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

STATEMENTS OF FINANCIAL POSITION

AS OF SEPTEMBER 30, 2020 AND DECEMBER 31, 2019

ASSETS

(In thousands of Brazilian Reais)

	Note	Sep. 30, 2020	Dec. 31, 2019
CURRENT			
Cash and cash equivalents	4	819,642	234,346
Marketable securities	5	2,212,598	109,960
Customers and traders	6	2,999,316	3,021,551
Concession holders - Transport of energy	6	262,912	242,229
Recoverable taxes	7	1,638,979	29,101
Income tax and social contribution tax recoverable	8a	138,028	235,745
Inventories		28,734	31,408
Public Lighting Contribution		164,972	164,971
Reimbursement of tariff subsidy payments	10	82,616	93,673
Low-income subsidy		42,228	29,582
Concession financial and sector assets	11	-	640,161
Others credits		130,511	174,431
TOTAL CURRENT		**8,520,536**	**5,007,158**
NON-CURRENT			
Marketable Securities	5	239,366	305
Deferred Income tax and social contribution tax	8b	1,704,358	1,741,544
Recoverable taxes	7	3,140,722	5,141,553
Escrow deposits	9	555,355	1,766,042
Customers and traders	6	120,041	711
Concession holders - Transport of energy	6	34,166	70,412
Others credits		12,802	37,562
Concession financial and sector assets	11	497,166	701,164
Contractual assets	12	961,692	740,044
Intangible assets	13	9,188,318	8,938,620
Leasing - rights of use	14	178,193	212,948
TOTAL NON-CURRENT		**16,632,179**	**19,350,905**
TOTAL ASSETS		**25,152,715**	**24,358,063**

The Condensed Explanatory Notes are an integral part of the Interim financial information.

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STATEMENTS OF FINANCIAL POSITION

AS OF SEPTEMBER 30, 2020 AND DECEMBER 31, 2019

LIABILITIES

(In thousands of Brazilian Reais)

	Note	Sep. 30, 2020	Dec. 31, 2019
CURRENT			
Loans, financing and debentures	17	1,165,219	902,949
Suppliers	15	1,480,758	1,534,689
Taxes payable	16	329,089	192,731
Payroll and related charges		158,522	130,861
Regulatory charges	18	214,621	283,361
Employees' and managers' profit shares		59,903	150,970
Post-employment obligations	19	207,472	201,241
Public Lighting Contribution		233,749	251,809
Sector financial liabilities		330,743	-
Interest on Capital, and dividends, payable	21	432,612	822,183
PIS/Pasep and Cofins taxes to be reimbursed to customers	16	630,993	-
Leasing - obligations	14	55,512	64,034
Others		299,206	176,492
TOTAL CURRENT		**5,598,399**	**4,711,320**
NON-CURRENT			
Loans, financing and debentures	17	3,982,839	4,891,973
Provisions	20	1,234,826	1,221,151
Post-employment obligations	19	4,411,719	4,359,058
Regulatory charges	18	217,041	101,968
Sector financial liabilities		633	-
Pasep and Cofins taxes to be reimbursed to customers	16	3,535,250	4,193,329
Leasing - obligations	14	133,922	157,160
Others		16,719	13,896
TOTAL NON-CURRENT		**13,532,949**	**14,938,535**
TOTAL LIABILITIES		**19,131,348**	**19,649,855**
EQUITY	21		
Share capital		5,371,998	5,371,998
Profit reserves		1,799,685	1,329,789
Equity valuation adjustments		(1,993,579)	(1,993,579)
Retained earnings		843,263	-
TOTAL EQUITY		**6,021,367**	**4,708,208**
TOTAL LIABILITIES AND EQUITY		**25,152,715**	**24,358,063**

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STATEMENTS OF INCOME

FOR THE NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2020 AND 2019

(In thousands of Brazilian Reais, except earnings per share)

	Note	Jan to Sep 2020	Jan to Sep 2019
NET REVENUE	22	**11,723,189**	**11,694,909**
OPERATING COSTS	23		
COST OF ENERGY			
Energy purchased for resale		(5,731,631)	(5,381,699)
Charges for use of the national grid		(1,191,308)	(1,098,492)
		(6,922,939)	**(6,480,191)**
OTHER COSTS			
Personnel and managers		(508,120)	(527,108)
Materials		(34,859)	(36,910)
Outsourced services		(689,588)	(662,021)
Depreciation and amortization		(417,415)	(395,892)
Operating provisions, net	23d	(87,509)	(850,142)
Infrastructure construction cost		(968,413)	(626,330)
Others		(36,652)	(45,130)
		(2,742,556)	**(3,143,533)**
TOTAL COST		**(9,665,495)**	**(9,623,724)**
GROSS PROFIT		**2,057,694**	**2,071,185**
OPERATING EXPENSES	23		
Selling expenses		(45,832)	(196,963)
General and administrative expenses		(289,150)	(300,017)
Other operating expenses, net		(390,854)	(465,463)
		(725,836)	**(962,443)**
Income before finance income (expenses) and taxes		**1,331,858**	**1,108,742**
Finance income	24	379,888	1,401,937
Finance expenses	24	(351,885)	(506,395)
Income before income tax and social contribution tax		**1,359,861**	**2,004,284**
Current income tax and social contribution tax	8c	(384,912)	(751,224)
Deferred income tax and social contribution tax	8c	(37,186)	(1,441)
NET INCOME FOR THE PERIOD		**937,763**	**1,251,619**
Basic and diluted earnings per shares, R$	21	**0.40**	**0.53**

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STATEMENTS OF INCOME

FOR THE THREE-MONTH PERIODS ENDED SEPTEMBER 30, 2020 AND 2019

(In thousands of Brazilian Reais, except earnings per share)

	Note	Jul to Sep 2020	Jul to Sep 2019
NET REVENUE	22	**4,167,458**	**3,909,130**
OPERATING COSTS	23		
COST OF ENERGY			
Energy purchased for resale		(1,909,352)	(1,925,972)
Charges for use of the national grid		(553,257)	(385,229)
		(2,462,609)	**(2,311,201)**
OTHER COSTS			
Personnel and managers		(149,258)	(161,133)
Materials		(12,628)	(12,766)
Outsourced services		(221,923)	(216,822)
Depreciation and amortization		(141,384)	(129,588)
Operating provisions, net	23d	(35,480)	(764,750)
Infrastructure construction cost		(386,669)	(263,163)
Others		(12,394)	(15,864)
		(959,736)	**(1,564,086)**
TOTAL COST		**(3,422,345)**	**(3,875,287)**
GROSS PROFIT		**745,113**	**33,843**
OPERATING EXPENSES	23		
Selling expenses (reversals)		152,817	(89,112)
General and administrative expenses		(103,962)	(107,851)
Other operating expenses, net		(158,389)	(146,130)
		(109,534)	**(343,093)**
Income before finance income (expenses) and taxes		**635,579**	**(309,250)**
Finance income	24	128,498	152,737
Finance expenses	24	(125,150)	(178,068)
Income before income tax and social contribution tax		**638,927**	**(334,581)**
Current income tax and social contribution tax	8c	(100,093)	(198,177)
Deferred income tax and social contribution tax	8c	(80,461)	217,210
NET (LOSS) INCOME FOR THE PERIOD		**458,373**	**(315,548)**
Basic and diluted earnings per shares, R$	21	**0.19**	**(0.13)**

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STATEMENTS OF COMPREHENSIVE INCOME

FOR THE NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2020 AND 2019

(In thousands of Brazilian Reais)

	Jan to Sep 2020	Jan to Sep 2019
Net income for the period	937,763	1,251,619
Comprehensive income for the period	**937,763**	**1,251,619**

The Condensed Explanatory Notes are an integral part of the Interim financial information.

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE THREE-MONTH PERIODS ENDED SEPTEMBER 30, 2020 AND 2019

(In thousands of Brazilian Reais)

	Jul to Sep 2020	Jul to Sep 2019
Net (loss) income for the period	458,373	(315,548)
Comprehensive income for the period	**458,373**	**(315,548)**

The Condensed Explanatory Notes are an integral part of the Interim financial information.

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STATEMENTS OF CHANGES IN EQUITY

FOR THE NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2020 AND 2019

(In thousands of Brazilian Reais - except where otherwise stated)

	Share capital	Advance against future capital increase	Profit reserves	Equity valuation adjustments	Retained earnings	Total equity
BALANCES ON DECEMBER 31, 2018	**2,771,998**	**2,600,000**	**545,856**	**(1,275,496)**	**-**	**4,642,358**
Net income for the period	-	-	-	-	1,251,619	1,251,619
Comprehensive income for the period	**-**	**-**	**-**	**-**	**1,251,619**	**1,251,619**
Share capital increase	2,600,000	(2,600,000)	-	-	-	-
BALANCES ON SEPTEMBER 30, 2019	**5,371,998**	**-**	**545,856**	**(1,275,496)**	**1,251,619**	**5,893,977**
BALANCES ON DECEMBER 31, 2019	**5,371,998**	**-**	**1,329,789**	**(1,993,579)**	**-**	**4,708,208**
Net income for the period	-	-	-	-	937,763	937,763
Comprehensive income for the period	**-**	**-**	**-**	**-**	**937,763**	**937,763**
Reversal of the dividend distribution proposal (note 21)	-	-	469,896	-	-	469,896
Interest on equity and dividends payable	-	-	-	-	(94,500)	(94,500)
BALANCES ON SEPTEMBER 30, 2020	**5,371,998**	**-**	**1,799,685**	**(1,993,579)**	**843,263**	**6,021,367**

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STATEMENTS OF CASH FLOWS

FOR THE NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2020 AND 2019

(In thousands of Brazilian Reais)

	Note	Jan to Sep 2020	Jan to Sep 2019
CASH FLOW FROM OPERATIONS			
Net income for the period		937,763	1,251,619
Expenses (revenues) not affecting cash and cash equivalents:			
Post-employment obligations	19	251,281	237,975
Depreciation and amortization	13b and 14	496,350	489,012
Operating provisions	23d	133,341	1,048,610
Impairment of contract assets	12	(7,942)	(26,016)
Write-off of net residual value of unrecoverable Concession financial assets and Intangible assets	11a and 13b	5,801	11,528
Financial component arising from PIS/Pasep and Cofins taxes refunded to customers - realization		(83,346)	-
Financial interest and inflation adjustment		226,705	305,115
Adjustment to expectation of contractual cash flow from the concession	11a	1,652	(10,689)
Amortization of transaction cost of loans and financings	17	1,527	25,225
Recovery of PIS/Pasep and Cofins tax credits	9	-	(1,821,143)
CVA (Parcel A Compensation) Account and Other Financial Components in tariff adjustment	22	(98,844)	(45,119)
Deferred income and social contribution taxes	8c	37,186	1,441
		1,901,474	**1,467,558**
(Increase) / decrease in assets			
Customers and traders		(142,927)	(364,188)
Concession holders - Transport of energy		15,563	(22,511)
CVA (Parcel A Compensation) Account and Other Financial Components in tariff adjustment	11b	1,343,115	110,709
Recoverable taxes		(39,351)	2,056
Income tax and social contribution tax recoverable		(9,678)	(13,905)
Escrow deposits		1,226,455	(40,841)
Reimbursement of tariff subsidies		11,057	(11,203)
Low-income subsidy		(12,646)	1,037
Others		71,353	49,373
		2,462,941	**(289,473)**
Increase / (decrease) in liabilities			
Suppliers		(126,069)	194,349
Taxes		381,056	(103,845)
Income tax and social contribution tax payable		384,912	751,224
Payroll and related charges		27,661	(25,345)
Public lighting tax		(18,060)	(51,246)
Regulatory charges		46,333	(70,733)
Post-employment obligations	19	(192,389)	(178,217)
Provisions	20	(73,834)	(76,789)
Employees’ and managers’ profit sharing		(91,067)	(43,142)
Others		129,099	34,653
		467,642	**430,909**
Cash from operating activities		**4,832,057**	**1,608,994**
Interest paid on loans, financings and debentures	17	(194,081)	(380,898)
Interest paid in leasing contracts	14	(3,076)	(21,122)
Income tax and social contribution tax payable		(37,999)	(681,681)
NET CASH FROM OPERATING ACTIVITIES		**4,596,901**	**525,293**
CASH FLOW IN INVESTMENT ACTIVITIES			
Marketable securities - cash investments		(2,341,699)	469,326
Intangible assets	13	(28,022)	(19,374)
Contract assets	12	(918,918)	(585,222)
NET CASH FLOW USED IN INVESTMENT ACTIVITIES		**(3,288,639)**	**(135,270)**
CASH FLOW IN FINANCING ACTIVITIES			
Proceeds from Loans, financings and debentures	17	-	3,626,722
Leasing liabilities paid	14b	(47,915)	(34,179)
Loans, financings and debentures, paid	17	(675,051)	(4,169,331)
Interest on capital, and dividends, paid		-	(85,000)
NET USED IN FINANCIAL ACTIVITIES		**(722,966)**	**(661,788)**
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS FOR THE PERIOD		**585,296**	**(271,765)**
Cash and cash equivalents at start of period	4	234,346	451,304
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	4	**819,642**	**179,539**

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STATEMENTS OF ADDED VALUE

FOR THE NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2020 AND 2019

(In thousands of Brazilian Reais)

	Jan to Sep 2020		Jan to Sep 2019	
REVENUES				
Sales of energy and services	17,768,652		17,701,356	
Distribution construction revenue	968,413		626,330	
Adjustment to expectation of reimbursement of distribution concession financial assets	(1,652)		10,689	
Recovery of PIS/Pasep and Cofins tax credits	-		830,333	
Other revenues	6,146		8,329	
Provision for doubtful receivables	(45,832)		(196,963)	
	18,695,727		**18,980,074**	
INPUTS ACQUIRED FROM THIRD PARTIES				
Energy bought for resale	(6,227,321)		(5,871,819)	
Charges for use of national grid	(1,312,736)		(1,210,460)	
Outsourced services	(1,140,187)		(961,371)	
Materials	(522,637)		(354,491)	
Other operating costs	(235,861)		(1,039,276)	
	(9,438,742)		**(9,437,417)**	
GROSS VALUE ADDED	**9,256,985**		**9,542,657**	
RETENTIONS				
Depreciation and amortization	(496,350)		(489,012)	
NET ADDED VALUE PRODUCED BY THE COMPANY	**8,760,635**		**9,053,645**	
ADDED VALUE RECEIVED BY TRANSFER				
Financial revenues	379,888		1,401,937	
ADDED VALUE TO BE DISTRIBUTED	**9,140,523**		**10,455,582**	
DISTRIBUTION OF ADDED VALUE				
		%		%
Employees	**915,394**	**10.01**	**946,935**	**9.06**
Direct remuneration	568,536	6.22	603,181	5.77
Post-employment obligations and Other benefits	315,189	3.45	287,274	2.75
FGTS fund	31,669	0.34	41,752	0.40
Voluntary retirement program	-	-	14,728	0.14
Taxes	**6,908,296**	**75.58**	**7,720,820**	**73.84**
Federal	2,995,722	32.77	3,726,667	35.64
State	3,908,333	42.76	3,989,206	38.15
Municipal	4,241	0.05	4,947	0.05
Remuneration of external capital	**379,070**	**4.15**	**536,208**	**5.13**
Interest	373,358	4.09	528,128	5.05
Rentals	5,712	0.06	8,080	0.08
Remuneration of own capital	**937,763**	**10.26**	**1,251,619**	**11.97**
Interest on equity	94,500	1.03	-	-
Retained earnings	843,263	9.23	1,251,619	11.97
	9,140,523	**100.00**	**10,455,582**	**100.00**

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NOTES TO THE INTERIM FINANCIAL INFORMATION

FOR THE NINE-MONTH PERIOD ENDED AS OF SEPTEMBER 30, 2020

(In thousands of Brazilian Reais, except where otherwise indicated)

1. OPERATING CONTEXT

Cemig Distribuição S.A. (‘Cemig D’, ‘Cemig Distribuição’ or ‘the Company’) is a Brazilian corporation registered for trading with the Brazilian Securities Commission (Comissão de Valores Mobiliários, or CVM), and in the Brazilian Register of Corporate Taxpayers (CNPJ) under No. 06.981.180/0001-16. A wholly-owned subsidiary of Companhia Energética de Minas Gerais - Cemig (‘Cemig’), it was incorporated on September 8, 2004, and began operating on January 1, 2005, pursuant to the separation of activities (‘unbundling’) of Cemig. Its shares are not traded on any exchange. It is domiciled in Brazil, with head office in Belo Horizonte city, Minas Gerais.

Its corporate objects are: to study, plan, project, build and commercially operate systems of distribution and sale of electricity and related services for which concessions are granted to it under any form of law.

The Company has a concession area of 567,478 km², comprising approximately 97% of the Brazilian state of Minas Gerais, serving 8,669,160 customers, on September 30, 2020 (data not reviewed by external auditors).

The Fifth Amendment to the concession contracts, signed with the Mining and Energy Ministry, extended the concession for 30 years, from January 1, 2016. The amendment establishes standards of service quality and economic-financial indicators that the Company must meet during the new concession period.

Based on the facts and circumstances at this date, management has assessed the Company’s capacity to continue operating normally and believes firmly that its operations have the capacity to generate funds to enable the continuation of its business in the future. In addition, Management is not aware of any material uncertainties that could generate significant doubts about its ability to continue operating. Therefore, this interim financial information has been prepared on a going concern basis.

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1.1 Covid - 19

General Context

On March 11, 2020, the World Health Organization characterized Covid-19 as a pandemic, reinforcing the restrictive measures recommendations to prevent the virus dissemination worldwide. These measures are based, mainly, on social distancing, which have been causing major negative impact on entities, affecting their production process, interrupting their supply chains, causing workforce shortages and closing of stores and facilities. The economies around the world are developing measures to handle the economic crisis and reduce any possible effect, especially by their central banks and fiscal authorities.

Government measures aimed at Brazilian energy sector

Several measures were implemented by the Brazilian government, specifically aimed at energy sector, which include:

- the provisional normative act. 950/2020 issued in April 8, 2020, which provides for 100% discount in the calculation of social energy tariff (‘Tarifa Social de Energia Elétrica’), from April 1, 2020 to June 30, 2020, applicable to customers included in low-income residential subclass, with energy consumption less than or equal to 220 kWh/month. The act also authorizes the Federal Government to allocate resources to Energy Development Account (CDE), limited to R$900 million, to cover the tariff discounts established;
- expansion on the limit of total amount of energy that can be declared by energy distributors in the process of the mechanism for the sale of surplus (‘Mecanismo de Venda de Excedentes’ - MVE), during 2020, from 15% to 30%, for the purpose of facilitating contractual reductions;
- provision of financial resources available in the reserve fund in April 2020, by CCEE, in accordance with Aneel Dispatch n. 986/2020, dedicated to reduce future regulatory fees. The Company was granted with R$122 million;
- under Resolution 878/2020, issued on March 24, 2020, the regulator has implemented some measures in an attempt to maintain the public service of energy supply, which include: prohibiting energy supply suspension due to default of certain categories of customers (residential), for 90 days, extended to July 31, 2020, prioritizing emergency assistance and energy supply to services and activities regarded as essential, drawing up specific contingency plans to assist health care units and hospital services, among others. Under Resolution 879/2020, issued in July 21, 2020, the regulator changed the Resolution 878/2020, as of august, 2020, maintaining the prohibition of energy supply suspension only to low income residential subclass, revoking the provisions applied to the other residential subclasses and related to services and activities regarded as essential;

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- On September 2, 2020 the government issued Provisional Measure 998/2020, to reduce the impact of the pandemic on customers' tariffs over the medium and long term. The following are some of the main measures, related to modernization of the sector and customers tariffs reduction:

i. Allocation to the Energy Development Account - CDE of funds destined to research and development and energy efficiency not yet committed to contracted projects and, during the 'Covid-account' financings payments the amount compatible with the proportion of funds historically not executed by companies of the sector.

ii. Equalization in the criterion for payment of the CDE charge for agents located in different states of a single region, as from January 1, 2021.

iii. Changes to subsidies currently existing for renewable generation sources - Small Hydro Plants (SHPs), biomass, wind and solar). Reduction in the percentage rates of the TUSD (distribution system use fee - *Tarifa para Uso do Sistema de Distribuição*) will only be applied for those projects that request the grant or change in installed capacity within 12 months from September 1, 2020, and are expected to enter into commercial operation of all the generation units associated with the request within 48 months from the issuance of grant or the act that changed the grant. Also, the discount on the TUSD and TUST (transmission system use fee) will no longer be applied after the end of the grant or if the grant is renewed. Thus, after the transition period - established by law to preserve legal security in the sector - the discounts currently specified in the fees for use of the system will not be granted for new projects. In addition, the plants granted whose sales contracted with distributors is no longer in effect will not be able to pass on the discount to sales contracts in Free market.

iv. Possibility of contracting plants to meet the power needs of the electricity system with correct payment allocation, that is, by customers in the Regulated and Free Markets, since power is a systemic requirement and a possible contracting provides energy security for all customers.

v. Suspension of energy supply to customers in the Free Market (*Ambiente de Contratação Livre*, or 'ACL') for delinquency, providing greater legal security in the Free Market.

- authorization to create the 'Covid-account', under the Decree 10,350/2020 issued on May 18, 2020, as detailed in the following topic.

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“Covid-account” (‘Conta-covid’)

On May 18, 2020, in order to cope with the public calamity caused by the Covid-19 pandemic, the Decree n. 10,350/20 authorized the creation of ‘Covid-account’, to support the energy distribution sector, which is the basis of the energy sector financial flow, aimed to either cover the distribution agents revenue/cash flow deficit or to anticipate their revenues, related to (i) over-contracted purchases due to market retraction, (ii) “CVA” sector assets (iii) maintaining the neutrality of regulatory charges, (iv) compensation for the delay in applying tariff adjustments until June 30, 2020 and (v) anticipation of “parcel B” revenues as determined by Aneel regulation.

On June 23, 2020, the regulator issued the Normative Resolution n. 885/2020, which set out the criteria and procedures to manage the ‘Covid-account’, as well as regulated the use of the CDE regulatory charge. Under this Resolution, the amount transferred to each distribution agent will be converted as a tariff negative financial component until the tariff processes of 2021 or 2022, updated by Selic rate, ensuring the neutrality.

The Company joined the financial compensation mechanism under the ‘Covid-account’ (‘Conta-covid’), in order to boost its cash flow enabling it to meet its financial obligations, in spite of the collection reduction resulting of the economic crises. On July 9, 2020, the regulator informed the total amount from the ‘Covid Account’ to be received by Cemig D, in installments, which is R$1,404,175. In the third quarter of 2020 Cemig D received R$1,280,345: R$1,186,390 on July 31, 2020, R$50,945 on August 12, 2020 and R$43,010 on September 14, 2020. Of the remaining amount, R$33,549 and R$23,442 were received on October 13, 2020 and November 12, 2020, respectively, and R$66,839 will be paid in three installments from November 2020 to January 2021.

There are some rules applied to distribution agents entitled to the ‘Covid-account’ resources, such as (i) relinquishing any intention to reduce or end the purchase of energy from generators because of a reduction in the sales caused by the pandemic crises, until December 2020; (ii) in the event of default on payments, limiting their dividend payments to the legal minimum of 25% of net income and (iii) renounce the right to complain in court or arbitral tribunals on the conditions, procedures or obligations determined in legal and regulatory provisions on ‘Covid-account’. Notwithstanding, the right to request an extraordinary tariff review is fully preserved.

Due to the statements of renunciations established in the Acceptance Document under the Normative Resolution 885/2020, on July 3, 2020 Cemig D’s Shareholders Extraordinary General Meeting approved alteration to its by-laws, to include §4 on Clause 33 limiting the distribution of mandatory dividend or interest on equity to the legal minimum, exceptionally for the cases and conditions that the regulator may demand, by rule or by contract, in order to mitigate a situation of financial imbalance caused by any fact or event attributable to a third party, or overriding government rulings, or expressly recognized force majeure.

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Company’s initiatives

On March 23, 2020, the Company established the Coronavirus Crisis Management Committee (‘Comitê Diretor de Gestão da Crise do Coronavírus’) to ensure its readiness to making decisions because of the fast-changing situation, which became more widespread, complex and systemic.

Also, in line with recommendations to maintain social-distancing measures, the Company has implemented an operational contingency plan and several precautionary measures to keep its employees healthy and safe, including: security and health technicians contacting operational staff on a daily basis; interacting daily with subcontractors Social Service department to monitor the evolution of suspicious cases; changing the schedule to prevent gatherings; restricting national and international travel; suspending technical visits and events at Company’s facilities; using remote means of communication; adopting work-from-home policies for a substantial number of employees, providing face masks for employees in external service or in service into its facilities, and requiring outsourcings providers to put the same procedures in place.

In August the Company began the plan for the gradual return-to-office, which is in compliance with measures for prevention, control and mitigation of risks of Covid-19 transmission in work environments.

In-person service to the general public was suspended temporarily, and resumed, subject to appointment, from August 3, 2020, in the municipalities that subscribed to the plan created by the State of Minas Gerais, called ‘Plano Minas Consciente’ and which are in the ‘Green Wave’ phase of the program. The decision to serve the public in person by appointment obeys the rules of the plan, and is in accordance with responsible resumption of the economy in Minas Gerais state, following the Covid-19 pandemic.

The Company maintain the communication with its customers on virtual channels and essential assistance in customers’ facilities, ensuring the appropriate energy supply.

The Company also adopted the follow measures in order to contribute with society, which are assessed continuously:

- providing payment flexibility to low-income residential subclass customers, registered as social tariff, who will be able to pay their debts in up to six installments, without interests or penalties, applied until July 1, 2020;
- providing payment flexibility to public and philanthropic hospitals as well as to emergency rooms units, without interests or penalties, conditions applied until July 1, 2020;
- offering the entities regarded as small business by Brazilian law the option for payment in up to six installments, without interests or penalties, conditions applied until July 1, 2020;

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- a negotiation campaign was launched, in effect until October, 31, 2020, enabling customers to pay debt by installments in up to 12 months without interest.

The Company is working diligently to mitigate the crisis impacts on its liquidity, implementing the following measures, among others:

- capital expenditure restraint and expenses reduction;
- negotiating with its customers on the free market their contracts;
- deferral payment of taxes and social charges, as authorized by legislation.

Impact of Covid-19 on Financial Statements

Considering the significant restrictions on business and social interaction during the Covid-19 pandemic in combination with the latest movements in exchange and interest rates, the Company estimates that the resulting economic contraction might have a negative effect on its liquidity, but the overall impact of the Covid-19 outbreak on its financial position and performance are concentrated in second quarter and first half of third quarter 2020.

In such a scenario, the significant intervention in the local market policies and the initiatives to reduce the transmission of Covid-19 are likely to cause a reduction in energy consumption and consequently in revenue from sale of energy, as well as an increase in expected credit losses.

As of September 30, 2020, from the observation of the pandemic's immediate economic effects, the Company assessed the assumptions used for calculating fair value and recoverable amount of certain financial and non-financial assets, as follows:

- The Company is assessing the circumstances arising from Covid-19 pandemic and associated measures aimed at reducing the impact of the economic contraction on customer delinquency when measuring expected credit losses. The Company has intensified measures to mitigate the risks of delinquency, such as a campaign of negotiation with clients in arrears whose energy supply the Company was temporarily prohibited from suspending as well as intensifying the usual collection measures. The return of economic activities after the peak of the coronavirus outbreak, as well as the authorization of the energy supply suspension, as of August, 2020 provided by Normative Resolution n. 891/2020 have contributed to the reestablishment of the collection behavior, which reduced in April 2020. In addition, the negotiations to enable the recovery of past due receivables and the possible regulator's measures to reestablish economic balance, may mitigate the negative effects of the economic crisis on collection;

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- the Company has also made an assessment attempting to identify the behavior of the interest rates and discount rates that are the basis for the calculation of post-employment obligations, and believes that at this moment, due to the high volatility of the market, it is not possible to conclude whether the present rates reflect an alteration in the macroeconomic fundamentals that would indicate a need for recalculation of the actuarial liabilities;
- despite the uncertainties related to the crisis unfolding and its potential long-term effects, the Company does not expect that the negative impact on its projections of likely future taxable profits might compromise the recoverability of its deferred tax assets;
- The Company also reviewed the financial assets and liabilities measured at fair value to reflect the conditions and current rates projected, which impacts are presented in Note 26.
- The total load on the Brazilian national grid fell in 2020, especially from March to May, and has been recovering gradually since. In the first nine months of 2020, the energy transported and sold to Cemig D customers increased 1.63% compared with the same period of the last year, and was 7.60% higher in the third quarter of 2020 compared with the same period of 2019, reflecting the easing of social distancing rules.

The impacts of the Covid-19 pandemic published in this interim financial information are based on the Company’s best estimates. Despite the impact of the pandemic on the Company’s liquidity in 2020, significant long-term effects are not expected.

2. BASIS OF PREPARATION

2.1. Statement of compliance

The interim financial information has been prepared in accordance with IAS 34 - Interim Financial Reporting, issued by the International Accounting Standards Board (IASB), Technical Pronouncement 21 (R1) (‘CPC 21’), which applies to interim financial information, and the rules issued by the Brazilian Securities Commission (Comissão de Valores Mobiliários, or CVM), applicable to preparation of Quarterly Information (Informações Trimestrais, or ITR).

This interim financial information has been prepared according to principles, practices and criteria consistent with those adopted in the preparation of the financial statements at December 31, 2019.

Thus, this interim financial information should be read in conjunction with the said financial statements, approved by the Company’s management on March 19, 2020.

Management certifies that all the material information in the interim financial information is being disclosed herein, and is the same information used by management in its administration of the Company.

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The Company's Board of Directors authorized the issuance of this Interim financial information on November 13, 2020.

2.2 Correlation between the Explanatory Notes published in the Financial Statements and those in the Interim Financial Information

Number of the note		Title of the note
Dec. 31, 2019	Sep. 30, 2020	
1	1	Operational context
2	2	Basis of preparation
4	3	Operational segments
5	4	Cash and cash equivalents
6	5	Marketable securities
7	6	Customers and traders; Concession holders (power transport)
8	7	Recoverable taxes
10	8	Income tax and social contribution tax
11	9	Escrow deposits
12	10	Reimbursement of tariff subsidies
13	11	Concession financial assets and liabilities
31	11.b)	The Annual Tariff Adjustment
14	12	Contract assets
15	13	Intangible assets
16	14	Leasing - Right of Use
17	15	Suppliers
18	16	Taxes and amounts reimbursement to customers
19	17	Loans, financings and debentures
20	18	Regulatory charges
21	19	Post-employment obligations
22	20	Provisions
23	21	Equity and remuneration to shareholders
24	22	Revenue
25	23	Operating costs and expenses
26	24	Financial revenue and expenses
27	25	Related party transactions
28	26	Financial instruments and risk management
32	27	Transactions not involving cash

The Notes to the 2019 financial statements that have not been included in these interim financial information because they had no material changes, and/or were not applicable to the interim financial information, are as follows:

Number of the note	Title of the note
3	Concessions
9	PIS/Pasep and Cofins taxes credits over ICMS - Final Court Judgment
29	Insurance
30	Contractual obligations

3. OPERATIONAL SEGMENTS

The Company operates only in electricity distribution, and only in the Brazilian State of Minas Gerais. Its Income statement reflects this activity. Management believes that its Income statements and the other information contained in these Notes provide the required information about its sole operational segment.

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4. CASH AND CASH EQUIVALENTS

	Sep. 30, 2020	Dec. 31, 2019
Bank accounts	42,772	192,772
Cash investments		
Bank certificates of deposit (1)	538,747	36,198
Overnight (2)	238,123	5,376
	776,870	**41,574**
	819,642	**234,346**

(1) *Bank Certificates of Deposit* (*Certificados de Depósito Bancário*, or CBDs), accrued interest at 65% to 110% of the CDI Rate (*Interbank Rate for Interbank Certificates of Deposit or Certificados de Depósito Inter-bancário* - CDIs) published by the *Custody and Settlement Chamber* (*Câmara de Custódia e Liquidação*, or Cetip) on September 30, 2020 (70% to 104% on December 31, 2019). For these CDBs, the Company has repo transactions which state, on their trading notes, the bank's commitment to repurchase the security, on demand, on the maturity date of the transaction, or earlier.

(2) *Overnight* transactions are repos available for redemption on the following day. They are usually backed by Treasury Bills, Notes or Bonds and referenced to a pre-fixed rate of 1.89% p.a. on September 30, 2020 (4.39% p.a. on December 31, 2019). Their purpose is to settle the short-term obligations of the Company, or to be used in the acquisition of other assets with better return to replenish the portfolio.

Note 26 gives the exposure of the Company to interest rate risks, and a sensitivity analysis of their effects on financial assets and liabilities.

5. MARKETABLE SECURITIES

	Sep. 30, 2020	Dec. 31, 2019
Bank certificates of deposit (1)	76,888	221
Financial Notes (LFs) - banks (2)	1,933,527	95,204
Treasury Financial Notes (LFTs) (3)	425,190	13,900
Debentures (4)	15,876	732
Others	483	208
	2,451,964	**110,265**
Current asset	**2,212,598**	**109,960**
Non-current asset	**239,366**	**305**

(1) Bank Certificates of Deposit (Certificados de Depósito Bancário, or CDBs), were remunerated, on September 30, 2020, with rates varying between 110% and 120% of the Interbank Rate for Interbank Certificates of Deposit (Certificados de Depósito Inter-bancário - CDIs) published by Cetip.

(2) Bank Financial Notes (Letras Financeiras, or LFs) are fixed-rate fixed-income securities, issued by banks and that accrued interest a percentage of the CDI rate published by Cetip. The LFs had remuneration rates varying between 102.25% and 142.90% of the CDI rate on September 30, 2020 (101.95% and 113% on December 31, 2019).

(3) *Treasury Financial Notes* (LFTs) are fixed-rate fixed-income securities which accrue interest at a rate that follows the daily variation of the Selic rate from the purchase date to maturity.

(4) Debentures are medium- and long-term debt securities, which give their holders a right of credit against the issuing company. The debentures have remuneration varying from 106.75% to 109% of the CDI Rate on September 30, 2020 (108.25% to 113% of CDI on December 31, 2019).

Note 26 shows a classification of these marketable securities. Investments in marketable securities of related parties are shown in Note 25.

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6. CUSTOMERS, TRADERS AND POWER TRANSPORT CONCESSION HOLDERS

Customer type	Balances not yet due		Balances past due			Total	
	Billed energy	Not yet billed energy	Up to 90 days	91 to 360 days	More than 360 days	Sep. 30, 2020	Dec. 31, 2019
Residential	684,018	289,022	415,916	149,441	68,213	1,606,610	1,628,954
Industrial	53,600	50,599	25,937	27,030	134,705	291,871	307,379
Commercial, services and others	297,379	118,625	90,880	68,749	119,825	695,458	816,583
Rural	182,850	85,281	80,621	56,128	18,687	423,567	356,303
Public authorities	41,561	21,322	11,276	79,789	266,084	420,032	422,034
Public lighting	8,673	25,272	1,015	1,095	188	36,243	34,662
Public services	77,817	28,058	12,694	12,325	23,340	154,234	133,077
Subtotal - customers	**1,345,898**	**618,179**	**638,339**	**394,557**	**631,042**	**3,628,015**	**3,698,992**
Concession holders - Transport of energy	41,052	198,977	17,900	15,525	78,411	351,865	367,429
Energy in spot market - supply	16,373	-	-	-	-	16,373	-
Provision for doubtful receivables	(148,545)	(10,112)	(11,750)	(8,701)	(400,710)	(579,818)	(731,518)
	1,254,778	**807,044**	**644,489**	**401,381**	**308,743**	**3,416,435**	**3,334,903**
Current							
Customers and traders						**2,999,316**	**3,021,551**
Concession holders - Transport of energy						**262,912**	**242,229**
Non-current asset							
Customers and traders						**120,041**	**711**
Concession holders - Transport of energy						**34,166**	**70,412**

The Company's exposure to credit risk related to customers and traders is given in Note 26. The transactions involving related parties is provided in Note 25.

The provision for doubtful receivables is considered sufficient to cover any potential losses in the realization of accounts receivable, and the breakdown by type of customers is as follows:

	Sep. 30, 2020	Dec. 31, 2019
Residential	102,898	127,747
Industrial	135,736	132,663
Commercial, services and others	175,118	153,819
Rural	27,860	30,248
Public authorities	49,371	200,302
Public lighting	1,210	1,123
Public services	32,838	30,829
Concession holders - Transport of energy	54,787	54,787
	579,818	**731,518**

On July 31, 2020 Cemig D filed an application to the tax authority of State of Minas Gerais to offset debts for energy consumption and service owed by the direct and indirect administrations of Minas Gerais State, using amounts of ICMS tax payable, under Article 3 of Minas Gerais State Decree n. 47,908/2020, which regulated State Law n. 47,891/2020. The debts from the State of Minas Gerais that qualify for offset are those past due at June 30, 2019, estimated at R$240 million, which are still being analized by the tax authority of State of Minas Gerais. The offset will initiate after the tax authority ratification and conclusion of the debt recognition agreement. Due to this offsetting, Cemig D reversed the impairment previously recognized for the debts owed by Minas Gerais State, in the amount of R$231 million.

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The changes in the provision for doubtful receivables in the period is as follows:

Balance at December 31, 2018	**697,089**
Additions, net	196,963
Disposals	(124,626)
Balance at September 30, 2019	**769,426**
Balance at December 31, 2019	**731,518**
Additions, net	45,832
Disposals	(197,532)
Balance at September 30, 2020	**579,818**

7. RECOVERABLE TAXES

	Sep. 30, 2020	Dec. 31, 2019
Current		
ICMS tax recoverable	55,521	25,743
COFINS tax (a) (b)	1,299,917	1,713
PIS-PASEP taxes (a) (b)	283,167	1,301
Others	374	344
	1,638,979	**29,101**
Non-current		
ICMS tax recoverable (b)	221,933	215,189
COFINS tax (a)	2,398,140	4,047,607
PIS-PASP taxes (a)	520,649	878,757
	3,140,722	**5,141,553**
	4,779,701	**5,170,654**

a) PIS/Pasep and Cofins taxes credits over ICMS

On May 8, 2019 the Regional Federal Appeal Court of the First Region gave final judgment - against which there is no appeal - on the Ordinary Action, deciding in favor of the Company and 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 action initial filing- that is, from July 2003.

Thus, the PIS/Pasep and Cofins credit recorded corresponds the amount of these taxes over ICMS paid in the period of July 2003 to May 2019.

On May 12, 2020, the Brazilian tax authority (Receita Federal) granted the Company's request for ratification of the credits of PIS/Pasep and Cofins taxes arising from the legal action on which final judgment, subject to no further appeal, was given in favor of the Company in 2019.

The Company is recovering tax credits by offsetting the amount receivable against amounts federal taxes payable on a monthly basis, starting on May, 2020, within the five-year period specified by the relevant law of limitation. In this context, the Company transferred to current assets the credits for which the expectation of offsetting does not exceed a period of 12 months: R$281,840 for the PIS/Pasep taxes, and R$1,298,174 for the Cofins tax.

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Based on the opinion of its legal advisers, the Company believes that a portion of the credits to be received, should be reimbursed to its customers, considering a maximum period for calculation of the reimbursement of 10 years. Thus, the Company have constituted a liability corresponding to the total amount of the tax credits comprising the period of the last 10 years, from June 2009 to May 2019, net of PIS/Pasep and Cofins taxes over monetary updating, presented in Note 16. The Company awaits the regulator'a conclusion about the mechanisms and criteria for the reimbursement to its customers.

The accounting effects relating to the recognition of the PIS/Pasep and Cofins taxes credits, including their monetary updating by the Selic rate, were recognized in the income statement in 2019, at net amount, updated to December 31, 2019, of R$1,216,915. Of this amount, R$830,343 and R$1,013,468 were recognized as operational revenue and financial revenue (net of PIS/Pasep and Cofins taxes), respectively. In addition, the amount of R$626,896 was recorded as IRPJ and CSLL.

These credits and the amounts to be reimbursed to customers are updated by the Selic rate until offsetting of the amount receivable against amounts payable or reimburse to customers. On September 30, 2020, the net effect is R$19,799, more details in note 24.

Until September 30, 2020, credits of PIS/Pasep and Cofins taxes were offset against payable federal taxes in the amount of R$506,363.

a) Other recoverable taxes

The ICMS (VAT) credits that are reported in non-current assets arise mainly from acquisitions of property, plant and equipment, and intangible assets, and can be offset against taxes payable in the next 48 months. The transfer to non-current is made in accordance with management's best estimate of the amounts which will likely be realized in 12 months after these interim financial statements reporting date.

Credits of PIS/Pasep and Cofins generated by the acquisition of machinery and equipment can be offset immediately.

8. INCOME AND SOCIAL CONTRIBUTION TAXES

a) Income and social contribution taxes recoverable

The balances of income tax and social contribution tax refer to tax credits in the corporate income tax returns of previous years and to advance payments which will be offset against federal taxes eventually payable. Current income tax and social contribution tax assets are offset against current income tax and social contribution tax liabilities when the requirements of CPC 32 are met.

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	Sep. 30, 2020	Dec. 31, 2019
Current		
Income tax	93,453	163,015
Social contribution tax	44,575	72,730
	138,028	**235,745**

b) Deferred income and social contribution taxes

The Company has deferred taxed assets from unused tax loss carryforwards, negative base for the Social Contribution tax, and deductible temporary differences, at the statutory rates applicable to each legal entity in Brazil of 25% (for Income tax) and 9% (for the Social Contribution tax), as follows:

Temporary differences of income tax and social contribution tax	Sep. 30, 2020	Dec. 31, 2019
Deferred tax assets		
Post-employment obligations	1,450,001	1,411,395
Doubtful receivables	218,479	270,605
Impairment	15,599	18,299
Provisions for contingencies	354,245	351,827
Administrative tax	5,344	5,625
Provision for profit shares	20,367	51,330
Others	6,023	5,003
	2,070,058	**2,114,084**
Deferred tax liabilities	(195,140)	(202,548)
Adjustment to expectation of cash flow - Concession assets	(167,578)	(166,478)
Borrowing costs capitalized	(2,982)	(3,514)
Funding cost	**(365,700)**	**(372,540)**
Total, net assets	**1,704,358**	**1,741,544**

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

Balances at December 31, 2018	**1,334,421**
Effects allocated to income statements	(1,441)
Balances at September 30, 2019	**1,332,980**
Balances at December 31, 2019	**1,741,544**
Effects allocated to income statements	(37,186)
Balances at September 30, 2020	**1,704,358**

The deferred income tax and social contribution liabilities balances were offset against the corresponding assets balances.

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c) Reconciliation of income tax and Social Contribution tax effective rate

This table reconciles the statutory income tax (rate 25%) and social contribution tax (rate 9%) with the current income tax expense in the Statement of income:

	Jan to Sep 2020	Jan to Sep 2019
Profit before income tax and social contribution tax	**1,359,861**	**2,004,284**
Nominal rate	34%	34%
Income tax and social contribution tax - nominal expense	(462,353)	(681,457)
Tax effects applicable to:		
Interest on equity and dividends payable	32,130	
Tax incentives	26,476	25,244
Non-deductible contributions and donations	(3,254)	(1,418)
Non-deductible penalties	(14,581)	(94,817)
Others	(516)	(217)
Income tax and Social Contribution - effective gain (expense)	**(422,098)**	**(752,665)**
Effective rate	31.04%	37.55%
Current tax	**(384,912)**	**(751,224)**
Deferred tax	**(37,186)**	**(1,441)**

	Jul to Sep 2020	Jul to Sep 2019
Profit before income tax and social contribution tax	638,927	**(334,581)**
Nominal rate	34%	34%
Income tax and social contribution tax - nominal expense	(217,235)	113,757
Tax effects applicable to:		
Interest on equity and dividends payable	32,130	
Tax incentives	10,013	(11,696)
Non-deductible contributions and donations	(2,294)	(644)
Non-deductible penalties	(3,104)	(82,348)
Others	(64)	(36)
Income tax and Social Contribution - effective gain (expense)	**(180,554)**	**19,033**
Effective rate	28.26%	**5.69%**
Current tax	**(100,093)**	**(198,177)**
Deferred tax	**(80,461)**	**217,210**

9. ESCROW DEPOSITS

	Sep. 30, 2020	Dec. 31, 2019
Labor Claims	246,637	280,542
Tax contingencies		
Income tax on Interest on Equity	11,246	11,105
PIS/Pasep and Cofins taxes (1)	-	1,181,808
Income tax and Social Security contribution on 'Anuênio' employee indemnity (2)	204,189	202,042
Others	37,125	34,113
	252,560	**1,429,068**
Others		
Regulatory	20,541	20,326
Third party	7,063	6,725
Customer relations	6,179	4,412
Court embargo	5,527	6,502
Others	16,848	18,467
	56,158	**56,432**
	555,355	**1,766,042**

(1) This refers to escrow deposits in the action challenging the constitutionality of inclusion of ICMS tax within the amount to which PIS/Pasep and Cofins taxes are applied. More details below.

(2) More details in Note 20 - Provisions under the section relating to the 'Anuênio indemnity'.

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Release of escrow deposits

On February 13, 2020, the escrow deposits in the action challenging the constitutionality of inclusion of ICMS value added tax within the taxable amount for calculation of PIS/Pasep and Cofins taxes were released for an amount of R$1,186,402. These amounts are related to the escrow deposits made from August 2008 to August 2011, and were updated by the Selic rate until the release date.

10. REIMBURSEMENT OF TARIFF SUBSIDIES

Subsidies on tariffs charged to users of distribution services are reimbursed to distributors through the funds from the Energy Development Account (CDE).

On September 30, 2020, the amount recognized as subsidies revenues was R$787,769 (R$798,244 on September 30, 2019). Of such amounts, the Company has a receivable of R$82,616, on September 30, 2020 (R$93,673 on December 31, 2019) in current assets.

11. CONCESSION FINANCIAL AND SECTOR ASSETS AND LIABILITIES

CONCESSION FINANCIAL ASSETS	Sep. 30, 2020	Dec. 31, 2019
Financial assets related to infrastructure (a)	497,166	459,711
CVA (Parcel A Compensation) Account and Other Financial Components in tariff-setting (b)	-	881,614
	497,166	**1,341,325**
Current asset	**-**	**640,161**
Non-current asset	**497,166**	**701,164**

SECTOR FINANCIAL LIABILITIES	Sep. 30, 2020	Dec. 31, 2019
Amounts receivable from Parcel A (CVA) and Other Financial Components (b)	331,376	-
Current liabilities	**330,743**	**-**
Non-current liabilities	**633**	**-**

a) Financial assets related to infrastructure

The energy concession contracts are within the scope of ICPC 01 (IFRIC 12). The financial assets under these contracts refer to the investments made in infrastructure that will paid by grantor at the end of the concession period and they are measured at fair value through profit or loss, in accordance with regulation of the energy segment and concession contracts executed by the Company and the granting authorities.

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The changes in concession financial assets related to infrastructure are as follows:

Balances at December 31, 2018	**395,743**
Transfers of contract assets (note 12)	32,126
Transfers of intangible assets (note 13)	(1,206)
Disposals	(854)
Adjustment of expectation of cash flow from the Concession financial assets	10,689
Balances at September 30, 2019	**436,498**
Balances at December 31, 2019	**459,711**
Transfers of contract assets (note 12)	39,716
Transfers to intangible assets (note 13)	(485)
Disposals	(124)
Adjustment of expectation of cash flow from the Concession financial assets	(1,652)
Balances at September 30, 2020	**497,166**

b) Account for compensation of variation of parcel A items (CVA) and *Other financial components*

The Amendment that extended concession period of Cemig D guarantees that,in the event of termination of the concession contract, for any reason, the remaining balances (assets and liabilities) of any shortfall in payment or reimbursement through the tariff must also be paid by the grantor. The balances on (i) the CVA (Compensation for Variation of Parcel A items) Account, (ii) the account for Neutrality of Sector Charges, and (iii) Other financial components in the tariff calculation, refer to the positive and negative differences between the estimate of the Company’s non-manageable costs and the payments actually made. The variations are updated using the Selic rate and considered in the subsequent tariff adjustments.

The balance of these sector financial assets and liabilities, which are presented at net value, in assets or liabilities, in accordance with the tariff adjustments that have been authorized or are to be ratified, are as follows:

Balance sheet	Sep. 30, 2020			Dec. 31, 2019		
	Amounts ratified by Aneel in the last tariff adjustment	Amounts to be ratified by Aneel in the next tariff adjustments	Total	Amounts ratified by Aneel in the last tariff adjustment	Amounts to be ratified by Aneel in the next tariff adjustments	Total
Assets	**90,802**	**767,536**	**858,338**	**1,286,413**	**2,144,280**	**3,430,693**
Current assets	90,802	247,331	338,133	1,286,413	1,269,049	2,555,462
Non-current assets	-	520,205	520,205	-	875,231	875,231
Liabilities	**(392,498)**	**(797,216)**	**(1,189,714)**	**(882,425)**	**(1,666,654)**	**(2,549,079)**
Current liabilities	(392,498)	(276,378)	(668,876)	(882,425)	(1,032,876)	(1,915,301)
Non-current liabilities	-	(520,838)	(520,838)	-	(633,778)	(633,778)
Total current, net	**(301,696)**	**(29,047)**	**(330,743)**	**403,988**	**236,173**	**640,161**
Total non-current, net	**-**	**(633)**	**(633)**	**-**	**241,453**	**241,453**
Total, net	**(301,696)**	**(29,680)**	**(331,376)**	**403,988**	**477,626**	**881,614**

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Financial components	Sep. 30, 2020 Amounts ratified by Aneel in the last tariff adjustment	Sep. 30, 2020 Amounts to be ratified by Aneel in the next tariff adjustments	Sep. 30, 2020 Total	Dec. 31, 2019 Amounts ratified by Aneel in the last tariff adjustment	Dec. 31, 2019 Amounts to be ratified by Aneel in the next tariff adjustments	Dec. 31, 2019 Total
Items of 'Parcel A'						
Energy Development Account (CDE) quota	875	-	875	118,775	29,398	148,173
Tariff for use of transmission facilities of grid participants	843	95,630	96,473	(18,157)	113,801	95,644
Tariff for transport of Itaipu supply	102	8,792	8,894	8,691	16,069	24,760
Alternative power source program (Proinfa)	(137)	-	(137)	10,542	(5,859)	4,683
ESS/EER System Service/Energy Charges	(1,457)	(1,755)	(3,212)	(161,253)	(135,703)	(296,956)
Energy bought for resale	4,052	(35,267)	(31,215)	661,108	631,920	1,293,028
Other financial components						
Over contracting of supply (1)	(89,325)	289,390	200,065	(83,718)	215,508	131,790
Neutrality of Parcel A	(4,329)	117,927	113,598	(29,697)	(11,915)	(41,612)
Other financial items	(174,204)	(478,978)	(653,182)	(70,219)	(206,481)	(276,700)
Tariff Flag balances	-	-	-	-	(102,976)	(102,976)
Excess demand and reactive power	(38,116)	(25,419)	(63,535)	(32,084)	(66,136)	(98,220)
TOTAL	**(301,696)**	**(29,680)**	**(331,376)**	**403,988**	**477,626**	**881,614**

(1) In 2017 and 2018 Cemig D over contracted and the gain arising from the sale of the excess of energy in the spot market was provisionally passed through to customers by Aneel in the tariff adjustments of 2018 and 2019, including the portion in excess of the limit of 105% of the regulatory load - thus reducing the tariff that was determined. To establish whether this is a voluntary over contracting, the Company considers that the portion above the regulatory limit will be recovered in the subsequent tariff adjustment. On August 27, 2020, Aneel published the Dispatch n. 2,508/2020-SRM-SGT, which set new amounts for distributors' overcontracting for the years 2016 and 2017, based on a new valuation criterion established by Aneel Technical Note 97/2020-SRM-SGT - not contained in the regulatory rules which were currently in force. As a result, Cemig D filed an appeal with the Council of Aneel, for the amounts of distribution agents' overcontracting to be reset in accordance with the calculation criteria based on maximum effort contained in Aneel Normative Resolution 453/2011. The Company's position on this case is reinforced by the fact that the Brazilian Energy Distributors' Association (Abradee) filed a similar appeal, supported by the opinion of contracted legal advisers. The Company has no expectation of loss in relation to realization of these amounts. The Company recognizes this receivable asset, in the amount of R$221,786 on September 30, 2020, as 'Other financial components', to be ratified. At the reporting date for this interim financial information, this matter was pending analysis by Aneel.

Changes in balances of sector financial assets and liabilities:

Balance at December 31, 2018	**1,080,693**
Net constitution of financial assets	456,583
Assets realized	(411,464)
Payments from the Flag Tariff Centralizing Account	(110,709)
Updating - Selic rate	84,871
Balance at September 30, 2019	**1,099,974**
Balance at December 31, 2019	**881,614**
Net constitution of financial assets	358,519
Assets realized	(259,675)
Payments from the Flag Tariff Centralizing Account	(62,771)
Receipt funds of 'Covid-account' (1)	(1,280,344)
Updating - Selic rate	31,281
Balance at September 30, 2020	**(331,376)**

(1) The amount received via 'Covid-account' will be reversed in a negative financial component in the 2021 or 2022 tariff processes, as detailed in note 1.1.

Payments from the Flag Tariff Centralizing Account

The 'Flag Account' (Conta Centralizadora de Recursos de Bandeiras Tarifárias - CCRBT or 'Conta Bandeira') manages the funds that are collected from captive customers of distribution concession and permission holders operating in the national grid, and are paid, on behalf of the CDE, directly to the Flag Account. The resulting funds are passed through by the Power Trading Chamber (CCEE) to distribution agents, based on the difference between the realized amounts of costs of thermal generation and the exposure to short term market prices, and the amount covered by the tariff in force.

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From January to September, 2020, funds passed through by the Flag Account totaled R$62,771 (R$110,709 from January to September, 2019), and were recognized as a partial realization of CVA receivables constituted.

Cemig D tariff adjustment

On June 25, 2020, the regulator (Aneel) approved the Annual Adjustment for the Company, which would be in effect from May 28, 2020 to May 27, 2020, with an average increase for customers of 4.27%. This result reflected the Company's manageable costs (Portion B), of 0.84% and the direct pass-through, within the tariff, of 3.43%, the latter having zero economic effect, not affecting profitability, relating to the following itens: (i) increase of 5.30% in non-manageable ('Parcel A') costs - mainly purchase of energy supply, regulatory charges and transmission charges; (ii)) increase of 6.71% in the financial components of the current process, led by the CVA currently being processed, which had an effect of 5.47%; and (iii) 8.58% was withdrawn from the financial components of the prior process.

Although the adjustment is effective from May 28, 2020 to May 27 2021, its application was suspended until June 30, 2020, maintaining the previous tariffs during the suspension period. Cemig D also recognized the right to receive a total of R$51,201, based on the energy market, for non-receipt of the additional tariff component in the period. Considering that the amount of R$63,147 was received from Covid Account funds on July, 31, 2020, completing the total amount established for Cemig D to receive in Covid Account funds, under Normative Resolution n. 885/2020, the Company recognized a net obligation of R$11,868, updated by the Selic rate until September 30, 2020. For more information on the 'Covid-account', see Note 1.1 to this interim financial statements.

Administrative appeals were filed with Aneel, contesting the ratification of the annual tariff increase of 4.27% to the Company, and requesting its annulment, with the restitution to the Company's customers of the amounts of the escrow deposits released as a result of the Supreme Court judgment, in the form that creates overall precedent, which determined the exclusion of ICMS tax amounts from the basis for calculation of PIS/ Pasep and Cofins taxes payable. The current administrative appeals request a creation of a negative financial component in the calculation of the Company's annual tariff adjustment.

Aneel has given the Company the right of reply, and, based on internal assessments and those of its legal advisers, as well as the exceptional economic scenario caused by the Covid-19 pandemic, the Company, on August 5, 2020, has submitted to Aneel a proposal for a restitution to its customers of a total amount of R$714,339 - corresponding to part of the escrow deposits released by the court due to Cemig's success in the Claim.

On August 18, 2020 Aneel decided to grant the appeal, in part, and through its Ratifying Resolution n. 2,757/2020 reduced the average effect of Cemig D's 2020 tariff adjustment to zero, due to the inclusion of the negative financial component of R$714,339.

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Company's decision represents an anticipation of the effects, and treatment in terms of regulations of the Supreme Court's decision that determined the exclusion of ICMS tax amounts from the basis for calculation of PIS/ Pasep and Cofins taxes. These regulations will be applied equally to all energy distribution concessions through an Aneel normative ruling, which will be issued after conclusion of Public Consultation n. 005/2020 - during which there will be discussion on the merits, and in which the Company will be able to take part in a wide-ranging discussion on the subject. The portion of the credits that Cemig D proposes to reimburse to its customers is recognized as a liability, as explained in Note 16. Of this amount, R$83,346, had been passed through to customers tariff by September 30, 2020.

12. CONCESSION CONTRACT ASSETS

Under IFRS 15 / CPC 47 - Revenue from contracts with customers, assets recognized in counterpart to concession infrastructure revenue for assets still under construction are posted initially as contractual assets, measured at acquisition cost, including borrowing costs. After the assets start operation, the performance obligation related to construction having been concluded, the assets are split between financial assets and intangible assets.

Changes in concession contract assets are as follows:

Balances at December 31, 2018	**518,162**
Additions	605,141
Transfers to financial assets (note 11)	(32,126)
Transfers to intangible assets (note 13)	(459,569)
Provision made for impairment	26,016
Balances at September 30, 2019	**657,624**
Balances at December 31, 2019	**740,044**
Additions	941,498
Transfers to financial assets (note 11)	(39,716)
Tranfers to intangible assets (note 13)	(688,076)
Provision made for impairment	7,942
Balances at September 30, 2020	**961,692**

The amount of additions in the nine-month periods ended on September 30, 2020 were R$941,498 and includes R$22,580 (R$19,919 in the nine-month periods ended on September 30, 2019) under the heading capitalized borrowing costs, as presented in Note 17.

The Company does not have any contract asset with indefinite useful life.

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13. INTANGIBLE ASSETS

The portion of the distribution infrastructure that will be fully used during the concession is recorded in intangible assets.

a) Balance composition

	Sep. 30, 2020			Dec. 31, 2019		
	Historic cost	Accumulated amortization	Amount, net	Historic cost	Accumulated amortization	Amount, net
Assets of concession	**21,684,312**	**(9,662,434)**	**12,021,878**	**20,901,165**	**(9,128,241)**	**11,772,924**
(-) 'Special obligations'	(4,321,843)	1,395,638	(2,926,205)	(4,184,097)	1,275,409	(2,908,688)
Net concession assets	**17,362,469**	**(8,266,796)**	**9,095,673**	**16,717,068**	**(7,852,832)**	**8,864,236**
Intangible assets in progress	92,645	-	92,645	74,384	-	74,384
Total intangible assets	**17,455,114**	**(8,266,796)**	**9,188,318**	**16,791,452**	**(7,852,832)**	**8,938,620**

b) Changes in intangible assets

Balances at December 31, 2018	**8,890,070**
Additions	21,189
Transfers to financial assets (note 11)	1,206
Settled	(10,674)
Transfers of contract assets (note 12)	459,569
Depreciation and Amortization	(448,226)
Balances at September 30, 2019	**8,913,134**
Balances at December 31, 2019	**8,938,620**
Additions	26,915
Settled	(5,677)
Transfers of contract assets (note 12)	688,076
Transfers of financial assets (note 11)	485
Depreciation and Amortization	(460,101)
Balances at September 30, 2020	**9,188,318**

The amount of additions in the nine-month periods ended on September 30, 2020 were R$26,915 and includes an reversal of R$1,107 (constitution of R$1,815 in the nine-month periods ended on September 30, 2019) of borrowing costs, as presented in Note 17.

14. LEASING TRANSACTIONS

The Company recognized a right of use and a lease liability, according the IFRS 16 / CPC 06 (R2) - Leases, for the following contracts which contain a lease:

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

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The Company have elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option (short-term leases), and lease contracts for which the underlying asset is of low value (low-value assets). Thus, these leasing agreements are recognized as an expense in the income statement on the straight-line basis, over the period of the leasing. Their effects on net income from January to September 2020 were immaterial.

The discount rates were obtained by reference to the Company's incremental borrowing rate, based on the debts contracted by the Company and through quotations with potential financial institutions.

a) Right-of-use assets

The right-of-use assets were valued at cost, corresponding to the amount of the initial measurement of the lease liabilities, and amortized on the straight-line basis over the shorter of the lease term and the estimated useful lives of the assets.

Changes in the Right-of-use assets are as follows:

	Real estate property	Vehicles	Others	Total
Balances at December 31, 2018	-	-	-	-
Initial adoption at January 1, 2019	173,828	87,093	411	261,332
Addition	4,098	-	-	4,098
Amortization	(16,695)	(23,860)	(231)	(40,786)
Balances at September 30, 2019	**161,231**	**63,233**	**180**	**224,644**
Balances at December 31, 2019	**155,218**	**57,627**	**103**	**212,948**
Settled (closed contracts)	(546)	-	-	(546)
Amortization (1)	1,912	-	-	1,912
Remeasurement (2)	(12,305)	(24,860)	(103)	(37,268)
Balances at September 30, 2020	1,147	-	-	1,147
	145,426	**32,767**	**-**	**178,193**

(1) Amortization of the Right of Use recognized in the Income Statements is net of use of the credits of PIS/Pasep and Cofins taxes on payments of rentals, a total R$1,019.

(2) The Company and its subsidiaries have identified events giving rise to revaluation and modifications of their principal contracts. The leasing liabilities are restated with adjustment to the asset of Right of Use.

b) Lease liabilities

The liability for lease agreements is measured at the present value of the lease payments required to be made over the lease term, discounted at the Company's marginal borrowing interest rate. The carrying amount of lease liabilities is remeasured if there are modifications that shall be accounted for as a remeasurement of the lease liability in accordance with CPC 06 (R2)/IFRS 16.

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Changes in the lease liabilities are as follows:

Balances at December 31, 2018	-
First adoption on January 1, 2019 (1)	261,332
Addition	4,098
Interest incurred	21,122
Payment of lease liability	(55,301)
Balances on September 30, 2019	**231,251**
Balances on December 31, 2019	**221,194**
Settled (closed contracts)	1,912
Interest incurred (2)	(552)
Payment of principal portion of lease liability	16,724
Payments of interest	(47,915)
Remeasurement (3)	(3,076)
Balances on September 30, 2020	1,147
	189,434
Current liabilities	
Non-current liabilities	**55,512**
	133,922

(1) The Company's marginal borrowing rate applied to lease liability recognized in the statement of financial position on the date of the initial application varied between 7.96% p.a. and 10.64% p.a., depending on the leasing contract period, and 13.17% p.a., respectively, for contracts with maturities of up to two years, two to five years and longer than five years. The rates applied to the contracts entered into during 2019 were 6.87% p.a., 7.33% p.a. and 8.08% p.a., for contracts with maturities, respectively, of up to three years, three to four years, and over four years. To determine the marginal borrowing rate, the Company used as a reference quotation obtained from financial institutions, these being a function of the Company's credit risk, and market conditions on the date of contracting.

(2) Financial revenues recognized in the Income Statements are net of incorporation of the credits for PIS/Pasep and Cofins taxes on payments of rentals, in the amounts of R$991.

(3) The Company has identified events giving rise to revaluation and modifications of their principal contracts. The leasing liabilities are restated with adjustment to the asset of Right of Use.

The potential right to recovery of PIS/Pasep and Cofins taxes embedded in the leasing consideration, according to the periods specified for payment, is as follows:

Cash flow	Nominal	Adjusted to present value
Consideration for the leasing	505,742	189,433
Potential PIS/Pasep and Cofins	41,895	13,208

The Company, in full compliance with CPC 06 (R2) in statement and restatement of its lease liability and for Right of Use, used the technique of discounted cash flow, without considering projected future inflation in the flows to be discounted, as per the prohibition imposed by CPC 06 (R2). This prohibition could generate material distortions in the information to be provided, given the present reality of long-term interest rates in the Brazilian economic environment. The Company has evaluated these effects and concluded that they are immaterial for its interim financial information.

The cash flows of the contracts containing a lease are, in their majority, updated by the IPCA inflation index, on an annual basis. Below is an analysis of maturity of lease contracts:

Maturity of installments	
2020	15,128
2021	47,924
2022	20,648
2023	20,599
2024	20,511
2025 to 2045	380,933
Undiscounted values	**505,743**
Embedded interest	(316,309)
Lease liabilities	**189,434**

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15. SUPPLIERS

	Sep. 30, 2020	Dec. 31, 2019
Energy on spot market - CCEE	158,965	389,220
Charges for use of energy network (1)	198,245	149,887
Energy purchased for resale	470,020	447,313
Itaipu Binacional	360,949	242,766
Materials and services	292,579	305,503
	1,480,758	**1,534,689**

(1) The charges payable by distribution and generation agents for use of the facilities that are components of the national grid are set by an Aneel Resolution.

16. TAXES PAYABLE AND AMOUNTS TO BE RESTITUTED TO CUSTOMERS

	Sep. 30, 2020	Dec. 31, 2019
Taxes and contributions		
Current		
ICMS	61,840	77,390
Cofins	161,442	68,171
PIS-Pasep	34,735	14,647
INSS	35,781	17,426
ISSQN	8,050	6,078
Others	27,241	9,019
	329,089	**192,731**
Non-current (1)		
Cofins	-	375
PIS/Pasep	-	61
	-	**436**
	329,089	**193,167**
Amounts to be restituted to customers		
Current		
PIS/Pasep and Cofins (2)	630,993	-
Non-current		
PIS/Pasep and Cofins (2)	3,535,250	4,193,329
	4,166,243	4,193,329

(1) Amounts presented in the Statements of Financial Position under Other liabilities.
(2) The amounts of PIS/Pasep and Cofins taxes to be reimbursed to customers refer to the credits to be received by the Company. For further information see Note 7a.

Due to the Covid-19 pandemic the Company joined government programs for deferral of payment of taxes, substantially in relation to the accounting periods of March, April and May. A portion of the taxes whose due date was extended was paid in August 2020, and the rest will be paid by the end of the year, in accordance with the legislation.

The amounts of PIS/Pasep and Cofins taxes to be reimbursed to customers refer to the credits to be received by the Company following the inclusion of the ICMS value added tax within the taxable amount for calculation of those taxes. According note 7(a), the Company recognized, in 2019, its right to offsetting of amounts unduly paid for the 10 years prior to the action being filed, with monetary updating by the Selic rate, due to the final judgment - against which there is no appeal - on the Ordinary Action, in favor of the Company.

The Company has constituted a liability corresponding to the credits to be reimbursed to its customers, which comprises the period of the last 10 years, from June 2009 to May 2019, net of PIS/Pasep and Cofins taxes over monetary updating.

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The amounts will be reimbursed to customers as from the date when the tax credits are in fact offset and the mechanisms and criteria for the reimbursement will be discussed with Aneel.

The definitive criteria for reimbursement to customers of PIS/Pasep and Cofins taxes are pending, awaiting conclusion of discussions with Aneel and the mechanisms and criteria for reimbursement, when actual offsetting of the tax credits takes place. To support its decision on the alternatives for making these taxes credits reimbursement works, on March 17, 2020 Aneel opened its Request for Opinions 005/2020, with the period for contributions expiring on May 15, 2020.

On August 18, 2020, Aneel ratified the inclusion into the tariff readjustment for 2020 of a negative financial component of R$714,339, in effect from August 19, 2020 to May 27, 2021 this corresponds to the release of the escrow funds deposited in court following final judgment in the Company's favor against which there is no further appeal. For more information see Note 11.b.

17. LOANS, FINANCING AND DEBENTURES

Financing source	Sep. 30, 2020						Dec. 31, 2019
	Principal maturity	Annual Financial cost (%)	Currency	Current	Non-current	Total	Total
Foreign currency							
Banco do Brasil S.A. - Various bonds (1)	2024	Several	US$	5,247	10,865	16,112	18,051
Debt in foreign currency				**5,247**	**10,865**	**16,112**	**18,051**
Brazilian currency							
Eletrobrás	2023	UFIR + 6.00% to 8.00%	R$	4,227	6,485	10,712	20,268
Large customers (2)	2024	IGP-DI + 6.00%	R$	-	-	-	5,582
Debt in Brazilian currency				4,227	6,485	10,712	**25,850**
Total of loans and financings				9,474	17,350	26,824	**43,901**
Debentures - 3rd Issue, 2nd Series (3)	2021	IPCA + 4.70%	R$	565,652	-	565,652	1,108,945
Debentures - 3rd Issue, 3nd Series (3)	2025	IPCA + 5.10%	R$	29,982	965,048	995,030	990,893
Debentures - 7th Issue, 1th Series (3)	2024	CDI + 0.454%	R$	542,066	1,484,999	2,027,065	2,164,083
Debentures - 7th Issue, 2th Series (3)	2026	IPCA + 4.10%	R$	18,808	1,542,620	1,561,428	1,519,042
(-) Discount on the issuance of debentures (4)				-	(19,132)	(19,132)	(21,606)
(-) Transaction costs				(763)	(8,046)	(8,809)	(10,336)
Total, debentures				**1,155,745**	**3,965,489**	**5,121,234**	**5,751,021**
Overall total				**1,165,219**	**3,982,839**	**5,148,058**	**5,794,922**

(1) Net balance of the Restructured Debt comprising bonds at par and discounted, with balance of R$256,967, less the amounts given as Deposits in guarantee, with balance of R$240,855. Interest rates vary - from 2 to 8 p.a.; six-month Libor plus spread of 0.81% to 0.88% p.a.;
(2) Financings under the heading of reimbursable injections of funds for execution of works at the following companies: CMM (IGP-DI Index + 6%); Mineradora Serra da Fortaleza (IGP-DI + 6%); On March 31, 2020, these balances was reclassified to "Other credits".
(3) Nominal, unsecured, book-entry debentures not convertible into shares, with no renegotiation clauses.
(4) Discount on the sale price of the 2nd series of the Seventh issue.

There are early maturity clauses for cross-default in the event of non-payment by the Company, of any pecuniary obligation with individual or aggregate value greater than R$50 million.

The composition of loans, financing and debentures, by currency and index, with the respective amortization, is as follows:

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	2020	2021	2022	2023	2024	2025	2026	Total
Currency								
US dollar	4,780	467	-	-	10,865	-	-	16,112
Total, currency-denominated	**4,780**	**467**	**-**	**-**	**10,865**	**-**	**-**	**16,112**
Indexers								
IPCA (1)	64,546	549,896	241,262	241,262	241,262	1,012,572	771,310	3,122,110
UFIR/RGR (2)	1,662	3,406	3,265	2,379	-	-	-	10,712
CDI (3)	137,065	540,001	540,000	540,000	269,999	-	-	2,027,065
Total, governed by indexers	**203,273**	**1,093,303**	**784,527**	**783,641**	**511,261**	**1,012,572**	**771,310**	**5,159,887**
(-) Transaction costs	(164)	(763)	(779)	(779)	(451)	(2,999)	(2,874)	(8,809)
(-) Discount	-	-	-	-	-	(9,566)	(9,566)	(19,132)
Overall total	**207,889**	**1,093,007**	**783,748**	**782,862**	**521,675**	**1,000,007**	**758,870**	**5,148,058**

(1) Expanded National Customer Price (IPCA) Index.
(2) Fiscal Reference Unit (Ufir / RGR).
(3) CDI: Interbank Rate for Certificates of Deposit.

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

Currency	Accumulated change in from January to September 2020, %	Accumulated change from January to September 2019, %	Indexer	Accumulated change from January to September 2020, %	Accumulated change from January to September 2019, %
US dollar	39.94	7.47	IPCA	1.34	2.49
			CDI	2.29	4.67

Currency	Accumulated change in third quarter of 2020, %	Accumulated change in third quarter of 2019, %	Indexer	Accumulated change in third quarter of 2020, %	Accumulated change in third quarter of 2019, %
US dollar	3.01	8.67	IPCA	1.24	0.26
			CDI	0.51	1.52

Changes in loans, financing and debentures are as follows:

Balances at December 31, 2018	**6,263,408**
Loans and financings obtained	3,660,000
Transaction Cost	(10,183)
Discount in the issues of securities	(23,095)
Loans and financings obtained, net	3,626,722
Monetary variation	63,310
Exchange rate variation	(5,097)
Financial charges provisioned	323,166
Amortization of transaction cost	25,225
Financial charges paid	(380,898)
Amortization of financing	(4,169,331)
Subtotal	**5,746,505**
(-) FIC Pampulha - issued securities of own company	13,015
Balances at September 30, 2019	**5,759,520**
Balances at December 31, 2019	**5,794,922**
Monetary variation	57,700
Exchange rate variation	(5,342)
Financial charges provisioned	174,803
Amortization of transaction cost	1,527
Financial charges paid	(194,081)
Amortization of financing	(675,051)
Reclassification to “Other obligations” (1)	(6,420)
Balances at September 30, 2020	**5,148,058**

(1) Financings under the heading of reimbursable injections of funds for execution of works at two companies: CMM (IGP-DI Index + 6%); and Mineradora Serra da Fortaleza (IGP-DI + 6%). In 2020, this amounts were Reclassificated to the Company’s customers (CMM and Serra da Fortaleza).

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Borrowing costs, capitalized

Costs of loans directly related to acquisition, construction or production of an asset which necessarily requires a significant time to be concluded for the purpose of use or sale are capitalized as part of the cost of the corresponding asset. All other costs of loans are recorded as finance costs in the period in which they are incurred. Costs of loans include interest and other costs incurred by the Company in relation to the loan.

The Company transferred to intangible assets and to concession contract assets the costs of loans and financing linked to construction in progress, as follows:

	Jan to Sep 2020	Jan to Sep 2019
Costs of loans, financings and debentures	174,803	323,166
Financing costs on intangible assets and contractual assets (1) (Notes 12 and 13)	(21,473)	(21,734)
Net effect in Profit or loss	**153,330**	**301,432**

(1) The average capitalization rate p.a. in 2020 was 4.72% (7.31% in 2019).

Guarantees

The guarantees of the debt balance on loans and financing, on September 30, 2020, were as follows:

Promissory notes and Sureties	3,561,151
Receivables	1,560,083
Shares	26,048
Unsecured	776
TOTAL	**5,148,058**

Restrictive covenants

The Company has contracts with financial covenants as follows:

Security	Covenant	Ratio required Cemig D-Issuer	Ratio required Cemig (guarantor)	Compliance required
7th debenture issue (1)	Net debt / (Ebitda adjusted)	The following or less: 3.5	Ratio to be the following, or less: 3.5 on Jun. 30, 2020 3.0 on/after Dec. 31, 2020	Half-yearly and anual

(1) The instrument described above has a restrictive covenant requiring specific ratios up to its maturity, as shown in the detailed table at the beginning of this Note.

The covenants remain in compliance on September 30, 2020.

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18. REGULATORY CHARGES

	Sep. 30, 2020	Dec. 31, 2019
Liabilities		
Energy Efficiency	251,132	254,595
Research and development	83,026	71,137
Energy System Expansion Research	2,232	2,269
National Scientific and Technological Development Fund	4,748	4,821
Energy Development Account (CDE)	37,888	-
Global Reversion Reserve (RGR)	24,545	24,545
Emergency capacity charge	26,325	26,325
Aneel inspection charge	1,689	1,621
Customers charges - 'Flag Tariff' system	77	16
	431,662	**385,329**
Current liabilities	**214,621**	**283,361**
Non-current liabilities	**217,041**	**101,968**

19. POST-EMPLOYMENT OBLIGATIONS

Changes in net liabilities were as follows:

	Pension plans and retirement supplement plans	Health plan	Dental plan	Life insurance	Total
Net liabilities at December 31, 2018	**1,356,045**	**1,695,721**	**33,979**	**316,299**	**3,402,044**
Expense recognized in Statement of income	92,035	120,810	2,439	22,691	237,975
Contributions paid	(107,180)	(64,083)	(1,413)	(5,541)	(178,217)
Net liabilities at September 30, 2019	**1,340,900**	**1,752,448**	**35,005**	**333,449**	**3,461,802**
Net liabilities at December 31, 2019	**1,845,105**	**2,245,400**	**42,817**	**426,977**	**4,560,299**
Expense recognized in Statement of income	95,753	128,274	2,509	24,745	251,281
Contributions paid	(114,223)	(70,696)	(1,505)	(5,965)	(192,389)
Net liabilities at September 30, 2020	**1,826,635**	**2,302,978**	**43,821**	**445,757**	**4,619,191**
				Sep. 30, 2020	**Dec. 31, 2019**
Current liabilities				**207,472**	**201,241**
Non-current liabilities				**4,411,719**	**4,359,058**

Amounts recorded as current liabilities refer to contributions to be made by the Company in the next 12 months for the amortization of the actuarial liabilities.

The amounts reported as 'Expense recognized in the Statement of income' refer to the costs of post-employment obligations, totaling R$226,664 for the nine-month periods ended September 30, 2020 (R$205,866 for the nine-month periods ended September 30, 2019), plus the finance expenses and monetary updating on the debt with Forluz, in the amounts of R$24,617 for the nine-month periods ended September 30, 2020 (R$32,109 for the nine-month periods ended September 30, 2019).

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Debt with the pension fund (Forluz)

The Company has recognized an obligation for past actuarial deficits relating to the pension fund in the amount of R$355,687 on September 30, 2020 (R$410,343 on December 31, 2019). This amount has been recognized as an obligation payable by Cemig and its subsidiaries, and will be amortized until June of 2024, through monthly installments calculated by the system of constant installments (known as the 'Price' table), and adjusted by the IPCA (Expanded National Customer Price) inflation index (published by the Brazilian Geography and Statistics Institute - IBGE) plus 6% per year. The Company is required to pay this debt even if Forluz has a surplus, thus, the Company maintain recorded the debt in full, and record the effects of monetary updating and interest in finance income (expenses) in the Statement of income.

Agreement to cover the deficit on Forluz Pension Plan 'A'

Forluz and the sponsors Cemig, Cemig GT and Cemig D have signed a Debt Assumption Instrument to cover the deficit of Plan A for the years of 2015, 2016 and 2017. On September 30, 2020 the total amount payable by the Company as a result of the Plan A deficit is R$387,328 (R$398,584 on December 31, 2019, as a result of the Plan A deficits of 2015, 2016 and 2017). The contracts were entered into in May 2017, March 2018 and April 2019, for the deficits, respectively, of 2015, 2016 and 2017. The monthly amortizations, calculated by the constant installments system (Price Table), will be paid up to 2031 for the 2015 and 2016 deficits, in the amount of R$259,978 and up to 2033 for the 2017 deficit, in the amount of R$127,350. Remuneratory interest applicable to the outstanding balance is 6% p.a., plus the effect of the IPCA. If the plan reaches actuarial surplus before the full period of amortization of the debt, also Company will not be required to pay the remaining installments and the contract will be extinguished.

20. PROVISIONS

The Company is involved in certain legal and administrative proceedings at various courts and government bodies, arising in the normal course of business, regarding employment-law, civil, tax, environmental and regulatory matters, and other issues.

Actions in which the Company is defendant

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

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	Dec. 31, 2019	Additions	Reversals	Settled	Sep. 30, 2020
Labor	382,915	54,979	(26,004)	(55,448)	356,442
Civil					
Customer relations	17,767	12,663	(44)	(12,395)	17,991
Other civil actions	16,329	15,178	-	(4,631)	26,876
	34,096	27,841	(44)	(17,026)	44,867
Tax	774,348	29,105	-	(79)	803,374
Environmental	2	3	-	-	5
Regulatory	16,575	176	(244)	(8)	16,499
Others	13,215	4,881	(3,184)	(1,273)	13,639
Total	**1,221,151**	**116,985**	**(29,476)**	**(73,834)**	**1,234,826**

	Dec. 31, 2018	Additions	Reversals	Settled	Sep. 30, 2019
Labor	366,951	101,414	(34,722)	(49,043)	384,600
Civil					
Customer relations	17,945	14,356	(1,044)	(14,209)	17,048
Other civil actions	28,084	12,179	(11,834)	(12,179)	16,250
	46,029	26,535	(12,878)	(26,388)	33,298
Tax	2,111	763,736	(221)	(8)	765,618
Environmental	1,209	5	(1,151)	-	63
Regulatory	16,990	110	(737)	(111)	16,252
Others	6,599	8,051	-	(1,239)	13,411
Total	**439,889**	**899,851**	**(49,709)**	**(76,789)**	**1,213,242**

The Company’s management, in view of the extended period and the Brazilian judiciary, tax and regulatory systems, believes that it is not practical to provide information that would be useful to the users of these interim financial information in relation to the timing of any cash outflows, or any possibility of reimbursements. The Company’s believes that any disbursements in excess of the amounts provisioned, when the respective claims are completed, will not significantly affect the Company’s result of operations or financial position.

The details on the main provisions and contingent liabilities are provided below, with the best estimation of expected future disbursements for these contingencies:

Provisions, made for legal actions in which the chances of loss have been assessed as ‘probable’ and contingent liabilities, for actions in which the chances of loss are assessed as ‘possible’.

Labor claims

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

The aggregate amount of the contingency is approximately R$1,296,235 (R$1,434,014 on December 31, 2019), of which R$347,963 (R$373,754 on December 31, 2019) has been recorded - the amount estimated as probably necessary for settlement of these disputes.

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Alteration of the monetary updating index of employment-law cases

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

In a joint judgment published on November 1, 2018, the TST decided that the IPCA-E should be adopted as the index for inflation adjustment of employment-law debts for cases filed from March 25, 2015 to November 10, 2017, and the TR would continue to be used for the other periods. The estimated amount of the contingency is R$82,416 (R$97,487 at December 31, 2019), of which R$8,479 (R$9,161 on December 31, 2019) has been provisioned upon assessment by the Company of the effects of the decision of the Regional Employment-Law Appeal Court of the third region (TRT3) in April 2019, on the subject of the joint judgment published by the TST, in the cases for which the chances of loss have been classified as ‘probable’ and which are at execution phase. No additional provision has been made, since the Company, based on the assessment by its legal advisers, has assessed the chances of loss in the action as ‘possible’, as a result of the decision by the Federal Supreme Court, and of there being no established case law, nor analysis by legal writers, on the subject, after the injunction given by the Federal Supreme Court.

Customers claims

The Company is involved in various civil actions relating to indemnity for moral injury and for material damages, arising, principally, from allegations of irregularity in measurement of consumption, and claims of undue charging, in the normal course of business, totaling R$111,035 (R$56,211 on December 31, 2019), of which R$17,991 (R$17,767 on December 31, 2019) has been recorded - this being the probable estimate for funds needed to settle these disputes.

Other civil proceedings

The Company is involved in various civil actions claiming indemnity for moral and material damages, among others, arising from incidents occurred in the normal course of business, in the amount of R$254,136 (R$228,500 on December 31, 2019), of which R$26,876 (R$16,329 on December 31, 2019) has been recorded - the amount estimated as probably necessary for settlement of these disputes.

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Tax

Social Security contributions on profit sharing payments

The Brazilian tax authority (Receita Federal) has filed administrative and court proceedings against the Company, relating to social security contributions on the payment of profit shares to its employees over the period 1999 to 2016, alleging that the Company did not comply with the requirements of Law 10,101/2000 on the argument that it did not previously establish clear and objective rules for the distribution of these amounts. In August 2019, the Regional Federal Court of the First Region published a decision against the Company on this issue. As a result the Company, based on the opinion of its legal advisers, reassessed the chances of loss from ‘possible’ to ‘probable’ for some portions paid as profit-sharing amounts, maintaining the classification of the chance of loss as 'possible' for the other portions, since it believes that it has arguments on the merit for defense and/or because it believes that the amounts questioned are already within the period of limitation.

The amount of the contingencies is approximately R$972,079 (R$950,209 on December 31, 2019), of which R$790,682 (R$772,684 on December 31, 2019) has been provisioned, this being the estimate of the probable, on September 30, 2020, of the probable amount of funds to settle these disputes.

Other tax claims

The Company is involved in numerous administrative and judicial claims actions relating to taxes, including, among other matters, subjects relating to the Urban Property Tax (Imposto sobre a Propriedade Territorial Urbana, or IPTU); the Social Integration Program (Programa de Integração Social, or PIS-Pasep) and the Contribution to Finance Social Security (Contribuição para o Financiamento da Seguridade Social, or Cofins). The aggregate amount of the contingency is approximately R$112,450 (R$54,579 on December 31, 2019), of which R$12,692 (R$1,218 on December 31, 2019) has been recorded - the amount estimated as probably necessary for settlement of these disputes.

Regulatory

The Company is involved in numerous administrative and judicial proceedings, challenging, principally: alleged violation of targets for continuity indicators in retail supply of energy and the tariff increase made during the federal government’s economic stabilization plan referred to as the ‘Cruzado Plan’, in 1986. The aggregate amount of the contingency is approximately R$234,509 (R$208,537 on December 31, 2019), of which R$16,499 (R$16,575 on December 31, 2019) has been recorded as provision - the amount estimated as probably necessary for settlement of these disputes.

‘Luz Para Todos’ Program

The Company is a party in disputes alleging losses suffered by third parties as a result of supposed breach of contract at the time of implementation of part of the rural electrification program known as the ‘Luz Para Todos’. The estimated amount of the contingency is approximately R$341,361 (R$321,567 on December 31, 2019). Of this total, R$658 (R$4,002 on December 31, 2019) has been provisioned - the amount estimated as probably necessary for settlement of these disputes.

Other legal proceedings

The Company is involved as plaintiff or defendant, in other less significant claims, related to the normal course of their operations including: environmental matters; removal of residents from risk areas; and indemnities for rescission of contracts, on a lesser scale, related to the normal course of its operations, with an estimated total amount of R$409,317 (R$381,826 on December, 31, 2019), of which R$12,986 (R$9,215 on December, 31, 2019), the amount estimated as probably necessary for settlement of these disputes.

Contingent liabilities - whose loss are assessed as ‘possible’

Taxes and contributions

The Company is involved in numerous administrative and judicial proceedings in relation to taxes. Below are details of the main claims:

Indemnity of employees’ future benefit (the ‘Anuênio’)

In 2006 the Company paid an indemnity to its employees, totaling R$127,058, in exchange for rights to future payments (referred to as the Anuênio) for time of service, which would otherwise be incorporated, in the future, into salaries. The Company did not pay income tax and Social Security contributions on this amount because it considered that those obligations are not applicable to amounts paid as an indemnity. However, to avoid the risk of a future fine, the Company obtained an injection, which permitted to make an escrow deposit of R$204,189 (R$202,042 on December 31, 2019). The updated amount of the contingency is R$210,401 (R$207,067 on December 31, 2019) and, based on the arguments above, management has classified the chance of loss as ‘possible’.

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Social Security contributions

The Brazilian federal tax authority (Secretaria da Receita Federal) has filed administrative proceedings related to various matters: employee profit sharing; the Workers' Food Program (Programa de Alimentação do Trabalhador, or PAT); education benefit; food benefit; Special Additional Retirement payment; overtime payments; hazardous occupation payments; matters related to Sest/Senat (transport workers' support programs); and fines for non-compliance with accessory obligations. The Company has presented defenses and await judgment. The amount of the contingency is approximately R$95,450 (R$93,571 on December 31, 2019). Management has classified the chance of loss as 'possible', also taking into account assessment of the chance of loss in the judicial sphere, (the claims mentioned are in the administrative sphere), based on the evaluation of the claims and the related case law.

Non-homologation of offsetting of tax credit

The federal tax authority did not ratify the Company's declared offsetting, in Corporate income tax returns, of carry-forwards and undue or excess payment of federal taxes - IRPJ, CSLL, PIS/Pasep and Cofins - identified by official tax deposit receipts ('DARFs' and 'DCTFs'). The Company is contesting the non-homologation of the amounts offset. The amount of the contingency is R$42,921 (R$41,944 on December 31, 2019), and the chance of loss was classified as 'possible', since the relevant requirements of the National Tax Code (CTN) have been complied with.

The Social Contribution tax on net income (CSLL)

The federal tax authority issued a tax assessment against the Company for the years of 2012 and 2013, alleging undue non-addition, or deduction, of amounts relating to the following items in calculating the Social Contribution tax on net income: (i) taxes with liability suspended; (ii) donations and sponsorship (Law 8,313/91); and (iii) fines for various alleged infringements. The amount of this contingency is R$323,129 (R$305,571 on December 31, 2019). The Company has classified the chances of loss as 'possible', in accordance with the analysis of the case law on the subject.

Regulatory matters

Public Lighting Contribution (CIP)

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

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The Company believes it has arguments of merit for defense in these claims, since the charge at present made is grounded on Aneel Normative Resolution 456/2000. As a result, it has not constituted a provision for this action, the amount of which is estimated at R$32,853 (R$30,015 on December 31, 2019).

Tariff increases

Exclusion of customers classified as low-income

The Federal Public Attorneys' Office filed a class action against the Company and the regulator (Aneel), to avoid exclusion of customers from classification in the Low-income residential tariff sub-category, requesting an order for the Company to pay twice the amount paid in excess by customers. A decision was given in favor of the plaintiffs, but the Company and the regulator (Aneel) have filed an interlocutory appeal and await judgment. The amount of the contingency is approximately R$345,157 (R$326,719 on December 31, 2019). The Company has classified the chances of loss as 'possible' due to other favorable decisions on this matter.

Other contingent liabilities

Contractual imbalance

The Company is party in other disputes arising from alleged non-compliance with contracts in the normal course of business, for an estimated total of R$159,943 (R$148,904 on December 31, 2019). The Company has classified the chance of loss as 'possible', after analysis of the case law on this subject.

21. EQUITY AND REMUNERATION TO SHAREHOLDERS

a) Share capital

On September 30, 2020 the Company's issued and outstanding share capital is R$5,371,998 (R$5,371,998 on December 31, 2019), represented by 2,359,113,452 nominal common shares, fully subscribed, without nominal value, wholly owned by Cemig (Companhia Energética de Minas Gerais).

The Company's share capital may be increased by up to a limit of 10% (ten percent) of the share capital set in the by-laws, without need for change in the by-laws and upon decision of the Board of Directors, having previously heard statement of opinion by the Fiscal Council.

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b) Earnings per share

Earnings per share was calculated based on the weighted average number of the Company's shares (it has only common shares) in each of the periods referred to, as follows:

	Jan to Sep 2020	Jan to Sep 2019	Jul to Sep 2020	Jul to Sep 2019
Total number of shares	2,359,113,452	2,359,113,452	2,359,113,452	2,359,113,452
Net income for the period	937,763	1,251,619	458,373	(315,548)
Basic and diluted earnings per common share (R$)	**0.40**	**0.53**	**0.19**	**(0,13)**

The Company does not have any dilutive instruments. Hence its diluted earnings per share is the same as its basic earnings per share.

c) Remuneration to stockholders

Under the Company's by-laws, the Board of Directors may, at the discretion of management, declare interim dividends, in the form of Interest on Equity, from retained earnings, profit reserves or profits ascertained in six-monthly or interim financial statements. The amounts paid or credited as Interest on Equity, in accordance with the relevant legislation, shall be imputed as on account of the amounts of mandatory dividend or of the dividend payable under the by-laws to the preferred shares, being for all purposes of law a part of the amount of the dividends distributed by the Company.

On September 22, 2020 management decided to declare Interest on Equity in the amount of R$94,500, corresponding to R$0.0401 per share, on account of the minimum obligatory dividend for the 2020 business year: income tax at 15% being deducted at source, unless the shareholder is exempt under the current legislation.

22. REVENUE

The revenue of the Company is as follows:

	Jan to Sep 2020	Jan to Sep 2019
Revenue from supply of energy - captive customers, in Cemig's concession area (a)	14,071,713	14,613,263
Financial component referring to reimbursement to customers of credits of PIS/Pasep and Cofins taxes, received - realization	83,346	-
Revenue from use of the energy distribution systems (TUSD) - free customers (b)	2,210,678	1,995,013
CVA, and Other financial components in tariff increases (c)	98,844	45,119
Distribution construction revenue (d)	968,413	626,330
Adjustment to expectation from reimbursement of distribution concession financial assets (e)	(1,652)	10,689
Fine for violation of continuity indicator	(33,447)	(43,330)
Recovery of PIS/Pasep and Cofins taxes credits over ICMS (Note 7)	-	830,333
Other operating revenues (f)	1,337,518	1,091,291
Taxes and charges reported as deductions from revenue (g)	(7,012,224)	(7,473,799)
	11,723,189	**11,694,909**

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	Jul to Sep 2020	Jul to Sep 2019
Revenue from supply of energy - captive customers, in Cemig's concession area (a)	4,785,113	5,070,267
Financial component referring to reimbursement to customers of credits of PIS/Pasep and Cofins taxes, received - realization	83,346	-
Revenue from use of the energy distribution systems (TUSD) - free customers (b)	799,877	718,272
CVA, and Other financial components in tariff increases (c)	17,192	(35,122)
Distribution construction revenue (d)	386,669	263,163
Adjustment to expectation from reimbursement of distribution concession financial assets (e)	(697)	1,722
Fine for violation of continuity indicator	(4,330)	(7,820)
Other operating revenues (f)	419,850	420,880
Taxes and charges reported as deductions from revenue (g)	(2,319,562)	(2,522,232)
	4,167,458	**3,909,130**

a) Revenue from energy supply

This table shows supply of energy by type of customer:

	MWh (*)		R$	
	Jan to Sep 2020	Jan to Sep 2019	Jan to Sep 2020	Jan to Sep 2019
Residential	8,095,031	7,849,611	7,275,469	7,123,903
Industrial	1,341,452	1,834,685	933,778	1,198,581
Commercial, services and others	3,273,509	3,853,284	3,015,507	3,304,942
Rural	2,798,570	2,828,581	1,613,491	1,510,942
Public authorities	535,169	660,766	392,207	470,080
Public lighting	991,695	1,034,410	441,318	458,995
Public services	1,022,593	994,653	543,341	528,871
Subtotal	**18,058,019**	**19,055,990**	**14,215,111**	**14,596,314**
Own consumption	24,935	28,242	-	-
Unbilled revenue	-	-	(143,398)	16,949
Total	**18,082,954**	**19,084,232**	**14,071,713**	**14,613,263**

	MWh (*)		R$	
	Jul to Sep 2020	Jul to Sep 2019	Jul to Sep 2020	Jul to Sep 2019
Residential	2,652,121	2,557,935	2,408,834	2,458,672
Industrial	462,136	573,101	318,493	395,483
Commercial, services and others	960,727	1,201,120	916,075	1,108,758
Rural	1,134,943	1,053,908	630,988	593,578
Public authorities	149,154	205,123	112,958	158,343
Public lighting	327,039	348,477	145,863	167,642
Public services	347,469	315,588	186,818	195,474
Subtotal	**6,033,589**	**6,255,252**	**4,720,029**	**5,077,950**
Own consumption	7,559	11,012	-	-
Unbilled revenue	-	-	65,084	(7,683)
Total	**6,041,148**	**6,266,264**	**4,785,113**	**5,070,267**

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

b) Revenue from use of network - Free Customers

A significant part of the large industrial customers in the concession area of the Company have the status of 'Free Clients'. Most of them are buying their supply from Cemig's generation and transmission company, Cemig GT. Thus, the charges for the use of the distribution network ('TUSD') of these Free Clients are made, separately, by the Company. They are recorded in the item 'Revenue from use of the network'.

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The total amount of energy transported, in MWh, by type of customers, is as follows:

	MWh (*)	
	Jan to Sep 2020	Jan to Sep 2019
Industrial	13,629,894	13,332,213
Commercial	907,221	959,139
Rural	21,941	10,334
Concessionaires	236,110	256,431
Total	**14,795,166**	**14,558,117**

	MWh (*)	
	Jul to Sep 2020	Jul to Sep 2019
Industrial	4,879,603	4,487,375
Commercial	299,125	312,848
Rural	7,667	4,652
Concessionaires	91,645	91,201
Total	**5,278,040**	**4,896,076**

(*) Data not reviewed by external auditors.

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

The results from variations in (i) the CVA account (Parcel A Costs Variation Compensation Account), and in (ii) Other financial components in calculation of tariffs, refer to the positive and negative differences between the estimated non-manageable costs of the Company and the cost actually incurred. The amounts recognized arise from balances recorded in the current year, homologated or to be homologated in tariff adjustment processes. For more information please see Note 11b.

d) Distribution construction revenue

Construction revenue corresponds to the performance obligation to build the concession infrastructure during the construction phase. Considering that constructions and improvements are substantially executed through outsourced parties; and that all construction revenues is related to the construction of the infrastructure of the energy distribution services, Company's management concluded that construction contract revenue has zero profit margin.

e) Adjustment to expected cash flow from financial assets on residual value of infrastructure asses of distribution concessions

Income from the Regulatory Remuneration Asset Base.

f) Other operating revenues

	Jan to Sep 2020	Jan to Sep 2019
Charged service	6,994	13,025
Other services	10,502	6,439
Subsidies low-income	227,885	125,651
Other subsidies (1)	818,904	798,243
Rental and leasing	120,729	153,904
CCEE energy transactions (reversal)	-	(6,600)
Mechanism for the sale of surplus (2)	152,504	-
Others	-	629
	1,337,518	**1,091,291**

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	Jul to Sep 2020	Jul to Sep 2019
Charged service	1,773	4,643
Other services	3,592	4,704
Subsidies low-income	67,843	44,194
Other subsidies (1)	258,165	281,018
Rental and leasing	40,693	85,974
Mechanism for the sale of surplus (2)	47,690	-
Others	94	347
	419,850	**420,880**

(1) These comprise: (i) revenues from subsidies applied to tariffs charged to electricity distribution clients, totaling R$787,769 in period of January at September 2020, and R$241,992 in period of July at September 2020; and (ii) revenue from the 'Flag' tariffs, of R$31,135 in period of January at September 2020, and R$16,174 in period of July at September 2020, as a result of the creditor position acquired by the Company in the Flag Tariff Centralizing Account (*Conta Centralizadora de Recursos de Bandeiras Tarifárias - CCRBT*).

(2) The revenue from the mechanism for the sale of energy surplus refers to the sale of power surpluses by distributor agents. In the case of sale of the amount of energy related to the regulatory limit or involuntary exposure, a portion of the gain may be passed through to the customer tariffs in the tariff adjustments.

g) Deductions on revenue

	Jan to Sep 2020	Jan to Sep 2019
Taxes on revenue		
ICMS	3,907,679	3,987,434
PIS/Pasep	226,543	264,974
Cofins	1,043,472	1,220,487
ISSQN	526	540
	5,178,220	**5,473,435**
Charges to the customer		
Engergy Efficiency Program (PEE)	51,589	49,814
Energy Development Account (CDE)	1,656,416	1,793,438
Research and Development (R&D)	20,636	19,925
National Scientific and Technological Development Fund (FNDCT)	20,636	19,925
Energy System Expansion Research (EPE of MME)	10,318	9,963
Customer charges - the 'Flag Tariff' system	59,672	93,342
Energy Services Inspection Charge	14,737	13,957
	1,834,004	**2,000,364**
	7,012,224	**7,473,799**

	Jul to Sep 2020	Jul to Sep 2019
Taxes on revenue		
ICMS	1,287,445	1,382,603
PIS/Pasep	78,206	79,962
Cofins	360,220	368,308
ISSQN	196	220
	1,726,067	**1,831,093**
Charges to the customer		
Engergy Efficiency Program (PEE)	18,146	17,224
Energy Development Account (CDE)	552,138	578,374
Research and Development (R&D)	7,259	6,889
National Scientific and Technological Development Fund (FNDCT)	7,259	6,889
Energy System Expansion Research (EPE of MME)	3,629	3,445
Customer charges - the 'Flag Tariff' system	16	73,474
Energy Services Inspection Charge	5,048	4,844
	593,495	**691,139**
	2,319,562	**2,522,232**

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23. OPERATING COSTS AND EXPENSES

	Jan to Sep 2020	Jan to Sep 2019
Personnel (a)	651,632	673,710
Employees' and managers' profit sharing	69,047	109,480
Post-employment benefits	226,664	205,866
Materials	44,263	43,788
Outsourced services (b)	755,196	733,969
Energy bought for resale (c)	5,731,631	5,381,699
Amortization (note 13b)	460,101	448,226
Amortization of Right of Use - Leasing (note 14)	36,249	40,786
Operating provisions (d)	133,341	1,048,610
Charges for use of the national grid	1,191,308	1,098,492
Construction costs (e)	968,413	626,330
Other operating expenses, net (f)	123,486	175,211
	10,391,331	**10,586,167**

	Jul to Sep 2020	Jul to Sep 2019
Personnel	200,221	210,059
Employees' and managers' profit sharing	49,836	(11,496)
Post-employment benefits	74,901	71,543
Materials	16,359	14,686
Outsourced services (b)	248,896	247,207
Energy bought for resale (c)	1,909,352	1,925,972
Amortization	155,264	150,082
Amortization of Right of Use - Leasing	11,953	13,911
Operating provisions (reversals) (d)	(117,337)	853,862
Charges for use of the national grid	553,257	385,229
Construction costs (e)	386,669	263,163
Other operating expenses, net (f)	42,508	94,162
	3,531,879	**4,218,380**

a) Personnel

2020 Programmed Voluntary Retirement Plan ('PDVP')

On April 2020, the Company approved the Programmed Voluntary Retirement Plan for 2020 ('the 2020 PDVP'). Those eligible - any employees who had worked with the Company for 25 years or more by December 31, 2020 - are able to join from May 4 to 22, 2020. The program will pay the standard legal payments for severance, 50% of the period of notice, an amount equal to 20% of the Base Value of the employee's FGTS fund, an additional premium equal to 50% of the period of notice plus 20% of the Base Value of the employee's FGTS fund, as well as the other payments under the legislation. The total of R$45,584 has been recorded as expense related to this program, corresponding to acceptance by 329 employees.

2019 Programmed Voluntary Retirement Plan ('PDVP')

The total of R$14,728 has been recorded as expense related to the relaunch of 2019 PDVP in the first quarter of 2019, corresponding to acceptance by 108 employees.

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b) Outsourced services

	Jan to Sep 2020	Jan to Sep 2019
Meter reading and bill delivery	95,354	95,928
Maintenance and conservation of electrical facilities and equipment	299,993	259,750
Communication	47,209	45,964
Building conservation and cleaning	59,916	60,696
Cleaning of power line pathways	53,046	41,543
Disconnection and reconnection	21,514	52,732
Tree pruning	39,740	34,273
Costs (recovery of costs) of proceedings	12,464	12,515
Maintenance and conservation of furniture and utensils	3,321	2,727
Information technology	25,949	29,812
Contracted labor	4,252	6,530
Accommodation and meals	5,044	7,122
Security services	7,759	6,655
Maintenance and conservation of vehicles	1,534	1,646
(Recovery of) costs of printing and legal publications	12,551	13,781
Consultancy	7,341	4,573
Transport expenses - legal entities	3,649	4,357
Inspection of customer units	23,772	9,744
Logistic services	7,788	-
Freight and airfares	656	2,152
Other expenses	22,344	41,469
	755,196	**733,969**

	Jul to Sep 2020	Jul to Sep 2019
Meter reading and bill delivery	30,186	31,593
Maintenance and conservation of electrical facilities and equipment	88,253	80,244
Communication	15,773	14,965
Building conservation and cleaning	20,042	20,608
Cleaning of power line pathways	20,885	14,790
Disconnection and reconnection	6,236	18,190
Tree pruning	15,404	12,942
Costs (recovery of costs) of proceedings	4,045	4,599
Maintenance and conservation of furniture and utensils	1,017	863
Information technology	8,751	11,322
Contracted labor	872	2,581
Accommodation and meals	1,556	2,378
Security services	2,535	2,330
Maintenance and conservation of vehicles	441	594
(Recovery of) costs of printing and legal publications	3,990	5,213
Consultancy	3,939	3,389
Transport expenses - legal entities	1,460	1,716
Inspection of customer units	11,154	4,521
Logistic services	3,110	-
Freight and airfares	29	717
Other expenses	9,218	13,652
	248,896	**247,207**

c) Energy purchased for resale

	Jan to Sep 2020	Jan to Sep 2019
Supply from Itaipu Binacional	1,483,596	1,066,473
Physical guarantee quota contracts	607,980	556,856
Quotas for Angra I and II nuclear plants	227,226	201,880
Spot market	580,926	1,156,786
‘Bilateral’ contracts	248,534	231,229
Energy acquired in Regulated Market auctions	2,359,913	2,235,321
Proinfa Program	233,799	285,925
Distributed generation (‘Geração distribuída’)	485,347	137,349
PIS/Pasep and Cofins credits	(495,690)	(490,120)
	5,731,631	**5,381,699**

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	Jul to Sep 2020	Jul to Sep 2019
Supply from Itaipu Binacional	531,183	372,296
Physical guarantee quota contracts	207,776	192,498
Quotas for Angra I and II nuclear plants	75,742	67,294
Spot market	163,903	420,843
'Bilateral' contracts	85,142	79,750
Energy acquired in Regulated Market auctions	775,023	805,067
Proinfa Program	77,933	95,308
Distributed generation ('Geração distribuída')	157,551	54,491
PIS/Pasep and Cofins credits	(164,901)	(161,575)
	1,909,352	**1,925,972**

d) Operating provision (reversals)

	Jan to Sep 2020	Jan to Sep 2019
Estimated losses on doubtful accounts receivables (note 6) (1)	45,832	196,963
Estimated losses on other accounts receivable (1)	-	1,505
Contingency provisions (reversals) (note 20)		
Employment-law cases	28,975	66,692
Civil cases	27,797	13,657
Tax	29,105	763,515
Environmental	3	(1,146)
Regulatory	(68)	(627)
Others	1,697	8,051
	87,509	**850,142**
	133,341	**1,048,610**

	Jul to Sep 2020	Jul to Sep 2019
Estimated losses on doubtful accounts receivables (1)	(152,817)	89,112
Contingency provisions (reversals)		
Employment-law cases	12,918	(11,367)
Civil cases	7,116	12,153
Tax	15,881	763,757
Environmental	(62)	(1,252)
Regulatory	155	252
Others	(528)	1,207
	35,480	**764,750**
	(117,337)	**853,862**

(1) The estimated losses on other accounts receivable are presented in the Statements of income as operating expenses.

d) Construction costs

	Jan to Sep 2020	Jan to Sep 2019
Personnel	55,979	47,152
Materials	478,374	310,703
Outsourced services	384,055	227,395
Financial charges	21,473	21,734
Acquisition of buildings	117	1,648
Leases and rentals	1,182	11
Taxes and charges	1,110	1,055
Other	26,123	16,643
	968,413	**626,330**

	Jul to Sep 2020	Jul to Sep 2019
Personnel	18,800	20,812
Materials	192,725	130,016
Outsourced services	163,177	102,870
Financial charges	89	(222)
Acquisition of buildings	-	1,469
Leases and rentals	1,182	2
Taxes and charges	460	438
Other	10,236	7,780
	386,669	**263,163**

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e) Other operating expenses (revenues), net

	Jan to Sep 2020	Jan to Sep 2019
Leasing and rental costs (1)	1,577	4,797
Advertising	2,928	1,907
Own consumption of energy	15,902	14,030
Subsidies and donations	9,961	6,230
CCEE anual charge	2,413	2,377
Forluz - Administrative running cost	16,351	16,456
Net loss (gain) on deactivation and disposal of assets	26,461	24,128
Collection agentes	64,021	64,480
Loss (reversal) due to impairment (2)	(7,942)	-
Aneel penalty(3)	-	29,296
Other expenses (reversals)	(8,186)	11,510
	123,486	**175,211**

	Jul to Sep 2020	Jul to Sep 2019
Leasing and rental costs (1)	(1,143)	1,173
Advertising	697	445
Own consumption of energy	5,152	5,925
Subsidies and donations	6,756	2,612
CCEE anual charge	810	756
Forluz - Administrative running cost	5,511	6,224
Net loss (gain) on deactivation and disposal of assets	14,727	14,512
Collection agentes	21,628	22,124
Loss (reversal) due to impairment (2)	(7,942)	-
Aneel penalty (3)	-	29,296
Other expenses (reversals)	(3,688)	11,095
	42,508	**94,162**

(1) The Company and its subsidiaries have operational leasing contracts relating, mainly, to vehicles and buildings used in its operational activities. Their amounts are not material in relation to the total costs of the Company and its subsidiaries. In relation to this, there are remaining leasing arrangements and rentals that do not qualify for recognition under CPC 06/IFRS 16.

(2) Reversal of provisions recognized in prior years for losse in assets in progress (canceled works).

(3) Penalty applied by the grantor due to divergence in the understanding of the methodology for calculating quality indicators.

24. FINANCE INCOME AND EXPENSES

	Jan to Sep 2020	Jan to Sep 2019
FINANCE INCOME		
Income from financial investments	31,117	31,127
Arrears fees on sale of energy	276,095	256,326
Foreign exchange variations - loans and financings (note 17)	5,342	5,097
Monetary variations	1,835	8,243
Monetary updating on escrow deposits	15,768	15,049
Monetary variations - CVA (note 11b)	31,281	84,871
PIS/Pasep and Cofins taxes charged on financial revenues	(20,348)	(44,654)
Monetary updating on PIS/Pasep and Cofins taxes credits over ICMS	19,799	1,023,377
Others	18,999	22,501
	379,888	**1,401,937**
FINANCE EXPENSES		
Charges on loans, financings and debentures (note 17)	(153,330)	(301,432)
Amortization of transaction cost (note 17)	(1,527)	(25,225)
Forluz - monetary adjustments charges	(24,617)	(32,109)
Foreign exchange variations - Itaipu	(72,138)	(11,675)
Debentures and financings - monetary adjustments (note 17)	(57,700)	(63,310)
R&D and PEE - monetary adjustments	(10,095)	(13,500)
Leasing - monetary adjustment (note 14)	(15,733)	(21,122)
Monetary adjustment - Others	(6,986)	(7,137)
Others	(9,759)	(30,885)
	(351,885)	**(506,395)**
NET FINANCE INCOME (EXPENSES)	**28,003**	**895,542**

	Jul to Sep 2020	Jul to Sep 2019
FINANCE INCOME		
Income from financial investments	12,905	9,484
Arrears fees on sale of energy	104,112	85,428
Monetary variations	-	4,092
Monetary updating on escrow deposits	2,311	7,400
Monetary variations - CVA (b)	5,593	31,825
PIS/Pasep and Cofins taxes charged on financial revenues	(6,522)	(9,465)
Monetary updating on PIS/Pasep and Cofins taxes credits over ICMS	4,058	12,787
Others	6,041	11,186
	128,498	**152,737**
FINANCE EXPENSES		
Charges on loans, financings and debentures	(53,041)	(105,486)
Amortization of transaction cost	(513)	(17,142)
Forluz - monetary adjustments charges	(8,860)	(7,782)
Foreign exchange variations - loans and financings	(244)	(1,469)
Foreign exchange variations - Itaipu	(5,672)	(8,543)
Debentures and financings - monetary adjustments	(35,989)	(10,952)
R&D and PEE - monetary adjustments	(4,873)	(4,463)
Leasing - monetary adjustment	(5,116)	(6,818)
Monetary adjustment - Others	(5,716)	(6,328)
Others	(5,126)	(9,085)
	(125,150)	**(178,068)**
NET FINANCE INCOME (EXPENSES)	**3,348**	**(25,331)**

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25. RELATED PARTY TRANSACTIONS

Company's main balances and transactions with related parties are as follows:

COMPANY	ASSETS		LIABILITIES		REVENUE		EXPENSES	
	Sep. 30, 2020	Dec. 31, 2019	Sep. 30, 2020	Dec. 31, 2019	Jan to Sep 2020	Jan to Sep 2019	Jan to Sep 2020	Jan to Sep 2019
Controlling shareholder								
Minas Gerais State Government								
Current								
Customers and Traders (1)	367,362	345,929	-	-	96,829	118,684	-	-
Cemig								
Current								
Cooperation Working Agreement (2)	-	-	11,026	7,234	-	-	(23,233)	(25,209)
Provision of services	-	-	-	-	-	4,082	-	(1,693)
Transactions in energy (3)	73	-	-	-	-	1,010	-	-
Interest on Equity and dividends	-	-	432,612	822,183	-	-	-	-
Outras partes relacionadas								
Cemig Geração e Transmissão								
Current								
Cooperation Working Agreement (2)	-	-	3,202	1,669	-	-	(3,993)	(5,810)
Transactions with energy (3)	1,405	972	28,607	30,618	20,209	20,657	(220,082)	(198,369)
Aliança Geração								
Current								
Transactions with energy (3)	-	-	7,954	7,620	30,728	29,221	(65,170)	(61,301)
Madeira Energia								
Current								
Transactions with energy (3)	-	-	5,914	-	-	-	(133,124)	-
Reimbursement for decontracted supply (4)	-	3,504	-	-	-	2,911	-	-
Norte Energia								
Current								
Transactions with energy (3)	-	-	26,229	24,459	-	-	(167,155)	(159,156)
Baguari Energia								
Current								
Transactions with energy (3)	-	-	961	924	-	-	(6,255)	(5,800)
TAESA								
Current								
Transactions with energy (3)	-	-	7,512	7,268	-	-	(65,963)	(62,379)
Axxiom								
Current								
Provision of services (5)	-	-	4,553	3,177	-	-	-	-
Retiro Bairo								
Current								
Transactions with energy (3)	-	-	152	567	3,945	-	(3,421)	-
Hidrelétrica Cachoeirão								
Current								
Transactions with energy (3)	-	-	-	-	1,327	-	-	-
FIC Pampulha								
Current								
Cash and cash equivalents	238,123	5,376	-	-	-	-	-	-
Securities	2,212,115	109,567	-	-	4,475	14,452	-	-
Non-current								
Securities	239,366	269	-	-	-	-	-	-
FORLUZ								
Current								
Post-employment obligations (6)	-	-	109,976	104,928	-	-	(95,753)	(92,035)
Supplementary pension contributions - Defined contribution plan (7)	-	-	-	-	-	-	(37,689)	(37,948)
Administrative running costs (8)	-	-	-	-	-	-	(16,351)	(16,456)
Operational leasing (9)	126,231	135,147	16,934	24,396	-	-	(1,432)	(28,312)
Non-current								
Post-employment obligations (6)	-	-	1,716,659	1,740,177	-	-	-	-
Operational leasing (9)	-	-	116,788	115,498	-	-	-	-
Cemig Saúde								
Current								
Health Plan and Dental Plan (10)	-	-	101,955	95,231	-	-	(130,783)	(123,249)
Non-current								
Health Plan and Dental Plan (10)	-	-	2,244,844	2,192,986	-	-	-	-

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The main conditions and characteristics of interest with reference to the related party transactions are:

(1) Refers to sale of energy supply to the Minas Gerais State government. The price of the supply is set by the regulator (Aneel) through a Resolution relating to the annual tariff adjustment of Cemig D. In 2017 the government of Minas Gerais State signed a debt recognition agreement with Cemig D for payment of debits relating to the supply of power due and unpaid, in the amount of R$113,032, up to November 2019. Twenty installments were unpaid at September 30, 2020. These receivables have guarantee in the form of Cemig's right to retain dividends and Interest on Equity otherwise payable to the State (in proportion to the State's equity interest in the Company), for as long as any payments are overdue or in default. Cemig Distribuição filed an application with the tax authority of Minas Gerais state to accept the terms of State Law n. 23,510/2020, to enable part of the ICMS tax payable to be offset against the debt owed by the government of Minas Gerais state to the Company. At present, the state tax authority is validating the invoices presented, to authorize the compensation of credits. As a result, the Company has reversed the amount of R$230,935 previously recognized as expected losses for doubtful receivables.

(2) Technical Cooperation Working Agreement between Cemig, Cemig D and Cemig GT, instituted by Aneel Dispatch 3,208/2016. Principally includes reimbursement of expenses related to sharing of infrastructure, personnel, transport, telecoms and IT.

(3) The transactions in sale and purchase of energy between generators and distributors take place through auctions in the Regulated Market, and are organized by the federal government. In the Free Market, transactions are made through auctions or through direct contracting, under the applicable legislation. Transactions for transport of energy, on the other hand, are carried out by transmission companies and arise from the centralized operation of the National Grid, executed by the National System Operator (ONS).

(4) Refers to reimbursement due to termination of contract related to change of the "power purchase agreements" (CCEARs) between Santo Antônio Energia S.A., a subsidiary of Madeira Energia, and Cemig Distribuição ended in January 2020.

(5) This refers to a contract for development of management software between the Company and Axxiom Soluções Tecnológicas S.A., instituted in Aneel Dispatch 2,657/2017.

(6) The contracts of Forluz are updated by the Expanded Customer Price Index (Índice Nacional de Preços ao Consumidor Amplo, or IPCA) calculated by the Brazilian Geography and Statistics Institute (IBGE) and will be amortized up to business year 2024 (more details in Note 19);

(7) The Company's contributions to the pension fund for the employees participating in the Mixed Plan, and calculated on the monthly remuneration, in accordance with the regulations of the Fund.

(8) Funds for annual current administrative costs of the Pension Fund in accordance with the specific legislation of the sector. The amounts are estimated as a percentage of the Company's payroll.

(9) Rental of the Company's administrative head offices, in effect up to November 2020 (able to be extended every five years, up to 2035) and August 2024 (able to be extended every five years, up to 2034), with annual inflation adjustment by the IPCA index and price reviewed every 60 months. Aiming at costs reduction, in November 2019, Cemig returned the Aureliano Chaves building to Forluz. Cemig is still negotiating with Forluz the returning of the remaining leased floors of Aureliano Chaves building, aiming at balancing the headquarters leasing costs to Cemig's budgeting.

(10) Post-employment obligations relating to the employees' health and dental plan (more details in Note 19).

Cash investments in FIC Pampulha

The Company invest part of their financial resources in an investment fund which has the characteristics of fixed income and obeys the Company's cash investment policy. The amounts invested by the fund at September 30, 2020 are reported in Marketable securities in current or non-current assets.

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

The financial investments of the investment fund in marketable securities of related parties are as follows:

Issuer of security	Type	Annual contractual conditions	Maturity	Sep. 30, 2020 Cemig D -	Dec. 31, 2019 Cemig D 4.42% (1)
Gasmig	Promissory note	107.00% of CDI	Sep. 25, 2020	-	447
				-	447

(1) Participation percentage of Cemig D in FIC Pampulha.

Remuneration of key management personnel

The total costs of key personnel, comprising the Executive Board, the Fiscal Council, the Audit Committee and the Board of Directors, are within the limits approved at a General Shareholders' Meeting, and the effects on the income statements of the periods ended on September 30, 2020 and September 30, 2019, are as follows:

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	Jan to Sep 2020	Jan to Sep 2019
Remuneration	6,440	6,594
Profit shares	2,414	1,754
Assistance benefits	568	656
Total	**9,422**	**9,004**

26. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

a) Financial instruments classification and fair value

The main financial instruments, classified in accordance with the accounting principles adopted by the Company, are as follows:

	Level	Sep. 30, 2020		Dec. 31, 2019	
		Balance	Fair value	Balance	Fair value
Financial assets					
Amortized cost (1)					
Marketable securities - Cash investments	2	724,947	724,947	14,147	14,147
Customers and Traders; Concession holders - Transport of energy	2	3,049,073	3,049,073	2,912,869	2,912,869
Customers - Accounts receivable from Minas Gerais State	2	367,362	367,362	422,034	422,034
Restricted cash	2	208	208	1,196	1,196
Concession financial assets - CVA (Parcel 'A' Costs Variation Compensation) Account, and Other financial components	3	-	-	881,614	881,614
Reimbursement of tariff subsidies	2	82,616	82,616	93,673	93,673
Low-income subsidy	2	42,228	42,228	29,582	29,582
Escrow deposits	2	555,355	555,355	1,766,042	1,766,042
Receivable amount of related party transactions - Reimbursement of decontracting of supply	2	-	-	3,504	3,504
		4,821,789	**4,821,789**	**6,124,661**	**6,124,661**
Fair value through profit or loss					
Cash equivalents - cash investments	2	776,870	776,870	41,574	41,574
Marketable securities					
Bank certificates of deposit		76,888	76,888		
Treasury Financial Notes (LFTs)	1	425,190	425,190	13,900	13,900
Financial Notes - Banks	2	1,224,939	1,224,939	82,203	82,203
Debentures	2	-	-	15	15
		1,727,017	1,727,017	96,118	96,118
Concession financial assets - Distribution infrastructure	3	497,166	497,166	459,711	459,711
		3,001,053	**3,001,053**	**597,403**	**597,403**
		7,822,842	**7,822,842**	**6,722,064**	**6,722,064**
Financial liabilities					
Amortized cost (1)					
Loans, financings and debentures	2	(5,148,058)	(5,148,058)	(5,794,922)	(5,794,922)
Debt with pension fund (Forluz)	2	(355,687)	(355,687)	(410,343)	(410,343)
Deficit of pension fund (Forluz)	2	(387,328)	(387,328)	(398,584)	(398,584)
Sector financial liabilities		331,376	331,376		
Suppliers	2	(1,480,758)	(1,480,758)	(1,534,689)	(1,534,689)
Leasing transactions	2	(189,434)	(189,434)	(221,194)	(221,194)
		(7,229,889)	**(7,229,889)**	**(8,359,732)**	**(8,359,732)**

(1) On September 30, 2020 and 2019, the book values of financial instruments reflect their fair values.

At initial recognition the Company measures its financial assets and liabilities at fair value and classifies them according to the accounting standards currently in effect. Fair value is a measurement based on assumptions that market participants would use in pricing an asset or liability. The Company uses the following classification to its financial instruments:

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- Level 1 - Active market - Quoted prices: A financial instrument is considered to be quoted in an active market if the prices quoted are promptly and regularly made available by an exchange or organized over-the-counter market, by operators, by brokers or by a market association, by entities whose purpose is to publish prices, or by regulatory agencies, and if those prices represent regular arm's length market transactions made without any preference.

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

- Level 3 - No active market - No observable inputs: The fair value of investments in securities for which there are no prices quoted on an active market, and/or of derivatives linked to them which are to be settled by delivery of unquoted securities. Fair value is determined based on generally accepted valuation techniques, such as on discounted cash flow analysis or other valuation techniques such as, for example, New Replacement Value (Valor novo de reposição, or VNR).

Fair value calculation of financial positions

Distribution infrastructure concession financial assets, and transmission concession financial assets - Assets remunerated by tariff: these are measured at New Replacement Value (Valor novo de reposição, or VNR), according to criteria established by the Concession-granting power ('Grantor'), based on fair value of the concession assets in service and which will be revertible at the end of the concession, and on the weighted average cost of capital (WACC) defined by the Grantor, which reflects the concession holder's return on the operations of the concession. The VNR and the WACC are public information disclosed by the Grantor and by Cemig respectively. Changes in concession financial assets are disclosed in Note 11.

Marketable securities: Fair value of marketable securities is determined taking into consideration the market prices of the investment, or market information that makes such calculation possible, considering future interest rates and exchange of investments to similar securities. The market value of the security is deemed to be its maturity value discounted to present value by the discount rate obtained from the market yield curve.

Other financial liabilities: fair value of its loans, financing and debentures were determined using 131.21% of the CDI rate - based on its most recent funding. For the loans, financing, debentures and debt renegotiated with Forluz, with annual rates between IPCA + 4.10% to 6.00% and CDI + 0.16% to 0.97%, Company believes that their carrying amount is approximated to their fair value.

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b) Financial risk management

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

The Company monitor the financial risk of transactions that could negatively affect the Company's liquidity or profitability, recommending hedge protection strategies to minimize the Company's exposure to foreign exchange rate risk, interest rate risk, and inflation risks, which are effective, in alignment with the Company's business strategy.

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

Exchange rate risk

The Company is exposed to the risk of appreciation in exchange rates, with effect on loans and financing, suppliers, and cash flow.

The net exposure to exchange rates is as follows:

Exposição às taxas de câmbio	Sep. 30, 2020		Dec. 31, 2019	
	Foreign currency	R$	Foreign currency	R$
US dollar				
Loans and financings (note 17)	(2,856)	(16,112)	(4,478)	(18,051)
Suppliers (Itaipu Binacional) (note 15)	(63,990)	(360,949)	(60,229)	(242,766)
Net liabilities exposed		**(377,061)**		**(260,817)**

<u>Sensitivity analysis</u>

Based on information from its financial consultants, the Company estimates that in a probable scenario the variation of the exchange rates of foreign currencies in relation to the Real on September 30, 2021 will be an depreciation of the dollar by 13.13%, to R$4.90. The Company has prepared a sensitivity analysis of the effects on the Company's net income arising from depreciation of the Real exchange rate by 25%, and by 50%, in relation to this 'probable' scenario.

Risco - Exposições cambiais	Sep. 30, 2020	Sep. 30, 2021		
	Book value	'Probable' scenario: R$4.90	'Possible' scenario R$6.13	'Remote' scenario R$7.35
US dollar				
Loans and financings (note 17)	(16,112)	(13,996)	(17,510)	(20,994)
Suppliers (Itaipu Binacional) (note 15)	(360,949)	(313,552)	(392,259)	(470,327)
Net liabilities exposed	**(377,061)**	**(327,548)**	**(409,769)**	**(491,321)**
Net effect of exchange rate variation		**49,513**	**(32,708)**	**(114,260)**

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Interest rate risk

The Company is exposed to the risk of decrease in Brazilian domestic interest rates, on September 30, 2020. This exposure occurs as a result of net assets indexed to variation in interest rates, as follows:

Risk: exposure to domestic interest rate changes	Sep. 30, 2020	Dec. 31, 2019
Assets		
Cash equivalents - cash investments (note 4)	776,870	41,574
Marketable securities (note 5)	2,451,964	110,265
CVA and Other financial components in tariffs (note 11)	-	881,614
Receivable amount of related party transactions - Reimbursement of decontracting of supply (note 25)	-	3,504
	3,228,834	**1,036,957**
Liabilities		
Loans, financings and debentures - CDI rate (note 17)	(2,027,065)	(2,164,083)
Sector financial liabilities (note 11)	(331,376)	
	(2,358,441)	**(2,164,083)**
Net assets (liabilities) exposed	**870,393**	**(1,127,126)**

Sensitivity analysis

In relation to the most significant interest rate risk, Company estimates that, in a probable scenario, on September 30, 2021 Selic rate will be 2.00%. The Company has made a sensitivity analysis of the effects on its net income arising from reduction in rates of 25% and 50% in relation to the 'probable' scenario. Fluctuation in the CDI rate accompanies the fluctuation of Selic rate.

Risk: decrease in Brazilian interest rates	Sep. 30, 2020	Sep. 30, 2021		
	Book value	'Probable' scenario: Selic 2.00%	'Possible scenario': Selic 1.50%	'Remote' scenario: Selic 1.00%
Assets				
Cash equivalents - cash investments (note 4)	776,870	792,407	788,523	784,639
Marketable securities (note 5)	2,451,964	2,501,003	2,488,743	2,476,484
	3,228,834	**3,293,410**	**3,277,266**	**3,261,123**
Liabilities				
Loans, financings and debentures - CDI rate (note 17)	(2,027,065)	(2,067,606)	(2,057,471)	(2,047,336)
Sector financial liabilities (note 11)	(331,376)	(338,004)	(336,347)	(334,690)
	(2,358,441)	**(2,405,610)**	**(2,393,818)**	**(2,382,026)**
Net assets exposed	**870,393**	**887,800**	**883,448**	**879,097**
Net effect of variation in interest rates		**17,407**	**13,055**	**8,704**

Increase in inflation risk

The Company is exposed to risk of increase in inflation, on September 30, 2020, as follows:

Company's exposure to arising in inflation	Sep. 30, 2020	Dec. 31, 2019
Assets		
Concession financial assets related to infrastructure - IPCA index (*) (note 11)	497,166	459,711
Receivable from Minas Gerais state government - IGPM index(note 25)	367,362	422,034
	864,528	**881,745**
Liabilities		
Loans, financings and debentures - IPCA index (note 17)	(3,122,110)	(3,618,880)
Debt agreed with pension fund (Forluz) - IPCA index (note 19)	(355,687)	(410,343)
Forluz deficit solution plan - IPCA index (note 19)	(387,328)	(398,584)
	(3,865,125)	**(4,427,807)**
Net liabilities exposed	**(3,000,597)**	**(3,546,062)**

(*) Portion of the concession financial assets relating to the Regulatory Remuneration Base of Assets ratified by the regulator (Aneel).

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Sensitivity analysis

In relation to the most significant risk of rise in inflation index the Company estimates that, in a probable scenario, on September 30, 2021 the IPCA inflation index will be 3.83% and the IGPM inflation index will be 7.83%. The Company has prepared a sensitivity analysis of the effects on its net income arising from an increase in inflation of 25% and 50% in relation to the 'probable' scenario.

Risk: increase in inflation	Sep. 30, 2020	Sep. 30, 2021		
	Book value	'Probable' scenario: IPCA 3.83% IGPM 7.83%	'Possible' scenario: IPCA 4.79% IGPM 9.79%	'Remote' scenario: IPCA 5.75% IGPM 11.75%
Assets				
Concession financial assets related to infrastructure - IPCA index (*) (note 11)	497,166	516,207	520,980	525,753
Receivable from Minas Gerais state government - IGPM index (note 25)	367,362	396,126	403,327	410,527
	864,528	**912,333**	**924,307**	**936,280**
Liabilities				
Loans, financings and debentures - IPCA index (note 17)	(3,122,110)	(3,241,687)	(3,271,659)	(3,301,631)
Debt agreed with pension fund (Forluz) - IPCA index (note 19)	(355,687)	(369,310)	(372,724)	(376,139)
Forluz deficit solution plan - IPCA index (note 19)	(387,328)	(402,163)	(405,881)	(409,599)
	(3,865,125)	**(4,013,160)**	**(4,050,264)**	**(4,087,369)**
Net liabilities exposed	**(3,000,597)**	**(3,100,827)**	**(3,125,957)**	**(3,151,089)**
Net effect of variation in IPCA and IGPM indexes		**(100,230)**	**(125,360)**	**(150,492)**

(*) Portion of the concession financial assets relating to the Regulatory Remuneration Base of Assets ratified by the regulator (Aneel).

Liquidity risk

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

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

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

In managing cash investments, the Company seeks to obtain profitability through a rigid analysis of financial institutions' credit risk, applying operational limits for each bank, based on assessments that take into account their ratings, exposures and balance sheet. It also seeks greater returns on investments by strategically investing in securities with longer investment maturities, while bearing in mind the Company's minimum liquidity control requirements.

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The greater part of the electricity sold by the Company is generated by hydroelectric plants. A prolonged period of scarce rainfall can result in lower water volumes in the plants' reservoirs, possibly causing increased costs of acquisition of electricity, or reduction of revenues due to implementation of wide-ranging programs for saving of electricity. Prolonged generation of electricity using the thermal plants potentially leads to cost increases for the electricity distributors, causing a greater need for cash, and could result in future increases in tariffs.

The Company estimates that the cash balances, cash flow from operations, and raising of new funding and financings are sufficient to meet the need for working capital, investments, debt servicing, and other cash needs in the next 12 months.

The flow of payments of the Company's obligation to suppliers, including future interest up to contractual maturity dates, is as follows:

	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
Financial instruments at (interest rates):						
- Floating rates						
Loans, financings and debentures	55,336	130,118	1,107,186	4,127,743	801,070	6,221,453
Debt with pension plan (Forluz)	8,789	17,631	80,632	312,083	-	419,135
Deficit of the pension plan (Forluz)	3,912	7,856	35,986	208,476	399,480	655,710
	68,037	**155,605**	**1,223,804**	**4,648,302**	**1,200,550**	**7,296,298**
- Fixed rate						
Suppliers	1,228,876	251,100	782	-	-	1,480,758
	1,296,913	**406,705**	**1,224,586**	**4,648,302**	**1,200,550**	**8,777,056**

Credit risk

The distribution concession contract requires levels of service on a very wide basis within the concession area, and disconnection of supply of defaulting customers is permitted. Additionally, the Company uses numerous tools of communication and collection to avoid increase in default. These include telephone contact, emails, text messages, collection letters, posting of customers with credit protection companies, and collection through the courts.

The allowance for doubtful accounts receivable recorded on September 30, 2020, considered to be adequate in relation to the credits in arrears receivable by the Company, was R$579,818.

The Company manage the counterparty risk of losses resulting from insolvency of financial institutions based on an internal policy, has been in effect since 2004.

This Policy assesses and scales the credit risks of the institutions, the liquidity risk, systemic risk related to macroeconomic and regulatory conditions, the market risk of the investment portfolio and the Treasury operational risk.

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

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

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

1. Rating by three risk rating agencies.
2. Equity greater than R$400 million.
3. Basel ratio one percentage point above the minimum set by the Brazilian Central Bank.

Banks that exceed these thresholds are classified in three groups, in accordance with its equity amount, plus a specific segment comprising those whose credit risk is associated only with federal government. The credit limits are determined based on this classification, as follows:

Group	Equity	Limit per bank (% of equity) (1)
Federal Risk (FR)	-	10%
A1	Over R$3.5 billion	Between 6% and 9%
A2	Between R$1.0 billion and R$3.5 billion	Between 5% and 8%
A3	Between R$400 million and R$1.0 billion	Between 0% and 7%

The percentage assigned to each bank depends on individual assessment of indicators, e.g. liquidity, and quality of the credit portfolio.

The Company also sets two concentration limits:

1. No bank may have more than 30% of the Group's portfolio.
2. "Federal Risk" and "A1" banks may have more than 50% of the portfolio of any individual company.

Covid-19 Pandemic - Risks and uncertainties related to Cemig's business

The Company's assessment concerning the risks and potential impacts of Covid-19 are disclosed in Note 1.1.

Risk of over-contracting and under-contracting of energy supply

Sale or purchase of energy supply in the spot market to cover a positive or negative exposure of supply contracted, to serve the captive market of the Company, is an inherent risk to the energy distribution business. The regulatory agent limits for 100% pass-through to customers the exposure to the spot market, valued at the difference between the distributor's average purchase price and the spot price (PLD) is 105% of the distributor's contracted supply. Any exposure that can be proved to have arisen from factors outside the distributor's control ('involuntary exposure') may also be passed through in full to customers. Company's management is continually monitories its contracts for purchase of energy supply to mitigate the risk of exposure to the spot market.

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On April 07, 2020, Aneel expanded the limit of total amount of energy that can be declared by energy distributors in the process of the mechanism for the sale of surplus (‘Mecanismo de Venda de Excedentes’ - MVE), during 2020, from 15% to 30%, for the purpose of facilitating contractual reductions, considering the scenario caused by Covid-19 pandemic.

On May 18, 2020, the Decree n. 10,350/2020 authorized the creation and management of the *Covid Account* by the CCEE (Power Trading Exchange), whose purposes includes the coverage of the financial effects of overcontracting caused by the pandemic. The amount estimated for this coverage was R$212,473. The Decree also added a sub-item to Article 3 of the Decree n. 5,163/2004, reducing the charge arising from the effects of the Covid-19 pandemic, calculated in accordance with an Aneel regulation, as one of the possible items to be treated as involuntary overcontracting, and as a result passed through to customers.

Risk of continuity of the concession

The risk to continuity of the distribution concession arises from the new terms included in the extension of Cemig D’s concession for 30 years from January 1, 2016, as specified by Law 12,783/13. The extension introduced changes to the present contract, conditional upon compliance by the distributor with new criteria for quality, and for economic and financial sustainability.

The extension is conditional on compliance with indicators contained in the contract itself, which aim to guarantee quality of the service provided and economic and financial sustainability of the company. These are determinant for actual continuation of the concession in the first five years of the contract, since non-compliance with them in two consecutive years, or in the fifth year, results in cancellation of the concession.

Additionally, as from 2021, non-compliance with the quality criteria for three consecutive years, or the minimum parameters for economic/financial sustainability for two consecutive years, results in opening of proceedings for termination of the concession.

Due to the inspection carried out by Aneel, the indicators of efficiency criteria regarding service continuity were recalculated for the period from January 2016 to May 2019, resulting in a non-compliance of the annual global limit for the indicator DEC (Customer Unit Average Outage Duration) for the periods of 2016 and 2017. Once the DEC calculated for the period of 2019 also exceeded the regulatory global limit, the prohibition on declaration of dividends and interest on equity, provided in Article 2º of Aneel Normative Resolution 747/2016, was applied, limiting the amount of dividend and interest on equity, isolated or jointly, to 25% of net income, less the amounts allocated to the legal reserve and the Contingency Reserve. It is important to note that the internal indicators (DECi and FECi) for maintaining the distribution concession were complied with in all periods.

The efficiency criteria for continuity of supply and for economic and for financial management, required to maintain the distribution concession, were met in the period ended on September 30, 2020.

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Risk of debt early maturity

The Company has loan contracts with restrictive covenants normally applicable to this type of transaction, related to compliance with a financial index. Non-compliance with these covenants could result in earlier maturity of debts.

On September 30, 2020, the Company was compliant with all the covenants for financial index requiring half-yearly and annual compliance. More details in Note 17.

c) Capital management

This table shows comparisons of the Company's net liabilities and its equity:

	Sep. 30, 2020	Dec. 31, 2019
Total liabilities	19,131,348	19,649,855
Cash and cash equivalents	(819,642)	(234,346)
Marketable securities	(2,212,598)	(109,960)
Net liabilities	**16,099,108**	**19,305,549**
Total equity	**6,021,367**	**4,708,208**
Net liabilities / equity	2.67	4.12

27. NON-CASH TRANSACTIONS

On the period ended September 30, 2020 and 2019, the Company had the following transactions not involving cash, which are not reflected in the Cash flow statement:

- Capitalized financial costs of R$21,473 on September 30, 2020 (R$21,734 on September 30, 2019);
- Offsetting of PIS/Pasep and Cofins taxes credits of R$506,363 against federal taxes payable.

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FINANCIAL RESULTS

(Figures in R$ ’000 unless otherwise indicated)

Net income for the period

The Company reports a net income of R$937,763 from January to September 2020, which compares with its net income of R$1,251,619 in the same period of 2019. Main variations in revenues, costs, expenses and financial items are described in the following pages.

From January to September 2020, we highlight the recognition of reversal of losses expected on doubtful receivables from the State of Minas Gerais, in the amount of R$178,028, net of provisions made.

In the same period of 2019 the net income was significantly impacted by recognition, in Operational revenue and Financial revenue, of the tax credits (and their monetary updating), arising from the Company’s success in its legal action challenging the inclusion of amounts of ICMS tax, paid or due, in the base for calculation of the PIS/ Pasep and Cofins taxes. The amount of this item, prior to tax effects, was R$1,840,923. This amount was partially offset by the provision for tax legal action contingencies in the amount of R$763,728.

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

Cemig D’s Ebtida, measured according to CVM Instruction 527, increased 14.42% from January to September, 2020 compared to the same period in 2019, whereas the Ebtida margin increased from 13.66% to 15.59%.

The adjusted Ebtida, with the removal of non-recurrent items, increased 7.77% from January to September, 2020 compared to the same period in 2019, whereas the adjusted Ebtida margin increased from 13.09% to 14.07%.

Ebitda - R$ ’000	Jan to Sep 2020	Jan to Sep 2019	Change, %
Net income for the period	937,763	1,251,619	(25.08)
+ Income tax and Social Contribution tax	422,098	752,665	(43.92)
+ Net financial revenue (expenses)	(28,003)	(895,542)	(96.87)
+ Depreciation and amortization	496,350	489,012	1.50
= Ebitda according to “CVM Instruction 527” (1)	**1,828,208**	**1,597,754**	**14.42**
- PIS/Pasep and Cofins over ICMS	-	(830,333)	-
+ Reversal of losses expected on receivables from Minas Gerais State (net of provisions made)	(178,028)	-	-
+ Tax provisions - Social Security contributions on profit sharing payments	-	763,728	-
= Ebitda Adjusted (2)	**1,650,180**	**1,531,149**	**7.77**

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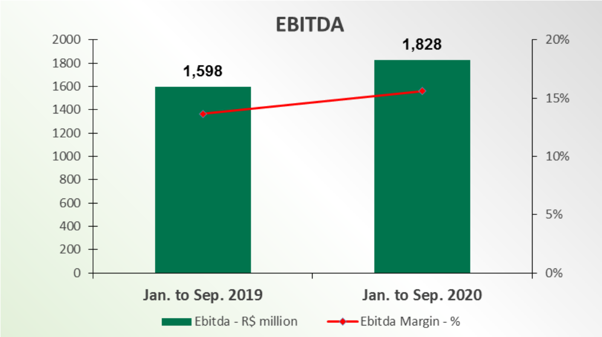

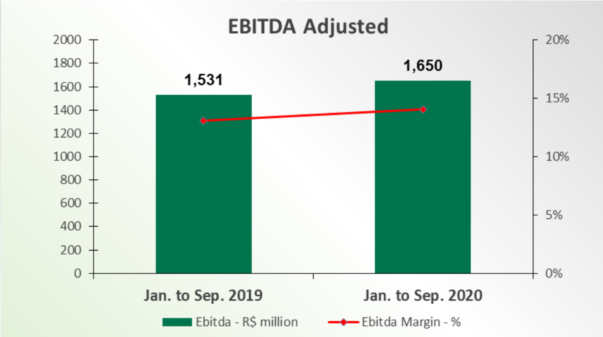

(1) Ebitda is a non-accounting measure prepared by the Company, reconciled with the Interim financial information in accordance with CVM Circular SNC/SEP 1/2007 and CVM Instruction 527 of October 4, 2012. It comprises Net income adjusted by the effects of net financial revenue (expenses), Depreciation and amortization, and Income and Social Contribution taxes. 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 income or operational profit, nor as an indicator of operational performance or cash flow, nor to measure liquidity nor the capacity for payment of debt.
(2) The Company adjusts the EBTIDA measured according to CVM Instruction 527 removing non-current items, which, because of their nature, do not contribute towards information on the potential of future cash generation, since they are extraordinary items.

The higher Ebitda from January to September, 2020 than in the same period of 2019 mainly reflects: revenue obtained from the Surpluses Sales Mechanism (Mecanismo de Vendas de Excedentes - MVE) on the CCCE (Power Trading Exchange); higher revenue from transport of electricity from January to September, 2020; and the effect of operational costs and expenses 2.00% lower (excluding the effect of amortization expense).

The higher Adjusted Ebitda from January to September, 2020 than in the same period of 2019 mainly reflects Net revenue 7.90% higher, excluding the non-recurring effect of recognition, in the second quarter of 2019, of the gain of R$830,333 resulting from the successful legal action challenging inclusion of ICMS tax amounts in the basis for payment of PIS, Pasep and Cofins taxes.

Revenue from supply of energy - captive customers, in Cemig's concession area

Total revenue from energy sold to final customers from January from September, 2020 was R$14,071,713, compared to a R$14,613,263 in the same period in 2019.The main factors in this revenue were:

- The annual tariff adjustment for Cemig D, effective July 1, 2020, with average upward effect on customer tariffs of 4.27%. As from August 19, 2020, the adjustment was recalculated, resulting in the adjustment having a null effect on customer tariffs, due to reimbursement to customers of R$714,339, corresponding to the escrow deposits released after the success of Cemig’s legal action (against which there is no further appeal), which recognized the right to exclude the ICMS amounts from the calculation basis of PIS/Pasep and Cofins taxes;
- the annual tariff adjustment for the Company, effective May 28, 2019 resulting in an average increase in customer tariffs of 8.73% (full effect in 2020); and
- reduction of 5.24% in the energy sold to final customers.

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The changes in energy sold by customers class are as follows:

Customer type	MWh		
	Jan to Sep 2020	Jan to Sep 2019	Change %
Residential	8,095,031	7,849,611	3.13
Industrial	1,341,452	1,834,685	(26.88)
Commercial, services and others	3,273,509	3,853,284	(15.05)
Rural	2,798,570	2,828,581	(1.06)
Public authorities	535,169	660,766	(19.01)
Public lighting	991,695	1,034,410	(4.13)
Public services	1,022,593	994,653	2.81
Total	**18,058,019**	**19,055,990**	**(5.24)**

The main factors that explain the reduction of 5.24% in the energy sold to final customers, were:

- reduction of 26.88% in volume of supply sold to industrial customers, due to (i) the effects of the pandemic, which reduced industrial activity; (ii) reclassification of customers to other categories, due to the process of updating of customer registry data; and (iii) migration of these customers to the Free Market;
- reduction of 15.05% in volume of energy sold to the commercial and services customers mainly due to effects of the pandemic: (i) non-essential commercial establishments and services were totally or partially closed, or their in-person activity was reduced; and (ii) there was also significant migration of consumers to the Free Market and to mini- and micro- distributed generation.
- reduction of 19.01% in revenue from public authorities, due to the effects of the pandemic, which included suspension of in-person lessons in schools and colleges, and reduction or paralyzed of in-person activity in public agencies;
- increase of 3.13% in the volume sold to residential users mainly due to the number of consumers in this category being 2.4% higher, and also reflecting an increase of 0.6% in average monthly consumption by this user category compared to the same period of 2019.

Revenue from Use of Distribution Systems (the TUSD charge)

This is revenue from charging Free Customers the Tariff for Use of the Distribution System (TUSD), on the volume of energy distributed. From January to September, 2020 this was R$2,210,678, compared to R$1,995,013 in the same period in 2019, an increase of 10.81%. This difference mainly arises from the Company's annual tariff adjustment, in effect from May 28, 2019 (full effect by June 30, 2020), which was an increase of 15.47% for free clients, plus the effects of the Company's annual tariff adjustment in force from June 1, 2020, and its subsequent recalculation on August 19, 2020, which respectively affected Free Clients with increases of approximately 10.16% and 5.71%. Additionally, the volume of energy transported from January to September 2020 was 1.63% higher than the same period of 2019.

	MWh		
	Jan to Sep 2020	Jan to Sep 2019	Change %
Industrial	13,629,894	13,332,213	2.23
Commercial	907,221	959,139	(5.41)
Rural	21,941	10,334	112.32
Concessionaires	236,110	256,431	(7.92)
Total	**14,795,166**	**14,558,117**	**1.63**

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CVA and other financial components in tariff adjustments

These items are the recognition of the difference between actual non-controllable costs (in which the contribution to the CDE - the Energy Development Account and energy bought for resale, are significant components) and the costs that were used in calculating rates charged to customers.

The amount of this difference is passed through to customers in the next tariff adjustment of the Company represented a gain of R$98,844 from January to September, 2020 whereas in the same period in 2019 it produced a revenue gain of R$45,119.

Gains recorded as CVA from January to September, 2020 were higher than in the same period of 2019, mainly reflecting:

- Higher cost of energy from Itaipu, due to the higher US dollar exchange rate;
- effects of overcontracting, resulting from lower energy consumption due to the Covid-19 pandemic;
- higher expenses on the National Grid after adjustment in July 2020 - an average increase of approximately 21.86% compared to the prior year;
- recognition of a positive financial component, due to the postponement of the annual tariff adjustment for 2020 by 34 days;
- recognition of the neutrality effect resulting from energy injected into the distribution network by customers.

These effects on revenue were partially offset by: (i) repayment to customers of the incoming funds from excess payments to the Energy Reserve Account (Coner), (ii) lower expenses on the CDE charge due to closing of the Regulated Market Account in August 2019; (iii) lower hydrology risk expenses due to the lower spot price; and (iv) the 2019 tariff adjustment, which was approved at a significantly higher level than in the previous year.

For further details, see Note 11.b.

Construction revenue

Infrastructure construction revenue from January to September, 2020 was R$968,413, compared to R$626,330 in the same period in 2019, an increase of 54.62%. This variation is mainly due to the execution of a larger proportion of the Investment Plan budget in assets related to distribution concession infrastructure, especially those related to the medium- and low- voltage and sub-transmission networks.

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This revenue is fully offset by Construction costs, of the same amount, and corresponds to the Company's investments in assets of the concession in the period.

Revenue from the mechanism for the sale of energy surplus (MVE)

The revenue from the mechanism for the sale of energy surplus (MVE) were R$152,504 from January to September, 2020, relating to offers of supply made at the end of 2019 by the Company. The MVE enables distributors to sell excesses of supply and, for sales related to amounts of the regulatory limit or involuntary exposure, enables part of the benefit gained to be passed through to the customers tariffs in the tariff adjustments.

PIS/Pasep and Cofins taxes credits over ICMS

The credits of PIS/Pasep and Cofins taxes (previously erroneously charged to include the amounts of ICMS taxes paid or due), totaling R$830,333, resulted from the success in the Company's legal action questioning the inclusion of ICMS tax in these amounts, and is backdated to July 2003. More details in Note 7a.

Taxes and regulatory charges reported as Deductions from revenue

The taxes and charges that are recorded as deductions from operating revenue totaled R$7,012,224 from January to September, 2020 or 6.18% lower than the same period in 2019 (R$7,473,799).

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, and the subsidy for balanced tariff reduction, the low-income-customer subsidy, the coal consumption subsidy, and the Fuels Consumption Account (CCC).

Charges for the CDE from January to September 2020 were R$1,656,416, compared to R$1,793,438 in the same period of 2019 - 7.64% lower YoY, due, primarily, to the Regulated Market Account (ACR), in August, 2019.

The ACR account was created by the federal government by its Decree n. 8,221/2014, regulated by Aneel Normative Resolution n. 612/2014, in order to totally or partially covering distributors' energy expenses due to involuntary exposure to the spot market, and the dispatching of thermal plants, linked to CCEARs (Regulated Market Sales Contract) for Availability.

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

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Customer 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.

Customer charges were, from January to September, 2020, at R$59,672, than the same period in 2019 (R$93,342) - or 36.07% lower year-on-year.

The difference reflects the application of the 'yellow' tariff flag in December 2019 (affecting the billing of January 2020), and January 2020. For comparison, in 2019 the yellow flag was activated in May and July (influencing billing in June and August 2019, respectively) and red flag in August 2019, resulting in increase on charges for the year.

Aneel Dispatch n. 1,511 of May 26, 2020 exceptionally ruled a temporary suspension of the systematic application of the flag tariff system, and set the 'green' flag until December, 31, 2020, in line with the period stimulated by Decree n. 10,350/2020 for coverage of the energy sector's costs with funds from the Covid Account.

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)

Operating costs and expenses from January to September, 2020 totaled R$10,391,331, or 1.84% less than the same period in 2019 (R$10,586,167). For more on the components of Operating costs and expenses see Note 23.

The following paragraphs comment on the main variations:

Employee profit sharing

The expense on employees' and managers' profit sharing was R$69,047 from January to September, 2020, compared to R$109,480 in he same period of 2019, an reduction of 36.93%. This variation results from the reduction in profit of Cemig D's parent company - Cemig - the basis of calculation for profit shares (the collective agreements of Cemig D, Cemig Geração e Transmissão and Cemig are unified).

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Energy bought for resale

This expense was R$5,731,631 from January to September 2020, or 6.50% higher year-on-year, compared to R$5,381,699 in the same period of 2019. This arises mainly from the following items:

- Expense on supply from Itaipu was 39.11% higher, at R$1,483,596 from January to September 2020, compared to R$1,066,473 in the same period of 2019. The difference is mainly due to the increase of 31.53% in the average dollar quotation from January to September 2020 compared to the same period of 2019 (R$5.16 and R$3.92, respectively), which has contributed to the rise in dollar energy price per KW (US$28.41/KW in 2020 and US$27.71/KW in 2019);
- expenses on supply acquired at auction 5.57% higher: R$2,359,913 from January to September 2020, compared to R$2,235,321 in the same period of 2019, mainly due to the increase in the volume of energy purchased;
- expenses on supply acquired through physical guarantee quota contracts 9.18% higher, at R$607,980 from January to September 2020, compared to R$556,856 in the same period of 2019. This is mainly due to the average price per MWh being 6.96% higher year-on-year from January to September 2020 (at R$108.82, compared to R$101.73 in the same period of 2019);
- higher expenses on distributed generation ('geração distribuída'): R$485,347 from January to September 2020, compared to R$137,349 in the same period of 2019. This reflects the higher number of generation units installed (56,856 in September 2020, compared to 23,621 in September 2019); and the higher volume of energy injected into the grid (700,793 MWh from January to September 2020, compared to 279,586 MWh in the same period of 2019); and
- the expense on purchase of supply at the spot price was lower from January to September 2020, at R$580,926, than the same period of 2019 (R$1,156,786). The result expressed for spot-price supply is the net balance between revenues and expenses of transactions on the Power Trading Chamber (CCEE). The lower figure is mainly due to the average spot price (PLD) being 44% lower, at R$118.34/MWh from January to September 2020, compared to R$211.86/MWh in the same period of 2019, and also the position assumed by Cemig D in 2020, which was a creditor due to the lower consumption caused by the pandemic, contrasting with the position assumed in 2019.

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. For more details please see Note 23c.

Charges for use of the transmission network

Charges for use of the transmission network from January to September, 2020 totaled R$1,191,308, a higher of 8.45% compared to the same period of 2019 (R$1,098,492).

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These charges are payable by energy distribution and generation agents for use of the facilities that are components of the national grid. The amounts to be paid are set by a Resolution from the Regulator (Aneel).

The lower figure is mainly due to the annual adjustment in charges for use of the National Grid, which usually takes place in July, and had an effect of approximately 41% in 2020. This effect was partially offset by the discounts advanced in April, May and June 2020, which would be further included in the adjustment in order to provide financial help to the distributors agents in the Covid-19 pandemic peak - generating a negative effect of approximately 29% in the second quarter of 2020.

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

Operating provisions from January to September, 2020 totaled R$133,341, or 87.28% less than in the same period of 2019 (R$1,048,610). This reduction mainly from the following factors:

- provisions for tax contingency were 96.19% lower, totalling R$29,105 from January to September 2020 compared to provisions of R$763,515 made in the same period of 2019. This reduction figure last year mainly reflects the Company reassessment, based on the opinion of its legal advisers, of the chances of loss in legal actions disputing social security contributions on the payments of profit-sharing to its employees, without previous agreement on targets for productivity indicators. The resulting provisions made in 2019 totaled R$763,728. For more details please see Note 20;
- provisions for employment-law legal actions were 56.55% lower, at R$28,975 from January to September, 2020, compared to R$66,692 from January to September, 2019. The lower figure mainly reflects the suspension of claims for additional salary for hazardous work, due to the Supreme Federal Court recognizing the judgment in Ruling n. 1,046 as a General Precedent. For more details please see Note 20;
- net additional provisions for third-party liability legal actions were 103.54% higher, at R$27,797, from January to September 2020, compared to the same period of 2019, of R$13,657. The difference mainly arises from provisions made for legal actions for third party liability, claiming payment of indemnity for pain and suffering, and material and aesthetic damage, caused by accidents involving the electricity network; and
- losses expected on doubtful receivables from clients 76.73% lower, at R$45,832 from January to September 2020, compared to R$196,963 in the same period of 2019. This difference mainly reflects reversal of expected losses for debts for energy consumption, of R$230,935 of losses, and services owed by the direct and indirect administration of Minas Gerais State that will be able to be offset against ICMS tax owed to the state, under State Decree n. 47,908/2020. For more details please see Note 6.

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Net financial revenue (expenses)

The Company reports net financial revenue from January to September, 2020 of R$28,003, compared to net financial revenue of R$895,542 in the same period of 2019. The main factors were:

- reduction of 63.14% in CVA monetary updating, at R$31,281 from January to September 2020, compared to R$84,871 in the same period of 2019, mainly due to the lower Selic interest rate in 2020, in addition to the lower anual tariff adjustment compared to prior year;
- reduction of 98.07% on financial revenue of monetary updating of the PIS/Pasep and Cofins taxes credits over ICMS, at R$19,799 from January to September 2020, compared to R$1,023,377 in the same period of 2019. This variation is mainly due to the recognition of financial updating of PIS/Pasep and Cofins taxes credits in the second quarter of 2019. More details in Note 7a;
- increase of 517.88% on net foreign exchange variation expenses for Itaipu, of R$72,138 from January to September 2020, compared to R$11,675 in the same period of 2019. This variation is mainly due to the increase of 31.53% in the average dollar in the compared periods (R$5.16 from January to September 2020, compared to R$3.92 in the same period of 2019); and
- borrowing expenses on loans, financings and debentures were 49.13% lower from January to September 2020, at R$153,330, than in the same period of 2019 (R$301,432). This mainly reflects the difference in levels of the IPCA inflation index - the main indexor used for updating the Company's debts - between the two periods: it was 1.34% from January to September, 2020, compared to 2.49% from January to September, 2019. Additionally, the substitution of debts in July 2019, through the Company's 7th Debenture Issue, enabled the borrowing costs to be reduced.

For a breakdown of financial revenues and expenses see Note 24.

Income tax and social contribution taxes

From January to September, 2020, the expense on income and the Social Contribution taxes totaled R$422,098, on pre-tax profit of R$1,359,861. In the same period of 2019, the expense on income and the Social Contribution taxes was R$752,665, on pre-tax profit of R$2,004,284.

These effective rates are reconciled with the nominal tax rates in Note 8c.

Net income for the third quarter 2020

The Company reports a net income of R$458,373 for the third quarter of 2020, which compares with its net loss of R$315,548 in the same period of 2019.

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A significant component in the third quarter of 2020 net profit was the reversal of expected losses for potential default on debt owed by the state of Minas Gerais, in the amount of R$230,935.

In the same period of 2019, a highlight was recognition of a provision of R$763,728 for tax contingency.

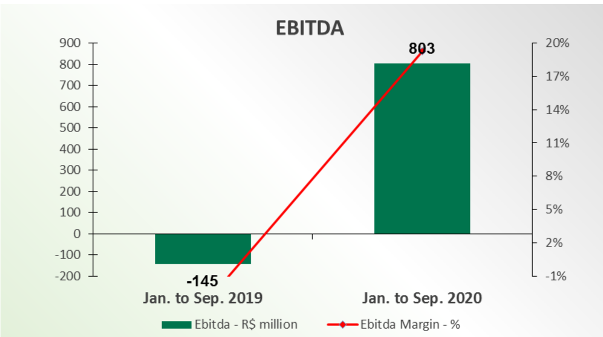
The following items describe the main variations between the two periods in revenues, costs, expenses and financial.

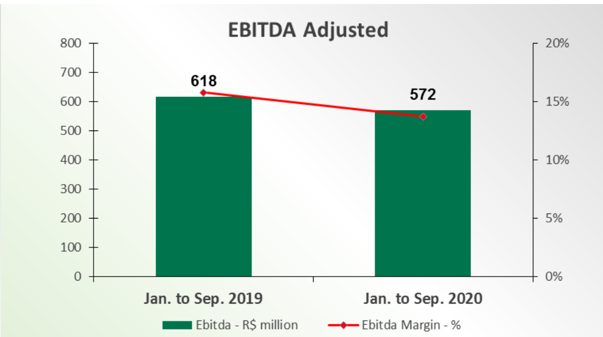
Ebitda (Earnings before interest, tax, depreciation and amortization)

Cemig D's Ebtida, measured according to CVM Instruction 527 in 3Q20 was higher than in 3Q19, and Ebitda margin was also higher: 19.27% positive in 3Q20, compared to 3.72% negative in 3Q19.

The adjusted Ebtida, with the removal of non-recurrent items, was 7.54% lower in 3Q20 than in 3Q19; and adjusted Ebitda margin was 13.73% in 3Q20, compared to 15.81% in 3Q19.

Ebitda - R$ '000	Jul to Sep 2020	Jul to Sep 2019	Change, %
Net income for the period	458,373	(315,548)	-
+ Income tax and Social Contribution tax	180,554	(19,033)	-
+ Net financial revenue (expenses)	(3,348)	25,331	-
+ Depreciation and amortization	167,217	163,993	1.97
= Ebitda according to "CVM Instruction 527" (1)	**802,796**	**(145,257)**	**-**
Reversal of losses expected on receivables from Minas Gerais State (net of provisions made)	(230,935)	-	-
Tax provisions - Social Security contributions on profit sharing payments	-	763,728	-
= Ebitda Adjusted (2)	**571,861**	**618,471**	**(7.54)**





(1) Ebitda is a non-accounting measure prepared by the Company, reconciled with the Interim financial information in accordance with CVM Circular SNC/SEP 1/2007 and CVM Instruction 527 of October 4, 2012. It comprises Net income adjusted by the effects of net financial revenue (expenses), Depreciation and amortization, and Income and Social Contribution taxes. 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 income or operational profit, nor as an indicator of operational performance or cash flow, nor to measure liquidity nor the capacity for payment of debt.

(2) The Company adjusts the EBTIDA measured according to CVM Instruction 527 removing non-current items, which, because of their nature, do not contribute towards information on the potential of future cash generation, since they are extraordinary items.

The higher Ebitda in 3Q20 than in 3Q19 mainly reflects Net revenue 6.61% higher in 3Q20, with operational costs and expenses (excluding amortization) 17.01% lower than from January to September, 2019.

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The lower Adjusted Ebitda in 3Q20 than in 3Q19 is mainly due to Operational costs and expenses 9.27% higher, excluding the non-recurring effects of the reversion of provisions for customer default in 2020, and the tax provisions in 2019.

Revenue from supply of energy - captive customers, in Cemig's concession area

Total revenue from energy sold to final customers in the third quarter of 2020 was R$4,785,113, compared to a R$5,070,267 in the same period in 2019. The main factors in this revenue, in 3Q20, were:

- the annual tariff adjustment for Cemig D, effective July 1, 2020, with average upward effect on consumer tariffs of 4.27%. As from August 19, 2020, the adjustment was recalculated, resulting in the adjustment having a null effect on consumer tariffs, due to reimbursement to consumers of R$714,339, corresponding to the escrow deposits released after the success of Cemig's legal action (against which there is no further appeal), which disallowed charging of PIS, Pasep and Cofins taxes on amounts of ICMS tax charged on consumer electricity bills; and
- volume of electricity sold to final consumers 3.54% lower.

The changes in energy sold by customers class are as follows:

Customer type	MWh*		
	Jul to Sep 2020	Jul to Sep 2019	Change %
Residential	2,652,121	2,557,935	3.68
Industrial	462,136	573,101	(19.36)
Commercial, services and others	960,727	1,201,120	(20.01)
Rural	1,134,943	1,053,908	7.69
Public authorities	149,154	205,123	(27.29)
Public lighting	327,039	348,477	(6.15)
Public services	347,469	315,588	10.10
Total	**6,033,589**	**6,255,252**	**(3.54)**

* Information in MWh has not been reviewed by independent auditors.

The main factors that explain the reduction of 3.54% in the energy sold to final customers, were:

- revenue from the industrial consumer category was 19.36% lower YoY, due to: (i) the effects of the pandemic, which reduced industrial activity; (ii) the reclassification of consumers in this user category to other categories due to the process of updating and enhancement of client registry data; and (iii) migration of industrial consumers to the Free Market;
- revenue from the commercial and services user category 20.01% lower YoY, mainly due to: (i) the effects of the pandemic - when non-essential commercial establishments and services were totally or partially closed, or their in-person activity was reduced; and (ii) there was also significant migration of consumers to the Free Market and to mini- and micro- distributed generation;
- revenue from the public authorities user category was 27.29% lower YoY, due to the effects of the pandemic: these included suspension of in-person lessons in schools and colleges, and reduction or full abandonment of office working in public agencies; and

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- increase of 7.69% on consumption by the rural consumer category, mainly due to growth in the farming sector, which unlike other sectors of the economy showed positive economic indicators in 2020.

Revenue from Use of Distribution Systems (the TUSD charge)

This is revenue from charging Free Customers the Tariff for Use of the Distribution System (TUSD), on the volume of energy distributed. In the third quarter of 2020, this was R$799,877, compared to R$718,272 in the same period in 2019, an increase of 11.36%. This difference mainly arises from the Company's annual tariff adjustment, in effect from June 01, 2020 which was an increase of 10.16% for free clients (in effect by August 18, 2020). This impact was 5.71% for Free Clients as from August 19, 2020, when the tariff adjustment was recalculated to include the return of R$714,339 to customers. Additionally, the volume of energy transported in 3Q20 was 7.80% higher than in 3Q19.

	MWh		
	Jul to Sep 2020	Jul to Sep 2019	Change %
Industrial	4,879,603	4,487,375	8.74
Commercial	299,125	312,848	(4.39)
Rural	7,667	4,652	64.81
Concessionaires	91,645	91,201	0.49
Total	**5,278,040**	**4,896,076**	**7.80**

CVA and other financial components in tariff adjustments

These items are the recognition of the difference between actual non-controllable costs (in which the contribution to the CDE - the Energy Development Account and energy bought for resale, are significant components) and the costs that were used in calculating rates charged to customers.

The amount of this difference is passed through to customers in the next tariff adjustment of the Company represented a revenue of R$17,192 in the third quarter of 2020, whereas in the same period in 2019 it produced a expense of R$35,122. This variation results essentially from the graphical status of the CVA account, which may assume an expense or revenue position, depending on the fluctuation of the non-controllable costs incurred in the period in relation to those approved by the regulator for tariff composition.

This variation is due, primarily, to the high amount of revenue recognized in 3Q20 mainly because of the increase in the Itaipu energy cost, caused by the rise in the dollar exchange rate compared to 3Q19, and (ii) expenses on the National Grid 43.60% higher than in 3Q19 after the adjustment in July 2020. These effects were partially offset by lower CDE charges, due to finalization of the Regulated Market Account in August 2019, and the result of the 2019 tariff adjustment, which was approved at a significantly higher level than in the previous year.

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Construction revenue

Infrastructure construction revenue in the third quarter of 2020 was R$386,669, compared to R$263,163 in the same period in 2019, an increase of 46.93%. The changes mainly reflects to the higher volume of investments in 2020.

This revenue is fully offset by Construction costs, of the same amount, and corresponds to the Company's investments in assets of the concession in the period.

Revenue from the mechanism for the sale of energy surplus (MVE)

The revenue from the mechanism for the sale of energy surplus (MVE) were R$47,690 in 3Q20, relating to offers of supply made at the end of 2019 by the Company. This mechanism is an instrument regulated by Aneel enabling distributors to sell overcontracted supply - the energy amount that exceeds the quantity required to supply captive customers.

Taxes and regulatory charges reported as Deductions from revenue

The taxes and charges that are recorded as deductions from operating revenue totaled R$2,319562 in the third quarter of 2020, or 8.04% lower than the same period of 2019 (R$2,522,232).

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, and the subsidy for balanced tariff reduction, the low-income-customer subsidy, the coal consumption subsidy, and the Fuels Consumption Account (CCC).

Charges for the CDE in the third quarter of 2020 were R$552,138, compared to R$578,374 in the same period of 2019, an reduction of 4.54%. The lower figure reflects the ending of payment of Regulated Market (ACR) Account in August 2019.

The ACR account was created by the federal government by its n. Decree 8,221/2014, regulated by Aneel Normative Resolution n. 612/2014, for the purpose of totally or partially covering electricity distributors' expenses on involuntary exposure to the spot market, and the dispatching of thermal plants, linked to availability CCEARs (Regulated Market Power Purchasing Agreements).

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

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Customer 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.

Customer charges were, in 3Q20, at R$16, than the same period in 2019 (R$73,474) - or 99.98% lower year-on-year.

The variation is mostly because there were no flag tariffs activated in the 3Q20, due to the exceptional temporary suspension of its systematic application, with the 'flag' set at 'green' until December, 31, 2020, by Aneel dispatch n. 1,511 of May 26, 2020. In comparison, in the 3Q19, the yellow flag (influencing billing in July 2019) and red flag (influencing billing in August and September 2019).

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)

Operating costs and expenses in 3Q20 totaled R$3,531,879, or 16.27% less than the same period in 2019 (R$4,218,380). For more on the components of Operating costs and expenses see Note 23.

The following paragraphs comment on the main variations:

Energy bought for resale

The expense on energy purchased for resale in the third quarter of 2020 was R$1,909,352 compared to R$1,925,972 in the same period of 2019. The main impacts result from the following factors:

- expense on supply from Itaipu was 42.68% higher, at R$531,183 in the third quarter of 2020, compared to R$372,296 in the same period of 2019. The difference is mainly due to the increase of 34.44% in the average dollar quotation in the third quarter of 2020 compared to the same period last year (R$4.04 and R$5.43, respectively), which has contributed to the rise in dollar energy price per KW (US$28.41/KW in the year of 2020 and US$27.71/KW in 2019);

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- higher expenses on distributed generation (‘geração distribuída’): R$157,551 in 3Q20, compared to R$54,491 in 3Q19. This reflects the higher number of generation units installed and the higher volume of energy injected into the grid (273,184 MWh in 3Q20, compared to 99,749 MWh in 3Q19);
- expenses on supply acquired at auction 3.73% lower: R$775,023 in 3Q20, compared to R$805,067 in the same period of 2019, mainly reflecting the lower average price of power contracts in the auctions; and
- decrease of 61.05% on lower expense on purchase of supply in the spot market, R$163,903 in 3Q20 compared to R$420,843 in the same period of 2019. The result expressed for spot-price supply is the net balance between revenues and expenses of transactions on the Power Trading Chamber (CCEE). The lower figure is mainly due to the average spot price (PLD) being 57.18% lower, at R$91.67/MWh in 3Q20 compared to R$214.12/MWh in 3Q19, and also the position assumed by Cemig D in 3Q20, which was a creditor due to the lower consumption caused by the Covid-19 pandemic, contrasting with the position assumed in 3Q19.

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. More details in Note 23c.

Charges for use of the transmission network

Charges for use of the transmission network in 3Q20 totaled R$553,257, a higher of 43.62% compared with the same period in 2019 (R$385,229).

These charges are payable by energy distribution and generation agents for use of the facilities that are components of the national grid. The amounts to be paid are set by a Resolution from the Regulator (Aneel).

The higher figure reflects the annual adjustment in charges for the National Grid, normally applied in July, which had an effect of approximately 41% in 3Q20.

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

Operating provisions in 3Q20 totaled R$117,337, compared to the same period in 2019, R$853,862. This arises mainly from the following factors:

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- provisions for tax contingency were 97.92% lower, totalling R$15,881 from January to September 2020 compared to provisions of R$763,735 made in the same period of 2019. This reduction figure last year mainly reflects the Company reassessment, based on the opinion of its legal advisers, of the chances of loss in legal actions disputing social security contributions on the payments of profit-sharing to its employees, without previous agreement on targets for productivity indicators. The resulting provisions made in 2019 totaled R$763,728;
- variation of provisions for employment-law legal actions: new provisions of R$12,918 in 3Q20, compared to a R$11,367 in 3Q19. This variation is mainly due to the addition of several actions in the third quarter of 2020, due to a reassessment of the likelihood of loss due to unfavorable sentences to the Company, and the reversal of the provision in the third quarter of 2019, due to the reassessment of the contingency estimate related to the differences in the application of the monetary adjustment index, from TR to IPCA-E, for actions in which debts from the period between March 25, 2015 and November 10, 2017 that are at the advanced execution stage are being discussed; and
- in 3Q20, provisions for estimated losses totaling R$152,817 for doubtful receivables were reversed - in comparison to 3Q19, when new provisions of R$89,112 were made. The difference reflects reversal, in 3Q20, of R$230,935 of the losses, due to the tax authority of Minas Gerais accepting the Company's application to allow debts owed by the direct and indirect administrations of the State to Cemig for electricity consumption and services to be offset using ICMS tax payable by Cemig to the state. For more information please see Note 6.

Net financial revenue (expenses)

The Company reports net financial revenue in the third quarter of 2020 of R$3,348, compared to net financial expense of R$25,331 in the same period of 2019. The main factors were:

- arrear fees on customer energy bills were 21.87% higher in 3Q20, at R$104,112, compared to R$85,428 in the same period of 2019 - due basically to the higher volume of customer energy bills in arrears, and a higher volume of negotiation and agreements for payment by installments in 3Q20;
- borrowing expenses on loans, financings and debentures were 49.72% lower in 3Q20, at R$53,041, compared to expenses of R$105,486 in the same period of 2019. This variation is mainly due to the substitution of debts in July 2019, through the Company's 7th Debenture Issue, enabled the borrowing costs to be reduced;
- reduction of 97.01% in the the transaction cost amortization expenses, at R$513 in 3Q20, compared to R$17,142 in 3Q19, mainly due to the amortization of the costs involved with the institutions that organize and coordinate the replacement of the Company's 7th Debenture Issue; and

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- monetary updating on borrowing expenses on loans, financings and debentures were 228.61% higher in 3Q20, at R$35,989 compared to R$10,952 in 3Q19. This variation is mainly due to the increase in the average dollar in the compared periods (R$5.43 in 3Q20, compared to R$4.04 in the same period of 2019).

For a breakdown of financial revenues and expenses see Note 24.

Income tax and social contribution taxes

In the third quarter of 2020, the expense on income and the Social Contribution taxes totaled R$180,554, on pre-tax profit of R$638,927. In the same period of 2019, the expense on income and the Social Contribution taxes was R$19,033, on pre-tax profit of R$334,581.

These effective rates are reconciled with the nominal tax rates in Note 8c.

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(The original is signed by the following signatories)

Reynaldo Passanezi Filho
Chief Executive Officer

Dimas Costa
Chief Trading Officer

Leonardo George de Magalhães
Chief Finance and Investor Relations Officer

Ronaldo Gomes de Abreu
Chief Distribution Officer

Daniel Faria Costa
Chief Officer for Management of Holdings

Paulo Mota Henriques
Chief without portfolio

Luciano de Araújo Ferraz
Chief Regulation and Legal

Mário Lúcio Braga
Controller
CRC-MG 47,822

Carolina Luiza F. A. C. de Senna
Accounting Manager
Accountant - CRC-MG 77,839

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A free translation from Portuguese into English of Independent Auditor's Review Report on Quarterly Information prepared in Brazilian currency in accordance with accounting practices adopted in Brazil and International Financial Reporting Standards (IFRS), issued by International Accounting Standards Board - IASB

Independent Auditor's Review Report on Quarterly Information - ITR

To the Shareholders and Management of
Cemig Distribuição S.A.
Belo Horizonte - MG

Introduction

We have reviewed the accompanying interim financial information, contained in the Quarterly Information Form (ITR) of Cemig Distribuição S.A. ("Company"), for the quarter ended September 30, 2020, comprising the statement of financial position as at September 30, 2020, and the related statements of profit or loss, of comprehensive income for the three and nine month periods then ended, and of changes in equity and cash flows for the nine-month period then ended, including the explanatory notes.

Management is responsible for preparation of the interim financial information in accordance with Accounting Pronouncement NBC TG 21 – Interim Financial Reporting and IAS 34 – Interim Financial Reporting, issued by the International Accounting Standards Board (IASB), as well as for the fair presentation of this information in conformity with the rules issued by the Brazilian Securities and Exchange Commission (CVM) applicable to the preparation of the Quarterly Information Form (ITR). Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of review

We conducted our review in accordance with Brazilian and international standards on review engagements (NBC TR 2410 and ISRE 2410 - Review of Interim Financial Information performed by the Independent Auditor of the Entity, respectively). A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with auditing standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information included in the quarterly information referred to above are not prepared, in all material respects, in accordance with NBC TG 21 and IAS 34, applicable to the preparation of Quarterly Information Form (ITR), and presented consistently with the rules issued by the Brazilian Securities and Exchange Commission (CVM).

Other matters

Statement of value added

The above mentioned quarterly information include the statement of value added (SVA) for the nine-month period ended September 30, 2020, prepared under Company's Management responsibility and presented as supplementary information by IAS 34. This statement has been subjected to review procedures performed together with the review of the quarterly information with the objective to conclude whether it is reconciled to the interim financial information and the accounting records, as applicable, and if its format and content are in accordance with the criteria set forth by NBC TG 09 – Statement of Value Added. Based on our review, nothing has come to our attention that causes us to believe that it was not prepared, in all material respects, consistently with the overall interim financial information.

Belo Horizonte (MG), November 13, 2020.

ERNST & YOUNG
Auditores Independentes S.S.
CRC-2SP015199/O-6

Shirley Nara S. Silva
Accountant CRC-1BA022650/O-0