

ENERGY CO OF MINAS GERAIS

Form 6-K

February 26, 2018

Table of Contents

**UNITED STATES**

**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

**FORM 6-K**

**REPORT OF FOREIGN ISSUER**

**PURSUANT TO RULE 13A-16 OR 15D-16 OF**

**THE SECURITIES EXCHANGE ACT OF 1934**

**For the month of January, 2018**

**Commission File Number: 1-15224**

**Energy Company of Minas Gerais**

**(Translation of Registrant's Name Into English)**

**Avenida Barbacena, 1200**

**30190-131 Belo Horizonte, Minas Gerais, Brazil**

**(Address of Principal Executive Offices)**

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F.

Form 20-F

Form 40-F

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1):

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7):

Indicate by check mark whether by furnishing the information contained in this Form, the registrant is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes

No

If  Yes is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): N/A

**Table of Contents**

**INDEX**

**Item Description of Items**

1. SUMMARY OF THE MINUTES OF THE 698TH MEETING OF THE BOARD OF DIRECTORS HELD ON JUNE 27, 2017
2. MATERIAL ANNOUNCEMENT DATED AS OF DECEMBER 28, 2017: CEMIG COMPLETES R\$ 3.4BN DEBT RE-PROFILING
3. NOTICE TO STOCKHOLDERS DATED AS OF JANUARY 8, 2018: FINAL FIGURES FOR R\$ 1.2BN CAPITAL INCREASE
4. MATERIAL ANNOUNCEMENT DATED AS OF JANUARY 12, 2018: BOARD PROPOSES THE MERGER OF CEMIGTELECOM
5. SUMMARY OF THE MINUTES OF THE 720TH MEETING OF THE BOARD OF DIRECTORS HELD ON JANUARY 12, 2018
6. CONVOCAÇÃO DE EXTRAORDINARY GENERAL MEETING OF STOCKHOLDERS DATED AS OF JANUARY 12, 2018 TO BE HELD ON FEBRUARY 28, 2018
7. PROPOSAL BY THE BOARD OF DIRECTORS DATED AS OF JANUARY 12, 2018 TO THE EXTRAORDINARY GENERAL MEETING OF STOCKHOLDERS TO BE HELD ON FEBRUARY 28, 2018
8. NOTICE TO STOCKHOLDERS DATED AS OF JANUARY 17, 2018: CANCELATION OF THE CONVOCAÇÃO TO THE EXTRAORDINARY GENERAL MEETING OF STOCKHOLDERS SCHEDULED FOR JANUARY 24, 2018
9. SUMMARY OF THE MINUTES OF THE 721TH MEETING OF THE BOARD OF DIRECTORS HELD ON JANUARY 17, 2018
10. MARKET ANNOUNCEMENT DATED AS OF JANUARY 17, 2018: CANCELATION OF THE EXTRAORDINARY GENERAL MEETING OF STOCKHOLDERS SCHEDULED FOR JANUARY 24, 2018
11. MARKET ANNOUNCEMENT DATED AS OF JANUARY 24, 2018: BEGIN OF THE 30-DAY EXTENSION TO THE EXCLUSIVITY PERIOD GRANTED TO BROOKFIELD ENERGIA RENOVÁVEL S.A. TO CONTRIBUTE TO THE CAPITAL STOCK OF RENOVA ENERGIA S.A.
12. SUMMARY OF THE MINUTES OF THE 722TH MEETING OF THE BOARD OF DIRECTORS HELD ON FEBRUARY 8, 2018
13. MARKET ANNOUNCEMENT DATED AS OF FEBRUARY 16, 2018: REPLY TO CVM INQUIRY LETTER 65/2018-CVM/SEP/GEA-1 OF FEBRUARY 15, 2018
14. MARKET ANNOUNCEMENT DATED AS OF FEBRUARY 19, 2018: RESIGNATION OF THE CEO OF RENOVA

**Table of Contents**

**FORWARD-LOOKING STATEMENTS**

This report contains statements about expected future events and financial results that are forward-looking and subject to risks and uncertainties. Actual results could differ materially from those predicted in such forward-looking statements. Factors which may cause actual results to differ materially from those discussed herein include those risk factors set forth in our most recent Annual Report on Form 20-F filed with the Securities and Exchange Commission. CEMIG undertakes no obligation to revise these forward-looking statements to reflect events or circumstances after the date hereof, and claims the protection of the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995.

**Table of Contents**

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

COMPANHIA ENERGÉTICA DE MINAS

GERAIS CEMIG

By: /s/ JOSÉ MARIA RABELO

Name: José Maria Rabelo

Title: Acting Chief Finance and Investor Relations Officer

Date: February 23, 2018

**Table of Contents**

**SUMMARY OF THE MINUTES OF THE 698TH MEETING OF THE BOARD OF DIRECTORS HELD ON  
JUNE 27, 2017**

**Table of Contents**

**COMPANHIA ENERGÉTICA DE MINAS GERAIS CEMIG**  
**LISTED COMPANY CNPJ 17.155.730/0001-64 NIRE 31300040127**  
**BOARD OF DIRECTORS**  
**SUMMARY OF MINUTES**  
**OF THE**  
**698<sup>TH</sup> MEETING**

**Date, time and place:** June 27, 2017 at 4 p.m. at the head office.

**Meeting Committee:** Chair: José Afonso Bicalho Beltrão da Silva;  
Secretary: Anamaria Pugedo Frade Barros

**Summary of proceedings:**

**I Conflict of interest:** The board members listed below declared no conflict of interest in relation to the matters on the agenda of this meeting,

**II The Board approved:**

a) The following proposal by the Chair:

that as from June 28, 2017, Mr. Luís Fernando Paroli Santos should no longer be Chief Distribution and Sales Officer and interim Chief Institutional Relations and Communication Officer;

Election as Interim Chief Distribution and Sales Officer, from June 28, 2017, to serve the rest of the present period of office, that is to say until the first meeting of the Board of Directors after the Annual General Meeting of 2018, of

**Mr. Ronaldo Gomes de Abreu** Brazilian, married, company manager, domiciled in Belo Horizonte, Minas Gerais, at Av. Assis Chateaubriand 46/1301, Floresta, CEP 30150-100, Bearer of Identity Card MG 2868468-PCMG and CPF 563307236-72;

and, as Chief Officer for Institutional Relations and Communication, on an interim basis while also serving as Chief Finance and Investor Relations Officer, of

**Mr. Adézio de Almeida Lima** Brazilian, married, economist, domiciled in Belo Horizonte, MG, at Av. Barbacena 1200, 18º andar, Ala B2, Santo Agostinho, CEP 30190-131, bearer of Identity Card 2514340-SSPDF and CPF 342530507-78.

b) The minutes of this meeting.

**III The Board nominated** the Chief Officer Luís Fernando Paroli Santos as Chief Executive Officer of Light S.A., and also as Chief Officer for Business Development and Investor Relations Officer of that company, to complete the present period of office or until his duly elected successor is sworn in.

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

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**Table of Contents**

**IV The Chair informed** the meeting that as from June 28, 2017 the Executive Board comprises:

Chief Executive Officer:	Bernardo Afonso Salomão de Alvarenga;
Interim Deputy CEO:	Bernardo Afonso Salomão de Alvarenga;
Chief Trading Officer:	Dimas Costa;
Chief Business Development Officer:	César Vaz de Melo Fernandes;
Interim Chief Distribution and Sales Officer:	Ronaldo Gomes de Abreu;
Chief Finance and Investor Relations Officer, and Interim Chief Institutional Relations and Communication Officer:	Adézio de Almeida Lima;
Chief Generation and Transmission Officer:	Franklin Moreira Gonçalves;
Chief Corporate Management Officer:	José de Araújo Lins Neto;
Chief Officer for Human Relations and Resources:	Maura Galuppo Botelho Martins;
Chief Counsel:	Raul Lycurgo Leite,*

\* to be succeeded on July 1, 2017, as per Board decision of June 9, 2017, by:

Mr. Luciano de Araújo Ferraz.

**V The Chief Officers elected declared** in advance that they are not subject to any prohibition on exercise of commercial activity, that they do not occupy any position in a company which could be considered a competitor of the Company, and that they do not have, nor represent, any interest conflicting to Cemig's interest; and made a formal commitment to become aware of, obey and comply with the principles, ethical values and rules established by the Code of Professional Conduct of Cemig and the Code of Ethical Conduct of Government Workers and Senior Administration of the State of Minas Gerais.

**The following were present:**

Board members: Nelson José Hubner Moreira,

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José Afonso Bicalho Beltrão da  
Silva,

Bernardo Afonso Salomão de  
Alvarenga,

Antônio Dirceu Araújo Xavier,

Arcângelo Eustáquio Torres  
Queiroz,

Bruno Magalhães Menicucci,

Helvécio Miranda Magalhães  
Junior,

Marco Antônio de Rezende  
Teixeira,

Marco Antônio Soares da Cunha  
Castello Branco,

Patrícia Gracindo Marques de Assis  
Bentes,

Aloísio Macário Ferreira de Souza,

Carolina Alvim Guedes Alcoforado,  
Anamaria Pugedo Frade Barros.

Secretary:  
(Signed by:) Anamaria Pugedo Frade Barros.

José Pais Rangel,

Saulo Alves Pereira Junior,

Marina Rosenthal Rocha,

Agostinho Faria Cardoso,

Antônio Carlos de Andrada Tovar,

Geber Soares de Oliveira,

Luiz Guilherme Piva,

Otávio Silva Camargo,

Ricardo Wagner Righi de Toledo,

Tarcísio Augusto Carneiro,

Wieland Silberschneider;

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**Table of Contents**

**MATERIAL ANNOUNCEMENT DATED AS OF DECEMBER 28, 2017: CEMIG COMPLETES R\$ 3.4BN  
DEBT RE-PROFILING**

Table of Contents

**COMPANHIA ENERGÉTICA DE MINAS GERAIS CEMIG**

**LISTED COMPANY CNPJ 17.155.730/0001-64 NIRE 31300040127**

**MATERIAL ANNOUNCEMENT**

**Cemig completes R\$ 3.4bn debt re-profiling**

Supplementing the Material Announcement published on November 20, 2017, **Cemig** (*Companhia Energética de Minas Gerais* listed and traded, in São Paulo, New York and Madrid), in compliance with CVM Instruction 358 of January 3, 2002 as amended, **hereby reports** to the Brazilian Securities Commission (CVM), the São Paulo Stock Exchange (B3) and the market as follows:

Cemig's wholly-owned subsidiaries Cemig D and Cemig GT have completed the re-profiling of their debt, through: (i) a debenture issuance by Cemig D, and (ii) amendments to loan debt transactions of Cemig D and Cemig GT changing the maturity dates for debt representing a total of approximately R\$ 3.4 billion.

Adding these transactions to the total of R\$ 3.2 billion raised in the international market through a Eurobond issuance as reported to the market on December 1 and 5, 2017 Cemig D and Cemig GT have balanced their cash flows, lengthened the average tenor of their debt, and enhanced their credit quality.

After such re-profiling, the amortization timetable for Cemig's consolidated debt is the following (the newly contracted components, replacing previous maturities, are shown in yellow):

Belo Horizonte, December 28, 2017

Adézio de Almeida Lima

Chief Finance and Investor Relations Officer

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**Table of Contents**

**NOTICE TO STOCKHOLDERS DATED AS OF JANUARY 8, 2018: FINAL FIGURES FOR R\$ 1.2BN  
CAPITAL INCREASE**

Table of Contents**COMPANHIA ENERGÉTICA DE MINAS GERAIS CEMIG****LISTED COMPANY CNPJ 17.155.730/0001-64****NOTICE TO STOCKHOLDERS****Final figures for R\$ 1.2bn capital increase**

Further to the Notice to Stockholders published on December 13, 2017, **Cemig** (*Companhia Energética De Minas Gerais*) **hereby informs** its stockholders and the market **as follows**:

The period for subscription in the second (and last) apportionment of shares not subscribed in the Preemptive Right Exercise Period of the capital increase approved by the Extraordinary General Meeting of October 26, 2017 ended on December 28, 2017.

The total amount of the funds raised by Cemig through such capital increase, now held by the company in cash, is R\$ 1.2 billion.

The following numbers of shares were subscribed in the phases of the capital increase:

Numbers of shares	Proposed	Preemptive right exercise period	Subscribed in:		Balance of shares not subscribed
			1 <sup>st</sup> subsequent apportionment period	2 <sup>nd</sup> subsequent apportionment period	
Type					
ON	66,849,505	50,106,730	2,954,905	658,191	13,129,679
PN	133,061,442	118,949,754	11,004,208	1,291,730	1,815,750
<b>Total</b>	<b>199,910,947</b>	<b>169,056,484</b>	<b>13,959,113</b>	<b>1,949,921</b>	<b>14,945,429</b>

Cemig will disclose, at the appropriate time, the next phase for the completion of this corporate event.

Belo Horizonte, January 8, 2018

**Adézio de Almeida Lima**

**Chief Finance and Investor Relations Officer**

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**Table of Contents**

**MATERIAL ANNOUNCEMENT DATED AS OF JANUARY 12, 2018: BOARD PROPOSES THE MERGER  
OF CEMIGTELECOM**

Table of Contents

**COMPANHIA ENERGÉTICA DE MINAS GERAIS CEMIG**  
**LISTED COMPANY CNPJ 17.155.730/0001-64 NIRE 31300040127**

**MATERIAL ANNOUNCEMENT**

**Board proposes the merger of CemigTelecom**

**Cemig** (*Companhia Energética de Minas Gerais*) (listed and traded in São Paulo, New York and Madrid), in compliance with CVM Instruction 358 of January 3, 2002 as amended, **hereby reports** to the Brazilian Securities Commission (CVM), the São Paulo Stock Exchange (B3) and the market **as follows**:

In the meeting held on the date hereof, Cemig's Board of Directors resolved to present to the Extraordinary General Meeting of Stockholders a proposal concerning the merger of Cemig Telecomunicações S.A. ( CemigTelecom ) into Cemig. Cemig Telecomunicações S.A. is a wholly-owned subsidiary of Cemig.

The merger will have a positive impact on the involved companies resulting from the optimization of assets and synergies, and will reduce financial, operational and administrative costs through concentration of existing administrative structures, while improving options for use of available funds.

The proposal will be submitted to decision by stockholders at an Extraordinary General Meeting to be called on an appropriate date and time (subject to the terms specified by the law and the by-laws).

To take effect, the merger will need also to be submitted, separately, to Cemig's Audit Committee, pursuant Sub-item III of Article 163 of Law 6404/1976.

Considering that the proposed transaction involves the merger of a wholly-owned subsidiary, there will be no capital increase, nor issuance of new shares. The shares of CemigTelecom will be canceled and the necessary accounting records will be made.

Cemig reiterates its commitment to keep stockholders and the market timely informed in accordance with applicable law and regulations.

Belo Horizonte, January 12, 2018

Adézio de Almeida Lima

Chief Finance and Investor Relations Officer

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**Table of Contents**

**SUMMARY OF THE MINUTES OF THE 720TH MEETING OF THE BOARD OF DIRECTORS HELD ON  
JANUARY 12, 2018**

10

**Table of Contents**

**COMPANHIA ENERGÉTICA DE MINAS GERAIS CEMIG**

**LISTED COMPANY**

**CNPJ 17.155.730/0001-64 NIRE 31300040127**

**BOARD OF DIRECTORS**

**Meeting of January 12, 2018**

**SUMMARY OF MAIN RESOLUTIONS**

At its 720<sup>th</sup> meeting, held on January 12, 2018, the Board of Directors of **Cemig** (*Companhia Energética de Minas Gerais*) resolved the following:

1. Budget for 2018.
2. Instruction to vote in an Extraordinary General Meeting of Lepsa, on: reduction of the corporate capital, amendment of the by-laws, and execution of legal instruments.
3. Instruction to vote in an Extraordinary General Meeting of RME, on: reduction of the corporate capital, amendment of the by-laws, and execution of legal instruments.
4. Internal Regulations on Competitive Bids and Contracts.
5. Execution of a corporate guaranty letter for agreements between Cemig GT and electricity generators or traders, guaranteed by Cemig.
6. Appointment of a Manager for MESA.

7. Structure of CemigTelecom.
  
8. Convocation of an Extraordinary General Meeting of Stockholders to discuss CemigTelecom.

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**Table of Contents**

**CONVOCATION OF EXTRAORDINARY GENERAL MEETING OF STOCKHOLDERS DATED AS OF  
JANUARY 12, 2018 TO BE HELD ON FEBRUARY 28, 2018**

12

**Table of Contents**

**COMPANHIA ENERGÉTICA DE MINAS GERAIS CEMIG**

**CNPJ 17.155.730/0001-64 NIRE 31300040127**

**EXTRAORDINARY GENERAL MEETING OF STOCKHOLDERS**

**CONVOCATION**

Stockholders are hereby called to an Extraordinary General Meeting of Stockholders to be held on February 28, 2018 at 3 p.m., at the company's head office, Av. Barbacena 1200, 2<sup>nd</sup> floor, Belo Horizonte, Minas Gerais, Brazil, to decide on the following matters:

- 1 Approval and authorization for execution of a Protocol of Merger and Justification, with Cemig Telecomunicações S.A. CemigTelecom, which will set out the terms and conditions to govern the merger of CemigTelecom into Cemig.
- 2 Ratification of the nomination of the three experts to provide a valuation, for the purposes of Article 8 of Law 6404/1976, of the net equity of CemigTelecom.
- 3 Approval of the Net Equity Valuation Report of CemigTelecom, at book value, as set forth in 2 above.
- 4 Authorization to the merger CemigTelecom into Cemig, and subsequent termination of CemigTelecom.
- 5 Authorization to Cemig to be the successor of CemigTelecom, in all its rights and obligations, for all purposes of law and otherwise.
- 6 Authorization to the transfer to Cemig, by merger, of all the facilities, tangible and intangible assets and goods, inventories, real estate property, credits, assets, rights, employees, stockholdings, contracts, obligations, liabilities, tax books and invoices, controls, records, accounting, documents, systems and information of CemigTelecom, including its shares in Ativas Data Center S.A. (Ativas), which corresponds to 19.6% of the



share capital of Ativas, and the contracts related to this stockholding interest.

Proxy votes

Any stockholder who wishes to be represented by proxy at the above General Meeting of Stockholders shall comply with the provisions of Article 126 of Law 6406 of 1976 and with the sole paragraph of Section 9 of the Company's by-laws, by presenting at the time or providing Cemig, preferably by February 26, 2018, with evidence of ownership of the shares, issued by a depository financial institution, and a power of attorney with specific powers, at Cemig's Corporate Executive Office (*Superintendência da Secretaria Geral*) at Av. Barbacena 1200 - 19th Floor, B1 Wing, Belo Horizonte, Minas Gerais, Brazil.

Belo Horizonte, January 12, 2018

José Afonso Bicalho Beltrão da Silva

Chair of the Board of Directors

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Table of Contents

**PROPOSAL BY THE BOARD OF DIRECTORS DATED AS OF JANUARY 12, 2018 TO THE  
EXTRAORDINARY GENERAL MEETING OF STOCKHOLDERS TO BE HELD ON FEBRUARY 28, 2018**

Table of Contents

**PROPOSAL**  
**BY THE BOARD OF DIRECTORS TO THE**  
**EXTRAORDINARY GENERAL MEETING OF STOCKHOLDERS**  
**TO BE HELD ON FEBRUARY 28, 2018**

Dear Stockholders:

**The Board of Directors of the Company proposes to you the following:**

- 1 Approval and authorization for execution of a Protocol of Merger and Justification, with Cemig Telecomunicações S.A. CemigTelecom, which will set out the terms and conditions to govern the merger of CemigTelecom into Cemig.
  
- 2 Ratification, because the transaction involves the merger of a wholly-owned subsidiary into its parent company, of the appointment of the three experts,  
Mr. Flávio de Almeida Araújo, CRC/MG 86.861,  
  
Mr. Francisco do Couto, CRC/MG 58.343, and  
  
Mr. Leonardo George de Magalhães, CRC/MG 53.140,  
  
to prepare the valuation, under and for the purposes of Article 8 of Law 6404/1976, of the Net Equity Valuation of CemigTelecom.
  
- 3 Approval of the Net Equity Valuation Report of CemigTelecom, at book value, prepared by three experts, under and for the purposes of Article 8 of Law 6404/1976.
  
- 4 Authorization to the merger of CemigTelecom into Cemig and subsequent termination of CemigTelecom.

- 5 Authorization for Cemig to be the successor of CemigTelecom, in all its rights and obligations, for all purposes of law and otherwise.
- 6 Authorization to the transfer to Cemig, by merger, of all the facilities, tangible and intangible assets and goods, inventories, real estate property, credits, assets, rights, employees, stockholdings, contracts, obligations, liabilities, tax books and invoices, controls, records, accounting, documents, systems and information of CemigTelecom, including its shares in Ativas Data Center S.A. (Ativas), which corresponds to 19.6% of the share capital of Ativas, and the contracts related to this stockholding interest.

As can be seen, the purpose of this proposal is to meet the genuine interests of the stockholders and of the Company, therefore the Board of Directors expects that it will be approved by the Stockholders.

Belo Horizonte, January 12, 2018

José Afonso Bicalho Beltrão da Silva  
Marco Antônio de Rezende Teixeira  
Bernardo Afonso Salomão de Alvarenga  
Antônio Dirceu Araújo Xavier  
Arcângelo Eustáquio Torres Queiroz  
Arlindo Magno de Oliveira  
Carlos Eduardo Lessa Brandão  
Daniel Alves Ferreira

Helvécio Miranda Magalhães Junior  
Hermes Jorge Chipp  
José Pais Rangel  
Marcelo Gasparino da Silva  
Marco Antônio Soares da Cunha Castello Branco  
Nelson José Hubner Moreira  
Patrícia Gracindo Marques de Assis Bentes

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**Table of Contents**

**APPENDICES**

APPENDIX I	Appendix 20A of CVM Instruction 481/2009
APPENDIX II	Appendix 21 of CVM Instruction 481/2009
APPENDIX III	Protocol of Merger and Justification
APPENDIX IV	Opinion of the Auditing Board
APPENDIX V	Net Equity Valuation Report of CemigTelecom.
APPENDIX VI	Cemig: Financial Statements for 2016
APPENDIX VII	Cemig: Quarterly Information ( ITR ) for 3Q 2017
APPENDIX VIII	CemigTelecom: Financial Statements for 2016
APPENDIX IX	CemigTelecom: Quarterly Information ( ITR ) for 3Q 2017

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**Table of Contents**

**COMPANHIA ENERGÉTICA DE MINAS GERAIS CEMIG**

**CNPJ 17.155.730/0001-64 NIRE 31300040127**

**APPENDIX I TO THE PROPOSAL BY MANAGEMENT**

**INFORMATION ON THE MERGER**

**(AS PER APPENDIX 20-A OF CVM INSTRUCTION 481)**

**1. Protocol and justification of the transaction as per Articles 224 and 225 of Law 6404 of 1976.**

The protocol and justification of the merger of Cemig Telecomunicações S.A. ( CemigTelecom ) into Companhia Energética de Minas Gerais Cemig ( the Company or Cemig ), ( the Protocol and Justification ) is in **Appendix III** to the Management Proposal.

**2. Any other agreements, contracts or pre-contracts regulating the exercise of the right to vote or transfer of shares in the companies subsisting or resulting from the transaction, filed at the head office of the company or to which the controlling stockholder of the company is a party.**

None.

**3. Description of the transaction, including:**

**a. Terms and conditions.**

The transaction will consist of the merger of CemigTelecom, a wholly-owned subsidiary, into Cemig, its parent company, at the book value of CemigTelecom, and consequent termination of CemigTelecom; and Cemig will be successor of CemigTelecom in all the goods and assets, rights and obligations of CemigTelecom ( the Merger ). All of the shares in CemigTelecom are owned by Cemig and will be extinguished, as specified in Article 226, §1, of Law 6404, of December 15, 1976 as amended ( the Corporate Law ).

The Merger will not result in an increase or reduction of the stockholders' equity or of the share capital of Cemig, since the stockholders' equity of CemigTelecom is already reflected in full in the stockholders' equity of Cemig, as a result of the application of the equity method accounting.

It is intended that the Merger shall not take effect before March 31, 2018, or before completion of the following events:

- (i) Holding of a General Meeting of Debenture Holders of the 2<sup>nd</sup> (second) issuance of debentures of CemigTelecom ( the GMDH ), to be called to take place up to March 16, 2018, including in its agenda the approval of the Merger and of its consequences for the debenture holders.

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**Table of Contents**

- (ii) To be assured, under Article 231, §1 of the Corporate Law, to the debenture holders of CemigTelecom that are dissident or absent to the GMDH, that their debentures will be redeemed within 6 (six) months from the date of publication of the minutes of the General Meeting relating to the Merger.
  
- (iii) Approval by a General Meeting of Stockholders of CemigTelecom of:
  - (a) the execution of the Protocol and Justification; and
  
  - (b) the Merger, among other matters.
  
- (iv) Holding of a General Meeting of Stockholders of Cemig to:
  - (a) approve the execution of the Protocol and Justification;
  
  - (b) ratify the nomination of the Accounting Experts:
    - (b.i) Flávio de Almeida Araújo, accountant, registered in the Minas Gerais Regional Accounting Council (CRC/MG) under N° 86.861;
  
    - (b.ii) Francisco do Couto, accountant, registered in the CRC/MG under N° 58.343; and
  
    - (b.iii) Leonardo George de Magalhães, accountant, CRC/MG registration N° 53.140.  
to be responsible for preparation of the net equity valuation report of CemigTelecom at book value, for the merger of CemigTelecom into the Company (the Valuation Report);
  
  - (c) approve the Valuation Report;
  
  - (d) approve the Merger and the subsequent termination of CemigTelecom;
  
  - (e) authorize Cemig to be the successor of CemigTelecom in all its rights and obligations, howsoever, and for all purposes of law; and
  
  - (f) authorize transfer to Cemig, by merger, of all the facilities, tangible and intangible assets and goods, inventories, real estate property, credits, assets, rights, employees, stockholdings, contracts, obligations,



liabilities, tax books and tax invoices, controls, records, accounting, documents, systems and information of CemigTelecom, including the shares held by CemigTelecom in Ativas Data Center S.A. (Ativas), which corresponds to 19.6% of the share capital of Ativas, and the contracts related to this stockholding interest.

**b. Obligations to indemnify: (i) the managers of any of the companies involved; (ii) in the event that the transaction is not completed.**

None.

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**Table of Contents**

**c. Comparative table of the rights, advantages and restriction applying to shares of the companies involved or the resulting companies, before and after the transaction.**

After the Merger, only the common and preferred shares issued by Cemig existing prior to the transaction will remain to exist, which will preserve the same rights and advantages that current are:

**Common shares in Cemig**

<b>Right to dividends:</b>	The common shares have the same rights as the preferred shares in distribution of bonuses. In fiscal years in which the Company does not generate sufficient profits to pay dividends to its stockholders, the State of Minas Gerais guarantees, for the shares issued by the Company up to August 5, 2004 and held by individual persons, a minimum dividend of 6% (six percent) per year.
<b>Right to vote:</b>	Full.
<b>Description of any restriction on voting:</b>	Not applicable.
<b>Convertibility:</b>	None.
<b>Condition of the convertibility, and effects on the share capital:</b>	Not applicable.
<b>Right to reimbursement of capital:</b>	Yes.
<b>Characteristics of the reimbursement of capital:</b>	The preferred shares have right of preference in the event of reimbursement of shares.
<b>Restrictions on trading:</b>	None.
<b>Nature of restriction:</b>	Not applicable.
<b>Redeemable:</b>	None.
<b>Conditions for alteration of the rights carried by the said securities.</b>	Under Article 109 of the Corporate Law, neither the by-laws nor the General Meeting of Stockholders may deprive the stockholder of the right to: (i) participate in the profits of the company; (ii) participate in the net equity of the company, in the event of liquidation; (iii) inspect the management of the company's business, in the manner specified in the Corporate Law; (iv) have first refusal to subscribe shares, founder's shares convertible into shares, debentures convertible into shares and/or warrants; (v) withdraw from the company in the eventuality specified in the Corporate Law.
<b>Other material characteristics:</b>	All the information that is relevant and pertinent to this topic has been disclosed in the items above.

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	Agostinho	30190-131 Belo Horizonte, MG	Brazil	3506-5024 3506-5025

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**Table of Contents**

**Preferred shares in Cemig**

<b>Right to dividends:</b>	<p>Minimum annual dividend equivalent to the greater of:</p> <p>(a) 10% (ten per cent) of the nominal value of the shares; or</p> <p>(b) 3% (three per cent) of the value of the stockholders equity corresponding to the shares.</p> <p>The common shares shall be subject to the same conditions as the preferred shares in distribution of bonuses. In business years in which the Company does not obtain sufficient profit to pay dividends to its stockholders, the State of Minas Gerais guarantees to the shares issued by the Company up to August 5, 2004 and held by individual persons, a minimum dividend of 6% (six per cent) per year.</p>
<b>Right to vote:</b>	Restricted.
<b>Description of restriction on voting:</b>	The right to vote is reserved exclusively for the common shares, and each common share has the right to one vote in decisions of the General Meeting of Stockholders.
<b>Convertibility:</b>	None.
<b>Condition of the convertibility, and effects on the share capital:</b>	Not applicable.
<b>Right to reimbursement of capital:</b>	Yes.
<b>Description of the characteristics of the reimbursement of capital:</b>	The preferred shares will have the right of preference in the event of reimbursement of shares.
<b>Restrictions on trading:</b>	None.
<b>Nature of restriction:</b>	Not applicable.
<b>Redeemable:</b>	None.
<b>Conditions for alteration of the rights carried by the said securities.</b>	Under Article 109 of the Corporate Law, neither the by-laws nor the General Meeting of Stockholders may deprive the stockholder of the right to: (i) participate in the profits of the company; (ii) participate in the assets and liabilities of the company, in the event of liquidation; (iii) inspect the management of the company's business, in the manner specified in the Corporate Law; (iv) have first refusal to subscribe shares, founder's shares convertible into shares, debentures convertible into shares and/or warrants; (v) withdraw from the company in the eventuality specified in the Corporate Law.
<b>Other material characteristics:</b>	All the information that is relevant and pertinent to this topic has been disclosed in the items above.

Santo  
Agostinho

Tel.: +55 31 3506-5024 Fax +55 31 3506-5025

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**Table of Contents**

As a result of the Merger, all the shares issued by CemigTelecom (100% held by Cemig) will be canceled. Therefore, as there will be no delivery of shares issued by Cemig to stockholders of CemigTelecom, a comparison of the rights and advantages between the shares of the two companies is unnecessary.

**d. Is there any need for approval by debenture holders or other creditors?**

Not in relation to Cemig.

In relation to CemigTelecom, the Merger will be submitted to the approval of the General Meeting of Debenture Holders, which will state whether or not they are favorable to the Merger. Any of the holders of debentures of CemigTelecom that is dissident or be absent to the General Meeting of Debenture Holders shall have the right to redeem its debentures, under Article 231, §1, of the Corporate Law, for a period of six months from the date of publication of the minutes of the General Meetings relating to the Merger.

**e. Any asset or liability elements that will form each portion of the equity, in the event of a split.**

Not applicable.

**f. Whether the resulting companies have any intention to be listed as issuers of securities.**

Not applicable.

**4. Plans to conduct of the companies' businesses, particularly in relation to the specific corporate events that are planned.**

After completion of the Merger, Cemig will continue to dedicate itself to the activities covered by its corporate purpose, keeping its registry as a listed company, and to succeeding the rights and obligations of CemigTelecom.

**5. Analysis of the following aspects of the transaction:**

**a. Description of the principal benefits expected, including:**

**i. Synergies**

With the merger, the Company will seek to achieve gains from optimization of assets and synergies, and reduce financial, operational and administrative costs through concentration of existing administrative structures, which will expand the means for Cemig to make use of available resources.

**ii. Tax benefits**

The Company's management sees no tax benefits arising from the Merger.

**iii. Strategic advantages**

One of the important strategic advantages inherent in the Merger is simplification of the current corporate structure and expansion of the means for Cemig to make use of available resources.

**b. Costs**

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The managements of both companies estimate that there will be no additional costs as a result of the Merger. CemigTelecom is today a wholly-owned subsidiary, and all its costs are 100% consolidated by Cemig.

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**This text is a translation, provided for information only. The original text in Portuguese is the legally valid version.**

**Table of Contents**

**c. Risk factors**

One of the goals of the Merger is to integrate the businesses of the companies and improve the use of the synergies obtained from the combination of the businesses of Cemig and CemigTelecom. This process of integration could result in difficulties of operational, regulatory, commercial, financial and contractual nature, which may prevent the expected synergies to be achieved or result in unforeseen losses or expenses.

**d. If this is a transaction with a related party, indicate alternatives that could have been used to reach the same objectives, indicating the reasons why those alternatives were discarded.**

No alternative structure to the Merger could result in the simplification and integration of the businesses of both companies, with the termination of one of the legal entities and its succession by the remaining company, as it is intended. Additionally, because this case involves the merger of a wholly-owned subsidiary by its parent company, the present question loses its relevance.

**e. Exchange ratio**

Not applicable, CemigTelecom is a wholly-owned subsidiary of Cemig and thus the Merger will not result in an increase in the net equity of Cemig.

**f. For a transaction involving parent companies, subsidiaries or companies under joint control, please provide:**

- (i) The share exchange ratio calculated in accordance with Article 264 of Law 6404 of 1976.**
- (ii) Detailed description of the process of negotiation of the exchange ratio and other terms and conditions of the transaction.**
- (iii) If the transaction was preceded, in the last 12 (twelve) months, by an acquisition of control or acquisition of participation in a controlling stockholding block:
  - (a) Comparative analysis of the exchange ratio and the price paid in acquisition of control;**
  - (b) Reasons justifying any differences of valuation in the different transactions;****
- (iv) Justification of why the exchange ratio is commutative, with description of the procedures and criteria adopted to guarantee the commutability of the transaction or, if the exchange ratio is not commutative, detailing of the payment or equivalent measures adopted to ensure adequate compensation.**

Cemig is the holder of 100% of the share capital of CemigTelecom, so that the transaction does not result in an increase of capital in Cemig, nor any alteration in the participation of its stockholders. Therefore, there is no need to consider any exchange ratio.



**6. Copy of the minutes of all the meetings of the Board of Directors, Auditing Board and special committees in which the transaction was discussed, including any dissident votes.**

The Opinion of the Auditing Board of Cemig is attached hereto as Appendix IV.

**7. Copy of studies, presentations, reports, opinions, professional opinions or valuation reports of the companies involved in the transaction that have been placed at the disposal of the controlling stockholder at any stage of the transaction.**

The Valuation Report is attached hereto as Appendix V.

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

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**Table of Contents**

**7.1. Identify any conflicts of interests between the financial institutions, companies and professionals that have prepared the documents referred to in item 7 and the companies involved in the transaction.**

None.

**8. Plans for by-laws, or changes to by-laws, of the company resulting from the transaction.**

No changes to Cemig's bylaws are being proposed; Cemig will be the successor of CemigTelecom.

**9. Financial statements used for the purpose of the transaction, under the applicable rule.**

In accordance with Article 6 of CVM Instruction 565 of June 15, 2015, as amended (CVM Instruction 565), the following financial statements have been disclosed:

- (i) Financial Statements of Cemig of December 31, 2016 (attached hereto as **Appendix VI**);
- (ii) Interim Accounting Statements of Cemig of September 30, 2017 (attached hereto as **Appendix VII**);
- (iii) Financial Statements of CemigTelecom of December 31, 2016 (attached hereto as **Appendix VIII**); and
- (iv) Interim Accounting Statements of CemigTelecom of September 30, 2017 (attached hereto as **Appendix IX**). The valuation of the net equity value of CemigTelecom, expressed in the Valuation Report, has been based on CemigTelecom's balance sheet of November 30, 2017, which comprises the Appendix I to the Valuation Report.

Aiming to ensure the accuracy of the accounting amounts of the assets and liabilities elements comprising the balance sheet of CemigTelecom, on November 30, 2017, the following procedures were adopted in the Valuation Report:

Reading of the Financial Statements of CemigTelecom of December 31, 2016 (attached hereto as **Appendix VIII**).

Reading of the Independent Auditor's Report on the Financial Statements issued by Deloitte Touche Tohmatsu Auditores Independentes on April 6, 2017, without qualification in relation to the Balance Sheet of December 31, 2016.

The Interim Accounting Information of CemigTelecom of September 30, 2017 (attached hetero as **Appendix IX**), combined with the Report of the External Auditors, Ernst & Young Auditores Independentes, on their review of the quarterly information, issued without any qualification on November 10, 2017; and

Analytical review of the movement in the balances of assets and liabilities in the period between September 2017 and November 30, 2017.

**10. Pro-forma financial statements prepared for the purposes of the transaction, in the terms of the applicable rule.**

Considering that CemigTelecom is a wholly-owned subsidiary of Cemig, and is consolidated in Cemig's results, we present the Interim Accounting Information of Cemig on September 30, 2017, consolidated and audited (attached hereto as **Appendix VII**), in compliance with the requirement of Article 7 of CVM Instruction 565 of June 15, 2015 as amended.

**11. Document containing information on the non-listed companies directly involved, including:**

- a. **Risk factors, in the terms of Items 4.1 and 4.2 of the Reference Form;**
- b. **Description of the principal changes in the risk factors that have taken place in the prior business period and expectations in relation to reduction or increase in the exposure to risks as a result of the transaction, in the terms of Item 5.4 of the Reference Form;**
- c. **Description of its activities, in the terms of Items 7.1, 7.2, 7.3 and 7.4 of the Reference Form;**

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

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**Table of Contents**

**d. Description of the economic group, in the terms of Item 15 of the Reference Form;**

**e. Description of the share capital, in the terms of item 17.1 of the Reference Form.**

Not applicable.

**12. Description of the structure of capital and control after the transaction, in the terms of Item 15 of the Reference Form.**

Items 15.1 and 15.2 of the Reference Form of Cemig:

Those items are not subject to any change as a result of the intended transaction.

Item 15.3 of the Reference Form of Cemig:

Those items are not subject to any change as a result of the intended transaction.

Item 15.4 of the Reference Form of Cemig:

Organization diagram before the transaction:

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

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**Table of Contents**

Organization diagram after the transaction:

Items 15.5, 15.6, 15.7 and 15.8 of the Reference Form of Cemig:

Those items are not subject to any change as a result of the intended transaction.

**13. Number, class, form and type of the securities of each company involved in the transaction held by any other companies involved in the transaction, or by people related to these companies, as defined by the rules that govern public offerings for acquisition of shares**

Cemig is, in the present date, holder of 448,340,822 (four hundred forty eight million three hundred and forty thousand eight hundred twenty two) nominal common shares without par value, comprising 100% (one hundred per cent) of the share capital of CemigTelecom.

**14. Exposure of the companies involved in the transaction or any of their related parties, as defined in the rules that govern public offerings for acquisition of shares to derivatives referenced to securities issued by other companies involved in the transaction.**

Not applicable.

**15. Report covering all transactions carried out, in the last 6 (six) months, by the following persons with securities issued by the companies involved in the transaction:**

**a. Companies involved in the transaction:**

**i. Private purchase transactions**

None.

**ii. Private sale transactions**

None.

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

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**Table of Contents**

**iii. Purchase transactions in regulated markets**

None.

**iv. Sale transactions in regulated markets**

None.

**b. Any persons or entities that are related parties to the companies that are involved in the transaction:**

**i. Private purchase transactions**

None.

**ii. Private sale transactions**

None.

**iii. Purchase transactions in regulated markets**

None.

**iv. Sale transactions in regulated markets**

None.

**16. Document by which the Special Independent Committee submitted its recommendations to the Board of Directors, in the event that the transaction has been negotiated in the terms of CVM Orientation Opinion 35 of 2008**

Not applicable. Cemig is holder of 100% of the shares corresponding to the share capital of CemigTelecom and, thus, the transaction does not result in an increase of capital of Cemig or in any change to the participation of its stockholders. Therefore, there was no exchange ratio to be negotiated.

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**Table of Contents**

**COMPANHIA ENERGÉTICA DE MINAS GERAIS CEMIG**

CNPJ 17.155.730/0001-64 NIRE 31300040127

**APPENDIX II TO THE PROPOSAL OF MANAGEMENT**

**INFORMATION ON THE VALUER AND PROPOSAL FOR THE VALUATION WORK**

**(APPENDIX 21 TO CVM INSTRUCTION 481)**

**1. List the valuers recommended by the management.**

Expert Accountants:

- (a) Mr. Flávio de Almeida Araújo, accountant, enrolled with the Minas Gerais State Regional Accounting Council ( CRC/MG ) under the No. 86,861;
- (b) Mr. Francisco do Couto, accountant, enrolled with the CRC/MG under the No. 58,343.
- (c) Mr. Leonardo George de Magalhães, accountant, enrolled with the CRC/MG under the No. 53,140.

**2. Describe the qualifications of the recommended valuers.**

Mr. Flávio de Almeida Araújo has a degree in accountability from Minas Gerais Federal University (UFMG) and a post-graduation MBA with specialization in finance from the Dom Cabral Foundation (FDC). He works at Cemig since 2006, holding, currently, the position of Financial Manager for Equity Holdings.

Mr. Francisco do Couto has a degree in accountability from the Newton Paiva University Center, with specialization in external auditing from UFMG, and MBA in Management, Finance, Controllership and Auditing from the Getúlio Vargas Foundation (FGV). His professional life has been almost entirely dedicated to accounting. He has been an independent auditor for 10 years. He has been a professor to undergraduate and extension courses at UFMG. Since February 1999 he has been working as an accountant at Cemig and is currently responsible for the preparation of the Consolidated Financial Statements of the Group. He is also a graduate and undergraduate professor at Centro Universitário UNA, where he has been teaching since 2003.

Mr. Leonardo George de Magalhães has a degree in accountability from UNA Faculdade de Ciências Econômicas, Belo Horizonte, with specialization in accountability from FGV and specialization in business management from UFMG. At Cemig he has been Controller since June 2008. Since September 2017 he has also served as General Manager for Planning and Corporate Control.

**3. Provide a copy of the proposals for work and remuneration of the recommended valuers.**

Appendix I to this document comprises a copy of the work proposal.

Scope: Accounting Net Equity of Cemig Telecomunicações S.A. CemigTelecom.

Fees: No remuneration for the valuers further to their normal remuneration as employees of Cemig.

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

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**Table of Contents**

**4. Describe any material relationship existing in the last three years between the recommended valuers and related parties to the company, as defined in the accounting rules that deal with this subject.**

Flávio de Almeida Araújo:

Is currently Cemig's Financial Manager for Holdings, with the following principal duties:

to promote the financial management of Cemig Group;

to follow the economic and financial results of the companies;

to participate in processes of merger, split, acquisition and disposal of corporate interests.

to act as a member of the Board of Directors in companies of the Cemig Group; and

to prepare accounting opinions for the purposes of spin-offs, mergers and allocations of capital to companies of the group.

Mr. Francisco do Couto:

Works as an accountant at Cemig.

Is currently responsible for the preparation of the Group's Consolidated Financial Statements.

Mr. Leonardo George de Magalhães:

Is the executive responsible for accounting, management of costs and tax planning of Cemig and its wholly-owned subsidiaries, and also management of budgeting, economic-financial planning, and analysis and monitoring of projects. He is:

Chairman of the Board of Forluz – the pension fund of the employees of Cemig;

a member of the Rate-regulated Activities Consultative Group of IASB – the International Accounting Standards Board;

a member of the Board of Directors of Aliança Norte – stockholder of the Belo Monte power plant;

Coordinator of the Control and Management Committee of Cemig: this body monitors the budgets and results of the businesses and also advises management in control and management analyzes and initiatives.

Coordinator of the Budget Prioritization Committee: a committee supporting management in decisions and management of investment projects, including analyses and prioritization of use of funds; and

represents Cemig in investor relation events in Brazilian and international financial markets.

He participates, jointly with the CFO and the Investor Relations Director, in the quarterly presentations of the Company's results to investors.

He has participated in various processes of mergers and acquisitions of Cemig.

\* \* \* \*

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Agostinho	30190-131	Belo Horizonte, MG	Brazil	3506-5024	3506-5025

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**Table of Contents**

**COMPANHIA ENERGÉTICA DE MINAS GERAIS CEMIG**

CNPJ 17.155.730/0001-64 NIRE 31300040127

**APPENDIX I TO APPENDIX II**

**COPY OF THE WORK PROPOSAL OF THE ACCOUNTING EXPERTS**

The accounting examination was carried out in accordance with NBC T 13, and comprised:

- (a) planning of the work;
- (b) application of procedures judged to be necessary in the circumstances;
- (c) issuance of the expert opinion on valuation of the equity to be incorporated.

The scope of the work is specified as: valuation of the equity of CemigTelecom, at book value, for the purpose of absorption. The following procedures were adopted:

Reading of the Financial Statements of December 31, 2016.

Reading of the Report of the External Auditors on the Financial Statements, issued by Deloitte Touche Tohmatsu Auditores Independentes on April 6, 2017, with no qualifications, in relation to the Financial Statements of December 31, 2016.

Reading of the Interim Accounting Information of September 30, 2017, jointly with the Report of the External Auditors, Ernst & Young Auditores Independentes, issued on November 10, 2017 on review of that quarterly information, without qualification.

Analytical review of the movement of balances of assets and liabilities in the period from September 30, 2017 to November 30, 2017.

At September 30, 2017 the books of account of CemigTelecom were compliant with the relevant legal formalities, and were written in accordance with the accounting practices adopted in Brazil.

The Accounting Experts used historic information and data audited by third parties and data provided by the management of CemigTelecom, via email or through its website. This being so, we assume that the data and information obtained for this Opinion is true.

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**Table of Contents**

**Appendix III**

**PROTOCOL OF MERGER AND JUSTIFICATION**

By this private instrument and for all purposes of law,

- (a) **COMPANHIA ENERGÉTICA DE MINAS GERAIS – CEMIG**, with head office in Belo Horizonte, Minas Gerais State, at Avenida Barbacena 1200, Santo Agostinho, registered in the CNPJ/MF under N° 17.155.730/0001-64, herein represented in accordance with its by-laws (Cemig) and
- (b) **CEMIG TELECOMUNICAÇÕES S.A.**, with head office in Belo Horizonte, Minas Gerais State, at Rua Inconfidentes 1051, registered in the CNPJ under N°. 02.983.428/0001-27, herein represented in accordance with its Articles of Association (CemigTelecom);  
jointly, the Companies

have agreed on the terms and decided to execute the present Protocol of Merger and Justification, in the form set forth by Law 6404 of December 15, 1976 (the Corporate Law), to set out the terms and conditions governing the merger of CemigTelecom into Cemig.

**CORPORATE PURPOSE AND SHARE CAPITAL OF THE COMPANIES**

1. Cemig is a Brazilian publicly held company, its corporate purpose encompasses the following activities:
  - a) to build, operate and exploit systems of generation, transmission, distribution and sale of electricity and related services;
  - b) to develop activities in various energy related fields, regardless of the source, focusing on the economic and commercial exploitation;

- c) to render consulting services, within its fields of operation, to Brazilian and foreign companies; and
  - d) to carry out activities direct or indirectly related to its corporate purpose, including the development and commercial operation of telecommunication and information systems.
2. CemigTelecom is a Brazilian corporation, its corporate purpose encompasses the following activities:
- a) to render and commercially operate limited specialized telecommunication services, through an integrated system of fiber optic cables, coaxial cables, and electronic and related equipment for transmission, emission or reception of symbols, characters, signals, written material, images, sound and information of any type;
  - b) to render telecommunications services, through various technologies;
  - c) to render consulting services in telecommunications to Brazilian and foreign companies;
  - d) to grant use of its telecommunications system upon compensation to:
    - (i) holders of public electricity services concessions, for their use in the management their generation, transmission and distribution activities; and
    - (ii) companies aiming to commercially operate the system as alternative provider of carriage of signal to companies holding concession, permission or authorization to provide telecommunications services.

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

**This text is a translation, provided for information only. The original text in Portuguese is the legally valid version.**

**Table of Contents**

- (e) to commercial operate its telecommunications system as an alternative provider of carriage of signal to companies holding concession, permission or authorization to provide telecommunications services.
- f) to render multimedia communication services ( SCM ) in all the Brazilian territory.
- g) to hold corporate interests in other companies.

**JUSTIFICATION AND BASES FOR THE MERGER**

3. The transaction that is the subject of this protocol is the merger of CemigTelecom into Cemig, with transfer of the totality of the net assets and liabilities of CemigTelecom to Cemig, which will be the sole successor of CemigTelecom in all its goods and assets, rights and obligations, in the terms of Articles 227 *et seq.* of the Corporate Law ( the Merger ).
4. After implementation of the Merger the credits and debits of CemigTelecom, which currently constitute its assets and liabilities, will become part of the accounts of Cemig, being transferred to the corresponding lines in Cemig's accounting books, subject to any necessary adaptations.
5. The Merger will provide gains from synergies and reduce financial, operational and administrative costs through concentration of existing administrative structures in Cemig, which will increase the possibilities for Cemig to take advantage of all its available resources.
6. The Merger will take effect only as from March 31, 2018 ( the Effective Date ), regardless of the date on which the required approvals are obtained.
7. On the Effective Date, CemigTelecom will cease to exist.

**ORGANIZATION AND COMPOSITION OF THE COMPANIES**

8. Cemig is a Brazilian publicly held company, with corporate capital of R\$ 6,294,208,270.00 (six billion two hundred ninety four million two hundred and eight thousand two hundred seventy Reais), divided in
- a) 420,764,708 (four hundred twenty million seven hundred sixty four thousand seven hundred and eight) nominal common shares each with nominal value of R\$ 5.00 (five Reais); and
  - b) 838,076,946 (eight hundred thirty eight million seventy six thousand nine hundred forty six) nominal preferred shares each with nominal value of R\$ 5.00 (five Reais).
9. CemigTelecom is a Brazilian corporation, with corporate capital of R\$ 292,399,303.29 (two hundred ninety two million three hundred ninety nine thousand three hundred and three Reais and twenty nine centavos), fully paid up, divided in 448,340,822 (four hundred forty eight million three hundred and forty thousand eight hundred twenty two) nominal common shares without par value, all owned by Cemig:

<b>Sole stockholder</b>	<b>Shares</b>	<b>%</b>
Companhia Energética de Minas Gerais CEMIG	448,340,822	100

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

**This text is a translation, provided for information only. The original text in Portuguese is the legally valid version.**



**Table of Contents**

**VALUATION**

10. Subject to ratification by the stockholders of the Companies, the managers of the Companies have appointed the following Expert Accountants to prepare the valuation of the net equity of CemigTelecom, as per Article 8 of the Corporate Law:

**Mr. Flávio de Almeida Araújo** Brazilian, married, resident and domiciled in Belo Horizonte, Minas Gerais, at Rua José de Alencar 984, Apt. 401, Nova Suíça, holder of Identity Card MG-7.348.434, CPF 045.915.356-06, and CRC/MG (Minas Gerais Regional Council of Accountants) 86.861/O-7;

**Mr. Francisco do Couto** Brazilian, single resident and domiciled in Belo Horizonte, MG, at Rua Uberlândia 555, Apt. 902, Carlos Prates, holder of Identity Card MG-3.124.729, CPF 525.441.416-20, and CRC/MG 58.343; and

**Mr. Leonardo George de Magalhães** Brazilian, married, resident and domiciled in Nova Lima, Minas Gerais, at Rua Vega 55, Quintas do Sol, holder of Identity Card 4.303.799 SSP/MG, CPF 617.665.426-20, and CRC/MG 53.140/O-4.

11. For the purposes of the Merger, the elements of the equity of CemigTelecom to be transferred to Cemig have been valued at book value, based on the financial statements of CemigTelecom on November 30, 2017.
12. Having been previously informed of their appointment as valuers subject to ratification by the stockholders of the Companies, the Accounting Experts determined, based on the financial statements on November 30, 2017, that the net value of the total assets and liabilities of CemigTelecom is

R\$ 245,761,413.36 (two hundred forty five million seven hundred sixty one thousand four hundred thirteen Reais and thirty six centavos),  
after the adjustments described in Chapter 4 of the Valuation Report and the cancelation of the investment of Cemig in CemigTelecom.

13. Any change in the value of the net equity after the date of those financial statements will be absorbed by Cemig on the Effective Date of the Merger.

**CORPORATE INTERESTS IN COMMON AND SUBSTITUTION OF SHARES**

14. Considering that Cemig is the holder of 100% (one hundred per cent) of the share capital of CemigTelecom, there will be no substitution of shares issued by CemigTelecom by shares issued by Cemig.

With the cancelation of the shares issued by CemigTelecom, the value of the investment recorded in the assets of Cemig will be replaced by the equity value of CemigTelecom, as valued by the experts.

The Merger will not result in a change in the net equity of Cemig since the net equity value of CemigTelecom is already reflected in its entirety in the Stockholders' equity of Cemig, due to application of the equity method accounting. Consequently there will be no increase in the share capital of Cemig, nor any issue of new shares.

15. Since this is a merger of a wholly-owned subsidiary into its parent company, with no other stockholders of CemigTelecom, and since there will be no increase of the corporate capital of the Cemig, there is no need to establish parameters for an exchange ratio, and there is no additional information to be made available to the stockholders of Cemig.

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

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**Table of Contents**

**FINAL PROVISIONS**

16. Approval of this Protocol by the stockholders of CemigTelecom and by the stockholders of Cemig will result in the termination of CemigTelecom on the Effective Date of the Merger, with the cancellation of all the shares issued by CemigTelecom. The management of Cemig will be responsible for filing all the corporate documents required for the registry of the Merger with the relevant entities.
  
17. With the Merger coming into effect on the Effective Date, all the goods and assets, rights, receivables, obligations and liabilities of CemigTelecom will automatically become part of the assets and liabilities of Cemig, which will succeed CemigTelecom in all its rights and obligation, regardless of any formalities other than those specified by law.
  
18. The provisions relating to the withdraw right and reimbursement of shares are not applicable due to the fact that:
  - (i) in relation to CemigTelecom: Cemig owns the totality of the shares issued by CemigTelecom and, hence, there is no stockholder dissenting in relation to the Merger; and
  
  - (ii) in relation to Cemig: there is no provision of law or in the by-laws of the company that grants a withdraw right to any dissenting stockholder.
  
19. Under Article 231 of the Corporate Law, the Merger will be conditional upon:
  - (i) the approval by the holders of debentures issued by CemigTelecom, in a General Meeting called specifically to approve the Merger; and
  
  - (ii) the granting by CemigTelecom of a minimum period of 6 (six) months, from the date of publication of the minutes of the Meetings relating to the Merger, for redemption of its outstanding debentures.

Having agreed with the terms and conditions set forth above, the parties execute this instrument, in six counterparties of equal form and content, for it to produce its legal and regulatory effects.

Belo Horizonte, \_\_\_\_\_, 2018  
By **COMPANHIA ENERGÉTICA DE MINAS GERAIS** **CEMIG**

By **CEMIG TELECOMUNICAÇÕES S.A.**

Witnesses:

1.	2.
Name:	Name:
CPF/MF:	CPF/MF:
ID/Issuer:	ID/Issuer:

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

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**Table of Contents**

**Appendix IV**

**OPINION OF THE AUDITING BOARD**

The undersigned members of the Auditing Board of the Companhia Energética de Minas Gerais – Cemig, in performance of their role under the law and under the by-laws of the company, have analyzed the Proposal made by the Board of Directors to the Extraordinary General Meeting of Stockholders to be held on February 28, 2018, which is for the following:

- 1 Approval and authorization for execution of a Protocol of Merger and Justification, with Cemig Telecomunicações S.A. – CemigTelecom, which will set out the terms and conditions to govern the merger of CemigTelecom into Cemig.
- 2 Ratification of the nomination of the following 3 (three) experts – Mr. Flávio de Almeida Araújo, CRC/MG 86.861, Mr. Francisco do Couto, CRC/MG 58.343, and Mr. Leonardo George de Magalhães, CRC/MG 53.140, that will provide a valuation, for the purposes of Article 8 of Law 6404/1976, of the net equity of CemigTelecom.
- 3 Approval of the Net Equity Valuation Report of CemigTelecom, at book value, prepared by the three experts, in accordance with Article 8 of Law 6404/1976.
- 4 Authorization to the merger of CemigTelecom into Cemig and subsequent termination of CemigTelecom.
- 5 Authorization to Cemig to be the successor of CemigTelecom, in all its rights and obligations, for all purposes of law and otherwise.
- 6 Authorization to the transfer to Cemig, by merger, of all the establishments, tangible and intangible assets and goods, inventories, real estate property, credits, assets, rights, employees, stockholdings, contracts, obligations, liabilities, tax books and invoices, controls, records, accounting, documents, systems and information of CemigTelecom, including its shares in Ativas Data Center S.A. (Ativas), which corresponds

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to 19.6% of the share capital of Ativas, and the contracts related to this stockholding interest. After carefully analyzing the above proposal and considering that the applicable rules governing the matters under discussion have been complied with, it is the opinion of the members of the Auditing Board that the proposal should be approved by the said General Meeting of Stockholders.

Belo Horizonte, January 25, 2018

Signed:

Edson Moura Soares

Camila Nunes da Cunha Pereira Paulino

Manuel Jeremias Leite Caldas

Rodrigo de Mesquita Pereira

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

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**Table of Contents**

**Appendix V**

**VALUATION REPORT ON THE EQUITY OF CEMIG TELECOMUNICAÇÕES S.A. FOR THE  
PURPOSES OF MERGER**

35

**Table of Contents**

Belo Horizonte, December 22, 2017.

To the Management of

Companhia Energética de Minas Gerais - Cemig

Av. Barbacena, 1.200 - 18º Andar

Belo Horizonte, Minas Gerais

In accordance with the provisions of Paragraphs 1 and 6 of Article 8 of Law 6404/75, the Management of Cemig Companhia Energética de Minas Gerais - CEMIG ( Cemig ) has appointed three expert accountants to prepare a valuation report, at book value, on the net equity of Cemig Telecomunicações S.A. - CemigTelecom ( CemigTelecom or the Company), details of which are in the appendix to this document. This appointment will be ratified in an Extraordinary General Meeting of Stockholders of Cemig.

**1. INFORMATION ABOUT THE EXPERTS**

The accountants listed below were appointed as experts to carry out the valuation of the Net Equity of CemigTelecom, and have prepared this Valuation Report in accordance with the accounting practices adopted in Brazil, as defined in Item 7 of Accounting Pronouncement NBC TG 26 - *Presentation of Accounting Statements*:

Flávio de Almeida Araújo, accountant, enrolled with the Minas Gerais State Regional Accounting Council (CRC/MG) under No. 86.861.

Mr. Francisco do Couto, accountant, enrolled with the CRC/MG under No. 58.343.

Mr. Leonardo George de Magalhães, accountant, enrolled with the CRC/MG under No. 53.140.

In compliance with CVM Instruction 319/99, as amended, the expert accountants represent that:

- (a) they have no direct or indirect interest in the Company or in the operations carried out by it.
- (b) they found no limitations imposed by the controlling stockholders or managers that might have hindered or jeopardized the access to, use or knowledge of information, goods and assets, documents or work methodologies necessary for construction of their conclusions.

The accounting inspection was carried out in accordance with NBC T 13, and comprised:

- (a) Planning of the work;



(b) Application of the necessary procedures due to the circumstances;

(c) Issuance of the expert valuation report on the stockholders' equity to be transferred to the surviving company.

**2. GENERAL INFORMATION ON THE COMPANY BEING VALUED, SUBJECT OF THE MERGER**

Cemig Telecomunicações S.A. is a listed corporation and a wholly-owned subsidiary of Companhia Energética de Minas Gerais S.A. - Cemig. It offers optical network for services of carriage of telecommunications in the State of Minas Gerais, using the electricity transmission and distribution infrastructure of Cemig.

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## **Table of Contents**

CemigTelecom was incorporated on January 13, 1999, with the following purposes: to provide telecommunication services, through an integrated system consisting of fiber optic cables, coaxial cables, and electronic and related equipment for transmission, emission and reception of symbols, characters, signals, written material, images, sound and information of any type, and to operate telecommunications systems as an alternative provider of carriage of signal and other services to companies holding concession, permission or authorization to provide telecommunications services.

### **3. PURPOSE OF THE VALUATION; BASE DATE**

The objective of the valuation of the net equity of CemigTelecom, at book value, on the base date of November 30, 2017, is the merger of its total net assets and liabilities into its parent company Cemig, in accordance with Articles 226 and 227 of Law 6404/76.

### **4. SCOPE OF THE WORK**

To ensure accuracy of the accounting values of the asset and liability elements that comprise the balance sheet of CemigTelecom on November 30, 2017, we adopted the following procedures:

- Ø Reading of the Financial Statements at December 31, 2016.
  
- Ø Reading of the Report by the Independent Auditor, Deloitte Touche Tohmatsu Auditores Independentes, issued on April 6, 2017 on the Financial Statements, without qualification in relation to the Balance Sheet of December 31, 2016.
  
- Ø Interim Accounting Statements of September 30, 2017, accompanied by the Report of the external auditor, Ernst & Young Auditores Independentes, issued on November 10, 2017 on the review of the quarterly information, without qualification.
  
- Ø Analytical review of the movement of balances of assets and liabilities in the period between September 30, 2017 and November 30, 2017.

On September 30, 2017 the accounting records of CemigTelecom were in compliance with the pertinent legal formalities and are written in accordance with accounting practices adopted in Brazil.

The experts used historic information and data audited by third parties and data supplied by the management of CemigTelecom, via email or through its website. We, thus, assume that the data and information obtained for this Opinion is true.

This Report was prepared for use solely and exclusively by Cemig, for the purpose mentioned in Item 3.

### **5. PRESENTATION OF THE BALANCE SHEET**

The Balance Sheet of November 30, 2017 was prepared in accordance with accounting practices adopted in Brazil. The experts verified that the assets and liabilities of CemigTelecom are properly accounted in accordance with the

Plan of Accounts of the Telecommunications Sector.

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**Table of Contents****6. COMPOSITION OF NET ASSETS AND LIABILITIES****6.1. Accounting Valuation and base date:**

The components of net equity of CemigTelecom on November 30, 2017 are represented, in summary, by the following account lines:

<b>ASSETS</b>	<b>In Reais (R\$)</b>
Current and non-current assets	363,453,288.20
<b>LIABILITIES</b>	
Current and non-current liabilities	117,691,874.84
<b>TOTAL OF STOCKHOLDERS EQUITY</b>	<b>245,761,413.36</b>

**6.2. Net equity at market price**

Since both the companies involved in the transaction, are listed companies, valuation at market price or any other economic-financial valuation technique is not justified, as specified by Article 264 of Law 6404/76, since this is a case of merger of a wholly-owned subsidiary into its parent company, and there is no determination of an exchange ratio that could be the subject to comparison and/or right to withdraw by dissenting shareholders. In other words, there will be no change in the net equity of Cemig, and consequently, no issuance of new shares, for which reason valuation at market price is not applicable.

**6.3. Treatment of subsequent variations in the value of equity**

Under Article 224, Sub-item III of Law 6404/76, the variations in equity that take place between the base date of this Opinion and the date of the merger of CemigTelecom into Cemig will be appropriated directly by Cemig, and at the time of the actual merger, the balances of existing account lines in the analytical interim balance sheet of CemigTelecom will be reflected, line by line, into Cemig's balance sheet.

**7. CONCLUSION**

As a result of the procedures and analyses effected, we conclude that the value of the stockholders' equity of CemigTelecom, on November 30, 2017 is R\$ 245,761,413.36 (two hundred forty five million seven hundred sixty one thousand four hundred thirteen Reais and thirty six centavos).

Expert accountant: Flávio de Almeida Araújo

Expert accountant: Francisco do Couto

Expert accountant: Leonardo George de Magalhães

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**Table of Contents****APPENDIX I BALANCE SHEET AT NOVEMBER 30, 2017**TELECOMUNICAÇÕES S.A. -  
CEMIGTELECOMBALANCE SHEET ON NOVEMBER 30, 2017 AND  
DECEMBER 31, 2016

CEMIG TELECOMUNICAÇÕES S.A. - CEMIGTELEC

BALANCE SHEET ON NOVEMBER 30, 2017 AND DECEMBER 31, 2016

(In reais)

	Nov. 30, 2017 30/11/2017	Dec. 31, 2016 31/12/2016	% change AH%		Nov. 30, 2017 30/11/2017	Dec. 31, 2016 31/12/2016
<b>LIABILITIES AND STOCKHOLDERS EQUITY</b>						
<b>CURRENT:</b>						
Loans and debentures	12.806.068	1.033.959	1138,5%	Loans and debentures	13.132.426	63.751.66
Suppliers	524.834	1.855.029	-71,7%	Suppliers	18.778.123	21.750.01
Tax obligations	20.832.186	19.552.443	6,5%	Tax obligations	10.597.094	9.572.51
Salary-related charges	4.148.829	3.683.818	12,6%	Salary-related charges	3.199.241	4.862.62
Advances from clients	1.677.037	898.825	86,6%	Advances from clients	459.764	459.76
Other	37.559	33.931	10,7%	Other	571.122	973.00
<b>Total, current</b>	<b>40.026.512</b>	<b>27.058.004</b>	<b>47,9%</b>	<b>Total, current</b>	<b>46.737.770</b>	<b>101.369.57</b>
<b>NON-CURRENT:</b>						
Loans and debentures				Loans and debentures	55.109.273	37.620.51
Provisions for contingencies	203.143	83.248	144,0%	Provisions for contingencies	56.714	82.85
Advances from clients	11.602.136	11.875.973	-2,3%	Advances from clients	4.227.688	4.663.10
Tax obligations	3.184.911	2.997.422	6,3%	Tax obligations	1.907.021	2.465.57
Salary-related charges	6.345.656	8.037.818	-21,1%	Salary-related charges	3.279.115	2.800.76
Ativas	239.113	906.930	-73,6%	Ativas	6.374.295	3.409.65
<b>Total, Non-current</b>	<b>4.483.565</b>	<b>4.586.470</b>	<b>-2,2%</b>	<b>Total, Non-current</b>	<b>70.954.105</b>	<b>51.042.47</b>
	17.598.105	19.744.312	-10,9%			
<b>STOCKHOLDERS EQUITY:</b>	<b>270.145.535</b>	<b>261.612.715</b>	<b>3,3%</b>	<b>STOCKHOLDERS EQUITY:</b>		

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	9.624.612	9.489.877	1,4%	Share capital	292.399.303	241.741.86
				Equity valuation adjustments	(755.826)	(755.82
				Retained losses	(45.882.064)	(47.005.31
				<b>Total stockholders equity</b>	<b>245.761.413</b>	<b>193.980.72</b>
<b>SETS</b>	<b>363.453.288</b>	<b>346.392.769</b>	<b>4,9%</b>	<b>TOTAL LIABILITIES</b>	<b>363.453.288</b>	<b>346.392.76</b>

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**Table of Contents**

**Nov. 30, 2017    Dec. 31, 2016    % change**

Cemig Telecomunicações S.A.    CemigTelecom

Cemig Telecomunicações S.A.    CemigTelecom

BALANCE SHEETS ON NOVEMBER 30, 2017 AND  
DECEMBER 31, 2016

BALANCE SHEETS ON NOVEMBER 30, 2017  
AND DECEMBER 31, 2016

(In Reais    R\$)

(In Reais    R\$)

**ASSETS**

**LIABILITIES AND STOCKHOLDERS EQUITY**

**CURRENT**

Cash and cash equivalents  
Securities  
Accounts receivable from clients  
Taxes recoverable  
Advances  
Prepaid expenses  
**Total, current**

**CURRENT:**

Loans and debentures  
Suppliers  
Tax obligations  
Salary-related charges  
Advances from clients  
Other  
**Total, current**

**NON-CURRENT:**

**Long term assets**  
Securities held to maturity  
Accounts receivable from clients  
Taxes recoverable  
Deferred income tax and Social Contribution  
Other  
**Financial assets**  
**Investments**  
**Net PP&E**  
**Intangible**

**NON-CURRENT:**

Loans and debentures  
Provisions for contingencies  
Advances from clients  
Tax obligations  
Salary-related charges  
Ativas  
**Total, Non-current**

**TOTAL ASSETS**

**STOCKHOLDERS EQUITY:**

Share capital  
Equity valuation adjustments  
Retained losses  
**Total stockholders equity**

**TOTAL LIABILITIES**



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**Table of Contents**

**Appendix VI**

41

**Table of Contents**

**Companhia Energética de**

**Minas Gerais**

**CEMIG**

*Financial Statements as of December 31, 2016 and December  
31, 2015 and for the Years Ended December 31, 2016, 2015 and  
2014 and Report of Independent Registered Public Accounting  
Firm*

**Table of Contents**

**CONTENTS**

<u>CONSOLIDATED STATEMENTS OF FINANCIAL POSITION</u>	44
<u>CONSOLIDATED STATEMENTS OF INCOME</u>	46
<u>CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME</u>	47
<u>CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY</u>	48
<u>CONSOLIDATED STATEMENTS OF CASH FLOW</u>	50
<u>NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS</u>	52
1. <u>OPERATING CONTEXT</u>	52
2. <u>BASIS OF PREPARATION</u>	61
3. <u>PRINCIPLES OF CONSOLIDATION</u>	72
4. <u>CONCESSIONS AND AUTHORIZATIONS</u>	74
5. <u>OPERATING SEGMENTS</u>	85
6. <u>CASH AND CASH EQUIVALENTS</u>	89
7. <u>SECURITIES</u>	89
8. <u>CONSUMERS, TRADERS AND POWER TRANSPORT CONCESSION HOLDERS</u>	90
9. <u>RECOVERABLE TAXES</u>	91
10. <u>INCOME AND SOCIAL CONTRIBUTION TAXES</u>	91
11. <u>RESTRICTED CASH</u>	94
12. <u>ESCROW DEPOSITS</u>	94
13. <u>ENERGY DEVELOPMENT ACCOUNT (CDE)</u>	95
14. <u>FINANCIAL ASSETS AND LIABILITIES OF THE CONCESSION</u>	96
15. <u>INVESTMENTS</u>	103
16. <u>PROPERTY, PLANT AND EQUIPMENT</u>	125
17. <u>INTANGIBLE ASSETS</u>	127
18. <u>SUPPLIERS</u>	129
19. <u>TAXES, INCOME TAX AND SOCIAL CONTRIBUTION TAX</u>	130
20. <u>LOANS, FINANCINGS AND DEBENTURES</u>	131
21. <u>REGULATORY CHARGES</u>	136
22. <u>POST-RETIREMENT LIABILITIES</u>	137
23. <u>PROVISIONS</u>	142
24. <u>EQUITY AND REMUNERATION TO SHAREHOLDERS</u>	150
25. <u>REVENUE</u>	155
26. <u>OPERATING COSTS AND EXPENSES</u>	159
27. <u>FINANCIAL REVENUES AND EXPENSES</u>	162
28. <u>RELATED PARTY TRANSACTIONS</u>	163
29. <u>FINANCIAL INSTRUMENTS AND RISK MANAGEMENT</u>	166
30. <u>MEASUREMENT AT FAIR VALUE</u>	173
31. <u>INSURANCE</u>	175
32. <u>COMMITMENTS</u>	176
33. <u>NON-CASH TRANSACTIONS</u>	176

34. SUBSEQUENT EVENTS

176

43

Table of Contents**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION****AS OF DECEMBER 31, 2016 AND 2015****ASSETS****(MILLIONS OF BRAZILIAN REAIS R\$ mn)**

	Note	2016	2015
<b>Current</b>			
Cash and cash equivalents	6	995	925
Securities	7	1,014	2,427
Consumers and traders and			
Concession holders Transport of electricity	8	3,425	3,765
Financial assets of the concession	14	730	874
Recoverable taxes	9	236	175
Income and social contribution tax credits	10a	590	306
Dividends receivable		11	62
Restricted cash	11	367	
Inventories		49	37
Advance to suppliers	28	1	87
Energy Development Account (CDE)	13	64	72
Low-income subscriber subsidy		36	31
Receivable from Eletrobras RGR	21	48	
Receivable from Eletrobras CDE		90	
Other		630	616
<b>TOTAL, CURRENT</b>		<b>8,286</b>	<b>9,377</b>
<b>NON-CURRENT</b>			
Securities	7	31	84
Advance to suppliers	28	229	60
Consumers and traders and Concession holders Transport of electricity	8	146	133
Recoverable taxes	9	178	258
Income and social contribution taxes recoverable	10a	112	206
Deferred income and social contribution taxes	10b	1,797	1,498
Escrow deposits	12	1,887	1,813
Other credits		1,051	808
Financial assets of the concession	14	4,971	2,660
Investments Equity method	15	8,753	9,745
Property, plant and equipment	16	3,775	3,940
Intangible assets	17	10,820	10,275

<b>TOTAL, NON-CURRENT</b>	<b>33,750</b>	<b>31,480</b>
<b>TOTAL ASSETS</b>	<b>42,036</b>	<b>40,857</b>

The Notes are an integral part of these Consolidated Financial Statements.

Table of Contents**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION****AS OF DECEMBER 31, 2016 AND 2015****LIABILITIES****(MILLIONS OF BRAZILIAN REAIS R\$ mn)**

	Note	2016	2015
<b>CURRENT</b>			
Suppliers	18	1,940	1,901
Regulatory charges	21	381	517
Profit sharing		18	114
Taxes payable	19a	794	740
Income and Social Contribution tax	19b	27	11
Interest on equity and dividends payable	24	467	1,307
Loans, financings and debentures	20	4,837	6,300
Payroll and related charges		225	221
Post-retirement liabilities	22	199	167
Concessions payable		3	3
Financial liabilities of the concession	14	482	
Financial Instruments put options	15	1,150	1,245
Advance sales of power supply	8	181	
Other obligations		743	548
<b>TOTAL, CURRENT</b>		<b>11,447</b>	<b>13,074</b>
<b>NON-CURRENT</b>			
Regulatory charges	21	455	226
Loans, financings and debentures	20	10,342	8,867
Taxes payable	19a	724	740
Deferred income and social contribution tax	10b	582	689
Provisions	23	815	755
Post-retirement liabilities	22	4,043	3,086
Concessions payable		19	19
Financial liabilities of the concession	14	323	
Financial Instruments put options	15	192	148
Other obligations		160	265
<b>TOTAL, NON-CURRENT</b>		<b>17,655</b>	<b>14,795</b>
<b>TOTAL LIABILITIES</b>		<b>29,102</b>	<b>27,869</b>



<b>EQUITY</b>	24		
Share capital		6,294	6,294
Capital reserves		1,925	1,925
Profit reserves		5,200	4,663
Accumulated Other Comprehensive Income		(489)	102
<b>EQUITY ATTRIBUTABLE TO THE CONTROLLING SHAREHOLDERS</b>		<b>12,930</b>	<b>12,984</b>
<b>EQUITY ATTRIBUTABLE TO NON-CONTROLLING SHAREHOLDER</b>		<b>4</b>	<b>4</b>
<b>TOTAL EQUITY</b>		<b>12,934</b>	<b>12,988</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>42,036</b>	<b>40,857</b>

The Notes are an integral part of these Consolidated Financial Statements.

Table of Contents

**CONSOLIDATED STATEMENTS OF INCOME**  
**FOR THE YEARS ENDED DECEMBER 31, 2016, 2015 AND 2014**

(MILLIONS OF BRAZILIAN REAIS R\$ mn)

(except Net income per share)

	Note	2016	2015 Restated	2014 Restated
<b>NET REVENUE</b>	<b>25</b>	<b>18,773</b>	<b>21,868</b>	<b>19,595</b>
<b>OPERATING COSTS</b>				
<b>COST OF ELECTRICITY AND GAS</b>	<b>26</b>			
Electricity purchased for resale		(8,273)	(9,542)	(7,428)
Charges for the use of the national grid		(947)	(999)	(744)
Gas purchased for resale		(878)	(1,051)	(254)
		(10,098)	(11,592)	(8,426)
<b>OTHER COSTS</b>	<b>26</b>			
Personnel and managers		(1,348)	(1,143)	(999)
Materials		(41)	(126)	(340)
Outsourced services		(720)	(740)	(736)
Depreciation and amortization		(802)	(811)	(779)
Operating provisions		(171)	(23)	(262)
Infrastructure construction cost		(1,193)	(1,252)	(942)
Other		(57)	(96)	(318)
		(4,332)	(4,191)	(4,376)
<b>TOTAL COST</b>		<b>(14,430)</b>	<b>(15,783)</b>	<b>(12,802)</b>
<b>GROSS PROFIT</b>		<b>4,343</b>	<b>6,085</b>	<b>6,793</b>
<b>OPERATING EXPENSES</b>				
	<b>26</b>			
Selling expenses		(382)	(175)	(128)
General and administrative expenses		(667)	(674)	(654)
Operating provisions		(5)	(1,203)	(190)
Other operating expenses		(420)	(452)	(674)
		(1,474)	(2,504)	(1,646)
Equity in earnings of unconsolidated investees, net	15	(302)	393	210

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Impairment of Investments	15	(763)		
Fair value gain (loss) on stockholding transaction	15		729	
Gain on acquisition of control of investee	15			281
<b>Income before Financial income (expenses) and taxes</b>		<b>1,804</b>	<b>4,703</b>	<b>5,638</b>
Financial revenues	27	1,041	863	535
Financial expenses	27	(2,478)	(2,204)	(1,694)
<b>Income before income tax and social contribution tax</b>		<b>367</b>	<b>3,362</b>	<b>4,479</b>
Current income and social contribution taxes	10c	(174)	(881)	(1,259)
Deferred income and social contribution taxes	10c	141	(12)	(83)
<b>NET INCOME FOR THE YEAR</b>		<b>334</b>	<b>2,469</b>	<b>3,137</b>
Total of net income for the year attributed to:				
Controlling shareholders		334	2,469	3,137
Non-controlling shareholder				
		<b>334</b>	<b>2,469</b>	<b>3,137</b>
Basic income per preferred share R\$	24	0.35	1.96	2.49
Basic income per common share R\$	24	0.10	1.96	2.49
Diluted income per preferred share R\$	24	0.32	1.96	2.49
Diluted income per common share R\$	24	0.07	1.96	2.49

The Notes are an integral part of these Consolidated Financial Statements.

Table of Contents**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME****FOR THE YEARS ENDED DECEMBER 31, 2016, 2015 AND 2014****(MILLIONS OF BRAZILIAN REAIS R\$ mn)**

	<b>2016</b>	<b>2015</b>	<b>2014</b>
<b>NET INCOME FOR THE YEAR</b>	<b>334</b>	<b>2,469</b>	<b>3,137</b>
<b>OTHER COMPREHENSIVE INCOME</b>			
<b>Items that will not be reclassified to profit or loss</b>			
Post retirement liabilities remeasurement of obligations of the defined benefit plans, net of taxes	(515)	(360)	(44)
Equity gain (loss) on Other comprehensive income in jointly-controlled entities	4	(1)	(7)
	(511)	(361)	(51)
<b>Items that may be reclassified to profit or loss</b>			
Conversion adjustment of equity gain (loss) in other comprehensive income in subsidiary and jointly-controlled entity	(3)	54	10
Recycling of conversion adjustments to the Income statement arising from sale of Transchile	(39)		
	(42)	54	10
<b>COMPREHENSIVE INCOME FOR THE YEAR</b>	<b>(219)</b>	<b>2,162</b>	<b>3,096</b>
<b>Total of comprehensive income for the year attributed to:</b>			
Controlling shareholders	(219)	2,162	3,096
Non-controlling shareholder			
	<b>(219)</b>	<b>2,162</b>	<b>3,096</b>

The Notes are an integral part of these Consolidated Financial Statements.

Table of Contents**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY****FOR THE YEARS ENDED DECEMBER 31, 2016, 2015 AND 2014****(MILLIONS OF BRAZILIAN REAIS R\$ mn, except where otherwise indicated)**

	Share capital	Capital reserves	Profit reserves	Accumulated Other Comprehensive Income	Retained earnings	Total interest of the controlling shareholders	Total interest of the non-controlling shareholders	Total equity
<b>AS OF DECEMBER 31, 2013</b>	<b>6,294</b>	<b>1,925</b>	<b>3,840</b>	<b>579</b>		<b>12,638</b>		<b>12,638</b>
Net income for the year					3,137	3,137		3,137
<b>Other comprehensive income</b>								
Post retirement liabilities, net of taxes				(44)		(44)		(44)
Equity gain on Other comprehensive income in jointly-controlled entity				3		3		3
<b>Total Comprehensive income for the year</b>				<b>(41)</b>	<b>3,137</b>	<b>3,096</b>		<b>3,096</b>
<b>Other changes in equity:</b>								
Additional dividends proposed in 2013 (R\$ 0.04 per share)			(55)			(55)		(55)
Extraordinary dividends (R\$ 2.23 per share)			(2,804)			(2,804)		(2,804)
Statutory dividends (R\$ 1.04 per share)					(1,364)	(1,364)		(1,364)
Interest on Equity (R\$ 0.18 per share)					(230)	(230)		(230)
<b>Constitution of reserves</b>								
Tax incentives reserve			29		(29)			
Profit reserve			1,584		(1,584)			
<b>Realization of reserves</b>								
Equity valuation adjustments deemed cost of PP&E				(70)	70			
<b>ATTRIBUTED TO INTEREST OF THE CONTROLLING SHAREHOLDERS</b>	<b>6,294</b>	<b>1,925</b>	<b>2,594</b>	<b>468</b>		<b>11,281</b>		<b>11,281</b>

Non controlling shareholder						4	4
<b>AS OF DECEMBER 31, 2014</b>	<b>6,294</b>	<b>1,925</b>	<b>2,594</b>	<b>468</b>		<b>11,281</b>	<b>4 11,285</b>
Net income for the year					2,469	2,469	2,469
<b>Other comprehensive income</b>							
Post retirement liabilities, net of taxes				(361)		(361)	(361)
Equity gain on Other comprehensive income in jointly-controlled entity				54		54	54
<b>Total Comprehensive income for the year</b>				<b>(307)</b>	<b>2,469</b>	<b>2,162</b>	<b>2,162</b>
<b>Other changes in equity:</b>							
Reserve for obligatory dividends not distributed			797			797	797
Statutory dividends (R\$ 0.84 per share)					(1,056)	(1,056)	(1,056)
Interest on Equity (R\$ 0.16 per share)					(200)	(200)	(200)
<b>Constitution of reserves</b>							
Tax incentives reserve			21		(21)		
Profit reserve			1,251		(1,251)		
<b>Realization of reserves</b>							
Equity valuation adjustments deemed cost of PP&E				(59)	59		
<b>ATTRIBUTED TO INTEREST OF THE CONTROLLING SHAREHOLDERS</b>	<b>6,294</b>	<b>1,925</b>	<b>4,663</b>	<b>102</b>		<b>12,984</b>	<b>12,984</b>
Non-controlling shareholder						4	4
<b>AS OF DECEMBER 31, 2015</b>	<b>6,294</b>	<b>1,925</b>	<b>4,663</b>	<b>102</b>		<b>12,984</b>	<b>4 12,988</b>

**Table of Contents**

	Share capital	Capital reserves	Profit reserves	Equity Valuation adjustment	Retained earnings	Total interest of the controlling shareholders	Total interest of Non- controlling shareholders	Total equity
<b>AS OF DECEMBER 31, 2015</b>	<b>6,294</b>	<b>1,925</b>	<b>4,663</b>	<b>102</b>		<b>12,984</b>	<b>4</b>	<b>12,988</b>
Net income for the year					334	334		334
<b>Other comprehensive income</b>								
Post retirement liabilities remeasurement of obligations of the defined benefit plans, net of taxes				(515)		(515)		(515)
Equity gain on Other comprehensive income in subsidiary and jointly-controlled entity				(39)		(39)		(39)
<b>Total comprehensive income for the year</b>				<b>(554)</b>	<b>334</b>	<b>(220)</b>		<b>(220)</b>
<b>Other changes in equity:</b>								
Reserve for mandatory dividends not distributed			623			623		623
Dividends under by-laws (R\$ 0.16 per share )			127		(204)	(77)		(77)
Interest on equity (R\$ 0.30 per share )			(380)			(380)		(380)
<b>Constitution of reserves</b>								
Tax incentive reserves			7		(7)			
Retained earnings reserve			160		(160)			
Equity valuation adjustments deemed cost of PP&E				(37)	37			
<b>ATTRIBUTED TO INTEREST OF THE CONTROLLING SHAREHOLDERS</b>	<b>6,294</b>	<b>1,925</b>	<b>5,200</b>	<b>(489)</b>		<b>12,930</b>		<b>12,930</b>
Non-controlling shareholder							4	4
<b>AS OF DECEMBER 31, 2016</b>	<b>6,294</b>	<b>1,925</b>	<b>5,200</b>	<b>(489)</b>		<b>12,930</b>	<b>4</b>	<b>12,934</b>

The Notes are an integral part of these Consolidated Financial Statements.





**Table of Contents**

**CONSOLIDATED STATEMENTS OF CASH FLOW**  
**FOR THE YEARS ENDED DECEMBER 31, 2016, 2015 AND 2014**  
**(MILLIONS OF BRAZILIAN REAIS R\$ mn)**

	2016	2015	2014
<b>CASH FLOW FROM OPERATIONS</b>			
Net income for the year	334	2,469	3,137
<b>Expenses (revenues) not affecting cash and cash equivalents</b>			
Income and social contribution taxes	33	893	1,342
Depreciation and amortization	834	835	801
Write-offs of PP&E, Intangible assets and Investments	109	124	105
Gain on disposal of investments	(315)		
Impairment of Investments	763		
Equity in earnings (losses) of unconsolidated investees, net	302	(393)	(210)
Interest and monetary variation	808	818	1,384
Fair value gain (loss) on stockholding transaction		(729)	
Provisions for operating losses	704	1,401	581
Net gain on indemnity of assets			(420)
Financial assets CVA	1,455	(1,704)	(1,107)
Gain on acquisition of subsidiary			(281)
Post-retirement liabilities	447	285	311
	5,475	3,999	5,643
(Increase) / decrease in assets			
Consumers and traders	(64)	(1,470)	(285)
Financial assets CVA	341	1,529	
Energy Development Account (CDE)	8	273	(170)
Recoverable Taxes	19	167	320
Income and social contribution tax credit	(62)	(77)	(37)
Transport of electricity	8	(5)	(5)
Escrow deposits	(28)	(67)	(305)
Dividends received from investments	683	487	683
Financial assets	(1,941)	10	6
Advance to suppliers	(120)	(131)	
Gas	(193)	(141)	(265)
Other	105	(248)	74
	(1,244)	327	16
Increase (decrease) in liabilities			
Suppliers	38	297	472
Taxes payable	38	202	54

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Income and social contribution taxes payable	24	(105)	(22)
Payroll and related charges	4	26	4
Regulatory charges	92	386	11
Post-retirement liabilities	(239)	(208)	(195)
Financial instruments Put options	(150)		
Other	(167)	156	(160)
	(360)	754	164
Cash generated by operating activities	3,871	5,080	5,823
Interest paid on loans and financings	(2,369)	(1,331)	(781)
Income and Social Contribution taxes paid	(289)	(741)	(1,308)
<b>NET CASH GENERATED BY OPERATING ACTIVITIES</b>	<b>1,213</b>	<b>3,008</b>	<b>3,734</b>

**Table of Contents**

	<b>2016</b>	<b>2015</b>	<b>2014</b>
<b>CASH FLOWS FROM INVESTMENT ACTIVITIES</b>			
Marketable securities	1,400	(1,499)	116
Financial assets		(145)	(80)
Restricted cash	(367)	1	1
<b>Investments</b>			
Acquisition of equity investees		(310)	(2,405)
Disposal of Investments	949		
Acquisition of subsidiary Gasmig			(465)
Capital increase in investees	(1,455)	(181)	(546)
PP&E	(120)	(126)	(122)
Intangible assets	(1,021)	(957)	(798)
<b>NET CASH USED IN INVESTMENT ACTIVITIES</b>	<b>(614)</b>	<b>(3,217)</b>	<b>(4,299)</b>
<b>CASH FLOW IN FINANCING ACTIVITIES</b>			
Loans, financings and debentures	5,737	5,739	4,562
Payment of loans financings and debentures	(5,591)	(4,696)	(1,394)
Interest on equity and dividends	(675)	(796)	(3,918)
<b>NET CASH FROM (USED IN) FINANCIAL ACTIVITIES</b>	<b>(529)</b>	<b>247</b>	<b>(750)</b>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>70</b>	<b>38</b>	<b>(1,315)</b>
<b>STATEMENT OF CHANGES IN CASH AND CASH EQUIVALENTS</b>			
Beginning of the year	925	887	2,202
End of the year	995	925	887
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>70</b>	<b>38</b>	<b>(1,315)</b>

The Notes are an integral part of these Consolidated Financial Statements.

**Table of Contents**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**AS OF DECEMBER 31, 2016 AND 2015 AND FOR THE YEARS ENDED ON DECEMBER 31, 2016, 2015  
AND 2014**

**(In Millions of Brazilian Reais R\$ mn except where otherwise indicated)**

**1. OPERATING CONTEXT**

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

In order to finance the capital expenditures needed to meet long-term growth objectives, CEMIG have incurred a substantial amount of debt. As of December 31, 2016, the CEMIG s Current Liabilities exceeded Current Assets by R\$3,162. As of December 31, 2016, the CEMIG total short-term and long-term loans, financing and debentures are R\$4,837 and R\$10,342, maturing in the first, second, third and fourth quarters of 2017, in the amounts of R\$783, R\$1,017, R\$579 and R\$2,458, respectively. Those CEMIG had positive operating cash flows in the amounts of R\$1,213, R\$3,007 and R\$3,733 in 2016, 2015 and 2014, respectively.

CEMIG H s substantial debt could adversely affect the business, financial condition, and results of operations. Specifically, CEMIG is subject to certain restrictions on its ability to raise funds from third parties, which might prevent it from entering into new contracts for financing of its operations, or for the re-financing of its existing obligations, including the following:

The by-laws of CEMIG express the obligation for the consolidated figures of the group to maintain certain financial indicators, related to factors including debt and Capital Expenditures, within certain limits, and this could affect its operational flexibility. In the years 2015 and 2016, certain limits and financial ratios specified in the bylaws of CEMIG were exceeded, under approval by the General Meeting of Stockholders. CEMIG has obtained its stockholders to exceed these limits and financial ratios applicable for 2017.

**Table of Contents**

In relation to loans from outside parties: (i) as a state-controlled company, CEMIG is subject to rules and limits relating to the level of credit applicable to the public sector, including rules established by the National Monetary Council (Conselho Monetário Nacional, or CMN), and by the Brazilian Central Bank; (ii) CEMIG operates in the electricity sector, it is subject to the rules and limits established by Aneel which deal with indebtedness for companies of the electricity sector and (iii) state-controlled companies may use funds arising from transactions with commercial banks only for refinancing of financial obligations, or in transactions guaranteed by duplicate trade bills.

The National Treasury Department (part of the Finance Ministry) and by the Central Bank would need to approve certain international financial transactions; this approval is usually given only if the purpose of the transaction is to finance importation of goods or to roll over external debt. These rules have the effect of placing limits on the CEMIG H's capacity for indebtedness.

CEMIG is subject to certain contractual conditions under existing debt instruments. In the event of non-compliance with an obligation under that financing contract, the CEMIG will be required to strengthen the guarantees for the financing, on penalty of early maturity of the contract. Any default event in our financial instruments might lead creditors to cause all the amounts relating to that debt to become payable immediately. Acceleration of debts might cause significant negative effects on the CEMIG H's financial situation, and might also cause activation of cross-default clauses in other financial instruments. In the event of a default, CEMIG H's cash flow might be insufficient to completely settle the debts, or to comply with the servicing of such debts.

The credit risk rating agencies attribute a rating to Brazil, the Company and its debt securities on a Brazilian basis, and also a rating for the Company on the global basis. If ratings are downgraded due to any external factor, operational performance or high levels of debt, it may increase the cost of capital.

In order to amortize scheduled debt maturities, CEMIG will need to raise significant amounts of debt capital from a broad range of funding sources. To service CEMIG debt after meeting our capital expenditure targets, CEMIG have relied upon, and may continue to rely upon, a combination of cash flows provided by our operations, drawdowns under our available credit facilities, our cash and short-term financial investments balance and the incurrence of additional indebtedness.

CEMIG has several initiatives designed to increase liquidity through entering into new contracts for financing or for the re-financing of its existing obligations and potential divestitures of non-core assets. In 2016, CEMIG introduced a divestment program that contemplates the sale of assets for the period of 2017-2018, with the goal of improving our short-term liquidity position by increasing our cash balance and reducing indebtedness.

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**Table of Contents**

Although the CEMIG is significantly leveraged, it expects that the current cash balances, liquidity from its revolving credit facility, cash generated from the initiatives described above, and from operations should be sufficient to meet working capital, capital expenditure, debt service, and other cash needs for the next year. Management believes that they will be successful in their plans.

If, for any reason, CEMIG are faced with continued difficulties in accessing debt financing, this could hamper our ability to make capital expenditures in the amounts needed to maintain our current level of investments or our long-term targets and could impair our ability to timely meet our principal and interest payment obligations with our creditors, as our cash flow from operations is currently insufficient to fund such both planned capital expenditures and all of our debt service obligations. A reduction in our capital expenditure program or the sale of assets could significantly affect our results of operations.

Cemig has interests in the following subsidiaries, jointly-controlled entities and affiliated company (information in MW has not been audited by the external auditors):

**Cemig Geração e Transmissão S.A. ( Cemig GT )** is Cemig's wholly-owned subsidiary operating in generation and transmission. It is listed, in Brazil, but not traded. Cemig GT has interests in 60 power plants, of which 56 are hydroelectric, 3 are wind power plants and one is a thermal plant, and associated transmission lines, most of which are part of the Brazilian national generation and transmission grid system. Cemig GT has interests in the following jointly-controlled entities and affiliated company:

Jointly-controlled entities and affiliated company:

- **Hidrelétrica Cachoeirão S.A. ( Cachoeirão )** (Jointly controlled): Production and sale of electricity as an independent power producer, through the *Cachoeirão* hydroelectric power plant, located at Pocrane, in the State of Minas Gerais.
- **Baguari Energia S.A. ( Baguari Energia )** (Jointly controlled): Construction, operation, maintenance and commercial operation of the *Baguari* Hydroelectric Plant, through participation in the UHE Baguari Consortium (Baguari Energia 49.00%, Neoenergia 51.00%), located on the Doce River in Governador Valadares, Minas Gerais State.
- **Central Eólica Praias de Parajuru S.A. ( Parajuru )** (Jointly controlled): Production and sale of electricity from the *Parajuru* wind farm at Beberibe, in the State of Ceará, Northern Brazil.
- **Central Eólica Praias do Morgado S.A. ( Morgado )** (Jointly controlled): Production and sale of electricity from the *Morgado* wind farm at Acaraú in Ceará, Northern Brazil.

**Table of Contents**

- **Central Eólica Volta do Rio S.A. ( Volta do Rio )** (Jointly controlled): Production and sale of electricity from at the *Volta do Rio* wind farm also at Acaraú, in the State of Ceará, Northern Brazil.
- **Hidroelétrica Pipoca S.A. ( Pipoca )** (Jointly controlled): Independent production of electricity, through construction and commercial operation of the *Pipoca* Small Hydro Plant (*Pequena Central Hidrelétrica*, or PCH), on the Manhuaçu River, in the counties of Caratinga and Ipanema, in the State of Minas Gerais.
- **Madeira Energia S.A. ( Madeira )** (Affiliated): Construction and commercial operation, through its subsidiary **Santo Antônio Energia S.A.**, of the Santo Antônio hydroelectric plant, in the basin of the Madeira River, in the State of Rondônia.
- **Lightger S.A.** (Jointly controlled): Independent power production through building and commercial operation of the *Paracambi* Small Hydro Plant (or PCH), on the Ribeirão das Lages river in the county of Paracambi, in the State of Rio de Janeiro.
- **Renova Energia S.A. ( Renova )** (Jointly controlled): Listed company operating in development, construction and operation of plants generating power from renewable sources – wind power, small hydro plants (SHPs), and solar energy; sales and trading of electricity, and related activities.
- **Retiro Baixo Energética S.A. ( RBE )** (Jointly controlled): RBE holds the concession to operate the *Retiro Baixo* hydroelectric plant, on the Paraopeba River, in the São Francisco river basin, in the municipalities of Curvelo and Pompeu, in Minas Gerais State. The plant has installed capacity of 83.7 MW and assured energy offtake level of 38.5MW average.
- **Aliança Norte Energia Participações S.A. ( Aliança Norte )** (Jointly controlled): A special-purpose company (SPC) created by Cemig GT (49.9% ownership) and Vale S.A. (50.1% ownership), for acquisition of an interest of 9% in Norte Energia S.A. ( *Nesa* ), the company holding the concession for the *Belo Monte* Hydroelectric Plant, on the Xingu River, in the State of Pará. The first turbine of Belo Monte Plant started operating on April 20, 2016 and the second turbine began operating on July 16, 2016. There are more details on this in Note 15.

**Table of Contents**

- **Aliança Geração de Energia S.A. ( Aliança )** (Jointly controlled): Unlisted corporation created by **Cemig GT** and **Vale S.A.** to become a platform for consolidation of generation assets held by the two parties in generation consortia, and investments in future generation projects. The two parties subscribed their shares in the company by transfer of their interests in the following generation assets: *Porto Estrela, Igarapava, Funil, Capim Branco I and II, Aimorés* and *Candongá*. With these assets the company has installed hydroelectric generation capacity in operation of 1,158 MW (physical offtake guarantee 652 MW average), and other generation projects. **Vale** and **Cemig GT** respectively hold 55% and 45% of the total capital.
- **Cemig Geração Três Marias S.A.:** A corporation wholly owned by Cemig GT. Its objects are production and sale of electricity as public service concession holder, by commercial operation of the *Três Marias* Hydroelectric Plant, and sale and trading of electricity in the Free Market. It has installed capacity of 396 MW, and guaranteed offtake level ( Assured energy ) of 239 MW average.
- **Cemig Geração Salto Grande S.A.:** A corporation wholly owned by **Cemig GT**. Its objects are production and sale of electricity as public concession holder, by commercial operation of the *Salto Grande* Hydroelectric Plant, and trading in electricity in the Free Market. This company has installed generation capacity of 102 MW, and average offtake guarantee of 75 MW.
- **Cemig Geração Camargos S.A.:** Corporation wholly owned by **Cemig GT**. Its objects are production and sale of electricity as public concession holder, by commercial operation of the *Camargos* Hydroelectric Plant, and trading in electricity in the Free Market. Has installed generation capacity of 46 MW, and average offtake guarantee of 21 MW.
- **Cemig Geração Itutinga S.A.:** Corporation wholly owned by **Cemig GT**. Its objects are production and sale of electricity as public concession holder, by commercial operation of the *Itutinga* Hydroelectric Plant, and trading in electricity in the Free Market. Has installed generation capacity of 52 MW, and average offtake guarantee of 28 MW.
- **Cemig Geração Leste S.A.:** Corporation wholly owned by **Cemig GT**. Its objects are production and sale of electricity as public concession holder, by operation of the *Dona Rita, Sinceridade, Neblina, Ervália, Tronqueiras* and *Peti* Small Hydroelectric Plants (PCHs), and trading in electricity in the Free Market. Installed generation capacity is 35.16 MW; average offtake guarantee is 18.64 MW.
- **Cemig Geração Oeste S.A.:** Corporation wholly owned by **Cemig GT**. Its objects are production and sale of electricity as public concession holder, by commercial operation of the *Gafanhoto, Cajuru* and *Martins* Small Hydroelectric Plants, and trading in electricity in the Free Market. Installed generation capacity is 28.90 MW, and average offtake guarantee 11.21 MW.





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**Table of Contents**

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

Subsidiaries and jointly-controlled entities at development stage:

- **Guanhães Energia S.A. ( Guanhães Energia )** (Jointly controlled): Production and sale of electricity through building and commercial operation of the following Small Hydro Plants (PCHs): *Dores de Guanhães*, *Senhora do Porto and Jacaré*, in the county of Dores de Guanhães; and *Fortuna II*, in the county of Virginópolis, in Minas Gerais. Construction works are 97% completed, and start of commercial generation is scheduled for April 2017.
- **Cemig Baguari Energia S.A. ( Cemig Baguari )** (Subsidiary) Production and sale of electricity as an independent power producer in future projects.
- **Amazônia Energia Participações S.A. ( Amazônia Energia )** (Jointly controlled) Unlisted company whose object is to hold and manage equity interest in **Norte Energia S.A. (Nesa)**, which holds the concession to operate the *Belo Monte* Hydroelectric Plant, on the Xingu River, in the State of Pará. It is jointly controlled by **Light S.A.** (25.5%) and **Cemig** (74.5%). Amazônia Energia owns 9.77% of the share capital of Nesa. The first turbine of the Belo Monte Plant started operating on April 20, 2016 and the second turbine began operating on July 16, 2016. There are more details in Note 15.

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

**Transmissora Aliança de Energia Elétrica S.A. ( Taesa )** (Jointly controlled): Construction, operation and maintenance of electricity transmission facilities in 17 states of Brazil through direct and indirect equity interests in investees.

**Light S.A. ( Light )** (Jointly controlled): Holds direct or indirect interests in other companies and directly or indirectly operates electricity services, including generation, transmission, trading or distribution, and other related services. Light S.A. has the following subsidiaries and jointly-controlled entities:

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



**Table of Contents**

- **Light Energia S.A.** (Subsidiary) Plans, builds and operate electricity generation, transmission and sales/trading systems and related services. Owns equity interests in two wind power companies **Central Eólica São Judas Tadeu Ltda.** and **Central Eólica Fontainha Ltda** and in **Guanhães Energia S.A.** and **Renova Energia S.A.**
  
- **Light Esco Prestação de Serviços Ltda.** ( **Light Esco** ) (Subsidiary) Purchase, sale, importation and exportation of electricity and consultancy services in the electricity sector. Light Esco has an interest in **EBL Companhia de Eficiência Energética S.A.**
  
- **Itaocara Energia Ltda.** (Subsidiary) Company and pre-operational phase: principal activity will be construction and operation of generation plants. It is a member of the Itaocara Hydro Plant Consortium for commercial operation of the Itaocara Hydroelectric Plant (51%). **Cemig GT** owns 49%. There are more details in Note 14.
  
- **Lightger S.A.** (Jointly controlled) Described in the list of jointly controlled entities of Cemig GT, above.
  
- **Light Soluções em Eletricidade Ltda.** (Subsidiary): Its main objects are provision of service to low-voltage clients including assembly, overhaul and maintenance of installations in general.
  
- **Instituto Light para o Desenvolvimento Urbano e Social (Light Institute)** (Subsidiary): Participation in social and cultural projects, and interest in economic and social development of cities.
  
- **Lightcom Comercializadora de Energia S.A.** (Subsidiary): Purchase, sale, importation and exportation of electricity, and general consultancy, in the free and regulated electricity markets.
  
- **Axxiom Soluções Tecnológicas S.A.** (Jointly controlled): Unlisted company, providing technology and systems solutions for operational management of public service concession holders, including companies in electricity, gas, water, sewerage, and other utilities. Jointly owned by Light (51%) and Cemig (49%).
  
- **Amazônia Energia Participações S.A.** (Jointly controlled) Described in the list of equity interests of **Cemig GT** above.
  
- **Renova Energia S.A.** (Jointly controlled) Described in the list of equity interests of **Cemig GT** above.



**Table of Contents**

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

**Usina Térmica Ipatinga S.A. ( Ipatinga )** (Subsidiary) Currently without operational activity.

**Companhia de Gás de Minas Gerais ( Gasmig )** (Subsidiary): Acquisition, transport and distribution of combustible gas or sub-products and derivatives, through a concession for distribution of gas in the State of Minas Gerais.

**Cemig Telecomunicações S.A. ( CemigTelecom**  previously named *Empresa de Infovias S.A.*)(Subsidiary): Provision and commercial operation of a specialized telecommunications service through an integrated multi-service network of fiber optic cables, coaxial cables, and electronic and associated equipment. CemigTelecom owns 19.6% of **Ativas Data Center ( Ativas )** (a jointly controlled entity), which operates primarily in supply of IT and communications infrastructure services, including physical hosting and related services for medium-sized and large corporations.

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

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

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

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

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

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

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

**Table of Contents**

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

**Cemig Trading S.A.** (Subsidiary): Sale and intermediation of business transactions related to energy.

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

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

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

**Axxiom Soluções Tecnológicas S.A.** (Jointly controlled): Described in the investees of Light, above.

**Transchile Charrúa Transmisión S.A.** (Jointly controlled): Construction, operation and maintenance of the *Charrúa-Nueva Temuco* transmission line, and two sections of transmission line at the *Charrúa* and *Nueva Temuco* substations, in the central region of Chile. The head office of Transchile is in Santiago, Chile. In 2016 Cemig sold the whole of its interest in Transchile to Ferrovial Transco Chile SpA., a company controlled by Ferrovial S.A.

**Companhia de Transmissão Centroeste de Minas** (Jointly controlled): Construction, operation and maintenance of the *Furnas-Pimenta* transmission line part of the national grid.

**Participações em Ativos de Energia Elétrica ( Parati )** (Jointly controlled): Holding company owning interests, through shares or share units, in other companies, Brazilian or foreign, in any business activity. Parati holds an equity interest of 26.03% in Light. Parati was closed down in 2016, following its reverse absorption by RME and Lepsa, with 50% Cemig ownership in each of these two companies.

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

**Table of Contents**

**2. BASIS OF PREPARATION**

**2.1 Statement of compliance**

The Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards ( IFRS ) as issued by the International Accounting Standards Board (IASB).

Management certifies that all the material information in the financial statements, and only that information, is being presented, and that it corresponds to the information used by Management in its administration of the company.

On May 16, 2017, the Company s Audit Board authorized filing of the Financial Statements for the year ended December 31, 2016.

**2.2 Bases of measurement**

The consolidated financial statements have been prepared based on historical cost, with the exception of the following material items recorded in the Statement of financial position:

Non-derivative financial assets measured at fair value through profit or loss.

Financial assets held for trading measured at fair value.

Financial assets of the Concession measured by the New Replacement Value (VNR), equivalent to fair value.

**2.3 Functional currency and currency of presentation**

These consolidated financial statements are presented in Reais, which is the Company s presentation and functional currency. All the financial information is presented in millions of Reais, except where otherwise indicated.

**2.4 Use of estimates and judgments**

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



Estimates and assumptions are revised continually, using as a reference both historical experience and also any significant changes of scenario that could affect the equity situation of the company or its results in the applicable items. Revisions in relation to accounting estimates are recognized in the period in which the estimates are reviewed, and in any future periods affected.

**Table of Contents**

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

Allowance for doubtful accounts see Note 8;

Deferred income and social contribution taxes see Note 10;

Financial assets of the concession see Note 14;

Investments See Note 15.

Property, plant and equipment Note 16.

Intangible assets see Note 17;

Depreciation see Note 16;

Amortization see Note 17;

Employee post-retirement liabilities see Note 22;

Provisions see Note 23;

Unbilled electricity supplied see Note 25; and

Fair value measurement and Derivatives instruments see Note 30.

**2.5 Rules, interpretations and changes that came into force on January 1, 2016**

The following rules and changes of rules came into effect during 2016

The Changes to IFRS 7 provide additional orientations to clarify whether a service contract constitutes continuous involvement in an asset transferred, for the purposes of the necessary disclosures in relation to the transferred assets.

The changes to IAS 19 clarify that the rate used to discount obligations for post-retirement benefit should be determined based on AA corporate bond yields at the end of the reporting period.

The changes to IFRS 5 introduce specific orientations in relation to when an entity reclassifies an asset (or group of assets held for sale) from held for sale to held for distribution to holders (or vice-versa).

Changes to IAS 16 and IAS 38 Clarification of the acceptable methods for depreciation and amortization.

Changes to IAS 1 Disclosure Initiative These offer orientations on application of the concept of materiality in practice.

Changes to IFRS 10, IFRS 12 and IAS 28 *Investment entities: Applying exception from consolidation* These clarify that exemption from preparing consolidated financial statements is applicable to a controlling entity that is the subsidiary of an investment entity, even if the investment entity values all its subsidiaries at fair value under IFRS 10.

**Table of Contents**

Changes to IFRS 11 *Joint Arrangements* provides instructions on accounting for the acquisition of a business combination as defined by IFRS 3 *Business Combinations*.

The application of these changes had no significant impact on the disclosures or the amounts recognized in the financial statements of Cemig.

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

In effect for annual periods starting on or after January 1, 2017:

Changes to IAS 12 *Recognition of deferred tax assets for non-realized losses*.

Disclosure Initiative (Changes to IAS 7) Alters IAS 7 *Statement of Cash Flows*, to clarify that entities should supply disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities. Applicable to annual periods starting on or after January 1, 2017

In effect for annual periods starting on or after January 1, 2018:

Changes to IFRS 10 and IAS 28 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* Deals with situations that involve sale or contribution of assets between an investor and its associate or joint venture.

IFRS 9 *Financial instruments* Establishes that all the financial assets recognized that are within the scope of IAS 39 must be subsequently measured at amortized cost or fair value. In relation to the impairment of financial assets, IFRS 9 requires use of a forward-looking expected loss impairment model, in contrast to the model of actual impairment stated in IAS 39.

IFRS 15 *Revenue from Contracts with Customers*: Issued in May 2014, IFRS 15 established a simple and clear model for companies to use in accounting for revenue arising from contracts with clients. When it comes into effect, it will replace the present orientations on recognition of revenue contained in IAS 18 *Revenues*, IAS 11 *Construction Contracts* and the related interpretations.

In effect for annual periods starting on or after January 1, 2019:

IFRS 16 *Leases* With this new rule, lessors will have to recognize the liability for future payments and the right to use of the leased asset for practically all leasing contracts, including those currently classified as

operational leasing contracts.

## **Table of Contents**

The Company is still evaluating the effects of application of these new rules, and changes to existing rules, on the amounts and disclosures presented in the financial statements.

### **2.7 Principal accounting policies**

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

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

#### **a) Financial instruments**

*Financial liabilities relating to put options* The options to sell units in FIP Melbourne and FIP Malbec ( the SAAG Put ) and the options to sell shares in RME and Lepsa ( the Parati PUT ) were valued at fair value using the Black-Scholes-Merton (BSM) method. Both the options were calculated using the discounted cash flow method: for the SAAG Put option, up to the third quarter of 2016; and for the Parati Put option, up to the first quarter of 2016. The method used was changed, in the fourth and second quarters, respectively, to the BSM model. The Company calculated the fair value of these options having as a reference their respective prices obtained by the BSM model, valued on the closing date of the financial statements for the 2016 business year.

*Share capital:* The rights to minimum dividends as established for the preferred shares are described in Note 24 to the financial statements.

*Financial instruments available for sale:* As from December 31, 2012, assets in this category include the financial assets of the transmission and distribution concession that were covered by Law 12783 (of January 11, 2013). They are measured at New Replacement Value (*Valor Novo de Reposição*, or VNR), equivalent to fair value on the date of these financial statements. The Company recognizes a financial asset resulting from a concession contract when it has an unconditional contractual right to receive cash or another financial asset from, or under the direction of, the Concession-granting power for the services of construction or improvement provided.

*Loans and receivables* The category includes: Cash equivalents; Consumers and traders; Power transport concession holders; Financial assets of the concession not covered by Law 12783; the CVA Account (for compensation of changes in Portion A costs) and *Other financial components* of tariff adjustments; Escrow deposits; and Traders Free Energy transactions.

**Table of Contents**

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

b) Consumers and traders; Power transport concession holders; and Traders transactions in Free Energy Accounts receivable from Consumers and traders, and from power transport concession holders, are initially recorded at value, whether already invoiced or not, and measured by amortized cost. They include any direct taxes for which the company has the tax responsibility, less taxes withheld at source, which are considered to be tax credits.

The provision for doubtful receivables, for low and medium voltage consumers, is recorded based on estimates by Management, in an amount sufficient to cover probable losses. The principal criteria set by the company are: (i) For consumers with significant balances, the balance receivable is analyzed in the light of the history of the debt, negotiations in progress, and real guarantees. (ii) For other consumers, the following are provisioned: Debts from residential consumers more than 90 days past due; debts from commercial consumers more than 180 days past due; and debts more than 360 days past due from other consumers. These criteria are the same as those established by Aneel.

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

c) Investments

The Company's investments include the intangible concession assets identified on acquisitions, net of any accumulated losses by impairment.

d) Assets linked to the concessions

*Electricity distribution activity:* The portion of the assets of the concession that will be totally amortized during the concession period is recorded as intangible and is completely amortized during the concession agreement period.

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

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

Company has measured the parcel of the assets that will be completely amortized by the end of the concession, assuming extension of its concession agreement for a further 30 years, as described in more detail in Note 4.

New assets are recorded initially in Intangible assets, valued at acquisition cost, including capitalized borrowing costs. When the assets start operation they are split into financial assets and intangible assets, according to the criterion mentioned in the previous paragraphs: The portion of the assets that is recorded in financial assets is valued based on the new replacement cost, having as a reference the amounts homologated by Aneel for the Asset Base for Remuneration in the processes of tariff review.

When an asset is replaced, the net book value of the asset is written down as an expense in the Statement of income.

*Transmission activity:* For the new transmission concessions, granted after the year 2000, the costs related to construction of the infrastructure are recorded in the Statement of income as and when they are calculated, and a Construction Revenue is recorded based on the stage of conclusion of the assets, including the taxes applicable to the revenue and any profit margin.



## Table of Contents

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

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

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

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

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

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

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

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

### e) Intangible assets

Intangible assets comprise assets relating to: service concession contracts, and software. These are measured at total acquisition cost, less expenses of amortization.

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

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

those loans.

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

**Table of Contents**

f) **Property, plant and equipment**

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

The depreciation rates applied to the Company's property, plant and equipment assets are shown in Note 16 to the financial statements.

Assets not fully depreciated by the end of the concession will be reverted to the Concession-granting power and this non-depreciated portion will be indemnified.

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

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

The residual value is the balance remaining of the asset at the end of the concession, thus, as established in a contract signed between the Company and the federal government, at the end of the concession the assets will be reverted to the federal government which, in turn, will indemnify the Company for those assets that have not yet been totally depreciated. In cases where there is no indemnity at the end of the concession, no residual value is recognized, and the depreciation rates are adjusted so that all the assets are depreciated within the concession period. See more details in Note 14.

g) **Impairment**

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

h) **Benefits to employees**

For the Company's retirement benefit pension plan obligations, the liability recorded in the statement of financial position is the greater of: (a) the debt agreed upon with the foundation for amortization of the actuarial obligations, and (b) the present value of the actuarial obligation, as calculated by a qualified actuary, less the fair value of the plan's assets, and adjusted for unrecognized actuarial gains and losses. In the business years presented, the expenses related to the debt agreed upon with the pension fund were registered in Financial revenue (expenses), because they represent interest and monetary updating. The other expenses on the pension fund were recorded as operational expenses.

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

i) Income and Social Contribution taxes

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

j) Operational revenue

In general, for the Company's business in the electricity, gas, telecommunications and other sectors, revenues are recognized when there is persuasive evidence of agreements, when delivery of merchandise takes place or when the services are provided, the prices are fixed or determinable, and receipt is reasonably assured, independently of whether the money has actually been received.

**Table of Contents**

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

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

For the older transmission concessions, granted before 2000, the fair value of the operation and maintenance of the transmission lines and the remuneration of the financial asset are recorded as revenue in the Statement of income for each period.

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

The Portion A revenue and the Other financial items related to tariff adjustments are recognized in the statement of income when the costs effectively incurred are different from those incorporated into the electricity distribution tariff. For more details, see Note 14.

The gain on adjustment of expectation of cash flow from the indemnifiable financial asset of the distribution concession arising from the variation in the fair value of the Remuneration Asset Base is presented as operational revenue, together with the other revenues related to the Company's end-activity.

k) **Financial revenue and expenses**

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

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

l) **Segment reporting**

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

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

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

m) Determination of the adjustment to present value

The Company has applied adjustment to present value to certain concession contracts held for consideration, and also to the balance of debentures issued by the Company. Discount rates were used that are compatible with the cost of funding in transactions with the same maturity on the date of the transactions. These rates are: 12.50% for the small hydro plants and 5.10% for the conventional hydroelectric plants.

**Table of Contents**

**2.8 Restatement of the Income Statement for the years ended December 31, 2015 and 2014**

The Company, in order to more adequately present its financial and operational performance, concluded that the adjustment related to the expectation of cash flow from the indemnifiable financial asset of the distribution concession should be presented as an operating revenue, instead of financial revenue, under net financial revenue (expenses), as originally presented, in order to be presented together with the other revenues related to its core business. This classification results in a more adequate presentation of the energy distribution business performance and provides a better presentation of the company's performance.

This conclusion is based in the following facts:

- i. Investing in infrastructure is an inherent activity of the energy distribution business, which business model is supported by the construction, maintenance and operation of this infrastructure;
  - ii. Part of the energy distribution industry, as well as the energy transmission industry, already adopts this classification, hence the Company will be increasing the comparability of its financial statements with others;
  - iii. As a result of the inflation increase in the past years faced by the country, which directly impacted the increase in the financial asset of the concession, impacted the importance of this revenue in the income statement.
- In accordance with the requirements of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, the Company changed the accounting policy previously adopted to an accounting policy that better presents its business performance (as described in the above mentioned topics). Therefore, the corresponding figures in the financial statements relating to the consolidated income statement for the year ended December 31, 2015 and 2014, presented for purposes of comparison, were retrospectively reclassified and are being restated for purposes of comparison. The reclassification does not change the total consolidated assets, consolidated equity, net income, statements of comprehensive income and cash flow.

**Table of Contents**

The consolidated income statement for the year ended December 31, 2015, presented for purposes of comparison, is as follows:

	2015	Adjustment	2015 Restated
<b>NET REVENUE</b>	<b>21,292</b>	<b>576</b>	<b>21,868</b>
<b>OPERATING COSTS</b>			
<b>COST OF ELECTRICITY AND GAS</b>			
Electricity purchased for resale	(9,542)		(9,542)
Charges for use of the national grid	(999)		(999)
Gas bought for resale	(1,051)		(1,051)
	(11,592)		(11,592)
<b>OTHER COSTS</b>			
Personnel and managers	(1,143)		(1,143)
Materials	(126)		(126)
Outsourced services	(740)		(740)
Depreciation and amortization	(811)		(811)
Operating provisions	(23)		(23)
Infrastructure construction cost	(1,252)		(1,252)
Other	(96)		(96)
	(4,191)		(4,191)
<b>TOTAL COST</b>	<b>(15,783)</b>		<b>(15,783)</b>
<b>GROSS PROFIT</b>	<b>5,509</b>	<b>576</b>	<b>6,085</b>
<b>OPERATING EXPENSES</b>			
Selling expenses	(175)		(175)
General and administrative expenses	(674)		(674)
Operating provisions	(1,203)		(1,203)
Other operating expenses	(482)	30	(452)
	(2,534)	30	(2,504)
Equity method gains in non-consolidated investees	393		393
Fair value results in Corporate Operation	729		729
<b>Income before Financial income (expenses) and taxes</b>	<b>4,097</b>	<b>606</b>	<b>4,703</b>
Financial revenues	1,469	(606)	863
Financial expenses	(2,204)		(2,204)
<b>Income before income tax and social contribution tax</b>	<b>3,362</b>		<b>3,362</b>
Current income tax and Social Contribution tax	(881)		(881)
Deferred income tax and Social Contribution tax	(12)		(12)
<b>NET INCOME FOR THE YEAR</b>	<b>2,469</b>		<b>2,469</b>



**Total of net income for the year attributed to:**

Interest of the controlling shareholders	2,469	2,469
Interest of non-controlling shareholder		
	<b>2,469</b>	<b>2,469</b>
<b>Basic and diluted income per preferred share</b>	1.96	1.96
<b>Basic and diluted income per common share</b>	1.96	1.96

**Table of Contents**

The consolidated income statement for the year ended December 31, 2014, presented for purposes of comparison, is as follows:

	2014	Adjustment	2014 Restated
<b>NET REVENUE</b>	<b>19,540</b>	<b>55</b>	<b>19,595</b>
<b>OPERATING COSTS</b>			
<b>COST OF ELECTRICITY AND GAS</b>			
Electricity purchased for resale	(7,428)		(7,428)
Charges for the use of the national grid	(744)		(744)
Gas purchased for resale	(254)		(254)
	(8,426)		(8,426)
<b>OTHER COSTS</b>			
Personnel and managers	(999)		(999)
Materials	(340)		(340)
Outsourced services	(736)		(736)
Depreciation and amortization	(779)		(779)
Operating provisions	(262)		(262)
Infrastructure construction cost	(942)		(942)
Other	(318)		(318)
	(4,376)		(4,376)
<b>TOTAL COST</b>	<b>(12,802)</b>		<b>(12,802)</b>
<b>GROSS PROFIT</b>	<b>6,738</b>	<b>55</b>	<b>6,793</b>
<b>OPERATING EXPENSES</b>			
Selling expenses	(128)		(128)
General and administrative expenses	(654)		(654)
Operating provisions	(190)		(190)
Other operating expenses	(677)	3	(674)
	(1,649)	3	(1,646)
Equity in earnings of unconsolidated investees, net	210		210
Gain on acquisition of control of investee	281		281
<b>Income before Financial income (expenses) and taxes</b>	<b>5,580</b>	<b>58</b>	<b>5,638</b>
Financial revenues	593	(58)	535
Financial expenses	(1,694)		(1,694)
<b>Income before income tax and social contribution tax</b>	<b>4,479</b>		<b>4,479</b>
Current income and social contribution taxes	(1,259)		(1,259)
Deferred income and social contribution taxes	(83)		(83)
<b>NET INCOME FOR THE YEAR</b>	<b>3,137</b>		<b>3,137</b>



**Table of Contents****3. PRINCIPLES OF CONSOLIDATION**

The financial statements date of the subsidiaries and jointly-controlled entities, used for the purposes of calculation of consolidation and equity in earnings of unconsolidated investees coincide with those of the Company.

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

	<b>Dec. 31, 2016</b>	<b>Dec. 31, 2015</b>	<b>Dec. 31, 2014</b>
	<b>Direct interest %</b>	<b>Direct interest %</b>	<b>Direct interest %</b>
Cemig Geração e Transmissão	100.00	100.00	100.00
Cemig Distribuição	100.00	100.00	100.00
Gasmig	99.57	99.57	99.57
CemigTelecom	100.00	100.00	100.00
Rosal Energia	100.00	100.00	100.00
Sá Carvalho	100.00	100.00	100.00
Horizontes Energia	100.00	100.00	100.00
Usina Térmica Ipatinga	100.00	100.00	100.00
Cemig PCH	100.00	100.00	100.00
Cemig Capim Branco Energia			100.00
Cemig Trading	100.00	100.00	100.00
Efficientia	100.00	100.00	100.00
Cemig Comercializadora de Energia Incentivada	100.00	100.00	100.00
UTE Barreiro (Barreiro Thermal Plant)	100.00	100.00	100.00
Empresa de Serviços e Comercialização de Energia Elétrica	100.00	100.00	100.00

**a) Subsidiaries and jointly-controlled entities**

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

**b) Consortia**

The assets, liabilities, and profits (losses) of a consortium are recorded in accordance with the percentage interest held in the consortium, since these investments are considered to be joint operations in accordance with the requirements of IFRS11.



**Table of Contents**

**c) Transactions eliminated in consolidation**

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

The financial statements of Transchile, for the purposes of calculations by the equity method, are converted from US dollars (the functional currency of Transchile) to Reais based on the exchange rate at last quoted day of the year, since Cemig's functional currency is the Real. Foreign currency differences are recognized in Other comprehensive income and presented in equity up to the date of the sale of the interest in Transchile. After conclusion of the sale, the amount recognized in Other comprehensive income, in Equity, was transferred in full to the Income statement. In 2016, the whole of Cemig's interest in Transchile was sold to Ferrovia Transco Chile SpA., a company controlled by Ferrovia S.A. For fuller details please see Note 15.

The consolidated financial statements include the balances and transactions of the investment funds in which the Company and its subsidiaries and jointly-held subsidiaries are the sole unit holders. These funds comprise public securities, private securities and debentures of companies which have low risk classification, ensuring high liquidity.

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

**Table of Contents****4. CONCESSIONS AND AUTHORIZATIONS**

Cemig and its subsidiaries hold the following concessions and authorizations, from the National Electricity Agency, Aneel:

	<b>Location</b>	<b>Date of concession or authorization</b>	<b>Expiration date</b>
<b>GENERATION</b>			
<b>Hydroelectric plants</b>			
São Simão (1)	Rio Paranaíba	01/1965	01/2015
Emborcação	Rio Paranaíba	07/1975	07/2025
Nova Ponte	Rio Araguari	07/1975	07/2025
Jaguara (1)	Rio Grande	08/1963	08/2013
Miranda (1)	Rio Araguari	12/1986	12/2016
Três Marias	Rio São Francisco	01/2015	01/2045
Volta Grande	Rio Grande	02/1967	02/2017
Irapé	Rio Jequitinhonha	01/1999	02/2035
Salto Grande	Rio Santo Antônio	01/2015	01/2045
Queimado	Rio Preto	11/1997	01/2033
Itutinga	Rio Grande	01/2015	01/2045
Camargos	Rio Grande	01/2015	01/2045
Piau	Rio Piau / Pinho	01/2015	01/2045
Gafanhoto	Rio Pará	01/2015	01/2045
Cachoeirão SHP	Rio Manhuaçu	07/2000	07/2030
Santo Antônio	Madeira	06/2008	06/2043
Baguari	Rio Doce	08/2006	08/2041
Pipoca SHP	Rio Manhuaçu	09/2001	09/2031
Other	Various	Various	Various
<b>Wind farms (2)</b>			
Morro do Camelinho	Gouveia Minas Gerais	03/2000	01/2017
Praias do Parajuru	Beberibe Ceará	09/2002	08/2029
Volta do Rio	Acaraú Ceará	12/2001	08/2034
Praia de Morgado	Acaraú Ceará	12/2001	08/2034

<b>Thermal plants</b>			
Igarapé	Juatuba Minas Gerais	01/2001	08/2024
Barreiro	Belo Horizonte, Minas Gerais	02/2002	04/2023
<b>TRANSMISSION</b>			
National grid	Minas Gerais	07/1997	07/2015
Itajubá Substation	Minas Gerais	10/2000	10/2030
<b>DISTRIBUTION</b>			
	Minas Gerais	01/2016	12/2045

(1) The extension of the concession specified in the concession contract is not included in these figures. See details in this Note.

(2) Permission to operate the activity of wind power generation is given by means of authorizations.

#### **Generation concessions**

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

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



**Table of Contents**

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

**Auctions of electricity generation concessions**

In November 2015, Cemig GT took part in Auction 12/2015 and won the concessions for Lot D. This was for 18 plants shown below for five of which the concession had been previously held by Furnas S.A.:

<b>Generating plant</b>	<b>Concession expiry date</b>	<b>Installed capacity (MW)</b>	<b>Average physical offtake guarantee level ( Assured Energy ) MW</b>
Três Marias Hydroelectric Plant	Jan. 2045	396.00	239.00
Salto Grande Hydroelectric Plant	Jan. 2045	102.00	75.00
Itutinga Hydroelectric Plant	Jan. 2045	52.00	28.00
Camargos Hydroelectric Plant	Jan. 2045	46.00	21.00
Piau Small Hydroelectric Plant	Jan. 2045	18.01	13.53
Gafanhoto Small Hydroelectric Plant	Jan. 2045	14.00	6.68
Peti Small Hydroelectric Plant	Jan. 2045	9.40	6.18
Tronqueiras Small Hydroelectric Plant	Jan. 2045	8.50	3.39
Joasal Small Hydroelectric Plant	Jan. 2045	8.40	5.20
Martins Small Hydroelectric Plant	Jan. 2045	7.70	1.84
Cajuru Small Hydroelectric Plant	Jan. 2045	7.20	2.69
Paciência Small Hydroelectric Plant	Jan. 2045	4.08	2.36
Marmelos Small Hydroelectric Plant	Jan. 2045	4.00	2.74
Coronel Domiciano Small Hydroelectric Plant (1)	Jan. 2045	5.04	3.59
Dona Rita Small Hydroelectric Plant (1)	Jan. 2045	2.41	1.03
Ervália Small Hydroelectric Plant (1)	Jan. 2045	6.97	3.03
Neblina Small Hydroelectric Plant (1)	Jan. 2045	6.47	4.66
Sinceridade Small Hydroelectric Plant (1)	Jan. 2045	1.42	0.35
		<b>699.60</b>	<b>420.27</b>

(1) Plants for which the concession was previously held by Furnas.

Please note that the information presented in this table on installed capacity, guaranteed average offtake, and other operational information is not part of the scope of an audit of financial statements, and has thus not been examined by the external auditors.

For more information please see Note 14.

**Table of Contents**

**Renewal of the concessions of the *Jaguara*, *São Simão* and *Miranda* Hydroelectric Plants**

The company believes that it has the right to completion of periods of these concessions, based on the original terms of the Concession Contracts, and is currently arguing this in the courts.

**The *Jaguara* hydroelectric plant**

As specified in the Concession Contract for the *Jaguara* Plant, the Company applied for the extension of the concession. The Mining and Energy Ministry ( MME ) refused the Company's application, on the grounds that the application was made outside the time limits set by Law 12783/13.

On June 20, 2013, Cemig GT obtained an interim injunction in its application to the Higher Appeal Court (*Superior Tribunal de Justiça*, or STJ) for order of *mandamus* No. 20.432/2013, against the decision of the MME not to entertain the application for extension of the period of concession of the *Jaguara* plant (424MW capacity, with average 336 MW assured offtake), which had an expiration date on August 28, 2013. The interim remedy, given by Reporting Justice Sérgio Kukina, ensured that Cemig GT would continue to operate the concession for the *Jaguara* plant until final judgment in the action. On August 23, 2013, Reporting Justice Sérgio Kukina ruled that the application for *mandamus* had failed.

On August 30, 2013 the STJ granted an interim order, published on September 3, 2013, in a new application for *mandamus* in the STJ, against the decision by the Mining and Energy Ministry which, in a dispatch published on August 23, 2013, refused, on its merits, the application by Cemig GT for extension of the concession of the *Jaguara* Plant under its Concession Agreement. This interim order gave Cemig GT the right to remain in control of the *Jaguara* Plant, commercially operating the public service concession granted to it, until final judgment of the case.

On June 24, 2015 the judgment on the application for *mandamus* brought by Cemig GT was completed. With all the votes given by the Justices of the first Section of the STJ, the applications made by Cemig GT were defeated by six judgment votes to 2.

On September 22, 2015, Cemig GT filed a further action, for Provisional Remedy, with the Federal Supreme Court (*Supremo Tribunal Federal*, or STF), to maintain ownership of the concession for the *Jaguara* plant, on the initial bases of the concession agreement.

On November 3, 2015, the Reporting Justice of the Federal Supreme Court published a Dispatch requesting a position from the parties on their interest in holding a reconciliation hearing, due to the complexity and importance of the debate on the subject in the action for Provisional Remedy. On November 4, 2015, Cemig filed a statement with the Court stating its interest in such a hearing.

On December 21, 2015, Supreme Court Justice Dias Toffoli, rapporteur of the case, granted the application for interim injunction made by the Company, to suspend the effects of the judgment of the First Section of the STJ, and keep Cemig GT in possession of the concession to operate the *Jaguara* plant, on the initial bases of the concession agreement, until such time as the Supreme Court might make a decision to the contrary. On February 1, 2016, the decision granting the application for interim injunction applied for was published.



**Table of Contents**

On February 15, 2016 the Panel Judgment of the STJ was published, containing the decision of the First Section of that Court, which refused to grant mandamus and refused the Special Appeal.

On February 22, 2016, in the STF, the Reporting Justice issued a Dispatch extending continuity of the Reconciliation Hearing between Cemig GT and the federal government; the parties are currently awaiting a further dispatch to set a new date for continuation of that hearing, begun on December 15, 2015.

On March 1, 2016 the Company filed an Ordinary Appeal with the STJ against the panel judgment of February 15, 2016, and on April 11, 2016 the Justice Deputy Chair of the STJ issued a decision accepting that this Ordinary Appeal should be heard, and ordered it to be submitted to the STF.

On March 21, 2017 the Federal Supreme Court revoked the interim order given in the case in which Cemig GT is requesting suspension, until final judgment on the Ordinary Appeal by the Supreme Court, of the effects of the judgment of the First Section of the Supreme Court which refused to grant an order to maintain Cemig GT's ownership of the concession for the Jaguara Plant on the initial bases of Concession Contract 007/97. The judgment remitted the case records to the office of the Procurator-General of the Republic (PGR), for that body to state its opinion.

On December 31, 2016 the asset, at book value of R\$ 41, is posted in PP&E, and in 2016 the Company recognized the plant's revenues from sales of power supply, and operational costs, since it remained in control of the asset during this period.

On March 29, 2017 Cemig GT filed an Internal Appeal against the decision that repealed the remedy, requesting a revision of judgment, to allow cognizance to be taken of a Special Appeal.

**The São Simão hydroelectric plant**

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

On August 5, 2014, the Council of Aneel decided to recommend to the Mining and Energy Ministry (MME) that renewal of the concession for the São Simão plant should be refused.

On August 29, 2014, the Mining and Energy Minister decided to refuse the request for extension of the period of concession of the São Simão plant, based on Opinion 559/2014/CONJURMME/CGU/AGU.

**Table of Contents**

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

Notwithstanding this, on December 15, 2014 Cemig GT filed an application for mandamus (No. 21465/DF), with the Higher Appeal Court (STJ), requesting interim relief, against an illegal act by the Mining and Energy Minister, violating net and certain right of the plaintiff, for the purpose of obtaining extension of the period of concession of the São Simão plant, based on the Concession Contract.

On December 17, 2014, Justice Mauro Campbell granted an interim order (published on December 19, 2014) that Cemig GT should remain in control of the plant, commercially operating the public service concession conceded to it, until the final judgment on application for mandamus governing the *Jaguara* plant, or until a re-examination of the remedy just refused.

When the judgment in the application for mandamus governing the *Jaguara* plant was concluded, with rejection of the application, the Reporting Justice revoked the interim remedy given in the Application for mandamus relating to the *São Simão* plant, the decision on which was published on June 30, 2015.

On July 3, 2015, Cemig GT filed a Special Appeal for retraction of the decision by the Reporting Justice, or, if the court should not be of that opinion, that the appeal referred to should be submitted to consideration by the First Section of the STJ, for an interim remedy ordering that the Company should continue to hold the concession for the São Simão Plant, on the initial bases of the Concession Contract.

On July 10, 2015, the Energy Planning and Development Department (*Secretaria de Planejamento e Desenvolvimento Energético*) sent an official letter to Cemig GT requiring it to state whether the Company would be interested in remaining in possession of the *São Simão* Plant, on the new bases of Law 12783/13, until its assumption by the winner of a new tender to be held, in view of the repeal of the interim remedy.

In response to this new event, on July 22, 2015 Cemig GT filed a petition with the Chair of the STJ requesting the application for retraction made within the Special Appeal, in such a way that, through reconsideration of the decision appealed against, an interim remedy should be granted, to keep the Company as holder of the concession of the São Simão Plant, on the initial basis of the Concession Agreement, until final judgment be given on this application for mandamus, or, subsidiarily, that, at least, suspension effect should be attributed to the Special Appeal.

**Table of Contents**

On August 20, 2015 it was stated that the MME would take the necessary measures to designate Cemig GT as provider of electricity generation service through the São Simão plant, under the quota regime, on the basis that the revocation of the interim order given in the application for mandamus had immediate enforceability.

In response, Cemig GT stated interest in remaining responsible for the provision of the electricity generation service of the São Simão plant, but pointed out that there are doubts as to the type, and legal security, of this provision of services, since the matter was still pending court and administrative decisions.

The MME, by Ministerial Order 432/2015, published on September 15, 2015, designated Cemig GT as the party responsible for provision of electricity generation service through the São Simão plant, under the quota regime (being responsible for the operation and maintenance of the plant without, however, having the right to its output of electricity, which will be allocated to the Guaranteed Power Offtake Auctions) until the taking over of the concession by the winner of the auction.

Further, in the judiciary, Cemig GT filed a further application for mandamus, to Justice Mauro Campbell Marques, requesting an annulment of the act of coercion, and assertion of the interim remedy that authorized the applicant to remain in possession and operation of the concession of the São Simão plant, on the initial bases of the contract, until final judgment was given on the application for mandamus governing the São Simão plant or, subsidiarily, until the merit of the Special Appeal would be considered.

On September 8, 2015, the decision of the Reporting Justice (Justice Herman Benjamin) was published, refusing the application for interim remedy applied for by the Company.

Also on September 8, 2015, a Special Appeal was filed against the decision of Justice Herman Benjamin that refused the application for interim remedy that had been made. During the Session of the Special Court of the STJ, on November 4, 2015, the Special Appeal was unanimously refused, in the terms of the judgment of the Reporting Justice.

On November 25, 2015, the Special Appeal filed by Cemig GT against the decision that overturned the interim remedy, in application for mandamus N° 21.465/DF, was, unanimously, refused by the first Section of the STJ, the said Appeal Court Judgment being published on December 1, 2015, the judgment on the merits of this application for mandamus remaining to be heard.

On March 6, 2017 the STJ granted an interim remedy maintaining Cemig GT in possession of the concession to operate the São Simão plant on the initial terms of its Concession Contract 007/1997, until conclusion of the judgment of the Company's application for mandamus.

**Table of Contents**

On March 28, 2017 the interim remedy was revoked in the case in which Cemig GT seeks, in the STJ, annulment of the decision of the Mining and Energy Ministry (MME) which refused, on its merits, the application by Cemig GT for extension of the period of concession of the São Simão hydro Plant, in the terms of its Concession Contract.

Considering the present status of the legal dispute, the Company:

recognized, up to the date of September 15, 2015, the operational revenues from sales of power supply and costs of this plant, in accordance with current accounting practices, in view of the fact that it remained in control of the asset up to that date;

considering the requirements of Ministerial Order 432/2015, as from September 16, 2015, ceased to recognize the expenses of depreciation on the São Simão plant, and began to recognize revenues relating to the provision of services of operation and maintenance of the plant, in accordance with the regime of quotas;

transferred, on September 16, 2015, the amount of R\$ 220 from its PP&E to the account line Other long term assets, considering that it is still under decision in the Courts. Based on the terms of the concession agreement, this asset is considered as having a recovery value higher than the value at which it is recorded.

**Concession of the *Miranda* Hydroelectric Plant**

On June 10, 2016, Cemig Geração e Transmissão filed application to the regulator, Aneel, to extend the period of the concession for the *Miranda* Hydroelectric Plant for 20 years. On July 12, 2016, Aneel, complying with the judgment vote of the Reporting Council Member in the case, José Jurhosa Junior, decided to submit the case *to the Mining and Energy Ministry with the recommendation not to give cognizance to the request by Cemig Geração e Transmissão S.A. Cemig GT for extension of the period of concession of the Miranda Hydroelectric Plant, since that request was made outside the period stipulated by Law 12783/2013*.

Cemig GT filed a request with the Concession-granting power requesting extension of the concession for the *Miranda* Hydroelectric Plant under Concession Contract 007/1997 this plant had a period of the concession expiring on December 23, 2016.

Considering that this request was not accepted by the Mining and Energy Ministry, Cemig GT applied to the Higher Appeal Court (STJ) for an interim remedy. This was granted on December 22, 2016, ordering that control of the *Miranda* hydroelectric plant should remain with the Company, on the initial bases of Concession Contract 007/1997, until completion of the judgment in the application for Mandamus made by the Company.

On December 31, 2016 the asset, with book value of R\$ 756, is posted in PP&E, and in 2016 the Company recognized the revenue from sales of power supply, and operational costs, of this plant, since it remained in control of the asset during that period.





**Table of Contents**

On March 29, 2017, the interim remedy (injunction) given in application for mandamus number 23.042/DF, before the Higher Appeal Court (STJ), brought by the Company to annul the decision by the Mining and Energy Ministry (MME) which refused, on merits Cemig GT's request for ratification of the extension of its concession for the Miranda Hydroelectric Plant, under its Concession Contract, number 007/97, was revoked.

**Administrative proceedings – Material Announcement of February 21, 2017**

Subsidiarily to its request for extension for 20 years of the concessions of the Jaguara, São Simão and Miranda Hydroelectric Plants, the Company requested opening of an Administrative Proceeding under Paragraph 1-C of Article 8 of Law 12783/2013, in benefit of Cemig GT.

Paragraph 1-C was added to Article 8 of Law 12783, of 2013, by Law 13360, of November 17, 2016, and enables the federal government to grant a concession contract for electricity generation for a period of 30 (thirty) years when there is transfer of control of a legal entity that is already providing this service (in this case, one of the subsidiaries of Cemig GT), and is under direct or indirect control of an individual State, or the Federal District, or the municipality, provided that:

I – the tender, which may be by auction or by competitive bidding, is held by the controlling shareholder on or before February 28, 2018; and

II – the transfer of control takes place by June 30, 2018.

The subsidiary request was made on the grounds of the spirit of conciliation and cooperation that should govern the relationship between a concession holder and the concession-granting power, and the constant quest, at all times, for alternatives that present the best solution for consumers, for the country and for the shareholders of the Company – who in this case include the people of the state of Minas Gerais.

Thus, in the event that the Ministry decides to maintain its position, and if all the court judgments that have determined that Law 12783/2013 should prevail to the detriment of the provisions of the Second Subclause of Clause 4 of Contract CEMIG 007 of 1997 are maintained, Cemig GT has requested, for the benefit of one of its subsidiaries, application of the rule that is now contained in §1-C of Article 8 of Law 12783 of 2013.

We would point out that the presentation of the Subsidiary Request does not result in any waiver by Cemig GT of its right – which is the subject of the legal actions that it currently has in progress against the federal government – that is to say its right to guaranteed extension of the concessions as specified in Clause 4 of Concession Contract 007/1997.

## **Table of Contents**

On the same date the Company filed with the MME a response to the formal question as to its interest in remaining as provider of electricity generation service after the ending of the concession period of the *Volta Grande* Hydroelectric Plant, which took place on February 23, 2017. In this response, and adding a request of its own, the Company stated its interest in remaining responsible for the provision of electricity generation service by this hydroelectric plant, and also requested opening of an administrative proceeding for the purposes of §1-C of Article 8 of Law 12783/2013, also to the benefit of one of the service providing subsidiaries of Cemig GT.

Management continues to be confident of its right in relation to the *Jaguara*, *São Simão* and *Miranda* plants, supported by a contractual clause, by the legislation in force, and by opinions issued by renowned jurists. The Company's internal and external legal advisers have categorized the chance of success in the court dispute as possible.

### **Transmission concessions**

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

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

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

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

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

**Table of Contents**

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

**Distribution of electricity concessions**

Cemig D has the concession from Aneel for commercial exploration of the activity of distribution of electricity in the greater part of the State of Minas Gerais, expiring in December 2045.

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

The Company does not have obligations to make payment in compensation for commercial operation of the distribution concessions, but is required to comply with requirements related to quality, and investments made, in accordance with the concession contract.

The concession contracts, and the Brazilian legislation, establish a mechanism of maximum prices that allows for three types of adjustment to tariffs: (i) an annual tariff adjustment; (ii) periodic review of tariffs; and (iii) extraordinary reviews.

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

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

The Company also has the right to request an extraordinary review of tariffs, in the event that any unforeseen development significantly alters the economic-financial equilibrium of the concession. The Periodic Review and the Extraordinary Review are subject, to a certain degree, to the discretion of Aneel, although there are pre-established rules for each cycle of revision. When the Company requests an annual tariff adjustment, it becomes necessary to prove the resulting financial impact of these events on operations.

## Table of Contents

Under the distribution concession contracts, the Company is authorized to charge consumers a tariff consisting of two components: (i) One part relating to electricity purchased for resale, charges for use of the transmission grid and charges for use of the distribution system that are not under its control ( Portion A costs ); and (ii) a portion relating to operating costs ( Portion B costs ).

### Renewal of concessions

On December 21, 2015 the Company signed, with the Mining and Energy Ministry, the Fifth Amendment to its concession contracts, extending its electricity distribution concessions for a further 30 years, as from January 1, 2016.

The principal characteristics and terms of the Amendment are as follows:

The annual tariff adjustment will take place on May 28 of each year, the first to be in 2016. For this first adjustment the rules specified in the previous concession contract will be applied. For the subsequent tariff adjustments the rules in Clause 6 of the Amendment will be applied.

Limitation of distribution of dividends and/or payment of Interest on Equity to the minimum established by law, if there is non-compliance with the annual indicators for outages for two consecutive years, or for three in any five years, until the regulatory parameters are restored.

Requirement for injections of capital from the controlling shareholder in an amount sufficient to meet the minimum conditions for economic and financial sustainability.

Subject to the right to full defense and right of reply, for the concession to be maintained, compliance is required with efficiency criteria for continuity of supply and for economic and financial management, as follows: (i) for five years from January 1, 2016, any non-compliance for two consecutive years, or non-compliance with any of the conditions at the end of five years, will result in extinction of the concession; (ii) as from January 1, 2021, any non-compliance for three consecutive years with the criteria of efficiency in continuity of supply, or for two consecutive years with the criteria of efficiency in economic and financial management, will result in proceedings to establish expiration of the concession.

### **Distribution of gas concessions**

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

In addition to these adjustments, in April 2015 the Economic Development Secretariat sent Gasmig Official Letter SEDE/GAB/N°303/2014 stating the timetable set for the first Tariff Review cycle. The decision process is still in progress; the latest estimated date for its completion is the beginning of the second half of 2017. These reviews occur every five years, to evaluate the changes in the costs of the Company, and to adapt the tariffs. The Concession Contract also specifies the possibility of an extraordinary review of tariffs if any event occurs that puts the economic-financial balance of the Concession at risk.

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

**Table of Contents****Concessions payable**

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

Enterprise	Percentage interest	Nominal Present value		Amortization period		Updating index or
		in 2016	in 2016			
Irapé	100.00	35	14	03/2006 to 02/2035		IGP-M
Queimado (Consortium)	82.50	9	4	01/2004 to 12/2032		IGP-M
Salto Morais Small Hydro Plant	100.00			06/2013	07/2020	IPCA
Rio de Pedras Small Hydro Plant	100.00	1	1	06/2013	09/2024	IPCA
Various Small Hydro Plants (*)	100.00	4	3	06/2013	08/2025	IPCA

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

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

The portions paid to the Concession-granting power in 2016, the present value and the nominal value of the portions to be paid in the forthcoming period of 12 months, are as follows:

Enterprise	Percentage interest	Amounts paid in 2016	Present value of amounts to be paid in 12 months	Nominal value of amounts to be paid in 12 months
Irapé	100.00	2	2	2
Queimado (Consortium)	82.50	1		1

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

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

## **5. OPERATING SEGMENTS**

The operating segments of Cemig reflect the structure of the regulatory framework for the Brazilian electricity sector, with different legislation for the sectors of generation, transmission and distribution of electricity. The Company also operates in gas, telecommunications, and other businesses, which have a smaller impact on the results from its operations.

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



**Table of Contents**

These tables show the operating revenues, costs and expenses for 2016, 2015 and 2014 in consolidated form:

6

	<b>ELECTRICITY</b>				
	<b>GENERATION</b>	<b>TRANSMISSION</b>	<b>DISPOSITION</b>	<b>NON-REGULATED</b>	<b>COMBINED</b>
<b>REVENUE</b>	14.414	4.267	18.166	338	2.73
<b>OPERATING EXPENSES</b>	916		1.602	163	5
<b>OPERATING ASSETS</b>	2.217	54			
<b>OPERATING LIABILITIES AND JOINTLY-CONTROLLED ENTITIES</b>	5.292	1.670	1.754	18	
<b>OPERATING INCOME</b>	5.875	1.113	10.597	125	1.18
<b>OPERATING EXPENSES</b>					
Depreciation and amortization	(3.071)		(5.260)		
Impairment	(321)		(760)		
<b>OPERATING EXPENSES</b>	(3.392)		(6.020)		(8
<b>OPERATING EXPENSES</b>					
Interest	(271)	(111)	(1.147)	(23)	(4
Dividend income	(1)		(10)	(1)	
Other	(54)	(23)	(231)		
Other	(11)	(3)	(42)		
Other	(129)	(30)	(674)	(23)	(3
Other	(202)		(525)	(38)	(5
Other	(88)	(10)	(544)	(4)	
Other		(54)	(1.102)		(3
Other	(57)	(13)	(395)	11	
<b>OPERATING EXPENSES</b>	(813)	(244)	(4.670)	(78)	(10
<b>OPERATING EXPENSES</b>	(4.205)	(244)	(10.690)	(78)	(1.04
<b>OPERATING INCOME (LOSSES) AND FINANCIAL REVENUE (EXPENSES)</b>	1.670	869	(93)	47	14
Share of income of unconsolidated investees, net	(448)	362	(180)	(31)	
Share of income of investments	(763)				
Share of income of investments	190	7	743	4	
<b>OPERATING INCOME (LOSSES) AND FINANCIAL REVENUE (EXPENSES)</b>	(1.320)	(4)	(1.078)	(9)	(4
<b>OPERATING INCOME (LOSSES) AND FINANCIAL REVENUE (EXPENSES)</b>	(671)	1.234	(608)	11	10
Income tax	(24)	5	103	(6)	
<b>OPERATING INCOME (LOSSES) AND FINANCIAL REVENUE (EXPENSES)</b>	(695)	1.239	(505)	5	9

<b>INCOME</b>				
<b>ded to profit or loss</b>				
Statement of obligations of the defined benefit plans, net of taxes	(92)		(380)	
Comprehensive income in jointly-controlled entities				
<b>to profit or loss</b>				
Gain (loss) in other comprehensive income in subsidiary and jointly-controlled entity				
Adjustments to the Income statement arising from sale of Transchile		(39)		
<b>INCOME FOR THE YEAR</b>	(92)	(39)	(380)	
<b>Income for the year attributed to:</b>				
	(787)	(1,200)	(885)	5

**Table of Contents**

<b>OPERATING SEGMENTS, 2015 (RESTATED)</b>						
	<b>GENERATION</b>	<b>TRANSMISSION</b>	<b>DISPATCH</b>	<b>DISTRIBUTION</b>	<b>INCOME</b>	<b>OTHER</b>
<b>ASSETS</b>	<b>13,382</b>	<b>4,880</b>	<b>17,738</b>	<b>317</b>	<b>2,530</b>	<b>2,986</b>
<b>THE SEGMENT</b>	<b>577</b>		<b>1,044</b>	<b>42</b>	<b>62</b>	<b>1</b>
<b>FINANCIAL ASSETS</b>		<b>146</b>				
<b>IN ASSOCIATES AND JOINTLY-CONTROLLED ENTITIES</b>	<b>5,751</b>	<b>2,423</b>	<b>1,547</b>			<b>24</b>
	<b>7,047</b>	<b>519</b>	<b>12,962</b>	<b>123</b>	<b>1,395</b>	<b>90</b>
<b>LIABILITIES</b>						
held for resale	(2,669)		(6,993)			
of the national grid	(297)		(814)			
for resale					(1,051)	
	<b>(2,966)</b>		<b>(7,807)</b>		<b>(1,051)</b>	
	(224)	(113)	(1,000)	(15)	(43)	(40)
managers profit shares	(24)	(12)	(95)	(2)		(4)
liabilities	(21)	(10)	(121)			(4)
	(95)	(5)	(52)		(2)	
	(143)	(37)	(697)	(25)	(15)	(13)
depreciation	(273)		(444)	(49)	(54)	(15)
reversals	(109)	2	(209)	(1)		(1,084)
		(146)	(1,044)		(62)	
expenses, net	(62)	(16)	(283)	(20)	(9)	(42)
	<b>(951)</b>	<b>(337)</b>	<b>(3,945)</b>	<b>(112)</b>	<b>(185)</b>	<b>(1,202)</b>
<b>OPERATING EXPENSES</b>	<b>(3,917)</b>	<b>(337)</b>	<b>(11,752)</b>	<b>(112)</b>	<b>(1,236)</b>	<b>(1,202)</b>
<b>Income before Equity gains (losses) and Financial revenue (expenses)</b>	<b>3,130</b>	<b>182</b>	<b>1,210</b>	<b>11</b>	<b>159</b>	<b>(1,112)</b>
of unconsolidated investees, net	17	410	(6)	(28)		
Corporate Operation	729					
	199	22	543	4	23	73
	(984)	(7)	(1,130)	(6)	(42)	(35)
<b>Income tax and social contribution taxes</b>	<b>3,091</b>	<b>607</b>	<b>617</b>	<b>(19)</b>	<b>140</b>	<b>(1,074)</b>
contribution taxes	(836)	(71)	(256)	(16)	(23)	309
<b>INCOME BEFORE TAXES FOR THE YEAR</b>	<b>2,255</b>	<b>536</b>	<b>361</b>	<b>(35)</b>	<b>117</b>	<b>(765)</b>
<b>COMPREHENSIVE INCOME</b>						
<b>Items to be reclassified to profit or loss</b>						
liabilities restatement of obligations of the defined benefit plans, net of taxes	(84)		(170)			(106)
Other comprehensive income in jointly-controlled entities						(1)
<b>Items to be reclassified to profit or loss</b>						
Other comprehensive income in jointly-controlled entities	14					40

<b>NET INCOME FOR THE YEAR</b>	<b>2,171</b>	<b>536</b>	<b>194</b>	<b>(35)</b>	<b>117</b>	<b>(821)</b>
<b>Net income for the year attributed to:</b>						
Shareholders	2,171	536	194	(35)	117	(821)
Noncontrolling interest						

(\* ) The expense of R\$ 1,084 recorded as operating provisions in the *Others* column refers substantially to expenses on the option to purchase investments held by the parent company and described in Note 15.

Table of Contents

OPERATING SEGMENTS. 2014 (RESTATED)						
	GENERATION	TRANSMISSION	MISSION	DISTRIBUTION	DECOMMISSIONING	OTHER
<b>ASSETS</b>	<b>11,528</b>	<b>3,882</b>	<b>15,064</b>	<b>327</b>	<b>2,549</b>	<b>2,007</b>
<b>THE SEGMENT</b>	<b>2,995</b>		<b>792</b>	<b>29</b>	<b>501</b>	<b>19</b>
<b>FINANCIAL ASSETS</b>		<b>80</b>				
<b>IN ASSOCIATES AND JOINTLY-CONTROLLED ENTITIES</b>	<b>4,036</b>	<b>2,315</b>	<b>1,199</b>			<b>490</b>
	<b>7,339</b>	<b>708</b>	<b>11,296</b>	<b>119</b>	<b>340</b>	<b>90</b>
<b>LIABILITIES</b>						
Inventory for resale	(1,833)		(5,747)			
Portion of the national grid	(282)		(573)			
Inventory for resale					(254)	
	<b>(2,115)</b>		<b>(6,320)</b>		<b>(254)</b>	
	(201)	(105)	(886)	(13)	(11)	(36)
Managers' profit shares	(39)	(16)	(184)	(1)		(9)
Provision for contingencies	(34)	(14)	(153)			(11)
	(295)	(5)	(80)		(1)	
Depreciation	(159)	(39)	(737)	(23)	(2)	(23)
Amortization	(324)		(428)	(34)	(4)	(11)
Impairment of water resources	(127)					
Provisions (reversals)	(62)	(26)	(300)			(193)
		(81)	(861)			
Provisions, net	(130)	(34)	(297)	(27)	(11)	(29)
<b>LIABILITIES</b>	<b>(1,371)</b>	<b>(320)</b>	<b>(3,926)</b>	<b>(98)</b>	<b>(29)</b>	<b>(312)</b>
<b>NET ASSETS AND EXPENSES</b>	<b>(3,486)</b>	<b>(320)</b>	<b>(10,246)</b>	<b>(98)</b>	<b>(283)</b>	<b>(312)</b>
<b>Income before Equity gains (losses) and Financial revenue (expenses)</b>	<b>3,853</b>	<b>388</b>	<b>1,050</b>	<b>21</b>	<b>57</b>	<b>(222)</b>
Income of unconsolidated investees, net	(386)	386	150	(28)	47	41
Loss of control of investee						281
	119	46	300	5	21	44
	(396)	(291)	(751)	(3)	(6)	(247)
<b>Income tax and social contribution taxes</b>	<b>3,190</b>	<b>529</b>	<b>749</b>	<b>(5)</b>	<b>119</b>	<b>(103)</b>
Income tax contribution taxes	(1,116)	(44)	(169)	(7)	(12)	6
<b>INCOME BEFORE TAXES</b>	<b>2,074</b>	<b>485</b>	<b>580</b>	<b>(12)</b>	<b>107</b>	<b>(97)</b>
<b>COMPREHENSIVE INCOME</b>						

<b>to be reclassified to profit or loss</b>							
Liabilities restatement of obligations of the defined benefit plans, net of taxes						(36)	(8)
on other comprehensive income in jointly-controlled entities							(7)
<b>reclassified to profit or loss</b>							
on other comprehensive income in jointly-controlled entities							10
<b>NET INCOME FOR THE YEAR</b>						2,074	485
						544	(12)
						107	(102)
<b>Comprehensive income for the year attributed to:</b>							
Shareholders						2,074	485
Shareholder						544	(12)
						107	(102)

**Table of Contents****6. CASH AND CASH EQUIVALENTS**

	<b>2016</b>	<b>2015</b>
Bank accounts	101	52
Cash investments		
Bank certificates of deposit	524	723
Repos ( Overnight market)	370	128
Other		22
	<b>894</b>	<b>873</b>
	<b>995</b>	<b>925</b>

Bank certificates of deposit (*Certificados de Depósito Bancário*, or CDBs), with fixed or floating rates, are remunerated at a percentage varying from 75% to 106% in 2016 (75% to 111% in 2015) of the CDI rate (Interbank Rate for Certificates of Deposit – *Certificados de Depósito Interbancário*, or CDIs), published by the Custody and Settlement Chamber (*Câmara de Custódia e Liquidação*, or Cetip).

Overnight repo transactions are short-term cash investments, with availability for redemption on the day following the date of investment. They are usually backed by treasury bills, notes or bonds and referenced to a fixed rate of approximately 13.64% p.a. in 2016 (14.3% p.a. in 2015).

The Company's exposure to interest rate risk and a sensitivity analysis of financial assets and liabilities are given in Note 29 to the consolidated financial statements.

**7. SECURITIES**

	<b>2016</b>	<b>2015</b>
<b>Cash investments</b>		
<b>Current</b>		
Bank certificates of deposit	46	1,717
Financial Notes – Banks	728	461
Treasury Financial Notes (LFTs)	193	88
Debentures	45	160
Other	2	1
	<b>1,014</b>	<b>2,427</b>
<b>Non-current</b>		
Bank certificates of deposit		43
Financial Notes – Banks	14	41

Other

17

<b>31</b>	<b>84</b>
<b>1,045</b>	<b>2,511</b>

Fixed-rate or floating-rate Bank certificates of deposit (Certificados de Depósito Bancário, or CDBs) are remunerated at a percentage of the rate for interbank deposits (Certificado de Depósito Interbancário, or CDI rate), which is published by the Custody and Settlement Chamber (Câmara de Custódia e Liquidação, or Cetip). This percentage ranges from 100.5% to 105.25% in 2016 (75% to 105% in 2015) depending on the transaction.

Bank Financial Bills (*Letras Financeiras*, or LFs) are fixed-rate fixed-income securities, issued by banks and remunerated at a percentage of the CDI rate published by Cetip. The remuneration rate on the LFs in Cemig's portfolio varies between 104.25% to 112.7% of the CDI rate in 2016 (105% to 116.7% of the CDI rate in 2015).

Treasury Financial Notes (LFTs) are fixed rate securities, the yield on which follows the daily variation of the Selic rate between the date of purchase and the date of purchase of the security.



**Table of Contents**

Debentures are medium and long term debt securities, which give their holders a right of credit against the issuing company. The debentures have remuneration rates varying between 104.25% to 113% of the CDI rate in 2016 (105.4% to 113% of the CDI rate in 2015).

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

**8. CONSUMERS, TRADERS AND POWER TRANSPORT CONCESSION HOLDERS**

	Balances not yet due	Up to 90 days past due	More than 90 days past due	2016	2015
Invoiced supply	1,067	710	791	2,568	2,413
Supply not yet invoiced	920			920	1,125
Wholesale supply to other concession holders	390	20	13	423	99
CCEE (Electricity Trading Chamber)			1	1	516
Concession holders Transport of electricity	233	11	75	319	370
( ) Allowance for doubtful accounts			(660)	(660)	(625)
	<b>2,610</b>	<b>741</b>	<b>220</b>	<b>3,571</b>	<b>3,898</b>
<b>Current assets</b>				<b>3,425</b>	<b>3,765</b>
<b>Non-current assets</b>				<b>146</b>	<b>133</b>

The Company's exposure to credit risk related to Consumers and traders is given in Note 29.

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

	2016	2015
Residential	245	211
Industrial	133	136
Commercial, services and others	152	117
Rural	24	19
Public authorities	10	12
Public illumination	5	5
Public service	15	10
Charges for use of the network TUSD	68	112
Other	8	3
	<b>660</b>	<b>625</b>

Changes in the provision for doubtful receivables in 2016, 2015 and 2014 were as follows:

<b>Balance on December 31, 2013</b>	<b>585</b>
New provisions	127
Reversals	(62)
<b>Balance on December 31, 2014</b>	<b>650</b>
New provisions	175
Reversals	(200)
<b>Balance on December 31, 2015</b>	<b>625</b>
New provisions (reversals)	382
Written off	(347)
<b>Balance at December 31, 2016</b>	<b>660</b>

**Table of Contents****Advance sales of power supply**

Cemig GT made a transaction with a large client for an advance on sales of power supply, receiving the amount of R\$ 181 in advance, in relation to the quantity of supply contracted for the period January 1, 2017 to December 31, 2017.

**9. RECOVERABLE TAXES**

	<b>2016</b>	<b>2015</b>
<b>Current</b>		
ICMS tax recoverable	155	113
PIS and Pasep taxes	12	9
Cofins tax	58	44
Other	11	9
	<b>236</b>	<b>175</b>
<b>Non-current</b>		
ICMS tax recoverable	171	183
PIS and Pasep taxes	1	13
Cofins tax	5	60
Other	1	2
	<b>178</b>	<b>258</b>
	<b>414</b>	<b>433</b>

The credits of the PIS, Pasep, Cofins and ICMS taxes, recorded in Non-current assets, arise from acquisitions of property, plant and equipment and can be offset over 48 months. The transfer to Non-current was made in accordance with estimates by management of the amounts which will likely be realized up to December 2017.

**10. INCOME AND SOCIAL CONTRIBUTION TAXES****a) Income and social contribution taxes recoverable**

The balances of income and social contribution taxes refer to tax credits in corporate income tax returns of previous years and to advance payments in 2016, which will be offset against federal taxes payable for the year 2017. These are posted in Taxes and contributions.

	2016	2015
<b>Current</b>		
Income tax	436	226
Social Contribution tax	154	80
	<b>590</b>	<b>306</b>
<b>Non-current</b>		
Income tax	98	192
Social Contribution tax	14	14
	<b>112</b>	<b>206</b>
	<b>702</b>	<b>512</b>

**Table of Contents****b) Deferred income and social contribution taxes**

Cemig and its subsidiaries have tax credits for income tax, constituted at the rate of 25%, and the social contribution tax, constituted at the rate of 9%, as follows:

	<b>2016</b>	<b>2015</b>
<b>Deferred tax assets</b>		
Tax loss carryforwards	290	236
Provisions	1,027	713
Post-retirement liabilities	1,175	831
Allowance for doubtful receivables	229	210
Taxes payable suspended liability (1)	202	200
Paid concession	8	9
Other	22	54
<b>Total</b>	<b>2,953</b>	<b>2,253</b>
<b>Deferred tax liabilities</b>		
Funding cost	(45)	(20)
Deemed cost	(268)	(280)
Adjustment to present value		
IRT		
Cost of acquisition of equity interests	(481)	(499)
Borrowing costs, capitalized	(149)	(108)
Taxes on revenues from unredeemed cash investments Presumed Profit accounting method	(2)	(2)
Updating of indemnity value assets	(517)	(262)
Adjustment of expectation of cash flow from the indemnifiable Financial asset of distribution concession	(271)	(273)
Other	(5)	
<b>Total</b>	<b>(1,738)</b>	<b>(1,444)</b>
<b>Total, net</b>	<b>1,215</b>	<b>809</b>
<b>Total assets</b>	<b>1,797</b>	<b>1,498</b>
<b>Total liabilities</b>	<b>(582)</b>	<b>(689)</b>

(1) Refers to court escrow deposit of PIS, Pasep and Cofins taxes charged on amounts of ICMS tax.

**Table of Contents**

The changes in Deferred income and social contribution taxes were as follows:

<b>Balance on December 31, 2013</b>	<b>965</b>
Effects allocated to Statement of income	(83)
Deferred taxes recognized in business combination	(269)
Effects allocated to Statement of comprehensive income	22
<b>Balance on December 31, 2014</b>	<b>635</b>
Effects allocated to Statement of income	(12)
Effects allocated to Statement of comprehensive income	191
Realized	(5)
<b>Balance on December 31, 2015</b>	<b>a)</b>
Effects allocated to Statement of income	141
Effects allocated to Statement of comprehensive income	265
<b>Balance at December 31, 2016</b>	<b>1,215</b>

The Board of Directors, in a meeting held on April 11, 2017 approved a technical study prepared by the Financial Department, on the forecast for the Company's future profitability. This study was also submitted to examination by the Audit Board on April 11, 2017.

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

According to the individual estimates of the Company and its subsidiaries, the future taxable profits enable the Deferred tax asset existing on December 31, 2016 to be realized, as follows:

2017	394
2018	387
2019	437
2020	404
2021	598
2022-2024	490
2025-2026	243
	2,953



**Table of Contents****c) Reconciliation of the expense on income and social contribution taxes**

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

	<b>2016</b>	<b>2015</b>	<b>2014</b>
Profit before income tax and Social Contribution tax	367	3,362	4,479
Income tax and Social Contribution tax nominal expense	(125)	(1,143)	(1,523)
Tax effects applicable to:			
Gain (loss) in subsidiaries by equity method (net of Interest on Equity)	(132)	105	25
Interest on Equity	129	68	78
Gain on formation of Aliança Geração		87	
Deduction of amortized intangible concession assets capital gain, Taesa	20		
Non-deductible contributions and donations	(4)	(7)	(13)
Tax incentives	3	43	66
Tax credits not recognized	5	(1)	(1)
Difference between Presumed Profit and Real Profit	126	25	8
Non-deductible penalties	(16)	(10)	(5)
Excess on reactive power and demand levels	(12)	(11)	(12)
Write-down for part of allowance for doubtful debtors	(22)	(32)	
Other	(5)	(17)	35
<b>Income tax and Social Contribution effective gain (expense)</b>	<b>(33)</b>	<b>(893)</b>	<b>(1,342)</b>
<b>Effective rate</b>	<b>8.99%</b>	<b>26.56%</b>	<b>29.96%</b>
<b>Current tax</b>	<b>(174)</b>	<b>(881)</b>	<b>(1,259)</b>
<b>Deferred tax</b>	<b>141</b>	<b>(12)</b>	<b>(83)</b>
<u>Tax incentives - Sudene</u>			

The federal tax authority (*Receita Federal*) recognized the right to a reduction of 75% in income tax, including the part paid at the additional rate, calculated based on the operating profit made in the region under the aegis of Sudene (the Development Authority for the Northeast), for 10 years from 2014. The incentive amounts recorded in the Income statement were: R\$ 7 in 2016, R\$ 21 in 2015 and R\$ 25 in 2014. These items were all subsequently transferred to the Tax Incentive Reserve.

**11. RESTRICTED CASH**

The total recorded as Restricted cash, R\$ 367, refers mainly to the amount deposited with Banco Santander, in accordance with the shareholders' agreement of RME and Luce, as guarantee for settlement of the put options. The contract for the account with the depositary bank is in effect until December 15, 2017.



**12. ESCROW DEPOSITS**

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

The most important escrow deposits for tax obligations refer to the Pasep and Cofins taxes in actions seeking to exclude the ICMS tax itself from the calculation base of the Pasep and Cofins taxes.

**Table of Contents**

	<b>2016</b>	<b>2015</b>
<b>Employment law cases</b>	381	367
<b>Tax issues</b>		
Income tax on Interest on Equity	15	15
Pasep and Cofins tax (1)	746	751
ICMS credits on PP&E	37	36
Donations and legacy tax (ITCD)	46	34
Urban property tax (IPTU)	80	68
Finsocial tax	37	23
Other	202	185
	<b>1,163</b>	<b>1,112</b>
<b>Other</b>		
Monetary updating on AFAC from Minas Gerais State Government (2)	239	239
Regulatory	60	57
Third party	13	10
Consumer relations	6	4
Court embargo	8	12
Other	17	12
	<b>343</b>	<b>334</b>
	<b>1,887</b>	<b>1,813</b>

(1) The escrow deposits relating to Pasep and Cofins taxes refer to the case challenging the constitutionality of inclusion of the ICMS tax, which *has been* charged, *within* the amount on which the Pasep and Cofins taxes are calculated. They have a corresponding provision in Taxes. See more details in Note 19.

(2) Administrative deposit in case seeking suspension of enforceability of the credit charged by the Minas Gerais State Government for a difference in the monetary updating on the Advance against Future Capital Increase (*Adiantamento contra Futuro Aumento de Capital*, or AFAC). See more details in Note 23.

**13. ENERGY DEVELOPMENT ACCOUNT (CDE)****Reimbursement of tariff subsidy payments**

The subsidies applicable to tariffs charged to users of public electricity distribution service, which are reimbursed through payments of funds from the Energy Development Account (CDE).

In 2016, the amount appropriated as incoming subsidies was R\$ 792 (R\$ 801 in 2015 and R\$ 579 in 2014). Of the amount provisioned, the Company has R\$ 64 receivable (R\$ 72 in 2015). This is recognized in current assets.

#### **Payments from the Tariff Flag Funds Centralizing Account**

The Flag Account (*Conta Centralizadora de Recursos de Bandeiras Tarifárias* CCRBT or *Conta Bandeira*) manages the funds collected from captive customers of utilities of the national grid holding electricity distribution concessions and permissions these were paid, on behalf of the CDE, directly to the Flag Account. The resulting funds are passed through by the Wholesale Trading Chamber (CCEE) to distribution agents, based on the differences between (i) realized costs of thermal generation and exposure to short-term market prices, and (ii) the amounts covered by the tariff.

In 2016 the amounts Paid by the Flag Account totaled R\$ 341 (R\$ 1,124 in 2015). This was recognized as a partial realization of the CVA receivable previously constituted.

**Table of Contents****14. FINANCIAL ASSETS AND LIABILITIES OF THE CONCESSION**

<b>Financial assets of the concession</b>	<b>2016</b>	<b>2015</b>
Assets related to infrastructure (a)		
Distribution concessions	215	137
Transmission concessions	482	401
Transmission Indemnity receivable	1,805	1,054
Generation Indemnity receivable	547	546
Generation Assets remunerated by tariff		46
Concession Grant Fee Plants contracted at Auction 12/2015	2,254	
	<b>5,303</b>	<b>2,184</b>
CVA (Portion A Variation Compensation Account) and Other financial components in tariff adjustments (b)	398	1,350
<b>Total</b>	<b>5,701</b>	<b>3,534</b>
<b>Current assets</b>	<b>730</b>	<b>874</b>
<b>Non-current assets</b>	<b>4,971</b>	<b>2,660</b>
<b>Financial liabilities of the concession</b>	<b>2016</b>	<b>2015</b>
CVA (Portion A Variation Compensation Account) and Other financial components in tariff adjustments (b)	805	
<b>Current liabilities</b>	482	
<b>Non-current liabilities</b>	323	

**a) Assets related to infrastructure**

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

**Transmission Indemnity receivable**

The Company's transmission concession contracts are within the criteria for application of Technical Interpretation IFRIC 12, which deals with accounting of concessions, and refer to invested infrastructure that will be the subject of indemnity by the Concession-granting power during and at the end of their concession periods, as laid down in the regulations for the electricity sector, and in the concession contract.

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

On August 16, 2016 Aneel, through its Dispatch 2181, homologated the amount of R\$ 892, in currency of November 2012, for the portion of the reversible assets not yet amortized, for the purposes of indemnity to Cemig GT.

**Table of Contents**

On April 22, 2016 the Mining and Energy Ministry (MME) published its Ministerial Order 120, setting the deadline and method of payment of the remaining amount of the indemnity.

The Ministerial Order determined that the amounts homologated by Aneel should become part of the Regulatory Remuneration Asset Base (*Base de Remuneração Regulatória*, or BRR) and that the cost of capital should be added to the related Permitted Annual Revenues ( RAP ).

The portions of remuneration and depreciation not paid in the period from the extensions of the concessions up to the tariff-setting process of 2017 are to be updated by the IPCA index and remunerated at the real cost of own capital of the transmission segment of the industry as decided by Aneel in the methodologies for Periodic Tariff Reviews of Revenues for Existing Concession Holders, currently 10.44% per year, to be paid over eight years by reimbursement through the RAP.

The Ministerial Order still awaits certain decisions, and as a result Public Hearing 068/2016 was opened on October 14, 2016 to obtain input for improvement of the regulations for calculation of the cost of capital to be added to the RAP (Permitted Annual Revenue) of the transmission concession holders.

Considering that MME Ministerial Order 120 specifies that cost of capital is to comprise two portions – Remuneration; and Depreciation (QRR) – the Company, based on the best information available, made the necessary adjustments, arriving at the following values as indemnity:

Regulatory Remuneration Base (BRR) – Dispatch 2181/2016	1,177
Amount of the indemnity received so far	(285)
<b>Net value of the assets for purposes of indemnity</b>	<b>892</b>
Updating in accordance with MME Order 120/16 – IPCA index / Cost of own capital – Period Jan. 2013 to Dec. 2016	913
<b>Total indemnity</b>	<b>1,805</b>

**Transmission – Assets remunerated by tariff**

For the new assets consisting of improvements and strengthening of facilities implemented by the transmission concession holders, Aneel calculates an additional portion of Permitted Annual Revenue (RAP) in accordance with a methodology specified in the Tariff Regulation Procedures (*Procedimentos de Regulação Tarifária*, or Proret).

**Table of Contents**

Under the Proret procedure, the revenue established in the Resolutions is payable to the transmission companies as from the date of start of commercial operation of the facilities. In the periods between reviews, the revenues associated with the improvements and strengthening of facilities are provisional. They are then definitively decided in the review immediately subsequent to the start of commercial operation of the facilities; this review then has effect backdated to the date of start of commercial operation.

**Distribution assets**

The Fifth Amendment to the Public Electricity Distribution Service Concession Agreements was signed on December 21, 2015, extending the concessions for a further 30 years, from January 1, 2016 to December 31, 2045. As a result, for determining Financial Assets, the new Amendment signed has been used as a reference, and the portion of Financial assets that will be used during the period of the new concession has been transferred to Intangible assets.

**Generation Indemnity receivable**

In July 2015 termination dates for several of the plants operated by the Company was reached under Concession Contract 007/97. As from the termination of the concession, the Company held the indemnity rights of the assets not yet depreciated/amortized, as specified in the concession contract referred to. The accounting balances corresponding to these assets, including the Deemed Cost, were transferred from Fixed assets to Financial assets on the date of termination of the concession, and total R\$ 547.

<b>Generating plant</b>	<b>Concession expiration date</b>	<b>Installed capacity (MW)</b>	<b>Net balance of assets on Dec. 31, 2016 based on historic cost</b>	<b>Net balance of assets on Dec. 31, 2016 based on deemed cost</b>
Três Marias Hydroelectric Plant	July 2015	396	71	414
Salto Grande Hydroelectric Plant	July 2015	102	10	39
Itutinga Hydroelectric Plant	July 2015	52	4	7
Camargos Hydroelectric Plant	July 2015	46	8	23
Piau Small Hydroelectric Plant	July 2015	18,01	2	9
Gafanhoto Small Hydroelectric Plant	July 2015	14	1	10
Peti Small Hydroelectric Plant	July 2015	9,4	1	8
Dona Rita Small Hydroelectric Plant	Sep. 2013	2,41	1	1
Tronqueiras Small Hydroelectric Plant	July 2015	8,5	2	12
Joasal Small Hydroelectric Plant	July 2015	8,4	1	8
Martins Small Hydroelectric Plant	July 2015	7,7	2	4
Cajuru Small Hydroelectric Plant	July 2015	7,2	4	4
Paciência Small Hydroelectric Plant	July 2015	4,08	1	4
Marmelos Small Hydroelectric Plant	July 2015	4	1	4
		679,70	109	547





**Table of Contents**

As specified in Aneel Normative Resolution 615/2014, the Valuation Opinions proposing the amounts of the indemnity of the assets were delivered to Aneel by December 31, 2015. Based on the discussions and valuations currently in progress, management believes that the amount recorded is the best estimate of indemnity taking into account the information available up to the reporting date of the accounting statements at December 31, 2016.

From the termination of the concession contract until January 4, 2016, the plants were operated by the Company under the Quota regime, with remuneration by a tariff only to cover costs of operation and maintenance of the assets. On January 5, 2016 the plants began to be operated in accordance with the terms of the Auction won by Cemig GT on November 25, 2015 ( Auction 12/2015 ) as described in more detail below:

**Concession Grant Fee Auction 12/2015**

Under Provisional Measure 579/2012, enacted as Law 12783/2013, the concessions of 14 plants of **Cemig GT** (*Cajuru, Camargos, Gafanhoto, Itutinga, Joasal, Marmelos, Martins, Paciência, Peti, Piau, Salto Grande, Três Marias, Tronqueiras and Volta Grande*), and those of the *Jaguara, São Simão and Miranda* plants were made subject to acceptance of predefined tariffs, and indemnity of the yet unamortized investments made for each plant. At the time, Cemig GT did not accept the terms for renewal.

In November 2015, Cemig GT took part in Auction 12/2015 and won the concessions of Lot D. This lot comprises 18 plants for five of which the concession had been previously held by Furnas S.A..

The contract for these plants gives Cemig the concession for their commercial operation for the next 30 years, and requires that: in 2016 the whole of the output will be sold in the Regulated Market, under the Physical Guarantee Quota System (*Sistema de Cotas de Garantia Física*, or CGF); and in 2017, 70% of the output will be sold in the Regulated Market and 30% in the Free Market.

Cemig's offer for acquisition of grant of the 30-year concession for the 18 hydroelectric plants was R\$ 2,216. Of this fee, 65% was paid on January 4, 2016, and the remaining 35% (initially R\$ 776) was paid on July 1, 2016 (updated by the Selic rate to a total payment of R\$ 828). The contract was signed by Cemig GT on January 5, 2016.

**Table of Contents**

In June 2016, title to Concession Contracts 08 to 16/2016, relating to the Auction won by Cemig GT on November 25, 2015, was transferred to the related specific-purpose companies (SPCs), wholly-owned subsidiaries of Cemig GT, as follows:

	<b>Balances transferred on May 31, 2016</b>	<b>Monetary updating</b>	<b>Amounts received</b>	<b>Balance at Dec. 31, 2016</b>
Cemig Geração Três Marias S.A.	1,260	192	(169)	1,283
Cemig Geração Salto Grande S.A.	396	60	(53)	403
Cemig Geração Itutinga S.A.	148	25	(23)	150
Cemig Geração Camargos S.A.	110	18	(16)	112
Cemig Geração Sul S.A.	145	26	(24)	147
Cemig Geração Leste S.A.	98	19	(18)	99
Cemig Geração Oeste S.A.	59	12	(11)	60
<b>Total</b>	<b>2,216</b>	<b>352</b>	<b>(314)</b>	<b>2,254</b>

The amount of the concession grant fee was recognized as a financial asset, due to the Company having the unconditional right to receive the amount paid, plus updating by the IPCA Index and remuneratory interest, during the period of the concession.

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

	<b>Transmission</b>	<b>Generation</b>	<b>Distribution</b>	<b>Gas</b>	<b>Total</b>
<b>Balance on December 31, 2013</b>	<b>779</b>		<b>5,064</b>		<b>5,843</b>
Additions	80				80
Written off			(19)		(19)
Updating of indemnifiable value of assets	420				420
Asset acquired in business combination				656	656
Transfers	(1)		844	(656)	187
Amounts received	(6)				(6)
Adjustment to expectation of cash flow from the indemnifiable Financial asset of the distribution concession			55		55
<b>Balance on December 31, 2014</b>	<b>1,272</b>		<b>5,944</b>		<b>7,216</b>
Additions	146				146
Written off	(6)		(31)		(37)
			(7,162)		(7,162)

Transfer from Financial assets to Intangible assets  
on renewal of concessions

Transfers	(2)		808	806
Generation Indemnity receivable		546		546
Amounts received	(10)			(10)
Adjustment to expectation of cash flow from the indemnifiable Financial asset of the distribution concession			578	578
Updating of indemnifiable value of assets	101			101
<b>Balance on December 31, 2015</b>	<b>1,501</b>	<b>546</b>	<b>137</b>	<b>2,184</b>
Additions	54	1		55
Addition Grant Fee Plants		2,216		2,216
Written off	(3)	0		(3)
Amounts received	(16)	(315)		(331)
Transfer from Financial to Intangible assets			71	71
Updating of the Concession Grant Fee		352		352
Adjustment to expectation of cash flow from the indemnifiable Financial asset of the distribution concession			8	8
Monetary updating	751			751
<b>Balance at December 31, 2016</b>	<b>2,287</b>	<b>2,800</b>	<b>216</b>	<b>5,303</b>

**Table of Contents****b) CVA Account (Compensation of Portion A items) and Other Financial Components in tariff adjustments**

The Amendment that extended the period of the concession of Cemig D guarantees that, in the event of extinction of the concession, for any reason, the remaining balances (assets and liabilities) of any shortfall in payment or reimbursement through the tariff must also be included by the Concession-granting power in the total of the indemnity.

The balances on (i) the CVA Account, (ii) the account for Neutrality of Sector Charges, and (iii) *Other financial items* in the tariff calculation, refers to the positive and negative differences between the estimate of the Company's non-manageable costs and the payments actually made. The variations found are the subject of monetary updating based on the Selic rate and compensated in the subsequent tariff adjustments.

The balances of these financial assets and liabilities are shown below. Please note that in the Interim Accounting Information the balances of each line are presented at net value in assets or liabilities in accordance with the tariff adjustments homologated or to be homologated:

<b>Balances at December 31, 2016</b>	<b>Current</b>		<b>Non-current</b>		<b>Total assets</b>	<b>Total liabilities</b>
	<b>Assets</b>	<b>Liabilities</b>	<b>Assets</b>	<b>Liabilities</b>		
<b>Items of Portion A</b>						
Quota for the Energy Development Account (CDE)	203	(145)		(100)	203	(245)
Tariff for use of transmission facilities of grid participants	7		3		10	
Tariff for transport of electricity provided by Itaipu	8		2		10	
Program to encourage alternative sources of electricity <i>Proinfa</i>	15		2		17	
System Service Charges (ESS) and						
Reserve Energy Charge (EER)		(167)		(77)		(244)
Electricity purchased for resale	1,676	(1,300)	370	(402)	2,046	(1,702)
<b>Other financial components</b>						
Overcontracting of supply		(137)		(23)		(160)
Neutrality of Portion A	79	(46)	1	(33)	80	(79)
Other financial items	3	(266)		(66)	3	(332)
Tariff Flag balances (1)		(14)				(14)
<b>TOTAL</b>	<b>1,991</b>	<b>(2,075)</b>	<b>378</b>	<b>(701)</b>	<b>2,369</b>	<b>(2,776)</b>

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



**Table of Contents**

<b>Balances at December 31, 2015</b>	<b>Current</b>		<b>Non-current</b>		<b>Total</b>	<b>Total</b>
<b>Items of Portion A</b>	<b>Assets</b>	<b>Liabilities</b>	<b>Assets</b>	<b>Liabilities</b>	<b>assets</b>	<b>liabilities</b>
Quota for the Energy Development Account (CDE)	249		88		337	
Tariff for use of transmission facilities of grid participants	42		3		45	
Tariff for transport of electricity from Itaipu	8		3		11	
Program to encourage alternative sources of electricity <i>Proinfa</i>	5	(1)	2		7	(1)
System Service Charges (ESS) and Reserve Energy Charge (EER)		(255)		(53)		(308)
Electricity purchased for resale	2,021	(739)	572	(204)	2,593	(943)
<b>Other financial components</b>						
Overcontracting of supply		(408)		(122)		(530)
Neutrality of Portion A	88	(2)	31		119	(2)
Other financial items	11	(1)	170		181	(1)
Tariff Flag amounts (1)		(158)				(158)
<b>TOTAL</b>	<b>2,424</b>	<b>(1,564)</b>	<b>869</b>	<b>(379)</b>	<b>3,293</b>	<b>(1,943)</b>

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

<b>Balance</b>	<b>Amounts homologated by Aneel in the last tariff adjustment</b>	<b>Amounts to be homologated by Aneel in the next tariff adjustment</b>	<b>2016</b>	<b>2015</b>
Assets	1,444	925	2,369	3,293
Liabilities	(1,046)	(1,730)	(2,776)	(1,943)
	<b>398</b>	<b>(805)</b>	<b>(407)</b>	<b>1,350</b>

This table shows changes in balances of financial assets and liabilities in 2016, 2015 and 2014:

<b>Balance on December 31, 2013</b>	
New financial assets constituted	1,107

<b>Balance on December 31, 2014</b>	<b>1,107</b>
(+) New financial assets constituted	2,285
( ) Amortization	(581)
( ) Receipt of funds from the ACR Account and from the Centralizing Account for Funds from the Tariff Flag System CCRBT (1)	(1,529)
(+) Updating Selic rate	68
<b>Balance on December 31, 2015</b>	<b>1,350</b>
( ) Net constitution of financial assets	(858)
( ) Amortization	(597)
( ) Payments from the Tariff Flag Funds Centralizing Account (1)	(341)
( ) Transfer (2)	(165)
(+) Updating Selic rate (3)	204
<b>Balance at December 31, 2016</b>	<b>(407)</b>

(1) See more details in Note 13.

(2) The financial component constituted to be passed through to the tariff at the next tariff adjustment, arising from judgments (injunctions/provisional remedy) in legal actions challenging part of the amount of the CDE (Energy Development Account) charge, was reclassified to Credits owed by Eletrobras, and will be amortized with counterpart in deductions from the monthly CDE charges to be paid to Eletrobras, in accordance with a Dispatch issued by Aneel in 2016.

(3) Includes adjustment for homologation of the CVA by Aneel which took place in May 2016.

**Table of Contents****15. INVESTMENTS**

This table gives a summary of the financial information on the affiliated companies and jointly-controlled enterprises. The information below reflects the percentage of the Company's equity interest in each item.

	<b>2016</b>	<b>2015</b>
Hidrelétrica Cachoeirão	50	42
Guanhães Energia		19
Hidrelétrica Pipoca	32	27
Retiro Baixo	162	148
Aliança Norte (Belo Monte plant through Norte Energia)	527	354
Madeira Energia (Santo Antônio plant through Madeira Energia)	644	676
FIP Melbourne (Santo Antônio plant through Madeira Energia)	677	703
Lightger	42	37
Baguari Energia	162	187
Renova	689	1,527
Aliança Geração	1,319	1,327
Central Eólica Praias de Parajuru	63	63
Central Eólica Volta do Rio	81	85
Central Eólica Praias de Morgado	60	62
Amazônia Energia (Belo Monte plant through Norte Energia)	781	495
Usina Hidrelétrica Itaocara S.A.	3	
Light	1,070	1,188
TAESA	1,583	2,242
Ativas Data Center	18	
Epícares Empreendimentos e Participações Ltda		
Luce	344	
RME	339	
Companhia Transleste de Transmissão	22	18
Companhia Transudeste de Transmissão	21	18
Companhia Transirapé de Transmissão	24	19
Transchile		108
Companhia de Transmissão Centroeste de Minas	21	18
Axxiom Soluções Tecnológicas	19	24
Parati		358
Total of investments	<b>8,753</b>	<b>9,745</b>
Ativas Data Center – excess of liabilities over assets of jointly-controlled entity		(28)
Guanhães – excess of liabilities over assets of jointly-controlled entity		(59)
<b>Total</b>	<b>8,694</b>	<b>9,717</b>



The Company's investees that are not consolidated are jointly-controlled entities, with the exception of the interest in the *Santo Antônio* power plant, and Ativas Data Center, which are affiliated companies in which the Company has significant influence. It was as from the fourth quarter of 2016 that Ativas Data Center became an investee in which Cemig has significant influence.

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

In the process of allocation of the acquisition price of the jointly-controlled subsidiaries, a valuation was made of the intangible assets relating to the right to operate the regulated activity. This asset is 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.

**Table of Contents**

	Dec. 31, 2013	Additional	Amortization	Dec. 31, 2014	Amortization	Dec. 31, 2015	Additional	Amortization	Written off	Dec. 31, 2016
Rosal	6		(6)							
TAESA	452		(19)	433	(18)	415		(18)	(109)	288
Light	275		(22)	253	(22)	231		(22)		209
Gasmig	24	203	(7)	220	(5)	215		(8)		207
LUCE							50	(1)		49
RME							49	(1)		48
	<b>757</b>	<b>203</b>	<b>(54)</b>	<b>906</b>	<b>(45)</b>	<b>861</b>	<b>99</b>	<b>(50)</b>	<b>(109)</b>	<b>801</b>

b) The movement of Investments in the jointly-controlled entities in 2016, 2015 and 2014, is as follows:

	Dec. 31, 2015	Equity method (Statement of income)	Gain (loss) by equity method (Other comprehensive income)	Dividends	Injections / acquisitions	Sales	Incorporation	Other	Dec. 31, 2016
Companhia Transleste de Transmissão	18	6		(2)					22
Companhia Transudeste de Transmissão	18	4		(1)					21
Companhia Transirapé de Transmissão	19	5							24
Transchile	108	2	(23)			(87)			
Companhia de Transmissão Centroeste de Minas	18	5		(2)					21
Light	1,188	(121)	3						1,070
Axxiom Soluções Tecnológicas	24	(5)							19
Luce		(18)	1	(57)	252		166		344
RME		(20)		(58)	247		169	1	339
Hidrelétrica Cachoeirão	42	10		(2)					50
Guanhães Energia (1)	19	(103)			25			59	0
Hidrelétrica Pipoca	27	5							32
Madeira Energia (Santo Antônio Plant through	676	(71)			39				644

Madeira Energia)								
FIP Melbourne (Santo Antônio Plant through Madeira Energia)	703	(63)		40		(3)	677	
LightGer	37	5					42	
Baguari Energia	187	41	(14)			(52)	162	
Central Eólica Praias de Parajuru	63						63	
Central Eólica Volta do Rio	85	(4)					81	
Central Eólica Praias de Morgado	62	(2)					60	
Amazônia Energia								
(Belo Monte Plant through Norte Energia)	495	(6)		292			781	
Ativas Data Center (2)		(31)		99		(50)	18	
Parati	358	(24)	1			(335)		
Taesa	2,242	342	(382)		(619)		1,583	
Renova (3)	1,527	(372)	19	278		(763)	689	
Usina Hidrelétrica								
Itaocara S.A.				3			3	
Aliança Geração	1,327	104	(112)				1,319	
Aliança Norte (Belo Monte Plant through Norte Energia)								
Norte Energia)	354	(7)		180			527	
Retiro Baixo	148	16	(2)				162	
<b>Total of investments</b>	<b>9,745</b>	<b>(302)</b>	<b>1</b>	<b>(632)</b>	<b>1,455</b>	<b>(706)</b>	<b>(808)</b>	<b>8,753</b>
Ativas Data Center								
Uncovered liabilities of jointly-controlled entity	(28)						(28)	
Guanhães Uncovered liabilities of jointly-controlled entity						(59)	(59)	
<b>Total</b>	<b>9,717</b>	<b>(302)</b>	<b>1</b>	<b>(632)</b>	<b>1,455</b>	<b>(706)</b>	<b>(867)</b>	<b>8,666</b>

(1) Transfer to uncovered liabilities.

(2) The amount of R\$ 50 refers to the dilution of shareholding interest arising from subscription of share capital by a new shareholder.

(3) The amount of R\$ 763 refers to the impairment of intangible concession assets resulting from the financial difficulties of Renova.

**Table of Contents**

	2014	Equity method gain (Statement of income)	Equity method gain (Other comprehensive income)	Dividends	Injections / acquisitions	Other	2015
Companhia Transleste de Transmissão	14	8		(4)			18
Companhia Transudeste de Transmissão	13	5					18
Companhia Transirapé de Transmissão	13	6					19
Transchile	67	5	36				108
Companhia de Transmissão Centroeste de Minas	22	2		(6)			18
Light	1,198	(11)	2	(1)			1,188
Axxiom Soluções Tecnológicas	23	1					24
Hidrelétrica Cachoeirão	34	8					42
Guanhães Energia	69	(49)		(1)			19
Hidrelétrica Pipoca	28	2		(3)			27
Madeira Energia (Santo Antônio plant through Madeira Energia)	674	2					676
FIP Melbourne (Santo Antônio plant through Madeira Energia)	708	(5)					703
Lightger	38	(1)					37
Baguari Energia	193	12		(18)			187
Central Eólica Praias de Parajuru	62	2		(1)			63
Central Eólica Volta do Rio	84	2		(1)			85
Central Eólica Praias de Morgado	62						62
Amazônia Energia (Belo Monte Plant through Norte Energia)	395	(19)		(1)	120		495
Ativas Data Center		(28)				28	
Epícares Empreendimentos (1)	92	1		1		(94)	
Parati	372	3		(17)			358
Taesa	2,188	383		(329)			2,242
Renova	1,538	(25)	15	(1)			1,527
Aliança Geração	3	107		(93)	581	729	1,327
Aliança Norte (Belo Monte Plant through Norte Energia)		(13)			367		354
Retiro Baixo	150	(5)			3		148
<b>Total do Investimento</b>	<b>8,040</b>	<b>393</b>	<b>53</b>	<b>(475)</b>	<b>1,071</b>	<b>663</b>	<b>9,745</b>

Ativas Data Center – Uncovered liabilities of jointly-controlled entity (28) (28)

Total	<b>8,040</b>	<b>393</b>	<b>53</b>	<b>(475)</b>	<b>1,071</b>	<b>635</b>	<b>9,717</b>
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(1) The amount of R\$ 94 refers to the assets subscribed to constitute Aliança Geração;

**Table of Contents**

	2013	Equity method gain (Statement of income)	Equity method gain (Other comprehensive income)	Dividends	Injections / acquisitions	Other	2014
Gasmig (1)	577	47		(55)		(569)	
Companhia Transleste de Transmissão	29	2		(17)			14
Companhia Transudeste de Transmissão	14	1		(2)			13
Companhia Transirapé de Transmissão	14			(1)			13
Transchile	55	2	10				67
Companhia de Transmissão Centroeste de Minas	18	5		(1)			22
Light	1,190	150	(6)	(136)			1,198
Axxiom Soluções Tecnológicas	8	(1)			16		23
Hidrelétrica Cachoeirão	34	8		(8)			34
Guanhães Energia	69						69
Hidrelétrica Pipoca	24	5		(1)			28
Madeira Energia (Santo Antônio plant through Madeira Energia) (2)	643	(398)			429		674
FIP Melbourne (Santo Antônio plant through Madeira Energia) (2)		10			698		708
Lightger	39			(1)			38
Baguari Energia	199	8		(14)			193
Central Eólica Praias de Parajuru	61	2		(1)			62
Central Eólica Volta do Rio	78	6					84
Central Eólica Praias de Morgado	61	2		(1)			62
Amazônia Energia (Belo Monte Plant through Norte Energia)	311	(17)			101		395
Ativas Data Center	4	(26)				22	
Epícares Empreendimentos	103	3		(14)			92
Parati	380	41	(1)	(48)			372
Taesa	2,250	376		(438)			2,188
Renova		(12)			1,550		1,538
Aliança					3		3
Retiro Baixo		(4)			154		150
	<b>6,161</b>	<b>210</b>	<b>3</b>	<b>(738)</b>	<b>2,951</b>	<b>(547)</b>	<b>8,040</b>

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

(2) Acquisition of 7.87% interest on Madeira Energia through FIP Melbourne for R\$697,796. Cemig also has a directly-held stockholding interest of 10.00% on Madeira Energia. Cemig made a capital increase of R\$429,367 in 2016.

Cemig GT enters into controlling block of Renova

In 2013 Cemig GT entered into an Investment Agreement with Renova Energia S.A. ( Renova ), RR Participações S.A. ( RR ), Light Energia S.A. ( Light Energia ) and Chipley SP Participações S.A. ( Chipley ), governing the entry of Cemig GT, directly or indirectly, into the control block of Renova through subscription of new common shares in Renova. As a result of this transaction, Cemig GT acquired 27.37% interest in Renova Energia S.A. for R\$1,550,071 in 2014, which result in recognition of the concession intangible asset of R\$855,354.

**Acquisition of equity interest**

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

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

**Table of Contents**

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

Company	Number of shares	2016			2015			2014		
		Cemig Interest %	Share capital	Equity	Cemig Interest %	Share capital	Equity	Cemig Interest %	Share capital	Equity
Cemig Geração e Transmissão	2,896,785,358	100.00	1,838	4,583	100.00	1,838	4,684	100.00	1,700	3,487
Hidrelétrica										
Cachoeirão	35,000,000	49.00	35	103	49.00	35	83	49.00	35	69,991
Guanhães Energia Hidrelétrica	137,608,000	49.00	186		49.00	138	38	49.00	138	137,608
Pipoca	41,360,000	49.00	41	65	49.00	41	54	49.00	41	58,789
Retiro Baixo	222,850,000	49.90	223	264	49.90	223	296	49.90	217	300
Aliança Norte										
(Usina de Belo Monte)	34,715,961,339	49.00	1,014	1,077	49.00	647	723			
Madeira Energia										
(Usina de Santo Antônio)	9,730,201,137	18.13	10,152	6,419	18.05	9,762	7,642	17.76	9,456	7,782
Lightger	79,078,937	49.00	79	85	49.00	79	76	49.00	79	79
Baguari Energia (1)	26,157,300,278	69.39	187	248	69.39	262	270	69.39	262	279
Renova (2)	360,815,313	34.15	2,856	1,956	27.37	2,526	5,581	27.37	2,568	5,620
Aliança Geração	1,291,582,500	45.00	1,291	1,973	45.00	1,291	2,949			
Central Eólica										
Praias de Parajuru	70,560,000	49.00	71	89	49.00	71	129	49.00	71	127
Central Eólica										
Volta do Rio	117,230,000	49.00	117	137	49.00	117	174	49.00	117	171
Central Eólica										
Praias de Morgado	52,960,000	49.00	53	65	49.00	53	127	49.00	53	127
Amazônia Energia (1)										
(Usina de Belo Monte)	1,039,491,023	74.50	1,116	1,048	74.50	723	665	74.50	563	529
Usina Hidrelétrica										
Itaocara S.A.	5,677,000	49.00	6	6						
	2,359,113,452	100.00	2,362	2,500	100.00	2,362	2,696	100.00	2,262	2,482



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Cemig										
Distribuição										
Light	203,934,060	26.06	2,226	3,354	26.06	2,226	4,558	26.06	2,226	4,602
Cemig Telecom	397,683,385	100.00	242	192	100.00	225	169	100.00	225	225
Rosal Energia	46,944,467	100.00	47	141	100.00	47	122	100.00	47	121
Sá Carvalho	361,200,000	100.00	37	106	100.00	37	103	100.00	37	107
Gasmig	409,255,483	99.57	665	1,426	99.57	665	1,408	99.57	665	1,437
Horizontes										
Energia	39,257,563	100.00	39	52	100.00	64	71	100.00	64	70
Usina Térmica										
Ipatinga	174,281	100.00	0	4	100.00		4	100.00	14	24
Cemig PCH	35,952,000	100.00	36	92	100.00	36	85	100.00	31	67
Cemig Capim										
Branco Energia	87,579,000				100.00			100.00	88	130
LUCE	1,379,839,905	66.62	438	443						
RME	1,365,421,406	66.27	434	440						
Companhia										
Transleste de										
Transmissão	49,569,000	25.00	50	81	25.00	50	73	25.00	50	54
UTE Barreiro	30,902,000	100.00	31	39	100.00	31	30	100.00	31	29
Companhia										
Transudeste de										
Transmissão	30,000,000	24.00	30	85	24.00	30	73	24.00	30	53
Empresa de										
Comercialização										
de Energia										
Elétrica	486,000	100.00		20	100.00		9	100.00		9
Companhia										
Transirapé de										
Transmissão	22,340,490	24.50	22	98	24.50	22	79	24.50	22	56
Transchile					49.00	237	221	49.00	161	135
Efficientia	6,051,994	100.00	6	5	100.00	6	6	100.00	6	5
Cemig										
Comercializadora										
de Energia										
Incentivada	1,000,000	100.00	1	2	100.00	5	6	100.00	5	5
Companhia de										
Transmissão										
Centroeste de										
Minas	28,000,000	51.00	28	42	51.00	28	34	51.00	28	41
Cemig Trading	1,000,000	100.00	1	29	100.00		30	100.00		31
Axxiom Soluções										
Tecnológicas										
Parati	17,200,000	49.00	47	39	49.00	47	49	49.00	17	48
TAESA	1,432,910,602				25.00	1,433	1,431	25.00	1,433	1,481
TAESA	1,033,496,721	31.54	3,042	4,308	43.36	3,042	5,171	43.36	3,042	5,045

(1) Control shared under a Shareholders Agreement.

(2) Due to the increase in the equity interest in Renova, there was a loss item of R\$2 million reflecting the fact that Renova reported a loss for the year 2016.



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**Table of Contents**

On December 31, 2016, the current liabilities of some indirectly jointly-controlled entities were higher than their current assets, as follows:

**Guanhães Energia:** This was mainly due to issuance of the second series of the sixth commercial Note issue with short-term maturity. The management of Guanhães Energia has obtained funding from the financial market and from the shareholders, allocating it principally to management of its cash for working capital, investments and financial commitments.

**Light:** On December 31, 2016, Light had a negative working capital balance of R\$ 1,259 (R\$ 423 on December 31, 2015). The operational cash flow of Light has been improving during the year due to the tariff adjustments obtained during the year ended December 31, 2015, its operational performance in 2016, reduction of investments in 2016, and the improvement of the hydrological situation. Additionally, Light has been negotiating renewal of short-term loans and financings and lengthening of its debt profile, and also expects higher operational cash flow following the tariff review. Management believes that success in these steps will reverse the current scenario of negative net working capital. It can also be noted that Light has reported positive consolidated operational cash flow from operations of R\$ 1,118 in 2016 (and R\$ 979 in 2015 and R\$585 em 2014), which has enabled it to amortize loans, financings and debentures in the amount of R\$ 319 in the year ended December 31, 2016. (In 2015 it raised funding of R\$ 160.) Further, on March 14, 2017, Aneel approved the result of the fourth Periodic Tariff Review ( RTP ) of the subsidiary Light SESA, which resulted in an average increase of 10.45% in electricity bills from March 15, 2017, ensuring renewed economic and financial balance for the distribution company.

**Madeira Energia ( Mesa ):** The excess of current liabilities over current assets, equal to R\$ 1,611 in 2016 (R\$543 in 2015), arises mainly from the account lines Suppliers, Other liabilities, Loans and financings, and Contingency provisions. To deal with the situation of negative working capital, Mesa has the benefit of a favorable decision by Aneel to revert, in liabilities, the FID (Availability Factor) account, and release of funds from the debt servicing reserve account which will be replaced by a bank guarantee, with generation of operational cash flow and, if necessary, injections of funds to be made by the shareholders.

**Renova Energia:** In the year ended December 31, 2016, Renova Energia reported a loss of R\$ 1,101 in 2016 (R\$ 93 in 2015), and on that date its current liabilities exceeded its current assets by R\$ 3,211 in 2016 (R\$ 946 in 2015) (consolidated). Further, Renova Energia has reported negative operational cash flow. The main reasons for this scenario are: (i) transactions to purchase supply of electricity, to honor commitments related to the delays in wind farms coming into operation; (ii) significant investments that are being allocated in the construction of the Alto Sertão III wind farm complex; (iii) delay in release of the long-term financing agreement with the BNDES; (iv) certain long-term financings being reclassified as current due to some ratios in covenants not being achieved, and waivers from creditors not being obtained, in 2016; and (iv) losses arising from the transaction with Terraform.

The management of Renova Energia is taking a range of measures to rebalance its liquidity and cash flow structure. These actions include: sale of certain assets; reduction of the administrative and operational structure, reducing administrative costs; financial support from shareholders, contracting of a long-term financing with the Brazilian Development Bank (BNDES); postponement of certain projects, to balance cash flow; requests to creditors for waivers, which will make possible reclassification of the debt to non-current, ensuring liquidity. The Management of Renova Energia believes that with the success of these measures it will be possible to recover economic and financial equilibrium and the Company's liquidity.

Aliança Geração: This was mainly due to lending transactions with short maturities. Management of Aliança Geração has been taking steps to improve its financial structure and working capital.

**Table of Contents**

The following table provides summarized financial information of the Company's equity investees in 2016, 2015 and 2014:

2016	Parati	Transluz	Transira	Quatro	Estancia	Luce	RME	Light	Taes	Axxion	Aliança	Norte
<b>Assets</b>												
Current	12	50	41	61	32	6	3	3,612	1,955	66		2
Cash and cash equivalents	8	3	2	20	4			668	102	9		2
Non-current	1,327	123	122	1	78	437	437	10,718	6,456	13		1,075
<b>Total assets</b>	<b>1,339</b>	<b>173</b>	<b>163</b>	<b>62</b>	<b>110</b>	<b>443</b>	<b>440</b>	<b>14,330</b>	<b>8,411</b>	<b>79</b>		<b>1,077</b>
<b>Liabilities</b>												
Current		28	33	5	22			4,871	1,074	32		
Suppliers								1,342	37	1		
Loans and financings												
Current		18	19	3	19			15,568	9	10		
Non-current		63	32	15	3			6,105	3,029	8		
Equity	1,339	82	98	42	85	443	440	3,354	4,308	39		1,077
<b>Total liabilities</b>	<b>1,339</b>	<b>173</b>	<b>163</b>	<b>62</b>	<b>110</b>	<b>443</b>	<b>440</b>	<b>14,330</b>	<b>8,411</b>	<b>79</b>		<b>1,077</b>
<b>Statement of income</b>												
Net sales revenue		34	45	13	22			9,645	1,391	57		
Cost of sales		(2)	(19)	(2)	(1)			(8,042)	(149)	(64)		
Depreciation and amortization				(1)				(452)	(1)	(2)		
<b>Gross profit</b>		<b>32</b>	<b>26</b>	<b>11</b>	<b>21</b>			<b>1,603</b>	<b>1,242</b>	<b>(7)</b>		
General and administrative expenses (SG&A):	(6)		(1)		(1)	(1)	(1)	(753)	(107)	(8)		(2)
Financial revenues	4	2	1	4	1		1	148	58	1		
Financial expenses	(60)	(11)	(5)	(3)	(4)	(41)	(41)	(1,281)	(223)			(7)
<b>Operational profit</b>	<b>(62)</b>	<b>23</b>	<b>21</b>	<b>12</b>	<b>17</b>	<b>(42)</b>	<b>(41)</b>	<b>(283)</b>	<b>970</b>	<b>(14)</b>		<b>(9)</b>
Income tax and the Social Contribution tax		(2)	(2)	(1)	(1)			(30)	(108)	5		
<b>Net profit for the year</b>	<b>(62)</b>	<b>21</b>	<b>19</b>	<b>11</b>	<b>16</b>	<b>(42)</b>	<b>(41)</b>	<b>(313)</b>	<b>862</b>	<b>(9)</b>		<b>(9)</b>

<b>Other comprehensive income for the year</b>											
Net profit for the year	(62)	21	19	11	16	(42)	(41)	(313)	862	(9)	(9)
Gain (loss) on conversion of financial statements								(86)			
Actuarial gains (losses)											
<b>Comprehensive income for the year</b>	(62)	21	19	11	16	(42)	(41)	(399)	862	(9)	(9)

**Table of Contents**

2016	Bagua Cachoeira	Guanhães Energia	Madeira Energia	Retiro Pipoca	Baixo	Renova	Parajum	Morgado	Volta do Rio Light	Ge Energia	Amazônia	Aliança Geração	
<b>Assets</b>													
Current	43	45	16	1,520	20	30	136	38	24	37	35	388	
Cash and cash equivalents	40	11	1	58	17	19	36	18	17	27	32	147	
Non-current	86	220	65	23,557	98	377	5,765	128	142	245	152	1,048	2,512
<b>Total assets</b>	<b>129</b>	<b>265</b>	<b>81</b>	<b>25,077</b>	<b>118</b>	<b>407</b>	<b>5,901</b>	<b>166</b>	<b>166</b>	<b>282</b>	<b>187</b>	<b>1,048</b>	<b>2,900</b>
<b>Liabilities</b>													
Current	9	12	191	3,131	8	25	3,347	19	27	37	16	592	
Suppliers	2	6		662		1	547	1	1	1	6	101	
Non-current	17	5	11	15,527	45	118	598	58	74	108	86	335	
Equity	103	248	(121)	6,419	65	264	1,956	89	65	137	85	1,048	1,973
<b>Total liabilities</b>	<b>129</b>	<b>265</b>	<b>81</b>	<b>25,077</b>	<b>118</b>	<b>407</b>	<b>5,901</b>	<b>166</b>	<b>166</b>	<b>282</b>	<b>187</b>	<b>1,048</b>	<b>2,900</b>
<b>Statement of income</b>													
Net sales revenue	34	65		2,803	25	62	484	27	22	29	36	804	
Cost of sales	(10)	(12)		(1,845)	(6)	(29)	(454)	(17)	(17)	(27)	(17)	(314)	
Depreciation and amortization	(3)	(9)		(673)	(3)	(9)	(93)	(10)	(10)	(17)	(11)	(125)	
<b>Gross profit</b>	<b>24</b>	<b>53</b>		<b>958</b>	<b>19</b>	<b>33</b>	<b>30</b>	<b>10</b>	<b>5</b>	<b>2</b>	<b>19</b>	<b>490</b>	
General and administrative expenses (SG&A)		(1)		(146)	(2)		(41)	(1)	(1)	(2)	(1)	(1)	(58)
Impairment of PP&E							(281)						
Adjustment for losses on investment							(455)						
Financial revenues	4	15		146	2	2	16	3	3	5	3	46	
Financial expenses	(3)	(1)	(208)	(1,552)	(6)	(15)	(424)	(7)	(10)	(15)	(10)	(8)	(58)

<b>Operational profit</b>	25	66	(208)	(594)	13	20	(1,155)	5	(3)	(10)	11	(9)	420
Income tax and the Social Contribution tax	(2)	(7)		(23)	(2)	(3)	54	(2)	1	3	(3)		(127)
<b>Net profit for the year</b>	23	59	(208)	(617)	11	17	(1,101)	3	(2)	(7)	8	(9)	293
<b>Comprehensive income for the year</b>													
Net profit for the year	23	59	(208)	(617)	11	17	(1,101)	3	(2)	(7)	8	(9)	293
Gain (loss) on conversion of financial statements							(182)						
<b>Other comprehensive income for the year</b>	23	59	(208)	(617)	11	17	(1,283)	3	(2)	(7)	8	(9)	293



**Table of Contents**

2015	Parati	Translândia	Transira	Quatro Rodas	Estansul	Transchile	Light	Taesa	Axiom	Aliança Norte	Cachoeirão
<b>Assets</b>											
Current	59	47	34	58	32	39	3,976	2,082	74	1	28
Cash and cash equivalents	46	8	6	16	6	36	447	132	7	1	23
Non-current	1,408	128	114	1	81	299	11,818	7,574	14	726	89
<b>Total assets</b>	<b>1,467</b>	<b>175</b>	<b>148</b>	<b>59</b>	<b>113</b>	<b>338</b>	<b>15,794</b>	<b>9,656</b>	<b>88</b>	<b>727</b>	<b>117</b>
<b>Liabilities</b>											
Current	36	18	20	4	17	21	4,399	1,008	34		10
Suppliers							1,450	34	2		2
Loans and financings current		6	3	2		10	1,629	628	5		
Non-current		84	49	21	23	96	6,838	3,477	5	4	24
Equity	1,431	73	79	34	73	221	4,557	5,171	49	723	83
<b>Total liabilities</b>	<b>1,467</b>	<b>175</b>	<b>148</b>	<b>59</b>	<b>113</b>	<b>338</b>	<b>15,794</b>	<b>9,656</b>	<b>88</b>	<b>727</b>	<b>117</b>
<b>Statement of Income</b>											
Net sales revenue		33	34	14	22	28	1,222	1,973	66		30
Cost of sales		(4)	(13)	(4)	(2)	(10)	(460)	(287)	(59)		(14)
Depreciation and amortization				(1)		(9)	(412)	(15)	(1)		(3)
<b>Gross profit</b>		<b>29</b>	<b>21</b>	<b>10</b>	<b>20</b>	<b>18</b>	<b>762</b>	<b>1,686</b>	<b>7</b>		<b>16</b>
General and administrative expenses							(91)		(6)		
Net financial revenue (expenses)	11	(9)	(5)	(3)	(5)	(6)	(672)	(562)		(27)	(1)
Financial revenues	48	2	1	2	1		1,371	769	1		2
Financial expenses	(37)	(11)	(6)	(5)	(6)	(6)	(2,043)	(1,331)	(1)	(27)	(3)
<b>Operating profit</b>	<b>11</b>	<b>20</b>	<b>16</b>	<b>7</b>	<b>15</b>	<b>12</b>	<b>(1)</b>	<b>1,124</b>	<b>1</b>	<b>(27)</b>	<b>15</b>
Income tax and Social Contribution tax		(2)	(1)	(1)	(1)		(40)	(241)			(2)

<b>Net profit for the year</b>	<b>11</b>	<b>18</b>	<b>15</b>	<b>6</b>	<b>14</b>	<b>12</b>	<b>(41)</b>	<b>883</b>	<b>1</b>	<b>(27)</b>	<b>13</b>
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**Comprehensive income for the year**

Net profit for the year	11	18	15	6	14	12	(41)	883	1	(27)	13
Actuarial gain (loss)	1						8				

**Other comprehensive income for the year**

	<b>12</b>	<b>18</b>	<b>15</b>	<b>6</b>	<b>14</b>	<b>12</b>	<b>(33)</b>	<b>883</b>	<b>1</b>	<b>(27)</b>	<b>13</b>
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**Table of Contents**

2015	Bagua Energia	Guanhães Energia	Madeira Energia	Retiro Pipoca	Baixo Baixo	Renova Renova	Parajuru Parajuru	Morgado Morgado	Volta do Rio	Light Light	Amazônia Energia	Aliança Geração
<b>Assets</b>												
Current	72	2	1,608	13	10	551	21	31	46	23		243
Cash and cash equivalents	9	1	300		1	66	12	12	20	14		70
Non-current	220	248	23,754	101	443	8,425	192	209	290	161	666	3,093
<b>Total assets</b>	<b>292</b>	<b>250</b>	<b>25,362</b>	<b>114</b>	<b>453</b>	<b>8,976</b>	<b>213</b>	<b>240</b>	<b>336</b>	<b>184</b>	<b>666</b>	<b>3,336</b>
<b>Liabilities</b>												
Current	16	212	2,151	10	25	1,497	18	28	36	14		113
Suppliers	6		384		6	570			1	4		36
Non-current	6		15,569	50	132	1,898	66	85	126	94		274
Equity	270	38	7,642	54	296	5,581	129	127	174	76	666	2,949
<b>Total liabilities</b>	<b>292</b>	<b>250</b>	<b>25,362</b>	<b>114</b>	<b>453</b>	<b>8,976</b>	<b>213</b>	<b>240</b>	<b>336</b>	<b>184</b>	<b>666</b>	<b>3,336</b>
<b>Statement of Income</b>												
Net sales revenue	59		2,605	22	53	458	31	34	47	32		797
Cost of sales	(46)		(1,103)	(11)	(40)	(5)	(16)	(18)	(28)	(25)		(442)
Depreciation and amortization	(9)		(471)	(3)	(9)	(4)	(10)	(10)	(17)	(10)		(69)
<b>Gross profit</b>	<b>13</b>		<b>1,502</b>	<b>11</b>	<b>13</b>	<b>453</b>	<b>15</b>	<b>16</b>	<b>19</b>	<b>7</b>		<b>355</b>
General and administrative expenses		(86)	(816)	(2)	(11)		(5)	(6)	(2)	(1)	(2)	(69)
Net financial revenue (expenses)	9	(14)	(967)	(3)	(13)	(355)	(5)	(8)	(11)	(7)	(23)	(18)
Financial revenues	10		950	2	1	41	2	2	3	2		9
Financial expenses	(1)	(14)	(1,917)	(5)	(14)	(396)	(7)	(10)	(14)	(9)	(23)	(27)
<b>Operating profit</b>	<b>22</b>	<b>(100)</b>	<b>(281)</b>	<b>6</b>	<b>(11)</b>	<b>98</b>	<b>5</b>	<b>2</b>	<b>6</b>	<b>(1)</b>	<b>(25)</b>	<b>268</b>
Income tax and Social Contribution tax	(5)		266	(1)	1	(191)	(1)	(1)	(2)	(2)		(30)

<b>Net profit for the year</b>	<b>17</b>	<b>(100)</b>	<b>(15)</b>	<b>5</b>	<b>(10)</b>	<b>(93)</b>	<b>4</b>	<b>1</b>	<b>4</b>	<b>(3)</b>	<b>(25)</b>	<b>238</b>
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**Comprehensive income for the year**

Net profit for the year	17	(100)	(15)	5	(10)	(93)	4	1	4	(3)	(25)	238
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Gain (loss) on conversion of financial statements						54						
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**Other comprehensive income for the year**

	<b>17</b>	<b>(100)</b>	<b>(15)</b>	<b>5</b>	<b>(10)</b>	<b>(39)</b>	<b>4</b>	<b>1</b>	<b>4</b>	<b>(3)</b>	<b>(25)</b>	<b>238</b>
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**Table of Contents**

<b>2014</b>	<b>Parati</b>	<b>Transluz</b>	<b>Transira</b>	<b>Quatro</b>	<b>Estansude</b>	<b>Fluorens</b>	<b>Light</b>	<b>Taes</b>	<b>Axxiom</b>	<b>Ativas</b>	<b>Epícares</b>
<b>Assets</b>											
Current	125	47	35	67	30	24	2,466	2,292	70	40	31
Cash and cash equivalents	42	7	7	19	4	22	506	329	9	16	14
Non-current	1,390	121	101		80	208	12,141	7,197	13	71	157
<b>Total assets</b>	<b>1,515</b>	<b>168</b>	<b>136</b>	<b>67</b>	<b>110</b>	<b>232</b>	<b>14,607</b>	<b>9,489</b>	<b>83</b>	<b>111</b>	<b>188</b>
<b>Liabilities</b>											
Current	34	6	16	8	12	15	2,963	940	26	59	1
Suppliers			3				1,945	53	2	5	
Loans and financings current							580	723			
Non-current		108	64	18	45	82	7,042	3,504	9	79	2
Equity	1,481	54	56	41	53	135	4,602	5,045	48	(27)	185
<b>Total liabilities</b>	<b>1,515</b>	<b>168</b>	<b>136</b>	<b>67</b>	<b>110</b>	<b>232</b>	<b>14,607</b>	<b>9,489</b>	<b>83</b>	<b>111</b>	<b>188</b>
<b>Statement of Income</b>											
Net sales revenue		30	52	14	20	20	9,223	1,924	57	26	41
Cost of sales		(4)	(34)	(4)	(2)	(13)	(7,798)	(295)	(54)	(29)	(15)
Depreciation and amortization						(5)	(415)	(3)	1	7	8
<b>Gross profit</b>		<b>26</b>	<b>18</b>	<b>10</b>	<b>18</b>	<b>7</b>	<b>1,425</b>	<b>1,629</b>	<b>3</b>	<b>(3)</b>	<b>26</b>
General and administrative expenses		(6)					(163)	(29)		(10)	(12)
Net financial revenue (expenses)	143	(5)	(4)		(5)	(3)	(325)	(469)	(1)	(14)	1
Financial revenues	143	1	1	2	1		577	276	1	2	1
Financial expenses		(6)	(5)	(2)	(6)	(3)	(902)	(745)	(2)	(16)	
<b>Operating profit</b>	<b>137</b>	<b>21</b>	<b>14</b>	<b>10</b>	<b>13</b>	<b>4</b>	<b>937</b>	<b>1,131</b>	<b>2</b>	<b>(27)</b>	<b>15</b>
Income tax and Social Contribution tax	(2)	(13)	(12)	(1)	(9)	(1)	(273)	(239)			(2)
<b>Net profit for the year</b>	<b>135</b>	<b>8</b>	<b>2</b>	<b>9</b>	<b>4</b>	<b>3</b>	<b>664</b>	<b>892</b>	<b>2</b>	<b>(27)</b>	<b>13</b>

**Comprehensive  
income for the year**

Net profit for the year	135	8	2	9	4	3	664	892	2	(27)	13
Gain (loss) on translation						19					
Actuarial gains (losses)							(17)				

**Other  
comprehensive  
income for the year**

	135	8	2	9	4	22	647	892	2	(27)	13
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**Table of Contents**

<b>2014</b>	<b>Baguaçu</b>	<b>Guanhães</b>	<b>Madeira</b>	<b>Retiro</b>	<b>Volta</b>	<b>Amazônia</b>							
	<b>Cachoeira</b>	<b>Energia</b>	<b>Energia</b>	<b>Pipoca</b>	<b>Baixo</b>	<b>Renova</b>	<b>Parajuru</b>	<b>Morgado</b>	<b>Rio</b>	<b>Light</b>	<b>Energia</b>		
<b>Assets</b>													
Current	23	96	34	1,477	19	12	847	15	27	41	21		
Cash and cash equivalents	19	15	27	241	13	3	596	4	4	4	16		
Non-current	91	228	511	22,151	104	453	8,402	204	223	304	170	529	
<b>Total assets</b>	<b>114</b>	<b>324</b>	<b>545</b>	<b>23,628</b>	<b>123</b>	<b>465</b>	<b>9,249</b>	<b>219</b>	<b>250</b>	<b>345</b>	<b>191</b>	<b>529</b>	
<b>Liabilities</b>													
Current	14	39	407	1,961	7	20	656	17	22	26	10		
Suppliers	2	9	1	1,282			130	2	2	2	1		
Loans and financings current				406									
Non-current	30	6		13,885	57	145	2,973	75	101	148	102		
Equity	70	279	138	7,782	59	300	5,620	127	127	171	79	529	
<b>Total liabilities</b>	<b>114</b>	<b>324</b>	<b>545</b>	<b>23,628</b>	<b>123</b>	<b>465</b>	<b>9,249</b>	<b>219</b>	<b>250</b>	<b>345</b>	<b>191</b>	<b>529</b>	
<b>Statement of Income</b>													
Net sales revenue	30	56		1,858	25	55	163	27	35	55	32		
Cost of sales	(10)	(46)		(3,194)	(9)	(29)	(141)	(13)	(16)	(25)	(24)		
Depreciation and amortization	(3)	(9)		(296)	(3)	(3)	(31)	(9)	(10)	(17)	(11)		
<b>Gross profit</b>	<b>20</b>	<b>10</b>		<b>(1,336)</b>	<b>16</b>	<b>26</b>	<b>22</b>	<b>14</b>	<b>19</b>	<b>30</b>	<b>8</b>		
General and administrative expenses	(1)			(202)	(1)	(4)	(14)	(4)	(5)	(5)		(23)	
Net financial revenue (expenses)	(1)	8		(602)	(3)	(26)	(45)	(5)	(8)	(11)	(6)		
Financial revenues	2	9		57	1	1	24	1	1	1	2		
Financial expenses	(3)	(1)		(659)	(4)	(27)	(69)	(6)	(9)	(12)	(8)		
<b>Operating profit</b>	<b>18</b>	<b>18</b>		<b>(2,140)</b>	<b>12</b>	<b>(4)</b>	<b>(37)</b>	<b>5</b>	<b>6</b>	<b>14</b>	<b>2</b>	<b>(23)</b>	
Income tax and Social Contribution tax	(2)	(6)		5	(1)	(2)	(6)	(1)	(1)	(1)	(2)		

<b>Net profit for the year</b>	16	12	(2.135)	11	(6)	(43)	4	5	13	(23)
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**Comprehensive income for the year**

Net profit for the year	16	12	(2.135)	11	(6)	(43)	4	5	13	(23)
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**Other comprehensive income for the year**

	16	12	(2.135)	11	(6)	(43)	4	5	13	(23)
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**Table of Contents**

**Investments in jointly controlled entities and affiliated companies**

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

The Company has direct and indirect investments in Madeira Energia S.A. (which holds an investment in Santo Antônio Energia S.A.), of R\$ 1,321 on December 31, 2016 (R\$1,379 in 2015).

Madeira Energia S.A. ( Mesa ) and its subsidiary Santo Antônio Energia S.A. ( Saesa ) are incurring establishment costs related to the construction of the Santo Antônio Hydroelectric Plant. The property, plant and equipment asset constituted by these expenditures totaled R\$ 22,440 (consolidated) on December 31, 2016, and this amount, according to financial projections prepared by its management, is to be absorbed by future revenues generated as from January, 2017, when all the generator rotors of that entity came into operation.

Investigations and other legal measures are in progress, conducted by the Federal Public Attorneys Office, which involve other indirect shareholders of Madeira Energia S.A. and certain executives of those other indirect shareholders.

*Arbitration proceedings*

In 2014, SAAG Investimentos S.A. (SAAG) and Cemig GT 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 partially destined to payment of the claims by the Santo Antonio Construction Consortium ( CCSA ), based on absence of investigative 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, able to be offset, in 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, relating to certain credits owed to Mesa by CCSA, on the grounds that these credits, under an express contractual provision, are owed in their entirety. Posting of this impairment contributed to Mesa s situation of negative Net working capital on December 31, 2016, as described above.

The shareholders SAAG and Cemig GT successfully filed an action for provisional remedy for exercise of the right of first refusal to subscribe the additional portion of the capital of Mesa, in the amount of R\$ 175, that was approved in the Extraordinary General Meeting of Stockholders of Mesa held on October 21, 2014. The judgment also suspended all the effects of the decisions as they relate to SAAG and Cemig GT and to their interests in Mesa, including in relation to the dilution and the penalties specified in the shareholders Agreement of Mesa.

In 2016 the arbitration judgment given by the Market Arbitration Chamber recognized in full the right of Cemig and SAAG, and ordered annulment of the acts being impugned. SAAG and CEMIG are in the process of adopting measures to implement the decision referred to.

**Investment in the Belo Monte Plant through Amazônia Energia S.A. and Aliança Norte**

Amazônia Energia and Aliança Norte are shareholders in Norte Energia S.A. ( Nesa ), which holds the concession to operate the Belo Monte Hydroelectric Plant, on the Xingu River, in the State of Pará.

Through the jointly-controlled entities referred to above, Cemig GT owns an indirect equity interest in Nesa of 11.74%.

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

On April 7, 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 an Aneel Normative Resolution and in the Concession Contract for the Belo Monte Hydroelectric Plant . The amount of the estimated loss in Belo Monte up to December 31, 2016 is R\$ 74.

Based on this injunction, all records and the accounting provisions inherent to compliance with the requirements of the concession contract were suspended, but Aliança Norte Energia continues to purchase electricity on the spot market to avoid any future penalties.

**Table of Contents**

Investigations and other legal measures are in progress, conducted by the Federal Public Attorneys Office, which involve other shareholders of Norte Energia S.A. and certain executives of those other shareholders.

Any changes in the existing scenario will have their impacts reflected in the financial statements.

**Summary of the conclusions of the independent investigation**

Centrais Elétricas Brasileiras S.A. ( Eletrobras ) owns an equity interest of 49.98% in Nesa, and has contracted a specialized law office to carry out an independent internal investigation for the purpose of finding any irregularities that may have taken place in projects in which it has an equity interest, including NESA. The motive for this procedure was investigations that were being carried out by the Public Attorneys Office on irregularities involving some of the contractors and suppliers in investments where Eletrobras was a shareholder, including the company Nesa.

The final reports of the independent internal investigation include certain findings with estimated impacts on the financial statements of Nesa. It was found that certain contracts with some contractors and suppliers of the *Belo Monte* Hydroelectric Plant contain impacts estimated at 1% of the price of a contract, and other estimates of certain fixed amounts, to include bribes and activities of manipulation of bids considered to be of an unlawful nature.

Based on the conclusions and results identified in the independent internal investigation, the management of NESA referred to IAS 16 *Assets and Equipment*, and concluded that the amount of R\$ 183, attributable to possible overinvoicing, bribes and/or fraudulent bids or activities considered to be of an unlawful nature should not have been included in the historic cost of its assets, because such amounts would not have been necessary to establish the assets at the location and in the condition necessary for their functioning.

The management of Nesa also concluded that it was impracticable to attempt precisely to identify the periods of the prior financial statements in which the excess of capitalized costs might have occurred, due to the fact that the information made available by the independent internal investigation does not individually specify the contracts, payments and reporting periods in which these excesses could have occurred. It is also emphasized that the alleged undue payments were not made by Nesa, but by contractors and suppliers of the Belo Monte hydroelectric plant, which also impeded identification of the precise amounts and period of the payments.

Thus, Nesa applied the procedure specified in IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*, making adjustments for the estimated amounts of the excesses of capitalized costs, in a total of R\$ 183, referring to illegal payments in the financial statements at December 31, 2015, due to the impracticability of identifying the adjustments for each previous period affected.

As a result of the adjustment made by NESA, on December 31, 2015 Cemig recognized an adjustment in the amount of R\$ 23, in *Investments* with counterpart in the account *Gain (loss) in subsidiaries by the equity method*. Of this total, R\$ 21 arises from the adjustment made by Cemig GT, and R\$ 2 arises from the adjustment made by Light S.A., in accordance with the specifications of IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*.

**Investment in Guanhães Energia S.A. Adjustment for impairment**

Based on analysis of the cash flow expected for the investment, Guanhães Energia made an adjustment for impairment of value in the amount of R\$ 139. The effect of this in the accounts of Cemig GT was an expense of R\$ 68, corresponding to its 49% interest in Guanhães, and this was recognized in the statement of income by the equity method, on December 31, 2016.

*Investment in Renova*

*Option contract*

On September 18, 2015 a contract was signed giving Renova the option to sell to SunEdison, on or after March 31, 2016, up to 7,000,000 shares in TerraForm Global, which Renova had received under the agreement governing the first phase of the transaction for sale and exchange of assets.

The exercise price of this option was set at R\$ 50.48 or US\$15.00 at the exchange rate of the day, at SunEdison's choice. The contract also gave SunEdison an option to buy the same 7 million shares in TerraForm Global on the same terms.

**Table of Contents**

Renova also reported that it had notified SunEdison and TerraForm Global of its intention to exercise its option to sell 7 million shares in TerraForm Global owned by Renova, as specified by contract and publicly stated in a Material Announcement published by Renova on September 18, 2015.

In April 2016 there was a restructuring of the Company's capital, which altered Cemig GT's equity interest in the company.

On April 21, 2016, SunEdison applied for Chapter 11 protection in the United States.

On June 1, 2016, the period for payment of the option by SunEdison expired.

Renova priced the option using the Black-Scholes-Merton mathematical model, the future expectation for the exchange rate, and credit risk.

In the first half of 2016 Renova recognized a loss of R\$ 111, for the variation in the price of the option, taking credit risk into account. In addition it recognized a loss of R\$ 63 relating to the extinction of the option, and opened arbitration proceedings seeking, among other items, indemnity for losses.

The figures above refer to the full impact on the financial statements of Renova. The effect for Cemig was proportional to its 34.15% interest in the investee, valued by the equity method at R\$ 60.

*Investment in TerraForm – pricing of the shares*

Renova Energia has investments in Class A shares (GLBL) in TerraForm (the TERG Shares), recorded as financial assets available for sale. Renova Energia adopts this designation because the nature of the investment is not included in any of the other categories of financial instrument (loans, accounts receivable, investments held to maturity, or financial assets at fair value through profit or loss). The asset is classified, in Renova Energia, as a non-current asset under the line *Investments* and is recorded at fair value, based on the market price on a stock exchange (Nasdaq). Under the policy of Renova Energia, gains and losses arising from variation in stock prices are posted directly in Equity under Other comprehensive income. Considering the volatility of the prices of the TERG Shares, Renova Energia evaluates, quarterly, whether there is objective evidence of impairment of these financial assets, that is to say, the management of Renova Energia evaluates whether the fall in the market value of the TERG Shares should be considered significant or prolonged. This evaluation calls for a judgment based on a Renova Energia policy, prepared according to practices used in the Brazilian and international markets, and consists of analysis, instrument by instrument, based on quantitative and qualitative information available in the market as from the moment that an instrument shows a fall in its market value of 20% or more (a Significant Fall) or a fall smaller than a Significant Fall, but greater than 5% of its market value in comparison with its acquisition cost for more than 12 months (a Prolonged Fall). If a Significant Fall or a Prolonged Fall in the market value of the instrument is found, the corresponding accumulated portion previously classified in Other comprehensive income will be posted in the Profit and loss account as an impairment.

Impairments, previously recognized in the Profit and loss account, are not reversed through the profit and loss account. Any increase in fair value after an impairment is recognized in Other comprehensive income.

In 2016 the negative adjustments in the fair values that took place in the first and fourth quarter in the amount of R\$ 281 (impact in Cemig: R\$ 96) were recognized in the income statement; and the positive adjustment of R\$ 99 (impact for Cemig: R\$ 34), referring to the second and third quarters, was recognized in Other comprehensive income in Renova Energia.

*Rescission of share purchase agreement*

On April 1, 2016 Renova Energia S.A. ( Renova ) informed its shareholders and the market in general that the share purchase agreement for sale to TerraForm Global, Inc. of the assets of the Espra Project ( the Espra Contract ) owned by Renova had been canceled. Thus the assets of the Espra project, comprising three small hydroelectric plants (SHPs), which placed generation contracts under the Proinfa regime, with aggregate installed capacity of 41.8 MW, remain in the Company as part of Renova s portfolio of operational assets. As a result of the cancellation, TerraForm Global paid Renova a penalty payment of R\$ 36 on April 1, 2016 (effect in Cemig: R\$ 12).

**Table of Contents**

The Espra Contract was included in the first phase of the transaction with TerraForm Global and SunEdison, Inc. ( SunEdison ), announced on July 15, 2015.

*Adjustment for impairment*

Renova carried out studies to value the balance of PP&E assets in relation to the generation of economic benefits expected from those assets at December 31, 2016, and made an adjustment for impairment of assets in the amount of R\$ 264 (impact on Cemig R\$ 90), This was recognized in a specific account line in the statement of income for 2016. This result arose from projection of cash flow of these assets, discounted, at December 31, 2016.

Cemig had reported in its financial statements the net amount of R\$ 763 for goodwill on the concessions, calculated at the time of the injections of capital into Renova. As a result of the studies on impairment related to discounted cash flow of the investee, management of Cemig GT judged it to be necessary to make a full adjustment of the amount referred to, in the statement of income for 2016.

**Investment in Light through Parati, RME and Lepsa**

*Corporate reorganization of Parati*

In 2016 the shareholders decided to put in place a series of measures to simplify the stockholding structure of the Parati group, as follows:

Extinction of Redentor Energia S.A., through reverse absorption by Rio Minas Energia Participações S.A. ( RME );

Total split of Parati, with absorption by RME and Luce Empreendimentos e Participações S.A. ( LEPSA ) of the separated assets and liabilities;

Extinction of Parati, through reverse absorption by RME and LEPSA;

In November 2016, RME and LEPSA declared an aggregate total of R\$ 463 in dividends, using retained earnings reserves from prior years. In the same month both companies called for an aggregate capital subscription of R\$ 446, which was paid up exclusively by Cemig.

As a result of these alterations, Cemig had the following stockholdings:

In RME: 50.00% of the common shares and 50.00% of the preferred shares, representing 66.27 of the total share capital.

In Lepsa: 50.00% of the common shares and 50.00% of the preferred shares, representing 66.62 of the total share capital.

*Exercise of put option*

On September 6, 2016 Cemig received from Banco BTG Pactual ( BTG Pactual ) Notice of Intention to Exercise a Put Option, informing irrevocable exercise of BTG Pactual's right to sell to Cemig 153,634,195 preferred shares held by Pactual in Parati ( Shares subject of the Put Option ).

In October 2016, due to the extinction of Parati, the Put Option was divided between RME and Lepsa in the proportion of 50% each, with all the conditions of the original Put Option being maintained, except the items modified in the amendments, including alteration to their bylaws.

On November 30, 2016, Cemig paid R\$ 222 for the portion of BTG Pactual in RME and LEPSA, under exercise of the first window of the put.

Further details of the put option are given below in this Note.



## Table of Contents

### Disposal of shares in Taesa owned by Cemig

On September 29, 2016, Taesa published announcement of commencement of a secondary public offering with restricted placement efforts, for placement of certificates of deposit of nominal, book-entry shares without par value, each representing one common and two preferred nominal, book-entry shares without par value, free and unencumbered by any lien or charge ( Units ), issued by Taesa and owned by Fundo de Investimentos em Participações Coliseu (FIP Coliseu), and Cemig.

The offering comprised secondary public distribution, with restricted placement efforts, of 65,702,230 Units owned by the Vendor shareholders, at the price of R\$ 19.65 per Unit, resulting in a total amount of R\$ 1,291. The offering transaction was settled on October 24, 2016.

Since this was a public offering with restricted efforts exclusively for secondary distribution, there was no inflow of funds to Taesa. The Vendor shareholders received all of the proceeds from the sale of the Units net of the costs of the offering, i.e. a total of R\$ 1,276, and of this total R\$ 791 was received by Cemig, representing a gross gain of R\$ 181. Cemig recognized this in its Income Statement in October 2016.

### Investment Agreement for subscription of capital in Ativas

On August 25, 2016, Cemig Telecom S.A., a wholly-owned subsidiary of Cemig, signed an investment agreement with Sonda Procwork Outsourcing Informática Ltda., a member of the Chilean group Sonda S.A., for subscription of capital in Ativas Data Center, in partnership with Ativas Participações S.A., a company controlled by the Asamar Group.

Sonda is the leading company providing IT services in Latin America, with a presence in 10 countries, and 17,000 employees.

On October 19, 2016, after the conditions precedent specified in the Investment Agreement had been complied with, the transaction was completed.

Sonda, through providing cash of R\$ 114, became the holder of a 60% equity interest in Ativas, with Cemig Telecom holding 19.6%, and Ativas Participações holding 20.4% of the company's total capital. This represented a gain of R\$ 25 in the financial statements of Cemig Telecom.

### Disposal of interest related to Transchile

On September 12, 2016, Cemig signed an agreement for sale of the whole of its stockholding interest relating to Transchile Charrúa Transmisión S.A. corresponding to 49% of the share capital to Ferrovial Transco Chile SpA., a company controlled by Ferrovial S.A., for US\$57. On October 6, 2016, all of the shares in Transchile Charrúa Transmisión S.A. held by Cemig, corresponding to 49% (forty nine percent) of the total capital, were transferred to Ferrovial Transco Chile SpA., a company controlled by Ferrovial S.A., and the sale completed in the amount of R\$180, representing a gross gain of R\$ 94.

## **Put options**

In the calculation of the fair value of the option based on the BSM model, the following variables are taken into account: exercise price of the option; closing price of the underlying asset on December 31, 2016; the risk-free interest rate; the volatility of the price of the underlying asset; and the time to maturity of the option.

Analytically, calculation of the exercise price of the options, the risk-free interest rate and the time to maturity is primarily deterministic, so that the main divergence in the put options is in the measurement of the closing price and the volatility of the underlying asset.

*Put options for shares in Parati*

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

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**Table of Contents**

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

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

For the purposes of determination of the method to be used in measuring the fair value of this option, the Company, up to the first quarter of 2016, observed the daily trading volume of the shares of Light, and also the fact that such option, if exercised by the Fund, will require the sale to the Company, in a single transaction, of shares in Light in a quantity higher than the daily exchange trading averages. Thus, the Company had adopted the discounted cash flow method for measurement of the fair values of the shares. Up to March 31, 2016, the fair value of this option was calculated on the basis of the estimated exercise price on the day of exercise of the option, less the fair value of the shares that are the subject of the put option, also estimated for the date of exercise, brought to present value at the effective rate of 7.5% p.a. (discounting inflation effects). As a result of the changes in the shareholders Agreement of Parati in the second quarter of 2016, described below, with consequences for the conditions and periods for exercise of the put option, the Company then began to use the Black-Scholes-Merton method for measurement of the fair value of the options.

In the second quarter of 2016 Amendments were signed to the shareholders Agreement of Parati. The principal changes arising from these amendments are as follows:

- 1) The maturity of the Put Option granted in 2011 by Cemig in favor of the unit holders of FIP Redentor, initially specified to be May 31, 2016, was postponed, to two separate exercise dates:
  - a) First option exercise window: The intention to exercise may be stated by any direct shareholder/s who decide to do so, independently of the exercise of the Put Option by the other direct shareholders, up to September 23, 2016, inclusive, and shall cover only preferred shares in Parati, up to a limit of 153,634,195 shares, representing 14.30% of the total shares in Parati held by the other direct shareholders. Cemig had to make payment by November 30, 2016.
  - b) Second payment window: The intention to exercise may be stated by any direct shareholder/s who decide to do so, independently of the exercise of the Put Option by the other direct shareholders, up to September 23, 2017, inclusive, and may cover the totality of the shares in Parati, being independent of any exercise, or not, of the Put Option in the first payment window. Cemig must make payment by November 30, 2017.
- 2) The Put Option may now be exercised not only by FIP Redentor, but also by the direct shareholders of Parati, including but not limited to the unit holders of FIP Redentor, and/or their affiliates, who shall become holders of a Put Option and/or of the rights arising therefrom, under which each one of the direct

shareholders shall individually have the right to sell any shares in Parati that they own.

- 3) Conditions were included for bringing forward the date of exercise of the put option: in the event of any occurrence resulting in bringing forward of the option referred to, any direct shareholder may present to Cemig a notice of bringing forward of the option, at which moment the option shall be considered exercised by all the direct shareholders, over the totality of their shares.
  
- 4) As guarantee for the full payment of the Put Option, on May 31, 2016 Cemig offered to the holders of the put option 55,234,637 common shares and 110,469,274 preferred shares that Cemig directly holds in Transmissora Aliança de Energia S.A. (Taesa), and as further guarantee, 53,152,298 shares that Cemig directly holds in Light.

*Amount of the Company's exposure*

The change in the value of the options – the difference between the estimated fair value for the assets and the corresponding exercise price, has been as follows:

	<b>Dec. 31, 2016</b>	<b>Dec. 31, 2015</b>	<b>Dec. 31, 2014</b>
<b>Initial balance</b>	<b>1,245</b>	<b>166</b>	
Additions	55	1,079	166
Reductions	(150)		
<b>Final balance</b>	<b>1,150</b>	<b>1,245</b>	<b>166</b>

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**Table of Contents**

In the calculation of the fair value of the option based on the Black-Scholes-Merton analysis, the following variables are taken into account: exercise price of the option; closing price of the stock of Light on December 31, 2016 (as a reference for the value of the indirect equity interest held by the direct stockholders of RME and Lepsa in Light); the risk-free interest rate; the volatility of the price of the underlying asset; and the time to maturity of the option.

RME and Lepsa are non-operational holding companies, whose primary purpose is management of their direct equity interest in Light. Consequently, the revenues of these holding companies arise from their interests in the earnings of Light and, residually, from the financial revenue obtained from investment of the amounts available in the cash position. Further, considering that: (i) distribution of the whole of the profit for the period is in the interest of the shareholders of both companies; and (ii) the operational profit, the total of financial revenue (expenses) and changes in the reserve accounts of RME and Lepsa are immaterial for the purposes of calculation of the put option; it becomes clear that the only uncertainty in the flow of these companies is associated with the uncertainty of Light itself, and as a result of this consideration the shares of both companies are valued as if they were direct equity interests in Light itself. Thus, the underlying asset of the options is Light S.A., and the closing price of the underlying asset is the price found for one share of Light on the last business day of the 2016 business year, multiplied by the number of equivalent shares of indirect ownership of the holders of the Parati Put option in Light. The volatility is calculated using a conditional volatility model based on the continuously capitalized series of returns of Light S.A.

The Company has made an analysis of the sensitivity 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 6.6% p.a. and 16.4% p.a., and for volatility between 15% and 63.2% p.a., were used, resulting in estimates of minimum and maximum price for the put option of R\$ 1,126 and R\$ 1,260, respectively.

**Put options for Units in FIP Melbourne and FIP Malbec**

In the calculation of the fair value of the option based on the BSM model, the following variables are taken into account: exercise price of the option; closing price of the underlying asset on December 31, 2016; the risk-free interest rate; the volatility of the price of the underlying asset; and the time to maturity of the option.

Cemig GT and the private pension plan entities participating in the investment structure of SAAG (comprising FIP Melbourne, Parma Participações S.A. and FIP Malbec jointly, the Investment Structure ) signed put option contracts for units in the entities that comprise the Investment Structure ( the Put Options ), which the private pension plan entities may exercise in the eighty fourth month after June 2014. The exercise price of the put options correspond to the amount invested by each 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 has been considered to be a derivative instrument which should be accounted at fair value through profit or loss.

In the fourth quarter of 2016 the Company altered the methodology used in measuring the fair value of the put option of SAAG, and adopted the BSM model, replacing the model of discounted cash flow less the exercise price of the option. This change is in line with best market practices, since the Black-Scholes-Merton method not only calculates the difference between the exercise price of the option and the share price, brought to present value, but also incorporates an important random component that weights these amounts.

We work on the assumption that the future expenditures of FIP Malbec and FIP Melbourne are insignificant, so that the options are valued as if they were direct equity interests in Mesa. However, neither SAAG nor Mesa are traded on a securities exchange, so that some adaptations are necessary for calculation of the price of the asset and its volatility for application of the BSM model. The closing price of the share of Mesa on December 31, 2016 is ascertained on the basis of Free cash flow to equity holders (FCFE), expressed by equivalence of the indirect equity interests held by the FIPs. Volatility, in turn, is measured as an average of historic volatility (based on the hypothesis that the series of the difference of continuously capitalized returns follows a normal distribution) of comparable companies in the electricity generation sector that are traded on the Bovespa.

Based on the studies made, a liability of R\$ 196 is recorded in the Company's consolidated financial statements, for the difference between the exercise price and the estimated fair value of the assets.

**Table of Contents**

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

	<b>Dec. 31, 2016</b>	<b>Dec. 31, 2015</b>	<b>Dec. 31, 2014</b>
<b>Initial balance</b>	<b>148</b>	<b>29</b>	
Adjustment to fair value	48	119	29
<b>Final balance</b>	<b>196</b>	<b>148</b>	<b>29</b>

The Company has made an analysis of the sensitivity 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 6.6% p.a. to 16.4% p.a., and for volatility between 15% and 63.2% p.a., were used, resulting in estimates of minimum and maximum price for the put option of R\$ 126 and R\$ 321, respectively.

**Sonda options**

As part of the process of shareholding restructuring, CemigTelecom and Sonda signed a Purchase Option Agreement (issued by CemigTelecom) and a Sale Option Agreement (issued by Sonda).

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

The put and call options in Ativas ( the Ativas Options ) were measured at fair value and posted at their net value, i.e. the difference between the fair values of the two options on the reporting date of the financial statements for the business year 2016. Depending on the value of the options, the net value of the Ativas Options may be an asset or a liability of the Company.

The measurement has been made using the Black-Scholes-Merton (BSM) model. In the calculation of the fair value of the Ativas Options based on the BSM model, the following variables are taken into account: closing price of the underlying asset on December 31, 2016; the risk-free interest rate; the volatility of the price of the underlying asset; the time to maturity of the option; and the exercise prices on the exercise date.

The closing price of the underlying asset was based on the value of the transaction in shares of Ativas by Sonda, which took place on October 19, 2016. The calculation of the risk-free interest rate was based on yields of National Treasury Bills. The time to maturity was calculated assuming exercise date on March 31, 2021. Considering that the exercise prices of the options are contingent upon the future financial accounting results of Ativas, the estimate of the exercise prices on the date of maturity was based on statistical analyses and on information of comparable listed companies.

The net effect of the calculation of the call and put options in shares of Ativas amounted to a credit amount of R\$ 5 in the income statement for 2016.





**Table of Contents****Formation of Aliança Geração de Energia**

For the formation of Aliança Geração de Energia, the Company transferred, in 2015, to Aliança, its interests in the electricity generation consortia, and the interests of the subsidiary Capim Branco Energia S.A., as shown below:

	<b>Dec. 31, 2015</b>
<b>Assets</b>	
Aimorés Hydroelectric Plant Consortium	404
Funil Hydroelectric Plant Consortium	124
Igarapava Hydroelectric Plant Consortium	37
Porto Estrela Hydroelectric Plant Consortium	34
	<b>599</b>
<b>Liabilities</b>	
Porto Estrela Paid Concession current	(16)
Porto Estrela Paid Concession non-current	(134)
	<b>(150)</b>
<b>Net value of assets and liabilities of Cemig GT</b>	<b>450</b>
<b>Net value of assets and liabilities of Capim Branco</b>	<b>131</b>
	<b>581</b>

Cemig GT recognized in its financial statements the gain relating to the valuation at fair value of the investment in Aliança, excluding the effects of valuation of fair value of the company's own assets that were subscribed as capital in Aliança.

This table shows the effects of the transaction in the Company's financial statements at December 31, 2015:

	<b>Cemig</b>	<b>Vale</b>	<b>Total</b>
Fair value of the assets transferred to Aliança	1,867	2,331	4,198
Book value of the assets transferred to Aliança	581	1,277	1,858
Equity interest of the companies in Aliança		1	1
Stake held by Cemig, valued at fair value	1,889		
Book value of the assets subscribed (Note 14)	(581)		
Goodwill premium businesses subscribed as capital of Aliança (100%)	1,308		
Portion of goodwill premium not recognized, relating to the equity interest held by the Company (45%)	(579)		
Gain on the transaction to be reported in the Statement of income for 2015 (55% of the premium)	729		



**Table of Contents****Additional equity interest in Gasmig**

In October 2014, Cemig concluded the acquisition under its share purchase agreement with Petróleo Brasileiro S.A. (Petrobras) for acquisition of the 40% interest held by its subsidiary Gaspetro in Companhia de Gás de Minas Gerais (Gasmig), which had been approved by the Boards of Directors of both Cemig and Petrobras. The amount paid was R\$ 570,976, being the result of R\$ 600,000 specified in the share purchase agreement, updated by the IGP-M index, less the dividends paid between the base date and the closing of the agreement.

**Business combination carried out in stages – additional effects**

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

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

As specified in IFRS 3 (Business combinations), it was necessary for the Company to value its previous interest in Gasmig at fair value, recognizing the difference in the profit and loss account for the period.

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

	<b>Fair value of the original interest (59.60%)</b>
Fair value of Gasmig on the date of acquisition of control	1,427
Cemig's original interest, of 59.57%, valued at fair value on the acquisition date	850
Book value	569
Gain recorded in 2014	281
<b>Generation companies constituted – Lot D of Auction 12/2015 won by the company in 2015</b>	

As described in more detail in Note 14, as a result of Cemig GT having won Lot D of Auction 12/2015 – an award of concessions for 18 plants – in June 2016 the Company transferred ownership of the concessions of these plants to 7 new specific-purpose generation companies, wholly-owned subsidiaries of Cemig GT, which began to be consolidated in the second quarter of 2016.

**Table of Contents****16. PROPERTY, PLANT AND EQUIPMENT**

	2016			2015		
	Historic cost	Accumulated depreciation	Net value	Historic cost	Accumulated depreciation	Net value
<b>In service</b>						
Land	287	(8)	279	287	(8)	279
Reservoirs, dams and water courses	5,347	(3,586)	1,761	4,867	(3,037)	1,830
Buildings, works and improvements	1,789	(1,371)	418	1,577	(1,140)	437
Machinery and equipment	4,518	(3,347)	1,171	3,862	(2,670)	1,192
Vehicles	29	(25)	4	29	(21)	8
Furniture and utensils	16	(12)	4	15	(11)	4
	11,986	(8,349)	3,637	10,637	(6,887)	3,750
<b>Under construction</b>	138		138	190		190
<b>Net PP&amp;E</b>	<b>12,124</b>	<b>(8,349)</b>	<b>3,775</b>	<b>10,827</b>	<b>(6,887)</b>	<b>3,940</b>

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

	Transfers					
	2015	Addition	Written off	Depreciation	Capitalizations	2016
<b>In service</b>						
Land	279					279
Reservoirs, dams and watercourses	1,830			(99)	30	1,761
Buildings, works and improvements	437		(1)	(23)	5	418
Machinery and equipment	1,192		(42)	(110)	132	1,172
Vehicles	8			(2)	(2)	4
Furniture and utensils	4				(1)	3
	3,750		(43)	(234)	164	3,637
<b>Under construction</b>	190	120	(13)		(159)	138
<b>Net property, plant and equipment</b>	<b>3,940</b>	<b>120</b>	<b>(56)</b>	<b>(234)</b>	<b>5</b>	<b>3,775</b>

2014 Addition Write-offs

Depreciation

2015

			<b>Transfer of assets to Aliança Geração de Energia</b>	<b>Indemnity receivable</b>		<b>Transfers to Other long term assets</b>	<b>Transfers / capitalizations</b>		
<b>In service</b>									
Land	372		(12)	(41)	(16)	(3)	(17)	(4)	279
Reservoirs, dams and water courses	2,261			(163)	(46)	(127)	(102)	7	1,830
Buildings, works and improvements	609		(1)	(116)	(17)	(32)	(13)	7	437
Machinery and equipment	2,053		(3)	(308)	(466)	(149)	(69)	134	1,192
Vehicles	9					(3)		2	8
Furniture and utensils	5							(1)	4
	5,309		(16)	(628)	(545)	(314)	(201)	145	3,750
<b>Under construction</b>	235	126	(4)	(3)	(1)	(1)	(22)	(140)	190
<b>Net PP&amp;E</b>	<b>5,544</b>	<b>126</b>	<b>(20)</b>	<b>(631)</b>	<b>(546)</b>	<b>(315)</b>	<b>(223)</b>	<b>5</b>	<b>3,940</b>

**Table of Contents**

	2013	Additions	Write-offs	Depreciation	Transfers / capitalizations	2014
<b>In service</b>						
Land	377			(5)		372
Reservoirs, dams and water courses	2,395			(134)		2,261
Buildings, works and improvements	712		(1)	(25)	(77)	609
Machinery and equipment	2,079		(6)	(177)	157	2,053
Vehicles	12			(3)		9
Furniture and utensils	2				3	5
	5,577		(7)	(344)	83	5,309
<b>Under construction</b>	240	122	(49)		(78)	235
<b>Net PP&amp;E</b>	<b>5,817</b>	<b>122</b>	<b>(56)</b>	<b>(344)</b>	<b>5</b>	<b>5,544</b>

The average annual depreciation rate is 3.51%. The average annual depreciation rates, by activity, are:

Hydroelectric generation	Thermal generation	Management and other	Telecoms
3.30%	3.85%	10.04%	4.61%

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

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

The depreciation of the items of property, plant and equipment assets is calculated on the total of property, plant and equipment in service, by the straight-line method, using the rates determined by Aneel for the assets related to electricity activities, and reflects the estimated useful life of the assets. The residual value of the assets is the remaining balance of the assets at the end of the concession. As established in the contract signed between the Company and the Nation, at the end of the concession the assets will revert to the Nation, which in turn will indemnify the Company for those assets that have not yet been totally depreciated. In cases where there is no indemnity, or there is uncertainty related to the indemnity, at the end of the concession, such as thermal generation, and hydroelectric generation as an independent power producer, no residual value is recognized, and the depreciation rates are adjusted

so that all the assets are depreciated within the concession.

The company transferred to Financial assets the remaining accounting balances of the plants at July 2015 which will be the subject of indemnity by the concession-granting power. For more information please see Note 14.

**Table of Contents****Consortia**

The Company is a partner in an electricity generation consortium for the *Queimado* plant, for which no separate company with independent legal existence was formed to manage the object of the concession, the controls being kept in Fixed assets and Intangible assets. The Company's portion in the consortium is recorded and controlled individually in the respective categories of PP&E and Intangible assets. This table shows the accumulated investments in the consortium, in which Companhia Energética de Brasília has an interest of 17.50%:

	Stake in energy generated, %	Average annual depreciation rate, %	2016	2015
<b>In service</b>				
Porto Estrela plant	33.33%	3.68		
Igarapava plant	14.50%	2.5		
Funil plant	49.00%	4.21		
Queimado plant	82.50%	4	217	212
Aimorés plant	49.00%	3.75		
Capim Branco Energia Consortium	21.05%	3.75		
Accumulated depreciation			(90)	(74)
			127	138
<b>Under construction</b>				
Queimado plant	82.50%			4
Porto Estrela plant	33.33%			
Capim Branco Energia Consortium	21.05%			
				4
<b>Total, consortia</b>			<b>127</b>	<b>142</b>

**17. INTANGIBLE ASSETS****Assets of the concession**

In accordance with Interpretation IFRIC 12 – Service Concession Arrangements, the portion of the distribution infrastructure that will be amortized during the concession, comprising the distribution assets, net of the interests held by consumers ( Special Obligations ), is reported in Intangible assets.

Under the Brazilian regulatory framework Aneel is responsible for setting the economic useful life of the distribution assets of the electricity sector, periodically establishing a review in the valuation of these assets. The rates established by Aneel are used in the processes of reviewing tariff rates and calculating of the indemnity due at the end of the concession period, and are recognized as a reasonable estimate of the useful life of the assets of the concession. These



rates, therefore, were used as a basis for valuation and amortization of intangible assets.

The intangible assets Temporary easements, Paid concessions, Right of commercial operation of concessions, and Others, are amortized on the straight-line basis and the rates used are those set by Aneel. The Company has not identified any indications of impairment of its intangible assets, which have defined useful lives.

**Table of Contents****a) Composition of the balance at December 31, 2016 and 2015**

	2016			2015		
	Historic cost	Accumulated amortization	Residual value	Historic cost	Accumulated amortization	Residual value
<b>In service</b>						
Useful life defined						
Temporary easements	12	(2)	10	11	(1)	10
Paid concession	19	(10)	9	19	(10)	9
Assets of concession	16,288	(7,040)	9,248	15,607	(6,642)	8,965
Other	77	(59)	18	71	(55)	16
	16,396	(7,111)	9,285	15,708	(6,708)	9,000
<b>Under construction</b>	1,535		1,535	1,275		1,275
<b>Net intangible assets</b>	<b>17,931</b>	<b>(7,111)</b>	<b>10,820</b>	<b>16,983</b>	<b>(6,708)</b>	<b>10,275</b>

**b) Changes in Intangible assets**

	Balance at Dec. 31, 2015	Additions	Special obligations write-down (1)	Write-offs	Amortization	Transfer	Balance at Dec. 31, 2016
<b>In service</b>							
Useful life defined							
Temporary easements	10						10
Paid concession	9						9
Assets of concession	8,967	6	98	(32)	(595)	804	9,248
Other	14				(4)	8	18
	<b>9,000</b>	<b>6</b>	<b>98</b>	<b>(32)</b>	<b>(599)</b>	<b>812</b>	<b>9,285</b>
<b>Under construction</b>	1,275	1,157		(8)		(889)	1,535
<b>Net intangible assets</b>							
<b>Consolidated</b>	<b>10,275</b>	<b>1,163</b>	<b>98</b>	<b>(40)</b>	<b>(599)</b>	<b>(77)</b>	<b>10,820</b>

(1) This write-down of a Special Obligation arises from signature of a Debt Recognition Contract by Eletrobras, in the amount of R\$ 98,236, for restitution of amounts calculated in the final settlement of Financing and Subsidy Contracts for the *Luz Para Todos* ( Light for Everyone ) program, with funds from the CDE account, and return of funds related to the Global Reversion Reserve (RGI).

	Balance at Dec. 31, 2014	Balance at Dec. 31, 2014	Transfer of assets to Aliança Geração de Energia renewed	Indemnity plants not renewed	Write-offs	Amortization	Transfer from Financial to Intangible on renewal of concessions	Transfers	Balance at Dec. 31, 2015
<b>In service</b>									
Useful life defined									
Temporary easements	12		(1)						11
Paid concession	24		(13)			(2)			9
Assets of concession	2,223	8			(21)	(512)	7,162	107	8,967
Other	17					(5)		1	13
	2,276	8	(14)		(21)	(519)	7,162	108	9,000
<b>Under construction</b>	<b>1,103</b>	<b>1,108</b>			<b>(17)</b>			<b>(919)</b>	<b>1,275</b>
<b>Net intangible assets</b>									
<b>Consolidated</b>	<b>3,379</b>	<b>1,116</b>	<b>(14)</b>		<b>(38)</b>	<b>(519)</b>	<b>7,162</b>	<b>(811)</b>	<b>10,275</b>

(\*) See comments in Note 13.

**Table of Contents**

	<b>Balance at Dec. 31, 2013</b>	<b>Adjustment due to business combination</b>	<b>Additions</b>	<b>Write-offs</b>	<b>Amortization</b>	<b>Transfers</b>	<b>Balance at Dec. 31, 2014</b>
<b>In service</b>							
Useful life defined							
Temporary easements	12						12
Paid concession	27				(3)		24
Assets of concession	866	1,073			(448)	732	2,223
Other	25				(6)	(2)	17
	930	1,073			(457)	730	2,276
<b>Under construction</b>	<b>1,074</b>	<b>109</b>	<b>868</b>	<b>(25)</b>		<b>(923)</b>	<b>1,103</b>
<b>Net intangible assets Consolidated</b>	<b>2,004</b>	<b>1,182</b>	<b>868</b>	<b>(25)</b>	<b>(457)</b>	<b>(193)</b>	<b>3,379</b>

The annual average amortization rate is 3.51%. The average rates of annual amortization, by activity, set by the legislation for the sector, are:

<b>Hydroelectric generation</b>	<b>Thermal generation</b>	<b>Distribution</b>	<b>Management and other</b>	<b>Telecoms</b>
20.00%	19.35%	3.85%	23.29%	11.56%

The Company has not identified indications of impairment of its intangible assets, which have defined useful lives. The Company has no intangible assets with non-defined useful life. The amount of additions, R\$ 1,163, includes R\$ 142 (R\$ 159 in 2015, and R\$ 70 in 2014) under the heading Capitalized Financial Costs, as presented in Note 20.

**18. SUPPLIERS**

	<b>2016</b>	<b>2015</b>
Electricity on spot market - CCEE	168	308
Charges for use of electricity network	78	81
Electricity purchased for resale	677	647
Itaipu Binacional	207	315
Gas purchased for resale	462	236
Materials and services	348	314
	<b>1,940</b>	<b>1,901</b>



**Table of Contents****19. TAXES, INCOME TAX AND SOCIAL CONTRIBUTION TAX****a) Taxes payable**

The non-current Pasep and Cofins obligations refer to the legal proceedings challenging the constitutionality of inclusion of the ICMS tax, which *has been* charged, *within* the amount on which the Pasep and Cofins taxes are calculated; and seeking authorization to offset the amounts paid over the last ten years. The Company and its subsidiaries Cemig D (Distribution) and Cemig GT (Generation and Transmission) obtained interim relief from the court allowing them not to make the payment, and authorizing payment through court deposits (starting in 2008), and maintained this procedure until July 2011. After that date, while continuing to challenge the basis of the calculation in court, they opted to pay the taxes monthly. Additionally, in July 2015 the Company began to make provision for Pasep and Cofins taxes on updating of Financial assets, in accordance with tax legislation coming into force on that date.

	2016	2015
<b>Current</b>		
ICMS	502	462
Cofins	128	157
Pasep	28	33
INSS	25	22
Other	111	66
	<b>794</b>	<b>740</b>
<b>Non-current</b>		
Cofins	595	609
Pasep	129	131
	<b>724</b>	<b>740</b>
	<b>1,518</b>	<b>1,480</b>

**b) Income tax and Social Contribution tax:**

	2016	2015
<b>Current</b>		
Income tax	19	8
Social Contribution tax	8	3
	<b>27</b>	<b>11</b>



**Table of Contents****20. LOANS, FINANCINGS AND DEBENTURES**

Financing source	Principal maturity	Annual financing cost %	Currency	2016			2015
				Current	Non-current	Total	Total
<b>FOREIGN CURRENCY</b>							
Banco do Brasil (1)	Various bonds	2024	Various	US\$			33
KFW		2016	4.50	EURO			3
KFW		2024	1.78	EURO	4	3	7
					4	3	7
<b>Debt in foreign currency</b>					<b>5</b>	<b>25</b>	<b>30</b>
<b>Brazilian currency</b>							
Banco do Brasil		2017	108.33% of CDI	R\$	72		72
Banco do Brasil		2017	108.00% of CDI	R\$	151		151
Banco do Brasil		2016	104.10% of CDI	R\$	285	270	555
Banco do Brasil (6)		2016	104.25% of CDI	R\$			804
Banco do Brasil		2017	111.00% of CDI	R\$	50		50
Banco do Brasil		2020	114.00% of CDI	R\$	8	494	502
Banco do Brasil		2018	132.90% of CDI	R\$	291	292	583
Brazilian Development Bank (BNDES)		2026	TJLP+2.34	R\$	8	66	74
Brazilian Development Bank (BNDES)		2026	TJLP+2.48	R\$			11
CEF		2018	119.00% of CDI	R\$	100	9	109
CEF		2020	132.14% of CDI	R\$	65	616	681
			Ufir, RGR +				
Eletrobras		2023	6.00 to 8.00	R\$	19	49	68
Large consumers		2018	Various	R\$	4	2	6
			TJLP + 5 and				
Finep		2018	TJLP + 2.5	R\$	3	3	6
Promissory Notes \$ Issue (3)		2016	111.70 of CDI	R\$			1,889
Promissory Notes \$ Issue (2)		2016	120.00 of CDI	R\$			1,441
Promissory Notes 7th Issue (2)		2017	128.00% of CDI	R\$	667		667
BASA		2018	CDI+1.9	R\$	2	120	122
Sonda (4)		2021	110% of CDI	R\$	46	37	83
Promissory Notes \$ Issue (4)		2015	110.40% of CDI	R\$			23
<b>Debt in Brazilian currency</b>					<b>1,771</b>	<b>1,958</b>	<b>3,729</b>
<b>Total of loans and financings</b>					<b>1,776</b>	<b>1,983</b>	<b>3,759</b>



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Debentures, 2 <sup>nd</sup> Issue (3)	2017	IPCA + 7.96	R\$	235		235	441
Debentures 1 <sup>st</sup> Issue, 1st Series (2)	2017	CDI + 0.90	R\$	543		543	540
Debentures 1 <sup>st</sup> Issue, 3 <sup>rd</sup> Series (2)	2022	IPCA + 6.20	R\$	50	933	983	923
Debentures 1 <sup>st</sup> Issue, 2 <sup>nd</sup> Series (2)	2019	IPCA + 6.00	R\$	15	278	293	275
Debentures 1 <sup>st</sup> Issue, 2 <sup>nd</sup> Series (3)	2021	IPCA + 4.70	R\$	59	1,436	1,495	1,403
Debentures 1 <sup>st</sup> Issue, 3 <sup>rd</sup> Series (3)	2025	IPCA + 5.10	R\$	38	857	895	839
Debentures 1 <sup>st</sup> Issue, 1 <sup>st</sup> Series (3)	2018	CDI + 0.69	R\$	53	411	464	462
Debentures	2018	CDI+1.60	R\$	553	485	1,038	1,037
Debentures	2020	IPCA+8.07	R\$	1	30	31	29
Debentures 7 <sup>th</sup> Issue, 1st Series (2)	2021	140.0% of CDI	R\$	(7)	2,204	2,197	
Debentures, 4th Issue (3)	2018	CDI + 4.05%	R\$	805	793	1,598	
Debentures 4 <sup>th</sup> Issue, 2 <sup>nd</sup> Series (2)	2016	CDI+0.85	R\$				501
Debentures 5 <sup>th</sup> Issue, 1 <sup>st</sup> Series (2)	2018	CDI+1.70	R\$	711	700	1,411	1,412
Debentures (5)	2016	TJLP+3.12	R\$				41
Debentures (5)	2018	CDI + 1.60	R\$	1	100	101	103
Debentures (5)	2018	CDI+0.74	R\$	33	34	67	100
		TJLP+7.82 (75%) and					
Debentures (5)	2022	Selic+1.82(25%)	R\$	20	114	134	125
Cemig Telecom 1 <sup>st</sup> Issue, 1 <sup>st</sup> Series (4)	2018	TJLP+2.62	R\$				8
Cemig Telecom 1 <sup>st</sup> Issue, 2 <sup>nd</sup> Series (4)	2018	TJLP+3.32	R\$				3
Cemig Telecom 1 <sup>st</sup> Issue, 3 <sup>rd</sup> Series (4)	2018	TJLP+1.72	R\$				2
Cemig Telecom 1 <sup>st</sup> Issue, 4 <sup>th</sup> Series (4)	2018	TJLP+2.62	R\$				2