PROPOSAL
BY THE BOARD OF DIRECTORS TO THE ORDINARY AND EXTRAORDINARY GENERAL MEETINGS OF STOCKHOLDERS TO BE HELD ON JULY 31, 2020

Dear Stockholders:

The Board of Directors of Companhia Energética de Minas Gerais – Cemig,

– ***whereas:***

a) it is necessary to approve the Financial Statements for 2019, and submit to stockholders the Report of Management, the Financial Statements for 2019 and the related complementary documents;

b) the Financial Statements for 2009 report Net profit of R$ 3,127,398,000, with realization of the Equity Revaluation Reserve in the amount of R$ 24,812,000 in that year;

c) the periods of office of the members of the Board of Directors and the sitting and alternative members of the Audit Board expire in 2020;

d) under the bylaws it is the function of the General Meeting of Stockholders to set the total or individual remuneration of the members of the Board of Directors, the Audit Board, the Executive Board and the Audit Committee, in accordance with the legislation;

e) since on December, 31, 2019 the Profit reserve, excluding the Tax incentives reserve, exceeded the share capital by R$ 536,646,000, the Company's share capital will be increased, to comply with legislation, through a stock bonus, using the balance on the Retained earnings reserve, as follows:

- an increase of R$ 300,000,000 in the share capital is sufficient to comply with the legislation;
- it is thus proposed to increase the share capital from R$ 7,293,763,00 to R$ 7,593,763,000, representing an increase of 4.113103206%, with issuance of 60 million new shares, each with par value of R$ 5.00 (in accordance with the bylaws), comprising 20,056,076 common shares and 39,943,924 preferred shares;
- the increased share capital of R$ 7,593,763,000 will comprise 507,670,289 common shares and 1,011,082,312 preferred shares;
- in accordance with the legislation, the fractions of remaining shares from the capital increase will be sold on the stock exchange and the proceeds distributed proportionately to the Company's stockholders;
- to simplify this distribution, these amounts will be paid on the same date as payments of dividends and/or Interest on Equity.

– **we make the following proposal** to the Ordinary and Extraordinary General Meetings:

Proposal to the Ordinary and Extraordinary General Meetings:

1. Approval of the Report of Management and the Financial Statements for the year ended December 31, 2019, and the related complementary documents.

2. Allocation of the net profit for 2019, of R$ 3,127,398,000, and realization of the Equity Revaluation Reserve in the amount of R$ 24,812,000, as follows:

   - R$ 764,181,000 as minimum obligatory dividends, to the Company’s stockholders, as follows:

     – R$ 400,000,000 in the form of Interest on Equity, to be paid in two equal installments, by December 30, 2020, to stockholders whose names were on the Company’s Nominal Share Registry on December 23, 2019; and

     – R$ 364,181,000 in the form of dividends for the 2019 business year, to be paid by December 30, 2020 to stockholders whose names are on the Company's Nominal Share Registry on the date on which the AGM and EGM are held;

   - R$ 834,603,000 to be allocated to the Future earnings reserve, considering that the Share of profits in non-consolidated investees is positive and not yet realized financially;

   - R$ 1,535,170 to be held in Stockholders’ equity in the Retained earnings reserve, to ensure funding for the Company’s planned consolidated investments for 2020, in accordance with a capital budget; and

   - R$ 18,256,000 to be held in Stockholders’ equity in the Tax incentives reserve, for tax incentive gains obtained in 2019 as a result of investments in the region of Sudene.

3. Election of the members of the Board of Directors and the Audit Board, due to completion of their period of office.

4. Setting of the global annual remuneration of the Members of the Board of Directors, the Audit Board and the Audit committee at R$ 23,259,187.88 (twenty three million two hundred fifty nine thousand one hundred eighty seven Reais eighty eight centavos);

5. Approval of increase in the share capital, with consequent alteration of the by-laws,

from	R$ 7,293,763,005	(seven billion two hundred ninety three million seven hundred sixty three thousand five Reais)
to	R$ 7,593,763,005	(seven billion five hundred ninety three million seven hundred sixty three thousand five Reais),
by issuance of	60 million	new shares,
comprising	20,056,076	(twenty million fifty six thousand seventy six) nominal common shares and
	39,943,924	(thirty nine million nine hundred forty three thousand nine hundred twenty four) nominal preferred shares,
all with par value of	R$ 5.00	(five Reais), by capitalization of
	R$ 300,000,000	(three hundred million Reais)

from the Retained earnings reserve, thus distributing to stockholders a
stock bonus of 4,113103206% in the same type of shares as they hold,
with nominal value of R$ 5.00;

and change in the drafting of the head paragraph of Article 4 of the by-laws, to the following:

“Clause 4 The share capital of the Company is R$ 7,593,763,005.00 (seven billion five hundred ninety three million seven hundred sixty three thousand and 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).”;

– the following measures to be taken by the Executive Board in relation to the capital increase and stock bonus:

1. Attribute a bonus of 4.113103206%, in new shares, each with nominal value R$ 5.00 (five Reais), of the same type as their existing shares, to holders of the current share capital of R$ 7,293,763,005 whose names are in the Company’s Nominal Share Registry on the date on which the Meeting that decides on this proposal is held;

2. Establish that all the shares resulting from the said capital increase shall have the same rights as the corresponding existing shares, excluding any corporate action payments decided or to be decided.

3. Sell, on the stock exchange, the whole numbers of nominal shares resulting from the sum of remaining fractions arising from the said bonus.

4. Distribute the net proceeds of the sale of the fractions to stockholders on the same date as payment of dividends or interest on Equity for the 2019 business year.

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, June 18, 2020,

Márcio Luiz Simões Utsch	José Reinaldo Magalhães
Antônio Rodrigues dos Santos e Junqueira	Marcelo Gasparino da Silva
Cledorvino Belini	Marco Aurélio Dumont Porto
José João Abdalla Filho	Romeu Donizete Rufino

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APPENDIX 1

PROPOSAL BY THE BOARD OF DIRECTORS TO THE ORDINARY GENERAL MEETING OF STOCKHOLDERS TO BE HELD ON JULY 31, 2019 FOR ALLOCATION OF THE NET PROFIT FOR 2019

STATEMENT OF CALCULATION OF PROPOSED DIVIDENDS
COMPANHIA ENERGÉTICA DE MINAS GERAIS – CEMIG

The calculation of the minimum dividends proposed for distribution to shareholders for the year is as follows:

R$ '000	Holding company 2019
Calculation of Minimum Dividends required by the by-laws for the preferred shares	
Nominal value of the preferred shares already paid up	4,855,692
	4,855,692
Percentage applied to the nominal value of the preferred shares	10.00%
Amount of the dividends by the First payment criterion	485,569
Value of Stockholders' equity	15,886,615
Preferred shares as a percentage of Equity (net of shares held in Treasury)	66.56%
Portion of Equity represented by the preferred shares	**10,574,131**
Percentage applied to the portion of Equity represented by the shares	3.00%
Amount of the dividends by the Second payment criterion	**317,224**
Minimum Dividends required by the by-laws for the preferred shares	**485,569**
Calculation of the minimum dividend under the by-laws based on the net profit for the period	
Mandatory dividend	
Net profit for the year	3,127,398
	50%
Mandatory dividend – 50.00% of Net profit	1,563,699
To unrealized profit reserve	(834,603)
Tax withheld at source on Interest on Equity	35,085
	764,181
Dividends recorded, as specified in the by-laws	
Interest on Equity	400,000
Ordinary dividends	364,181
	764,181
Total of the dividend for the preferred shares	**508,639**
Total of the dividend for the common shares	**255,542**
Unit value of dividends – R$	
Minimum dividends required by the by-laws for the preferred shares	0.50
Mandatory Dividend (including income tax at source on Interest on Equity)	0.52
Dividends proposed – Common shares:	0.52
Dividends proposed:	0.52

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$ 3,127,398,000.

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

   Interest on Equity: R$ 400,000,000, equivalent to R$ 0.27431232108 per common or preferred share, declared on December 18, 2019.

   Dividends: R$ 364,181,000, equivalent to R$ 0.24974833850 per common or preferred share, payable to stockholders whose names are on the Company's Nominal Share register on the day on which the Annual General Meeting is held.

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

   25.00%

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

   None. No decision made 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$ 255,542,000 for the ON shares
      R$ 508,639,000 for the PN shares.

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

      Interest on Equity: R$ 4000,000,000, equivalent to R$ 0.27431232108 per common or preferred share, declared on December 18, 2019, to be paid in two equal installments, by December 39, 2020, to stockholders whose names were on the Company's Nominal Share Register for common shares on December 23, 2019.

      Dividends: R$ 364,181,000, equivalent to R$ 0.24974833850 per common or preferred share, to be paid in a single installment by December 30, 2020 to stockholders whose names are on the Company's Nominal Share register on the day on which the Annual General Meeting is held.

   c. Any updating of, or interest accruing on, the dividends and Interest on Equity.
      There is to be no updating.

d. Date of declaration of payment of dividends and Interest of Equity to be considered for identification of the stockholders that have the right to the payment of dividends and/or Interest on Equity.

Interest on Equity: December 23, 2019.
Dividends: Date on which the AGM is held (scheduled for July 31, 2020).

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$ 400,000,000, equivalent to R$ 0.27431232108 per common or preferred share, declared on December 18,2019.

b. State the date of the respective payment/s.
To be paid in two equal installments, by December 30, 2020.

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

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

Business year	2019	2018	2017	2016
Net profit per ON (common) share (R$)	2.14	1.17	0.37	0.10
Net profit per PN (preferred) share (R$)	2.14	1.17	0.84	0.35

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

Business year	2018	2017	2016
Dividends (R$)	0.45	0.53	0.24
Interest on Equity (R$)	0.14	0.00	0.30
Total (R$)	0.59	0.53	0.54

Note: In 2016 the amount distributed was only for the preferred shares. In 2017, the amount for the common shares was R$ 0.03, sand for the preferred shares was R$ 0.50. In 2018 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.
   The Company did not deposit in the Legal Reserve in 2019 due to that reserve having reached its legal limit.

   b. State in detail the form of calculation of the Legal Reserve.
   The Company did not deposit in the Legal Reserve in 2019 due to that reserve having reached its legal limit.

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. Note: In the event of 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$ 508,639,000 for the PN shares.

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

   Considering that the mandatory dividends if distributed in their totality would be 50% of net profit and an amount of R$ 1,563,699,000, and the expectations for realized profit for the year in the context of the Covid-19 pandemic, the Company's Management is proposing constitution of a Future earnings reserve in the amount of R$ 834,603,000, and allocation to the Company's stockholders of R$ 764,181,000 as minimum obligatory dividend.

   State any amount retained.

   R$ 834,603,000

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.

    Article 197 of the Corporate Law provides that the company may constitute a Future earnings reserve when the amount of the obligatory dividend, calculated in accordance with the by-laws, exceeds the realized portion of the net profit for the year. In 2019, Cemig reported positive net profit from calculation, by the equity method, of share of net profit (loss) in associates and non-consolidated investees, of R$ 2,834,411,000 which could be considered as a non-realized portion of the net profit for the year under the said article of that Law, and there is a possibility that this equity method profit may not be financially realized in 2020, in view of the present macroeconomic scenario, in which it is not yet possible to estimate the possible effects on cash and on the profits of the investees due to the Covid-19 pandemic. In turn, the constitution of the Future earnings reserved may not prejudice payment of the minimum dividends under the bylaws for the preferred shares, of R$ 485,569,000. In addition, since the creation of a Future earnings reserve is optional, Management decided to propose to make the same payment to preferred stockholders as to holders of common shares, considering the expectation for the Company's financial capacity. Considering that the mandatory dividends if distributed in their totality would be 50% of net profit and an amount of R$ 1,563,699,000, and the expectations for realized profit for the year in the context of the Covid-19 pandemic, the Company's Management is proposing constitution of a Future earnings reserve in the amount of R$ 834,603,000.

12. If there is allocation of profits for 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.

    Considering the positive net share of profit of subsidiaries, jointly-controlled entities and affiliates not yet converted into cash.

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$ 2,337,068,000

    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$ 18,256,000

    b. Explain the nature of the allocation.
    Relates to the tax incentive amounts obtained in 2019 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 BY JULY 31, 2020

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 of submission to the Ordinary General Meeting of Stockholders to be held by July 31, 2020, the proposal for the Consolidated Capital Budget for the 2020 business year, in thousands of Reais.

Investments planned for 2020	
Electricity generation system	952,759
Electricity sub-transmission system	546,933
Electricity generation system	91,705
Electricity transmission system	244,285
Injection of capital into subsidiaries and affiliates	295,485
Infrastructure and other	205,901
	2,337,068

Leonardo George de Magalhães
Controller

Appendix 3

Information indicated in Item 13 of the Reference Form – Remuneration of the Managers

13.1

a. Objectives of remuneration policy or practice

The principal objective of the policy for remuneration of Executive Directors of the Cemig group is to establish directives/guidelines to be obeyed for fixed and variable remuneration of the members of the Executive Boards of Cemig and its wholly owned subsidiaries 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 remuneration of the Board of Directors is set by the General Meeting of Stockholders, in accordance with legislation in force at the time.

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

b. Composition of the remuneration, indicating:

i. Description of the elements of the remuneration and of the objectives of each one of them

1. Statutory Executive Board under the Bylaws

The Annual (Ordinary) General Meeting of the Company held on May 3, 2019 approved the following criteria for payment of the fees of the Executive Board, maintaining the other items: Health insurance for the Chief Officers, to be contracted at the same level of the Health Plan in effect for the employees of the Company. The monthly payment of the CEO was adjusted to R$ 85,000.00 (eighty five thousand Reais) and that of the other members of the Executive Board to R$ 67,000.00 (sixty seven thousand Reais); with the amounts earned by the Chief Officers for paid leave, bonuses and other benefits being, in consequence, adjusted in the same proportion.

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

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

The Variable Remuneration is the bonus or extra compensation to members of the Executive Board dependent on delivery of measurable results for a given period of time 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.

As determined by the Company's by-laws, the global or individual amount of the remuneration of the Executive Board, including benefits of any type, is decided by the General Meeting of Stockholders in accordance with the legislation from time to time in force. The Chief Officers also have the right to an annual leave, for a period of not more than 30 (thirty) days, non-cumulative, during which they have the right to a remuneration equivalent to their monthly remuneration 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.

The other components of the remuneration of the Chief Officers are: An annual bonus of one monthly salary, payments related to paid leave, contribution of the company to the National Social Security Institute ('INSS') and payment of the FGTS (Workers' Time of Service Guarantee Fund) on the salary and profit shares received.

The variable remuneration for the Executive Board consists of profit shares, following the same criteria established in a Specific Collective Agreement of the Company and related to the Company's profits, with checking against targets established by the Board of Directors.

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 remuneration 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 under payroll do not apply to the amount paid.

The profit shares aim to motivate the members of the Executive Board to an effective participation in the conduct of the business, through a compensation linked to the performance of the organization.

The Company pays the monthly contribution to the FGTS of the Chief Officers, as an act merely of generosity.

2. Board of Directors

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

In accordance with decisions of the stockholders at the Ordinary General Meeting of the Company held on May 3, 2019, it was established that the remuneration of each one of the sitting members of the Board of Directors other than members who also have the position of Executive Officer and subject to the condition relating to payment of the *jeton* mentioned below – the equivalent of 30% (thirty per cent) of the remuneration of the CEO for the Chair of the Board of Directors, that is to say, R$ 25,500.00 (twenty five thousand five hundred Reais) and 30% (thirty per cent) of the monthly remuneration which, on average an Executive Officer of the Company earns, that is to say R$ 20,590.90 (twenty thousand five hundred ninety Reais and ninety centavos).

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

The other components of the remuneration of the members of the Board of Directors are the company's contributions to the INSS on (a) salary and (b) attendance at meetings. As direct benefits, the Company offers the members of the Board of Directors, sitting and substitute, resident in other municipalities than that of the Company's head office, reimbursement of expenses on accommodation and travel (within Brazil) such as are necessary for their attendance at meetings and for carrying out their functions or when invited by the CEO to a meeting at the Company, and shall also receive, as cost support for travel, R$ 800 for each trip. Also, the Company gives members of the Board of Directors inscription into a joint life assurance policy, optionally, which is paid for entirely by the Company and also participation in the private pension plan (post-retirement), also optional, partially paid for by the Member him/herself and partially paid for by the Company, in equal proportions.

The fixed remuneration and other components of the remuneration (the company's INSS contribution) 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 possible, in counterpart, demand for performance by each one of its members, by the chair of the Board of Directors.

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

3. The Audit Board

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

The Annual General Meeting of Stockholders held on 5/3/2019 established that the monthly remuneration of each sitting member of the Audit Board shall be equivalent to twenty per cent of what is on average received by a member of the Executive Board, i.e. it shall be R$ 13,727.27 (thirteen thousand seven hundred twenty seven Reais 27 centavos); and that the monthly remuneration of each substitute member of the Audit Board shall be equivalent to eighty per cent of the monthly remuneration of a sitting member, that is to say, it shall be R$ 10,981.81 (ten thousand nine hundred eighty one Reais 81 centavos) – excluding, in both cases, such benefits as are added by law.

The Company also offers, as direct benefits to the sitting and substitute members of the Audit Board who are resident in other municipalities than that of the head office of the Company, reimbursement of expenses for accommodation and travel (inside Brazil), between the municipality where they live and that of the Company's head office, such 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, and also that they shall receive, as a payment for assistance with cost, the amount of eight hundred Reais per trip. Also, the Company gives members of the Audit Board membership of a Group Life Insurance Policy, optionally, paid for entirely by the company.

The other components of the remuneration of the Members of the Audit Board include the contribution of the company to the INSS on the salary received. 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 possible, in counterpart, demand for performance by each one of their 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 for inscription in the Group Life Insurance Policy.

d) Committees of the Board of Directors.

The committees of the Board of Directors are made up only of sitting or substitute members of the Board of Directors, and there is no direct or indirect remuneration or benefit additionally paid for participation in the meetings of their committees.

e) The Audit Committee

The Audit Committee is an independent, consultative body, permanently established, 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. As per an alteration made by the Extraordinary Annual General Meeting of August 7, 2019, the Audit Committee now comprises 4 (four) members, the majority of them to be independent, nominated and elected by the Board of Directors at its first meeting after the Annual General Meeting, for periods of office of 3 (three) years, not to run concurrently. One re-election is permitted.

The global or individual amount of the remuneration of the Audit Committee is set by the General Meeting of Stockholders, in accordance with legislation in force at the time.

The Extraordinary General Meeting of Stockholders held on 5/3/2019 established that the remuneration of the members of the Audit Committee shall be R$ 20,590.00 (twenty thousand five hundred fifty Reais), excluding any benefits added by law. Members of the Board of Directors who are also members of the Audit Committee shall receive only the remuneration of the latter.
The Company gives members of the Audit Committee inscription in a Group Life Insurance Policy, optionally, paid for entirely by the company.

The other components of the remuneration of the Members of the Audit Board comprise the contribution of the company to the INSS on the salary received.

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

a) 2019
Board of Directors

Element	**Percentage of the Total Remuneration**
Salary or Pro-Labore	64.04%
Direct benefits	1.39%
Other expenses	16.01%
Remuneration for attending meetings	16.01%
Profit shares	0.00%
Post-retirement	2.56%

* ‘Others’ refers to the INSS.

Executive Board

Element	**Percentage of the Total Remuneration**
Salary or Pro-Labore	32.09%
Direct benefits	10.84%
Other expenses	21.92%
Profit shares	27.69%
Post-retirement	7.46%

* ‘Others’ refers to the INSS and the FGTS.

The Audit Board

Element	Percentage of the Total Remuneration
Salary or Pro-Labore	81.63%
Direct benefits	2.05%
Other expenses	16.33%

* 'Others' refers to the INSS.

b) 2018

Board of Directors

Element	Percentage of the Total Remuneration
Salary or Pro-Labore	63.27%
Direct benefits	1.42%
Other expenses	15.82%
Remuneration for attending meetings	15.82%
Profit shares	0.00
Post-retirement	3.67%

* 'Others' refers to the INSS.

Executive Board

Element	Percentage of the Total Remuneration
Salary or Pro-Labore	43.64%
Direct benefits	8.81%
Other expenses	19.54%
Profit shares	19.16%
Post-retirement	8.86%

* 'Others' refers to the INSS and the FGTS.

The Audit Board

Element	Percentage of the Total Remuneration
Salary or Pro-Labore	81.58%
Direct benefits	2.11%
Other expenses	16.32%

* 'Others' refers to the INSS.

c) 2017

Board of Directors

Element	Percentage of the Total Remuneration
Salary or Pro-Labore	63.78%
Direct benefits	1.26%
Other expenses	16.02%
Remuneration for attending meetings	15.94%
Profit shares	0.00
Post-retirement	2.99%

* 'Others' refers to the INSS.

Executive Board

Element	Percentage of the Total Remuneration
Salary or Pro-Labore	52.96%
Direct benefits	15.09%
Other expenses	20.48%
Profit shares	2.90%
Post-retirement	8.58%

* ‘Others’ refers to the INSS and the FGTS.

The Audit Board

Element	Percentage of the Total Remuneration
Salary or Pro-Labore	81.72%
Direct benefits	1.93%
Other expenses	16.35%

* ‘Others’ refers to the INSS.

iii. Methodology of calculation and adjustment of each one of the elements of the remuneration.

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

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

iv. Reasons that justify the composition of the remuneration.

The composition of the remuneration 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.

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

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

c. Main indicators or performance that are taken into consideration in the determination of each element of the remuneration.

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 outage time per consumer – 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 remuneration structured to reflect the results of the performance indicators?

The variable remuneration ('PLR') of the Managers is linked to the Company's indicators of results / profit. The weighting of the profit in these indicators for the members of the Executive Board is 70%. Further, a basket of specific indicators has been defined which translates the specific contribution of each Chief Officer to the business, with weighting of 30%. Since 2012, the PLR paid to the Chief Officer 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 remuneration aligned to the issuer's interests in short, medium and long term?

The Company's remuneration policy incorporates elements of alignment to the interests of the Company in 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 the expansion of the company will be carried out in a way that preserves its sustainability. These limits include: Consolidated Net debt/Ebitda less than or equal to 2; and Net debt/(Stockholders' equity plus Net debt) less than or equal to 40%; among others.

The short-term results, that is to say the annual results, are aligned with the Company's remuneration policy in relation to the payment of Profit Shares, linked to Consolidated net profit and compliance with the budgeted 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 relating 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 alteration 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 remuneration of the managers to this financial/strategic indicator.

f. Existence of remuneration paid by subsidiaries, controlled companies or directly or indirectly controlled entities.

There is no remuneration paid by subsidiaries of the Company, or by their direct or indirect controlling parties or 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 remuneration or benefit linked to the occurrence of any corporate event, such as sale of stockholding control of the issuer.

There is no remuneration 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 remuneration of the Board of Directors and the Executive Board, indicating:
i. The bodies and committees of the issuer that take part in the decision process, identifying how they participate.

ii. Criteria and methodology used to set the individual remuneration, indicating whether there is use of studies for verification of market practices and, if so, the criteria for comparison and the scope of those studies.

iii. With what frequency and in what manner does the Board of Directors evaluate the adequacy of the Issuer’s remuneration policy?

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

13.2

13.2 - Total remuneration specified for the current business year to Dec. 31, 2020 – annual amounts

2020	Board of Directors	Executive Board	Audit Board	Total
Total number of members¹	9.00	7.00	10.00	–
Total number of remunerated members	9.00	7.00	10.00	–
Fixed annual remuneration (in R$)²				
Salary or pro-labore	1,871,971.84	5,943,376.00	1,521,541.60	9,336,889.44
Direct and indirect benefits	34,264.08	1,163,747.31	38,071.20	1,236,082.59
Participation in committees	–	–	–	–
Other expenses	374,394.37	2,910,138.46	304,308.32	3,588,841.15
Description of other fixed remunerations	–	–	–	–
Variable remuneration (in R$)				
Bonus	–	3,569,475.50	–	3,569,475.50
Profit shares	–	–	–	–
Attendance at meetings	467,992.96	–	–	467,992.96
Commissions	–	–	–	–
Other expenses	93,598.59	–	–	93,598.59
Description of other variable remunerations	–	–	–	–
Post-retirement (in R$)	277,814.49	1,163,751.08	–	1,441,565.57

Cessation of position	–	–	–	–
Share-based (including options)	–	–	–	–
Remarks	1) Total number of members as per AGM/EGM of March 25, 2019; sitting and substitute members remunerated by 80% fixed amount plus 20% portion proportional to attending meetings. Except for those holding positions of Executive Officer (member of Executive Board). 2) Forecast calculated considering the remuneration criteria of the most recent minutes - AGM/EGM of 2019. For 2020, with alteration 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. 2) Composition of the direct and indirect benefits: life insurance.	1) Total number of members as per EGM held on March 25, 2019. 2) Forecast calculated considering the remuneration criteria of the most recent minutes - AGM/EGM of 2019. For 2020, with alteration 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: Health plan, dental plan, life insurance, meal vouchers, bonuses and payments relating to paid leave plus 1/3 of Leave. 3) Forecast for bonus assumed maximum target and payment of proportional profit share to directors who were relieved of positions in 2019.	1) Total number of members as per EGM held on March 25, 2019. 2) Forecast calculated considering the remuneration criteria of the most recent minutes - AGM/EGM of 2019. For 2020, with alteration 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. 2) Composition of the direct and indirect benefits: life insurance.	–
Total of the remuneration (in R$)	3,120,036.33	14,750,488.35	1,863,921.12	19,734,445.80

Total remuneration for previous Business Years - 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 remuneration (in R$)[2]				
Salary or pro-labore	1,629,536.79	5,405,100.05	1,460,581.18	8,495,218.02
Direct and indirect benefits	35,382.87	1,825,852.20	36,659.68	1,897,894.75
Participation in committees	–	–	–	–
Other expenses	325,907.35	3,692,718.75	292,115.91	4,310,742.01
Description of other fixed remunerations	–	–	–	–
Variable remuneration (in R$)				
Bonus	–	4,663,349.23	–	4,663,349.23
Profit shares	–	–	–	
Attendance at meetings	407,384.20	–	–	407,384.20
Commissions	–	–	–	–
Other expenses	81,476.84		–	81,476.84
Description of other variable remunerations	–	–	–	–
Post-retirement	65,067.94	1,256,015.35	–	1,321,083.29
Cessation of position	–	–	–	–
Share-based (including options)	–	–	–	–

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 relates to people being relieved of positions in the year. 2) Sitting members remunerated by 80% fixed amount plus 20% portion proportional to participation in meetings. Except for those holding positions of Executive Officer (member of Executive Board). 2) 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 relates to people being relieved of positions in the year. 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) Payment of profit share considered a target actually used for 2018 and payment of proportional profit shares 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 relates to people being relieved of positions in the year. 2) Composition of the direct and indirect benefits: life insurance.	
Total of the remuneration (in R$)	2,544,755.99	16,843,035.58	1,789,356.77	21,177,148.34

13.3

Current business year ending Dec. 31. 2020 – Forecast of variable remuneration

2020	Board of Directors	Executive Board	Audit Board	Total
Total number of members	9	7	10	26
Total number of remunerated members	9	7	10	26
Bonus				
Minimum amount specified in the remuneration plan	–	1,784,737.75	–	1,784,737.75
Maximum amount specified in the variable remuneration plan	–	3,569,475.50	–	3,569,475.50
Amount specified in the variable remuneration plan if targets are met	–	3,569,475.50	–	3,569,475.50
Profit shares				
Minimum amount specified in the remuneration plan	–	–	–	–
Maximum amount specified in the variable remuneration plan	–	–	–	–
Amount specified in the variable remuneration plan if targets are met	–	–	–	–
Remarks	–	The criteria for payment of a bonus in 2020 have not yet been set. Hence, in this table, the calculations for bonuses paid in 2019 have been maintained.	–	–

Business year ended Dec. 31, 2019 – Variable remuneration	Board of Directors	Executive Board	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 remuneration plan	–	2,613,666.67	–	2,613,666.67
Maximum amount specified in the variable remuneration plan	–	5,227,333.33	–	5,227,333.33
Amount specified in the variable remuneration plan if the targets are met	–	5,227,333.33	–	5,227,333.33
Amount actually recognized in the profit and loss account for the year	–	4,663,349.23	–	4,663,349.23
Profit shares				
Minimum amount specified in the remuneration plan	–	–	–	–
Maximum amount specified in the variable remuneration plan	–	–	–	–
Amount specified in the variable remuneration plan if targets are met Amount actually recognized in the profit and loss account for the year	–	–	–	–
Remarks	–	–	–	–

13.4

The Company does not adopt a plan of remuneration for the Board of Directors and the Executive Board based on shares.

13.5

There is no share-based remuneration plan for the Board of Directors and 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.

Private pension plans	Board of Directors	Executive Board
Number of members	9	7
Number of remunerated members	8	7
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	2
Conditions for early retirement	There is no early retirement in this plan	There is no early retirement in this 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	204,095.07	7,022,434.74
Updated accumulated contributions during the last business year, less the portion relative to the contributions made directly by the managers.	74,719.86	1,201,862.70
Redemption conditions	Withdrawal of sponsor and option for redemption mechanism	Withdrawal of sponsor and option for redemption mechanism
Possibility of redemption and conditions	1 (option for redemption)	6 (option for redemption)

Business year ended December 31, 2019			
	Board of Directors	**Executive Board**	**Audit Board**
Number of members	9	7	10
Number of remunerated members	7	7	10
Largest individual remuneration (in Reais)	325,750.45	1,911,826.60	201,402.06
Lowest individual remuneration (in Reais)	267,161.18	1,527,377.26	146,712.56
Average individual remuneration (in Reais)	304,865.24	1,786,812.29	169,023.14
The amount of the lowest remuneration calculated excluding members of the Board of Directors, the Executive Board and the Audit Board who exercised their respective positions for less than 12 months. Total number of members of the Board of Directors 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 hold positions of Chief Officers).			

Business year ended December 31, 2018			
	Board of Directors	**Executive Board**	**Audit Board**
Number of members	19	11	9
Number of remunerated members	17	11	9
Largest individual remuneration (in Reais)	321,416.02	1,944,154.85	191,839.93
Lowest individual remuneration (in Reais)	193,927.34	1,286,759.72	140,656.62
Average individual remuneration (in Reais)	278,048.07	1,477,520.62	164,839.32
The amount of the lowest remuneration is calculated excluding members of the Board of Directors, the Executive Board and the Audit Board who exercised their respective positions for less than 12 months. Total number of members of the Board of Directors as per AGM/EGM of April 30, 2018: sitting and substitute members remunerated as to 80% in a fixed portion plus 20% in a portion proportional to attendance at meetings (except those who hold positions of Chief Officers).			

Business year ended December 31, 2017			
	Board of Directors	**Executive Board**	**Audit Board**
Number of members	30.00	11.00	10.00
Number of remunerated members	25.00*	9.17*	9.75*
Largest individual remuneration (in Reais)	320,472.26	1,427,276.21	176,266.09
Lowest individual remuneration (in Reais)	124,401.14	1,158,814.29	128,019.93
Average individual remuneration (in Reais)	233,179.46	1,360,399.90	152,573.43

The amount of the lowest remuneration is calculated excluding members of the Board of Directors, the Executive Board and the Audit Board who exercised their respective positions for less than 12 months. Total number of members of the Board of Directors as per AGM/EGM of May 12, 2017: sitting and substitute members remunerated as to 80% in a fixed portion plus 20% in a portion proportional to attendance at meetings (except those who hold positions of Chief Officers).

* The number of members remunerated on the Board of Directors, the Executive Board and the Audit Board was calculated using the annual average of the number of members, taken monthly (there were some dismissals and appointments in 2017 and in some cases one person held more than two appointments on the Executive Board, on an interim basis).

13.13

The percentages of total remuneration of each body attributed to members of the Board of Directors, the Executive Board or 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:

	2019	**2018**	**2017**
Executive Board:	0.00	0.00	0.00
Board of Directors:	91.39	97.02	91.49
Audit Board:	79.71	71.05	79.56

13.14

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

Business year	Board of Directors	Executive Board	Audit Board	Total
2019	0.00	0.00	0.00	0.00
2018	0.00	0.00	0.00	0.00
2017	0.00	0.00	0.00	0.00

APPENDIX 4

Opinion of the Audit Board on the Financial Statements

The members of the Audit Board of Companhia Energética de Minas Gerais – Cemig, undersigned, in performance of their functions under the law and the Company's by-laws, have examined the financial statements for the business year ended December 31, 2019 and the related complementary documents, approved by the Company's Board of Directors, on March 19, 2020. After verifying these documents, and considering the examinations carried out by this Board and the explanations provided by the Company's Management in relation to the acts of management and related records in the 2019 financial year, and also based on the unqualified Opinion of Ernst & Young Auditores Independentes (EY) issued on March 19, 2019, hereby express the following favorable opinion, namely that these statements are adequately presented in all material aspects, and thus merit approval by the stockholders in the Annual General Meeting to be held in 2020.

Belo Horizonte, March 19, 2020

Gustavo de Oliveira Barbosa

Cláudio Morais Machado

Elizabeth Jucá e Mello Jacometti

Marco Aurélio de Barcelos Silva

Rodrigo de Mesquita Pereira

Appendix 5

OPINION OF THE AUDIT BOARD

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 Proposal made by the Board of Directors to the Annual General Meeting of Stockholders to be held in 2020, for allocation of the net profit for 2019, of R$ 3,127,398,000, and realization of the Equity Revaluation Reserve in the amount of R$ 24,812,000, as follows:

a) R$ 764,181,000 as minimum mandatory dividend, to be paid to the Company's stockholders, as follows:
   - R$ 400,000,000 in the form of Interest on Equity, to be paid in two equal installments, by June 30 and December 30, 2020, to stockholders whose names were on the Company's Nominal Share Registry on December 23, 2019; and
   - R$ 364,181,000 in the form of dividends for the 2019 business year, to be paid by December 30, 2020 to stockholders whose names are on the Company's Nominal Share Registry on the date on which the AGM is held;

b) R$ 834,603,000 to be allocated to the Future earnings reserve, considering that the Share of profits in non-consolidated investees is positive and not yet realized financially;

c) R$ 1,535,170 to be held in Stockholders' equity in the Retained earnings reserve, to ensure funding for the Company's planned consolidated investments for 2020, in accordance with a capital budget; and

d) R$ 18,256,000 to be held in Stockholders' equity in the Tax incentives reserve, for tax incentive gains obtained in 2019 as a result of investments in the region of Sudene.

The members of the Audit Board, after carefully analyzing the said proposal and the statements, explanations and justifications presented by the Company's Management, especially in relation to the inevitable situation of crisis caused by the Covid-19 pandemic, and further taking into account that the applicable rules governing the subject have been complied with, are of the opinion that the proposal should be approved by the said General Meeting of Stockholders.

Belo Horizonte, March 19, 2020.

(Signed:)

Gustavo de Oliveira Barbosa
Cláudio Morais Machado
Elizabeth Jucá e Mello Jacometti
Marco Aurélio de Barcelos Silva
Rodrigo de Mesquita Pereira

Appendix 6

Comments by the Managers on the financial situation of the Company, as per Item 10 of the Reference Form

a. Overall financial and equity situation

It is with satisfaction that we can report major progress in 2019 in various dimensions of our activity. We present results that are higher than in previous years, both in terms of financial results and operational efficiency, and focus on service to our clients.

In this renewed environment of the Company, we have reviewed Cemig's strategic plan, with the participation of senior management and department managements, analyzing the main global trends in the electricity sector and Cemig's strategic positioning in this environment, with its challenges and opportunities.

Among the strategic directives established, we highlight the commitment to significant investment in our core business, appropriate financial leverage and operational efficiency – ensuring excellence in the service to our clients and compliance with the regulatory requirements.

In this success, the involvement, commitment and talent of our employees has been fundamental. Specific targets and indicators have been established so that all are able to accompany the strategic map and perceive their individual contribution to the execution of the strategy.

Cemig's results, which were already on a growing trend, grew significantly in 2019. We report net profit of R$ 3.127 billion million for 2019 – a significant increase of 84% over the 2018 profit of R$ 1.700 billion. Cash flow, measured by Ebitda, was 21.02% higher in 2019, at R$ 4.291 billion, compared to R$ 3.781 billion in 2018.

Another aspect that merits emphasis is the significant reduction in our debt. In 2017 our financial leverage measured as Debt/Ebitda was 4.12, and at the end of 2019 this had been reduced to 2.95, with outlook for a further reduction in 2020. The reduction in debt associated with lengthening of the debt profile converges with our objective of obtaining better credit quality, through better ratings and consequently lower cost of capital.

In 2019 one of the factors that most contributed to our success was the new level of efficiency and profitability of Cemig D, which had been making losses in 2016 and 2017. Thanks to action to discipline management of costs, greater operational efficiency and prudent investments, recognized in the most recent tariff review, Cemig D[SF1] reports profit of R$ 1.644 billion and Ebitda of R$ 2.200 billion in 2019 – these are respectively increases of 207.44% and 43.42% from 2018. Among the cost reduction measures a highlight is the organizational restructuring carried out in 2019, with a 25% reduction in management positions, and implementation of a Voluntary Retirement Program, which was accepted by 458 employees.

Among the measures we have adopted to increase revenue we highlight those that aim to reduce default and non-technical losses, through a significant increase in the number of inspections of consumer units, renegotiation of past due receivables from clients and improvement in the relationship with our clients in general. We expect these to bring us significant benefits and results in 2020, with confirmation of the process of compliance of Cemig D with its required regulatory coverage.

We also do not forget the quality of service to our clients. We invested approximately R$ 900 million in 2019, and have investments of almost twice this amount scheduled for 2020: R$ 1.7 billion. These significant investments will represent a growth in revenue for the distribution company, gains in client satisfaction and reduction of expenses on operation and maintenance of the assets – ensuring that we continue to provide a service of quality and efficiency in our concession area to the population of Minas Gerais.

In Cemig GT, one of the great developments was our return to the public auctions for new investments in transmission. Although we did not win any of the lots offered, this represents a new reality for the Company, which now has the financial and competitive conditions to increase its investment program and transmission in the coming years, either through upgrading in its concession area, approved by the regulator, or through success in coming auctions.

An important event in 2019 for our consolidated profit was the final success, against which there is no further appeal, of our legal action challenging the charging of ICMS tax on amounts of Pasep and Cofins taxes already paid or charged – this represents tax credits of close to R$ 7 billion. Of this amount, R$ 3 billion is the property of Cemig itself: net of taxes this has a significant effect of almost R$ 2 billion on our net profit. When it begins to be received, it will further contribute to accelerated reduction of our debt ratios. We highlight that the Company had R$ 1.4 billion in escrow deposits made into Court, which were released by the Court in February 2020, contributing to an improvement in the Company's liquidity.

Cemig D's consumers have also benefited. As from June 2019, users' electricity bills were reduced by an average of 1%, due to the new criterion for measuring the rates of Pasep and Cofins taxes, contributing to keeping tariffs reasonable. As and when the tax credits are received and the criteria for repayment to clients are set by the regulator, Aneel, we will begin the process of returning part of the credits, in a total amount of more than R$ 4 billion.

In line with our announced policy of disposal of holdings that are not part of our strategic plan, we reduced our equity interest in Light from 49% to 22% with a partial sale of shares, which resulted in cash inflow of R$ 625 million. This amount was invested in full in Cemig's businesses.

We created **Cemig SIM!** – which will enjoy the synergy resulting from bringing together two companies: *Cemig Geração Distribuída* and *Efficientia*. This company will operate providing distributed generation services, arising from solar farms in the state of Minas Gerais, and offering solutions in energy efficiency, energy storage and electric mobility. Cemig SIM! has already invested almost R$ 300 million in 2019.

We are recognized as a sustainable company that concerns itself with the impact of its actions on the environment and on society. Our sole plant burning fuel oil is being deactivated, and when this is done we will be generating electricity from 100% renewable sources. Also, we are the company that most invests in culture in the state of Minas Gerais. We were once again included in the São Paulo Stock Exchange 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.

In relation to the external environment: after a period of recession and low growth, the Brazilian macroeconomic situation has begun to show signs of recovery. We expect to see higher growth levels for the country in 2020 than in prior years, which will certainly have positive effects on our results.

In conclusion, we have good reasons to be optimistic about the future. In this context, Cemig's senior management, operational managers and its qualified group of employees are committed and motivated to ensure progress and sustainability of our operations, ensuring adequate return to stockholders and meeting of the expectations of the other stakeholders.

b. Capital structure

The chief officers believe that the Company has a balanced capital structure. Total debt on Tuesday, December 31, 2019 was R$ 14.776 billion, of which 19% was short-term and 81% long-term. At December 31, 2018, total debt was R$ 14.772 billion, comprising 15% short-term and 85% long-term. On December, 31, 2017 total debt was R$ 14.398 billion, of which 16% was short-term and 84% long-term.

In considering these numbers, it should be taken into account that Cemig GT has systematically reduced its debt with amortizations over the years, and Cemig D has lengthened its amortization timetable with the re-profiling of debt implemented at the end of 2017, and its seventh issue of debentures, in July 2019. At the same time as Cemig D and Cemig GT amortized debt, Gasmig contracted debt of R$ 800 million in 2019. Gasmig is consolidated in Cemig's results, as now are also the debts of Parajuru and Volta do Rio (now controlled by Cemig GT).

Stockholders' equity at December 31, 2019 was R$ 15.056 billion, with net debt of R$ 13.487 billion. Stockholders' equity at December 31, 2018 was R$ 15.939 billion, with net debt of R$ 13.069 billion. At end-December 2017, equity was R$ 14.330 billion, while net debt was R$ 12.279 billion. The increase [SF2]in Stockholders' equity at December 31, 2019 compared to 2018 arises basically from retention of earnings. The increase in equity from end-2017 to end-2018 was basically in Retained earnings, while net debt was higher at the end of 2018 than 2017, due to funding raised in the year.

The level of financing of the Company's operations with its own capital and of third parties can be seen over the years in the average leverage as shown by the ratio between net debt and

Stockholders' equity. Another way of demonstrating debt is through the capital structure: the proportion between own capital and third party capital. This table shows leverage, expressed as Net debt/Stockholders' equity – and capital structure, expressed as Equity/Total liabilities: Net debt is defined as: Loans, financings, and Debentures, less Cash and cash equivalents and Securities.

Total liabilities is defined as: Current + non-current liabilities + Stockholders' equity, based on the Consolidated balance sheet:

Capital structure	2019	2018	2017
1. (Net debt) / (Stockholders' equity)	90%	82%	86%
2. Stockholders' equity / Total liabilities (Liabilities + Stockholders equity)	30%	27%	34%

The Company's chief officers believe that the indicators shown in the table above have been at appropriate levels over the period analyzed. The first indicator shows that net debt at the end of 2019 was 90% of Stockholders' equity (82% in 2018 and 86% in 2017). The second indicator shows that for every R$ 1 invested in the Company in 2019, 30% came from funds of stockholders' equity (27% in 2018, and 34% in 2017).

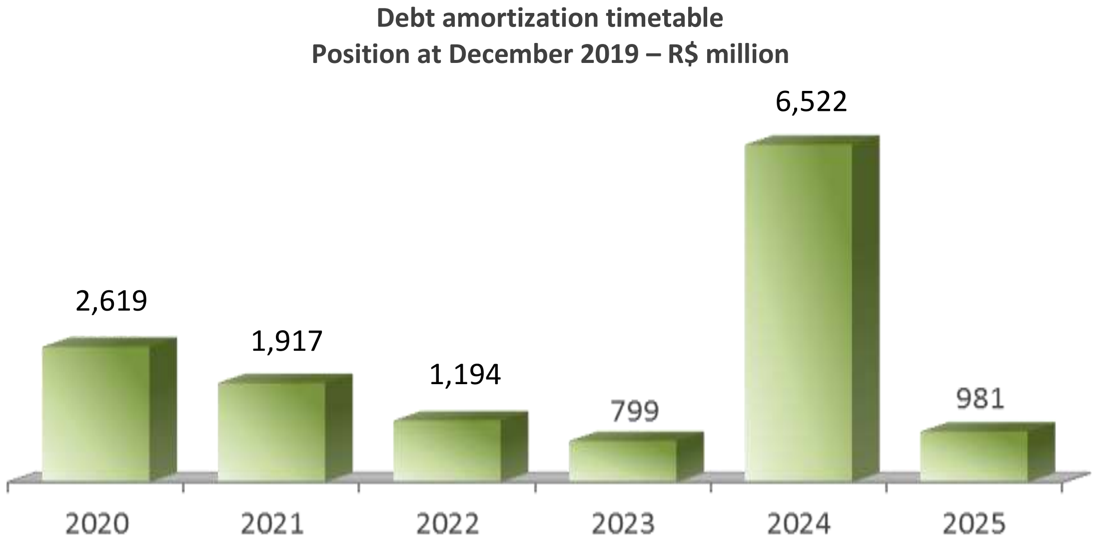
c. Payment capacity in relation to financial commitments assumed

The Company's chief officers highlight the Company's cash generation capacity, as measured by Ebitda – which was R$ 4.291 billion in 2019, compared to R$ 3.823 billion in 2018. In 2017 Ebitda was R$ 3.492 billion.

The total of the Company's cash balance plus securities at the end of 2019 was R$ 1.289 billion, compared to R$ 1.703 billion at the end of December 2018 and R$ 2.118 billion at the end of 2017.

Net debt at the end of 2019 was R$ 13.487 billion, compared to R$ 13.069 billion at the end of 2018 and R$ 12.279 billion on December 31, 2017. The net debt/Ebitda of 2019 indicates that 3.14 years' operational cash flow (Ebitda) would be needed to pay the debtor balance, compared to 3.46 years at the end of 2018 and 3.52 years at the end of 2017 – reflecting the increase in Ebitda.

As the chart below shows, the total debt of R$ 14.776 billion has now been significantly lengthened, with 39% maturing in up to three years and average tenor of 3.9 years:



The Company’s debt profile is already longer, due to the transactions of re-profiling of the debt carried out in 2017, and the Company has good prospects for continuing to refinance its short-term debt through 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 refinance its investments and to refinance debt. Also, the release of R$ 1.4 billion in Court escrow deposits in February 2020 improved the Company’s liquidity for settling short-term commitments.

The Company’s current liabilities at December 31, 2019 were R$ 8.747 billion, compared to R$ 23.394 billion at the end of 2018; and R$ 8.662 billion at the end of 2017. The variation reflects the classifications given by the Company to the assets and liabilities 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 guaranteeing its future investments and acquisitions.

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

The Company's operations are financed through cash flow from its businesses, raising of funds in the capital market, through issuance of securities both 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 issuance 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 2019, 2018 and 2017:

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

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

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, 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:

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 Ninth 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 Sixth 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 Sixth 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 variation resulting from the CDI rate, to be paid on maturity. These funds were applied in replenishment of the cash position, relating to payment of the Third Debenture Issue, and for working capital.

In July 2018, the Company completed financial settlement of an additional tranche to its initial Eurobond issue completed 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. 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.

This table gives the consolidated totals of funds raised in 2017:

Financing source	Signature date	Principal maturity	Annual financing cost – %	Amount R$$ mn (*)
Foreign currency				
Eurobonds	December 5, 2017	2024	9.25%	3,252,374
(–) Transaction costs (*)				(15,530)
Interest paid in advance (*)				(48,097)
Brazilian currency				
Debentures (1)	November 11, 2013	2022	CDI + 0.74	33,870
Debentures (2)	April 22, 2017	2019	128.50% of CDI rate	26,238
Debentures – 5th Issue, single series (3)	December 14, 2017	2022	146.50% of CDI rate	1,575,000
(–) Transaction costs (3)				(10,971)
Total raised				**4,812,884**

(*) Includes taxes with no cash effect, of R$ 9,573.
(1) Subscription by BNDESPar of Gasmig's fourth Debenture Issue, in June 2017, to support the plan for investment in expansion of the gas distribution network.
(2) CemigTelecom completed its second issue of non-convertible debentures in May 2017 with asset guarantees and additional surety, in a single series, to roll over debt and strengthen its cash position.
(3) On December 14, 2017 CemigTelecom made its 5th issue of non-convertible debentures, with maturity at 4.5 years, annual remuneration of 146.50% of the CDI rate, to be amortized in 36 monthly installments becoming due as from July 2019. Payment for subscription of the Debentures of the 5th issue was made with the debentures of the 4th issue – thus there was no cash effect in the Company.

During 2017 Cemig GT and Cemig D carried out constructive negotiations with their main creditor banks, to replace the debts becoming due in 2017 with new debts with amortization programmed over 36 monthly installments starting in January 2019, in the case of Cemig GT, and July 2019, for Cemig D. The debt that was subject of the reprofiling was with Banco do Brasil, Caixa Econômica Federal (Brazilian Federal Savings Bank), Banco Bradesco and Itaú Unibanco. At the end of December the companies concluded the re-profiling of their debts, through an issue of debentures by Cemig D, for R$ 1.575 billion, amendments to loan transactions of Cemig D (R$ 500 million with Banco do Brazil and R$ 625 million with CEF) and Cemig GT (R$ 741 million with Banco do Brasil), for a total amount of approximately R$ 3.4 billion The re-profiling of the debt of Cemig D had a cost of 146.5% of the variation arising from the CDI rate, and for Cemig GT, 140% of the CDI. The transactions of Cemig D will be amortized in 36 months starting July 2019, as to 6.75% in 2019, 13.50% in 2020, 27.0% in 2021 and 52.75% in 2022. The Cemig GT transaction will be amortized in 36 monthly installments starting January 2019. All the debts have asset guarantees, and obligations for early amortization in the event of sale of assets of Cemig GT and/or the Company.

In 2017 Cemig GT issued Eurobonds in the international market for US$ 1 billion, with six-monthly coupon, at 9.25% p.a. The 7-year issue has maturity in December 2024, with an option for prepayment, without premium after six years from issue. The issue had a surety guarantee from Cemig, and proceeds were used to amortize short-term debt. Fitch and Standard&Poors gave the issue the rating 'B'. To protect against foreign exchange variation, concomitantly with the receipt of proceeds on December 5, 2017 Cemig GT made a hedge transaction, at the cost of 150.49% of the variation arising from the CDI rate, for the total amount including the interest, through a combination of interest rate swap and call spread on the principal (i.e. in which Cemig GT accepts that the protection is up to an agreed price level). The issue deed had restrictive covenants and specified default events, which could generate early maturity of the debt. The package of covenants contains restrictions on investment, on indebtedness, on payment of dividends and asset guarantees, among other items, thus providing a combination of operational and financial flexibility for the issue and protection for investors. The covenants were decided according to the commonly accepted covenants for High Yield issues, and will ceased to be applied if and when Cemig GT is rated 'investment grade' by two rating agencies.

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 should 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 a 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 for rolling over of debt;
- issue of securities in the Brazilian and international markets (debentures, commercial paper, Eurobonds, units of Receivables Funds);
- financing for importation;
- financing from multilateral agencies;
- financing from development bodies; and
- bank loans guaranteed by trade bills.

Guidelines for raising of funds from third parties

The Company's Chief Officers believe that the importance of loans/financings for the capital structure of the Company is in the direct effects of financial leverage, which tend to maximize return on own 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 third parties, due to its importance for maximizing the wealth of the stockholder and the direct impact on the Company's capital structure and financial health, is guided by a series of directives able 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. Concentration of debt in the short term should be avoided, because it represents pressure on Company's cash flow, compromising availability if funds for investment. A regular amortization timetable should be sought in the long term. However, the longest possible maturity may not be the ideal in certain situations, in that occasionally it may be associated with a higher financial cost.

- Reduce financial cost. Reduction of the average cost of debt should be sought at all times, because, along with expectation of return for the stockholder, it is a fundamental part of the Company's weighted average cost of capital, which is the minimum reference for return on investments proposed for implementation.

- Optimize exposure to foreign currency. Optimization of the composition of the debt should be sought in relation to the indexors of the Company's assets. Because tariff remuneration is basically linked to the IGP-M index, the larger part of the composition of the debt should be linked to this indexor. However, the international debt market is the one with the highest liquidity, and funds in foreign currency are welcome, provided that any part of such transactions that does not have the protection of a hedge does not represent a significant financial risk for the Company.

- Maintain compliance with the credit quality parameters of the regulator, the rating agencies and the creditors. The Chief Officers believe that the risk perceptions of the market are important, because they define parameters to attest 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 of low risk, so as to be able to benefit from financial costs that are compatible with the profitability of the business. The Brazilian regulator, Aneel, also defines an optimal capital structure for the purposes of remuneration of the asset base of distribution.

f. Levels of indebtedness and the characteristics of these debts

On December 31, 2019 the Company’s consolidated debt balance under financial contracts was R$ 14.776 billion, and net debt was R$ 13.487 billion. On December 31, 2018 the consolidated debt balance in financial contracts was R$ 14.772 billion, net debt being R$ 13.069 billion. These differences between 2018 and 2019 reflect amortizations of debt by Cemig GT and Cemig D, partially offset by new debt of Gasmig (which Cemig consolidates), and consolidation of the debts of Parajuru and Volta do Rio (now controlled by Cemig GT). On December 31, 2017 the Company’s consolidated debt under financial contracts was R$ 14.398 billion, with net debt being R$ 12.279 billion. The changes in debt from 2017 to 2018 reflected the need to replenish Cemig D’s cash position following additional expenses on acquisition of power supply in the second half of 2018 as a result of the adverse hydrological situation, to guarantee payment of commitments becoming due.

On December 30, 2019, the principal indexors of the Company’s debt were: the US dollar (41% of the total); the CDI rate (25% of the total); the IPCA inflation index (32% of the total), and other indicators for the remaining 2%. 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 figures in the table below indicate that the Company’s credit quality is still satisfactory, when compared to the parameters usually practiced in the financial market for those indicators, and also that 2019 was positively affected by the increase in Ebitda:

	On December 31		
	2,019	2018	2017
Debt / Stockholders' equity [1]	2.32	2.76	1.95
Net debt / Ebitda [2]	3.14	3.46	3.52
(Net debt) / (Stockholders' equity + Net Debt[3])	47.3%	45.1%	46.1%

(1) Debt / equity: (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.

Financing source	Principal maturity	Annual cost, %	Currency	Consolidated				
				2019			2018	2017
				Current	Non-current	Total	Total	Total
FOREIGN CURRENCY								
Banco do Brasil – Various bonds (1) (4)	2024	Various	U$$	1,842	16,209	18,051	25,936	22,933
Eurobonds (2)	2024	9.25%	U$$	45,691	6,046,051	6,091,742	5,856,124	3,333,149
KfW (2)	2019	1.78%	Euros	–	–	–	229	4,383
(–) Transaction costs				-	-18,656	-18,656	-21,319	-15,400
(±) Funds advanced (3)				–	-30,040	-30,040	-34,269	-47,690
Debt in foreign currency				**47,533**	**6,013,564**	**6,061,097**	**5,826,701**	**3,297,375**
Brazilian currency								
Banco do Brasil (2)	2018	140.00% of CDI rate	R$	-	–	–	–	742,364
Banco do Brasil (4)(11)	2022	146.50% of CDI rate	R$	-	–	–	502,531	500,193
Caixa Econômica Federal	2018	119.00% of CDI rate	R$					8,346
Caixa Econômica Federal (4) (11)	2022	146.50% of CDI rate	R$	-	–	–	626,632	626,667
Caixa Econômica Federal (5)	2021	TJLP + 2.50%	R$	60,516	–	60,516	55,576	
Caixa Econômica Federal (6)	2022	TJLP + 2.50%	R$	117,710		117,710	107,791	
Eletrobras (4)	2023	UFIR + 6.00% to 8.00%	R$	11,221	9,047	20,268	33,182	49,789
Large consumers (4)	2024	IGP-DI + 6.00%	R$	3,485	2,097	5,582	4,985	4,304
Finep (2)	2018	TJLP + +5.00%, TJLP + +8.00%	R$					2,359
Pipoca Consortium (2)	2020	IPCA	R$	185	–	185	185	185
Banco da Amazônia S.A. (2)	2018	CDI + 1.90%	R$					121,470
Sonda (7)	2021	110.00% of CDI rate	R$	-	48,529	48,529	45,531	41,993
9th Note Issue – Single series (4)(11)	2019	151.00% of CDI rate	R$	-	–	–	425,571	–
9th Note Issue – Single series (8)	2020	107.00% of CDI rate	R$	875,247	–	875,247	–	–
(–) FIC Pampulha: Securities of subsidiary companies (9)				–3,031	–	–3,031	–23,508	
(–) Transaction costs					–277	–277	–12,524	–26,435
Debt in Brazilian currency				**1,065,333**	**59,396**	**1,124,729**	**1,765,952**	**2071235**
Total of loans and financings				**1,112,866**	**6,072,960**	**7,185,826**	**7,592,653**	**5,368,610**
Debentures – 3rd Issue, 2nd Series (2)	2019	IPCA + 6.00%	R$	-	–	–	156,361	301,065
Debentures – 3rd Issue, 3rd Series (2)	2022	IPCA + 6.20%	R$	396,330	691,659	1,087,989	1,049,331	1,010,202
Debentures – 5th Issue, Single series (2)	2018	CDI + 1.70%	R$					

								703,021
Debentures – 6th Issue, 1st series (2)	2018	CDI + 1.60%	R$					507,692
Debentures – 6th Issue, 2nd series (2)	2020	IPCA + 8.07%	R$	17,292	–	17,292	33,322	32,093
Debentures – 7th Issue, Single series (2)(12)	2021	140.00% of CDI rate	R$	289,381	288,686	578,067	1,022,646	1,683,557
Debentures – 3rd Issue, 1st Series (4)	2,018	CDI + 0.69%	R$					447,114
Debentures – 3rd Issue, 2nd Series (4)	2,021	IPCA + 4.70%	R$	568,312	540,633	1,108,945	1,596,419	1,537,147
Debentures – 3rd Issue, 3rd Series (4)	2025	IPCA + 5.10%	R$	42,109	948,784	990,893	955,722	920,197
Debentures – 4th Issue, Single series (4)	2018	CDI + 4.05%	R$					20,008
Debentures – 5th Issue, Single series (4)(11)	2022	146.50% of CDI rate	R$	-	–	–	1,580,121	1,576,220
Debentures – 6th Issue, Single series (4)(11)	2020	CDI + 1.75%	R$	-	–	–	551,214	–
Debentures – 7th Issue, 1st Series (4)	2024	CDI + 0.45%	R$	274,083	1,890,000	2,164,083	–	
Debentures – 7th Issue, 2nd Series (4)	2026	IPCA + 4.10%	R$	2,420	1,516,622	1,519,042	–	
Debentures (8)	2018	CDI + 1.60%	R$					100,328
Debentures (8)	2018	CDI + 0.74%	R$					33,350
Debentures – 4th Issue, 1st series (8)	2022	TJLP + +1.82%	R$	10,930	19,393	30,323	39,857	155,377
Debentures – 4th Issue, 2nd Series (8)	2022	Selic + 1.82%	R$	4,395	8,677	13,072	17,367	
Debentures – 4th Issue, 3rd Series (8)	2022	TJLP + 1.82%	R$	11,955	22,476	34,431	46,180	
Debentures – 4th Issue, 4th Series (8)	2022	Selic + 1.82%	R$	5,238	10,326	15,564	20,681	
Debentures – 4th Issue, 7th Series (8)	2020	TJLP + 1.82%	R$	450	–	450	716	
Debentures 2nd Issue, Single series (7)	2019	128.50% of CDI rate	R$					26,552
(–) FIC Pampulha: Securities of subsidiary companies (9)			R$					–25,492
Debentures – 6th Issue, Single series (8)	2019	116.50% of CDI rate	R$	-	–	–	50,086	50,330
Debentures – 7th Issue, Single series (8)	2023	CDI + 1.50%	R$	20,018	60,000	80,018	100,033	–
(-) Discount on issue of debentures (10)				–	–21,606	–21,606	–	
(–) Transaction costs				–9,530	–18,828	–28,358	–40,881	–49,674
Total, debentures				**1,633,383**	**5,956,822**	**7,590,205**	**7,179,175**	**9,029,087**
Overall total – Consolidated				**2,746,249**	**12,029,782**	**14,776,031**	**14,771,828**	**14,397,697**

(1) Net balance of the Restructured Debt comprising bonds at par and discounted, with balance of R$ 181,716, less the amounts given as Deposits in guarantee, with balance of R$ 163,666. Interest rates vary – from 2% to 8% p.a.; six-month Libor plus spread of 0.81% to 0.88% p.a.

(2) Cemig Geração e Transmissão.

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

(4) Cemig D (distribution).

(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.

(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 32.

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

(11) The funds incorporated into the cash position of Cemig D as a result of the distribution of its Seventh Issue of non-convertible debentures, on July 22, 2019, enabled full prepayment of the debtor balances of: the Ninth Issue of Promissory Notes, with final maturity in October 2019; the Sixth Issue of Non-convertible Debentures, with final maturity in June 2020; the Fifth Issue of Non-convertible Debentures, maturing at the end of June 2022; and Bank Credit Notes with final maturities in June 2022. These prepayments, made on July 24, 2019, totaled R$ 3.644 billion in principal, interest and charges. These initiatives have balanced the cash flow and improved the Company's credit quality. In the new debt profile, the changes consisted of extinction of existing contracts and signature of new contracts. The accounting effects of the transactions are reflected in accordance with Accounting Pronouncement CPC 48 (Financial instruments).

(12) On July 24, 2019, Cemig GT effected extraordinary amortization of its 7th issue of non-convertible debentures, in the amount of R$ 125 million, which had final maturity in December 2021.

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, 2019, 2018 and 2017, 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 in payment of the obligations, specified and guaranteed under Law 11101 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 63% of the debts of the Company's subsidiaries have a corporate guarantee from the Company, and approximately 31% of the debt is guaranteed by receivables and/or shares. 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, potentially capable of generating early maturity of the debt. The package of covenants contains restrictions on investment, on indebtedness, on payment of dividends and asset guarantees, among other items, thus providing a combination of operational and financial flexibility for the issue 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	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 Cemig Consolidated (as per 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
Dec. 31, 2019	3.5x	3.8x
Jun. 30, 2020	3.5x	3.5x
Dec. 31, 2021[SF3]	3.0x	3.5x

In December 2016 Cemig GT raised R$ 2.240 billion through its seventh 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: Notes: 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 of Cemig GT or of the Cemig holding company, as the case may be, presented to the CVM. 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 covenants, as follows:

Title	Parameter	Ratio required – Issuer	Ratio required Cemig (guarantor)	Ratio required – Parajuru and Volta do Rio	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 more	–	–	Annual
Financing – Caixa Econômica Federal Parajuru and Volta do Rio (2)	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) 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.

(1) Cross-default: Certain contractually specified situations can cause early maturity of other debts.

(2) Net finance income (expenses): Interest and financial expenses, less financial revenues; (does not apply when Net Financial Revenue (expenses) is negative).

Financial contracts of Cemig D and Cemig G contain standard clauses restraining payment of dividends if the companies are in default, restraining disposal of assets that would compromise their activities and restrain disposal of stockholding control of the Company.

Limits of financings contracted and percentages so far used

Not applicable.

h. Significant alterations in each item of the financial statements

The tables inserted 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 the business years ended December 31, 2019, 2018 and 2017 and the related explanatory notes, which have been prepared in accordance with Accounting Practices adopted in Brazil, and IFRS.

Comparison of the 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)	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 expenses	303	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	**10,137**	**20.30**	**27,796**	**46.45**	**(63.53)**
NON-CURRENT					
Securities	13	0.03	109	0.18	(88.07)
Advances to suppliers	–	–	87	0.15	–
Consumers and Traders; Concession holders (transmission service)	77	0.15	81	0.14	(4.94)
Recoverable taxes	6,349	12.72	242	0.40	2523.55
Income and Social Contribution taxes recoverable	228	0.46	6	0.01	3700.00
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	116	0.23	246	0.41	(52.85)
Concession financial and sector assets	4,850	9.71	4,927	8.23	(1.56)
Contractual assets	1,832	3.67	1,598	2.67	14.64
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 assets	11,624	23.28	10,777	18.00	7.86
Leasing – rights of use	277	0.55	–	–	–
Other expenses	148	0.30	696	1.16	(78.74)
TOTAL, NON-CURRENT	**39,790**	**79.72**	**32,059**	**53.55**	**24.11**
TOTAL ASSETS	**49,927**	**100.00**	**59,855**	**100.00**	**(16.59)**

LIABILITIES (R$ million)	Consolidated				
	2,019	% of total	2,018	% of total	%
Suppliers	2,080	4.17	1801	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	2198	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	–
Payable to related parties	8	0.02	–	–	–
Other obligations	346	0.69	247	0.41	40.49
Liabilities directly related to assets held for sale	–	–	16,272	27.19	–
TOTAL, CURRENT	**7,912**	**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	24.10	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	97	0.19	92	0.15	5.43
TOTAL, NON-CURRENT	**26,124**	**52.32**	**20,522**	**34.30**	**27.30**
TOTAL LIABILITIES	**34,036**	**68.17**	**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**	**31.82**	**14,579**	**24.36**	**8.97**
ATTRIBUTABLE TO NON-CONTROLLING STOCKHOLDER	**4**	**0.01**	**1,360**	**2.27**	**(99.71)**
STOCKHOLDERS' EQUITY	**15,891**	**31.83**	**15,939**	**26.63**	**(0.30)**
TOTAL LIABILITIES AND EQUITY	**49,927**	**100.00**	**59,855**	**100.00**	**(16.59)**

The main differences in the account lines of assets and liabilities comparing 2019 to 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[SF4] 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 [SF5]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, as a result of the successful legal action (against which there is no further appeal), in which part of the excess tax paid will be returned to customers.

PROFIT AND LOSS ACCOUNTS
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 expenses	(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**	**4589**	**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**
Share of profit (loss) in associates and joint ventures	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 the controlling shareholders	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 reports net profit for 2019 of R$ 3.127 billion, which compares to net profit of R$ 1.700 billion in 2018 – an increase of 83.95%. 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 for the year 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**	**3781**	**15.74**

(*) The expense on income tax and the Social Contribution tax includes items of R$ 85 million, in 2019, and R$ 129 million in 2018: these are presented at 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 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 was R$ 509 million, 27% less than the amount paid in 2019.

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

ASSETS (R$ million)	Consolidated				
	2018	% of total	2017	% of total	%
CURRENT					
Cash and cash equivalents	891	1.49	1,030	2.44	(13.50)
Securities	704	1.18	1,058	2.50	(33.46)
Consumers and traders	4,092	6.84	3,885	9.20	5.33
Concession financial assets	1,071	1.79	848	2.01	26.30
Contractual assets	131	0.22	–	–	–
Recoverable taxes	124	0.21	174	0.41	(28.74)
Income and Social Contribution taxes recoverable	387	0.65	340	0.80	13.82
Dividends receivable	120	0.20	77	0.18	55.84
Restricted cash	91	0.15	106	0.25	(14.15)
Inventories	36	0.06	38	0.09	(5.26)
Advance to suppliers	7	0.01	116	0.27	(93.97)
Accounts receivable from Minas Gerais State	–	–	235	0.56	(100.00)
Reimbursement of tariff subsidy payments	91	0.15	77	0.18	18.18
Low-income subsidy	30	0.05	27	0.06	11.11
Derivative financial instruments – Swap	69	0.12	–	–	–
Other expenses	506	0.85	526	1.25	(3.80)
Assets classified as held for sale	19,446	32.48	–	–	–
TOTAL, CURRENT	**27,796**	**46.45**	**8,537**	**20.20**	**225.59**
NON-CURRENT					
Securities	109	0.18	30	0.07	263.33
Advance to suppliers	87	0.15	7	0.02	1142.86
Consumers and traders	81	0.14	255	0.60	(68.24)
Recoverable taxes	242	0.40	231	0.55	4.76
Income and Social Contribution taxes recoverable	6	0.01	21	0.05	(71.43)
Deferred income tax and Social Contribution tax	2,147	3.59	1,871	4.43	14.75
Escrow deposits	2,502	4.18	2,336	5.53	7.11
Derivative financial instruments – Swap	744	1.24	9	0.02	8,166.67
Accounts receivable from Minas Gerais State	246	0.41	–	–	–
Other expenses	696	1.16	628	1.49	10.83
Concession financial assets	4,927	8.23	6,605	15.64	(25.40)
Contractual assets	1,598	2.67	–	–	–
Investments	5,235	8.74	7,792	18.45	(32.82)
Property, plant and equipment	2,662	4.45	2,762	6.54	(3.62)
Intangible assets	10,777	18.00	11,156	26.41	(3.40)
TOTAL, NON-CURRENT	**32,059**	**53.55**	**33,703**	**79.80**	**(4.88)**
TOTAL ASSETS	**59,855**	**100.00**	**42,240**	**100.00**	**41.70**

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 Capital, 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**	**33900**
TOTAL OF 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 comparing 2018 to 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.

Concession financial assets

- Long-term balances R$ 1.677 billion lower, mainly due to receipt of the reimbursements (indemnities) for the 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 ACCOUNTS

Comparison of the operational result for the business years ended December 31, 2018 and 2017

	Consolidated				
	2018	% of total	2,017	% 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)
Others	(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
Share of profit (loss) in associates and joint ventures	(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 the controlling shareholders	**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	2,018	2017	Change, %
Net profit for the year	1,700	1,001	69.83
+ Income tax and Social Contribution tax	728	644	13.04
+ Financial revenue (expenses)	518	997	(48.04)
+ Depreciation and amortization	835	850	(1.76)
= EBITDA	**3,871**	**3492**	**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 billion. 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, comprising 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.

Comparison of the Statements of financial position (balance sheets) for years ended December 31, 2017 and 2016

ASSETS (R$ million)	Consolidated				
	2 017	% of total	2016	% of total	%
CURRENT					
Cash and cash equivalents	1,030	2.44	995	2.37	3.52
Securities	1,058	2.50	1,014	2.41	4.34
Consumers and traders; Concession holders (transmission service)	3,885	9.20	3,425	8.15	13.43
Financial assets of the concession	848	2.01	730	1.74	16.16
Recoverable taxes	174	0.41	236	0.56	(26.27)
Income tax and Social Contribution taxes recoverable	340	0.80	590	1.40	(42.37)
Dividends receivable	77	0.18	11	0.03	–
Restricted cash	106	0.25	368	0.88	(71.20)
Inventories	38	0.09	49	0.12	(22.45)
Advances to suppliers	116	0.27	1	0.00	–
Accounts receivable from the State of Minas Gerais	235	0.56	–	–	–
Reimbursement of tariff subsidies	73	0.17	64	0.15	14.06
Low-income subsidy	27	0.06	36	0.09	(25.00)
Credits owed by Eletrobras – RGR	–	–	48	0.11	–
Credits owed by Eletrobras – CDE	4	0.01	90	0.21	(95.56)
Subsidies for tariffs	104	0.25	102	0.24	1.96
Other	422	1.00	527	1.25	(19.92)
TOTAL, CURRENT	**8,537**	**20.21**	**8,286**	**19.71**	**3.03**
NON-CURRENT					
Securities	30	0.07	31	0.07	(3.23)
Advances to suppliers	7	0.02	229	0.54	(96.94)
Consumers and traders; Concession holders (transmission service)	255	0.60	146	0.35	74.66
Recoverable taxes	231	0.55	178	0.42	29.78
Income tax and Social Contribution taxes recoverable	21	0.05	112	0.27	(81.25)
Deferred income tax and Social Contribution tax	1,871	4.43	1,797	4.27	4.12
Escrow deposits	2,336	5.53	1,887	4.49	23.79
Derivative financial instruments – Swaps	9	0.02	–	–	–
Other	628	1.49	1,051	2.50	(40.25)
Financial assets of the concession	6,605	15.64	4,971	11.83	32.87
Investments	7,792	18.45	8,753	20.82	(10.98)
Property, plant and equipment	2,762	6.54	3,775	8.98	(26.83)
Intangible assets	11,156	26.41	10,820	25.74	3.11
TOTAL, NON-CURRENT	**33,703**	**79.79**	**33,750**	**80.29**	**(0.14)**
TOTAL ASSETS	**42,240**	**100.00**	**42,036**	**100.00**	**0.49**

LIABILITIES (R$ million)	Consolidated				
	2017	% of total	2016	% of total	%
CURRENT					
Suppliers	2,343	5.55	1,940	4.59	20.77
Regulatory charges	513	1.21	381	0.90	34.65
Employees’ and managers’ profit shares	9	0.02	18	0.04	(50.00)
Taxes	705	1.67	794	1.88	(11.21)
Income and Social Contribution taxes	115	0.27	27	0.06	325.93
Interest on Equity, and Dividends, payable	428	1.01	467	1.11	(8.35)
Loans, financings and debentures	2,371	5.61	4,837	11.45	(50.98)
Payroll and related charges	207	0.49	225	0.53	(8.00)
Post-retirement obligations	232	0.55	199	0.47	16.58
Concessions payable	3	0.01	3.	0.01	–
Financial liabilities of the concession	415	0.98	482	1.14	(13.90)
Derivative financial instruments – Options	507	1.20	1,150	2.72	(55.91)
Advances from clients	233	0.55	181	0.43	28.73
Derivative financial instruments – Swaps	13	0.03	–	–	–
Other obligations	569	1.35	743	1.76	(23.42)
TOTAL, CURRENT	**8,663**	**20.51**	**11,447**	**27.10**	**(24.32)**
NON-CURRENT					
Regulatory charges	250	0.59	455	1.08	(45.05)
Loans, financings and debentures	12,027	28.47	10,342	24.48	16.29
Taxes	28	0.07	724	1.71	(96.13)
Deferred income tax and Social Contribution tax	735	1.74	582	1.38	26.29
Provisions	678	1.61	815	1.93	(16.81)
Post-retirement obligations	3,954	9.36	4,043	9.57	(2.20)
Concessions payable	18	0.04	19	0.04	(5.26)
Financial liabilities of the concession	–	–	323	0.76	–
Pasep and Cofins taxes to be reimbursed to consumers	1,087	2.57	–	–	–
Derivative financial instruments - Options	308	0.73	192	0.45	60.42
Derivative financial instruments – Swaps	29	0.07	–	–	–
Other obligations	133	0.31	160	0.38	(16.88)
TOTAL, NON-CURRENT	**19,247**	**45.57**	**17,655**	**41.80**	**9.02**
TOTAL LIABILITIES	**27,910**	**66.07**	**29,102**	**68.90**	**(4.10)**
STOCKHOLDERS’ EQUITY					
Share capital	6,294	14.90	6,294	14.90	–
Capital reserves	1,925	4.56	1,925	4.56	–
Profit reserves	5,729	13.56	5,200	12.31	10.17
Equity valuation adjustments	(837)	(1.98)	(489)	(1.16)	71.17
Subscription of shares, to be capitalized	1,215	2.88	–	–	–
ATTRIBUTABLE TO CONTROLLING STOCKHOLDERS	**14,326**	**33.92**	**12,930**	**30.61**	**10.80**
ATTRIBUTABLE TO NON-CONTROLLING STOCKHOLDER	**4**	**0.01**	**4**	**0.01**	**–**
STOCKHOLDERS’ EQUITY	**14,330**	**33.93**	**12,934**	**30.62**	**10.79**
TOTAL LIABILITIES AND EQUITY	**42,240**	**100.00**	**42,036**	**100.00**	**0.49**

The main differences in the account lines of assets and liabilities comparing 2017 to 2016 are as follows:

Concession financial assets (liabilities)

- The part of the increase relating to Cemig GT: an increase of R$ 1.625 billion in Financial assets of the concession, short and long-term, due to financial updating of the amounts receivable for indemnity of transmission assets, and for indemnity for the investments made in the *São Simão* and *Miranda* generation plants not amortized by the end of the contract.

- Portion of the reduction relating to Cemig D: reduction of R$ 390 million in Financial liabilities of the concession, short and long-term, reflecting the balances of the CVA account to be reimbursed through the tariff in the next tariff adjustment.

Intangible assets

- A portion of the reduction relating to Cemig D: increase of R$ 358 million in Intangible assets, due to the high amount added, of R$ 1.045 billion[SF6], realized in 2017.

Loans, financings and debentures obtained

- Reduction of R$ 782 million in the balance of debt under loans, financings and debentures, due to the financial charges paid and amortization of loans, which together totaled R$ 5.878 billion in 2017.

Derivative financial instruments

- Reduction of R$ 643 million in the balance of Derivative financial instruments, short and long-term, due to the amount written down on exercise of the Put option: it alone amounted to R$ 830 million in 2017.

PROFIT AND LOSS ACCOUNTS

Comparison of the operational result for the business years ended December 31, 2017 and 2016

	2 017	% of total	2016	% of total	%
NET REVENUE	**21,712**	**100.00**	**18,773**	**100.00**	**15.66**
OPERATIONAL COSTS AND EXPENSES					
People	1,627	7.49	1,643	8.75	(0.99)
Employees' and managers' profit shares	5	0.02	7	0.04	(36.67)
Post-retirement benefits	(229)	(1.05)	345	1.84	(166.36)
Materials	61	0.28	58	0.31	4.56
Raw materials and inputs for production of electricity	10	0.05	0	0.00	25827.50
Outsourced services	974	4.49	867	4.62	12.29
Electricity purchased for resale	10,919	50.29	8,273	44.07	31.99
Depreciation and amortization	850	3.91	834	4.44	1.86
Operating provisions (reversals)	854	3.93	704	3.75	21.26
Charges for use of the national grid	1,174	5.41	947	5.05	23.90
Gas bought for resale	1,071	4.93	877	4.67	22.06
Infrastructure construction costs	1,119	5.15	1,193	6.36	(6.23)
Other operating expenses, net (f)	383	1.76	154	0.82	149.28
Others	**18,817**	**86.67**	**15,903**	**84.71**	**18.32**
Share of profit (loss) in associates and joint ventures	(252)	(1.16)	(302)	(1.61)	(16.43)
Adjustment for loss of value in Investments		–	(763)	(4.06)	(100.00)
Operational profit before financial revenue (expenses) and taxes	**2,642**	**12.17**	**1,805**	**9.62**	**46.38**
	–		–		
Finance income	804	3.70	1041	5.55	(22.82)
Finance expenses	(1,800)	(8.29)	(2,478)	(13.20)	(27.36)
Pre-tax profit	**1,646**	**7.58**	**368**	**1.96**	**347.33**
Current income tax and Social Contribution tax	(446)	(2.06)	(174)	(0.93)	156.77
Deferred income tax and Social Contribution tax	(198)	(0.91)	141	0.75	(240.70)
NET PROFIT FOR THE YEAR	**1,002**	**4.61**	**335**	**1.78**	**199.20**

Net profit for the year

Cemig reports net profit of R$ 1.001 billion for 2017, compared to net profit of R$ 334 million in 2016 – a year-on-year increase of 199.70%. The following items 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 Ebitda was 37.98% higher in 2017 than 2016:

Ebitda – R$ '000	2017	2016	Change, %
Net profit for the year	1,001	334	199.70
+ Income tax and Social Contribution tax	644	33	1,851.52
+ Financial revenue (expenses)	997	1437	(30.62)
+ Depreciation and amortization	850	834	1.92
= EBITDA	**3,492**	**2,638**	**32.41**

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

Cemig's Ebitda was 32.41% higher year-on-year in 2018. The main items in this difference are described below after the consolidated financial statements. In line with the higher Ebitda, Ebitda margin was higher, at 16.09%, in 2017, than in 2016 (14.05%).

Cash flow from operations

The totals of net cash generated by operational activities in 2017 and 2016 were, respectively, R$ 589 million and R$ 1.213 billion. The lower net cash from operational activities in 2017 than 2016 mainly reflects the lower net profit, after adjustment for non-cash items, which was R$ 2.861 billion in 2017, vs. R$ 5.477 billion in 2016.

The lower cash flow from operational activities in 2017 than in 2016 was mainly due to higher cash outflow in 2017 to cover 'portion A' non-manageable costs, due to the higher expense of electricity due to the lower hydroelectric reservoir levels, resulting in the need to store water in the system, and activate thermoelectric plants, resulting in a higher price for power.

Cash used in investment activities

The Company used net cash of R$ 386 million in investment activities in 2017, compared to net cash of R$ 614 million used in investment activities in 2016. In 2017 the total invested in securities was positive R$ 4 million, compared to redemptions of R$ 1.401 billion in 2016. In 2017 financing activities consumed R$ 254 million, compared to R$ 1.455 billion in 2016.

Cash flow in financing activities

In 2017 financing activities consumed R$ 159 million. This comprised: amortization of financings, R$ 4.131 billion; cost of rollover of debt, R$11 million; and payment of R$ 540 million in dividends and Interest on Equity; partially offset by incoming funds from financings of R$ 3.308 billion, and capital of R$ 1.215 billion subscribed by stockholders against future capital increase.

In 2016 financing activities resulted in a net outflow of R$ 529 million, comprising: R$ 5.592 billion paid in amortization of financings; R$ 675 million paid in dividends and Interest on Equity; and inflow from financings of R$ 5.737 billion.

10.2

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, 2019 and 2018

Net profit for the year

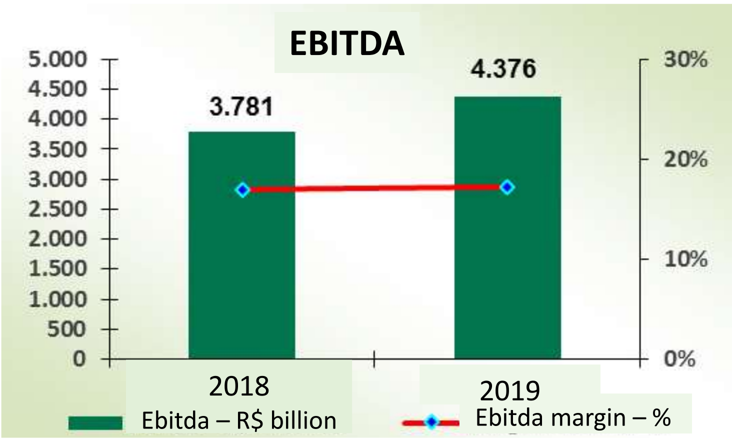
Cemig reports net profit of R$ 3.127 billion for 2019, compared to net profit of R$ 1.700 billion in 2018 – an increase of 83.95%. This report describes the main variations between the two periods in costs, expenses and financial items.

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	2,019	2018	Change, %
Net profit for the year attributable to controlling stockholders	3,127	1700	83.94
+ Income tax and the 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	3781	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 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: (i) a lower negative equity method loss in the investee Madeira; and (ii) the absence of equity method impacts from the results of Renova, since the Company's entire investment in that company was written down in December 2018.

The main items in revenue in the period:

Revenue from supply of electricity

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 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.

Cemig's electricity market

The total for sales in Cemig's consolidated electricity market comprises sales to:
(i) Captive consumers in Cemig's concession area in the State of Minas Gerais;
(ii) Free Consumers in both the State of Minas Gerais and other States of Brazil, in the Free Market (*Ambiente de Contratação Livre*, or ACL);
(iii) other agents of the electricity sector – traders, generators and independent power producers, also in the Free Market;
(iv) Distributors, in the Regulated Market (*Ambiente de Contratação Regulada*, or ACR); and
(v) the Wholesale Trading 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	9668	917.41	10,266,434	8658	843.35	2.65	11.67
Industrial	16,024,418	4760	297.05	17,689,182	4893	276.60	(9.41)	(2.72)
Commercial, services and others	9,567,336	5439	568.50	8,380,346	4683	558.86	14.16	16.13
Rural	3,795,374	2058	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**	**23918**	**549.10**	**43,522,046**	**21834**	**501.69**	**0.08**	**9.54**
Own consumption	37,827	–	–	41,244	–	–	(8.28)	–
Unbilled retail supply, net	–	134	–	–	48	–	–	181.35
	43,596,762	**24,052**	**551.69**	**43,563,290**	**21882**	**501.32**	**0.08**	**9.91**
Wholesale supply to other concession holders (3)	11,210,112	2,943	262.63	11,991,355	3002	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**	**24872**	**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 adjustment

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 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.

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 (RAP) for the existing assets of the system, updated annually based on the variation in the IPCA index. Whenever there is a strengthening, 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: positive 10.53% for Cemig GT's concession contracts; and positive 14.60% for the concession contracts of Cemig Itajubá. The adjustments comprised, respectively: (i) application of the inflation adjustment index, plus (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 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 – *Financial assets of the concession*.

Revenue from transactions in the Wholesale Trading Exchange (CCEE)

Revenue from electricity sales on the CCEE (Wholesale Electricity 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. For more information please see Note 10.

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.

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.

Consumer charges – the ‘Flag’ Tariff system

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.

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 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.

The following paragraphs comment on the main variations:

Employees' and managers' profit shares

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 1018 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 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.

Operating provisions

Operational provisions in 2019 totaled R$ 1.401 billion, compared to R$ 467 million in 2018, an increase of 414.13%. This arises mainly from the following factors:

- A loss of R$ 688,031 was recognized for expected impairment of Accounts receivable from Renova, after an assessment of the investee's credit risk.

- Higher new provisions for employment-law contingencies, 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.

- Constitution of new provisions for tax contingencies, totaling 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 ('PLR'), without there having been previously agreed targets for indicators of productivity. There are more details in Note 27.

People

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 bought for resale

In 2019 the company records an expense of R$ 1.436 billion for acquisition of gas, compared to an expense of 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.

Net financial revenue (expenses)

Cemig reports 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.
- 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.

For the breakdown of Financial Revenues and Expenses please see Note 31.

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 financial statements.

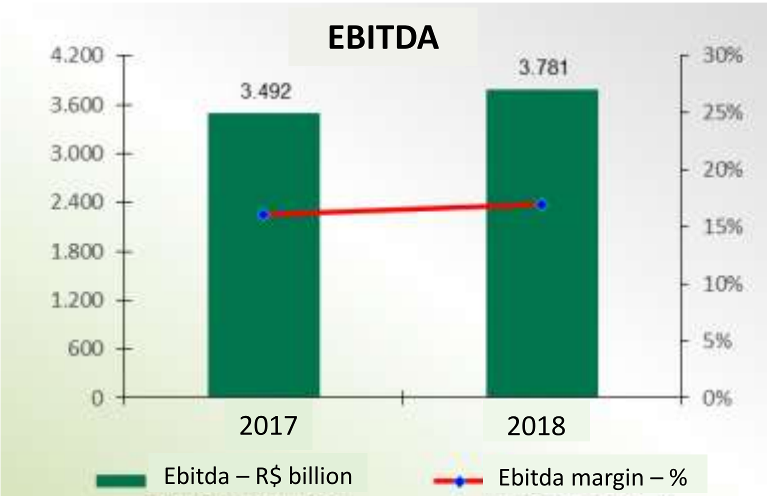
Comparison of the results of the business years ended December 31, 2018 and 2017

Net profit for the year

Cemig reports 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%. This report describes the main variations between the two periods in costs, expenses and financial items.

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 the Social Contribution tax	728	644	13.04
+ Net financial revenue (expenses)	518	997	(48.04)
+ Depreciation and amortization	835	850	(1.76)
= EBITDA	**3,781**	**3492**	**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:

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

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 customer tariffs of 10.66%.
- The annual tariff adjustment for Cemig D effective Monday, 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.

Cemig’s electricity market

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

(i) Captive consumers in Cemig’s concession area in the State of Minas Gerais;
(ii) Free Consumers in both the State of Minas Gerais and other States of Brazil, in the Free Market (*Ambiente de Contratação Livre*, or ACL);
(iii) other agents of the electricity sector – traders, generators and independent power producers, also in the Free Market;
(iv) Distributors, in the Regulated Market (*Ambiente de Contratação Regulada*, or ACR); and
(v) the Wholesale Trading 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 2018 to 2017:

	MWh (1)		
	2018	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
	43563290	**42,499,365**	**2.50**
Wholesale supply to other concession holders (2)	11,991,355	12,777,405	(6.15)
Total	**55,554,645**	**55276770**	**0.50**

(1) Data not audited 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 adjustment

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 estimate 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.

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 – *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.

Revenue from transactions on the Wholesale 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 m³ in 2017 to 1,104,745 m³ 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.

Taxes and 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 (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 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.

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.

The following paragraphs comment on the main variations:

People

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).
- A salary increase, under the Collective Agreement, of 1.83%, coming into effect in November 2017 (full effect in 2018).
- Salary increase 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 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 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 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 reflects re-evaluations of potential losses in various legal actions as a result of change in the procedural phase of provisional execution, and its effect 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.

  There is more Information in Note 25 to the financial statements.

- 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 (*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.

Construction cost

Construction costs in 2018 totaled R$ 897 million, or 19.84% less than in 2017 (R$ 1.119 million). 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. More details in Note 33.

Share of profit (loss) in associates and joint ventures

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.

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., Central Eólica Volta do Rio S.A. 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.

See more details of the transaction in Note 17.

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).
- 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 income and expenses is in Note 30.

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(d) to the financial statements.

Comparison of results of years ended December 31, 2017 and 2016

Net profit for the period

Cemig reported net profit of R$ 1.001 billion for 2017, compared to net profit of R$ 334 million in 2016 – a year-on-year increase of 235.33%. The following items 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 Ebitda was 37.98% higher in 2017 than 2016:

Ebitda – R$ '000	2,017	2016	Change, %
Net profit for the year	1,001	334	200
+ Income tax and Social Contribution tax	644	33	1,851.52
+ Financial revenue (expenses)	997	1,437	(30.62)
+ Depreciation and amortization	850	834	1.92
= EBITDA	**3,492**	**2,638**	**32.41**

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

Cemig's Ebitda in 2017 was 32.41% higher year-on-year. The items below described the main factors. In line with the higher Ebitda, Ebitda margin was higher, at 16.09%, in 2017, than in 2016 (14.05%).

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

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

Total revenue from supply of electricity in 2017 was R$ 23.701 billion, 1.16% higher than in 2016 (R$ 23.430 billion).

Final consumers

Total revenue from electricity sold to final consumers, excluding Cemig's own consumption, in 2017 was R$ 20.438 billion, or 0.10% less than the figure for 2016 of R$ 20.458 million.

The main factors in this revenue were:

- Higher revenues from the 'Flag Tariff' components of customer bills: R$ 454 million in 2017, compared to R$ 360 million in 2016. This reflects the low level of reservoirs, activating the 'Yellow Flag' and 'Red Flag' additional tariff rates, leading to higher revenue in 2017.
- Volume of electricity sold 1.36% lower.

- The annual tariff adjustment for Cemig D, effective May 28, 2016 (full effect in 2017) with average upward effect on consumer tariffs of 3.78%.
- The Annual Tariff Adjustment for Cemig D effective May 28, 2017, with an average *negative* effect on consumer tariffs of 10.66%.

Cemig's electricity market

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

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

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

This table shows consumption itemized by type of consumer:

	MWh (1)		
	2017	**2016**	**Change, %**
Residential	10,008,423	9,915,807	0.93
Industrial	17,760,807	19,494,391	(8.89)
Commercial, Services and Others	7,507,310	6,572,980	14.21
Rural	3,651,472	3,574,724	2.15
Public authorities	865,803	885,748	(2.25)
Public lighting	1,366,938	1,350,405	1.22
Public services	1,301,135	1,252,043	3.92
Subtotal	**42,461,888**	**43,046,098**	**(1.36)**
Own consumption	37,477	37,140	0.91
	42499365	**43,083,238**	**(1.36)**
Wholesale supply to other concession holders (1)	12,777,405	12,508,453	2.15
Total	**55,276,770**	**55,591,691**	**(0.57)**

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

One highlight factor is electricity sold to the *industrial* consumer segment 8.89% lower, mainly due to migration of captive consumers to the Free Market, and to a lesser extent due to the effects of lower economic activity in 2017, directly affecting electricity consumption by this segment of the market.

A counterpart to this was growth in other sectors:

- The volume of energy sold to the *commercial* consumer category was 14.21% higher year-on-year, mainly reflecting new clients added to the portfolio of Cemig GT.
- Volume sold to *rural* consumers was 2.15% higher YoY, mainly due to more irrigation and farming activity, and growth in the number of consumers.
- The volume sold to *public service* consumers was 3.92% higher, due to incorporation by Cemig D of new consumer units and higher consumption by captive consumers medium and higher voltage due to use for water treatment and distribution.

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$ 1.611 billion in 2017, or 5.56% more than in 2016 (R$ 1.705 billion).

The main factors affecting revenue from use of the network in 2017 were:

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

- Volume of electricity distributed 10.92% higher, mainly due to resumption of production by the Ferro-alloys sector in 2016.

- Reduction of approximately 40% in the TUSD which took place in the 2017 Annual Tariff Adjustment, applied as from May 28, 2017.

CVA and *Other financial components* in tariff adjustment

In its financial statements the Company recognized the difference between actual non-manageable costs, in which the CDE, and purchased energy, are strong components, and the costs that were estimated and used as the basis for decision on Cemig D's tariffs. This balance becomes the amounts that will be passed through to Cemig's tariffs at the next tariff adjustment. In 2017 this represented a gain, in revenue, of R$ 988 million, whereas in 2016 it represented a negative item in revenue, of R$ 1.455 million. The difference mainly reflects higher costs of power supply acquired in auctions in 2017 (in 2016 there was a reduction in these costs), in relation to the figures for costs used as the basis for tariffs - this generated a financial asset for the Company, which also represents the amount to be restituted to consumers in the next tariff adjustment.

There are more details in Note 15.

Transmission assets – reimbursement revenue

The transition indemnity revenue, in Cemig GT, was R$ 373 million in 2017, compared to R$ 751 million in 2016. In the previous year, as a result of the Mining and Energy Ministry setting the criteria for updating of the transmission indemnity, a posting was made, backdated to 2013, of the amount of the updating of the indemnity receivable based on the regulatory cost of own capital, which had a significant impact on the revenue reported.

We highlight the amount of R$ 149 million recorded in 2017, 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 – *Financial assets of the concession*.

Generation Indemnity Revenue

In 2017 the Company recognized revenue of R$ 272 million 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 4.

Revenue from transactions in the Wholesale Trading Exchange (CCEE)

Revenue from electricity sales on the CCEE (*Câmara de Comercialização de Energia Elétrica*) was R$ 860 million in 2017, compared to R$ 161 million in 2016 – an increase of 435.02%. Main factors:

- - the spot price (*Preço de Liquidação de Diferenças*, or PLD) was 244.28% higher year-on-year, at R$ 324.17/MWh in 2017, compared to R$ 91.16/MWh in 2016; and
- - there was a higher quantity of electricity available for settlement in the wholesale market in 2017.

Revenue from supply of gas

Cemig reported revenue from supply of gas totaling R$ 1.759 billion in 2017, compared to R$ 1.444 billion in 2016 – an increase of 21.81%. This basically reflects volume of gas sold 23.72% higher YoY (1,319,242m³ in 2017, vs. 1,066,351m³ in 2016).

Construction revenue

Distribution infrastructure construction revenues totaled R$ 1.119 billion in 2017, which compares with R$ 1.193 billion in 2016, a reduction of 6.20%. This revenue is fully offset by Construction costs, of the same amount, and corresponds to the capex investments made by the subsidiaries in assets of the concession in the year.

Other operating revenues

The Company's Other revenues comprise: Transmission concession revenue; Adjustment of expectation of cash flow from an indemnifiable financial asset of the distribution concession; Revenue from updating of the Concession Grant Fee; and Other operating revenues. They totaled R$ 2.234 billion in 2017, compared to R$ 2.040 billion in 2016, an increase of 9.51%. The composition of Other Operational Revenues is given in Note 26.

Taxes and charges reported as Deductions from revenue

Taxes and charges applied to operational revenue in 2017 were R$ 11.151 billion, or 6.23% more than in 2016 (R$ 10.467 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). Charges for the CDE in 2017 were R$ 1.822 billion, compared to R$ 2.074 billion in 2016.

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

Charges to the consumer arising from the Tariff Flag system were higher, at R$ 454 million, in 2017, compared to R$ 360 million in 2016, due to the low levels in the reservoirs' water storage levels – which activated the ‘Yellow Flag’ and ‘Red Flag’ tariffs, leading to higher charges to the consumer.

ICMS tax (VAT)

The expense on ICMS tax was R$ 5.847 billion in 2017, vs. R$ 5.211 billion in 2016. The increase primarily represents Cemig adhering, in October 2017, to the Minas Gerais State Tax Credits Regularization Plan (PRCT), and by doing so settling a specific tranche of ICMS tax. The effects of this agreement were recognized in the profit and loss account in 2017 as R$ 562 million in Deductions from revenue; R$ 31 million as financial expense; and R$ 1 million as Operational expense.

Operating costs and expenses (excluding Financial income/expenses)

Operational costs and expenses totaled R$ 18.817 billion in 2017, or 18.32% more than in 2016 (R$ 15.903 billion). There is more on the breakdown of Operational costs and expenses in Note 27.

The following paragraphs comment on the main variations:

Personnel expenses

The expense on personnel was R$ 1.627 billion in 2017, 0.99% less than in 2016 (R$ 1.643 billion). This arises mainly from the following factors:

- Salary increases, under the Collective Agreement, of 8.50%, coming into effect in November 2016 (full effect in 2017).
- Recognition of expenses on the voluntary retirement plan, of R$ 214 million in 2017 and R$ 93 million in 2016.
- Salary increase of 1.83% under the Collective Work Agreement, as from November 2017.

Tending to reduce the recurrent expense, however, the average number of employees in 2917, at 6,447, was 14.31% lower that in 2016 (7,524).

Electricity purchased for resale

The expense on electricity purchased for resale in 2017 was R$ 10.920 billion, which compares to R$ 8.273 billion in 2016 – an increase of 32.00%. The main factors are:

- Expense on power supply acquired at auction 40.00% higher in 2017, at R$ 3.556 billion, compared to R$ 2.540 billion in 2016. This is mainly due to activation of the thermoelectric generation plants in 2017, due to the low level of water in the reservoirs of the hydroelectric plants of the system, with consequent increase in expense on fuel for the thermal plants.

- The expense on electricity from Itaipu Binacional was 8.65% higher, at R$ 1.243 billion in 2017, compared to R$ 1.144 billion in 2016. The change basically reflects the increased tariff – which was US$ 25.78/kW-month in 2016, and US$ 28.73/kW-month as from January 2017.

- Purchases of supply in the spot market 97.50% higher in 2017, at R$ 1.503 billion, compared to R$ 761 million in 2016. This basically reflects the higher average spot price

(*Preço de liquidação por diferenças* – PLD), which was (R$ 324.17/MWh in 2017, vs. R$ 94.16/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 27.

<u>Charges for use of the transmission network</u>

Charges for use of the transmission network totaled R$ 1.174 billion in 2017, compared to R$ 947 million in 2016, an increase of 23.97%.

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

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

<u>Operating provisions</u>

Operational provisions totaled R$ 854 million in 2017, compared to R$ 704 million in 2016. Importantly, estimated losses for doubtful receivables were lower, at R$ 248 million in 2017, compared to R$ 382 million in 2016. We also highlight the higher provisions for employment-law cases: provisions of R$ 206 million made in 207, compared to R$ 120 in 2016. The increase in the amount provisioned reflects re-evaluations of potential losses in various legal actions as a result of the change in the procedural phase to provisional execution, in relation to actions disputing: the basis for calculation of hazardous work remuneration; claims for equal payment for allegedly unlawful outsourcing; and subsidiary/joint liability. For more information please see Note 24.

<u>Construction cost</u>

Construction costs in 2017 totaled R$ 1.119 billion, or 6.20% less than in 2016 (R$ 1.193 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.

<u>Gas bought for resale</u>

In 2017 the subsidiary Gasmig reported an expense of R$ 1.071 billion on acquisition of gas. This was 22.06% higher than the comparable expense of R$ 877 million in 2016. This mainly reflects a volume of gas bought for resale 23.11% higher (at 1,309,459m^3 in 2017, compared to 1,063,677m^3 in 2016), partially offset by lower charges under the new agreement between Gasmig and Petrobras, which reduced the daily gas offtake obligation.

<u>Post-retirement obligations</u>

The impact of the post-retirement liabilities of the Company on operational profit was a reversal of expense, totaling R$ 229 million in 2017, which compares to an expense of R$ 345 million in 2016.

This is due to changes in the life insurance policy, in which the capital insured for retirees is reduced by 20%, every 5 years, as from age 60, reaching a minimum of 20%. This results in a reduction of R$ 619 million in the post-retirement obligations posted on December 31, 2017, with counterpart in the Profit and loss account. There are more details in Note 23.

Adjustment for impairment of investments

In 2016 the Company posted an impairment of R$ 763 million related to the investments in Renova. For more information please see Note 16.

Share of profit (loss) in associates and joint ventures

The equity method gain from investees in 2017 was negative, a loss of R$ 252 million, which compares to a loss of R$ 302 million in 2016. This reflects a better equity gain from Light in 2017, which contributed a gain of R$ 35 million in the year, compared to a loss of R$ 121 million in 2016. More details in Note 16.

Net financial revenue (expenses)

Cemig posted net financial expenses in 2017 of R$ 997 million, compared to net financial expenses of R$ 1.437 billion in 2016. The main factors are:

- Costs and charges on loans and financings 20.91% lower, at R$ 1.467 billion in 2017, compared to R$ 1.860 billion in 2016. This was due mainly to the increase of debt indexed to the CDI Rate, and the lower value of the CDI rate, indexor for the debt: the CDI rate was 9.93% in 2017, compared to 14.06% in 2016.
- The result of FX variations in the year was lower: A net expense of R$ 53 million in 2017, compared to a new gain of R$ 26 million in 2016. This basically arises from an expense of R$ 57 million in Cemig GT in 2017 resulting from raising of funds indexed to the US dollar (Eurobonds);
- – expense on monetary updating of loans and financing 55.62% lower, at R$ 109 million in 2017, compared to R$ 245 million in 2016, due to the much lower IPCA inflation index in the year (2.95% in 2017, vs. 6.29% in 2016).
- A net expense on monetary variation on the *CVA* balances and *Other financial components* of tariffs of R$ 42 million in 2017, compared to a net gain of R$ 204 million in 2016. The 2016 figure contained an effect from ratification of the CVA amount by Aneel, in May 2016.
- Lower cash investment income: Lower revenue from short-term financial investments: R$ 205 million in 2017, 35.34% less than in 2016 (R$ 317 million). This basically reflects the lower CDI rate in the year (9.93% in 2017, vs. 14.06% in 2016).
- Higher monetary updating on restricted cash: R$ 191 million in 2017, compared to R$ 46 million in 2016. In 2017 the Company recognized a revenue item 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 the Pasep and Cofins taxes are charged.
- There was an expense of R$ 46 million in 2017, for monetary adjustment on the pre-sale of power supply under contract to bring forward power supply sales during the year.

For the breakdown of Financial revenues and expenses please see Note 28.

Income tax and Social Contribution tax

In 2017, the Company's expense on income tax and the Social Contribution tax totaled R$ 644 million, on pre-tax profit of R$ 1.654 billion, an effective rate of 37.80%. **In 2016**, the Company’s expense on income tax and the Social Contribution tax totaled R$ 33 million, on pre-tax profit of R$ 368 million, an effective rate of 8.97%. There is a reconciliation of these effective rates with the nominal tax rates in Note 10c.

10.3

A. Introduction, or disposal, of an operational segment

In 2019 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 2019:

Disposal of interest in and control of Light

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 100,000,000 new shares (‘the Primary Offering’), consequently increasing its share capital, and Cemig placed 33,333,333 shares it owned in Light, for R$ 18.75 per share.

With the settlement of the 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 has 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 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 the Eletrobras Auction 01/2018, referring to Lot L (Brasnorte) of 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) ratification of the object of Eletrobras Auction 01/2018, of Lot N (ETAU), of 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 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 is 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 27, 2018, Rio Minas Energia Participações S.A. ('RME'), a member of the controlling stockholding 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 all the shares 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 the commitments to those 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 the acquisition by Taesa, of 100% of the share capital and voting stock of São João Transmissora de Energia S.A. (‘SJT’) and of São Pedro Transmissora de Energia S.A. (‘SPT’), and 51% of the share capital and voting capital of Triangulo Mineiro Transmissora de Energia S.A. (‘TMT’) and of Vale do São Bartolomeu Transmissora de Energia S.A. (‘VSB’).

On December 20, 2018, an Agreement to Eliminate 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’), and the stockholding partnership between the Parties ceases to exist.

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.

We report certain activities related to subsidiaries and affiliates in 2017;

On July 3, 2017 Renova Energia S.A. announced closing of the transactions between Renova Energia S.A. and Brookfield Asset Management relating to the share purchase agreement that Renova held in the US company TerraForm Global Inc. The total price of acquisition of the shares was US$92.8 million.

On August 3, 2017 Renova Energia S.A. concluded the sale to AES Tietê Energia of the totality of the shares in Renova Energia Holding S.A., holder, through Renova Eólica Participações S.A., of the Alto Sertão II wind farm complex. The base value of the transaction was R$ 600 million, and AES Tietê also assumed the debt of the Alto Sertão II wind farm complex, in the amount of R$ 1.150 billion.

On November 24, 2017, Cemig sold, on the B3, 34,000,000 Units in Transmissora Aliança de Energia Elétrica S.A – Taesa (TAEE11) for R$ 21.10 per Unit. This reduced Cemig’s equity interest in Taesa from 31.54% to 21.68%. Cemig now owns 218,369,999 common shares in Taesa, and 5,646,184 preferred shares – 36.97% of the common shares and 1.28% of the preferred shares. The controlling stockholding block of Taesa remains unchanged: the shares sold were not bound by the Stockholders’ Agreement.

On November 24, 2017, Renova Energia S.A. completed the sale of the Umburanas wind complex to Engie Brasil Energia S.A. The value of the transaction was R$ 16,937,854.20.

On November 30, 2017 Cemig announced conclusion of the stockholding restructuring involving the transfer to Transmissora Aliança de Energia Elétrica S.A. (‘Taesa’) of the stockholdings held by Cemig in the following transmission concession holders: Companhia Transleste de Transmissão S.A. (Transleste), Companhia Transudeste de Transmissão S.A. (Transudeste) and Companhia Transirapé de Transmissão S.A. (Transirapé). The amount received by Cemig in this transaction was R$ 56,088,002.

On November 30, 2017, Cemig acquired 100% of the shares in Luce Empreendimentos e Participações S.A. (‘Lepsa’) and 100% of the preferred shares in Rio Minas Energia Participações S.A. (‘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$ 1,015,943,507.26. With this acquisition, Cemig increased its stockholding position in RME from 66.27 to 75% of the total capital, while continuing to own a 50% interest in the voting stock of RME; and increased its stockholding position in Lepsa from 66.62% to 100% of the total and voting stock.

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:

2019

The Company and its subsidiaries have applied, for the first time, certain alterations to rules, that are in effect for annual periods beginning January 1, 2019 or later.

The following paragraphs describe each of these new rules and their effects:

IFRS 16 / CPC 06 (R2) – *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.

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 evaluated in detail the impacts of adoption of IFRS 16/CPC 06 (R2), and have identified the following contracts that contain leasing:

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

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.

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

Adoption of new pronouncements effective as from January 1, 2019

(i) IAS 28/CPC 18: 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.

(ii) IAS 12/CPC 32: establishes the rules for recognition of tax effects on income from distributable dividends. This alteration does not impact the Company's financial statements, in view of the Brazilian tax legislation applicable to its transactions.

(iii) IAS 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 is determined or the gain or loss on liquidation, 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 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.

2018

The Company and its subsidiaries have applied, for the first time, certain alterations to rules, that are in effect for annual periods beginning January 1, 2018 or later.

The following paragraphs describe each of these new rules and their effects:

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 until then in effect.

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

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

The Company and its subsidiaries plan to adopt the new rule on the date of its coming into effect based on the modified backdated application, 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

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.

The standard has 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
Restrict cash	Loans and receivables	Amortized cost
Advances to suppliers	Loans and receivables	Amortized cost
Accounts receivable from Mina Gerais State	Loans and receivables	Amortized cost
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
Mina 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) They are recognized at their nominal realization values, which are similar to fair value.
(2) The Company and its subsidiaries hold 'securities' with varying classifications under a IFRS 9 / CPC 48.

Impairment of fixed assets

IFRS 9 / CPC 48 replaced the model based on losses incurred with 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.

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.

The impacts of adoption of IFRS 15 / CPC 47 and IFRS 9 / CPC 48 are reflected in the paragraphs above. In relation to the changes introduced by these pronouncements in IFRIC 12 / ICPC 01 (R1), we highlight below effects on recognition of transmission and distribution assets.

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

- ICPC 01 (R1) – *Concession contracts*

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.

2017

There were no significant changes in accounting practices in 2017.

(b) Significant effects of the changes in accounting practices

2019

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:

	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		
	12/31/2019 without adoption of IFRS 16 / CPC 06 R2	Adjustment IFRS 16 / CPC 06 R2	12/31/2019 with adoption of IFRS 16 / CPC 06 R2	12/31/2019 without adoption of IFRS 16 / CPC 06 R2	Adjustment IFRS 16 / CPC 06 R2	12/31/2019 with adoption of IFRS 16 / CPC 06 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**

Consolidated statement of income	Consolidated			Parent company		
	12/31/2019 without adoption of IFRS 16 / CPC 06 (R2)	Adjustment IFRS 16 / CPC 06 (R2)	12/31/2019 with adoption of IFRS 16 / CPC 06 (R2)	12/31/2019 without adoption of IFRS 16 / CPC 06 (R2)	Adjustment IFRS 16 / CPC 06 (R2)	12/31/2019 with adoption of IFRS 16 / CPC 06 (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 from going concern operations	**2,911,384**	**(7,378)**	**2,904,006**	**2903429**	**(98)**	**2,903,331**

2018

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

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

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

2017

As indicated above, there were no material alterations in accounting practices during the business year 2017.

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

Qualifications:

The opinions of the external auditors at Tuesday, December 31, 2019, 2018 and 2017 do not contain qualifications.

[COMPANHIA FAVOR CONFIRMAR SE NÃO HÁ RESSALVAS NAS DFS DE 2019]

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 the users of 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 at 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 Corporate 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. 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.

In the independent auditors' report for December 31, 2017 there are the following paragraphs of emphasis:

Risks related to compliance with laws and regulations

As mentioned in Note 16 to the financial statements, the Company indirectly holds an investments in Madeira Energia S.A., Renova Energia S.A. and Notre Energia S.A. (jointly referred to as 'the non-controlled investees'), which are valued by the equity method. At present, investigations and other legal measures are in progress, conducted by public authorities, in these 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 stockholders. At present it is not possible to foresee the future outcomes arising from these processes of investigation by the public authorities, nor their possible reflexive effects on the Company's financial statements. Our opinion regarding this matter is unqualified.

Risk of continuity of the non-controlled investee Renova Energia S.A.

As disclosed in Note 16 to the financial statements, the indirect, non-controlled investee Renova Energia S.A. has been reporting recurring losses, and on December 31, 2017 had negative net working capital. These events or conditions indicate the existence of significant uncertainty that could raise significant doubts as to its capacity to continue to be operational. 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 which policy better represented 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: In this category are concession financial assets related to distribution infrastructure. They are measured at New Replacement Value (*Valor Novo de Reposição,* or VNR), equivalent to fair value on the date of the financial statements. 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.

Fair value through profit or loss: In this category are Cash equivalents, Securities not classified as 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 changes in value, held for the Company's short-term cash management.

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. These instruments are maintained to regulate exposure to risk of change in foreign exchange rates, and are recognized initially at fair value. Transaction costs are recognized in the Statement of income 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 to Cemig GT units of the FIP Melbourne and FIP Malbec funds ('the SAAG Put') were measured at fair value using the Black-Scholes-Merton (BSM) method, using as reference the related put options obtained by the BSM model valued on the closing date of the financial statements for the year ended December 31, 2019.

Amortized cost: This includes accounts receivables from customers, traders and concession holders (for transmission service); advances to suppliers; 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; indemnity amounts receivable for transmission assets; accounts receivable from related parties; suppliers; loans and debentures; debt agreed with the pension fund (Forluz); suppliers; 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.

Consumers, traders and concession holders (for transmission) – These receivables are initially recorded at the value of the energy supplied and measured by amortized cost. 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 estimate 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.

In 2019, Cemig D changed the assumption used for calculation of the historic percentages of default in the provision matrix, from 12 to 24 months, aiming to enhance the estimation method, based on studies of its customers' debt behavior between 12 and 24 months from the due date, using the existing collection tools.

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 of the debtors and the initiatives in progress to realize 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.

Subsequently, devaluation losses are recognized in the income statement, through indication that recoverable value of the investment is lower than its book value.
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 result of 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 its subsidiaries acquire the control of a new asset (business), whatever its legal form. The Company accounts 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 their fair value, which will result in recognition of a goodwill premium due to expectation of future profitability, or in a gain arising from an advantageous purchase, the gain being 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.

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, as described in item (c) above.

In line with ICPC 09 (R2) the Company understands that the amount referring specifically to the right of concession, right of exploitation and 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 previously held interest 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.

Assets linked to the concession:

Distribution – In accordance with IFRS 15 – The concession infrastructure assets still under construction are recognized initially as contractual assets, considering the right of the Company to charge for the services provided to customers or 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 equivalent to new assets are initially recorded as contract 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, and 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.

Transmission: The assets linked to the infrastructure of the transmission concession are classified as contractual assets, considering that the receipt of consideration for construction of infrastructure depends on satisfaction of performance obligations during the period of the concession, represented by availability / construction, operation and maintenance of the transmission lines. The contractual asset is 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 acquisition of infrastructure are recognized in profit or loss as incurred. Construction revenues are recognized in accordance with the stage of completion of the work carried out, including the taxes applicable to revenue and any construction margin.

Of the billed amounts 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 the construction revenue, originally recognized at the time of formation of the assets, is used to write down the contractual asset. Additions for expansion and improvements generate additional cash flow, and are thus included in the asset balance of the contract.

Thus, based on the characteristics of the concession contract, the subsidiaries classify the consideration to be received for construction of infrastructure as a contractual asset since, for its realization, the financial flows are influenced by factors of operational performance, these assets not being receivable due only to passage of time, which is a condition precedent for classification of the rights as a financial asset, according to CPC 48 / IFRS 09.

Due to the acceptance of the terms of renewal of the old transmission concessions, part of the transmission assets of the concessions, linked to the national grid, were written off on December 31, 2012, and an item in Accounts receivable was posted corresponding to the estimated indemnity to be received over a period of eight years.

However, in 2018, when CPC 47/IFRS15 came into effect, part of these assets were reclassified as contractual assets, based on the regulations of Aneel and the Mining and Energy Ministry (MME). Thus, the economic portion of the RAP relating to the facilities of the National Grid arising from the regulatory reintegration quota incorporated into the Remuneration Base, is classified as a contractual asset, since the satisfaction of the performance obligation linked to construction of those assets takes place during their useful life (availability of the network).

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

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, 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 agreement period is reported 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 Profit and loss account, 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 statement of income.

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. The main rates are shown in Note 19.

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 the non-financial assets, for the purpose of assessing events or changes in the economic, operational or technological circumstances that could indicate 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 were registered 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 Profit and Loss account.

Income and Social Contribution taxes

Current: 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 and offset by the advances made.

Deferred: Deferred tax liabilities are recognized for all the inter-temporal tax differences. Deferred tax assets are recognized for all the temporary differences deductible to the extent that it is probable that future taxable profit will be available for the temporary differences to be offset. Deferred 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 income tax and Social Contribution tax assets are reviewed at the reporting date, and are reduced to the extent that their realization is no longer probable.

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

In accordance with ICPC22 / IFRIC23, 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.

Government subsidies:

Cemig 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, has been 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 Company receives amounts from the Energy Development Account (CDE) as reimbursement for subsidies on tariffs granted to users of electricity distribution service. These amounts are recognized as revenue when received.

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 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 as long as 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.

Discontinued operations are excluded from the reported profit from going concern operations, and are presented as a single amount, after taxes, based on discontinued operations, in the Profit and loss account.
Additional disclosures are presented in Note 34. All the other notes to the financial statements include amounts for going concern operations, except where otherwise stated.

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 and the actual revenues realized in the following month have not been significant. They are accounted in the subsequent month.

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

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

- Construction revenue – This corresponds to the performance obligation to build the infrastructure, by the investments in concession assets made by the Company in the reporting period. Recognition of this revenue is directly related to the expenditure incurred on the addition of contractual assets. Considering that the regulatory model currently in effect does not provide for specific remuneration for construction or upgrading of the infrastructure of the concession; that constructions and improvements are substantially executed through specialized services of outsourced parties; and that all construction revenue is related to construction of infrastructure, the Company's management has decided to record construction contract revenue with a zero profit margin.
- Operation and maintenance revenue: This arises from costs incurred and necessary to comply with performance obligations of operation and maintenance specified in a concession contract, after termination of the construction phase.

- Revenue from remuneration on the contractual asset recognized: This arises from the variation in the fair value of the remuneration base of assets posted under Transmission Concession Revenue in Gross Revenue.

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

  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 and is accrued for at the end of the month. The differences between the estimated amounts and the actual amounts realized in the month are recorded in the following month.

  The ‘Portion A’ revenue and *Other 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. There are more details in Note 16.

  The gain on adjustment of expectation of cash flow from the indemnifiable 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 end-activity of Cemig D.

Taxes on sales:

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

Financial revenues and expenses:

Financial revenues are principally interest income on funds invested, arrears charges for consumer payments made late, monetary updating of tax credits, and of financial assets of the concession, and interest income 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 and debentures. 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 where it is required by law or by the bylaws. 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 regularly by the Company’s CEO, to make decisions about resources 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. Unallocated items comprise mainly corporate assets (primarily the Company’s headquarters) and head office expenses.

Segment capital expenditure is the total cost incurred during the year to acquire: the financial 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 respective 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 present 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:

	2020	2021	2022	2023	2024	After 2025	Total
Purchase of electricity from Itaipu	1,701,227	1,538,050	1,537,912	1,567,925	1,551,030	32,724,454	40,620,598
Purchase of electricity – auctions	4,408,643	4,080,857	4,034,567	4,281,313	4,724,086	55,729,536	77,259,002
Purchase of electricity – 'bilateral contracts'	334,424	333,518	333,518	333,518	223,322	147,784	1,706,084
Quotas for Angra 1 and Angra 2	295,527	289,053	291,332	299,304	301,752	6,352,342	7,829,310
Transport of electricity from Itaipu	239,871	251,157	264,301	251,212	237,782	1,441,069	2,685,392
Other electricity purchase contracts	3,618,849	3,347,187	3,808,010	3,679,343	3,912,612	35,082,451	53,448,452
Physical quota guarantees	844,520	757,428	717,926	680,755	653,048	13,601,081	17,254,758
Total	11,443,061	10,597,250	10,987,566	11,093,370	11,603,632	145,078,717	200,803,596

Put options

Additionally, Option Contracts 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 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 Expanded National Consumer Price (IPCA) index published by the IBGE, plus interest at 7% per year, less such dividends and Interest on Equity as shall have been paid by SAAG to the pension plan entities. This being so, these options have been considered to be derivative instruments which should be accounted at fair value through profit or loss.

Based on the studies made, a liability of R$ 482,841 is recorded in the Company's financial statements (R$ 419,148 on December 31, 2018), for the difference between the exercise price and the estimated fair value of the assets.

	Consolidated and holding company
Balance on Dec. 31, 2017	**311,593**
Change in fair value	107,555
Balance at December 31, 2018	**419,148**
Change in fair value	63,693
Balance at December 31, 2019	**482,841**

10.7 - Items not shown in the financial statements

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 the results 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.

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 evidence in our financial statements, see item 10.6 of this Reference Form.

10.9

All the factors that had a significant impact on the Company’s operational performance in the business years 2019, 2018 and 2017 have been commented on and identified in the previous items of this section.

Edifício Phelps Offices Towers
Rua Antônio de Albuquerque, 156
11º andar - Savassi
30112-010 - Belo Horizonte - MG - Brazil
Tel: +55 (31) 32322100
Fax: +55 (31) 32322106
ey.com.br

Appendix 7

Opinion of the external auditors

To the
Stockholders, Members of the Board of Directors, and Managers 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, 2019 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 financial statements referred to above adequately present, in all material aspects, the individual and consolidated equity and financial positions of Companhia Energética de Minas Gerais on December 31, 2019, 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 with the Brazilian and international rules of auditing. Our responsibilities, in accordance with those rules, 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 rules 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.

Edifício Phelps Offices Towers
Rua Antônio de Albuquerque, 156
11º andar - Savassi
30112-010 - Belo Horizonte - MG - Brazil
Tel: +55 (31) 32322100
Fax: +55 (31) 32322106
ey.com.br

Emphasis of matter

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, 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.

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 these individual and consolidated financial statements. Thus we do not express a separate opinion on those matters. 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.

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 relation to the Company and 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.

Building a better working world

Edifício Phelps Offices Towers
Rua Antônio de Albuquerque, 156
11º andar - Savassi
30112-010 - Belo Horizonte - MG - Brazil
Tel: +55 (31) 32322100
Fax: +55 (31) 32322106
ey.com.br

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

How our audit addressed this matter

Our audit procedures involved, but were not limited to: (i) evaluating process and controls implemented by management for capture of processes, risk assessment, measurement, accounting recognition and disclosure of information related to the ongoing investigations, including an analysis of the reporting channel, handling of complaints and communication of the results to the Company's governance bodies; (ii) evaluation of the report issued on February 20, 2020 by the specialized company engaged by the Company to investigate such allegations; (iii) understanding and monitoring the main actions taken by management and governance bodies in relation to such allegations – interactions occurred with the Audit Board, Audit Committee, members of the Special Investigation Committee, management, and the Company's Compliance department; (iv) following up investigation updates since the issuance of the specialized company's report, as mentioned in item (ii); (v) performing procedures to identify and test unusual transactions; (vi) involving our investigations professionals to perform shadow investigation procedures and assess whether the Company's investigation process was conducted in accordance with the applicable practices; and (vii) involving experienced audit professionals to define the testing strategy, review the audit supporting documentation, and oversee the audit procedures performed. In addition, we assessed the adequacy of the Company's disclosures on this matter.

Based on the results of the audit procedures performed on the internal investigation processes, which are consistent with management's assessment, we considered that the procedures adopted by management, as well as the related disclosures in Note 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 18 to the financial statements, the Company and its subsidiaries have investments in affiliates and jointly-controlled entities, carried under the equity method in the amount of R$ 5,399,391,000, and assessed annually, or whenever applicable, for 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 significant 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, the subjectivity of management's fair value estimates, that are based on assumptions affected by future market and economic conditions, and the existence of certain specific circumstances related to certain investees' and joint ventures' delayed operations start-up and going concern risks.

Edifício Phelps Offices Towers
Rua Antônio de Albuquerque, 156
11º andar - Savassi
30112-010 - Belo Horizonte - MG - Brazil
Tel: +55 (31) 32322100
Fax: +55 (31) 32322106
ey.com.br

How our audit addressed this matter

Our audit procedures included, but were not limited to: (i) evaluating process and controls implemented by management to identify indications of impairment of investments and to estimate their net recoverable amount, as applicable; including controls over management's review of the significant assumptions underlying the fair value determination; (ii) evaluating the significant assumptions used to estimate fair value; comparing the significant assumptions used to estimate cash flows to current industry and economic trends; comparing material inputs used to the Company's operating data and performing sensitivity analysis to evaluate the 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 to define the testing strategy, to review the audit supporting documentation, and to oversee the audit procedures performed. In addition, we assessed the adequacy of the Company's disclosures on this matter.

Based on the results of the audit procedures performed on the balances of investments in affiliates and jointly-controlled entities, which are consistent with management's assessment, we considered that the criteria and assumptions relating to the impairment of investments adopted by management, as well as the related disclosures in Note 18, are acceptable in the context of the financial statements taken as a whole.

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 the ICMS amounts from the calculation basis of PIS/Pasep and Cofins taxes backdated as from 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 significant for our audit due to its complexity, necessary judgment of management, high volume of documentation analyzed, existence of divergences on interpretation of the calculation methodology between some court decisions and the Brazilian tax authorities' position, and the absence of precedents and formal guidance from the regulator (Aneel) regarding the period to determine the amount and methodology to reimburse the tax credits to the customers of the distribution segment.

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ey.com.br

How our audit addressed this matter

Our audit procedures included, but were not limited to: (i) evaluating process and controls implemented by management to determine the amounts and recoverability of tax credits to be recognized, including controls over management's review of the significant assumptions used to determine the amounts to be reimbursed to the customers; (ii) testing the completeness and accuracy of the underlying data used by the Company and its subsidiaries; (iii) reconciling the reports used to calculate the tax credits amounts with the general ledger and appropriate tax documentation; (iv) reprocessing the calculations of updating of financial income; (v) involving our tax professionals to evaluate the court dispute decision in favor of the Company and its subsidiaries, and the conclusions and the legal bases presented in its legal advisor's opinions, including those that support the calculations of amounts to be reimbursed to its customers, and to assist in evaluating the calculation basis, the support documentation, assessment of recoverability and of the calculation of financial income relating to the tax credits recognized; and (vi) involving experienced audit professionals to define the testing strategy, review the audit supporting documentation, and oversee the audit procedures performed. In addition, we assessed the adequacy of the Company's disclosures on this matter.

Based on the results of the audit procedures performed on the PIS/Pasep and Cofins tax credits recognized and related amounts to be reimbursed to the customers, which are consistent with management's assessment, we considered that the assumptions adopted by management to determine the tax credits amounts and the underlying significant assumptions used to determine the amounts to be reimbursed to customers, and the related disclosures in Note 10, are acceptable in the context of the financial statements taken as a whole.

Other matters

Statements of added value

The individual and consolidated statements of value added (SVA) for the year ended December 31, 2019, prepared under the responsibility of the Company's management, and presented as supplementary information for purposes of IFRS, were submitted to audit procedures conducted together with the audit of the Company's financial statements. To form our opinion, we evaluated whether these statements are reconciled to the financial statements and accounting records, as applicable, and if their form and content comply with the criteria defined by NBC TG 09 – *Statement of Value Added*. In our opinion, these statements of value added were prepared fairly, in all material respects, in accordance with the criteria defined in the above-mentioned accounting pronouncement and are consistent in relation to the overall individual and consolidated financial statements taken as a whole.

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Fax:+55 (31) 32322106
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Other information accompanying the individual and consolidated financial statements and the auditor's report

Management is responsible for such other information, which comprises the Management Report.

Our opinion on the individual and consolidated financial statements does not cover the Management Report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the individual and consolidated financial statements, our responsibility is to read the Management Report and, in doing so, consider whether it is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of the Management Report, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and of the governance for the individual and consolidated financial statements

Management is responsible for the preparation and fair presentation of the individual and consolidated financial statements in accordance with the accounting practices adopted in Brazil and with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free of material misstatement, whether due to fraud or error.

In preparing the individual and consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's and its subsidiaries' financial reporting process.

Auditor's responsibilities for the audit of the individual and consolidated financial statements

Our objectives are to obtain reasonable assurance about 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 on 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 these financial statements.

Building a better working world

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As part of an audit in accordance with Brazilian and International Standards on Auditing, we exercised professional judgment and maintain professional skepticism throughout the audit. We also:

- Identified and assessed the risks of material misstatement of the individual and consolidated financial statements, whether due to fraud or error, designed and performed audit procedures responsive to those risks, and obtained 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, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or override of internal control.
- Obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's and its subsidiaries' internal control.
- Evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- 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 modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluated the overall presentation, structure and content of the financial statements, including the disclosures, and whether the individual and consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtained sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the individual and consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicated with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal controls that we identify during our audit.

We also provided those charged with governance with a statement that we have complied with relevant ethical requirements, including applicable independence requirements, and communicated to them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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From the matters communicated to those charged with governance, we determined those matters that were considered to be of most significance in the audit of the financial statements of the current period and 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 19, 2020.

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 proposed increase in the share capital is of R$ 300 million (three hundred million Reais) from R$ 7,293,763,000 to R$ 7,593,763,000, an increase of 4.113103206%, by issuance of 60 million new shares, with par value of R$ 5.00 (as per the by-laws), comprising 20,056,076 common shares and 39,943,924 preferred shares.

2. State whether the increase will be carried out by means of: (a) conversion of debentures into shares; (b) exercise of subscription rights or warrants; (c) capitalization of profit or reserves; or (d) subscription of new shares.

The increase will take place by capitalization of R$ 300,000,000 (three hundred million Reais) from the Capital Reserve account.

3. Explain in detail the reasons for the increase and their legal and economic consequences.

- Article 169 of Law 6404/1976, as amended, provides for increase in the share capital of the company through capitalization of profits or reserves.
- On December, 31, 2019, the balance of Cemig's Profit Reserves account was R$ 7,830,409,000, exceeding the share capital by R$ 536,646,000.

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.

OPINION OF THE AUDIT BOARD

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 proposed increase in the share capital is of R$ 300,000,000 (three hundred million Reais) from R$ 7,293,763,000 to R$ 7,593,763,000, an increase of 4.113103206%, by issuance of 60 million new shares, with par value of R$ 5.00 (as per the by-laws), comprising 20,056,076 common shares and 39,943,924 preferred shares.
   There will be no change in the par value of the shares.

b. For companies with shares not having nominal 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 60 million new shares, with par value of R$ 5.00 (as per the by-laws), comprising 20,056,076 common shares and 39,943,924 preferred shares.

   ii. State the percentage that the stockholders will receive in shares.
      4.113103206%

   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 in relation to such corporate action payments as have been or may be decided.

   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 divided proportionally between the stockholders on the date of payment of corporate action relating to the 2019 business year.

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 new shares received to another party within 30 days from the date of their issuance.

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

Appendix I – 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, 2019 the Profit reserve, after excluding the Tax incentives reserve, exceeded the share capital by R$ 536,646,000, and an increase in the share capital is thus required by law.

This will be effected by issuance of the proposed bonus in shares, with change in the head paragraph of Article 4 of the Company's by-laws:

From:

"Clause 4 The share capital of the Company is R$ 7,293,763,005.00 (seven billion two hundred ninety three million seven hundred sixty three thousand and five Reais), represented by:

a) 487,614,213 (four hundred eighty seven million six hundred fourteen thousand two hundred thirteen) nominal common shares each with nominal value of R$ 5.00 (five Reais); and

b) 971,138,388 (nine hundred seventy one million one hundred thirty eight thousand three hundred eighty eight) nominal preferred shares each with nominal value of R$ 5.00 (five Reais)."

To:

"Clause 4 The share capital of the Company is R$ 7,593,763,005.00 (seven billion five hundred ninety three million seven hundred sixty three thousand and 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)."

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 (nominated by the majority stockholder)
Antônio Rodrigues dos Santos e Junqueira, (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 (Nominated by the preferred stockholders)
Marcelo Gasparino da Silva (Nominated by minority stockholders)
Paulo Cesar de Souza e Silva (Nominated by minority stockholders)
(Representative of the employees)

12.5	
a. Name	**Paulo Cesar de Souza e Silva**
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	July 31, 2020
g. Swearing-in date	August 1, 2020
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	
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's name and business sector; position; 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: from October 1997 to May 2019.
ii. State all the administrative 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. For each of the people who 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 into the position.	Not applicable.
12.7. Please supply the information mentioned in item 12.5 in relation to the members of the committees formed under the by-laws, and also of the audit committee, the risk committee, the finance committee and 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 committees are 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. Information on the existence of conjugal relationship, stable union or family relationship up to the second level of proximity, between:	
a) managers of the Issuer	No
b. (i) managers of the Issuer and (ii) managers of direct or indirect subsidiaries of the Issuer	No
c. (i) managers of the Issuer or of its direct or indirect subsidiaries and (ii) direct or indirect controlling stockholders of the Issuer	None
d. (i) managers of the Issuer and (ii) managers of direct or indirect subsidiaries of the Issuer	No
12.10. Information on relationships of subordination, provision of service or control existing in the last three business years between managers 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	None

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	July 31, 2020
g. Swearing-in date	August 1, 2020
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. Professional experience	
i. Principal professional experience in the last 5 years, indicating: Company's name and business sector; position; 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 administrative positions that the candidate occupies in other companies or organizations of the third sector	Member of the Boards of Directors of HapVida; Martins; and Centauro. Provided services to Bauducco, Mantiqueira Group and Santher.
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. For each of the people who 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 into the position.	Not applicable.
12.7. Please supply the information mentioned in item 12.5 in relation to the members of the committees formed under the by-laws, and also of the audit committee, the risk committee, the finance committee and 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 committees are 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. Information on the existence of conjugal relationship, stable union or family relationship up to the second level of proximity, between:	
a) managers of the Issuer	No
b. (i) managers of the Issuer and (ii) managers of direct or indirect subsidiaries of the Issuer	No
c. (i) managers of the Issuer or of its direct or indirect subsidiaries and (ii) direct or indirect controlling stockholders of the Issuer	None
d. (i) managers of the Issuer and (ii) managers of direct or indirect subsidiaries of the Issuer	No
12.10. Information on relationships of subordination, provision of service or control existing in the last three business years between managers 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	None

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	July 31, 2020
g. Swearing-in date	August 1, 2020
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. Professional experience	
i. Principal professional experience in the last 5 years, indicating: Company's name and business sector; position; 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 parties committees in listed companies. Lawyer specializing in corporate tax law, with degree from ESAG, and MBA course (in progress) in Controllership, Auditing and Finance. He serves as Chair of the Board of Directors of Eternit; and is a member of the Boards of Directors of AES Eletropaulo, Cemig and Kepler Weber; and Alternate member of the Audit Board of Petrobras. He served as Chair of the Board of Directors of Usiminas, and as a member of the Boards of Directors of Bradespar, Battistella, Celesc, Eletrobras, Tecnisa, SC Gás and Vale. He served as a member of the Audit Boards of Bradespar, AES Eletropaulo, AES Tietê and Renuka Brasil. He is Chair of the Related Parties Committee, and a member of the Audit Committee, of Eletropaulo; and 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 as CEO 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 participated in the FGV 2016 CEO program (IBE/FGV/IDE). He attended the Executive Program on Mergers and Acquisition of the London Business School, and specific courses in finance and strategy at the Institute of Directors, in London. He is co-founder and Coordinator of the Santa Catarina Chapter, holder of Board Member Certification from, and a member of the Council of, IBCG (the Brazilian Corporate Governance Institute). 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 (SBGC). As from the launch of the CBGC he inserted it as a work instrument in all the companies in which he is working, 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, distribution of natural gas, mining, steel and steel manufacturing, ports, 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 strategies that are dealt with in the Boards in which he participates – such as: turnarounds, capital

	structure, mergers & acquisitions, sale of non-core assets, financial restructuring of companies in crisis, executive succession, etc. 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 were so common in state-controlled companies, plus 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 administrative positions that the candidate occupies in other companies or organizations of the third sector.	Chair of the Board of Eternit S.A.; he is 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. For each of the people who 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 into the position.	Not applicable.
12.7. Please supply the information mentioned in item 12.5 in relation to the members of the committees formed under the by-laws, and also of the audit committee, the risk committee, the finance committee and 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 committees are 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. Information on the existence of conjugal relationship, stable union or family relationship up to the second level of proximity, between:	
a) managers of the Issuer	No
b. (i) managers of the Issuer and (ii) managers of direct or indirect subsidiaries of the Issuer	No
c. (i) managers of the Issuer or of its direct or indirect subsidiaries and (ii) direct or indirect controlling stockholders of the Issuer	None
d. (i) managers of the Issuer and (ii) managers of direct or indirect subsidiaries of the Issuer	No
12.10. Information on relationships of subordination, provision of service or control existing in the last three business years between managers 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	None

12.5 a. Name	Jose Reinaldo Magalhães
b. Date of birth	June 6, 1956
c. Profession	Economist
d. CPF or passport	227.177.906-59
e. Proposed elected position	Member of the Board of Directors of
f. Date of election	July 31, 2020
g. Swearing-in date	Aug. 1, 2020
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 of
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. Professional experience	
i. Principal professional experience in the last 5 years, indicating: Company's name and business sector; position; 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 Jereissatti Participações S.A., since April 2017.
ii. State all the administrative positions that the candidate occupies in other companies or organizations of the third sector	Member of the Board of Directors of Jereissatti 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. For each of the people who 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 into the position.	Not applicable.
12.7. Please supply the information mentioned in item 12.5 in relation to the members of the committees formed under the by-laws, and also of the audit committee, the risk committee, the finance committee and 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 committees are 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. Information on the existence of conjugal relationship, stable union or family relationship up to the second level of proximity, between:	
a) managers of the Issuer	No
b. (i) managers of the Issuer and (ii) managers of direct or indirect subsidiaries of the Issuer	No
c. (i) managers of the Issuer or of its direct or indirect subsidiaries and (ii) direct or indirect controlling stockholders of the Issuer	None
d. (i) managers of the Issuer and (ii) managers of direct or indirect subsidiaries of the Issuer	No
12.10. Information on relationships of subordination, provision of service or control existing in the last three business years between managers 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	None

12.5 a. Name	**José João Abdalla Filho**
b. Date of birth	May 30, 1945
c. Profession	Economist
d. CPF or passport	245730788-00
e. Proposed elected position	Member of the Board of Directors
f. Date of election	July 31, 2020
g. Swearing-in date	August 1, 2020
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. Professional experience	900139
i. Principal professional experience in the last 5 years, indicating: Company's name and business sector; position; 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 Banco Clássico S.A., since 1989. Alternate Member of the Board of Directors of CEG (Companhia Distribuidora de Gás do Rio de Janeiro). CEO of Dinâmica Energia S.A., since 2006. CEO of Jupem S.A. Participações e Empreendimentos since 1995. CEO of Social S.A. Mineração e Intercâmbio Comercial e Industrial since 1982.
ii. State all the administrative positions that the candidate occupies in other companies or organizations of the third sector.	Banco Clássico S.A.: CEO. Dinâmica Energia S.A.: CEO. Jupem S.A. Participações e Empreendimentos: CEO. Navegação Porto Morrinho S.A. – NPM: CEO. Agro Imobiliária Primavera S.A: CEO. Socal S.A. Min. Int. Coml. Industrial: CEO. CEG – Cia. Distribuidora de Gás do RJ: Alternate member of Board of Directors. Transmissora Aliança de Energia Elétrica S.A. ('Taesa').
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. For each of the people who 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 into the position.	Not applicable.
12.7. Please supply the information mentioned in item 12.5 in relation to the members of the committees formed under the by-laws, and also of the audit committee, the risk committee, the finance committee and 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 committees are 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	
12.9. Information on the existence of conjugal relationship, stable union or family relationship up to the second level of proximity, between:	
a) managers of the Issuer	No
b. (i) managers of the Issuer and (ii) managers of direct or indirect subsidiaries of the Issuer	No
c. (i) managers of the Issuer or of its direct or indirect subsidiaries and (ii) direct or indirect controlling stockholders of the Issuer	None
d. (i) managers of the Issuer and (ii) managers of direct or indirect subsidiaries of the Issuer	No
12.10. Information on relationships of subordination, provision of service or control existing in the last three business years between managers 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	None

12.5	Cledorvino Belini
a. Name	
b. Date of birth	May 3, 1949
c. Profession	Administration
d. CPF or passport	116.050.068-15
e. Proposed elected position	Member of the Board of Directors
f. Date of election	July 31, 2020
g. Swearing-in date	Aug. 1, 2020
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. Professional experience	900,221
i. Principal professional experience in the last 5 years, indicating: Company's name and business sector; position; 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 administrative positions that the candidate occupies in other companies or organizations of the third sector	CEO of Minas Pela Paz; Board Member, FEBAC.
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. For each of the people who 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 into the position.	Not applicable.
12.7. Please supply the information mentioned in item 12.5 in relation to the members of the committees formed under the by-laws, and also of the audit committee, the risk committee, the finance committee and the remuneration committee, even if such committees or structures are not created by the by-laws	Not applicable.

12.8. For each of the people who acted as a member of the committees established under the by-laws, and the audit, risk, financial and remuneration committees, even if such committees are not required to exist under the bylaws, state the percentage of participation in meetings held by each body in the period, subsequent to being sworn into the position.	Not applicable.
12.9. Information on the existence of conjugal relationship, stable union or family relationship up to the second level of proximity, between:	
a) managers of the Issuer	No
b. (i) managers of the Issuer and (ii) managers of direct or indirect subsidiaries of the Issuer	No
c. (i) managers of the Issuer or of its direct or indirect subsidiaries and (ii) direct or indirect controlling stockholders of the Issuer	None
d. (i) managers of the Issuer and (ii) managers of direct or indirect subsidiaries of the Issuer	No
12.10. Information on relationships of subordination, provision of service or control existing in the last three business years between managers 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. Direct or indirect controlling stockholder of the Issuer	Yes. I was 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	None

12.5 a. Name	**Antônio Rodrigues dos Santos e Junqueira**
b. Date of birth	July 26, 1983
c. Profession	Company manager
d. CPF or passport	093.966.667-77
e. Proposed elected position	Member of the Board of Directors
f. Date of election	July 31, 2020
g. Swearing-in date	August 1, 2020
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. Professional experience	
i. Principal professional experience in the last 5 years, indicating: Company's name and business sector; position; 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; Executive Director and Partner of Banco BTG Pactual from January 2013 to April 2018.
ii. State all the administrative positions that the candidate occupies in other companies or organizations of the third sector	Member of the Board of Directors of Light S.A.
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. For each of the people who 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 into the position.	Not applicable.
12.7. Please supply the information mentioned in item 12.5 in relation to the members of the committees formed under the by-laws, and also of the audit committee, the risk committee, the finance committee and 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 committees are 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. Information on the existence of conjugal relationship, stable union or family relationship up to the second level of proximity, between:	
a) managers of the Issuer	None
b. (i) managers of the Issuer and (ii) managers of direct or indirect subsidiaries of the Issuer	No
c. (i) managers of the Issuer or of its direct or indirect subsidiaries and (ii) direct or indirect controlling stockholders of the Issuer	None
d. b)(i) managers of the Issuer and (ii) managers of direct or indirect controlling stockholders of the Issuer	None
12.10. Information on relationships of subordination, provision of service or control existing in the last three business years between managers 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. Direct or indirect controlling stockholder of the Issuer	None
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

12.5 a. Name	Afonso Henriques Moreira Santos
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 of
f. Date of election	July 31, 2020
g. Swearing-in date	August 1, 2020
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	
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's name and business sector; position; 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.	After career with Itajubá Federal University from January 1980, retired 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 Boards of Directors of Light S.A., Light SESA and Light Energia S.A. from April 30 to December 11, 2019.
ii. State all the administrative 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. For each of the people who 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 into the position.	Not applicable.
12.7. Please supply the information mentioned in item 12.5 in relation to the members of the committees formed under the by-laws, and also of the audit committee, the risk committee, the finance committee and 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 committees are 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. Information on the existence of conjugal relationship, stable union or family relationship up to the second level of proximity, between:	
a) managers of the Issuer	No
b. (i) managers of the Issuer and (ii) managers of direct or indirect subsidiaries of the Issuer	No
c. (i) managers of the Issuer or of its direct or indirect subsidiaries and (ii) direct or indirect controlling stockholders of the Issuer	None
d. (i) managers of the Issuer and (ii) managers of direct or indirect subsidiaries of the Issuer	No
12.10. Information on relationships of subordination, provision of service or control existing in the last three business years between managers 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	Yes. Member of the Boards of Directors of Light S.A., Light SESA and Light Energia S.A. from May to December 2019.
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	None

Appendix 11

CVM Instruction 481/09 – Candidates for election to the Audit Board

AUDIT BOARD	
SITTING MEMBERS	**ALTERNATE MEMBERS**
Gustavo de Oliveira Barbosa (nominated by the majority stockholder)	Igor Mascarenhas Eto (nominated by the majority stockholder)
Marco Aurélio de Barcelos Silva (nominated by the majority stockholder)	Carlos Eduardo Pereira da Silva (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 (Nominated by the preferred stockholders)	Ronaldo Dias (Nominated by the preferred stockholders)
Cláudio Morais Machado (Nominated by the minority stockholders)	Carlos Roberto de Albuquerque Sá (Nominated by the minority stockholders)

12.5 a. Name	**Ronaldo Dias**
b. Date of birth	December 9, 1946.
c. Profession	Accountant
d. CPF or passport	221.285.307-68
e. Proposed elected position	Member of the Audit Board
f. Date of election	July 31, 2020
g. Swearing-in date	August 1, 2020
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	1
m. Professional experience	-
i. Principal professional experience in the last 5 years, indicating: Company's name and business sector; position; 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.	Banco Clássico S.A. – Internal Auditor and Director (Current); Administrative Manager of Fundo Dinâmica Energia. CEG – Alternate Member of the Audit Board, period of office to April 2016; Cemig: Member of the Audit Board, since 2010.
ii. State all the administrative 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. For each of the people who 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 into the position.	Not applicable.
12.7. Please supply the information mentioned in item 12.5 in relation to the members of the committees formed under the by-laws, and also of the audit committee, the risk committee, the finance committee and 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 committees are 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. Information on the existence of conjugal relationship, stable union or family relationship up to the second level of proximity, between:	
a) managers of the Issuer	No
b. (i) managers of the Issuer and (ii) managers of direct or indirect subsidiaries of the Issuer	No
c. (i) managers of the Issuer or of its direct or indirect subsidiaries and (ii) direct or indirect controlling stockholders of the Issuer	None
d. (i) managers of the Issuer and (ii) managers of direct or indirect subsidiaries of the Issuer	No
12.10. Information on relationships of subordination, provision of service or control existing in the last three business years between managers 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. 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

12.5 a. Name	Michele da Silva Gonsales
b. Date of birth	November 25, 1983
c. Profession	Lawyer
d. CPF or passport	324731878-00
e. Proposed elected position	Member of the Audit Board
f. Date of election	July 31, 2020
g. Swearing-in date	August 1, 2020
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. Professional experience	
i. Principal professional experience in the last 5 years, indicating: Company's name and business sector; position; 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.	2008/2018: Chief Counsel, Compacta Central de Restauração e Revestimentos Ltda, R&R Engenheiros Associados Ltda. Member of the Audit Board of Cemig, 2018-2019. Member of the Audit Board of Light, since 2019. Partner, ALFM Advogados. Member of the Compliance Committees of IASP (*Instituto dos Advogados de São Paulo*) and the Brazilian Bar Association (OAB), São Paulo Chapter.
ii. State all the administrative positions that the candidate occupies in other companies or organizations of the third sector	Audit Board of Light S.A. - Alternate member.
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. For each of the people who 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 into the position.	Not applicable.
12.7. Please supply the information mentioned in item 12.5 in relation to the members of the committees formed under the by-laws, and also of the audit committee, the risk committee, the finance committee and 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 committees are 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. Information on the existence of conjugal relationship, stable union or family relationship up to the second level of proximity, between:	
a) managers of the Issuer	No
b. (i) managers of the Issuer and (ii) managers of direct or indirect subsidiaries of the Issuer	No
c. (i) managers of the Issuer or of its direct or indirect subsidiaries and (ii) direct or indirect controlling stockholders of the Issuer	None
d. (i) managers of the Issuer and (ii) managers of direct or indirect subsidiaries of the Issuer	No
12.10. Information on relationships of subordination, provision of service or control existing in the last three business years between managers 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. 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

12.5 a. Name	**Marco Aurélio de Barcelos Silva**
b. Date of birth	September 10, 1980
c. Profession	Lawyer
d. CPF or passport	013-543-946-90
e. Proposed elected position	Member of the Audit Board
f. Date of election	July 31, 2020
g. Swearing-in date	August 1, 2020
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	1
m. Professional experience	-
i. Principal professional experience in the last 5 years, indicating: Company's name and business sector; position; 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.	Since Jan. 2019: Minas Gerais State Secretary for Transport and Public Works; May 2017 to Jan. 2019: Program Office of the President of the Republic, Federal Public-Private Investment Partnership Program: São Paulo Negócios (Mixed private/public company of the Municipality of São Paulo), Director, September 2014 to July 2016; General Manager, Projects, March 2014 to September 2015.
ii. State all the administrative 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. For each of the people who 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 into the position.	Not applicable.
12.7. Please supply the information mentioned in item 12.5 in relation to the members of the committees formed under the by-laws, and also of the audit committee, the risk committee, the finance committee and 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 committees are 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. Information on the existence of conjugal relationship, stable union or family relationship up to the second level of proximity, between:	
a) managers of the Issuer	No
b. (i) managers of the Issuer and (ii) managers of direct or indirect subsidiaries of the Issuer	No
c. (i) managers of the Issuer or of its direct or indirect subsidiaries and (ii) direct or indirect controlling stockholders of the Issuer	None
d. b)(i) managers of the Issuer and (ii) managers of direct or indirect controlling stockholders of the Issuer	No
12.10. Information on relationships of subordination, provision of service or control existing in the last three business years between managers 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. 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

12.5 a. Name	Igor Mascarenhas Eto
b. Date of birth	November 23, 1991
c. Profession	Company manager
d. CPF or passport	107944856-00
e. Proposed elected position	Member of the Audit Board
f. Date of election	July 31, 2020
g. Swearing-in date	August 1, 2020
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. Professional experience	
i. Principal professional experience in the last 5 years, indicating: Company's name and business sector; position; 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 Government 2019-2022 administration: State Secretary since March 2020; Government General Secretary, Jan. 2019–March 2020. Administration coordinator of Romeu Zema campaign for governor: August–October 2018. Finance Secretary of Partido Novo, Belo Horizonte: April 2017–April 2019. Since August 2017: Party expansion leader, Greater Belo Horizonte region. Official speaker for the Partido Novo, lecturer on liberalism and entrepreneurship for young leaders. Projects Manager, 2LM Consultoria e Treinamento, Belo Horizonte – March 2016–December 2017. Partner/owner of Pearson Consultoria e Gestão Estratégica - Belo Horizonte, May 2014 to November 2016 and January 2018 to August 2019. Partner/owner of ArteClube Comunicação, Belo Horizonte, – January 2015 – November 2016.
ii. State all the administrative 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. For each of the people who 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 into the position.	Not applicable.

12.7. Please supply the information mentioned in item 12.5 in relation to the members of the committees formed under the by-laws, and also of the audit committee, the risk committee, the finance committee and 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 committees are 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. Information on the existence of conjugal relationship, stable union or family relationship up to the second level of proximity, between:	
a) managers of the Issuer	No
b. (i) managers of the Issuer and (ii) managers of direct or indirect subsidiaries of the Issuer	No
c. (i) managers of the Issuer or of its direct or indirect subsidiaries and (ii) direct or indirect controlling stockholders of the Issuer	None
d. (i) managers of the Issuer and (ii) managers of direct or indirect subsidiaries of the Issuer	No
12.10. Information on relationships of subordination, provision of service or control existing in the last three business years between managers 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. 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

12.5 a. Name	Gustavo de Oliveira Barbosa
b. Date of birth	November 13, 1965
c. Profession	Accountant
d. CPF or passport	494.126.476-20
e. Proposed elected position	Member of the Audit Board
f. Date of election	July 31, 2020
g. Swearing-in date	August 1, 2020
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	1
m. Professional experience	-
i. Principal professional experience in the last 5 years, indicating: Company's name and business sector; position; 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.	Banking Technical Officer in the Regional Authority for Public Legal Entities, Federal Savings Bank (*Caixa Econômica Federal*); Consultant with Barbosa & Mello Consulting, 2019; Finance Secretary of the State of Minas Gerais, 2019; Finance and Planning Secretary of the State of Rio de Janeiro, 2016-2018; CEO of the Rio de Janeiro State Pension Fund (Rioprevidência), 2010-2016.
ii. State all the administrative 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. For each of the people who 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 into the position.	Not applicable.
12.7. Please supply the information mentioned in item 12.5 in relation to the members of the committees formed under the by-laws, and also of the audit committee, the risk committee, the finance committee and 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 committees are 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. Information on the existence of conjugal relationship, stable union or family relationship up to the second level of proximity, between:	
a) managers of the Issuer	No
b. (i) managers of the Issuer and (ii) managers of direct or indirect subsidiaries of the Issuer	No
c. (i) managers of the Issuer or of its direct or indirect subsidiaries and (ii) direct or indirect controlling stockholders of the Issuer	None
d. b)(i) managers of the Issuer and (ii) managers of direct or indirect controlling stockholders of the Issuer	No
12.10. Information on relationships of subordination, provision of service or control existing in the last three business years between managers 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. 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

12.5 a. Name	Fernando Passalio de Avelar
b. Date of birth	September 2, 1979
c. Profession	Company manager
d. CPF or passport	027.397.026-71
e. Proposed elected position	Member of the Audit Board
f. Date of election	July 31, 2020
g. Swearing-in date	8/1/2020
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. Professional experience	
i. Principal professional experience in the last 5 years, indicating: Company's name and business sector; position; 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 Deputy Economic Development Secretary, Government, since 2019. Undersecretary for Regional Development, 2019. Responsible for second-level governance of IDENE, coordinating with the Director-general for Micro and Small companies and Cooperatives, 2011 to 2016.
ii. State all the administrative positions that the candidate occupies in other companies or organizations of the third sector	Minas Gerais State Government Deputy Economic Development Secretary.
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. For each of the people who 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 into the position.	Not applicable.
12.7. Please supply the information mentioned in item 12.5 in relation to the members of the committees formed under the by-laws, and also of the audit committee, the risk committee, the finance committee and 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 committees are 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. Information on the existence of conjugal relationship, stable union or family relationship up to the second level of proximity, between:	
a) managers of the Issuer	No
b. (i) managers of the Issuer and (ii) managers of direct or indirect subsidiaries of the Issuer	No
c. (i) managers of the Issuer or of its direct or indirect subsidiaries and (ii) direct or indirect controlling stockholders of the Issuer	None
d. (i) managers of the Issuer and (ii) managers of direct or indirect subsidiaries of the Issuer	No
12.10. Information on relationships of subordination, provision of service or control existing in the last three business years between managers 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. 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

12.5 a. Name	Elizabeth Jucá e Mello Jacometti
b. Date of birth	August 7, 1960
c. Profession	Economist
d. CPF or passport	454.965.956-49
e. Proposed elected position	Member of the Audit Board
f. Date of election	July 31, 2020
g. Swearing-in date	August 1, 2020
h. Period of office	Up to the AGM of 2022
i. Other positions held or functions exercised in the Issuer	No
j. Whether elected by the controlling stockholder or not	Yes
k. Independent member / criterion	
l. Number of consecutive periods of office	1
m. Professional experience	-
i. Principal professional experience in the last 5 years, indicating: Company's name and business sector; position; 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.	2019 to date: Minas Gerais State Secretary for Social Development; member of the Audit Board of Minas Gerais Participações (MGI). Since 2008: Lecturer at Faculdade Vianna Júnior; and Lecturer at the Health Studies and Training Group (NATES) of the Federal University of Juiz de Fora. Government employee at the prefecture of Juiz de Fora (technical, upper level 3), from 1982 to 2018.
ii. State all the administrative 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. For each of the people who 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 into the position.	Not applicable.
12.7. Please supply the information mentioned in item 12.5 in relation to the members of the committees formed under the by-laws, and also of the audit committee, the risk committee, the finance committee and 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 committees are 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. Information on the existence of conjugal relationship, stable union or family relationship up to the second level of proximity, between:	
a) managers of the Issuer	No
b. (i) managers of the Issuer and (ii) managers of direct or indirect subsidiaries of the Issuer	No
c. (i) managers of the Issuer or of its direct or indirect subsidiaries and (ii) direct or indirect controlling stockholders of the Issuer	None
d. (i) managers of the Issuer and (ii) managers of direct or indirect subsidiaries of the Issuer	No
12.10. Information on relationships of subordination, provision of service or control existing in the last three business years between managers 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. 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

12.5 **a. Name**	**Cláudio Morais Machado**
b. Date of birth	September 13, 1943
c. Profession	Accountant
d. CPF or passport	070.068.530-87
e. Proposed elected position	Member of the Audit Board
f. Date of election	July 31, 2020
g. Swearing-in date	August 1, 2020
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	1
m. Professional experience	-
i. Principal professional experience in the last 5 years, indicating: Company's name and business sector; position; 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.	Served as a member of the Audit Board of Banrisul S.A., of Porto Alegre, as Chair, since 2018; as member and chair of the Audit Board of the NGO Fundação Projeto Pescar, of Porto Alegre, from 2012 to 2017; and as member of the Audit Board of Tupi S.A., of Joinville, Santa Catarina State, from 2010 to 2016. He was a member of the Technical Examination Committee of the CFC (Federal Accounting Council) for Qualification of Independent Auditors, from 2003 to 2017; and a technical expert witness in accounting, with focus on finance, for the State and Federal Judiciary, from 1998 to 2017.
ii. State all the administrative 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. For each of the people who 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 into the position.	Not applicable.
12.7. Please supply the information mentioned in item 12.5 in relation to the members of the committees formed under the by-laws, and also of the audit committee, the risk committee, the finance committee and 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 committees are 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. Information on the existence of conjugal relationship, stable union or family relationship up to the second level of proximity, between:	
a) managers of the Issuer	No
b. (i) managers of the Issuer and (ii) managers of direct or indirect subsidiaries of the Issuer	No
c. (i) managers of the Issuer or of its direct or indirect subsidiaries and (ii) direct or indirect controlling stockholders of the Issuer	None
d. (i) managers of the Issuer and (ii) managers of direct or indirect subsidiaries of the Issuer	No
12.10. Information on relationships of subordination, provision of service or control existing in the last three business years between managers 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. 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

12.5 **a. Name**	**Carlos Roberto de Albuquerque Sá**
b. Date of birth	Jan. 31, 1950
c. Profession	Economist and accountant
d. CPF or passport	212.107.217-91
e. Proposed elected position	Member of the Audit Board
f. Date of election	July 31, 2020
g. Swearing-in date	August 1, 2020
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	No
k. Independent member / criterion	
l. Number of consecutive periods of office	1
m. Professional experience	-
i. Principal professional experience in the last 5 years, indicating: Company's name and business sector; position; 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.	He serves as Coordinator of the Audit Committee of Lojas Marisa, since April 2011; as Coordinator of the Audit Committee of M. Dias Branco S.A., since 2018; as Coordinator of the Audit Committee of Camil Alimentos S.A., since April 2018; and Alternate member of the Audit Board of Cemig since April 2018. He was a member of the Audit Board of Banco do Brasil in 2014 and 2015. He was a member of the Audit Board of the holding company of Itaú Unibanco from April 2016 to March 2019; and Chair of the Audit Board of Marfrig Global Foods from April 2016 to March 2019.
ii. State all the administrative 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. For each of the people who 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 into the position.	Not applicable.
12.7. Please supply the information mentioned in item 12.5 in relation to the members of the committees formed under the by-laws, and also of the audit committee, the risk committee, the finance committee and the remuneration committee, even if such	Not applicable.

committees or structures are not created by the by-laws	
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 committees are 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. Information on the existence of conjugal relationship, stable union or family relationship up to the second level of proximity, between:	
a) managers of the Issuer	No
b. (i) managers of the Issuer and (ii) managers of direct or indirect subsidiaries of the Issuer	No
c. (i) managers of the Issuer or of its direct or indirect subsidiaries and (ii) direct or indirect controlling stockholders of the Issuer	None
d. (i) managers of the Issuer and (ii) managers of direct or indirect subsidiaries of the Issuer	No
12.10. Information on relationships of subordination, provision of service or control existing in the last three business years between managers 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. 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

12.5	
a. Name	**Carlos Eduardo Pereira da Silva**
b. Date of birth	Feb. 4, 1969
c. Profession	Doctor
d. CPF or passport	898.977.736-49
e. Proposed elected position	Member of the Audit Board
f. Date of election	July 31, 2020
g. Swearing-in date	August 1, 2020
h. Period of office	Up to the AGM of 2022
i. Other positions held or functions exercised in the Issuer	No
j. Whether elected by the controlling stockholder or not	Yes
k. Independent member / criterion	
l. Number of consecutive periods of office	1
m. Professional experience	-
i. Principal professional experience in the last 5 years, indicating: Company's name and business sector; position; 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 for Health; Healthcare Manager of the Dr. João Penido Regional Hospital; Administrative Director of the Neurosurgery Institute of Juiz de Fora; Member of the Audit Board of the Clinical and Surgery Institute of Juiz de Fora.
ii. State all the administrative positions that the candidate occupies in other companies or organizations of the third sector	Secretary for Health, Minas Gerais State
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. For each of the people who 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 into the position.	Not applicable.
12.7. Please supply the information mentioned in item 12.5 in relation to the members of the committees formed under the by-laws, and also of the audit committee, the risk committee, the finance committee and 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 committees are 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. Information on the existence of conjugal relationship, stable union or family relationship up to the second level of proximity, between:	
a) managers of the Issuer	No
b. (i) managers of the Issuer and (ii) managers of direct or indirect subsidiaries of the Issuer	No
c. (i) managers of the Issuer or of its direct or indirect subsidiaries and (ii) direct or indirect controlling stockholders of the Issuer	None
d. b)(i) managers of the Issuer and (ii) managers of direct or indirect controlling stockholders of the Issuer	No
12.10. Information on relationships of subordination, provision of service or control existing in the last three business years between managers 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. 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