)	(125,159)	(85,417)	(125,159)	(85,417)
	(1,338,928)	**(1,472,156)**	**(1,338,928)**	**(1,472,156)**
Net assets (liabilities) exposed	**2,423,796**	**2,233,088**	**(36,039)**	**(175,842)**

Sensitivity analysis

The Company and its subsidiaries estimate that in a probable scenario, the IPCA inflation index on September 30, 2020 will be 3.42%. 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	September 30, 2019		September 30, 2020	
	Book value	'Probable' scenario: IPCA 3.4166%	'Possible' scenario - 25% IPCA 2.5625%	Remote' scenario - 50% IPCA 1.7083%
Assets				
Generation – Concession Grant Fee – IPCA (note 12)	2,459,835	2,543,878	2,522,868	2,501,856
Transmission – Reimbursement receivable – IPCA index (note 12)	1,302,889	1,347,404	1,336,276	1,325,146
	3,762,724	**3,891,282**	**3,859,144**	**3,827,002**
Liabilities				
Loans, financings and debentures – IPCA (note 20)	(1,080,176)	(1,117,081)	(1,107,856)	(1,098,629)
Debt agreed with pension fund (Forluz) (note 22)	(133,593)	(138,157)	(137,016)	(135,875)
Solution for Forluz pension fund deficit (note 22)	(125,159)	(129,435)	(128,366)	(127,297)
	(1,338,928)	**(1,384,673)**	**(1,373,238)**	**(1,361,801)**
Net assets exposed	**2,423,796**	**2,506,609**	**2,485,906**	**2,465,201**
Net effect of variation in inflation		**82,813**	**62,110**	**41,405**

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			
	September 30, 2019		Dec. 31, 2018	
	Foreign currency	R$	Foreign currency	R$
US dólar				
Loans and financings (Note 20)	(1,552,145)	(6,463,751)	(1,511,336)	(5,856,124)
Euro				
Loans and financings (Note 20)	-	-	(52)	(229)
Net liabilities exposed		**(6,463,751)**		**(5,856,353)**

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Sensitivity analysis

The Company estimates that in a probable scenario, at September 30, 2020 the exchange rates of foreign currencies in relation to the Real will be as follows: depreciation in the dollar exchange rate by 2.99%, to R$4.04/US$. 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	September 30, 2019		September 30, 2020	
	Book value	'Probable' scenario Dólar 4.04	Scenario +25% Dólar 5.05	Scenario +50% Dólar 6.06
US dólar				
Loans and financings (note 20)	(6,463,751)	(6,270,664)	(7,838,330)	(9,405,996)
Net liabilities exposed	**(6,463,751)**	**(6,270,664)**	**(7,838,330)**	**(9,405,996)**
Net effect of exchange rate variation		**193,087**	**(1,374,579)**	**(2,942,245)**

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.

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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):						
Floating rates						
Loans, financings and debentures	28,335	377,069	981,559	3,908,537	6,483,098	11,778,598
Paid concessions	220	432	1,912	8,611	13,521	24,696
Debt agreed with pension fund (Forluz)	2,676	5,378	24,680	134,768	-	167,502
Solution for deficit of pension fund (Forluz)	1,189	2,385	27,449	47,670	149,231	227,924
Leasing transactions	1,815	3,629	16,312	28,046	101,911	151,713
	34,235	**388,893**	**1,051,912**	**4,127,632**	**6,747,761**	**12,350,433**
Fixed rate						
Suppliers	498,321	4,269	9	-	-	502,599
	532,556	**393,162**	**1,051,921**	**4,127,632**	**6,747,761**	**12,853,032**

Parent Company	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
Financial instruments at (interest rates):						
Floating rates						
Loans, financings and debentures	28,335	377,069	981,559	3,737,448	6,483,098	11,607,509
Paid concessions	220	432	1,912	8,611	13,521	24,696
Debt agreed with pension fund (Forluz)	2,676	5,378	24,680	134,768	-	167,502
Solution for deficit of pension fund (Forluz)	1,189	2,385	27,449	47,670	149,231	227,924
Leasing transactions	1,762	3,525	15,841	27,227	101,856	150,211
	34,182	**388,789**	**1,051,441**	**3,955,724**	**6,747,706**	**12,177,842**
Fixed rate						
Suppliers	454,477	3,616	8	-	-	458,101
	488,659	**392,405**	**1,051,449**	**3,955,724**	**6,747,706**	**12,635,943**

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 September 30, 2019, considered to be adequate in relation to the credits receivable and in arrears, was R$41,341.

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.

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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 three 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)
A1	Over R$ 3.5 billion	Minimum 50%	Between 6% and 9%
A2	R$ 1.0 billion to R$ 3.5 billion	Maximum 30%	Between 5% and 8%
A3	R$ 400 million to R$ 1.0 billion	Maximum 30%	Between 5% and 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 September 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.

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d) Capital management

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

	Consolidated		Parent Company	
	Sep. 30, 2019	Dec. 31, 2018	Sep. 30, 2019	Dec. 31, 2018
Total liabilities	12,588,309	11,971,944	12,194,038	11,591,625
Cash and cash equivalents (note 5)	(356,542)	(301,696)	(266,256)	(226,830)
Net liabilities	**12,231,767**	**11,670,248**	**11,927,782**	**11,364,795**
Total equity	**5,771,897**	**4,980,136**	**5,771,897**	**4,980,136**
Net liabilities / equity	**2.12**	**2.34**	**2.07**	**2.28**

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 September 30, 2019 and 2018:

	September 30, 2019			
	Generation	Transmission	Trading (1)	Total
ASSETS	**15,377,233**	**2,888,388**	**94,585**	**18,360,206**
INVESTMENTS IN AFFILIATES AND JOINTLY-CONTROLLED ENTITIES	**4,212,619**	**-**	**-**	**4,212,619**
ADDITIONS TO THE SEGMENT	**89,769**	**-**	**-**	**89,769**
ADDITIONS TO CONTRACT ASSETS	**-**	**150,158**	**-**	**150,158**
NET REVENUE	**5,347,418**	**520,203**	**96,076**	**5,963,697**
ENERGY COSTS				
Charges for use of the national grid	(142,377)	-	-	(142,377)
Energy bought for resale	(2,825,618)	-	-	(2,825,618)
	(2,967,995)	**-**	**-**	**(2,967,995)**
OPERATING COSTS AND EXPENSES				
Personnel	(157,718)	(88,190)	(183)	(246,091)
Employee profit shares	(22,484)	(15,656)	-	(38,140)
Post-employment liabilities (expense recovery)	(37,011)	(28,303)	-	(65,314)
Materials	(11,295)	(3,763)	(6)	(15,064)
Outsourced services	(86,517)	(31,990)	(272)	(118,779)
Depreciation and amortization	(166,688)	(4,543)	-	(171,231)
Provisions	(920,251)	(114,596)	-	(1,034,847)
Transmission infrastructure construction cost	-	(150,158)	-	(150,158)
Other operating costs and expenses, net	318	(11,937)	(14)	(11,633)
	(1,401,646)	**(449,136)**	**(475)**	**(1,851,257)**
TOTAL COSTS AND EXPENSES	**(4,369,641)**	**(449,136)**	**(475)**	**(4,819,252)**
Share of profit (loss) of associates and joint ventures, net	(11,390)	-	-	(11,390)
Operating profit before Finance income (expenses)	**966,387**	**71,067**	**95,601**	**1,133,055**
Finance income	1,360,735	106,995	3,646	1,471,376
Finance expenses	(1,013,459)	(111,769)	(15)	(1,125,243)
Profit before income tax and social contribution tax	**1,313,663**	**66,293**	**99,232**	**1,479,188**
Income tax and social contribution tax	(642,883)	(32,163)	(12,381)	(687,427)
NET INCOME FOR THE PERIOD	**670,780**	**34,130**	**86,851**	**791,761**

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

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

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

	September 30, 2019			
	Generation	Transmission	Trading (1)	Total
Total revenue from supply of energy – with taxes	5,247,834	-	-	5,247,834
Transmission revenue – with taxes	-	520,238	-	520,238
Revenue from updating of the concession grant fee	244,069	-	-	244,069
Construction revenue	-	150,158	-	150,158
Transactions in energy on the CCEE	413,848	-	-	413,848
Transmission indemnity revenue	-	124,057	-	124,057
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	14,853	20,041	102,896	137,790
Sector / regulatory charges – Deductions from revenue	(1,062,229)	(294,291)	(6,820)	(1,363,340)
Net operating revenue	**5,347,418**	**520,203**	**96,076**	**5,963,697**

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

	September 30, 2018		
	Generation	Transmission	Total
Total revenue from supply of energy – with taxes	5,069,097	-	5,069,097
Transmission revenue – with taxes	-	443,095	443,095
Revenue from updating of the concession grant fee	245,729	-	245,729
Construction revenue	-	12,726	12,726
Transactions in energy on the CCEE	168,323	-	168,323
Transmission indemnity revenue	-	208,164	208,164
Generation indemnitu revenue	82,331	-	82,331
Other operating revenues	59,411	31,729	91,140
Sector / regulatory charges – Deductions from revenue	(981,694)	(217,456)	(1,199,150)
Net operating revenue	**4,643,197**	**478,258**	**5,121,455**

Details of operating revenue are in Note 25.

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CONSOLIDATED RESULTS

(Figures in R$ ’000 unless otherwise indicated)

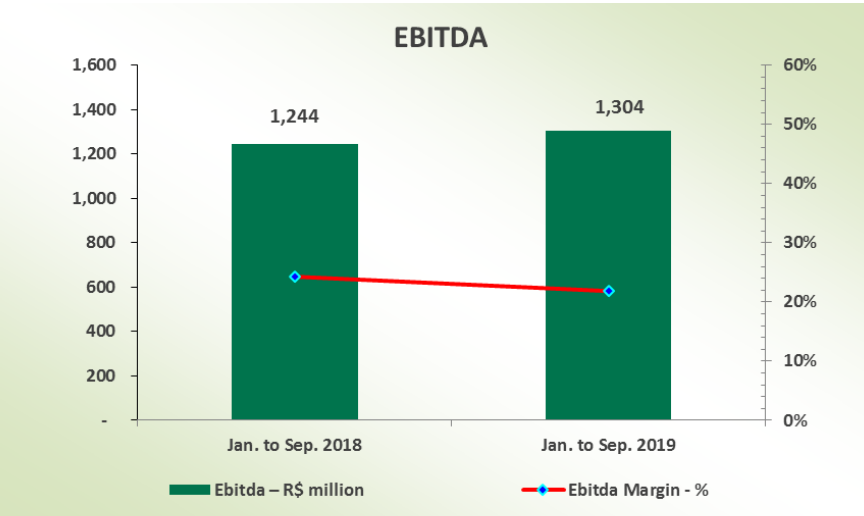
Net income for the period

In the nine-month period ended September 30, 2019 (9M19) the Company reports net income of R$791,761, which compares with its net income of R$5,237 in the nine-month period ended September 30,2018 (9M18). 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 4.81% higher in 9M19 than 9M18:

Ebitda - R$ million	Jan. to Sep. 2019	Jan. to Sep. 2018	Change, %
Net income for the period	791,761	5,237	15,018.6
+ Current and deferred income tax and social contribution tax	687,427	83,613	722.15
+ Net finance income (expenses)	(346,133)	1,046,082	-
+ Amortization and depreciation	171,231	109,445	56.45
= Ebitda	**1,304,286**	**1,244,377**	**4.81**



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 tax and social contribution tax. Ebitda is not a measure recognized by Brazilian GAAP nor by IFRS; it does not have a standard meaning; and it may be non-comparable with measures with similar titles provided by other companies. Cemig publishes Ebitda because it uses it to measure its own performance. Ebitda should not be considered in isolation or as a substitution for net income or operating 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 9M19 than 9M18 is principally to the lower loss on equity income of R$11,390 compared to a loss of R$250,755 in the same period of 2018, a reduction of 95.46%. Another important component in the higher Ebitda in 9M19 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.

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A negative component in Ebitda was Operational costs and expenses, excluding depreciation and amortization, 28.17% higher. This basically reflects higher operational provisions. More details on the specific items of this Comment.

Ebtida margin, at 21.87% in 9M19, was at a comparable level to Ebtida margin of 24.30% in 9M18.

Revenue from supply of energy

	Jan. to Sep. 2019			Jan. to Sep. 2018		
	MWh	R$ (mn)	Average price/MWh billed – R$/MWh[1]	MWh	R$ (mn)	Average price/MWh billed – R$/MWh
Industrial	10,129,091	2,338,288	230.85	10,751,823	2,402,818	223.48
Commercial	3,148,662	653,568	207.57	2,325,050	520,714	223.96
Rural	1,940	504	259.79	795	196	246.54
Subtotal	**13,279,693**	**2,992,360**	**225.33**	**13,077,668**	**2,923,728**	**223.57**
Net unbilled retail supply	-	35,556	-	-	15,036	-
	13,279,693	**3,027,916**	-	**13,077,668**	**2,938,764**	-
Wholesale supply to other concession holders	8,575,742	2,267,271	264.38	8,755,439	2,167,139	247.52
Wholesale supply unbilled, net	-	(47,353)	-		(36,806)	-
	21,855,435	**5,247,834**	**240.12**	**21,833,107**	**5,069,097**	**233.17**

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

For the third half of 2019 (9M19) the Company reports a revenue from supply of energy of R$5,247,834, compared to R$5,069,097 in 9M18 – or 3.52% higuer. This variaton is mainly due to the 2.98% increase in the average price due to the price adjustment of the energy sales contracts.

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$520,238 in 9M19, compared to R$443,095 in 9M18 – or 17.41% higher year-on-year. The higher figure arises from (i) the inflation adjustment of the annual RAP, applied in July 2019, increased by the new revenue related to the authorized investments. 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).

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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 IGPM index to the contract of Cemig Itajubá. In 2019, the adjustments made to the RAP were: positive 10.53% for the Company's concession contracts; and positive 14.60% for the concession contracts of Cemig Itajubá. The adjustments comprised application of the inflation adjustment index, and recognition of works to upgrade and improve the facilities.

Additionally, the RAP (Permitted Annual Revenue) is made up of the sector charges, of which the most significant is the Energy Development Account (CDE) – this was 56.24% higher in 9M19 than 9M18.

Transmission indemnity revenue

The revenue from reimbursements of transmission assets in 9M19 was R$124,057, – or 40.40% less than in 9M18 (R$208,164).

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.

At the beginning of the tariff cycle, which occurs in July of each year, the amounts received, plus the adjustment made for the cycle, corresponding to the amortization of the debtor balance up to the end of the period, are excluded from the remuneration base, reducing the amounts of the monetary updating and the remuneration on the remaining balance.

In July 2019 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 14.32%. This results in an increase in the indemnity reimbursement amount, to be received during the tariff cycle, reducing the remaining balance of indemnity reimbursement receivable, and consequently the remuneration arising on this balance. Additionally, the variation in the IPCA index in 9M19 was 25.45% lower than in 9M18: In 9M19 it was 2.49%, and in 9M18 it was 3.34%.

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 9M19 was R$413,848, or 145.87% higher than in 9M18 (R$168,323). The higher figure mainly reflects higher physical guarantee allocations, associated with an Generation Scaling Factors (GSFs) average 1.49 in 1Q19, increasing the available excess supply. This excess, in turn, was priced at the higher average spot price in 1Q19 – R$290.08 in 1Q19 vs. R$196.03 in 1Q18, with a significant impact on revenues in the period.

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Taxes and charges reported as deductions from revenue

Taxes and charges applied to operating revenue in 9M19 were R$1,363,340, or 13.69% more than in 9M18 (R$1,199,150).

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

The amounts of payments to the Energy Development Account (CDE) are decided by an Aneel Resolution. The purpose of the CDE is to cover costs of concession indemnities (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 9M19 were R$176,846, compared to R$113,190 in 9M18, an increase of 56.24%. 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.

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 9M19 totaled R$4,819,252, 29% higher than in 9M18 (R$3,735,768).

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:

<u>Energy bought for resale</u>

The expense on energy bought for resale in 9M19 was R$2,825,618, compared to R$2,865,752 in 9M18, representing an absolute reduction of R$40,134. This difference is mainly due to a lower expense on purchase of energy in the spot market: R$91,657 in 9M19, compared to R$ 140,239 in 9M18 – a reduction of 34.64%.

This net result for spot-price supply is the net balance of revenues and expenses of transactions on the Power Trading Exchange (CCEE). The difference is mainly due to the spot price being 36.26% lower from January to September 2019, at R$211.84 MWh, compared to R$332.34/MWh in the same period in 2018.

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Personnel expenses

The expense on personnel in 9M19 was R$246,091, 2.92% higher than in 9M18 (R$239,115). This arises mainly from salary increase of 4% under the Collective Work Agreement, as from November 2018.

Employee profit shares

This expense was R$38,140 in 9M19, compared to R$4,511 in 9M18. This change reflects the higher net profit – which was R$5,237 in 9M18, and R$791,761 in 9M19.

Construction cost

Construction cost was R$150,158 in 9M19 – compared to R$12,756 in 9M18. This cost is offset in full by the accounting item Construction revenue, thus having no effect on net income. The difference arises from the increase in the volume of investments in 9M19, which was already foreseen in the investment curve of 2019. In October 2018 the Company's Investment Program was revised, and additional funds were included to attend to a group of works on refurbishment and improvement which are at the final phase of consolidation and authorization by Aneel.

Post-employment obligations

The impact of the Company's post-employment obligation on operating profit was an expense of R$65,314 in 9M19 – which compares with an expense of R$53,703 in 9M18, an increase of 21.62%. 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.

Operating provisions

Net operating provisions in 9M19 total R$1,034,847, compared to R$78,059 in 9M18, arising mainly from the following factors:

- Provision made for estimated losses for doubtful receivables in 2019, of R$31,315, compared to the related total provision of R$138 in 2018 – reflecting in particular worsening of the financial condition of a client with a significant position in the portfolio.
- 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.
- Recognition, in September 2019, of a tax contingency provision of R$258,625 resulting from reassessment of the chances of loss from 'possible' to 'probable' in the legal action related to social security contributions on payments of profit sharing (PRL) to employees in the years 1999 to 2016. More details in Note 23.

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- These increases were partially offset by the provisions for the SAAG put option being 47.89% lower: R$32,619 in 9M19, vs. R$62,591 in 9M18. There is more on the method of calculation in Note 29.

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

A net loss of R$11,390 in the value of non-consolidated investees was posted by the equity method in 9M19, which compares with a net loss of R$250,755 in 9M18. The losses recognized in 9M18 were basically related to the investments in Santo Antônio Energia. No loss on the investment in Renova was recognized in 9M19, 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 56.44% lower in 9M19, compared to 9M18.

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

Finance income (expenses)

The Company reports net financial income of R$346,133 in 9M19, compared to net financial expenses of R$1,046,082 in 9M18. The mainly from the following factors:

- Gain on the hedge transactions contracted to protect the Eurobond issue: the gain in 9M19 was R$1,099,230, compared to a gain of R$322,847 in 9M18. 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.
- Gain of R$247,967, 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 tax and social contribution tax

In 9M19 the expense on income tax and social contribution tax was R$687,427, on pre-tax profit of R$1,479,188 – an effective rate of 46.47%. In 9M18, the expense on income tax and social contribution tax was R$83,613, or 94.11% of the pre-tax profit of R$88,850.

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

Net income (loss) for the third quarter 2019

On the third quarter of 2019 (3Q19) the Company reports a loss of R$133,952, which compares a loss of R$61,651 in the third quarter of 2018 (3Q18). The main variations in revenue, costs and expenses are noted below, after the Interim Financial Information.

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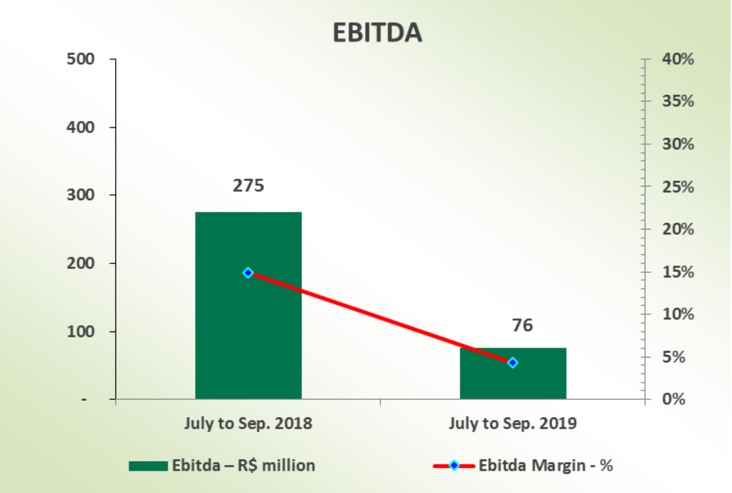
Ebitda (profit before interest, tax, depreciation and amortization)

Cemig GT’s Ebitda was 72.48% lower in 3Q19 than 3Q18:

Ebitda - R$ million	3Q19	3Q18	Change %
Net income for the period	(133,952)	(61,651)	117.27
+ Current and deferred income tax and social contribution tax	(60,481)	9,075	-
+ Net finance income (expenses)	212,713	290,810	(28.85)
+ Amortization and depreciation	57,296	36,357	57.59
= Ebitda	**75,576**	**274,591**	**(72.48)**



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 tax and social contribution tax. Ebitda is not a measure recognized by Brazilian GAAP nor by IFRS; it does not have a standard meaning; and it may be non-comparable with measures with similar titles provided by other companies. Cemig publishes Ebitda because it uses it to measure its own performance. Ebitda should not be considered in isolation or as a substitution for net income or operating 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 3Q19 than 3Q18 mainly reflected costs and expenses (excluding amortization effects) 14.35% higher. The higher figure for operational costs and expenses is basically due to higher tax contingency provision, mainly for the recognition of a tax contingency provision of R$258,625 resulting from reassessment of the chances of loss from ‘possible’ to ‘probable’ in the legal action related to social security contributions on payments of profit sharing (PRL) to employees in the years 1999 to 2016. More details in Note 23.

Ebtida margin, at 4.28% in 3Q19, was at a comparable level to Ebtida margin of 14.88% in 3Q18.

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Revenue from supply of energy

	3Q19			3Q18		
	MWh	R$ (mn)	Average price/MWh billed – R$/MWh	MWh	R$ (mn)	Average price/MWh billed – R$/MWh
Industrial	3,571,438	844,666	236.51	3,754,720	848,201	225.90
Commercial	1,146,786	228,403	199.17	788,799	172,803	219.07
Rural	911	243	266.74	480	118	245.83
Subtotal	**4,719,135**	**1,073,312**	**227.44**	**4,543,999**	**1,021,122**	**224.72**
Net unbilled retail supply	0	5,282		-	19,648	-
	4,719,135	**1,078,594**		**4,543,999**	**1,040,770**	**-**
Wholesale supply to other concession holders	3,012,419	773,913	256.91	3,165,067	746,143	235.74
Wholesale supply unbilled, net	0	(28,383)		-	37,012	-
	7,731,554	**1,824,124**	**235.93**	**7,709,066**	**1,823,925**	**229.25**

For the third quarter of 2019 (3Q19) the Company reports a revenue from supply of energy of R$1,824,124 compared to R$1,823,925 in 3Q18, without a significative variation.

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$184,178 in 3Q19, compared to R$148,383 in 3Q18 – or 24.12% higher period-on-period. This variation arises basically from the inflation adjustment of the annual RAP, which was applied in July 2019, 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 2019 the adjustment was 10.53% (the IPCA index) for the concession of the Company, and 14.60% (the IGP-M Index) for the concession of Cemig Itajubá. The adjustments comprised application of the inflation adjustment index and recognition of works to upgrade and improve the facilities.

Additionally, the RAP (Permitted Annual Revenue) is made up of the sector charges, of which the most significant is the Energy Development Account (CDE) – this was 56.24% higher in 3Q19 than 3Q18.

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Transmission indemnity revenue

The revenue from reimbursements of transmission assets in 3Q19 was R$33,638, compared to R$61,645 in 3Q18 - or 45.43% lower period-on-period

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. The amounts of the reimbursements are being received through RAP, since July 2017, over a period of 8 years.

At the beginning of the tariff cycle, which occurs in July of each year, the amounts received, plus the adjustment made for the cycle, corresponding to the amortization of the debtor balance up to the end of the period, are excluded from the remuneration base, reducing the amounts of the monetary updating and the remuneration on the remaining balance.

In July 2019 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 14.32%. This results in an increase in the indemnity reimbursement amount, to be received during the tariff cycle, reducing the remaining balance of indemnity reimbursement receivable, and consequently the remuneration arising on this balance. Additionally, the variation in the IPCA index in 3Q19 was 64% lower than in 3Q18: In 3Q19 it was 0.26%, and in 3Q18 it was 0.72%.

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 3Q19 was R$9,811, or 30.77% lower than in 3Q18 (R$14,172). The difference was mainly due to the reduction of 56.62% in the average spot price in the third quarter of 2019 compared to the same period of 2018. It was R$214.07/MWh and R$494.61/MWh, respectively.

Taxes and charges reported as deductions from revenue

Taxes and charges on revenue in 3Q19 totaled R$466,755 – or 13.72% higher than in 3Q18 (R$410,441).

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

The amounts of payments to the Energy Development Account (CDE) are decided by an Aneel Resolution. The purpose of the CDE is to cover costs of concession indemnities (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).

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The charges for the CDE in 3Q19 were R$60,545, compared to R$39,329 in 3Q18, an increase 53.94%. 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.

Operating costs and expenses (excluding Finance income/expenses)

Operating costs and expenses (excluding Net Finance income/expenses) in 3Q19 totaled R$1,727,701, or 15.40% higher than in 3Q18 (R$1,497,203).

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 3Q19 was R$1,126,457, which was 3.99% lower than the figure of R$1,173,243 for this account in 3Q18. This difference is mainly due to a lower expense on purchase of energy in the spot market: R$65,333 in 3Q19, compared to R$85,494 in 3Q18 – a reduction of 23.58%.

This net result for spot-price supply is the net balance of revenues and expenses of transactions on the Power Trading Exchange (CCEE). The difference is mainly due to the spot price being 56.72% lower from January to September 2019, at R$214.07/MWh, compared to R$494.61/MWh in the same period in 2018.

Personnel expenses

The expense on personnel in 3Q19 was R$77,817, or 4.9% higher than in 3Q18 (R$74,185). This lower amount, in spite of the salary increase of 4% in the collective agreement in effect from November 2018.

Employee profit shares

This expense was R$4,191 in 3Q19 due to the lower net profit (basis for calculation of profit shares) in 3Q19.

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Construction cost

Construction cost was R$67,169 – compared to R$7,994 in 3Q18. This cost is offset in full by the accounting item Construction revenue, thus having no effect on net profit. The difference arises from the increase in the volume of investments in 9M19, which was already foreseen in the investment curve of 2019. In October 2018 the Company's Investment Program was revised, and additional funds were included to attend to a group of works on refurbishment and improvement which are at the final phase of consolidation and authorization by Aneel.

Post-employment obligations

The impact of the Company's post-employment obligation on operating profit was an expense of R$22,683 in 3Q19 – which compares with an expense of R$17,333 in 3Q18, an increase of 30.87%. 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$288,592 in 3Q19, compared to R$38,483 in 3Q18, arising mainly from the factors:

- Recognition, in September 2019, of a tax contingency provision of R$ 258,625 resulting from reassessment of the chances of loss from 'possible' to 'probable' in the legal action related to social security contributions on payments of profit sharing (PRL) to employees in the years 1999 to 2016. More details in Note 23.
- Provision made for estimated losses for doubtful receivables in 2019, of R$12,238, compared to the related total provision of R$14 in 2018 – reflecting in particular worsening of the financial condition of a client with a significant position in the portfolio.
- These increases were partially offset by the provisions for the SAAG put option being 71.90% lower: R$10,673 in 9M19, vs. R$37,985 in 9M18. There is more on the method of calculation in Note 29.

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

An equity loss of R$20,143 was recorded in 3Q19 from equity in unconsolidated investees. This compares with a loss of R$110,343 in 3Q18. No loss on the investment in Renova was recognized in 3Q19, 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 30.43% lower in 3Q19.

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

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Finance income (expenses)

The Company reports net financial expenses of R$212,713 in 3Q19, compared to net financial expenses of R$290,810 in 3Q18. The most significant variations in components were as follows:

- Gain on derivative financial instruments (swaps), of R$485,836 in 3Q19, in comparison to a gain of R$142,418 in 3Q18. This improvement mainly reflects lowering of the yield curve over the period of the contract, reducing expectations for the amount of payments of Cemig's obligations, which are indexed to the CDI rate, increasing the fair value of the option.
- Gain on foreign exchange variation on loans and financings, in the amount of R$498,300, in 3Q19, which compares with an expense of R$225,987 in 3Q18 – reflecting an increase of 8.67% in the US dólar in 3Q19, compared to an increase of 3.84% in 3Q18.

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

Income tax and social contribution tax

In 3Q19, the credits on income tax and social contribution tax was R$60.481, on Income before income tax and social contribution taxes of R$194,433 – an effective rate of 31.11%. In the same period of 2018, the credits on income tax and social contribution tax was R$9,075, on a pre-tax loss of R$52,576, representing an effective rate of 17.26%. 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

Carolina Luiza F. A. C de Senna
Financial Accounting and Equity Interests Manager
Accountant – CRC-MG 77.839

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

Independent Auditor's Review Report on Quarterly Information - ITR

To the Shareholders and Management of
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 September 30, 2019, which comprise the statements of financial position as at September 30, 2019 and the statements of profit or loss and comprehensive income for the three and nine-month periods then ended and the statements of changes in equity and cash flows for the nine-month period then ended, including notes to the interim financial information.

Management is responsible for the preparation of the individual and consolidated interim financial information in accordance with Accounting Pronouncement CPC 21 (R1) – Interim Financial Reporting and 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 jointly-controlled investee Renova Energia S.A. to continue as a going concern

As disclosed in Note 14 to the interim financial information, as at October 16, 2019, pursuant to Law 11.101/05, it was granted by the court the application for judicial recovery applied for by the jointly-controlled investee Renova Energia S.A. and by some of its subsidiaries. Under the terms of the Law, the jointly-controlled investee shall submit to the court within a non-extendable period of 60 (sixty) days from the publication of the decision granting the application, a judicial recovery plan that shall be submitted to the general meeting of debtors within a period not exceeding 180 (one hundred and eighty) days from the judicial recovery process granting date. The jointly-controlled investee is in the process of preparing such plan and up to the present date has not measured the possible effects on its accounting balances. In addition, jointly-controlled investee has incurred recurring losses and, as at September 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.

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Other matters

Statements of value added

The above mentioned quartely information include the individual and consolidated statements of value added (SVA) for the nine-month period ended September 30, 2019, prepared under Company's Management responsabitlity and presented as supplementary information by IAS 34. These statements have been subjected to review procedures performed together with the review of the quartely information with the objective to conclude whether they are reconciled to the interim financial information and the accounting records, as applicable, and if its format and content are in accordance with the criteria set forth by CPC 09 – Statement of Value Added. 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 individual and consolidated interim financial information.

Belo Horizonte (MG), November 13, 2019.

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

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

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