

ENERGY CO OF MINAS GERAIS

Form 6-K

April 15, 2015

Table of Contents

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 6-K

**Report of foreign private issuer
pursuant to rule 13a-16 or 15d-16 of
the securities exchange act of 1934**

For the month of April 2015

Commission File Number 1-15224

ENERGY COMPANY OF MINAS GERAIS

(Translation of Registrant's Name Into English)

Avenida Barbacena, 1200

30190-131 Belo Horizonte, Minas Gerais, Brazil

(Address of Principal Executive Offices)

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

Form 20-F Form 40-F

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

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

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

Yes No

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

Table of Contents

INDEX

Item	Description of Item
1.	<u>2014 Annual Audited Financial Statements (together with the Report of Independent Registered Public Accounting Firm)</u>
2.	<u>Management's Annual Report on Internal Control Over Financial Reporting</u>
3.	<u>Report of Independent Registered Public Accounting Firm (on internal control over financial reporting)</u>

Table of Contents

SIGNATURES

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

**COMPANHIA ENERGÉTICA DE MINAS GERAIS
CEMIG**

Date: April 14, 2015

By: /s/ Fabiano Maia Pereira

Name: Fabiano Maia Pereira

Title: Chief Officer for Finance and Investor Relations

Table of Contents

**1. 2014 ANNUAL AUDITED FINANCIAL STATEMENTS (TOGETHER WITH THE REPORT OF
INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM)**

Table of Contents

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We have audited the accompanying consolidated balance sheets of Companhia Energética de Minas Gerais CEMIG and subsidiaries (the Company) as of December 31, 2014 and 2013, and the related consolidated statements of income, comprehensive income, changes in equity and cash flows for each of the three years in the period ended December 31, 2014. These financial statements are the responsibility of the Company s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Companhia Energética de Minas Gerais CEMIG and subsidiaries as of December 31, 2014 and 2013, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2014, in accordance with International Financial Reporting Standards IFRS, as issued by the International Accounting Standards Board IASB.

As discussed in Notes 4 and 15 to the consolidated financial statements, the Usina Hidrelétrica Jaguara (UHE Jaguara) and Usina Hidrelétrica São Simão (UHE São Simão) concession agreements expired in August, 2013 and January, 2015, respectively. The Company is discussing in courts the extension for these concessions and continues to operate these plants based on a preliminary injunctions issued by the Superior Tribunal de Justiça STJ, Brazilian Superior Court of Justice.

As discussed in Note 4 to the consolidated financial statements, the Company s distribution concession agreements will expire in February, 2016. The Company has requested the renewal of these concessions from the Granting Authority. As of the date of this report, it is unknown whether or not these concessions will be renewed and, if renewed, the related conditions of the respective renewals.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company s internal control over financial reporting as of December 31, 2014, based on the criteria established in Internal Control Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated April 10, 2015 expressed an unqualified opinion on the Company s internal control over financial reporting.

DELOITTE TOUCHE TOHMATSU

Auditores Independentes

Belo Horizonte, MG, Brazil

April 10, 2015

Table of Contents

CONTENTS

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION	2
CONSOLIDATED STATEMENTS OF INCOME	4
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME	5
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY CONSOLIDATED	6
CONSOLIDATED STATEMENTS OF CASH FLOW	8
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS	10
1. OPERATING CONTEXT	10
2. BASIS OF PREPARATION	16
3. PRINCIPLES OF CONSOLIDATION	33
4. CONCESSIONS AND AUTHORIZATIONS	35
5. OPERATING SEGMENTS	42
6. CASH AND CASH EQUIVALENTS	46
7. SECURITIES	46
8. CONSUMERS, TRADERS AND POWER TRANSPORT CONCESSION HOLDERS	47
9. RECOVERABLE TAXES	48
10. INCOME AND SOCIAL CONTRIBUTION TAXES	48
11. ESCROW DEPOSITS	51
12. ENERGY DEVELOPMENT ACCOUNT (CDE)	51
13. FINANCIAL ASSETS OF THE CONCESSION	52
14. INVESTMENTS	56
15. PROPERTY, PLANT AND EQUIPMENT	74
16. INTANGIBLE ASSETS	79
17. SUPPLIERS	81
18. TAXES, INCOME TAXES AND SOCIAL CONTRIBUTION TAXES	81
19. LOANS, FINANCINGS AND DEBENTURES	82
20. REGULATORY CHARGES	88
21. POST-RETIREMENT LIABILITIES	88
22. PROVISIONS	94
23. EQUITY AND REMUNERATION TO SHAREHOLDERS	105
24. REVENUE	110
25. OPERATING COSTS AND EXPENSES	113
26. FINANCIAL REVENUES AND EXPENSES	115
27. RELATED PARTY TRANSACTIONS	117
28. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT	120
29. MEASUREMENT AT FAIR VALUE	128
30. INSURANCE	130
31. COMMITMENTS	131
32. NON-CASH TRANSACTIONS	131
33. SUBSEQUENT EVENTS	131

Table of Contents**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

AS OF DECEMBER 31, 2014 AND 2013

ASSETS

(MILLIONS OF BRAZILIAN REAIS R\$)

	Note	2014	2013
Current			
Cash and cash equivalents	6	887	2,202
Marketable securities	7	994	933
Consumers and traders	8	2,142	1,912
Concession holders – Transport of electricity	8	248	241
Financial assets of the concession	13	848	2
Recoverable taxes	9	214	481
Income and social contribution tax credits	10a	295	249
Dividends receivable		73	17
Inventories		40	38
Energy Development Account (CDE)	12	345	175
Other		468	419
TOTAL, CURRENT		6,554	6,669
NON-CURRENT			
Marketable securities	7	17	90
Consumers and traders	8	203	180
Concession holders – Transport of electricity	8	6	8
Recoverable taxes	9	387	382
Income and social contribution taxes recoverable	10a	207	178
Deferred income and social contribution taxes	10b	1,246	1,221
Escrow deposits	11	1,535	1,180
Other credits		407	83
Financial assets of the concession	13	7,475	5,841
Investments	14	8,040	6,161
Property, plant and equipment	15	5,544	5,817
Intangible assets	16	3,379	2,004

TOTAL, NON-CURRENT	28,446	23,145
TOTAL ASSETS	35,000	29,814

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

Table of Contents**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

AS OF DECEMBER 31, 2014 AND 2013

LIABILITIES

(MILLIONS OF BRAZILIAN REAIS R\$)

	Note	2014	2013
Suppliers	17	1,604	1,066
Regulatory charges	20	106	153
Profit sharing		116	125
Taxes payable	18a	555	499
Income and Social Contribution taxes	18b	43	35
Interest on equity and dividends payable		1,643	1,108
Loans and financings	19	4,151	1,056
Debentures	19	1,140	1,182
Payroll and related charges		195	186
Post-retirement liabilities	21	153	138
Concessions payable		22	20
Other obligations		395	354
TOTAL, CURRENT		10,123	5,922
NON-CURRENT			
Regulatory charges	20	252	193
Loans and financings	19	1,832	2,379
Debentures	19	6,386	4,840
Taxes payable	18a	723	705
Deferred income and social contribution taxes	18b	611	256
Provisions	22	755	306
Concessions payable		157	152
Post-retirement liabilities	21	2,478	2,311
Other obligations		398	112
TOTAL, NON-CURRENT		13,592	11,254

TOTAL LIABILITIES		23,715	17,176
EQUITY	23		
Share capital		6,294	6,294
Capital reserves		1,925	1,925
Profit reserves		2,594	3,840
Equity Valuation Reserve			
Deemed cost of property, plant and equipment		780	850
Other Comprehensive Income		(312)	(271)
EQUITY ATTRIBUTABLE TO THE CONTROLLING SHAREHOLDERS		11,281	12,638
EQUITY ATTRIBUTABLE TO NON-CONTROLLING SHAREHOLDERS		4	
TOTAL EQUITY		11,285	12,638
TOTAL LIABILITIES AND EQUITY		35,000	29,814

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

Table of Contents

CONSOLIDATED STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2014, 2013 AND 2012

(MILLIONS OF BRAZILIAN REAIS R\$)

(except Net income per share)

	Note	2014	2013	2012
NET REVENUE	24	19,540	14,627	14,137
OPERATING COSTS				
COST OF ELECTRICITY AND GAS	25			
Electricity purchased for resale		(7,428)	(5,207)	(4,683)
Charges for the use of the national grid		(744)	(575)	(883)
Gas purchased for resale		(254)		
		(8,426)	(5,782)	(5,566)
OTHER COSTS	25			
Personnel and managers		(999)	(946)	(950)
Materials		(340)	(111)	(60)
Outsourced services		(736)	(672)	(741)
Depreciation and amortization		(779)	(782)	(729)
Operating provisions		(262)	(212)	(43)
Royalties for use of water resources		(127)	(131)	(185)
Infrastructure construction cost		(942)	(975)	(1,336)
Other		(191)	(237)	(85)
		(4,376)	(4,066)	(4,129)
TOTAL COST		(12,802)	(9,848)	(9,695)
GROSS PROFIT		6,738	4,779	4,442
OPERATING EXPENSES	25			
Selling expenses		(128)	(121)	(227)
General and administrative expenses		(654)	(799)	(537)
Other operating expenses		(867)	(463)	(1,068)
		(1,649)	(1,383)	(1,832)
Equity in earnings of unconsolidated investees, net	14	210	764	865

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Gain on disposal of equity investment			284	
Unrealized gain on disposal of investment			(81)	
Gain on acquisition of control of investee	14	281		
Income before Financial income (expenses) and taxes		5,580	4,363	3,475
Financial revenues	26	593	885	2,923
Financial expenses	26	(1,694)	(1,194)	(1,294)
Income before income tax and social contribution tax		4,479	4,054	5,104
Current income and social contribution taxes	10c	(1,259)	(994)	(1,035)
Deferred income and social contribution taxes	10c	(83)	44	203
NET INCOME FOR THE YEAR		3,137	3,104	4,272
Total of net income for the year attributed to:				
Controlling shareholders		3,137	3,104	4,272
Non-controlling shareholders				
Basic and diluted income per preferred share R\$		23	2.49	2.47
Basic and diluted income per common share R\$		23	2.49	2.47

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

Table of Contents

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2014, 2013 AND 2012
(MILLIONS OF BRAZILIAN REAIS R\$)

	2014	2013	2012
NET INCOME FOR THE YEAR	3,137	3,104	4,272
OTHER COMPREHENSIVE INCOME			
Items that will not be reclassified to profit or loss			
Post retirement liabilities restatement of obligations of the defined benefit plans, net of taxes	(44)	175	(471)
Equity gain (loss) on Other comprehensive income in jointly-controlled entities	(7)	31	56
	(51)	206	(415)
Items that may be reclassified to profit or loss			
Equity gain (loss) on Other comprehensive income in jointly-controlled entities	10	7	4
Cash flow hedge instruments, net of taxes			(1)
	10	7	3
COMPREHENSIVE INCOME FOR THE YEAR	3,096	3,317	3,860
Total of comprehensive income for the year attributed to:			
Interest of the controlling shareholders	3,096	3,317	3,860
Non controlling interest arising from business combination			
	3,096	3,317	3,860

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

Table of Contents

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY CONSOLIDATED
FOR THE YEARS ENDED DECEMBER 31, 2014, 2013 AND 2012
(MILLIONS OF BRAZILIAN REAIS R\$)

	Share capital	Capital reserves	Profit reserves	Equity Valuation adjustments	Retained earnings	Total equity
AS OF DECEMBER 31, 2011	3,412	3,954	3,293	1,008		11,667
Net income for the year					4,272	4,272
Other comprehensive income						
Equity gain on Other comprehensive income in jointly-controlled entity				60		60
Cash flow hedge instruments				(1)		(1)
Adjustment to actuarial liabilities				(471)		(471)
Total comprehensive income for the year				(412)	4,272	3,860
Other changes in equity						
Increase in share capital	853		(853)			
Interim dividends (R\$ 0.69 per share)					(590)	(590)
Interest on Equity (R\$ 1.99 per share)					(1,700)	(1,700)
Extraordinary dividends (R\$ 1.88 per share)			(1,600)			(1,600)
Additional dividend proposed in 2011 (R\$ 0.13 per share)			(87)			(87)
Additional dividend proposed in 2012 (R\$ 0.74 per share)			628		(628)	
Constitution of reserves						
Legal reserve			171		(171)	
To Retained earnings			1,304		(1,304)	
Realization of reserves						
Equity valuation adjustments deemed cost of PP&E				(121)	121	
AS OF DECEMBER 31, 2012	4,265	3,954	2,856	475		11,550
Net income for the year					3,104	3,104
Other comprehensive income						

Equity gain on Other comprehensive income in jointly-controlled entity				38	38
Post retirement liabilities, net of taxes				175	175
Total Comprehensive income for the year				213	3,104
Other changes in equity:					
Increase in share capital	2,029	(2,029)			
Additional dividends proposed in 2012 (R\$ 0.50 per share)			(628)		(628)
Interim dividends (R\$ 0.85 per share)				(1,068)	(1,068)
Interest on equity (R\$ 0.42 per share)				(533)	(533)
Additional dividends proposed (R\$ 0.04 per share)			55		(55)
Constitution of reserves					
Reserve under By-laws			1,557		(1,557)
Realization of reserves					
Equity valuation adjustments deemed cost of PP&E				(109)	109
AS OF DECEMBER 31, 2013	6,294	1,925	3,840	579	12,638

Table of Contents

	Share capital	Capital reserves	Profit reserves	Equity Valuation adjustment	Retained earnings	Non Total controlling interest of the controlling shareholder	Non interest arising from business combination	Total equity
AS OF DECEMBER 31, 2013	6,294	1,925	3,840	579		12,638		12,638
Net income for the year					3,137	3,137		3,137
Other comprehensive income								
Post retirement liabilities, net of taxes				(44)		(44)		(44)
Equity gain on Other comprehensive income in jointly-controlled entity				3		3		3
Total Comprehensive income for the year				(41)	3,137	3,096		3,096
Other changes in equity:								
Reimbursement of shares of dissident shareholders								
Additional dividends proposed in 2013 (R\$ 0.04 per share)			(55)			(55)		(55)
Extraordinary dividends (R\$ 2.23 per share)			(2,804)			(2,804)		(2,804)
Statutory dividends (R\$ 1.04 per share)					(1,364)	(1,364)		(1,364)
Interest on Equity (R\$ 0.18 per share)					(230)	(230)		(230)
Constitution of reserves								
Tax incentives reserve			29		(29)			
Profit reserve			1,584		(1,584)			
Realization of reserves								
Equity valuation adjustments deemed cost of PP&E				(70)	70			

ATTRIBUTED TO INTEREST OF THE CONTROLLING SHAREHOLDERS	6,294	1,925	2,594	468	11,281	11,281
Non controlling interest arising from business combination						4 4
AS OF DECEMBER 31, 2014	6,294	1,925	2,594	468	11,281	4 11,285

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

Table of Contents

CONSOLIDATED STATEMENTS OF CASH FLOW
FOR THE YEARS ENDED DECEMBER 31, 2014, 2013 AND 2012
(MILLIONS OF BRAZILIAN REAIS R\$)

	2014	2013	2012
CASH FLOW FROM OPERATIONS			
Net income for the year	3,137	3,104	4,272
Expenses (revenues) not affecting cash and cash equivalents			
Income and social contribution taxes	1,342	950	832
Depreciation and amortization	801	824	763
Write-offs of PP&E and Intangible assets	105	33	211
Equity in earnings of unconsolidated investees, net	(210)	(764)	(865)
Interest and monetary variation	1,145	942	(1,448)
Monetary variation on advance for future capital increase from Minas Gerais State government	239		
Gain on disposal of investments		(284)	
Unrealized profit		81	
Provisions for operating losses	581	305	671
Net gain on indemnity of assets	(420)	(21)	
Financial assets - CVA	(1,107)		
Gain on acquisition of subsidiary	(281)		
Provision for losses on financial instruments		(2)	(22)
Post-retirement liabilities	311	269	227
(Increase) / decrease in assets			
Consumers and traders	(285)	(134)	(177)
Energy Development Account (CDE)	(170)		
Recoverable Taxes	320	(255)	(99)
Income and social contribution tax credit	(37)	(223)	(206)
Transport of electricity	(5)	109	(50)
Escrow deposits in litigation	(305)	120	(24)
Dividends received from investments	683	554	684
Financial assets	6	286	(192)
Other	(191)	7	(113)
Increase (reduction) in liabilities			
Suppliers	472	(239)	462

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Taxes payable	54	2	(33)
Income and social contribution taxes payable	(22)	3	2
Payroll and related charges	4	(41)	(15)
Regulatory charges	11	(140)	(47)
Post-retirement liabilities	(195)	(181)	(196)
Other	(160)	(21)	(55)
Cash generated by operating activities	5,823	5,284	4,582
Interest paid on loans and financings	(781)	(814)	(818)
Income and Social Contribution taxes paid	(1,308)	(955)	(935)
NET CASH GENERATED BY OPERATING ACTIVITIES	3,734	3,515	2,829

Table of Contents

	2014	2013	2012
CASH FLOWS FROM INVESTMENT ACTIVITIES			
Marketable securities	116	(267)	(400)
Financial assets	(80)	(91)	(107)
Accounts receivable from Minas Gerais state government		2,466	1,498
Restricted cash	1	130	(129)
Investments			
Acquisition of equity investees	(2,405)	(94)	
Acquisition of subsidiary Gasmig	(465)		
Gain on disposal of investments		1,691	
Capital increase in investees	(546)	(355)	(396)
PP&E	(122)	(69)	(109)
Intangible assets	(798)	(908)	(1,263)
NET CASH FROM (USED IN) INVESTMENT ACTIVITIES	(4,299)	2,503	(906)
CASH FLOW IN FINANCING ACTIVITIES			
Loans, financings and debentures	4,562	2,466	4,916
Payment of loans financings and debentures	(1,394)	(3,601)	(5,276)
Interest on equity and dividends	(3,918)	(4,600)	(1,748)
NET CASH USED IN FINANCIAL ACTIVITIES	(750)	(5,735)	(2,108)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(1,315)	283	(185)
STATEMENT OF CHANGES IN CASH AND CASH EQUIVALENTS			
Beginning of the year	2,202	1,919	2,104
End of the year	887	2,202	1,919
NET CHANGE IN CASH AND CASH EQUIVALENTS	(1,315)	283	(185)

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

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**AS OF DECEMBER 31, 2014 AND 2013 AND FOR THE YEARS ENDED ON DECEMBER 31, 2014, 2013
AND 2012**

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

1. OPERATING 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 number 17.155.730/0001-64, with shares traded: on the BM&F Bovespa (Bovespa), at Corporate Governance Level 1; on the New York Stock Exchange (NYSE), through ADRs; and on the stock exchange of Madrid (Latibex). It is domiciled in Brazil, with head office at Avenida Barbacena 1200, Belo Horizonte, the 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 31, 2014, the Company s consolidated current liabilities exceeded its consolidated current assets by R\$ 3,569. The reason for this working capital deficiency was, primarily, new financings with short-term maturities for the Company s Investment Program, and also an increase in the outflow of cash from the distribution business due to a higher average price of electricity supplied by the thermoelectric generation plants. Management plans include the renegotiation of financings, and new transactions to raise funds in the market. Additionally, the Company has reported positive cash flow from its operations of R\$ 3,734 in 2014 and R\$ 3,515 in 2013.

Cemig has interest in the following subsidiaries and jointly-controlled entities:

Cemig Geração e Transmissão S.A. (Cemig GT) is Cemig s wholly-owned subsidiary operating in generation and transmission. It is listed, in Brazil, but not traded. Cemig GT has interests in 51 power plants, and the transmission lines associated with them, most of which are part of the Brazilian national generation and transmission grid system. Of these power plants, 47 are hydroelectric, 3 are wind power plants and one is a thermal plant. **Cemig GT** has interest in the following jointly-controlled entities:

Table of Contents

Jointly-controlled entities in operation:

Hidrelétrica Cachoeirão S.A. (**Cachoeirão**) (Jointly controlled): Production and sale of electricity as an independent power producer, through the *Cachoeirão* hydroelectric power plant located at Pocrane, in the State of Minas Gerais. The plant began operating in 2009.

Baguari Energia S.A. (**Baguari Energia**) (Jointly controlled): Construction, operation, maintenance and commercial operation of the Baguari Hydroelectric Plant, through participation in the UHE Baguari Consortium (Baguari Energia 49.00%, Neoenergia 51.00%), located on the Doce River in Governador Valadares, Minas Gerais State. The plant began operation of its units from September 2009 to May 2010.

Central Eólica Praias de Parajuru S.A. (**Parajuru**) (Jointly controlled): Production and sale of electricity from the *Parajuru* wind farm at Beberibe, in the State of Ceará, Northern Brazil. The plant began operating in August 2009.

Central Eólica Praias do Morgado S.A. (**Praias do Morgado**) (Jointly controlled): Production and sale of electricity from the *Morgado* wind farm at Acaraú, in Ceará, Northern Brazil. The plant began operating in May 2010.

Central Eólica Volta do Rio S.A. (**Volta do Rio**) (Jointly controlled): Production and sale of electricity from the *Volta do Rio* wind farm also at Acaraú, in the State of Ceará, Northern Brazil. The plant began operating in September 2010.

Hidroelétrica Pipoca S.A. (**Pipoca**) (Jointly controlled): Independent production of electricity, through construction and commercial operation of the *Pipoca* Small Hydro Plant (*Pequena Central Hidrelétrica*, or PCH), on the Manhuaçu River, in the Municipalities of Caratinga and Ipanema, in the State of Minas Gerais. This hydroelectric plant began operating in October 2010.

Madeira Energia S.A. (**Madeira**) (jointly controlled) Construction and commercial operation, through its subsidiary **Santo Antônio Energia** S.A., of the *Santo Antônio* hydroelectric plant in the basin of the Madeira River, in the State of Rondônia. This started commercial operation in March 2012. There are more details in Note 14.

Lightger S.A. (**LightGer**) (Jointly controlled): Independent power production through building and commercial operation of the *Paracambi* Small Hydro Plant (or PCH), on the Ribeirão das Lages river in the county of Paracambi, in the State of Rio de Janeiro. The plant started operating in May 2012.

Table of Contents

Renova Energia S.A. (**Renova**) (Jointly-controlled entities): Listed company operating in development, construction and operation of plants generating power from renewable sources – wind power, small hydro plants (SHPs), and solar energy; sales and trading of electricity, and related activities.

Retiro Baixo Energética S.A. (**RBE**) (Jointly-controlled entities): RBE holds the concession to operate the Retiro Baixo hydroelectric plant, on the Paraopeba River, in the São Francisco river basin, in the municipalities of Curvelo and Pompeu, in Minas Gerais State. The plant has installed capacity of 83.7 MW and assured energy offtake level of 38.5MW average.

Subsidiaries and jointly-controlled entities at development stage:

Guanhães Energia S.A. (**Guanhães Energia**) (Jointly controlled): Production and sale of electricity through building and commercial operation of the following Small Hydro Plants (PCHs): *Dores de Guanhões*, *Senhora do Porto* and *Jacaré*, in the county of Dores de Guanhões; and *Fortuna II*, in the county of Virginópolis, in Minas Gerais. First generation is scheduled for August 2015.

Cemig Baguari Energia S.A. (**Cemig Baguari**) (Subsidiary) – Production and sale of electricity as an independent power producer, in future projects.

Amazônia Energia Participações S.A (**Amazônia Energia**) (jointly controlled) – Unlisted company whose object is to hold and manage equity interest in **Norte Energia** S.A. (Nesa), which holds the concession to operate the **Belo Monte** Hydroelectric Plant, on the Xingu River, in the State of Pará. It is jointly controlled by **Light** S.A. (25.5%) and **Cemig GT** (74.5%). Amazônia Energia holds 9.77% of Nesa, and has significant influence in its management, but not joint control. The first turbine of Belo Monte is expected to operate in 2015. There are more details in Note 14.

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

Transmissora Aliança de Energia Elétrica S.A. (Taesa) (Jointly controlled): Construction, operation and maintenance of electricity transmission facilities in 11 states of Brazil through direct and indirect equity interests in investees.

Light S.A. (**Light**) (jointly-controlled): Hold direct or indirect interests in other companies and, directly or indirectly, operate electricity services, including generation, transmission, trading or distribution, and other

related services. Light has the following subsidiaries and jointly-controlled entities:

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

Table of Contents

Light Energia S.A. (subsidiary): Study, plan, build, and commercially operate electricity generation, transmission and sales/trading systems and related services. Owns equity interests in two wind power companies, Central Eólica **São Judas Tadeu** Ltda. and Central Eólica **Fontainha** Ltda., and in **Guanhães Energia S.A.** and **Renova Energia S.A.**

Light Esco Prestação de Serviços Ltda. (subsidiary): Purchase, sale, importation and exportation of electricity, and consultancy services in the electricity sector. Light Esco has interest in **EBL** Companhia de Eficiência Energética S.A.

Itaocara Energia Ltda. (subsidiary): Planning, construction, installation, and commercial operation of electricity generation plants, is still at development stage. It is a member of the Itaocara Hydro Plant Consortium for commercial operation of the *Itaocara* Hydroelectric Plant (51%). **Cemig GT** owns 49%.

Lightger S.A. (**Light Ger**) Described in the list of jointly-controlled entities of Cemig GT, above.

Light Soluções em Eletricidade Ltda. (Light Soluções): Its main objects are provision of service to low-voltage clients including assembly, overhaul and maintenance of installations in general.

Instituto Light para o Desenvolvimento Urbano e Social (*Light Institute for Urban and Social Development*)(subsidiary): Participation in social and cultural projects, and interest in economic and social development of cities.

Lightcom Comercializadora de Energia S.A. (subsidiary): Purchase, sale, importation and exportation of electricity, and general consultancy, in the free and regulated electricity markets.

Axxiom Soluções Tecnológicas S.A. (jointly-controlled): Unlisted company, providing technology and systems solutions for operating management of public service concession holders, including companies in electricity, gas, water, sewerage and other utilities. Jointly owned by **Light** (51%) and **Cemig** (49%).

Amazônia Energia Participações S.A (**Amazônia Energia**) (jointly controlled) Unlisted company whose object is to hold and manage equity interest in **Norte Energia S.A.** (Nesa), which holds the concession to operate the **Belo Monte** Hydroelectric Plant, on the Xingu River, in the State of Pará. It is jointly controlled by **Light S.A.** (25.5%) and **Cemig GT** (74.5%). **Amazônia Energia** holds 9.8% of Nesa, and has significant influence in its management, but not joint control. The first turbine of Belo Monte is expected to operate in February 2015. There are more details in Note 14.

Renova Energia S.A. (Jointly controlled): Described in the list of equity interests of Cemig GT, above.

Table of Contents

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

Usina Térmica Ipatinga S.A. (**Ipatinga**) (subsidiary) Production and sale, as an independent power producer, of thermally generated electricity, through the *Ipatinga* thermal plant, located on the premises of Usiminas (Usinas Siderúrgicas de Minas Gerais S.A.).

Companhia de Gás de Minas Gerais (**Gasmig**) (jointly controlled) Acquisition, transport and distribution of combustible gas or sub-products and derivatives, through a concession for distribution of gas in the State of Minas Gerais. Cemig acquired a controlling interest in Gasmig in October 2014.

Cemig Telecomunicações S.A. (**CemigTelecom**) (previously named Empresa de Infovias S.A.)(subsidiary) Provision and commercial operation of a specialized telecommunications service through an integrated multi-service network of fiber optic cables, coaxial cables, and electronic and associated equipment. CemigTelecom owns 49% of Ativas Data Center (**Ativas**) (a jointly-controlled entity), which operates primarily in supply of IT and communications infrastructure services, including physical hosting and services for medium-sized and large corporations.

Efficientia S.A. (subsidiary): Provides electricity efficiency and optimization services and energy solutions through studies and execution of projects, as well as providing services of operation and maintenance in energy supply facilities.

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

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

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

and Espírito Santo, Brazil.

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

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

Table of Contents

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

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

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

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

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

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

Axxiom Soluções Tecnológicas S.A. (jointly-controlled): Described in the list of investees of Light, above.

Transchile Charrúa Transmisión S.A. (jointly controlled): Construction, operation and maintenance of the *Charrúa-Nueva Temuco* transmission line, and two sections of transmission line at the *Charrúa* and *Nueva Temuco* substations, in the central region of Chile. The head office of Transchile is in Santiago, Chile. The transmission line started operating in January 2010.

Companhia de Transmissão **Centroeste de Minas** (jointly controlled): Construction, operation and maintenance of the *Furnas-Pimenta* transmission line part of the national grid. The line started operating in April 2010.

Parati S.A. Participações em Ativos de Energia Elétrica (jointly-controlled entity): Holding company owning interests in other companies, Brazilian or foreign, through shares or share units, in any business activity. Parati holds an equity interest of 25.64% in **Light**.

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

Table of Contents

2. BASIS OF PREPARATION

2.1 Statement of compliance

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

On April 10, 2015, the Company's Fiscal Counsel authorized the filing of the Financial Statements for the year ended December 31, 2014 in a Form 6-K.

2.2 Bases of measurement

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

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

Financial assets held for trading measured at fair value.

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

2.3 Functional currency and currency of presentation

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

2.4 Use of estimates and judgments

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

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

and in any future periods affected.

Table of Contents

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

Allowance for doubtful accounts see Note 8;

Deferred income and social contribution taxes see Note 10;

Financial assets of the concession see Note 13;

Investments See Note 14.

Property, plant and equipment Note 15.

Intangible assets see Note 16;

Depreciation see Note 15;

Amortization see Note 16;

Employee post-retirement liabilities see Note 21;

Provisions see Note 22;

Unbilled electricity supplied see Note 24; and

Fair value measurement and Derivatives instruments see Note 29.

2.5 Rules, interpretations and changes that came into effect on January 1, 2014, with effects for the Company

IFRIC 21 Taxes: This gives orientation on when to recognize a liability for a levy imposed by the government, for charges that are accounted in accordance with *IAS 37 Provisions, contingent liabilities and contingent assets*, and for those in which the amounts and the period of the levy or charge are clear.

IAS 36 Impairment of assets: This adds orientation on reporting of recoverable values of non-financial assets. The amendments to *IAS 36* remove the requirement to disclose the recoverable amount of a cash-generating unit to which the goodwill or other intangible assets with indefinite useful lives had been allocated when there has been no impairment or reversal of impairment of the related cash generating unit. Furthermore, the amendments introduce additional disclosure requirements applicable to when the recoverable amount of an asset or a cash generating unit is measured at fair value less costs of disposal. These new disclosures include the fair value hierarchy, key assumptions, and valuation techniques used which are in line with the disclosure required by *IFRS 13 Fair Value Measurements*.

Changes to IAS 32 Offsetting Financial Assets and Financial Liabilities: The amendments to *IAS 32* clarify the requirements relating to the offset of financial assets and financial liabilities. Specifically, the amendments clarify the meaning of currently has a legally enforceable right to set-off and simultaneous realization and settlement .

Table of Contents

Changes to IFRS 10, IFRS 12 and IAS 27: These define an investment entity, and require that a reporting entity which fits the definition should not consolidate its subsidiaries but, instead, value them at fair value through profit or loss in its consolidated and separate financial statements. Changes have been made to IFRS 12 and IAS 27 to introduce new disclosure requirements for investment entities.

The Company has analysed impacts of these changes and did not recognize material impacts in its financial statements.

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

IFRS 9 Financial Instruments, issued in November 2009, introduced new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and derecognition. Another revised version of IFRS 9 was issued in July 2014 mainly to include (a) impairment requirements for financial assets; and (b) limited amendments to the classification and measurement requirements by introducing a fair value through Other comprehensive income measurement category for certain simple debt instruments.

The most significant effect of IFRS 9 in terms of the classification and measurements of financial liabilities is in accounting of changes in fair value of a financial liability (designated at fair value through profit or loss) that are attributable to changes in the credit risk of that liability. Specifically, under IFRS 9, in relation to the financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in Other comprehensive income, unless the recognition of the effects of changes in the credit risk of the liability in Other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to the credit risk of a financial liability are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.

In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires that the Company to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognized. It is not possible to disclose a reasonable estimate of this effect until the Company carries out a detailed review of these impacts.

Table of Contents

Amendments to IFRS 11 Joint arrangements: The amendments to IFRS 11 provide guidance on how to account for the acquisition of a joint operation that constitutes a business, as defined in IFRS 3 *Business combinations*. Specifically, the amendments state that the relevant principles on accounting for business combinations under IFRS 3 and other standards (such as IAS 36 *Impairment of assets* regarding impairment testing of a cash-generating unit to which goodwill on acquisition of a joint operation has been allocated) should be applied. The alterations to IFRS 11 apply prospectively for annual periods beginning on or after January 1, 2016.

2.7 Principal accounting policies

The accounting policies described in detail below have been applied consistently to all the periods presented in these consolidated financial statements.

The accounting policies referring to the Company's current operations, and consistently applied by the entities of the Group, are as follows:

a) Financial instruments

Non-derivative financial assets: The Company initially recognizes loans, receivables and deposits on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognized initially on the transaction date, which is the date on which the Company becomes one of the parties to the contractual provisions of the instrument.

The Company derecognizes a non-derivative financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognized as an individual asset or liability.

Financial assets or liabilities are offset, and the net amount presented in the Statement of financial position, when, and only when, the Company has the legal right to offset the amounts and has the intention to settle on a net basis or to realize the asset and settle the liability simultaneously.

The company has the following non-derivative financial assets: Securities measured at fair value through profit or loss; Cash and cash equivalents, credits owed by consumers, Traders and Electricity transport concession holders; restricted cash and Escrow deposits in litigation recognized at nominal realization value, similar to fair value; and Financial assets of the concession not covered by Law 12783/13, and Financial assets of the concession covered by Law 12783/13, measured at New Replacement Value (*valor novo de reposição*, or VNR), equivalent to fair value.

Table of Contents

Non-derivative financial liabilities: The Company recognizes issued debt securities initially on the date on which they are originated. All the other financial *liabilities* (including *liabilities* designated at fair value through profit or loss) are recognized initially on the trade date on which the Company becomes one of the parties to the contractual provisions of the instrument. The company writes down a financial liability when its contractual obligations are discharged, cancelled or expire.

The Company has the following non-derivative financial liabilities: Loans; Financings; Debentures; Suppliers; and Other accounts payable. These liabilities are recognized initially at fair value plus any attributable transaction costs. After the initial recognition, they are measured at amortized cost using the effective rates method.

Share capital: Common shares are classified as equity. Preferred shares are classified as equity if they are not redeemable, or if they are redeemable only at the Company's option. Preferred shares do not carry the right to vote; and also have preference in the event of liquidation of their portion of the share capital. The rights to minimum dividends for the preferred shares are described in Note 23 to the consolidated financial statements. The minimum obligatory dividends as defined in the by-laws are recognized as a liability.

Financial instruments at fair value through profit or loss: A financial asset is classified at fair value through profit or loss if it is classified as held for trading, that is to say, designated as such upon initial recognition. Financial assets are designated at fair value through profit or loss if the Company manages those investments and takes purchase and sale decisions based on their fair values in accordance with the Company's documented risk management and investment strategy. Transaction costs are recognized in the Statement of income when incurred. Financial assets recorded at fair value through profit or loss are measured at fair value, and changes in the fair value of these assets are recognized in the Statement of income for the period. Securities were classified in this category.

Financial instruments available for sale: A financial instrument is classified as available for sale when the purpose for which it was acquired is not investment of funds to obtain short-term gains, and there is no intention of keeping the investments up to maturity or, further, when they do not fit in the other categories. As from December 31, 2012, assets in this category include the financial assets of the transmission and distribution concession that were covered by Law 12783 (of January 11, 2013). They are measured at New Replacement Value (*Valor Novo de Reposição*, or VNR), equivalent to fair value on the date of these financial statements. The Company recognizes a financial asset resulting from a concession contract when it has an unconditional contractual right to receive cash or another financial asset from, or under the direction of, the Concession-granting power for the services of construction or improvement provided.

Table of Contents

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

Loans and receivables: These are financial assets with fixed or calculable payments that are not quoted on an active market. These assets are recognized initially at fair value plus any attributable transaction costs. After initial recognition, loans and receivables are measured at amortized cost by the effective interest method, less any loss by impairment.

The category includes: Cash equivalents; Consumers and traders; Holders of electricity transport concessions; Financial assets of the concession not covered by Law 12783 and Traders Free Energy transactions.

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

The Company recognizes a financial asset resulting from a concession contract when it has an unconditional contractual right to receive cash or another financial asset from, or under the direction of, the concession-granting power for the services of construction or improvement provided. Such financial assets are measured at fair value through the initial recognition. After the initial recognition, the financial assets are measured at amortized cost and classified as loans and receivables.

b) Foreign currency and operations outside Brazil

Transactions in foreign currency are converted to the functional currency of the Company at the exchange rates of the dates of the transactions. Monetary assets and liabilities denominated and calculated in foreign currencies on the date of presentation are reconverted to the functional currency at the exchange rate found on that date. The exchange rate gain or loss on monetary items is the difference between the amortized cost of the functional currency at the beginning of the period, adjusted for interest and any payments made during the period, and the amortized cost in foreign currency at the exchange rate of the financial position date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are reconverted to the functional currency at the exchange rate on the date on which the fair value was calculated. Foreign currency differences resulting from reversion are recognized in the Statement of income. Non-monetary items that are measured in terms of historic cost in foreign currency are converted at the exchange rate found on the transaction date.

Table of Contents

The gains and losses arising from variations in foreign currencies relating to the jointly-controlled entity Transchile are recognized directly in Equity in the Accumulated Conversion Adjustment and recognized in the Statement of income when these investments are sold, partially or totally. The financial statements of a subsidiary outside Brazil are adjusted to the Company's accounting practices and, subsequently, converted to the local functional currency at the exchange rate of the financial position date.

c) Consumers and traders; Concession holders - Transport of electricity; and Consumers and traders Transactions in Free Energy

Accounts receivable from Consumers and traders, and from Concession holders for transport of electricity, are initially recorded at fair value, whether already invoiced or not, and, subsequently, measured by amortized cost. They include any direct taxes for which the company has the tax responsibility, less taxes withheld at source, which are considered to be tax credits.

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

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

d) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is based on the principle of average cost of acquisition and includes expenses incurred in the acquisition of inventories and other costs incurred in bringing them to their present locations and conditions. Materials in inventory are classified in Current assets, and are not depreciated or amortized; materials that are used for works are classified in Property, plant and equipment or Intangible assets.

The net realizable value is the estimated sale price in the normal course of business, less the estimated costs of conclusion and expenses of sales.

Table of Contents

e) **Investments**

The financial information of jointly-controlled entities, which are characterized as joint ventures, is recognized by the equity method. The Company's investments include the goodwill identified on acquisitions, net of any accumulated losses by impairment.

f) **Business combinations**

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Company, liabilities incurred by the Company to the former owners of the acquiree and the equity interests issued by the Company in exchange for the control of the acquiree. Acquisition-related costs are generally recognized in profit or loss as incurred.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of the non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed. If, after the reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognized immediately in profit or loss as a bargain purchase gain. Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the net assets of the entity in the event of liquidation may be initially measured at the proportionate share of the non-controlling interests of the recognized amounts of the acquiree's identifiable net assets. When a business combination is achieved in stages, the previously held interest in the acquiree is remeasured to its acquisition-date fair value and the resulting gain or loss, if any, is recognized in or statement of income.

g) **Operating leases**

Payments made under operating lease contracts are recognized as expenses in the Statement of income on a straight-line basis over the period of the lease contract.

h) **Assets linked to the concessions**

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

Table of Contents

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

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

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

When an asset is replaced, the net book value of the assets is written off as an expense to the Statement of income.

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

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

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

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

Table of Contents

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

Gas concession: The portion of the assets of the concession that will be consumed in full during the concession is recorded as an Intangible asset and fully amortized during the period during which the concession contract is in effect.

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

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

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

i) Intangible assets

Intangible assets comprise assets relating to: service concession contracts, and software.

The following criteria are applied to individual cases: (i) Intangible assets acquired from third parties are measured at total acquisition cost, less expenses of amortization; and (ii) intangible assets generated internally are recognized as assets in the phase of development, provided that the technical feasibility of using them is demonstrated and that the future economic benefits are probable. They are measured at cost, net of accumulated amortization and accumulated impairment losses.

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

Table of Contents

j) Property, plant and equipment

The goods in Property, plant and equipment are valued at the cost incurred on the date of their acquisition or formation, including deemed cost, and capitalized financial costs, less accumulated depreciation. The cost includes expenditures that are directly attributable to the acquisition of an asset. The cost of self-constructed assets includes the cost of materials and direct labor, and any other costs directly attributable to bringing the assets to a working condition for their intended use.

The subsequent costs are capitalized to the extent that it is probable that the Company will receive future benefits associated with those expenditures.

When an asset is replaced, the net book value of the asset, taking into account expenses on repairs and maintenance, is written off as an expense to the Statement of income.

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

The depreciation rates applied to the Company's property, plant and equipment assets are shown in Note 15 to the consolidated financial statements.

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

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

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

The residual value is the balance remaining of the asset at the end of the concession, thus, as established in a contract signed between the Company and the federal government, at the end of the concession the assets will be reverted to the federal government which, in turn, will indemnify the Company for those assets that have not yet been totally depreciated. In cases where there is no indemnity at the end of the concession, no residual value is recognized, and the depreciation rates are adjusted so that all the assets are depreciated within the concession. See more details in Note 13.

Table of Contents

k) **Impairment**

Financial assets: A financial asset not carried at fair value through profit or loss is assessed at each financial position date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect that can be reliably estimated on the estimated future cash flows of that asset. The Company considers evidence of impairment for receivables both at specific asset level and at collective level. All individually significant receivables are assessed for specific impairment. Receivables that are not individually significant are collectively assessed for impairment by grouping them with receivables with similar risk characteristics.

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

An impairment loss in relation to a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in the Statement of income and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognized through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Non-financial assets: The carrying amounts of the Company's non-financial assets, other than Inventories and Deferred income tax and Social Contribution tax, are reviewed at each financial position date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Property, plant and equipment and intangible assets have their carrying amount tested if there was an indication that an asset may be impaired.

l) **Benefits to employees**

Defined contribution plans A defined contribution plan is a post-retirement benefit plan under which an entity pays fixed contributions into a separate entity (pension fund) and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognized as an employee benefit expense in the Statement of income in the periods during which services are rendered by employees. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in future payments is available.

Table of Contents

Defined benefit plans A defined benefit plan is a post-retirement benefit plan other than a defined contribution plan. The Company's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their services rendered in the current and prior periods; that benefit is discounted to determine its present value. Any unrecognized past service costs and the fair value of any plan assets are deducted. The discount rate is the yield at the financial position on AA credit-rated bonds that have maturity dates approximating the terms of the Company's obligations and that are denominated in the same currency in which the benefits are expected to be paid. The calculation is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Company, the asset recognized is limited to the total of any unrecognized past service costs and net actuarial losses and the present value of the economic benefits available in the form of future reimbursements or reductions in future contributions to the plan. In calculating the present value of the economic benefits, consideration is given to any minimum funding requirements that apply to any plan in the Company. An economic benefit is available to the Company if it is realizable during the life of the plan, or on settlement of the plan liabilities.

Past service cost is the change in the present value of the defined benefit obligation, resulting from alteration or reduction (shortening) of the plan). The entity should recognize the cost of past service as an expense on the date of the first of the following events: (a) the alteration in the plan; or (b) when the entity recognizes the corresponding costs of restructuring or the cancellation benefits.

The Company recognizes all such actuarial gains and losses arising from adjustments based on experience, or on any changes of actuarial assumptions immediately through Other comprehensive income so that the net assets or liabilities of the pension plan are recognized in the consolidated Statement of financial position to reflect the full value of the plan's deficit or surplus.

For the Company's retirement benefit pension plan obligations, the liability recorded in the statement of financial position is the greater of: a) the debt agreed upon with the foundation for amortization of the actuarial obligations, and b) the present value of the actuarial obligation, as calculated by a qualified actuary, less the fair value of the plan's assets, and adjusted for unrecognized actuarial gains and losses. In the business years presented, the debt agreed with the Foundation is greater than the amounts of net liabilities. In this case, the annual amount recorded for the year in the Statement of income corresponds to the charges and monetary variation on that debt, which is allocated as a financial expense of the Company.

Table of Contents

Other long-term benefits to employees: The Company's net obligation in respect of employee benefits other than pension plans is the amount of future benefit that employees have earned in return for their service in the current and prior years. That benefit is discounted to determine its present value, and the fair value of any related assets is deducted. The discount rate is the yield at the financial position date on AA credit-rated bonds that have maturity dates approximating the terms of the Company's obligations. The calculation is carried out by the projected unit credit method. Any actuarial gains and losses are recognized in the Statement of income in the period in which they arise.

The procedures mentioned above are used for the actuarial obligations relating to the health plan, life insurance and the dental plan.

Termination benefits: These are recognized as an expense when the Company is committed demonstrably, without realistic possibility of withdrawal, to a formal detailed plan to either terminate the employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognized as an expense if the Company has made an offer of voluntary redundancy, and if it is probable that the offer will be accepted, and if the number of acceptances by employees can be reliably estimated.

Short-term employee benefits: Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past services provided by the employee, and the obligation can be reliably estimated. Employees' profit shares specified in the Company's by-laws are accrued for in accordance with the requirements established in the collective agreements with the employee unions and recorded in Employees' and managers' profit shares in the Statement of income.

m) **Provisions**

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

Onerous Contracts: A provision for onerous contracts is recognized when the benefits that are expected to be derived from a contract are less than the inevitable cost of meeting the obligations of the agreement. The provision is measured at present value by the lower of: (i) the expected cost of rescinding the concession contract and (ii) the expected net cost of continuing with it.

Table of Contents

n) Income and Social Contribution taxes

Income tax and the Social Contribution tax, current and deferred, are calculated based on the rates of: income tax at 15%, plus the additional rate of 10% on taxable income exceeding R\$ 240,000.00 (two hundred and forty thousand Reais) per year; and for the Social Contribution tax, 9% on taxable profit. They include the offsetting of tax losses/carryforwards for both taxes, the total of which is limited to 30% of the real profit.

The expense on Income tax and the Social Contribution tax comprises current and deferred taxes. Current and deferred taxes are recognized in the Statement of income except to the extent that they relate to a business combination, or items directly recognized in Equity or in Other comprehensive income.

Current tax is the tax payable or receivable expected on the taxable profit for the year, using tax rates in force or substantially enacted at the financial position date, and any adjustment to the tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for taxation purposes. Deferred tax is measured at the rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantially enacted up to the financial position date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized.

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

o) Operating revenue

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

Table of Contents

Revenues from sale of electricity are recorded based on the electricity delivered and the tariffs specified in the terms of the contract or in effect in the market. Revenues from retail supply of electricity to final consumers are recorded when the delivery has taken place. The billing is carried out monthly. Unbilled retail supply of electricity, from the period between the last billing and the end of each month, is estimated based on the billing from the previous month and is accrued for at the end of the month. The differences between the estimated amounts accrued and the actual revenues realized are recorded in the following month. Historically, these have not been significant.

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

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

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

The Parcel A revenue, and the Other financial items related to tariff adjustments, are recognized in the statement of income when the costs effectively incurred are different from those incorporated into the electricity distribution tariff. For more details, see Note 13.

p) **Financial revenue and expenses**

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

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

Table of Contents

q) Earnings per share

Basic earnings per share (EPS) is calculated by dividing the profit or loss attributable to the controlling shareholders and non-controlling interest of the Company by the weighted average number of the common and preferred shares outstanding during the periods. Diluted EPS is determined by that average number of shares in circulation, adjusted for any instruments potentially convertible into shares, with dilutive effect, in the periods presented.

r) Segment reporting

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components. The operating results of all operating segments for which discrete financial information is available are reviewed regularly by the Company's CEO, to make decisions about resources to be allocated to the segment, and to assess its performance.

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

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

s) Determination of the adjustment to present value

The Company has applied adjustment to present value to certain concession contracts held for consideration, and also to the balance of debentures issued by the Company. Discount rates were used that are compatible with the cost of funding in transactions with the same maturity on the date of the transactions or of the transition to IFRS, as the case may be.

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

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

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

Subsidiary	Form of valuation	2014 Direct stake (%)
Cemig Geração e Transmissão	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 Capim Branco Energia	Consolidation	100.00
Cemig Trading	Consolidation	100.00
Efficientia	Consolidation	100.00
Cemig Comercializadora de Energia Incentivada	Consolidation	100.00
UTE Barreiro	Consolidation	100.00
Empresa de Serviços e Comercialização de Energia Elétrica	Consolidation	100.00

Due to the acquisition of the additional equity interest in Gasmig in the fourth quarter of 2014, Cemig now exercises control over this entity and, consequently, consolidates Gasmig in its financial statements, as described in Note 14.

a) Subsidiaries and jointly-controlled entities

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

In some jointly-controlled entities Cemig has more than 50% of the voting power. However, there are shareholders agreements that give the minority shareholders material rights that represent sharing of control.

b) Consortia

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

Table of Contents

c) Transactions eliminated in consolidation

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

The financial statements of Transchile, for the purposes of calculations by the equity method, are converted from US dollars (the functional currency of Transchile) to Reais based on the exchange rate at last quoted day of the year, since Cemig's functional currency is the Real. Foreign currency differences are recognized in Other comprehensive income and presented in equity.

The consolidated financial statements include the balances and transactions of the investment funds in which the Company and its subsidiaries and jointly-held entities are the sole unit holders. These funds comprise public securities, private securities and debentures of companies, which have minimum risk classification A+(bra) (Brazilian long-term rating), ensuring high liquidity.

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

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

Cemig and its subsidiaries hold the following concessions or authorizations, from ANEEL:

	Location	Date of concession or authorization	Expiration date
GENERATION			
Hydroelectric plants			
São Simão(1)	Rio Paranaíba	01/1965	01/2015
Emborcação	Rio Paranaíba	07/1975	07/2025
Nova Ponte	Rio Araguari	07/1975	07/2025
Jaguara (1)	Rio Grande	08/1963	08/2013
Miranda	Rio Araguari	12/1986	12/2016
Três Marias	Rio São Francisco	04/1958	07/2015
Volta Grande	Rio Grande	02/1967	02/2017
Irapé	Rio Jequitinhonha	01/1999	02/2035
Aimorés	Rio Doce	07/2000	12/2035
Salto Grande	Rio Santo Antônio	10/1963	07/2015
Funil	Rio Grande	10/1964	12/2035
Queimado	Rio Preto	11/1997	01/2033
Itutinga	Rio Grande	01/1953	07/2015
Camargos	Rio Grande	08/1958	07/2015
Porto Estrela	Rio Santo Antônio	05/1997	07/2032
Igarapava	Rio Grande	05/1995	12/2028
Piau	Rio Piau / Pinho	10/1964	07/2015
Gafanhoto	Rio Pará	09/1953	07/2015
Cachoeirão PCH	Rio Manhuaçu	07/2000	07/2030
Santo Antônio UHE	Rio Madeira	06/2008	06/2043
Baguari UHE	Rio Doce	08/2006	08/2041
Pipoca PCH	Rio Manhuaçu	09/2001	09/2031
Others	Various	Various	Various
Wind farms (2)			
Morro do Camelinho	Gouveia Minas Gerais	03/2000	01/2017
Praias do Parajuru	Beberibe Ceará	09/2002	08/2029
Volta do Rio	Acaraú Ceará	12/2001	08/2034
Praia de Morgado	Acaraú Ceará	12/2001	08/2034
Thermal plants			

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Igarapé	Juatuba	Minas Gerais	01/2001	08/2024
Ipatinga (3)	Ipatinga	Minas Gerais	11/2000	12/2014
Barreiro	Belo Horizonte	Minas Gerais	02/2002	04/2023
TRANSMISSION				
National grid		Minas Gerais	07/1997	07/2015
Substation: Itajubá		Minas Gerais	10/2000	10/2030
DISTRIBUTION				
North		Minas Gerais	04/1997	02/2016
South		Minas Gerais	04/1997	02/2016
East		Minas Gerais	04/1997	02/2016
West		Minas Gerais	04/1997	02/2016

- (1) The extension of the concession specified in the concession contract is not included in these figures. See details in this Note.
- (2) Permission to operate the activity of wind power generation is given by means of authorizations.
- (3) This plant will not have its concession contract extended, and will be returned to Usiminas.

Table of Contents

Generation concessions

In the generation business, the Company, as well as selling electricity through auctions to distributors in the Regulated Market, also sells electricity to Free Consumers in the Free Market (*Ambiente de Contratação Livre*, or ACL). In the Free Market, electricity is traded by generation concession holders, Small Hydro Plants (PCHs), self-producers, traders, and importers of electricity.

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

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

Transmission concessions

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

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

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

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

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

financial assets directly from the grantor at the end of the concession agreement period.

Table of Contents**Transmission concessions renewed under Law 12783/2013**

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

Distribution concessions

Cemig D has the following concessions from ANEEL:

In the State of Minas Gerais	Date of grant	Expiration
North	04/1997	02/2016
South	04/1997	02/2016
East	04/1997	02/2016
West	04/1997	02/2016

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

The Company does not have obligations to make payment in compensation for commercial operation of the distribution concessions, but it is required that standards of quality, and investments made, in accordance with the concession contract, are complied with.

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

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

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

purpose of sharing such gains with the Company's consumers.

Table of Contents

The Company also has the right to request an extraordinary review of tariffs, in the event that any unforeseen development significantly alters the economic-financial equilibrium of the concession. The Periodic Review and the Extraordinary Review are subject, to a certain degree, to the discretion of ANEEL, although there are pre-established rules for each cycle of revision. Although concession contracts specify that the Company's economic and financial balance shall be maintained, it cannot be guaranteed that ANEEL will set tariffs that appropriately compensate the Company and that the operating revenue and profit will not be prejudiced by such tariffs. When the Company requests an annual tariff adjustment, it becomes necessary to prove the resulting financial impact of these events on operations.

Under the distribution concession contracts, the Company is authorized to charge its consumers a tariff consisting of two components: (i) One part relating to electricity purchased for resale, charges for use of the transmission grid, and charges for use of the distribution system that are not under its control (Portion A costs), and (ii) a portion relating to operating costs (Portion B costs). Both portions are established as part of the original concession, for specific initial periods. Subsequently to the initial periods, and at regular intervals (as described above), ANEEL reviews the Company's costs, for the purpose of determining the adjustment for inflation (or a similar adjustment factor) known as the Scalar adjustment to the Portion B costs for the subsequent period. This review can result in a scalar adjustment that is positive, or zero, or negative.

On November 25, 2014 ANEEL decided to amend the concession contracts of Brazilian electricity distribution companies to ensure that, in the event of extinction of the concession contract, for whatever reason, the remaining balances (assets and liabilities) of any shortfall of payment or reimbursement resulting from the tariff should also be taken into account by the concession-granting power for the purposes of indemnity. There are more details on this amendment in Note 13.

Renewal of concessions

On September 11, 2012 the Brazilian federal government issued Provisional Measure 579 (PM 579), subsequently approved by Congress and sanctioned as Law 12,783 of January 11, 2013, which makes provisions governing: electricity generation, transmission and distribution concessions; reduction of the sector charges; and provisions for reduction of tariffs.

PM 579, when dealing with the extensions of concessions for electricity distribution, transmission and generation covered by the articles listed above, imposed new conditions on the concession holders for extension: they allowed extension for a period of 30 years.

The extension referred to in the Provisional Measure also depends on express acceptance by the concession holder of the criteria for remuneration, electricity allocation, and quality standards contained in PM 579; and PM 579 also specifies that indemnity for assets not yet amortized or depreciated will be based on the New Replacement Value (*Valor Novo de Reposição*, or VNR).

Table of Contents

In compliance with the terms of PM 579, on October 15, 2012 Cemig D submitted to ANEEL its statement of interest in extension of its Concession Contracts for electricity distribution which in its understanding were within the criteria of the PM, without prejudice to any rights provided in law for conversion.

On January 17, 2014 ANEEL sent Circular Letter 01/2014-DR/ANEEL to the Company, informing that it was studying the requests for extension of a concession, and the final decision on approval of this request lay with the Concession-granting power. Up to the date of the approval of these Financial Statements, the terms of the extension are not known to the Company's management.

Management's expectation is that this request for extension will be approved by the Concession-granting power, on conditions similar to the present ones, for a period of 30 years.

Gas concessions

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

In addition to these adjustments, a tariff review is planned for July 2015. These reviews occur every five years, to evaluate the changes in the costs of the Company and to adapt the tariffs. The Concession Contract also specifies the possibility of an extraordinary review of tariffs if any event occurs that puts the economic-financial balance of the Concession at risk.

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

Table of Contents**Electricity generation**

The Company opted not to renew the electricity generation concessions for the power plants listed below, which are included in Concession Contract 007/97 Cemig Geração:

Generating plant	Concession expiry date	Installed capacity (MW)	Net value of assets	Net value of assets
			based on historic cost at December 31, 2014	based on deemed cost at December 31, 2014
Hydroelectric Plants				
Três Marias	Jul. 2015	396	45	389
Volta Grande	Feb. 2017	380	24	65
Salto Grande	Jul. 2015	102	11	39
Itutinga	Jul. 2015	52	4	9
Camargos	Jul. 2015	46	6	20
Small Hydro Plants				
Piau	Jul. 2015	18.01	1	9
Gafanhoto	Jul. 2015	14	2	13
Peti	Jul. 2015	9.40	2	8
Tronqueiras	Jul. 2015	8.50	2	13
Joasal	Jul. 2015	8.40	2	8
Martins	Jul. 2015	7.70		3
Cajuru	Jul. 2015	7.20	4	1
Paciência	Jul. 2015	4.08	1	5
Marmelos	Jul. 2015	4	1	5
Sumidouro	Jul. 2015	2.12	2	1
Anil	Jul. 2015	2.08	1	
Poquim	Jul. 2015	1.41	2	4
		1,063	110	592

For the concessions of *Jaguara* plant, which expired in August 2013, and São Simão and Miranda plants, which expire in January 2015 and December 2016, respectively, the Company believes that it has the right to extend the concessions on the conditions prior to MP 579, under clauses existing in those contracts and under Article 19 of Law 9074/1995. The historic balances of the assets of these plants on December 31, 2014 totaled R\$ 943; and on the basis of deemed cost, used in the adoption of IFRS, totaled R\$ 1,136. Pursuant to the the concession contract, Cemig GT

shall have the right to be indemnified for the assets that have not been depreciated at the end of the respective concession term. The Company believes that this Indemnification will happen after the extension of its concession mentioned in the previous paragraph. There is more information in Note 15 *Property, plant and equipment*.

Electricity transmission

The Company opted to accept the terms of PM 579 for renewal of the transmission concessions. The information relating to the amounts of the respective indemnities to be received is disclosed in Note 13 *Financial assets of the concession*.

Electricity distribution

In compliance with PM 579, on October 15, 2012 Cemig advised ANEEL of its interest in extending the electricity distribution contracts which in the Company's view were within the criteria of the PM, without prejudice to any rights specified in the law into which Congress might convert the Provisional Measure.

The expiry dates of the distribution concessions of Cemig D, which will be extended for 30 years, are in February 2016.

Table of Contents**Concessions payable**

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

Project	Nominal value in	Present value in	Amortization period	Updating index
	2014	2014		
Porto Estrela (Consortium)	395	148	08/2001 to 07/2032	IGPM
Irapé	32	12	03/2006 to 02/2035	IGPM
Queimado (Consortium)	8	3	01/2004 to 12/2032	IGPM
Capim Branco	21	8	09/2007 to 09/2035	IGPM
Various PCHs and Hydro Plants (*)	2	2	06/2013 to 07/2015	IPCA
Salto Morais PCH			06/2013 to 07/2020	IPCA
Rio de Pedras PCH	1	1	06/2013 to 09/2024	IPCA
Various PCHs (**)	4	3	06/2013 to 08/2025	IPCA

(*) Anil, Cajuru, Camargos, Gafanhoto, Joasal, Marmelos, Martins, Paciência, Peti, Piau, Poquim, Sumidouro, Tronqueiras;

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

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

The portions paid to the Concession-granting power in 2014, the present value and the nominal value of the portions to be paid in the forthcoming period of 12 months, are as follows:

Project	Amounts paid in	Present value of amounts	Nominal value of amounts
	2014	to be paid in 12 months	to be paid in 12 months
Porto Estrela (Consortium)	16	16	16
Irapé	2	2	2
Queimado (Consortium)			

Capim Branco	1	1	1
Various PCHs and Hydro Plants (*)	3	2	2
Salto Morais SHP			
Rio de Pedras SHP			
Various SHPs (**)			

(*) Anil, Cajuru, Camargos, Gafanhoto, Joasal, Marmelos, Martins, Paciência, Peti, Piau, Poquim, Sumidouro, Tronqueiras;

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

The rate used by Cemig for discounting of its liabilities to present value is 12.50% and 5.10%, for Small hydro plants (PCHs) and conventional hydroelectric plants, respectively, representing the average funding rates using usual conditions at the date of the transition to IFRS, and at the grant of the new concessions of the PCHs and Hydro Plants, respectively.

Table of Contents

5. OPERATING SEGMENTS

The operating segments of Cemig reflect the structure of the regulatory framework for the Brazilian electricity sector, with different legislation for the sectors of generation, transmission and distribution of electricity.

The Company also operates in gas, telecommunications and in other businesses, which have a smaller impact on the results of its operations.

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

Impacts due to GASMIG acquisition in the CEMIG consolidation results

R\$ 340 Net sales and R\$ 108 net profit are related to GASMIG operations after the business combinations date.

If this business combination had happened on January 1o, 2014, the CEMIG net sales and net profit had been increased in the amounts of R\$ 979 and R\$ 32, respectively.

These tables show the operating revenues, costs and expenses for 2014, 2013 and 2012 in consolidated form:

Table of Contents

ITEM	OPERATING SEGMENTS. 2014							
	GENERATION	TRANSMISSION	DISTRIBUTION	REGASIFICATION	COMBUSTION	OTHER	MINOR	NET
SEGMENT ASSETS	11,528	3,882	15,064	327	2,549	2,007	(357)	35,000
ADDITIONS TO (REDUCTION IN) THE SEGMENT INVESTMENTS IN ASSOCIATES AND JOINTLY-CONTROLLED ENTITIES	2,995	80	792	29	501	19		4,416
NET REVENUE	7,339	708	11,241	119	340	90	(297)	19,540
OPERATING COSTS								
Electricity purchased for resale	(1,833)		(5,747)				152	(7,428)
Charges for the use of the national grid	(282)		(573)				111	(744)
Gas purchased for resale					(254)			(254)
	(2,115)		(6,320)		(254)		263	(8,426)
OTHER COSTS								
Personnel	(201)	(105)	(886)	(13)	(11)	(36)		(1,252)
Employees and managers profit shares	(39)	(16)	(184)	(1)		(9)		(249)
Post-retirement liabilities	(34)	(14)	(153)			(11)		(212)
Materials	(295)	(5)	(80)		(1)			(381)
Outsourced services	(159)	(39)	(737)	(23)	(2)	(23)	30	(953)
Depreciation and amortization	(324)		(428)	(34)	(4)	(11)		(801)
Royalties for use of water resources	(127)							(127)
Operating provisions (reversals)	(62)	(26)	(300)			(193)		(581)
Construction costs		(81)	(861)					(942)
Other operating expenses. net	(130)	(34)	(300)	(27)	(11)	(29)	4	(527)
Total cost of operation	(1,371)	(320)	(3,929)	(98)	(29)	(312)	34	(6,025)
TOTAL COSTS AND EXPENSES	(3,486)	(320)	(10,249)	(98)	(283)	(312)	297	(14,451)
Operating profit before Equity gains (losses) and Financial revenue (expenses)	3,853	388	992	21	57	(222)		5,089
	(386)	386	150	(28)	47	41		210

Equity in earnings of unconsolidated investees, net							
Gain on acquisition of control of investee						281	281
Financial revenues	119	46	358	5	21	44	593
Financial expenses	(396)	(291)	(751)	(3)	(6)	(247)	(1,694)
Income before income tax and social contribution taxes	3,190	529	749	(5)	119	(103)	4,479
Current income and social contribution taxes	(1,061)	(42)	(114)	(7)	(5)	(30)	(1,259)
Deferred income and social contribution taxes	(55)	(2)	(55)		(7)	36	(83)
NET INCOME FOR THE YEAR	2,074	485	580	(12)	107	(97)	3,137
OTHER COMPREHENSIVE INCOME							
Items that will not be reclassified to profit or loss							
Post retirement liabilities restatement of obligations of the defined benefit plans, net of taxes			(36)			(8)	(44)
Equity gain (loss) on other comprehensive income in jointly-controlled entities						(7)	(7)
Items that may be reclassified to profit or loss							
Equity gain (loss) on other comprehensive income in jointly-controlled entities						10	10
COMPREHENSIVE INCOME FOR THE YEAR	2,074	485	544	(12)	107	(102)	3,096
Total of comprehensive income for the year attributed to:							
Interest of the controlling shareholders	2,074	485	544	(12)	107	(102)	3,096
Non controlling interest arising from business combination							

Table of Contents

ITEM	OPERATING SEGMENTS. 2013							TOTAL
	GENERATION	TRANSMISSION	DISTRIBUTION	NECOM	GAS	OTHER	IMPAIRMENTS	
SEGMENT ASSETS	10,224	3,452	13,688	328	577	3,091	(1,546)	29,814
ADDITIONS TO (REDUCTION IN) THE SEGMENT INVESTMENTS IN ASSOCIATES AND JOINTLY-CONTROLLED ENTITIES	520	(1,600)	884			22		(174)
NET REVENUE	5,253	277	9,206	114		96	(319)	14,627
OPERATING COSTS								
Electricity purchased for resale	(1,294)		(4,089)				176	(5,207)
Charges for the use of the national grid	(264)		(410)				99	(575)
	(1,558)		(4,499)				275	(5,782)
OTHER COSTS								
Personnel	(215)	(103)	(894)	(14)		(58)		(1,284)
Employees and managers profit shares	(40)	(19)	(146)	(2)		(14)		(221)
Post-retirement liabilities	(27)	(13)	(119)			(17)		(176)
Materials	(64)	(5)	(53)	(1)				(123)
Outsourced services	(153)	(40)	(721)	(21)		(21)	39	(917)
Depreciation and amortization	(371)		(416)	(31)		(1)	(5)	(824)
Royalties for use of water resources	(131)							(131)
Operating provisions (reversals)	(37)	(18)	(275)			25		(305)
Construction costs		(91)	(884)					(975)
Other operating expenses. net	(81)	(31)	(328)	(19)		(38)	4	(493)
Total cost of operation	(1,119)	(320)	(3,836)	(88)		(124)	38	(5,449)
TOTAL COSTS AND EXPENSES	(2,677)	(320)	(8,335)	(88)		(124)	313	(11,231)

Operating profit before Equity gains (losses) and Financial revenue (expenses)	2,576	(43)	871	26		(28)	(6)	3,396
Equity in earnings of unconsolidated investees, net	75	484	113	(20)	91	15	6	764
Gain on disposal of equity investment		(94)				378		284
Unrealized profit on disposal of investment						(81)		(81)
Financial revenues	228	94	453	6		104		885
Financial expenses	(288)	(226)	(647)	(4)		(29)		(1,194)
Income before income tax and social contribution taxes	2,591	215	790	8	91	359		4,054
Income and social contribution taxes	(726)	79	(187)	(6)		(110)		(950)
NET INCOME FOR THE YEAR	1,865	294	603	2	91	249		3,104
OTHER COMPREHENSIVE INCOME								
Items that will not be reclassified to profit or loss								
Post retirement liabilities restatement of obligations of the defined benefit plans, net of taxes	41		72			62		175
Equity gain (loss) on other comprehensive income in jointly-controlled entities						31		31
Items that may be reclassified to profit or loss								
Equity gain (loss) on other comprehensive income in jointly-controlled entities						7		7
COMPREHENSIVE INCOME FOR THE YEAR	1,906	294	675	2	91	349		3,317
Total of comprehensive income for the year attributed to:								
Interest of the controlling shareholders	1,906	294	675	2	91	349		3,317

Table of Contents

ITEM	OPERATING SEGMENTS. 2012							TOTAL
	GENERATION	TRANSMISSION	DISTRIBUTION	NECOM	GAS	OTHER	ELIMINATION	
SEGMENT ASSETS	8,896	7,229	12,885	320	508	3,581	(849)	32,570
ADDITIONS TO (REDUCTION IN) THE SEGMENT	473	107	1,229			66		1,875
INVESTMENTS IN ASSOCIATES AND JOINTLY-CONTROLLED ENTITIES	1,135	3,747	1,104		508	361		6,855
NET REVENUE	4,238	658	9,504	114		74	(451)	14,137
OPERATING COSTS								
Electricity purchased for resale	(735)		(4,180)				232	(4,683)
Charges for the use of the national grid	(275)		(794)				186	(883)
	(1,010)		(4,974)				418	(5,566)
OTHER COSTS								
Personnel	(180)	(105)	(831)	(15)		(43)		(1,174)
Employees and managers profit shares	(40)	(19)	(164)	(1)		(14)		(238)
Post-retirement liabilities	(20)	(10)	(94)			(10)		(134)
Materials	(14)	(6)	(52)			(1)		(73)
Outsourced services	(145)	(42)	(695)	(19)		(33)	27	(907)
Depreciation and amortization	(333)		(393)	(32)			(6)	(764)
Royalties for use of water resources	(185)							(185)
Operating provisions (reversals)	(1)	(1)	(268)			(400)		(670)
Construction costs		(107)	(1,228)					(1,335)
Other operating expenses. net	(91)	(24)	(307)	(17)		(42)		(481)
Total cost of operation	(1,009)	(314)	(4,032)	(84)		(543)	21	(5,961)
TOTAL COSTS AND EXPENSES	(2,019)	(314)	(9,006)	(84)		(543)	439	(11,527)
	2,219	344	498	30		(469)	(12)	2,610

Operating profit before Equity gains (losses) and Financial revenue (expenses)

Equity in earnings of unconsolidated investees, net	(12)	719	103	(23)	55	13	10	865
Financial revenues	105	38	289	9		2,482		2,923
Financial expenses	(325)	(253)	(574)	(5)		(137)		(1,294)

Income before income tax and social contribution taxes	1,987	848	316	11	55	1,889	(2)	5,104
Income and social contribution taxes	(571)	(37)	(20)	(6)		(198)		(832)

NET INCOME FOR THE YEAR	1,416	811	296	5	55	1,691	(2)	4,272
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OTHER COMPREHENSIVE INCOME

Items that will not be reclassified to profit or loss

Post retirement liabilities restatement of obligations of the defined benefit plans, net of taxes	(87)		(231)			(153)		(471)
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Equity gain (loss) on other comprehensive income in jointly-controlled entities						56		56
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Items that may be reclassified to profit or loss

Equity gain (loss) on other comprehensive income in jointly-controlled entities						3		3
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COMPREHENSIVE INCOME FOR THE YEAR	1,329	811	65	5	55	1,597	(2)	3,860
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Total of comprehensive income for the year attributed to:

Interest of the controlling shareholders	1,329	811	65	5	55	1,597	(2)	3,860
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Table of Contents**6. CASH AND CASH EQUIVALENTS**

	2014	2013
Bank accounts	89	75
Cash investments		
Bank certificates of deposit	750	1,893
Overnight (Repos)	48	228
Other		6
	798	2,127
	887	2,202

Cash investments are transactions carried out with Brazilian institutions, and international financial institutions with branch offices in Brazil, at normal market conditions and rates. All the transactions 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. Bank Certificates of Deposit (*Certificados de Depósito Bancário*, or CBDs), with fixed or floating rates, are remunerated at a percentage (varying from 80% to 109.6%) of the CDI rate (Interbank Rate for Certificates of Deposit *Certificados de Depósito Inter-bancário* CDIs) published by the Custody and Settlement Chamber (*Câmara de Custódia e Liquidação*, or Cetip). Repo transactions state, in their trading notes, the Bank's commitment to repurchase the security, at sight, on the maturity date of the transaction, or earlier, at the Company's option.

Overnight repo transactions are short-term cash investments, with availability for redemption on the day following the date of investment. These are usually backed by treasury bills, notes or bonds and referenced to a pre-fixed rate.

The Company's exposure to interest rate risk and a sensitivity analysis of financial assets and liabilities are given in Note 28 to the consolidated financial statements.

7. SECURITIES

	2014	2013
Cash investments		
Current		
Bank certificates of deposit	238	196
Financial Notes - Banks	556	504

Treasury Financial Notes (LFTs)	86	38
Debentures	98	170
Other	16	25
	994	933
Non-current		
Financial Notes Banks	17	89
Other		1
	17	90
	1,011	1,023

Securities refers to financial investments in transactions contracted with Brazilian financial institutions, and international financial institutions with branch offices in Brazil, for market prices and conditions.

Table of Contents

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 80% to 109.6% depending on the transaction.

Classification of these securities in accordance with the categories specified in Brazilian accounting rules is presented in Note 28.

8. CONSUMERS, TRADERS AND POWER TRANSPORT CONCESSION HOLDERS

	Balances not yet due	Up to 90 days past due	More than 90 days past due	2014	2013
Invoiced supply	883	421	715	2,019	1,726
Supply not yet invoiced	668			668	512
Wholesale supply to other concession holders	237	24	47	308	439
Concession holders Transport of electricity	90	4	160	254	249
() Allowance for doubtful accounts			(650)	(650)	(585)
	1,878	449	272	2,599	2,341
Current assets				2,390	2,153
Non-current assets				209	188

The Company's exposure to credit risk related to Consumers and traders is given in Note 28.

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:

	2014	2013
Residential	174	147
Industrial	329	299
Commercial, services and others	99	84
Rural	18	19
Public authorities	10	10
Public illumination	5	11

Public service	10	10
Other	5	5
	650	585

Changes in the provision for doubtful receivables in 2014, 2013 and 2012 were as follows:

	01/01/2012	New provisions	Reversals	2012	New provisions	Reversals	2013	New provisions	Written off	2014
Allowance for doubtful receivables	337	227	(49)	515	121	(51)	585	127	(62)	650

Table of Contents**9. RECOVERABLE TAXES**

	2014	2013
Current		
ICMS tax recoverable	169	115
PIS and Pasep taxes	7	47
Cofins tax	31	314
Other	7	5
	214	481
Non-current		
ICMS tax recoverable	283	249
PIS and Pasep taxes	18	23
Cofins tax	84	108
Other	2	2
	387	382
	601	863

The credits of the PIS, Pasep and Cofins taxes arise mainly from acquisitions of property, plant and equipment, and can be offset over 48 months.

The recoverable ICMS tax credits in Non-current assets arise from acquisitions of property, plant and equipment and can be applied against taxes payable in 48 months. The transfer to Non-current assets was made in accordance with estimates by Management of the amounts which will likely be realized by December 2015.

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

The balances of income and social contribution taxes refer to tax credits in corporate income tax returns of previous years and to advance payments in 2014, which will be offset against federal taxes payable for the year 2015. These are posted in Taxes and contributions.

	2014	2013
Current		
Income tax	202	181
Social Contribution tax	93	68
	295	249
Non-current		
Income tax	196	168
Social Contribution tax	11	10
	207	178
	502	427

b) Deferred income and social contribution taxes

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

Table of Contents

	2014	2013
Tax credits		
Tax loss carryforwards	268	259
Provisions	306	104
Post-retirement liabilities	623	558
Allowance for doubtful receivables	221	201
Taxes payable – suspended liability (1)	196	179
Paid concession	67	67
Parcel A – items Variation Compensation Account (CVA) (2)		106
Other	50	43
Total	1,731	1,517
Deferred obligations		
Funding cost	(2)	(4)
Deemed cost	(305)	(335)
Adjustment to present value	(59)	(84)
IRT	(10)	
Purchase price allocation adjustments	(356)	
Borrowing costs, capitalized	(60)	(41)
Taxes on revenues not redeemed – Presumed Profit accounting method	(2)	(2)
Transmission companies: Indemnity gain	(227)	(85)
Updating of financial assets	(75)	(1)
Total	(1,096)	(552)
Total. net	635	965
Total assets	1,246	1,221
Total liabilities	(611)	(256)

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

(2) Adjustment arising from Law 11638/2007 – Transition Tax Regime (RTT), due to adoption of IFRS.

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

Balance on January 1. 2012	598
Effects allocated to Statement of income	204
Effects allocated to Statement of comprehensive income	192
Realized	3
Balance on December 31. 2012	997
Effects allocated to Statement of income	43
Effects allocated to Statement of comprehensive income	(90)
Realized	15
Balance on December 31. 2013	965
Effects allocated to Statement of income	(83)
Deferred taxes recognized in business combination	(269)
Effects allocated to Statement of comprehensive income	22
Realized	
Balance on December 31. 2014	635

The Board of Directors, in a meeting held on March 25, 2015, approved a technical study prepared by the Financial Department, on the forecast for the Company's future profitability. This study demonstrates the Company's capacity to realize the deferred tax asset, over a maximum period of 10 years.

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

Table of Contents

According to the individual estimates of the Company and its subsidiaries, the future taxable profits enable the Deferred tax asset existing on December 31, 2014 to be realized, as follows:

2015	227
2016	364
2017	189
2018	196
2019	204
2020 2022	319
2023 2024	232
	1,731

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

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

	2014	2013	2012
Profit before income tax and Social Contribution tax	4,479	4,054	5,104
Income tax and Social Contribution tax nominal expense	(1,523)	(1,378)	(1,735)
Tax effects applicable to:			
Gain (loss) in subsidiaries by equity method (net of Interest on Equity)	25	187	270
Interest on Equity	78	181	578
Non-deductible contributions and donations	(13)	(11)	(9)
Tax incentives	66	39	33
Tax credits not recognized	(1)	4	
Difference between Presumed Profit and Real Profit	8	29	24
Cemig/Minas Gerais State settlement for TUSD ICMS case	(5)		(3)
Excess on reactive power and demand levels	(12)	(10)	
Other	35	9	10
Income tax and Social Contribution effective gain (expense)	(1,342)	(950)	(832)
Effective rate	29.96%	23.44%	16.30%

Current tax	(1,259)	(994)	(1,035)
Deferred tax	(83)	44	203
<u>Law 12973/14</u>			

Provisional Measure 627 of 2013 (passed as Law 12973/2014) was enacted to end the Transition Taxation Regime (*Regime Tributário de Transição*, or RTT) for all taxpayers, in calendar-year 2015, and adapt the tax legislation to International Financial Reporting Standards, which are included in the Corporate Law by Law 11638 of 2007. Law 12973/14 gave taxpayers the option of early adopting the change as from January 1, 2014, under normative Instructions issued by the federal tax authority (*Secretaria da Receita Federal*). The Company decided not to opt for early adoption of the tax rules established by this law.

Table of Contents**Tax incentives – Sudene**

By its Decision Dispatch 1352 DRF/BHE of July 21, 2014, the federal tax authority (*Receita Federal*) recognized the right to a reduction of 75% in income tax, including the part paid at the additional rate, calculated based on the operating profit made in the region under the aegis of Sudene (the Development Authority for the Northeast), for 10 years from 2014. The incentive amount recorded was R\$ 25.

11. ESCROW DEPOSITS

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

The most important escrow deposits for tax obligations refer to income tax withheld at source on Interest on Equity, and the Pasep and Cofins taxes in actions seeking to exclude the ICMS tax itself from the calculation base of the Pasep and Cofins taxes.

	2014	2013
Employment law cases	300	282
Tax issues		
Income tax on Interest on Equity	15	15
Pasep and Cofins tax (1)	720	720
Other	193	97
	928	832
Other		
Monetary updating on AFAC from Minas Gerais State Government (2)	240	
Regulatory	37	35
Third party	9	10
Consumer relations	4	5
Court embargo	10	13
Other	7	3
	307	66
	1,535	1,180

- (1) The balances of escrow deposits relating to Pasep and Cofins taxes have a corresponding provision in Taxes. See more details in Note 19.
- (2) Administrative deposit seeking suspension of enforceability of the credit charged by the Minas Gerais State Government for a difference in the monetary updating on the Advance against Future Capital Increase. See more details in Note 23.

12. ENERGY DEVELOPMENT ACCOUNT (CDE)

Reimbursement of tariff subsidy payments

The subsidies applicable to tariffs charged to users of public electricity distribution service, which are reimbursed through payments of funds from the Energy Development Account (CDE). In 2014, the amount appropriated as incoming subsidies was R\$ 790 (R\$ 488 in 2013), of which the Company has R\$ 345 (R\$ 136 in 2013) yet to be received.

Table of Contents**Reimbursement of costs of energy purchased**

Due to the low level of the reservoirs of the hydroelectric plants and the consequent increase in the price of electricity, with a significant impact on the cost of electricity purchased by distributors of electricity in Brazil, the federal government, through Decree 7945/13, decided to pay funds from the Energy Development Account (CDE) to cover, principally, the costs arising from dispatching of the thermoelectric plants.

These payments were recognized in the Statement of income as a compensation for costs of electricity purchased in the spot market, in the amount of R\$ 2,302 (R\$ 519 in 2013).

13. FINANCIAL ASSETS OF THE CONCESSION

	31/12/2014	31/12/2013
Assets related to infrastructure (a)		
Distribution concessions	5,944	5,064
Transmission concessions		
Contract 006/97 Indemnity receivable	953	534
Contract 006/97 Assets remunerated by tariff	277	200
Contract 079/00 Assets remunerated by tariff	42	45
	7,216	5,843
CVA (Parcel A Variation Compensation Account) and Other financial components in tariff adjustments (b)	1,107	
Total	8,323	5,843
Current assets	848	2
Non-current assets	7,475	5,841
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 IFRIC 12, which governs accounting of concessions. These contracts refer to the investment made in infrastructure, which will be the subject of indemnity by the Concession-granting power, during the period and at the end of the concessions, as specified in the regulations of the electricity sector and in the concession contract signed between Cemig and its subsidiaries and ANEEL.

For distribution contracts, 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.

Table of Contents

Transmission assets

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

The valuation opinion delivered to ANEEL on July 31, 2014 represented an indemnity to the Company in the amount of R\$ 1,169, on base date December 31, 2012, of which R\$ 285 has been received in the first quarter of 2013.

On February 23, 2015, ANEEL sent the Company the Report of Inspection with the preliminary review of the valuation report sent by the Company, in the original amount of R\$ 1,157, which updated to December 31, 2014 represents R\$ 1,239.

The amounts recorded corresponding to the indemnity specified for the transmission assets relating to concession grant 006/97, formed up to December 31, 2012, and the subject of the valuation report referred to above, are R\$ 597, this net of the R\$ 285 already received.

Thus, the Company recognized in the statement of income for 2014 the difference between the amount of the preliminary Opinion inspected by ANEEL, which corresponds to an indemnity of R\$ 954 (net of the R\$ 285 already received), and the carrying value of R\$ 597, corresponding to a revenue of R\$ 357.

It will be the responsibility of the Mining and Energy Ministry to define the complementary guidelines in relation to the form and period of payment of the amounts referred to in the related Ministerial Order.

The remaining balance in relation to the transmission concessions refers to investments which will be remunerated through Permitted Revenue, as established by ANEEL through specific authorizations.

Distribution assets

The process of Tariff Review of the subsidiary Cemig D takes place every five years, through a process of economic evaluation, in which the tariffs of the Company's distribution concessions in the state of Minas Gerais are decided. Within the process of tariff review, a variable known as the Remuneration Base of Assets (*Base Regulatória de Remuneração*, or BRR), related to the assets linked to the concessions, is decided.

On March 11, 2013, the Economic and Financial Inspection Management Unit (*Superintendência de Fiscalização Econômico Financeira*, or SFF) of ANEEL, by its Dispatch 689, published the preliminary BRR of Cemig D, in the amount of R\$ 5,112. Shortly after the publication of the preliminary BRR, management began discussions with ANEEL with the aim of demonstrating, technically, to that Agency the need for the said amount to be reviewed. On April 5, 2013, in a meeting with the Council of ANEEL, the revised BRR of Cemig D, in the amount of R\$ 5,512 was homologated.

Table of Contents

The Company filed a further appeal to ANEEL questioning certain criteria and value of the BRR that was decided on April 5, 2013, since the amounts considered in the revised published BRR, relating principally to expenses made by the Company for the *Light for Everyone* Program (*Programa Luz para Todos*, or PLPT) are still substantially lower than those actually incurred in the execution of the program.

On March 25, 2014, the Director-General of ANEEL issued Director-General's Dispatch 729, which partially granted the Company's requests for reconsideration in the Administrative Appeal filed by Cemig D against Dispatch 689/2013 approving a new value for the Company's BRR, to R\$ 5,849, an increase of R\$ 337 on Company's BRR.

The effect of the homologation of the final BRR, representing a reduction in the Company's financial assets in the amount of R\$ 110, was recognized in the statement of income for 2014.

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

	Transmission	Distribution	Gas	Total
Balance on January 1. 2012	758	3,118		3,876
Additions	300	1,710		2,010
Written off	(2)	(70)		(73)
Transfers	(50)			(50)
Balance on December 31. 2012	1,006	4,758		5,763
Additions	91			91
Written off	(1)	(18)		(18)
Reversal of provision	24			24
Transfers	(52)	319		267
Amounts received	(289)			(289)
Monetary updating		5		5
Balance on December 31. 2013	779	5,064		5,843
Additions	80			80
Written off		(22)		(22)
Revenue recorded for adjustment in the value of the transmission indemnity	420			420
Asset acquired in business combination			656	656
Transfers *	(1)	844	(656)	187

Amounts received	(6)		(6)
Monetary updating		58	58
Balance on December 31, 2014	1,272	5,944	7,216

(*) As mentioned on note 4, Gasmig has renewed its concession agreement on December 26, 2014 extending its concession terms to January, 2053. As such financial assets were transferred to intangible assets as of December 31, 2014, to be consumed during the extended term.

b) CVA Account (Compensation of Parcel A items) and Other Financial Components in tariff adjustments

On November 25, 2014, ANEEL amended the concession contracts of the Brazilian electric power distribution companies to guarantee that in the event that the concession contract is terminated for any reason, the remaining balances (assets and liabilities) of any remaining payment or reimbursement through the tariff process is considered by the grantor for compensation purposes.

Table of Contents

Thus, as from the signature of the amendment of the concession agreement on December 10, 2014, Cemig D now recognizes the balance of the CVA account and the balance of other financial components accumulated up to that date. The Company recognized CVA balances in statement of financial position as either financial assets or liabilities, depending on the case, with a corresponding debit or credit to revenue from sales of goods and services in the statement of income.

The Company has financial assets and liabilities, recognized as from December 2014, as a result of the contractual amendment, as shown below.

This table shows the composition of the balance of CVA and other financial components recognized on December 31, 2014:

Balance at December 31, 2014	Amounts homologated by ANEEL in the last tariff adjustment	Amounts to be homologated by ANEEL in the next tariff adjustment	TOTAL
Assets			
Quota for the Energy Development Account (CDE)		13	13
Tariff for use of transmission facilities of grid participants	16	79	95
Tariff for transport of electricity provided by Itaipu		2	2
Program to encourage alternative sources of electricity Proinfra	2		2
System Service Charges (ESS) and Reserve Energy Charge (EER)	3		3
Electricity purchased for resale	447	1,617	2,064
Overcontracting of supply	6	205	211
Others	36		36
Total assets	510	1,916	2,426
Liabilities			
System Service Charges (ESS) and Reserve Energy Charge (EER)	(23)	(287)	(310)
Electricity purchased for resale	(345)	(649)	(994)
Neutrality of Portion A	(6)	(5)	(11)
Others	(2)	(2)	(4)

Total liabilities	(376)	(943)	(1,319)
Total net assets presented in Statement of financial position	134	973	1,107
Current assets	133	711	844
Non-current assets	1	262	263

The following is a brief description of main features of these assets and liabilities:

Account for Compensation of Parcel A Costs Variation (CVA) and neutrality of sector charges

The balance on the Account of CVA (Compensation for Variation of Parcel A items) in tariff adjustments and for Neutrality of Sector Charges refers to the positive and negative differences between the estimate of the Company's non-manageable costs and the payments actually made. The variations found are the subject of monetary updating based on the Selic rate and compensated in the subsequent tariff adjustments.

Other financial components

This refers to the other positive or negative differences between the estimate of non-manageable costs, not defined as CVA, and the payments actually made, compensated in the subsequent tariff adjustments.

Table of Contents**14. INVESTMENTS**

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

	2014	2013
Cemig Geração e Transmissão		
Hidrelétrica Cachoeirão	34	34
Guanhães Energia	69	69
Hidrelétrica Pipoca	28	24
Retiro Baixo	150	
Madeira Energia (Santo Antônio power plant)	778	643
FIP Melbourne (Santo Antônio power plant)	604	
Lightger	38	39
Baguari Energia	193	199
Renova	1,538	
Aliança	3	
Central Eólica Praias de Parajuru	62	61
Central Eólica Volta do Rio	84	78
Central Eólica Praias de Morgado	62	61
Amazônia Energia	395	311
Light	1,198	1,190
TAESA	2,188	2,250
Ativas Data Center		4
Gasmig		577
Epícares Empreendimentos e Participações Ltda	92	103
Companhia Transleste de Transmissão	14	29
Companhia Transudeste de Transmissão	13	14
Companhia Transirapé de Transmissão	13	14
Transchile	67	55
Companhia de Transmissão Centroeste de Minas	22	18
Axxiom Soluções Tecnológicas	23	8
Parati	372	380
	8,040	6,161

The Company's investees that are not consolidated are jointly-controlled entities, with the exception of the Santo Antônio power plant, which is a case of an affiliated company in which the Company has significant influence.

Table of Contents

a) The movement of Investments in the jointly-controlled entities in 2014 and 2013, is as follows:

	2013	Equity method gain (Statement of income)	Equity method gain (Other comprehensive income)	Dividends	Injections / acquisitions	Other	2014
Gasmig (*)	577	47		(55)		(569)	
Companhia Transleste de Transmissão	29	2		(17)			14
Companhia Transudeste de Transmissão	14	1		(2)			13
Companhia Transirapé de Transmissão	14			(1)			13
Transchile	55	2	10				67
Companhia de Transmissão Centroeste de Minas	18	5		(1)			22
Light	1,190	150	(6)	(136)			1,198
Axxiom Soluções Tecnológicas	8	(1)			16		23
Hidrelétrica Cachoeirão	34	8		(8)			34
Guanhães Energia	69						69
Hidrelétrica Pipoca	24	5		(1)			28
Madeira Energia (Santo Antônio power plant)	643	(294)			429		778
FIP Melbourne (Santo Antônio power plant)		(94)			698		604
Lightger	39			(1)			38
Baguari Energia	199	8		(14)			193
Central Eólica Praias de Parajuru	61	2		(1)			62
Central Eólica Volta do Rio	78	6					84
Central Eólica Praias de Morgado	61	2		(1)			62
Amazônia Energia	311	(17)			101		395
Ativas Data Center	4	(26)				22	
Epícares Empreendimentos	103	3		(14)			92
Parati	380	41	(1)	(48)			372
Taesa	2,250	376		(438)			2,188
Renova		(12)			1,550		1,538
Aliança					3		3

Retiro Baixo		(4)			154		150
	6,161	210	3	(738)	2,951	(547)	8,040

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

Table of Contents

	2012	Equity method gain (Statement of income)	Equity method gain (Other comprehensive income)	Disposal TBE/Taes	Dividends	Other	2013
Gasmig	508	91			(22)		577
Companhia Transleste de Transmissão	27	6			(4)		29
Companhia Transudeste de Transmissão	14	3			(3)		14
Companhia Transirapé de Transmissão	12	3			(1)		14
Transchile	48		7				55
Companhia de Transmissão Centroeste de Minas	21	4			(7)		18
Light	1,104	113	25		(52)		1,190
Emp. Paraense de Transm. de Energia (ETEP)	132	8		(133)	(7)		
Emp. Norte de Transm. de Energia (ENTE)	304	22		(310)	(16)		
Emp. Regional de Transm. de Energia (ERTE)	73	5		(72)	(6)		
Emp. Amazonense de Transm. de Energia (EATE)	670	50		(685)	(35)		
Emp. Catarinense de Transm. de Energia (ECTE)	43	2		(42)	(3)		
Axxiom Soluções Tecnológicas	5	1				2	8
Hidrelétrica Cachoeirão	32	8			(6)		34
Guanhães Energia	20					49	69
Hidrelétrica Pipoca	20	4					24
Madeira Energia	428	47				168	643
Lightger	40	1			(2)		39
Baguari Energia	194	7			(2)		199
EBTE	154	12		(166)			
Central Eólica Praias de Parajuru	60	1					61
Central Eólica Volta do Rio	74	4					78
Central Eólica Praias de Morgado	62	(1)					61

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Amazônia Energia	203	(3)			111	311
Ativas Data Center		(16)			20	4
Epícares Empreendimentos		7			96	103
Parati	356	18	6			380
Taesa	2,251	367			(368)	2,250
Gasmig (Investment in progress)						
	6,855	764	38	(1,408)	(534)	446
						6,161

Goodwill on acquisition of equity interests

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

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

Table of Contents

b) This table gives the principal information on affiliates and jointly-controlled entities.

Company	Number of shares	Cemig Interest %	2014		2013		Equity
			Share capital	Equity	Cemig Interest %	Share capital	
Cemig Geração e Transmissão	2,896,785,358	100.00	1,700	3,487	100.00	893	3,815
Cemig Distribuição Light	2,261,997,787	100.00	2,262	2,482	100.00	2,226	2,493
Cemig Telecom	203,934,060	26.06	2,226	4,602	26.06	2,226	4,568
Rosal Energia	381,023,385	100.00	225	225	100.00	225	237
Sá Carvalho	46,944,467	100.00	47	121	100.00	47	140
Gasmig	361,200,000	100.00	37	107	100.00	37	122
Horizontes Energia	409,255,483	99.57	665	1,437	59.57	644	969
Usina Térmica Ipatinga	64,257,563	100.00	64	70	100.00	64	76
Cemig PCH	14,174,281	100.00	14	24	100.00	14	26
Cemig Capim Branco Energia	30,952,000	100.00	31	67	100.00	31	88
Companhia Transleste de Transmissão	87,579,000	100.00	88	130	100.00	88	128
UTE Barreiro	49,569,000	25.00	50	54	25.00	50	116
Companhia Transudeste de Transmissão	30,902,000	100.00	31	29	100.00	31	35
Empresa de Comercialização de Energia Elétrica	30,000,000	24.00	30	53	24.00	30	58
Companhia Transirapé de Transmissão	486,000	100.00		9	100.00	1	10
Transchile	22,340,490	24.50	22	56	24.50	22	59
Efficientia	56,407,271	49.00	161	135	49.00	142	112
Cemig Comercializadora de Energia Incentivada	6,051,944	100.00	6	5	100.00	6	7
Companhia de Transmissão Centroeste de Minas	5,000,000	100.00	5	5	100.00	5	6
Cemig Trading	28,000,000	51.00	28	41	51.00	28	35
Axxiom Soluções Tecnológicas	17,200,000	49.00	17	48	49.00	14	16
Parati	160,297	100.00		31	100.00		47
TAESA	1,432,910,602	25.00	1,433	1,481	25.00	1,433	1,517
	1,033,496,721	43.36	3,042	5,045	43.36	3,042	5,188

Table of Contents

The following table provides summarized financial information of the Company's equity investees in 2014, 2013 and 2012:

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

Income tax and Social Contribution tax	(2)	(13)	(12)	(1)	(9)	(1)	(273)	(239)			(2)
Profit (loss) for the period	135	8	2	9	4	3	664	892	2	(27)	13
Comprehensive income for the period											
Net profit for the year	135	8	2	9	5	3	664	892	2	(27)	13
Gain on conversion of financial statements						19					
Actuarial gain (loss)							(17)				
Comprehensive income for the period	135	8	2	9	5	22	647	892	2	(27)	13

Financial revenues											
Financial expenses	(3)	(1)	(659)	(4)	(13)	(69)	(6)	(9)	(12)	(8)	
Operating profit	18	18	(2,140)	12	4	(7)	8	10	16	2	(23)
Income tax and Social Contribution tax	(2)	(6)	5	(1)	(2)	(6)	(1)	(1)	(1)	(2)	
Profit (loss) for the year	16	12	2,135	11	2	(13)	7	9	15		(23)
Comprehensive income for the year											
Net profit for the year	16	12	2,135	11	2	(13)	7	9	15		(23)
Comprehensive income for the year	16	12	2,135	11	2	(13)	7	9	15		(23)

Table of Contents

2013	Parati	Translândia	Transira	Centro	Estância	Sudeste	Florianópolis	Light	Taesa	Axxiom	Ativas	Epícaras
Assets												
Current	100	41	30	61	27	18	3,632	1,680	34	94	31	
Cash and cash equivalents	99	5	9	14	4	16	546	121	10	25	27	
Non-current	1,417	125	73		81	189	9,516	7,538	8	124	186	
Total assets	1,517	166	103	61	108	207	13,148	9,218	42	218	217	
Liabilities												
Current		9	4	6	4	18	3,312	830	15	73	1	
Suppliers						1	907	52	1	16	1	
Loans and financings current							642	661				
Non-current		41	41	20	46	77	5,268	3,200	11	185	1	
Equity	1,517	116	58	35	58	112	4,568	5,188	16	(40)	215	
Total liabilities	1,517	166	103	61	108	207	13,148	9,218	42	218	217	
Statement of Income												
Net sales revenue		33	20	12	20	17	7,765	1,254	38	63	35	
Cost of sales		(2)	(2)		(1)	(2)	(4,191)	(257)	(28)	(56)	(4)	
Depreciation		(4)	(2)		(2)	(2)	(391)	(2)		(1)		
Gross profit		31	18	12	19	15	3,574	997	10	7	31	
General and administrative expenses		(2)	(1)	(1)	(3)	(1)	(8)	(2,263)		(7)	(28)	
Net financial revenue (expenses)	105	(3)	(3)	(1)	(4)	(5)	(459)	(229)			(19)	
Financial revenues	105	1	1	1			365	196	1	3		
Financial expenses		(4)	(4)	(2)	(4)	(5)	(824)	(425)	(1)	(22)		
Operating profit	103	27	14	8	14	2	852	768	3	(40)	31	
Income tax and Social Contribution tax		(1)	(1)	(1)	(1)	(1)	(265)	121	(1)		(1)	

Profit (loss) for the year	102	26	13	7	13	1	587	889	2	(40)	30
Comprehensive income for the year											
Net profit for the year	102	26	13	7	13	1	587	889	2	(40)	30
Gain on conversion of financial statements						7					
Actuarial gains (losses)											
Comprehensive income for the year	102	26	13	7	13	8	587	889	2	(40)	30

Table of Contents

	Eólica de		Eólica de		Eólica de		Eólica de		Eólica de		
	Bagua	Guanhães	Madeira	Pipoca	Parajur	Morgado	Rio	Light	Amazônia	Energia	Gasmig
2013	Cachoeira	Energia	Energia	Energia	Energia	Energia	Energia	Energia	Energia	Energia	Energia
Assets											
Current	27	70	24	701	18	10	8	30	21		368
Cash and cash equivalents	21	27	23	298	14	1	2	1	18		49
Non-current	93	239	243	19,319	108	165	177	292	182	417	1,400
Total assets	120	309	267	20,020	126	175	185	322	203	417	1,768
Liabilities											
Current	10	18	124	1,029	12	16	18	35	11		298
Suppliers	1	5	1	310		1		1	1		44
Loans and financings current				235							50
Non-current	41	4	5	12,565	63	83	111	162	110		541
Equity	69	287	138	6,426	51	76	56	125	82	417	929
Total liabilities	120	309	267	20,020	126	175	185	322	203	417	1,768
Statement of Income											
Net sales revenue	29	49		1,301	23	30	28	52	29		1,203
Cost of sales	(7)	(36)		(930)	(7)	(14)	(14)	(23)	(19)		(956)
Depreciation	(3)	15		(231)	(3)	(10)	(10)	(17)			
Gross profit	22	13		371	16	16	14	29	10		247
General and administrative expenses				(100)	(1)	(1)	(1)	(3)		(1)	(48)
Net financial revenue (expenses)	(2)	4		(306)	(4)	(7)	(9)	(12)	(6)	(4)	(18)
Financial revenues	1	5		18	1	1		1	2		
Financial expenses	(3)	(1)		(324)	(5)	(8)	(9)	(13)	(8)	(4)	(18)
Operating profit	20	17		(35)	11	8	4	14	4	(5)	181
	(2)	(6)		(13)	(1)	(1)	(1)	(2)	(1)		(60)

Income tax and Social Contribution tax										
Profit (loss) for the year	18	11	(48)	10	7	3	12	3	(5)	121
Comprehensive income for the year										
Net profit for the year	18	11	(48)	10	7	3	12	3	(5)	121
Comprehensive income for the year	18	11	(48)	10	7	3	12	3	(5)	121

Table of Contents

2012	Gasmig	Transleste	Transirapé	Centroeste	Transudeste	Transchile		
Assets								
Current	221	39	25	77	32	15		
Non-Current	1,318	123	70		79	168		
Total Assets	1,574	162	95	77	111	183		
Liabilities								
Current	273	9	4	13	6	15		
Non-Current	509	47	44	22	49	70		
Equity	808	106	47	42	56	98		
Total Liabilities and Equity	1,574	162	95	77	111	183		
Statement of Income								
Net Revenue	1,043	30	19	12	19	14		
Total Cost	(860)	(2)	(2)	(2)	(1)	(6)		
Gross Profit	183	28	17	10	18	8		
General and administrative expenses	(93)	(1)	(2)	(1)	(2)	(3)		
Net Financial Revenue (Expenses)	33	(4)	(4)		(4)	(4)		
Operational profit	123	23	11	9	12	1		
Income tax and Social Contribution tax	(26)	(1)	(1)	(1)	(1)			
Net profit for the year	97	22	10	8	11	1		
Statement of Comprehensive Income								
Net profit for the year	97	22	10	8	11	1		
Other Comprehensive Income								
Comprehensive Income For The Period	97	22	10	8	11	1		
2012								
Assets	Light	Taesa	EATE	ECTE	ETEP	ENTE	ERTE	Axxiom

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Current	2,379	3,861	329	157	158	205	62	11
Cash and cash equivalents	230	2,530						
Other current assets	2,149	1,331	329	157	158	205	62	11
Non-Current	9,394	5,784	1,271	156	190	385	103	5
Total Assets	11,773	9,645	1,600	313	348	590	165	16
Liabilities								
Current	2,179	628	168	36	61	68	41	6
Suppliers	863	43						
Non-Current	6,329	4,885	568	159	109	153	40	
Equity	3,265	4,132	864	118	178	369	84	10
Total Liabilities and Equity	11,773	9,645	1,600	313	348	590	165	16
Statement of Income								
Net Revenue	8,021	1,269	295	70	66	154	61	23
Total Cost	(5,954)	(109)	(25)	(5)	(8)	(13)	(32)	(17)
Depreciation and amortization	(315)	(1)						
Gross Profit	2,067	1,160	270	65	58	141	29	6
General and administrative expenses	(920)	(77)						(5)
Depreciation and amortization	(43)	(1)						
Net Financial Revenue (Expenses)	(461)	(278)	1	(6)	(4)	(15)	(3)	
Financial revenues	199	257						
Financial expenses	(660)	(535)						
Operational profit	686	805	271	59	54	126	26	1
Income tax and Social Contribution tax	(205)	(220)	(31)	(18)	(8)	(12)	(2)	
Net profit for the year	481	585	240	41	46	114	24	1
Statement of Comprehensive Income								
Net profit for the year	481	585	240	41	46	114	24	1
Other Comprehensive Income								
Adjustment of actuarial liabilities, net of taxes	(132)							
Comprehensive Income For The Period	349	585	240	41	46	114	24	1

Table of Contents

	Central Central Eólica Eólica Volta Eólica		Central Central Eólica Eólica		Central Central Eólica Eólica		Central Central Eólica Eólica		Central Central Eólica Eólica		Central Central Eólica Eólica	
	Hidrelétrica Cachoeira	Canhã Energia	Hidrelétrica Pipoca	Madeira Energia	Lightgen	Baguar Energia	Praias de Parajuru	do Rio	Praias de Morgado	do Rio	Amazônia Energia	EBTE
2012												
Assets												
Current	24	5	14	327	33	77	5	15	15	1	66	
Cash and cash equivalents	21	5	10	111	18	51	2	9	1		10	
Other current assets	3		4	216	15	26	3	6	14	1	56	
Non-Current	96	126	110	15,213	188	255	169	309	180	272	464	
Total Assets	120	131	124	15,540	221	332	174	324	195	273	530	
Liabilities												
Current	9	81	13	1,493	22	49	13	43	24		46	
Non-Current	44	9	69	9,768	117	3	91	165	116		170	
Equity	67	41	42	4,279	82	280	70	116	55	273	314	
Total Liabilities and Equity	120	131	124	15,540	221	332	174	324	195	273	530	
Statement of Income												
Net Revenue	29		21	342	21	48	22	27	29		50	
Total Cost	(5)		(5)	(182)	(8)	(5)	(12)	(19)	(12)	(1)	(6)	
Gross Profit	24		16	160	13	43	10	8	17	(1)	44	
General and administrative expenses	(4)		(1)	(127)	(7)	(11)	(2)	(5)	(4)	(1)	(5)	
Net Financial Revenue (Expenses)	(3)		(5)	(293)	1	4	(8)	(14)	(10)		(12)	
Operational profit	17		10	(260)	7	36		(11)	3	(2)	27	
Income tax and Social Contribution tax	(1)		(1)	2	(5)	(12)	(1)	(1)	(1)		(9)	

Net profit for the year	16	9	(258)	2	24	(1)	(12)	2	(2)	18
Statement of Comprehensive Income										
Net profit for the year	16	9	(258)	2	24	(1)	(12)	2	(2)	18
Other Comprehensive Income										
Comprehensive Income For The Period	16	9	(258)	2	24	(1)	(12)	2	(2)	18

Table of Contents**Acquisition of control****a) Additional equity interest in Gasmig**

In October 2014, Cemig concluded the acquisition under its share purchase agreement with Petróleo Brasileiro S.A. (Petrobras) for acquisition of the 40% interest held by its subsidiary Gaspetro in Companhia de Gás de Minas Gerais (Gasmig), which had been approved by the Boards of Directors of both Cemig and Petrobras. The amount paid was R\$ 571, being the result of R\$ 600 specified in the share purchase agreement, updated by the IGP-M index, less the dividends paid between the base date and the closing of the agreement. The acquisition was completed after the approval by the Brazilian Monopolies Authority (*Conselho Administrativo de Defesa Econômica*, or CADE) and consent from the concession-granting power, the State of Minas Gerais.

The following are the fair values of the underlying assets and liabilities of the interest acquired in Gasmig:

	Fair values of the interests acquired
Assets	
Cash and cash equivalents	106
Securities	105
Accounts receivable	72
Inventories	6
Other current assets	71
Other current assets Non-current	304
Financial assets of the concession	659
Intangible assets	1,182
Liabilities	
Current liabilities	(335)
Provisions	(48)
Deferred taxes	(311)
Other non-current liabilities	(382)
Minority interests	(4)
Total net assets acquired	1,425
<u>Business combination carried out in stages additional effects</u>	

Up to the date of the acquisition of the controlling interest in Gasmig, Cemig had an equity interest of 59.57% in the share capital of Gasmig. However, Cemig did not consolidate Gasmig since there was a shareholders' agreement

which gave Petrobras significant participating rights.

With the acquisition of the 40% interest in Cemig, referred to above, Cemig obtained control over Gasmig, and began to consolidate Gasmig as from the date of this acquisition.

As specified in IFRS 3 (R) (*Business combinations*), the Company revalued its previous interest in Gasmig at fair value, recognizing the difference in the profit for the period.

Considering that the valuation opinion for the acquisition of the additional interest of 40% in Gasmig represents the fair value of the assets on the date of acquisition, Cemig made the measurement of its original interest in the investment, as follows:

	Fair value of the original interest (59.57%)
Fair value of Gasmig on the date of acquisition of control	1,427
Cemig's original interest, of 59.57%, valued at fair value on the acquisition date	850
Book value	569
Gain recorded in 2014	281

Table of Contents

In the business combination a complementary amount of R\$ 766 was recognized in intangible assets, and deferred tax liabilities were recognized in the amount of R\$ 261, related to the right to commercial operation of the concession, to be amortized by the straight-line method during the period of the concession, corresponding to the difference between the fair value of the transaction and the fair value of the other assets and liabilities existing in the balance sheet of Gasmig.

Thus the amounts taken into account by the Company for the measurement of the total value involved in the business combination were:

	R\$ million
Consideration transferred for acquisition of the 40% interest	571
Fair value of the interest previously held	850
Fair value involved in the business combination	1,421
Reconciliation of the amount paid with the statement of cash flows:	
Consideration transferred for acquisition of the 40% interest	571
Balance of Cash and cash equivalents acquired in the business combination	(106)
Amount disbursed, net of Cash and cash equivalents acquired	465
<u>Impact of the acquisition on the consolidated results of Cemig</u>	

The Company's net revenue includes R\$ 340 and net profit for the year includes R\$ 108, attributable to the operations of Gasmig after the date of the combination of the businesses.

If this business combination had taken place on January 1, 2014, the consolidated net revenue of Cemig would have been increased by R\$ 979 and the net profit for the year would have been increased by R\$ 33.

Acquisition of investments in jointly-controlled entities and affiliated companies**a) Investment in the Santo Antônio plant through Madeira Energia S.A. (Mesa) and FIP Melbourne**

Madeira Energia S.A. (Mesa) and its subsidiary Santo Antônio Energia S.A. (Saesa) are incurring costs relating to the construction of the Santo Antônio Hydroelectric Plant. The property, plant and equipment asset constituted by these expenditures totaled R\$ 20,998 on December 31, 2014, and this amount, in accordance with financial projections prepared by its management, is to be recovered by future revenues generated as from the start of operations of all the generator rotors of the plant. On December 31, 2014, the amount of PP&E proportional to the Company's interest in this jointly-controlled entity is R\$ 3,729. During this development phase of the project, the jointly-controlled entity Mesa, has suffered recurring losses in its operations and, on December 31, 2014 its current liabilities exceeded its current assets by R\$ 482. The management of Mesa has plans to correct the situation of negative net working capital.

Table of Contents

In this context, Mesa and its subsidiary Saesa have the benefit of direct and indirect cash investments by their shareholders, of which R\$ 2,777 was injected in 2014 (R\$ 1,677 in 2013), and also a pre-approved long-term supplementary credit line in the amount of R\$ 1,190.

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 32nd generating rotor.

The Company recognized equity losses in relation to its direct and indirect interests in Mesa, in the amount of R\$ 388 on December 31, 2014 (R\$ 47 in positive equity in earnings for the year ended December 31, 2013), arising, principally, from the recognition in 2014 by Mesa of expenses relating to: (i) purchase of supply on the short-term market (Wholesale Trading Chamber, or CCEE); (ii) allocation of the GSF (Generation Scaling Factor); and (iii) the FID (Availability Factor).

On October 21, 2014 Mesa held an Extraordinary General Meeting of Shareholders, which approved, by majority, an increase of R\$ 1.59 billion in the share capital of Mesa.

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 in of Mesa, in the amount of R\$ 174.72 million, approved in the Shareholders Meeting 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 Shareholders Agreement of Mesa.

The application for provisional remedy was granted on November 21, 2014, by the 39th Civil 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.

Increase in equity stake through acquisition of an indirect position via the Melbourne Equity Fund

On June 6, 2014, Andrade Gutierrez Participações S.A. (AGP) sold nominal preferred and common shares corresponding to 83% of the total share capital and 49% of the voting capital of SAAG Investimentos S.A. (SAAG), to FIP Melbourne, administered by Banco Modal, in which Cemig GT and private pension plan entities are investors through a structure of equity investment funds (the Funds) and a special-purpose company (jointly, the Investment structure).

Table of Contents

Cemig GT holds less than 50% of the equity of the Funds and less than 50% of the voting shares in the SPC, preserving the private-sector nature of the Investment Structure. SAAG owns 12.4% of the total share capital of Madeira Energia S.A. (Mesa).

This transaction gave Cemig GT an indirect equity interest of 7.87% in Mesa.

The value for the acquisition was determined by the discounted cash flow method, and the difference between the book value and fair value of the assets was allocated to the concession of the project, having as basis the cash generation expected during the period of the concession. This intangible asset will be amortized by the straight-line method from the acquisition date until June 2043, the date of termination of the concession.

The chart below shows the fair values of the interest acquired in the Santo Antônio Plant, through FIP Melbourne, classified in the statement of financial position as investment with significant influence:

	Fair values of the interests acquired (7.87%)
Investments	527
Intangible	259
Deferred income tax	(88)

Total of the interest acquired by the Company **698**

On the acquisition date the book value of the interest acquired was R\$ 527. The difference in relation to the fair value of the assets, namely R\$ 171, was allocated as an intangible right of commercial operation of the regulated activity.

In addition to the amount of R\$ 698 paid for purchase of 7.87% of Mesa, Cemig GT made an advance against future capital increase (*Adiantamento para Futuro Aumento de Capital*, or AFAC) in the Investment Structure, of R\$ 81, in the third quarter of 2014.

b) Investment in Amazônia Energia S.A. and Norte Energia S.A. (Nesa)

The objective of Amazônia Energia Participações S.A (Amazônia Energia) (jointly controlled) are to hold and manage an equity interest in Norte Energia S.A. (Nesa), which holds the concession to operate the Belo Monte Hydroelectric Plant, on the Xingu River, in the State of Pará. Amazônia Energia owns 9.77% of the share capital of Nesa. On August 20, 2010, Nesa signed a concession contract with the Mining and Energy Ministry for commercial operation of electricity generation services, for 35 years from signature. Under that contract 70% of the guaranteed uptake level of

electricity generated will go to the regulated market, 10% to self-producers and 20% to the Free Market.

Table of Contents

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

c) Cemig GT enters into controlling block of Renova

In 2013 Cemig GT's board entered into an Investment Agreement with Renova Energia S.A. (Renova), RR Participações S.A. (RR), Light Energia S.A. (Light Energia) and Chipley SP Participações S.A. (Chipley), governing the entry of Cemig GT, directly or indirectly, into the control block of Renova through subscription of new common shares in Renova.

The Investment Agreement contemplated the use of Chipley, a special purpose entity that was used by Cemig GT and Renova to acquire PCH pursuant to a Share Purchase Agreement signed with Petrobras on June 14, 2013 for 49% of the common shares in Brasil PCH S.A.

The transaction to acquire an interest in Brasil PCH was subject to rights of first refusal and/or joint sale by the other shareholders of Brasil PCH. At the expiration of the period for that exercise of first refusal, none of the shareholders holding that right had decided to do so; and only one shareholders, Jobelpa S.A. (Jobelpa), holder of 2% of the common shares of Brasil PCH, exercised its (tag-along) right of joint sale. In total, 51% of the common shares in Brasil PCH were acquired by Chipley on February 14, 2014 for R\$ 740. This acquisition was funded by an Advance against Future Capital Increase, made in full by Cemig GT.

On February 20, 2014 the Board of Directors of Renova approved updating of the capital increase in Renova contained in the Investment Agreement, by the CDI rate from December 31, 2012 to February 20, 2014, resulting in R\$ 1,550, equivalent to R\$ 0.0177789 per share.

The investment of R\$ 1,550 in Renova is composed by: (i) an Advance against Future Capital Increase of Renova in the amount of R\$ 810 made by Cemig GT directly to Renova on March 31, 2014; and (ii) the contribution of Chipley to Renova, by which Renova received the credit relating to the Advance against Future Capital Increase made in Chipley by Cemig GT, in the amount of R\$ 740.

These advances were capitalized on September 29, 2014, on which date a new shareholders' agreement was signed, under which Cemig GT, RR and Light Energia became part of the controlling shareholder block of Renova. Following the expiration of the legal period for the rights of first refusal and subscription of the unsubscribed remaining shares, the Board of Directors of Renova homologated the increase of its capital, comprising the issuance of 87,196,901 nominal common shares without par value, at the issue price of R\$ 0.0177789 per share, for a total capitalization of R\$ 1,550, of which 87,186,035 common shares correspond to Cemig GT, with total value of R\$ 1,550.

Table of Contents

The following are the fair values allocated to the interest acquired in Renova:

	Fair values of the interests acquired (27.37%)
Assets	
Cash and cash equivalents	56
Accounts receivable	10
Other assets	94
Investments	205
Fixed assets	1,027
Intangible assets	1,295
Liabilities	
Current and non-current liabilities	(697)
Deferred taxes	(440)
Total net assets	1,550

After the homologation of the capital increase, Cemig GT's equity interest in Renova was 27.37% of the total stock and 36.62% of the voting stock as follows:

RENOVA ENERGIA	ON shares		PN shares		Total shares		% of total
	Quantity	%	Quantity	%	Quantity	%	share capital
Controlling shareholder block	188,309,629	79.10			188,309,629		59.11
RR Participações	50,561,797	21.24			50,561,797		15.87
Light Energia	50,561,797	21.24			50,561,797		15.87
Cemig GT	87,186,035	36.62			87,186,035		27.37
Other shareholders	49,786,482	20.90	80,408,816	100.00	130,195,298		40.89
RR Participações	9,560,093	4.02			9,560,093		3.00
BNDSPar	9,311,425	3.91	18,622,850	23.16	27,934,275		8.77
InfraBrasil	11,651,467	4.89	23,302,933	28.98	34,954,400		10.97
FIP Caixa Ambiental	5,470,293	2.30	10,940,586	13.61	16,410,879		5.15

Others	13,793,204	5.78	27,542,447	34.25	41,335,651	13.00
Total	238,096,111	100.00	80,408,816	100.00	318,504,927	100.00

Investment agreement between Renova Energia and Cemig GT for creation of wind farms

On July 17, 2014 an investment agreement was signed between Cemig and Renova for a wind farm project in the region of Jacobina in the state of Bahia. The agreement provided for Cemig to have a 50% interest in the project. The monopolies authority, Cade (Conselho Administrativo de Defesa Econômica, or Administrative Council for Economic Defense) approved the signature of this investment agreement on October 22, 2014.

d) Acquisition of an equity interest in Retiro Baixo Energética S.A. (RBE)

On September 5, 2014, Cemig GT concluded the acquisition of a 49.9% interest in the share capital of Retiro Baixo Energética S.A (RBE). RBE holds the concession for commercial operation of the *Retiro Baixo* Hydroelectric Plant, on the Paraopeba River in Minas Gerais State, Brazil, with installed generation capacity of 83.7 MW and assured power level of 38.5 MW average.

The amount transferred in relation to the indirect equity interest acquired was R\$ 151.

The value of the acquisition was calculated by the discounted cash flow method. The difference between the consideration transferred and the fair value of the assets was

Table of Contents

allocated to the concession for the project, based on the cash expected to be generated during the period of the concession. This intangible asset will be amortized on the straight-line basis from the date of acquisition, October 2014 up to December 2041, expiration date of the concession.

The table below shows the fair values of the interest acquired in Retiro Baixo Energética S.A., classified in the consolidated statement of financial position as investment in a jointly-controlled entity:

	Fair values of the interests acquired (49.9%)
Assets	
Cash and cash equivalents	2
Accounts receivable	3
Securities	4
Fixed assets	193
Intangible assets	49
Liabilities	
Current and non-current liabilities	(83)
Deferred taxes	(17)
Total net assets	151

On the acquisition date the net book value of the interest acquired was R\$ 119. The difference from the fair value of the assets, of R\$ 32, was allocated as an intangible right of commercial operation of the regulated activity.

Put options***Taesa***

Cemig granted to the Coliseu Equity Investment Fund (*Fundo de Participações Coliseu*), which is a shareholder of Taesa, an option to sell its shares in Taesa, exercisable in October 2014. The exercise price of the option is calculated using the sum of the value of the injections of capital by the fund into Taesa, plus the running expenses of the Fund, less any Interest on Equity, and dividends, distributed by Taesa. The net amount was to be updated by the IPCA inflation index (published by IBGE) plus financial remuneration.

The Coliseu Fund did not exercise the option as the exercise price of the option on Taesa's shares was lower than the market price of those shares.

Parati

Cemig granted to *Fundo de Participações Redentor*, which is a shareholder in Parati, a put option to sell the totality of its shares 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.

Table of Contents

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

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

For the purposes of determination of the method to be used in measuring the fair value of this option, the Company 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 has adopted the discounted cash flow method for measurement of the fair values of the options. The fair value of that option was calculated as the amount of the exercise price estimated on the date of exercise, less the fair value of the shares subject of the put option, also estimated on the date of the exercise of the option, brought to present value on the reporting date.

Based on the studies carried out, Cemig recorded obligations in its statement of income in 2014 from this option in the amount of R\$ 166 as its best estimate of loss on those options.

The variable with main impact on the calculation of the option is the discount rate. In a sensitivity analysis, a change of 1% in the discount rate altered the value of the option by R\$ 101.

SAAG

Cemig GT and the private pension plan entities participating in the investment structure of SAAG signed put options which the funds could 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.

To decide the method to be used for measuring the fair value of that option, since Madeira Energia (investment of SAAG) is an unlisted company, the Company adopted the discounted cash flow method to measure the fair value of the options. The fair value of these options was calculated on the basis of the estimated exercise price on the day of exercise of the option, less the fair value of the shares that are the subject of the put option, also estimated for the date of exercise, brought to present value at the reporting date.

Based on the studies carried out, Cemig GT recorded obligations of R\$ 29 in statement of income in 2014, as its best estimate of loss on those options.

Table of Contents

The variable with main impact on the calculation of the option is the discount rate. In a sensitivity analysis, a change of 1% in the discount rate altered the value of the option by R\$ 32.

15. PROPERTY, PLANT AND EQUIPMENT

	2014			2013		
	Historic cost	Accumulated depreciation	Net value	Historic cost	Accumulated depreciation	Net value
In service						
Land	381	(9)	372	382	(5)	377
Reservoirs, dams and water courses	7,467	(5,206)	2,261	7,466	(5,071)	2,395
Buildings, works and improvements	2,137	(1,528)	609	2,285	(1,573)	712
Machinery and equipment	7,643	(5,590)	2,053	7,424	(5,345)	2,079
Vehicles	29	(20)	9	30	(18)	12
Furniture and utensils	18	(13)	5	14	(12)	2
	17,675	(12,366)	5,309	17,601	(12,024)	5,577
Under construction	235		235	240		240
Net PP&E	17,910	(12,366)	5,544	17,841	(12,024)	5,817

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

	2013	Transfers /			2014
		Additions	Written down	Depreciation capitalizations	
In service					
Land	377			(5)	372
Reservoirs, dams and water courses	2,395			(134)	2,261
Buildings, works and improvements	712		(1)	(25)	609
Machinery and equipment	2,079		(6)	(177)	2,053
Vehicles	12			(3)	9
Furniture and utensils	2			3	5

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	5,577		(7)	(344)	83	5,309
Under construction	240	122	(49)		(78)	235
Net PP&E	5,817	122	(56)	(344)	5	5,544

	01/01/2013	Additions	Transfers	Written down	Depreciation	2013
In service						
Land	380	4			(7)	377
Reservoirs, dams and water courses	2,552	8			(165)	2,395
Buildings, works and improvements	743	18		(3)	(46)	712
Machinery and equipment	2,198	19	35	(4)	(169)	2,079
Vehicles	6	8			(2)	12
Furniture and utensils	1	1				2
	5,880	58	35	(7)	(389)	5,577
Under construction	229	11				240
Net PP&E	6,109	69	35	(7)	(389)	5,817

Table of Contents

The average annual depreciation rate is 3.12%. The average annual depreciation rates, by activity, as per ANEEL resolution 474 of February 7, 2012 and the decisions made by Decree 2003 of September 10, 1996, are:

Hydroelectric generation

Thermal generation