

ENERGY CO OF MINAS GERAIS  
Form 6-K  
December 23, 2016

**FORM 6-K**

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

**REPORT OF FOREIGN PRIVATE ISSUER  
PURSUANT TO RULE 13A-16 OR 15D-16 OF  
THE SECURITIES EXCHANGE ACT OF 1934**

**For the month of December 2016**

**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

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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

**Index**

**Item Description of Items**

1. 2Q 2016 Results

### **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.

**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/ Franklin Moreira Gonçalves  
Name: Franklin Moreira Gonçalves

Title: Acting Chief Finance and  
Investor Relations Officer

Date: December 23, 2016

**1. 2Q 2016 RESULTS**

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## STATEMENTS OF FINANCIAL POSITION

AT JUNE 30, 2016 AND DECEMBER 31, 2015

## ASSETS

(In thousands of Brazilian Reais R\$)

|   | Note | Consolidated<br>(Unaudited)   |                                  | Holding company<br>(Unaudited) |                                  |
|---|------|-------------------------------|----------------------------------|--------------------------------|----------------------------------|
|   |      | June 30, 2016<br>Re-presented | Dec. 31,<br>2015<br>Re-presented | June 30, 2016<br>Re-presented  | Dec. 31,<br>2015<br>Re-presented |
| <b>CURRENT</b>  |      |                               |                                  |                                |                                  |
| Cash and cash equivalents                               | 5    | 1,500,415                     | 924,632                          | 280,338                        | 256,484                          |
| Marketable securities                                   | 6    | 932,321                       | 2,426,746                        | 88,804                         | 127,390                          |
| Consumers and traders; Concession holders               |      |                               |                                  |                                |                                  |
| Transport of electricity                                | 7    | 3,294,449                     | 3,764,477                        |                                |                                  |
| Financial assets of the concession                      | 12   | 997,954                       | 873,699                          |                                |                                  |
| Recoverable taxes                                       | 8    | 193,070                       | 175,330                          | 4,818                          | 4,821                            |
| Income tax and Social Contribution taxes<br>recoverable | 9a   | 385,650                       | 305,829                          |                                |                                  |
| Dividends receivable                                    |      | 34,436                        | 62,025                           | 445,811                        | 1,004,796                        |
| Linked funds  |      | 1,047                         | 162                              | 132                            | 133                              |
| Inventories   |      | 40,817                        | 37,264                           | 12                             | 10                               |
| Advance to suppliers                                    | 26   | 51,397                        | 87,241                           |                                |                                  |
| Energy Development Account (CDE)                        | 11   | 63,751                        | 71,695                           |                                |                                  |
| Other   |      | 660,875                       | 647,638                          | 13,225                         | 10,224                           |
| <b>TOTAL, CURRENT</b>                                   |      | <b>8,156,182</b>              | <b>9,376,738</b>                 | <b>833,140</b>                 | <b>1,403,858</b>                 |
| <b>NON-CURRENT</b>                                      |      |                               |                                  |                                |                                  |
| Marketable securities                                   | 6    | 54,402                        | 83,566                           | 1,711                          | 2,275                            |
| Advance to suppliers                                    | 26   | 110,042                       | 60,000                           |                                |                                  |
| Consumers and traders; Concession holders               |      |                               |                                  |                                |                                  |
| Transport of electricity                                | 7    | 139,491                       | 133,691                          |                                |                                  |
| Recoverable taxes                                       | 8    | 253,892                       | 257,851                          | 6,570                          | 6,570                            |
| Income tax and Social Contribution tax<br>recoverable   | 9a   | 177,330                       | 205,620                          | 177,330                        | 205,620                          |
| Deferred income tax and Social Contribution<br>tax      | 9b   | 1,653,023                     | 1,498,479                        | 917,142                        | 778,120                          |
| Escrow deposits   | 10   | 1,873,767                     | 1,813,341                        | 506,658                        | 483,264                          |
| Other   |      | 812,931                       | 807,724                          | 21,112                         | 23,255                           |
| Financial assets of the concession                      | 12   | 5,090,698                     | 2,659,805                        |                                |                                  |
| Investments   | 13   | 10,077,908                    | 9,744,847                        | 14,316,007                     | 13,412,081                       |
| Property, plant and equipment                           | 14   | 3,848,629                     | 3,940,323                        | 2,426                          | 2,177                            |

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|                           |    |                   |                   |                   |                   |
|---------------------------|----|-------------------|-------------------|-------------------|-------------------|
| Intangible assets         | 15 | 10,487,061        | 10,275,104        | 1,868             | 1,918             |
| <b>TOTAL, NON-CURRENT</b> |    | <b>34,579,174</b> | <b>31,480,351</b> | <b>15,950,824</b> | <b>14,915,280</b> |
| <b>TOTAL ASSETS</b>       |    | <b>42,735,356</b> | <b>40,857,089</b> | <b>16,783,964</b> | <b>16,319,138</b> |

The Condensed Explanatory Notes are an integral part of the Interim Financial Statements.

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## STATEMENTS OF FINANCIAL POSITION

AT JUNE 30, 2016 AND DECEMBER 31, 2015

## LIABILITIES

(In thousands of Brazilian Reais R\$)

|   | Note | Consolidated<br>(Unaudited)   |                                  | Holding company<br>(Unaudited) |                                  |
|---|------|-------------------------------|----------------------------------|--------------------------------|----------------------------------|
|   |      | June 30, 2016<br>Re-presented | Dec. 31,<br>2015<br>Re-presented | June 30, 2016<br>Re-presented  | Dec. 31,<br>2015<br>Re-presented |
| Suppliers                                       | 16   | 1,565,749                     | 1,901,153                        | 5,915                          | 8,765                            |
| Regulatory charges                              | 19   | 433,294                       | 516,983                          |                                |                                  |
| Employees and managers profit shares            |      | 15,652                        | 114,031                          | 920                            | 7,986                            |
| Taxes and charges                               | 17a  | 671,608                       | 740,113                          | 26,242                         | 53,123                           |
| Income tax and Social Contribution tax          | 17b  | 13,011                        | 10,646                           |                                |                                  |
| Interest on Equity, and dividends, payable      | 22   | 572,872                       | 1,306,815                        | 572,641                        | 1,306,584                        |
| Loans, financings and debentures                | 18   | 4,618,734                     | 6,300,359                        |                                |                                  |
| Payroll and related charges                     |      | 276,302                       | 220,573                          | 12,408                         | 10,382                           |
| Post-retirement obligations                     | 20   | 185,785                       | 166,990                          | 10,199                         | 9,139                            |
| Concessions payable                             |      | 2,900                         | 2,811                            |                                |                                  |
| Concession Grant Fee Auction 12/2015            | 12   | 827,921                       |                                  |                                |                                  |
| Financial liabilities of the concession         | 12   | 41,507                        |                                  |                                |                                  |
| Financial instruments Put options               | 13   | 1,679,455                     | 1,245,103                        | 1,679,455                      | 1,245,103                        |
| Other obligations                               |      | 480,412                       | 548,495                          | 3,921                          | 5,200                            |
| <b>TOTAL, CURRENT</b>                           |      | <b>11,385,202</b>             | <b>13,074,072</b>                | <b>2,311,701</b>               | <b>2,646,282</b>                 |
| <b>NON-CURRENT</b>                              |      |                               |                                  |                                |                                  |
| Regulatory charges                              | 19   | 303,176                       | 226,413                          |                                |                                  |
| Loans, financings and debentures                | 18   | 10,829,029                    | 8,866,178                        |                                |                                  |
| Taxes and charges                               | 17a  | 740,111                       | 739,711                          |                                |                                  |
| Deferred income tax and Social Contribution tax | 9b   | 854,179                       | 689,247                          |                                |                                  |
| Post-retirement obligations                     | 20   | 3,173,491                     | 3,086,381                        | 307,624                        | 294,052                          |
| Concessions payable                             |      | 19,119                        | 18,578                           |                                |                                  |
| Provisions                                      | 21   | 785,346                       | 754,573                          | 312,799                        | 335,134                          |
| Financial liabilities of the concession         | 12   | 411,244                       |                                  |                                |                                  |
| Financial instruments Put options               | 13   | 173,625                       | 147,614                          |                                |                                  |
| Other obligations                               |      | 262,667                       | 266,646                          | 57,816                         | 59,972                           |
| <b>TOTAL, NON-CURRENT</b>                       |      | <b>17,551,987</b>             | <b>14,795,341</b>                | <b>678,239</b>                 | <b>689,158</b>                   |
| <b>TOTAL LIABILITIES</b>                        |      | <b>28,937,189</b>             | <b>27,869,413</b>                | <b>2,989,940</b>               | <b>3,335,440</b>                 |

|   |           |                   |                   |                   |                   |
|---|-----------|-------------------|-------------------|-------------------|-------------------|
| <b>STOCKHOLDERS EQUITY</b>                                | <b>22</b> |                   |                   |                   |                   |
| Share capital   |           | 6,294,208         | 6,294,208         | 6,294,208         | 6,294,208         |
| Capital reserves  |           | 1,924,503         | 1,924,503         | 1,924,503         | 1,924,503         |
| Profit reserves   |           | 5,285,253         | 4,662,723         | 5,285,253         | 4,662,723         |
| Equity valuation adjustments                              |           | 61,082            | 102,264           | 61,082            | 102,264           |
| Retained earnings   |           | 228,978           |                   | 228,978           |                   |
| <b>EQUITY ATTRIBUTABLE TO CONTROLLING STOCKHOLDERS</b>    |           | <b>13,794,024</b> | <b>12,983,698</b> | <b>13,794,024</b> | <b>12,983,698</b> |
| <b>EQUITY ATTRIBUTABLE TO NON-CONTROLLING STOCKHOLDER</b> |           | <b>4,143</b>      | <b>3,978</b>      |                   |                   |
| <b>STOCKHOLDERS EQUITY</b>                                |           | <b>13,798,167</b> | <b>12,987,676</b> | <b>13,794,024</b> | <b>12,983,698</b> |
| <b>TOTAL LIABILITIES AND EQUITY</b>                       |           | <b>42,735,356</b> | <b>40,857,089</b> | <b>16,783,964</b> | <b>16,319,138</b> |

The Condensed Explanatory Notes are an integral part of the Interim Financial Statements.

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**CONSOLIDATED STATEMENTS OF INCOME**

**FOR THE SIX-MONTH PERIODS ENDED JUNE 30, 2016 AND 2015**

**R\$ 000 (except Net profit per share)**

|  | Note      | Consolidated<br>(Unaudited)<br>Jun. 30, 2016 | Consolidated<br>(Unaudited)<br>Jun. 30, 2015 | Holding company<br>(Unaudited)<br>Jun. 30, 2016 | Holding company<br>(Unaudited)<br>Jun. 30, 2015 |
|--|-----------|--|--|---|---|
| <b>NET REVENUE</b>   | <b>23</b> | <b>9,205,807</b>                             | <b>11,241,759</b>                            | <b>453</b>                                      | <b>161</b>                                      |
| <b>OPERATING COSTS</b>   |           |  |  |   |   |
| <b>COST OF ELECTRICITY AND GAS</b>                                     | <b>24</b> |  |  |   |   |
| Electricity purchased for resale                                       |           | (3,956,110)                                  | (4,733,681)                                  |   |   |
| Charges for use of the National Grid                                   |           | (525,912)                                    | (492,643)                                    |   |   |
| Gas bought for resale  |           | (427,009)                                    | (523,922)                                    |   |   |
|  |           | (4,909,031)                                  | (5,750,246)                                  |   |   |
| <b>OTHER COSTS</b>   | <b>24</b> |  |  |   |   |
| Personnel and managers   |           | (683,827)                                    | (539,889)                                    |   |   |
| Materials  |           | (17,088)                                     | (24,813)                                     |   |   |
| Raw materials and inputs for production of electricity                 |           | (27)   | (74,971)                                     |   |   |
| Outsourced services  |           | (353,972)                                    | (360,189)                                    |   |   |
| Depreciation and amortization  |           | (382,969)                                    | (416,652)                                    |   |   |
| Operating provisions   |           | (86,834)                                     | (77,903)                                     |   |   |
| Infrastructure construction cost                                       |           | (583,733)                                    | (499,663)                                    |   |   |
| Other  |           | (38,936)                                     | (104,733)                                    |   |   |
|  |           | (2,147,386)                                  | (2,098,813)                                  |   |   |
| <b>TOTAL COST</b>  |           | <b>(7,056,417)</b>                           | <b>(7,849,059)</b>                           |   |   |
| <b>GROSS PROFIT</b>  |           | <b>2,149,390</b>                             | <b>3,392,700</b>                             | <b>453</b>                                      | <b>161</b>                                      |
| <b>OPERATING EXPENSES</b>  | <b>24</b> |  |  |   |   |
| Selling expenses   |           | (174,566)                                    | (58,077)                                     |   |   |
| G&A expenses   |           | (309,029)                                    | (276,265)                                    | (21,291)  | (25,983)  |
| Operating provisions   |           | (472,212)                                    | (137,025)                                    | (446,201)                                       | (137,025)                                       |
| Other operational expenses   |           | (286,341)                                    | (369,216)                                    | (23,537)  | (20,322)  |
|  |           | (1,242,148)                                  | (840,583)                                    | (491,029)                                       | (183,330)                                       |
| Equity method gain (loss)  | 13        | 14,042                                       | 95,810                                       | 502,706   | 2,130,839                                       |
| Fair value gain (loss) on stockholding transaction                     | 13        |  | 734,530                                      |   |   |
| <b>Operational profit before Financial income (expenses) and taxes</b> |           | <b>921,284</b>                               | <b>3,382,457</b>                             | <b>12,130</b>                                   | <b>1,947,670</b>                                |
| Financial revenues   | 25        | 609,260                                      | 524,855                                      | 71,455  | 13,422  |
| Financial expenses   | 25        | (1,233,847)                                  | (1,049,886)                                  | (3,204)   | (3,698)   |

|   |    |                |                  |                |                  |
|---|----|----------------|------------------|----------------|------------------|
| <b>Profit before income tax and Social Contribution tax</b> |    | <b>296,697</b> | <b>2,857,426</b> | <b>80,381</b>  | <b>1,957,394</b> |
| Current income tax and Social Contribution taxes            | 9c | (78,867)       | (745,033)        | (12,237)       |                  |
| Deferred income tax and Social Contribution tax             | 9c | (10,499)       | (93,502)         | 139,022        | 61,220           |
| <b>PROFIT (LOSS) FOR THE PERIOD</b>                         |    | <b>207,331</b> | <b>2,018,891</b> | <b>207,166</b> | <b>2,018,614</b> |
| Total of net profit for the year attributed to:             |    |                |                  |                |                  |
| Interest of the controlling stockholders                    |    | 207,166        | 2,018,614        | 207,166        | 2,018,614        |
| Interest of non-controlling stockholder                     |    | 165            | 277              |                |                  |
|   |    | <b>207,331</b> | <b>2,018,891</b> | <b>207,166</b> | <b>2,018,614</b> |
| <b>Basic and diluted profit per preferred share</b>         | 22 | <b>0.16</b>    | <b>1.60</b>      | <b>0.16</b>    | <b>1.60</b>      |
| <b>Basic and diluted profit per common share</b>            | 22 | <b>0.16</b>    | <b>1.60</b>      | <b>0.16</b>    | <b>1.60</b>      |

The Condensed Explanatory Notes are an integral part of the Interim Financial Statements.

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## CONSOLIDATED STATEMENTS OF INCOME

FOR THE THREE-MONTH PERIODS ENDED JUNE 30, 2016 AND 2015

(In thousands of Brazilian Reais R\$ except Net profit per share)

|  | Note | Consolidated<br>(Unaudited) |                    | Holding company<br>(Unaudited) |                |
|--|------|-----------------------------|--------------------|--------------------------------|----------------|
|  |      | 2Q16                        | 2Q15               | 2Q16                           | 2Q15           |
| <b>NET REVENUE</b>   | 23   | <b>4,754,147</b>            | <b>5,392,480</b>   | <b>88</b>                      | <b>81</b>      |
| <b>OPERATING COSTS</b>   |      |                             |                    |                                |                |
| <b>COST OF ELECTRICITY AND GAS</b>   | 24   |                             |                    |                                |                |
| Electricity purchased for resale   |      | (2,024,749)                 | (2,312,277)        |                                |                |
| Charges for use of the National Grid                                       |      | (267,206)                   | (251,254)          |                                |                |
| Gas bought for resale  |      | (189,146)                   | (261,914)          |                                |                |
|  |      | (2,481,101)                 | (2,825,445)        |                                |                |
| <b>OTHER COSTS</b>   | 24   |                             |                    |                                |                |
| Personnel and managers   |      | (354,752)                   | (272,821)          |                                |                |
| Materials  |      | (11,909)                    | (14,261)           |                                |                |
| Raw materials and inputs for production of electricity                     |      | (9)                         | 2,547              |                                |                |
| Outsourced services  |      | (197,911)                   | (185,997)          |                                |                |
| Depreciation and amortization  |      | (197,950)                   | (175,813)          |                                |                |
| Operating provisions   |      | (6,352)                     | (69,427)           |                                |                |
| Infrastructure construction cost   |      | (348,712)                   | (266,090)          |                                |                |
| Other  |      | (30,279)                    | (79,025)           |                                |                |
|  |      | (1,147,874)                 | (1,060,887)        |                                |                |
| <b>TOTAL COST</b>  |      | <b>(3,628,975)</b>          | <b>(3,886,332)</b> |                                |                |
| <b>GROSS PROFIT</b>  |      | <b>1,125,172</b>            | <b>1,506,148</b>   | <b>88</b>                      | <b>81</b>      |
| <b>OPERATING EXPENSES</b>  | 24   |                             |                    |                                |                |
| Selling expenses   |      | (98,303)                    | (31,377)           |                                |                |
| G&A expenses   |      | (103,138)                   | (132,124)          | (9,239)                        | (10,748)       |
| Operating provisions   |      | (377,187)                   | (137,025)          | (360,667)                      | (137,025)      |
| Other operational expenses   |      | (141,527)                   | (160,655)          | (10,338)                       | (943)          |
|  |      | (720,155)                   | (461,181)          | (380,244)                      | (148,716)      |
| Equity method gain (loss)  | 13   | 71,969                      | 5,718              | 439,272                        | 631,078        |
| <b>Operational profit before Financial income<br/>(expenses) and taxes</b> |      | <b>476,986</b>              | <b>1,050,685</b>   | <b>59,116</b>                  | <b>482,443</b> |
| Financial revenues   | 25   | 390,398                     | 242,751            | 48,924                         | 7,468          |
| Financial expenses   | 25   | (602,427)                   | (494,332)          | (1,345)                        | (1,716)        |
| <b>Profit before income tax and Social Contribution<br/>tax</b>            |      | <b>264,957</b>              | <b>799,104</b>     | <b>106,695</b>                 | <b>488,195</b> |

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|   |    |                |                |                |                |
|---|----|----------------|----------------|----------------|----------------|
| Current income tax and Social Contribution taxes    | 9c | (7,075)        | (286,276)      | (10,583)       |                |
| Deferred income tax and Social Contribution tax     | 9c | (55,758)       | 21,436         | 105,935        | 45,937         |
| <b>PROFIT (LOSS) FOR THE PERIOD</b>                 |    | <b>202,124</b> | <b>534,264</b> | <b>202,047</b> | <b>534,132</b> |
| Total of net profit for the year attributed to:     |    |                |                |                |                |
| Interest of the controlling stockholders            |    | 202,047        | 534,132        | 202,047        | 534,132        |
| Interest of non-controlling stockholder             |    | 77             | 132            |                |                |
|   |    | <b>202,124</b> | <b>534,264</b> | <b>202,047</b> | <b>534,132</b> |
| <b>Basic and diluted profit per preferred share</b> | 22 | <b>0.16</b>    | <b>0.42</b>    | <b>0.16</b>    | <b>0.42</b>    |
| <b>Basic and diluted profit per common share</b>    | 22 | <b>0.16</b>    | <b>0.42</b>    | <b>0.16</b>    | <b>0.42</b>    |

The Condensed Explanatory Notes are an integral part of the Interim Financial Statements.

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**STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE SIX-MONTH PERIODS ENDED JUNE 30, 2016 AND 2015**

(In thousands of Brazilian Reais R\$)

|   | Consolidated<br>(Unaudited) |                  | Holding company<br>(Unaudited) |                  |
|---|-----------------------------|------------------|--------------------------------|------------------|
|   | Jun. 30, 2016               | Jun. 30, 2015    | Jun. 30, 2016                  | Jun. 30, 2015    |
| <b>PROFIT (LOSS) FOR THE PERIOD</b>   | <b>207,331</b>              | <b>2,018,891</b> | <b>207,166</b>                 | <b>2,018,614</b> |
| <b>OTHER COMPREHENSIVE INCOME</b>   |                             |                  |                                |                  |
| <b>Items that will not be reclassified to the Profit and loss account</b>                                 |                             |                  |                                |                  |
| Adjustment of actuarial liabilities – restatement of obligations of defined benefit plans, net of taxes   | (115)                       | (118)            |                                |                  |
| Equity gain on Other comprehensive income in jointly-controlled subsidiary                                | 6,803                       |                  | 6,688                          |                  |
|   | 6,688                       | (118)            | 6,688                          |                  |
| <b>Items that may be reclassified to the Profit and loss account</b>                                      |                             |                  |                                |                  |
| Exchange differences on Equity gain (loss) on Other comprehensive income in jointly-controlled subsidiary | (26,048)                    | 11,626           | (26,058)                       | 11,592           |
| Foreign exchange conversion differences on transactions outside Brazil                                    | (10)                        | 84               |                                |                  |
|   | (26,058)                    | 11,710           | (26,058)                       | 11,592           |
| <b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>  | <b>187,961</b>              | <b>2,030,483</b> | <b>187,796</b>                 | <b>2,030,206</b> |
| <b>Total of comprehensive income attributed to:</b>   |                             |                  |                                |                  |
| Interest of the controlling stockholders  | 187,796                     | 2,030,206        | 187,796                        | 2,030,206        |
| Interest of non-controlling stockholder   | 165                         | 277              |                                |                  |
|   | <b>187,961</b>              | <b>2,030,483</b> | <b>187,796</b>                 | <b>2,030,206</b> |

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## STATEMENTS OF COMPREHENSIVE INCOME

FOR THE THREE-MONTH PERIODS ENDED JUNE 30, 2016 AND 2015

(In thousands of Brazilian Reais R\$)

|   | Consolidated<br>(Unaudited) |                | Holding company<br>(Unaudited) |                |
|---|-----------------------------|----------------|--------------------------------|----------------|
|   | 2Q16                        | 2Q15           | 2Q16                           | 2Q15           |
| <b>PROFIT (LOSS) FOR THE PERIOD</b>                                       | <b>202,124</b>              | <b>534,264</b> | <b>202,047</b>                 | <b>534,132</b> |
| <b>OTHER COMPREHENSIVE INCOME</b>   |                             |                |                                |                |
| <b>Items that may be reclassified to the Profit and loss account</b>      |                             |                |                                |                |
| Exchange differences on Equity gain (loss) on                             |                             |                |                                |                |
| Other comprehensive income in jointly-controlled subsidiary               | 7,169                       | (1,636)        | 7,174                          | (1,832)        |
| Foreign exchange conversion differences on transactions outside<br>Brazil | 5                           | (196)          |                                |                |
|   | 7,174                       | (1,832)        | 7,174                          | (1,832)        |
| <b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>                          | <b>209,298</b>              | <b>532,432</b> | <b>209,221</b>                 | <b>532,300</b> |
| <b>Total of comprehensive income attributed to:</b>                       |                             |                |                                |                |
| Interest of the controlling stockholders                                  | 209,221                     | 532,300        | 209,221                        | 532,300        |
| Interest of non-controlling stockholder                                   | 77                          | 132            |                                |                |
|   | <b>209,298</b>              | <b>532,432</b> | <b>209,221</b>                 | <b>532,300</b> |

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## STATEMENTS OF CHANGES IN STOCKHOLDERS EQUITY CONSOLIDATED

FOR THE PERIODS ENDED JUNE 30, 2016 AND 2015

(In thousands of Brazilian Reais R\$)

| (Unaudited)   | Share capital    | Capital reserves | Profit reserves  | Equity valuation adjustments | Retained earnings | Total interest of controlling stockholder | Non-controlling stockholder | Total of stockholders equity |
|---|------------------|------------------|------------------|------------------------------|-------------------|---|-----------------------------|------------------------------|
| <b>BALANCES ON DECEMBER 31, 2015 (Re-presented)</b>   | <b>6,294,208</b> | <b>1,924,503</b> | <b>4,662,723</b> | <b>102,264</b>               |                   | <b>12,983,698</b>                         | <b>3,978</b>                | <b>12,987,676</b>            |
| Profit (loss) for the period  |                  |                  |                  |                              | 207,166           | 207,166                                   | 165                         | 207,331                      |
| <b>Other comprehensive income</b>   |                  |                  |                  |                              |                   |   |                             |                              |
| Adjustment of actuarial liabilities restatement of obligations of the defined benefit plans, net of taxes |                  |                  |                  | (115)                        |                   | (115)                                     |                             | (115)                        |
| Equity gain (loss) on Other comprehensive income in subsidiary and jointly-controlled subsidiary          |                  |                  |                  | (19,245)                     |                   | (19,245)                                  |                             | (19,245)                     |
| Foreign exchange conversion differences on transactions outside Brazil                                    |                  |                  |                  | (10)                         |                   | (10)                                      |                             | (10)                         |
| <b>Total comprehensive income for the period</b>  |                  |                  |                  | <b>(19,370)</b>              | <b>207,166</b>    | <b>187,796</b>                            | <b>165</b>                  | <b>187,961</b>               |
| <b>Other changes in Stockholders equity:</b>  |                  |                  |                  |                              |                   |   |                             |                              |
| Portion of mandatory dividends that will  |                  |                  | 622,530          |                              |                   | 622,530                                   |                             | 622,530                      |

not be distributed  
Reversal of provision

**Realization of  
reserves**

Valuation  
adjustments to  
Stockholders' equity  
deemed cost of  
PP&E

(21,812) 21,812

**BALANCES ON  
JUNE 30, 2016**

(Re-presented)

6,294,208 1,924,503 5,285,253 61,082 228,978 13,794,024 4,143 13,798,167

**EQUITY  
ATTRIBUTABLE  
TO MINORITY  
STOCKHOLDERS**

4,143 4,143

**EQUITY  
ATTRIBUTABLE  
TO  
CONTROLLING  
STOCKHOLDERS**

6,294,208 1,924,503 5,285,253 61,082 228,978 13,794,024 13,794,024

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| (Unaudited)  | Share capital    | Capital reserves | Profit reserves  | Equity valuation adjustments | Retained earnings | Total interest of controlling stockholders | Non-controlling stockholders | Total of stockholders equity |
|--|------------------|------------------|------------------|------------------------------|-------------------|--|------------------------------|------------------------------|
| <b>BALANCES ON DECEMBER 31, 2014</b>                                       | <b>6,294,208</b> | <b>1,924,503</b> | <b>2,593,868</b> | <b>468,332</b>               |                   | <b>11,280,911</b>                          | <b>4,041</b>                 | <b>11,284,952</b>            |
| Profit (loss) for the period   |                  |                  |                  |                              | 2,018,614         | 2,018,614                                  | 277                          | 2,018,891                    |
| <b>Other comprehensive income</b>  |                  |                  |                  |                              |                   |  |                              |                              |
| Adjustment of actuarial liabilities  |                  |                  |                  |                              |                   |  |                              |                              |
| restatement of obligations of the defined benefit plans, net of taxes      |                  |                  |                  | (118)                        |                   | (118)                                      |                              | (118)                        |
| Equity gain on Other comprehensive income in jointly-controlled subsidiary |                  |                  |                  | 11,626                       |                   | 11,626                                     |                              | 11,626                       |
| Foreign exchange conversion differences on transactions outside Brazil     |                  |                  |                  | 84                           |                   | 84   |                              | 84                           |
| <b>Total comprehensive income for the period</b>                           |                  |                  |                  | <b>11,592</b>                | <b>2,018,614</b>  | <b>2,030,206</b>                           | <b>277</b>                   | <b>2,030,483</b>             |
| <b>Other changes in Stockholders equity:</b>                               |                  |                  |                  |                              |                   |  |                              |                              |
| Additional dividends proposed in 2014 to non-controlling stockholders      |                  |                  |                  |                              |                   |  | (335)                        | (335)                        |
| Portion of mandatory dividends not distributed reversal of provision       |                  |                  | 797,316          |                              |                   | 797,316                                    |                              | 797,316                      |

Realization of  
reserve for  
adjustments to  
Stockholders' equity  
deemed cost of  
PP&E

(39,728) 39,728

**BALANCES ON  
JUNE 30, 2015**

**6,294,208 1,924,503 3,391,184 440,196 2,058,342 14,108,433 3,983 14,112,416**

**MINORITY  
INTERESTS**

**3,983 3,983**

**EQUITY  
ATTRIBUTABLE  
TO  
CONTROLLING  
STOCKHOLDERS**

**6,294,208 1,924,503 3,391,184 440,196 2,058,342 14,108,433 3,983 14,112,416**

The Condensed Explanatory Notes are an integral part of the Interim Financial Statements.

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## STATEMENTS OF CASH FLOW

FOR THE PERIODS ENDED JUNE 30, 2016 AND 2015

(In thousands of Brazilian Reais R\$)

|   | Consolidated<br>(Unaudited) |                  | Holding company<br>(Unaudited) |                  |
|---|-----------------------------|------------------|--------------------------------|------------------|
|   | June 30,<br>2016            | June 30,<br>2015 | June 30,<br>2016               | June 30,<br>2015 |
| <b>CASH FLOW FROM OPERATIONS</b>  |                             |                  |                                |                  |
| Profit (loss) for the period  | 207,331                     | 2,018,891        | 207,166                        | 2,018,614        |
| <b>Expenses (revenues) not affecting cash and cash equivalents</b>  |                             |                  |                                |                  |
| Income tax and Social Contribution tax  | 89,366                      | 838,535          | (126,785)                      | (61,220)         |
| Depreciation and amortization   | 398,717                     | 428,708          | 260                            | 241              |
| Losses on write-offs of PP&E and Intangible assets  | 39,899                      | 55,653           | 25                             |                  |
| Equity method gain (loss)   | (14,042)                    | (95,810)         | (502,706)                      | (2,130,839)      |
| Interest and monetary updating  | 52,518                      | 556,266          | (52,666)                       |                  |
| Fair value gain (loss) on stockholding transaction  |                             | (734,530)        |                                |                  |
| Provisions (reversals) for operational losses   | 733,612                     | 273,005          | 446,201                        | 137,025          |
| CVA Account (Account for Compensation of Portion A items) and <i>Other Financial Components</i> in tariff adjustments | 663,555                     | (762,497)        |                                |                  |
| POST-RETIREMENT OBLIGATIONS   | 223,576                     | 187,502          | 20,972                         | 9,950            |
|   | 2,394,532                   | 2,765,723        | (7,533)                        | (26,229)         |
| (Increase) / decrease in assets   |                             |                  |                                |                  |
| Consumers and Traders   | 291,711                     | (1,104,759)      |                                |                  |
| CVA Account (Account for Compensation of Portion A items) and <i>Other Financial Components</i> in tariff adjustments | 341,694                     | 806,923          |                                |                  |
| Funding from Energy Development Account (CDE)   | 7,944                       | (116,543)        |                                |                  |
| Recoverable taxes   | (13,781)                    | (38,268)         | 3                              | (15)             |
| Income tax and Social Contribution tax recoverable  | (206,075)                   | (44,985)         | 28,290                         | 34,664           |
| Transport of electricity  | (2,049)                     | (29,422)         |                                |                  |
| Escrow deposits in litigation   | (21,159)                    | (22,317)         | (219)                          | 562              |
| Dividends received from equity holdings   | 345,406                     | 151,393          | 540,054                        | 300,863          |
| Financial assets of the concession  | 161,826                     | 4,818            |                                |                  |
| Other   | (27,944)                    | (96,404)         | 24,141                         | 18,735           |
|   | 877,573                     | (489,564)        | 592,269                        | 354,809          |
| Increase (reduction) in liabilities   |                             |                  |                                |                  |
| Suppliers   | (335,404)                   | (139,653)        | (2,850)                        | (1,037)          |
| Taxes and charges   | (68,105)                    | 89,570           | (26,881)                       | (37,571)         |
| Income tax and Social Contribution tax payable  | 179,160                     | (1,415)          | (3,345)                        | 2,673            |
| Payroll and related charges   | 55,729                      | 13,937           | 2,026                          | 404              |

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|  |             |           |          |          |
|--|-------------|-----------|----------|----------|
| Regulatory charges                           | (6,926)     | 294,460   |          |          |
| Post-retirement obligations                  | (117,671)   | (99,414)  | (6,340)  | (5,308)  |
| Other  | (208,228)   | 91,459    | (15,193) | (5,830)  |
|  | (501,445)   | 248,944   | (52,583) | (46,669) |
| Cash generated by Operations                 | 2,770,660   | 2,525,103 | 532,153  | 281,911  |
| Interest paid on loans and financings        | (1,084,559) | (846,938) |          | (2,673)  |
| Income tax and Social Contribution tax paid  | (101,229)   | (707,985) | (8,892)  |          |
| NET CASH GENERATED BY OPERATIONAL ACTIVITIES | 1,584,872   | 970,180   | 523,261  | 279,238  |

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|  | <b>Consolidated<br/>(Unaudited)</b> |                      | <b>Holding company<br/>(Unaudited)</b> |                      |
|--|-------------------------------------|----------------------|--|----------------------|
|  | <b>June 30, 2016</b>                | <b>June 30, 2015</b> | <b>June 30, 2016</b>                   | <b>June 30, 2015</b> |
| <b>CASH FLOW IN INVESTMENT ACTIVITIES</b>                |                                     |                      |  |                      |
| Securities Cash investments                              | 1,523,589                           | 484,735              | 39,150                                 | (61,585)             |
| Financial assets   | (1,472,264)                         | (56,258)             |  |                      |
| Linked funds   | (885)                               | 1,056                | 1                                      | 268                  |
| <b>Investments</b>                                       |                                     |                      |  |                      |
| Acquisition of equity interests in investees             |                                     | (309,684)            |  |                      |
| Cash injection in Investees                              | (643,254)                           | (84,445)             | (426,660)                              | (105,431)            |
| In PP&E  | (45,005)                            | (30,629)             | (484)                                  | (1,220)              |
| In Intangible assets                                     | (466,716)                           | (399,912)            |  |                      |
| <b>NET CASH FROM (USED IN) INVESTMENT ACTIVITIES</b>     | <b>(1,104,535)</b>                  | <b>(395,137)</b>     | <b>(387,993)</b>                       | <b>(167,968)</b>     |
| <b>CASH FLOW IN FINANCING ACTIVITIES</b>                 |                                     |                      |  |                      |
| New loans and debentures                                 | 2,251,598                           | 3,097,192            |  |                      |
| Loans and debentures paid                                | (2,044,738)                         | (3,673,618)          |  |                      |
| Interest on Equity, and dividends                        | (111,414)                           | (128,745)            | (111,414)                              | (128,745)            |
| <b>NET CASH FROM (USED IN) FINANCING ACTIVITIES</b>      | <b>95,446</b>                       | <b>(705,171)</b>     | <b>(111,414)</b>                       | <b>(128,745)</b>     |
| <b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>           | <b>575,783</b>                      | <b>(130,128)</b>     | <b>23,854</b>                          | <b>(17,475)</b>      |
| <b>STATEMENT OF CHANGES IN CASH AND CASH EQUIVALENTS</b> |                                     |                      |  |                      |
| Beginning of period                                      | 924,632                             | 887,143              | 256,484                                | 113,336              |
| End of period  | 1,500,415                           | 757,015              | 280,338                                | 95,861               |
|  | <b>575,783</b>                      | <b>(130,128)</b>     | <b>23,854</b>                          | <b>(17,475)</b>      |

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## STATEMENTS OF ADDED VALUE

FOR THE SIX-MONTH PERIODS ENDED JUNE 30, 2016 AND 2015

(In thousands of Brazilian Reais R\$)

|   | Jun. 30, 2016     | Consolidated<br>(Unaudited)<br>Jun. 30, 2015 | Jun. 30, 2016 | Holding company<br>(Unaudited)<br>Jun. 30, 2015 |
|---|-------------------|--|---------------|---|
| <b>REVENUES</b>   |                   |  |               |   |
| Sales of electricity, gas and services                  | 13,304,975        | 15,831,447                                   | 499           | 161   |
| Distribution construction revenue                       | 552,099           | 443,405                                      |               |   |
| Transmission construction revenue                       | 31,634            | 56,258                                       |               |   |
| Revenue from financial updating of concession grant fee | 148,694           |  |               |   |
| Transmission indemnity revenue                          | 592,469           | 54,872                                       |               |   |
| Investments in property, plant and equipment            | 35,335            | 5,895  |               |   |
| Other revenues  | 2,407             | 1,158  |               |   |
| Provision for doubtful receivables                      | (174,566)         | (58,077)                                     |               |   |
|   | <b>14,493,047</b> | <b>16,334,958</b>                            | <b>499</b>    | <b>161</b>                                      |
| <b>INPUTS ACQUIRED FROM THIRD PARTIES</b>               |                   |  |               |   |
| Electricity purchased for resale                        | (4,348,815)       | (5,143,052)                                  |               |   |
| Charges for use of national grid                        | (585,301)         | (534,469)                                    |               |   |
|   | (591,299)         | (597,819)                                    | (3,829)       | (4,196)   |

|  |                    |              |                    |              |                  |                 |                  |               |
|--|--------------------|--------------|--------------------|--------------|------------------|-----------------|------------------|---------------|
| Outsourced services                                |                    |              |                    |              |                  |                 |                  |               |
| Gas bought for resale                              | (427,009)          |              | (523,922)          |              |                  |                 |                  |               |
| Materials  | (330,061)          |              | (327,695)          |              | (45)             |                 | (145)            |               |
| Other operational costs                            | (757,701)          |              | (394,935)          |              | (455,803)        |                 | (145,902)        |               |
|  | <b>(7,040,186)</b> |              | <b>(7,521,892)</b> |              | <b>(459,677)</b> |                 | <b>(150,243)</b> |               |
| <b>GROSS VALUE ADDED</b>                           | <b>7,452,861</b>   |              | <b>8,813,066</b>   |              | <b>(459,178)</b> |                 | <b>(150,082)</b> |               |
| <b>RETENTIONS</b>                                  |                    |              |                    |              |                  |                 |                  |               |
| Depreciation and amortization                      | (398,717)          |              | (428,708)          |              | (260)            |                 | (241)            |               |
| <b>NET ADDED VALUE PRODUCED BY THE COMPANY</b>     | <b>7,054,144</b>   |              | <b>8,384,358</b>   |              | <b>(459,438)</b> |                 | <b>(150,323)</b> |               |
| <b>ADDED VALUE RECEIVED BY TRANSFER</b>            |                    |              |                    |              |                  |                 |                  |               |
| Equity method gain (loss)                          | 14,042             |              | 95,810             |              | 502,706          |                 | 2,130,839        |               |
| Financial revenues                                 | 609,260            |              | 524,855            |              | 71,455           |                 | 13,422           |               |
| Fair value gain (loss) on stockholding transaction |                    |              | 734,530            |              |                  |                 |                  |               |
| <b>ADDED VALUE TO BE DISTRIBUTED</b>               | <b>7,677,446</b>   |              | <b>9,739,553</b>   |              | <b>114,723</b>   |                 | <b>1,993,938</b> |               |
| <b>DISTRIBUTION OF ADDED VALUE</b>                 |                    |              |                    |              |                  |                 |                  |               |
|  |                    | %            |                    | %            |                  | %               |                  | %             |
| <b>Employees</b>                                   | <b>933,243</b>     | <b>12.16</b> | <b>861,466</b>     | <b>8.85</b>  | <b>28,984</b>    | <b>25.26</b>    | <b>29,700</b>    | <b>1.49</b>   |
| Direct remuneration                                | 646,198            | 8.42         | 617,457            | 6.34         | 9,690            | 8.45            | 20,484           | 1.03          |
| Benefits   | 243,073            | 3.17         | 209,780            | 2.15         | 18,509           | 16.13           | 8,292            | 0.42          |
| FGTS fund  | 43,972             | 0.57         | 34,229             | 0.35         | 785              | 0.68            | 924              | 0.05          |
| <b>Taxes and charges</b>                           | <b>5,174,448</b>   | <b>67.39</b> | <b>5,683,751</b>   | <b>58.36</b> | <b>(124,953)</b> | <b>(108.92)</b> | <b>(58,478)</b>  | <b>(2.93)</b> |
| Federal  | 2,551,316          | 33.23        | 3,571,438          | 36.67        | (125,194)        | (109.13)        | (58,714)         | (2.94)        |
| State  | 2,615,849          | 34.07        | 2,106,430          | 21.63        | 48               | 0.04            | 105              | 0.01          |
| Municipal  | 7,283              | 0.09         | 5,883              | 0.06         | 193              | 0.17            | 131              | 0.01          |

|  |                  |               |                  |               |                |               |                  |               |
|--|------------------|---------------|------------------|---------------|----------------|---------------|------------------|---------------|
| <b>Remuneration of external capital</b>                    | <b>1,362,424</b> | <b>17.75</b>  | <b>1,175,445</b> | <b>12.07</b>  | <b>3,526</b>   | <b>3.07</b>   | <b>4,102</b>     | <b>0.21</b>   |
| Interest   | 1,313,343        | 17.11         | 1,120,047        | 11.50         | 3,204          | 2.79          | 3,697            | 0.19          |
| Rentals  | 49,081           | 0.64          | 55,398           | 0.57          | 322            | 0.28          | 405              | 0.02          |
| <b>Remuneration of own capital</b>                         | <b>207,331</b>   | <b>2.70</b>   | <b>2,018,891</b> | <b>20.73</b>  | <b>207,166</b> | <b>180.58</b> | <b>2,018,614</b> | <b>101.24</b> |
| Retained earnings  | 207,166          | 2.70          | 2,018,614        | 20.73         | 207,166        | 180.58        | 2,018,614        | 101.24        |
| Non-controlling stockholders interest in Retained earnings | 165              |               | 277              |               |                |               |                  |               |
|  | <b>7,677,446</b> | <b>100.00</b> | <b>9,739,553</b> | <b>100.00</b> | <b>114,723</b> | <b>100.00</b> | <b>1,993,938</b> | <b>100.00</b> |

The Condensed Explanatory Notes are an integral part of the Interim Financial Statements.

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**CONDENSED EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS**

**FOR THE QUARTER AND SIX MONTHS ENDED JUNE 30, 2016**

**(In thousands of Brazilian Reals R\$ 000 except where otherwise indicated)**

**(Unaudited)**

**1. OPERATIONAL CONTEXT**

**a) The Company**

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 N° 17.155.730/0001-64, with shares traded on the BM&FBovespa ( Bovespa ) at Corporate Governance Level 1; on the New York Stock Exchange (NYSE), through ADRs; and on the stock exchange of Madrid ( Latibex ). It is domiciled in Brazil, with head office at Avenida Barbacena 1200, Belo Horizonte, 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.

On December 21, 2015, Cemig D 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 new amendment establishes service quality and economic-financial parameters that Cemig D must meet during the new concession period.

On June 30, 2016 the Company's consolidated current liabilities exceeded its consolidated current assets by R\$ 3,229,020. The reason for this working capital deficiency was, primarily, new financings obtained in 2015 with short-term maturities for the Company's Investment Program, and transfer of debentures from long term to short term, associated with the provision for dividends and Interest on Equity in the amount of R\$ 633,967, in December 2015, and the provision for loss on put options in the amount of R\$ 1,679,455 in June 2016. Another factor in this result was the amount of R\$ 830,821, posted in Concessions payable, referring to the remaining balance of the debt owed by Cemig GT to the concession-granting power under the auction of the plants of Lot D.

Management monitors the Company's cash flow, and for this purpose assesses measures to adjust the present situation of its financial assets and liabilities to the levels considered appropriate to meet its needs. In this case, in the first half of 2016 the Company carried out negotiations which resulted in issuance by Cemig D of a Bank Credit Note for R\$ 695,000, debentures for R\$ 1,615,000, and issuance of Promissory Notes by Cemig GT for R\$ 620,000, in July 2016. See more details in Notes 18 and 32.



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Negotiations are in progress with financial institutions for rollover of the debt becoming due in 2016, for long-term maturities. Also, the Company has had positive cash flow from its operations, of R\$ 1,584,872 to June 2016 and R\$ 970,180 to June 2015.

On June 30, 2016 the current liabilities of the Holding company exceeded its current assets by R\$ 1,478,561. This was principally the result of the provision for dividends in the amount of R\$ 633,967 in December 2015, and the provision of R\$ 1,679,455 for loss on put options.

Management monitors the Company's cash flow, and for this purpose assesses measures to adjust the present situation of its financial assets and liabilities to the levels considered appropriate to meet its needs. Also, the Holding company has had positive cash flow from its operations, of R\$ 523,261 to June 2016 and R\$ 279,238 to June 2015.

The Company's by-laws establish certain target levels for debt and investments which the Company's management must obey. However, the Annual General Meeting of Stockholders of May 30, 2016 gave authorization to exceed these indicators, exceptionally for the year 2016, as follows:

|  | <b>Target in the by-laws</b> | <b>Excess authorized by the AGM</b> |
|--|------------------------------|-------------------------------------|
| Consolidated debt / Ebitda                           | 2.00                         | 4.12                                |
| (Net debt) / (Net debt + Stockholders' equity)       | 40.00%                       | 52.00%                              |
| (Capex including acquisition of any assets) / Ebitda | 40.00%                       | 146.00%                             |

## 2. BASIS OF PREPARATION

### 2.1 Statement of compliance

The interim Financial Statements have been prepared in accordance with Technical Pronouncement 21 *Interim Reporting (Pronunciamento Técnico 21 Demonstração Intermediária*, or CPC21), and IAS 34 *Interim Financial Reporting*, issued by the International Accounting Standards Board (IASB); and are also presented in a form compliant with the rules issued by the Brazilian Securities Commission (*Comissão de Valores Mobiliários*, or CVM), applicable to preparation of Interim Financial Statements for the Quarterly Information (*Informações Trimestrais*, or ITR).

The Company has opted to present the individual and the consolidated Interim Financial Statements in a single group, since there is no difference in the values stated for (a) Stockholders' equity and (b) Net profit (loss) between the individual and the consolidated Interim Financial Statements.

This Interim Quarterly Information has been prepared according to principles, practices and criteria consistent with those adopted in the preparation of the annual accounting statements at December 31, 2015. Thus, this Interim financial information should be read in conjunction with the re-presented financial statements for 2015, approved by the Company's management on November 11, 2016.

All the material information used by Management in the management of the Company is in evidence in these interim financial statements.

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Authorization by the Company's management for issuance of the original Interim accounting information for the period ended June 30, 2016 was given on August 11, 2016. This Re-presented Interim accounting information for the period ended June 30, 2016 was approved by the Company's management on November 11, 2016, and reflects the effects of the adjustments described in Note 2.3 to this Interim accounting information.

## 2.2 Reconciling the Notes published in the annual financial statements and those in the Interim Financial Information

The table below shows the correlation between the Explanatory Notes published in the consolidated annual financial statements at December 31, 2015 and the consolidated interim financial accounting information at June 30, 2016.

The Company believes that this interim accounting information presents the material updating of information relating to its equity situation, and its results for the six months ended June 30, 2016, in compliance with the requirements for disclosure stated by the CVM (the Brazilian Securities Commission).

| Number of the Note |               | Title of the Note   |
|--------------------|---------------|---|
| Dec. 31, 2015      | June 30, 2016 |   |
| 1                  | 1             | Operational context   |
| 2                  | 2             | Basis of preparation  |
| 3                  | 3             | Consolidation principles  |
| 4                  | 4             | Concessions and authorizations  |
| 5                  | 29            | Operational segments  |
| 6                  | 5             | Cash and cash equivalents   |
| 7                  | 6             | Marketable securities   |
| 8                  | 7             | Consumers and traders; Concession holders    Transport of electricity   |
| 9                  | 8             | Recoverable taxes   |
| 10                 | 9             | Income tax and Social Contribution tax  |
| 11                 | 10            | Escrow deposits   |
| 12                 | 11            | Passthrough funding from the Energy Development Account ( <i>Conta de Desenvolvimento Energético</i> , or CDE) and the Flag Tariff Centralizing Account |
| 13                 | 12            | Financial assets and liabilities of the concession  |
| 14                 | 13            | Investments   |
| 15                 | 14            | Property, plant and equipment   |
| 16                 | 15            | Intangible assets   |
| 17                 | 16            | Suppliers   |
| 18                 | 17            | Taxes and social security   |
| 19                 | 18            | Loans, financings and debentures  |
| 20                 | 19            | Regulatory charges  |
| 21                 | 20            | Post-retirement obligations   |
| 22                 | 21            | Provisions  |
| 23                 | 22            | Stockholders' equity and remuneration to stockholders   |
| 24                 | 23            | Revenue   |
| 25                 | 24            | Operational costs and expenses  |
| 26                 | 25            | Financial revenue (expenses)  |

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|    |    |   |
|----|----|---|
| 27 | 26 | Related party transactions                |
| 28 | 27 | Financial instruments and risk management |
| 29 | 28 | Measurement at fair value                 |
| 32 | 31 | Transactions not involving cash           |
| 33 | 32 | Subsequent events                         |

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The Explanatory Notes of the 2015 annual report that were not included in this present Quarterly Information because they had no material changes, and/or were not applicable to the interim information, are as follows:

| Number | Title of the Note |
|--------|-------------------|
| 30     | Insurance         |
| 31     | Commitments       |

### 2.3 Re-presentation of the financial statements

As a result of the conclusions and results identified by the independent investigation into projects in which Norte Energia S.A. has equity interests, Cemig has recognized in its financial statements the impacts arising from this result, in proportion to its holding in NESA (through Aliança Norte and Amazônia Energia), as follows:

| Statement of financial position                  | Note | June 30, 2016     | Consolidated    |                            |
|--|------|-------------------|-----------------|----------------------------|
|  |      |                   | Adjustments     | 30/06/2016<br>Re-presented |
| <b>Assets</b>                                    |      |                   |                 |                            |
| <b>Non-current</b>                               |      |                   |                 |                            |
| Investments                                      | 13   | 10,100,783        | (22,875)        | 10,077,908                 |
| <b>Total, non-current</b>                        |      | <b>34,602,049</b> | <b>(22,875)</b> | <b>34,579,174</b>          |
| <b>Total assets</b>                              |      | <b>42,758,231</b> | <b>(22,875)</b> | <b>42,735,356</b>          |
| <b>Stockholders equity</b>                       |      |                   |                 |                            |
| Profit reserves                                  | 22   | 5,308,128         | (22,875)        | 5,285,253                  |
| <b>Total of stockholders equity</b>              |      | <b>13,821,042</b> | <b>(22,875)</b> | <b>13,798,167</b>          |
| <b>Total liabilities and Stockholders equity</b> |      | <b>42,758,231</b> | <b>(22,875)</b> | <b>42,735,356</b>          |

| Statement of financial position | Note | 2015              | Consolidated    |                      |
|---------------------------------|------|-------------------|-----------------|----------------------|
|                                 |      |                   | Adjustments     | 2015<br>Re-presented |
| <b>Assets</b>                   |      |                   |                 |                      |
| <b>Non-current</b>              |      |                   |                 |                      |
| Investments                     | 13   | 9,767,722         | (22,875)        | 9,744,847            |
| <b>Total, non-current</b>       |      | <b>31,503,226</b> | <b>(22,875)</b> | <b>31,480,351</b>    |
| <b>Total assets</b>             |      | <b>40,879,964</b> | <b>(22,875)</b> | <b>40,857,089</b>    |

**Liabilities****Current**

|  |    |                   |                 |                   |
|--|----|-------------------|-----------------|-------------------|
| Interest on Equity, and Dividends, payable       | 22 | 1,318,253         | (11,438)        | 1,306,815         |
| <b>Total, current</b>                            |    | <b>13,085,510</b> | <b>(11,438)</b> | <b>13,074,072</b> |
| <b>Total liabilities</b>                         |    | <b>27,880,851</b> | <b>(11,438)</b> | <b>27,869,413</b> |
| <b>Stockholders equity</b>                       | 22 |                   |                 |                   |
| Profit reserves                                  |    | 4,674,160         | (11,437)        | 4,662,723         |
| <b>Total of stockholders equity</b>              |    | <b>12,999,113</b> | <b>(11,437)</b> | <b>12,987,676</b> |
| <b>Total liabilities and Stockholders equity</b> |    | <b>40,879,964</b> | <b>(22,875)</b> | <b>40,857,089</b> |

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| Statement of financial position                  | Note | Holding company   |                 | Jun. 30,<br>2016<br>Re-presented |
|--|------|-------------------|-----------------|----------------------------------|
|  |      | Sep. 30,<br>2016  | Adjustments     |                                  |
| <b>Assets</b>                                    |      |                   |                 |                                  |
| <b>Non-current</b>                               |      |                   |                 |                                  |
| Investments                                      | 13   | 14,338,882        | (22,875)        | 14,316,007                       |
| <b>Total, non-current</b>                        |      | <b>15,973,699</b> | <b>(22,875)</b> | <b>15,950,824</b>                |
| <b>Total assets</b>                              |      | <b>16,806,839</b> | <b>(22,875)</b> | <b>16,783,964</b>                |
| <b>Stockholders equity</b>                       |      |                   |                 |                                  |
| Profit reserves                                  | 22   | 5,308,128         | (22,875)        | 5,285,253                        |
| <b>Total of stockholders equity</b>              |      | <b>13,816,899</b> | <b>(22,875)</b> | <b>13,794,024</b>                |
| <b>Total liabilities and Stockholders equity</b> |      | <b>16,806,839</b> | <b>(22,875)</b> | <b>16,783,964</b>                |

| Statement of financial position            | Note | Holding company   |                 | 2015<br>Re-presented |
|--|------|-------------------|-----------------|----------------------|
|  |      | 2015              | Adjustments     |                      |
| <b>Assets</b>                              |      |                   |                 |                      |
| <b>Current</b>                             |      |                   |                 |                      |
| Dividends receivable                       |      | 1,015,491         | (10,695)        | 1,004,796            |
| <b>Total, current</b>                      |      | <b>1,414,553</b>  | <b>(10,695)</b> | <b>1,004,796</b>     |
| <b>Non-current</b>                         |      |                   |                 |                      |
| Investments                                | 13   | 13,424,261        | (12,180)        | 13,412,081           |
| <b>Total, non-current</b>                  |      | <b>14,927,460</b> | <b>(12,180)</b> | <b>14,915,280</b>    |
| <b>Total assets</b>                        |      | <b>16,342,013</b> | <b>(22,875)</b> | <b>16,319,138</b>    |
| <b>Liabilities</b>                         |      |                   |                 |                      |
| <b>Current</b>                             |      |                   |                 |                      |
| Interest on Equity, and dividends, payable | 22   | 1,318,022         | (11,438)        | 1,306,584            |
| <b>Total, current</b>                      |      | <b>2,657,720</b>  | <b>(11,438)</b> | <b>2,646,282</b>     |
| <b>Total liabilities</b>                   |      | <b>3,346,878</b>  | <b>(11,438)</b> | <b>3,335,440</b>     |
| <b>Stockholders equity</b>                 |      |                   |                 |                      |
| Profit reserves                            | 22   | 4,674,160         | (11,437)        | 4,662,723            |



|  |                   |                 |                   |
|--|-------------------|-----------------|-------------------|
| <b>Total of stockholders equity</b>              | <b>12,995,135</b> | <b>(11,437)</b> | <b>12,983,698</b> |
| <b>Total liabilities and Stockholders equity</b> | <b>16,342,013</b> | <b>(22,875)</b> | <b>16,319,138</b> |

|  | <b>Jun. 30,<br/>2016</b> | <b>Adjustments</b> | <b>30/06/2016<br/>Re-presented</b> |
|--|--------------------------|--------------------|------------------------------------|
| <b>Statement of changes in stockholders equity</b> |                          |                    |                                    |
| <b>Profit reserves</b>                             |                          |                    |                                    |
| To Retained earnings                               | 5,308,128                | (22,875)           | 5,285,253                          |
| <b>Balance of Stockholders equity</b>              | <b>13,821,042</b>        | <b>(22,875)</b>    | <b>13,798,167</b>                  |

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|  |                  |                    | <b>2015</b>         |
|--|------------------|--------------------|---------------------|
| <b>Statement of changes in stockholders equity</b> | <b>2015</b>      | <b>Adjustments</b> | <b>Re-presented</b> |
| <b>Retained earnings</b>                           |                  |                    |                     |
| Net profit for the period                          | 2,491,375        | (22,875)           | 2,468,500           |
| Dividends under the by-laws                        | (1,267,935)      | 11,438             | (1,256,497)         |
| <b>Profit reserves</b>                             |                  |                    |                     |
| To Retained earnings                               | 1,262,280        | (11,437)           | 1,250,843           |
| <b>Total of profit reserves</b>                    | <b>4,674,160</b> | <b>(11,437)</b>    | <b>4,662,723</b>    |

### 3. PRINCIPLES OF CONSOLIDATION

The reporting dates for the interim accounting information on the subsidiaries and jointly-controlled subsidiaries, used for the purposes of calculation of consolidation and equity method gains (losses) 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>Subsidiary</b>   | <b>Form of valuation</b> | <b>June 30, 2016</b>   |
|---|--------------------------|------------------------|
|   |                          | <b>Direct stake, %</b> |
| Cemig GT (Generation and Transmission)                    | Consolidation            | 100.00                 |
| Cemig Distribuição  | Consolidation            | 100.00                 |
| Gasmig  | Consolidation            | 99.57                  |
| Cemig Telecom   | Consolidation            | 100.00                 |
| Rosal Energia   | Consolidation            | 100.00                 |
| Sá Carvalho   | Consolidation            | 100.00                 |
| Horizontes Energia  | Consolidation            | 100.00                 |
| Usina Térmica Ipatinga                                    | Consolidation            | 100.00                 |
| Cemig PCH   | Consolidation            | 100.00                 |
| Cemig Trading   | Consolidation            | 100.00                 |
| Efficientia   | Consolidation            | 100.00                 |
| Cemig Comercializadora de Energia Incentivada             | Consolidation            | 100.00                 |
| Barreiro Thermal Plant                                    | Consolidation            | 100.00                 |
| Empresa de Serviços e Comercialização de Energia Elétrica | Consolidation            | 100.00                 |

### 4. CONCESSIONS AND AUTHORIZATIONS

#### Renewal of the concessions of the *Jaguara* and *São Simão* Hydroelectric Plants

The company believes that it has the right to extension of these concessions, based on the original terms of the Concession Agreement, and is currently arguing this point in the courts, as follows:

The *Jaguara* hydroelectric plant

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As specified in the concession the agreement 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 12,783/13.

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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, 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 gives Cemig GT the right to remain in control of the Jaguara Plant, commercially operating the public service concession granted to it, until final judgment of the case.

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 the 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.

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 postponing 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.

Considering the present status of the legal dispute and supported by the opinion of its internal and external legal advisors, in the first half of 2016 the Company recognized the operational revenues and costs of this plant, in accordance with current accounting practices, in view of the fact that it remained in the control of the asset during this

period.

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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 hydro plant, based on Opinion 559/2014/CONJURMME/CGU/AGU.

On September 10, 2014, Cemig GT filed a Hierarchy Appeal with the MME, with request for reconsideration, for the Mining and Energy Minister to reconsider his decision and to grant the Company's request based only on Concession Contract 007/1997; and, successively, that the appeal should be sent to the President of the Republic, so that the President should issue a decision in favor of the Company's request in the same terms. 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 act that was illegal and violated the net and certain right of the plaintiff, practiced by the Mining and Energy Minister, for the purpose of obtaining extension of the period of concession of the São Simão plant, based on the Concession Agreement.

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 agreement.

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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.

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.

Although judgments have been given against the pleadings put forward by the Company in relation to orders of mandamus, the Company continues to be confident of its right, based on a contractual clause, and the legislation currently in effect, and on the Opinions issued by renowned jurists. The chances of success in the court dispute have been categorized possible, by the Company's internal and external legal advisers.

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Considering the present status of the legal dispute, and supported by the opinion of its internal and external legal advisers, the Company:

recognized, up to the date of September 15, 2015, the operational revenues 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\$ 219,869 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 it was made outside the period stipulated by Law 12783/2013* .

## 5. CASH AND CASH EQUIVALENTS

|                              | Consolidated     |                | Holding company |                |
|------------------------------|------------------|----------------|-----------------|----------------|
|                              | June 30, 2016    | Dec. 31, 2015  | June 30, 2016   | Dec. 31, 2015  |
| Banks accounts               | 46,927           | 51,939         | 4,643           | 4,161          |
| Cash investments             |                  |                |                 |                |
| Bank certificates of deposit | 1,259,062        | 722,738        | 260,383         | 234,754        |
| Overnight (Repos)            | 185,577          | 127,916        | 15,312          | 17,569         |
| Treasury Financial Bills     | 8,401            | 5,659          |                 |                |
| Other                        | 448              | 16,380         |                 |                |
|                              | 1,453,488        | 872,693        | 275,695         | 252,323        |
|                              | <b>1,500,415</b> | <b>924,632</b> | <b>280,338</b>  | <b>256,484</b> |

The financial investments are in transactions that are liquid, promptly convertible into a known amount of cash, are subject to insignificant risk of change in value, and have no restrictions on use. 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 (the *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 75% to 108.5%, depending on the transaction.

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 14.4% p.a.

The Company's exposure to interest rate risk and an analysis of sensitivity of financial assets and liabilities are given in Note 27 to this Interim Consolidated Financial Information.

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**6. SECURITIES**

|                              | <b>Consolidated</b>  |                      | <b>Holding company</b> |                      |
|------------------------------|----------------------|----------------------|------------------------|----------------------|
|                              | <b>Jun. 30, 2016</b> | <b>Dec. 31, 2015</b> | <b>June 30, 2016</b>   | <b>Dec. 31, 2015</b> |
| <b>Cash investments</b>      |                      |                      |                        |                      |
| <b>Current</b>               |                      |                      |                        |                      |
| Bank certificates of deposit | 107,538              | 1,716,944            | 19,531                 | 30,804               |
| Financial Notes Banks        | 554,142              | 460,639              | 45,724                 | 61,989               |
| Treasury Financial Bills     | 119,282              | 87,938               | 10,535                 | 12,588               |
| Debentures                   | 150,234              | 160,332              | 12,396                 | 21,590               |
| Other                        | 1,125                | 893                  | 618                    | 419                  |
|                              | <b>932,321</b>       | <b>2,426,746</b>     | <b>88,804</b>          | <b>127,390</b>       |
| <b>Non-current</b>           |                      |                      |                        |                      |
| Bank certificates of deposit | 33,692               | 42,011               |                        |                      |
| Financial Notes Banks        | 12,900               | 41,367               | 1,066                  | 2,249                |
| Debentures                   |                      |                      | 645                    |                      |
| Other                        | 7,810                | 188                  |                        | 26                   |
|                              | <b>54,402</b>        | <b>83,566</b>        | <b>1,711</b>           | <b>2,275</b>         |
|                              | <b>986,723</b>       | <b>2,510,312</b>     | <b>90,515</b>          | <b>129,665</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 98.5% to 109% 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 104.8% and 112.7% of the CDI rate.

Treasury Financial Bills (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.

Debentures are medium and long term debt securities, which give their holders a right of credit against the issuing company. The debentures in the portfolio of Cemig's Investment Fund have a remuneration rate varying between 108% and 113% of the CDI rate.

Note 27 gives a classification of these securities. Cash investments in securities of related parties are shown in Note 26.

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**7. CONSUMERS; TRADERS; CONCESSION HOLDERS TRANSPORT OF ELECTRICITY**

|  | Balances not yet due | Up to 90 days past due | Consolidated More than 90 days past due | June 30, 2016    | Dec. 31, 2015    |
|--|----------------------|------------------------|---|------------------|------------------|
| Invoiced supply                              | 1,068,249            | 726,594                | 776,320                                 | 2,571,163        | 2,412,520        |
| Supply not yet invoiced                      | 981,618              |                        |   | 981,618          | 1,125,479        |
| Wholesale supply to other concession holders | 121,927              | 21,847                 | 2,294                                   | 146,068          | 98,814           |
| CCEE (Electricity Trading Chamber)           | 53,815               |                        | 942                                     | 54,757           | 516,362          |
| Concession holders Transport of electricity  | 157,993              | 11,057                 | 203,436                                 | 372,486          | 370,438          |
| ( ) Allowance for doubtful accounts          |                      |                        | (692,152)                               | (692,152)        | (625,445)        |
|  | <b>2,383,602</b>     | <b>759,498</b>         | <b>290,840</b>                          | <b>3,433,940</b> | <b>3,898,168</b> |
| <b>Current assets</b>                        |                      |                        |   | <b>3,294,449</b> | <b>3,764,477</b> |
| <b>Non-current assets</b>                    |                      |                        |   | <b>139,491</b>   | <b>133,691</b>   |

The Company's exposure to credit risk related to Consumers and Traders is given in Note 27.

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:

|                                     | June 30, 2016  | Dec. 31, 2015  |
|-------------------------------------|----------------|----------------|
| Residential                         | 260,945        | 210,957        |
| Industrial                          | 140,604        | 135,925        |
| Commercial, services and others     | 129,099        | 116,684        |
| Rural                               | 20,033         | 18,877         |
| Public authorities                  | 11,288         | 11,546         |
| Public lighting                     | 3,901          | 5,052          |
| Public service                      | 9,818          | 9,783          |
| Charges for use of the network TUSD | 111,513        | 111,513        |
| Other                               | 4,951          | 5,108          |
|                                     | <b>692,152</b> | <b>625,445</b> |

Changes in the provision for doubtful receivables in the six months to June 30, 2016 were as follows:

|                                     |                |
|-------------------------------------|----------------|
| <b>Balance on December 31, 2014</b> | <b>649,850</b> |
| New provisions                      | 58,077         |

|                                     |                |
|-------------------------------------|----------------|
| Written off                         | (43,273)       |
| <b>Balance on June 30, 2015</b>     | <b>664,654</b> |
| <b>Balance on December 31, 2015</b> | <b>625,445</b> |
| New provisions                      | 174,566        |
| Written off                         | (107,859)      |
| <b>Balance on June 30, 2016</b>     | <b>692,152</b> |

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**8. RECOVERABLE TAXES**

|                      | Consolidated   |                | Holding company |               |
|----------------------|----------------|----------------|-----------------|---------------|
|                      | June 30, 2016  | Dec. 31, 2015  | June 30, 2016   | Dec. 31, 2015 |
| <b>Current</b>       |                |                |                 |               |
| ICMS tax recoverable | 131,035        | 113,459        | 3,432           | 3,432         |
| PIS and Pasep taxes  | 12,823         | 9,477          |                 |               |
| Cofins tax           | 39,442         | 43,755         | 1               |               |
| Other                | 9,770          | 8,639          | 1,385           | 1,389         |
|                      | 193,070        | 175,330        | 4,818           | 4,821         |
| <b>Non-current</b>   |                |                |                 |               |
| ICMS tax recoverable | 185,811        | 182,504        | 4,754           | 4,754         |
| PIS and Pasep taxes  | 11,669         | 12,966         | 4               | 4             |
| Cofins tax           | 54,185         | 60,155         | 16              | 16            |
| Other                | 2,227          | 2,226          | 1,796           | 1,796         |
|                      | 253,892        | 257,851        | 6,570           | 6,570         |
|                      | <b>446,962</b> | <b>433,181</b> | <b>11,388</b>   | <b>11,391</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 that will be realized up to June 30, 2017.

**9. INCOME TAX AND SOCIAL CONTRIBUTION TAX****a) Income tax and Social Contribution tax recoverable**

The balances of income tax and Social Contribution tax refer to tax credits in corporate income tax returns of previous years and to advance payments which will be offset against federal taxes payable.

|                         | Consolidated  |               | Holding company |               |
|-------------------------|---------------|---------------|-----------------|---------------|
|                         | June 30, 2016 | Dec. 31, 2015 | June 30, 2016   | Dec. 31, 2015 |
| <b>Current</b>          |               |               |                 |               |
| Income tax              | 273,525       | 225,638       |                 |               |
| Social Contribution tax | 112,125       | 80,191        |                 |               |
|                         | 385,650       | 305,829       |                 |               |
| <b>Non-current</b>      |               |               |                 |               |
| Income tax              | 154,173       | 191,978       | 154,173         | 191,978       |
| Social Contribution tax | 23,157        | 13,642        | 23,157          | 13,642        |



177,330 205,620 177,330 205,620

**562,980 511,449 177,330 205,620**

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**b) Deferred income tax and Social Contribution tax**

Cemig and its subsidiaries have income tax credits, constituted at the rate of 25.00%, and Social Contribution tax credits, at the rate of 9.00%, as follows:

| Deferred income tax and Social Contribution tax.               | Consolidated       |                    | Holding company  |                 |
|--|--------------------|--------------------|------------------|-----------------|
|  | June 30, 2016      | Dec. 31, 2015      | June 30, 2016    | Dec. 31, 2015   |
| <b>Tax credits</b>   |                    |                    |                  |                 |
| Tax loss carryforwards   | 255,270            | 236,168            | 229,258          | 234,529         |
| Provisions   | 879,985            | 712,999            | 677,366          | 537,281         |
| Post-retirement obligations                                    | 866,189            | 830,748            | 94,456           | 89,509          |
| Provision for doubtful receivables                             | 232,726            | 210,072            | 7,192            | 7,195           |
| Taxes payable suspended liability (1)                          | 200,612            | 199,571            |                  |                 |
| Paid concession  | 9,324              | 9,000              |                  |                 |
| Other  | 22,676             | 54,378             | 229              | 2,214           |
| <b>Total</b>   | <b>2,466,782</b>   | <b>2,252,936</b>   | <b>1,008,501</b> | <b>870,728</b>  |
| <b>Deferred obligations</b>                                    |                    |                    |                  |                 |
| Funding cost   | (31,183)           | (20,532)           |                  |                 |
| Deemed cost  | (272,854)          | (279,575)          |                  |                 |
| Cost of acquisition of equity interests                        | (490,445)          | (499,403)          | (91,359)         | (92,608)        |
| Financial charges capitalized                                  | (132,295)          | (107,676)          |                  |                 |
| Tax on revenues not realized Presumed Profit accounting method | (3,319)            | (1,821)            |                  |                 |
| Transmission assets: Indemnity gain                            | (462,960)          | (261,521)          |                  |                 |
| Updating of Financial assets                                   | (274,882)          | (273,155)          |                  |                 |
| Other  |                    | (21)               |                  |                 |
| <b>Total</b>   | <b>(1,667,938)</b> | <b>(1,443,704)</b> | <b>(91,359)</b>  | <b>(92,608)</b> |
| <b>Total, net</b>  | <b>798,844</b>     | <b>809,232</b>     | <b>917,142</b>   | <b>778,120</b>  |
| <b>Total assets</b>  | <b>1,653,023</b>   | <b>1,498,479</b>   | <b>917,142</b>   | <b>778,120</b>  |
| <b>Total liabilities</b>                                       | <b>(854,179)</b>   | <b>(689,247)</b>   |                  |                 |

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

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**c) Reconciliation of the expense on income tax and Social Contribution tax**

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

|  | Consolidated    |                  | Holding company  |                |
|--|-----------------|------------------|------------------|----------------|
|  | 1H16            | 1H15             | 1H16             | 1H15           |
| Pre-tax profit   | 296,697         | 2,857,426        | 80,381           | 1,957,394      |
| Income tax and Social Contribution tax nominal expense                     | (100,877)       | (971,525)        | (27,329)         | (665,514)      |
| Tax effects applicable to:   |                 |                  |                  |                |
| Equity gain (loss) in subsidiaries (net of Interest on Equity)             | (9,851)         | 35,444           | 153,240          | 726,150        |
| Gain on change in percentage equity interest in Aliança Geração            |                 | 88,392           |                  |                |
| Non-deductible contributions and donations                                 | (1,804)         | (1,815)          |                  |                |
| Tax incentives   | 1,109           | 4,302            | 50               |                |
| Tax credits not recognized   | (1,586)         | (539)            | (66)             | 3              |
| Difference between Presumed Profit and Real Profit Methods                 | 34,286          | 15,093           |                  |                |
| Income tax and Social Contribution tax correction to prior year tax return |                 | (114)            |                  |                |
| Non-deductible fines   | (7,582)         | (4,429)          | (14)             | (3)            |
| Excess reactive power and excess demand                                    | (6,157)         | (5,540)          |                  |                |
| Other  | 3,096           | 2,196            | 904              | 584            |
| <b>Income tax and Social Contribution tax effective credit (expense)</b>   | <b>(89,366)</b> | <b>(838,535)</b> | <b>126,785</b>   | <b>61,220</b>  |
| <b>Effective rate</b>  | <b>30.14%</b>   | <b>29.35%</b>    | <b>(157.73)%</b> | <b>(3.13)%</b> |
| <b>Current tax</b>   | <b>(78,867)</b> | <b>(745,033)</b> | <b>(12,237)</b>  |                |
| <b>Deferred tax</b>  | <b>(10,499)</b> | <b>(93,502)</b>  | <b>139,022</b>   | <b>61,220</b>  |

|  | Consolidated |           | Holding company |           |
|--|--------------|-----------|-----------------|-----------|
|  | 2Q16         | 2Q15      | 2Q16            | 2Q15      |
| Pre-tax profit   | 264,957      | 799,104   | 106,695         | 488,195   |
| Income tax and Social Contribution tax nominal expense                     | (90,085)     | (271,696) | (36,276)        | (165,986) |
| Tax effects applicable to:   |              |           |                 |           |
| Equity gain (loss) in subsidiaries (net of Interest on Equity)             | 7,693        | 4,813     | 131,048         | 211,407   |
| Non-deductible contributions and donations                                 | (1,057)      | (1,020)   |                 |           |
| Tax incentives   | (2,195)      | 2,328     | 20              |           |
| Tax credits not recognized   | 578          | (58)      | 24              | (5)       |
| Difference between Presumed Profit and Real Profit Methods                 | 25,627       | 8,368     |                 |           |
| Income tax and Social Contribution tax correction to prior year tax return |              | (114)     |                 |           |
| Non-deductible fines   | (2,430)      | (2,207)   | (14)            | (1)       |
| Excess reactive power and excess demand                                    | (3,136)      | (2,680)   |                 |           |
| Other  | 2,172        | (2,574)   | 550             | 522       |

|   |                         |                 |                  |                 |                |
|---|-------------------------|-----------------|------------------|-----------------|----------------|
| <b>Income tax and Social Contribution tax (expense)</b> | <b>effective credit</b> |                 |                  |                 |                |
|   |                         | (62,833)        | (264,840)        | 95,352          | 45,937         |
| <b>Effective rate</b>                                   |                         | <b>23.71%</b>   | <b>33.14%</b>    | <b>89.37%</b>   | <b>(9.41)%</b> |
| <b>Current tax</b>                                      |                         | <b>(7,075)</b>  | <b>(286,276)</b> | <b>(10,583)</b> |                |
| <b>Deferred tax</b>                                     |                         | <b>(55,758)</b> | <b>21,436</b>    | <b>105,935</b>  | <b>45,937</b>  |

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**10. ESCROW DEPOSITS**

These payments are mainly for legal actions relating to employment-law contingencies and tax claims. The most important escrow deposits refer to tax disputes, which mainly concern: (i) income tax withheld at source on Interest on Equity; and (ii) the Pasep and Cofins taxes in actions seeking exclude the ICMS tax itself from the taxable amount on which the Pasep and Cofins taxes are charged.

|  | Consolidated     |                  | Holding company  |                  |
|--|------------------|------------------|------------------|------------------|
|  | June 30,<br>2016 | Dec. 31,<br>2015 | June 30,<br>2016 | Dec. 31,<br>2015 |
| <b>Employment-law cases</b>                                      | <b>378,448</b>   | <b>367,440</b>   | <b>33,525</b>    | <b>36,996</b>    |
| <b>Tax cases</b>   |                  |                  |                  |                  |
| Income tax on Interest on Equity                                 | 14,774           | 14,774           |                  |                  |
| Pasep and Cofins taxes (1)                                       | 743,398          | 751,318          |                  | 10,604           |
| Credits of ICMS tax on PP&E                                      |                  | 35,674           |                  |                  |
| Donations and legacy tax (ITCD)                                  | 43,396           | 33,848           | 42,957           | 42,711           |
| Urban property tax (IPTU)  | 69,296           | 67,637           | 59,462           | 72,113           |
| Finsocial tax  | 50,816           | 23,343           | 50,816           | 29,962           |
| Other  | 235,150          | 185,439          | 42,874           | 15,029           |
|  | <b>1,156,830</b> | <b>1,112,033</b> | <b>196,109</b>   | <b>170,419</b>   |
| <b>Other</b>   |                  |                  |                  |                  |
| Monetary updating on AFAC from Minas Gerais State Government (2) | 239,445          | 239,445          | 239,445          | 239,445          |
| Regulatory   | 59,528           | 56,523           | 25,519           | 24,253           |
| Third party liability  | 12,495           | 9,810            | 6,065            | 5,757            |
| Consumer relations   | 4,340            | 3,779            | 1,516            | 1,489            |
| Court embargo  | 9,454            | 11,783           | 3,090            | 3,288            |
| Other  | 13,227           | 12,528           | 1,389            | 1,617            |
|  | <b>338,489</b>   | <b>333,868</b>   | <b>277,024</b>   | <b>275,849</b>   |
|  | <b>1,873,767</b> | <b>1,813,341</b> | <b>506,658</b>   | <b>483,264</b>   |

- (1) The balances of the escrow deposits relating to the Pasep and Cofins taxes have a corresponding provision in Taxes. See more details in Note 17.
- (2) Administrative deposit seeking suspension of enforceability of the credit charged by Minas Gerais State Government for a difference in monetary updating on the Advance against Future Capital Increase (*Adiantamento contra Futuro Aumento de Capital*, or AFAC). For more details please see Note 21.

**11. ENERGY DEVELOPMENT ACCOUNT (CDE) AND FLAG TARIFF ACCOUNT FUNDS**  
**Reimbursement of tariff subsidy payments**

The subsidies applicable to tariffs charged to users of public electricity distribution service are reimbursed through payments of funds from the Energy Development Account (*Conta de Desenvolvimento Energético*, or CDE).

On June 30, 2016 the total appropriated as incoming subsidies was R\$ 409,102 (R\$ 362,898 in 2015). Of the amount provisioned, the Company has R\$ 63,751 receivable (R\$ 71,695 at December 31, 2015). This is recognized in current assets.

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

The Flag Account ( *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.

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On June 30, 2016, the amounts passed through from the Flag Account totaled R\$ 341,694 (R\$ 402,504 on June 30, 2015). They were recognized as a partial realization of the CVA credit receivable.

## 12. FINANCIAL ASSETS AND LIABILITIES OF THE CONCESSION

| <b>Financial assets of the concession</b>  | <b>Jun. 30, 2016</b> | <b>Dec. 31, 2015</b> |
|--|----------------------|----------------------|
| Assets related to infrastructure (a)   |                      |                      |
| Transmission concessions   | 471,512              | 401,139              |
| Distribution concessions   | 176,708              | 135,983              |
| Indemnity receivable – Transmission  | 1,646,598            | 1,054,129            |
| Indemnity receivable – Generation  | 546,424              | 546,424              |
| Generation assets – Assets remunerated by tariff   |                      | 46,173               |
| Concession Grant Fee – Plants contracted at Auction 12/2015  | 2,262,688            |                      |
|  | 5,103,930            | 2,183,848            |
| CVA (Portion A Variation Compensation Account) and <i>Other financial components</i> in tariff adjustments (b) | 984,722              | 1,349,656            |
| <b>Total</b>   | <b>6,088,652</b>     | <b>3,533,504</b>     |
| <b>Current assets</b>  | <b>997,954</b>       | <b>873,699</b>       |
| <b>Non-current assets</b>  | <b>5,090,698</b>     | <b>2,659,805</b>     |
| <b>Financial liabilities of the concession</b>   | <b>Jun. 30, 2016</b> | <b>Dec. 31, 2015</b> |
| CVA (Portion A Variation Compensation Account) and <i>Other financial components</i> in tariff adjustments (b) | 452,751              |                      |
| <b>Current liabilities</b>   | <b>41,507</b>        |                      |
| <b>Non-current liabilities</b>   | <b>411,244</b>       |                      |

### a) Assets related to infrastructure

The distribution, transmission and gas contracts of the Company and its subsidiaries are within the criteria for application of Technical Interpretation ICPC 01 (IFRIC 12), which governs accounting of concessions. They refer to the investment made in infrastructure that 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 contracts signed by Cemig and its subsidiaries with the related concession-granting powers.

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





The valuation opinion delivered to Aneel on July 31, 2014 represented an indemnity to the Company in the amount of R\$ 1,169,145, on base date December 31, 2012.

On July 12, 2016, Aneel sent to the Company the Report of Inspection with final Review of the Opinion sent by the Company, deciding the value of the indemnity at R\$ 1,177,488, of which R\$ 285,483 had been received in the first quarter of 2013.

On April 22, 2016 the Mining and Energy Ministry 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 Asset Base for Remuneration (*Base de Remuneração Regulatória*, or BRR) and that the cost of capital should be added to the related Permitted Annual Revenues (RAP). We would point out that the information relating to the cost of capital was a subject of debate up to the date of issue of Ministerial Order 120.

The amount will be updated by the Expanded Consumer Price Index (*Índice Nacional de Preços ao Consumidor Amplo*, or IPCA), and the cost of capital will not be incorporated for the period from the extensions of the concessions up to the tariff-setting process of 2017. The latter is to be updated and remunerated at the real cost of own capital of the transmission segment of the industry as decided by Aneel in the methodologies of the Periodic Tariff Reviews for Revenues of Existing Concession Holders, currently 10.44% per year, to be paid over eight years by reimbursement through the RAP.

The Ministerial Order still depends on decisions that will be the subject of Public Hearings held by Aneel, which are listed in Aneel's Regulatory Agenda for the second half of 2016 and the first half of 2017.

Based on the best information available, the Company made its estimate and recognized, in June 2016, the amount of R\$ 548,734, as follows:

R\$ 20,381 relating to the difference between the amount of the Preliminary Revision made by Aneel on February 23, 2015 of the Opinion sent by the Company, R\$ 1,157,106, and the Final Revision;

R\$ 90,442 representing the difference between the variations resulting from the IGP-M index and the IPCA index since the Company had updated the balance by the IGP-M index until March 31, 2016;

R\$ 437,911 representing the remuneration from use of own capital, calculated on the basis of 10.44% p.a. In addition, in the first half of 2016 the company recognized an item of R\$ 47,735 for updating by the IGP-M index, up to May 2016, of the balance of indemnity receivable at the end of December 2015, in the amount of R\$ 1,054,129.

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).

Under these procedures, 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. Any difference arising from the review of value is then applied in the RAP of the transmission company in equal parts up to the subsequent periodic review of RAP.

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**Indemnity receivable    Generation**

In July 2015 a termination date was reached under Concession Contract 007/97, for several of the plants operated by the Company. As from the termination of the concession, the Company held the right to indemnity of the assets not yet indemnified, 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 in July 2015, and total R\$ 546,424.

| <b>Generating plant</b>               | <b>Concession<br/>expiry<br/>date</b> | <b>Installed<br/>capacity<br/>(MW)</b> | <b>Net balance<br/>of<br/>assets based on<br/>Historic Cost at<br/>Sep. 30,<br/>2015</b> | <b>Net value of assets<br/>based on<br/>Deemed<br/>Cost at<br/>Dec. 31, 2014</b> |
|---------------------------------------|---------------------------------------|--|--|--|
| Três Marias Hydroelectric Plant       | Jul. 2015                             | 396.00                                 | 71,694   | 413,450  |
| Salto Grande Hydroelectric Plant      | Jul. 2015                             | 102.00                                 | 10,835   | 39,379   |
| Itutinga Hydroelectric Plant          | Jul. 2015                             | 52.00                                  | 3,671  | 6,923  |
| Camargos Hydroelectric Plant          | Jul. 2015                             | 46.00                                  | 7,818  | 23,095   |
| Piau Small Hydroelectric Plant        | Jul. 2015                             | 18.01                                  | 1,531  | 9,005  |
| Gafanhoto Small Hydroelectric Plant   | Jul. 2015                             | 14.00                                  | 1,232  | 10,262   |
| Peti Small Hydroelectric Plant        | Jul. 2015                             | 9.40                                   | 1,346  | 7,871  |
| Tronqueiras Small Hydroelectric Plant | Jul. 2015                             | 8.50                                   | 1,908  | 12,323   |
| Joasal Small Hydroelectric Plant      | Jul. 2015                             | 8.40                                   | 1,379  | 7,622  |
| Martins Small Hydroelectric Plant     | Jul. 2015                             | 7.70                                   | 2,132  | 4,041  |
| Cajuru Small Hydroelectric Plant      | Jul. 2015                             | 7.20                                   | 3,576  | 4,252  |
| Paciência Small Hydroelectric Plant   | Jul. 2015                             | 4.08                                   | 728  | 3,936  |
| Marmelos Small Hydroelectric Plant    | Jul. 2015                             | 4.00                                   | 616  | 4,265  |
|                                       |                                       | <b>677.29</b>                          | <b>108,466</b>   | <b>546,424</b>   |

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 interim accounting statements at June 30, 2016.

From the termination of a 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. From January 5, 2016 to May 31, 2016, with signature of the related concession contracts, the assets began to be operated in accordance with the terms of Auction won by Cemig GT on November 25, 2015 ( Auction 12/2015 ). As from June 1, 2016, the assets have been operated by the seven specific-purpose companies ( the Generation SPCs ), which are wholly-owned subsidiaries of Cemig GT, created in compliance with the requirements of Auction 12/2015.

**Concession Grant Fee    Auction 12/2015**

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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.

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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. with total assured average power offtake of 420 MW, as follows:

| <b>Generating plant</b>                         | <b>Concession expiry date</b> | <b>Installed capacity (MW)</b> | <b>Average physical offtake guarantee level ( Assured Energy )</b> | <b>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, which will be under the regime of assisted operation by the prior concession holder for a period of 180 calendar days from the date of signature of the contracts.

Information on installed capacity, offtake guarantees, and other operational information is, due to its nature, is not part of the scope of a review of interim financial statements, and has thus not been examined by the external auditors.

Signature of the contract for these plants gives Cemig the concession for their commercial operation for the next 30 years. In 2016 the whole of the output will be sold in the Regulated Market, under the Physical Guarantee Quota System (Sistema de Cota 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 the Lot was R\$ 498,694, and the single Fee paid for the grant of the 30-year concession for the 18 hydroelectric plants was R\$ 2,216,353. Of this fee, 65% was paid on January 4, 2016, and the payment for the remaining 35% (initially R\$ 775,724) was paid on July 1, 2016 (updated by the Selic rate to a total payment of

R\$ 827,921). The contract was signed on January 5, 2016, at the Mining and Energy Ministry.

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On Jun 8, 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, wholly-owned subsidiaries of Cemig GT, as follows:

|                                 | <b>Balance at Dec. 31,<br/>2015</b> | <b>Addition</b>  | <b>Monetary<br/>updating</b> | <b>Amortization</b> | <b>Balance at June 30,<br/>2016</b> |
|---------------------------------|-------------------------------------|------------------|------------------------------|---------------------|-------------------------------------|
| Cemig Geração Três Marias S.A.  |                                     | 1,260,400        | 110,634                      | (83,042)            | 1,287,992                           |
| Cemig Geração Salto Grande S.A. |                                     | 395,523          | 34,818                       | (26,189)            | 404,152                             |
| Cemig Geração Itutinga S.A.     |                                     | 147,662          | 14,019                       | (11,134)            | 150,547                             |
| Cemig Geração Camargos S.A.     |                                     | 110,746          | 10,468                       | (8,289)             | 112,925                             |
| Cemig Geração Sul S.A.          |                                     | 144,603          | 14,286                       | (11,662)            | 147,227                             |
| Cemig Geração Leste S.A.        |                                     | 98,301           | 10,381                       | (8,856)             | 99,826                              |
| Cemig Geração Oeste S.A.        |                                     | 59,118           | 6,284                        | (5,383)             | 60,019                              |
| <b>Total</b>                    |                                     | <b>2,216,353</b> | <b>200,890</b>               | <b>(154,555)</b>    | <b>2,262,688</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 amortization corresponds to the amounts received monthly.

This table shows the changes in Financial assets of the concession related to infrastructure:

|  | <b>Transmission</b> | <b>Generation</b> | <b>Distribution</b> | <b>Consolidated</b> |
|--|---------------------|-------------------|---------------------|---------------------|
| <b>Balance on January 1, 2015</b>  | <b>1,272,986</b>    |                   | <b>5,943,682</b>    | <b>7,216,668</b>    |
| Addition   | 146,030             |                   |                     | 146,030             |
| Written off  | (5,818)             |                   | (59,863)            | (65,681)            |
| Transfer from Financial assets to Intangible assets, on renewal of concessions |                     |                   | (7,161,504)         | (7,161,504)         |
| Assets acquired in business combination  | (2,035)             |                   | 808,119             | 806,084             |
| Generation Indemnity receivable  |                     | 546,424           |                     | 546,424             |
| Amounts received   | (10,250)            |                   |                     | (10,250)            |
| Monetary updating  | 100,528             |                   | 605,549             | 706,077             |
| <b>Balance on December 31, 2015</b>  | <b>1,501,441</b>    | <b>546,424</b>    | <b>135,983</b>      | <b>2,183,848</b>    |
| Addition   | 31,634              |                   |                     | 31,634              |
| Addition Grant Fee Plants  |                     | 2,216,353         |                     | 2,216,353           |
| Written off  | (163)               |                   | (352)               | (515)               |
| Amounts received   | (7,271)             | (154,555)         |                     | (161,826)           |
| Transfer from Financial to Intangible assets                                   |                     |                   | 35,752              | 35,752              |
| Monetary updating  | 592,469             | 200,890           | 5,325               | 798,684             |



|                                 |                  |                  |                |                  |
|---------------------------------|------------------|------------------|----------------|------------------|
| <b>Balance on June 30, 2016</b> | <b>2,118,110</b> | <b>2,809,112</b> | <b>176,708</b> | <b>5,103,930</b> |
|---------------------------------|------------------|------------------|----------------|------------------|

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

|                    |           |                    |              |            |
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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 June 30, 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>Portion A items</b>   |                  |                    |                    |                    |                     |                          |
| Quota for payment to the Energy Development Account (CDE)        | 415,930          | (22,788)           |                    | (225,806)          | 415,930             | (248,594)                |
| Tariff for use of transmission facilities of grid participants   | 2,149            | (4,363)            |                    | (10,347)           | 2,149               | (14,710)                 |
| Tariff for transport of electricity provided by Itaipu           | 12,172           |                    | 1,657              |                    | 13,829              |                          |
| Proinfra Program to encourage alternative sources of electricity | 32,825           | (188)              | 5,337              |                    | 38,162              | (188)                    |
| System Service Charges (ESS) and Reserve Energy Charge (EER)     |                  | (133,317)          |                    | (12,860)           |                     | (146,177)                |
| Electricity purchased for resale                                 | 2,329,565        | (1,519,769)        | 231,440            | (363,051)          | 2,561,005           | (1,882,820)              |
| <b>Other financial components</b>                                |                  |                    |                    |                    |                     |                          |
| Overcontracting of supply  |                  | (234,072)          |                    | (37,614)           |                     | (271,686)                |
| Neutrality of Portion A  | 174,541          |                    |                    |                    | 174,541             |                          |
| Other financial items  | 263,572          | (373,037)          |                    |                    | 263,572             | (373,037)                |
| Flag Tariff amounts (1)  |                  | (5)                |                    |                    |                     | (5)                      |
| <b>TOTAL</b>   | <b>3,230,754</b> | <b>(2,287,539)</b> | <b>238,434</b>     | <b>(649,678)</b>   | <b>3,469,188</b>    | <b>(2,937,217)</b>       |

| <b>Balance at December 31, 2015</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>Portion A items</b>   |                |                    |                    |                    |                     |                          |
| Quota for payment to the Energy Development Account (CDE)        | 248,672        |                    | 88,130             |                    | 336,802             |                          |
| Tariff for use of transmission facilities of grid participants   | 41,901         | (328)              | 3,123              |                    | 45,024              | (328)                    |
| Tariff for transport of electricity provided by Itaipu           | 7,913          | (2)                | 2,663              |                    | 10,576              | (2)                      |
| Proinfra Program to encourage alternative sources of electricity | 4,871          | (1,168)            | 1,784              |                    | 6,655               | (1,168)                  |
| System Service Charges (ESS) and Reserve Energy Charge (EER)     | 323            | (254,826)          |                    | (53,142)           | 323                 | (307,968)                |
| Electricity purchased for resale                                 | 2,020,792      | (738,578)          | 572,207            | (204,410)          | 2,592,999           | (942,988)                |
| <b>Other financial components</b>                                |                |                    |                    |                    |                     |                          |
| Overcontracting of supply  |                | (407,958)          |                    | (122,194)          |                     | (530,152)                |
| Neutrality of Portion A  | 88,056         | (1,834)            | 30,684             |                    | 118,740             | (1,834)                  |

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|                         |                  |                    |                |                  |                  |                    |
|-------------------------|------------------|--------------------|----------------|------------------|------------------|--------------------|
| Other financial items   | 10,917           | (699)              | 170,345        |                  | 181,262          | (699)              |
| Flag Tariff amounts (1) |                  | (157,586)          |                |                  |                  | (157,586)          |
| <b>TOTAL</b>            | <b>2,423,445</b> | <b>(1,562,979)</b> | <b>868,936</b> | <b>(379,746)</b> | <b>3,292,381</b> | <b>(1,942,725)</b> |

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

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| STATEMENT OF FINANCIAL POSITION                                      | Amounts to be ratified                                  |   | June 30, 2016  | Dec. 31, 2015    |
|--|---|---|----------------|------------------|
|  | Amounts ratified by Aneel in the last tariff adjustment | by Aneel in the next tariff adjustments |                |                  |
|  |   |   |                |                  |
| Assets   | 3,206,692   | 262,496                                 | 3,469,188      | 3,292,381        |
| Liabilities  | (2,221,970)   | (715,247)                               | (2,937,217)    | (1,942,725)      |
| <b>Total Net assets presented in Statement of financial position</b> | <b>984,722</b>  | <b>(452,751)</b>                        | <b>531,971</b> | <b>1,349,656</b> |

Movement in balances of financial assets and liabilities:

|  |                  |
|--|------------------|
| <b>Balance on December 31, 2014</b>  | <b>1,106,675</b> |
| (+) Net constitution of financial assets   | 1,086,243        |
| ( ) Amortization   | (279,405)        |
| ( ) Receipt of funds from the ACR Account and from the Flag Tariff Funds Centralizing Account<br>( <i>Conta Centralizadora dos Recursos de Bandeiras Tarifárias CCRBT</i> )(1) | (806,923)        |
| (+) Updating Selic rate  | 32,288           |
| <b>Balance on June 30, 2015</b>  | <b>1,138,878</b> |
| <b>Balance on December 31, 2015</b>  | <b>1,349,656</b> |
| (+) Net constitution of financial assets   | (432,169)        |
| ( ) Amortization   | (231,386)        |
| ( ) Payments from the Flag Tariff Funds Centralizing Account (1)   | (341,694)        |
| (+) Updating Selic rate  | 187,564          |
| <b>Balance on June 30, 2016</b>  | <b>531,971</b>   |

(1) See more details in Note 11.

(2) Includes adjustment for homologation of the CVA by Aneel in May 2016.

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**13. INVESTMENTS**

This table gives a summary of the financial information on the affiliated companies and jointly-controlled entities. The information presented below has been adjusted by the percentage of the Company's equity interest in each item.

|  | Consolidated                  |                               | Holding company               |                                  |
|--|-------------------------------|-------------------------------|-------------------------------|----------------------------------|
|  | June 30, 2016<br>Re-presented | Dec. 31, 2015<br>Re-presented | June 30, 2016<br>Re-presented | Dec. 31,<br>2015<br>Re-presented |
| Cemig GT (Generation and Transmission)         |                               |                               | 5,195,832                     | 4,683,812                        |
| Hidrelétrica Cachoeirão                        | 45,289                        | 40,844                        |                               |                                  |
| Guanhães Energia                               | 21,020                        | 18,444                        |                               |                                  |
| Hidrelétrica Pipoca                            | 28,887                        | 26,237                        |                               |                                  |
| Retiro Baixo                                   | 158,943                       | 147,905                       |                               |                                  |
| Aliança Norte                                  | 459,522                       | 354,284                       |                               |                                  |
| Madeira Energia (Santo Antônio Plant)          | 705,771                       | 675,983                       |                               |                                  |
| FIP Melbourne (Santo Antônio Plant)            | 730,395                       | 703,403                       |                               |                                  |
| LightGer                                       | 40,692                        | 37,454                        |                               |                                  |
| Baguari Energia                                | 202,727                       | 187,227                       |                               |                                  |
| Renova   | 1,583,534                     | 1,527,435                     |                               |                                  |
| Aliança Geração                                | 1,326,791                     | 1,327,246                     |                               |                                  |
| Central Eólica Praias de Parajuru              | 63,168                        | 63,045                        |                               |                                  |
| Central Eólica Volta do Rio                    | 82,575                        | 85,101                        |                               |                                  |
| Central Eólica Praias de Morgado               | 60,983                        | 62,071                        |                               |                                  |
| Amazônia Energia                               | 684,237                       | 495,768                       |                               |                                  |
| Cemig Distribuição                             |                               |                               | 3,125,746                     | 2,695,848                        |
| Light  | 1,158,116                     | 1,187,722                     | 1,158,116                     | 1,187,722                        |
| Taesa  | 2,200,684                     | 2,242,186                     | 2,200,684                     | 2,242,186                        |
| Cemig Telecom                                  |                               |                               | 171,137                       | 169,006                          |
| Gasmig   |                               |                               | 1,436,966                     | 1,406,371                        |
| Rosal Energia                                  |                               |                               | 139,658                       | 121,822                          |
| Sá Carvalho                                    |                               |                               | 115,165                       | 102,926                          |
| Horizontes Energia                             |                               |                               | 49,934                        | 70,539                           |
| Usina Térmica Ipatinga                         |                               |                               | 4,105                         | 3,898                            |
| Cemig PCH                                      |                               |                               | 89,947                        | 84,956                           |
| Companhia Transleste de Transmissão            | 18,603                        | 18,307                        | 18,603                        | 18,307                           |
| Barreiro Thermal Plant                         |                               |                               | 32,011                        | 29,703                           |
| Companhia Transudeste de Transmissão           | 18,530                        | 17,536                        | 18,530                        | 17,536                           |
| Empresa de Comercialização de Energia Elétrica |                               |                               | 27,547                        | 9,120                            |
| Companhia Transirapé de Transmissão            | 21,384                        | 19,298                        | 21,384                        | 19,298                           |
| Transchile                                     | 85,234                        | 108,230                       | 85,234                        | 108,230                          |
| Efficientia                                    |                               |                               | 4,755                         | 5,511                            |
| Cemig Comercializadora de Energia Incentivada  |                               |                               | 6,006                         | 6,284                            |
| Companhia de Transmissão Centroeste de Minas,  | 18,478                        | 17,528                        | 18,478                        | 17,528                           |
| Cemig Trading                                  |                               |                               | 33,804                        | 29,840                           |
| Axxiom Soluções Tecnológicas                   | 22,085                        | 23,840                        | 22,085                        | 23,840                           |

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|                    |                   |                  |                   |                   |
|--------------------|-------------------|------------------|-------------------|-------------------|
| Parati             | 340,260           | 357,753          | 340,260           | 357,753           |
| Cemig Overseas (*) |                   |                  | 20                | 45                |
|                    | <b>10,077,908</b> | <b>9,744,847</b> | <b>14,316,007</b> | <b>13,412,081</b> |

(\*) Cemig Overseas: company formed in Spain for assessment of investment opportunities outside Brazil. The Company's investees that are not consolidated are jointly-controlled entities, with the exception of the interest in the Santo Antônio power plant, which is an affiliated company in which the Company has significant influence.

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This table shows the movement of investments in subsidiaries and jointly-controlled entities:

| <b>Holding company</b>                              | <b>Dec. 31,<br/>2015<br/>Re-presented</b> | <b>Equity gain<br/>(loss)<br/>(Net profit)</b> | <b>Equity<br/>gain<br/>(loss)<br/>(Other<br/>comprehensive<br/>income)</b> | <b>Dividends</b> | <b>Other /<br/>cash<br/>injection</b> | <b>Jun. 30,<br/>2016<br/>Re-presented</b> |
|---|---|--|--|------------------|---------------------------------------|---|
| Cemig GT (Generation and Transmission)              | 4,683,812                                 | 310,643  | (664)  | 202,041*         |                                       | 5,195,832                                 |
| Cemig Distribuição                                  | 2,695,848                                 | (77,905)                                       |  | 97,803*          | 410,000                               | 3,125,746                                 |
| Cemig Telecom                                       | 169,006                                   | (14,414)                                       | (115)  |                  | 16,660                                | 171,137                                   |
| Rosal Energia                                       | 121,822                                   | 17,836   |  |                  |                                       | 139,658                                   |
| Sá Carvalho   | 102,926                                   | 12,239   |  |                  |                                       | 115,165                                   |
| Gasmig  | 1,406,371                                 | 30,596   |  |                  | (1)                                   | 1,436,966                                 |
| Horizontes Energia                                  | 70,539                                    | 4,395  |  |                  | (25,000)                              | 49,934                                    |
| Usina Térmica Ipatinga                              | 3,898                                     | 207  |  |                  |                                       | 4,105                                     |
| Cemig PCH   | 84,956                                    | 5,400  |  | (409)            |                                       | 89,947                                    |
| Companhia Transleste de Transmissão                 | 18,307                                    | 2,340  |  | (2,044)          |                                       | 18,603                                    |
| Barreiro Thermal Plant                              | 29,703                                    | 2,308  |  |                  |                                       | 32,011                                    |
| Companhia Transudeste de Transmissão                | 17,536                                    | 1,808  |  | (813)            | (1)                                   | 18,530                                    |
| Empresa de Comercialização de Energia Elétrica      | 9,120                                     | 18,427   |  |                  |                                       | 27,547                                    |
| Companhia Transirapé de Transmissão                 | 19,298                                    | 2,086  |  |                  |                                       | 21,384                                    |
| Transchile  | 108,230                                   | 1,391  | (24,387)   |                  |                                       | 85,234                                    |
| Efficientia   | 5,511                                     | (755)  |  |                  | (1)                                   | 4,755                                     |
| Cemig Comercializadora de Energia Incentivada       | 6,284                                     | 50   |  | (328)            |                                       | 6,006                                     |
| Companhia de Transmissão Centroeste de Minas, Light | 17,528                                    | 2,973  |  | (2,023)          |                                       | 18,478                                    |
|   | 1,187,722                                 | (24,303)                                       | 5,386  | (10,689)         |                                       | 1,158,116                                 |
| Cemig Trading                                       | 29,840                                    | 32,771   |  | (28,808)         | 1                                     | 33,804                                    |
| Axxiom Soluções Tecnológicas                        | 23,840                                    | (1,706)  |  | (49)             |                                       | 22,085                                    |
| Parati  | 357,753                                   | (18,134)                                       | 420  | 221              |                                       | 340,260                                   |
| Taesa   | 2,242,186                                 | 194,468  |  | (235,970)        |                                       | 2,200,684                                 |
| Cemig Overseas                                      | 45  | (15)   | (10)   |                  |                                       | 20  |
|   | <b>13,412,081</b>                         | <b>502,706</b>                                 | <b>(19,370)</b>  | <b>18,932</b>    | <b>401,658</b>                        | <b>14,316,007</b>                         |

(\*)



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Corresponds to 25% of the dividends proposed by Cemig GT and Cemig D on December 31, 2015, which were allocated to the Stockholders' equity of those subsidiaries, in the second quarter of 2016, after approval by the Annual General Meeting, held on April 29, 2016.

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| <b>Consolidated</b>                                 | <b>Dec. 31. 2015</b> | <b>Equity gain</b> | <b>Equity gain</b>   | <b>Dividends</b>    | <b>Injections</b>   | <b>Other</b>  | <b>Jun. 30.</b>     |
|---|----------------------|--------------------|----------------------|---------------------|---------------------|---------------|---------------------|
|   | <b>Re-presented</b>  | <b>(loss)</b>      | <b>(loss)</b>        |                     | <b>/</b>            |               | <b>2016</b>         |
|   |                      | <b>(Net</b>        | <b>(Other</b>        | <b>acquisitions</b> | <b>acquisitions</b> |               | <b>Re-presented</b> |
|   |                      | <b>profit)</b>     | <b>comprehensive</b> |                     |                     |               |                     |
|   |                      |                    | <b>income)</b>       |                     |                     |               |                     |
| Companhia Transleste de Transmissão                 | 18,307               | 2,340              |                      | (2,044)             |                     |               | 18,603              |
| Companhia Transudeste de Transmissão                | 17,536               | 1,808              |                      | (813)               |                     | (1)           | 18,530              |
| Companhia Transirapé de Transmissão                 | 19,298               | 2,086              |                      |                     |                     |               | 21,384              |
| Transchile  | 108,230              | 1,391              | (24,387)             |                     |                     |               | 85,234              |
| Companhia de Transmissão Centroeste de Minas, Light | 17,528               | 2,973              |                      | (2,023)             |                     |               | 18,478              |
|   | 1,187,722            | (24,303)           | 5,386                | (10,689)            |                     |               | 1,158,116           |
| Axxiom Soluções Tecnológicas                        | 23,840               | (1,706)            |                      | (49)                |                     |               | 22,085              |
| Hidrelétrica Cachoeirão                             | 40,844               | 6,000              |                      | (1,555)             |                     |               | 45,289              |
| Guanhães Energia                                    | 18,444               | (15,064)           |                      |                     | 17,640              |               | 21,020              |
| Hidrelétrica Pipoca                                 | 26,237               | 2,649              |                      |                     |                     | 1             | 28,887              |
| Madeira Energia (Santo Antônio Plant)               | 675,983              | (9,212)            |                      |                     | 39,000              |               | 705,771             |
| FIP Melbourne (Santo Antônio Plant)                 | 703,403              | (10,467)           |                      |                     | 40,139              | (2,680)       | 730,395             |
| LightGer  | 37,454               | 3,238              |                      |                     |                     |               | 40,692              |
| Baguari Energia                                     | 187,227              | 15,500             |                      |                     |                     |               | 202,727             |
| Central Eólica Praias de Parajuru                   | 63,045               | 147                |                      | (25)                |                     | 1             | 63,168              |
| Central Eólica Volta do Rio                         | 85,101               | (2,491)            |                      | (35)                |                     |               | 82,575              |
| Central Eólica Praias de Morgado                    | 62,071               | (1,043)            |                      | (45)                |                     |               | 60,983              |
| Amazônia Energia (Belo Monte Plant)                 | 495,768              | (421)              |                      |                     | 188,890             |               | 684,237             |
| Ativas Data Center                                  |                      | (15,506)           |                      |                     |                     | 15,506        |                     |
| Parati  | 357,753              | (18,134)           | 420                  | 221                 |                     |               | 340,260             |
| Taesa   | 2,242,186            | 194,468            |                      | (235,970)           |                     |               | 2,200,684           |
| Renova  | 1,527,435            | (183,237)          | (664)                |                     | 240,000             |               | 1,583,534           |
| Aliança Geração                                     | 1,327,246            | 64,335             |                      | (64,790)            |                     |               | 1,326,791           |
| Aliança Norte (Belo Monte Plant)                    | 354,284              | (12,347)           |                      |                     | 117,585             |               | 459,522             |
| Retiro Baixo  | 147,905              | 11,038             |                      |                     |                     |               | 158,943             |
|   | <b>9,744,847</b>     | <b>14,042</b>      | <b>(19,245)</b>      | <b>(317,817)</b>    | <b>643,254</b>      | <b>12,827</b> | <b>10,077,908</b>   |

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| <b>Consolidated</b>                                 | <b>Dec. 31,<br/>2014</b> | <b>Equity gain<br/>(loss)<br/>(Net profit)</b> | <b>Equity gain<br/>(loss)<br/>(Other comprehensive<br/>income)</b> | <b>Dividends</b> | <b>Injections<br/>/<br/>acquisitions</b> | <b>Other</b>   | <b>Jun. 30,<br/>2015</b> |
|---|--------------------------|--|--|------------------|--|----------------|--------------------------|
| Companhia Transleste de Transmissão                 | 13,588                   | 5,207  |  | (1,626)          |  |                | 17,169                   |
| Companhia Transudeste de Transmissão                | 12,725                   | 3,604  |  | (516)            |  |                | 15,813                   |
| Companhia Transirapé de Transmissão                 | 13,827                   | 4,351  |  | (570)            |  |                | 17,608                   |
| Transchile  | 66,141                   | 1,148  | 11,626   |                  |  |                | 78,915                   |
| Companhia de Transmissão Centroeste de Minas, Light | 20,985                   | 1,282  |  | (1,757)          |  |                | 20,510                   |
| Axxiom Soluções Tecnológicas                        | 1,199,236                | 7,387  |  |                  |  |                | 1,206,623                |
| Hidrelétrica Cachoeirão                             | 23,633                   | 157  |  |                  |  |                | 23,790                   |
| Guanhães Energia                                    | 34,296                   | 3,189  |  |                  |  |                | 37,485                   |
| Hidrelétrica Pipoca                                 | 67,428                   | (23,687)                                       |  |                  |  |                | 43,741                   |
| Madeira Energia (Santo Antônio Plant)               | 28,807                   | 1,202  |  | (1,271)          |  |                | 28,738                   |
| FIP Melbourne (Santo Antônio Plant)                 | 674,183                  | (37,316)                                       |  |                  |  |                | 636,867                  |
| LightGer  | 707,910                  | (28,958)                                       |  |                  |  |                | 678,952                  |
| Baguari Energia                                     | 38,900                   | (779)  |  |                  |  |                | 38,121                   |
| Central Eólica Praias de Parajuru                   | 193,351                  | 6,927  |  | (11,898)         |  | 34             | 188,414                  |
| Central Eólica Volta do Rio                         | 61,999                   | 350  |  |                  |  | 66             | 62,415                   |
| Central Eólica Praias de Morgado                    | 84,023                   | 341  |  |                  |  |                | 84,364                   |
| Amazônia Energia (3)                                | 62,332                   | 492  |  |                  |  |                | 62,824                   |
| Ativas Data Center                                  | 394,238                  | (2,996)  |  |                  | 97,541                                   |                | 488,783                  |
| Epícares Empreendimentos (1)                        |                          | (14,565)                                       |  |                  |  | 14,565         |                          |
| Parati  | 92,641                   | 1,342  |  |                  |  | (93,983)       |                          |
| Taesa   | 370,359                  | 393  |  | (15,547)         |  |                | 355,205                  |
| Renova  | 2,187,623                | 188,777  |  | (110,466)        |  |                | 2,265,934                |
| Aliança Geração (2)                                 | 1,538,299                | (47,588)                                       |  |                  | 581,114                                  | 734,530        | 1,490,711                |
| Aliança Norte (4)                                   | 3,323                    | 29,846   |  |                  | 354,112                                  |                | 1,348,813                |
| Retiro Baixo  |                          | (1,448)  |  |                  |  |                | 352,664                  |
|   | 149,944                  | (2,848)  |  |                  | 1,247                                    |                | 148,343                  |
|   | <b>8,039,791</b>         | <b>95,810</b>                                  | <b>11,626</b>  | <b>(143,651)</b> | <b>1,034,014</b>                         | <b>655,212</b> | <b>9,692,802</b>         |

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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.

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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 | Cemig interest % | Jun. 30, 2016 |                                  | Dec. 31, 2015 |                                  |           |
|--|------------------|------------------|---------------|----------------------------------|---------------|----------------------------------|-----------|
|  |                  |                  | Share capital | Stockholders equity Re-presented | Share capital | Stockholders equity Re-presented |           |
| Cemig GT (Generation and Transmission) | 2,896,785,358    | 100.00           | 1,837,710     | 5,217,223                        | 100.00        | 1,837,710                        | 4,694,508 |
| Hidrelétrica Cachoeirão                | 35,000,000       | 49.00            | 35,000        | 92,427                           | 49.00         | 35,000                           | 83,355    |
| Guanhães Energia Hidrelétrica Pipoca   | 137,608,000      | 49.00            | 137,608       | 42,898                           | 49.00         | 137,608                          | 37,641    |
| Madeira Energia* (Santo Antônio Plant) | 41,360,000       | 49.00            | 41,360        | 58,953                           | 49.00         | 41,360                           | 53,545    |
| Baguari Energia                        | 10,151,952,724   | 18.13            | 10,151,952    | 7,921,489                        | 18.05         | 9,761,952                        | 7,642,027 |
| Central Eólica Praias de Parajuru*     | 26,157,300       | 69.39            | 261,573       | 292,156                          | 69.39         | 261,573                          | 269,827   |
| Central Eólica Volta do Rio*           | 70,560,000       | 49.00            | 70,560        | 128,914                          | 49.00         | 70,560                           | 128,663   |
| Central Eólica Praias de Morgado*      | 117,230,000      | 49.00            | 117,230       | 168,520                          | 49.00         | 117,230                          | 173,676   |
| LightGer                               | 52,960,000       | 49.00            | 52,960        | 124,455                          | 49.00         | 52,960                           | 126,676   |
| Aliança Norte* (Belo Monte Plant)      | 79,078,937       | 49.00            | 79,232        | 83,045                           | 49.00         | 79,232                           | 76,439    |
| Amazônia Energia (Belo Monte Plant)    | 30,020,525,290   | 49.00            | 887,135       | 954,269                          | 49.00         | 647,166                          | 739,498   |
| Aliança Geração*                       | 977,451,523      | 74.50            | 977,452       | 936,318                          | 74.50         | 723,409                          | 683,340   |
| Retiro Baixo*                          | 1,291,582,500    | 45.00            | 1,291,488     | 2,948,424                        | 45.00         | 1,291,450                        | 2,949,436 |
| Renova*                                | 222,850,000      | 49.90            | 222,850       | 318,523                          | 49.90         | 222,850                          | 296,403   |
| Cemig Distribuição                     | 2,359,113,452    | 34.15            | 2,806,255     | 4,630,216                        | 27.37         | 2,526,253                        | 5,580,690 |
| Light *                                | 203,934,060      | 100.00           | 2,361,998     | 3,125,747                        | 100.00        | 2,361,998                        | 2,695,849 |
| Cemig Telecom                          | 203,934,060      | 26.06            | 2,225,822     | 4,448,595                        | 26.06         | 2,225,822                        | 4,562,203 |
| Ativas Data Center                     | 397,683,385      | 100.00           | 241,742       | 171,137                          | 100.00        | 225,082                          | 169,006   |
| Rosal Energia                          | 167,616,327      | 49.00            | 167,616       | 49.0                             | 49.0          | 133,616                          |           |
| Sá Carvalho                            | 46,944,467       | 100.00           | 46,944        | 139,658                          | 100.00        | 46,944                           | 121,822   |
| Gasmig*                                | 361,200,000      | 100.00           | 36,833        | 115,165                          | 100.00        | 36,833                           | 102,926   |
| Horizontes Energia                     | 409,255,483      | 99.57            | 665,429       | 1,443,171                        | 99.57         | 665,429                          | 1,408,036 |
| Usina Térmica Ipatinga                 | 39,257,563       | 100.00           | 39,257        | 49,934                           | 100.00        | 64,258                           | 70,539    |
| Cemig PCH                              | 174,281          | 100.00           | 174           | 4,105                            | 100.00        | 174                              | 3,898     |
|  | 30,952,000       | 100.00           | 35,952        | 89,946                           | 100.00        | 35,952                           | 84,956    |

|   |               |        |           |           |        |           |           |
|---|---------------|--------|-----------|-----------|--------|-----------|-----------|
| Companhia Transleste de Transmissão Barreiro Thermal Plant                          | 49,569,000    | 25.00  | 49,569    | 74,412    | 25.00  | 49,569    | 73,228    |
| Companhia Transudeste de Transmissão Empresa de Comercialização de Energia Elétrica | 30,902,000    | 100.00 | 30,902    | 32,011    | 100.00 | 30,902    | 29,703    |
| Companhia Transirapé de Transmissão Transchile                                      | 30,000,000    | 24.00  | 30,000    | 77,208    | 24.00  | 30,000    | 73,067    |
| Companhia Transirapé de Transmissão Transchile                                      | 486,000       | 100.00 | 486       | 27,547    | 100.00 | 486       | 9,120     |
| Companhia Transirapé de Transmissão Transchile                                      | 22,340,490    | 24.50  | 22,340    | 87,281    | 24.50  | 22,340    | 78,767    |
| Companhia Transirapé de Transmissão Transchile                                      | 56,407,271    | 49.00  | 194,703   | 173,946   | 49.00  | 236,861   | 220,878   |
| Companhia Transirapé de Transmissão Transchile                                      | 6,051,944     | 100.00 | 6,052     | 4,755     | 100.00 | 6,052     | 5,510     |
| Cemig Comercializadora de Energia Incentivada                                       | 5,000,000     | 100.00 | 5,000     | 6,006     | 100.00 | 5,000     | 6,284     |
| Companhia de Transmissão Centroeste de Minas, Cemig Trading                         | 28,000,000    | 51.00  | 28,000    | 36,231    | 51.00  | 28,000    | 34,366    |
| Companhia de Transmissão Centroeste de Minas, Cemig Trading                         | 160,297       | 100.00 | 160       | 33,803    | 100.00 | 160       | 29,840    |
| Axxiom Soluções Tecnológicas Parati   | 17,200,000    | 49.00  | 46,600    | 45,071    | 49.00  | 46,600    | 48,653    |
| Axxiom Soluções Tecnológicas Parati   | 1,432,910,602 | 25.00  | 1,432,910 | 1,362,228 | 25.00  | 1,432,910 | 1,432,200 |
| Taesaa*   | 1,033,496,721 | 43.36  | 3,042,034 | 5,075,378 | 43.36  | 3,042,034 | 5,171,093 |

\* Stockholders equity including the intangible asset relating to the right to commercial operation of the regulated activity.

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On June 30, 2016, the current liabilities of some indirect subsidiaries were higher than their net assets, as follows:

Light: Negative consolidated net working capital, of R\$ 949,210. It can be pointed out that there was consolidated operational cash flow of R\$ 932,205 in the first half of 2016. Light expects improvement in operational cash flow during the year, due to the tariff adjustments obtained, the expected reduction of investments, and the improvement in the hydrological situation. Also, Light has been negotiating renewal of its short-term loans and financings, and lengthening of its debt profile.

Guanhães Energia: Negative consolidated net working capital, of R\$ 225,240. The management of Guanhões Energia has been taking steps to improve its financial structure and working capital. These include rescheduling of its financings, lengthening of the maturities of loans contracted with financial institutions, and the possibility of injections of capital by its stockholders.

Madeira Energia: Madeira Energia and its subsidiary (Santo Antônio Energia) had excess of current liabilities over current assets, in the consolidated amount of R\$ 42,561, mainly reflecting the account lines *Suppliers, Loans and financings*, and *Contingency provisions*. For solution to its situation of negative working capital, Santo Antônio Energia has the support of its own operational cash flow and, if necessary, injections of funds to be made by its stockholders.

Excess of Current liabilities over Current assets in Renova Energia at September 30, 2016

On September 30, 2016 the current liabilities of Renova Energia exceeded its current assets by R\$ 1,450,975, and it has continued to present operational losses and negative cash flow. The main reasons for this situation 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 construction of the Alto Sertão III wind farm complex; and (iii) delay in release of a long-term financing agreement with the BNDES.

The management of Renova Energia is taking a range of measures to rebalance its liquidity structure and cash flow. These actions include: reduction of the administrative and operational structure, reducing administrative costs; contracting of a long-term financing with the Brazilian Development Bank (BNDES) of R\$ 930 million; postponement of certain projects, to balance cash flow; and financial support by the stockholders to ensure the Company's liquidity.

Cemig's management does not have any expectation of losses on the investments in Renova.



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### **Acquisition of 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\$1,436,166 on June 30, 2016.

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\$ 22,336,434 (consolidated) on June 30, 2016, and this amount, in accordance with financial projections prepared by its management, is to be absorbed by future revenues generated as from the start of operations of all the generator rotors of that entity. On June 30, 2016 the value of the property, plant and equipment assets proportional to Cemig GT 's equity ownership in this indirect subsidiary was R\$ 4,049,595. During this development phase of the project, the jointly-controlled entity Mesa has reported recurring losses in its operations.

Mesa and its subsidiary Saesa have the benefit of direct and indirect cash investments by their shareholders.

On March 31, 2016, Mesa requested subscriptions of funds from its stockholders. Thus, FIP Melbourne, called upon its unit holders to subscribe the amounts corresponding to their holdings. Only Cemig GT complied with the request, changing its direct and indirect stockholdings in the project from 18.05% to 18.13%. Since June 2014 the funds have not participated in any subscription of funds, thus diluting their holdings.

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

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

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

Court of the Central Jurisdiction of São Paulo, and the arbitration referred to in the action for provisional remedy, if it takes place, will be *in camera*, under the Regulations of the Market Arbitration Chamber, and will have Mesa (and not Saesa) as a party. The chance of loss was initially assessed by the legal advisers of Cemig GT and SAAG as possible . In September 2016, due to the judgment given by the CAM, the chance of loss was re-assessed as remote .

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

Norte Energia S.A. ( NESA ) is the company holding ownership of the concession to operate the Belo Monte Hydroelectric Plant.

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. The programmed date for the last generating unit to start operation is January 2019.

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 .

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.

Eletrobras Centrais Elétricas Brasileiras S.A. ( Eletrobras ), which owns 49.98% of the share capital of NESA, contracted a specialized law office to investigate any irregularities in projects in which it has an interest. The scope included the investment in NESA, in which Cemig is a minority shareholder through Aliança Norte and Amazônia Energia. At the time of initial publication of these interim accounting statements this work was still in progress, and thus did not yet have any conclusive results. It should be noted that at that time the Company s management had no knowledge of any preliminary result of these investigations. In the initial publication hereof, the company undertook, as and when progress of the investigations produced any significant information, to assess any impacts on the interim financial statements, which it undertook would be accounted for and/or disclosed when applicable.

**Norte Energia (NESA) risks related to compliance with laws and regulations**

Summary of the conclusions of the independent investigation

Centrais Elétricas Brasileiras S.A. (Eletrobras), and Cemig GT (direct and indirect minority stockholder through Amazônia Energia S.A. and Aliança Norte Energia Participações S.A.), respectively hold equity interests of 49.98% and 11.74% in Norte Energia S.A. ( NESA ). Eletrobras 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 a participation, 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 stockholder, including NESA.

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The final reports of the independent internal investigation include certain findings with impacts that have been estimated in the financial statements of NESAs. 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.

### **Impacts on the financial statements**

Based on the conclusions and results identified in the independent internal investigation, the management of NESAs referred to Accounting Pronouncement CPC27 *Property, plant and Equipment*, which correlates with IAS 16 *Assets and Equipment*, and concluded that the amount of R\$ 183,000, 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 NESAs 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 NESAs, 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, NESAs 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\$ 183,000, 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 NESAs on December 31, 2015 Cemig recognized an adjustment in the amount of R\$ 22,875, in Investments with counterpart in Equity gain (loss) in subsidiaries. Of this total, R\$ 21,390 arises from the adjustment made by Cemig GT, and R\$ 1,485 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*.

Considering that the independent internal investigation was concluded on a date subsequent to the approval of issuance of the financial statements of Cemig and Cemig GT for the year ended December 31, 2015, and of their interim accounting information for the periods ended March 31 and June 30, 2016, the Management of Cemig and Cemig GT decided to re-present the financial statements referred to.

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## Put options

### Put options for shares in Parati

Cemig granted to Fundo de Participações Redentor, which is a stockholder 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.

The exercise price would be 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 options. The fair value of this option has been calculated on the basis of the estimated exercise price on the day of exercise of the option, less the fair value of the shares that are the subject of the put option, also estimated for the date of exercise, brought to present value at the date of the interim accounting statements, at the effective rate of 7.5% p.a. (discounting inflation effects). As a result of the changes in the Stockholders 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.

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*Changes in the Stockholders Agreement of Parati*

In the second quarter of 2016 Amendments were signed to the Stockholders 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 stockholder/s who decide to do so, independently of the exercise of the Put Option by the other direct stockholders, up to September 23, 2016, inclusive, and shall cover only preferred shares in Parati, up to a limit of 153,634,195 preferred shares in Parati, representing 14.30% of the total shares in Parati held by the other direct stockholders. Cemig must make payment by November 30, 2016.
  - b) Second payment window: The intention to exercise may be stated by any direct stockholder/s who decide to do so, independently of the exercise of the Put Option by the other direct stockholders, 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 stockholders 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 stockholders 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 stockholder 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 stockholders, 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*

Based on the studies made, a liability of R\$ 1,679,455 is recorded in the Company's Interim Accounting Statements, for the difference between the exercise price and the estimated fair value of the assets.

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This table shows the movement in the value of the options in the six-month periods ended June 30, 2016 and 2015:

|                                     |                  |
|-------------------------------------|------------------|
| <b>Balance on December 31, 2014</b> | <b>165,801</b>   |
| Additions                           | 114,182          |
| <b>Balance on June 30, 2015</b>     | <b>279,983</b>   |
| <b>Balance on December 31, 2015</b> | <b>1,245,103</b> |
| Additions                           | 434,352          |
| <b>Balance on June 30, 2016</b>     | <b>1,679,455</b> |

In the calculation of the fair value of the option based on the BSM model the following variables are taken into account: the exercise price; the market closing price of the stock of Light on June 30, 2016 (as a proxy for the value of the indirect interest held by the direct stockholders of Parati in Light); the risk-free interest rate; the volatility of the price of the subject asset; and the time to maturity of the option.

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. This exercise employed scenarios for the risk-free interest rate at 7.9% p.a. and 17.6% p.a., and volatility between 15% and 60% p.a., resulting in estimates of minimum and maximum price for the put option of R\$ 1,637,184 and R\$ 1,723,714, respectively.

#### Put options for Units in FIP Melbourne

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 options for units in the entities that comprise the Investment Structure (the Put Options), which the private pension plan entities will be able to exercise in the eighty fourth month after June 2014. The exercise price of the put options will correspond to the amount invested by each private pension plan in the Investment Structure, updated *pro rata temporis*, by the 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.

To decide the method to be used for measuring the fair value of that option, since Madeira Energia is an unlisted company, the Company adopted the discounted cash flow method to measure the fair value of the options. 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 date of the interim accounting statements, at the effective rate of 8% p.a. (discounting inflation effects).

Based on the studies made, a liability of R\$ 173,625 is recorded in the Company's interim accounting statements, for the difference between the exercise price and the estimated fair value of the assets.

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This table shows the movement in the value of the options in the six-month periods ended June 30, 2016 and 2015:

|                                     |                |
|-------------------------------------|----------------|
| <b>Balance on December 31, 2014</b> | <b>29,029</b>  |
| Additions                           | 46,251         |
| <b>Balance on June 30, 2015</b>     | <b>75,280</b>  |
| <b>Balance on December 31, 2015</b> | <b>147,614</b> |
| Additions                           | 26,011         |
| <b>Balance on June 30, 2016</b>     | <b>173,625</b> |

As a sensitivity analysis, one of the variables with most impact on the calculation of the options is the discount rate. A change of 1% in the discount rate alters the value of the options by approximately R\$ 19 million.

*Investment in Renova – Loss due to impairment of assets available for sale*

*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 on the same terms.

Renova also announced 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, on the terms specified by contract and publicly stated in the Material Announcement published by Renova on September 18, 2015. 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\$ 111,402, for the variation in the price of the option, taking credit risk into account. In addition it recognized a loss of R\$ 62,995 relating to the extinction of the option, and opened arbitration proceedings seeking, among other items, indemnity for losses. At the date of issuance of this report Sun Edison had not settled this transaction.

The figures above refer to the full impact on Renova's interim financial statements. The effect for Cemig was proportional to its interest, of 34.2%, in the investee, valued by the equity method.

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*Investment in TerraForm pricing of the shares*

The company also posted a loss, in the first half of 2016, of R\$ 271,509, reflecting the negative volatility in the stock price of TerraForm in the period, in which Renova has an equity interest of 11.65%, valued on the basis of the market price of the shares.

The figures above refer to the full impact on Renova's interim financial statements. The effect for Cemig was proportional to its interest, of 34.2%, in the investee, valued by the equity method.

*Rescission of share purchase agreement*

On April 1, 2016 Renova Energia S.A. ( Renova ) informed its stockholders 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 by agreement between the parties, and upon payment by TerraForm Global to Renova of a break-up fee of US\$ 10.0 million. Thus the assets of the Espra project, comprising three small hydroelectric plants (SHPs), which placed generation contracts under the Proinfra 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\$ 35,790 on April 1, 2016.

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

*Distribution of natural gas agreement between Gasmig and Petrobras*

Gasmig signed a contract for the service of distribution of natural gas with Petrobras to supply the Nitrogen Fertilizers Unit (UFN-V) an ammonia factory to be installed in the County of Uberaba, in the Minas Triangle Region. As a result of compliance with this contract being found momentarily not to be feasible, the parties are in negotiation for an amicable dissolution of the contract without penalty for either party.

*Generation companies constituted Lot D of Auction 12/2015 won by the company in 2015*

As described in more details in Note 12, as a result of Cemig GT having won Lot D of Auction 12/2015 (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 are now consolidated, as from this present Quarterly Information.

**14. PROPERTY, PLANT AND EQUIPMENT**

| Consolidated      | June 30, 2016 |                          |           | Dec. 31, 2015 |                          |           |
|-------------------|---------------|--------------------------|-----------|---------------|--------------------------|-----------|
|                   | Historic cost | Accumulated depreciation | Net value | Historic cost | Accumulated depreciation | Net value |
| <b>In service</b> |               |                          |           |               |                          |           |
| Land              | 286,367       | (9,523)                  | 276,844   | 286,633       | (8,024)                  | 278,609   |
|                   | 4,894,422     | (3,087,155)              | 1,807,267 | 4,866,922     | (3,036,877)              | 1,830,045 |

|                                   |                   |                    |                  |                   |                    |                  |
|-----------------------------------|-------------------|--------------------|------------------|-------------------|--------------------|------------------|
| Reservoirs, dams and watercourses |                   |                    |                  |                   |                    |                  |
| Buildings, works and improvements | 1,579,634         | (1,150,326)        | 429,308          | 1,576,926         | (1,139,615)        | 437,311          |
| Machinery and equipment           | 3,927,667         | (2,733,770)        | 1,193,897        | 3,862,311         | (2,670,212)        | 1,192,099        |
| Vehicles                          | 29,000            | (23,735)           | 5,265            | 29,000            | (20,918)           | 8,082            |
| Furniture and utensils            | 15,734            | (12,141)           | 3,593            | 15,685            | (11,212)           | 4,473            |
|                                   | <b>10,732,824</b> | <b>(7,016,650)</b> | <b>3,716,174</b> | <b>10,637,477</b> | <b>(6,886,858)</b> | <b>3,750,619</b> |
| <b>Under construction</b>         | <b>132,455</b>    |                    | <b>132,455</b>   | <b>189,704</b>    |                    | <b>189,704</b>   |
| <b>Net PP&amp;E</b>               | <b>10,865,279</b> | <b>(7,016,650)</b> | <b>3,848,629</b> | <b>10,827,181</b> | <b>(6,886,858)</b> | <b>3,940,323</b> |

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

| <b>Consolidated</b>                  | <b>Balance at<br/>Dec. 31, 2015</b> | <b>Addition</b> | <b>Written off</b> | <b>Depreciation</b> | <b>Transfers<br/>/<br/>Capitalization</b> | <b>Balance<br/>at<br/>June 30,<br/>2016</b> |
|--------------------------------------|-------------------------------------|-----------------|--------------------|---------------------|---|---|
| <b>In service</b>                    |                                     |                 |                    |                     |   |   |
| Land                                 | 278,609                             |                 | (351)              | (1,498)             | 84  | 276,844                                     |
| Reservoirs, dams and<br>watercourses | 1,830,045                           |                 | (3)                | (49,579)            | 26,804                                    | 1,807,267                                   |
| Buildings, works and<br>improvements | 437,311                             |                 | (48)               | (11,880)            | 3,925                                     | 429,308                                     |
| Machinery and equipment              | 1,192,099                           |                 | (11,864)           | (53,778)            | 67,440                                    | 1,193,897                                   |
| Vehicles                             | 8,082                               |                 |                    | (1,299)             | (1,518)                                   | 5,265                                       |
| Furniture and utensils               | 4,473                               |                 | (1)                | (161)               | (718)                                     | 3,593                                       |
|                                      | <b>3,750,619</b>                    |                 | <b>(12,267)</b>    | <b>(118,195)</b>    | <b>96,017</b>                             | <b>3,716,174</b>                            |
| <b>Under construction</b>            | 189,704                             | 45,005          | (6,237)            |                     | (96,017)                                  | 132,455                                     |
| <b>Net PP&amp;E</b>                  | <b>3,940,323</b>                    | <b>45,005</b>   | <b>(18,504)</b>    | <b>(118,195)</b>    |   | <b>3,848,629</b>                            |

| <b>Consolidated</b>                  | <b>Balance<br/>at<br/>Dec. 31,<br/>2014</b> | <b>Addition</b> | <b>Written<br/>off</b> | <b>Transfer of<br/>assets to<br/>Aliança<br/>Geração<br/>de<br/>Energia</b> | <b>Depreciation</b> | <b>Transfers<br/>/<br/>Capitalization</b> | <b>Balance<br/>at<br/>June 30,<br/>2015</b> |
|--------------------------------------|---|-----------------|------------------------|---|---------------------|---|---|
| <b>In service</b>                    |   |                 |                        |   |                     |   |   |
| Land                                 | 373,002                                     |                 | (17,429)               | (40,796)  | (1,886)             | 3,768                                     | 316,659                                     |
| Reservoirs, dams and<br>watercourses | 2,260,282                                   |                 |                        | (163,123)   | (69,969)            | 5,491                                     | 2,032,681                                   |
| Buildings, works and<br>improvements | 609,572                                     |                 | (670)                  | (115,659)   | (13,642)            | 350                                       | 479,951                                     |
| Machinery and equipment              | 2,053,249                                   |                 | (2,798)                | (308,207)   | (80,769)            | 58,546                                    | 1,720,021                                   |
| Vehicles                             | 9,244                                       |                 |                        | (335)   | (1,304)             |   | 7,605                                       |
| Furniture and utensils               | 4,207                                       |                 | (2)                    | (199)   | (163)               | 8   | 3,851                                       |
|                                      | <b>5,309,556</b>                            |                 | <b>(20,899)</b>        | <b>(628,319)</b>  | <b>(167,733)</b>    | <b>68,163</b>                             | <b>4,560,768</b>                            |
| <b>Under construction</b>            | 234,064                                     | 30,629          |                        | (3,077)   |                     | (58,157)                                  | 203,459                                     |
| <b>Net PP&amp;E</b>                  | <b>5,543,620</b>                            | <b>30,629</b>   | <b>(20,899)</b>        | <b>(631,396)</b>  | <b>(167,733)</b>    | <b>10,006</b>                             | <b>4,764,227</b>                            |

The average annual depreciation rate for the year 2016 is 3.39% (2.31% in 2015). The average annual depreciation rates, by activity, are:

| <b>Hydroelectric generation</b> | <b>Thermal generation</b> | <b>Management and other</b> | <b>Telecoms</b> |
|---------------------------------|---------------------------|-----------------------------|-----------------|
| 2.86%                           | 4.45%                     | 8.88%                       | 5.96%           |

The company has identified no 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.

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Management believes that the indemnity of these assets will be greater than the amount of their historic cost, after depreciation over their useful lives.

Aneel, under the Brazilian regulatory framework, 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 the indemnification amounts due to concession holders at the end of the concession period, and are recognized as a reasonable estimate of the useful life of the assets of the concession. Thus, these rates were used as the basis for depreciation of the Company's property, plant, and equipment assets.

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, as in the cases of 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 12.

### 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 types of PP&E and Intangible assets shown.

## 15. INTANGIBLE ASSETS

### a) Composition of the balance at June 30, 2016 and December 31, 2015

| Consolidated<br>In service | Historic<br>cost | June 30, 2016               |                          | Historic<br>cost | Dec. 31, 2015               |                   |
|----------------------------|------------------|-----------------------------|--------------------------|------------------|-----------------------------|-------------------|
|                            |                  | Accumulated<br>amortization | Amount<br>Residual value |                  | Accumulated<br>amortization | Residual<br>value |
| Useful life defined        |                  |                             |                          |                  |                             |                   |
| Temporary easements        | 11,749           | (1,315)                     | 10,434                   | 11,749           | (1,315)                     | 10,434            |
| Paid concession            | 19,169           | (10,233)                    | 8,936                    | 19,169           | (9,894)                     | 9,275             |
| Assets of concession       | 15,793,304       | (6,812,379)                 | 8,980,925                | 15,607,708       | (6,642,234)                 | 8,965,474         |
| Other                      | 63,111           | (52,815)                    | 10,296                   | 69,041           | (53,751)                    | 15,290            |

|                              |                   |                    |                   |                   |                    |                   |
|------------------------------|-------------------|--------------------|-------------------|-------------------|--------------------|-------------------|
|                              | <b>15,887,333</b> | <b>(6,876,742)</b> | <b>9,010,591</b>  | <b>15,707,667</b> | <b>(6,707,194)</b> | <b>9,000,473</b>  |
| <b>Under construction</b>    | 1,476,470         |                    | 1,476,470         | 1,274,631         |                    | 1,274,631         |
| <b>Net intangible assets</b> | <b>17,363,803</b> | <b>(6,876,742)</b> | <b>10,487,061</b> | <b>16,982,298</b> | <b>(6,707,194)</b> | <b>10,275,104</b> |

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|                              | Average      | June 30, 2016 |                |              | Dec. 31, 2015 |                |              |
|------------------------------|--------------|---------------|----------------|--------------|---------------|----------------|--------------|
| Holding company              | amortization | Historic      | Accumulated    | Residual     | Historic      | Accumulated    | Residual     |
| In service                   | rate         | cost          | amortization   | value        | cost          | amortization   | value        |
| Useful life defined          |              |               |                |              |               |                |              |
| Software use rights          | 20%          | 3,789         | (3,600)        | 189          | 3,789         | (3,550)        | 239          |
| Brands and patents           | 10%          | 9             | (6)            | 3            | 9             | (6)            | 3            |
|                              |              | <b>3,798</b>  | <b>(3,606)</b> | <b>192</b>   | <b>3,798</b>  | <b>(3,556)</b> | <b>242</b>   |
| <b>Under construction</b>    |              | 1,676         |                | 1,676        | 1,676         |                | 1,676        |
| <b>Net intangible assets</b> |              | <b>5,474</b>  | <b>(3,606)</b> | <b>1,868</b> | <b>5,474</b>  | <b>(3,556)</b> | <b>1,918</b> |

## b) Movement in Intangible assets

|                              | Balance at        |                |                 |                  |                 | Balance at        |
|------------------------------|-------------------|----------------|-----------------|------------------|-----------------|-------------------|
| Consolidated                 | Dec. 31,          | Addition       | Written off     | Amortization     | Transfer        | June 30,          |
| In service                   | 2015              |                |                 |                  |                 | 2016              |
| Useful life defined          |                   |                |                 |                  |                 |                   |
| Temporary easements          | 10,434            |                |                 |                  |                 | 10,434            |
| Paid concession              | 9,275             |                |                 | (339)            |                 | 8,936             |
| Assets of concession         | 8,965,474         |                | (10,577)        | (278,076)        | 304,104         | 8,980,925         |
| Other                        | 15,290            |                | (6,224)         | (2,107)          | 3,337           | 10,296            |
|                              | <b>9,000,473</b>  |                | <b>(16,801)</b> | <b>(280,522)</b> | <b>307,441</b>  | <b>9,010,591</b>  |
| <b>Under construction</b>    | 1,274,631         | 549,111        | (4,079)         |                  | (343,193)       | 1,476,470         |
| <b>Net intangible assets</b> |                   |                |                 |                  |                 |                   |
| <b>Consolidated</b>          | <b>10,275,104</b> | <b>549,111</b> | <b>(20,880)</b> | <b>(280,522)</b> | <b>(35,752)</b> | <b>10,487,061</b> |

|                     | Balance at | Transfer of assets |            |         |              | Balance at |
|---------------------|------------|--------------------|------------|---------|--------------|------------|
| Consolidated        | Dec. 31,   | Addition           | to Aliança | Written | Amortization | June 30,   |
| In service          | 2014       |                    | Geração    | off     |              | 2015       |
| Useful life defined |            |                    |            |         |              |            |
| Temporary easements | 11,862     |                    | de         | Energia | (205)        | 22         |
|                     |            |                    |            |         |              | 10,477     |

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|                              |                  |                |                 |                |                  |                  |                  |
|------------------------------|------------------|----------------|-----------------|----------------|------------------|------------------|------------------|
| Paid concession              | 23,743           |                | (12,517)        |                | (1,611)          |                  | 9,615            |
| Assets of concession         | 2,223,034        |                |                 | (3,472)        | (256,227)        | 32,405           | 1,995,740        |
| Other                        | 17,345           | 59             |                 |                | (2,932)          | (4,853)          | 9,619            |
|                              | 2,275,984        | 59             | (13,719)        | (3,472)        | (260,975)        | 27,574           | 2,025,451        |
| <b>Under construction</b>    | 1,103,312        | 470,013        |                 | (1,366)        |                  | (460,874)        | 1,111,085        |
| <b>Net intangible assets</b> | <b>3,379,296</b> | <b>470,072</b> | <b>(13,719)</b> | <b>(4,838)</b> | <b>(260,975)</b> | <b>(433,300)</b> | <b>3,136,536</b> |

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The annual average amortization rate is 4.12%. The average rates of annual amortization, by activity, set by the legislation in effect, are:

| <b>Hydroelectric generation</b> | <b>Thermal generation</b> | <b>Distribution</b> | <b>Management and other</b> | <b>Telecoms</b> |
|---------------------------------|---------------------------|---------------------|-----------------------------|-----------------|
| 6.58%                           | 7.06%                     | 3.59%               | 14.26%                      | 7.74%           |

The Company has not found 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\$ 470,072, includes R\$ 82,395 (R\$ 70,160 in the first half of 2015) under the heading *Capitalized financial costs*, as presented in Note 18.

### Assets of the concession

In accordance with Technical Interpretation ICPC 01 *Concession contracts*, 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.

Aneel, under the Brazilian regulatory framework, 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 indications of impairment of its intangible assets, which have defined useful lives.

## 16. SUPPLIERS

|                                  |      | <b>Consolidated</b>  |                      |
|----------------------------------|------|----------------------|----------------------|
|                                  |      | <b>June 30, 2016</b> | <b>Dec. 31, 2015</b> |
| Electricity on spot market       | CCEE | 134,850              | 307,631              |
| Charges for use of grid          |      | 79,233               | 81,211               |
| Electricity purchased for resale |      | 683,525              | 647,149              |
| Itaipu Binacional                |      | 192,600              | 314,859              |
| Gas bought for resale            |      | 216,810              | 235,537              |
| Materials and services           |      | 258,731              | 314,766              |
|                                  |      | <b>1,565,749</b>     | <b>1,901,153</b>     |
| Current                          |      | 1,565,749            | 1,901,153            |

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**17. TAXES****a) Taxes and charges**

The non-current obligations for Pasep and Cofins taxes refer to the legal proceedings challenging the constitutionality of inclusion of the ICMS tax as part of the taxable amount for calculation of the amounts of Pasep and Cofins taxes payable, 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.

|                               | <b>Consolidated</b>  |                      | <b>Holding company</b> |                      |
|-------------------------------|----------------------|----------------------|------------------------|----------------------|
|                               | <b>June 30, 2016</b> | <b>Dec. 31, 2015</b> | <b>June 30, 2016</b>   | <b>Dec. 31, 2015</b> |
| <b>Current</b>                |                      |                      |                        |                      |
| ICMS tax                      | 512,022              | 462,336              | 18,091                 | 18,091               |
| Cofins tax                    | 90,402               | 156,657              | 4,630                  | 26,895               |
| Pasep tax                     | 19,280               | 33,332               | 983                    | 5,708                |
| Social security contributions | 20,987               | 22,464               | 1,824                  | 1,740                |
| Other                         | 28,917               | 65,324               | 714                    | 689                  |
|                               | <b>671,608</b>       | <b>740,113</b>       | <b>26,242</b>          | <b>53,123</b>        |
| <b>Non-current</b>            |                      |                      |                        |                      |
| Cofins tax                    | 608,841              | 608,503              |                        |                      |
| Pasep tax                     | 131,270              | 131,208              |                        |                      |
|                               | <b>740,111</b>       | <b>739,711</b>       |                        |                      |
|                               | <b>1,411,719</b>     | <b>1,479,824</b>     | <b>26,242</b>          | <b>53,123</b>        |

**b) Income tax and Social Contribution tax**

|                         | <b>Consolidated</b>  |                      |
|-------------------------|----------------------|----------------------|
|                         | <b>June 30, 2016</b> | <b>Dec. 31, 2015</b> |
| <b>Current</b>          |                      |                      |
| Income tax              | 9,293                | 7,619                |
| Social Contribution tax | 3,717                | 3,027                |

**13,011**

**10,646**

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## 18. LOANS, FINANCINGS AND DEBENTURES

| Financing source                   | Principal maturity | Charges | Annual cost, %            | Currency | Consolidated     |                           |                  | Dec. 31, 2015 Total |
|------------------------------------|--------------------|---------|---------------------------|----------|------------------|---------------------------|------------------|---------------------|
|                                    |                    |         |                           |          | Current          | Jun. 30, 2016 Non-current | Total            |                     |
| <b>FOREIGN CURRENCY</b>            |                    |         |                           |          |                  |                           |                  |                     |
| Brazil:                            |                    |         |                           |          |                  |                           |                  |                     |
| Corporate Bonds (1)                | 2024               |         | Various                   | US\$     | 1,327            | 16,427                    | 17,754           | 32,100              |
|                                    | 2016               |         | 4.50                      | Euro     | 1,168            |                           | 1,168            | 2,800               |
|                                    | 2018               |         | 1.78                      | Euro     | 3,728            | 5,774                     | 9,502            | 11,600              |
| <b>Total in foreign currency</b>   |                    |         |                           |          | <b>6,223</b>     | <b>22,201</b>             | <b>28,424</b>    | <b>46,500</b>       |
| <b>BRAZILIAN CURRENCY</b>          |                    |         |                           |          |                  |                           |                  |                     |
| Corporate Bonds                    | 2017               |         | 108.33% of the CDI Rate   | R\$      | 66,856           |                           | 66,856           | 143,900             |
| Corporate Bonds                    | 2017               |         | 108.00% of CDI            | R\$      | 286,422          | 147,449                   | 433,871          | 433,800             |
| Corporate Bonds                    | 2018               |         | 104.10% of CDI            | R\$      | 385,193          | 540,000                   | 925,193          | 924,600             |
| Corporate Bonds                    | 2018               |         | 128.00% of CDI            | R\$      | 319,232          | 300,000                   | 619,232          | 803,600             |
| Corporate Bonds                    | 2017               |         | 111.00% of CDI            | R\$      | 49,736           |                           | 49,736           | 99,700              |
| Corporate Bonds                    | 2020               |         | 114.00% of CDI            | R\$      | 8,176            | 492,405                   | 500,581          | 499,000             |
| Corporate Bonds                    | 2026               |         | TJLP + 2.34%              | R\$      | 7,973            | 70,058                    | 78,031           | 81,300              |
| Corporate Bonds                    | 2020               |         | TJLP + 2.48%              | R\$      | 2,307            | 7,954                     | 10,261           | 11,300              |
| Corporate Bonds                    | 2018               |         | 119.00% of CDI            | R\$      | 100,693          | 58,334                    | 159,027          | 200,800             |
| Corporate Bonds                    | 2020               |         | 132.14% of CDI            | R\$      | (2,113)          | 681,106                   | 678,993          |                     |
| Corporate Bonds                    | 2023               |         | Ufir RGR + 6.00 to 8.00%  | R\$      | 19,681           | 57,187                    | 76,868           | 184,700             |
| Corporate Bonds                    | 2018               |         | Various                   | R\$      | 3,205            | 2,847                     | 6,052            | 7,800               |
| Corporate Bonds                    | 2018               |         | TJLP + 5% and TJLP + 2.5% | R\$      | 3,158            | 3,919                     | 7,077            | 8,600               |
| Corporate Bonds                    | 2016               |         | IPCA index                | R\$      | 185              |                           | 185              | 1,100               |
| Corporate Bonds                    | 2016               |         | 111.70% of CDI Rate       | R\$      |                  |                           |                  | 1,889,300           |
| Corporate Bonds                    | 2016               |         | 120.00% of CDI            | R\$      | 1,541,442        |                           | 1,541,442        | 1,440,900           |
| Corporate Bonds                    | 2018               |         | CDI + 1.9%                | R\$      | 11,677           | 119,229                   | 130,906          | 121,100             |
| Corporate Bonds                    | 2016               |         | 110.40% of CDI            | R\$      | 24,713           |                           | 24,713           | 22,600              |
| <b>Total in Brazilian currency</b> |                    |         |                           |          | <b>2,828,536</b> | <b>2,480,488</b>          | <b>5,309,024</b> | <b>6,873,900</b>    |

| Total of loans financings |      |   |     | 2,834,759 | 2,502,689 | 5,337,448 | 6,920,5 |
|---------------------------|------|---|-----|-----------|-----------|-----------|---------|
| entures, 2nd e (3)        | 2017 | IPCA + 7.96%                            | R\$ | 250,119   | 230,787   | 480,906   | 441,4   |
| entures 3rd e, 1st Series | 2017 | CDI Rate + 0.90%                        | R\$ | 506,198   |           | 506,198   | 539,9   |
| entures 3rd e, 3rd Series | 2022 | IPCA + 6.20%                            | R\$ | 21,035    | 918,567   | 939,602   | 922,3   |
| entures 3rd e, 2nd Series | 2019 | IPCA + 6.00%                            | R\$ | 6,079     | 274,222   | 280,301   | 274,8   |
| entures 3rd e, 2nd Series | 2021 | IPCA + 4.70%                            | R\$ | 24,432    | 1,414,061 | 1,438,493 | 1,402,3 |
| entures 3rd e, 3rd series | 2025 | IPCA + 5.10%                            | R\$ | 15,866    | 843,531   | 859,397   | 839,4   |
| entures 3rd e, 3rd series | 2018 | CDI + 0.69%                             | R\$ | 21,943    | 410,709   | 432,652   | 461,2   |
| entures 6th e, 1st Series | 2018 | CDI + 1.6%                              | R\$ | 145,978   | 970,892   | 1,116,870 | 1,037,2 |
| entures 6th e, 2nd Series | 2020 | IPCA +8.07%                             | R\$ | 2,256     | 29,580    | 31,836    | 29,1    |
| entures, 4th e (3)        | 2018 | CDI + 4.05%                             | R\$ | 60,735    | 1,593,182 | 1,653,917 |         |
| entures 4th e, 2nd Series | 2016 | CDI + 0.85%                             | R\$ | 537,326   |           | 537,326   | 501,3   |
| entures 5th e, 1st Series | 2018 | CDI + 1.6%                              | R\$ | 119,059   | 1,400,000 | 1,519,059 | 1,411,6 |
| entures (5)               | 2016 | TJLP + 3.12%                            | R\$ | 16,411    |           | 16,411    | 41,0    |
| entures (5)               | 2018 | CDI + 1.6%                              | R\$ | 648       | 100,000   | 100,648   | 102,8   |
| entures (5)               | 2018 | CDI + 0.74%                             | R\$ | 33,368    | 33,339    | 66,707    | 100,1   |
| entures (5)               | 2022 | TJLP + 7.82% (75%); Selic + 1.82% (25%) | R\$ | 14,538    | 102,841   | 117,379   | 124,4   |
| entures 1st e, 1st Series | 2018 | TJLP + 3.62%                            | R\$ | 3,938     | 2,285     | 6,223     | 8,0     |
| entures 1st e, 2nd Series | 2018 | TJLP + 4.32%                            | R\$ | 1,461     | 847       | 2,308     | 3,0     |
| entures 1st e, 3rd Series | 2018 | TJLP + 1.72%                            | R\$ | 543       | 315       | 858       | 1,1     |
|                           | 2018 | TJLP + 3.62%                            | R\$ | 1,184     | 686       | 1,870     | 2,4     |

|                              |      |              |     |                  |                   |                   |                 |
|------------------------------|------|--------------|-----|------------------|-------------------|-------------------|-----------------|
| entures 1st<br>e, 4th Series |      |              |     |                  |                   |                   |                 |
| entures 1st<br>e, 5th Series | 2018 | TJLP + 4.32% | R\$ | 483              | 280               | 763               | 1,0             |
| entures 1st<br>e, 6th Series | 2018 | TJLP + 1.72% | R\$ | 375              | 216               | 591               | 7               |
| al,<br>entures               |      |              |     | <b>1,783,975</b> | <b>8,326,340</b>  | <b>10,110,315</b> | <b>8,246,0</b>  |
| rral total<br>olidated       |      |              |     | <b>4,618,734</b> | <b>10,829,029</b> | <b>15,447,763</b> | <b>15,166,5</b> |

(1) Interest rates vary from 2.00 to 8.00% p.a. Six-month Libor plus spread of 0.81% to 0.88% p.a.

(2) Cemig Geração e Transmissão.

(3) Cemig Distribuição.

(4) Cemig Telecom.

(5) Gasmig.

(6) On April 22, 2016 Cemig D signed amendments to two Bank Credit Notes issued in favor of Banco do Brasil, for a total of R\$ 600 million, to roll over existing debt.

The interest rate is 128.00% of the CDI rate, p.a., and the funds will be paid in four six-monthly installments with final maturity in April 2018.

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## Guarantees

The guarantees of the debtor balance on loans and financings, on June 30, 2015, were as follows:

|                               |                   |
|-------------------------------|-------------------|
| Promissory Notes and Sureties | 12,903,610        |
| Receivables                   | 1,980,986         |
| Without guarantee             | 563,167           |
| <b>TOTAL</b>                  | <b>15,447,763</b> |

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

|  | 2016             | 2017             | 2018             | 2019             | 2020             | 2021           | 2022           | After 2022     | Total             |
|--|------------------|------------------|------------------|------------------|------------------|----------------|----------------|----------------|-------------------|
| <b>Currency</b>                          |                  |                  |                  |                  |                  |                |                |                |                   |
| US dollar                                | 1,327            |                  |                  |                  |                  |                |                | 16,427         | 17,754            |
| Real                                     | 3,032            | 4,238            | 3,400            |                  |                  |                |                |                | 10,670            |
| <b>Total, foreign-currency nominated</b> | <b>4,359</b>     | <b>4,238</b>     | <b>3,400</b>     |                  |                  |                |                | <b>16,427</b>  | <b>28,424</b>     |
| <b>Indexors</b>                          |                  |                  |                  |                  |                  |                |                |                |                   |
| IPCA (1)                                 | 320,207          | 230,399          | 136,572          | 618,397          | 784,725          | 784,076        | 523,297        | 633,047        | 4,030,725         |
| Ufir / RGR (2)                           | 10,591           | 16,749           | 16,357           | 12,910           | 11,210           | 3,407          | 3,264          | 2,380          | 76,866            |
| CDI (3)                                  | 3,400,384        | 3,485,049        | 3,505,885        | 437,773          | 234,836          |                |                |                | 11,063,922        |
| URTJ / TJLP (4)                          | 34,892           | 34,938           | 32,058           | 29,046           | 29,155           | 26,798         | 26,796         | 28,089         | 241,772           |
| IGP-DI (5)                               | 902              | 852              | 841              | 841              | 370              |                |                |                | 3,800             |
| TR (6)                                   | 1,749            | 199              | 99               | 199              |                  |                |                |                | 2,246             |
| <b>Total, governed indexors</b>          | <b>3,768,725</b> | <b>3,768,186</b> | <b>3,691,812</b> | <b>1,099,166</b> | <b>1,060,296</b> | <b>814,281</b> | <b>553,357</b> | <b>663,516</b> | <b>15,419,336</b> |
| <b>Overall total</b>                     | <b>3,773,084</b> | <b>3,772,424</b> | <b>3,695,212</b> | <b>1,099,166</b> | <b>1,060,296</b> | <b>814,281</b> | <b>553,357</b> | <b>679,943</b> | <b>15,447,763</b> |

(1) Expanded National Consumer Price (IPCA) Index.

(2) Fiscal Reference Unit (Ufir / RGR).

(3) CDI: Interbank Rate for Certificates of Deposit.

(4) URTJ: Interest rate reference unit.

(5) IGP-DI (General Domestic Availability Price Index).

(6) TR Reference Interest Rate

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

| <b>Currency</b> | <b>Accumulated<br/>variation<br/>in<br/>1H16, %</b> | <b>Accumulated<br/>variation<br/>in<br/>1H15, %</b> | <b>Indexor</b> | <b>Accumulated<br/>variation<br/>in<br/>1H16, %</b> | <b>Accumulated<br/>variation<br/>in<br/>1H15, %</b> |
|-----------------|---|---|----------------|---|---|
| US dollar       | (17.80)   | 16.81   | IPCA index     | 4.42  | 6.17  |
| Euro            | (16.68)   | 7.23  | CDI rate       | 6.72  | 5.92  |

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

|  | <b>Consolidated</b> |
|--|---------------------|
| <b>Balance on December 31, 2014</b>      | <b>13,508,738</b>   |
| Financings obtained net of funding costs | 3,097,192           |
| Monetary and exchange rate variation     | 231,044             |
| Financial charges provisioned            | 720,556             |
| Financial charges paid                   | (846,938)           |
| Amortization of financings               | (3,673,618)         |
| <b>Balance on June 30, 2015</b>          | <b>13,036,974</b>   |
| <b>Balance on December 31, 2015</b>      | <b>15,166,537</b>   |
| Loans and financings obtained            | 2,311,965           |
| Funding costs                            | (60,367)            |
| Financings obtained net of funding costs | 2,251,598           |
| Monetary and exchange rate variation     | 168,729             |
| Financial charges provisioned            | 990,196             |
| Financial charges paid                   | (1,084,559)         |
| Amortization of financings               | (2,044,738)         |
| <b>Balance on June 30, 2016</b>          | <b>15,447,763</b>   |

#### **Borrowing costs capitalized**

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

|  | <b>Jun. 30, 2016</b> | <b>Jun. 30, 2015</b> |
|--|----------------------|----------------------|
| Costs of loans and financings                    | 990,196              | 720,556              |
| Financial costs transferred to Intangible assets | (82,395)             | (70,160)             |
| <b>Net effect in Profit and loss account</b>     | <b>907,801</b>       | <b>650,396</b>       |

The value of the charges capitalized, R\$ 82,395, has been excluded from the Statement of Cash Flow, in the additions to the Cash flow in investment activities, because it does not represent an outflow of cash for acquisition of the related asset.

The average rate of capitalization of the loans and financings whose costs were transferred to works was 8.38% at June 30, 2016, and 7.55% in the same period of 2015.

#### **Funding raised**



This table gives the consolidated totals of funds raised in 1H16:

| <b>Financing source</b>                         | <b>Principal maturity</b> | <b>Annual financial cost, %</b> | <b>Amount raised *</b> |
|---|---------------------------|---------------------------------|------------------------|
| <b>Brazilian currency</b>                       |                           |                                 |                        |
| Caixa Econômica Federal                         | 2020                      | 132.14% of CDI Rate             | 675,008                |
| Debentures                                      | 2018                      | CDI + 4.05%                     | 1,574,625              |
| KfW   | 2018                      | 1.78                            | 1,965                  |
| <b>Financings obtained net of funding costs</b> |                           |                                 | <b>2,251,598</b>       |

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In March 2016 Cemig D issued a Bank Credit Note in favor of Caixa Econômica Federal, in the amount of R\$ 695,000, for payment of debts of the Company becoming due in the first half of 2016. The interest rate is 132.14% of the CDI rate, p.a., with maturity of 48 months, grace period of 18 months for payment of the principal, payment of interest quarterly in this period, and amortization over 30 months, with monthly payment of installments of principal and interest. Caixa Econômica Federal will disburse the funds in eight installments, over the months of March through May, 2016. Of this total, R\$ 355 million was released in March 2016, R\$ 300 million in April 2016 and R\$ 40 million in May 2016.

In March 2016 Cemig D completed its fourth issue of non-convertible debentures, in the amount of R\$ 1,615,000, in a single series, with issue date December 15, 2015 and maturity at three years. These debentures carry annual remuneration at the CDI rate +4.05% p.a.; the principal will be amortized in two equal installments becoming due in December 2017 and December 2018. The proceeds will be used for payment of the Company's Eighth Issue of promissory notes.

### Debentures

The debentures issued by the Company are not convertible into shares, and have the following characteristics:

| Issuer                           | Type of guarantee | Annual cost, %                         | Expiration | June 30, 2016 | Dec. 31, 2015 |
|----------------------------------|-------------------|--|------------|---------------|---------------|
| Cemig GT 3rd Issue<br>1st Series | Unsecured         | CDI Rate + 0.90%                       | 2017       | 506,198       | 539,943       |
| Cemig GT 3rd Issue<br>3rd Series | Unsecured         | IPCA + 6.20%                           | 2022       | 939,602       | 922,328       |
| Cemig GT 3rd Issue<br>2nd Series | Unsecured         | IPCA + 6.00%                           | 2019       | 280,301       | 274,892       |
| Cemig GT 4th Issue               | Unsecured         | CDI Rate + 0.85%                       | 2016       | 537,326       | 501,398       |
| Cemig GT 5th Issue               | Unsecured         | CDI + 1.6%                             | 2018       | 1,519,059     | 1,411,646     |
| Cemig D 3rd Issue<br>1st Series  | Surety            | CDI + 0.69%                            | 2018       | 432,652       | 461,258       |
| Cemig D 3rd Issue<br>2nd Series  | Surety            | IPCA + 4.70%                           | 2021       | 1,438,493     | 1,402,391     |
| Cemig D 3rd Issue<br>3rd Series  | Surety            | IPCA + 5.10%                           | 2025       | 859,397       | 839,429       |
| Cemig D 6th Issue<br>1st Series  | Surety            | CDI + 1.6%                             | 2018       | 1,116,870     | 1,037,256     |
| Cemig D 6th Issue<br>2nd Series  | Surety            | IPCA +8.07%                            | 2020       | 31,836        | 29,185        |
| Cemig D 4th Issue                | None              | IPCA + 7.96%                           | 2017       | 480,906       | 441,462       |
| Cemig D 4th Issue                | Surety            | CDI + 4.05%                            | 2018       | 1,653,917     |               |
| Gasmig                           | Unsecured         | TJLP + 3.12%                           | 2016       | 16,411        | 41,009        |
| Gasmig                           | Unsecured         | CDI + 1.6%                             | 2018       | 100,648       | 102,862       |
| Gasmig                           | Unsecured         | CDI + 0.74%                            | 2018       | 66,707        | 100,111       |
| Gasmig                           | Unsecured         | TJLP+7.82 (75%) and<br>Selic+1.82(25%) | 2022       | 117,379       | 124,416       |

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|                     |            |                       |              |      |                   |                  |
|---------------------|------------|-----------------------|--------------|------|-------------------|------------------|
| Cemig Telecom Issue | 1st Series | Receivables (Revenue) | TJLP + 3.62% | 2018 | 6,223             | 8,099            |
| Cemig Telecom Issue | 2nd Series | Receivables (Revenue) | TJLP + 4.32% | 2018 | 2,308             | 3,004            |
| Cemig Telecom Issue | 3rd Series | Receivables (Revenue) | TJLP + 1.72% | 2018 | 858               | 1,121            |
| Cemig Telecom Issue | 4th Series | Receivables (Revenue) | TJLP + 3.62% | 2018 | 1,870             | 2,437            |
| Cemig Telecom Issue | 5th Series | Receivables (Revenue) | TJLP + 4.32% | 2018 | 763               | 1,002            |
| Cemig Telecom Issue | 6th Series | Receivables (Revenue) | TJLP + 1.72% | 2018 | 591               | 759              |
| <b>TOTAL</b>        |            |                       |              |      | <b>10,110,315</b> | <b>8,246,008</b> |

For the debentures issued by the Company, there are no restrictive covenants, nor agreements for renegotiation, nor debentures held in treasury. There is an early maturity cross-default clause in the event of non-payment of any pecuniary obligation with individual or aggregate value greater than R\$ 50 million.

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**Restrictive covenants**

The Company has financing contracts with the Brazilian Development Bank (BNDES), with covenants related to financial indices, calculated annually in a balance sheet audited by an independent auditing company registered with the CVM, as follows: The Company's subsidiaries Gasmig and Cemig Telecom also have covenants, as shown below.

| <b>Covenant ratio</b>   | <b>Requirement</b> |
|---|--------------------|
| <b>CEMIG:</b>   |                    |
| Stockholders' equity of Guarantor / Total assets of Guarantor (1)         | 30.0% or more      |
| Stockholders' equity of Guarantor / Total assets of Guarantor (Cemig) (2) | 30% or more        |
| Net debt / Ebitda (2)   | 4x or less         |
| <b>GASMIG:</b>  |                    |
| Ebitda / Debt servicing (3)   | 1.3 or more        |
| Total liabilities / Total assets (3)                                      | Less than 0.6      |
| <b>TELECOM:</b>   |                    |
| Ebitda / Debt servicing (4)   | 1.10 or more       |
| Ebitda margin (Ebitda / Net operational revenue) (4)                      | 0.30 or more       |
| Equity / Total assets (4)   | 0.30 or more       |
| Total financial debt / Ebitda (4)   | 3.50 or less       |

- (1) If the subsidiary Cemig GT does not succeed in achieving the required ratio, it will have six months from the end of the business year in which the ratio was found, to: (i) constitute real guarantees which in the assessment of the BNDES represent 130.00% of the value of the debtor balance of the contract; or (ii) present an interim balance sheet, audited by an auditor registered with the CVM, that indicates the return to the index required.
- (2) If it does not meet the required indices, the Company must, within 30 calendar days from the date of written notice by the BNDES on non-achievement of one of the indices, constitute real guarantees which in the assessment of the BNDES represent 130.00% of the value of the amount outstanding under the contract, unless the levels referred to have been re-established within that period.
- (3) Cross default: Certain contractually specified situations can cause early maturity of other debts.
- (4) Non-compliance with these clauses by Telecom may result in blockage of the funds in the Retention Account, early maturity of the contract, and execution of the guarantees. These obligations can be principally summed up as maintaining, from the time of issue of the debentures to their final maturity, at least three of the four financial ratios above, which must be met at the end of each half-year, i.e. on June 30 and December 31.

On June 30, 2016, all the covenants were complied with.

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**19. REGULATORY CHARGES**

|  | <b>Consolidated</b>  |                      |
|--|----------------------|----------------------|
|  | <b>June 30, 2016</b> | <b>Dec. 31, 2015</b> |
| Global Reversion Reserve (RGR)                         | 50,590               | 47,780               |
| Energy Development Account (CDE)                       | 187,344              | 281,552              |
| Eletrobras Compulsory loan                             | 1,207                | 1,207                |
| Aneel inspection charge                                | 3,053                | 2,968                |
| Energy Efficiency                                      | 256,116              | 207,162              |
| Research and Development                               | 194,615              | 159,510              |
| Energy System Expansion Research                       | 1,848                | 1,765                |
| National Scientific and Technological Development Fund | 3,418                | 3,251                |
| Proinfra Alternative Energy Program                    | 7,228                | 6,550                |
| Emergency capacity charge                              | 30,997               | 30,996               |
| Consumer charges Flag Tariff system                    | 54                   | 655                  |
|  | <b>736,470</b>       | <b>743,396</b>       |
| <b>Current liabilities</b>                             | <b>433,294</b>       | <b>516,983</b>       |
| <b>Non-current liabilities</b>                         | <b>303,176</b>       | <b>226,413</b>       |

**20. POST-RETIREMENT OBLIGATIONS****The Forluz Pension plan (a Supplementary retirement pension plan)**

Changes in net liabilities were as follows:

| <b>Holding company</b>                            | <b>Pension plans and retirement supplement plans</b> |               |              |               | <b>Health Plan</b> | <b>Dental Plan</b> | <b>Life insurance</b> | <b>Total</b> |
|---|--|---------------|--------------|---------------|--------------------|--------------------|-----------------------|--------------|
| <b>Net liabilities on December 31, 2014</b>       | <b>39,335</b>  | <b>63,185</b> | <b>1,986</b> | <b>38,577</b> | <b>143,083</b>     |                    |                       |              |
| Expense recognized in the Profit and loss account | 3,557  | 3,921         | 125          | 2,347         | 9,950              |                    |                       |              |
| Contributions paid                                | (2,804)  | (2,057)       | (61)         | (386)         | (5,308)            |                    |                       |              |
| <b>Net liabilities on June 30, 2015</b>           | <b>40,088</b>  | <b>65,049</b> | <b>2,050</b> | <b>40,538</b> | <b>147,725</b>     |                    |                       |              |
| <b>Net liabilities on December 31, 2015</b>       | <b>199,183</b>                                       | <b>74,034</b> | <b>1,958</b> | <b>28,016</b> | <b>303,191</b>     |                    |                       |              |
| Expense recognized in the                         | 13,878   | 5,069         | 138          | 1,887         | 20,972             |                    |                       |              |

|   |                |               |              |               |                |
|---|----------------|---------------|--------------|---------------|----------------|
| Profit and loss account                 |                |               |              |               |                |
| Contributions paid                      | (3,080)        | (2,728)       | (68)         | (464)         | (6,340)        |
| <b>Net liabilities on June 30, 2016</b> | <b>209,981</b> | <b>76,375</b> | <b>2,028</b> | <b>29,439</b> | <b>317,823</b> |

|                                |  |  |  | <b>Jun. 30, 2016</b> | <b>Dec. 31, 2015</b> |
|--------------------------------|--|--|--|----------------------|----------------------|
| <b>Current liabilities</b>     |  |  |  | 10,199               | 9,139                |
| <b>Non-current liabilities</b> |  |  |  | 307,624              | 294,052              |

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| Consolidated                                      | Pension plans and retirement supplement plans |                  |               |                | Total            |
|---|---|------------------|---------------|----------------|------------------|
|   |   | Health Plan      | Dental Plan   | Life insurance |                  |
| <b>Net liabilities on December 31, 2014</b>       | <b>799,487</b>                                | <b>1,120,185</b> | <b>31,946</b> | <b>680,034</b> | <b>2,631,652</b> |
| Expense recognized in the Profit and loss account | 72,284  | 71,012           | 2,036         | 42,170         | 187,502          |
| Contributions paid                                | (56,967)                                      | (35,405)         | (1,056)       | (5,986)        | (99,414)         |
| <b>Net liabilities on June 30, 2015</b>           | <b>814,804</b>                                | <b>1,155,792</b> | <b>32,926</b> | <b>716,218</b> | <b>2,719,740</b> |
| <b>Net liabilities on December 31, 2015</b>       | <b>1,346,388</b>                              | <b>1,323,516</b> | <b>30,090</b> | <b>553,377</b> | <b>3,253,371</b> |
| Expense recognized in the Profit and loss account | 92,858  | 91,204           | 2,074         | 37,440         | 223,576          |
| Contributions paid                                | (62,625)                                      | (45,164)         | (1,123)       | (8,759)        | (117,671)        |
| <b>Net liabilities on June 30, 2016</b>           | <b>1,376,621</b>                              | <b>1,369,556</b> | <b>31,041</b> | <b>582,058</b> | <b>3,359,276</b> |

|                                | Jun. 30, 2016 | Dec. 31, 2015 |
|--------------------------------|---------------|---------------|
| <b>Current liabilities</b>     | 185,785       | 166,990       |
| <b>Non-current liabilities</b> | 3,173,491     | 3,086,381     |

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

The amounts recorded in the expenses posted in the profit and loss account are for the portions of the expenses on post-retirement obligations, plus the financial charges and monetary updating of the debt agreed with the Foundation.

## 21. PROVISIONS

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

### Actions in which the company would be debtor

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



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|                       | <b>Consolidated</b>  |                  |                  |                 |                      |
|-----------------------|----------------------|------------------|------------------|-----------------|----------------------|
|                       | <b>Dec. 31, 2015</b> | <b>Additions</b> | <b>Reversals</b> | <b>Settled</b>  | <b>Jun. 30, 2016</b> |
| Employment-law cases  | 289,841              | 43,232           | (4,435)          | (20,493)        | 308,145              |
| Civil cases           |                      |                  |                  |                 |                      |
| Consumer relations    | 17,378               | 7,922            | (616)            | (6,033)         | 18,651               |
| Other civil cases     | 28,792               | 10,593           | (76)             | (2,535)         | 36,774               |
|                       | <b>46,170</b>        | <b>18,515</b>    | <b>(692)</b>     | <b>(8,568)</b>  | <b>55,425</b>        |
| Tax                   | 69,014               | 4,478            | (1,295)          | (762)           | 71,435               |
| Environmental matters | 60                   |                  | (57)             |                 | 3                    |
| Regulatory            | 45,180               | 14,020           | (1,068)          | (1,905)         | 56,227               |
| Corporate             | 268,953              |                  | (29,502)         |                 | 239,451              |
| Other                 | 35,355               | 28,462           | (2,477)          | (6,680)         | 54,660               |
| <b>Total</b>          | <b>754,573</b>       | <b>108,707</b>   | <b>(39,526)</b>  | <b>(38,408)</b> | <b>785,346</b>       |

|                       | <b>Consolidated</b>  |                  |                  |                 |                      |
|-----------------------|----------------------|------------------|------------------|-----------------|----------------------|
|                       | <b>Dec. 31, 2014</b> | <b>Additions</b> | <b>Reversals</b> | <b>Settled</b>  | <b>Jun. 30, 2015</b> |
| Employment-law cases  | 322,525              | 35,517           |                  | (12,931)        | 345,111              |
| Civil cases           |                      |                  |                  |                 |                      |
| Consumer relations    | 19,215               | 7,032            | (2,081)          | (6,478)         | 17,688               |
| Other civil cases     | 24,272               | 12,035           |                  | (5,574)         | 30,733               |
|                       | 43,487               | 19,067           | (2,081)          | (12,052)        | 48,421               |
| Tax                   | 73,059               | 4,979            | (9,685)          | (477)           | 67,876               |
| Environmental matters | 1,215                | 5                | (1,164)          | (1)             | 55                   |
| Regulatory            | 35,385               | 2,843            |                  | (217)           | 38,011               |
| Corporate             | 239,445              | 13,639           |                  |                 | 253,084              |
| Other                 | 39,859               | 1,814            | (10,439)         | (861)           | 30,373               |
| <b>Total</b>          | <b>754,975</b>       | <b>77,864</b>    | <b>(23,369)</b>  | <b>(26,539)</b> | <b>782,931</b>       |

|                      | <b>Holding company</b> |                  |                  |                |                      |
|----------------------|------------------------|------------------|------------------|----------------|----------------------|
|                      | <b>Dec. 31, 2015</b>   | <b>Additions</b> | <b>Reversals</b> | <b>Settled</b> | <b>Jun. 30, 2016</b> |
| Employment-law cases | 29,169                 | 10,286           |                  | (3,941)        | 35,514               |
| Civil cases          |                        |                  |                  |                |                      |
| Consumer relations   | 3,294                  | 3                | (617)            |                | 2,680                |
| Other civil cases    | 1,289                  | 2,162            | (76)             | (35)           | 3,340                |
|                      | 4,583                  | 2,165            | (693)            | (35)           | 6,020                |
| Tax                  | 10,306                 | 2,254            | (1,157)          | (682)          | 10,721               |

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|              |                |               |                 |                |                |
|--------------|----------------|---------------|-----------------|----------------|----------------|
| Regulatory   | 21,696         |               | (1,068)         |                | 20,628         |
| Corporate    | 268,953        |               | (29,502)        |                | 239,451        |
| Other        | 427            | 62            |                 | (24)           | 465            |
| <b>Total</b> | <b>335,134</b> | <b>14,767</b> | <b>(32,420)</b> | <b>(4,682)</b> | <b>312,799</b> |

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|                       | <b>Holding company</b> |                  |                  |                | <b>June 30, 2015</b> |
|-----------------------|------------------------|------------------|------------------|----------------|----------------------|
|                       | <b>Dec. 31, 2014</b>   | <b>Additions</b> | <b>Reversals</b> | <b>Closed</b>  |                      |
| Employment-law cases  | 31,688                 | 5,360            |                  | (3,149)        | 33,899               |
| Civil cases           |                        |                  |                  |                |                      |
| Consumer relations    | 3,250                  | 558              | (924)            | (12)           | 2,872                |
| Other civil cases     | 171                    | 1,886            |                  | (632)          | 1,425                |
|                       | 3,421                  | 2,444            | (924)            | (644)          | 4,297                |
| Tax                   | 9,828                  | 2,480            | (2,652)          | (547)          | 9,109                |
| Environmental matters | 313                    |                  | (313)            |                |                      |
| Regulatory            | 23,065                 | 2,876            |                  | (1)            | 25,940               |
| Corporate             | 239,445                | 13,639           |                  |                | 253,084              |
| Other                 | 1,007                  | 82               | (149)            | (4)            | 936                  |
| <b>Total</b>          | <b>308,767</b>         | <b>26,881</b>    | <b>(4,038)</b>   | <b>(4,345)</b> | <b>327,265</b>       |

The Company's management, in view of the long periods and manner of working of the Brazilian judiciary, tax and regulatory systems, believes that it is not practicable to provide information that would be useful to the users of these financial statements about the time when any cash outflows, or any possibility of reimbursements, might take place in fact. The Company's management believes that any disbursements in excess of the amounts provisioned, when the respective processes are completed, will not significantly affect the Company's result of operations or financial position.

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

**Provisions, for legal actions with chances of loss assessed as probable ; and Contingent liabilities, for actions in which the chances of loss are assessed as possible :**

#### Employment-law cases

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

The aggregate amount of these contingencies is approximately R\$ 976,327 (R\$ 971,908 on December 31, 2015), of which R\$ 308,145 (R\$ 289,841 on December 31, 2015) has been provisioned the amount estimated as probably necessary for settlement of these disputes.

The increase in the amount of the contingency is due, among other factors, to the larger volume of legal actions being taken by former employees, arising from severances over recent years, and also the higher volume of actions on remuneration for hazardous work, due to new legal arguments which have emerged following recent legislative changes.

Consumer relations

The Company and its subsidiaries are parties in various civil actions relating to indemnity for pain and suffering and for material damages, arising, principally, from allegations of irregularity in measurement of consumption, and claims of undue charging, in the normal course of business, totaling R\$ 18,651 (R\$ 18,049 on December 31, 2015), of which R\$ 17,688 (R\$ 17,378 on December 31, 2015) has been provisioned this being the probable estimate for funds needed to settle these disputes.

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Other civil cases

Cemig and its subsidiaries are parties in various civil actions claiming indemnity for pain and suffering and for material damages, among others, arising from incidents occurring in the normal course of business, in the amount of R\$ 241,581 (R\$ 185,048 on December 31, 2015), of which R\$ 36,774 (R\$ 28,792 on December 31, 2015) the amount estimated as probably necessary for settlement of these disputes has been provisioned.

Tax

The Company and its subsidiaries are parties in numerous administrative and court actions relating to taxes, including, among other matters, subjects relating to the ICMS (Value Added) tax on goods and services; the Urban Property Tax (*Imposto sobre a Propriedade Territorial Urbana*, or IPTU); the Rural Property Tax (ITR); the Tax on Donations and Legacies (ITCD); the Social Integration Program (*Programa de Integração Social*, or PIS); the Contribution to Finance Social Security (*Contribuição para o Financiamento da Seguridade Social*, or Cofins); Corporate Income Tax (*Imposto de Renda Pessoa Jurídica*, or IRPJ); the Social Contribution Tax (*Contribuição Social sobre o Lucro Líquido*, or CSLL); and applications to stay tax execution on tax matters. The aggregate amount of these contingencies is approximately R\$ 371,671 (R\$ 257,334 on December 31, 2015), of which R\$ 71,435 (R\$ 69,014 on December 31, 2015) has been provisioned the amount estimated as probably necessary for settlement of these disputes.

Environmental matters

The Company and its subsidiaries are involved in environmental matters, in which the subjects include protected areas, environmental licenses, recovery of environmental damage, and other matters, in the approximate total amount of R\$ 28,110 (R\$ 25,720 on December 31, 2015), of which R\$ 3 (R\$ 60 on December 31, 2015) has been provisioned the amount estimated as probably necessary for settlement of these disputes.

Regulatory

The Company and its subsidiaries are parties in numerous administrative and court proceedings in which the main issues disputed are:(i) the tariff charges in invoices for use of the distribution system by a self-producer; (ii) alleged violation of targets for continuity indicators in retail supply of electricity; and (iii) the tariff increase made during the federal government's economic stabilization plan referred to as the Cruzado Plan, in 1986. The aggregate amount of these contingencies is approximately R\$ 229,587 (R\$ 201,871 on December 31, 2015), of which R\$ 56,227 (R\$ 45,180 on December 31, 2015) has been provisioned the amount estimated as probably necessary for settlement of these disputes.

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Corporate

*Difference of monetary updating on the Advance against Future Capital Increase (AFAC) made by the Minas Gerais State Government*

On December 19, 2014 the Finance Secretary of Minas Gerais State sent an Official Letter to Cemig requesting recalculation of the amounts relating to the Advances against Future Capital Increase made in 1995, 1996, and 1998, which were returned to Minas Gerais State in December 2011, for review of the criterion used by the Company for monetary updating, arguing that application of the Selic rate would be more appropriate, replacing the IGP-M index.

On December 29, 2014 the Company made an administrative deposit applying for suspension of enforceability of the credit being requested by the state, and for its non-inclusion in the Register of Debts owed to the state and in the Registry of Defaulted Payments owed to the State (Cadin).

Based on the opinion of our legal advisors, the chances of loss have been assessed as probable and the amount of R\$ 239,451 (R\$ 268,953 on December 31, 2015), the estimated probable amount of funds that might be used to settle the matter, has been provisioned, with a counterpart in Financial revenue (expenses).

Other legal actions in the normal course of business

*Alleged breach of contract – services of cleaning power line paths and firebreaks*

The Company is a party in disputes alleging losses suffered as a result of supposed breach of contract at the time of provision of services of cleaning of power line pathways and firebreaks. The amount provisioned is R\$ 26,432 (R\$ 23,653 at December 31, 2015), this being estimated as the likely amount of funds necessary to settle this dispute.

Other legal actions

In addition to the issues described above, the Company is involved, on plaintiff or defendant side, in other cases, of smaller scale, related to the normal course of its operations, with an estimated total amount of R\$ 156,201 (R\$ 126,444 on December 31, 2015), of which R\$ 28,228 (R\$ 11,702 on December 31, 2015) – the amount estimated as probably necessary for settlement of these disputes – has been provisioned. Management believes that it has appropriate defense for these actions, and does not expect these issues to give rise to significant losses that could have an adverse effect on the Company's financial position or profit.

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

Tax and similar charges

The Company is a party in numerous administrative and court proceedings in relation to taxes and similar charges. Below are details of the principal cases:

*Indemnity for the employees future benefit the Anuênio*

In 2006 the Company paid an indemnity to its employees, totaling R\$ 177,686, in exchange for rights to future payments (referred to as the *Anuênio*) for time of service, which would otherwise be incorporated, in the future, into salaries. The company did not pay income tax nor Social Security contributions in relation to these amounts because it considered that those obligations are not applicable to amounts paid as an indemnity. However, to avoid the risk of a future fine arising from a differing interpretation by the federal tax authority and the National Social Security Institution (*Instituto Nacional de Seguridade Social*, or INSS), the Company decided to apply for an order of *mandamus*, which permitted payment into Court of R\$ 241,328 (R\$ 236,671 at December 31, 2015). This was posted in Escrow deposits in litigation. The updated amount of the contingency is R\$ 276,883 (R\$ 263,819 on December 31, 2015) and, based on the arguments above, Management has classified the chance of loss as possible.

*Social Security contributions*

The Brazilian federal tax authority (*Secretaria da Receita Federal*) has brought administrative proceedings against the Company in relation to Social Security contributions, under various headings: profit sharing payments; the Workers Food Program (PAT); the education assistance payment; food allowance payment; Special Additional Retirement Pension; overtime; hazardous work; Sest and Senat payments; and penalty payments for non-compliance with an accessory obligation. The Company has presented defenses and awaits judgment. The amount of the contingency is approximately R\$ 1,434,860 (R\$ 1,361,429 on December 31, 2015). The Company has assessed the chances of loss as possible reflecting among other considerations the assessment that these legal actions against the company are likely to be unsuccessful, grounded on evaluation of the claims and the related case law.

*Non-homologation of offsetting of tax credit*

The federal tax authority did not accept (and ratify) the Company's declared offsetting of federal taxes using credits arising from undue or excess payment of federal taxes (corporate income tax, the Social contribution tax on net profit, and the PIS and Cofins taxes). The Company is contesting the non-homologation of the amounts offset. The amount of the contingency is R\$ 320,783 (R\$ 681,751 on December 31, 2015). The Company has assessed the chance of loss as possible, since it believes that it has complied with the relevant requirements of the National Tax Code (*Código Tributário Nacional*, or CTN).

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*Corporate tax return restitution and offsetting*

The Company was a party in an administrative case which involved requests for restitution and compensation of credits arising from tax carryforward balances indicated in the corporate tax returns for the calendar years from 1997 to 2000, and also for excess payments identified by the corresponding tax payment receipts (DARFs and DCTFs). Due to completion of all appeals in the administrative sphere, an ordinary legal action has been filed, for the approximate total amount of R\$ 508,476 (R\$ 482,032 on December 31, 2015). The chances of loss in this action are assessed as possible, due to nullities in the conduct of the administrative proceedings and the understanding that mistaken assumptions were used by the inspectors in the administrative judgment, and also based on analysis of the Company's argument and documents of proof.

*Income tax withheld at sourced (IRRF) on capital gain in a stockholding transaction*

The federal tax authority issued an infringement notice to Cemig as a jointly responsible party with its jointly-controlled entity Parati S.A. Participações em Ativos de Energia Elétrica (Parati), relating to withholding income tax (*Imposto de Renda Retido na Fonte*, or IRRF) allegedly applicable to a capital gain in a stockholding transaction relating to the purchase by Parati, and sale by Enlighted, on July 7, 2011, of 100.00% of the equity in Luce LLC (a company with head office in Delaware, USA), holder of 75.00% of the shares in the Luce Brasil equity investment fund ( FIP Luce ), which was indirect holder, through Luce Empreendimentos e Participações S.A., of approximately 13.03% of the total and voting stock of Light S.A. ( Light ). The amount of the contingency is approximately R\$ 288,860 (R\$ 202,081 on December 31, 2015). The chance of loss has been assessed as possible.

*Social Contribution tax on net income (CSLL)*

The federal tax authority issued a tax infringement claim against the Company for the business years 2012 and 2013, alleging non-addition, or deduction, by the Company, of amounts relating to the following items in calculating the Social Contribution tax on net income: i) taxes with demand suspended; ii) donations and sponsorship (Law 8313/91); and iii) fines for various alleged infractions. The amount of this contingency is R\$ 259,507 (R\$ 226,579 on December 31, 2015). The Company has classified the chances of loss as possible, in accordance with the analysis of the case law on the subject.

|                    |           |                              |              |                     |
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Regulatory matters

*Public Lighting Contribution (CIP)*

The Company is a party in several actions seeking declaration of nullity of the clause in the Electricity Supply Contracts for public illumination signed between the Company and the various municipalities of its concession area, and restitution by the Company of the difference representing the amounts charged in the last 20 years, in the event that the courts recognize that these amounts were unduly charged. The actions are grounded on a supposed mistake by Cemig in the estimate of time that was used for calculation of the consumption of electricity for public illumination, funded by the Public Lighting Contribution (*Contribuição para Iluminação Pública*, or CIP).

The Company believes it has arguments of merit for defense in these claims, since the charge at present made is grounded on Aneel Normative Resolution 456/2000. As a result it has not constituted a provision for this contingency, the amount of which is estimated at R\$ 1,324,633 (R\$ 1,300,338 on December 31, 2015). The Company has assessed the chances of loss in this action as possible, due to the Consumer Defense Code (*Código de Defesa do Consumidor*, or CDC) not being applicable, because the matter is governed by the specific regulation of the electricity sector, and because Cemig complied with Aneel Resolutions 414 and 456, which deal with the subject.

*Accounting of electricity sale transactions in the Electricity Trading Chamber (CCEE)*

In an action dating from August 2002, AES Sul Distribuidora challenged in the courts the criteria for accounting of electricity sale transactions in the wholesale electricity market (*Mercado Atacadista de Energia*, or MAE), predecessor of the present Electricity Trading Chamber (*Câmara de Comercialização de Energia Elétrica*, or CCEE), during the period of rationing. It obtained an interim judgment in its favor in February 2006, which ordered Aneel, working with the CCEE, to comply with the claim by AES Sul and recalculate the settlement of the transactions during the rationing period, leaving out of account Aneel's Dispatch 288 of 2002. This was to have been put into effect in the CCEE as from November 2008, resulting in an additional disbursement for Cemig, referring to the expense on purchase of electricity in the spot market on the CCEE, in the approximate amount of R\$ 250,659 (R\$ 230,346 on December 31, 2015). On November 9, 2008 the Company obtained an injunction in the Regional Federal Appeal Court suspending the obligatory nature of the requirement to pay into court the amount that would have been owed under the Special Financial Settlement made by the CCEE.

The Company has classified the chance of loss as possible, since this is a unique action no similar action having previously been heard and because it deals with the General Agreement for the Electricity Sector, in which the Company has the full documentation to support its arguments.

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*System Service Charges (ESS) Resolution issued by the National Energy Policy Council*

Resolution 3 of the National Energy Policy Council (*Conselho Nacional de Política Energética*, or CNPE) of March 6, 2013 established new criteria for the prorating of the cost of the additional dispatching of thermal plants. Under the new criteria, the costs of the System Service Charges for Electricity Security (*Encargos do Serviço do Sistema*, or ESS), which were previously prorated in full between Free Consumers and Distributors, was now to be prorated between all the agents participating in the National Grid System, including generators and traders.

In May 2013, the Brazilian Independent Electricity Producers Association (*Associação Brasileira dos Produtores Independentes de Energia Elétrica*, or Apine), of which the Company is a member, obtained an interim court remedy suspending the effects of Articles 2 and 3 of CNPE Resolution 3, exempting generators from payment of the ESS under that Resolution.

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

The applications by the plaintiff (Apine) were granted in the first instance, confirming the interim remedy granted in favor of its members, including Cemig GT and its subsidiaries. This decision was the subject of an appeal, distributed to the 7th Panel of the TRF (*Tribunal Federal Regional* Regional Federal Court) of the 1st Region, in which judgment is awaited.

The amount of the contingency is approximately R\$ 171,474 (R\$ 155,251 on December 31, 2015). In spite of the successful judgment at the first instance, the Association's legal advisers still considered the chances of loss in this contingency as possible. The Company agrees with this, since there are not yet elements to make it possible to foresee the outcome of the Appeal filed by the federal government.

*PP&E assets in service*

In August 2014 Aneel filed a notice of infringement alleging that the Company had not met all the requirements in relation to appropriation of costs in works and other procedures adopted, and its compliance with the current legislation. This is a type of inspection/complaint that has never happened before, relating as it does to the Electricity Sector Property Control Manual. The amount of this contingency is R\$ 69,937 (R\$ 66,170 on December 31, 2015). The Company has classified the chances of loss as possible, because it believes it has arguments of merit for legal defense, due to the regularity and legality of the Rules issued by Aneel, which orient the actions of the Company, and also due to compliance with the Normative Resolutions of Aneel in relation to the requirements of law; and also the public interest in the transfer of electricity assets; and has therefore not constituted a provision for this action.

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### Tariff increases

#### *Exclusion of consumers inscribed as low-income*

The Federal Public Attorneys Office filed a class action against the Company and Aneel, to avoid exclusion of consumers from classification in the *Low-income Residential* tariff sub-category, requesting an order for the Company to pay 200% of the amount allegedly paid in excess by consumers. Judgment was given in favor of the plaintiffs, but the Company and Aneel have filed an interlocutory appeal and await judgment. The amount of the contingency is approximately R\$ 241,541 (R\$ 222,449 on December 31, 2015). The Company has classified the chances of loss as possible due to other favorable judgments on this theme.

#### *The Periodic Tariff Review Neutrality of Portion A*

The Municipal Association for Protection of the Consumer and the Environment (*Associação Municipal de Proteção ao Consumidor e ao Meio Ambiente*, or Amprocom) filed a class action against the Company and against Aneel, requiring identification of all consumers allegedly damaged in the processes of Periodic Review and Annual Adjustment of tariffs in the period 2002 to 2009, and restitution, through credits on electricity bills, of any amounts unduly charged arising from non-consideration of the impact of future variations in consumer electricity demand on non-manageable cost components, from the distributor's non-manageable costs (Portion A costs), and the allegedly undue inclusion of these gains in manageable costs of the distributor (Portion B costs), causing economic/financial imbalance of the contract. This is an action that could affect all distribution concession holders, which could thus lead to a new Electricity Sector Agreement. The estimated amount of the contingency is R\$ 303,128 (R\$ 276,321 on December 31, 2015). The Company has classified the chances of loss as possible, because it believes it has arguments of merit for legal defense, and has therefore not made a provision for this action.

### Environmental matters

#### *Impact arising from construction of plants*

An environmental association, in a class action, has claimed indemnity for supposed collective environmental damages as a result of the construction and operation of the *Nova Ponte* Hydroelectric Plant.

Due to the changes made in the environmental legislation and the trend toward a consensus in case law, the Company has re-evaluated the amounts of the claims in the action to R\$ 353,064 (R\$ 314,015 on December 31, 2015), and revised the assessment of chances of loss to remote, because it believes it has arguments of merit for legal defense, and the adversary party has not demonstrated elements to prove its arguments.

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The Public Attorneys of Minas Gerais State, together with an associations and individuals, filed class actions requiring the company to invest at least 0.5% of the gross annual operational revenue, since 1997, from the *Emborcação, Pissarrão, Funil, Volta Grande, Poquim, Paraúna, Miranda, Nova Ponte, Rio de Pedras* and *Peti* plants in protection and environmental preservation of the water tables existing in the counties where these plants are located, and indemnity proportional to alleged irrecoverable environmental damage caused, arising from omission to comply with Minas Gerais State Law 12503/1997. The Company has filed appeals to the Higher Appeal Court (STJ) and the Federal Supreme Court (STF). Based on the opinions of its legal advisers, the Company believes that this is a matter involving legislation at infra-constitutional level (there is a Federal Law with an analogous object) and thus a constitutional matter, on the issue of whether the state law is constitutional or not, so that the final decision is a matter for the national Higher Appeal Court (STJ) and the Federal Supreme Court (STF). No provision has been made, since Management has classified the chance of loss as possible. The amount of the contingency is R\$ 109,890 (R\$ 99,000 on December 31, 2015).

The Public Attorneys Office of Minas Gerais State has filed class actions requiring the formation of a Permanent Preservation Area (*Área de Preservação Permanente*, or APP) around the reservoir of the *Capim Branco* hydroelectric plant, suspension of the effects of the environmental licenses, and recovery of alleged environmental damage. Based on the opinion of its legal advisers in relation to the changes that have been made in the new Forest Code and in the case law on this subject, the Company has classified the chance of loss in this dispute as possible. The estimated value of the contingency is R\$ 69,603 (R\$ 64,338 on December 31, 2015).

#### Other contingent liabilities

##### *Early settlement of the CRC (Earnings Compensation) Account*

The Company is a party in an administrative proceeding before the Audit Court of the State of Minas Gerais which challenges: (i) a difference of amounts relating to the discount offered by Cemig for early payment of the credit owed to Cemig by the State under the Receivables Assignment Contract in relation to the CRC Account (*Conta de Resultados a Compensar*, or Earnings Compensation Account) this payment was completed in the first quarter of 2013; and also (ii) possible undue financial burden on the State after the signature of the Amendments that aimed to re-establish the economic and financial balance of the Contract. The amount of the contingency is approximately R\$ 383,589 (R\$ 363,452 on December 31, 2015), and the Company believes that it has met the legal requirements, having based its actions on the Opinion of the Public Accounting Attorneys Office of the Audit Board of the State of Minas Gerais. Thus, it has assessed the chances of loss as possible, since it believes that the adjustment was made in faithful obedience to the legislation applicable to the case.

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*Light for Everyone Program challenges by suppliers relating to contracts*

The Company is a party in disputes alleging losses suffered as a result of supposed breach of contract at the time of implementation of part of the rural electrification program known as *Luz Para Todos* ( Light for Everyone ). The estimated amount is R\$ 223,001 (R\$ 202,145 on December 31, 2015). No provision has been made. The Company has classified the chance of loss as possible as a result of the analysis that has been made of the argument and documentation used by the contracted parties in attempting to make the Company liable for any losses that allegedly occurred.

The Company is also a party in other disputes arising from alleged non-compliance with contracts in the normal course of business, for an estimated total of R\$ 36,704 (R\$ 33,097 on December 31, 2015). The Company has classified the chances of loss as possible , after analysis of the case law on this subject.

*Irregularities in competitive tender proceedings*

The Company is a party in a dispute alleging irregularities in competitive tender proceedings, governed by an online invitation to bid. The estimated amount on June 30, 2016 is R\$ 25,208 (R\$ 44,423 on December 31, 2015) and no provision has been made. The Company has classified the chances of loss as possible , after analysis of the case law on this subject.

*Alteration of the monetary updated index of employment-law cases*

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

The estimated value of the difference between the monetary updating indices of the employment-law cases is R\$ 140,651 (R\$ 139,508 on December 31, 2015). No additional provision has been made, since the Company, based on the assessment by its legal advisers, has assessed the chances of loss in the action as possible , as a result of the decision by the STF, and of there being no established case law, nor analysis by legal writers, on the subject, after the injunction given by the Federal Supreme Court.

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**22. STOCKHOLDERS EQUITY AND REMUNERATION TO STOCKHOLDERS**

The Company's registered share capital on June 30, 2016 is R\$ 6,294,208, in 420,764,708 common shares and 838,076,946 preferred shares, all with nominal value of R\$ 5.00.

Profit (loss) per share

The number of shares used in the calculation of basic and diluted profit (loss) per share is as follows:

| <b>Number of shares</b> | <b>Jun. 30, 2016</b> | <b>Jun. 30, 2015</b> | <b>2Q16</b>          | <b>2Q15</b>          |
|-------------------------|----------------------|----------------------|----------------------|----------------------|
| Common shares           | 420,764,708          | 420,764,708          | 420,764,708          | 420,764,708          |
| Preferred shares        | 838,076,946          | 838,076,946          | 838,076,946          | 838,076,946          |
|                         | 1,258,841,654        | 1,258,841,654        | 1,258,841,654        | 1,258,841,654        |
| Shares in Treasury      | (560,718)            | (560,718)            | (560,718)            | (560,718)            |
| <b>Total</b>            | <b>1,258,280,936</b> | <b>1,258,280,936</b> | <b>1,258,280,936</b> | <b>1,258,280,936</b> |

The Company does not have any dilutive instruments; each class of share carries an equal share in profits.

The following is the calculation of the basic and diluted profit per share:

|  | <b>Jun. 30, 2016</b> | <b>Jun. 30, 2015</b> | <b>2Q16</b>   | <b>2Q15</b>   |
|--|----------------------|----------------------|---------------|---------------|
| Net profit (loss) (A)  | 207,166              | 2,018,614            | 202,047       | 534,132       |
| Total shares (B)   | 1,258,280,936        | 1,258,280,936        | 1,258,280,936 | 1,258,280,936 |
| <b>Basic and diluted profit (loss) per share ( = A/B ) R\$</b> | <b>0.16</b>          | <b>1.60</b>          | <b>0.16</b>   | <b>0.42</b>   |

Equity valuation adjustments

| <b>Equity valuation adjustments</b>  | <b>Consolidated</b>  |                      |
|--|----------------------|----------------------|
|  | <b>June 30, 2016</b> | <b>Dec. 31, 2015</b> |
| Adjustments to actuarial liabilities Employee benefits                     | (120,515)            | (120,514)            |
| Other comprehensive income in subsidiary and jointly-controlled subsidiary |                      |                      |
| Deemed cost of PP&E assets   | 698,392              | 720,203              |
| Adjustments on conversion of the financial statements                      | 54,872               | 80,930               |
| Adjustments to actuarial liabilities Employee benefits                     | (571,754)            | (578,647)            |
| Cash flow hedge instruments  | 87                   | 292                  |

|                                     |               |                |
|-------------------------------------|---------------|----------------|
|                                     | 181,597       | 222,778        |
| <b>Equity valuation adjustments</b> | <b>61,082</b> | <b>102,264</b> |

Dividends declared in relation to the result for 2015

The Annual General Meeting, held on April 29, 2016, approved payment of dividends totaling R\$ 633,968, which is less than the mandatory minimum dividend.

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**Mandatory dividends not distributed**

On April 29, 2016 the Annual General Meeting decided, after assessment of the position stated by the Board of Directors and the Opinion issued by the Audit Board, and in accordance with the requirements of Paragraphs 4 and 5 of Article 202 of the Corporate Law, to hold the amount of R\$ 633,967 in Stockholders' equity, in the account Reserve for obligatory dividends not distributed, to be paid as soon as the Company's financial situation should permit.

In the context of the re-presentation of this Interim accounting information, considering that the Net profit for the year ended December 31, 2015, approved by the Annual General Meeting held on April 29, 2016 in the amount of R\$ 2,491,375 was altered to R\$ 2,468,500, the amount of the dividends retained in Stockholders' equity on December 31, 2015, of R\$ 633,967, was altered to R\$ 622,530.

Also, in compliance with Paragraph 5 of Article 202 of the Corporate Law, Management filed with the CVM, on May 3, 2016, a Notice to Stockholders in which it explained the reasons why it suggested to the Annual General Meeting that payment of the dividends specified in the by-laws of 50% of the profit for the year, would not be compatible with the Company's current financial situation. This is mainly due to: the Company's net working capital being negative on December 31, 2015; indicators of debt; and also the effects of the present macroeconomic situation on sales prices of electricity; with effects on the Company's revenue.

**23. REVENUE**

|   | <b>Consolidated</b> |                   |
|---|---------------------|-------------------|
|   | <b>1H16</b>         | <b>1H15</b>       |
| Revenue from supply of electricity (a)                              | 11,528,165          | 10,957,746        |
| Revenue from use of the electricity distribution systems (TUSD) (b) | 836,580             | 730,882           |
| CVA, and Other financial components in tariff calculations (c)      | (663,555)           | 762,497           |
| Transmission revenue  |                     |                   |
| Transmission concession revenue                                     | 147,769             | 126,503           |
| Transmission construction revenue (d)                               | 31,634              | 56,258            |
| Transmission indemnity revenue - Reimbursement through RAP          | 592,469             | 54,872            |
| Distribution construction revenue (d)                               | 552,099             | 443,405           |
| Revenue from financial updating of concession grant fee (e) *       | 148,694             |                   |
| Transactions in electricity on the CCEE (f)                         | 51,672              | 1,712,090         |
| Supply of gas   | 697,492             | 850,720           |
| Other operational revenues (g)                                      | 706,852             | 691,008           |
| Taxes and charges applied to Revenue (h)                            | (5,424,064)         | (5,144,222)       |
| <b>Net operational revenue</b>                                      | <b>9,205,807</b>    | <b>11,241,759</b> |

|  | <b>Consolidated</b> |             |
|--|---------------------|-------------|
|  | <b>2Q16</b>         | <b>2Q15</b> |
| Revenue from supply of electricity (a) | 5,613,352           | 5,818,505   |

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|   |                  |                  |
|---|------------------|------------------|
| Revenue from use of the electricity distribution systems (TUSD) (b) | 427,495          | 520,785          |
| CVA, and Other financial components in tariff calculations (c)      | (531,351)        | 212,227          |
| Transmission revenue  |                  |                  |
| Transmission concession revenue                                     | 74,724           | 63,705           |
| Transmission construction revenue (d)                               | 24,946           | 25,325           |
| Transmission indemnity revenue Reimbursement through RAP            | 561,226          | 54,872           |
| Distribution construction revenue (d)                               | 323,766          | 240,765          |
| Revenue from financial updating of concession grant fee (e) *       | 67,928           |                  |
| Transactions in electricity on the CCEE (f)                         | 49,042           | 701,158          |
| Supply of gas   | 318,841          | 425,217          |
| Other operational revenues (g)                                      | 345,608          | 381,722          |
| Taxes and charges applied to Revenue (h)                            | (2,521,430)      | (3,051,801)      |
| <b>Net operational revenue</b>                                      | <b>4,754,147</b> | <b>5,392,480</b> |

\* Net of financial updating of the remaining balance to be paid for the concession grant

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**a) Revenue from supply of electricity**

This table shows supply of electricity by type of consumer:

|  | MWh (1)           |                   | R\$               |                   |
|--|-------------------|-------------------|-------------------|-------------------|
|  | 1H16              | 1H15              | 1H16              | 1H15              |
| Residential                                      | 5,016,742         | 4,949,413         | 3,959,674         | 3,396,315         |
| Industrial                                       | 9,509,867         | 11,588,756        | 2,663,146         | 2,773,044         |
| Commercial, Services and Others                  | 3,384,948         | 3,260,567         | 2,284,760         | 1,867,090         |
| Rural  | 1,683,739         | 1,544,410         | 678,786           | 596,703           |
| Public authorities                               | 451,683           | 441,322           | 276,061           | 249,062           |
| Public lighting                                  | 673,420           | 660,596           | 266,756           | 239,972           |
| Public service                                   | 612,103           | 596,686           | 268,675           | 246,266           |
| <b>Subtotal</b>                                  | <b>21,332,502</b> | <b>23,041,750</b> | <b>10,397,858</b> | <b>9,368,452</b>  |
| Own consumption                                  | 19,086            | 18,914            |                   |                   |
| Uninvoiced retail supply, net                    |                   |                   | (118,569)         | 201,267           |
|  | <b>21,351,588</b> | <b>23,060,664</b> | <b>10,279,289</b> | <b>9,569,719</b>  |
| Wholesale supply to other concession holders (2) | 5,806,389         | 6,918,908         | 1,207,084         | 1,475,371         |
| Wholesale supply not yet invoiced, net           |                   |                   | 41,792            | (87,344)          |
| <b>Total</b>                                     | <b>27,157,977</b> | <b>29,979,572</b> | <b>11,528,165</b> | <b>10,957,746</b> |

|                                 | MWh (1)           |                   | R\$              |                  |
|---------------------------------|-------------------|-------------------|------------------|------------------|
|                                 | 2Q16              | 2Q15              | 2Q16             | 2Q15             |
| Residential                     | 2,526,223         | 2,386,270         | 1,936,040        | 1,849,553        |
| Industrial                      | 4,671,891         | 5,771,862         | 1,316,086        | 1,487,893        |
| Commercial, Services and Others | 1,697,134         | 1,563,963         | 1,121,528        | 1,020,258        |
| Rural                           | 959,912           | 749,687           | 356,233          | 342,554          |
| Public authorities              | 236,278           | 223,734           | 141,615          | 143,258          |
| Public lighting                 | 344,358           | 329,545           | 128,891          | 139,821          |
| Public service                  | 319,218           | 280,302           | 131,728          | 137,440          |
| <b>Subtotal</b>                 | <b>10,755,014</b> | <b>11,305,363</b> | <b>5,132,121</b> | <b>5,120,777</b> |
| Own consumption                 | 9,634             | 9,095             |                  |                  |
| Uninvoiced retail supply, net   |                   |                   | (159,590)        | 157,212          |
|                                 | <b>10,764,648</b> | <b>11,314,458</b> | <b>4,972,531</b> | <b>5,277,989</b> |

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|  |                   |                   |                  |                  |
|--|-------------------|-------------------|------------------|------------------|
| Wholesale supply to other concession holders (2) | 3,109,757         | 2,883,357         | 655,322          | 628,072          |
| Wholesale supply not yet invoiced, net           |                   |                   | (14,501)         | (87,556)         |
| Total  | <b>13,874,405</b> | <b>14,197,815</b> | <b>5,613,352</b> | <b>5,818,505</b> |

(1) Information not reviewed by the external auditors.

(2) Includes Regulated Market Electricity Sale Contracts (CCEARs) and bilateral contracts with other agents.

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

A significant part of the large industrial consumers in the concession area of Cemig D are now Free Consumers energy is sold to them by the Cemig group's generation and transmission company, Cemig GT, and by other generators. When these users became Free Consumers, they began to pay separate charges for use of the distribution network. This line ( TUSD ) records those charges.

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

The balances arising from (i) the CVA Account (Compensation Account for Variation of Portion A items), and (ii) *Other financial components* in the tariff calculation, refer to the positive and negative differences between the estimate of the Company's non-manageable costs and the payments actually made. The amounts recognized arise from allocations and realizations effected in the current period or to be homologated in tariff adjustment processes. For more information see Note 12.

**d) Construction Revenue**

Construction Revenue is entirely offset by Construction costs, and corresponds to the Company's investments in assets of the transmission and distribution concessions in the period.

**e) Revenue from financial updating of the Concession Grant Fee**

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

**f) Revenue from transactions in electricity in the CCEE (Wholesale Trading Chamber)**

The revenue from transactions made through the Electricity Trading Chamber (*Câmara de Comercialização de Energia Elétrica*, or CCEE) is the monthly positive net balance of settlements of transactions for purchase and sale of electricity in the Spot Market, through the CCEE.

**g) Other operating revenues**

|                   | <b>Consolidated</b> |             |
|-------------------|---------------------|-------------|
|                   | <b>1H16</b>         | <b>1H15</b> |
| Charged services  | 2,940               | 8,801       |
| Telecoms services | 58,298              | 66,268      |
| Services rendered | 81,022              | 59,694      |

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|                               |                |                |
|-------------------------------|----------------|----------------|
| Subsidy payments received (*) | 510,577        | 459,159        |
| Rental and leasing            | 48,841         | 46,513         |
| Other                         | 5,174          | 50,573         |
|                               | <b>706,852</b> | <b>691,008</b> |

|                               | <b>Consolidated</b> |                |
|-------------------------------|---------------------|----------------|
|                               | <b>2Q16</b>         | <b>2Q15</b>    |
| Charged services              | 1,515               | 4,674          |
| Telecoms services             | 29,187              | 31,964         |
| Services rendered             | 42,236              | 29,863         |
| Subsidy payments received (*) | 245,074             | 264,001        |
| Rental and leasing            | 24,217              | 25,469         |
| Other                         | 3,379               | 25,751         |
|                               | <b>345,608</b>      | <b>381,722</b> |

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

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## h) Taxes and Sector / Regulatory charges deductions from revenue

|  | <b>Consolidated</b> |                  |
|--|---------------------|------------------|
|  | <b>1H16</b>         | <b>1H15</b>      |
| <b>Taxes on revenue</b>                                      |                     |                  |
| ICMS tax (1)   | 2,614,288           | 2,104,461        |
| Cofins tax   | 1,012,785           | 1,047,848        |
| PIS and Pasep taxes  | 219,886             | 227,470          |
| Other  | 3,444               | 2,955            |
|  | <b>3,850,403</b>    | <b>3,382,734</b> |
| <b>Charges to the consumer</b>                               |                     |                  |
| Global Reversion Reserve (R.G.R.)                            | 15,613              | 17,110           |
| Energy Efficiency Program (P.E.E.)                           | 33,894              | 28,293           |
| Energy Development Account (C.D.E)                           | 1,025,429           | 1,156,695        |
| Research and Development (R&D)                               | 24,696              | 28,938           |
| National Scientific and Technological Development Fund FNDCT | 24,696              | 28,882           |
| Energy System Expansion Research (E.P.E.)                    | 12,348              | 14,525           |
| Consumer charges Proinfra alternative sources program        | 20,022              | 12,699           |
| Electricity Services Inspection Charge                       | 17,682              | 19,636           |
| Royalties for use of water resources                         | 56,062              | 54,817           |
| Consumer charges the Flag Tariff system                      | 343,219             | 399,893          |
|  | <b>1,573,661</b>    | <b>1,761,488</b> |
|  | <b>5,424,064</b>    | <b>5,144,222</b> |

|  | <b>Consolidated</b> |                  |
|--|---------------------|------------------|
|  | <b>2Q16</b>         | <b>2Q15</b>      |
| <b>Taxes on revenue</b>                                      |                     |                  |
| ICMS tax   | 1,284,853           | 1,155,744        |
| Cofins tax   | 479,826             | 513,785          |
| PIS and Pasep taxes  | 104,170             | 111,616          |
| Other  | 1,775               | 1,488            |
|  | <b>1,870,624</b>    | <b>1,782,633</b> |
| <b>Charges to the consumer</b>                               |                     |                  |
| Global Reversion Reserve (R.G.R.)                            | 7,067               | 8,535            |
| Energy Efficiency Program (P.E.E.)                           | 23,591              | 13,909           |
| Energy Development Account (C.D.E)                           | 465,804             | 858,556          |
| Research and Development (R&D)                               | 14,920              | 13,470           |
| National Scientific and Technological Development Fund FNDCT | 14,920              | 13,445           |

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|   |                  |                  |
|---|------------------|------------------|
| Energy System Expansion Research (E.P.E.)             | 7,460            | 6,761            |
| Consumer charges Proinfra alternative sources program | 10,180           | 6,371            |
| Electricity Services Inspection Charge                | 8,915            | 10,158           |
| Royalties for use of water resources                  | 27,995           | 25,192           |
| Consumer charges the Flag Tariff system               | 69,954           | 312,771          |
|   | <b>650,806</b>   | <b>1,269,168</b> |
|   | <b>2,521,430</b> | <b>3,051,801</b> |

(1) As from January 1, 2016, the rate for consumers in the *Commercial, services and other* activities category was changed from 18% to 25% (Decree 46924, of November 29, 2015).

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**24. OPERATIONAL COSTS AND EXPENSES**

|  | <b>Consolidated</b> |                  | <b>Holding company</b> |                |
|--|---------------------|------------------|------------------------|----------------|
|  | <b>1H16</b>         | <b>1H15</b>      | <b>1H16</b>            | <b>1H15</b>    |
| Personnel (a)  | 843,215             | 669,147          | 17,157                 | 21,402         |
| Employees and managers profit shares (reversal)        | 6,200               | 145,216          | (4,234)                | 4,388          |
| Post-retirement obligations                            | 159,277             | 115,218          | 17,808                 | 6,393          |
| Materials  | 23,878              | 31,327           | 45                     | 145            |
| Raw materials and inputs for production of electricity | 27                  | 74,971           |                        |                |
| Outsourced services (b)                                | 400,783             | 412,953          | 3,829                  | 4,196          |
| Electricity bought for resale (c)                      | 3,956,110           | 4,733,681        |                        |                |
| Depreciation and amortization                          | 398,717             | 428,708          | 260                    | 241            |
| Operational provisions (reversals) (d)                 | 733,612             | 273,005          | 446,201                | 137,025        |
| Charges for use of the National Grid                   | 525,912             | 492,643          |                        |                |
| Gas bought for resale                                  | 427,009             | 523,922          |                        |                |
| Infrastructure construction costs (e)                  | 583,733             | 499,663          |                        |                |
| Other operational expenses, net (f)                    | 240,092             | 289,188          | 9,963                  | 9,540          |
|  | <b>8,298,565</b>    | <b>8,689,642</b> | <b>491,029</b>         | <b>183,330</b> |

|   | <b>Consolidated</b> |                  | <b>Holding company</b> |                |
|---|---------------------|------------------|------------------------|----------------|
|   | <b>2Q16</b>         | <b>2Q15</b>      | <b>2Q16</b>            | <b>2Q15</b>    |
| Personnel (a)   | 429,808             | 332,709          | 7,075                  | 8,215          |
| Employees and managers profit shares (reversal)   | 6,200               | 64,243           | (4,234)                | 138            |
| Post-retirement obligations   | 84,091              | 57,609           | 9,166                  | 3,197          |
| Materials   | 12,898              | 17,445           | 25                     | 55             |
| Expenses (recovery of expenses) on raw materials and inputs for production of electricity | 9                   | (2,547)          |                        |                |
| Outsourced services (b)   | 192,779             | 214,124          | 2,009                  | 2,354          |
| Electricity bought for resale (c)   | 2,024,749           | 2,312,277        |                        |                |
| Depreciation and amortization   | 199,684             | 181,587          | 130                    | 125            |
| Operational provisions (reversals) (d)  | 481,842             | 229,841          | 360,667                | 129,037        |
| Charges for use of the National Grid  | 267,206             | 251,254          |                        |                |
| Gas bought for resale   | 189,146             | 261,914          |                        |                |
| Infrastructure construction costs (e)   | 348,712             | 266,090          |                        |                |
| Other operational expenses, net (f)   | 112,006             | 160,967          | 5,406                  | 5,595          |
|   | <b>4,349,130</b>    | <b>4,347,513</b> | <b>380,244</b>         | <b>148,716</b> |

**a) Personnel expenses**

|   | Consolidated   |                | Holding company |               |
|---|----------------|----------------|-----------------|---------------|
|   | 1H16           | 1H15           | 1H16            | 1H15          |
| Remuneration and salary-related charges and expenses          | 667,667        | 589,944        | 10,654          | 22,026        |
| Supplementary pension contributions Defined-contribution plan | 51,827         | 39,039         | 2,752           | 2,148         |
| Assistance benefits   | 90,488         | 68,752         | 1,626           | 1,351         |
|   | 809,982        | 697,735        | 15,032          | 25,525        |
| Provision for retirement premium (Reversal)                   | 4,664          | 1,585          | 195             | (10)          |
| Employee voluntary retirement program                         | 63,885         |                | 2,089           |               |
| ( ) Personnel costs transferred to Works                      | (35,316)       | (30,173)       | (159)           | (4,113)       |
|   | 33,233         | (28,588)       | 2,125           | (4,123)       |
|   | <b>843,215</b> | <b>669,147</b> | <b>17,157</b>   | <b>21,402</b> |

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|   | Consolidated   |                | Holding company |              |
|---|----------------|----------------|-----------------|--------------|
|   | 2Q16           | 2Q15           | 2Q16            | 2Q15         |
| Remuneration and salary-related charges and expenses            | 320,476        | 294,307        | 2,500           | 7,966        |
| Supplementary pension contributions – Defined-contribution plan | 23,878         | 20,033         | 1,304           | 1,104        |
| Assistance benefits   | 41,958         | 34,117         | 700             | 696          |
|   | 386,312        | 348,457        | 4,504           | 9,766        |
| Provision for retirement premium (Reversal)                     | (1,700)        | 171            | (68)            | 13           |
| Employee voluntary retirement program                           | 63,885         |                | 2,089           |              |
| ( ) Personnel costs transferred to Works                        | (18,689)       | (15,919)       | 550             | (1,564)      |
|   | 43,496         | (15,748)       | 2,571           | (1,551)      |
|   | <b>429,808</b> | <b>332,709</b> | <b>7,075</b>    | <b>8,215</b> |

*The Programmed Voluntary Retirement Plan (PDVP)*

For the period from April 18 to May 31, 2016, the Company created the PDVP. Those eligible to take part were any employees who will have worked with Cemig for 25 years or more by December 31, 2016. The PDVP offered the normal severance payments specified by law, including payment for the period of notice, deposit of the penalty payment of 40% of the FGTS Base Value to the employee's FGTS fund, and the other payment specified by the legislation. Severance of the employees is to take place over the period from June 2 to October 20, 2016, in accordance with guidelines set by the Company. A total of 621 employees have signed up for the program. The amounts of the severance payments have been 100% provisioned, as shown in the above table.

**b) Outsourced services**

|   | Consolidated |         | Holding company |       |
|---|--------------|---------|-----------------|-------|
|   | 1H16         | 1H15    | 1H16            | 1H15  |
| Meter reading and bill delivery                                     | 67,520       | 58,876  |                 |       |
| Communication   | 26,449       | 29,730  | 186             | 190   |
| Maintenance and conservation of electrical facilities and equipment | 123,491      | 108,626 | 48              | 44    |
| Building conservation and cleaning                                  | 47,570       | 45,028  | 346             | 148   |
| Contracted labor  | 6,209        | 1,831   |                 | 4     |
| Freight and airfares  | 2,789        | 4,599   | 831             | 1,034 |
| Accommodation and meals   | 5,587        | 8,535   | 94              | 127   |
| Security services   | 12,483       | 12,506  |                 |       |
| Consultancy   | 6,957        | 5,417   | 229             | 601   |
| Maintenance and conservation of furniture and utensils              | 15,808       | 11,513  | 340             | 69    |
| Maintenance and conservation of vehicles                            | 4,642        | 5,574   | 46              | 9     |

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|  |                |                |              |              |
|--|----------------|----------------|--------------|--------------|
| Disconnection and reconnection                 | 1,765          | 15,932         |              |              |
| Environment                                    | 8,343          | 12,027         |              |              |
| Legal services                                 | 9,071          | 12,771         | 583          | 1,022        |
| Legal procedural costs                         | 1,885          | 1,010          | 26           | 25           |
| Tree pruning                                   | 5,390          | 11,639         |              |              |
| Cleaning of power line pathways                | 4,020          | 14,743         |              |              |
| Reproduction printing and legal publications   | 7,560          | 6,480          | 106          | 95           |
| Inspection of consumer units                   | 468            | 2,091          |              |              |
| Printing of tax invoices and electricity bills | 1,815          | 2,428          |              |              |
| Other expenses                                 | 40,961         | 41,597         | 994          | 828          |
|  | <b>400,783</b> | <b>412,953</b> | <b>3,829</b> | <b>4,196</b> |

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|   | Consolidated   |                | Holding company |              |
|---|----------------|----------------|-----------------|--------------|
|   | 2Q16           | 2Q15           | 2Q16            | 2Q15         |
| Meter reading and bill delivery                                     | 31,710         | 29,436         |                 |              |
| Communication   | 11,868         | 18,999         | 97              | 109          |
| Maintenance and conservation of electrical facilities and equipment | 57,628         | 50,236         | 32              | 21           |
| Building conservation and cleaning                                  | 24,474         | 23,694         | 178             | 92           |
| Contracted labor  | 3,944          | 975            |                 |              |
| Freight and airfares  | 1,758          | 2,719          | 495             | 752          |
| Accommodation and meals   | 3,414          | 4,344          | 62              | 79           |
| Security services   | 6,406          | 6,136          |                 |              |
| Consultancy   | 2,928          | 2,737          | 87              | 274          |
| Maintenance and conservation of furniture and utensils              | 1,450          | 8,125          | 118             | 53           |
| Maintenance and conservation of vehicles                            | 2,535          | 2,936          | 28              | 5            |
| Disconnection and reconnection                                      | 585            | 8,249          |                 |              |
| Environment   | 5,071          | 4,717          |                 |              |
| Legal services  | 4,347          | 6,117          | 311             | 348          |
| Legal procedural costs  | 1,501          | 636            | 11              | 13           |
| Tree pruning  | 3,412          | 6,691          |                 |              |
| Cleaning of power line pathways                                     | 2,078          | 9,218          |                 |              |
| Reproduction printing and legal publications                        | 4,723          | 3,508          | 45              | 44           |
| Inspection of consumer units  | 199            | 1,099          |                 |              |
| Printing of tax invoices and electricity bills                      | 879            | 1,251          |                 |              |
| Other expenses  | 21,869         | 22,301         | 545             | 564          |
|   | <b>192,779</b> | <b>214,124</b> | <b>2,009</b>    | <b>2,354</b> |

**c) Electricity purchased for resale**

|   | Consolidated     |                  |
|---|------------------|------------------|
|   | 1H16             | 1H15             |
| Supply from Itaipu Binacional                     | 607,291          | 770,844          |
| Physical guarantee quota contracts                | 251,160          | 113,484          |
| Quotas of Angra I and II nuclear plants           | 108,453          | 99,079           |
| Spot market                                       | 290,924          | 467,403          |
| Proinfa   | 162,730          | 123,009          |
| Bilateral contracts                               | 142,091          | 165,669          |
| Electricity acquired in Regulated Market auctions | 1,212,275        | 2,085,475        |
| Electricity acquired in the Free Market           | 1,573,891        | 1,318,089        |
| Credits of Pases and Cofins taxes                 | (392,705)        | (409,371)        |
|   | <b>3,956,110</b> | <b>4,733,681</b> |

|   | <b>Consolidated</b> |                  |
|---|---------------------|------------------|
|   | <b>2Q16</b>         | <b>2Q15</b>      |
| Supply from Itaipu Binacional                     | 290,716             | 401,174          |
| Physical guarantee quota contracts                | 120,581             | 55,934           |
| Quotas of Angra I and II nuclear plants           | 54,226              | 50,121           |
| Spot market                                       | 192,600             | 191,014          |
| Proinfa   | 81,365              | 61,504           |
| Bilateral contracts                               | 73,229              | 83,083           |
| Electricity acquired in Regulated Market auctions | 553,236             | 967,811          |
| Electricity acquired in the Free Market           | 858,042             | 689,518          |
| Credits of Pasesp and Cofins taxes                | (199,246)           | (187,882)        |
|   | <b>2,024,749</b>    | <b>2,312,277</b> |

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**d) Operational provisions (reversals)**

|  | <b>Consolidated</b> |                | <b>Holding company</b> |                |
|--|---------------------|----------------|------------------------|----------------|
|  | <b>1H16</b>         | <b>1H15</b>    | <b>1H16</b>            | <b>1H15</b>    |
| Allowance for doubtful receivables           | 174,566             | 58,077         |                        |                |
| Contingency provisions (reversals)           |                     |                |                        |                |
| Employment-law cases                         | 38,797              | 35,517         | 10,286                 | 5,360          |
| Civil cases                                  | 17,823              | 16,986         | 1,472                  | 1,520          |
| Tax  | 3,183               | (4,706)        | 1,097                  | (172)          |
| Environmental matters                        | (57)                | (1,159)        |                        | (313)          |
| Regulatory                                   | 12,952              | 2,843          | (1,068)                | 2,876          |
| Corporate                                    |                     | 13,639         |                        | 13,639         |
| Other  | 25,985              | (8,625)        | 62                     | (67)           |
|  | 98,683              | 54,495         | 11,849                 | 22,843         |
|  | <b>273,249</b>      | <b>112,572</b> | <b>11,849</b>          | <b>22,843</b>  |
| Provision for options related to investments |                     |                |                        |                |
| Parati Put option (Note 14)                  | 434,352             | 114,182        | 434,352                | 114,182        |
| SAAG Put option (Note 14)                    | 26,011              | 46,251         |                        |                |
|  | <b>460,363</b>      | <b>160,433</b> | <b>434,352</b>         | <b>114,182</b> |
|  | <b>733,612</b>      | <b>273,005</b> | <b>446,201</b>         | <b>137,025</b> |
|  |                     |                |                        |                |
|  | <b>Consolidated</b> |                | <b>Holding company</b> |                |
|  | <b>2Q16</b>         | <b>2Q15</b>    | <b>2Q16</b>            | <b>2Q15</b>    |
| Allowance for doubtful receivables           | 98,303              | 30,973         |                        |                |
| Contingency provisions (reversals)           |                     |                |                        |                |
| Employment-law cases                         | (10,931)            | 19,369         | 1,034                  | 3,664          |
| Civil cases                                  | 9,903               | 6,564          | 2,667                  | 1,741          |
| Tax  | 2,864               | 2,048          | 2,203                  | 1,289          |
| Environmental matters                        |                     | 2              |                        |                |
| Regulatory                                   | (8,162)             | (73)           | (331)                  | 1,147          |
| Corporate                                    |                     | 13,639         |                        | 13,639         |
| Other  | 18,292              | (3,114)        | 41                     | (6,625)        |
|  | 11,966              | 38,435         | 5,614                  | 14,855         |
|  | <b>110,269</b>      | <b>69,408</b>  | <b>5,614</b>           | <b>14,855</b>  |

Provision for options related to investments

|                             |                |                |                |                |
|-----------------------------|----------------|----------------|----------------|----------------|
| Parati Put option (Note 14) | 355,053        | 114,182        | 355,053        | 114,182        |
| SAAG Put option (Note 14)   | 16,520         | 46,251         |                |                |
|                             | <b>371,573</b> | <b>160,433</b> | <b>355,053</b> | <b>114,182</b> |
|                             | <b>481,842</b> | <b>229,841</b> | <b>360,667</b> | <b>129,037</b> |

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e) **Construction cost**

|                        | <b>Consolidated</b> |                |
|------------------------|---------------------|----------------|
|                        | <b>1H16</b>         | <b>1H15</b>    |
| Personnel and managers | 32,496              | 28,208         |
| Materials              | 264,113             | 203,950        |
| Outsourced services    | 201,752             | 190,423        |
| Other                  | 85,372              | 77,082         |
|                        | <b>583,733</b>      | <b>499,663</b> |

|                        | <b>Consolidated</b> |                |
|------------------------|---------------------|----------------|
|                        | <b>2Q16</b>         | <b>2Q15</b>    |
| Personnel and managers | 17,895              | 17,373         |
| Materials              | 163,144             | 91,132         |
| Outsourced services    | 122,324             | 108,982        |
| Other                  | 45,349              | 48,603         |
|                        | <b>348,712</b>      | <b>266,090</b> |

f) **Other operational expenses, net**

|   | <b>Consolidated</b> |                | <b>Holding company</b> |              |
|---|---------------------|----------------|------------------------|--------------|
|   | <b>1H16</b>         | <b>1H15</b>    | <b>1H16</b>            | <b>1H15</b>  |
| Leasing and rentals                             | 47,528              | 53,429         | 309                    | 394          |
| Advertising                                     | 3,090               | 2,146          | 118                    | 344          |
| Own consumption of electricity                  | 11,517              | 9,338          |                        |              |
| Subsidies and donations                         | 9,078               | 8,423          |                        |              |
| Paid concession                                 | 1,420               | 5,605          |                        |              |
| Insurance                                       | 4,919               | 4,444          | 1,950                  | 1,889        |
| CCEE annual charge                              | 3,952               | 4,157          | 1                      | 1            |
| Net loss on deactivation and disposal of assets | 42,314              | 45,505         | 2                      |              |
| Forluz Current running costs                    | 12,481              | 11,625         | 617                    | 667          |
| Collection agents                               | 35,548              | 34,358         |                        |              |
| Other expenses                                  | 68,245              | 110,158        | 6,966                  | 6,245        |
|   | <b>240,092</b>      | <b>289,188</b> | <b>9,963</b>           | <b>9,540</b> |

|   | Consolidated   |                | Holding company |              |
|---|----------------|----------------|-----------------|--------------|
|   | 2Q16           | 2Q15           | 2Q16            | 2Q15         |
| Leasing and rentals                             | 24,017         | 25,571         | 152             | 336          |
| Advertising                                     | 1,289          | 720            | 118             | 342          |
| Own consumption of electricity                  | 5,716          | 5,468          |                 |              |
| Subsidies and donations                         | 4,856          | 5,024          |                 |              |
| Paid concession                                 | 786            | 1,388          |                 |              |
| Insurance                                       | 2,189          | 2,128          | 904             | 946          |
| CCEE annual charge                              | 1,949          | 2,086          |                 |              |
| Net loss on deactivation and disposal of assets | 30,272         | 27,399         |                 |              |
| Forluz Current running costs                    | 6,470          | 6,105          | 319             | 396          |
| Collection agents                               | 17,673         | 16,874         |                 |              |
| Other expenses                                  | 16,789         | 68,204         | 3,913           | 3,575        |
|   | <b>112,006</b> | <b>160,967</b> | <b>5,406</b>    | <b>5,595</b> |

### Operational Leasing

The Company has operational leasing contracts relating, mainly, to vehicles and buildings used in its operational activities. Their amounts are not material in relation to the Company's total costs.

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**25. FINANCIAL REVENUE (EXPENSES)**

|  | <b>Consolidated</b> |                    | <b>Holding company</b> |                |
|--|---------------------|--------------------|------------------------|----------------|
|  | <b>1H16</b>         | <b>1H15</b>        | <b>1H16</b>            | <b>1H15</b>    |
| <b>FINANCIAL REVENUES</b>                                    |                     |                    |                        |                |
| Interest income from cash investments                        | 135,477             | 92,701             | 15,413                 | 8,448          |
| Late charges on overdue electricity bills                    | 142,333             | 96,840             |                        |                |
| Foreign exchange variations                                  | 43,967              | 68,739             | 1                      | 15             |
| Monetary updating  | 27,893              | 9,482              | 6,983                  | 1,407          |
| Monetary updating CVA  | 187,564             | 32,288             |                        |                |
| Monetary updating on litigation escrow deposits              | 39,267              |                    | 23,175                 |                |
| Pasep and Cofins charged on financial revenues               | (39,157)            |                    | (7,447)                |                |
| Updating of financial assets Remun. Assets (BRR)             | 5,325               | 193,673            |                        |                |
| Contractual penalty payments                                 | 6,335               | 12,675             |                        | 33             |
| Adjustment to present value                                  | 721                 | 1,205              |                        |                |
| Other  | 59,535              | 17,252             | 33,330                 | 3,519          |
|  | <b>609,260</b>      | <b>524,855</b>     | <b>71,455</b>          | <b>13,422</b>  |
| <b>FINANCIAL EXPENSES</b>                                    |                     |                    |                        |                |
| Costs of loans and financings                                | (907,801)           | (609,549)          |                        |                |
| Foreign exchange variations                                  | (17,179)            | (72,237)           |                        | (1)            |
| Monetary updating on loans and financings                    | (185,407)           | (226,356)          |                        |                |
| Monetary updating Paid concession                            | (2,755)             | (7,074)            |                        |                |
| Charges and monetary updating on Post-retirement liabilities | (64,299)            | (72,284)           | (3,164)                | (3,557)        |
| Monetary updating CCEE obligations                           | (13,844)            |                    |                        |                |
| Other  | (42,562)            | (62,386)           | (40)                   | (140)          |
|  | <b>(1,233,847)</b>  | <b>(1,049,886)</b> | <b>(3,204)</b>         | <b>(3,698)</b> |
| <b>NET FINANCIAL REVENUE (EXPENSES)</b>                      | <b>(624,587)</b>    | <b>(525,031)</b>   | <b>68,251</b>          | <b>9,724</b>   |

|  | <b>Consolidated</b> |             | <b>Holding company</b> |             |
|--|---------------------|-------------|------------------------|-------------|
|  | <b>2Q16</b>         | <b>2Q15</b> | <b>2Q16</b>            | <b>2Q15</b> |
| <b>FINANCIAL REVENUES</b>                        |                     |             |                        |             |
| Interest income from cash investments            | 76,671              | 53,704      | 8,505                  | 5,471       |
| Late charges on overdue electricity bills        | 68,625              | 50,329      |                        |             |
| Foreign exchange variations                      | 29,182              | 15,716      |                        | 1           |
| Monetary updating                                | 11,754              | 4,916       | 3,342                  | 147         |
| Monetary updating CVA                            | 167,832             |             |                        |             |
| Monetary updating on litigation escrow deposits  | 7,778               |             | 4,030                  |             |
| Pasep and Cofins charged on financial revenues   | (26,918)            |             | (5,972)                |             |
| Updating of financial assets Remun. Assets (BRR) | 3,479               | 102,120     |                        |             |
| Contractual penalty payments                     | 3,739               | 9,299       |                        |             |
| Adjustment to present value                      | 8,095               | 44          | 7,718                  |             |

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|  |                  |                  |                |                |
|--|------------------|------------------|----------------|----------------|
| Other  | 40,161           | 6,623            | 31,301         | 1,849          |
|  | <b>390,398</b>   | <b>242,751</b>   | <b>48,924</b>  | <b>7,468</b>   |
| <b>FINANCIAL EXPENSES</b>                                    |                  |                  |                |                |
| Costs of loans and financings                                | (479,323)        | (317,036)        |                |                |
| Foreign exchange variations                                  | (53)             | (10,691)         |                | (1)            |
| Monetary updating on loans and financings                    | (69,172)         | (91,139)         |                |                |
| Monetary updating Paid concession                            | (1,327)          | (1,085)          |                |                |
| Monetary updating CVA  |                  | (8,198)          |                |                |
| Charges and monetary updating on Post-retirement liabilities | (26,817)         | (34,469)         | (1,320)        | (1,696)        |
| Monetary updating CCEE obligations                           | 3,972            |                  |                |                |
| Other  | (29,707)         | (31,714)         | (25)           | (19)           |
|  | <b>(602,427)</b> | <b>(494,332)</b> | <b>(1,345)</b> | <b>(1,716)</b> |
| <b>NET FINANCIAL REVENUE (EXPENSES)</b>                      | <b>(212,029)</b> | <b>(251,581)</b> | <b>47,579</b>  | <b>5,752</b>   |

The expenses of Pasep and Cofins taxes apply to Interest on Equity.

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**26. RELATED PARTY TRANSACTIONS**

The Company's principal balances and transactions with related parties, shown consolidated, are:

| COMPANY   | ASSETS           |                  | LIABILITIES      |                  | REVENUE          |                  | EXPENSES         |                  |
|---|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
|   | Jun. 30,<br>2016 | Dec. 31,<br>2015 | Jun. 30,<br>2016 | Dec. 31,<br>2015 | Jun. 30,<br>2016 | Jun. 30,<br>2015 | Jun. 30,<br>2016 | Jun. 30,<br>2015 |
| <b>Controlling stockholder</b>                        |                  |                  |                  |                  |                  |                  |                  |                  |
| <b>Minas Gerais State</b>                             |                  |                  |                  |                  |                  |                  |                  |                  |
| <b>Government</b>                                     |                  |                  |                  |                  |                  |                  |                  |                  |
| <b>Current</b>  |                  |                  |                  |                  |                  |                  |                  |                  |
| Consumers and Traders<br>(1)                          | 37,357           | 18,674           |                  |                  | 76,735           | 67,541           |                  |                  |
| Financings BDMG<br>Administrative deposit<br>AFAC (2) |                  |                  | 4,608            | 8,619            |                  |                  | (1,470)          | (405)            |
|   |                  |                  |                  |                  | 29,502           |                  |                  | (13,639)         |
| <b>Non-current</b>                                    |                  |                  |                  |                  |                  |                  |                  |                  |
| Financings BDMG<br>Administrative deposit<br>AFAC (2) |                  |                  | 24,096           | 50,067           |                  |                  |                  |                  |
|   |                  |                  | 239,451          | 268,953          |                  |                  |                  |                  |
| <b>Jointly-controlled subsidiary</b>                  |                  |                  |                  |                  |                  |                  |                  |                  |
| <b>Aliança Geração</b>                                |                  |                  |                  |                  |                  |                  |                  |                  |
| <b>Current</b>  |                  |                  |                  |                  |                  |                  |                  |                  |
| Transactions in electricity<br>(3)                    |                  |                  | 8,735            | 10,519           |                  |                  | (70,261)         | (20,754)         |
| Provision of services (4)                             | 1,492            | 199              |                  |                  | 5,184            |                  |                  |                  |
| <b>Baguari Energia</b>                                |                  |                  |                  |                  |                  |                  |                  |                  |
| <b>Current</b>  |                  |                  |                  |                  |                  |                  |                  |                  |
| Transactions in electricity<br>(3)                    |                  |                  | 877              | 1,478            |                  |                  | (3,341)          | (2,195)          |
| Interest on Equity, and<br>dividends                  | 5,788            | 5,788            |                  |                  |                  |                  |                  |                  |
| <b>Madeira Energia</b>                                |                  |                  |                  |                  |                  |                  |                  |                  |
| <b>Current</b>  |                  |                  |                  |                  |                  |                  |                  |                  |
| Transactions in electricity<br>(3)                    |                  |                  | 29,759           | 15,639           |                  |                  | (277,799)        | (38,029)         |
| Advance for future<br>delivery of power supply<br>(5) |                  | 86,941           |                  |                  |                  |                  |                  |                  |
| <b>LightGer</b>                                       |                  |                  |                  |                  |                  |                  |                  |                  |
| <b>Current</b>  |                  |                  |                  |                  |                  |                  |                  |                  |
| Transactions in electricity<br>(3)                    |                  |                  |                  |                  |                  |                  | (10,076)         | (6,198)          |

**Pipoca****Current**

|                                      |  |     |       |       |  |  |         |         |
|--------------------------------------|--|-----|-------|-------|--|--|---------|---------|
| Transactions in electricity<br>(3)   |  |     | 1,433 | 1,481 |  |  | (8,694) | (1,705) |
| Interest on Equity, and<br>dividends |  | 593 |       |       |  |  |         |         |

**Guanhães Energia****Current**

|  |  |  |        |  |  |  |  |  |
|--|--|--|--------|--|--|--|--|--|
| Transfers for increase of<br>capital (6) |  |  | 17,640 |  |  |  |  |  |
|--|--|--|--------|--|--|--|--|--|

**Renova****Current**

|                                    |        |  |       |       |  |  |          |         |
|------------------------------------|--------|--|-------|-------|--|--|----------|---------|
| Transactions in electricity<br>(3) |        |  | 1,690 | 1,518 |  |  | (73,749) | (7,651) |
| Accounts receivable (7)            | 51,397 |  |       |       |  |  |          |         |

**Non-current**

|   |        |        |  |  |  |  |  |  |
|---|--------|--------|--|--|--|--|--|--|
| Accounts receivable (7)                               | 16,042 | 60,000 |  |  |  |  |  |  |
| Advance for future<br>delivery of power supply<br>(8) | 94,000 |        |  |  |  |  |  |  |

**Taesa****Current**

|                                    |  |  |        |        |  |  |          |          |
|------------------------------------|--|--|--------|--------|--|--|----------|----------|
| Transactions in electricity<br>(3) |  |  | 10,390 | 11,234 |  |  | (47,213) | (20,310) |
|------------------------------------|--|--|--------|--------|--|--|----------|----------|

**Companhia Transirapé  
de Transmissão****Current**

|                                      |     |     |     |     |  |  |         |       |
|--------------------------------------|-----|-----|-----|-----|--|--|---------|-------|
| Transactions in electricity<br>(3)   |     |     | 817 | 673 |  |  | (4,080) | (944) |
| Interest on Equity, and<br>dividends | 678 | 678 |     |     |  |  |         |       |

**Transleste****Current**

|                                      |       |     |     |     |     |     |         |       |
|--------------------------------------|-------|-----|-----|-----|-----|-----|---------|-------|
| Transactions in electricity<br>(3)   |       |     | 194 | 242 |     |     | (1,027) | (350) |
| Provision of services (4)            | 111   | 111 |     |     | 491 | 134 |         |       |
| Interest on Equity, and<br>dividends | 1,044 |     |     |     |     |     |         |       |

**Light****Current**

|                                      |        |        |     |     |        |       |       |  |
|--------------------------------------|--------|--------|-----|-----|--------|-------|-------|--|
| Transactions in electricity<br>(3)   | 423    | 593    | 470 | 470 | 36,121 | 9,927 | (416) |  |
| Interest on Equity, and<br>dividends | 13,631 | 43,972 |     |     |        |       |       |  |

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| COMPANY                              | ASSETS           |                  | LIABILITIES      |                  | REVENUE          |                  | EXPENSES         |                  |
|--------------------------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
|                                      | Jun. 30,<br>2016 | Dec. 31,<br>2015 | Jun. 30,<br>2016 | Dec. 31,<br>2015 | Jun. 30,<br>2016 | Jun. 30,<br>2015 | Jun. 30,<br>2016 | Jun. 30,<br>2015 |
| <b>Jointly-controlled subsidiary</b> |                  |                  |                  |                  |                  |                  |                  |                  |
| <b>Parati</b>                        |                  |                  |                  |                  |                  |                  |                  |                  |
| <b>Current</b>                       |                  |                  |                  |                  |                  |                  |                  |                  |
| Interest on Equity, and dividends    | 8,586            | 8,807            |                  |                  |                  |                  |                  |                  |
| <b>Axxiom</b>                        |                  |                  |                  |                  |                  |                  |                  |                  |
| <b>Current</b>                       |                  |                  |                  |                  |                  |                  |                  |                  |
| Provision of services (9)            |                  |                  | 6,896            | 5,925            |                  |                  | (32,118)         | (11,103)         |
| Interest on Equity, and dividends    | 144              | 96               |                  |                  |                  |                  |                  |                  |
| <b>Other related parties</b>         |                  |                  |                  |                  |                  |                  |                  |                  |
| <b>FIC Pampulha</b>                  |                  |                  |                  |                  |                  |                  |                  |                  |
| <b>Current</b>                       |                  |                  |                  |                  |                  |                  |                  |                  |
| Marketable securities                | 1,160,453        | 1,030,612        |                  |                  | 67,013           | 46,638           |                  |                  |
| <b>Non-current</b>                   |                  |                  |                  |                  |                  |                  |                  |                  |
| Marketable securities                | 20,736           | 16,905           |                  |                  |                  |                  |                  |                  |
| <b>Forluz</b>                        |                  |                  |                  |                  |                  |                  |                  |                  |
| <b>Current</b>                       |                  |                  |                  |                  |                  |                  |                  |                  |
| Post-retirement obligations (10)     |                  |                  | 82,167           | 75,970           |                  |                  | (92,858)         | (72,283)         |
| Personnel expenses (11)              |                  |                  |                  |                  |                  |                  | (51,827)         | (39,039)         |
| Administrative running costs (12)    |                  |                  |                  |                  |                  |                  | (12,481)         | (11,625)         |
| Operational leasing (13)             |                  |                  | 1,545            | 1,544            |                  |                  | (9,265)          | (9,044)          |
| <b>Non-current</b>                   |                  |                  |                  |                  |                  |                  |                  |                  |
| Post-retirement obligations (10)     |                  |                  | 1,294,454        | 1,270,418        |                  |                  |                  |                  |
| <b>Cemig Saúde (Health)</b>          |                  |                  |                  |                  |                  |                  |                  |                  |
| <b>Current</b>                       |                  |                  |                  |                  |                  |                  |                  |                  |
| Health Plan and Dental Plan (14)     |                  |                  | 87,044           | 78,889           |                  |                  | (93,278)         | (73,049)         |
| <b>Non-current</b>                   |                  |                  |                  |                  |                  |                  |                  |                  |
| Health Plan and Dental Plan (14)     |                  |                  | 1,313,553        | 1,274,717        |                  |                  |                  |                  |



The main conditions relating to the related party transactions are as follows:

- (1) Refers to sale of electricity to the government of the State of Minas Gerais equivalent to arm's-length transactions, since the price of the electricity is that defined by Aneel through a Resolution referring to the Company's annual tariff adjustment.
  - (2) This refers to the recalculation of the monetary updating of amounts relating to the Advance against Future Capital Increase (AFAC), which were returned to the State of Minas Gerais (see Note 21).
  - (3) Transactions in electricity between generators and distributors were made in auctions organized by the federal government; transactions for transport of electricity, made by transmission companies, arise from the centralized operation of the National Grid carried out by the National System Operator (ONS). These transactions thus take place on terms equivalent to those that prevail in arm's length transactions.
  - (4) Refers to contract to provide plant operation and maintenance services.
  - (5) Effected in February 2015, in accordance with a condition of the electricity Sale Contract between Cemig GT and Saesa signed on March 19, 2009. For the purpose of settlement, this amount will be updated at a rate of 135% of the CDI rate, and will be offset against invoicing by Saesa for supply of electricity. The offsetting was completed on March 15, 2016.
  - (6) The company provided capital to the jointly-controlled subsidiary Guanhões Energia S.A., which was settled on July 1, 2016. For more information see Explanatory Note 13.
  - (7) This refers to an item receivable from Renova Energia, which will be settled by an initial payment of R\$ 6 million by January 10, 2018, plus 11 monthly installments, the last becoming due in December 2018, with monetary updating at 150% of the CDI rate.
  - (8) Effected in December 2015 and June 2016, in accordance with conditions of the electricity Sale Contracts between Cemig GT and Renova. For the purpose of settlement, this amount will be updated at a rate of 155% of the CDI rate, and will be offset by the invoicing by Renova for supply of electricity as from January 2017.
  - (9) Refers to obligations and expenses on development of management software.
  - (10) The contracts of Forluz are updated by the Expanded Consumer Price Index (IPCA) calculated by the Brazilian Geography and Statistics Institute (Instituto Brasileiro de Geografia e Estatística, or IBGE) (See Note 20) and will be amortized up to the business year of 2024.
  - (11) The Company's contributions to the pension fund for the employees participating in the Mixed Plan, and calculated on the monthly remuneration (see Explanatory Note 24), in accordance with the regulations of the Fund.
  - (12) Funds for annual current administrative costs of the Pension Fund in accordance with the specific legislation of the sector. The amounts are estimated as a percentage of the Company's payroll.
  - (13) Rental of the head office building.
  - (14) Contribution by the sponsor to the employees' Health Plan and Dental Plan (See Explanatory Note 20).
- For more information on the principal transactions please see Notes 7, 16 and 23.

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### Guarantees and sureties for loans, financings and debentures

Cemig is provider of surety or guarantee of loans, financings and/or debentures of the following related parties not consolidated in the financial statements because they relate to jointly-controlled entities or affiliated companies:

| Related party              | Relationship                  | Type              | Object of guarantee | Expiration | Jun. 30, 2016    |
|----------------------------|-------------------------------|-------------------|---------------------|------------|------------------|
| Light / Norte Energia S.A. | Jointly-controlled subsidiary | Counter-guarantee | Financing           | 2042       | 683,615          |
| Norte Energia S.A.         | Affiliated                    | Surety            | Financing           | 2042       | 2,864,303        |
| Santo Antônio Energia S.A. | Jointly-controlled subsidiary | Surety            | Financing           | 2034       | 1,992,544        |
| Santo Antônio Energia S.A. | Jointly-controlled subsidiary | Surety            | Debentures          | 2037       | 707,632          |
| Guanhães                   | Jointly-controlled subsidiary | Surety            | Promissory Note     | 2017       | 76,503           |
| Centroeste                 | Jointly-controlled subsidiary | Surety            | Financing           | 2023       | 9,931            |
|                            |                               |                   |                     |            | <b>6,334,528</b> |

At June 30, 2015, Management believes that no provisions are necessary in the Company's accounting statements for the purpose of meeting any obligations arising under these sureties and/or guarantees.

### Cash investments in FIC Pampulha of Cemig and its subsidiaries and affiliates

Cemig and its subsidiaries and affiliates invest part of their financial resources in a Investment Fund, which has the characteristics of fixed income and obeys the Company's cash investment policy. The amounts invested by the fund are accounted under Securities in Current and Non-current assets on June 30, 2016, in proportion to the interests held by the companies in the fund.

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

The financial investments in securities of related parties, corresponding to the proportionate holding of the Cemig group in the investment fund, are as follows:

| Issuer of security | Type       | Annual rate         | Expiration | Jun. 30, 2016 |        |          |                     | Total  |
|--------------------|------------|---------------------|------------|---------------|--------|----------|---------------------|--------|
|                    |            |                     |            | Cemig         | GT     | Cemig D: | Other subsidiaries: |        |
| Axxiom             | Debentures | 109.00% of CDI Rate | 01/29/2017 | 324           | 1,167  | 1,580    | 861                 | 3,932  |
| Cemig GT           | Debentures | CDI + 0.75%         | 12/23/2016 | 3,241         | 11,654 | 15,785   | 8,603               | 39,283 |

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|           |            |                  |            |               |               |               |               |                |
|-----------|------------|------------------|------------|---------------|---------------|---------------|---------------|----------------|
| Cemig GT  | Debentures | CDI + 0.90%      | 02/15/2017 | 612           | 2,200         | 2,979         | 1,622         | 7,413          |
| Cemig GT  | Debentures | CDI Rate + 1.60% | 07/15/2018 | 3,410         | 12,262        | 16,607        | 9,051         | 41,330         |
| Ativas    | Debentures | CDI + 3.50%      | 07/01/2017 | 1,445         | 5,197         | 7,039         | 3,835         | 17,516         |
| Ativas    | Debentures | CDI + 3.50%      | 07/01/2017 | 1,807         | 6,496         | 8,798         | 4,795         | 21,896         |
| ETAU      | Debentures | 108.00% of CDI   | 12/01/2019 | 613           | 2,205         | 2,988         | 1,628         | 7,434          |
| Brasnorte | Debentures | 108.00% of CDI   | 06/22/2016 |               |               |               |               |                |
| Cemig GT  | Debentures | CDI + 3.93%      | 12/10/2018 | 645           | 2,317         | 3,139         | 1,709         | 7,810          |
|           |            |                  |            | <b>12,097</b> | <b>43,498</b> | <b>58,915</b> | <b>32,104</b> | <b>146,614</b> |

(\*) Refers to the other companies consolidated by Cemig, which also have participation in the investment funds.

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Dec. 31, 2015

Other  
subsidiaries:

Cemig: Cemig GT: Cemig D: 37.90%

| Issuer of security | Type       | Annual rate         | Expiration | 10.17%        | 29.71%        | 22.22%        | *             | Total          |
|--------------------|------------|---------------------|------------|---------------|---------------|---------------|---------------|----------------|
| Axxiom             | Debentures | 109.00% of CDI Rate | 01/29/2017 | 1,154         | 3,369         | 2,520         | 4,297         | 11,340         |
| Cemig GT           | Debentures | CDI + 0.75%         | 12/23/2016 | 5,071         | 14,807        | 11,076        | 18,891        | 49,845         |
| Cemig GT           | Debentures | CDI + 0.90%         | 02/15/2017 | 1,100         | 3,212         | 2,402         | 4,099         | 10,813         |
| Cemig GT           | Debentures | CDI + 1.60%         | 07/15/2018 | 5,442         | 15,889        | 11,884        | 20,271        | 53,486         |
| Ativas             | Debentures | CDI + 3.50%         | 07/01/2017 | 2,213         | 6,461         | 4,832         | 8,242         | 21,748         |
| Ativas             | Debentures | CDI + 3.50%         | 07/01/2017 | 2,766         | 8,076         | 6,041         | 10,303        | 27,186         |
| ETAU               | Debentures | 108.00% of CDI      | 12/01/2019 | 1,023         | 2,988         | 2,235         | 3,812         | 10,058         |
| Brasnorte          | Debentures | 108.00% of CDI      | 06/22/2016 | 289           | 845           | 632           | 1,077         | 2,843          |
|                    |            |                     |            | <b>19,058</b> | <b>55,647</b> | <b>41,622</b> | <b>70,992</b> | <b>187,319</b> |

(\*) Refers to the other companies consolidated by Cemig, which also have participation in the investment funds.

#### Remuneration of key management personnel

The total costs of key management personnel, in the first six months of 2016 and 2015, are shown in this table:

|                     | Jun.<br>30,<br>2016 | Jun. 30,<br>2015 |
|---------------------|---------------------|------------------|
| Remuneration        | 11,579              | 8,838            |
| Profit shares       | (799)               | 609              |
| Assistance benefits | 747                 | 501              |
| <b>Total</b>        | <b>11,527</b>       | <b>9,948</b>     |

## 27. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The financial instruments of the Company and its subsidiaries are restricted to the following: Cash and cash equivalents; Securities; Consumers and Traders, and Concession holders (for transport of electricity); Financial assets of the concession related to infrastructure; Linked funds; Escrow deposits in litigation; the CVA (Portion A Costs Variation Compensation) Account and Other Financial Components in tariff adjustments; Loans and financings; Concession obligations payable; Suppliers; Post-employment obligations; and Put options. Gains and losses on transactions are recorded in full in the profit and loss account for the business year or in Stockholders' equity, by the accrual method.

The Company's financial instruments and those of its subsidiaries are initially recorded at fair value and measured in accordance with the following classifications:

Loans and receivables: This category contains: Cash equivalents; Credits receivable from consumers and traders, and from concession holders (for transport of electricity); Linked funds; Financial assets related to the CVA account, and Other financial components, in calculation of tariffs; Escrow deposits in litigation; Financial assets of the concession not covered by Law 12783/1; and financial assets related to Auction 12/2015 for award of generation plants. They are recognized at their nominal realization value, which is similar to fair value.

Financial Instruments at fair value through profit or loss: Securities held for trading, and Put options, are in this category. They are valued at fair value and the gains or losses are recognized directly in the Statement of income.

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Financial instruments held to maturity: Securities are in this category, when there is positive intention to hold them to maturity. They are measured at the amortized cost, using the effective interest method.

Financial instruments available for sale: In this category are Financial assets of the concession related to distribution infrastructure covered by Law 12783/13. They are measured at New Replacement Value (*Valor Novo de Reposição*, or VNR), equivalent to fair value on the date of these interim accounting statements.

Non-derivative financial liabilities: In this category are Loans and financings; Obligations under debentures; Debt agreed with the Pension Fund (Forluz); Concessions payable; and Suppliers. They are measured at amortized cost using the effective rates method. The Company has calculated the fair value of its Loans, financings and debentures using 128% of the CDI rate based on its most recent funding. For the following, the Company considered fair value to be substantially equal to book value: Loans, financings and debentures with annual rates between IPCA + 6.00% to 8.07% and CDI + 2.00% to 4.05%. For the financings from the BNDES and Eletrobras, fair value is conceptually similar to the book value, due to the specific characteristics of the transactions.

Financial liabilities referring to put options: The put options for units in FIP Melbourne are measured at fair value using the discounted cash flow method. For measurement of the fair value of the put options for shares in Parati, the discounted cash flow method was used up to first quarter 2016. As a result of the changes in the Stockholders Agreement of Parati in the second quarter of 2016, the Company then began to use the Black-Scholes-Merton method for measurement of the fair value of the options for shares in Parati (more details in Note 13). The company has calculated the fair value of these options 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, both brought to present value at the date of these interim accounting statements.

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| Financial instrument category  | June 30, 2016     |                   | Dec. 31, 2015     |                   |
|--|-------------------|-------------------|-------------------|-------------------|
|  | Book value        | Fair value        | Book value        | Fair value        |
| <b>Financial assets:</b>   |                   |                   |                   |                   |
| <b>Loans and receivables</b>   |                   |                   |                   |                   |
| Cash equivalents Banks   | 46,927            | 46,927            | 51,939            | 51,939            |
| Cash equivalents Cash investments  | 1,453,488         | 1,453,488         | 872,693           | 872,693           |
| Receivable from consumers and traders  | 3,172,966         | 3,172,966         | 3,639,243         | 3,639,243         |
| Concession holders Transport of electricity  | 260,974           | 260,974           | 258,925           | 258,925           |
| Concession Grant Fee   | 2,262,688         | 2,262,688         |                   |                   |
| Financial assets of the concession related to Transmission and Generation infrastructure | 2,193,022         | 2,193,022         | 1,600,553         | 1,600,553         |
| Reimbursement of tariff subsidies, and Funding from the Energy Development Account (CDE) | 63,751            | 63,751            | 71,695            | 71,695            |
| Escrow deposits  | 1,873,767         | 1,873,767         | 1,813,341         | 1,813,341         |
| CVA and Other financial components in tariff adjustment                                  | 984,722           | 984,722           | 1,349,656         | 1,349,656         |
| Linked funds   | 1,047             | 1,047             | 162               | 162               |
|  | <b>12,313,352</b> | <b>12,313,352</b> | <b>9,658,207</b>  | <b>9,658,207</b>  |
| <b>Available for sale</b>  |                   |                   |                   |                   |
| Financial assets of the concession related to  |                   |                   |                   |                   |
| Distribution infrastructure  | 176,708           | 176,708           | 135,983           | 135,983           |
| <b>Held to maturity</b>  |                   |                   |                   |                   |
| Marketable securities  | 72,360            | 71,592            | 224,860           | 223,873           |
| <b>Measured at fair value through profit or loss:</b>                                    |                   |                   |                   |                   |
| <b>Held for trading</b>  |                   |                   |                   |                   |
| Marketable securities  | 914,363           | 914,363           | 2,285,452         | 2,285,452         |
| <b>Financial liabilities:</b>  |                   |                   |                   |                   |
| <b>Measured at fair value through profit or loss:</b>                                    |                   |                   |                   |                   |
| Put options  | 1,853,080         | 1,853,080         | 1,392,717         | 1,392,717         |
| <b>Valued at amortized cost</b>  |                   |                   |                   |                   |
| Suppliers  | 1,565,749         | 1,565,749         | 1,901,153         | 1,901,153         |
| Loans, financings and debentures   | 15,447,763        | 15,216,230        | 15,166,537        | 15,543,680        |
| Concessions payable  | 849,940           | 847,037           | 21,388            | 19,275            |
| Debt agreed with pension fund (Forluz)   | 813,244           | 813,244           | 811,573           | 811,573           |
| CVA and Other financial components in tariff adjustment                                  | 452,751           | 452,751           |                   |                   |
|  | <b>19,129,447</b> | <b>18,895,011</b> | <b>17,900,651</b> | <b>18,275,681</b> |

**Risk management**

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



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

The principal risks to which the Company is exposed are as follows:

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**Exchange rate risk**

Cemig and its subsidiaries are exposed to the risk of increase in exchange rates, especially of the US dollar against the Real, with significant impact on indebtedness, profit and cash flow.

The net exposure to exchange rates is as follows:

|                                     | June 30, 2016    |                | Dec. 31, 2015    |                |
|-------------------------------------|------------------|----------------|------------------|----------------|
|                                     | Foreign currency | R\$            | Foreign currency | R\$            |
| <b>Exposure to exchange rates</b>   |                  |                |                  |                |
| <b>US dollar</b>                    |                  |                |                  |                |
| Loans and financings (Note 18)      | 5,531            | 17,754         | 8,223            | 32,109         |
| Suppliers (Itaipu Binacional)       | 56,307           | 192,600        | 82,983           | 314,859        |
|                                     | 61,838           | 210,354        | 91,206           | 346,968        |
| <b>Euro</b>                         |                  |                |                  |                |
| Loans and financings Euro (Note 18) | 3,013            | 10,670         | 3,395            | 14,430         |
| <b>Net liabilities exposed</b>      |                  | <b>221,024</b> |                  | <b>361,398</b> |

(\*) BNDES monetary unit reflects the weighted average of the FX variations in the BNDES Basket of Currencies.

**Sensitivity analysis**

Based on information received from its external financial consultants, the Company estimates that in a probable scenario the variation of the exchange rates of foreign currencies in relation to the Real on June 30, 2017 will an appreciation of the dollar by 14.61%, to R\$ 3.679, and appreciation of the Euro by 14.69%, to R\$ 4.061. The Company has made a sensitivity analysis of the effects on the Company's profit arising from depreciation of the Real exchange rate by 25%, and by 50%, in relation to this probable scenario.

|   | Base scenario | Probable scenario | Possible scenario: FX | Remote scenario: FX |
|---|---------------|-------------------|-----------------------|---------------------|
|   | Jun. 30, 2015 |                   | depreciation 25%      | depreciation 50%    |
| <b>Risk: foreign exchange rate exposure</b> |               |                   |                       |                     |
| <b>US dollar</b>                            |               |                   |                       |                     |
| Loans and financings (Note 18)              | 17,754        | 20,348            | 25,436                | 30,525              |
| Suppliers (Itaipu Binacional)               | 192,600       | 220,740           | 275,940               | 331,140             |
|   | 210,354       | 241,088           | 301,376               | 361,665             |
| <b>Euro</b>                                 |               |                   |                       |                     |
| Loans and financings (Note 18)              | 10,670        | 12,237            | 15,295                | 18,357              |

|                                   |                |                |                |                |
|-----------------------------------|----------------|----------------|----------------|----------------|
| <b>Net liabilities exposed</b>    | <b>221,024</b> | <b>253,325</b> | <b>316,671</b> | <b>380,022</b> |
| <b>Net effect of FX variation</b> |                | <b>32,301</b>  | <b>95,647</b>  | <b>158,998</b> |

**Interest rate risk**

Cemig and its subsidiaries are exposed to the risk of increase in international interest rates, affecting loans and financings in foreign currency with floating interest rates (principally Libor), in the amount of R\$ 59,108 (R\$ 71,852 on December 31, 2015).

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The Company is exposed to the risk of increase in domestic Brazilian interest rates through its net liabilities, indexed to the variations in the Selic and CDI rates, as follows:

|  | <b>Consolidated</b>      |                          |
|--|--------------------------|--------------------------|
|  | <b>June 30,<br/>2016</b> | <b>Dec. 31,<br/>2015</b> |
| <b>Risk: Exposure to domestic interest rate changes</b>            |                          |                          |
| <b>Assets</b>  |                          |                          |
| Cash equivalents Cash investments (Note 5)                         | 1,453,488                | 872,693                  |
| Securities (Note 6)  | 986,723                  | 2,510,312                |
| Linked funds   | 1,047                    | 162                      |
| CVA and Other Financial components in tariffs Selic rate (Note 18) | 984,722                  | 1,349,656                |
|  | 3,425,980                | 4,732,823                |
| <b>Liabilities</b>   |                          |                          |
| Loans, financings and debentures CDI rate (Note 18)                | (11,063,927)             | (10,734,336)             |
| Loans, financings and debentures TJLP rate (Note 18)               | (241,772)                | (283,160)                |
| CVA and Other Financial components in tariffs Selic rate (Note 12) | (452,751)                |                          |
|  | (11,758,450)             | (11,017,496)             |
| <b>Net liabilities exposed</b>                                     | <b>(8,332,470)</b>       | <b>(6,284,673)</b>       |

#### Sensitivity analysis

The Company estimates that, in a probable scenario, on June 30, 2017 the Selic rate will be 12.75% p.a. and the TJLP will be 7.00% p.a. The Company has made a sensitivity analysis of the effects on its profit arising from increases in rates of 25% and 50% in relation to this probable scenario. Variation in the CDI rate accompanies the variation in the Selic rate.

Estimation of the scenarios for the path of interest rates will consider the projection of the Company's scenarios, based on its financial consultants.

|   | <b>June 30,<br/>2016</b> | <b>June 30, 2017</b>  |   |  |
|---|--------------------------|---|---|--|
|   | <b>Book value</b>        | <b>Possible<br/>scenario:<br/>Selic<br/>12.75%<br/>TJLP<br/>7.00%</b> | <b>Probable<br/>scenario:<br/>Selic<br/>15.94%<br/>TJLP<br/>8.75%</b> | <b>Remote<br/>scenario:<br/>Selic<br/>19.13%<br/>TJLP<br/>10.50%</b> |
| <b>Risk: Increase in Brazilian interest rates</b> |                          |   |   |  |
| <b>Assets</b>                                     |                          |   |   |  |
| Cash equivalents (Note 5)                         | 1,453,488                | 1,638,808   | 1,685,174   | 1,731,540  |

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|   |                    |                    |                    |                    |
|---|--------------------|--------------------|--------------------|--------------------|
| Securities (Note 6)   | 986,723            | 1,112,530          | 1,144,007          | 1,175,483          |
| Linked funds  | 1,047              | 1,180              | 1,214              | 1,247              |
| CVA and Other financial components in tariff adjustments Selic rate           | 984,722            | 1,110,274          | 1,141,687          | 1,173,099          |
|   | 3,425,980          | 3,862,792          | 3,972,082          | 4,081,369          |
| <b>Liabilities</b>  |                    |                    |                    |                    |
| Loans and financings CDI (Note 18)  | (11,063,927)       | (12,474,578)       | (12,827,517)       | (13,180,456)       |
| Loans and financings TJLP (Note 18)   | (241,772)          | (258,696)          | (262,927)          | (267,158)          |
| CVA and Other financial components in tariff adjustments Selic rate (Note 12) | (452,751)          | (510,477)          | (524,920)          | (539,362)          |
|   | (11,758,450)       | (13,243,751)       | (13,615,364)       | (13,986,976)       |
| <b>Net assets (liabilities) exposed</b>                                       | <b>(8,332,470)</b> | <b>(9,380,959)</b> | <b>(9,643,282)</b> | <b>(9,905,607)</b> |
| <b>Net effect of variation in interest rates</b>                              |                    | <b>(1,048,489)</b> | <b>(1,310,812)</b> | <b>(1,573,137)</b> |

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**Risk of increase in inflation**

On June 30, 2016 the Company is exposed to the risk of increase in inflation, as follows:

|   | June 30,<br>2016   | Dec. 31,<br>2015   |
|---|--------------------|--------------------|
| <b>Exposure to increase in inflation</b>  |                    |                    |
| <b>Assets</b>   |                    |                    |
| Financial assets of the concession – Distribution infrastructure – IPCA index (Note 12) * | 125,900            | 120,853            |
| Financial assets of the concession – Transmission infrastructure – IPCA (Note 12)         | 1,646,598          | 1,054,129          |
| Concession Grant Fee – IPCA (Note 12)   | 2,262,688          |                    |
|   | 4,035,186          | 1,174,982          |
| <b>Liabilities</b>  |                    |                    |
| Loans, financings and debentures – IPCA (Note 18)   | (4,030,720)        | (3,909,872)        |
| Paid concession   | (827,921)          |                    |
| Debt agreed with pension fund (Forluz) – IPCA   | (813,244)          | (811,573)          |
|   | (5,671,885)        | (4,721,445)        |
| <b>Net assets (liabilities) exposed</b>   | <b>(1,636,699)</b> | <b>(3,546,463)</b> |

\* Value of the Financial assets of the concession homologated by Aneel, by its Dispatch 729 of March 25, 2014.

**Sensitivity analysis**

In relation to the most significant inflation risk, the Company estimates that, in a probable scenario, on June 30, 2017 the IPCA inflation index will be 5.71%. The Company has made a sensitivity analysis of the effects on its profit arising from increases in inflation of 25% and 50% in relation to the probable scenario, naming these the possible and remote scenarios, respectively.

|   | Jun. 30,<br>2016     | June 30, 2017                         |                                       |                                     |
|---|----------------------|---------------------------------------|---------------------------------------|-------------------------------------|
|   | Amount<br>Book value | Probable<br>scenario<br>IPCA<br>5.71% | Possible<br>scenario<br>IPCA<br>7.14% | Remote<br>scenario<br>IPCA<br>8.57% |
| <b>Risk: increase in Brazilian inflation</b>                                      |                      |                                       |                                       |                                     |
| <b>Assets</b>   |                      |                                       |                                       |                                     |
| Financial assets of the concession – Distribution infrastructure – IPCA (Note 12) | 125,900              | 133,092                               | 134,889                               | 136,690                             |
| Financial assets of the concession – Transmission infrastructure – IPCA (Note 12) | 1,646,598            | 1,740,655                             | 1,764,165                             | 1,787,711                           |
| Concession Grant Fee – IPCA (Note 12)   | 2,262,688            | 2,391,937                             | 2,424,244                             | 2,456,600                           |

|  |                      |                    |                    |                    |                    |
|--|----------------------|--------------------|--------------------|--------------------|--------------------|
|  |                      | <b>4,035,186</b>   | <b>4,265,684</b>   | <b>4,323,298</b>   | <b>4,381,001</b>   |
| <b>Liabilities</b>                             |                      |                    |                    |                    |                    |
| Loans, financings and debentures               | IPCA index (Note 18) | (4,030,720)        | (4,260,962)        | (4,318,513)        | (4,376,153)        |
| Paid concession                                | IPCA                 | (827,921)          | (875,213)          | (887,035)          | (898,874)          |
| Debt agreed with pension fund (Forluz)         | IPCA                 | (813,244)          | (859,698)          | (871,310)          | (882,939)          |
|  |                      | (5,671,885)        | (5,995,873)        | (6,076,858)        | (6,157,966)        |
| <b>Net assets (liabilities) exposed</b>        |                      | <b>(1,636,699)</b> | <b>(1,730,189)</b> | <b>(1,753,560)</b> | <b>(1,776,965)</b> |
| <b>(Net effect of variation in IPCA index)</b> |                      |                    | <b>(93,490)</b>    | <b>(116,861)</b>   | <b>(140,266)</b>   |

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## Liquidity risk

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

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

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

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

In managing cash investments, the Company seeks to obtain profitability on its investment transactions through performing a rigid analysis of financial institutions' credit, obeying operational limits with banks based on assessments that take into account the financial institutions' ratings, risk exposures and equity position. It also seeks greater returns on investments by strategically investing in securities with longer investment maturities, while bearing in mind the Company's minimum liquidity control requirements.

The greater part of the electricity produced by the Company is generated by hydroelectric plants. A prolonged period of scarce rainfall can result in lower water volumes in the plants' reservoirs, possibly causing losses due to increased costs of purchasing electricity, due to replacement by thermoelectric generation, or reduction of revenues due to reduction in consumption caused by implementation of wide-ranging programs for saving of electricity. Prolongation of generation by thermoelectric plants can pressure costs of acquisition of electricity for the distributors, causing a greater need for cash, and can impact future tariff increases – as indeed happened with the Extraordinary Tariff Review granted to the distributors in March 2015.

On the reporting date of these interim accounting statements, the Company (holding company and consolidated) had an excess of current liabilities over current assets as described in Explanatory Note 1.

The flow of payments of the Company's obligations, under debt agreed with the pension fund, and under loans, financings and debentures, for floating and fixed rates, including future interest up to contractual maturity dates, is shown in the table below:

|                    |           |                              |              |            |           |
|--------------------|-----------|------------------------------|--------------|------------|-----------|
| 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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| <b>Consolidated</b>                    | <b>Up to 1</b>   | <b>1 to 3</b>    | <b>3 months</b>  | <b>1 to 5</b>     | <b>Over 5</b>    | <b>Total</b>      |
|--|------------------|------------------|------------------|-------------------|------------------|-------------------|
| <b>Financial instruments at</b>        | <b>month</b>     | <b>months</b>    | <b>to</b>        | <b>years</b>      | <b>years</b>     |                   |
| <b>(interest rates):</b>               |                  |                  | <b>1 year</b>    |                   |                  |                   |
| <b>- Floating rates</b>                |                  |                  |                  |                   |                  |                   |
| Loans, financings and debentures       | 186,035          | 1,009,052        | 4,484,135        | 12,125,974        | 2,214,231        | 20,019,427        |
| Concessions payable                    | 828,159          | 701              | 1,831            | 9,408             | 13,379           | 853,478           |
| Debt agreed with pension fund (Forluz) | 10,565           | 31,925           | 87,856           | 584,939           | 504,712          | 1,219,997         |
|  | <b>1,024,759</b> | <b>1,041,678</b> | <b>4,573,822</b> | <b>12,720,321</b> | <b>2,732,322</b> | <b>22,092,902</b> |
| <b>- Fixed rate</b>                    |                  |                  |                  |                   |                  |                   |
| Suppliers                              | 1,444,329        | 121,420          |                  |                   |                  | 1,565,749         |
|  | <b>2,469,088</b> | <b>1,163,098</b> | <b>4,573,822</b> | <b>12,720,321</b> | <b>2,732,322</b> | <b>23,658,651</b> |

| <b>Holding company</b>                            | <b>Up to 1</b> | <b>1 to 3</b> | <b>3 months to</b> | <b>1 to 5</b> | <b>Over 5</b> | <b>Total</b>  |               |
|---|----------------|---------------|--------------------|---------------|---------------|---------------|---------------|
| <b>Financial instruments at (interest rates):</b> | <b>month</b>   | <b>months</b> | <b>1 year</b>      | <b>years</b>  | <b>years</b>  |               |               |
| <b>- Floating rates</b>                           |                |               |                    |               |               |               |               |
| Debt agreed with pension fund (Forluz)            |                | 520           | 1,571              | 4,323         | 28,779        | 24,832        | 60,025        |
| <b>- Fixed rate</b>                               |                |               |                    |               |               |               |               |
| Suppliers   |                | 5,915         |                    |               |               |               | 5,915         |
|   |                | <b>6,435</b>  | <b>1,571</b>       | <b>4,323</b>  | <b>28,779</b> | <b>24,832</b> | <b>65,940</b> |

### Credit risk

The risk arising from the possibility of Cemig and its subsidiaries incurring losses as a result of difficulty in receiving amounts billed to its clients is considered to be low. The Company carries out monitoring for the purpose of reducing default, on an individual basis, with its consumers. Negotiations are also entered into for receipt of any receivables in arrears. The risk is also reduced by the extremely wide client base.

The allowance for doubtful debtors on June 30, 2016, considered to be adequate in relation to the credits in arrears receivable by the Company and its subsidiaries, was R\$ 692,152.

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

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

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

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

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

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

1. *Rating by three risk rating agencies.*
2. Equity greater than R\$ 400 million.
3. Basel ratio above 12.

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

| <b>Group</b> | <b>Stockholders equity</b>         | <b>Concentration</b> | <b>Limit per bank<br/>(% of Equity)**</b> |
|--------------|------------------------------------|----------------------|---|
| A1           | Over R\$ 3.5 billion               | Minimum of 80%       | Between 6% and 9%                         |
| A2           | R\$ 1.0 billion to R\$ 3.5 billion | Maximum 20%          | Between 5% and 8%                         |
| B            | R\$ 400 million to R\$ 1.0 billion | Maximum 20%          | Between 5% and 7%                         |

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

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

1. No bank may have more than 30% of the Group's portfolio.
2. No bank may have more than 50% of the portfolio of any individual company.

#### **Risk of early maturity of debt**

The subsidiaries Cemig GT, Cemig D and Cemig Telecom have financing contracts with restrictive covenants normally applicable to this type of transaction, relating to compliance by the guarantor of Cemig GT and Cemig D, Cemig, and by Gasmig, with a financial index, required to be compliant annually; and by Cemig Telecom, required to be compliant twice yearly, on June 30 and December 31. Non-compliance with these clauses, which is checked annually at the end of the year, obliges the debtor to constitute additional guarantees, on penalty of accelerating maturity of the debt.

On June 30, 2016, as also on December 31, 2015, Cemig Telecom was compliant with three of the four financial ratio covenants to which it was subject as permitted by the debenture issue contract (which requires compliance with at least 3 of the 4 ratios from the issue date up to final maturity, on penalty of early maturity, or blockage of funds in the Retention Account).

On June 30, 2016, all the covenants were complied with.

#### **Capital management**

This table shows the Company's net liabilities and its Stockholders' equity at June 30, 2016:

|  | <b>June 30, 2016</b> | <b>Dec. 31, 2015</b> |
|--|----------------------|----------------------|
|  | <b>Re-presented</b>  | <b>Re-presented</b>  |
| Total liabilities                            | 28,937,189           | 27,869,413           |
| ( ) Cash and cash equivalents                | (1,500,415)          | (924,632)            |
| ( ) Linked funds                             | (1,047)              | (162)                |
| <b>Net liabilities</b>                       | <b>27,435,727</b>    | <b>26,944,619</b>    |
| <b>Total of stockholders equity</b>          | <b>13,798,167</b>    | <b>12,987,676</b>    |
| <b>Net liabilities / Stockholders equity</b> | <b>1.99</b>          | <b>2.07</b>          |

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**28. MEASUREMENT AT FAIR VALUE**

The Company measures its financial assets and liabilities at fair value. Fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or liability. The Fair Value Hierarchy aims to increase consistency and comparability: it divides the inputs used in measuring fair value into three broad levels, as follows:

**Level 1 – Active market – Quoted prices:** A financial instrument is considered to be quoted in an active market if the prices quoted are promptly and regularly made available by an exchange or organized over-the-counter market, by operators, by brokers or by a market association, by entities whose purpose is to publish prices, or by regulatory agencies, and if those prices represent regular arm's length market transactions.

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

**Level 3 – No active market – Unobservable inputs:** The fair value of investments in securities for which there are no prices quoted on an active market, and/or of derivatives linked to them which are to be settled by delivery of unquoted securities, is determined based on generally accepted valuation techniques, mainly related to discounted cash flow analysis.

The following is a summary of the instruments that are measured at fair value:

| R\$ 000                            | Fair value at June 30, 2016 |   |  |  |
|------------------------------------|-----------------------------|---|--|--|
|                                    | Balance at June 30, 2016    | Active market<br>Quoted prices<br>(Level 1) | No active market<br>Valuation technique<br>(Level 2) | No active market<br>Unobservable inputs<br>(Level 3) |
| <b>Assets</b>                      |                             |   |  |  |
| Marketable securities              |                             |   |  |  |
| Bank certificates of deposit       | 95,138                      |   | 95,138   |  |
| Treasury Financial Notes (LFTs)    | 119,282                     |   | 119,282  |  |
| Financial Notes – Banks            | 549,709                     | 549,709                                     |  |  |
| Debentures                         | 150,234                     |   | 150,234  |  |
|                                    | <b>914,363</b>              | <b>549,709</b>                              | <b>364,654</b>                                       |  |
| Linked funds                       | 169                         |   | 169  |  |
| Financial assets of the concession | 176,708                     |   |  | 176,708  |

related to infrastructure

|                    |                  |                |                    |                |
|--------------------|------------------|----------------|--------------------|----------------|
|                    | <b>1,091,240</b> | <b>549,709</b> | <b>364,823</b>     | <b>176,708</b> |
| <b>Liabilities</b> |                  |                |                    |                |
| Put options: (1)   | (1,853,080)      |                | (1,853,080)        |                |
|                    | <b>(761,840)</b> | <b>549,709</b> | <b>(1,488,257)</b> | <b>176,708</b> |

(1) Starting in the second quarter of 2016 the Company is using the Black-Scholes-Merton method for measuring the fair value of the options. See more details in Note 13.

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| R\$ 000   | Fair value at December 31, 2015 |   |   |   |
|---|---------------------------------|---|---|---|
|   | Balance<br>at Dec. 31,<br>2015  | Active market<br>Quoted<br>prices<br>(Level<br>1) | No active market<br>Valuation<br>technique<br>(Level 2) | No active market<br>Unobservable<br>inputs<br>(Level 3) |
| <b>Assets</b>   |                                 |   |   |   |
| Marketable securities   |                                 |   |   |   |
| Bank certificates of deposit                                    | 1,577,172                       |   | 1,577,172   |   |
| Treasury Financial Notes (LFTs)                                 | 87,938                          |   | 87,938  |   |
| Financial Notes Banks   | 460,010                         | 460,010   |   |   |
| Debentures  | 160,332                         |   | 160,332   |   |
|   | <b>2,285,452</b>                | <b>460,010</b>                                    | <b>1,825,442</b>  |   |
| Linked funds  | 162                             |   | 162   |   |
| Financial assets of the concession<br>related to infrastructure | 135,983                         |   |   | 135,983   |
|   | <b>2,421,597</b>                | <b>460,010</b>                                    | <b>1,825,604</b>  | <b>135,983</b>  |
| <b>Liabilities</b>  |                                 |   |   |   |
| Put options   | (1,392,717)                     |   |   | (1,392,717)   |
|   | <b>1,028,880</b>                | <b>460,010</b>                                    | <b>1,825,604</b>  | <b>(1,256,734)</b>                                      |

#### Fair value calculation of financial positions

Financial assets of the concession related to infrastructure: Measured at New Replacement Value (*Valor novo de reposição*, or VNR), according to criteria established in regulations by the Concession-granting power ( Grantor ), based on fair value of the assets in service belonging to the concession and which will be revertible at the end of the concession, and on the Weighted average cost of capital (WACC) used by the Grantor, which reflects the concession holder s return on the operations of the concession. The VNR and the WACC are public information disclosed by the Grantor and by Cemig. The movement in financial assets of the concession is shown in Note 12.

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

Put options: The Company has adopted the discounted cash flow method for measurement of the fair value of the options in SAAG using the most up-to-date information relating to the business plans of the Companies and the Black-Scholes-Merton method for measurement of the fair value of the options in Parati. The fair value of these options has been calculated on the basis of the estimated exercise price on the exercise date of the option, less the fair value of the shares that are the subject of the put option, also estimated for the date of exercise, brought to present value at the reporting date. The movement in relation to the put options, and other information, is given in Note 13.



## 29. 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 and telecommunications; and in other businesses which have a smaller impact on the profit 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.

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**INFORMATION BY MARKET SEGMENT AT JUNE 30, 2016 (Re-presented)**

| Item  | Electricity        |                  |                    |                |                  |                  | Eliminations     | Total              |
|---|--------------------|------------------|--------------------|----------------|------------------|------------------|------------------|--------------------|
|   | Generation         | Transmission     | Distribution       | Telecoms       | Gas              | Other            |                  |                    |
| <b>ASSETS OF THE SEGMENT</b>                                | <b>14,913,613</b>  | <b>4,845,708</b> | <b>18,077,100</b>  | <b>319,448</b> | <b>2,468,380</b> | <b>2,568,787</b> | <b>(457,680)</b> | <b>42,735,356</b>  |
| Additions to the segment                                    | 2,097,928          | 31,634           | 533,039            | 18,461         | 19,060           |                  |                  | 2,700,122          |
| Investments in subsidiaries and jointly-controlled entities | 6,194,534          | 2,362,913        | 1,498,376          |                |                  | 22,085           |                  | 10,077,908         |
| <b>NET REVENUE</b>  | <b>2,670,416</b>   | <b>761,129</b>   | <b>5,184,255</b>   | <b>48,950</b>  | <b>569,887</b>   | <b>61,613</b>    | <b>(90,443)</b>  | <b>9,205,807</b>   |
| <b>COST OF ELECTRICITY AND GAS</b>                          |                    |                  |                    |                |                  |                  |                  |                    |
| Electricity purchased for resale                            | (1,474,709)        |                  | (2,495,624)        |                |                  | (3)              | 14,226           | (3,956,110)        |
| Charges for use of the National Grid                        | (149,463)          | (161)            | (436,904)          |                |                  |                  | 60,616           | (525,912)          |
| Gas bought for resale                                       |                    |                  |                    |                | (427,009)        |                  |                  | (427,009)          |
| <b>Operational costs, total</b>                             | <b>(1,624,172)</b> | <b>(161)</b>     | <b>(2,932,528)</b> |                | <b>(427,009)</b> | <b>(3)</b>       | <b>74,842</b>    | <b>(4,909,031)</b> |
| <b>OPERATIONAL COSTS AND EXPENSES</b>                       |                    |                  |                    |                |                  |                  |                  |                    |
| Personnel   | (137,414)          | (62,380)         | (587,896)          | (13,122)       | (20,271)         | (22,132)         |                  | (843,215)          |
| Employees and managers profit shares                        | (213)              | (614)            | (9,511)            |                |                  | 4,138            |                  | (6,200)            |
| Post-retirement obligations                                 | (24,528)           | (11,047)         | (105,895)          |                |                  | (17,807)         |                  | (159,277)          |
| Materials   | (5,510)            | (1,962)          | (17,437)           | (47)           | (812)            | (66)             | 1,929            | (23,905)           |
| Outsourced services   | (63,812)           | (14,644)         | (312,807)          | (10,900)       | (6,543)          | (4,230)          | 12,153           | (400,783)          |
| Depreciation and amortization                               | (111,045)          | 6,952            | (243,855)          | (16,338)       | (26,536)         | (7,895)          |                  | (398,717)          |
| Operational provisions (reversals) *                        | (46,339)           | (5,301)          | (236,124)          | 354            |                  | (446,202)        |                  | (733,612)          |
| Construction costs  |                    | (31,634)         | (533,039)          |                | (19,060)         |                  |                  | (583,733)          |
| Other operational expenses, net                             | (37,933)           | (2,970)          | (176,731)          | (7,778)        | (5,250)          | (10,949)         | 1,519            | (240,092)          |

|   |                    |                  |                    |                 |                  |                  |               |                    |
|---|--------------------|------------------|--------------------|-----------------|------------------|------------------|---------------|--------------------|
| <b>Total cost of operation</b>  | <b>(426,794)</b>   | <b>(123,600)</b> | <b>(2,223,295)</b> | <b>(47,831)</b> | <b>(78,472)</b>  | <b>(505,143)</b> | <b>15,601</b> | <b>(3,389,534)</b> |
| <b>OPERATIONAL COSTS AND EXPENSES</b>   | <b>(2,050,966)</b> | <b>(123,761)</b> | <b>(5,155,823)</b> | <b>(47,831)</b> | <b>(505,481)</b> | <b>(505,146)</b> | <b>90,443</b> | <b>(8,298,565)</b> |
| <b>OPERATIONAL PROFIT BEFORE EQUITY GAINS (LOSSES) AND FINANCIAL REVENUE (EXPENSES)</b> | <b>619,450</b>     | <b>637,368</b>   | <b>28,432</b>      | <b>1,119</b>    | <b>64,406</b>    | <b>(443,533)</b> |               | <b>907,242</b>     |
| Equity method gain (loss)   | (131,375)          | 205,066          | (42,437)           | (15,506)        |                  | (1,706)          |               | 14,042             |
| Financial revenues  | 87,092             | 2,174            | 434,121            | 2,195           | 7,824            | 75,854           |               | 609,260            |
| Financial expenses  | (649,533)          | (2,478)          | (555,716)          | (3,419)         | (19,462)         | (3,239)          |               | (1,233,847)        |
| <b>PRE-TAX PROFIT</b>   | <b>(74,366)</b>    | <b>842,130</b>   | <b>(135,600)</b>   | <b>(15,611)</b> | <b>52,768</b>    | <b>(372,624)</b> |               | <b>296,697</b>     |
| Income tax and Social Contribution tax  | (11,354)           | (197,661)        | 15,258             | 66              | (14,379)         | 118,704          |               | (89,366)           |
| <b>NET PROFIT (LOSS)</b>  | <b>(85,720)</b>    | <b>644,469</b>   | <b>(120,342)</b>   | <b>(15,545)</b> | <b>38,389</b>    | <b>(253,920)</b> |               | <b>207,331</b>     |
| <b>Interest of the controlling stockholders</b>   | <b>(85,720)</b>    | <b>644,469</b>   | <b>(120,342)</b>   | <b>(15,545)</b> | <b>38,224</b>    | <b>(253,920)</b> |               | <b>207,166</b>     |
| <b>Non-controlling stockholder</b>  |                    |                  |                    |                 | 165              |                  |               | 165                |
|   | <b>(85,720)</b>    | <b>644,469</b>   | <b>(120,342)</b>   | <b>(15,545)</b> | <b>38,389</b>    | <b>(253,920)</b> |               | <b>207,331</b>     |

(\*) The expense of R\$ 446,202 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 13.

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## INFORMATION BY MARKET SEGMENT AT JUNE 30, 2015

| Item  | Electricity        |                  |                    |                 |                  |                  | Eliminations     | Total              |
|---|--------------------|------------------|--------------------|-----------------|------------------|------------------|------------------|--------------------|
|   | Generation         | Transmission     | Distribution       | Telecoms        | Gas              | Other            |                  |                    |
| <b>ASSETS OF THE SEGMENT</b>                                | <b>12,291,223</b>  | <b>3,823,976</b> | <b>16,889,074</b>  | <b>331,997</b>  | <b>2,406,602</b> | <b>1,509,611</b> | <b>(139,187)</b> | <b>37,113,296</b>  |
| Additions to the segment                                    | 973,263            | 56,258           | 443,405            | 25,352          | 22,535           |                  |                  | 1,520,813          |
| Investments in subsidiaries and jointly-controlled entities | 5,691,235          | 2,415,948        | 1,206,623          |                 |                  | 378,995          |                  | 9,692,801          |
| <b>NET REVENUE</b>  | <b>4,288,463</b>   | <b>243,196</b>   | <b>6,104,659</b>   | <b>61,202</b>   | <b>681,325</b>   | <b>44,277</b>    | <b>(181,363)</b> | <b>11,241,759</b>  |
| <b>COSTS</b>  |                    |                  |                    |                 |                  |                  |                  |                    |
| Electricity purchased for resale                            | (1,267,840)        |                  | (3,578,613)        |                 |                  | (30)             | 112,802          | (4,733,681)        |
| Charges for use of the National Grid                        | (145,579)          | (130)            | (399,779)          |                 |                  |                  | 52,845           | (492,643)          |
| Gas bought for resale                                       |                    |                  |                    |                 | (523,922)        |                  |                  | (523,922)          |
| <b>Operational costs, total</b>                             | <b>(1,413,419)</b> | <b>(130)</b>     | <b>(3,978,392)</b> |                 | <b>(523,922)</b> | <b>(30)</b>      | <b>165,647</b>   | <b>(5,750,246)</b> |
| <b>OPERATIONAL COSTS AND EXPENSES</b>                       |                    |                  |                    |                 |                  |                  |                  |                    |
| Personnel   | (101,664)          | (60,751)         | (462,450)          | (7,094)         | (11,977)         | (25,211)         |                  | (669,147)          |
| Employees and managers profit shares                        | (29,827)           | (8,322)          | (101,732)          | (946)           |                  | (4,389)          |                  | (145,216)          |
| Post-retirement obligations                                 | (17,138)           | (8,139)          | (83,548)           |                 |                  | (6,393)          |                  | (115,218)          |
| Materials   | (80,913)           | (2,137)          | (22,310)           | (38)            | (739)            | (161)            |                  | (106,298)          |
| Outsourced services   | (56,547)           | (15,479)         | (333,383)          | (13,356)        | (2,664)          | (5,253)          | 13,729           | (412,953)          |
| Depreciation and amortization                               | (154,280)          |                  | (224,462)          | (18,088)        | (26,003)         | (5,875)          |                  | (428,708)          |
| Operational provisions (reversals)                          | (43,006)           | 1,132            | (93,465)           | (641)           |                  | (137,025)        |                  | (273,005)          |
| Construction costs  |                    | (56,258)         | (443,405)          |                 |                  |                  |                  | (499,663)          |
| Other operational expenses, net                             | (24,921)           | (6,598)          | (219,896)          | (9,776)         | (13,389)         | (16,595)         | 1,987            | (289,188)          |
|   | <b>(508,296)</b>   | <b>(156,552)</b> | <b>(1,984,651)</b> | <b>(49,939)</b> | <b>(54,772)</b>  | <b>(200,902)</b> | <b>15,716</b>    | <b>(2,939,396)</b> |

|   |                    |                  |                    |                 |                  |                  |                |                    |
|---|--------------------|------------------|--------------------|-----------------|------------------|------------------|----------------|--------------------|
| <b>Total cost of operation</b>  |                    |                  |                    |                 |                  |                  |                |                    |
| <b>OPERATIONAL COSTS AND EXPENSES</b>   | <b>(1,921,715)</b> | <b>(156,682)</b> | <b>(5,963,043)</b> | <b>(49,939)</b> | <b>(578,694)</b> | <b>(200,932)</b> | <b>181,363</b> | <b>(8,689,642)</b> |
| <b>OPERATIONAL PROFIT BEFORE EQUITY GAINS (LOSSES) AND FINANCIAL REVENUE (EXPENSES)</b> | <b>2,366,748</b>   | <b>86,514</b>    | <b>141,616</b>     | <b>11,263</b>   | <b>102,631</b>   | <b>(156,655)</b> |                | <b>2,552,117</b>   |
| Equity method gain (loss)   | (101,930)          | 204,369          | 7,387              | (14,565)        |                  | 549              |                | 95,810             |
| Gain on stockholding reorganization   | 734,530            |                  |                    |                 |                  |                  |                | 734,530            |
| Financial revenues  | 54,535             | 15,690           | 421,772            | 1,794           | 13,756           | 17,308           |                | 524,855            |
| Financial expenses  | (385,694)          | (94,805)         | (538,234)          | (2,880)         | (24,482)         | (3,791)          |                | (1,049,886)        |
| <b>PRE-TAX PROFIT</b>   | <b>2,668,189</b>   | <b>211,768</b>   | <b>32,541</b>      | <b>(4,388)</b>  | <b>91,905</b>    | <b>(142,589)</b> |                | <b>2,857,426</b>   |
| Income tax and Social Contribution tax  | (839,399)          | (3,095)          | (19,968)           | (3,349)         | (27,524)         | 54,800           |                | (838,535)          |
| <b>NET PROFIT (LOSS)</b>  | <b>1,828,790</b>   | <b>208,673</b>   | <b>12,573</b>      | <b>(7,737)</b>  | <b>64,381</b>    | <b>(87,789)</b>  |                | <b>2,018,891</b>   |
| <b>Interest of the controlling stockholders</b>   | <b>1,828,790</b>   | <b>208,673</b>   | <b>12,573</b>      | <b>(7,737)</b>  | <b>64,104</b>    | <b>(87,789)</b>  |                | <b>2,018,614</b>   |
| <b>Non-controlling stockholder</b>  |                    |                  |                    |                 | <b>277</b>       |                  |                | <b>277</b>         |
|   | <b>1,828,790</b>   | <b>208,673</b>   | <b>12,573</b>      | <b>(7,737)</b>  | <b>64,381</b>    | <b>(87,789)</b>  |                | <b>2,018,891</b>   |

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**30. THE ANNUAL TARIFF ADJUSTMENT**

On May 24, 2016 Aneel approved the result of the Annual Tariff Adjustment for Cemig D. It represented an average tariff increase of 3.78%, in effect on May 28, 2016, through May 27, 2017.

**31. NON-CASH TRANSACTIONS**

In the half-year periods ended June 30, 2016 and 2015, the Company had the following transactions not involving cash, which are not reflected in the Cash flow statements:

|   | <b>June 30, 2016</b> | <b>June 30, 2015</b> |
|---|----------------------|----------------------|
| Paid concession not yet paid                          | 775,723              |                      |
| Construction revenue and expenses                     | 583,733              | 499,663              |
| Financial charges capitalized                         | 82,395               | 70,160               |
| Rollover of debt                                      | 600,000              |                      |
| Cash injection in Amazônia Energia                    |                      | 36,393               |
| Cash injection in Aliança Norte                       |                      | 22,378               |
| Transfers from Intangible assets to Financial assets  | 35,752               | 423,294              |
| Fair value gain (loss) on stockholding transaction    |                      | 734,530              |
| Assets transferred to Aliança Geração de Energia S.A. |                      | 581,114              |

**32. SUBSEQUENT EVENTS****Issue of Bank Credit Note**

On October 24, 2016 Cemig GT issued a Bank Credit Note in favor of Banco do Brasil, in the total amount of R\$ 600 million, for the purpose of making payments of transactions entered into with Banco do Brasil itself. This loan has an annual interest rate of 132.90% of the CDI rate, and will be paid in four half-yearly installments, with the last maturity in October 2018.

**Concession of the Miranda Hydroelectric Plant**

On October 26, 2016 the Mining and Energy Ministry refused the administrative application made by Cemig for extension of the period of the concession to operate the *Miranda* Hydroelectric Plant on the basis of compliance with the original terms of the concession contract made prior to Law 12,783 of 2013. The concession period concerned, of the *Miranda* Plant, is in December 2016.

The company is studying any possible administrative or legal measures, and will keep its stockholders and the market appropriately and timely updated on any material developments relating to this matter.



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### **Issue of Promissory Notes**

On July 1, 2016 Cemig GT concluded its seventh issue of Commercial Promissory Notes, for a total of R\$ 620 million. The net proceeds will be allocated to payment of the second portion of the Concession Grant Fee for the hydroelectric plants in Lot D of Aneel Auction 12/2015, and to strengthen the Company's working capital. The Notes have maturity at 360 days, on June 26, 2017, and pay remuneratory interest equal to 128% of the annual accumulated effect of the average one-day DI, over extra-grupo rates for interbank deposits, to be paid on the maturity date. This issue has a surety guarantee from the controlling stockholder, Cemig.

### **Disposal of shares in Taesa owned by Cemig**

On August 31, 2016 the Board of Directors of Cemig decided to monetize up to 40,702,230 Units in Transmissora Aliança de Energia Elétrica S.A. ( Taesa ), corresponding to 40,702,230 common shares and 81,404,460 Preferred shares in Taesa owned by Cemig.

On September 29, 2016, Taesa published the commencement announcement for a secondary public offering, with restricted placement efforts, 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 Stockholders, at the price of R\$ 19.65 per Unit, resulting in a total amount of R\$ 1,291 million. 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 Stockholders received all of the net proceeds from the sale of the Units, which was a total of R\$ 1,276 million, of which R\$ 791 million was received by Cemig.

After the settlement of the Offering, FIP Coliseu owned 153,775,790 common shares, representing 26.03% of the voting stock of Taesa and 14.88% of the total share capital of Taesa, and Cemig owned 252,369,999 common shares in Taesa, representing 42.72% of the voting stock, and 73,646,184 preferred shares in Taesa, which when added to the common shares represent a total holding of 31.54% of the share capital of Taesa. The Units in circulation (other than those held by FIP Coliseu, by Cemig, by the Company's managers and the shares held in treasury) are now 53.58% of the total share capital of Taesa and 31.24% of the total voting stock of Taesa.

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### **Investment Agreement for subscription of capital in Ativas**

On August 25, 2016 Cemig Telecom S.A., a wholly-owned subsidiary entity of Cemig, signed an Investment Agreement with Sonda Procwork Outsourcing Informática Ltda., a company of the the Chilean group Sonda S.A., for injection of capital into Ativas Data Center S.A., 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. This strategic alliance strengthens the commitment of Ativas to its present and future clients, continuing to ensure high standards of security and availability.

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 million, 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.

### **Notice of intention to exercise put option**

On September 6, 2016 Cemig received from Banco BTG Pactual ( BTG Pactual ) Notice of Intention to Exercise a Put Option giving irrevocable notice of exercise of BTG Pactual's right to sell to Cemig: 153,634,195 preferred shares ( Shares Subject of the Put Option ), comprising its stockholding interest in Parati S.A. Participações em Ativos de Energia Elétrica ( Parati ). This option was exercised under the First Exercise Window specified in Clauses 6.1 and 6.2 of the Stockholders Agreement of the Parati, signed on April 11, 2011, as amended, between Companhia Energética de Minas Gerais Cemig, Banco Santander (Brasil) S.A., BV Financeira S.A. Crédito, Financiamento e Investimento, BB Banco de Investimento S.A., and Banco BTG Pactual S.A.; with Parati as consenting party ( the Parati Stockholders Agreement ). Cemig has until November 30 to effect the acquisition of the shares or indicate a third party which will do so.

### **Sale of interest in Transchile**

On September 12, 2016 Cemig signed a Share Purchase Agreement for sale of the whole of its interest related 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\$ 56.6 million. On October 6, 2016, all of the shares in Transchile Charrúa Transmisión S.A. held by Cemig, namely 49% (forty nine percent) of the total capital, were transferred to Ferrovial Transco Chile SpA., completing the sale.

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### **Payment of loans**

On October 21, 2016 Cemig D settled two Commercial Credit Notes (and their amendments) in favor of Banco do Brasil S.A. with final maturities in April 2018, totaling R\$ 600 million of principal plus interest of R\$ 25 million, calculated at the date of actual settlement. The payment was made from the Company's own funds.

On October 24, 2016 Cemig GT made payments totaling R\$ 716 million to Banco do Brasil S.A. of the installments under: two Fixed Credit Contracts, in the amount of R\$ 286 million; and Bank Credit Notes, in the amount of R\$ 430 million. The payments were made with funds from a new lending transaction, also with Banco do Brasil S.A., and complemented with the Company's own funds.

### **100% split of Parati, with proportional absorption by RME and Lepsa.**

On October 31, 2016, Parati and its wholly-owned subsidiaries Rio Minas Energia Participações S.A. ( RME ) and Luce Empreendimentos e Participações S.A. ( LEPSA ) held General Meetings of Stockholders, approving 100% split of Parati, and absorption of its assets and liabilities by RME and Lepsa. With the extinction of Parati, Cemig, Banco Santander S.A., BV Financeira S.A., BB Banco de Investimento S.A. and Banco BTG Pactual S.A. became the stockholders of RME and of Lepsa, with equity interests identical to those which they previously held in Parati.

Legal instruments have been signed to formalize the related alterations to the rights and obligations relating to the Put Option granted by Cemig to the Direct Stockholders on shares in Parati, with the result that the said rights and obligations now apply, instead, to the shares in RME and Lepsa, since these two companies received the whole of the assets and liabilities that were split off as a result of the 100% split of their controlling and sole stockholder, Parati.

### **Receipt of dividends from Taesa**

In August Cemig received dividends from Taesa in the amount of R\$ 86,065.

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**CONSOLIDATED ECONOMIC AND FINANCIAL PERFORMANCE****(Figures in R\$ 000 unless otherwise indicated)****(Unaudited)*****Profit (loss) for 1H16***

For the **first half of 2016 (1H16)** Cemig reports profit of R\$ 207,331, which is 89.73% lower than its profit of R\$ 2,018,891 in first half 2015 (1H15). The following pages describe the main variations between the two periods in revenues, costs, expenses and financial items.

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

Cemig's consolidated Ebitda in first half 2016 was 65.36% below that of first half 2015:

| <b>Ebitda R\$ 000</b>                    | <b>1H16</b>      | <b>1H15</b>      | <b>Change, %</b> |
|--|------------------|------------------|------------------|
| Net profit for the period                | 207,331          | 2,018,891        | (89,73)          |
| + Income tax and Social Contribution tax | 89,366           | 838,535          | (89,34)          |
| + Financial revenue (expenses)           | 624,587          | 525,031          | 18,96            |
| + Depreciation and amortization          | 398,717          | 428,708          | (7,00)           |
| <b>= Ebitda</b>                          | <b>1,320,001</b> | <b>3,811,165</b> | <b>(65,36)</b>   |

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

Cemig's Ebitda in 1H16 being 65.36% lower than in 1H15 was mainly due to: (i) lower revenue; and (ii) the extraordinary fair value gain in a stockholding transaction in 2015. In line with the lower Ebitda, Ebitda margin was 14.34% in 1H16, compared to 33.90% in 1H15 – a reduction of 57.70% in the numerical scale of Ebitda margin.

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Revenue from supply of electricity

Revenue from supply of electricity in 1H16 was R\$ 11,528,165, which was 5.21% higher than in 1H15 (R\$ 10,957,746).

***Final consumers***

Total revenue from electricity sold to final consumers, excluding Cemig's own consumption, in 1H16 was R\$ 10,279,289 this was 10.99% more than the figure for 1H15, of R\$ 9,569,719.

The main factors in revenue in 2015 were:

The Extraordinary Tariff Adjustment (RTE) for Cemig D, which resulted in an average increase in consumers tariffs of 28.76%, applicable from March 2, 2015 (full effect in 2016).

The Annual Tariff Adjustment for Cemig D, with average effect on consumer tariffs of 7.07%, effective from April 8, 2015 (full effect in 2016).

The Annual Tariff Adjustment, with average effect on consumer tariffs of 3.78%, effective from May 28, 2016.

Volume of electricity sold 7.41% lower.

***Cemig's electricity market***

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

- (I) Captive consumers in Cemig's concession area in the State of Minas Gerais;
- (II) Free Consumers in both the State of Minas Gerais and other States of Brazil, in the Free Market (*Ambiente de Contratação Livre*, or ACL);
- (III) other agents of the electricity sector – traders, generators and independent power producers, also in the Free Market;
- (IV) Distributors, in the Regulated Market (*Ambiente de Contratação Regulada*, or ACR); and
- (V) the Wholesale Trading Chamber (*Câmara de Comercialização de Energia Elétrica*, or CCEE)

( eliminating transactions between companies of the Cemig Group).

The tables below show Cemig s market in more detail, itemizing transactions in 1H16 compared with 1H15.

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This table shows consumption itemized by type of consumer:

|  | Jun. 30,<br>2016  | MWh (1)<br>Jun. 30,<br>2015 | Change, %     |
|--|-------------------|-----------------------------|---------------|
| Residential                                      | 5,016,742         | 4,949,413                   | 1.36          |
| Industrial                                       | 9,509,867         | 11,588,756                  | (17.94)       |
| Commercial, Services and Others                  | 3,384,948         | 3,260,567                   | 3.81          |
| Rural  | 1,683,739         | 1,544,410                   | 9.02          |
| Public authorities                               | 451,683           | 441,322                     | 2.35          |
| Public lighting                                  | 673,420           | 660,596                     | 1.94          |
| Public service                                   | 612,103           | 596,686                     | 2.58          |
| Subtotal   | <b>21,332,502</b> | <b>23,041,750</b>           | <b>(7.42)</b> |
| Own consumption                                  | 19,086            | 18,914                      | 0.91          |
|  | <b>21,351,588</b> | <b>23,060,664</b>           | <b>(7.41)</b> |
| Wholesale supply to other concession holders (2) | 5,806,389         | 6,918,908                   | (16.08)       |
| Total  | <b>27,157,977</b> | <b>29,979,572</b>           | <b>(9.41)</b> |

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

(2) Includes Regulated Market Electricity Sale Contracts (CCEARs) and bilateral contracts with other agents. A highlight is volume of electricity sold to *industrial* users 17.94% lower, basically due to lower levels of economic activity in 2016, with a direct effect on consumption of electricity by this user segment.

On the other hand consumption by the *rural* consumer category was 9.02% higher, mainly reflecting higher use for irrigation, and also growth in the number of consumers.

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

This is revenue from charging of the Tariff for Use of the Distribution System (*Tarifa de Uso do Sistema de Distribuição*, or TUSD), to Free Consumers, for transport of electricity sold. In the first half of 2016 it totaled R\$ 836,580, compared to R\$ 730,882 in the first half of 2015 a year-on-year increase of 14.46%.

The main factors affecting revenue from use of the network in 1H16 were:

A tariff effect of 96.21% in 2015, due to the Extraordinary Tariff Adjustment as from March 2, 2015, and the Annual Tariff Adjustment of April 2015 (full effect in 2016).

Reduction of 0.52% in the tariff for Free Consumers, given in the annual tariff adjustment of May 28, 2016.

Volume of energy transported 7.80% higher.

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CVA and Other financial components in tariff adjustment

In its interim accounting information Cemig recognizes the difference between actual non-controllable costs (in which the CDE, and electricity bought for resale, are significant components) and the costs that were used as the basis of decision of the rates charged to consumers. This balance represents the amounts that will be passed through in the forthcoming tariff adjustments of Cemig Distribuição: a realization of R\$ 663,555 in the first half of 2016, compared to an addition of R\$ 762,497 in 1H15. The difference is principally due to the lower costs of electricity acquired in auctions in 2016, and receipt of passthrough funds from the Flag Tariff Account.

For more details please see Note 12.

Transmission indemnity revenue

In the 2Q16 Cemig recognized revenue of R\$ 592,469, in relation to the following events:

R\$ 43,735 for monetary updating of the balance of indemnity receivable by the IGP-M index, up to May 2016;

R\$ 20,381 relating to the difference between the amount of the Preliminary Revision made by Aneel on February 23, 2015 of the Opinion sent by the Company, R\$ 1,157,106, and the Final Revision;

R\$ 90,442 representing the difference between the variations resulting from the IGP-M index and the IPCA index since the Company had updated the balance receivable, up to May 2016, by the IGP-M;

R\$ 437,911, representing the cost of own capital, calculated on the basis of 10.44% p.a.

Revenue from transactions in the Wholesale Trading Chamber (CCEE)

Revenue from Transactions in the Wholesale Electricity Market (CCEE) in 1H16 was R\$ 51,672, compared to R\$ 1,712,090 in 1H15 a reduction of 96.98% year-on-year. This is mainly due to (a) the spot price (*Preço de Liquidação de Diferenças*, or PLD) being 87.51% lower year-on-year in the wholesale market (at R\$ 48.53/MWh in 2016 compared to R\$ 388.48/MWh in 2015); and (b) the lower quantity of electricity available for settlement in the wholesale market in 2016, mainly because of the output from the São Simão Plant being allocated to serve the Regulated Market under the quota regime, as from September 16, 2015, in accordance with Ministerial Order 432/2015. The company now recognizes only the revenue from provision of the services of operation and maintenance of that plant. Thus, the volume of electricity becoming available from the Company was used basically in complying with its contracts with final consumers and other concession holders.

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### Revenue from supply of gas

The Company reported revenue from supply of gas 18.01% lower year-on-year in 1H16, at R\$ 697,492, compared to R\$ 850,720 in 1H15, mainly due to the volume of gas sold being 33.88% lower, at 505,094m<sup>3</sup>, in 1H6, compared to 1H15 (763,944m<sup>3</sup>) this effect being partially offset by the adjustments in rates charged.

### Construction Revenue

Construction and infrastructure revenues (transmission, distribution and gas) totaled R\$ 583,733 in 1H16, 16.83% more than their total of R\$ 499,663 in 1H15. This revenue is fully offset by Construction costs, of the same amount, and corresponds to the Company's investments in assets of the concession in the period.

### Other items of operational revenues

The Company's Other revenues were 4.54% higher in 1H16, at R\$ 854,621, than in 1H15 (R\$ 817,511).

### ***Sector / Regulatory charges – deductions from revenue***

The charges that are recorded as deductions from operational revenue totaled R\$ 5,424,064 in 1H16, 5.44% more than in 1H15 (R\$ 5,144,222).

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

### ***Operational costs and expenses (excluding Financial revenue/expenses)***

Operational costs and expenses in 1H16 totaled R\$ 8,298,565, which was 4.50% lower than in 1H15 (R\$ 8,689,642). There is more information on the components of Operational costs and expenses in Note 24.

The following paragraphs comment on the main variations:

### Electricity purchased for resale

The expense on electricity bought for resale in 1H16 was R\$ 3,956,110, which compares to R\$ 4,733,681 in 1H15, a year-on-year reduction of 16.43%. The main factors are:

Expenses on electricity acquired at auctions 41.87% lower, at R\$ 1,212,275 in 1H16, vs. R\$ 2,085,475 in 1H15, mainly due to some of the thermoelectric plants being deactivated in 2016 due to the improvement in the level of the reservoirs of the hydroelectric plants in the system, with a resulting reduction in the expense on combustion fuel for those plants.

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The expense on electricity from Itaipu Binacional was 21.22% lower. This amount is indexed to the US dollar, and was R\$ 607,291 in 1H16, compared to R\$ 770,844 in 1H15. This change basically reflects the the reduction of the tariff, which was US\$ 38.07/kW-month in 1H15, and was US\$ 25.78/kW-month from January 2016.

The cost of purchases of supply in the short-term market was lower by 37.76% at R\$ 290,924 in 1h16, vs. R\$ 467,403 in 1H15) reflecting the lower cost of electricity in the wholesale market in 2016.

#### Charges for Use of the Transmission Network

Charges for use of the transmission network in 1H16 totaled R\$ 525,912, compared to R\$ 492,643 in 1H15, a year-on-year increase of 6.75%.

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

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

#### Operating provisions

Operational provisions in 1H16 were R\$ 733,612, 168.72% higher than in 1H15 (R\$ 273,005). The main factors in this change are:

Constitution of a provision, in 2016, of R\$ 460,363 for the options related to the investments in Parati and SAAG, in comparison with a total provision of R\$ 160,433 in 2015. More details on the criteria for making of these provisions are in Note 13 (Under *Put options*).

Higher provisions for doubtful receivables: R\$ 174,566 in 1H16, compared to R\$ 58,077 in 1H15 mainly reflecting a higher level of default, influenced by the significant increase in electricity tariffs put in place in 2015, and also the Brazilian macroeconomic context.

Higher provisions for contingencies, among which we highlight: higher regulatory provisions at R\$ 12,952 in 1H16, vs. R\$ 2,843 in 1H15, reflecting an administrative infringement notice served by Aneel, relating to valuation of electricity distribution services. For more information see Note 21.

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### Personnel

The expense on personnel in 1H16 was R\$ 843,215, 26.01% higher than in 1H15 (R\$ 669,147). This arises mainly from the following factors:

Salary increases of 3% from March 2015 (full effect in 2016), as a result of the collective negotiation decided by the courts on application from organizations representing the employees.

Salary increases of 10.33% under the Collective Work Agreement, as from November 2015.

Recognition, in 1H16, of an expense of R\$ 63,885 on the voluntary retirement plan.

### Employees and managers profit shares

This expense in 1H16 was R\$ 6,200, compared to R\$ 145,216 in 1H15. The difference reflects the Company's lower profit since it is calculated as a percentage of profit.

### Raw materials and inputs for production of electricity

The expense on raw materials and inputs for production of electricity was R\$ 27 in 1H16, or 99.96% less than in 1H15 (R\$ 74,971). This reflects the fact that the *Igarapé* Thermal Generation Plant was de-activated as from August 2015, at the orders of the National Electricity System Operator (ONS) so that the Company ceased to buy the fuel oil required to operate it.

### Construction cost

Infrastructure Construction Costs were R\$ 583,733 in 1H16, 16.83% higher than in 1H15 (R\$ 499,663). This line records the Company's investment in assets of the concession in the period, and is fully offset by the line Construction Revenue, in the same amount.

### Gas bought for resale

In 1H16 the company records an expense of R\$ 427,009 on acquisition of gas, 18.50% lower than its comparable expense of R\$ 523,922 in 1H15. The lower figure reflects a lower volume of gas purchased (503,495m<sup>3</sup> in 1H16 compared to 758,347m<sup>3</sup> in 1H15).

### ***Fair value gain (loss) on stockholding transaction***

In 2015 the Company posted a gain of R\$ 734,530 on the constitution of Aliança Geração de Energia, as described in more detail in Note 13.

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***Equity method gain (loss)***

In 1H16 Cemig posted a net equity method gain of R\$ 14,042, which compares with a net gain of R\$ 95,810 in 1H15. The difference mainly reflects a loss of R\$ 183,238 in 2016 on the interest in Renova Energia, due primarily to the loss posted on investment in TerraForm and write-down for the put option with SunEdison, as described in more detail in Note 13.

***Net financial revenue (expenses)***

Cemig reported net financial expenses in 1H16 of R\$ 624,587, which compares with net financial expenses of R\$ 525,031 in 1H15. The main factors are:

Lower gain on updating of financial assets reported for the Remuneration Assets Base (BRR): R\$ 5,325 in 1H16, vs. R\$ 193,673 in 1H15. This reflects the reduction in the BRR after the renewal of the concession contract in December 2015. See more details in Note 12.

Monetary updating on loans and financings 48.93% higher, at R\$ 907,801 in 1H16, compared to R\$ 609,549 in 1H15. This mainly reflects higher debt indexed to the CDI Rate in 2016; and also the higher aggregate CDI rate over the period: 6.72% in 1H16, compared to 5.92% in 1H15.

It also reflects monetary updating on the balances of the CVA Account and the *Other financial components* element in tariff increases, being R\$ 187,564 in 1H16, compared to R\$ 32,288 in 1H15, due to the higher net balance of the assets in 2016.

For a breakdown of financial revenues and expenses please see Note 25.

***Income tax and Social Contribution tax***

**In 1H16**, the expense on income tax and the Social Contribution tax totaled R\$ 89,366, on pre-tax profit of R\$ 296,697, an effective rate of 30.12%.

**In 1H15**, the expense on income tax and the Social Contribution tax totaled R\$ 838,535, on pre-tax profit of R\$ 2,857,426, an effective rate of 29.35%. These effective rates are reconciled with the nominal tax rates in Note 9.

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**Results for the second quarter**

For the **second quarter of 2016 (2Q16)** Cemig reports profit of R\$ 202,124, which is 62.17% lower than its profit of R\$ 534,264 in second quarter 2015 (2Q15). The following pages describe the main variations between the two periods in revenues, costs, expenses and financial items.

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

Cemig's consolidated Ebitda in 2Q16 was 45.09% lower than in 2Q15:

| <b>Ebitda R\$ 000</b>                    | <b>2Q16</b>    | <b>2Q15</b>      | <b>Change, %</b> |
|--|----------------|------------------|------------------|
| Net profit for the period                | 202,124        | 534,264          | (62.17)          |
| + Income tax and Social Contribution tax | 62,833         | 264,840          | (76.28)          |
| + Financial revenue (expenses)           | 212,029        | 251,581          | (15.72)          |
| + Depreciation and amortization          | 199,684        | 181,587          | 9.97             |
| <b>= Ebitda</b>                          | <b>676,670</b> | <b>1,232,272</b> | <b>(45.09)</b>   |

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

Cemig's consolidated Ebitda in 2Q16 being 45.09% lower than in 2Q15 was mainly a reflection of lower revenue: R\$ 4,754,147 in 2Q16, vs. R\$ 5,392,480 in 2Q15. In line with the lower Ebitda, Ebitda margin in 2Q16 was 14.24%, compared to 22.85% in 2Q15 – a proportionate reduction in numerical terms of 37.67%.

**Revenue from supply of electricity**

Total revenue from supply of electricity to final consumers in 2Q16 was R\$ 5,613,352, or 3.53% less than the revenue of R\$ 5,818,505 in 2Q15.

***Final consumers***

Total revenue from electricity sold to final consumers, excluding Cemig's own consumption, in 2Q16 was R\$ 4,972,531, or 5.79% less than the figure for 2Q15, of R\$ 5,277,989.

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The main factors in revenue in 2015 were:

An annual tariff adjustment, with average effect on consumer tariffs of 3.78%, effective from May 28, 2016.

Volume of electricity sold to final consumers 5.63% lower year-on-year.

The revenue from the Flag Tariff system was lower, due to the alteration of the flag which was in effect: the Green Flag was in force in 2Q16, whereas the Red Flag was in force in 2Q15. As a result the amount received in 2016 was only R\$ 28,666, compared to R\$ 387,280 in 2015 a reduction of 92.60%.

**Cemig's electricity market**

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

- (I) Captive consumers in Cemig's concession area in the State of Minas Gerais;
- (II) Free Consumers in both the State of Minas Gerais and other States of Brazil, in the Free Market (*Ambiente de Contratação Livre*, or ACL);
- (III) other agents of the electricity sector – traders, generators and independent power producers, also in the Free Market;
- (IV) Distributors, in the Regulated Market (*Ambiente de Contratação Regulada*, or ACR); and
- (V) the Wholesale Trading Chamber (*Câmara de Comercialização de Energia Elétrica*, or CCEE) (eliminating transactions between companies of the Cemig Group).

The tables below show Cemig's market in more detail, itemizing transactions in 2Q16 and comparing with 2Q15. This table shows consumption itemized by type of consumer:

|                                 | MWh (1)   |           | Change, % |
|---------------------------------|-----------|-----------|-----------|
|                                 | 2Q16      | 2Q15      |           |
| Residential                     | 2,526,223 | 2,386,270 | 5.86      |
| Industrial                      | 4,671,891 | 5,771,862 | (19.06)   |
| Commercial, Services and Others | 1,697,134 | 1,563,963 | 8.51      |
| Rural                           | 959,912   | 749,687   | 28.04     |

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|  |                   |                   |               |
|--|-------------------|-------------------|---------------|
| Public authorities                               | 236,278           | 223,734           | 5.61          |
| Public lighting                                  | 344,358           | 329,545           | 4.49          |
| Public service                                   | 319,218           | 280,302           | 13.88         |
| Subtotal   | <b>10,755,014</b> | <b>11,305,363</b> | <b>(4.87)</b> |
| Own consumption                                  | 9,634             | 9,095             | 5.93          |
|  | <b>10,764,648</b> | <b>11,314,458</b> | <b>(4.86)</b> |
| Wholesale supply to other concession holders (2) | 3,109,757         | 2,883,357         | 7.85          |
| Total  | 13,874,405        | 14,197,815        | (2.28)        |

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

(2) Includes Regulated Market Electricity Sale Contracts (CCEARs) and bilateral contracts with other agents.

A highlight is volume of electricity sold to *industrial* users 19.06% lower, basically due to lower levels of economic activity in 2016, with a direct effect on consumption of electricity by this user segment.

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Revenue from Use of Distribution Systems (the TUSD charge)

This is revenue from charging of the Tariff for Use of the Distribution System (*Tarifa de Uso do Sistema de Distribuição*, or TUSD), to Free Consumers, for transport of electricity sold. In 2Q16 it was R\$ 427,495, compared to R\$ 520,785 in 2Q15 i.e. 17.91% lower year-on-year.

In the second quarter of 2015, Aneel decided the new CDE charges, in compliance with a court injunction that suspended part of the payment of the CDE charge for members of the Brazilian Association of Large Industrial Consumers and Free Consumers of Electricity (*Associação Brasileira de Grandes Consumidores Industriais de Energia e de Consumidores Livres*, or Abrace). This suspension resulted in the company's Revenue from Use of the Network in the second quarter 2016 being lower than in second quarter 2015.

CVA and Other financial components in tariff adjustment

In its interim accounting information Cemig recognizes the difference between actual non-controllable costs (in which the CDE, and electricity bought for resale, are significant components) and the costs that were used as the basis of decision of the rates charged to consumers. This balance represents the amounts that will be passed through in the forthcoming tariff adjustments of Cemig Distribuição: a realization of R\$ 531,351 in the second quarter of 2016, compared to an addition of R\$ 212,227 in 2Q15. This variation is principally due to the reduction of the costs of electricity acquired in auctions in relation to the costs used as a basis for tariffs.

For more details please see Note 12.

Revenue from transactions in the Wholesale Trading Chamber (CCEE)

Revenue from Transactions in the Wholesale Electricity Market (CCEE) in 2Q16 was R\$ 49,042, compared to R\$ 701,158 in 2Q15 a reduction of 93.01 % year-on-year. This is mainly due to (a) the spot price (*Preço de Liquidação de Diferenças*, or PLD) being 82.52% lower year-on-year in the wholesale market (at R\$ 62.37/MWh in 2016 compared to R\$ 356.81/MWh in 2015); and (b) the lower quantity of electricity available for settlement in the wholesale market in 2016, mainly because of the output from the *São Simão* Plant being allocated to serve the Regulated Market under the quota regime, as from September 16, 2015. The company now recognizes only the revenue from provision of the services of operation and maintenance of that plant.

Transmission indemnity revenue

In 2Q16 Cemig recognized revenue of R\$ 561,226, in relation to the following events:

R\$ 12,491 for monetary updating of the balance of indemnity receivable by the IGP-M index, up to May 2016;

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R\$ 20,381 relating to the difference between the amount of the Preliminary Revision made by Aneel on February 23, 2015 of the Opinion sent by the Company, R\$ 1,157,106, and the Final Revision;

R\$ 90,442 representing the difference between the variations resulting from the IGP-M index and the IPCA index since the Company had updated the balance receivable, up to May 2016, by the IGP-M;

R\$ 437,911, representing the cost of own capital, calculated on the basis of 10.44% p.a.

#### Revenue from supply of gas

The Company reported revenue from supply of gas 25.02% lower year-on-year in 2Q16, at R\$ 318,841, compared to R\$ 425,217 in 2Q15, mainly due to the lower volume of gas sold: 216,135m<sup>3</sup> in 2Q16, compared to 380,536m<sup>3</sup> in 2Q15.

#### Construction Revenue

Construction and infrastructure revenues (transmission, distribution and gas) totaled R\$ 348,712 in 2Q16, 31.05% more than their total of R\$ 266,090 in 2Q15. This revenue is fully offset by Construction costs, of the same amount, and corresponds to the Company's investments in assets of the concession in the period.

#### Other items of operational revenues

The Company's Other revenues were 5.63% lower in 2Q16 (at R\$ 420,332), than in 2Q15 (R\$ 445,427).

#### *Sector / Regulatory charges – deductions from revenue*

The total of these taxes and charges reported as deductions from revenue in 2Q16 was R\$ 2,521,430 or 17.38% lower than in 2Q15 (R\$ 3,051,801).

#### The Energy Development Account – CDE

Payments to the Energy Development Account (CDE) are decided by an Aneel Resolution. The purpose of the CDE is to cover costs of concession indemnities, tariff subsidies, the subsidy for balanced tariff reduction, the low-income consumer subsidy, the coal consumption subsidy, and the Fuels Consumption Account (CCC). The charges for the CDE in 2Q16 were R\$ 465,804, compared to R\$ 858,556 in 2Q15.

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

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### Consumer charges the Flag Tariff system

Lower charges in the Flag Tariff system: the Green Flag was in force in 2Q16, while the Red Flag was in force in 2Q15. The charges to the consumer under the Flag Tariff system totaled R\$ 69,953 in 2Q16, or 77.63% less than the charges of R\$ 312,771 in 2Q15.

### *Operational costs and expenses (excluding Financial revenue/expenses)*

Operational costs and expenses were not significantly different between the two periods: they were R\$ 4,349,130 in 2Q16, and R\$ 4,347,513 in 2Q15. There is more information on the components of Operational costs and expenses in Note 24.

The following paragraphs comment on the main variations:

### Electricity purchased for resale

The expense on electricity bought for resale in 2Q16 was R\$ 2,024,749, or 12.43% less than in 2Q15 (R\$ 2,312,277). The main factors are:

Expenses on electricity acquired at auctions 42.84% lower, at R\$ 553,236 in 2Q16, vs. R\$ 967,811 in 2Q15, mainly due to some of the thermoelectric plants being deactivated in 2016 due to the improvement in the level of the reservoirs of the hydroelectric plants in the system, with a resulting reduction in the expense on combustion fuel for those plants.

The expense on electricity from Itaipu Binacional 27.53% lower year-on-year, at R\$ 290,716 in 2Q16, compared to R\$ 401,174 in 2Q15. This change basically reflects the reduction of the tariff, which was US\$38.07/kW-month in 2Q15, and was US\$ 25.78/kW-month from January 2016.

### Charges for use of the Transmission Network

Charges for use of the national grid in 2Q16 totaled R\$ 267,206, compared to R\$ 251,254 in 2Q15, a year-on-year increase of 6.35%.

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

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

### Operating provisions

Operational Provisions were 109.64% higher year-on-year in the quarter an expense of R\$ 481,842 in 2Q16, compared to R\$ 229,841 in 2Q15. The main factors in this change are:

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Provisions, of R\$ 355,053 and R\$ 16,520, respectively, made for the put options on the investments in Parati and SAAG. More details on the criteria for making of these provisions are in Note 13 (Under *Put options*).

Higher provisions for doubtful receivables: R\$ 98,303 in 2Q16, compared to R\$ 30,973 in 2Q15 mainly reflecting a higher level of default, influenced by the significant increase in electricity tariffs put in place in 2015, and also the Brazilian macroeconomic context

#### Personnel

Personnel expenses were R\$ 429,808 in 2Q16, compared to R\$ 332,709 in 2Q15, an increase of 29.18%. This arises mainly from the following factors:

Salary increases, under the Collective Work Agreement, of 10.33%, as from November 2015.

Recognition, in 2Q16, of an expense of R\$ 63,885 on the voluntary retirement plan.

#### Employees and managers profit shares

This expense in 2Q16 was R\$ 6,200, compared to R\$ 64,243 in 2Q15. The difference reflects the Company's lower profit since it is calculated as a percentage of profit.

#### Raw materials and inputs for production of electricity

The expense on raw materials and inputs for production of electricity was R\$ 9 in 2Q16, compared to R\$ 2,547 in 2Q15. This reflects the fact that the *Igarapé* Thermal Generation Plant was de-activated as from August 2015, at the orders of the National Electricity System Operator (ONS) so that the Company ceased to buy the fuel oil required to operate it.

#### Construction cost

Infrastructure construction cost in 2Q16 was R\$ 348,712, 31.05% more than in 2Q15 (R\$ 266,090). This line records the Company's investment in assets of the concession in the period, and is fully offset by the line Construction Revenue, in the same amount.

#### Gas bought for resale

In 2Q16 the Company recorded an expense of R\$ 189,146 on acquisition of gas, 27.78% lower than its comparable expense of R\$ 261,914 in 2Q15. This is basically due to a lower volume of gas purchased (215,901m<sup>3</sup> in 2Q16, vs. 377,681m<sup>3</sup> in 2Q15).

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***Equity method gain (loss)***

In 2Q16 Cemig posted a net equity method gain of R\$ 71,969, which compares with a net gain of R\$ 5,718 in 2Q15. This principally reflects the effects of the interests in Madeira Energia, Renova and Guanhães Energia, which in aggregate provided a net loss by the equity method of R\$ 71,359 in the second quarter of 2015, as described in more detail in Note 13.

***Net financial revenue (expenses)***

Cemig reported net financial expenses in 2Q16 of R\$ 212,029, compared to net financial expenses of R\$ 251,581 in 2Q15. The main factors are:

Higher revenue from monetary variation on the CVA balances and *Other financial components* of tariffs as a result of the higher balance of these assets in 2016: R\$ 167,832 in 2Q16, compared to an expense of R\$ 8,198 in 2Q15.

Higher revenue from financial investments, of R\$ 76,671 in 2Q16, compared to R\$ 53,704 in 2Q15, primarily due to a higher balance of financial investments in 2016, and a higher variation from the CDI rate in the period (3.31% in 2Q16, vs. 2.98% in 2Q15).

Lower gain from updating of the Remuneration Base of Assets (BRR): R\$ 3,479 in 2Q16, compared to R\$ 102,120 in 2Q15. This reflects the reduction in the BRR after the renewal of the concession contract in December 2015. See more details in Note 12.

Expense on monetary updating of loans and financings 24.10% lower, at R\$ 69,172 in 2Q16, compared to R\$ 91,139 in 2Q15. This is due to the lower variation represented by the IPCA index in the period (1.75% in 2Q16, compared to 2.26% in 2Q15).

Charges for loans and financings 51.19% higher, at R\$ 479,323 in 2Q16, compared to R\$ 317,036 in 2Q15. This mainly reflects higher debt indexed to the CDI rate; and also the higher variation provided by the CDI rate, itself, at 3.31% in 2Q16 compared to 2.98% in 2Q15.

For a breakdown of financial revenues and expenses please see Note 25.

***Income tax and Social Contribution tax***

**In 2Q16**, the expense on income tax and the Social Contribution tax totaled R\$ 62,833, on pre-tax profit of R\$ 264,957, an effective rate of 23.71%.

**In 2Q15**, the expense on income tax and the Social Contribution tax totaled R\$ 264,840, on pre-tax profit of R\$ 799,104, an effective rate of 33.14%. These effective rates are reconciled with the nominal tax rates in Note 9.

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(The original is signed by:)

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Deputy CEO

**Fabiano Maia Pereira**  
Chief Finance and Investor Relations  
Officer

**Luís Fernando Paroli Santos**  
Chief Distribution and Sales Officer

**Franklin Moreira Gonçalves**  
Chief Generation and Transmission  
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Chief Officer for Human Relations and  
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**Mauro Borges Lemos**  
Chief Corporate Management Officer

**Luís Fernando Paroli Santos**  
Chief Institutional Relations and  
Communication Officer

**Dimas Costa**  
Chief Trading Officer

**César Vaz de Melo Fernandes**  
Chief Business Development Officer

**Raul Lycurgo Leite**  
Chief Counsel

**Leonardo George de Magalhães**  
Controller

**Leonardo Felipe Mesquita**  
Accounting Manager

CRC-MG 53.140

Accountant CRC-MG-85.260

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