PROPOSAL

BY THE

BOARD OF DIRECTORS

TO THE

ORDINARY AND EXTRAORDINARY GENERAL MEETING OF STOCKHOLDERS

TO BE HELD CONCURRENTLY, EXCLUSIVELY ONLINE, ON

APRIL 30, 2021, AT 11 A.M.

Dear Stockholders:

The Board of Directors of Companhia Energética de Minas Gerais (Cemig) –

Whereas –

a) It is necessary to approve the Financial statements for 2020, and submit to stockholders the Report of Management, the related Financial Statements for 2020 and the related complementary documents.
b) The Financial statements for 2020 report Net profit of R$ 2,864,110,000 for the year.
c) There is a need for change in the composition of the Board of Directors, due to vacancy.
d) There is an opportunity to elect an Alternate Member of the Audit Board, in substitution.
e) The applicable legislation requires approval of the total remuneration of management; and
f) Article 199 of the Corporate Law of 1976 (Law 6404/76) states:

> *"The total of profit reserves, excluding reserves for contingencies, the Tax incentive reserve, and the Future earnings reserve, may not exceed the share capital. When this limit is reached, the general meeting must decide on application of the excess in paying-up or increasing the share capital, or distribution of dividends".*

On December 31, 2020, the Company's share capital was		R$ 7,593,763,000;
and the Profit reserves, excluding the Tax incentive reserve and the Future earnings reserve, totaled		R$ 9,123,134,000,
exceeding the share capital by		R$ 1,529,371,000.
Thus to comply with the legislation, the Company may now increase its share capital, by issuance of a bonus in shares (a stock bonus), using the balance in the Retained Earnings Reserve.		
An increase in the share capital of is sufficient to meet the requirement of the Brazilian legislation.	10.07%, or	R$ 764,686,000
The limit available on the SEC for issuance of new ADRS is		R$ 26,174,000.
The Company's current total of ADRS is		227,670,000,
so it is possible to increase the quantity of ADRS by		11.50%.

Increasing the share capital	from	R$ 7,593,763,000	
	to	R$ 8,466,810,000	
represents an increase of		11.496899948%,	
with issuance of		174,609,467	new shares,
with par value, in accordance with the by-laws, of		R$ 5.00	(five Reais)
of which the common shares total		58,366,345	
and the preferred shares total		116,243,122.	
The new share capital, of		R$ 834,603,000,	
will comprise		566,036,634	common shares,
and		1,127,325,434	preferred shares,
making a total of		1,693,362,068	shares.

The legislation requires the fractions of shares resulting from the capital increase to be sold on an exchange and the proceeds distributed proportionally to the Company's stockholders.

To simplify the distribution of the proceeds of the sale of fractions of shares, the payment may be made on the same date as payment of the mandatory dividends.

– now proposes to the Ordinary and Extraordinary General Meetings as follows:

1. Approval of the Report of Management and the Financial Statements for the year ended December 31, 2020, and the related complementary documents:
2. Approval of the allocation of:

the Net profit for the business year 2020:	R$ 2,864,110,000,
realization of the deemed cost of fixed assets:	R$ 16,950,000,
adjustments to prior years, of :	R$ 211,640,000,
and realization of the Retained earnings reserve constituted in 2019, in the amount of	R$ 834,603,000,

as follows:

- R$ 142,314,000 to be allocated to the Legal Reserve;
- R$ 1,482,000,000 to be allocated to payment of the mandatory dividend to stockholders, in two equal installments, by June 30 and December 30, 2021, comprising:
  - R$ 553,488,000 as Interest on Equity, on account of the mandatory dividend, as decided by the Executive Board on September 22 and December 23, 2020; and
  - R$ 928,658,000 as complementary mandatory dividends, to stockholders whose names are on the Company's Nominal Share Registry on the date on which the Annual General Meeting is held;
- R$ 17,829,000 to be held in Stockholders' equity in the Tax incentives reserve, being the incentive amounts related to investments in the region of Sudene; and
- R$ 1,450,411,000 to be held in Stockholders' equity in the Retained earnings reserve, to guarantee execution of the Company's Investment Program.
- The balance of the Future earnings reserve to be unchanged at R$ 834,603,000, after reversal of the reserve made in 2019, and constitution of a new reserve in 2020 of the same amount.

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3. Election of members of the Board of Directors, due to vacancy.

4. Election of one alternate member to the Company's Audit Board, in substitution.

5. Approval of setting of the total remuneration of the Managers, members of the Audit Board, and members of the Audit Committee, in the amount of R$ 23,259,187.88.

6. ***(i)*** Authorization of increase in the share capital

from	R$ 7,593,763,000,
to:	R$ 8,466,810,000
by an issue of	174,609,467 one hundred seventy four million, six hundred nine thousand four hundred sixty seven)
new shares, comprising	58,366,345 (fifty eight million three hundred sixty six thousand three hundred forty five)
nominal common shares with par value of	R$ 5.00 (five Reais)
and	116,243,122 (one hundred sixteen million two hundred forty three thousand one hundred twenty two)
nominal preferred shares with par value of	R$ 5.00 (five Reais),
through capitalization of	R$ 873,047,335

from the Retained earnings reserve, with distribution to stockholders, as a result, of

a stock bonus of	11,496899948%
in new shares of the same type as those held and with par value of	R$ 5.00 (five Reais);

(ii) If item (i) above is approved, authorization of change to the head paragraph of Article 4 of the by-laws, now to read as follows:

" Clause 1 – The share capital of the Company is R$ 8,466,810,340.00, (eight billion four hundred sixty six million eight hundred ten thousand three hundred forty Reais), represented by:

(a) 566,036,634 (five hundred sixty million, thirty six thousand six hundred thirty four) nominal common shares with par value of R$ 5.00 (five Reais);

b) 1,127,325,434 (one billion one hundred twenty seven million three hundred twenty five thousand four hundred thirty four) nominal preferred shares each with par value of R$ 5.00 (five Reais). "

(iii) Authorization of the following measures to be taken by the Executive Board in relation to the stock bonus:

(a) To attribute a stock bonus of 11,4968999480%, in new shares, of the same type as those held, each with par value of R$ 5.00 (five Reais); to stockholders whose names are on the Company's Nominal Share Registry on the date on which the General Meeting that decides on this proposal is held;

(b) to establish that all the shares resulting from the said stock bonus shall have the same rights as the corresponding existing shares, excluding any corporate action payments;

(c) to sell, on a stock exchange, the whole numbers of nominal shares resulting from the sum of remaining fractions arising from the said stock bonus; and

(d) to distribute the net proceeds of the sale of the fractions to stockholders on the same date as payment of the second portion of the mandatory dividends for the 2020 business year, that is to say by December 30, 2021.

As can be seen, the objective of this proposal is to meet the legitimate interests of the stockholders and of the Company, and for this reason it is the hope of the Board of Directors that it will be approved.

Belo Horizonte, March 26, 2021.

Márcio Luiz Simões Utsch	Afonso Henriques Moreira Santos
Cledorvino Belini	José João Abdalla Filho
José Reinaldo Magalhães	Marcelo Gasparino da Silva
Marco Aurélio Dumont Porto	Paulo Cesar de Souza e Silva

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APPENDIX 1

Proposal for allocation of Net profit
(in accordance with Appendix 9-1-II of CVM Instruction 481/2009)

1. State the net profit for the period.
   R$ 2,864,110,000.

2. State the global amount, and the amount per share, of the dividends, including prepaid dividends and Interest on Equity.

Interest on Equity:	R$ 553.488.000,00,
comprising	R$ 120,000,000.00,
equivalent to	R$ 0.07904259285, per common or preferred share,
declared on	September 22, 2020;
and	R$ 433,488,000.00,
equivalent to	R$ 0.28553346242, per common or preferred share,
declared on	December 23, 2020.
Dividends:	R$ 928,658,000,
equivalent to	R$ 0.61169613495 per common or preferred share,
payable to	stockholders on the Company's Nominal Share register on the day on which the Annual General Meeting is held, i.e. April 30, 2021.

3. State the percentage of the net profit for the period that is to be distributed.
   51.74%,

4. State the global amount, and the amount per share, of any dividends distributed based on profit of prior years.

   None. No decision for dividends based on any prior year.

5. State, net of interim dividends paid, and any Interest on Equity previously declared:

   a. The gross value of dividend and Interest on Equity, for each type and class of share.

      Dividends – R$ 310,540,000 for the ON (common) shares
      R$ 618,118,000 for the PN (preferred) shares.

   b. The form of, and deadline for, payment of the dividends and Interest on Equity.

      Dividends of R$ 928,658,000, equivalent to R$ 0.61169613495 per common or preferred share, to be paid to stockholders whose names are on the Company's Nominal Share register on the day on which the Annual General Meeting is held (April 30, 2021), in two equal installments: 50% by June 30, 2021 and 50% by December 30, 2021.

   c. Any updating of, or interest accruing on, the dividends and Interest on Equity.

      There is to be no updating.

   d. Date of stockholders' right to the payment of dividends and/or Interest on Equity.

      Dividends: Date on which the AGM is held (scheduled for April 30, 2021).

6. If there has been any declaration of dividends or Interest on Equity based on profits for a half year or shorter periods:

   a. State the amount of dividends and/or Interest on Equity previously declared.

   Interest on Equity:

   R$ 553,488,000,00, comprising:

   R$ 120,000,000.00, equivalent to R$ 0.07904259285 per common or preferred share, declared on September 22, 2020; and

   R$ 433,488,000.00, equivalent to R$ 0.28553346242 per common or preferred share, declared on December 23, 2020.

   b. State the date of the respective payment/s.

   In two equal installments 50% by June 30, 2021, and 50% by December 30, 2021.

7. Give a comparison table showing the amount for each type and class of share:

   a. Net profit for the period and the three previous periods.

Business year	2020	2019	2018	2017
Net profit per ON (preferred) share (R$)	1.89	2.14	1.17	0.37
Net profit per PN (preferred) share (R$)	1.89	2.14	1.17	0.84

   b. Dividends and Interest on Equity distributed in the three prior business years.

Business year	2019	2018	2017
Dividends (R$)	0.25	0.45	0.53
Interest on Equity (R$)	0.27	0.14	0.00
Total (R$)	0.52	0.59	0.53

In 2017, the amount for the common shares was R$ 0.03, and for the preferred shares was R$ 0.50. In 2018 and 2019 the amounts per share were the same for the preferred and the common shares.

8. If any part of profit was allocated to the 'Legal reserve':

   a. State the amount allocated to the Legal reserve.

   R$ 142,314,000.

   b. State in detail the form of calculation of the Legal Reserve.

   Constitution of the Legal reserve is obligatory, up to the limits established by law. The purpose of the Reserve is to ensure solidity of the share capital, its use being allowed only for offsetting of losses or increase in the share capital. It is constituted from an amount comprising 5% of the net profit for the year, less the Tax incentives reserve.

9. If the Company has any preferred shares carrying the right to fixed or minimum dividends:

   a. Describe the form of calculation of the fixed or minimum dividend.

      Minimum dividend:

      the greater of:

      (a) 10% on the nominal values of the preferred shares or
      (b) 3% (three percent) of the value of the stockholders' equity corresponding to the shares.

      In the event of a decision to distribute dividends higher than the minimum, the greater amount prevails.

   b. State whether the profit for the year is sufficient to pay the whole of the fixed or minimum dividends.

      The profit for the year is sufficient to pay the whole of the fixed or minimum dividends.

   c. Identify whether any portion not paid is cumulative.

      Not applicable.

   d. Identify the global amount of the fixed or minimum dividends to be paid to each class of preferred shares.

      R$ 505,541,000 for the PN (preferred) shares.

   e. Identify the fixed or minimum dividends to be paid, per preferred share of each class.

      PN (preferred) shares – R$ 0.52 per share.

10. In relation to the mandatory dividend:

   a. Describe the form of calculation specified in the by-laws.

      50% of net profit.

   b. State whether it is being paid in full.

      The mandatory dividend is being paid in full.

      State any amount retained.

      Not applicable.

11. If there is retention of the mandatory dividend due to the Company's financial situation:

   a. State the amount retained.

      Not applicable.

   b. Describe, in detail, the financial situation of the Company, dealing among other matters with the aspects of analysis of liquidity, working capital and positive cash flow.

      Not applicable.

   c. Justify the retention of dividends.

      Not applicable.

12. If there is allocation of profits to a reserve for contingencies:
    a. State the amount allocated to the reserve.
       Not applicable.
    b. State the amount of loss assessed as being 'probable' and its cause.
       Not applicable.
    c. Explain why the loss was assessed as being 'probable'.
       Not applicable.
    d. Justify the constitution of the reserve.
       Not applicable.

13. If there is allocation of profits to a Future earnings reserve:
    a. State the amount allocated to the Future earnings reserve.
       R$ 834,603,000
    b. State the nature of the unrealized profits that gave rise to the reserve.
       For 2020, Cemig reported gains on equity in non-consolidated investees (i.e. by the Equity method) of R$ 2,704,326. Under the relevant legislation this can be considered as unrealized profit for the business year.

14. If there is allocation of profit to one or more reserves specified in the by-laws:
    a. Describe the clauses in the by-laws that establish the reserve.
       Not applicable.
    b. State the amount allocated to the reserve.
       Not applicable.
    c. Describe how the amount was calculated
       Not applicable.

15. If there is retention of profits specified in a capital budget:
    a. State the amount of the retention.
       R$ 1,450,411,000.
    b. Provide a copy of the capital budget
       See Appendix 2

16. If there is allocation of profit to a Tax Incentive reserve:
    a. State the amount allocated to the reserve.
       R$ 17,829,000.
    b. Explain the nature of the allocation.
       Relates to the tax incentive amounts obtained in prior years as a result of the investments made in the area of Sudene.

APPENDIX 2

CAPITAL BUDGET

PROPOSAL BY MANAGEMENT

TO THE

ORDINARY GENERAL MEETING OF STOCKHOLDERS

TO BE HELD ON APRIL 30, 2021

In accordance with Clause 196 of the Corporate Law and Article 25, § 1, Sub-item IV of CVM Instruction 480, we present for analysis and subsequent approval for submission to the Ordinary General Meeting of Stockholders to be held by April 30, 2021, the proposal for the consolidated Capital Budget for the 2021 business year, in thousands of Reais. The budget will be executed exclusively with the Company's own funds from operations, including the amount of R$ 1,450,110,000 in Retained earnings from the business year of 2020.

Investments planned for 2021 – R$ million

Electricity distribution system	611,093
Electricity subtransmission system	1,128,143
Electricity generation system	131,000
Electricity transmission system	209,200
Injection of capital into subsidiaries and affiliates	196,468
Infrastructure and other	267,667
	2,543,571

Mário Lúcio Braga
Controller

Appendix 3

Information indicated in Item 13 of the Reference Form –
Compensation of the Managers (CVM Instruction 481, Article 12)

13.1

(a) Objectives of compensation policy or practice

The principal objective of the policy for compensation of Executive Directors of the Cemig group is to establish directives/guidelines to be obeyed for fixed and variable compensation of the members of the Executive Boards of Cemig and its wholly-owned or other subsidiaries, in accordance with the by-laws of those companies, based on the Long-term Strategic Plan, the Multi-year Business Plan and the Annual Budget.

The global or individual amount of the compensation of the Executive Board, the Board of Directors, the Audit Board and the Audit Committee is set annually by the General Meeting of Stockholders, in accordance with the applicable legislation. The Annual General Meeting of Stockholders approves the criteria for payment of this compensation.

For the purposes of compensation via payroll of the Board of Directors, there is no differentiation of payment for participating in committees.

(b) Composition of the compensation, indicating:

Description of the elements of the compensation and of the objectives of each one of them

Executive Board – Statutory directors

The Company's Annual General Meeting approves the criteria for payment of the compensation of the Executive Board, including benefits of any nature and representation fees. The most recent Annual General Meeting, held on July 31, 2020, maintained the amounts of the monthly compensation paid to the Chief Executive Officer and the other Chief Officers, and the other items, unchanged at their prior levels.

The amounts allocated to fixed compensation (RF) and Variable Compensation (RVA) is covered by the Annual Global Amount for Compensation, set by the Annual General (Ordinary) Meeting, in accordance with the Corporate Law.

The Fixed Compensation comprises the cash payments for direct compensation of services provided, in line with market practices.

The Variable Compensation is the bonus or extra compensation to members of the Executive Board, dependent on delivery of measurable results for a given period, which lead to the success of the Company. Their value should result from compliance with annual targets set in Targets Contracts decided by the Board of Directors.

The Chief Officers also have the right to annual leave, for not more than thirty days, non-cumulative, during which they have the right to a compensation equivalent to their monthly compensation plus one-third.

The Company gives its Chief Officers the following direct benefits: (i) monthly, on the 25th of each month or the prior business day, an amount equal to the meal vouchers established for the employees in the Collective Work Agreement, relative to the subsequent month, by electronic means, based on co-participation as per the salary level; (ii) optional inscription in a group health insurance policy, paid for entirely by the Company; (iii) health and dental insurance plan, optional, paid for entirely by the Company (in the case of special dependents, the amount is paid for entirely by the Chief Officer). Also, the Company gives the Chief Officer participation in a private pension plan (post-retirement), optionally, partially paid for by the Chief Officer him/herself and partially paid for by the Company, in equal proportions.

Other components of the compensation of the Chief Officers are an annual bonus in the amount of the monthly salary, payments for paid leave, and, as a voluntary decision by the Company, deposit of the FGTS (Employee Time of Service Fund) on the amounts of compensation and bonus received.

The salary or *pro-labore* of the Executive Board aims to compensate the time dedicated to the performance of their functions and to their extraordinary contributions to the Company, and is established based on an assessment of their duties and responsibilities and of the value of their services in the market.

The purpose of concession of direct benefits is to make the compensation package more attractive, complementing the legal fees and benefits of the Chief Officers, functioning as a motivational strategy tool in relation to the managers, since the required payments normally charged on employees earned as payroll, which make hiring so expensive, do not apply to the amount paid.

Board of Directors

The members of the Board of Directors receive a compensation divided into: a fixed part, comprising (a) salary or *pro-labore*, and direct benefits, and (b) a variable part, comprising an amount corresponding to attendance at meetings.

The Annual General Meeting of Stockholders approves the criteria for payment of the compensation of the Board of Directors, including benefits of any nature. The most recent Annual General Meeting, held on July 31, 2020, maintained the amounts of the monthly compensation paid to the members of the Board of Directors, and the other items, unchanged at their prior levels.

The sitting and alternate members of the Board of Directors receive eighty per cent (80%) of the monthly compensation stipulated, the rest being divided into *jetons* paid to the sitting or alternate members present at meetings. If there is more than one meeting in the month, the *jeton* is divided in proportion to the number of meetings held in the month; if there is no meeting in the month, the sitting member receives the total amount of the monthly compensation.

As direct benefits, the Company offers members of the Board of Directors, sitting and alternate, that are resident in other municipalities than that of the Company's head office, reimbursement of such expenses on accommodation and travel (within Brazil) as are necessary for their attendance at meetings and to exercise their functions or when invited by the CEO to a meeting at the Company, and also receive, as cost support for travel, a stipulated amount for each trip. The Company also gives members of the Board of Directors membership of a group life insurance policy, optionally, which is paid for entirely by the Company, and participation in the private pension plan (post-retirement), also optional, paid for in equal proportions by the member and the Company.

The fixed and other components of the compensation aim to compensate the members of the Board of Directors for the time dedicated to performance of their functions and their contributions to the Company, established based on the evaluation of their duties and responsibilities, also making it possible, in counterpart, for the chair of the Board of Directors to demand performance from each one of its members.

The compensation for attending meetings aims to motivate attendance of members at the meetings that are called, contributing to effective participation in the conduct of the business and effective performance of their functions.

The Audit Board

The members of the Audit Board receive only one fixed compensation, comprising salary or *pro-labore* and direct benefits.

The Annual General Meeting approves the criteria for payment of the compensation of the Audit Board, including benefits of any nature. The most recent Annual General Meeting, held on July 31, 2020, maintained the amounts of the monthly compensation paid to the sitting and alternate members of the Audit Board, and the other items, unchanged at their prior levels.

The Company also offers, as direct benefits, to sitting and alternate members of the Audit Board who are resident in other municipalities than that of the head office of the Company reimbursement of such expenses on accommodation and travel (inside Brazil), between the municipality where they live and that of the Company's head office, as are necessary for attending meetings and performance of their functions, or when invited by the Chief Executive Officer to a meeting of the Company. They also receive, as assistance with cost, a stipulated amount per trip. The Company also gives members of the Audit Board membership of a group life insurance policy, optionally, entirely paid for by the Company.

The salary or *pro-labore* of the members of the Audit Board aims to compensate the time dedicated to the performance of their functions and their contributions to the Company, established based on the evaluation of their duties and responsibilities, also making it possible, in counterpart, for performance to be demanded from each of the members.

The direct benefits aim to pay for expenses of travel and meals of the members of the Audit Board who are resident in other municipalities than that of the head office of the Company, and also to provide the option of inscription in the Group Life Insurance Policy.

Committees of the Board of Directors

The Committees of the Board of Directors are made up only of sitting or alternate members of the Board of Directors, and no additional direct or indirect compensation or benefit is paid for participation in the meetings of these committees.

The Audit Committee

The Audit Committee is an independent, consultative body, established permanently, with its own budget allocation. Its objective is to provide advice and assistance to the Board of Directors, and such other activities as are attributed to it by legislation. The Audit Committee has four members, the majority of them independent, nominated and elected by the Board of Directors in the first meeting after the Annual General Meeting, for periods of office of three years, not to run concurrently. One re-election is permitted.

The global or individual amount of the compensation of the Audit Committee is set by the General Meeting of Stockholders, in accordance with the applicable legislation.

The most recent Annual General Meeting of Stockholders, on July 31, 2020, established that the compensation of the members of the Audit Committee would be unchanged from the amounts previously paid, excluding the benefits added by law. Members of the Board of Directors who are also members of the Audit Committee receive only the compensation of the latter.

The Company gives members of the Audit Committee membership of a group life insurance policy, optionally, entirely paid for by the Company.

For the last three business years, what is the proportion of each element in the total compensation?

2020 (*)

Board of Directors

Element	Percentage of the Total Compensation
Salary or *pro-labore*	76.56%
Direct benefits	1.56%
Other items	0%
Compensation for attending meetings	19.14%
Profit shares	0.00%
Post-retirement	2.74%

(*) Under CVM Official Circular SEP 01/2021, the compensation does not include expenditure on the salary-related charges required by law.

Executive Board

Element	Percentage of the Total Compensation
Salary or *pro-labore*	46.72%
Direct benefits	11.05%
Other items	0%
Profit shares	30.39%
Post-retirement	11.85%

(*) Under CVM Official Circular SEP 01/2021, the compensation does not include expenditure on the salary-related charges required by law.

Audit Board

Element	Percentage of the Total Compensation
Salary or *pro-labore*	97.47%
Direct benefits	2.53%
Other items	0%

(*) Under CVM Official Circular SEP 01/2021, the compensation does not include expenditure on the salary-related charges required by law.

Audit Committee

Element	Percentage of the Total Compensation
Salary or *pro-labore*	98.43%
Direct benefits	1.57%
Other items	0%

(*) Under CVM Official Circular SEP 01/2021, the compensation does not include expenditure on the salary-related charges required by law.

2019

Board of Directors

Element	Percentage of the Total Compensation
Salary or *pro-labore*	64.04%
Direct benefits	1.39%
Other items	16.01%
Compensation for attending meetings	16.01%
Profit shares	0.00%
Post-retirement	2.56%

‘Other items’ refers to the INSS (Social Security system).

Executive Board

Element	Percentage of the Total Compensation
Salary or *pro-labore*	32.09%
Direct benefits	10.84%
Other items	21.92%
Profit shares	27.69%
Post-retirement	7.46%

‘Other items’ refers to the INSS and the FGTS (Employee Time of Service Fund).

Audit Board

Element	Percentage of the Total Compensation
Salary or *pro-labore*	81.63%
Direct benefits	2.05%
Other items	16.33%

‘Other items’ refers to the INSS.

2018

Board of Directors

Element	Percentage of the Total Compensation
Salary or *pro-labore*	63.27%
Direct benefits	1.42%
Other items	15.82%
Compensation for attending meetings	15.82%
Profit shares	0.00
Post-retirement	3.67%

‘Other items’ refers to the INSS.

Executive Board

Element	Percentage of the Total Compensation
Salary or *pro-labore*	43.64%
Direct benefits	8.81%
Other items	19.54%
Profit shares	19.16%
Post-retirement	8.86%

'Other items' refers to the INSS and the FGTS.

The Audit Board

Element	Percentage of the Total Compensation
Salary or *pro-labore*	81.58%
Direct benefits	2.11%
Other items	16.32%

* 'Other items' refers to the INSS.

Methodology of calculation and adjustment of each one of the elements of the compensation

The amounts of the compensation paid by the Company to its managers are decided in a General Meeting of Stockholders.

There is no methodology of adjustment established for the compensation paid by the Company to its managers.

Reasons that justify the composition of the compensation

The composition of the compensation and its adjustments are solely and exclusively justified by a proposal made by the majority stockholder, the State of Minas Gerais, approved in the Annual (Ordinary) and Extraordinary General Meetings of Stockholders.

Existence of any members not remunerated by the issuer, and the reason for this

All members of the Executive Board, the Board of Directors and the Audit Board are remunerated by the Company. Members of the Committees of the Board of Directors do not receive additional compensation because they are already remunerated as members of the Board of Directors.

(c) Main indicators of performance that are taken into consideration in the determination of each element of the compensation

The Board of Directors has defined a basket with the following corporate indicators, associated to specific targets, which translate their expectations for the business.

- Average consumer outage time – DEC
- Consolidated net profit of the Company
- Consolidated Ebitda of the Company
- Compliance with budgeted PMSO
- Prudence in the Investments of Distribution
- % of tariff coverage of Cemig D (IRCO)

(d) How is the compensation structured to reflect development of the performance indicators?

The variable compensation ('RVA') of the Managers is linked to the Company's indicators of results / profit. The RVA paid to the Chief Officers is conditioned to the scope of individual corporate targets established by the Board of Directors in accordance with the Company's strategy.

(e) How is the policy or practice of compensation aligned with the issuer's interests in the short, medium and long term?

The Company's compensation policy incorporates elements of alignment to the interests of the Company in the short, medium and long term. Further, the Company has in its by-laws the express obligation to maintain certain financial indicators within numerical limits denoting its financial health. These limits were defined in the Company's Master Plan, as a way of guaranteeing to stockholders that the investments for expansion of the company will be carried out in a way that preserves its sustainability. These limits include, among others: Debt/Ebitda less than or equal to 2; and Net debt/(Stockholders' equity plus Net debt) less than or equal to 40%.

The short-term results, that is to say the annual results, are aligned with the Company's compensation policy through payment of Profit Shares, which are linked to consolidated Net profit and compliance with the budget for PMSO. In this case, the Company's results during the year will define the amount to be attributed to each manager who is a member of the Executive Board.

Alignment in the medium and long term is the result of the element 'consistency' in meeting the corporate targets related to the principal indicators, with emphasis on the indicator Prudence in the Investments of Distribution, the aim of which is to evaluate and diagnose the Company's investments, and also to define and coordinate the implementation of alterations of internal processes, to ensure compliance with the criteria of prudence established by the regulator (Aneel) in relation to present and future regulation.

This attention to the corporate target shows the Company's caution in managing its investments with safety and intelligent care, with a view to, at each tariff cycle, improvement of the quality of the service with the resources stipulated by the regulator, matching the compensation of the managers to this financial/strategic indicator.

(f) Existence of compensation paid by subsidiaries, controlled companies or directly or indirectly controlled entities

There is no compensation paid by subsidiaries of the Company, nor by their direct or indirect controlling parties nor by companies under joint control, that has been attributed to members of the Board of Directors, the Executive Board or the Audit Board, as a function of exercise of any position within the Company itself.

(g) Existence of any compensation or benefit linked to the occurrence of any corporate event, such as sale of stockholding control of the issuer

There is no compensation or benefit linked to the occurrence of any given corporate event, such as disposal of the stockholding control of the Company.

(h) Practices and procedures adopted by the Board of Directors to define the individual compensation of the Board of Directors and the Executive Board, indicating:

- The bodies and committees of the issuer that take part in the decision process, identifying how they participate;
- criteria and methodology used to set the individual compensation, indicating whether there is use of studies for verification of market practices and, if so, the criteria for comparison and the scope of these studies;
- with what frequency and in what manner does the Board of Directors evaluate the adequacy of the Issuer's compensation policy?

The setting of the compensation of the Managers and the Members of the Audit Board of the Company is decided by the General Meeting of Stockholders.

13.2

Total compensation forecast for the current business year to Dec. 31, 2021 – annual amounts

2021	Board of Directors	Executive Board	Audit Board	Total
Total number of members [1]	9.00	7.00	10.00	26.00
Total number of remunerated members	9.00	7.00	10.00	26.00
Annual fixed compensation (in R$) [2]				
Salary or pro-labore	1,826,181.12	5,844,000.00	1,482,544.80	9,152,725.92
Direct and indirect benefits	35,593.56	1,171,157.26	39,548.40	1,246,299.22
Participation in committees	-	-	-	-
Other items	-	-	-	-
Description of other fixed remuneration	-	-	-	-
Variable compensation (in R$) [3]				
Bonus	-	3,664,000.00	-	3,664,000.00
Profit shares	-	-	-	-
Attendance at meetings	456,545.28	-	-	456,545.28
Fees	-	-	-	-
Other items	-	-	-	-
Description of other variable remuneration	-	-	-	-
Post-retirement (in R$)	267,268.85	1,316,621.49	-	1,583,890.34
Cessation of position	-	-	-	-
Share-based (including options)	-	-	-	-
Totals	**2,585,588.81**	**11,995,778.75**	**1,522,093.20**	**16,103,460.76**
Remarks	1) The number of members is the annual average of members of the body referred to, calculated monthly, remunerated as to 80% fixed compensation plus 20% proportional to the participation in meetings, except for those holding positions of Executive Officer (member of the Executive Board).	1) The number of members is the annual average of members of the body referred to, calculated monthly. 2) Forecast calculated considering the compensation criteria of the most recent decisions – made by the AGM/EGM of 2020. For 2021, with alteration in the amount of the life insurance and the fees to be proposed	1) The number of members is the annual average of members of the body referred to, calculated monthly. 2) Forecast calculated considering the compensation criteria of the most recent decisions – made by the AGM/EGM of 2020. For 2021, with alteration	–

	2) Forecast calculated considering the compensation criteria of the most recent decisions – made by the AGM/EGM of 2020. For 2021, with alteration in the amount of the life insurance and the fees to be proposed to the AGM, an increase is expected in the amount of salary or pro-labore and the direct and indirect benefits. 3) Composition of the direct and indirect benefits: life insurance. 4) Under CVM Official Circular SEP 01/2021, the compensation does not include expenditure on the payroll-related taxes and charges required by law.	to the AGM, an increase is expected in the amount of salary or pro-labore and the direct and indirect benefits. 3) Composition of the direct and indirect benefits: Health plan, dental plan, life insurance, meal vouchers, bonuses and payments relating to paid leave plus 1/3 of Leave. 4) Forward estimate of bonus, based on the target maximum, for the 2021 bonus to be paid in 2022. 5) Under CVM Official Circular SEP 01/2021, the compensation does not include expenditure on the payroll-related taxes and charges required by law.	in the amount of the life insurance and the fees to be proposed in an AGM, an increase is expected in the amount of salary or pro-labore and the direct and indirect benefits. 3) Composition of the direct and indirect benefits: life insurance. 4) Under CVM Official Circular SEP 01/2021, the compensation does not include expenditure on the payroll-related taxes and charges required by law.	

Total compensation for the business year ended Dec. 31, 2020 – annual amounts

2020	Board of Directors	Executive Board	Audit Board	Total
Total number of members [1]	8.08	7.00	9.25	24.33
Total number of remunerated members	8.00	7.00	9.25	24.25
Fixed annual compensation (in R$)				
Salary or pro-labore	1,535,773.84	5,632,866.67	1,375,472.15	8,544,112.66
Direct and indirect benefits	31,262.04	1,331,945.19	35,756.98	1,398,964.21
Participation in committees	-	-	-	-
Other items	-	-	-	-
Description of other fixed remuneration	-	-	-	-
Variable compensation (in R$)				
Bonus	-	3,664,000.00	-	3,664,000.00
Profit shares	-	-	-	-
Attendance at meetings	383,943.46	-	-	383,943.46
Fees	-	-	-	-
Other items	-	-	-	-
Description of other variable compensation	-	-	-	-
Post-retirement (in R$)	55,064.63	1,428,861.33	-	1,483,925.96
Cessation of position	-	-	-	-
Share-based (including options)	-	-	-	-
Totals	**2,006,043.97**	**12,057,673.19**	**1,411,229.13**	**15,474,946.29**
Remarks	1) The number of members is the annual average of members of the body referred to, calculated monthly, remunerated as to 80% fixed compensation plus 20% proportional to the participation in meetings, except for those holding positions of Executive Officer (members of the Executive Board). 2) Composition of the direct and indirect benefits: life insurance.	1) The number of members is the annual average of members of the body referred to, calculated monthly. 2) Composition of the direct and indirect benefits: Health plan, dental plan, life insurance, meal vouchers, bonuses and payments relating to paid leave plus 1/3 of Leave. 3) Under CVM Official Circular SEP 01/2021, the compensation does not include expenditure on the payroll-	1) The number of members is the annual average of members of the body referred to, calculated monthly. 2) Composition of the direct and indirect benefits: life insurance. 3) Under CVM Official Circular SEP 01/2021, the compensation does not include expenditure on the payroll-related taxes and charges required by law.	–

	3) Under CVM Official Circular SEP 01/2021, the compensation does not include expenditure on the payroll-related taxes and charges required by law.	related taxes and charges required by law. 4) Bonus based on the target maximum, for 2020 bonus to be paid in 2021.		

Total compensation for the business year ended Dec. 31, 2019 – annual amounts

2019	Board of Directors	Executive Board	Audit Board	Total
Total number of members[1]	10.67	6.67	9.83	-
Total number of remunerated members[1]	8.50	6.67	9.83	-
Annual fixed compensation (in R$)[2]				
Salary or pro-labore	1,629,536.79	5,405,100.05	1,460,581.18	8,495,218.02
Direct and indirect benefits	35,382.87	1,825,852.20	36,659.68	1,897,894.75
Participation in committees	-	-	-	-
Other items	325,907.35	3,692,718.75	292,115.91	4,310,742.01
Description of other fixed remuneration	Employer’s INSS contribution	Employer’s INSS contribution and FGTS	Employer’s INSS contribution	-
Variable compensation (in R$) [3]				
Bonus	-	4,663,349.23	-	4,663,349.23
Profit shares	-	-	-	
Attendance at meetings	407,384.20	-	-	407,384.20
Fees	-	-	-	-
Other items	81,476.84		-	81,476.84
Description of other variable remuneration	Employer’s INSS contribution	-	-	-
Post-retirement	65,067.94	1,256,015.35	-	1,321,083.29
Cessation of position	-	-	-	-
Share-based (including options)	-	-	-	-
Total of the compensation (in R$)	**2,544,755.99**	**16,843,035.58**	**1,789,356.77**	**21,177,148.34**

Remarks	1) Number of members was calculated using the annual average of number of members, ascertained monthly. 2) Any differences between the amounts actually realized in 2019 and the proposed amounts relate to people being relieved of positions in the year. 3) Sitting members remunerated as to 80% fixed amount plus 20% portion proportional to participation in meetings, except for those holding positions of Executive Officer (members of the Executive Board). 4) Composition of the direct and indirect benefits: life insurance.	1) Number of members was calculated using the annual average of number of members, ascertained monthly. 2) Any differences between the amounts actually realized in 2019 and the proposed amounts relate to people being relieved of positions in the year. 3) Composition of the direct and indirect benefits: Health plan, dental plan, life insurance, meal vouchers, bonuses and payments relating to paid leave plus 1/3 of Leave. 4) Payment of bonus was based on 2018 target amount actually achieved, and payment of proportional bonus to Executive Officers who were relieved of positions in 2018.	1) Number of members was calculated using the annual average of number of members, ascertained monthly. 2) Any differences between the amounts actually realized in 2019 and the proposed amounts relate to people being relieved of positions in the year. 3) Composition of the direct and indirect benefits: life insurance.	–

Total compensation for the business year ended Dec. 31, 2018 – annual amounts

2018	Board of Directors	Executive Board	Audit Board	Total
Total number of members [1]	19.00	11.00	9.00	
Total number of remunerated members [1]	17.00	11.00	9.00	
Annual fixed compensation (in R$) [2]				
Salary or pro-labore	2,994,419.05	8,323,992.82	1,272,499.63	
Direct and indirect benefits	66,976.61	1,680,573.33	32,841.50	
Participation in committees	0.00	0.00	0.00	
Other items	598,883.73	3,727,114.63	254,499.87	
Description of other fixed remuneration	Employer's INSS contribution	Employer's INSS contribution and FGTS	Employer's INSS contribution and FGTS	
Variable compensation (in R$) [3]				
Bonus	0.00	0.00	0.00	
Profit shares	0.00	3,654,718.14	0.00	
Attendance at meetings	748,604.76	0.00	0.00	
Fees	0.00	0.00	0.00	
Other items	149,720.93	0.00	0.00	
Description of other variable remuneration	INSS and company contribution	–	–	
Post-retirement	173,845.57	1,689,609.67	0.00	
Cessation of position	0,00	0.00	0.00	
Share-based (including options)	0,00	0.00	0.00	
Total of the compensation (in R$)	**4,732,450.65**	**19,076,008.59**	**1,559,841.00**	**25,368,300.24**
Remarks	1) Any differences between what was realized in 2018 and the proposal refer to the approval of the index for adjustment of the pro-labore made in 2018, as per AGM/EGM of April 30, 2018, with consequent increase in the payments to the INSS. There were also people relieved of positions in 2018. 2) Total number of members as per AGM and EGM of April 30, 2018: sitting and alternate members remunerated as to 80% fixed amount plus 20% part proportional to attendance at meetings, except for those	1) Any differences between what was realized in 2018 and the proposal refer to the approval of the index for adjustment of the pro-labore made in 2018, as per AGM/EGM of April 30, 2018, with consequent increase in the payroll-related taxes and charges. 2) 2) Number of members considering the total number of Chief Officer's departments.	1) Any differences between what was realized in 2018 and the proposal refer to the approval of the index for adjustment of the pro-labore made in 2018, as per AGM/EGM of April 30, 2018, with consequent increase in the payments to the INSS. 2) Number of members was calculated using the annual average of number of	–

	holding positions of Executive Officer (member of Executive Board). 3) Number of members was calculated using the annual average of number of members, ascertained monthly. 4) Composition of the direct and indirect benefits: life insurance. 5) The number, 17, of remunerated members is equivalent to the total of members of the Board of Directors (9 sitting members and 9 alternate members) excluding (i) the CEO who, as specified by the AGM/EGM of April 30, 2018, is remunerated only for the position of Chief Officer; and (ii) one Board Member who also became a Member of the Audit Committee, being remunerated only for this post, as from June 2018.	3) Composition of the direct and indirect benefits: Health plan, dental plan, life insurance, meal vouchers, bonuses and payments relating to paid leave plus 1/3 of Leave. For 2019, with alteration in the amount of the life insurance, an increase is expected in the amount of the direct and indirect benefits. 4) Number of members was calculated using the annual average of number of members, ascertained monthly.	members, ascertained monthly. 3) Composition of the direct and indirect benefits: life insurance. For 2018, with alteration in the amount of the life insurance, an increase is expected in the amount of the direct and indirect benefits.	

13.3

Variable compensation – current year ending December 31, 2021				
	Board of Directors	**Executive Board (Statutory Directors)**	**Audit Board**	**Total**
Total number of members	9.00	7.00	10.00	26.00
Total number of remunerated members	9.00	7.00	10.00	26.00
Bonus				
Minimum amount specified in the variable compensation plan	–	1,832,000.00	–	1,832,000.00
Maximum amount specified in the variable compensation plan	–	3,664,000.00	–	3,664,000.00
Amount specified in the variable compensation plan if targets are met	–	3,664,000.00	–	3,664,000.00
Profit shares				
Minimum amount specified in the compensation plan	–	–	–	–
Maximum amount specified in the variable compensation plan	–	–	–	–
Amount specified in the variable compensation plan if targets are met	–	–	–	–
Remarks	–	The criteria for payment of a bonus in 2021 have not yet been set. Hence, in this table, the calculations for bonuses paid in 2020 have been maintained. Forward estimate of bonus for 2021, to be paid in 2022.	–	–

Variable compensation – year ended December 31, 2020	Board of Directors	Executive Board (Statutory Directors)	Audit Board	Total
Total number of members	9.00	7.00	10.00	30.00
Total number of remunerated members	9.00	7.00	10.00	30.00
Bonus				
Minimum amount specified in the compensation plan	–	1,832,000.00	–	1,832,000.00
Maximum amount specified in the variable compensation plan	–	3,664,000.00	–	3,664,000.00
Amount specified in the variable compensation plan if targets met	–	3,664,000.00	–	3,664,000.00
Amount actually recognized in the income statement for the year				
Profit shares				
Minimum amount specified in the compensation plan	–	–	–	–
Maximum amount specified in the variable compensation plan	–	–	–	–
Amount specified in the variable compensation plan if targets met (amount actually recognized in the income statement for the year)	–	–	–	–
Remarks	–	Bonus for 2020 was to be paid in 2021.	–	–

Variable compensation – year ended December 31, 2019	Board of Directors	Executive Board (Statutory Directors)	Audit Board	Total
Total number of members	10.67	6.67	9.83	27.17
Total number of remunerated members	8.50	6.67	9.83	25.00
Bonus				
Minimum amount specified in the compensation plan	–	2,613,666.67	–	2,613,666.67
Maximum amount specified in the variable compensation plan	–	5,227,333.33	–	5,227,333.33
Amount specified in the variable compensation plan if targets met	–	5,227,333.33	–	5,227,333.33
Amount actually recognized in the income statement for the year	–	4,663,349.23	–	4,663,349.23
Profit shares				
Minimum amount specified in the compensation plan	–	–	–	–
Maximum amount specified in the variable compensation plan	–	–	–	–
Amount specified in the variable compensation plan if targets met (amount actually recognized in the income statement for the year)	–	–	–	–
Remarks	–	–	–	–

Variable compensation – year ended December 31, 2018	Board of Directors	Executive Board (Statutory Directors)	Audit Board	Total
Total number of members	19.00	11.00	9.00	39.00
Total number of remunerated members	17.00	11.00	9.00	37.00
Bonus				
Minimum amount specified in the compensation plan	–	–	–	–
Maximum amount specified in the variable compensation plan	–	–	–	–
Amount specified in the variable compensation plan if targets met	–	–	–	–
Profit shares				
Minimum amount specified in the compensation plan	–	2,133,375.00	–	2,133,375.00
Maximum amount specified in the variable compensation plan	–	4,266,750.00	–	4,266,750.00
Amount specified in the variable compensation plan if targets met (amount actually recognized in the income statement for the year)	–	4,266,75000	–	4,266,75000
Remarks	–	Profit shares for 2018 were scheduled for payment in first half of 2019. At the reporting date, decision was awaited on the criteria for payment of the 2018 profit sharing. Profit sharing for Chief Officers who were relieved of positions in 2019 was included in the 2018 payment.	–	–

13.4

The Company does not adopt a share-based plan of remuneration for the Board of Directors and/or the Executive Board.

13.5
There is no share-based remuneration plan for the Board of Directors or the Executive Board.

13.6

Not applicable, because there is no share-based remuneration plan for the Board of Directors or the Executive Board.

13.7

Not applicable, because there is no share-based remuneration plan for the Board of Directors or the Executive Board.

13.8
Not applicable, because there is no share-based remuneration plan for the Board of Directors or the Executive Board.

13.9

CEMIG	December 31, 2020	
	Number of common (ON) shares	**Number of preferred (PN) shares**
Board of Directors	0	38.323
Executive Board	10,313	22,860
Audit Board	0	20,822
Total	10,313	82,005

13.10

Private pension plans	**Board of Directors**	**Executive Board (Statutory Directors)**
Number of members	2.00	11.00
Number of remunerated members	2.00	11.00
Name of the plan	Mixed Benefit Private Pension Plan (‘Plan B’)	Mixed Benefit Private Pension Plan (‘Plan B’)
Number of managers qualified to retire	0	0
Conditions for early retirement	There is no early retirement in the said plan	There is no early retirement in the said plan
Updated accumulated contributions up to the end of the last business year, less the portion relative to the contributions made directly by the managers	447,607.17	5,480,890.23
Updated accumulated contributions during the last business year, less the portion relative to the contributions made directly by the managers.	161,561.34	1,249,898.75
Redemption conditions	Withdrawal of sponsor and option for redemption mechanism	Withdrawal of sponsor and option for redemption mechanism
Possibility of redemption and conditions	0 (option for redemption)	2 (option for redemption)

13.11

Business year ended December 31, 2020			
	Board of Directors	Executive Board (Statutory Directors)	Audit Board
Number of members	8.08	7.00	9.25
Number of remunerated members	8.00	7.00	9.25
Largest individual compensation (in Reais)	309,828.44	1,603,847.19	152,998.07
Lowest individual compensation (in Reais)	250,919.24	1,243,492.41	135,610.16
Average individual compensation (in Reais)	272,615.82	1,459,109.92	168,555.68

To avoid distortions, the values of the average, lowest and highest annual individual compensation in each body was calculated excluding members who had been in their posts less than 12 months.

Under CVM Official Circular SEP 01/2021, the compensation does not include expenditure on the salary-related taxes and charges required by law.

Business year ended December 31, 2019			
	Board of Directors	Executive Board (Statutory Directors)	Audit Board
Number of members	9.00	7.00	10.00
Number of remunerated members	7.00	7.00	10.00
Largest individual compensation (in Reais)	325,750.45	1,911,826.60	201,402.06
Lowest individual compensation (in Reais)	267,161.18	1,527,377.26	146,712.56
Average individual compensation (in Reais)	304,865.24	1,786,812.29	169,023.14

The amount of the lowest compensation is calculated excluding members of the Board of Directors, the Executive Board and the Audit Board who have been in their positions for less than 12 months. Total number of members of the Board of Directors is as per AGM/EGM of March 25, 2019. Sitting and alternate members remunerated as to 80% in a fixed portion plus 20% in a portion proportional to attendance at meetings (except those who are also Chief Officers).

Business year ended December 31, 2018			
	Board of Directors	Executive Board (Statutory Directors)	Audit Board
Number of members	19.00	11.00	9.00
Number of remunerated members	17.00	11.00	9.00
Largest individual compensation (in Reais)	321,416.02	1,944,154.85	191,839.93

Lowest individual compensation (in Reais)	193,927.34	1,286,759.72	140,656.62
Average individual compensation (in Reais)	278,048.07	1,477,520.62	164,839.32

The amount of the lowest compensation is calculated excluding members of the Board of Directors, the Executive Board and the Audit Board who have been in their positions for less than 12 months. Total number of members of the Board of Directors is as per AGM/EGM of April 30, 2018. Sitting and alternate members remunerated as to 80% in a fixed portion plus 20% in a portion proportional to attendance at meetings (except those who are also Chief Officers).

13.12

There is a provision in law for payment of indemnity of 40% of the total amount in the FGTS account in the event of dismissal of a Chief Officer. Since this extra payment is in the nature of an indemnity, it is payable only to those Chief Officers who had been removed from that position, by a decision of the Company, before the expiry of their period of office.

The Company makes the deposits due to each Chief Officer in their respective FGTS account, and under the legal decision in Opinion JR-1809/2002 of December 13, 2002 the extra payment is applicable only to those FGTS deposits that have been made during the recipient's actual period of office as a Chief Officer. In obedience to the constitutional principle of Isonomy (equality of treatment) this right is extended to Chief Officers who are not employees of the Company.

Other than life insurance, the Company does not have life insurance policies or other instruments that structure mechanisms of compensation or indemnity for managers if they are removed from their positions or are retired.

13.13

The percentages of the total remuneration of each body attributed to members of the Board of Directors, the Executive Board (Statutory Directors) and the Audit Board who are related parties to the controlling stockholders of the Company, direct or indirect, as defined by the accounting rules that deal with this subject, for the last three years, were:

	2020	2019	2018
Executive Board	0.00	0.00	0.00
Board of Directors	81.56	91.39	97.02
Audit Board	78.45	79.71	71.05

13.14
The percentages, for the last three business years, were:

Business year	Board of Directors	Executive Board (Statutory Directors)	Audit Board	Total
2020	0.00	0.00	0.00	0.00
2019	0.00	0.00	0.00	0.00
2018	0.00	0.00	0.00	0.00

13.15

There is no compensation paid by any direct or indirect controlling stockholder, nor by any subsidiary nor any jointly-controlled company, that has been attributed to any member of the Board of Directors, the Executive Board (Statutory Directors) or the Audit Board, as a function of exercise of any position within the Company itself.

2020 business year – any other compensation/remuneration received (specify under what heading this was attributed):

In Reais (R$)	**Board of Directors**	**Executive Board (Statutory Directors)**	**Audit Board**	**Total**
Direct or indirect controlling stockholders	–	–	–	–
Subsidiaries of the Company	–	–	–	–
Jointly-controlled companies	–	–	–	–

2019 business year – any other compensation/remuneration received (and under what heading attributed):

In Reais (R$)	**Board of Directors**	**Executive Board (Statutory Directors)**	**Audit Board**	**Total**
Direct or indirect controlling stockholders	–	–	–	–
Subsidiaries of the Company	–	–	–	–
Jointly-controlled companies	–	–	–	–

2018 business year – any other compensation/remuneration received (and under what heading attributed):

In Reais (R$)	**Board of Directors**	**Executive Board (Statutory Directors)**	**Audit Board**	**Total**
Direct or indirect controlling stockholders	–	–	–	–
Subsidiaries of the Company	–	–	–	–
Jointly-controlled companies	–	–	–	–

13.16

In addition to the information provided in items 13.1 to 13.15 of this Reference Form, and in accordance with the recommendations of CVM Circular SEP Nº 01/2021, Cemig reports below the expenditure planned and realized on the payroll-related taxes and charges (*encargos sociais*) – contributions to the National Social Security System (INSS) and to the Employees' Time of Service Guarantee Fund (FGTS) – that is to say the amounts of the Company's obligations as an employer:

Total compensation planned for the current business year ending Dec. 31, 2021 – annual amounts

	Board of Directors	Executive Board (Statutory Directors)	Audit Board	Total
Payroll-related taxes and charges	456,545.28	2,904,657.76	296,508.96	3,657,712.00

Total compensation for the business year ended Dec. 31, 2020 – annual amounts

	Board of Directors	Executive Board (Statutory Directors)	Audit Board	Total
Payroll-related taxes and charges	383,943.45	3,051,875.48	275,094.10	3,710,913.03

Appendix 4

OPINION OF THE AUDIT BOARD

ON THE FINANCIAL STATEMENTS

The undersigned members of the Audit Board of Companhia Energética de Minas Gerais – Cemig, in the exercise of their functions under the law and by-laws, have examined the Financial Statements for the business year ended December 31, 2020 and the related complementary documents, approved by the Board of Directors of the Company on March 26, 2021. After checking these documents, and considering the examination undertaken by this Board and the explanations given by the Management of the Company in relation to the acts of management and the respective records in the financial year of 2020, and also based on the Opinion, without qualification, of Ernst and Young Auditores Independentes, issued on March 26, 2021, they express the favorable opinion that the financial statements referred to are properly represented in all material aspects, and thus merit the approval of the stockholders at the Annual General Meeting to be held in 2021.

Belo Horizonte, March 26, 2021

Gustavo de Oliveira Barbosa

Cláudio Morais Machado

Elizabeth Jucá e Mello Jacometti

Fernando Scharlack Marcato

Michele da Silva Gonsales

Appendix 5

OPINION OF THE AUDIT BOARD

ON THE PROPOSAL FOR ALLOCATION OF PROFIT FOR 2020

The undersigned members of the Audit Board of Companhia Energética de Minas Gerais – Cemig, in performance of their functions under the law and under the by-laws, have examined the following proposal made by the Board of Directors to the Extraordinary General Meeting of Stockholders to be held in 2021, for allocation of:

– the Net profit for the business year 2020: ... ... R$ 2,864,110,000,
– realization of the deemed cost of fixed assets: ... ... R$ 16,950,000,
– adjustments to prior years, of : ... ... R$ 211,640,000,
– and realization of the Retained earnings reserve constituted in 2019: ... ... R$ 834,603,000,

– as follows:

(a) R$	142,314,000	to be allocated to the Legal Reserve;
(b) R$	1,482,146,000	to be allocated to payment of the mandatory dividend to stockholders, in two equal installments, by June 30 and December 30, 2021, comprising:
(i)	R$ 553,488,000	as Interest on Equity, on account of the mandatory dividend, as decided by the Executive Board on September 22 and December 23, 2020; and
(ii)	R$ 928,658,000	as complementary mandatory dividends, to stockholders whose names are on the Company's Nominal Share Registry on the date on which the Annual General Meeting is held;
(c) R$	17,829,000	to be held in Stockholders' equity in the Tax incentives reserve, referring to adjustments in the incentive amounts calculated in prior years related to investments in the region of Sudene; and
(d) R$	1,450,411,000	to be held in Stockholders' equity in the Retained earnings reserve, to guarantee execution of the Company's Investment Program.

– the balance of the Future earnings reserve to be unchanged, at R$ 834,603,000, after reversal of the reserve made in 2019, and constitution of a new reserve in 2020 of the same amount.

The members of the Audit Board, after carefully analyzing the said proposal and the justifications presented by the Company's management, and further taking into account that the applicable rules have been complied with, are of the opinion that the proposal should be approved by the said General Meeting.

Belo Horizonte, March 26, 2021

Gustavo de Oliveira Barbosa

Cláudio Morais Machado

Elizabeth Jucá e Mello Jacometti

Fernando Scharlack Marcato

Michele da Silva Gonsales

Appendix 6

10.1

(a) Overall financial and equity conditions

2020 will certainly go down in history for its singularity – the whole of society had to deal with the effects of a worldwide pandemic, with significant upheavals in people's lives and behavior, and powerful impacts on the economic and social environment.

In March 2020 we set up our *Coronavirus Crisis Management Committee*, to ensure that decisions were taken fast, due to the rapid advance of the pandemic and its widespread, complex, systemic effects. We took various measures to protect our cash position, such as postponing investments, expenses, and payment of dividends, as well as renegotiating credits receivable from clients.

One of our great priorities was to ensure the safety and health of our employees: we put numerous measures in place, including adoption of home office working for a significant part of the workforce, and safety protocols in accordance with the health authorities' proposals for our field teams. Unfortunately, some of our employees became victims of the pandemic. These are irreparable losses, a reason for extreme sadness and our solidarity with the families involved. We continue firmly to believe that respect for life is a non-negotiable asset for Cemig.

Our mission was to make it possible to continue to supply high quality energy to clients during the pandemic, also ensuring uninterrupted service to hospitals and other public services. In 2020 we achieved the best monthly average DEC outage index in our history, down to 9.6 hours/year, or 9.4% better than in 2019.

And in this challenging environment, Cemig once again proved the resilience and sustainability of its operations, also, in the financial dimension.

Our profile as an integrated company, with diversification of businesses across electricity generation, transmission, trading and distribution, gives us a solidity of financial structure, and reduces the risks involved with facing adverse scenarios – tending to produce greater stability in our results.

Even considering the retraction of economic activity, with the partial or total shutdown of retailers and industry for a large part of the year, we closed 2020 with profit of R$ 2.864 billion, and Ebitda of R$ 5.694 billion – or 29.64% more than in 2019.

We continue with our successful path of debt reduction: at the end of the year Net debt/Ebitda was 1.3, showing the solidity of our financial position, and also attesting to our ability to generate cash flow.

The rating agencies have recognized these results and improvements. Even with the effects and uncertainties of the pandemic, **Fitch** and **Moody's** both increased our overall credit ratings in the year, and in 2021 **Standard&Poor's** also increased our ratings: from B to BB– on the global scale, and from A+ to AA+ plus on the Brazilian scale – a significant increase, of three 'notches'.

We maintain our continual quest for operational improvement and reduction of costs. This year, for the first time, we succeeded in bringing the operational expenses of our distribution business below the benchmark level established by the regulator, Aneel, for the purposes of tariff calculations. This is a result that should be celebrated, and which gives us even greater motivation to continue making the effort to increase our operational margins in the coming years, through reduction of non-technical energy losses and default. We have been doing this with increased inspections, and disconnections, and other measures producing efficiency, and expect this to enable us to achieve Ebitda higher than the regulatory reference level in the near future.

In the transmission business, we were successful in the tariff review process, with ratification and inclusion of our investments, and recognition of Cemig as one of the most efficient companies in the sector, in terms of operational costs compared to those of other transmission companies.

Due to the retraction in industrial and commercial activity, we suffered a higher impact from the pandemic in our energy trading business, with the need to offer flexibility in our contracts with our large clients – affecting the profitability of this business. These impacts, though, were temporary, and in the fourth quarter of 2020 we saw consumption returning to the levels expected in our planning.

In 2020 we invested nearly R$ 2 billion in electricity distribution, generation and transmission, and distribution of natural gas; and we have a robust program of investments in our principal businesses for the coming years: the highlight is distribution, in which we intend to invest approximately R$ 12 billion over the next five years. These significant investments will enable us to serve the clients of Minas Gerais better, and also to increase our regulatory remuneration base, generating more revenue, as well as reducing expenses on operation and maintenance of our assets.

Continuing our disinvestment program, at the beginning of 2021 we sold our remaining equity interest in **Light**, which produced cash inflow of R$ 1.37 billion – improving our liquidity and thus our financial capacity to execute our investment program.

We are recognized as a sustainable company, which concerns itself with the impact of its actions on the environment and on society – and we are also the company that most invests in culture in the State. We were once again included in the São Paulo Stock Exchange's *Corporate Sustainability Index,* and in the *Dow Jones Sustainability Index* – in which we have been included since its creation in 1999. We are signatories of the UN Global Compact; and we have leading positions in several international and Brazilian sustainability ratings – representing recognition of the value of our shares from the point of view of sustainability.

Although still living with the effects of the pandemic, we expect that in 2021 Brazil will already be presenting signs of economic recovery, which we confidently expect to have positive effects on our profitability.

Our Board of Directors and Executive Board, our body of managers, and our qualified workforce are committed and motivated to ensure the progress and sustainability of our operations, and with them, adequate return to stockholders, and delivery of the expectations of other stakeholders. We are optimistic about the future of Cemig.

In preparation for this future, we concluded the review of our strategic planning at the beginning of 2021, centering on the objective of "**Focus to Achieve**": giving priority to the regulated businesses of generation and transmission where we have stockholding control, seeking leadership in client satisfaction, safety and the highest levels of efficiency, through modern and sustainable management.

Additionally, in 2020 we began development of a new project for our organizational culture. In this project we will strengthen and re-emphasize our corporate values and expected patterns of behavior, in a way that is convergent with our ethical principles, in a more harmonic and productive environment.

We take this opportunity to express our thanks to our employees, stockholders and other stakeholders for their joint and continuing efforts to maintain the recognition of Cemig as an outstanding major company in the Brazilian electric power sector.

(b) Capital structure

The chief officers believe that the Company has a balanced capital structure. Total debt on December 31, 2020 was R$ 15.021 billion, of which 14% was short-term and 86% long-term. At December 31, 2019, gross debt was R$ 14.776 billion, comprising 19% short-term and 81% long-term. On December, 31, 2018 gross debt was R$ 14.772 billion, of which 15% was short-term and 85% long-term.

In considering these numbers, bear in mind that Cemig GT has systematically reduced its debt with amortizations over the years, but the volume of its debt has been affected by changes in the exchange rate, directly affecting the balance of its Eurobonds. Cemig D lengthened its amortization timetable with the reprofiling of the debt implemented at the end of 2017, and, in July 2019, its 7th debenture issue. In 2019 the debt of *Parajuru* and *Volta do Rio* was consolidated inside Cemig GT, when those companies became its wholly-owned subsidiaries, offsetting amortizations of debts by Cemig D and Cemig GT. Also, in September 2020 Gasmig concluded its eighth issue of non-convertible debentures, for R$ 850 million, in a single series, with 11-year maturity, monetary updating by the IPCA inflation index, and remuneratory interest of 5.27% per year.

Capital structure:

Amounts in R$ mn

Year	Net debt (ND)	Stockholders' equity (SE)	ND + SE (Capitalization)	ND / (SE + ND)
2018	13,069	15,939	29,008	44.8%
2019	13,487	15,891	29,378	45.5%
2020	9,212	17,477	26,689	34.5%

Cemig's officers highlight the increase in Stockholders' equity from 2019 to 2020.

This reflects the increase in Retained earnings, and the fact that net debt was reduced due to a more robust cash position in Cemig D. For comparison, the change in Stockholders' equity from 2018 to 2019 was insignificant.

Gross debt has been constantly reduced due to the amortizations in each company, as part of the policy of reducing leverage.

The level of financing of the Company's operations with its own and outside capital can be seen over the years in the leverage as measured by the ratio of net debt to Stockholders' equity. Another way of demonstrating debt is through the capital structure, the proportion between own capital and external capital. This table shows the level of leverage, and capital structure, as expressed by (Net debt/Stockholders' equity) and (Stockholders' equity / Total liabilities), where:

– Net debt is defined as: Loans, financings, and Debentures, less the total of (Cash and cash equivalents and Securities); and Total liabilities is defined as: Current + non-current liabilities + Stockholders' equity. This table shows the values of these indicators:

Capital structure	2020	2019	2018
1. Net debt / Stockholders' equity	53%	85%	82%
2. Stockholders' equity / Total liabilities (Liabilities + Stockholders' equity)	32%	32%	27%

The Company's chief officers believe that the indicators shown in the table above have been situated at appropriate levels over the periods analyzed. The first indicator shows that net debt at the end of 2020 was 53% of Stockholders' equity (vs. 84% in 2019, and 81% in 2018). The second indicator shows that for every R$ 1 invested in the Company in 2020, 32% came from funds of stockholders' equity (vs. 32% in 2019, and 27% in 2018).

(c) Payment capacity in relation to the financial commitments assumed

Amounts in R$ mn

Year	EBITDA (As per CVM Instruction 527/2012)	Cash + Securities	Net debt	Net Debt / Ebitda
2018	3,781	1,703	13,069	3.46
2019	4,376	1,289	13,487	3.08
2020	5,694	5,805	9,212	1.62

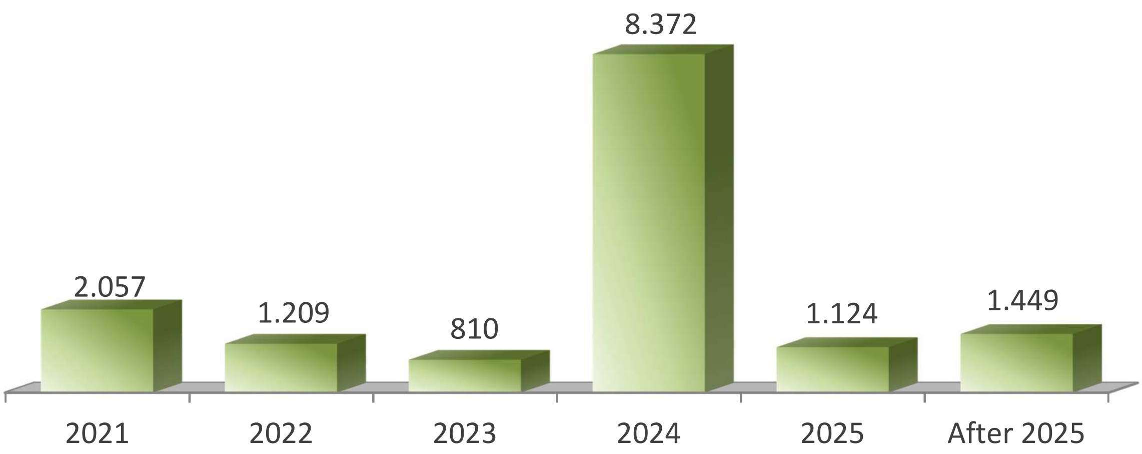
The officers highlight that Cemig's cash generation capacity, measured by Ebitda, increased by 30.1% from 2019 to 2020, showing the higher operating results, especially in the distribution business, and the higher gain on Equity interests in non-consolidated investees (equity method accounting) in 2020. From 2018 to 2019, this equity income increased 15.7%: note that the tariff review for Cemig D in 2018 took effect only as from June 2018, being incorporated into the results only from that date.

The change in net debt between 2019 and 2020 arises from the Company's efforts to reduce indebtedness, and also from higher cash generation, mainly due to: (i) R$ 1.40 4 billion received under the Covid Account; and (ii) R$ 1.383 billion received when the escrow deposits were released in the successful legal action on Pasep and Cofins taxes. Also, in 2020 the Company began offsetting of these credits of Pasep and Cofins taxes that resulted from the successful legal action. There was a small increase from 2018 to 2019, due to the balance of the debt in Eurobonds, caused by the variation in the exchange rate, and the issue of R$ 850 million in Notes by Gasmig for payment of its Concession Grant Fee. The net debt/Ebitda indicator for 2020 indicates that 1.62 years of operational cash flow (Ebitda) would be sufficient to pay the debtor balance. This is lower than the same ratio for 2019, where 3.08 would have been needed, and 2018 (3.46 years). These variations mainly reflect the increases in Ebitda in 2018, 2019 and 2020. Management constantly monitors these indices in relation to the Company's capacity to comply with its financial commitments. For more information on non-accounting measures, definitions and reconciliations please see items 3.7 and 3.9 of this Reference Form.

As the chart below shows, the total debt of R$ 15.021 billion has now been significantly lengthened, with 27% maturing in up to three years and average tenor of 3.8 years:

Debt amortization timetable

Position at December 2020 – R$ million



The debt amortization timetable reflects the reprofiling transactions carried out in 2017 in Cemig GT and Cemig D, and also the lengthening of the debt in Cemig D in 2019, and the debt of Gasmig in 2020. The Company has a positive outlook for continuing to refinance its short-term debt and replace it with longer-term transactions.

Thus, the Chief Officers believe that there are full conditions for the Company to continue refinancing its debts, since it has been successful in accessing the capital market, both to finance its investments and to refinance debt. Also, the release of R$ 1.4 billion in Court escrow deposits in February 2020, and the deposit of R$ 1.4 billion in Cemig D, from the Covid Account as from July 2020, have improved the Company's liquidity for settling short-term commitments.

The Company's current liabilities totaled R$ 9.690 billion at December 31, 2020; R$ 7.965 billion at the end of 2019; and R$ 23.437 billion at the end of 2018. These variations reflect the classification given by the Company in 2018 to the assets and liabilities related to the sale of Light, and its jointly-controlled subsidiaries LightGer, Axxiom, Amazônia, Guanhães and UHE Itaocara. The principal obligations are loans, financings, suppliers, taxes, dividends and regulatory charges.

On this basis the Chief Officers consider that the Company has capacity not only to pay its debt, but also to maintain its history of faithfully complying with its financial commitments assumed with suppliers, the government, stockholders and employees, and also to guarantee its future investments and acquisitions.

(d) Financing sources used for working capital and for investments in non-current assets

The Company's operations are financed through generation of cash from its businesses, raising of funds in the capital market, issuance of securities in the local and international markets, and contracting of long-term financings. Operational and financial expenses, investments and cost of maintenance of operation are financed by cash flow, and new acquisitions of investments and fixed assets have been financed by contracting financings and issue of debentures.

Below is a description of the financing sources for working capital and for investments in non-current assets used by the Company and some of its subsidiaries in the business years 2020, 2019 and 2018:

This table gives the consolidated totals of funds raised in 2020, in thousands of Reais:

Financing source	Date of receipt of funds	Principal maturity	Annual financing cost	Amount
Brazilian currency				
Debentures – 8th Issue, Single series	September 2020	2031	IPCA +5.27%	850,000
(–) Transaction costs				(24,438)
Total raised				**825,562**

In September 2020 Gasmig concluded its eighth issue of non-convertible debentures, for R$ 850,000, with 11-year maturity, monetary updating by the IPCA inflation index, and remuneratory interest of 5.27% per year, on the 252 business days basis. The total of the net proceeds was used for the obligatory early redemption of the whole of Gasmig's first Commercial Promissory Note issue, totaling R$ 850,000 on the issue date.

In 2020 the Company raised no new funding in Cemig D nor in Cemig GT, primarily due to the liquidity events, with cash inflow of R$ 2.6 billion, referred to above, and also optimization of the curves for capex and opex in the distribution business, which resulted in a sufficient cash position to comply with obligations for operations, investment and financing, and still have a liquidity cushion remaining to deal with any uncertainties generated by the pandemic. Also, from the beginning of the pandemic until the end of the third quarter of 2020 the debt market was considerably selective, with higher spreads and lower volumes offered, compared to the sources of financing prior to Covid. This movement began to reverse in the fourth quarter, but without representing a significant opportunity for the Company. In this context, no actions to manage liabilities were carried out, whether for lengthening of maturities, or issues to balance the capital structure, or financing of investments.

This table gives the consolidated totals of funds raised in 2019, in thousands of Reais:

Financing source	Date of receipt of funds	Principal maturity	Annual financing cost	Amount
Brazilian currency				
Debentures – 7th Issue, 1st series (1)	July 2019	2024	CDI + 0.454%	2,160,000
Debentures – 7th Issue, 2nd Series (1)	July 2019	2026	IPCA +4.10%	1,500,000
Notes – 1st Issue (2)	September 2019	2020	107.00% of CDI rate	850,000
(–) Transaction costs				(10,183)
(–) Discount(3)				(23,095)
Total raised				**4,476,722**

(1) Cemig Distribuição (Cemig D – Distribution)
(2) Gasmig
(3) Discount on the 2nd series of the 7th issues of debentures by Cemig D.

On September 26, 2019, Gasmig made an issue of R$ 850 million in Commercial Promissory Notes, in a single series, with maturity at 12 months and remuneratory interest at 107% of the DI rate, without guarantee or surety. The proceeds of this issue were used in their entirety on September 26, 2019 to pay the concession grant fee payable to the Grantor Power , updated by the variation in the DI rate from January 1, 2019, in a total amount of R$ 891.2 million.

In July 2019, Cemig D concluded distribution of its 7th issue of nonconvertible debentures, totaling R$ 3.66 billion, in two series: the first series with maturity at 5 years, for a total of R$ 2.16 billion, paying remuneratory interest at the CDI rate plus 0.454% p.a.; and the second series, with 7-year maturity, for R$ 1.5 billion, paying inflation adjustment by the IPCA index plus remuneratory interest of 4.10% p.a. Together these represent an average estimated cost of 108.61% of the CDI rate. Cemig D used the proceeds for: 100% pre-payment of the debtor balance on its 9th Promissory Note Issue, with final maturity in October 2019; its 6th non-convertible Debenture Issue, maturing June 2020; its 5th non-convertible Debenture Issue, maturing June 2022; and Bank Credit Notes with final maturities in June 2022 – for a total of R$ 3.644 million in principal, interest and charges.

This table gives the consolidated totals of funds raised in 2018, in thousands of Reais:

Financing source	Signature date	Principal maturity	Annual financing cost	Amount
Foreign currency				
Eurobonds (1)	July 2018	2024	9.25%	1,946,269
(–) Transaction costs				(7,876)
(±) Funds advanced (2)				9,625
				1,948,018
Brazilian currency				
9th issue of Notes – Single series (3)	May 2018	2019	151% of CDI rate	400,000
(–) Transaction costs				(4,140)
Debentures				
Debentures (4)	August 2018	2023	CDI + 1.50%	100,000
Debentures – 6th Issue, Single series (5)	December 2018	2020	CDI + 1.75%	550,000
(–) Transaction costs				(4,125)
				1,041,735
Total raised				**2,989,753**

(1) In July 2018 the Company completed an additional tranche to its initial Eurobond issue made on December 5, 2017. The new tranche, of R$ 500 million, corresponding to R$ 1.946 billion, has six-monthly coupon of 9.25% p.a., with maturity of the principal in 2024.

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

(3) In May 2018 Cemig D made its 9th Promissory Note issue, with maturity at 18 months, annual remuneration of 151% of the CDI rate, and single bullet amortization on October 24, 2019.

(4) In August 2018 Gasmig completed its 7th debenture issue, with maturity at 5 years, paying CDI + 1.50%, with annual amortization from August 2019.

(5) In December 2018 the 6th Debenture Issue was placed, with maturity at 18 months, annual remuneration of CDI +1.75%, and monthly amortization in 12 payments from July 3, 2019.

In December 2018 Cemig D, to ensure payment of commitments after consuming more cash than expected mainly because of the additional expense of acquisition of power supply in the second half of 2018 as a result of the adverse hydrological situation, concluded its 6th Debenture Issue, for R$ 550 million, with maturity at 18 months, six months' grace period and remuneratory interest of CPDI +1.75%. Note that the cost of this issue was lower than the cost of the debt reprofiling transactions of 2017, reflecting the financial sector's perception of the Company's lower risk.

In May 2018, the Company issued R$ 400 million in promissory notes maturing October 24, 2019 with remuneratory interest at 151% of the CDI rate, to be paid on maturity. These funds were applied in replenishment of the cash position, relating to payment of the 3rd Debenture Issue, and for working capital.

On July 18, 2018 Cemig GT completed financial settlement of an additional tranche to its initial Eurobond issue completed on December 5, 2017. The new tranche, of R$ 500 million, brought the total of the issue to R$ 1.9 billion. The issue has six-monthly coupon of 9.25% p.a., with maturity of the principal in 2024. Concomitantly with the settlement a hedge transaction was contracted, for the whole period of the issue, comprising:

a call spread on the principal, and a swap for 100% of the interest, exchanging the 9.25% annual coupon for a rate equivalent to125.52% of the CDI rate.

(e) Sources of financing for working capital and for investments in non-current assets that the Company intends to use to cover any liquidity shortfalls

It needs to be borne in mind that the Company is a mixed private/public corporation in which the State of Minas Gerais is majority stockholder, and as a result it is legally subject to rules restricting credit to the public sector.

Since 1989, in the attempt to contain the debt of the public sector, the federal government has legislated to impede granting of credit by banks to publicly-owned companies beyond a certain limit. In practice, there are few alternatives available for raising funds in the banking market.

Based on the exceptions stated in Brazilian Central Bank Resolution 2827 of March 30, 2001, the Company has only the following options for raising funding:

- Loans from federal banks to roll over debt;
- Issue of securities in the Brazilian and international markets (debentures, Notes, Eurobonds, units of Receivables Funds);
- Financing for importation;
- Financing from multilateral agencies;
- Financing from development bodies; and
- Bank loans guaranteed by trade bills.

Directives for raising of funds

The Company’s Chief Officers believe that the importance of loans/financings for the Company’s capital structure is in the direct effects of financial leverage, which tend to maximize return on capital. Due to the possibility of deduction of interest for tax purposes, loans/financings are very desirable in the capital structure of the Company, reducing the cost of capital. Further, they allow the Company access to a wider selection of acceptable investment alternatives.

The process of raising of funds from outside sources, due to its importance for maximizing stockholder wealth the and the direct impact on the Company’s capital structure and financial health, is guided by a series of directives which tend to preserve the Company’s credit quality.

These guidelines are expressed as follows:

- Make the most of favorable market conditions. Take advantage of moments of high liquidity in the debt market, offering abundant cheaper funds, to leverage expansion of the Company’s activities, increasing the number of possible projects with attractive returns.
- Keep the debt amortization timetable long. Avoid concentration of debt in the short term, because it represents pressure on Company’s cash flow, compromising availability of funds for investment. Seek a regular amortization timetable over the long term. In certain situations, though, the longest possible maturity may not be the ideal, in that it may occasionally be associated with a higher financial cost.
- Reduce financial cost. Seek to reduce the average cost of debt at all times, because, as well as its effect on the stockholder’s expected returns, it is a fundamental part of the Company’s weighted average cost of capital – the minimum reference for return on investments proposed for implementation.

- Optimize exposure to foreign currency. Seek to optimize the composition of debt in relation to the indexors of the Company's assets. The international debt market tends to have greater liquidity, and funding in foreign currency is welcome, provided that it comes with a hedge protection, since the Company's revenue is exclusively in local currency.
- Maintain compliance with the credit quality parameters of the regulator, the rating agencies and the creditors. The Chief Officers believe that the market's risk perceptions are important, because they set parameters for attesting to the Company's credit quality, and guide the decision on interest rates to be sought in loans and financings. Often contracts for loans/financing include covenants imposed by creditors for their protection, giving them the right to break the agreement and demand immediate repayment if it appears that the Company's financial position is weakening. Thus it is important to preserve the Company's credit quality at levels that denote investment grade, that is to say, investment with low risk, to be able to benefit from financial costs that are compatible with the profitability of the business. The Brazilian regulator, Aneel, which regulates the activities of the Company's subsidiaries, also defines an optimal capital structure for the purposes of remuneration of the asset base of the distribution activity.

(f) Levels of indebtedness and the characteristics of these debts

Amounts in R$ mn

Year	Gross debt	Net debt	Average tenor (years)	Average cost (nominal)	Brazilian Rating Fitch / S&P /Moody's
2018	14,772	13,069	4.1	10.01%	A-/A+/Baa2
2019	14,776	13,487	3.9	7.33%	A+/A+/Baa1
2020	15,021	9,212	3.8	5.30%	AA-/A+/A1

These changes in total gross debt from 2019 to 2020 reflect: (i) the exchange rate variation suffered by the Eurobonds of Cemig GT; and (ii) the amortizations made in Cemig D. The changes from 2018 to 2019 resulted from amortizations of debt by Cemig GT and Cemig D, offset by the new debt of Gasmig (which is consolidated in Cemig's accounting) and the consolidation of the debts of *Parajuru* and *Volta do Rio* (when they became subsidiaries of Cemig GT.)

On December 31, 2020, the principal indexors of the Company's debt were: the US dollar (52% of the total); the CDI rate (15% of the total); the IPCA inflation index (32% of the total), and other indicators for the remaining 1%. For the original Eurobond issue of US$1 billion made in 2017, a hedge transaction was made, combining: (a) a call spread on the principal; and (b) a swap of 100% of the interest, in which the 9.25% p.a. coupon was exchanged for an average rate in Reais equivalent to 150.49% of the CDI rate. For the additional (re-tap) Eurobond transaction of US$500 million, in July 2018, a combination was again contracted, of: (a) a call spread on the principal; and (b) a swap for 100% of the interest, from the 9.25% p.a. coupon in US dollars to an average rate equivalent to 125.52% of the CDI rate, in Reais. The equivalent average rate for the two tranches of the Eurobond is 142% of the CGI rate.

The figures in the table below indicate that the Company's credit quality is satisfactory, when compared to the parameters usually practiced in the financial market for those indicators:

	On December 31		
	2020	2019	2018
Debt / Stockholder's equity (1)	2.09	2.13	2.75
Net Debt / Ebitda (2)	1.62	3.03	3.46
(Net debt) / (Stockholders' equity + Net Debt)(3)	34.5%	45.5%	44.8%

Source: Cemig.
(1) (Total of short and long-term debt) / (Stockholders' equity).
(2) Ebitda: Calculated in accordance with CVM Instruction 527/12.
(3) Net debt = debt (Loans, financings and debentures) less (Cash and cash equivalents plus Securities).

i. Significant loan and financing agreements

The Company has entered into numerous financing contracts with various institutions for financing of its projects of expansion, amplification of its activities and rollover of its debt.

The table below summarizes the principal contracts to which the Company was a party on December, 31, 2020, 2019 and 2018 (in thousands of Reais):

Financing source	Principal maturity	Charges Annual cost	Currency	Consolidated				
				2020			2019	2018
				Current	Non-current	Total	Total	Total
FOREIGN CURRENCY								
Banco do Brasil – Various bonds (1) (4)	2024	Various	U$$	2,023	9,702	11,725	18,051	25,936
Eurobonds (2)	2024	0.0925	U$$	58,909	7,795,050	7,853,959	6,091,742	5,856,124
KfW	2019	0.0178	EUR					229
(–) Transaction costs				-	(15,664)	(15,664)	(18,656)	(21,319)
(±) Funds advanced (3)				-	(25,314)	(25,314)	(30,040)	(34,269)
Debt in foreign currency				**60,932**	**7,763,774**	**7,824,706**	**6,061,097**	**5,826,701**
BRAZILIAN CURRENCY								
Banco do Brasil	2022	146.50% of CDI rate	R$	-	-	-	-	502,531
Caixa Econômica Federal (4) (11)	2022	146.50% of CDI rate	R$	-	-	-	-	626,632
Caixa Econômica Federal (5)	2021	TJLP + 2.50%	R$	17,204	-	17,204	60,516	55,576
Caixa Econômica Federal (6)	2022	TJLP + 2.50%	R$	14,086	-	14,086	117,710	107,791
Eletrobras (4)	2023	UFIR + 6.00% to 8.00%	R$	3,414	5,644	9,058	20,268	33,182
Large consumers (4)	2024	IGP-DI + 6.00%	R$	-	-	-	5,582	4,985
Pipoca Consortium (2)	2020	IPCA	R$	-	-	-	185	185
Sonda (7)	2021	110.00% of CDI rate	R$	50,008	-	50,008	48,529	45,531
Notes – 1st Issue – Single series (8)	2020	107.00% of CDI rate	R$	-	-	-	875,247	425,571
(–) FIC Pampulha: Securities of subsidiary companies (9)				-	-	-	(3,031)	(23,508)
(–) Transaction costs				(55)	-	(55)	(277)	(12,524)
Debt in Brazilian currency				**84,657**	**5,644**	**90,301**	**1,124,729**	**1,765,952**
Total of loans and financings				**145,589**	**7,769,418**	**7,915,007**	**7,185,826**	**7,592,653**
Debentures – 3rd Issue, 2nd Series (2)	2019	IPCA + 6.00%	R$					156,361

Debentures – 3rd Issue, 3rd Series (2)	2022	IPCA + 6.20%	R$	394,672	366,848	761,520	1,087,989	1,049,331
Debentures – 6th Issue, 2nd series (2)	2020	IPCA + 8.07%	R$	-	-	-	17,292	33,322
Debentures – 7th Issue, Single series (2)	2021	140.00% of CDI Rate	R$	288,839	-	288,839	578,067	1,022,646
Debentures – 3rd Issue, 2nd Series (4)	2021	IPCA + 4.70%	R$	587,956	-	587,956	1,108,945	1,596,419
Debentures – 3rd Issue, 3rd Series (4)	2025	IPCA + 5.10%	R$	43,603	991,644	1,035,247	990,893	955,722
Debentures – 5th Issue, Single series (3)	2022	146.50% of CDI rate	R$					1,580,121
Debentures – 6th Issue, Single series (4)	2020	CDI + 1.75%	R$					551,214
Debentures – 7th Issue, 1st Series (4)	2024	CDI + 0.45%	R$	541,927	1,350,000	1,891,927	2,164,083	39,857
Debentures – 7th Issue, 2nd Series (4)	2026	IPCA + 4.10%	R$	2,783	1,585,141	1,587,924	1,519,042	17,367
Debentures – 4th Issue, 1st series (8)	2022	TJLP + 1.82%	R$	9,920	9,709	19,629	30,323	46,180
Debentures – 4th Issue, 2nd Series (8)	2022	Selic + 1.82%	R$	4,732	4,357	9,089	13,072	20,681
Debentures – 4th Issue, 3rd Series (8)	2022	TJLP + 1.82%	R$	11,548	10,259	21,807	34,431	716
Debentures – 4th Issue, 4th Series (8)	2022	Selic + 1.82%	R$	5,525	5,178	10,703	15,564	-
Debentures – 4th Issue, 7th Series (8)	2020	TJLP + 1.82%	R$	-	-	-	450	-
Debentures – 6th Issue, Single series (8)	2019	116.50% of CDI rate	R$	-	-	-	- -	50,086
Debentures – 7th Issue, Single series (8)	2023	CDI + 1.50%	R$	-	-	-	-	100033
Debentures – 7th Issue, Single series (8)	2023	CDI + 1.50%	R$	20,024	40,000	60,024	80,018	-
Debentures – 8th Issue, Single series (8)	2031	IPCA + 5.27%	R$	14,043	876,397	890,440	-	-
(–) Discount on issue of debentures (10)				-	(18,300)	(18,300)	(21,606)	-
(–) Transaction costs				(11,846)	(29,408)	(41,254)	(28,358)	(40,881)
Total, debentures				**1,913,726**	**5,191,825**	**7,105,551**	**7,590,205**	**7,179,175**
Overall total – Consolidated				**2,059,315**	**12,961,243**	**15,020,558**	**14,776,031**	**14,771,828**

(1) Net balance of the Restructured Debt comprising bonds at par and discounted, with balance of R$ 233,931, less the amounts given as Deposits in guarantee, with balance of R$ 222,206. Interest rates vary – from 2% to 8% p.a.; six-month Libor plus spreads of 0.81% to 0.88% p.a.

(2) Cemig Geração e Transmissão (Cemig GT – Generation and Transmission)

(3) Advance funding to achieve the yield to maturity agreed in the Eurobond contract.

(4) CEMIG D

(5) Central Eólica Praias de Parajuru

(6) Central Eólica Volta do Rio

(7) Cemig (parent company). Arising from merger of CemigTelecom into Cemig.

(8) Gasmig. The proceeds of the 8th debenture issue, concluded by Gasmig on September 10, 2020, for R$ 850,000, were used to redeem the Notes issued on September 26, 2019, with maturity of 12 months, the proceeds of which were used in their entirely to pay the Concession Grant Fee for the gas distribution concession.

(9) FIC Pampulha has financial investments in securities issued by subsidiary companies of the Company. For more information and characteristics of this fund, see Note 31 to the financial statements.

(10) Discount on sale price of the 2nd series of the 7th Issue by Cemig Distribution (Cemig D).

ii. Other long-term relationships with financial institutions

The Chief Officers confirm that there are no long-term relationships between the Company and financial institutions, relating to the business years ended December 31, 2020, 2019 and 2018, other than those already described in item 10.1(f)(i) of this Reference Form.

iii. Degree of subordination between debts

In the event of court or extrajudicial liquidation of the Company there is an order of preference for payment of obligations, specified and guaranteed under Law 11,101 of February 9, 2005. Certain debts were contracted with an asset guarantee and, thus, have preference over other debts of the Company in the event of bankruptcy, up to the limit of the asset guarantee constituted.

Approximately 68% of the total debt of the Company's subsidiaries have a corporate guarantee from the Company, and approximately 26% is guaranteed by receivables and/or shares. The remaining 6% is without guarantee.

iv. Any restrictions imposed on the Issuer, especially in relation to the limits of indebtedness and contracting of new debt, distribution of dividends, disposal of assets, issues of new securities and/or disposal of stockholding control, and also whether the Issuer has complied with these restrictions

As to the existence of financial covenants in financing contracts signed by Cemig D, Cemig GT and the Company, we inform as follows:

In 2017 the issue of bonds by Cemig GT specified covenants and default events able to generate early maturity of the debt. The package of covenants contains restrictions on investment, indebtedness, payment of dividends, and asset guarantees, among other items, thus providing a combination of operational and financial flexibility for the issuer and protection for investors. The covenants were decided according to the commonly accepted covenants for High Yield issues, and will cease to be applied if and when Cemig GT is rated 'investment grade' by two rating agencies.

The covenants requiring six-monthly compliance are the following:

'Maintenance' covenants Net debt / Ebitda adjusted for the Covenant		
Period	**CEMIG**	**CEMIG GT**
Dec. 31, 2017	5.00x	5.50x
Jun. 30, 2018	5.00x	5.50x
Dec. 31, 2018	4.25x	5.00x
Jun. 30, 2019	4.25x	5.00x
Dec. 31, 2019	3.50x	4.50x
Jun. 30, 2020	3.50x	4.50x
Dec. 31, 2020	3.00x	3.00x
Jun. 30, 2021	3.00x	3.00x
Dec. 31, 2021 and after	3.00x	2.50x

In the event of a possible overrun of the financial maintenance covenants, interest will automatically be increased by 2% pa. during the period in which they remain exceeded. There is also an obligation to comply with a 'maintenance' covenant which requires that the debt in the Cemig Consolidated financial statements shall have asset guarantee for debt of 1.75x Ebitda (2.0 in December 2017); and a 'damage' covenant, requiring real guarantee for debt in Cemig GT of 1.5x Ebitda.

The 7th debenture issue of Cemig D has financial covenants limiting the indebtedness of the Company and of Cemig D, as follows:

Net debt / Ebitda		
Period	CEMIG	CEMIG D
December 31, 2019,	3.5x	3.8x
Jun. 30, 2020	3.5x	3.5x
Dec. 31, 2020 and after	3.0x	3.5x

In December 2016 Cemig GT raised R$ 2.240 billion through its 7th debenture issue. The Deed of this issue has a covenant for compliance six-monthly under which Cemig GT has the obligation to keep its (Net debt)/(Ebitda + Dividends received) to the following or less: 5.5x – December 2017; 5.0x – December 2018; 4.5x – December 2019; 3.0x – December 2020; and 2.5x for December 2021. This clause also specifies that the Company, guarantor of the transaction, has the obligation to keep its (Net debt) / (Ebitda plus Dividends received) at or below: 4.5x – December 2017; 4.25x – December 2018; 3.5x – December 2019; 3.0x – December 2020; and 2.5x – December 2021. Note, however, that this debt was settled in full in February 2021.

Note: For the purposes of these covenants, the terms have the following meanings: (1) 'Net debt' means the balance on the accounts of loans, financings and debentures (current and non-current liabilities), plus debts owed to the Forluminas Foundation (the Forluz pension fund) plus put options (value updated monthly); less the total of cash, cash equivalents and securities (current and non-current assets); based on the last consolidated financial statements presented to the CVM of Cemig GT or of the Cemig holding company, as the case may be. 2) 'Ebitda' means profit before interest, taxes on income including Social Contribution on Net Profit, depreciation and amortization, calculated in accordance with CVM Instruction 527 of October 4, 2012 and CVM Official Circular/CVM/SNC/SEP 01/2007: (a) less (a.1) equity method gain/loss (affiliates), (a.2) provisions for put options, (a.3) non-operational profit/loss, (a.4) stockholding reorganizations and (a.5) accounting effect of the transmission indemnity; and (b) plus (b.1) accounting effect of the transmission indemnity and (b.2) dividends received (affiliates). (3) 'Dividends received' means dividends and Interest on Equity received during the period in question.

The subsidiaries *Gasmig*, *Parajuru* and *Volta do Rio* also have contracts with covenants linked to financial indices, as follows:

Title	Parameter	Ratio required – Issuer	Ratio required Cemig (guarantor)	Compliance required
Debentures Gasmig (1)	Overall indebtedness (Total liabilities/Total assets)	Less than 0.6	–	Annual
	Ebitda / Debt servicing	1.3 or more	–	Annual
	Ebitda / Net financial revenue (expenses)	2.5 or more	–	Annual
	Net debt/Ebitda:	2.5 or less from Dec. 31, 2020	–	Annual
Debentures – Gasmig's 8th Issue, Single series (2)	Ebitda / Debt servicing	1.3 or more, from Dec. 31, 2020	–	Annual
	Net debt/Ebitda:	3.0 or less, from Dec. 31, 2020		Annual
Financing – Caixa Econômica Federal Parajuru and Volta do Rio (3)	Debt servicing coverage index	1.20 or more	–	Annual (during amortization)
	Equity / Total liabilities	At least: 20.61% (Parajuru); 20.63% (Volta do Rio)	–	Permanent
	Share capital subscribed in investee / Total investments made in the project financed	At least: 20.61% (Parajuru); 20.63% (Volta do Rio)	–	Permanent

(1) If Gasmig does not achieve the required ratio, Cemig must, within 120 days from the date of notice in writing from BNDES or BNDESPar, constitute guarantees acceptable to the debenture holders for the total amount of the debt, subject to the rules of the National Monetary Council (CMN), unless the required ratios are restored within that period. Cross-default: Certain contractually specified situations can cause early maturity of other debts.
(2) Non-compliance with the financial covenants results in non-automatic early maturity. If early maturity is declared by the debenture holders, Gasmig will be obliged to make the payment, after receipt of notification.
(3) The financing contracts with Caixa Econômica Federal for the *Praias de Parajuru* and *Volta do Rio* wind power plants have financial covenants with compliance relating to early maturity of the remaining balance of the debt. Compliance with the debt servicing coverage index is considered to be demandable only annually and during the period of amortization, which begins in July 2020.

In the financing contracts of Cemig D and Cemig GT, there are also standard clauses restraining: non-compliance with any financial obligation; change, transfer or assignment of stockholding control of the Issuer or the guarantor without the creditors' approval; termination of concession contracts with a material adverse impact on the payment capacity of the Issuers or guarantor; corporate reorganization of the issuers or the guarantor, resulting in a reduction of their share capital; or any alteration of the dividend distribution policy specified in the bylaws that results in an increase of the minimum proportion of profit to be used in payment of obligatory dividends and other corporate action.

(g) Limits of financings contracted and percentages so far used

Not applicable.

(h) Significant alterations in each item of the financial statements

The tables included in this item give a summary of the financial and operational information of the Company for the periods indicated. The information below should be read in conjunction with the Company's audited financial statements for 2020, 2019 and 2018 and the related explanatory notes, which have been prepared in accordance with accounting practices adopted in Brazil, and IFRS.

Comparison of Statements of financial position (balance sheets) for years ended December 31, 2020 and 2019:

ASSETS – R$ '000	Consolidated				
	2020	% of total	2019, Re-presented	% of total	%
CURRENT					
Cash and cash equivalents	1,680,397	3.11	535,757	1.06	213.65
Securities	3,360,270	6.21	740,339	1.47	353.88
Consumers and Traders; Concession holders (transmission service)	4,373,075	8.09	4,523,540	8.95	(3.33)
Concession financial and sector assets	258,588	0.48	890,726	1.76	(70.97)
Contractual assets	737,110	1.36	576,184	1.14	27.93
Recoverable taxes	1,850,057	3.42	98,804	0.20	1772.45
Income and Social Contribution taxes recoverable	597,610	1.10	621,302	1.23	(3.81)
Dividends receivable	188,327	0.35	185,998	0.37	1.25
Public Lighting Contribution	179,401	0.33	164,971	0.33	8.75
Reimbursement of tariff subsidy payments	88,349	0.16	96,776	0.19	(8.71)
Derivative financial instruments	522,579	0.97	234,766	0.46	122.60
Other	362,326	0.67	425,452	0.84	(14.84)
	14,198,089	**26.25**	**9,094,615**	**18.00**	**56.12**
Assets classified as held for sale	1,258,111	2.33	1,258,111	2.49	-
TOTAL, CURRENT	**15,456,200**	**28.58**	**10,352,726**	**20.49**	**49.30**
NON-CURRENT					
Securities	764,793	1.41	13,342	0.03	5632.22
Consumers and Traders; Concession holders (transmission service)	160,969	0.30	77,065	0.15	108.87
Recoverable taxes	3,442,071	6.36	6,349,352	12.57	(45.79)
Income and Social Contribution taxes recoverable	346,523	0.64	227,913	0.45	52.04
Deferred income tax and Social Contribution tax	2,452,860	4.55	2,429,789	4.81	0.95
Escrow deposits	1,055,797	1.95	2,540,239	5.03	(58.44)
Derivative financial instruments	2,426,351	4.49	1,456,178	2.88	66.62
Accounts receivable from Minas Gerais State	11,614	0.02	115,202	0.23	(89.92)
Concession financial and sector assets	3,798,734	7.02	3,758,680	7.44	1.07
Contractual assets	4,242,962	7.85	3,307,369	6.55	28.29
Investments	5,415,293	10.01	5,399,391	10.69	0.29
Property, plant and equipment	2,407,143	4.45	2,450,125	4.84	(1.75)
Intangible	11,809,928	21.84	11,624,471	23.01	1.60
Leasing – rights of use	212,074	0.39	276,824	0.54	(23.39)
Other	79,768	0.15	147,058	0.29	(45.76)

TOTAL, NON-CURRENT	**38,626,880**	**71.43**	**40,172,998**	**79.51**	**(3.85)**
TOTAL ASSETS	**54,083,080**	**100.00**	**50,525,724**	**100.00**	**7.04**

LIABILITIES (R$ million)	Consolidated				
	2020	% of total	2019, Re-presented	% of total	%
Suppliers	2,358,320	4.36	2,079,891	4.12	13.39
Regulatory charges	445,807	0.82	456,771	0.90	(2.40)
Employees' and managers' profit shares	121,865	0.23	212,220	0.42	(42.58)
Taxes	505,739	0.94	410,967	0.81	23.06
Income tax and Social Contribution tax	140,058	0.26	133,868	0.26	4.62
Interest on Capital, and Dividends, payable	1,448,846	2.68	744,591	1.47	94.58
Loans, financings and debentures	2,059,315	3.81	2,746,249	5.44	(25.01)
Payroll and related charges	212,755	0.39	200,044	0.40	6.35
Public Lighting Contribution	304,869	0.56	251,809	0.50	21.07
Post-retirement obligations	304,551	0.56	287,538	0.57	5.92
Financial liabilities of the concession	231,322	0.43	-	-	-
Pasep and Cofins taxes to be reimbursed to consumers	448,019	0.83	-	-	-
SAAG Put options	536,155	0.99	-	-	-
Leasing transactions	47,799	0.09	85,000	0.17	(43.77)
Other obligations	524,795	0.97	355,623	0.70	47.57
TOTAL, CURRENT	**9,690,215**	**17.92**	**7,964,571**	**15.76**	**21.67**
NON-CURRENT					
Regulatory charges	291,189	0.54	147,266	0.29	97.73
Loans, financings and debentures	12,961,243	23.97	12,029,782	23.81	7.74
Taxes	262,745	0.49	226,768	0.45	15.87
Deferred income tax and Social Contribution tax	1,040,003	1.92	770,084	1.52	35.05
Provisions	1,892,437	3.50	1,888,064	3.74	0.23
Post-retirement obligations	6,538,496	12.09	6,421,156	12.71	1.83
Pasep and Cofins taxes to be reimbursed to consumers	3,569,837	6.60	4,193,329	8.30	(14.87)
SAAG Put options	-	-	482,841	0.96	-
Leasing transactions	178,704	0.33	202,747	0.40	(11.86)
Other obligations	180,863	0.33	96,611	0.19	87.21
TOTAL, NON-CURRENT	**26,915,517**	**49.77**	**26,458,648**	**52.37**	1.73
TOTAL LIABILITIES	**36,605,732**	**67.69**	**34,423,219**	**68.13**	6.34
STOCKHOLDERS' EQUITY					
Share capital	7,593,763	14.04	7,293,763	14.44	4.11
Capital reserves	2,249,721	4.16	2,249,721	4.45	-
Profit reserves	10,060,605	18.60	8,750,051	17.31	14.98
Equity valuation adjustments	(2,431,423)	(4.50)	(2,406,920)	(4.76)	1.02
Retained earnings	-	0.00	211,640	0.42	(100.00)
ATTRIBUTABLE TO CONTROLLING STOCKHOLDERS	**17,472,666**	**32.30**	**16,098,255**	**31.86**	**8.54**
ATTRIBUTABLE TO NON-CONTROLLING STOCKHOLDER	4,682	0.01	4,250	0.01	10.16
STOCKHOLDERS' EQUITY	**17,477,348**	**32.31**	**16,102,505**	**31.87**	**8.54**
TOTAL LIABILITIES AND EQUITY	**54,083,080**	**100.00**	**50,525,724**	**100.00**	**7.04**

The main differences in the account lines of assets and liabilities comparing 2020 to 2019 are as follows:

Securities – short and long term

- Balance 447.32% higher in 2020, at R$ 4.125 billion, compared to R$ 754 million in 2019. The higher balance in 2020 reflects: (i) the release of escrow deposits, totaling R$ 1.38 2 billion, in the legal action contesting charging of PIS, Pasep and Cofins taxes on amounts of ICMS tax; (ii) receipt of R$ 1.404 billion under the Covid Account; and (iii) deferment of payment of salary-related taxes and charges in accordance, authorized by legislation.

Taxes offsetable – short and long term.

- The total of taxes able to be offset was 17.92% lower at the end of 2020, due to offsetting of R$ 1.275 billion during the year, of the total tax credits resulting from the successful court action against the federal PIS, Pasep, and Cofins taxes.

Loans , financings and Debentures – short and long term

- The balance on Loans, financings and debentures is R$ 245 million higher, reflecting an increase of R$ 1.762 billion in the balance in Reais of the debt under the US$1.50 billion Eurobond, due to the increases in the US dollar exchange rate. In spite of the increase in the balance of Loans, financings and debentures due to this factor, the Company amortized R$ 2.531 billion in principal of debt in 2020.

PROFIT AND LOSS ACCOUNT

Comparison of the operational result for the business years ended December 31, 2020 and 2019

R$ '000	Consolidated				
	2020	% of total	2019 Re-presented	% of total	%
GOING CONCERN OPERATIONS					
NET REVENUE	**25,227,625**	**100.00**	**25,486,973**	**100.00**	(1.02)
OPERATING COSTS					
Electricity purchased for resale	(12,111,489)	(48.01)	(11,286,174)	(44.28)	7.31
Charges for use of the national grid	(1,747,811)	(6.93)	(1,426,278)	(5.60)	22.54
Gas bought for resale	(1,083,089)	(4.29)	(1,435,728)	(5.63)	(24.56)
Personnel and managers	(1,011,557)	(4.01)	(1,001,762)	(3.93)	0.98
Materials	(62,480)	(0.25)	(73,872)	(0.29)	(15.42)
Outsourced services	(1,086,517)	(4.31)	(1,042,989)	(4.09)	4.17
Depreciation and amortization	(865,202)	(3.43)	(814,783)	(3.20)	6.19
Operating provisions	(168,099)	(0.67)	(1,213,759)	(4.76)	(86.15)
Infrastructure construction costs	(1,581,475)	(6.27)	(1,199,698)	(4.71)	31.82

R$ '000	Consolidated				
	2020	% of total	2019 Re-presented	% of total	%
Other	(127,033)	(0.50)	(103,630)	(0.41)	22.58
TOTAL COST	**(19,844,752)**	**(78.66)**	**(19,598,673)**	**(76.90)**	**1.26**
GROSS PROFIT	**5,382,873**	**21.34**	**5,888,300**	**23.10**	**(8.58)**
OPERATING EXPENSES					
Selling expenses	(146,705)	(0.58)	(237,733)	(0.93)	(38.29)
General and administrative expenses	(582,457)	(2.31)	(641,810)	(2.52)	(9.25)
Operating provisions	(108,482)	(0.43)	(949,614)	(3.73)	(88.58)
Other operational revenues (expenses)	(749,475)	(2.97)	(1,047,423)	(4.11)	(28.45)
	(1,587,119)	**(6.29)**	**(2,876,580)**	**(11.40)**	**(44.83)**
Periodic Tariff Review, net	502,108	1.99	-	-	0.00
Equity in earnings of unconsolidated investees	356,698	1.41	125,351	0.49	184.56
Dividends declared by investee classified as non-current asset held for sale	-	-	72,738	0.29	(100.00)
Result of business combination	51,736	0.21	-	-	-
Operational profit before financial revenue (expenses) and taxes	**4,706,296**	**16.67**	**3,209,809**	**12.48**	**46.62**
Finance income	2,445,405	9.69	3,206,850	12.58	(23.74)
Finance expenses	(3,350,864)	(13.28)	(1,846,573)	(7.25)	81.46
Pre-tax profit	**3,800,837**	**13.08**	**4,570,086**	**17.81**	**(16.83)**
Current income tax and Social Contribution tax	(683,681)	(2.71)	(1,454,341)	(5.71)	(52.99)
Deferred income tax and Social Contribution tax	(252,035)	(1.00)	(145,459)	(0.57)	73.27
Net income from going concern operations	**2,865,121**	**9.37**	**2,970,286**	**11.53**	**(3.54)**
Profit for the year from discontinued operations	-	-	224,067	0.88	(100.00)
NET PROFIT FOR THE YEAR	**2,865,121**	9.37	**3,194,353**	12.41	(10.31)
Interest of the controlling stockholders	**2,864,110**	11.35	**3,193,678**	12.53	(10.32)
Interest of non-controlling stockholders	1,011	**0.00**	**675**	**0.00**	**49.78**
NET PROFIT FOR THE YEAR	**2,865,121**	**11.35**	**3,194,353**	**12.53**	**(10.31)**

Net profit for the year

For 2020, Cemig reports net profit of R$ 2.864 billion (attributable to the controlling stockholders), which is 10.33% lower than the net profit of R$ 3.194 billion (Re-presented) reported for 2019. The following pages describe the main variations between the two periods in revenues, costs, expenses and financial items.

A highlight in 2020 was the recognition of gains from adjustments related to the transmission business, as a result of: (i) the Periodic Review of Annual Permitted Revenue (RAP); and (ii) the harmonization of the sector's accounting practices.

Highlights of 2019 included: (i) recognition of R$ 1.984 billion in tax credits of PIS, Pasep and Cofins taxes on ICMS payments, resulting from the successful legal action; partially offset by (ii) a provision of R$ 688 million for default on doubtful receivables from the investee Renova; and (iii) provisions of R$ 862 million for contingencies in legal actions on the applicability of social security contributions to profit-sharing payments. Additionally, the disposal of shares in Light, in July 2019, resulted in a gain, reported in discontinued operations, of R$ 224 million. All amounts mentioned are net of tax.

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

Cemig's consolidated Ebitda, adjusted for exclusion of non-recurring items, was 7.12% higher in 2020 than in 2019, and Ebitda margin in 2020 was 19.81%, compared to 18.92% in 2019. Consolidated Ebitda as calculated in accordance with CVM Instruction 527/2012, was 29.64% higher in 2020 than 2019, with Ebitda margin of 23.14% in 2020, compared to 17.23% in 2019.

LAJIDA - R$ mil	2020	2019 (Reapresentado)	Var %
Resultado do exercício	2.864	3.194	(10,33)
+ Despesa de imposto de renda e contribuição social (*)	936	1.600	(41,50)
+ Resultado financeiro	905	(1.360)	(166,54)
+ Depreciação e amortização	989	958	3,24
= LAJIDA conforme "Instrução CVM 527" (1)	**5.694**	**4.392**	**29,64**

(*) The expense on income tax and the Social Contribution tax includes an item of R$ 85, which is presented at its net value in the figure for profit/loss of discontinued activities.

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

The higher Ebitda in 2020 was mainly due to recognition of the Periodic Tariff Review for the transmission business in 2020. Also, the gain on holdings in non-consolidated investees (equity income) was 185.60% higher in 2020 than 2019, mainly reflecting equity income in Taesa R$ 135.24% higher, at R$ 494 million in 2020, compared to R$ 210 million in 2019.

Cash and cash equivalents

Cash and cash equivalents at December 31, 2020 totaled R$ 1.680 billion, compared to R$ 536 million on December 31, 2019. No cash nor cash equivalents were held in any other currency than the Real. The main components of this variation:

Cash flow from operations

The totals of Net cash generated by operational activities in 2020 and 2019 were, respectively, R$ 8.609 billion and R$2.037 billion. The higher cash flow principally reflects the following amounts received in 2020: (i) R$ 1.404 billion from the Covid Account; and (ii) release of escrow deposits totaling R$ 1.383 billion following the successful legal action challenging the applicability of Pasep and Cofins taxes to amounts paid in ICMS tax. Also, in 2020 the Company began using the Pasep and Cofins tax credits from the ICMS case to offset federal taxes payable, resulting in a lower cash outflow for payment of taxes: R$ 240 million in 2020, compared to R$ 1.767 billion in 2019.

Cash used in investment activities

The Company used net cash of R$ 5.077 billion in investment activities in 2020, compared to net cash of R$ 1.189 billion used in investment activities in 2019. This is mainly due to the higher volume of funds transferred to investments in securities in 2020 (R$ 3,368 billion in 2020, vs. R$ 79 million in 2019), as a result of the higher volume of cash available in 2020.

Cash flow in financing activities

Net cash consumed by financing activities in 2020 totaled R$ 2.387 billion, comprising: amortization, of R$ 2.531 billion, of financings; funding of R$ 826 million raised; leasing payments of R$ 84 million; and payment of Interest on Equity and dividends totaling R$ 598 million.

Cash consumed by financing activities in 2019 was R$ 1.203 billion, comprising R$ 4.883 billion in amortization of financings, offset by R$ 4.477 billion in new financing raised. Additionally, dividends and Interest on Equity paid in 2019 totaled R$ 701 million, 1.85% less than in 2020.

Comparison of Statements of financial position (balance sheets) for years ended December 31, 2019 and 2018:

ASSETS (R$ million)	Consolidated				
	2019	% of total	2018	% of total	%
CURRENT					
Cash and cash equivalents	536	1.07	891	1.49	(39.84)
Securities	740	1.48	704	1.18	5.11
Consumers and Traders; Concession holders (transmission service)	4,524	9.06	4,092	6.84	10.56
Concession financial assets	1,080	2.16	1,071	1.79	0.84
Contractual assets	172	0.34	131	0.22	31.30
Recoverable taxes	99	0.20	124	0.21	(20.16)
Income and Social Contribution taxes recoverable	621	1.24	387	0.65	60.47
Dividends receivable	186	0.37	120	0.20	55.00
Restricted cash	12	0.02	91	0.15	(86.81)
Inventories	39	0.08	36	0.06	8.33
Public Lighting Contribution	165	0.33	148	0.25	11.49
Advance to suppliers	40	0.08	7	0.01	471.43
Reimbursement of tariff subsidies	97	0.19	91	0.15	6.59
Low-income subsidy	30	0.06	30	0.05	-
Derivative financial instruments	235	0.47	69	0.12	240.58
Other	304	0.61	358	0.60	(15.08)
Assets classified as held for sale	1,258	2.52	19,446	32.48	(93.53)
TOTAL, CURRENT	**10,138**	**20.28**	**27,796**	**46.45**	**(63.53)**
NON-CURRENT					
Securities	13	0.03	109	0.18	(88.07)
Advances to suppliers	-	-	87	0.15	(100.00)
Consumers and Traders; Concession holders (transmission service)	77	0.15	81	0.14	(4.94)
Recoverable taxes	6,349	12.72	242	0.40	2,523.55
Income and Social Contribution taxes recoverable	228	0.47	6	0.01	3,700.00
Deferred income tax and Social Contribution tax	2,430	4.87	2,147	3.59	13.18
Escrow deposits	2,540	5.09	2,502	4.18	1.52
Derivative financial instruments	1,456	2.92	744	1.24	95.70
Accounts receivable from Minas Gerais State	115	0.23	246	0.41	(53.25)
Concession financial and sector assets	4,851	9.72	4,927	8.23	(1.54)
Contractual assets	1,833	3.67	1,598	2.67	14.71
Investments	5,400	10.82	5,235	8.74	3.15
Property, plant and equipment	2,450	4.91	2,662	4.45	(7.96)
Intangible	11,624	23.28	10,777	18.00	7.86
Leasing – rights of use	277	0.55	-	-	-

ASSETS (R$ million)	Consolidated				
	2019	% of total	2018	% of total	%
Other	145	0.29	696	1.16	(79.17)
TOTAL, NON-CURRENT	**39,788**	**79.72**	**32,059**	**53.55**	**24.11**
TOTAL ASSETS	**49,926**	**100.00**	**59,855**	**100.00**	**(16.59)**

LIABILITIES (R$ million)	Consolidated				
	2019	% of total	2018	% of total	%
Suppliers	2,080	4.17	1,801	3.01	15.49
Regulatory charges	457	0.92	514	0.86	(11.09)
Employees' and managers' profit shares	212	0.42	79	0.13	168.35
Taxes	359	0.72	410	0.68	(12.44)
Income tax and Social Contribution tax	134	0.27	112	0.19	19.64
Interest on Capital, and Dividends, payable	744	1.49	864	1.44	(13.89)
Loans, financings and debentures	2,747	5.50	2,198	3.67	24.98
Payroll and related charges	200	0.40	284	0.47	(29.58)
Public Lighting Contribution	252	0.50	281	0.47	(10.32)
Post-retirement obligations	288	0.58	253	0.42	13.83
Leasing transactions	85	0.17	-	-	-
Advances from clients	-	-	79	0.13	(100.00)
Other obligations	355	0.71	247	0.41	43.72
Liabilities directly related to assets held for sale	-	-	16,272	27.19	(100.00)
TOTAL, CURRENT	**7,913**	**15.85**	**23,394**	**39.07**	**(66.18)**
NON-CURRENT					
Regulatory charges	147	0.29	179	0.30	(17.88)
Loans, financings and debentures	12,030	24.09	12,574	21.01	(4.33)
Taxes	1	-	29	0.06	(96.55)
Deferred income tax and Social Contribution tax	661	1.32	728	1.22	(9.20)
Provisions	1,888	3.78	641	1.07	194.54
Post-retirement obligations	6,421	12.86	4,736	7.91	35.58
Pasep and Cofins taxes to be reimbursed to consumers	4,193	8.40	1,124	1.88	273.04
Derivative financial instruments – Options	483	0.97	419	0.70	15.27
Leasing transactions	203	0.41	-	-	-
Other obligations	95	0.19	92	0.15	3.26
TOTAL, NON-CURRENT	**26,122**	**52.31**	**20,522**	**34.30**	**27.29**
TOTAL LIABILITIES	**34,035**	**68.16**	**43,916**	**73.37**	**(22.50)**
STOCKHOLDERS' EQUITY					

Share capital	7,294	14.61	7,294	12.19	-
Capital reserves	2,250	4.51	2,250	3.76	-
Profit reserves	8,750	17.53	6,362	10.63	37.54
Equity valuation adjustments	(2,407)	(4.82)	(1,327)	(2.22)	81.39
ATTRIBUTABLE TO CONTROLLING STOCKHOLDERS	**15,887**	**31.83**	**14,579**	**24.36**	**8.97**
ATTRIBUTABLE TO NON-CONTROLLING STOCKHOLDER	**4**	**0.01**	**1,360**	**2.27**	**(99.71)**
STOCKHOLDERS' EQUITY	**15,891**	**31.84**	**15,939**	**26.63**	**(0.30)**
TOTAL LIABILITIES AND EQUITY	**49,926**	**100.00**	**59,855**	**100.00**	**(16.59)**

The main differences in the account lines of assets and liabilities between 2019 and 2018 are as follows:

Assets classified as held for sale

- Assets held for sale in the short term were reduced by R$ 18.188 million due to the sale of a stockholding in Light, in which the Company reduced its equity interest from 49.99% to 22.58%.

Recoverable taxes

- Taxes recoverable in the long term were increased by R$ 6.107 billion, by the tax credits of PIS/Pasep and Cofins arising from the successful legal action which challenged these charges.

Liabilities directly related to assets held for sale

- Liabilities directly associated with assets held for sale were reduced by R$ 16.272 million due to the sale of the equity interest in Light, in which the Company reduced its stockholding from 49.99% to 22.58%.

Provisions

- Increase of R$ 1.247 billion in long-term Provisions, due to the increase in provisions arising from tax legal actions.

Post-retirement obligations

- The long-term Post-retirement obligations were increased by R$ 1.685 billion due to changes in financial assumptions.

Pasep and Cofins taxes to be reimbursed to consumers

- The balance of Pasep and Cofins taxes to be reimbursed to consumers was increased by R$ 3.069 billion – for excess tax paid, which will be returned to customers as a result of the final judgment in the successful legal action.

Comparison of the operational result for the business years ended December 31, 2019 and 2018

	2019	% of total	2018	% of total	%
NET REVENUE	**25,390**	**100.00**	**22,266**	**100.00**	**14.03**
OPERATING COSTS					
Electricity purchased for resale	(11,286)	(44.45)	(11,084)	(49.78)	1.82
Charges for use of the national grid	(1,426)	(5.62)	(1,480)	(6.65)	(3.65)
Gas bought for resale	(1,436)	(5.66)	(1,238)	(5.56)	15.99
Personnel and managers	(1,002)	(3.95)	(1,098)	(4.93)	(8.74)
Materials	(74)	(0.29)	(81)	(0.36)	(8.64)
Outsourced services	(1,043)	(4.11)	(913)	(4.10)	14.24
Depreciation and amortization	(815)	(3.21)	(761)	(3.42)	7.10
Operating provisions	(1,214)	(4.78)	(40)	(0.18)	2.935.00
Infrastructure construction cost	(1,199)	(4.72)	(897)	(4.03)	33.67
Other	(103)	(0.41)	(85)	(0.38)	21.18
TOTAL COST	**(19,598)**	**(77.20)**	**(17,677)**	**(79.39)**	**10.87**
GROSS PROFIT	**5,792**	**22.80**	**4,589**	**20.61**	**26.21**
OPERATING EXPENSES					
Selling expenses	(238)	(0.94)	(264)	(1.19)	(9.85)
General and administrative expenses	(642)	(2.53)	(672)	(3.02)	(4.46)
Operating provisions	(950)	(3.74)	(167)	(0.75)	468.86
Other operating expenses, net	(1,052)	(4.14)	(640)	(2.87)	64.38
	(2,882)	**(11.35)**	**(1,743)**	**(7.83)**	**65.35**
Equity in earnings of unconsolidated investees	125	0.49	(104)	(0.47)	(220.19)
Dividends declared by investee classified as non-current asset held for sale	73	0.29	-	-	-
Restatement of prior holding in subsidiaries acquired	-	-	(119)	(0.53)	(100.00)
Adjustment for impairment of Investments	-	-	(127)	(0.57)	(100.00)
Operational profit before financial revenue (expenses) and taxes	**3,108**	**12.23**	**2,496**	**11.21**	**24.52**
Finance income	3,207	12.63	1,706	7.66	87.98
Finance expenses	(1,846)	(7.27)	(2,224)	(9.99)	(17.00)
Pre-tax profit	**4,469**	**17.59**	**1,978**	**8.88**	**125.94**
Current income tax and Social Contribution tax	(1,454)	(5.73)	(583)	(2.62)	149.40
Deferred income tax and Social Contribution tax	(111)	(0.44)	(16)	(0.07)	593.75
Net income from going concern operations	**2,904**	**11.42**	**1,379**	**6.19**	**110.59**
Profit for the year from discontinued operations	**224**	**0.88**	**363**	**1.63**	**(38.29)**
NET PROFIT FOR THE YEAR	**3,128**	**12.30**	**1,742**	**7.82**	**79.56**
Interest of controlling stockholders	3,127	12.32	1,700	7.63	83.94
Interest of non-controlling stockholders	1	-	42	0.19	(97.62)
NET PROFIT FOR THE YEAR	**3,128**	**12.32**	**1,742**	**7.82**	**79.56**

Net profit for the year

Cemig reported net profit for 2019 of R$ 3.128 billion, which compares to net profit of R$ 1.742 billion in 2018 – an increase of 79.56%. The following pages describe the main variations between the two periods in revenues, costs, expenses and financial items.

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

Cemig's consolidated Ebitda in 2019 was 15.74% higher than its Ebitda of 2018. Ebitda margin did not vary significantly between the 2 years: 17.24% in 2019, and 16.98% in 2018.

Ebitda – R$ '000	2019	2018	Change, %
Net profit attributable to controlling stockholders	3,127	1,700	83.94
+ Income tax and Social Contribution tax (*)	1,651	728	126.79
+ Net financial revenue (expenses)	(1,360)	518	-
+ Depreciation and amortization	958	835	14.73
= EBITDA	**4,376**	**3,781**	**15.74**

(*) The expense on income tax and the Social Contribution tax includes an item of R$ 85 million in 2019, and an item of R$ 129 in 2018. These are presented at their net value in the figure for profit/loss of discontinued activities.

The higher Ebitda in 2019 than 2018 mainly reflects recognition of the tax credits for PIS/Pasep and Cofins taxes wrongly charged on amounts of ICMS tax already paid or charged, totaling R$ 1.428 billion, arising from the successful legal action; partially offset by contingency provisions for legal actions on the applicability of social security contributions to payments of profit shares, totaling R$ 1.213 billion. Additionally, the equity method gain in non-consolidated entities was 239% higher in 2019 than 2018, due mainly to: a lower negative result in the investee Madeira (37.35%); and no impacts from the results of Renova, since the Company wrote off its investment in that company in December 2018.

Cash flow from operations

The totals of Net cash generated by operational activities in 2019 and 2018 were, respectively, R$ 2.006 billion and R$ 1.008 billion. The higher net cash from operations in 2019 than in 2018 was mainly due to the Company's higher profitability, and the ratio between non-manageable costs and the tariff receipts for Cemig D, expressed in the change in the accounts *CVA* ('Portion A' items variation compensation account) and *Other financial components*.

Cash used in investment activities

The Company used net cash of R$ 1.189 billion in investment activities in 2019, compared to net cash of R$ 211 million in 2018. This figure results from: payment by Gasmig of the concession grant fee, of R$ 891 million, with the objective of re-establishing the economic-financial equilibrium of the concession contract, and its extension up to 2053. This amount was added to the Remuneration Base of Assets (BRR) of Gasmig, as an intangible asset, to be amortized over the period up to the end of the concession contract.

Cash flow in financing activities

Net cash consumed by financing activities in 2019 totaled R$ 1.172 billion, comprising: amortization, of R$ 4.883 billion of financings; funding of R$ 4.477 billion raised; leasing payments of R$ 65 million; and payment of Interest on Equity and dividends totaling R$ 701 million.
Cash consumed by financing activities in 2018 was R$ 936 million, comprising R$ 3.527 billion in amortization of financings, and funding of R$ 2.990 billion raised. Additionally, dividends and Interest on Equity paid in 2018 totaled R$ 509 million, 27% less than in 2019.

Comparison of the Statements of financial position (balance sheets) at December 31, 2018 and 2017

ASSETS (R$ million)	Consolidated				
	2018	% of total	2017	% of total	%
CURRENT	891	1.49	1,030	2.44	(13.50)
Cash and cash equivalents	704	1.18	1,058	2.50	(33.46)
Securities	4,092	6.84	3,885	9.20	5.33
Consumers and traders	1,071	1.79	848	2.01	26.30
Concession financial assets	131	0.22	-	-	-
Contractual assets	124	0.21	174	0.41	(28.74)
Recoverable taxes	387	0.65	340	0.80	13.82
Income and Social Contribution taxes recoverable	120	0.20	77	0.18	55.84
Dividends receivable	91	0.15	106	0.25	(14.15)
Restricted cash	36	0.06	38	0.09	(5.26)
Inventories	7	0.01	116	0.27	(93.97)
Advances to suppliers	-	-	235	0.56	(100.00)
Accounts receivable from Minas Gerais State	91	0.15	77	0.18	18.18
Reimbursement of tariff subsidy payments	30	0.05	27	0.06	11.11
Low-income subsidy	69	0.12	-	-	-
Derivative financial instruments – Swap	506	0.85	526	1.25	(3.80)
Other	19,446	32.48	-	-	-
Assets classified as held for sale					
	27,796	**46.45**	**8,537**	**20.20**	**225.59**
TOTAL, CURRENT					
NON-CURRENT	109	0.18	30	0.07	263.33
Securities	87	0.15	7	0.02	1.142.86
Advances to suppliers	81	0.14	255	0.60	(68.24)
Consumers and traders	242	0.40	231	0.55	4.76
Recoverable taxes	6	0.01	21	0.05	(71.43)
Income and Social Contribution taxes recoverable	2,147	3.59	1,871	4.43	14.75
Deferred income tax and Social Contribution tax	2,502	4.18	2,336	5.53	7.11
Escrow deposits	744	1.24	9	0.02	8.166.67
Derivative financial instruments – Swap	246	0.41	-	-	-
Accounts receivable from Minas Gerais State	696	1.16	628	1.49	10.83
Other	4,927	8.23	6,605	15.64	(25.40)
Concession financial assets	1,598	2.67	-	-	-
Contractual assets	5,235	8.74	7,792	18.45	(32.82)
Investments	2,662	4.45	2,762	6.54	(3.62)
Property, plant and equipment	10,777	18.00	11,156	26.41	(3.40)
Intangible	**32,059**	**53.55**	**33,703**	**79.80**	**(4.88)**
TOTAL, NON-CURRENT	**59,855**	**100.00**	**42,240**	**100.00**	**41.70**
TOTAL ASSETS					

LIABILITIES (R$ million)	Consolidated				
	2018	% of total	2017	% of total	%
Suppliers	1,801	3.01	2.343	5.55	(23.13)
Regulatory charges	514	0.86	513	1.21	0.19
Profit sharing	79	0.13	9	0.03	777.18
Taxes	410	0.68	705	1.67	(41.84)
Income tax and Social Contribution tax	112	0.19	115	0.27	(2.61)
Interest on Equity, and Dividends, payable	864	1.44	428	1.01	101.87
Loans, financings and debentures	2,198	3.67	2.371	5.61	(7.30)
Payroll and related charges	284	0.47	207	0.49	37.20
Post-retirement obligations	253	0.42	232	0.55	9.05
Concession financial and sector liabilities	-	-	415	0.98	(100.00)
Financial instruments – Put options	-	-	507	1.20	(100.00)
Advances from clients	79	0.13	233	0.55	(66.09)
Derivative financial instruments – Swap	-	-	13	0.03	(100.00)
Other obligations	528	0.88	572	1.35	(7.69)
Liabilities directly related to assets held for sale	16,272	27.19	-	-	-
TOTAL, CURRENT	**23,394**	**39.07**	**8.663**	**20.50**	**170.05**
NON-CURRENT					
Regulatory charges	179	0.30	250	0.59	(28.40)
Loans and financings	12,574	21.01	12.027	28.47	4.55
Taxes	29	0.06	28	0.07	3.57
Deferred income tax and Social Contribution tax	728	1.22	735	1.74	(0.95)
Provisions	641	1.07	678	1.61	(5.46)
Post-retirement obligations	4,736	7.91	3.954	9.36	19.78
Pasep and Cofins taxes to be reimbursed to consumers	1,124	1.88	1.087	2.57	3.40
Financial instruments – Put options	419	0.70	308	0.73	36.04
Derivative financial instruments – Swap	-	-	28	0.07	(100.00)
Other obligations	92	0.15	152	0.36	(39.47)
TOTAL, NON-CURRENT	**20,522**	**34.30**	**19.247**	**45.57**	**6.62**
TOTAL LIABILITIES	**43,916**	**73.37**	**27.910**	**66.07**	**57.35**
STOCKHOLDERS' EQUITY					
Share capital	7,294	12.19	6.294	14.90	15.89
Capital reserves	2,250	3.76	1.925	4.56	16.88
Profit reserves	6,362	10.63	5.729	13.56	11.05
Equity valuation adjustments	(1,327)	(2.22)	(837)	(1.98)	58.54
Subscription of shares, to be capitalized	-	-	1.215	2.88	(100.00)
TOTAL ATTRIBUTABLE TO CONTROLLING STOCKHOLDERS	**14,579**	**24.36**	**14.326**	**33.92**	**1.77**
ATTRIBUTABLE TO NON-CONTROLLING STOCKHOLDER	**1,360**	**2.27**	**4**	**0.01**	**33,900.00**
TOTAL STOCKHOLDERS' EQUITY	**15,939**	**26.63**	**14.330**	**33.93**	**11.23**
TOTAL LIABILITIES AND EQUITY	**59,855**	**100.00**	**42.240**	**100.00**	**41.70**

The main differences in the account lines of assets and liabilities between 2018 and 2017 are as follows:

Assets and liabilities classified as held for sale

- Due to the classification of the investment in *Light* and its investees as Available for sale, the Company transferred the consolidated balances of those companies to Assets and liabilities held for sale.

Financial assets of the concession

- Long-term balances R$ 1.677 billion lower, mainly due to receipt of reimbursements (indemnities) for generation and transmission assets, following acceptance of the terms of Law 12783/13 (MP, 579).

Investments

- Balance 32.82% lower, basically due to transfer of the investments in Light to Assets and liabilities held for sale.

PROFIT AND LOSS ACCOUNT

Comparison of operational results for 2018 and 2017

	Consolidated				
	2018	% of total	2017	% of total	%
NET REVENUE	**22,266**	**100.00**	**21,712**	**100.00**	**2.55**
OPERATING COSTS					
Electricity purchased for resale	(11,084)	(49.78)	(10,919)	(50.29)	**1.51**
Charges for use of the national grid	(1,480)	(6.65)	(1,174)	(5.41)	**26.06**
Gas bought for resale	(1,238)	(5.56)	(1,071)	(4.93)	**15.59**
Personnel and managers	(1,098)	(4.93)	(1,270)	(5.85)	(13.54)
Materials	(81)	(0.36)	(73)	(0.34)	10.96
Outsourced services	(913)	(4.10)	(759)	(3.50)	20.29
Depreciation and amortization	(761)	(3.42)	(787)	(3.62)	(3.30)
Operating provisions	(40)	(0.18)	(226)	(1.04)	(82.30)
Infrastructure construction costs	(897)	(4.03)	(1,119)	(5.15)	(19.84)
Other	(85)	(0.38)	(90)	(0.41)	(5.56)
TOTAL COST	**(17,677)**	**(79.39)**	**(17,488)**	**(80.54)**	**1.08**
GROSS PROFIT	**4,589**	**20.61**	**4,224**	**19.46**	**8.64**
OPERATING EXPENSES					
Selling expenses	(264)	(1.19)	(248)	(1.14)	6.45
General and administrative expenses	(672)	(3.02)	(763)	(3.51)	(11.93)
Operating provisions	(167)	(0.75)	(353)	(1.63)	(52.69)
Other operational revenues (expenses)	(640)	(2.87)	34	0.16	(1.982.35)
	(1,743)	(7.83)	(1,330)	(6.12)	31.05
Equity in earnings of unconsolidated investees	(104)	(0.47)	(252)	(1.16)	(58.73)
Restatement of prior holding in subsidiaries acquired	(119)	(0.53)	-	-	-
Adjustment for loss of value in Investments	(127)	(0.57)	-	-	-
Operational profit before financial revenue (expenses) and taxes	**2,496**	**11.21**	**2,642**	**12.18**	**(5.53)**
Finance income	1,706	7.66	804	3.70	112.19
Finance expenses	(2,224)	(9.99)	(1,800)	(8.29)	23.56
Pre-tax profit	**1,978**	**8.88**	**1,646**	**7.59**	**20.17**
Current income tax and Social Contribution tax	(583)	(2.62)	(446)	(2.05)	30.72
Deferred income tax and Social Contribution tax	(16)	(0.07)	(198)	(0.91)	(91.92)
Net income from going concern operations	**1,379**	**6.19**	**1,002**	**4.63**	**37.62**
Profit for the year from discontinued operations	**363**	**1.63**	**-**	**-**	**-**
NET PROFIT FOR THE YEAR	**1,742**	**7.82**	**1,002**	**4.63**	**73.85**
Interest of controlling stockholders	**1,700**	**7.63**	**1,001**	**4.61**	**69.83**
Interest of non-controlling stockholders	**42**	**0.19**	**1**	**-**	**4,100.00**
NET PROFIT FOR THE YEAR	**1,742**	**7.82**	**1,002**	**4.61**	**73.85**

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

Ebitda – R$ '000	2018	2017	Change, %
Net profit for the period	1,700	1,001	69.83
+ Income tax and Social Contribution tax	728	644	13.04
+ Financial income (expenses)	518	997	(48.04)
+ Depreciation and amortization	835	850	(1.76)
= EBITDA	**3,871**	**3,492**	**8.28**

(*) The expense on income tax and the Social Contribution tax includes an item of R$ 129 million, which is presented at its net value in the figure for profit/loss of discontinued activities.

Liquidity and capital resources

Our business is capital-intensive. Historically, we have a need for capital to finance the construction of new generation facilities and expansion and modernization of the existing generation, transmission and distribution facilities.

Our liquidity requirements are also affected by our dividend policy. We finance our liquidity and capital needs principally with cash generated by operations and, on a lesser scale, with funds from financing.

Cash and cash equivalents

Cash and cash equivalents at December 31, 2018 totaled R$ 891 million, compared to R$ 1.030 billion on December 31, 2017. No cash nor cash equivalents were held in any other currency than the Real. The main components of this variation:

Cash flow from operations

The totals of Net cash generated by operational activities in 2018 and 2017 were, respectively, R$ 1.008 billion and R$ 580 million. The higher cash generated by operations in 2018 than 2017 mainly reflects the reimbursement received for the *São Simão* and *Miranda* hydroelectric plants, and also reflects the Company's increased profitability.

Cash used in investment activities

The Company used net cash of R$ 211 million in investment activities in 2018, compared to net cash of R$ 836 million in 2017. The figure reflects the high volume of the Company's investments in the period, net of the amounts received from sale of assets – which totaled R$ 654 million in 2018, and R$ 766 million in 2017.

Cash flow in financing activities

Cash consumed in financing activities in 2018 totaled R$ 936 million – comprising amortization of financings totaling R$ 3.527 billion, and new funding of R$ 2.980 billion.

Cash consumed by financing activities in 2017 was R$ 159 million, including R$ 4.131 billion in amortization of financings, offset by R$ 3.308 billion in new financing raised. An important component was a cash contribution of R$ 1.215 billion from stockholders for a future capital increase.

10.2

(a) a. Results of operations of the Issuer, in particular:

i. Description of any important components of revenue

Comparison of the results of the business years ended December 31, 2020 and 2019 (Re-presented)

Net profit for the year

For 2020, Cemig reports net profit of R$ 2.864 billion, 10.33% lower than the net profit of R$ 3.194 billion (Re-presented) in 2019. The main variations between the two periods in revenues, costs, expenses and financial items are described below.

A highlight in 2020 was the recognition of gains from (i) adjustments related to the transmission business, as a result of the Periodic Review of Annual Permitted Revenue (RAP); (ii) the harmonization of the sector's accounting practices; and (iii) Equity income (gains on equity in non-consolidated investees) 184.56% higher year-on-year.

Highlights of 2019 included: (i) recognition of R$ 1.984 billion in tax credits of PIS, Pasep and Cofins taxes on ICMS payments, resulting from the successful legal action; partially offset by (ii) a provision of R$ 688 million for default on doubtful receivables from the investee Renova; and (iii) provisions of R$ 862 million for contingencies in legal actions on the applicability of social security contributions to profit-sharing payments. Additionally, the disposal of shares in Light, in July 2019, resulted in a gain, reported in discontinued operations, of R$ 224 million. All amounts mentioned are net of tax.

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

Cemig's consolidated Ebitda, adjusted for exclusion of non-recurring items, was 7.12% higher in 2020 than in 2019, and Ebitda margin in 2020 was 19.81%, compared to 18.92% in 2019. Consolidated Ebitda as calculated in accordance with CVM Instruction 527/2012, was 29.64% higher in 2020 than 2019, with Ebitda margin of 23.14% in 2020, compared to 17.23% in 2019.

Ebitda – R$ '000	2020	2019 (Re-presented)	Change, %
Net profit for the period	2,864	3,194	(10.33)
+ Income tax and Social Contribution tax (*)	936	1,600	(41.50)
+ Net financial income (expenses)	905	(1,360)	(166.54)
+ Depreciation and amortization	989	958	3.24
= Ebitda as per CVM Instruction 527 (1)	**5,694**	**4,392**	**29.64**
Non-recurring and non-cash effects			

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

The main items in revenue in the period are:

Revenue from supply of electricity

Total revenue from supply of electricity in 2020 was R$ 26.432 billion, 1.84% less than in 2019 (R$ 26.928 billion).

Final consumers

Total revenue from electricity sold to final consumers, excluding Cemig's own consumption, in 2020 was R$ 23.018 billion, or 4.30% less than the figure for 2019 of R$ 24.052 million.

The main factors in this revenue were:

- The annual tariff adjustment for Cemig D, effective May 28, 2019 (full effect up to June 30, 2020) resulting in an average increase in customer tariffs of 8.73%.
- Volume of energy sold to final consumers 6.62% lower, mainly in the industrial and commercial segments.

Evolution of the market

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

(i) Captive consumers in Cemig's concession area in the State of Minas Gerais;

(ii) Free Consumers in both the State of Minas Gerais and other States of Brazil, in the Free Market (*Ambiente de Contratação Livre*, or ACL);

(iii) other agents of the electricity sector – traders, generators and independent power producers, also in the Free Market;

(iv) Distributors, in the Regulated Market (*Ambiente de Contratação Regulada*, or ACR); and

(v) the Wholesale Trading Exchange (*Câmara de Comercialização de Energia Elétrica*, or CCEE)

(– eliminating transactions between companies of the Cemig Group).

This table details Cemig's market and the changes in sales of energy by consumer category, comparing 2020 to 2019:

Revenue from supply of electricity

	2020			2019			Change, %	
	MWh (2)	R$ million	Average price billed – R$/MWh (1)	MWh (2)	R$ million	Average price billed – R$/MWh (1)	MWh	R$
Residential	10,980,626	9,875	899.31	10,538,342	9,668	917.41	4.20	2.14
Industrial	12,731,167	4,171	327.62	14,873,005	4,760	320.04	(14.40)	(12.37)
Commercial, services and others	8,571,078	4,979	580.91	9,335,454	5,439	582.62	(8.19)	(8.46)
Rural	3,766,186	2,190	581.49	3,795,197	2,058	542.26	(0.76)	6.41
Public authorities	713,984	522	731.11	904,879	654	722.75	(21.10)	(20.18)
Public lighting	1,242,760	550	442.56	1,357,293	614	452.37	(8.44)	(10.42)
Public services	1,362,402	722	529.21	1,371,992	725	528.43	(0.70)	(0.55)
Subtotal	**39,368,203**	**23,009**	**584.46**	**42,176,162**	**23,918**	**567.10**	**(6.66)**	**(3.80)**
Own consumption	34,089	–	–	37,827	–	–	(9.88)	–
Retail supply not yet invoiced, net	–	9	–	–	134	–	–	(93.28)
	39,402,292	**23,018**	**584.18**	**42,213,989**	**24,052**	**569.76**	**(6.66)**	**(4.30)**
Wholesale supply to other concession holders (3)	13,906,848	3,363	241.82	11,919,773	2,943	246.90	16.67	14.27
Wholesale supply not yet invoiced, net	–	51	–	–	(67)	–	–	(176.12)
Total	**53,309,140**	**26,432**	**495.82**	**54,133,762**	**26,928**	**497.43**	**(1.52)**	**(1.84)**

(1) The calculation of the average price does not include revenue from supply not yet billed.
(2) (*) Information in MWh has not been reviewed by the external auditors.
(3) Includes Regulated Market Electricity Sale Contracts (CCEARs) and 'bilateral contracts' with other agents.

The main factors in the volume of energy sold 1.52% lower were:

- Volume sold to the *industrial* sector 14.40% lower. This figure is composed of sales to the captive client segment 25.6% lower, mainly due to migration of clients to the free market, and reduction of 12.3% in the Free Market, mainly due to effects of the pandemic on industrial activity in 2020.
- An important feature is the 8.19% year-on-year reduction in the volume of supply sold to the *commercial* consumer category. This reflects volume billed to captive consumers of Cemig D 15.9% lower in the year, and volume billed by Cemig GT and its wholly-owned subsidiaries to Free Clients in Minas Gerais and other states 1.6% higher than in 2019. – Also, in this consumer category, the strong impacts of the pandemic on economic activity, reflected in energy consumption.
- Residential consumption was 4.20% higher in 2020 than 2019, mainly due to the 2.1% increase in the number of consumer units in the year.

Revenue from Use of Distribution Systems (the TUSD charge)

This is revenue from charging Free Consumers the Tariff for Use of the Distribution System (TUSD), on the volume of energy distributed. This was R$ 3.022 billion in 2020, or 11.02% more than in 2019 (R$ 2.722 billion). The higher figure is mainly due to Cemig D's annual tariff adjustment, in force from May 28, 2019 (full effect in 2020) with an increase for Free Clients of approximately 15.47%, added to the effect of the Company's annual tariff adjustment in 2020, which was an increase of 5.74% for Free Clients. Also, the volume of energy transported in 2020 was 4.42% higher than in 2019.

	MWh		
	2020	2019	Change, %
Industrial	18,612,418	17,723,153	5.02
Commercial	1,299,871	1,319,934	(1.52)
Rural	31,835	17,226	84.81
Concession holders	315,142	341,427	(7.70)
Total energy transported	**20,259,266**	**19,401,740**	**4.42**

CVA and *Other financial components* in tariff adjustments

In its financial statements Cemig recognizes the difference between actual non-controllable costs (in which the CDE, and energy purchased, are significant components) and the costs that were used as the basis of decision on rates charged to consumers. This balance represents the values that will be reimbursed to the consumer or passed through the Company in Cemig D's next tariff adjustments.

A gain of R$ 455 million was recognized in 2020, compared to R$ 58 million in 2019. The higher constitution of CVA revenues than in the previous year mainly reflects higher costs of purchase of energy from Itaipu, indexed to the US dollar, with transmission at higher percentages to the amounts recognized in the tariff.

Transmission Concession revenue

The transmission of Cemig GT and Centroeste comprises the sum of revenues recorded for construction, strengthening, enhancement, operation and maintenance, as specified in the transmission contracts. The concession contracts establish the Annual Permitted Revenues (RAPs) of the assets of the existing electricity system, and those involved in tenders. These are updated annually, based mainly on the inflation index specified in each contract (the IPCA and IGP-M indices). Subsequently, all strengthening and enhancement works that are implemented upon specific authorization by Aneel result in the constitution of a new component of RAP.

This revenue from operation and maintenance of infrastructure in 2020 was R$ 279 million, 20.74% less than in 2019 (R$ 352 million). Revenues from construction, strengthening and improvements of infrastructure in 2020 were R$ 201 million, compared to R$ 320 million reported in the (re-presented) 2019 results – a reduction of 35.58%, mainly reflecting lower investments in 2020, following decisions to review investments in small-scale improvements, due to alterations in regulations, and suspension of contracts with suppliers for strengthening works. At the same time, revenues from financial remuneration of transmission contractual assets were 33.54% higher, at R$ 438 million in 2020, compared to R$ 328 million in the (re-presented) results for 2019 – mainly reflecting the increase in the remuneration base of the assets linked to Contract 006/1997, as from the Periodic Tariff Review (RTP) ratified by Aneel on June 30, 2020.

The tariff review effected in June 2020 for Contract 006/1997 resulted in recognition of revenue of R$ 529 million, comprising R$ 322 million for new assets in the National Grid, and R$ 207 million for existing assets in the National Grid, corresponding to the extension of the concessions, under Law 12783/13, which were included in the regulatory remuneration base. In December 2020, contract 079/2020 was also submitted to the periodic tariff review, and this resulted in recognition of revenue of R$ 23 million (R$ 22 million net of PIS, Pasep and Cofins taxes). The revenues resulting from the periodic tariff reviews represent, principally, the change in the rate of regulatory remuneration for the transmission activity, and remeasurement of the New Replacement Value (*Valor Novo de Reposição* – VNR) of the regulatory remuneration base (BRR).
Additionally, these revenues were impacted by the increase in annual RAP, in July 2020 – this includes the effects of inflation and also new revenues resulting from investments authorized.

Revenue from transactions in the Wholesale Trading Exchange (CCEE)

Revenue from electricity sales on the CCEE (Wholesale Electricity Trading Exchange) in 2020 was R$ 154 million, compared to R$ 432 million in 2019, a reduction of 64.35%. This reduction is mainly due to the lower GSF, with the worsening of hydrological conditions in 2020.

The spot price (*Preço de Liquidação de Diferenças*, or PLD) was 22.07% lower year-on-year, at R$ 176.98/MWh in 2020 compared to R$ 227.10/MWh in 2019.

Revenue from transactions in the Surpluses Sales Mechanism (MVE)

Revenues from transaction in the Excess Sales Mechanism (*Mecanismo de Venda de Excedentes* – MVE) in 2020 totaled R$ 234 million, referring to offers of supply made by Cemig D at the end of 2019. The MVE is an instrument regulated by Aneel enabling distributors to sell overcontracted supply – supply in excess of what turns out to be the need to serve their captive consumers.

Revenue from supply of gas

Cemig reported revenue from supply of gas totaling R$ 2.011 billion in 2020, compared to R$ 2,298 billion in 2019 – a reduction of 12.49%. This difference basically reflects volume of gas sold 16.28% lower, at 945,727 m^3, in 2020, compared to 1,129,653 m^3 in 2019, mainly due to consumption by the thermoelectric power generation sector 51.31% lower and by the industrial sector 3.32% lower. The effect of the reduction in the volume of gas sold was partially offset by the reduction in the average cost of gas, and the increase in margin.

Construction revenue

Construction and infrastructure revenue (in transmission and distribution) totaled R$ 1.636 billion in 2020, compared to R$ 1.291 million in 2019, an increase of 26.72%.

This mainly reflects execution of a larger proportion of the Investment Plan budget in assets related to distribution concession infrastructure, especially those related to the medium- and low- voltage and sub-transmission networks. For assets linked to transmission infrastructure, this increase was mainly due to lower investments in transmission in 2020, as a result of review of the investments in small-scale improvements, due to regulatory alterations, and suspension of contracts with suppliers for improvement works.

Credits of PIS, Pasep and Cofins taxes previously charged on amounts of ICMS tax

Recognition of credits of PIS, Pasep and Cofins taxes, previously paid in error on amounts of ICMS tax, in 2019, totaling R$ 1.428 billion, as a result of the successful legal action in which the Company challenged inclusion of ICMS tax already paid or charged in the taxable amount for the PIS/Pasep and Cofins taxes, backdated to July 2003. There is more Information in Note 9 to the financial statements.

Sector / Regulatory charges reported as Deductions from revenue

Taxes and charges applied to operational revenue in 2020 were R$ 11.722 billion, or 5.09% less than in the (re-presented) result for 2019 (R$ 12.351 billion).

<u>Consumer charges – the 'Flag' Tariff system</u>

The 'Flag' Tariff bands are activated as a result of low levels of water in the system's reservoirs – tariffs are temporarily increased due to scarcity of rain.

Income from charges to the consumer related to the Flag Tariff band was 49.32% lower in 2020, at R$ 149 million, compared to R$ 294 million in 2019.

This difference is due to activation of the 'yellow' flag in December 2019 (with effect on billing in January 2020), and in January 2020. There were no flag tariffs activated in the other months of 2020. On an exceptional basis, Aneel temporarily suspended systematic application of the Flag Tariff System and set the 'Green' tariff flag in 2020 until the end of the year.

In 2019 the 'yellow' flag was in force in May, July and October (affecting billing in June, August and November 2019) and the 'red' flag in August and September, resulting in the charges for the year being higher.

<u>Other taxes and charges on revenue</u>

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

ii. Factors that materially affected operational results:

Operating costs and expenses

Operational costs and expenses in 2020 were R$ 21.432 billion, compared to R$ 22.475 billion in 2019, a reduction of 4.64%. There is more on the breakdown of Operational costs and expenses in Note 28 to the financial statements.

The following paragraphs comment on the main variations:

<u>Employees' and managers' profit shares</u>

The expense on employees' and managers' profit shares in 2020 was R$ 142 million, compared to R$ 263 million in 2019. This basically reflects the change in the criteria for calculation of profit-sharing amounts between the two periods, in accordance with the Collective Agreements related to Cemig's Profit Sharing Program in 2019 and 2020.

<u>Outsourced services</u>

The expense on outsourced services in 2020 was R$ 1.265 billion, or 2.10% more than the expense of R$ 1.239 billion in 2019. The main impacts arise from the factors detailed below, basically prioritizing action and expenses for Cemig D, to reduce outages and improve consumer service quality.

- The expense on maintenance and conservation of electrical facilities and equipment of Cemig D was 9.65%, higher in 2020, at R$ 443 million in 2020, compared to R$ 404 million in 2019.
- Expenses on conservation and cleaning of power line pathways, access roads and firebreaks of Cemig D were 22.95% higher year-on-year, at R$ 75 million in 2020 vs. R$ 61 million in 2019.

- Expenses on inspection of consumer units 4.35% higher in 2020, at R$ 48 million, compared to R$ 46 million in 2019.
- Expenses on inspection of consumer units were 150% higher in 2020, at R$ 35 million, compared to R$ 14 million in 2019.

Electricity purchased for resale

The expense on electricity purchased for resale in 2020 was R$ 12.111 billion, or 7.31% more than in 2019 (R$ 11.286 billion). The main factors are:

- Expenses on electricity from Itaipu 39.26% higher in 2020, at R$ 1.990 billion, compared to R$ 1.429 billion in 2019, due mainly to the increase of 31.8% in the US dollar exchange rate (R$5.23/US$ in 2010, vs.R$ 3.97/US$ in 2019), and by the increase in the supply price itself, in US dollars, from US$27.71/kW-month in 2019 to US$28.41/kWh-month in 2020.
- Expenses on Distributed Generation 227.54% higher in 2020, at R$ 678 million, compared to R$ 207 million in 2019. This reflects the higher number of generation units installed (63,845 in December 2020, compared to 31,172 in December 2019); and the higher volume of energy injected into the grid (1,008,589,663 MWh in 2020, compared to 412,290,475 MWh in 2019).
- Expenses on supply acquired in regulated market auctions 10.36% higher, at R$ 3.334 billion in 2020, compared to R$ 3.021 billion in 2019. This higher figure is basically due to the higher volume of energy acquired.
- Expenses on spot energy purchases 20.63% lower, at R$ 1.497 billion, compared to R$ 1.886 billion in 2019. The result expressed for spot-price supply is the net balance between revenues and expenses of transactions on the Power Trading Exchange (CCEE). The lower figure is mainly due to the average spot price (PLD) being 22.06% lower, at R$ 177.00/MWh in 2020, compared to R$ 227.19/MWh in 2019, and also the creditor position assumed by Cemig D in the whole of 2020 which, due to the lower consumption caused by the pandemic, was higher than the position assumed in 2019.

This is a non-manageable cost for the distribution business: the difference between the amounts used as a reference for calculation of tariffs and the costs actually incurred is compensated for in the subsequent tariff adjustment. There are more details in Note 14 to the financial statements.

Charges for use of the transmission network

Charges for use of the transmission network totaled R$ 1.748 billion in 2020, compared to R$ 1.426 billion in 2019, an increase of 22.58%.

This expense refers to the charges paid by electricity distribution and generation agents for use of the facilities and components of the national grid. The amounts to be paid by the Company are set by an Aneel resolution.

The higher figure is mainly due to the annual adjustment in charges for use of the National Grid, which usually takes place in July, and which had an effect of approximately 27.4% in 2020, compared to 2019.

This is a non-manageable cost in power distribution: the difference between the amounts used as a reference for calculation of tariffs and the costs actually incurred is compensated for in the subsequent tariff adjustment. There are more details in Note 14.

Operating provisions

Operational provisions totaled R$ 423 million in 2020, compared to R$ 2.401 billion in 2019, a reduction of 82.38%. This mainly reflects:

- A loss of R$ 688 million recognized in 2019 for expected impairment of Accounts receivable from Renova, after an assessment of the investee's credit risk.
- Lower new provisions for employment-law contingencies: net provisions of R$ 46 million in 2020, compared to net R$ 136 million in 2019. The difference arises mainly from suspension of requests relating to differences in the basis for calculation of additional payment for hazardous work, in recognition of the effects of Supreme Court Precedent Judgment 1046, which ruled that: (i) monetary adjustment applied to employment-law liabilities should be by the IPCA-E index in the pre-judicial phase, and as from service of notice, by application of the Selic rate; and (ii) that the Reference Rate (TR) is not applicable to any employment-law obligations.
- Lower new provisions for employment-law contingencies: net provisions of R$ 75 million in 2020, compared to net R$ 1.228 billion in 2019. This difference arises principally from a reassessment by the Company in 2019, based on the opinion of its legal advisors, of the probability of loss in the actions disputing the applicability of social security contributions to payments of profit sharing ('PLR'), without there having been previously agreed targets for indicators of productivity.
- Losses expected on doubtful receivables from clients were 38.24% lower, at R$ 147 million in 2020, compared to R$ 238 million in 2019. This difference mainly reflects reversal in 2020 of a provision of R$ 210 million for losses, following an agreement with the government of Minas Gerais State to offset debt owed by the state against ICMS tax payable to the state.

<u>Personnel</u>

Personnel expenses were R$ 1.276 billion in 2020, compared to R$ 1.272 billion in 2019, an increase of 0.31%.

Main effects were:

- The average number of employees in 2020 was 6.11% lower, at 5,254, than in 2019 (5,596). This effect was offset by:
- Recognition in the first half of 2020 of costs and expenses on the voluntary retirement program of R$ 59 million, compared to R$ 21 million in the same period of 2019.
- A salary increase of 2.55%, as from November 2019, under the Collective Work Agreement.

<u>Construction cost</u>

Infrastructure Construction costs in 2020 totaled R$ 1.581 billion, or 31.75% more than in 2019 (R$ 1.200 billion). The difference is due to the higher volume of investments in distribution and transmission in 2020 than in 2019.

These costs are offset in full by the line Construction Revenue, in the same amount, and record the Company's investment in assets of the concession in the period.

<u>Gas bought for resale</u>

In 2020 the company recorded an expense of R$ 1.083 billion on acquisition of gas, compared to an expense of R$ 1.436 billion in 2019 – an increase of 24.58%. This difference basically reflects volume of gas sold 16.28% lower, at 945,727m^3, in 2020, compared to 1,129,653m^3 in 2019, mainly due to consumption by the thermoelectric power generation sector 51.31% lower and by the industrial sector 3.32% lower.

Post-retirement obligations

The post-employment obligations of the Company and its subsidiaries were 7.35% higher in 2020, at R$ 438 million, than in 2019 (R$ 408 million). This is basically due to the lower discount rate used in the actuarial valuation for 2019, which generated higher projected costs for 2020, with an effect on expenses in the current year.

Equity in earnings of unconsolidated investees

In 2020 the Company posted a gain on holdings in unconsolidated investees (equity method reporting), of R$ 357 million, compared to a gain of R$ 125 million in 2019 – this result, 185.60% higher year-on-year, reflected an equity gain in the investee Taesa 135.24% higher, at R$ 494 million in 2020, compared to R$ 210 million in 2019. The higher result in Taesa was due to a higher gain on updating of the financial asset of the concession, since one of the principal indexors of this asset, the IGP-M inflation index, was 23.14% in 2020, compared to 7.32% in 2019.

Net financial revenue (expenses)

Cemig reports net financial expenses of R$ 905 million in 2020, compared to net financial *income* of R$ 1.360 billion in 2019. This mainly reflects:

- Higher exchange rate variation on loans in foreign currency – this variation in 2020 represented a financial expense of R$ 1.742 billion, compared to a financial expense of R$ 226 million in 2019. The difference mainly reflects the increase in the exchange rate for the dollar against the Real in 2020 – which increased by 29%, whereas this increase in 2019 was 4% – with a negative effect on the principal of the debt in foreign currency (Eurobonds); and
- Interest on the loan in foreign currency 28% higher in 2020, at R$ 850 million, compared to R$ 664 million in 2019, reflecting the increase of 29% in the exchange rate of the dollar against the Real (to R$ 5.19/R$ in 2020, from R$ 4.03/US$ in 2019).
- Higher gains on the hedge transaction contracted to protect the Eurobond issue from exchange rate variation risks: this gain was R$ 1,753 million in 2020, compared to R$ 998 million in 2019. The difference mainly reflects the increase in US dollar future prices, which resulted in an increase of the fair value of the options (call spreads) and in the asset side of the interest rate swaps, and also the lower future curve of the Brazilian indexor, the DI rate (the liability side of the swaps).
- Updating of the tax credits in PIS, Pasep and Cofins taxes (arising from the legal decision on ICMS tax), in the amount of R$ 1.580 billion. There is more Information in Note 9 to the financial statements.

Income and Social Contribution taxes

In 2020, the Company's expense on income tax and the Social Contribution tax totaled R$ 936 million, on pre-tax profit of R$ 3.801 billion, an effective rate of 24.63%. In 2019, the expense on income tax and the Social Contribution tax totaled R$ 1.600 billion, on reported pre-tax profit of R$ 4.570 billion (Re-presented), an effective rate of 35.01%.

Comparison of the results of the business years ended December 31, 2019 and 2018

Net profit for the year

Cemig reported 2019 net profit of R$ 3.127 billion, which compared to net profit of R$ 1.700 billion in 2018 – an increase of 83.95%. The comments below describe the main variations between the two periods in revenues, costs, expenses and financial items.

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

Cemig's consolidated Ebitda in 2019 was 15.74% higher than its Ebitda of 2018. Ebitda margin did not vary significantly between the 2 years: 17.24% in 2019, and 16.98% in 2018.

Ebitda – R$ '000	2019	2018	Change, %
Net profit attributable to controlling stockholders	3,127	1,700	83.94
+ Income tax and Social Contribution tax*	1,651	728	126.79
+ Net financial revenue (expenses)	(1,360)	518	–
+ Depreciation and amortization	958	835	14.73
= EBITDA	**4,376**	**3,781**	**15.74**

(*) The expense on income tax and the Social Contribution tax includes an item of R$ 85 million in 2019, and an item of R$ 129 in 2018. These are presented at their net value in the figure for profit/loss of discontinued activities.

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

The higher Ebitda in 2019 than 2018 mainly reflects: (i) recognition of the tax credits for PIS/Pasep and Cofins taxes wrongly charged on amounts of ICMS tax already paid or charged, totaling R$ 1.428 billion, arising from the successful legal action; partially offset by (ii) contingency provisions for legal actions on the applicability of social security contributions to payments of profit shares, totaling R$ 1.213 billion. Additionally, the equity method gain in non-consolidated entities was 239% higher in 2019 than 2018, due mainly to: (i) a lower negative result in the investee Madeira (37.35%); and (ii) no impacts from the results of Renova, since the Company wrote off its investment in that company in December 2018.

The main items in revenue in the period:

<u>Revenue from supply of electricity</u>

Total revenue from supply of electricity in 2019 was R$ 26.928 billion, 8.27% higher than in 2018 (R$ 24.872 billion).

Final consumers

Revenue from energy sold to final consumers in 2019 was R$ 24.052 billion, compared to R$ 21.882 billion in 2018 – growth of 9.91%.

The main factors in this revenue were:

- The Annual Tariff Adjustment for Cemig D effective May 28, 2019, with an average upward effect on consumer tariffs of 8.73%.
- The annual tariff adjustment for Cemig D effective May 28, 2018, with an average upward effect of 23.19% on consumer tariffs.
- Higher volume of energy sold to the *commercial* user category by Cemig GT and its wholly-owned subsidiaries.

Evolution of the market

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

(i) Captive consumers in Cemig's concession area in the State of Minas Gerais;

(ii) Free Consumers in both the State of Minas Gerais and other States of Brazil, in the Free Market (*Ambiente de Contratação Livre*, or ACL);

(iii) other agents of the electricity sector – traders, generators and independent power producers, also in the Free Market;

(iv) Distributors, in the Regulated Market (*Ambiente de Contratação Regulada*, or ACR); and

(v) the Wholesale Trading Exchange (*Câmara de Comercialização de Energia Elétrica*, or CCEE)

(– eliminating transactions between companies of the Cemig Group).

This table details Cemig's market and the changes in sales of energy by consumer category, comparing 2019 to 2018:

Revenue from supply of electricity

	2019			2018			Change, %	
	MWh (2)	R$ million	Average price billed R$/MWh (1)	MWh (2)	R$ million	Average price billed R$/MWh (1)	MWh	R$
Residential	10,538,342	9,668	917.41	10,266,434	8,658	843.35	2.65	11.67
Industrial	16,024,418	4,760	297.05	17,689,182	4,893	276.60	(9.41)	(2.72)
Commercial, services and others	9,567,336	5,439	568.50	8,380,346	4,683	558.86	14.16	16.13
Rural	3,795,374	2,058	542.24	3,615,402	1794	496.06	4.98	14.77
Public authorities	904,879	654	722.75	871,325	575	659.89	3.85	13.67
Public lighting	1,357,293	614	452.37	1,383,878	585	422.91	(1.92)	4.96
Public services	1,371,293	725	528.70	1,315,479	646	491.38	4.24	12.14
Subtotal	**43,558,935**	**23,918**	**549.10**	**43,522,046**	**21,834**	**501.69**	**0.08**	**9.54**
Own consumption	37,827	–	–	41,244	–	–	(8.28)	–
Retail supply not yet invoiced, net	–	134	–	–	48	–	–	181.35
	43,596,762	**24,052**	**551.69**	**43,563,290**	**21882**	**501.32**	**0.08**	**9.91**

	2019			2018			Change, %	
	MWh (2)	R$ million	Average price billed R$/MWh (1)	MWh (2)	R$ million	Average price billed R$/MWh (1)	MWh	R$
Wholesale supply to other concession holders (3)	11,210,112	2,943	262.63	11,991,355	3,002	250.31	(6.52)	(1.92)
Wholesale supply not yet invoiced, net	–	(67)	–	–	(12)	–	–	471.73
Total	**54,806,874**	**26,928**	**491.33**	**55,554,645**	**24,872**	**447.70**	**(1.35)**	**8.27**

(1) The calculation of the average price does not include revenue from supply not yet billed.
(2) Information in MWh has not been reviewed by external auditors.
(3) Includes Regulated Market Electricity Sale Contracts (CCEARs) and 'bilateral contracts' with other agents.

An important feature is the 14.16% year-on-year growth in the volume of supply sold to the *commercial* consumer category. This reflects volume billed to captive consumers of Cemig D 0.5% lower in the year, and volume billed by Cemig GT and its wholly-owned subsidiaries to free clients in Minas Gerais and other states 36.5% higher than in 2018.

Additionally, residential consumption was 2.65% higher in 2019 than 2018. The higher residential company mainly reflected addition of 149,331 new consumer units.

On the other hand, volume sold to the industrial sector was 9.41% lower. This figure is composed of sales to the captive client segment 7.9% lower, mainly due to migration of clients to the free market, and reduction of 9.7% in the free market. The reduction in the free market was due to termination of power purchasing agreements.

Revenue from Use of Distribution Systems (the TUSD charge)

This is revenue from charging Free Consumers the Tariff for Use of the Distribution System (TUSD), on the volume of energy distributed. This was R$ 2.722 billion in 2019, or 33.11% more than in 2018 (R$ 2.045 billion). The higher revenue mainly reflects the Company's annual tariff adjustment in effect from May 28, 2018 (full effect in 2019), which had an impact of approximately 65.60%, and the Company's annual tariff readjustment in force from May 28, 2019, with an average impact of 17.28% for Free Clients.

CVA and *Other financial components* in tariff adjustments

In its financial statements Cemig recognizes the difference between actual non-controllable costs (in which the CDE, and electricity bought for resale, are significant components) and the costs that were used as the basis of decision of the rates charged to consumers. These balances represent the values that will be passed through the consumer (or reimbursed to the consumer) through Cemig D's next tariff adjustments.

Revenue of R$ 58 million, to be passed through to the Company, was recognized in 2019, compared to recognition of R$ 1.973 billion in 2018 – a reduction of 97.06%. The difference is, essentially, due to the way in which the CVA account is calculated: It can result in either a gain or an expense, depending on the changes in non-manageable costs incurred in the period, in comparison to those ratified by the regulator for composition of the tariff.

The difference is mainly due to lower costs of energy in 2019, due to the increase of the GSF – which represents lower exposure of the Company to hydrological risk, compared to 2018, and also the lower average spot price than in 2018, which generated a lower financial asset to be reimbursed to the Company through the next tariff adjustment.

There are more details in Note 16 to the financial statements.

Transmission Concession revenue

Cemig GT's revenue from transmission comprises the sum of the revenues from all the transmission assets. The concession contracts establish the Permitted Annual Revenue (*Receita Anual Permitida*, or RAP) for each of the assets of the existing system, updated annually based on the variation in the IPCA index. From then on, whenever there is an improvement or adaptation to an existing asset made under a specific authorization from Aneel, an addition is made to the RAP.

In 2019, this revenue was R$ 504 million, compared to R$ 411 million in 2018 – or 22.63% higher year-on-year. The higher figure arises basically from the inflation adjustment of the annual RAP, which was applied in July 2019, plus the new revenues related to the investments authorized to be included. It also includes an adjustment to the expected contractual cash flow from the concession.

The percentages and indices applied for the adjustment are different for different concessions: the IPCA index is applied to the contract of Cemig GT, and the IGP–M index to the contract of Cemig Itajubá. In 2019, the adjustments made to the RAP were: 10.53% positive for Cemig GT's concession contracts; and 14.60% positive for the concession contracts of Cemig Itajubá. The adjustments comprised, respectively: (i) application of the inflation adjustment index; and (ii) recognition of works to upgrade and improve the facilities.

Additionally, transmission revenue contains sector charges, of which the most significant are those linked to the CDE (Energy Development Account), which was 53.51% higher in 2019 than 2018.

Transmission facilities reimbursement revenue

Revenue from the reimbursement of transmission assets in 2019 was R$ 155 million, 38.00% less than in 2018 (R$ 250 million).

As specified in the sector regulations, the Company calculates the amount receivable for indemnity by applying the IPCA inflation index and the average regulatory cost of capital on the remaining balance. The amounts of the reimbursements are being received through RAP, since July 2017, over a period of 8 years.

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

In July 2019 the portion of RAP referring to the cost of capital not incorporated after the renewal of the concession (early 2013), as per MME Ministerial Order 120/2016, was adjusted upward by 14.32%. Further, Aneel obeyed Appeal REH 2408/2018, filed by Cemig, recognizing the material error in the calculation of the annual cost of the electricity assets of the national grid, raising the increase to 23.93%. This increase results in an increase in the indemnity reimbursement amount, to be received during the tariff cycle, reducing the remaining balance of indemnity reimbursement receivable, and consequently the remuneration arising on this balance.

Another factor that contributed to the lower construction revenue in 2019 than 2018 was the upward adjustments made in the second quarter of 2018, for compatibility of the receivable amount with the methodology of calculation established by Aneel. For more details see Note 16 to the financial statements – *Financial assets of the concession.*

Revenue from transactions in the Wholesale Trading Exchange (CCEE)

Revenue from electricity sales on the CCEE (Power Trading Exchange) in 2019 was R$ 432 million, compared to R$ 217 million, an increase of 99.08%. This reflects Cemig GT obtaining a higher excess of energy in 2019, valued at the Spot Price (PLD), which is set monthly. Although there was no significant change in the annual average of the PLD from 2018 to 2019, the excesses of power available occurred in 2019 in months with higher PLDs, increasing the CCEE revenue in those months and the expected revenue in the year.

Revenue from supply of gas

Cemig reported revenue from supply of gas totaling R$ 2.298 billion in 2019, compared to R$ 1.995 billion in 2018 – growth of 15.17%. The difference basically reflects passthrough of the costs of gas acquired from Petrobras, and the tariff adjustment of 6.74% (IGP-M Index) in 2019.

Construction revenue

Distribution infrastructure construction revenues totaled R$ 1.200 billion in 2019, compared to R$ 897 million in 2018 – an increase of 33.78%. This revenue is fully offset by Construction costs, of the same amount, and corresponds to the Company’s investments in assets of the concession.

Credits of PIS, Pasep and Cofins taxes previously charged on amounts of ICMS tax

The credits of PIS/Pasep and Cofins taxes, previously paid in error on amounts of ICMS tax, totaling R$ 1.428 billion, result from the successful legal action in which the Company challenged inclusion of ICMS tax already paid or charged in the taxable amount for the PIS/Pasep and Cofins taxes, backdated to July 2003. There are more details in Note 10 to the 2019 Financial Statements.

Other operational revenues

The Other revenues of the Company and its subsidiaries totaled R$ 1.723 billion in 2019, an increase of 8.77% in relation to 2018 (R$ 1.584 billion). The higher figure for this group of items corresponds to the subsidies on tariffs applicable to users of distribution services, including the low-income-user subsidies – which are reimbursed by Eletrobras. The composition of *Other operational revenues* is given in Note 29 to the financial statements.

Sector / Regulatory charges reported as Deductions from revenue

Taxes and charges applied to operational revenue in 2019 were R$ 12.336 billion, or 0.19% more than in 2018 (R$ 12.312 billion).

The Energy Development Account – CDE

The amounts of payments to the Energy Development Account (CDE) are decided by an Aneel Resolution. The purpose of the CDE is to cover costs of concession indemnities, tariff subsidies, the subsidy for balanced tariff reduction, the low-income consumer subsidy, the coal consumption subsidy, and the Fuels Consumption Account (CCC). The charge for this account (*Conta de Desenvolvimento Energético*, or CDE) in 2019 was R$ 2.448 billion, a reduction of 4.95% from 2018 (R$ 2.603 billion).

In relation to this charge, a highlight is the increase of 40% in the TUST-CDE in force as from January 2019, due to the increase in the annual quota of 2019 compared to 2018, which incorporated an average increase of 14% in the unit cost of the CDE (Annual Quota/MWh), and the passthrough of the revision of the 2018 budget.

For Cemig D, the CDE charges were R$ 2.213 billion, 9.67% less than in 2018 (R$ 2.450 billion). The lower figure reflects early settlement of the amount owed under the Regulated Market (ACR) Account in September 2019, and ending of payment of the *CDE-Energia* quotas in March 2019.

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

<u>Consumer charges – the 'Flag' Tariff system</u>

Income from charges to the consumer related to the Flag Tariff band was 55.05% lower in 2019, at R$ 294 million, compared to R$ 654 million in 2018.

The 'Flag' Tariff bands are activated as a result of low levels of water in the system's reservoirs – tariffs are temporarily increased due to scarcity of rain. The 'Red' band has two levels – Level 1 and Level 2. Level 2 comes into effect when scarcity is more intense. Activation of the flag tariffs generates an impact on billing in the subsequent month.

This basically reflects more application of the 'expensive' direct bands to consumers in 2018 than in 2019, reflecting the better hydrological situation in 2019. In 2019 the 'red' flag was in effect at level 1 in three months, while in 2018, there was a level 1 red flag for one month and a level 2 red flag for five months.

<u>Other taxes and charges on revenue</u>

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

Operating costs and expenses (excluding Financial income/expenses)

Operational costs and expenses in 2019 were R$ 22.479 billion, compared to R$ 19.420 billion in 2018, an increase of 15.75%. There is more on the breakdown of Operational costs and expenses in Note 30 to the financial statements.

The following paragraphs comment on the main variations:

<u>Employees' and managers' profit shares</u>

The expense on employees' and managers' profit shares in 2019 was R$ 263 million, compared to R$ 77 million in 2018. The higher figure arises from the higher consolidated profit of Cemig – the basis of calculation for profit shares (the collective agreements are unified).

Outsourced services

The expense on outsourced services in 2019 was R$ 1.239 billion, or 13.98% more than the expense of R$ 1.087 billion in 2018. The main impacts arise from the factors detailed below, basically prioritizing action and expenses for Cemig D, to reduce outages and improve consumer service quality.

- The expense on maintenance and conservation of electrical facilities and equipment of Cemig D increased by 23.55%, from R$ 293 million in 2018 to R$ 362 million in 2019.
- Expenses on conservation and cleaning of power line pathways, access roads and firebreaks of Cemig D were 54.05% higher year-on-year, at R$ 57 million in 2019 vs. R$ 37 million in 2018.
- Expenses on tree pruning were 64.29% higher, at R$ 46 million in 2019, compared to R$ 28 million in 2018.

Electricity purchased for resale

The expense on electricity purchased for resale in 2019 was R$ 11.286 billion, or 1.82% more than in 2018 (R$ 11.084 billion). This basically reflects expenses on spot energy purchases by Cemig D 18.58% higher, at R$ 1.774 billion, compared to R$ 1.496 billion in 2018. This mainly reflects volume of energy settled in the CCEE 64.91% lower in 2019, at 652,539 MWh, compared to 2018 (1,859,448 MWh).

Additionally, there was a reduction of 10.13% in the expense of supply acquired in auctions in the regulated market, by Cemig D: R$ 3.053 billion in 2019, compared to R$ 3.397 billion in 2018. This reflects replacement in 2019 of contracts with higher prices by others with lower prices. Another significant effect related to Cemig D is an increase of 8.17% in expense on energy acquired through physical guarantee quota contracts: R$ 755 million in 2019, vs. R$ 698 million in 2018. This mainly reflects the average price per MWh 12.02% higher, at R$ 101.67 in 2019, vs. R$ 90.76 in 2018.

This is a non-manageable cost: the difference between the amounts used as a reference for calculation of tariffs and the costs actually incurred is compensated for in the subsequent tariff adjustment. There are more details in Notes 30 and 37 to the 2019 financial statements.

Charges for use of the transmission network

Charges for use of the transmission network totaled R$ 1.426 billion in 2019, compared to R$ 1.479 billion in 2018. These charges are payable by electricity distribution and generation agents for use of the facilities that are components of the national grid. The amounts to be paid are set by an Aneel Resolution.

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

ii. Factors that materially affected operational results:

Operating provisions

Operational provisions in 2019 totaled R$ 2.401 billion, compared to R$ 467 million in 2018, an increase of 414.13%. This arises mainly from the following factors:

- A loss of R$ 688 million was recognized for expected impairment of Accounts receivable from Renova, after an assessment of the investee's credit risk.
- New provisions for employment-law contingencies were higher, a net R$ 136 million in 2019, compared to net R$ 42 million in 2018. This arises mainly from new actions, or from reassessment of the chances of loss in existing actions, based on adverse court decisions taking place in the period. Also, a difference was recognized for application of the IPCA-E inflation index instead of the TR reference rate in monetary adjustment for employment-law legal actions dealing with debts arising from March 25, 2015 to November 10, 2017 – these are at the advanced execution phase and now have chances of loss assessed as 'probable', due to the recent decision by the Regional Employment-law Appeal Court of the Minas Gerais region (3rd Region) to apply the decision of the Higher Employment-law Appeal Court to mandate use of the IPCA-E index. For more details see Note 27 to the financial statements.
- New provisions constituted for tax contingencies totaled R$ 1.228 billion in 2019, compared to a reversal of provisions of R$ 5 million in 2018. This difference arises principally from the reassessment by the Company, based on the opinion of its legal advisors, of the probability of loss in the actions disputing the applicability of social security contributions to payments of profit sharing, without there having been previously agreed targets for indicators of productivity. There are more details in Explanatory Note 27 to the financial statements.

Personnel

Expense on personnel in 2019 was R$ 1.272 billion, 9.79% less than in 2018 (R$ 1.410 billion). The was mainly due to a reduction of 10% in the average number of employees in 2019 compared to 2018 (5,796 in 2019 and 6,430 in 2018).

Construction cost

Infrastructure construction costs totaled R$ 1.200 billion in 2019, compared to R$ 897 million in 2018, an increase of 33.78%. These costs are offset in full by the line Construction Revenue, in the same amount, and record the Company's investment in assets of the concession in the period. The highest variation was in transmission, with an increase of 130%, or R$ 125 million, in 2019. This difference is mainly due to the fact that the majority of the projects in the current Investment Program began execution in 2019, compared to a lower disbursement in 2018, when the projects were at initial phases.

Gas purchased for resale

In 2019 the company recorded expense of R$ 1.436 billion for acquisition of gas, compared to R$ 1.238 billion in 2018 – an increase of 15.99%. This is mainly due to the average price of gas purchased from Petrobras being 23.9% higher.

Post-retirement obligations

The post-employment obligations of the Company and its subsidiaries were 21.07% higher in 2019, at R$ 408 million, than in 2018 (R$ 337 million). This mainly reflects a higher cost for the Health Plan in 2019, due to reduction of the discount rate used in the actuarial valuation made in December 2018.

Share of profit (loss) in associates and joint ventures

Share of profit in associates and non-consolidated investees in 2019 was positive, at R$ 125 million, compared with a loss of R$ 104 million recognized in 2018.

The losses recognized in 2018 basically arose from losses reported by the investees *Renova* and *Madeira Energia*. No loss on the investment in Renova was recognized in 2019, since this had been written off in December 2018, due to that investee's uncovered liabilities. The negative result by the equity method from the investment in *Madeira Energia* was 37.35% lower in 2019 than in 2018.

The breakdown of the results from the investees recognized under this line is given in detail in Note 18 to the 2019 financial statements.

Net financial revenue (expenses)

Cemig reported net financial *revenue*, of R$ 1.360 billion, in 2019, compared to net financial expenses of R$ 518 million in 2018. This year-on-year difference mainly reflects:

- Higher gain on the hedge transaction contracted to protect the Eurobond issue from exchange rate variation: the gain in 2019 was R$ 998 million, compared to a gain of R$ 893 in 2018. This was mainly due to the lower estimated future interest rate curve during the period of the contracts, reducing the liability component (the Company's obligation), which is indexed to the Interbank Deposit (DI) rate. An increase in the fair value of the option (call spread) also contributed to the gain on the hedge transactions.
- Updating of the tax credits in PIS, Pasep and Cofins taxes (arising from the legal decision on ICMS tax), in the amount of R$ 1.580 billion. For more information please see Note 10 to the financial statements.
- Lower FX variation on loans in foreign currency – this variation in 2019 represented a financial expense of R$ 226 million, compared to a financial expense of R$ 582 million in 2018. This reduction arises from a lower increase in the exchange rate in the period: 4.02%, compared to 17.03% in 2018.

The breakdown of financial revenues and expenses is in Explanatory Note 31 to the 2019 financial statements.

Income tax and Social Contribution tax

In 2019 the Company reports expense on income tax and the Social Contribution tax on net profit of R$ 1.566 billion, on pre-tax profit of R$ 4.469 billion, excluding the result of discontinued operations – representing an effective rate of 35.04%. In 2018, the expense on income tax and the Social Contribution tax totaled R$ 599 million, on pre-tax profit of R$ 1.977 billion, an effective rate of 30.30%.

There is a reconciliation of these effective rates with the nominal tax rates in Note 11 to the 2019 financial statements.

Comparison of the results for 2018 and 2017

Net profit for the year

Cemig reported net profit of R$ 1.700 billion for 2018, compared to net profit of R$ 1.001 billion in 2017 – a year-on-year increase of 69.83%. The main variations between the two periods in costs, expenses and financial items are described below.

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

Ebitda – R$ '000	2018	2017	Change, %
Net profit for the period	1,700	1,001	69.83
+ Income tax and Social Contribution	728	644	13.04
+ Net financial revenue (expenses)	518	997	(48.04)
+ Depreciation and amortization	835	850	(1.76)
= EBITDA	**3,781**	**3,492**	**8.28**

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

Cemig's Ebitda was 8.28% higher year-on-year in 2018. In line with the higher Ebitda, Ebitda margin was higher, at 16.98%, in 2018, than in 2017 (16.09%).

The main variations in elements of the result are as follows:

Revenue from supply of electricity

Total revenue from supply of electricity in 2018 was R$ 24.872 billion, 4.94% higher than in 2017 (R$ 23.701 billion).

Final consumers

Total revenue from electricity sold to final consumers, excluding Cemig's own consumption, in 2018 was R$ 21.882 billion, or 7.07% more than the figure for 2017 of R$ 20.458 billion.

The main factors in this revenue were:

- The annual tariff adjustment for Cemig D, effective May 28, 2017 (full effect in 2018) with average *downward* effect on consumer tariffs of 10.66%.
- The annual tariff adjustment for Cemig D effective May 28, 2018, with an average *upward* effect of 23.19% on consumer tariffs.
- Higher revenues from the 'Flag Tariff' components of customer bills: R$ 654 million in 2018, compared to R$ 454 million in 2017. This reflects the low level of reservoirs, activating the 'Yellow Flag' and 'Red Flag' additional tariff rates, leading to higher revenue in 2018.
- Volume of electricity sold to final consumers 2.50% higher.

Evolution of the market

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

(i) Captive consumers in Cemig's concession area in the State of Minas Gerais;

(ii) Free Consumers in both the State of Minas Gerais and other States of Brazil, in the Free Market (*Ambiente de Contratação Livre*, or ACL);

(iii) other agents of the electricity sector – traders, generators and independent power producers, also in the Free Market;

(iv) Distributors, in the Regulated Market (*Ambiente de Contratação Regulada*, or ACR); and

(v) the Wholesale Trading Exchange (*Câmara de Comercialização de Energia Elétrica*, or CCEE)

(– eliminating transactions between companies of the Cemig Group).

This table details Cemig's market and the changes in sales of energy by consumer category, comparing 2020 to 2019:

This table details Cemig's market and the changes in sales of energy by consumer category, comparing 2018 to 2017:

	MWh (1)		
	December 31, 2018	**December 31, 2017**	**Change, %**
Residential	10,266,434	10,008,423	2.58
Industrial	17,689,182	17,760,807	(0.40)
Commercial, Services and Others	8,380,346	7,507,310	11.63
Rural	3,615,402	3,651,472	(0.99)
Public authorities	871,325	865,803	0.64
Public lighting	1,383,878	1,366,938	1.24
Public services	1,315,479	1,301,135	1.10
Subtotal	**43,522,046**	**42,461,888**	**2.50**
Own consumption	41,244	37,477	10.05
	43,563,290	**42,499,365**	**2.50**
Wholesale supply to other concession holders (2)	11,991,355	12,777,405	(6.15)
Total	**55,554,645**	**55,276,770**	**0.50**

(1) Data not reviewed by external auditors.
(2) Includes Regulated Market Electricity Sale Contracts (CCEARs) and 'bilateral contracts' with other agents.

A highlight was the volume of energy sold to the *commercial* segment: 11.63% higher year-on-year, mainly reflecting new clients added to the portfolio of Cemig GT.

There was also growth of 2.58% in the volume of energy sold to the *residential* sector, mainly due to addition of new consumer units in Cemig D.

Contrasting with this, the volume of energy sold to the *industrial* consumer category was 0.40% lower, mainly reflecting non-resumption of growth in industrial economic activity to the levels expected for the year.

Revenue from Use of Distribution Systems (the TUSD charge)

This is revenue from charging Free Consumers the Tariff for Use of the Distribution System (TUSD), on the volume of energy distributed. In 2018, this revenue was R$ 2.045 billion, compared to R$ 1.611 billion in 2017, an increase of 26.94% year-on-year, mainly reflecting the following:

- Reduction of approximately 40% in the TUSD, in Cemig D's 2017 annual tariff adjustment, effective from May 28, 2017 (full effect in 2018).
- Upward adjustment of approximately 36% in the TUSD, in Cemig D's 2018 annual tariff adjustment, effective from May 28, 2018.
- Growth of approximately 8.18% in contracted demand.
- Increase of approximately 14.29% in the number of facilities being billed for the charge for use of the distribution system (CUSD).

CVA and *Other financial components* in tariff adjustments

In its financial statements Cemig recognizes the difference between actual non-controllable costs (in which the CDE, and electricity bought for resale, are significant components) and the costs that were used as the basis of decision of the rates charged to consumers. The amount of this difference is passed through to clients in Cemig D's next tariff adjustment – in 2018 this represented a gain in revenue of R$ 1.973 billion, compared to an increase in 2017 of R$ 988 million. The higher figure in 2018 than 2017 is mainly due to a higher difference in 2018 than 2017 between actual costs of energy and the estimated figures used for future cost of energy in the tariff calculation (this difference generates a financial asset to be reimbursed to the Company through the next tariff adjustment). There are more details in Note 15 to the financial statements for 2018.

Transmission reimbursement revenue

The income from reimbursement for transmission facilities, received by Cemig GT, was R$ 250 million in 2018, compared to R$ 373 million in 2017. In 2017 Cemig GT recorded R$ 149 million for the backdated difference of transmission concession assets the values of which were not included in the calculation basis for revenues in the previous tariff reviews. For more details see Note 15 to the financial statements – *Financial assets of the concession.*

Generation indemnity revenue

In 2018 the Company recognized revenue of R$ 55 million (vs. R$ 272 million in 2017) for the adjustment to the balance not yet amortized of the concessions for the *São Simão* and *Miranda* Hydroelectric Plants, as per Ministerial Order 291/17. There are more details in Note 15 to the 2018 Financial Statements.

Revenue from transactions in the Power Trading Exchange (CCEE)

Revenue from transactions in electricity on the CCEE was R$ 217 million in 2018, compared to R$ 860 million in 2017 – a year-on-year reduction of 74.77%. This reflects the lower volume of energy available for settlement in the wholesale market in 2018. In the first quarter of 2017 the Company reported revenues relating to the available energy of the *Jaguara* and *Miranda* plants.

Revenue from supply of gas

Cemig reported revenue from supply of gas totaling R$ 1.995 billion in 2018, compared to R$ 1.759 billion in 2017 – growth of 13.42%. This basically reflects the increase in the cost of gas, which was passed through to consumers – since there was in fact a reduction of 16.26% in the volume of gas sold (from 1,319,242 m^3 in 2017 to 1,104,745 m^3 in 2018). The cost of gas suffered a significant effect from FX variation in 2018.

Construction revenue

Distribution infrastructure construction revenues totaled R$ 898 million in 2018, which compares with R$ 1.119 billion in 2017, a reduction of 19.75%. This revenue is fully offset by Construction costs, of the same amount, and corresponds to the Company's investments in assets of the concession in the year.

Other operational revenues

The *Other revenues* of the Company and its subsidiaries totaled R$ 2.272 billion in 2018, an increase of 4.22% in relation to 2017 (R$ 2.180 billion). The composition of Other Operational Revenues is given in Note 28 to the 2018 financial statements.

Sector / Regulatory charges reported as Deductions from revenue

Taxes and charges applied to operational revenue in 2018 were R$ 12.312 billion, or 10.41% more than in 2017 (R$ 11.151 billion).

The Energy Development Account – CDE

The amounts of payments to the Energy Development Account (*Conta de Desenvolvimento Energético* – CDE) are decided by an Aneel Resolution. The purpose of the CDE is to cover costs of concession indemnities (reimbursements of costs of assets), tariff subsidies, the subsidy for balanced tariff reduction, the low-income-consumer subsidy, the coal consumption subsidy, and the Fuels Consumption Account (CCC). Charges for the CDE in 2018 were R$ 2.603 billion, compared to R$ 1.822 billion in 2017.

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

Consumer charges – the 'Flag' Tariff system

The 'Flag' Tariff bands are activated as a result of low levels of water in the system's reservoirs – tariffs are temporarily increased when there is scarcity of rain. The 'Red' band has two levels – Level 1 and Level 2. Level 2 comes into effect when scarcity is more intense. Activation of the flag tariffs generates an impact on billing in the subsequent month.

Income from charges to the consumer related to the Flag Tariff bands was 44.05% higher in 2018, at R$ 654 million, compared to R$ 454 million in 2017.

This reflects greater application of the Red band in 2018 than in 2017, due to (i) lower reservoir levels, and (ii) lower expectations of rain.

Other taxes and charges on revenue

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

Operating costs and expenses (excluding Financial income/expenses)

Operational costs and expenses totaled R$ 19.042 billion in 2018, or 1.20% more than in 2017 (R$ 18.817 billion). There is more on the breakdown of Operational costs and expenses in Note 29 to the 2018 financial statements.

The following paragraphs comment on the main variations:

Personnel

The expense on personnel was R$ 1.410 billion in 2018, or 13.34% less than in 2017 (R$ 1.627 billion). This arises mainly from the following factors:

- Expenses on the voluntary retirement plan were 69.16% lower in 2018, at R$ 66 million, than in 2017 (R$ 214 million).
- There were salary increases, of 1.83%, from November 2017, under the Collective Agreement (with full effect in 2016).
- There were salary increases of 4.00% under the Collective Work Agreement, as from November 2018.

Electricity purchased for resale

The expense on electricity purchased for resale in 2018 was R$ 11.084 billion, or 1.50% more than in 2017 (R$ 10.920 billion). This mainly reflects the following:

- Expenses on purchase of energy in the spot market 21.36% higher, at R$ 1.818 billion in 2018, compared to R$ 1.498 billion in 2017 – this reflects Cemig D's higher exposure to the wholesale market in 2018.
- Expenses on supply acquired through physical guarantee quota contracts were 47.29% higher, at R$ 679 million in 2018, compared to R$ 461 million in 2017. This basically reflects Cemig D's average quota tariff being 52.98% higher in 2018, at R$ 92.51/MWh, compared to R$ 60.47/MWh in 2017.
- Expenses on supply acquired in regulated market auctions were 5.91% lower, at R$ 3.346 billion in 2018, compared to R$ 3.556 billion in 2017. Due to the low level of the water reservoirs of the hydroelectric plants in the system, the number of thermoelectric plants dispatched was larger in 2017 – with a consequent higher expense on fuel for these plants.
- Expenses on supply acquired in regulated market auctions were 6.71% lower, at R$ 4.355 billion in 2018, compared to R$ 4.668 billion in 2017. This basically reflects Cemig GT's expenses being 5.42% lower (R$ 4.051 billion in 2008, vs. R$ 4.283 billion in 2017) due to the volume of energy acquired being 8.99% lower (22,742,263 MWh in 2018, vs 20,690,422 MWh in 2017).

This is a non-manageable cost: the difference between the amounts used as a reference for calculation of tariffs and the costs actually incurred is compensated for in the subsequent tariff adjustment. There are more details in Note 29 to the 2018 financial statements.

Charges for use of the transmission network

Charges for use of the transmission network totaled R$ 1.479 billion in 2018, compared to R$ 1.174 billion in 2017, an increase of 25.98%.

This expense is payable by electricity distribution and generation agents for use of the facilities that are components of the national grid. The amounts to be paid are set by an Aneel Resolution. The higher amounts in 2018 are due to increased transmission costs related to the payment of the transmission indemnities to the agents of the electricity sector that accepted the terms of Law 12783/13.

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

Operating provisions

Operational provisions totaled R$ 467 million in 2018, compared to R$ 854 million in 2017, a reduction of 45.32%. A highlight was the lower provisions for employment-law contingencies, which were R$ 42 million in 2018, compared to R$ 207 million in 2017. This arises mainly from the following events:

- The significant amount provisioned in 2017 mainly reflected re-evaluations of potential losses in various legal actions as a result of change in the procedural phase of provisional execution, and court judgments on actions disputing: the basis for calculation of hazardous work remuneration; claims for equal payment for allegedly unlawful outsourcing; and subsidiary/joint liability.
- In 2018 new case law of the Federal Supreme Court (STF) on the lawfulness of outsourcing of any activities, whether for means or for end-use, led to re-evaluation of the potential loss on several actions on this subject, with consequent reduction of the amounts previously provisioned.
- The fair value of the investment options in RME, Lepsa and SAAG was 54.91% lower, at R$ 156 million, at the end of 2018, compared to R$ 346 million at the end of 2017. More details on the criteria for making of these provisions are in Note 32 to the financial statements (*Put options*).
- On the other hand, estimated losses on doubtful receivables were 6.45% higher, at R$ 264 million in 2018, compared to R$ 248 million in 2017. Rather than representing an increase in default as a percentage of billing, this difference reflects an increase in the basis for calculation of the provision, partly due to the higher total billing in 2019 resulting from the May 2019 tariff adjustment for Cemig D.

There are more details in Note 25 to the 2018 Financial Statements.

Construction cost

Construction costs in 2018 totaled R$ 897 million, or 19.84% less than in 2017 (R$ 1.119 billion). This cost is fully offset by Construction revenue, of the same amount, and corresponds to the Company's investment in assets of the concession in the period.

Gas bought for resale

In 2018 the company reported expense of R$ 1.238 billion on acquisition of gas, 15.59% more than the expense of R$ 1.071 billion in 2017. This basically reflects the increase in the price of gas – since there was in fact a reduction of 16.20% in the volume of gas purchased (from 1,309,459 m³ in 2017 to 1,097,275 m³ in 2018). The price of gas suffered a significant effect from FX variation in 2018.

Post-retirement obligations

The impact of the post-retirement liabilities of the Company and its subsidiaries on operational profit was an expense, totaling R$ 337 million in 2018, which compares to a reversal of expense of R$ 229 million in 2017.

This is due to changes made in the life insurance policy in 2017, which resulted in the capital insured for retirees being reduced by 20% every 5 years, as from age 60, reaching a minimum of 20%. This represented a reduction of R$ 619 million in the post-employment obligations posted at December 31, 2017, with counterpart in the profit and loss account.

Other operational revenues and expenses

A highlight component was the completion, in November 2018, of the process of disposal of the assets of Cemig Telecom, which resulted in a gain of R$ 378 million, posted in the 2018 Profit and loss account. There are more details in Note 33 to the 2018 Financial Statements.

Equity in earnings of non-consolidated investees

The equity method gain from non-consolidated investees in 2018 was negative, a loss of R$ 101 million, compared to a loss of R$ 252 million in 2017. This basically reflects losses in 2018 on the interests in *Renova* and *Santo Antônio Energia*. The breakdown of the results from the investees recognized under this line is given in detail in Note 17 to the 2018 financial statements.

Restatement of prior holding in subsidiaries acquired

Due to the transactions to eliminate the crossover stockholdings of Cemig and Energimp in the companies Central Eólica Praias de Parajuru S.A., (‘*Parajuru*’) and Central Eólica Volta do Rio S.A. (‘*Volta do Rio*’) and Central Eólica Praia de Morgado S.A., Cemig recorded a gain of R$ 80 million for the difference between the fair value and book value of the equity interest originally held in *Parajuru* and *Volta do Rio*. There are more details in Note 17 to the 2018 Financial Statements.

Net financial revenue (expenses)

Cemig posted net financial expenses in 2018 of R$ 518 million, compared to net financial expenses of R$ 997 million in 2017. The main factors are:

- Recognition, in 2018, of a gain of R$ 893 million from the hedge transaction related to the Eurobond Issue, compared to recognition of a loss of R$ 32 million in 2017. The adjustment of the hedge transaction to fair value resulted in a positive effect, due to a lower variation in the future curve for the DI (Interbank Deposit) rate than in the future curve for the US dollar exchange rate. This gain should be seen together with the expense on foreign exchange variation arising from the Eurobond, as described below in this report;

- Revenue from financial investments 43.41% lower, at R$ 116 million in 2018, compared to R$ 205 million in 2017. This basically reflects a lower total of funds invested in 2018, and a lower average CDI Rate: 6.40% in 2018, and 9.93% in 2017.
- Monetary updating on escrow deposits 82.20% lower, at R$ 34 million in 2018, vs. R$ 191 million in 2017. In 2017 Cemig GT posted a gain of R$ 82 million, for reversal of the provision for the lawsuit challenging the constitutionality of inclusion of ICMS tax (payable or already paid) within the amount of revenue on which two other taxes – the Pasep and Cofins taxes – were charged (more details in Note 13 to the financial statements).
- Recognition in 2018 of R$ 56 million in revenue from charges related to lending to related parties. There is more information in Note 31 to the financial statements.
- Costs and charges on loans and financings were 14.38% lower, at R$ 1.256 billion in 2018, compared to R$ 1.467 billion in 2017. This reflects the lower CDI rate (principal indexor of the debt) – which totaled a variation of 6.40% over the whole of 2018, compared to 9.93% in 2017.
- Revenue from late charges on electricity bills 34.87% higher in 2018, at R$ 352 million, compared to R$ 261 million in 2017. This mainly reflects the effects of renegotiation of past due bills with consumers, with recognition of interest and monetary updating.
- Expense on monetary updating of loans and financing 22.94% higher, at R$ 134 million in 2018, vs. R$ 109 million in 2017. This mainly reflects the higher IPCA index – one of the principal indexors of the debt – in the year: 3.75% in 2018, vs. 2.95% in 2017.
- There was a foreign exchange variation expense of R$ 579 million in 2018, relating to the dollar-indexed funding of the Eurobond issue (placed in two parts: US$1 billion (R$ 3.2 billion) in December 2017 and US$500 million (R$ 1.9 billion) in July 2018).
- Higher net result of monetary updating on the balances of CVA and *Other financial components* in tariff increases: net revenue of R$ 62 million in 2018, compared to a net expense of R$ 41 million in 2017, basically reflecting the higher balance of net assets in 2018 than in 2017.

The breakdown of financial revenues and expenses is in Explanatory Note 30 to the 2018 financial statements.

Income tax and Social Contribution tax

In 2018, the Company's expense on income tax and the Social Contribution tax totaled R$ 728 million, on pre-tax profit of R$ 2.304 billion, an effective rate of 31.59%. **In 2017**, the Company's expense on income tax and the Social Contribution tax totaled R$ 644 million, on pre-tax profit of R$ 1.646 billion, an effective rate of 37.80%.

There is a reconciliation of these effective rates with the nominal tax rates in Note 10 to the 2018 financial statements.

10.3

(a) Introduction, or disposal, of an operational segment

In 2020 there was no introduction or disposal of an operational segment.

(b) Constitution, acquisition, or disposal of any equity interests

We report certain activities related to subsidiaries and affiliates in 2020:

Disposal of interest in and control of Light

On January 7, 2021, the Company's Board of Directors approved the sale of its entire equity holding in **Light**, corresponding to 68,621,264 common shares, in a public offering for primary distribution of 68,621,264 new common shares to be issued by Light, and secondary distribution of shares of the Company, with limited placement efforts, in which the Company waived its right of first refusal to subscription of shares in the Primary Offering.

On January 22, 2021 the public offering for distribution of shares in Light was concluded, with disposal of the totality of the Company's shares, at R$ 20.00 per share, totaling R$ 1,372,425,000.

As a result of the disposal, in January 2021 a capital gain before tax of R$ 108,550,000 was recognized, considering as cost the amount posted in assets held for sale on the date of the disposal. The fiscal cost of the investment was adjusted for calculation of taxes, in accordance with the tax legislation, considering the book value of the investment, plus the premium and the added value paid in the acquisitions.

Parent company, and Consolidated	R$ '000
Number of shares held by Cemig	68,621,263
Sale price of the share on January 22, 2021	20,00
Total value of the sale	1,372,425
Estimated sale expenses (042%) (1)	(5,764)
Total fair value, net of selling expenses, on January 22, 2021	**1,366,661**
Value of the assets held for sale on December, 31, 2020	(1,258,111)
Accounting capital gain	**108,550**
Corporate income tax and Social Contribution tax (2)	(36,907)
Result after tax adjustment	**71,643**

(1) The expenses on the sale of investment include the costs on financial, accounting and legal advisory services.
(2) The adjustment of the tax base generated a positive effect of R$ 113,090 in the Taxes account line.

Acquisition of interests in special-purpose companies (SPCs) operating in photovoltaic solar energy generation

On November 25, 2020, through its wholly-owned subsidiary Cemig Soluções Inteligentes em Energia S.A. ('Cemig SIM') the Company acquired a 49% interest in seven SPCs operating in photovoltaic solar generation for the Distributed Generation market, with total installed capacity of 29.45MWp, for R$ 54,920,000. On August 19, 2020 and September 30, 2020 this wholly-owned subsidiary had acquired a 49% equity interest in two other SPCs of the same nature, for R$ 7,856,000 and R$ 10,243,000, respectively, with total installed capacity of 11.62 MWp.

The acquisitions were concluded through exercise of a purchase option by Cemig SIM of 49% of the shares in the SPCs owned by as established in a Memorandum of Agreement signed in June 2019. The conditions established in the Agreements signed between Cemig SIM and Mori Energia governing the composition of management and governance of the projects leads to their qualification as jointly-controlled subsidiaries.

This table shows the fair value of the assets and liabilities of the investees on the date of the transaction:

Empreendimento	Potência DC (MW)	Potência DC (MWp	Data da aquisição	Valor justo dos ativos líquidos da adquirida – participação Cemig Sim (49%)	Preço de aquisição	Compra vantajosa
Corinto	5	5,28	19/08/2020	9.031	8.606	425
Manga	5	6,34	30/09/2020	11.160	10.243	917
Bonfinópolis	2,5	3,45	25/11/2020	6.206	6.467	(261)
Lagoa Grande	5	7,33	25/11/2020	14.736	12.481	2.255
Lontra	5	6,38	25/11/2020	17.123	14.215	2.908
Mato Verde	2,5	3,23	25/11/2020	5.974	5.405	569
Mirabela	2	2,59	25/11/2020	3.922	4.567	(645)
Porteirinha	2,5	3,23	25/11/2020	5.992	6.051	(59)
Porteirinha II	2,5	3,23	25/11/2020	6.299	5.734	565
Total	**32**	**41,06**	--	**80.443**	**73.769**	**6.674**

The excess in value of Cemig SIM share in the fair value of the identifiable assets and liabilities over the cost of investment (gain for advantageous purchase) was included as revenue in calculation of the investor's interest in the results of the investee in the period of the acquisition, with the corresponding deferred tax liabilities being recognized.

We report certain activities related to subsidiaries and affiliates in 2019:

On July 17, 2019, **Light** completed a public offering for primary and secondary distribution of its nominal, book-entry common shares without par value, all free of any encumbrance, carried out in accordance with the procedures of CVM Instruction 476 of January 16, 2009.

In the offering Light placed: (i) 100,000,000 new shares ('the Primary Offering'), consequently increasing its share capital, and (ii) 33,333,333 shares in Light owned by Cemig , for R$ 18.75 per share.

With the settlement of this Restricted Offering, the Company's equity interest in the total share capital of Light was reduced from 49.99% to 22.58%, limiting its voting rights in Shareholders' Meetings and, as a result, its ability to direct the material activities of the investee. Thus, as from that date, with the change in the equity interest in Light, the Company no longer had an equity interest giving it control of this investee. In the circumstances, in accordance with IFRS 10 / CPC 36 (R3) – *Consolidated financial statements*, the investee is no longer within the concept of a subsidiary, and is thus therefore no longer consolidated in the Company's financial statements.

Since the Company continues to have a firm commitment to dispose of the remaining interest in Light, the investment in that company continues to be classified in Assets held for sale, in accordance with CPC 31 / IFRS 5 – *Non-current assets held for sale, and discontinued operation*s.

We report certain activities related to subsidiaries and affiliates in 2018:

On March 31, 2018 the absorption by Cemig of Cemig Telecom (Cemig Telecomunicações S.A.) was concluded. Cemig became the holder of all the contracts, assets and liabilities held by Cemig Telecom. Cemig also took over responsibility for its employees, and its holding in Ativas Data Center, corresponding to 19.6% of the share capital of that company.

On November 1, 2018 Cemig concluded the operations of disposal of the Telecommunications Assets specified in Auction tender 500-Y12121. The total amount realized by the Company in these sales was R$ 654,461,305.42 (six hundred fifty four million four hundred sixty one thousand three hundred five Reais and forty two centavos), as follows: (i) R$ 575,906,163.74 (five hundred seventy five million nine hundred six thousand one hundred and sixty three Reais and seventy four centavos), received from American Tower do Brasil – Comunicação Multimídia Ltda., previously named American Tower do Brasil – Internet das Coisas Ltda., winner of Lot 1 of the said tender; and (ii) R$ 78,555,141.68 (seventy eight million five hundred and fifty five thousand one hundred and forty one Reais and sixty eight centavos), received from Algar Soluções in TIC S.A., winner of Lot 2 of that tender.

On November 26, 2018 the Disposals Committee of Eletrobras Auction 01/2018 reported that the Executive Board of Eletrobras had decided unanimously, without any reservations, to approve the object of the Auction of Lot M in favor of the external stockholder Taesa, in its status as the external stockholder that opted to exercise its right of preference, under the Stockholders' Agreement of the SPCs ('Transmineiras'), over the whole of the equity interest held by Eletrobras. On January 14, 2019 the Executive Board of Eletrobras decided unanimously without any reservations: (i) to ratify Eletrobras Auction 01/2018, of Lot L (Brasnorte), relating to the stockholding of 49.71% held by Eletrobras in Brasnorte Transmissora de Energia S.A. in favor of the external stockholder and winning bidder Taesa, which opted to exercise its right of preference, in accordance with the stockholders' agreement of Brasnorte, over the whole of the stockholding held by Eletrobras; (2) to ratify the object of Eletrobras Auction 01/2018, Lot N (ETAU), the stockholding held by Eletrobras of 27.4162% in ETAU (Empresa de Transmissão do Alto Uruguai S.A.) (ETAU) to the external stockholders Taesa and DME Energética S.A. – DMEE, in the proportions of 23.0355% and 4.3807%, respectively, which opted to exercise their right of preference, under the stockholders' agreement of ETAU, over the total holding held by Eletrobras; and (iii) ratification of the object of Eletrobras Auction 01/2018, Lot P (Centroeste), the equity interest held by Eletrobras of 49.00% in Centroeste in favor of the external stockholder Companhia Energética de Minas Gerais – Cemig, which opted to exercise its right of preference, in accordance with the stockholders' agreement of Centroeste, over the whole of the equity interest held by Eletrobras.

On November 27, 2018, Rio Minas Energia Participações S.A. ('RME'), a member of the controlling stockholder block of Light S.A. ('Light'), sold 4,350,000 shares, representing 2.13% of the share capital of Light, for a total amount of R$ 64.5 million. On November 30, 2018 CEMIG acquired the totality of the common shares in RME held by BB-Banco de Investimento S.A., BV Financeira S.A. – Crédito, Financiamento e Investimento and Banco Santander (Brasil) S.A., for R$ 659.4 million, and settled all commitments to these stockholders in relation to the Put Option.

On December 14, 2018, the Board of Directors of Cemig approved transfer to Cemig GT of the following wholly owned generation and trading subsidiaries: Sá Carvalho S.A., Horizontes Energia S.A., Rosal Energia S.A., Cemig PCH S.A., Empresa de Serviços de Comercialização de Energia Elétrica S.A., Usina Termelétrica do Barreiro S.A., Cemig Comercializadora de Energia Incentivada S.A. and Cemig Trading S.A.

On December 17, 2018, Transmissora Aliança de Energia Elétrica S.A. ('Taesa') signed a share purchase agreement with Âmbar Energia Ltda. ('Âmbar') and Fundo de Investimento em Participações Multiestratégia Milão ('FIP'), for acquisition by Taesa of 100% of the total and voting stock of São João Transmissora de Energia S.A. ('SJT') and São Pedro Transmissora de Energia S.A. ('SPT'), and 51% of the total and voting stock of Triangulo Mineiro Transmissora de Energia S.A. ('TMT') and Vale do São Bartolomeu Transmissora de Energia S.A. ('VSB').

On December 20, 2018, an agreement concluding eliminating crossover stockholdings was signed by Cemig GT and Energimp S.A. ('Energimp') to eliminate stockholdings in Central Eólica Praias de Parajuru S.A. ('Parajuru'), Central Eólica Volta do Rio S.A. ('Volta do Rio') and Central Eólica Praia de Morgado S.A. ('Morgado'), with extinction of the stockholding partnership between the Parties.

On December 20, 2018, Transmissora Aliança de Energia Elétrica S.A. ('Taesa') won the auction for Lot 12 in Transmission Auction 004/2018 held by the regulator, Aneel.

(c) c. Non-usual transactions or events:

In the last three years there have not been any events or transactions that are not usual for the Company.

10.4

(a) Significant changes in accounting practices:

New pronouncements, or revisions of pronouncements, applied for the first time in 2020

The Company and its subsidiaries assessed application, for the first time, of certain alterations to rules, that are in effect for annual periods beginning January 1, 2020 or later. The main changes are as follows:

CPC 15 (R1) / IFRS 03

The changes help entities to determine whether a group of activities and assets acquired comprises a business, or not. The pronouncement states that to be considered a business, an integrated group of activities and assets should include, at least, an input and a substantive process which, together, materially contribute to creation of output. Additionally, a business may exist without including all the inputs and processes necessary for creating outputs. The change also introduced an optional fair value concentration test. The alterations apply prospectively to transactions or other events that take place on or after the date of first application.

CPC 26 (R1) / IAS 1 and IAS 8

Additionally, a business may exist without including all the inputs and processes necessary for creating outputs.

CPC 38 / IAS 39, CPC 40 (R1) / IFRS 7 and CPC 48/IFRS 09 – *Changes to the Reference Interest Rate*

The revisions to CPC 38 and CPC 48 provide a series of mitigations which are applied to the ratio of a hedging transaction that is directly impacted by the reform of the reference interest rate. The hedge ratio is affected if the reform causes uncertainties on the moment and/or on the amount of the cash flow based on the reference interest rate of the item protected, or the hedge instrument.

CPC 06 (R2) / IFRS 16

This gives lessees the option of not applying the guide in CPC 06 (R2) for accounting of modifications of contract that arise from benefits relating to the Covid-19 pandemic. As a practical expedient, the lessee may opt not to evaluate whether a concession of benefit arising from the Covid-19 pandemic is a modification of contract. Lessees that take this option are required to account any change in leasing payments resulting from the benefit conceded, in accordance with the rules specified in CPC 06 (R2) for changes that are not considered modification of the leasing contract.

Conceptual Framework for Financial Reporting (‘Estrutura Conceitual para Relatório Financeiro’)

This Conceptual Framework is not a pronouncement *per se*, and its concepts do not prevail over those specified in the pronouncements issued by the CPC and IASB. The objective of the Structural Concept is to assist in development of pronouncements, orient people preparing financial statements to develop consistent accounting policies when there is no pronouncement applicable, and to help all parties in understanding and interpretation of pronouncements. These changes will affect entities that develop their accounting policies based on the conceptual framework, the revision of which includes some new concepts, definitions and criteria for recognition of assets and liabilities, as well as clarifying some important questions.

New pronouncements, or revisions of pronouncements, applied for the first time in 2019

CPC 06 (R2) / IFRS 16 – *Leases*

This establishes principles for recognition, measurement, presentation and disclosure of leasing transactions and requires that lessees account all the leasing transactions in accordance with a single balance sheet model, similar to the accounting of financial leasing. At the date of start of the leasing operation, the lessee recognizes a liability to make the payments (a leasing liability) and an asset, representing the right to use the asset during the period of the leasing (an asset of right to use). Lessees are required to recognize separately: (i) the expenses of interest on the leasing liability; and (ii) the expense of depreciation of the asset of the right to use.

Lessees are also required to revalue the leasing liability when certain events occur (for example, change in the period of leasing, a change in the future payments of the leasing as a result of a change in an index, or in a rate used to determine such payments). In general, the lessee will recognize the amount of the revaluation of the leasing liability as an adjustment to the asset of right to use.

IFRIC 23 / ICPC 22 – Uncertainty on treatment of taxes on profit

This relates to accounting of taxes on profits in the cases where the tax treatments involve uncertainty affecting application of IAS 12 (CPC 32) – *Income taxes* – and does not apply to taxes outside the scope of IAS 12, nor specifically include the requirements relating to interest and penalty payments associated with uncertain tax treatments. The Interpretation deals specifically with the following:

- Whether the entity considers uncertain tax treatments separately.
- The assumptions that the entity makes in relation to examination of the tax treatments by the tax authorities.
- How the entity determines real profit (or tax losses), the bases of calculation, unused tax losses, intertemporal tax credits and tax rates.
- How the entity considers changes of facts and circumstances.

The entity is required to decide whether it treats each uncertain tax treatment separately, or as a group with one or more uncertain tax treatments. It is required to follow the approach that best provides for resolution of the uncertainty. The interpretation is valid for annual periods starting on or after January 1, 2019.

Revised technical pronouncements effective as from January 1, 2019

IFRS 28 (CPC 18)

Deals with application of IFRS 9/CPC 48 to measurement of other financial instruments in an affiliated company, a subsidiary or a jointly-controlled entity, for which the equity method is now not applicable, and makes rules for transition related to the initial adoption.

IFRS 12 (CPC 32)

Establishes the rules for recognition of tax effects on income from distributable dividends. In view of the Brazilian tax legislation applicable to its transactions, this alteration does not impact the Company's financial statements.

IFRS 19 (CPC 33)

Changes the moment of remeasuring of the net value of a defined benefit liability (asset), to the point in time when the cost of past service or the gain or loss on liquidation is determined, using the fair value of the assets of the plan and actuarial assumptions that reflect the benefits offered in accordance with the plan, and the plan's assets, before and after the alteration, reduction or liquidation of the plan, and also the use of the discount rate and of the value of the liability (net asset) after the alteration, reduction or liquidation of the plan in the determination of the net interest for the rest of the period of the annual report. The changes have not had any impact on the Company's financial statements, since there has not been any alteration, restriction or liquidation of the plan during the business year.

The Company and its subsidiaries have not identified significant impacts arising from the changes made in 2019.

New pronouncements, or revisions of pronouncements, applied for the first time in 2018

IFRS 15 (CPC 47 – Revenue from contracts with customers)

IFRS 15 (CPC 47 – *Receita de contrato com clientes*) establishes a five-step model to account for revenues arising from contracts with customers. Under IFRS 15, revenue is recognized as and when a performance obligation is satisfied, for the amount which it is expected will be received in exchange for the goods or services transferred, which is to be allocated to this performance obligation. The entity should record the revenue only when it is probable that it will receive the consideration in exchange for the goods or services transferred, taking into account the client's capacity and intention to comply with the payment obligation. This new pronouncement will supersede all current requirements for recognition of revenue under the CPCs/IFRS. Additionally IFRS 15 / CPC 47 establishes requirements for more detailed presentation and disclosure than the rules previously in effect.

IFRS 9/CPC 48 – Financial Instruments

IFRS 9 / CPC 48 establishes that all financial assets recognized that are within the scope of IAS 39 (equivalent to CPC 38) should subsequently be measured at amortized cost or fair value, reflecting the business model in which the assets are administered, and their cash flow characteristics, not affecting accounting recognition of the Company's financial assets and liabilities. IFRS 9 / CPC 48 contains three categories of accounting for financial instruments: Amortized cost; Fair value through Other comprehensive income; and Fair value through profit or loss.

Revision of the Technical Pronouncements of CPC 12/17

The document establishes changes to Technical Interpretations and Pronouncements, principally in relation to:

(i) publication of CPC 47 / IFRS 15;
(ii) publication of CPC 48 / IFRS 9;
(iii) change in classification and measurement of share-based payment transactions under CPC 10 / IFRS 2;
(iv) change in the transfer of ownership for investment in CPC 28 / IAS 40; and
(v) annual alterations put in place by IASB for the 2014-16 Cycle.

(b) Significant effects of the changes in accounting practices

2020

The alterations caused for this year have not affected the Company's individual or consolidated financial statements.

2019

IFRS 16 / CPC 06 (R2) – Leases: The Company and its subsidiaries have made an analysis of the initial application of IFRS 16 / CPC 06 (R2) to its financial statements as from January 1, 2019, and have adopted the exemptions specified in the rule for short-term leasing operations (i.e. leasing transactions with a period of 12 months or less) without the option to purchase, and for low-value items. The Company opted to adopt the modified retrospective method, and thus, in accordance with the requirements of IFRS 16 / CPC 06, will not re-present the information and balances on a comparative basis.

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

- Leasing of commercial real estate used for service to customers;
- Leasing of buildings used as administrative headquarters;
- Leasing of commercial vehicles used in operations.

	Consolidated	Parent company
Assets – right of use	342,450	19,844
Liabilities – Obligations referring to operational leasing agreements	(342,450)	(19,844)

The following tables show the impact of the adoption of IFRS 16 / CPC 06 R2 on the individual and consolidated statements of financial position at December 31, 2019, and on the individual and consolidated statements of income for the year ended on that date:

Statements of financial position	Consolidated			Parent company		
	Dec. 31, 2019 without adoption of IFRS 16/CPC R2	Adjustment: IFRS 16 (CPC 06)	Dec. 31, 2019 with adoption of IFRS 16/CPC R2	Dec. 31, 2019 without adoption of IFRS 16/CPC R2	Adjustment: IFRS 16 (CPC 06)	Dec. 31, 2019 with adoption of IFRS 16/CPC R2
Current assets	**10,361,844**		**10,361,844**	**3,475,327**		**3,475,327**
Non-current assets	**39,284,839**	**280,369**	**39,565,208**	**14,273,517**	**3,381**	**14,276,898**
Deferred income tax and Social Contribution tax	1,765,187	3,545	1,768,732	680,680	51	680,731
Right to use – Leasing	-	276,824	276,824	-	3,330	3,330
Other non-current assets	37,519,652	-	37,519,652	13,592,837	-	13,592,837
Current liabilities	**8,662,054**	**85,000**	**8,747,054**	**1,733,231**	**1,646**	**1,734,877**
Leasing liabilities	-	85,000	85,000	-	1,646	1,646
Other current liabilities	8,662,054		8,662,054	1,733,231		1,733,231
Non-current liabilities	**25,920,989**	**202,747**	**26,123,736**	**963,503**	**1,833**	**965,336**
Leasing liabilities	-	202,747	202,747	-	1,833	1,833
Other non-current liabilities	25,920,989		25,920,989	963,503		963,503
Stockholders' equity	**15,063,640**	**(7,378)**	**15,056,262**	**15,052,110**	**(98)**	**15,052,012**

Income statement for the period	Consolidated			Parent company		
	Dec. 31, 2019 without adoption of IFRS 16 / CPC R2	Adjustment: IFRS 16 (CPC 06)	Dec. 31, 2019 with adoption of IFRS 16 / CPC R2	Dec. 31, 2019 without adoption of IFRS 16 / CPC R2	Adjustment: IFRS 16 (CPC 06)	Dec. 31, 2019 with adoption of IFRS 16 / CPC R2
GOING CONCERN OPERATIONS						
NET REVENUE	**25,390,306**		**25,390,306**	**186,467**		**186,467**
OPERATIONAL COSTS AND EXPENSES	**(22,504,095)**	**25,084**	**(22,479,011)**	**(327,640)**	**380**	**(327,260)**
Share of profit (loss) in non-consolidated investees	125,351	-	125,351	2,834,411		2,834,411
Dividends received from investee held for sale	72,738	-	72,738	72,738	-	72,738
Net financial revenue (expenses)	1,396,284	(36,007)	1,360,277	246,592	(529)	246,063
Income tax and Social Contribution tax	(1,569,200)	3,545	(1,565,655)	(109,139)	51	(109,088)
Net income for the year from going concern operations	**2,911,384**	**(7,378)**	**2,904,006**	**2,903,429**	**(98)**	**2,903,331**

IFRIC 23 / ICPC 22 – Uncertainty on treatment of taxes on profit:

The Company and its subsidiaries adopted the as from January 1, 2019 and analyzed the tax treatments that could generate uncertainties in the calculation of income taxes and which might potentially expose the Company and its subsidiaries to materially probable risks of loss. The conclusion of these analyses is that none of the significant positions adopted by the Company and its subsidiaries have been altered in relation to expectation of losses due to any questioning or challenge by the tax authorities.

<u>2018</u>

IFRS 15 (CPC 47 – Revenue from contracts with customers):

The Company and its subsidiaries evaluated the five steps for recognition and measurement of revenue, as required by IFRS 15 / CPC 47:

- Identify the types of contracts signed with clients;
- Identify the performance obligations in each type of contract;
- Determine the price of each type of transaction;
- Allocate the price to the obligations contained in the contract; and
- Recognize the revenue when (or to the extent that) the entity satisfies each obligation of the contract.

The Company and its subsidiaries adopted the new rule on the date of its coming into effect based on the modified retrospective method, with the effects accounted from January 1, 2018. As a result, the Company and its subsidiaries will not apply the requirements of this pronouncement to the comparative exercise presented.

IFRS 9 / CPC 48 – Financial Instruments:

The impacts arising from the initial adoption of IFRS 9 / CPC 48 on January 1, 2018 were posted directly to Equity, without appearing in the income statement, as follows:

	January 1, 2018
Consumers and traders; transport of energy (1)	150,114
Adjustment arising in the investee Light	82,770
Deferred income tax and Social Contribution tax (1)	(51,038)
	181,846

(1) This refers to estimated losses on doubtful receivables from customers of Cemig D.

The standard eliminated the existing categories under IAS 39 / CPC 38 and, thus, the Company and its subsidiaries have reclassified those categories to comply with the new standard, as follows:

Consolidated	Classification	
	IFRS 39 / CPC 38	IFRS 9 / CPC 48
Financial assets		
Cash equivalents – Investments (1)	Loans and receivables	Fair value – profit or loss
Securities – Cash investments (2)	Held to maturity	Amortized cost
Securities – Cash investments (2)	Held for trading	Fair value – profit or loss
Consumers and Traders; Concession holders (transmission service)	Loans and receivables	Amortized cost
Restricted cash	Loans and receivables	Amortized cost
Advances to suppliers	Loans and receivables	Amortized cost
Accounts receivable from Minas Gerais State	Loans and receivables	Amortized cost

Consolidated	Classification	
	IFRS 39 / CPC 38	IFRS 9 / CPC 48
Receivable from related parties	Loans and receivables	Amortized cost
Concession financial assets – *CVA* (Portion ‘A’ Costs Variation Compensation) Account, and *Other financial components*, in tariff adjustments	Loans and receivables	Amortized cost
Reimbursement of tariff subsidy payments	Loans and receivables	Amortized cost
Low-income subsidy	Loans and receivables	Amortized cost
Escrow deposits	Loans and receivables	Amortized cost
Derivative financial instruments (swaps)	Fair value – profit or loss	Fair value – profit or loss
Concession financial assets – Distribution infrastructure	Held for trading	Fair value – profit or loss
Indemnities receivable – Transmission	Loans and receivables	Amortized cost
Generation indemnity receivable	Loans and receivables	Fair value – profit or loss
Concession grant fee – Generation concessions	Loans and receivables	Amortized cost
Other credits	Loans and receivables	Amortized cost
Financial liabilities		
Loans, financings and debentures	Amortized cost	Amortized cost
Debt agreed with pension fund (Forluz)	Amortized cost	Amortized cost
Concession financial liabilities – *CVA* (Portion ‘A’ Costs Variation Compensation) Account, and *Other financial components*, in tariff adjustments	Amortized cost	Amortized cost
Concessions payable	Amortized cost	Amortized cost
Minas Gerais State Tax Amnesty Plan (PRCT)	Amortized cost	Amortized cost
Suppliers	Amortized cost	Amortized cost
Advances from clients	Amortized cost	Amortized cost
Derivative financial instruments (swaps)	Fair value – profit or loss	Fair value – profit or loss
Derivative financial instruments – Put options	Fair value – profit or loss	Fair value – profit or loss

(1) Recognized at their nominal realization values, which are similar to fair value.
(2) The Company and its subsidiaries hold ‘securities‘ with varying classifications under IFRS 9 / CPC 48.

<u>Impairment of fixed assets</u>

IFRS 9 / CPC 48 replaced the model based on losses incurred and put in its place a prospective model of losses expected. This approach requires a significant degree of judgment on how the changes in economic factors affect expected losses in realization of credits, to be determined based on weighted probabilities. This model applies to financial assets measured at amortized cost or at fair value through Other comprehensive income (FVOCI), with the exception of investments in equity instruments and contractual assets.

Under IFRS 9 / CPC 48, provisions for expected losses are to be measured on one of the following bases: (i) credit losses expected for 12 months, that is to say, credit losses that result from possible default events within 12 months after the base date; and (ii) full lifetime expected credit losses, i.e. credit losses that result from all the possible default events over the expected life of a financial instrument, if the credit risk has significantly increased since its initial recognition. The rule also proposes use of an expedient practical method for financial assets that do not have significant financing components: a simplified approach in which the expected loss is realized using a matrix per age of maturity of the accounts receivable.

The changes introduced by IFRS 15 / CPC 47 and IFRS 9 / CPC 48 have impacted the distribution, generation and transmission sectors in the classification and measurement of their assets, which are already under the scope of FRIC 12 / ICPC 01. As required in the pronouncement, the allocation of price is demanded for each type of performance obligation identified in the contract with the client, and the financial asset must also be classified as either amortized cost or fair value through profit or loss. Under IFRS 15 / CPC 47, the Company and its subsidiaries have concluded that they have contracts with the following identified performance obligations: (i) to build; (ii) to operate and maintain; and (iii) to finance the concession-granting power. In the transmission segment, the Company and its subsidiaries have concluded that they have a single contract with a client (the transmission line concession), with the same obligations. Thus, based on the contractual characteristics, the Company and its subsidiaries classified the asset as contractual since, for its realization, the financial flows are influenced by factors of operational performance and also future conditions arising from procedures of periodic tariff reviews, and these assets do not become receivable only by passage of time – which is a condition precedent for their classification as financial assets under IFRS 9 / CPC 48. Based on the contractual characteristics, the distribution assets linked to the infrastructure of the concession that are still under construction are to be registered initially as contractual assets, considering the Company’s right to charge for the services provided to consumers or receive an indemnity at the end of the concession for the assets that are not yet amortized.

Because these are long-term contracts with clients, the Company and its subsidiaries have identified that there is a significant component of financing that is taken into account for the calculation of the financing of the Concession-granting power, as mentioned above.

(c) Qualifications and emphases in the Auditor's Report:

Qualifications:

The opinions of the external auditors at December 31, 2020, 2019 and 2018 do not contain qualifications.

Emphases of matter:

Under CFC Resolution 1233/09, if the auditor considers it necessary to call users' attention to a subject presented or disclosed in the accounting statements which in its judgment has such importance and is fundamental for understanding by users of the financial statements, the auditor must include a paragraph of emphasis in the report, provided that it has obtained sufficient and appropriate auditing evidence that there has not been a material distortion of the subject in the accounting statements. This paragraph must refer only to the information presented or disclosed in the accounting statements.

In the external auditors' report for December 31, 2020, there are the following paragraphs of emphasis:

Re-presentation of corresponding amounts

As mentioned in explanatory note 2.8, as a result of the effects of adjustment in the discount rates of financial flows of the electricity transmission concession contracts and the related effect on construction margin in reported net profit, and due to the effect of the change in presentation of the assets of the concession arising from Law 12783/213 (on the National Grid), the amounts corresponding to the previous business year, presented for the purposes of comparison, are being re-presented as specified in NBC TG 23 – Accounting Policies, Changes in Accounting Estimates and Correction of Errors. Our opinion on this matter is unqualified.

Risk of operational continuity in the jointly-controlled entity Renova Energia S.A.

As stated in Note 16 to the individual and consolidated financial statements, on December 18, 2020, the General Meeting of Creditors approved the Judicial Recovery Plans, under Law 11101/05, of the jointly-controlled subsidiary Renova Energia S.A. and some of its subsidiaries. The plans were homologated by the Second Bankruptcies and Judicial Recovery Court of the Legal District of São Paulo State.

The jointly-controlled subsidiary is analyzing the effects of the judicial recovery plans on its financial statements for the year ended December, 31, 2020, which have not yet been completed. Although the judicial recovery plans have been approved, there are events or conditions, jointly with other subjects, described in the said explanatory note, that indicate the existence of material uncertainty that could lead to significant doubt as to its capacity to continue operating. Our opinion regarding this matter is unqualified.

In the external auditors' report for December 31, 2019, there are the following paragraphs of emphasis:

Risks related to compliance with laws and regulations

As mentioned in Note 18 to the individual and consolidated financial statements, investigations and other *legal measures are in progress, conducted by public authorities, in the Company and in certain investees, on certain expenditures and their destinations, which involve and include also some of the other stockholders of those investees and certain executives of the Company, of the investees and of those other stockholders. The governance bodies of the Company have authorized contracting of a specialized company to analyze the internal procedures related to these specific investments and investigate the allegations referred to.*

This matter was considered to be material for our audit, in view of the material judgments and complexities inherent to these processes of investigation.

Risk of operational continuity in the jointly-controlled entity Renova Energia S.A.

As stated in Note 18 to the individual and consolidated financial statements, on December 17, 2019 the jointly-controlled subsidiary Renova Energia S.A., and some of its subsidiaries filed application for Judicial Recovery of the jointly-controlled subsidiary Renova Energia S.A. and some of its subsidiaries, under Law 11101/05. This application is proceeding before the Second Bankruptcy and Judicial Recovery Court of São Paulo State. The subsidiary now has to submit the Judicial Recovery Plan for approval by the general meeting of creditors in the terms and on the conditions established by that law. Renova is in a phase of discussion of that plan, and has not, at today's date, measured the possible effects on its accounting balances. Also, Renova has been reporting recurring losses and at December 31, 2019 had negative net working capital, negative net equity (uncovered liabilities), and negative gross margin. These events or conditions indicate the existence of material uncertainty that could raise significant doubts as to its capacity to remain operational. Our opinion regarding this matter is unqualified.

Impairment of certain investments in affiliates and jointly-controlled entities

As disclosed in Note 18 to the financial statements, the Company and its subsidiaries have investments in affiliates and jointly-controlled enterprises, carried under the equity method in the amount of R$ 5,399,391,000, and assesses annually, or whenever applicable, the need to recognize any additional impairment loss on the Company's and its subsidiaries' total net investment in these investees. In 2019, as a result of this analysis, the Company and its subsidiaries concluded that there was indication of impairment of their direct and indirect investments in Madeira Energia S.A., Norte Energia S.A., Renova Energia S.A. and Guanhães Energia S.A. and consequently conducted the analysis, determined their recoverable amounts, and recognized losses, where applicable.

This matter was considered material for our audit, considering the scale of the asset account balances of the Company and its subsidiaries, especially in relation to the investments accounted for under the equity method, and the degree of subjectivity of the fair value estimates employed by management, which are based on assumptions affected by future market and economic conditions, and the existence of certain specific circumstances related to delays in start of operation and going concern risks of some investees and jointly-controlled enterprises.

Credits of PIS, Pasep and Cofins taxes

As disclosed in Note 10 to the individual and consolidated financial statements, in 2019 the Company and its subsidiaries recognized PIS/Pasep and Cofins tax credits of R$ 6,069,918,000 arising from an Ordinary Action decided in favor of the Company and its subsidiaries, against which there is no appeal, recognizing their right to exclude ICMS amounts from the calculation basis of PIS/Pasep and Cofins taxes, backdated to five years prior to the initial filing of the action – that is, from July 2003.

Additionally, supported by its legal advisors' opinion, the Company recorded an account payable of R$ 3,037,989,000 referring to the amount of the tax credits to be reimbursed to the customers of the subsidiary Cemig Distribuição S.A.

This matter was considered material for our audit due to the complexity of the subject, the need for judgment by management, the high volume of documentation analyzed, existence of divergences between some court decisions and the Brazilian tax authorities' position as to the methodology of calculation of the credit in question, and the absence of precedents and formal positioning from the regulator (Aneel) regarding the period for determining the amount and methodology for reimbursing the credits to the customers of the distribution segment.

In the external auditors' report for December 31, 2018, there are the following paragraphs of emphasis:

Risks related to compliance with laws and regulations

As mentioned in Note 17 to the financial statements, investigations and other legal measures are in progress, conducted by public authorities, in the Company and in certain non-controlled investees, on the subject of certain expenditures and their destinations, which involve and include also some of their other stockholders and certain executives of those other stockholders. The governance bodies of the Company have authorized contracting of a specialized company to analyze the internal procedures related to these specific investments and investigate the allegations. At present it is not possible to foresee future developments arising from these processes of internal investigation conducted by the public authorities, nor any possible consequent effects on the interim accounting information of the Company and its subsidiaries. Our opinion regarding this matter is unqualified.

Risk of operational continuity in the jointly-controlled entity Renova Energia S.A.

As stated in Note 17 to the financial statements, the jointly-controlled subsidiary Renova Energia S.A. has been reporting recurrent losses, and at December 31, 2018 had negative net working capital, negative equity (uncovered liabilities) and negative gross margin. These events or conditions, jointly with other subjects described in Note 17, indicate the existence of material uncertainty able to raise significant doubt as to the capacity of this jointly-controlled entity to continue operating. Our opinion regarding this matter is unqualified.

It should be mentioned that the emphases of matter referred to above aim to highlight significant subjects already contained in the Company's financial statements, and do not represent any divergence on the part of the auditors in relation to the Company's accounting practices.

10.5

The Company has no transactions for which it would be possible to apply accounting policies different from those defined in the accounting rules in effect in Brazil, where judgment would be necessary for application of the policy that would best represent the essence of a given transaction.

Application of accounting policy is affected by estimates and assumptions used by the Company, which are revised continuously, using as a reference both historic experience and also any significant changes of scenario that could affect the Company's equity situation or results.

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

Financial instruments

Fair value through profit or loss: Concession financial assets related to distribution infrastructure are in this category. Financial assets of the distribution concession are measured at New Replacement Value (*Valor Novo de Reposição* – VNR), equivalent to fair value on the date of the financial statements. Those linked to the gas concession are measured at historic cost, updated by the IGP-M index, less items written off or replaced, corresponding to fair value on the reporting date. The Company and its subsidiaries recognize a financial asset resulting from a concession contract when it has an unconditional contractual right to receive cash or another financial asset from the concession-granting power for the services of construction or improvement provided.

Also in this category are: Cash equivalents, Securities not classified as at amortized cost, Derivative financial instruments, and Reimbursements receivable for generation assets.

Cash and cash equivalents comprise cash in bank current accounts, and short-term highly liquid deposits, subject to an insignificant risk of change in value, held for the short-term cash management of the Company and its subsidiaries.

The corresponding disclosures of the principal assumptions used in assessing fair value are summarized in the related Notes.

Derivative financial instruments (swap and call spread transactions): Cemig GT maintains derivative hedge instruments to regulate its exposure to risks of variation in exchange rates. Transaction costs are recognized in the income statement when incurred. After initial recognition, derivatives are measured at fair value and changes in fair value are recorded in the Statement of income.

Derivative financial instruments (put options): The options to sell units in FIP Melbourne and FIP Malbec ('the SAAG Put Option') were valued at fair value using the Black-Scholes-Merton (BSM) method, up to the date of exercise of the options.

Amortized cost: In this category are: Accounts receivables from customers, traders and concession holders (for transmission service); Accounts receivable from Minas Gerais State; Restricted cash; Escrow deposits in litigation; Securities held with intention to hold to maturity, when the terms of their contracts originate known cash flows that constitute exclusively payments of principal and interest; Concession financial assets related to the concession grant fee for generation contracts; Accounts receivable from related parties; Suppliers; Loans, financings and debentures; Debt agreed with the pension fund (Forluz); Concessions payable; the Minas Gerais State PRCT Tax Amnesty Program; Advances from customers; Financial assets and liabilities related to the *CVA* account and *Other financial components* in tariff adjustments; the low-income subsidy; reimbursement of tariff subsidies; and other credits.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate method. Gains and losses are recognized in the Income statement when an asset is written off, written down, modified or impaired.

Consumers and traders; Concession holders – transmission service): The following are initially reported at the value of the electricity supplied, and measured at amortized cost: Accounts receivable from consumers and traders; and from Concession holders for transport of power. They include any direct taxes for which the company and its subsidiaries have the tax liability, less taxes withheld at source, which are considered to be tax credits.

For captive clients Cemig D adopts a simplified approach, considering that the balances of these accounts receivable from clients do not have significant financial components, and estimates the expectation of loss considering the historic average of non-collection over the total billed in each month (based on the last 24 months of billing), segregated by type of consumer and projected for the next 12 months, taking into account the age of maturity of the invoices, including those not yet due and amounts not yet billed.

The RAP remunerates the investment in transmission lines and services of enhancement and improvements, and operation and maintenance. Revenues from the transmission concession contracts are recognized as and when the corresponding performance obligations are satisfied, with a counterpart in contractual assets, when the financial component is significant. The amounts posted in counterpart to contractual assets are transferred to financial assets (receivables), being characterized as within the scope of Pronouncement CPC 48 (IFRS 9), after the credit notice issued monthly by the ONS, authorizing invoicing of the Permitted Annual Revenue (RAP). The balances are recognized initially at the transaction price, and subsequently measured by amortized cost, using the effective interest rates method, less impairments, when applicable, and recognizing the related deferred taxes. As required by CPC 48/IFRS 9, the balance is analyzed and, when necessary, an estimated provision for default is constituted, to cover any losses on the realization of these assets.

The estimated loss for the past due balances of clients who have renegotiated their debt is calculated based on the due date of the original invoice, with the new terms negotiated not being taken into account. For balances more than 12 months past due, expectation of total loss is assumed.

For invoice amounts not yet billed, not yet due, or less than 12 months past due, provisions for expected losses are measured on the basis of potential default events; or, if the credit risk has increased significantly since initial recognition, on the basis of credit losses expected for the whole life of the instrument.

For large consumers, the provision for doubtful receivables is recorded based on estimates by management. The main criteria set by the company and its subsidiaries are: (i) for customers with significant unpaid balances, the receivable balance is analyzed based on the history of the debt, negotiations in progress, and asset guarantees; and (ii) for large customers, an individual analysis is made of the debtors and the initiatives in progress for realizing the receivables.

Investments: The Company and its subsidiaries have investments in affiliated companies, subsidiaries and jointly-controlled entities. Control is obtained when the Company and/or one of its subsidiaries has the power to control the financial and operational policies of an entity to receive benefits from its activities. These investments are valued by the equity method in the individual and consolidated financial statements (for the latter, with the exception of subsidiaries) and are initially recognized at acquisition cost, measured by sum of the consideration transferred, which is measured at fair value at the acquisition date.

The difference between the amount paid and the book value of the entities acquired is recognized in Investments as: (i) added value, when the economic basis is substantially related to the fair value of the net assets of the subsidiary acquired; and (ii) goodwill premium, when the amount paid is higher than the fair value of the net asset, and this difference represents expectation of generation of future value. The goodwill premium arising from the acquisition is tested annually for impairment.

After application of the equity method, the company determines whether it is necessary to recognize impairments of its investments. When the impaired value of an investment asset is lower than its book value, a loss is recognized in the income statement, after calculating of the amount.

Participations in consortia are accounted in accordance with CPC 19 (R2) – *Business combinations*. The investments are recognized by the Company’s stake in any assets or liabilities held or assumed jointly. The profit on these investments is recognized by the Company’s percentage interest in the revenues and expenses of the joint operation.

Business combinations: A business combination takes place through an event in which the Company or one of its subsidiaries acquires control of a new asset (business), whatever its legal form. The Company determines that it has acquired a business when the group of activities and assets acquired includes, at least: one input – entry of funds; and any substantive process which together contribute significantly to the capacity to generate output – in the form of funds.

The Company and its subsidiaries account business combinations using the acquisition method. Thus, at the moment of acquisition the acquiring company is required to recognize and measure the identifiable assets acquired, the liabilities assumed, and the stockholding interests of non-controlling equity holders at fair value, which will result in recognition of (i) a goodwill premium if recognizing expectation of future profitability, or (ii) a gain arising from an advantageous purchase. The gain is allocated to the income statement for the period. Costs generated by acquisition of assets are allocated directly to the income statement as and when incurred.

After the initial recognition, the goodwill premium is measured at cost, less any accumulated impairments. For the purposes of the impairment test, the goodwill premium acquired in business combinations is, as from the acquisition date, allocated to each one of the cash generating units that it is expected will be benefited by the synergies of the combination.

In line with ICPC 09 (R2) the Company understands that the amount referring specifically to the right of concession, right of exploitation or similar rights, including when acquired in a business combination in which the acquired entity is holder of a concession with known and defined period, is not characterized as goodwill paid for expectation of future profitability.

When a business combination is carried out in stages, the interest previously held by the Company in the acquiree is remeasured to its acquisition-date fair value and the corresponding gain or loss, if any, is recognized in the statement of income.

In the parent company, the difference between the amount paid and the amount of the stockholders’ equity of the entities acquired is recognized in Investments, in accordance with the criteria described above.

Assets linked to the concession

Electricity distribution – Assets linked to the infrastructure of the concession still under construction are reported initially as contractual assets, considering the Company's right to charge for the services provided to consumers or to receive an indemnity at the end of the concession for assets not yet amortized. In accordance with CPC 47/ IFRS 15, the counterparts of construction revenues representing new assets are initially recorded as contractual assets, measured at construction cost, including the capitalized costs of loans. After the assets start operation, the performance obligation linked to construction having been concluded, the assets are split between financial assets of the concession and intangible assets.

The portion of the assets of the concession that will be totally amortized during the concession period is classified as an intangible asset and is amortized during the concession agreement period, as provided for in ICPC 01 (R1) / IFRIC 12 – *Concession contracts*. 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 that consider the expected useful life of the electricity distribution assets, which are taken into consideration by the regulator during the process of tariff review.

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. This portion is valued on the basis of New replacement cost, which is equivalent to fair value – having as a reference the amounts approved by Aneel for the remuneration base of assets in tariff review processes.

Electricity transmission – When the construction phase of transmission infrastructure is completed, the corresponding assets continue to be classified as contractual assets, due to their being linked to the obligations of performance during the period of concession, represented by the availability/construction, operation and maintenance of the transmission lines – there is thus no unconditional right to receive the consideration for the construction services unless the Company operates and maintains the infrastructure. Contractual assets (Accounts receivable – Concession holders – Power transport) are reclassified as a financial asset only after satisfaction of the performance obligation to operate and maintain infrastructure, since from that point nothing more than the passage of time is necessary for the consideration to be received. Costs related to construction of infrastructure are recognized in the income statement as incurred. Construction and enhancement revenues are recognized according to the stage of completion of the works, based on the costs actually incurred, plus the construction margin.

The margin allocated to the performance obligation for construction of infrastructure is defined on the basis of management's best estimate and expectation of the profitability of the projects implemented by the Company.

The discount rate relating to the financial component of the concession contract asset is the Company's best estimate for financial remuneration of investments in transmission infrastructure – representing the approximate percentage that would be the price to be charged for payment at sight for infrastructure built or enhanced by the concession holder in a sale transaction. The implicit rate for pricing the financial component of assets of a concession contract is established at the commencement of the investments and takes into consideration the credit risk of the counterparties.

At every change in tariffs due to the Periodic Tariff Reviews, the value of the concession contract asset is remeasured, bringing future RAPs to present value using the implicit rate originally identified for contractual assets; the result is then compared with the recorded book value, for recognition of a gain or loss in the income statement.

Of the billed amounts of concession transmission revenue, in the form of Permitted Annual Transmission Revenue (RAP), the portion relating to the fair value of the operation and maintenance of the assets is recorded in the income statement and the portion relating to construction revenue, originally recognized at the time of formation of the assets, is used to write down the contractual asset. Additions for expansion and enhancement generate additional cash flow, and are thus included in the balance of contractual assets.

Financial portion linked to transmission concession contracts renewed under Law 12783/2013: This is the financial portion of the consideration for the transmission facilities that are components of the National Grid which represents the amount payable from the date of extension of the concessions until their incorporation into the tariff (January 1, 2013 to June 30, 2017). It is received over a period of eight years.

The amounts to be received are subordinated to the applicable regulatory rules in the tariff process, and are also subject to mechanisms that monitor and measure efficiency. In this context, the receipt of the consideration is linked to the performance obligation for operation and maintenance, and is thus characterized as a contractual asset. It is reclassified to financial assets only after an authorizing dispatch by Aneel.

Generation – For the plants whose concession was obtained at the Aneel auction of November 2015, the amount of the concession grant fee was recognized as a financial asset, at amortized cost, due to the Company's unconditional right to receive the amount paid, with updating by the IPCA index, and remunerated by interest in accordance with the concession contract, during the period of the concession.

Gas distribution – New infrastructure assets of the concession are classified initially as contractual assets, valued at acquisition cost, including capitalized borrowing costs. When they start operation, they are divided into a financial asset and an intangible asset.

The infrastructure portion of the concession that will be amortized in full during the period of the concession is recorded as an Intangible Asset. 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.

The part of the value of the assets that will not be completely amortized by the end of the concession is classified as a financial asset, because it represents an unconditional right to receive cash or other financial asset directly from the grantor. This portion is valued on the basis of New replacement cost, which is equivalent to fair value – having as a reference the amounts approved by Aneel for the remuneration base of assets in tariff review processes. The book value of assets substituted is written down, with counterpart in the income statement, and taken into consideration by the regulator in the next tariff review cycle.

Intangible assets: These mainly comprise the assets relating to the concession contract for services, described above, and software. They are measured at total acquisition cost, less amortizations, and any accumulated impairments when applicable.

Any gain or loss arising on derecognition of an intangible asset, calculated as the difference between the net disposal proceeds and the carrying amount of the asset, is included in the income statement.

PP&E: Items in PP&E are valued at the cost incurred on the date of their acquisition or formation, including deemed cost, plus capitalized financial costs, less accumulated depreciation.

Depreciation is calculated on the balance of property, plant and equipment in service and investments in consortia, on a straight-line basis, using the rates that reflect the estimated useful life of the assets, for the assets related to the electricity activity, limited in certain situations to the period of the concession contracts to which they refer.

Gains and losses resulting from write-down of a fixed asset are measured as the difference between the net value obtained from the sale and the asset's book value, and are recognized in the income statement at the moment of writing down of the asset.

Impairment – In assessing impairment of financial assets, the Company and its subsidiaries use historic trends of the probability of default, timing of recovery and the amounts of loss incurred, adjusted to reflect 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 historic trends.

Additionally, management revises, annually, the net book value of non-financial assets, with the aim of assessing events or changes in the economic, operational or technological circumstances that could indicate deterioration or impairment. When such evidence is found and when the book value exceeds the recoverable value, a provision is made for impairment, adjusting the net book value to the recoverable value. In this case, the recoverable value of an asset or a given cash generating unit is defined as being the greater of the value in use or the net value for sale.

Employee benefits: For the Company's retirement benefit pension plan obligations, the liability recorded in the statement of financial position in relation to defined benefit pension plans is the greater of: (a) the debt agreed upon with Forluz 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. In the business years presented, the expenses related to the debt agreed upon with the pension fund are recorded in Financial revenue (expenses), because they represent interest and monetary updating. The other expenses on the pension fund are recorded as operational expenses.

The actuarial gains and losses arising from adjustments based on experience and on changes in actuarial assumptions are recognized in Other comprehensive income.

Short-term benefits to employees: Employees' profit shares specified in the Company's by-laws are provisioned in accordance with the Collective Agreement established with the employee unions and recorded in Employees' and managers' profit shares in the income statement.

<u>Income tax and the Social Contribution tax</u>

The expense on income tax (IRPJ) and the Social Contribution tax (CSLL) is the sum of the current and deferred values for these taxes, which are presented separately in the financial statements. Cemig reports by the Real Profit method of accounting, and is subject to the rules of that method for calculating taxes on profit. However, the subsidiaries that have the right to opt for the Presumed Profit method under the Brazilian tax legislation consider the projection of taxes due for the following year, for their decision on which regime will optimize their tax burden.

Current and deferred taxes relating to items recognized directly in Equity or in Other comprehensive income are recognized in Equity.

In accordance with ICPC 22 / IFRIC 23, the Company and its subsidiaries periodically evaluate the tax position of situations in which the tax regulation requires interpretation, and establishes provisions and/or disclosures when appropriate.

Current – Taxes owed and receivable relating to the current and the prior periods are measured at the amount expected to be recovered from, or paid to, the tax authorities, using the tax rates currently in force. Advances, or amounts subject to offsetting, are posted in current or non-current assets, in accordance with the expected date of their realization up to the close of the current business year, when the tax is duly calculated offset against advances made.

Deferred – Deferred tax is generated by temporary differences at the reporting date between base amounts of tax receivable and payable, and their accounting values. Deferred taxes payable are recognized for all the temporary differences taxable or deferred, and deferred tax amounts receivable, for all deductible temporary differences and tax loss carryforwards of the Social Contribution tax not used, to the extent that it is probable that future taxable profits will be available to enable the temporary differences and carryforwards to be realized – except in the following cases:

- When the deferred receivable or payable amount arises from recognition of a goodwill premium, or from an asset or liability in transaction that is not a business combination which, on the transaction date, does not affect the accounting profit or the profit or loss for tax purposes.
- In the case of taxable temporary differences related to investments in subsidiaries, in which the period of the reversal of the temporary differences can be controlled and it is probable that they will not be reversed in the near future.
- In the case of deductible temporary differences associated with investments in subsidiaries, to the extent that it is not probable that the temporary differences will be reversed in the near future, and in the cases in which the taxable profit is not available for the temporary differences be utilized.

These taxes are assessed at the rate that is expected to be applicable in the business year in which the asset will be realized or the liability settled, based on the tax legislation in effect on the reporting date.

Deferred amounts of income tax and Social Contribution receivable are reviewed at each reporting date, and are reduced to the extent that their realization is no longer probable.

The Company reports net deferred tax assets and liabilities when it possesses the executable right to offset the current tax assets against current tax liabilities, and if the tax assets and deferred tax liabilities are related to taxes on profit posted by the same tax authority and in the same taxable entity.

Government subsidies – Government subsidies are recognized when there is reasonable certainty that all the conditions established and related to the subsidy will be complied with, and that the subsidy will be received.

Cemig D and Cemig GT has businesses in the incentive-bearing area of Sudene, for which the right to reduction of 75% in income tax, including the additional income tax, is recognized. Tax incentives of this type, in the form of exemption or reduction of income tax, qualify under the concept of government subsidies, and are recognized by recording the total tax in the income statement as if it were due, with a counterpart posting for the equivalent subsidy revenue, shown as a deduction from the income tax expense.

Due to the legal restriction on distribution of the incentive amounts as part of net profit, the Company maintains the amount relating to the portion of net profit for the year arising from the subsidy in a Tax Incentive Reserve (a profit reserve).

In addition, the subsidiaries Cemig D and Cemig GT receive amounts from the Energy Development Account (CDE) as reimbursement for subsidies granted on (i) the Tariff for Use of Distribution Service (TUSD) and (ii) the Charge for Use of the Transmission System (EUST). These amounts are recognized as revenue by the accrual method, calculated monthly, when the right to receive them is acquired.

Assets classified as held for sale, and discontinued operations: The Company and its subsidiaries classify non-current assets as held for sale when their carrying cost will be recovered, principally, through a transaction of sale rather than by continuous use. They are measured at the lower of: their book (carrying) value; and the fair value net of the expenses of sale. Expenses of sale are the incremental expenses directly attributable to the sale, excluding financial expenses and taxes on profit.

Fixed assets (PP&E) and Intangible assets are not depreciated or amortized while they are classified as held for sale. Assets and liabilities classified as held for sale are presented separately as current items in the Statement of financial position. Dividends received from jointly-controlled entities and affiliates classified as held for sale are recognized in the Income statement, in view of the discontinuation of measurement by the equity method, under CPC 31 / IFRS 05.

The following are classified as discontinued operations: Components that have been written off or which are classified as held for sale and represent an important business line or geographical area of operation; and those which are an integral part of a single coordinated plan for sale of an important separate line of business or geographical area of operations, or which represent the subsidiary acquired exclusively with the intention of sale.

Discontinued operations are excluded from the reported profit from going concern operations, and are presented separately as a single amount (under Discontinued operations) in the income statement, after taxes.

Operational revenue: In general, for the business of the Company and its subsidiaries in the electricity, gas and other sectors, revenues are recognized when a performance obligation is satisfied, at the value that is expected to be received in exchange for the goods or services transferred, this value being allocated to that performance obligation. The Company records revenue only when it is probable that it will receive the consideration in exchange for the goods or services transferred, taking into account the client’s capacity and intention to comply with the payment obligation.

Revenues from sale of electricity are recorded based on the electricity transacted 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 monthly, when supply takes place, based on the amount of electricity measured and billed. The Company recognizes revenue corresponding to unbilled retail supply of electricity, from the period between the last billing and the end of each month, estimated based on the supply contracted. In the case of the distribution concession contract, unbilled revenue is estimated based on the volume of electricity consumed and not billed in the period. Billing is monthly, based on metering of electricity carried out in accordance with the meter reading calendar, in accordance with the regulations of the sector.

Historically, the differences between the estimated amounts so far not billed and the actual revenues realized in the following month have not been significant. They are accounted in the subsequent month.

Revenues from use of the distribution system (TUSD) received by the Company from other concession holders and Free Consumers that use its distribution network are accounted in the month in which the network is made available for use by the client. Unbilled revenue for use of the electricity systems, from the period between the last billing and the end of each month, is estimated based on the billing from the previous month, or an amount specified in a contract, and is accrued for at the end of the month. Historically the differences between estimated unbilled amounts and the actual amounts realized in the next month are not significant and are accounted in the following month.

The *CVA* (*'Portion A'*) revenue and *Other financial components* in tariff adjustments are recognized in the income statement when the costs effectively incurred are different from those incorporated into the electricity distribution tariff.

The gain on adjustment of expectation of cash flow from the reimbursable financial assets of the distribution concession arising from the variation in the fair value of the Remuneration Asset Base is presented as operational revenue, together with the other revenues related to the distribution activity.

Revenues from sale of gas are recorded based on the in the volume of gas sold, and the tariffs specified in the terms of the contract. Revenues from retail supply of gas are recorded monthly, when supply takes place, based on the volume measured and billed. Also, the Company recognizes revenue corresponding to unbilled retail supply of gas, from the period between the last billing and the end of each month, estimated based on the supply contracted. Unbilled revenue is estimated based on the volume of gas consumed and not billed in the period. Historically, the differences between the estimated amounts so far not billed and the actual revenues realized in the following month have not been significant. They are accounted in the subsequent month.

Transmission concession revenues are recognized in the income statement monthly. They basically comprise:

- *Construction revenues* – These correspond to the obligation to build the transmission infrastructure. They are recognized in accordance with the satisfaction of the performance obligation over time, and measured based on the cost incurred, plus the PIS, Pasep and Cofins taxes applicable, and the profit margin of the project.
- *Operation and maintenance revenues* – These correspond to the performance obligation specified in the contract relating to operation and maintenance of infrastructure, after conclusion of the construction phase. They are recognized in the periods in which the services are provided, when the invoices for the RAPs are issued.
- Remuneration revenue on the contractual asset, relative to the financial component, is recognized by the straight-line method based on the rate decided at the start of the investments, which is not subsequently changed. The implicit rate , which varies between 5% and 15% per year, is applied to the amount receivable from future receipt of cash flow. This includes financial updating by the inflation index specified for each transmission contract.

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

The profit margin on operation and maintenance of transmission infrastructure is determined based on the price of the individual sale of the service, based on available information on the value of the consideration that the entity expects to have the right to, in exchange for the services promised to the client, in cases where the Company's transmission subsidiaries have the right exclusively (i.e. separately) to the remuneration for the activity of operation and maintenance, as per CPC 47 / IFRS 15 – *Revenue from contracts with clients*, and the costs incurred for the provision of services of operation and maintenance.

Aneel Resolution 729/2016 regulates the Variable Portion (PV): this is a financial penalty applied by the concession-granting power for any non-availability of operational restrictions on the transmission facilities; and also an amount in addition to the RAP as a financial reward to transmission companies as an incentive to improve availability of the transmission facilities. The Company has analyzed the effects of PVs, based on historic data series, and has concluded that recognition of any estimated variable consideration arising from the PV would not result in material accounting information. Thus, for the two situations highlighted there is recognition of a revenue and/or reduction of revenue for operation and maintenance in the period which they occur.

Taxes on sales: Non-current expenses and assets acquired are recognized net of taxes on sales when these are recoverable from the tax authorities.

Finance income and expenses: Financial revenues refer principally to the revenue from cash investments, late fees on electricity invoices to customers, updating of tax credits, updating of concession sector financial assets, updating of Court escrow deposits, and change in the fair value of, or interest on, other financial assets. Interest income is recognized in the income statement using the effective interest method.

Financial expenses include: interest expense on borrowings; and foreign exchange and inflation adjustment on debt, financings, debentures and other financial liabilities. Interest expense on the Company's borrowings that is not capitalized is recognized in the Income statement using the effective interest method.

Distribution of profits: The obligation to pay dividends is recognized when the distribution is authorized, or at the point in time specified by law or by the by-laws. In light of the applicable legislation and the Company's bylaws, which require a minimum dividend payment of 50% of the net profit for the year, this is considered as a present obligation on the date when the business year ends, and is recognized as a liability.

Information by segment: The operating results of all operating segments for which individualized financial information is available are reviewed frequently by the Company's CEO, to make decisions about funds to be allocated to the segment, and to assess their 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. Items not allocated comprise mainly corporate assets and head office expenses.

Segment capital expenditure is the total cost incurred during the period to acquire: financial and contractual assets of the concession, Intangible assets, and Property, plant and equipment.

10.6

(a) Assets or liabilities held by the issuer, directly or indirectly, which do not appear in the Statement of financial position (off-balance sheet items), such as:

i. **Operational leasing transactions, owed or receivable;**
ii. **Portfolios of receivables written off, on which the entity maintains risks and responsibilities – state the related liabilities;**
iii. **Contracts for future purchase or sale of products or services;**
iv. **Non-terminated construction contracts:**
v. **Contracts for future receipts of financings.**

The Company and its subsidiaries have contractual obligations and commitments that include, among others, amortization of loans and financings, contracts with contractors for construction of new projects, and purchase of electricity from Itaipu.

The amounts stated by the Company, as contractual obligations, shown in the table below, are not entirely included in the balance sheet because they do not have all the characteristics necessary for recognition as liabilities. A contractual obligation is not recognized in the accounting statements when the contract has not been fully complied with or does not have the conditions for recognition of the corresponding expense, or that of a related asset.

The contractual obligations described in the table below arise from contracts with the characteristics described above:

R$ '000	2021	2022	2023	2024	2025	After 2025	Total
Purchase of electricity from Itaipu	1,514,968	1,548,077	1,595,172	1,595,172	1,595,172	33,498,611	41,347,172
Purchase of electricity – auctions	3,416,284	3,387,097	3,378,496	3,536,317	3,327,640	47,855,339	64,901,173
Purchase of electricity – 'bilateral contracts'	332,339	332,339	332,339	222,118	67,357	79,906	1,366,398
Quotas for Angra 1 and Angra 2	288,424	290,699	298,653	301,096	300,273	6,340,033	7,819,178
Transport of electricity from Itaipu	188,834	215,389	218,223	222,040	158,810	521,088	1,524,384
Other electricity purchase contracts	4,450,127	4,722,807	4,621,676	3,477,948	3,310,220	28,777,230	49,360,008
Physical quota guarantees	811,557	811,557	811,557	811,557	811,557	17,042,697	21,100,482
Total	**11,002,533**	**11,307,965**	**11,256,116**	**10,166,248**	**9,571,029**	**134,114,904**	**187,418,795**

Put options

Additionally, Option Contracts for Sale of Fund Quotas were signed between the Company and the private pension entities that participate in the investment structure of SAAG (comprising FIP Melbourne, Parma Participações S.A. and FIP Malbec, jointly, 'the Investment Structure'), giving those entities the right to sell units in the Funds that comprise the Investment Structure, at the option of the private pension funds, in the 84th (eighty-fourth) month from 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 Amplified National Consumer Price (IPCA) index published by the IBGE (Brazilian Geography and Statistics Institute), plus interest at 7% per year, less such dividends and Interest on Equity as shall have been paid by SAAG to the pension plan entities. This option was considered to be a derivative instrument up to the date of early exercise of the option (more details are in this Note, below), accounted for value through profit or loss, measured by the Black-Scholes-Merton ("BSM") method.

A liability of R$ 536,155 is recorded in the Company's financial statements, for the difference between the exercise price and the estimated fair value of the assets. Due to the early liquidation of the Funds and expiry of the put option, this amount was transferred to Current liabilities.

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

R$ ’000	Consolidated
Balance at Dec. 31, 2018	419,148
Change in fair value	63,693
Balance at December 31, 2019	482,841
Change in fair value	53,314
Balance at December 31, 2020	536,155

This option for sale of investments could potentially dilute basic profit per share in the future; however, it has not caused dilution of profit per share in the business years presented here.

Early liquidation of the Funds, and maturity of the put option

On September 9, 2020, the administrator of the FIP funds, Banco Modal S.A., advised its unit holders of the start of the process of early liquidation of the funds, Melbourne, Parma Participações S.A. and FIP Malbec, due to expiry of the period of 180 calendar days from its resignation, and the resignation of the manager of the Fund, from their respective positions, without their having been any indication of new service providers, as specified in the Fund’s Regulations.

As established by contract, liquidation of the funds is one of the events that would result in maturity of the option, which the private pension plan entities stated interest in exercising in the period from September 9 to October 2, 2020, to take place within 15 days from the statement of interest.

However, it is the view of the Company’s management, stated to the Funds, that the assumptions and conditions that were the grounds for the investment in Santo Antônio Energia and the legal structure of the various contracts signed for this purpose underwent substantial changes which resulted in disequilibrium in the options.

Thus, using the prerogative contained in the option instruments, the Company attempted, through the mechanism of amicable resolution specified in the contract, a negotiation with the private pension plan entities of the terms of valuation payment of the options. Since amicable negotiation was not successful, the Company invoked the arbitration clause for resolution of conflicts between the parties, and this is pending a decision by the Brazil-Canada Chamber of Commerce of São Paulo state. The Company’s management keeps its accounting records updated based on the terms for valuation of the options specified in the contracts.

Ativas and Sonda put options

Cemig (successor of Cemig Telecom) and Sonda Procwork Outsourcing Informática are signatories to the Purchase Option Contract (issued by Cemig Telecom) and Sale Option Contract (issued by Sonda), under which Cemig simultaneously has a right (sale option) and an obligation (purchase option) in relation to the shares of the affiliated company Ativas Datacenter S.A. (‘Ativas’). The exercise prices of the sale option and the purchase option will be equivalent, respectively, to fifteen and seventeen times the adjusted net profit of Ativas in the business year prior to the exercise date. Both options, if exercised, result in the sale of the shares in Ativas currently owned by the Company, and the exercise of one of the options results in nullity of the other. The options are exercisable from January 1, 2021.

The put and call options in Ativas ('the Ativas Options') were measured at fair value and posted at their net value, i.e. the difference between the fair values of the two options on the reporting date of the financial statements at December 31, 2020.

The measurement was made using the Black-Scholes-Merton (BSM) model. In the calculation of the fair value of the Ativas Options based on the BSM model, the following variables are taken into account: closing price of the underlying asset on December 31, 2020; the risk-free interest rate; the volatility of the price of the underlying asset; the time to maturity of the option; and the exercise prices on the exercise date.

The valuation base date is December 31, 2020, the same date as the closing of the Company's financial statements, and the methodology used to calculate the fair value of the company is Discounted Cash Flow (DCF) based on the value of the transaction in shares of Ativas by Sonda which took place on October 19, 2016. A time to maturity was calculated assuming exercise between January 1 and March 21, 2021, this being the first opportunity for exercise of the option, repeated in the subsequent years in the same period, since the option gives Cemig the right to demand purchase by Sonda of its holding in Ativas as from 2021.

Considering that the exercise prices of the options are contingent upon the future financial accounting results of Ativas, the estimate of the exercise prices on the date of maturity was based on statistical analyses and on information of comparable listed companies.

Swap transactions

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

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

The amounts of the principal of derivative transactions are not presented in the statement of financial position, since they refer to transactions that do not require cash principal payments to be made: only the gains or losses that actually occur are recorded. The net result of those transactions on December 31, 2020 was a positive adjustment of R$ 1,752,688 (vs. positive adjustment of R$ 997,858 on December 31, 2019), which was posted in Finance income (expenses).

The counterparties of the derivative transactions are the banks Bradesco, Itaú, Goldman Sachs and BTG Pactual and the Company is guarantor of the derivative instruments contracted by Cemig GT.

This table shows the derivative instruments in effect at December 31, 2020 and December 31, 2019:

Coupon before swap (1)	Payable under swap (1)	Maturity period	Trading market	Value of principal contracted (2)	Unrealized gain (loss) Amount according to contract 2020	Unrealized gain (loss) Fair value 2020	Unrealized gain (loss) Value of principal contracted (2019)	Unrealized gain (loss) Fair value 2019
In US$ 9.25% p.a.	R$ 150.49% of CDI	Interest: Half-yearly Principal: Dec. 2024	Over-the-counter	US$ 1,000,000	1,772,477	2,110,490	813,534	1,235,102
In US$ 9.25% p.a.	R$ 125.52% of CDI	Interest: Half-yearly Principal: Dec. 2024	Over-the-counter	US$500,000	587,945	838,440	108,532	455,842
					2,360,422	**2,948,930**	**922,066**	**1,690,944**
Current assets						**522,579**		**234,766**
Non-current assets						**2,426,351**		**1,456,178**

(1) For the initial Eurobond issue of US$1 billion, placed in December 2017: (1) for the principal, a call spread was contracted, with floor at R$ 3.25/US$ and ceiling at R$ 5.00/US$; and (2) a swap was contracted for the total of the interest, exchanging the coupon of 9.25% p.a. In US dollars for an average rate in Reais equivalent to 150.49% of the CDI. For the additional US$500 million issuance of the same Eurobond issue, in July 2018: (1) a call spread was contracted for the principal, with floor at R$ 3.85/US$ and ceiling at R$ 5.00/US$; and (2) a swap was contracted for the whole of the interest, exchanging the coupon of 9.25% p.a. In US dollars for an average rate in Reais equivalent to 125.52% of the CDI rate. The upper limit for the exchange rate in the hedge instrument contracted by the Company for the principal of the Eurobonds is R$ 5.00/US$. The instrument matures in December 2024. If the USD/BRL exchange rate is still over R$ 5.00 in December 2024, the company will disburse, on that date, the difference between the upper limit of the protection range and the spot dollar on that date. The Company is monitoring the possible risks and impacts associated with appreciation of the US dollar above the level of R $5 00 and is evaluating various strategies for mitigation of the exchange rate risk up to the maturity of the transaction. The derivative instrument fully protects the payment of six-monthly interest, independently of the USD/BRL exchange rate.

(2) In US$ million.

In accordance with market practice, Cemig GT uses a mark-to-market method to value its hedge on the Eurobonds. The principal indicators for measuring the fair value of the swap are the market curves for the DI rate and dollar futures traded on the São Paulo B3 exchange. The Black & Scholes model is used to price the call spread (options). One of its parameters is the volatility of the US dollar, based on its historic values over two years.

The fair value found on December 31, 2020 was R$ 2.948,930 (R$ 1,690,944 on December 31, 2019), which would be a reference point if the Company were to liquidate the hedges on December 31, 2020, but the swap contracts protect the company's cash flow up to the maturity of the bonds in 2024. They have accrual value of R$ 2,360,422 on December 31, 2020 (R$ 922,066 on December 31, 2019).

Cemig GT is exposed to market risk as a function of having contracted this hedge, the principal potential impact being that of alteration in futures of Brazilian interest rates and/or the US$ FX rate. Based on the futures curves for interest rates and the US dollar, the Company estimates that in a probable scenario, at the end of the reporting period on December 31, 2021 its net profit would suffer impacts of R$ 1,707,842 for the option (call spread), and R$ 1,097,590 for the swap – an aggregate total of R$ 2,805,432.

Cemig GT has measured the effects on its profit of reduction of the estimated fair value based on the probable scenario, taking into account variations in the futures of interest rates and the US dollar by 25% and 50%, as shown in this table:

Parent company, and Consolidated R$ '000	Base scenario December 31, 2020	'Probable' scenario:	'Possible' scenario: FX depreciation, and increase in interest rates of: 25%	'Remote' scenario: FX depreciation, and increase in interest rates of: 50%
Swap, asset side	6,996,487	6,616,145	5,866,365	5,147,485
Swap, liability side	(5,607,778)	(5,518,555)	(5,595,382)	(5,669,279)

Option / Call spread	1,560,221	1,707,842	1,018,860	338,419
Derivative hedge instrument	**2,948,930**	**2,805,432**	**1,289,843**	**(183,375)**

The fair value was estimated applying the same methods of measurement used in the marking to market of the derivative instruments described above.

(b) Other items not shown in the financial statements

The Company does not have other items that are not evidenced in its financial statements, that have not been previously stated.

10.7

(a) How such items change or may come to change revenues, expenses, operational profit, financial expenses or other items of the Issuer's financial statements:

The items mentioned in the table contained in item 10.6 of this Reference Form, the nature and amount of which have not been recorded in the financial statements, which will have an impact on the Statement of financial position (balance sheet) and also on net profit, arise basically from future contracts for purchase of electricity and gas.

The impact that these obligations may have on profit is demonstrated in the table in item 10.6 of this Reference Form, for each business year, and will be recognized monthly in the Profit and loss account, as and when realized.

In the case of the future expenses on purchase and transport of electricity and gas, the Company will simultaneously record an operational revenue from the sale of that energy and gas, at which point a profit margin will be calculated and recorded as a function of these operations.

In the case of the put option mentioned in item 10.6 of this Reference Form, the impacts would be acquisition of assets related to the put options offered to the stockholders.

(b) Nature and purpose of the transaction

For a description of the nature and purpose of each transaction, see item 10.6 of this Reference Form.

(c) Nature and amount of the obligations assumed and the rights generated in favor of the issuer as a result of the transaction

For a description of the amount of the obligations assumed and the rights generated in favor of the Company arising from transactions not evidenced in our financial statements, see item 10.6 of this Reference Form.

10.8

(a) Investments, including:

i. Quantitative and qualitative description of the investments in progress and the investments planned

As well as the investment made by the Company's wholly-owned subsidiaries, which are necessary to meet the requirements of Aneel, to improve the efficiency of electricity systems, serve new consumers and mitigate environmental liabilities, the Company has spent funds on the acquisition of assets already constituted.

In the next three years the holding company, **Companhia Energética de Minas Gerais**, expects to invest approximately **R$ 294.24 million,** as follows:

Activity (R$ million)	**2021**	**2022**	**2023**	**Total**
Basic program (1)	**0.53**	**0.57**	**0.11**	**1.21**
Cemig	0.53	0.57	0.11	1.21
Capital injections (2)	**114.19**	**103.39**	**75.45**	**293.03**
Overall total (1) + (2)	**114.72**	**103.96**	**75.56**	**294.24**

(1) Estimated amounts, rounded, in today's currency, for the basic investments to maintain the routines of the companies of the Cemig holding company.

(2) The information in the table above reflects Cemig's present expectations. The Company has no way of ensuring that its investment plan will be implemented as described above: it may suffer changes during its implementation.

(3) The information in the table above does not include expenditure on research and development and energy efficiency (dealt with by the areas responsible), which is required of electricity sector companies and the funds for which are charged in the tariff and administered in programs managed separately by the companies.

(4) The amounts planned for the years 2021, 2022 and 2023 do not include investments in acquisitions and other projects not remunerated by the concession-granting authority – these are not recognized in the calculations of the tariffs made by the regulator, Aneel.

ii. Sources of financing of investments

The Company expects to make the investments described above using its own funds, issuance of securities, and bank loans for refinancing of debt.

iii. Important disinvestments

In 2017 the Company published its Disinvestment Program, the aim of which is to re-establish Cemig's economic and financial equilibrium, through accelerated reduction of its net indebtedness.

The company's criteria for choice of priorities in the Disinvestment Program were:

- Assets with higher liquidity;

- assets that do not provide returns in the short term; and
- assets that are not strategic and/or in which Cemig has smaller holdings.

In July 2017 the Company published an updating of its Disinvestment Program, for a total of R$ 8,046,000, as shown in this table:

Empresa	Critério			% Part.	Valor[1] Patrimonial R$ MM	Status
taesa	✓	✗	✗	19%	1.384 [2]	Seleção de corretora e negociações societárias
TRANSMINEIRA	✓	✗	✓	25%	77	Aguardando aprovação na Taesa
SantoAntônio	✗	✓	✓	18%	1.278	Negociação do Contrato de Compra e Venda
RENOVA ENERGIA	✗	✓	✗	-	317	Proposta não vinculante (capitalização primária)
Light	✓	✗	✓	43%	2.060 [3]	Contratação de assessores
Cachoeirão, Pipoca, Paracambi	✓	✗	✗	49%	127	Negociações societárias
GASMIG	✗	✗	✓	49% ON 100% PN	1.202	Elaboração de edital
CEMIG TELECOM	✗	✗	✓	100%	193	Elaboração de edital
norteENERGIA	✗	✓	✓	12%	1.392	Contratação de assessores
Consórcios de Exploração de Gás	✗	✗	✓	24,5%	16	Elaboração de edital

(1) Valores registrados na contabilidade da companhia, exceto Taesa, Transmineira e Light. Não representam garantia ou expectativa do real valor de venda dos ativos.
(2) Valor de mercado (BM&F Bovespa) em 06/07/17: R$21,70/unit
(3) Valor de mercado (BM&F Bovespa) em 06/07/17: R$23,28

In 2018 the Company sold the telecom assets, for R$ 654 million – which was R$ 287 million above the minimum set for the auction price. In July 2019 the company sold 33,333,333 shares in **Light**, for unit price of R$ 18.75, a total of R$ 625 million, recognizing a capital gain, net of taxes, of R$ 224 million.

The table below shows the disinvestment transactions concluded up to December 2020, which have resulted in a total amount of R$ 2.071 billion, and the status of the other ongoing components of the Disinvestment Program:

Empresa	Participação %	Valor R$ MM	Status
Realizado			
taesa	9,86%	717[1]	"Block trade" concluído. Venda de 34 MM de Units, passando a participação da Cemig de 31,54% para 21,68% (nov/2017)
Transmineira	25%	80[1]	Concluída a transferência para a Taesa (nov/2017), sendo R$24 MM recebidos como dividendos e R$56 MM pagos pela Taesa no fechamento.
Cemig Telecom	100%	649[1]	Venda de ativos via leilão concluída em agosto de 2018.
Consórcios de Exploração de Gás	24,50%	0[1]	Leilão concluído – em processo de cessão dos contratos.
Light	10,97%[5]	625[1]	Alienação, via follow-on, de 33.333.333 ações em 11/07/2019.
Em Andamento			
Renova Energia	-	-[3]	Não há previsão de saída antes de uma completa reestruturação financeira e operacional da Renova. Plano de Recuperação Judicial protocolado na justiça em 17/12/19.
Light	22,58%[5]	1.474[4]	Definição do modelo de venda visando maximizar o valor da participação atual
Santo Antônio	15,51%	600[2]	Dificuldade de composição com demais acionistas para venda de controle. Venda de participação minoritária demonstra ser de difícil execução e com poucos players interessados.
Gasmig	49% ON 100% PN	1.083[2]	Estruturação do modelo de venda.
Norte Energia	11,69%	1.655[2]	Dificuldade de composição com demais acionistas para venda de controle. Venda de participação minoritária demonstra ser de difícil execução e com poucos players interessados.
Cachoeirão, Pipoca, Paracambi	49%	131[2]	Disponível para venda, sem tratativas iniciadas.

(1) Valor efetivo da operação.
(2) Valores registrados na contabilidade da Companhia. Não representam garantia ou expectativa do real valor de venda dos ativos.
(3) Valor referente a antecipação de recebíveis devidos pela Renova.
(4) Valor de mercado (B3) em 17/12/19: R$21,50/ação.

Cemig's Disinvestment Program has continued to be active in 2020, assessing alternatives for disposal of stockholding interests, for inflow of funds to help reduce the Company's leverage.

(b) Acquisition of plant, equipment, patents or other assets that will materially influence the Company's productive capacity.

Investments in power generation

The *Poço Fundo* Small Hydro Plant project: On February 13, 2019, by its Authorizing Resolution 7598, Aneel extended the concession of this plant to May 2045, conditional upon expansion of the generating units.

This plant, located on the Machado River in Poço Fundo, Minas Gerais, is part of the portfolio of Cemig GT and will be transferred to the specific-purpose company Cemig Geração Poço Fundo S.A.

Works were begun on January 6, 2020 on expansion of the generation capacity of the plant, for planned cost of approximately R$ 150 million, aiming for full operation in April 2022.

Investment in power transmission

In the transmission business, the decision on rules for reimbursement of assets in previous years has ensured that we had a stable flow of cash for the coming years, making it possible to expand Cemig GT's multi-year program of investments from R$ 1.1 billion to R$ 1.45 billion – which will make it possible in the future to add new revenues arising from these investments, and mitigate important risks to operation of the system.

The amount invested in 2020 was R$ 147 million.

Investments in electricity distribution

Investments in distribution in 2020 totaled approximately R$ 1,273 billion.

Cemig D has investments planned under its Distribution Development Plan (PDD) for 2018–2022, with a total of R$ 6.393 billion, for execution of works in its concession area. In light of the regulatory depreciation specified for this period, of approximately R$ 4.200 billion, a positive effect of this difference in investments can be an increase in the regulatory remuneration base (BRR) of Cemig D in 2023, and a consequent increase in revenue in this period, considering compatibility of the investments, carried out prudently, with the growth of the market, so as not to affect the profitability established in the Tariff Review.

This higher investment by Cemig D will also have positive impacts in terms of improvement of the quality of supply of electricity and reduction of maintenance costs, with the increased reliability of the electricity system.

Investments in natural gas

On September 19, 2019, the Third Amendment to the Concession Contract between Gasmig and the concession-granting power was signed, in which Gasmig undertakes, in the 2018–2022 tariff cycle, to implement natural gas distribution networks in two more meso-regions of Minas Gerais State, and reach a total of 100,000 users served by the piped gas network. On this basis, Gasmig plans to make investment totaling R$ 1.9 billion over the period 2020–2027, with construction of approximately 1,500 km of natural gas distribution networks.

In 2015 Gasmig invested R$ 43.0 million in expanding the natural gas distribution network in the state of Minas Gerais, with construction of extensions totaling 35.7km of gas pipelines in the metropolitan region of Belo Horizonte and in the *Vale do Aço* (Steel Valley), the *Mantiqueira* region, and the South of Minas (*Sul de Minas*).

In 2020 a total of R$ 2.63 million was invested in preparing plans for the company's future portfolio of projects, ensuring realization of these future investments. These include master plans for residential expansion in the cities of Belo Horizonte, Contagem and Juiz de Fora and projects for various clients in the region the company currently serves. Over the year, master plans were prepared for a total of approximately 172.7km in extensions to the network. Also, R$ 385,000 was invested in execution of easements and/or domain in areas where the natural gas distribution network is already installed, with pending issues for regularization of documentation and indemnities.

Gasmig decided to approve new promotional campaigns to encourage the use of vehicle natural gas (GNV): 'GNV Fleet with Bonus' (*Frota com Bônus GNV*), for vehicle rental companies and operators of fleets; and 'It's Better with GNV' (*Com GNV é Melhor*), for individuals, drivers of taxi apps and taxi drivers, with a view to increasing the volume of sales in this segment. It is estimated that conversion of vehicles to natural gas reduces CO_2 emissions by 20%.

(c) New products and services, indicating

Research and development program

In 2020 Cemig D invested R$ 19.1 million in 41 R&D projects, on a variety of themes, the following being highlights:

- Management System for Distributed Power Resources (*Sistema de Gerenciamento de Recursos Energéticos Distribuídos – Sigred*);
- Artificial Intelligence Applied to Client Relationships;
- Technical and Commercial Arrangements for Inclusion of Energy Storage Systems in combination with Distributed Generation Systems in the Brazilian Distribution Network;
- Artificial Intelligence for Operation of Distribution; and
- Detection of Anomalies in the Transmission and Distribution System with use of Unmanned Aerial Vehicles, Optical and Thermal Cameras, and Intelligent Processing of Images.

Cemig GT (Generation and Transmission) executed 22 R&D projects, for investment of R$ 19.8 million, on a range of themes, the following being highlights:

- Intelligent Monitoring of Water Quality in Hydroelectric Reservoirs;
- Decentralized Generation of Electric Power from Residual Gases from Carbonization;
- System for Notification in the event of a Dam Emergency;
- Fish Monitoring; and
- Trixel LT – a system of inspection for transmission lines.

10.9

Social responsibility

Cemig bases its relations with communities near its project sites on actions guided by a sense of joint responsibility and by stimulus for local economic and social development.

The following are some highlight projects of 2020:

The *Proximidade* (Proximity) Program: This was created by Cemig to form a closer relationship with communities close to plants under Cemig's concessions, and jointly with other programs of the Company, to take technical knowledge to them and promote their social development. Meetings are held in which specialists give objective presentations to explain operational aspects of reservoirs, make the initial preparation of the Emergency Action Plan (PAE), and publicize the environmental actions Cemig carries out at dam reservoirs. Other subjects include dam safety and secure coexistence with the electricity system.

In 2020, due to the Covid-19 pandemic, none of this program's standard events with surrounding communities were held; but the program was present in virtual meetings with local civil defense units ('*Compdecs*'), in continuing organization of Emergency Action Plans (*PAE*s) for Cemig's generation plants.

Meetings were held with the Compdecs of 12 municipalities, with official delivery (or updating) of the external PAEs of nine dams, presenting Flood Reach Studies for scenarios of dam rupture and exceptional floods, with indications to determine meeting points and escape routes. Training was also held on execution of the *Proximidade* app, as a tool for management of risks, warning notifications and registration for use by Compdecs.

Subsidy and Sponsorship Program: In the Sponsorship Program, donations in favor of the institutions are raised from third parties (Sponsors), by additions to their electricity bills which are then 100% passed on to the bank account of each institution benefited. A total of 225 institutions received approximately R$ 60 million in donations in 2020.

The AI6% Program: This program encourages employees and retirees to redirect 6% of their income tax payable to the Infancy and Adolescence (FIA) Funds.

The 2020 AI6% Campaign involved the participation of 1,548 employees, who voluntarily allocated R$ 1.12 million, benefiting approximately 23,600 children and adolescents in vulnerable situations, served by 163 institutions. Cemig also allocated part of its income tax liability to the same FIAs. The Company contributed R$ 916,000 in the year. A total of R$ 2.1 million was donated to entities spread out over 85 counties / municipalities in the Company's area of influence.

Volunteering Program: This program includes various measures to encourage and support employees' involvement in voluntary activities. Corporate volunteering is recognized in the business world as an important tool for improving organizational climate, developing skills, and contributing to the improvement of society – and of a company's image and reputation.

The *Você Program* aims to stimulate and disseminate employees' solidarity and voluntary work, promote human development and contribute to the well-being of communities where the Company works. The Program is structured to maximize the potential of volunteers' ongoing actions – with gradual migration from assistentialism to participative citizenship and social transformation. For this purpose, Cemig invests in projects that benefit young people in communities, pupils in public schools, and women in situations of social risk.

With the social isolation created by the Covid-19 pandemic, in order to prioritize projects without physical contact or agglomeration, Cemig has reinvented its voluntary work to be able to continue to contribute with actions to reduce inequality. As a result, it has adapted its projects to digital format.

Projects in culture, sport and health

Cemig has a sponsorship policy that aims to evidence its commitment to the reality and demands of the environment and the locations where it works, contributing to development, and strengthening culture, sport, education and social activity, in line with public policies of the communities where it is involved.

<u>Culture</u>

Cemig invested R$ 20 million in 50 cultural projects, with technical selection by a team made up of Cemig employees and highly-reputed professionals in the areas benefited. Culture was one of the sectors that suffered most from the pandemic, and here Cemig needed to reinvent its activities. The Company strengthened the dissemination of projects online, through a cultural agenda published on social media and sent to press and radio media. As well as the agenda, which highlighted certain projects every week, Cemig made more than 1,000 content items available for the projects is sponsored, on social media, including virtual visits, live online broadcasts, music, cinema and theater.

<u>Health</u>

In 2020, Cemig invested R$ 9.5 million, in various regions of Minas Gerais, providing benefits to 64 hospital units, involving replacement of autoclaves, dryers, surgical installations, and also photovoltaic plants.

<u>Sport</u>

For the community, sports programs generate benefits in terms of social empowerment and citizenship, especially for children and teenagers, by encouraging sports and generating opportunities for young people to become athletes. For Cemig, these projects enhance its image as a company committed to the development of healthy habits, wellbeing and development of local communities.

Cemig issued two public Requests for Proposals in 2020 to select projects in the area of sports, under federal and state Sports Incentive Laws. A total of 189 projects were received (109 from the federal tender and 80 from the specific tender), and we allocated approximately R$ 4 million to the awarded projects.

<u>Fund for the elderly</u>

The population over 60 has increased, and their life expectancy also.

Through allocation of incentive-bearing funds, Cemig seeks to enable projects for protection of and service to the elderly in Minas Gerais state, widening and improvement activities related to this population. The Company also centers efforts on supporting proposals for structuring of Municipal and State Funds for the Elderly in the state, improving the activities destined for them.

Two Requests for Proposals from the public were launched in 2020 to select projects to support the elderly, aligned with the organizational guidelines. A total of 131 projects were received (85 from the federal tender and 46 from the specific tender), and approximately R$ 1.5 million was allocated to the awarded projects.

Appendix 7

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External auditor's report on the individual and consolidated financial statements

To the
Stockholders, Board Members and Executive Officers of
Companhia Energética de Minas Gerais – CEMIG
Belo Horizonte, Minas Gerais

Opinion

We have reviewed the individual and consolidated financial statements of Companhia Energética de Minas Gerais – Cemig ('the Company'), respectively identified as the Holding company financial statements and the Consolidated financial statements, which comprise the statement of financial position (balance sheet) at December 31, 2020 and the related profit and loss accounts, statements of comprehensive income, statements of changes in stockholders' equity and statements of cash flows for the business year ended on that date, and the corresponding explanatory notes, including the summary of the principal accounting practices.

In our opinion, the said financial statements adequately present, in all material aspects, the individual and consolidated equity and financial positions of Companhia Energética de Minas Gerais – Cemig on December 31, 2020, the individual and consolidated performance of its operations, and its respective individual and consolidated cash flows for the business year ended on that date, in accordance with accounting practices adopted in Brazil and International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB).

Basis for opinion

Our audit was conducted in accordance the Brazilian and international standards of auditing. Our responsibilities, in accordance with those standards, are described in the section below entitled "Responsibilities of the auditor for the audit of the individual and consolidated financial statements". We are independent in relation to the Company and its subsidiaries, in accordance with the relevant ethical principles specified in the Accountants' Code of Professional Ethics and in the professional standards issued by the Federal Accounting Council, and we comply with the other ethical responsibilities in accordance with these rules. We believe that the auditing evidence obtained is sufficient and appropriate as grounds for our opinion.

Emphasis of matter

Re-presentation of corresponding amounts

As mentioned in Explanatory Note 2.8, as a result of the effects of adjustment in the discount rates of financial flows of the electricity transmission concession contracts and the related effect on construction margin in reported net profit, and due to the effect of the change in presentation of the assets of the concession arising from Law 12783/213 (which refers to the National Grid), the amounts corresponding to the previous business year, presented for the purposes of comparison, are being re-presented as specified in NBC TG 23 – *Accounting Policies, Changes in Accounting Estimates and Correction of Errors*. Our opinion on this matter is unqualified.

Risk of operational continuity in the jointly-controlled entity Renova Energia S.A.

As stated in Note 16 to the individual and consolidated financial statements, on December 18, 2020, the General Meeting of Creditors approved the Judicial Recovery Plans, under Law 11101/05, of the jointly-controlled subsidiary Renova Energia S.A. and some of its subsidiaries. The plans were homologated by the Second Bankruptcies and Judicial Recovery Court of the Legal District of São Paulo State.

The jointly-controlled subsidiary is analyzing the effects of the judicial recovery plans on its financial statements for the year ended December, 31, 2020, which have not yet been completed. Although the judicial recovery plans have been approved, there are events or conditions, jointly with other subjects, described in the said explanatory note, that indicate the existence of material uncertainty that could lead to significant doubt as to its capacity to continue operating. Our opinion regarding this matter is unqualified.

Key audit matters

Key audit matters are those which, in our professional judgment, were the most significant in our audit of the current business period. These matters have been dealt with in the context of our audit of the individual and consolidated financial statements as a whole and in the formation of our opinion on those individual and consolidated financial statements. Thus we do not express a separate opinion on those subjects. For each subject below, the description of how our audit dealt with the subject, including any comments on the results of our procedures, is presented in the context of the financial statements taken as a whole.

We have complied with the responsibilities described in the section entitled "Responsibilities of the auditor for the audit of the individual and consolidated financial statements", including those in relation to these key audit matters. Thus, our audit included conduct of procedures planned to respond to our assessment of risks of significant distortions in the financial statements. The results of our procedures, including those executed to deal with the subjects below, supply the basis for our auditing opinion on the Company's financial statements.

Concession infrastructure

As stated in Notes 14, 15 and 18 to the individual and consolidated financial statements, on December 31, 2020, the Company and its subsidiaries have recorded financial assets, concession contractual assets and concession intangible assets of R$ 3,924,641,000, R$ 4,980,072,000 and R$ 11,809,928,000, respectively, these amounts representing the infrastructure of the concession.

The value of the investments made in infrastructure serving the distribution concession is an essential part of the methodology applied by the concession-granting power in deciding the tariff to be charged by the distributors of electricity and gas to final consumers under the concession contracts. The decision on what expenditures are eligible and should be capitalized as a cost of infrastructure is subject to judgment by the Company's management. In 2020 the subsidiaries recognized, in their assets, investments in the infrastructure of the concessions for distribution of energy and gas totaling R$ 1,434,823,000.

In the case of generation, the concession financial assets take the form of: (i) the Concession Grant Fees for the hydroelectric plants auctioned in 2016; and (ii) the portion of the investments made by the subsidiary that has not been completely amortized at the end of the concession period, to be reimbursed by the grantor power, in the amount of R$ 816,202,000.

Additionally, determination of the expenditures that qualify as investments in concession infrastructure that are subject to reimbursement has a direct impact on the valuation of the financial assets of the generation and distribution concessions.

Recognition of the concession contractual assets and of the revenue from transmission infrastructure in accordance with CPC 47 – *Receita de Contrato com Cliente* (IFRS15 – *Revenue from contract with customers*) requires the use of estimates and judgments by management on the following: (i) the moment at which control of the asset was acquired; (ii) the efforts and inputs necessary for compliance with the performance obligation; (iii) the margins expected on each performance obligation identified; (iv) projection of the expected revenues; and (v) the discount rate that represents the financial components included in the flow of future revenue.

Due to the material scale of the amounts and the significant judgment involved, we consider that the measurement of the intangible, reimbursable financial and contractual assets of the concessions is a key matter for our audit.

How our audit addressed this matter

Our auditing procedures included, among others, the following: (i) assessment of the design and operational efficacy of the internal controls implemented by the Company and its subsidiaries on accounting of the investments in infrastructure, including proportional division of the indirect costs, comparison of the costs with the historic costs and the levels observable in the industry, and measurement of the reimbursable financial assets of the distribution and generation concessions, and of the revenue from contracts with customers in the transmission segment, including the controls on review by management of the material assumptions underlining the measurement and accounting of those assets; (ii) recalculation of the value of the financial assets of the distribution concession and comparison of the inputs related to the calculation with external market information and criteria established by the concession-granting power, and also assessment of the variations that have taken place in the most recent tariff reviews; (iii) analysis of the determination of the margin on the projects under construction and on the projects for strengthening and enhancement of the existing electricity transmission facilities, checking the methodology and the assumptions adopted by the Company, to estimate the total cost of construction, and the present value of the flows of future revenues, discounted at the implicit interest rate that represents financial components embedded in the flow of revenues; (iv) involvement of our internal specialists, for (a) assessment of the material assumptions used in the financial modeling, and analysis of the methodology and the calculations to determine the said implicit discount rate used, and (b) review of the material assumptions used in the cost projections of projects under construction; (v) analysis of the impacts arising from the Periodic Tariff Review (RTP) of the transmission company, by inspection of the technical notes issued by the regulatory body; recalculation of the present value of the contractual flow of the concession assets, based on the new Permitted Annual Revenue (RAP), and checking of any omissions of projects or from the Remuneration Base; (vi) assessment of the historic cost of formation of the financial assets of the generation concession, analysis of the regulatory provisions for their reimbursement, and accompanying of the public consultations and discussions carried out between the Company and the concession-granting power on the subject; (vii) assessments of the disclosures made by the company in the individual and consolidated financial statements.

As a result of these procedures we have identified an auditing adjustment, indicating the need for remeasurement of a contractual asset of the transmission concession, and this adjustment has been adopted by the management, in view of its materiality in relation to the financial statements taken as a whole.

Based on the result of the auditing procedures carried out, which is consistent with the assessment made by the management, we consider that the estimates prepared by the management, and also the related disclosures in Notes 14, 15 and 18, are acceptable in the context of the financial statements taken as a whole.

Impairment of certain investments in affiliates and jointly-controlled entities

As disclosed in Note 16 to the individual and consolidated financial statements, the Company and its subsidiaries have investments accounted by the equity method in affiliates and jointly-controlled enterprises, in the amount of R$ 5,415,293,000, net of provision for impairment, and they determine the need for revision of that provision annually or whenever applicable. In 2020, as a result of this analysis, the Company and its subsidiaries concluded that there were indications of impairment of their direct and indirect investments in Madeira Energia S.A., Norte Energia S.A., Renova Energia S.A. and Guanhães Energia S.A. and consequently conducted analysis and determination of their recoverable amounts, and recognized losses, where applicable.

This matter was considered material for our audit, considering the scale of the asset account balances of the Company and its subsidiaries, especially in relation to the investments accounted by the equity method, and the degree of subjectivity of the fair value estimates employed by management, which are based on assumptions affected by future market and economic conditions, and also on the existence of certain specific circumstances related to delays in start of operation and risks of continuity of operation of some investees and jointly-controlled enterprises.

How our audit addressed this matter

Our audit procedures included, but were not limited to: (i) evaluating the process and controls implemented by management to identify indications of impairment of investments and calculate their net recoverable value, as applicable; including controls over management's review of the material assumptions underlying the fair value determination; (ii) evaluating the material assumptions used to estimate fair value; comparing the material assumptions used to estimate cash flows with current industry and economic trends; comparing material information used with the Company's operating data and performing sensitivity analysis to evaluate fair value; (iii) involving our valuation specialists to assist in evaluating the discount rate used in the fair value calculation; and (iv) involving experienced audit professionals in deciding the testing strategy, reviewing the auditing support documentation, and overseeing the audit procedures performed. Additionally, we assessed the appropriateness of the Company's disclosures on this subject.

Based on the results of the audit procedures performed on the balances of investments in affiliates and jointly-controlled enterprises, which are consistent with management's assessment, we consider that the criteria and assumptions adopted by management in relation to impairment of investments, and the related disclosures in Note 16, are acceptable, in the context of the financial statements taken as a whole.

Other matters

Statements of added value

The individual and consolidated Added Value Statements (DVAs) for the business year ended December 31, 2020, prepared under the responsibility of the Company's management, and presented as supplementary information for the purposes of IFRS, were submitted to auditing procedures executed jointly with the audit of the Company's financial statements. For formation of our opinion, we evaluated whether the statements are reconciled with the financial statements and accounting records, as applicable, and whether their form and content are in accordance with the criteria defined in Accounting Pronouncement NBC TG 09 – *Added Value Statements* (*Demonstração do Valor Adicionado*). In our opinion, these statements of added value have been prepared appropriately, in all material aspects, according to the criteria defined in that Technical Pronouncement, and are consistent in relation to the individual and consolidated financial statements taken as a whole.

Other information accompanying the individual and consolidated financial statements and the auditor's report

The Company's management is responsible for this other information which consists of the Report of Management.

Our opinion on the individual and consolidated financial statements does not cover the Report of Management and we do not express any form of auditing conclusion about that report.

In connection with the audit of the individual and consolidated financial statements, our responsibility is to read the report of Management and, when doing so, to consider whether that report is in any material way inconsistent with the financial statements or with our knowledge obtained in the audit, or in any other way appears to be materially distorted. If, based on the work we have performed, we conclude that there is a material misstatement in the Management Report, we are required to report that fact. We have nothing to report in this respect.

Responsibilities of management and of the governance for the individual and consolidated financial statements

The management is responsible for the preparation and appropriate presentation of the individual and consolidated financial statements in accordance with accounting practices adopted in Brazil, and with international financial reporting standards (IFRS) issued by the International Accounting Standards Board (IASB), and for the internal controls that it has decided are necessary to make possible the preparation of financial statements that are free of material distortion, whether caused by fraud or error.

In preparing the individual and consolidated financial statements, management is responsible for assessing the Company's capacity to continue operating, disclosing, when applicable, matters related to its operational continuity and using this accounting basis in preparation of the financial statements, unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to cease operations.

The persons responsible for governance of the Company and its subsidiaries are those who have the responsibility for supervision of the process of preparation of the financial statements.

Responsibilities of the auditor in auditing the individual and consolidated financial statements

Our objectives are to obtain reasonable assurance on whether the individual and consolidated financial statements as a whole are free of material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Brazilian and International standards of auditing will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of those financial statements.

As part of an audit carried out in accordance with Brazilian and international auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. Further:

- We identify and assess the risks of material misstatement of the individual and consolidated financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, since fraud may involve attempts to get around internal controls, or involve collusion, forgery, or intentional omission or misrepresentations.

- We obtained an understanding of internal controls relevant to the audit in order to plan audit procedures that are appropriate to the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal controls of the Company or its subsidiaries.

- We have evaluated the appropriateness of the accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- We have reached conclusions on the appropriateness of management's use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the individual and consolidated financial statements or, if such disclosures are inadequate, to include a modification in our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- We have evaluated the overall presentation, structure and content of the financial statements, including the disclosures, and whether the individual and consolidated financial statements represent the corresponding transactions and events in a manner that is compatible with the objective of fair presentation.

- We have obtained sufficient and appropriate audit evidence regarding the financial information of the entities or business activities of the group to express an opinion on the individual and consolidated financial statements. We are responsible for the direction, supervision and performance of the audit of the group, and consequently for the audit opinion.

We have communicated with those responsible for governance regarding, among other matters, the planned scope and timing of the audit and the significant audit findings, including any significant deficiencies in internal controls that may have been identified during our work.

We have also provided those responsible for governance with a statement that we have complied with the relevant ethical requirements, including the applicable requirements for independence, and notified them of any relationships or other matters that could reasonably be considered to bear on our independence, and where applicable, the related safeguards.

Of the matters communicated to those responsible for governance, we have determined those that were considered to be of most significance in the audit of the financial statements of the current period and which are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Belo Horizonte, March 26, 2021.

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

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

APPENDIX 8

CVM INSTRUCTION 481 OF DECEMBER 17, 2009
Article 14 – Appendix 14

CAPITAL INCREASE

1. State the amount of the increase and the new total share capital.

The increase in share capital will be of R$ 873,047,335.00
(eight hundred seventy three million forty seven thousand three hundred thirty five Reais),

from	R$ 7,593,763,005.00	
to	R$ 8,466,810,340.00	
– an increase of	11.496899948%,	
with issuance of	174,609,467	
new shares, each with nominal value of	R$ 5.00	(as per the by-laws)
comprising	58,366,345	common shares,
and	116,243,122	preferred shares.

2. State whether the increase will be carried out by means of:
   - (a) conversion of debentures into shares;
   - (b) exercise of a right of subscription, or of warrants;
   - (c) capitalization of profits or reserves; or
   - (d) subscription of new shares.

The increase will be by capitalization of R$ 873,047,335.00 from the Profit reserve.
(eight hundred seventy three million forty seven thousand three hundred thirty five Reais),

3. Explain in detail the reasons for the increase and their legal and economic consequences.

- Article 199 of the Brazilian Corporate Law (Law 6404 of 1976) states:

  " The total of profit reserves, excluding reserves for contingencies, the Tax incentive reserve, and the Future earnings reserve, may not exceed the share capital. When this limit is reached, the General Meeting of Stockholders must decide on application of the excess in paying-up or to increase the share capital, or in distribution of dividends. "

- On December, 31, 2020, the balance of Cemig's Profit Reserves account was R$ 9,178,364,000, exceeding the share capital by R$ 1,584,601,000.

There are no legal or economic consequences arising from the capital increase.

4. Provide a copy of the opinion of the audit board, if applicable.

   Not applicable.

5. In the case of an increase of capital by subscription of shares:

   Not applicable.

6. In the event of a capital increase through capitalization of profits or reserves:

   a. State whether there will be a resulting alteration in the nominal value of the shares, if any, or distribution of new shares between the stockholders.

      The proposal is to increase the share capital by R$ 873,047,335.00

      (eight hundred seventy three million forty seven thousand three hundred thirty five Reais),

from	R$ 7,593,763,005.00	
to	R$ 8,466,810,340.00,	
– an increase of	11.496899948%,	
with issuance of	174,609,467	new shares,
each with nominal value of	R$ 5.00	(as per the by-laws),
comprising	58,366,345	common shares
and	116,243,122	preferred shares.

      There will be no change in the par value of the shares.

   b. For companies with shares not having nominal (par) value, state whether the capitalization of profits or reserves will be carried out with or without change in the number of shares.

      Not applicable.

   c. In the case of distribution of new shares:

      i. State the number of shares issued, of each type and class.

Issuance of	174,609,467	new shares,
each with nominal (par) value of	R$ 5.00	(as per the by-laws),
comprising	58,366,345	common shares,
and	116,243,122	preferred shares,

      ii. State the percentage that the stockholders will receive in shares.

      11.496899948%

      iii. Describe the rights, advantages and restrictions attributed to the shares to be issued.

      All the shares resulting from the said share bonus will have the same rights as the shares to which they relate, except the corporate action payments already decided and contained in this proposal to the Annual General Meeting.

iv. State the cost of acquisition, in Reais per share, to be attributed for compliance by stockholders with Article 10 of Law 9249 of December 26, 1995.

The attributed acquisition cost per share will be R$ 5.00 (five Reais).

v. State the treatment of fractions, if any.

Whole numbers of nominal shares arising from the sum of remaining fractions arising from the said share bonus will be sold on the stock exchange, and the net proceeds of the sale will be divided proportionally between the stockholders together with payment of the mandatory dividend for the 2020 business year, i.e. by December 30, 2021.

d. State the period specified in §3 of Article 169 of Law 6404 of 1976.

Stockholders, if they wish to, may transfer any fractions of the shares in the stock bonus to another party within 30 days from the date of the bonus.

e. State and supply the information and documents specified in item 5 above, when applicable.

Not applicable.

7. For an increase of capital by conversion of debentures or other debt securities into shares or by exercise of warrants:

Not applicable.

Appendix 9

CVM Instruction 481/09 – Article 11

Change to the head paragraph of Article 4 of the Company's by-laws Justification:

To comply with the legislation, since on December 31, 2020 the Profit Reserve, excluding the Tax incentives reserve, exceeded the share capital by R$ 1,529,371,000, an increase in the share capital is required, and it is proposed to effected this by issuance of a stock bonus, in shares.

To reflect this, it is proposed to change the head paragraph of Article 4 of the Company's by-laws:

– from:

Clause 4 The Company's share capital is R$ 7,593,763,005.00 (seven billion five hundred ninety three million seven hundred sixty three thousand five Reais), represented by:

a) 507,670,289 (five hundred seven million six hundred seventy thousand two hundred eighty nine) nominal common shares each with nominal value of R$ 5.00 (five Reais); and

b) 1,011,082,312 (one billion eleven million eighty two thousand three hundred twelve) nominal preferred shares each with nominal value of R$ 5.00 (five Reais).

– to:

Clause 4 The Company's share capital is R$ 8,466,810,340.00, (eight billion four hundred sixty six million eight hundred ten thousand three hundred forty Reais), represented by:

a) 566,036,634 (five hundred sixty six million, thirty six thousand six hundred thirty four) nominal common shares with nominal value of R$ 5.00 (five Reais); and

b) 1,127,325,434 (one billion one hundred twenty seven million three hundred twenty five thousand four hundred thirty four) nominal preferred shares each with par value of R$ 5.00 (five Reais);

Economic and legal effects:

None.

Appendix 10

CVM Instruction 481/09 – Article 10 – Candidates for election to the Board of Directors

BOARD OF DIRECTORS	
MEMBERS	
Márcio Luiz Simões Utsch – CEO –	nominated by the majority stockholder
Carlos Eduardo Tavares de Castro –	nominated by the majority stockholder
Cledorvino Belini –	nominated by the majority stockholder
José Reinaldo Magalhães –	nominated by the majority stockholder
Afonso Henriques Moreira Santos –	nominated by the majority stockholder
José João Abdalla Filho –	preferred stockholder
Marcelo Gasparino da Silva –	nominated by the minority stockholders
Paulo Cesar de Souza e Silva –	nominated by the minority stockholders
Marco Aurélio Dumont Porto	(representative of the employees)

12.5 a. Name	Márcio Luiz Simões Utsch
b. Date of birth	February 9, 1959
c. Profession	Lawyer
d. CPF or passport	220.418.776-34
e. Proposed elected position	Member of the Board of Directors
f. Date of election	April 30, 2021
g. Swearing-in date	April 30, 2021
h. Period of office	Up to the AGM of 2022
i. Other positions held or functions exercised in the Issuer	Member of the Board of Directors
j. Whether elected by the controlling stockholder or not	Yes
k. Independent member / criterion	Yes – IBGC / Dow Jones.
l. Number of consecutive periods of office	0
m. Personal number	900219
i. Principal Personal number in the last 5 years, indicating: Company name and sector; position; and whether the company is part of (i) the same economic group as the Issuer, or (ii) is controlled by a stockholder of the Issuer that holds a direct or indirect equity interest of 5% or more in any one class of security of the Issuer.	Member of the Board of Directors of Companhia Energética de Minas Gerais – CEMIG since March 25, 2019; CEO of Alpargatas S.A. From October 27, 1997 to December 31, 2018.
ii. State all the management positions that the candidate occupies in other companies, or organizations of the third sector.	Member of the Boards of Directors of, HapVida, Martins, and SBF; Member of the Advisory Board of Bauducco and Grupo Mantiqueira.
n. Description of any of the following events that have taken place in the last 5 years:	
i. any criminal conviction	No
ii. any guilty judgment in an administrative proceeding of the CVM, and penalties applied	No
iii. any court or administrative judgment against which there is no further appeal which has suspended or disqualified the person from carrying out any professional or commercial activity.	No
12.6. If the candidate has acted as a member of the Board of Directors or the Audit Board in the last business year, state, in the form of a table, the percentage of participation in meetings held by each body in the period, subsequent to being sworn in to the position.	Not applicable.

12.7. Supply the information mentioned in item 12.5 in relation to the members of the committees formed under the by-laws, or of the audit committee, the risk committee, the finance committee and/or the remuneration committee, even if such committees or structures are not created by the by-laws.	Not applicable.
12.8. If the candidate has acted as a member of any of the committees established under the by-laws, or the audit, risk, financial or remuneration committee/s, even if such committee is not required to exist under the bylaws, state in the form of a table the percentage of meetings of each body that the candidate attended in the period, after being sworn in.	Not applicable.
12.9. State any conjugal relationship, stable union or family relationship up to the second level of proximity, with or between:	
a) any manager of the Issuer	None
b. (i) a manager of the Issuer and (ii) any manager of a direct or indirect subsidiary of the Issuer	None
c. (i) a manager of the Issuer or of its direct or indirect subsidiaries and (ii) any direct or indirect controlling stockholder of the Issuer	None
d. (i) managers of the Issuer and (ii) managers of direct or indirect parent companies of the Issuer	None
12.10. State any relationships of subordination, provision of service or control existing in the last three business years between any manager of the Company and:	None
a. any direct or indirect subsidiary of the Issuer, except where the Issuer directly or indirectly holds 100% of the share capital	None
b. a direct or indirect controlling stockholder of the Issuer	No
c. if material, any supplier, client, debtor or creditor of the Issuer, or of any of its subsidiaries, or of the parent companies or subsidiaries of any of these	No

12.5	Carlos Eduardo Tavares de Castro
a. Name	
b. Date of birth	March 3, 1974
c. Profession	Civil engineer
d. CPF or passport	963.190.116-53
e. Proposed elected position	Member of the Board of Directors
f. Date of election	April 30, 2021
g. Swearing-in date	April 30, 2021
h. Period of office	Up to the AGM of 2022
i. Other positions held or functions exercised in the Issuer	
j. Whether elected by the controlling stockholder or not	Yes
k. Independent member / criterion	
l. Number of consecutive periods of office	0
m. Personal number	
i. Principal Personal number in the last 5 years, indicating: Company name and sector; position; and whether the company is part of (i) the same economic group as the Issuer, or (ii) is controlled by a stockholder of the Issuer that holds a direct or indirect equity interest of 5% or more in any one class of security of the Issuer.	Chief Trading Officer, Saneamento Ambiental Águas do Brasil (SAAB) – Águas do Brasil group: Jan. 2015 to Jun. 2019; CEO and member of the Board of Directors of COPASA MG – Minas Gerais State water services company: since Jul. 2019.
ii. State all the management positions that the candidate occupies in other companies, or organizations of the third sector.	None
n. Description of any of the following events that have taken place in the last 5 years:	
i. any criminal conviction	No
ii. any guilty judgment in an administrative proceeding of the CVM, and penalties applied	No
iii. Any court or administrative judgment against which there is no further appeal which has suspended or disqualified the person from carrying out any professional or commercial activity.	No
12.6. If the candidate has acted as a member of the Board of Directors or the Audit Board in the last business year, state, in the form of a table, the percentage of participation in meetings held by each body in the period, subsequent to being sworn in to the position.	Not applicable.

12.7. Supply the information mentioned in item 12.5 in relation to the members of the committees formed under the by-laws, or of the audit committee, the risk committee, the finance committee and/or the remuneration committee, even if such committees or structures are not created by the by-laws.	Not applicable.
12.8. If the candidate has acted as a member of any of the committees established under the by-laws, or the audit, risk, financial or remuneration committee/s, even if such committee is not required to exist under the bylaws, state in the form of a table the percentage of meetings of each body that the candidate attended in the period, after being sworn in.	Not applicable.
12.9. State any conjugal relationship, stable union or family relationship up to the second level of proximity, with or between:	
a) any manager of the Issuer	No
b. (i) a manager of the Issuer and (ii) any manager of a direct or indirect subsidiary of the Issuer	No
c. (i) a manager of the Issuer or of its direct or indirect subsidiaries and (ii) any direct or indirect controlling stockholder of the Issuer	No
d. (i) any manager of the Issuer and (ii) a manager of any direct or indirect controlling stockholder of the Issuer	No
12.10. State any relationships of subordination, provision of service or control existing in the last three business years between any manager of the Company and:	No
a. any direct or indirect subsidiary of the Issuer, except where the Issuer directly or indirectly holds 100% of the share capital	None
b. direct or indirect controlling stockholder of the Issuer	No
c. if material, any supplier, client, debtor or creditor of the Issuer, or of any of its subsidiaries, or of the parent companies or subsidiaries of any of these	No

12.5	
a. Name	**Cledorvino Belini**
b. Date of birth	May 3, 1949
c. Profession	Company manager
d. CPF or passport	116.050.068-15
e. Proposed elected position	Member of the Board of Directors
f. Date of election	April 30, 2021
g. Swearing-in date	April 30, 2021
h. Period of office	Up to the AGM of 2022
i. Other positions held or functions exercised in the Issuer	CEO; Member of the Board of Directors
j. Whether elected by the controlling stockholder or not	Yes
k. Independent member / criterion	No
l. Number of consecutive periods of office	1
m. Personal number	900221
i. Principal Personal number in the last 5 years, indicating: Company name and sector; position; and whether the company is part of (i) the same economic group as the Issuer, or (ii) is controlled by a stockholder of the Issuer that holds a direct or indirect equity interest of 5% or more in any one class of security of the Issuer.	Member of the Board of Directors of Companhia Energética de Minas Gerais – Cemig since January 2020. CEO of Cemig from February 8, 2019 to January 2020. President for Latin America Development, Fiat Chrysler Automobiles Latin America, Nov. 2015 to June 2017. Independent Member of the Board of Directors of JBS, for G15, since October 2017. Independent Member of the Board of Directors of Odebrecht Holding, since August 2018. CEO of Fiat Automóveis – FCA for Latin America, 2004–2015.
ii. State all the management positions that the candidate occupies in other companies, or organizations of the third sector.	President, Minas Pela Paz; Vice-President, FBAC and ACMINAS.
n. Description of any of the following events that have taken place in the last 5 years:	
i. any criminal conviction	No
ii. any guilty judgment in an administrative proceeding of the CVM, and penalties applied	No
iii. any court or administrative judgment against which there is no further appeal which has suspended or disqualified the person from carrying out any professional or commercial activity.	No
12.6. If the candidate has acted as a member of the Board of Directors or the Audit Board in the last business year, state, in the form of a table, the percentage of participation in meetings held by each body in the period, subsequent to being sworn in to the position.	Not applicable.

12.7. Supply the information mentioned in item 12.5 in relation to the members of the committees formed under the by-laws, or of the audit committee, the risk committee, the finance committee and/or the remuneration committee, even if such committees or structures are not created by the by-laws.	Not applicable.
12.8. If the candidate has acted as a member of any of the committees established under the by-laws, or the audit, risk, financial or remuneration committee/s, even if such committee is not required to exist under the bylaws, state in the form of a table the percentage of meetings of each body that the candidate attended in the period, after being sworn in.	Not applicable.
12.9. State any conjugal relationship, stable union or family relationship up to the second level of proximity, with or between:	
a) any manager of the Issuer	No
b. (i) a manager of the Issuer and (ii) any manager of a direct or indirect subsidiary of the Issuer	No
c. (i) a manager of the Issuer or of its direct or indirect subsidiaries and (ii) any direct or indirect controlling stockholder of the Issuer	No
d. (i) a manager of the Issuer and (ii) a manager of a direct or indirect parent company of the Issuer	No
12.10. State any relationships of subordination, provision of service or control existing in the last three business years between any manager of the Company and:	No
a. any direct or indirect subsidiary of the Issuer, except where the Issuer directly or indirectly holds 100% of the share capital	
b. a direct or indirect controlling stockholder of the Issuer	Yes. Mr. Belini has served as CEO of Cemig.
c. if material, any supplier, client, debtor or creditor of the Issuer, or of any of its subsidiaries, or of the parent companies or subsidiaries of any of these	No

12.5 a. Name	Jose Reinaldo Magalhães
b. Date of birth	January 6, 1956
c. Profession	Economist
d. CPF or passport	227.177.906-59
e. Proposed elected position	Member of the Board of Directors
f. Date of election	April 30, 2021
g. Swearing-in date	April 30, 2021
h. Period of office	Up to the AGM of 2022
i. Other positions held or functions exercised in the Issuer	Member of the Board of Directors
j. Whether elected by the controlling stockholder or not	Yes
k. Independent member / criterion	Yes – IBGC / Dow Jones.
l. Number of consecutive periods of office	1
m. Personal number	900218
i. Principal Personal number in the last 5 years, indicating: Company name and sector; position; and whether the company is part of (i) the same economic group as the Issuer, or (ii) is controlled by a stockholder of the Issuer that holds a direct or indirect equity interest of 5% or more in any one class of security of the Issuer.	Member of the Board of Directors of Companhia Energética de Minas Gerais since March 25, 2019. Member of the Board of Directors of Jereissati Participações S.A., since April 2017.
ii. State all the management positions that the candidate occupies in other companies, or organizations of the third sector.	Member of the Board of Directors of Jereissati Participações S.A. – Shopping Mall sector.
n. Description of any of the following events that have taken place in the last 5 years:	
i. any criminal conviction	No
ii. any guilty judgment in an administrative proceeding of the CVM, and penalties applied	No
iii. any court or administrative judgment against which there is no further appeal which has suspended or disqualified the person from carrying out any professional or commercial activity.	No
12.6. If the candidate has acted as a member of the Board of Directors or the Audit Board in the last business year, state, in the form of a table, the percentage of participation in meetings held by each body in the period, subsequent to being sworn in to the position.	Not applicable.

12.7. Supply the information mentioned in item 12.5 in relation to the members of the committees formed under the by-laws, or of the audit committee, the risk committee, the finance committee and/or the remuneration committee, even if such committees or structures are not created by the by-laws.	Not applicable.
12.8. If the candidate has acted as a member of any of the committees established under the by-laws, or the audit, risk, financial or remuneration committee/s, even if such committee is not required to exist under the bylaws, state in the form of a table the percentage of meetings of each body that the candidate attended in the period, after being sworn in.	Not applicable.
12.9. State any conjugal relationship, stable union or family relationship up to the second level of proximity, with or between:	
a) a manager of the Issuer	No
b. (i) a manager of the Issuer and (ii) any manager of a direct or indirect subsidiary of the Issuer	No
c. (i) a manager of the Issuer or of its direct or indirect subsidiaries and (ii) any direct or indirect controlling stockholder of the Issuer	No
d. (i) a manager of the Issuer and (ii) a manager of a direct or indirect parent company of the Issuer	No
12.10. State any relationships of subordination, provision of service or control existing in the last three business years between any manager of the Company and:	No
a. any direct or indirect subsidiary of the Issuer, except where the Issuer directly or indirectly holds 100% of the share capital	None
b. any direct or indirect controlling stockholder of the Issuer	No
c. if material, any supplier, client, debtor or creditor of the Issuer, or of any of its subsidiaries, or of the parent companies or subsidiaries of any of these.	No

12.5	**Afonso Henriques Moreira Santos**
a. Name	
b. Date of birth	April 1, 1957
c. Profession	Electrical engineer
d. CPF or passport	271.628.506-34
e. Proposed elected position	Member of the Board of Directors
f. Date of election	April 30, 2021
g. Swearing-in date	April 30, 2021
h. Period of office	Up to the AGM of 2022
i. Other positions held or functions exercised in the Issuer	None
j. Whether elected by the controlling stockholder or not	Yes
k. Independent member / criterion	
l. Number of consecutive periods of office	0
m. Personal number	
i. Principal Personal number in the last 5 years, indicating: Company name and sector; position; and whether the company is part of (i) the same economic group as the Issuer, or (ii) is controlled by a stockholder of the Issuer that holds a direct or indirect equity interest of 5% or more in any one class of security of the Issuer.	Career with Itajubá Federal University from January 1980, retiring as Professor in March 2016. Partner and engineer (consultancy and project design) of iX Estudos e Projetos Ltda., from October 2007 to April 2019. Member of the Board of Directors of Light S.A., from April 30 to December 11, 2019.
ii. State all the management positions that the candidate occupies in other companies, or organizations of the third sector.	No management positions.
n. Description of any of the following events that have taken place in the last 5 years:	
i. any criminal conviction	No
ii. any guilty judgment in an administrative proceeding of the CVM, and penalties applied	No
iii. any court or administrative judgment against which there is no further appeal which has suspended or disqualified the person from carrying out any professional or commercial activity.	No
12.6. If the candidate has acted as a member of the Board of Directors or the Audit Board in the last business year, state, in the form of a table, the percentage of participation in meetings held by each body in the period, subsequent to being sworn in to the position.	Not applicable.

12.7. Supply the information mentioned in item 12.5 in relation to the members of the committees formed under the by-laws, or of the audit committee, the risk committee, the finance committee and/or the remuneration committee, even if such committees or structures are not created by the by-laws.	Not applicable.
12.8. If the candidate has acted as a member of any of the committees established under the by-laws, or the audit, risk, financial or remuneration committee/s, even if such committee is not required to exist under the bylaws, state in the form of a table the percentage of meetings of each body that the candidate attended in the period, after being sworn in.	Not applicable.
12.9. State any conjugal relationship, stable union or family relationship up to the second level of proximity, with or between:	
a) any manager of the Issuer	No
b. (i) a manager of the Issuer and (ii) any manager of a direct or indirect subsidiary of the Issuer	No
c. (i) a manager of the Issuer or of its direct or indirect subsidiaries and (ii) any direct or indirect controlling stockholder of the Issuer	No
d. (i) a manager of the Issuer and (ii) a manager of a direct or indirect parent company of the Issuer	No
12.10. State any relationships of subordination, provision of service or control existing in the last three business years between any manager of the Company and:	No
a. any direct or indirect subsidiary of the Issuer, except where the Issuer directly or indirectly holds 100% of the share capital	Yes. Member of the Boards of Directors of Light S.A., Light SESA and Light Energia S.A. from May to December 2019. Member of the Board of Directors of Cemig since July 2020.
b. any direct or indirect controlling stockholder of the Issuer	No
c. if material, any supplier, client, debtor or creditor of the Issuer, or of any of its subsidiaries, or of the parent companies or subsidiaries of any of these	No

12.5 a. Name	Marcelo Gasparino da Silva
b. Date of birth	February 13, 1971
c. Profession	Lawyer
d. CPF or passport	807.383.469-34
e. Proposed elected position	Member of the Board of Directors
f. Date of election	April 30, 2021
g. Swearing-in date	April 30, 2021
h. Period of office	Up to the AGM of 2022
i. Other positions held or functions exercised in the Issuer	Member of the Board of Directors
j. Whether elected by the controlling stockholder or not	No
k. Independent member / criterion	Yes – IBGC / DJSI.
l. Number of consecutive periods of office	1
m. Personal number	900165
i. Principal Personal number in the last 5 years, indicating: Company name and sector; position; and whether the company is part of (i) the same economic group as the Issuer, or (ii) is controlled by a stockholder of the Issuer that holds a direct or indirect equity interest of 5% or more in any one class of security of the Issuer.	Chair of Boards of Directors, and member of Boards of Directors and Audit Boards, coordinator and member of finance, audit and risk committees, legal, compliance and related party committees, in listed companies. Lawyer specializing in corporate tax law, with degree from ESAG. Currently in MBA course in Controllership, Auditing and Finance. Chair of the Board of Directors of Eternit; member of the Boards of Directors of AES Eletropaulo,Cemig and Kepler Weber; alternate member of the Audit Board of Petrobras. Has served as Chair of the Board of Directors of Usiminas; and as member of the Boards of Directors of Bradespar, Battistella, Celesc, Eletrobras, Tecnisa, SC Gás, and Vale, as well as Usiminas. Served as a member of the Audit Boards of Bradespar, AES Eletropaulo, AES Tietê and Renuka Brasil. In Eletropaulo, he is Chair of the Related Parties Committee, and a member of the Audit Committee; and is a member of the Finance, Audit and Risks Committee of Cemig. He served as Coordinator of the Legal and Compliance Committee of Eternit. He was founding partner and Chair of the Consultative Council of the Gasparino, Sachet, Roman, Barros & Marchiori law office, where he practiced as a lawyer until 2006. He began his executive career as Legal and Institutional Director of Celesc in 2007. He participates in the FGV 2016 CEO program (IBE/FGV/IDE). He attended the Executive Program in Mergers and Acquisition of the London Business School, and specific courses in finance and strategy at the Institute of Directors, in London. In the Brazilian Corporate Governance Institute (IBCG) he is co-founder and Coordinator of the Santa Catarina Chapter, holder of IBGC Board Member Certification, and a member of the IBGC's 'Bank of Board Members'. He is a member of the Technical Committee of AMEC, and has a strong body of knowledge in corporate governance and experience on Boards of Directors and Audit Boards. He contributed to the efforts of IBGC and AMEC in construction of the Brazilian Corporate Governance Code (*Código Brasileiro de Govemança Corporativa* – CBGC). As from the launch of the CBGC he has inserted it as a work instrument in all the companies where he works, in particular the "Apply or Explain" model, a system that recognizes that corporate governance is a 'journey', and should not be translated into a rigid model of rules equally applicable to all companies. He has worked in companies in: electricity generation, transmission and distribution, oil and natural gas, mining, steel and steel manufacturing, ports, warehousing, basic industries, construction, construction materials and finishings, vehicle distribution and holding companies - acquiring knowledge and skills in industry, trade, retailing and services that enable him to make a constructive contribution in a very wide range

	of subjects and sites that are dealt with in the Boards in which he participates – such as turnarounds, capital structure, mergers & acquisitions, sales of non-core assets, financial restructuring of distressed companies and executive succession. He has taken part in the deep process of raising awareness of the importance of independent members elected by minority stockholders in the last seven years. The failings in corporate governance that prevailed in state companies, added the problems of corruption that spread in Petrobras and Eletrobras, among other companies, had an adverse effect on the Brazilian capital market, obliging us to rethink the present rules of governance and create much more rigid rules and much more severe punishments.
Ii. State all the management positions that the candidate occupies in other companies, or organizations of the third sector.	Chair of the Board of Directors of Eternit S.A.; Member of the Board of Directors of Vale S.A.; Member of the Audit Board of Petróleo Brasileiro S.A. – Petrobras.
n. Description of any of the following events that have taken place in the last 5 years:	
i. any criminal conviction	No
ii. any guilty judgment in an administrative proceeding of the CVM, and penalties applied	No
iii. any court or administrative judgment against which there is no further appeal which has suspended or disqualified the person from carrying out any professional or commercial activity	No
12.6. If the candidate has acted as a member of the Board of Directors or the Audit Board in the last business year, state, in the form of a table, the percentage of participation in meetings held by each body in the period, subsequent to being sworn in to the position.	Not applicable.
12.7. Supply the information mentioned in item 12.5 in relation to the members of the committees formed under the by-laws, or of the audit committee, the risk committee, the finance committee and/or the remuneration committee, even if such committees or structures are not created by the by-laws.	Not applicable.
12.8. If the candidate has acted as a member of any of the committees established under the by-laws, or the audit, risk, financial or remuneration committee/s, even if such committee is not required to exist under the bylaws, state in the form of a table the percentage of meetings of each body that the candidate attended in the period, after being sworn in.	Member of the Finance, Audit and Risks Committee.
12.9. State any conjugal relationship, stable union or family relationship up to the second level of proximity, with or between:	
a) any manager of the Issuer	No
b. (i) a manager of the Issuer and (ii) any manager of a direct or indirect subsidiary of the Issuer	No
c. (i) a manager of the Issuer or of its direct or indirect subsidiaries and (ii) any direct or indirect controlling stockholder of the Issuer	No
d. (i) a manager of the Issuer and (ii) any manager of a direct or indirect parent company of the Issuer	No
12.10. State any relationships of subordination, provision of service or control existing in the last three business years between any manager of the Company and:	No
a. any direct or indirect subsidiary of the Issuer, except where the Issuer directly or indirectly holds 100% of the share capital	Member of the Board of Directors of Gasmig from June 2020 to February 2021.
b. any direct or indirect controlling stockholder of the Issuer	No
c. if material, any supplier, client, debtor or creditor of the Issuer, or of any of its subsidiaries, or of the parent companies or subsidiaries of any of these	No

12.5	Paulo Cesar de Souza e Silva
a. Name	
b. Date of birth	October 8, 1955
c. Profession	Economist
d. CPF or passport	032.220.118-77
e. Proposed elected position	Member of the Board of Directors
f. Date of election	April 30, 2021
g. Swearing-in date	April 30, 2021
h. Period of office	Up to the AGM of 2022
i. Other positions held or functions exercised in the Issuer	None
j. Whether elected by the controlling stockholder or not	No
k. Independent member / criterion	
l. Number of consecutive periods of office	0
m. Personal number	
i. Principal Personal number in the last 5 years, indicating: Company name and sector; position; and whether the company is part of (i) the same economic group as the Issuer, or (ii) is controlled by a stockholder of the Issuer that holds a direct or indirect equity interest of 5% or more in any one class of security of the Issuer.	Embraer: October 1997 to May 2019.
ii. State all the management positions that the candidate occupies in other companies, or organizations of the third sector.	
n. Description of any of the following events that have taken place in the last 5 years:	
i. any criminal conviction	No
ii. any guilty judgment in an administrative proceeding of the CVM, and penalties applied	No
iii. any court or administrative judgment against which there is no further appeal which has suspended or disqualified the person from carrying out any professional or commercial activity.	No

12.6. If the candidate has acted as a member of the Board of Directors or the Audit Board in the last business year, state, in the form of a table, the percentage of participation in meetings held by each body in the period, subsequent to being sworn in to the position.	Not applicable.
12.7. Supply the information mentioned in item 12.5 in relation to the members of the committees formed under the by-laws, or of the audit committee, the risk committee, the finance committee and/or the remuneration committee, even if such committees or structures are not created by the by-laws.	Not applicable.
12.8. If the candidate has acted as a member of any of the committees established under the by-laws, or the audit, risk, financial or remuneration committee/s, even if such committee is not required to exist under the bylaws, state in the form of a table the percentage of meetings of each body that the candidate attended in the period, after being sworn in.	Not applicable.
12.9. State any conjugal relationship, stable union or family relationship up to the second level of proximity, with or between:	
a) a manager of the Issuer	No
b. (i) a manager of the Issuer and (ii) any manager of a direct or indirect subsidiary of the Issuer	No
c. (i) a manager of the Issuer or of its direct or indirect subsidiaries and (ii) any direct or indirect controlling stockholder of the Issuer	No
d. (i) a manager of the Issuer and (ii) any manager of a direct or indirect parent company of the Issuer	No
12.10. State any relationships of subordination, provision of service or control existing in the last three business years with any manager of the Issuer and:	No
a. any direct or indirect subsidiary of the Issuer, except where the Issuer directly or indirectly holds 100% of the share capital	None
b. direct or indirect controlling stockholder of the Issuer	No
c. if material, any supplier, client, debtor or creditor of the Issuer, or of any of its subsidiaries, or of the parent companies or subsidiaries of any of these	No

Appendix 11

CVM Instruction 481/09 – Candidate for election to the Audit Board

AUDIT BOARD	
SITTING MEMBERS	**ALTERNATE MEMBERS**
Gustavo de Oliveira Barbosa (Chair) Nominated by the majority stockholder	Igor Mascarenhas Eto Nominated by the majority stockholder
Fernando Scharlack Marcato Nominated by the majority stockholder	Julia Figueiredo Goytacaz Sant'Anna Nominated by the majority stockholder
Elizabeth Jucá e Mello Jacometti Nominated by the majority stockholder	Fernando Passalio de Avelar Nominated by the majority stockholder
Michele da Silva Gonsales Torres Nominated by preferred stockholders	Ronaldo Dias Nominated by preferred stockholders
Cláudio Morais Machado Nominated by minority stockholders	Carlos Roberto de Albuquerque Sá Nominated by minority stockholders

12.5	
a. Name	**Julia Figueiredo Goytacaz Sant'Anna**
b. Date of birth	February 23, 1977
c. Profession	Development
d. CPF or passport	016.833.347-36
e. Proposed elected position	Member of the Audit Board
f. Date of election	April 30, 2021
g. Swearing-in date	April 30, 2021
h. Period of office	Up to the AGM of 2022
i. Other positions held or functions exercised in the Issuer	Minas Gerais State Secretary of Education
j. Whether elected by the controlling stockholder or not	Yes
k. Independent member / criterion	
l. Number of consecutive periods of office	0
m. Professional experience	
i. Principal professional experience in the last 5 years, indicating: Company name and sector; position; and whether the company is part of (i) the same economic group as the Issuer, or (ii) is controlled by a stockholder of the Issuer that holds a direct or indirect equity interest of 5% or more in any one class of security of the Issuer.	Minas Gerais State Secretary of Education Deputy Secretary of Education, Rio de Janeiro State
ii. State all the management positions that the candidate occupies in other companies, or organizations of the third sector.	None
n. Description of any of the following events that have taken place in the last 5 years:	
i. any criminal conviction	No
ii. any guilty judgment in an administrative proceeding of the CVM, and penalties applied	No
iii. any court or administrative judgment against which there is no further appeal which has suspended or disqualified the person from carrying out any professional or commercial activity	No
12.6. If the candidate acted as a member of the Board of Directors or the Audit Board in the last business year, state, in the form of a table, the percentage of participation in meetings held by each body in the period, subsequent to being sworn in to the position.	Not applicable.
12.7. Supply the information mentioned in item 12.5 in relation to members of committees formed under the by-laws, or of the audit committee, the risk committee, the finance committee and/or the remuneration committee, even if such committees or structures are not created by the by-laws.	Not applicable.

12.8. If the candidate acted as a member of any of the committees established under the by-laws, or the audit, risk, financial or remuneration committee/s, even if such committee is not required to exist under the bylaws, state in the form of a table the percentage of meetings of each body that the candidate attended in the period, after being sworn in.	Not applicable.
12.9. State any conjugal relationship, stable union or family relationship up to the second level of proximity, with or between:	
a) a manager of the Issuer	No
b. (i) a manager of the Issuer and (ii) any manager of a direct or indirect subsidiary of the Issuer	No
c. (i) a manager of the Issuer or of its direct or indirect subsidiaries and (ii) any direct or indirect controlling stockholder of the Issuer	None
d. (i) any manager of the Issuer and (ii) a manager of any direct or indirect controlling stockholder of the Issuer	No
12.10. State any relationships of subordination, provision of service or control existing in the last three business years between any manager of the Company and:	
a. any direct or indirect subsidiary of the Issuer, except where the Issuer directly or indirectly holds 100% of the share capital	None
b. any direct or indirect controlling stockholder of the Issuer	No
c. if material, any supplier, client, debtor or creditor of the Issuer, or of any of its subsidiaries, or of the parent companies or subsidiaries of any of these	None