CONTENTS

STATEMENTS OF FINANCIAL POSITION
AS OF MARCH 31, 2021 AND DECEMBER 31, 2020
ASSETS
(In thousand of Brazilian Reais)

	Note	Mar. 31, 2021	Dec. 31, 2020
CURRENT			
Cash and cash equivalents	4	691,380	659,045
Marketable securities	5	1,242,795	2,104,119
Customers and traders	6	2,955,628	2,989,608
Concession holders - Transport of energy	6	287,090	257,540
Recoverable taxes	7	1,564,397	1,483,677
Income tax and social contribution tax recoverable	8a	11,309	128,539
Inventories		30,646	29,312
Public lighting contribution		177,505	179,406
Reimbursement of tariff subsidy payments	10	82,616	82,616
Low-income subsidy		43,054	43,072
Concession financial and sector assets	11	31,039	-
Others credits		157,615	135,835
TOTAL CURRENT		**7,275,074**	**8,092,769**
NON-CURRENT			
Marketable Securities	5	332,010	472,371
Deferred Income tax and social contribution tax	8b	1,764,264	1,747,020
Recoverable taxes	7	2,533,743	2,888,626
Escrow deposits	8a	66,847	66,667
Customers and traders	9	575,435	527,628
Concession holders - Transport of energy	6	95,257	120,041
Others credits	6	34,029	34,085
Concession financial and sector assets		13,763	13,865
Contract assets	11	821,436	662,739
Intangible assets	12	1,293,426	1,141,599
Leasing - rights of use	13	9,199,942	9,207,269
TOTAL NON-CURRENT	14	158,879	166,344
TOTAL ASSETS		**16,889,031**	**17,048,254**
CURRENT		**24,164,105**	**25,141,023**

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

CEMIG Distribuição S.A.

STATEMENTS OF FINANCIAL POSITION
AS OF MARCH 31, 2021 AND DECEMBER 31, 2020
LIABILITIES
(In thousand of Brazilian Reais)

	Note	Mar. 31, 2021	Dec. 31, 2020
CURRENT			
Loans, financing and debentures	17	828,677	1,181,014
Suppliers	15	1,430,181	1,783,607
Taxes payable	16	299,504	234,490
Payroll and related charges		124,011	138,444
Regulatory charges	18	366,826	267,696
Employees' and managers' profit shares		89,807	73,691
Post-employment obligations	19	219,686	213,283
Public lighting contribution		268,843	304,869
Sector financial liabilities	12	59,026	231,322
Interest on Capital, and dividends, payable	25	383,101	309,434
PIS/Pasep and Cofins taxes to be refunded to customers	16	836,107	448,019
Leasing liabilities	14	35,565	38,521
Others		359,952	338,794
TOTAL CURRENT		**5,301,286**	**5,563,184**
Não circulante			
Loans, financing and debentures	17	3,592,483	3,916,226
Provisions	20	1,206,105	1,246,762
Post-employment obligations	19	4,440,138	4,433,298
Regulatory charges	18	121,203	234,237
PIS/Pasep and Cofins taxes to be refunded to customers	16	3,023,426	3,569,837
Leasing liabilities	14	135,340	139,241
Others		17,008	16,607
TOTAL NON-CURRENT		**12,535,703**	**13,556,208**
TOTAL LIABILITIES		**17,836,989**	**19,119,392**
EQUITY	21		
Share capital		5,371,998	5,371,998
Profit reserves		2,567,003	2,653,670
Equity valuation adjustments		(2,004,037)	(2,004,037)
Retained earnings		392,152	-
TOTAL EQUITY		**6,327,116**	**6,021,631**
TOTAL LIABILITIES AND EQUITY		**24,164,105**	**25,141,023**

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

STATEMENTS OF INCOME
FOR THE THREE-MONTH PERIODS ENDED MARCH 31, 2021 AND 2020
(In thousand of Brazilian Reais, except earnings per share)

	Note	Jan to Mar, 2021	Jan to Mar, 2020
Revenue	22	**4,661,975**	**3,777,379**
OPERATING COSTS	23		
COST OF ENERGY AND GAS			
Energy purchased for resale		(2,148,339)	(1,919,179)
Charges for use of the national grid		(765,274)	(372,581)
		(2,913,613)	(2,291,760)
OTHER COSTS			
Personnel		(150,234)	(160,188)
Materials		(7,717)	(8,398)
Outsourced services		(246,567)	(208,644)
Amortization		(142,797)	(136,180)
Operating provisions, net	23d	15,066	(29,603)
Infrastructure construction cost		(321,301)	(248,407)
Others		(7,669)	(8,381)
		(861,219)	(799,801)
TOTAL COST		**(3,774,832)**	**(3,091,561)**
GROSS PROFIT		**887,143**	**685,818**
OPERATING EXPENSES	23		
Selling expenses		(44,178)	(96,145)
General and administrative expenses		(145,704)	(135,316)
Other operating expenses, net		(116,215)	(122,723)
		(306,097)	**(354,184)**
Income before finance income (expenses) and taxes		**581,046**	**331,634**
Finance income	24	126,899	128,024
Finance expenses	24	(166,354)	(162,440)
Income before income tax and social contribution tax		**541,591**	**297,218**
Current income tax and social contribution tax	8c	(166,683)	(116,958)
Deferred income tax and social contribution tax	8c	17,244	16,329
Net income for the period		**392,152**	**196,589**
Basic and diluted earnings per shares, R$	21	**0.17**	**0.08**

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

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE THREE-MONTH PERIODS ENDED MARCH 31, 2021 AND 2020
(In thousand of Brazilian Reais)

	Jan to Mar, 2021	Jan to Mar, 2020
Net income for the period	392,152	196,589
COMPREHENSIVE INCOME FOR THE PERIOD	**392,152**	**196,589**

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

STATEMENTS OF CHANGES IN EQUITY
FOR THE THREE-MONTH PERIODS ENDED MARCH 31, 2021 AND 2020
(In thousand of Brazilian Reais - except where otherwise stated)

	Share capital	Profit reserves	Equity valuation adjustments	Retained earnings	Total equity
BALANCES ON DECEMBER 31, 2019	**5,371,998**	**1,329,789**	**(1,993,579)**	**-**	**4,708,208**
Net income for the period	-	-	-	196,589	196,589
COMPREHENSIVE INCOME FOR THE PERIOD	**-**	**-**	**-**	**196,589**	**196,589**
BALANCES ON MARCH 31, 2020	**5,371,998**	**1,329,789**	**(1,993,579)**	**196,589**	**4,904,797**
BALANCES ON DECEMBER 31, 2020	**5,371,998**	**2,653,670**	**(2,004,037)**	**-**	**6,021,631**
Net income for the period	-	-	-	392,152	392,152
COMPREHENSIVE INCOME FOR THE PERIOD	**-**	**-**	**-**	**392,152**	**392,152**
Retained earnings reserve	-	(86,667)	-	-	(86,667)
BALANCES ON MARCH 31, 2021	**5,371,998**	**2,567,003**	**(2,004,037)**	**392,152**	**6,327,116**

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

STATEMENTS OF CASH FLOWS
FOR THE THREE-MONTH PERIODS ENDED MARCH 31, 2021 AND 2020
(In thousand of Brazilian Reais)

	Note	Jan to Mar, 2021	Jan to Mar, 2020
CASH FLOW FROM OPERATIONS			
Net income for the period		392,152	196,589
Expenses (revenues) not affecting cash and cash equivalents:			
Post-employment obligations	19	85,210	83,760
Depreciation and amortization	13b and 14a	164,257	163,082
Operating provisions	23d	18,112	125,748
Write-off of net residual value of unrecoverable Concession financial assets and Intangible assets	11a and 13b	7,987	2,521
Refunded of PIS/Pasep and Cofins over ICMS credits to customers - realization	22	(178,373)	-
Financial interest and inflation adjustment		142,933	123,147
Adjustment to expectation of contractual cash flow from the concession	11a	(10,906)	(724)
Amortization of transaction cost of loans and financings	17	468	507
CVA (Parcel A Compensation) Account and Other Financial Components in tariff	22	(338,907)	54,602
Deferred income tax and social contribution tax	8c	(17,244)	(16,329)
		265,689	732,903
Increase (decrease) in assets			
Customers and traders		14,586	(75,253)
Concession holders - Transport of energy		(29,494)	(5,970)
CVA (Parcel A Compensation) Account and Other Financial Components in tariff adjustment		-	62,771
Recoverable taxes		47,017	(17,578)
Income tax and social contribution tax recoverable		(4,177)	(3,109)
Escrow deposits		(46,254)	1,212,775
Public lighting contribution		1,901	(8,757)
Low-income subsidy		18	(65)
Others		(12,012)	74,271
		(28,415)	1,239,085
Increase (decrease) in liabilities			
Suppliers		(370,389)	(270,647)
Taxes payable		240,179	35,254
Income tax and social contribution tax payable		166,683	116,958
Payroll and related charges		(14,433)	(9,466)
Public lighting contribution		(36,026)	(3,841)
Regulatory charges	18	(13,904)	10,357
Post-employment obligations	19	(71,967)	(63,407)
Provisions	20	(25,591)	(40,558)
Employees’ and managers’ profit sharing		16,116	(18,774)
Others		26,541	54,622
		(82,791)	(189,502)
Cash from operating activities		**154,483**	**1,782,486**
Interest paid on loans, financings and debentures	17	(87,469)	(124,650)
Interest paid in leasing contracts	14	(240)	(233)
NET CASH FROM OPERATING ACTIVITIES		**66,774**	**1,657,603**
CASH FLOW IN INVESTMENT ACTIVITIES			
Marketable securities - cash investments		1,001,685	(816,713)
Intangible assets	13	(6,494)	(3,039)
Contract assets	12	(308,695)	(229,121)
NET CASH FLOW USED IN INVESTMENT ACTIVITIES		**686,496**	**(1,048,873)**
CASH FLOW IN FINANCING ACTIVITIES			
Leasing liabilities paid	14b	(13,600)	(16,805)
Loans, financings and debentures, paid	17	(707,335)	(533,682)
NET USED IN FINANCIAL ACTIVITIES		**(720,935)**	**(550,487)**
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS FOR THE PERIOD		**32,335**	**58,243**
Cash and cash equivalents at start of period	4	659,045	234,346
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	4	**691,380**	**292,589**

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

CEMIG Distribuição S.A.

STATEMENTS OF ADDED VALUE
FOR THE THREE-MONTH PERIODS ENDED MARCH 31, 2021 AND 2020
(In thousand of Brazilian Reais)

	Jan to Mar, 2021		Jan to Mar, 2020	
REVENUES				
Sales of energy and services	6,849,104		5,994,009	
Distribution construction revenue	321,301		248,407	
Adjustment to expectation of reimbursement of distribution concession financial assets	10,906		724	
Other revenues	636		-	
Provision for doubtful receivables	(44,178)		(96,145)	
	7,137,769		6,146,995	
INPUTS ACQUIRED FROM THIRD PARTIES				
Energy bought for resale	(2,327,191)		(2,083,539)	
Charges for use of national grid	(843,277)		(410,558)	
Outsourced services	(427,839)		(338,735)	
Materials	(182,867)		(139,559)	
Other operating costs	(20,059)		(77,190)	
	(3,801,233)		(3,049,581)	
GROSS VALUE ADDED	**3,336,536**		**3,097,414**	
RETENTIONS				
Depreciation and amortization	(164,257)		(163,082)	
NET ADDED VALUE PRODUCED BY THE COMPANY	**3,172,279**		**2,934,332**	
ADDED VALUE RECEIVED BY TRANSFER				
Financial revenues	126,899		128,024	
ADDED VALUE TO BE DISTRIBUTED	**3,299,178**		**3,062,356**	
DISTRIBUTION OF ADDED VALUE				
		%		%
Employees	**288,175**	**8.73**	**288,028**	**9.41**
Direct remuneration	180,131	5.46	176,745	5.77
Post-employment obligations and Other benefits	96,998	2.94	99,785	3.26
FGTS fund	11,046	0.33	11,498	0.38
Taxes	**2,444,252**	**74.09**	**2,397,386**	**78.29**
Federal	1,039,294	31.50	1,003,355	32.76
State	1,402,759	42.52	1,390,487	45.41
Municipal	2,199	0.07	3,544	0.12
Remuneration of external capital	**174,599**	**5.29**	**180,353**	**5.88**
Interest	172,466	5.23	178,687	5.83
Rentals	2,133	0.06	1,666	0.05
Remuneration of own capital	**392,152**	**11.88**	**196,589**	**6.42**
Interest on Equity	86,667	2.63	-	-
Retained earnings (losses)	305,485	9.25	196,589	6.42
	3,299,178	**99.99**	**3,062,356**	**100.00**

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

NOTES TO THE INTERIM FINANCIAL INFORMATION
FOR THE THREE-MONTH PERIOD ENDED AS OF MARCH 31, 2020
(In thousand 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 8,726,370 customers, on March 31, 2021 (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.

1.1. Covid-19

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 the effects of economic crisis caused by pandemic.

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 connection with recommendations of World Health Organization (WHO) and Brazilian Ministry of Health and aim to contribute with the populations and Brazilian authorities efforts, in order to prevent the virus dissemination, 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.

The Company also adopted the follow measures in order to contribute with society:

- Flexible terms for the flow of payments and installments of amounts collected from clients, under the programs launched by the Company during 2020;

- Launch, on April 20, 2021, of a campaign for negotiation enabling payment by low-voltage commercial consumers in default in up to 12 monthly installments without interest, including exemption for 30 days from inflation updating not yet posted on invoices.

The Company's management continues to be committed to strengthening its resilience, and decided on a series of measures to preserve and increase liquidity, including:

- Comfortable cash position to meet commitments assumed and face the economic uncertainties of the current scenario;
- Continuous reduction of net indebtedness;
- Strengthening of Cemig D's Investment Program;
- Optimization of capital allocation.

Impact of Covid-19 on financial information

Since March, 2020, the Company has been monitoring the Covid-19 pandemic impact on its business and the market in which it operates. The Company has implemented a series of precautionary measures to protect the health of its employees and to prevent the spread of the novel coronavirus in its operational and administrative facilities. The measures are in accordance with the recommendations of World Health Organization (WHO) and Brazilian Ministry of Health and aim to contribute with the populations and Brazilian authorities efforts, in order to prevent the virus outbreak.

The Coronavirus crises made an impact on the Company operations, especially related to energy distribution market, due to the contraction of the economic activities and the social distancing measures, affecting entities production process, interrupting their supply chains, causing workforce shortages and closing of stores and facilities. This effects might result in lower energy consumption and an increase in delinquency.

As of March 31, 2021, from the observation of the pandemic's economic effects, the Company assessed the assumptions used for calculating fair value and recoverable amount of certain financial and non-financial assets, as follows:

- In measuring the expected loss from doubtful receivables, the Company assessed the circumstances of the Covid-19 pandemic, and the measures taken to reduce the impact of the economic retraction on default. The Company has intensified measures to mitigate risks of default, with a specific campaign of negotiation with clients, individual collections through the courts, expansions of the channels for negotiation, and diversification of means of payment. The company believes that the measures adopted mitigated the effects of the economic crisis on collection of receivables. Aneel Resolution 928 extended the rule on suspension of supply of electricity to the low-income sub-category of residential users, and certain other consumers;

- 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 has assessed the behavior of the interest rates and discount rates that are the basis for calculation of Post-employment obligations, and believes that these are not significantly affected by macroeconomic issues in the short and medium term, since the main assumptions used are long-term;

- The Company's management 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;

- Regarding the energy market of Cemig D, in the year 2021, the energy transported was 9.66% higher and the energy sold to final consumers was 1.70% lower, compared to the same period of the previous year, reflecting the easing of social distancing rules..

The impacts of the Covid-19 pandemic disclosed in this interim financial information were based on the Company's best estimates and 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) ('CPC21'), 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 on December 31, 2020.

Thus, this interim financial information should be read in conjunction with the said financial statements, approved by the Company's management on March 26, 2021.

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.

The Company's Board of Directors authorized the issuance of this interim financial information on May 14, 2021.

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, 2020	Mar. 31, 2021	
1	1	Operational context
2	2	Basis of preparation
3	-	Concessions
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
9	8	Income tax and social contribution tax
10	9	Escrow deposits
11	10	Reimbursement of tariff subsidies
12	11	Concession financial assets and liabilities
13	12	Contract assets
14	13	Intangible assets
15	14	Leasing - Right of Use
16	15	Suppliers
17	16	Taxes and amounts reimbursement to customers
18	17	Loans, financings and debentures
19	18	Regulatory charges
20	19	Post-employment obligations
21	20	Provisions
22	21	Equity and remuneration to shareholders
23	22	Revenue
24	23	Operating costs and expenses
25	24	Financial revenue and expenses
26	25	Related party transactions
27	26	Financial instruments and risk management
28	-	Insurance
29	-	Contractual obligations
30	27	Transactions not involving cash
31	28	Subsequent events

The Notes to the 2020 financial statements that have not been included in this consolidated interim financial information because they had no material changes, and/or were not applicable to the interim financial information, are as follows:

Number	Title of the Note
3	Concessions
29	Insurance
30	Contractual obligations

3. OPERATING 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.

4. CASH AND CASH EQUIVALENTS

	Mar. 31, 2021	Dec. 31, 2020
Bank accounts	52,673	77,758
Cash investments		
Bank certificates of deposit (1)	347,297	474,003
Overnight (2)	291,410	107,284
	638,707	**581,287**
	691,380	**659,045**

(1) *Bank Certificates of Deposit* (*Certificados de Depósito Bancário*, or CBDs), accrued interest at 70% to 109%, 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 March 31, 2021 (65% to 108% on December 31, 2020). 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 2.64% on March 31, 2021 (1.89% on December 31, 2020). 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 provides information in relation to the exposure of the Company to interest rate risks, and a sensitivity analysis of their effects on financial assets and liabilities.

5. MARKETABLE SECURITIES

	Mar. 31, 2021	Dec. 31, 2020
Bank certificates of deposit (1)	27,479	341,413
Financial Notes (LFs) - banks (2)	1,331,336	1,754,948
Treasury Financial Notes (LFTs) (3)	195,273	457,503
Debentures (4)	16,896	19,252
Others	3,821	3,374
	1,574,805	**2,576,490**
Current asset	**1,242,795**	**2,104,119**
Non-current asset	**332,010**	**472,371**

(1) Bank Certificates of Deposit (Certificados de Depósito Bancário, or CBDs), accrued interest at 108.50% a 117.00% 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 March 31, 2021.

(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 103.10% and 157% of the CDI rate on March 31, 2021 (99.50% and 130% on December 31, 2020).

(3) Treasury Financial Notes (LFTs) are fixed-rate securities, their yield follows the daily changes in the Selic rate between the date of purchase and the date of maturity. The LFTs had remuneration rates varying between 2.60% and 2.90% on March 31, 2021 (1.86% and 1.90% on December 31, 2020).

(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 TR+1% to 109% of the CDI Rate on March 31, 2021 and December 31, 2020.

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

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	Mar. 31, 2021	Dec. 31, 2020
Residential	720,901	305,651	439,090	174,260	63,634	1,703,536	1,666,208
Industrial	31,443	74,234	20,797	16,431	145,070	287,975	281,005
Commercial, services and others	280,747	159,849	98,308	58,185	137,898	734,987	745,764
Rural	142,442	77,380	73,070	56,528	20,335	369,755	394,907
Public authorities	138,008	29,975	13,843	18,175	197,451	397,452	389,510
Public lighting	26,795	546	1,437	1,116	639	30,533	59,253
Public services	51,051	42,306	6,581	5,566	25,619	131,123	125,561
Subtotal - customers	**1,391,387**	**689,941**	**653,126**	**330,261**	**590,646**	**3,655,361**	**3,662,208**
Concession holders - Transport of energy	46,143	228,620	24,330	17,093	83,250	399,436	365,842
Energy in spot market - supply	-	-	626	287	-	913	20,653
Provision for doubtful receivables	(257,754)	(11,876)	(12,499)	(6,298)	(395,279)	(683,706)	(647,429)
	1,179,776	**906,685**	**665,583**	**341,343**	**278,617**	**3,372,004**	**3,401,274**
Current							
Customers and traders						**2,955,628**	**2,989,608**
Concession holders - Transport of energy						**287,090**	**257,540**
Non-current							
Customers and traders						**95,257**	**120,041**
Concession holders - Transport of energy						**34,029**	**34,085**

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

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

	Mar. 31, 2021	Dec. 31, 2020
Residential	109,048	106,870
Industrial	144,289	136,934
Commercial, services and others	190,215	182,155
Rural	28,033	28,684
Public authorities	97,643	82,487
Public lighting	1,682	1,513
Public services	34,480	34,569
Concession holders - Transport of energy	78,316	74,217
	683,706	**647,429**

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 47,908/2020, which regulated State Law 47,891/2020. The debts from the State of Minas Gerais that qualify for offset are those past due at June 30, 2019, an amount of R$222,266. Following ratification by the State Finance Secretary and formalization of the Debt Recognition Agreement, which both took place on March, 31, 2021, offsetting will begin in April 2021. Up to May 2021, were offseted 2 (two) out of 21 (twenty one) installments, in the amount of R$10,584 each. The offsetting is expected to take place monthly, in this amount, up to December 2022.

Changes in the allowance for doubtful accounts are as follows:

Balance at December 31, 2020	**647,429**
Additions, net	44,178
Disposals	(7,901)
Balance at March 31, 2021	**683,706**

7. RECOVERABLE TAXES

	Mar. 31, 2021	Dec. 31, 2020
Current		
ICMS tax recoverable	67,832	62,221
COFINS tax (a) (b)	1,227,275	1,165,559
PIS-PASEP taxes (a) (b)	267,404	254,001
Others	1,886	1,896
	1,564,397	**1,483,677**
Non-current		
ICMS tax recoverable (b)	239,894	232,011
COFINS tax (a)	1,884,676	2,182,732
PIS-PASP taxes (a)	409,173	473,883
	2,533,743	**2,888,626**
	4,098,140	**4,372,303**

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.

On May 13, 2021 the Federal Supreme Court ruled on the motion for clarification filed by the federal government, modulating the effects of the decision that ICMS tax (paid or payable) is not part of the base amount for calculation of the PIS, Pasep and Cofins taxes. The court ruled that only those who filed legal actions claiming this judgment on or before March 15, 2017 (date on which the argument was established) should have the right to reimbursement of the tax unduly paid, excluding legal and administrative actions filed after that date and before the date on which the judgment was given. Thus the changes made by the Supreme Court in the effects of the judgment do not affect the credits recognized by the Company. Further, the new ruling decided that the amounts of ICMS tax to be excluded from the basis for calculation of

PIS, Pasep and Cofins taxes should be the ICMS tax stated on invoices (and not only the amount actually paid) - this is in agreement with the criterion adopted by the Company.

The Company recorded in current asset and non-current asset the amounts of R$1,491,584 and R$2,293,849, respectively, corresponding to the tax credits of PIS/Pasep and Cofins over ICMS, with updating by the Selic rate to the date of their actual offsetting.

Based on the opinion of its legal advisers, the Company's management believes that a portion of the tax credits to be received by Cemig D should be refunded to its customers, considering a maximum period for calculation of the reimbursement of 10 years. Thus, Cemig D has 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. Cemig D awaits the grantor's conclusion about the mechanisms and criteria for the reimbursement to its customers.

In the firt quarter 2021, credits of PIS/Pasep and Cofins taxes were offset against payable federal taxes in the amount of R$299,893 (R$945,886 on 2020).

b) 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 this interim financial information 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 tax and social contribution tax 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 tax assets and current tax liabilities related to income tax and social contribution tax are offset in the statement of financial position subject to criteria established in CPC 32/IAS 12.

	Mar. 31, 2021	Dec. 31, 2020
Income tax	11,003	108,732
Social contribution tax	67,153	86,474
	78,156	**195,206**
Current	**11,309**	**128,539**
Non-current	**66,847**	**66,667**

The balances of income tax and social contribution tax posted in non-current assets arise from advanced payments required by tax law and withholding taxes, which the expectation of offsetting is greater than 12 months.

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	Mar. 31, 2021	Dec. 31, 2020
Deferred tax assets		
Post-employment obligations	1,473,198	1,463,842
Doubtful receivables	250,050	241,419
Impairment	18,834	18,834
Provisions for contingencies	351,860	356,956
Administrative tax	5,157	5,250
Provision for profit shares	30,534	25,055
Others	6,289	6,083
	2,135,922	**2,117,439**
Deferred tax liabilities		
Adjustment to expectation of cash flow - Concession assets	(200,140)	(198,689)
Borrowing costs capitalized	(168,856)	(168,909)
Funding cost	(2,662)	(2,821)
	(371,658)	**(370,419)**
Total deferred tax, net	**1,764,264**	**1,747,020**

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

Balances at December 31, 2020	**1,747,020**
Effects allocated to income statements	17,244
Balances at March 31, 2021	**1,764,264**

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

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 Mar, 2021	Jan to Mar, 2020
Profit before income tax and social contribution tax	**541,591**	**297,218**
Nominal rate	34%	34%
Income tax and social contribution tax - nominal expense	(184,141)	(101,054)
Tax effects applicable to:		
Interest on equity and dividends payable	29,467	-
Tax incentives	9,323	7,822
Non-deductible contributions and donations	(342)	(422)
Non-deductible penalties	(3,639)	(6,565)
Others	(107)	(410)
	(149,439)	**(100,629)**
Effective rate	27.59%	33.86%
Current tax	**(166,683)**	**(116,958)**
Deferred tax	**17,244**	**16,329**

9. ESCROW DEPOSITS

	Mar. 31, 2021	Dec. 31, 2020
Labor Claims	**208,622**	**222,090**
Tax contingencies		
Income tax on Interest on Equity	69,390	11,281
Income tax and Social Security contribution on 'Anuênio' employee indemnity (2)	204,983	204,739
Others	37,950	37,660
	312,323	**253,680**
Others		
Regulatory	29,033	28,984
Third party	5,536	5,537
Customer relations	5,547	5,629
Court embargo	9,469	7,105
Others	4,905	4,603
	54,490	**51,858**
	575,435	**527,628**

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

10. REIMBURSEMENT OF TARIFF SUBSIDIES

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

On March 31, 2021, the amount recognized as subsidies revenues was R$247,847 (R$281,019 on March 31, 2020). Of such amounts, Cemig D has a receivable of R$82,616, as of March 31, 2021 (R$82,616 on December 31, 2020) in current assets.

11. CONCESSION FINANCIAL AND SECTOR ASSETS AND LIABILITIES

Concession financial assets	Mar. 31, 2021	Dec. 31, 2020
Financial assets related to infrastructure (a)	554,724	530,058
CVA (Parcel A Compensation) Account and Other Financial Components in tariff-setting (b)	297,751	132,681
	852,475	**662,739**
Current asset	**31,039**	**-**
Non-current asset	**821,436**	**662,739**

SECTOR FINANCIAL LIABILITIES	Mar. 31, 2021	Dec. 31, 2020
Amounts receivable from Parcel A (CVA) and Other Financial Components (b)	(59,026)	(231,322)
Current liabilities	**(59,026)**	**(231,322)**

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.

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

Balances at December 31, 2020	**530,058**
Transfers of contract assets (Note 12)	13,824
Disposals	(64)
Adjustment of expectation of cash flow from the concession financial assets	10,906
Balances at March 31, 2021	**554,724**

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 subject to monetary adjustment 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	Mar. 31, 2021			Dec. 31, 2020		
	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	**40,962**	**2,318,129**	**2,359,091**	**83,984**	**1,561,906**	**1,645,890**
Current assets	40,962	1,616,732	1,657,694	83,984	834,093	918,077
Non-current assets	-	701,397	701,397	-	727,813	727,813
Liabilities	**(99,988)**	**(2,020,378)**	**(2,120,366)**	**(246,242)**	**(1,498,289)**	**(1,744,531)**
Current liabilities	(99,988)	(1,585,693)	(1,685,681)	(246,242)	(903,157)	(1,149,399)
Non-current liabilities	-	(434,685)	(434,685)	-	(595,132)	(595,132)
Total current, net	**(59,026)**	**31,039**	**(27,987)**	**(162,258)**	**(69,064)**	**(231,322)**
Total non-current, net	**-**	**266,712**	**266,712**	**-**	**132,681**	**132,681**
Total, net	**(59,026)**	**297,751**	**238,725**	**(162,258)**	**63,617**	**(98,641)**

Financial components	Mar. 31, 2021			Dec. 31, 2020		
	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
Items of 'Parcel A'						
Energy Development Account (CDE) quota	884	61,642	62,526	879	-	879
Tariff for use of transmission facilities of grid participants	851	381,845	382,696	847	217,778	218,625
Tariff for transport of Itaipu supply	103	29,286	29,389	103	17,618	17,721
Alternative power source program (Proinfa)	(138)	23,505	23,367	(138)	5,857	5,719
ESS/EER System Service/Energy Charges	(1,473)	235,783	234,310	(1,465)	38,549	37,084
Energy bought for resale	4,105	497,856	501,961	4,078	448,720	452,798
Other financial components						
Over contracting of supply (1)	(22,331)	236,093	213,762	(55,828)	165,793	109,965
Neutrality of Parcel A	(1,082)	144,151	143,069	(2,706)	109,965	107,259
Billing return - Covid Account (2)	-	(725,202)	(725,202)	-	(504,476)	(504,476)
Other financial items	(34,500)	(528,012)	(562,512)	(86,248)	(394,367)	(480,615)
Excess demand and reactive power	(5,445)	(59,196)	(64,641)	(21,780)	(41,820)	(63,600)
TOTAL	**(59,026)**	**297,751**	**238,725**	**(162,258)**	**63,617**	**(98,641)**

(1) Cemig D was over contracted in 2017 and 2018 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 2,508/2020-SRM-SGT, which set new amounts for distributors' over contracting 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' over contracting 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$223,938 on March 31, 2021, as 'Other financial components' to be ratified. At the reporting date for this interim financial information, this matter was pending analysis by Aneel.

(2) This is a financial component created for return to consumers of the amounts that were invoiced to them but received by Cemig from the Covid Account in 2020. These amounts will be returned to consumers in the tariff process of 2021, duly updated by the Selic rate, with guarantee of neutrality.

Changes in balances of sector financial assets and liabilities are as follow:

Balance at December 31, 2020	(98,641)
Net constitution of financial assets	235,703
Assets realized	103,204
Updating - Selic rate (Note 24)	**(1,541)**
Balance at March 31, 2021	**238,725**

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 contract 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, 2020	**1,141,599**
Additions	314,807
Transfers to financial assets (Note 11)	(13,824)
Transfers to intangible assets (Note 13)	(149,156)
Balances at March 31, 2021	**1,293,426**

The amount of additions in the first quarter of 2021 were R$314,807 and includes R$6,112 under the heading capitalized borrowing costs (R$16,337), as presented in Note 17.

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

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

	Mar. 31, 2021			Dec. 31, 2020		
	Historic cost	Accumulated amortization	Amount, net	Historic cost	Accumulated amortization	Amount, net
Assets of concession	**21,972,453**	**(9,928,943)**	**12,043,510**	**21,815,858**	**(9,759,741)**	**12,056,117**
(-) 'Special obligations'	(4,434,423)	1,479,686	(2,954,737)	(4,391,518)	1,438,572	(2,952,946)
Net concession assets	**17,538,030**	**(8,449,257)**	**9,088,773**	**17,424,340**	**(8,321,169)**	**9,103,171**
Intangible assets in progress	111,169	-	111,169	104,098	-	104,098
Total intangible assets	**17,649,199**	**(8,449,257)**	**9,199,942**	**17,528,438**	**(8,321,169)**	**9,207,269**

b) Changes in intangible assets

Balances at December 31, 2020	**9,207,269**
Additions	6,494
Settled	(7,923)
Transfers of contract assets (Note 12)	149,156
Amortization	(155,054)
Balances at March 31, 2021	**9,199,942**

The amount of additions in the period from January to March 2021 were R$6,494, there was no movement as financial charges (reversal of R$90 in the period from January to March 2020).

The main amortization rates, which take into account the useful life that management expects for the asset, and reflect the expected pattern of their consumption, are as follows:

Energy	(%)	Administration	(%)
System cable - below 69 KV	6.67	Software	20.00
System cable - below 69 KV	3.57	Vehicles	14.29
Structure - Posts	3.57	General equipment	6.25
Overhead distribution transformer	4.00	Buildings	3.33
Circuit breaker - up to 69 kV	3.03		
Capacitor bank - up to 69 kV	6.67		
Voltage regulator - up to 69 kV	4.35		
Eletronic meder	7.69		

The annual average amortization rate is 4.10%:

Energy	Administration
3.89%	15.68%

Under the regulations of the energy segment, property, plant and equipment used in the distribution concession are linked to these services, and cannot be withdrawn, disposed of, assigned or provided in guarantee without the prior express authorization of the grantor. The unlinking of assets from the public electricity service concessions implies the use of the resources obtained from the disposals in the concession.

14. LEASING TRANSACTIONS

The Company recognized a right of use and a lease liability for the following contracts which contain a lease in accordance with CPC 06 (R2) / IFRS 16:

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

The Company has elected to use the exemptions specified in the rule for short-term leasing operations (leasing transactions with a period of 12 months or less) without the option to purchase, and for low-value items. 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 March 2021 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 and reflect the Company's credit risk and the market conditions at the lease agreement date, as follows:

	Annual rate (%)	Monthly rate (%)
Initial application		
Up to two years	7.96	0.64
Three to five years	10.64	0.85
Six to twenty years	13.17	1.04
Contracts entered - 2019 and 2021		
Up to three years	6.87	0.56
Three to four years	7.33	0.59
Four to twenty years	8.08	0.65

a) Right of use

The right of use asset was valued at cost, comprising the amount of the initial measurement of the leasing liabilities, and amortized on the straight-line basis up to the end of the period of leasing or of the useful life of the asset identified, as the case may be.

Changes in the right of use asset are as follows:

	Real estate property	Vehicles	Other	Total
Balances on December 31, 2020	**145,456**	**20,888**	**-**	**166,344**
Settled	(1,189)	-	-	(1,189)
Addition	1,488	-	-	1,488
Amortization (1)	(1,742)	(7,572)	-	(9,314)
Remeasurement	168	1,382	-	1,550
Balances on March 31, 2021	**144,181**	**14,698**	**-**	**158,879**

(1) Amortization of the Right of Use recognized in the Income Statement is net of use of the credits of PIS/Pasep and Cofins taxes on payments of rentals, a total R$111 on March 31, 2021 (R$345 on March 31, 2020).

b) Leasing 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.

Changes in the lease liabilities are as follows:

Balances on December 31, 2020	**177,762**
Addition	1,488
Settled	(1,350)
Interest incurred (1)	5,295
Leasing paid	(13,600)
Interest in leasing contracts	(240)
Remeasurement	1,550
Balances on March 31, 2021	**170,905**
Current liabilities	**35,565**
Non-current liabilities	**135,340**

(1) Financial revenues recognized in the Income Statement are net of incorporation of the credits for PIS/Pasep and Cofins taxes on payments of rentals, in the amounts of R$333 on March 31, 2021 (R$334 on March 31, 2020).

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	489,012	170,905
Potential PIS/Pasep and Cofins	42,142	13,420

The Company, in measuring and remeasuring 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 leasing contracts are, in their majority, updated by the IPCA inflation index, annually. Below is an analysis of maturity of lease contracts:

2021	32,510
2022	20,839
2023	20,801
2024	20,765
2025	20,710
2026 to 2046	373,387
Undiscounted values	**489,012**
Embedded interest	(318,107)
Lease liabilities	**170,905**

15. SUPPLIERS

	Mar. 31, 2021	Dec. 31, 2020
Energy on spot market - CCEE	97,416	408,932
Charges for use of energy network (1)	200,496	198,108
Energy purchased for resale	461,726	518,990
Itaipu Binacional	329,952	325,277
Materials and services	340,591	332,300
	1,430,181	**1,783,607**

(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 REFUNDED TO CUSTOMERS

	Mar. 31, 2021	Dec. 31, 2020
Taxes and contributions		
Current		
ICMS	165,051	79,595
Cofins	67,037	63,682
PIS/Pasep	14,468	13,719
INSS	19,094	19,660
ISSQN	11,485	10,150
Income tax on Interest on Equity	-	37,960
Others	22,369	9,724
	299,504	**234,490**
Amounts to be restituted to customers		
Current		
PIS/Pasep anf Cofins	836,107	448,019
Non Current		
PIS/Pasep anf Cofins	3,023,426	3,569,837
	3,859,533	**4,017,856**

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

The definitive criteria for the refunding of PIS/Pasep and Cofins taxes to customers are pending, awaiting conclusion of discussions with Aneel and the mechanisms and criteria for reimbursement, when actual offsetting of the tax credits takes place.

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.

17. LOANS, FINANCING AND DEBENTURES

Financing source	Principal maturity	Annual Financial cost (%)	Currency	Mar. 31, 2021 Current	Mar. 31, 2021 Non-current	Mar. 31, 2021 Total	Dec. 31, 2020 Total
Foreign currency							
Banco do Brasil S.A. - Various bonds (1)	2024	Several	US$	4,871	10,583	15,454	11,725
Debt in foreign currency				**4,871**	**10,583**	**15,454**	**11,725**
Brazilian currency							
Eletrobrás	2023	UFIR + 6.00% to 8.00%	R$	3,358	4,817	8,175	9,058
Debt in Brazilian currency				3,358	4,817	8,175	9,058
Total of loans and financings				8,229	15,400	23,629	20,783
Debentures - 3rd Issue, 2nd Series (2)	2021	IPCA + 4.70%	R$	-	-	-	587,956
Debentures - 3rd Issue, 3nd Series (2)	2025	IPCA + 5.10%	R$	260,095	762,179	1,022,274	1,035,247
Debentures - 7th Issue, 1th Series (2)	2024	CDI + 0.454%	R$	542,362	1,215,000	1,757,362	1,891,927
Debentures - 7th Issue, 2th Series (2)	2026	IPCA + 4.10%	R$	18,757	1,624,452	1,643,209	1,587,924
(-) Discount on the issuance of debentures (3)				-	(17,486)	(17,486)	(18,300)
(-) Transaction costs				(766)	(7,062)	(7,828)	(8,297)
Total, debentures				**820,448**	**3,577,083**	**4,397,531**	**5,076,457**
Overall total				**828,677**	**3,592,483**	**4,421,160**	**5,097,240**

(1) Net balance of the Restructured Debt comprising bonds at par and discounted, with balance of R$259,118, less the amounts given as Deposits in guarantee, with balance of R$243,663. Interest rates vary - from 2 to 8 p.a., six-month Libor plus spread of 0.81% to 0.88% p.a.;
(2) Nominal, unsecured, book-entry debentures not convertible into shares, with no renegotiation clauses;
(3) 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:

	2021	2022	2023	2024	2025	2026	Total
Currency							
US dollar	4,871	-	-	10,583	-	-	15,454
Total, currency-denominated	**4,871**	**-**	**-**	**10,583**	**-**	**-**	**15,454**
Indexers							
IPCA (1)	24,792	254,060	254,060	254,060	1,066,285	812,226	2,665,483
UFIR/RGR (2)	2,531	3,262	2,382	-	-	-	8,175
CDI (3)	407,362	540,000	540,000	270,000	-	-	1,757,362
Total, governed by indexers	**434,685**	**797,322**	**796,442**	**524,060**	**1,066,285**	**812,226**	**4,431,020**
(-) Transaction costs	(493)	(766)	(766)	(438)	(2,737)	(2,628)	(7,828)
(-) Discount	-	-	-	-	(8,743)	(8,743)	(17,486)
Overall total	**439,063**	**796,556**	**795,676**	**534,205**	**1,054,805**	**800,855**	**4,421,160**

(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 on Mar. 31, 2021, %	Accumulated change on Mar. 31, 2020, %	Indexer	Accumulated change on Mar. 31, 2021, %	Accumulated change on Mar. 31, 2020, %
US dollar	9.63	28.98	IPCA	2.05	0.53
			CDI	0.48	1.02

Changes in loans, financing and debentures are as follows:

Balances at December 31, 2020	**5,097,240**
Monetary variation	70,582
Exchange rate variation	881
Financial charges provisioned	47,261
Amortization of transaction cost	468
Financial charges paid	(87,469)
Amortization of financing	(707,335)
Reclassification to “Other obligations” (1)	(468)
Balances at March 31, 2021	**4,421,160**

(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).

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 loans, financing and debentures.

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 Mar, 2021	Jan to Mar, 2020
Costs of loans, financings and debentures	47,261	65,854
Financing costs on intangible assets and contract assets (1) (Notes 12 and 13)	(6,112)	(16,247)
Net effect in Profit or loss	**41,149**	**49,607**

(1) The average capitalization rate p.a. on March 31, 2021 was 7.95% (6.88% on March 31, 2020).

The amounts of the capitalized borrowing costs have been excluded from the statement of cash flows, in the additions to cash flow of investment activities, as they do not represent an outflow of cash for acquisition of the related asset..

Guarantees

The guarantees of the debt balance on loans and financing, on March 31, 2021, were as follows:

Promissory notes and Sureties	3,375,693
Receivables	1,021,840
Shares	23,098
Unsecured	529
TOTAL	**4,421,160**

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) (2)	The following or less: 3.5	Ratio to be the following, or less: 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.

(2) Ebitda is defined as: (i) Profit before interest, income tax and Social Contribution tax on profit; depreciation; and amortiz ation, calculated in accordance with CVM Instruction 527, of October 4, 2012; - less: (ii) non-operational profit; any non-recurring non-monetary credits or gains that increase net profit; any payments in cash made on consolidated basis during the period relating to non-monetary charges that were newly added in the calculation of Ebitda in any prior period; and any non-recurring non-monetary expenses or charges.

The covenants remain in compliance on March 31, 2021.

18. REGULATORY CHARGES

	Mar. 31, 2021	Dec. 31, 2020
Liabilities		
Energy Efficiency Program (EEP)	204,005	264,952
Research and development (R&D)	76,696	86,402
Energy System Expansion Research	3,556	2,639
National Scientific and Technological Development Fund	7,396	5,562
CDE on R&D	17,496	-
CDE on EEP	84,522	-
Global Reversion Reserve (RGR)	24,545	24,545
Emergency capacity charge	26,325	26,325
Aneel inspection charge	1,683	1,683
Customer charges - Tariff flags	41,805	89,825
	488,029	**501,933**
Current liabilities	**366,826**	**267,696**
Non-current liabilities	**121,203**	**234,237**

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, 2020	**1,790,300**	**2,400,299**	**45,751**	**410,231**	**4,646,581**
Expense recognized in statement of income	30,812	45,587	899	7,912	85,210
Contributions paid	(41,017)	(28,638)	(522)	(1,790)	(71,967)
Net liabilities at March 31, 2021	**1,780,095**	**2,417,248**	**46,128**	**416,353**	**4,659,824**
				Mar. 31, 2021	**Dec. 31, 2020**
Current liabilities				**219,686**	**213,283**
Non-current liabilities				**4,440,138**	**4,433,298**

Amounts recorded as current liabilities refer to contributions to be made by Cemig D 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$71,897 (R$71,202 on March 31, 2020), plus the finance expenses and monetary updating on the debt with Forluz, in the amounts of R$13,313 (R$12,558 on March 31, 2020).

Debt with the pension fund (Forluz)

On March 31, 2021 , the Company has recognized an obligation for past actuarial deficits relating to the pension fund in the amount of R$328,093 on March 31, 2021 (R$342,369 on December 31, 2020). This amount has been recognized as an obligation payable by Cemig, 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 e 2017. On March 31, 2021 the total amount payable by Cemig D as a result of the Plan A deficit is R$393,746 (R$391,333 on December, 31, 2020, referring to the Plan A deficits of 2015, 2016 and 2017). The monthly amortizations, calculated by the constant installments system (Price Table), will be paid until 2031 for the 2015 and 2016 deficits, in the amount of R$264,752, and up to 2033 for the 2017 deficit, in the amount of R$128,994. 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.

In December, 2020, in accordance with the applicable legislation, Forluz proposed to Cemig a new Debt Assumption Instrument to be signed, if approved, by Forluz, Cemig, Cemig GT and Cemig D, in accordance with the plan to cover the deficit of Plan A, that occurred in 2019. The total amount to be paid by the Company to cover the deficit is R$116,228, through 166 monthly installments. The remuneration interest rate over the outstanding balance is 6% per year, plus the effect of the IPCA. If the plan reaches actuarial balance before the full period of amortization of the debt, the Company will not be required to pay the remaining installments and the contract will be extinguished.

On April 6, 2021 the Company made a consignment payment to Forluz of the 1º installment for resolving the deficit of Plan A of 2019, in the amount of R$730, corresponding to 50% of the minimum amount, following the contribution parity rule.

20. PROVISIONS

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:

	Dec. 31, 2020	Additions	Reversals	Settled	Mar. 31, 2021
Labor	337,064	17,203	(8,945)	(17,203)	328,119
Civil					
Customer relations	21,540	5,247	-	(3,749)	23,038
Other civil actions	29,117	4,420	-	(940)	32,597
	50,657	9,667	-	(4,689)	55,635
Tax	815,454	45,750	(78,688)	(32)	782,484
Environmental	5	67	-	-	72
Regulatory	29,627	1,314	(2,440)	(643)	27,858
Others	13,955	3,249	(2,243)	(3,024)	11,937
Total	**1,246,762**	**77,250**	**(92,316)**	**(25,591)**	**1,206,105**

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 this 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

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 complementary additions to or re-calculation of retirement pension payments by Forluz, and salary adjustments.

The aggregate amount of the contingency is approximately R$1,282,176 (R$1,163,625 at December 31, 2020), of which R$328,119 (R$337,064 at December 31, 2020) has been recorded - the amount estimated as probably necessary for settlement of these disputes.

Alteration of the monetary updating index of employment-law cases

On December 2020 the Federal Supreme Court gave partial judgment in favor of two actions for declaration of constitutionality, and ruled that monetary adjustment applied to employment-law liabilities should be by the IPCA-E index until the stage of service of notice in a legal action, and thereafter by application of the Selic rate, and the Reference Rate (TR) is not applicable to any employment-law obligations as well. The effects of this decision were modulated as follows:

- ✓ payments already made in due time and in the appropriate manner, using application of the TR, the IPCA-E or any other indexer, will remain valid and may not be the subject of any further contestation;
- ✓ actions in progress that are at the discovery phase, should be subject to backdated application of the Selic rate, on penalty of future allegation of non-demandability of judicial title based on an interpretation contrary to the position of the Supreme Court; and;
- ✓ the judgment is automatically applicable to actions in which final judgment has been given against which there is no appeal, provided that there is no express submission in relation to the monetary adjustment indices and interest rates; and this also applies to cases of express omission, or simple consideration of following the legal criteria.

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$121,357 (R$117,229 at December 31, 2020), of which R$23,038 (R$21,540 at December 31, 2020) 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$296,968 (R$277,595 at December 31, 2020), of which R$32,597 (R$29,117 at December 31, 2020) has been recorded - the amount estimated as probably necessary for settlement of these disputes.

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$867,992 (R$990,654 on December 31, 2020), of which R$775,376 has been provisioned on March 31, 2021 (R$808,447 on December 31, 2020), this being the estimate of the probable amount of funds to settle these disputes. The significant change in the amount of contingencies is due, among other factors, to a judgment given in favor of the Company in one of the administrative cases relating to social security contributions, for the period January to October 2010, which resulted in cancellations of tax debits, according to calculations made by the tax authority (Receita Federal).

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$109,319 (R$109,540 on December 31, 2019), of which R$7,108 (R$7,007 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$254,664 (R$256,803 at December 31, 2020), of which R$27,858 (R$29,627 at December 31, 2020) 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$371,069 (R$356,236 on December 31, 2020). Of this total, R$716 (R$687 on December 31, 2020) 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$447,166 (R$428,111 on

December, 31, 2020), of which R$11,292 (R$13,272 on December, 31, 2020), the amount estimated as probably necessary for settlement of these disputes.

Contingent liabilities - loss 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$204,983 (R$204,739 on December 31, 2020). The updated amount of the contingency is R$211,631 (R$211,026 on December 31, 2020) and, based on the arguments above, management has classified the chance of loss as 'possible'.

Social Security contributions

The Brazilian federal tax authority (Secretaria da Receita Federal) has 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$97,913 (R$91,233 on December 31, 2020). 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$86,259 (R$85,944 on December 31, 2020), 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$289,531 (R$284,856 on December 31, 2020). The Company has classified the chances of loss as 'possible', in accordance with the analysis of the case law on the subject.

Interest on Equity

The Company filed an application for mandamus, with interim relief, requesting the right to deduct, from the basis of calculation of corporate income tax and Social Contribution tax, the expense relating to payment of Interest on Equity in 4Q20 calculated on the basis of prior periods (the first and second quarters of 2020), and for cancellation of the demand for new supposed credits of corporate income tax and the Social Contribution relating to the amount that was not paid as a result of the deduction of the said financial expense, with application of fines. The amount of the contingencies in this case is approximately R$63,112 on March, 31, 2021, and the chances of loss were assessed as 'possible', based on analysis of current judgments by the Brazilian courts on the theme.

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).

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$37,680 (R$35,973 on December 31, 2020).

Tariff increases

Exclusion of customers classified as low-income

The Federal Public Attorneys' Office filed a class action against the Company and the grantor (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 grantor (Aneel) have filed an interlocutory appeal and await judgment. The amount of the contingency is approximately R$369,446 (R$356,907 on December 31, 2020). 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$174,387 (R$167,168 on December 31, 2020). 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 March 31, 2021 and December 31, 2020 the Company's issued and outstanding share capital is R$5,371,998, 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.

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 Mar, 2021	Jan to Mar, 2020
Total number of shares	2,359,113,452	2,359,113,452
Net income for the period	392,152	196,589
Basic and diluted earnings per common share (R$)	**0.17**	**0.08**

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

c) Dividends

As specified in the by-laws, the Board of Directors may, at the discretion of management, declare interim dividends, in the form of Interest on Equity, to be paid from Retained earnings, profit reserves or profits ascertained in six-monthly or interim financial information. The amounts paid or credited as Interest on Equity, under the applicable legislation, are imputed as on account of the amounts of the mandatory dividend or of the dividend payable under the by-laws to the preferred shares, being for legal purposes a part of the amount of the dividends distributed by the Company.

On March 23, 2021 management decided to declare Interest on Equity in the amount of R$86,667, 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 Mar, 2021	Jan to Mar, 2020
Revenue from supply of energy - captive customers, in Cemig's concession area (a)	5,074,888	4,895,060
Reimbursement of PIS/Pasep and Cofins over ICMS credits to customers - realization (*)	178,373	-
Revenue from use of the energy distribution systems (TUSD) - free customers (b)	842,555	730,219
CVA, and Other financial components in tariff increases (c)	338,907	(54,602)
Distribution construction revenue (d)	321,301	248,407
Adjustment to expectation from reimbursement of distribution concession financial assets (e)	10,906	724
Fine for violation of continuity indicator	(30,569)	(17,199)
Other operating revenues (f)	444,950	440,531
Taxes and charges reported as deductions from revenue (g)	(2,519,336)	(2,465,761)
	4,661,975	**3,777,379**

(*) For more information, see Note 7a from this interim financial information.

a) Revenue from supply of energy

This table shows supply of energy by type of customer:

	MWh (*)		R$	
	Jan to Mar, 2021	Jan to Mar, 2020	Jan to Mar, 2021	Jan to Mar, 2020
Residential	2,875,007	2,785,000	2,659,586	2,559,056
Industrial	430,303	472,440	315,126	328,085
Commercial, services and others	1,106,513	1,323,647	1,107,130	1,195,616
Rural	837,407	771,566	532,951	471,875
Public authorities	186,717	217,006	137,104	157,868
Public lighting	355,356	339,494	211,955	152,776
Public services	347,115	335,474	194,880	178,663
Subtotal	**6,138,418**	**6,244,627**	**5,158,732**	**5,043,939**
Own consumption	8,560	9,406	-	-
Wholesale supply to other concession holders	-	-	913	-
Unbilled revenue	-	-	(84,757)	(148,879)
Total	**6,146,978**	**6,254,033**	**5,074,888**	**4,895,060**

(*) Data not 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 Cemig D 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 Cemig D. They are recorded in the item 'Revenue from use of the network'.

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

	MWh (*)	
	Jan to Mar, 2021	Jan to Mar, 2020
Industrial	4,982,862	4,520,139
Commercial	366,150	354,000
Rural	9,787	7,229
Public services	651	-
Concessionaires	72,117	71,813
Total	**5,431,567**	**4,953,181**

(*) Data not reviewed by external auditors.

c) The CVA account, and Other financial components

The results from variations in the CVA account (*Parcel A Costs Variation Compensation Account*), and in *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 period, 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 infrastructure which becomes the investment in concession assets made by the Company in the year. Recognition of this revenue is directly related to the expenditure incurred on the addition of the contracted assets. Considering that the regulatory model does not provide for specific remuneration for construction or improvement of the infrastructure of the concession; 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

Revenue from monetary updating of the Regulatory Remuneration Asset Base.

f) Other operating revenues

	Jan to Mar, 2021	Jan to Mar, 2020
Charged service	3,982	3,755
Other services	5,279	3,355
Low income Subsidies	65,246	44,182
Other Subsidies (1)	266,321	286,393
Rental and leasing	46,757	39,440
Transactions in energy on the CCEE	57,197	63,300
Others	168	106
	444,950	**440,531**

(1) Includes the revenue recognized for the tariff subsidies applied to users of the distribution system, in accordance with the Decree n.7,891/2013, in the amount of R$247,847 on March 31, 2021 (R$281,019 on March 31, 2020). Includes the subsidies for sources that are subject to incentive, rural, irrigators, public services and the generation sources that are subject to the incentive; and also includes the tariff flag revenue in the amount of R$18,474 on March 31, 2021 (R$5,374 on March 31, 2020), recognized because of the creditor position assumed by the Company in CCRBT.

g) Deductions on revenue

	Jan to Mar, 2021	Jan to Mar, 2020
Taxes on revenue		
ICMS	1,401,754	1,390,035
PIS/Pasep	88,470	75,842
Cofins	407,500	349,336
ISSQN	260	172
	1,897,984	**1,815,385**
Charges to the customer		
Engergy Efficiency Program (PEE)	25,422	16,905
Energy Development Account (CDE)	613,479	552,139
Research and Development (R&D)	10,169	6,762
National Scientific and Technological Development Fund (FNDCT)	10,169	6,762
Energy System Expansion Research (EPE of MME)	5,084	3,381
Customer charges - the 'Flag Tariff' system	(48,020)	59,583
Energy Services Inspection Charge	**5,049**	**4,844**
	621,352	**650,376**

23. OPERATING COSTS AND EXPENSES

	Jan to Mar, 2021	Jan to Mar, 2020
Personnel	212,509	215,679
Employees' and managers' profit shares	20,097	16,401
Post-employment obligations	71,897	71,202
Materials	15,521	15,177
Outsourced services (a)	299,855	252,181
Energy purchased for resale (b)	2,148,339	1,919,179
Amortization (Note 13b)	155,054	150,934
Amortization of Right of Use - Leasing (Note 14)	9,203	12,148
Operating provisions (c)	18,112	125,748
Charges for use of the national grid	765,274	372,581
Infrastructure construction cost (d)	321,301	248,407
Other operating expenses, net (e)	43,767	46,108
	4,080,929	**3,445,745**

a) Outsourced services

	Jan to Mar, 2021	Jan to Mar, 2020
Meter reading and bill delivery	31,174	32,050
Maintenance and conservation of electrical facilities and equipment	116,401	107,728
Communication	39,620	30,512
Building conservation and cleaning	10,901	9,522
Cleaning of power line pathways	23,166	14,221
Disconnection and reconnection	16,007	11,229
Tree pruning	10,805	9,028
Costs of proceedings	3,350	3,487
Maintenance and conservation of furniture and utensils	2,002	1,018
Information technology	20,352	9,015
Contracted labor	1,122	1,553
Accommodation and meals	2,074	2,264
Security services	1,183	2,636
Maintenance and conservation of vehicles	454	567
Costs of printing and legal publications	2,216	4,285
Consultancy	2,574	959
Inspection of customer units	5,602	3,789
Logistics services	2,027	980
Other expenses	8,825	7,338
	299,855	**252,181**

b) Energy purchased for resale

	Jan to Mar, 2021	Jan to Mar, 2020
Supply from Itaipu Binacional	487,525	427,812
Physical guarantee quota contracts	212,487	200,234
Quotas for Angra I and II nuclear plants	61,144	75,742
Spot market	-	221,689
'Bilateral' contracts	84,987	79,176
Energy acquired in Regulated Market auctions	1,130,524	827,471
Proinfa Program	95,500	77,933
Distributed generation ('Geração distribuída')	255,024	173,482
PIS/Pasep and Cofins credits	(178,852)	(164,360)
	2,148,339	**1,919,179**

c) Operating provision (reversals)

	Jan to Mar, 2021	Jan to Mar, 2020
Estimated losses on doubtful accounts receivables (Note 6) (1)	44,178	96,145
Estimated losses on other accounts receivable (reversals) (2)	(11,000)	-
Contingency provisions (reversals) (Note 20)		
Employment-law cases	8,258	6,480
Civil cases	9,667	15,539
Tax	(32,938)	7,431
Environmental	67	3
Regulatory	(1,126)	(489)
Others	1,006	639
	(15,066)	**29,603**
	18,112	**125,748**

(1) The expected losses on receivables are presented as selling expenses in the Statement of Income.
(2) The estimated losses on other accounts receivable are presented in the Statements of income as operating expenses.

d) Construction infrastructure costs

	Jan to Mar, 2021	Jan to Mar, 2020
Personnel	13,244	15,720
Materials	167,346	124,382
Outsourced services	126,440	86,553
Financial charges	6,112	16,247
Renting	499	3
Taxes and charges	1,311	312
Other	6,349	5,190
	321,301	**248,407**

e) Other operating expenses, net

	Jan to Mar, 2021	Jan to Mar, 2020
Leasing and rentals (1)	1,024	781
Advertising	115	972
Subsidies and donations	1,007	1,560
CCEE annual charge	824	801
Insurance	2,702	2,240
Forluz - Administrative running cost	5,512	5,326
Net loss (gain) on deactivation and disposal of assets	11,798	6,493
Collection agents	20,918	21,998
Taxes and charges	2,952	3,835
Other expenses (reversals)	(3,085)	2,102
	43,767	**46,108**

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

24. FINANCE INCOME AND EXPENSES

	Jan to Mar, 2021	Jan to Mar, 2020
FINANCE INCOME		
Income from cash investments	13,428	7,645
Arrears fees on sale of energy	113,424	90,026
Monetary variation	668	1,041
Monetary updating on escrow deposits	1,553	9,152
Monetary variation - CVA (Note 11)	-	11,643
PIS/Pasep and Cofins taxes charged on financial revenues	(6,310)	(7,167)
Monetary updating on PIS/Pasep and Cofins taxes credits over ICMS (1)	-	8,636
Others	4,136	7,048
	126,899	**128,024**
FINANCE EXPENSES		
Costs of loans, financings and debentures (Note 17)	(41,149)	(49,607)
Amortization of transaction cost (Note 17)	(468)	(507)
Forluz - Monetary variation charges	(13,313)	(12,558)
Foreign exchange variations - loans, financings and debentures (Note 17)	(881)	(4,536)
Foreign exchange variations - Itaipu	(16,963)	(34,009)
Monetary variations - loans, financings and debentures (Note 17)	(70,582)	(50,392)
Monetary updating on PIS/Pasep and Cofins taxes credits over ICMS to be restituted (1)	(8,569)	-
Monetary variation - CVA (Note 11b)	(1,541)	-
R&D and PEE - monetary adjustments	(1,305)	(2,952)
Leasing - Monetary variation (Note 14)	(4,962)	(5,404)
Monetary variation - Others	(3,208)	(697)
Others	(3,413)	(1,778)
	(166,354)	**(162,440)**
NET FINANCE INCOME (EXPENSES)	**(39,455)**	**(34,416)**

(1) The updating of the tax credits for the court judgment on PIS, Pasep, Cofins / ICMS tax, and the related liability to be refunded to consumers, is presented at net value. With the offsetting of the credits, the liability to be refunded to consumers became higher than the amount of credits to be offset, generating a negative net item in Financial expenses.

25. RELATED PARTY TRANSACTIONS

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

COMPANY	ASSETS		LIABILITIES		REVENUE		EXPENSES	
	Mar. 31, 2021	Dec. 31, 2020	Mar. 31, 2021	Dec. 31, 2020	Jan to Mar, 2021	Jan to Mar, 2020	Jan to Mar, 2021	Jan to Mar, 2020
Controlling shareholder								
Minas Gerais State Government								
Current								
Customers and Traders (1)	328,220	334,824	-	-	32,630	39,507	-	-
Cemig								
Current								
Cooperation Working Agreement (2)	-	-	5,143	10,072	-	-	(5,143)	(4,393)
Transactions in energy (3)	72	73	-	-	-	-	-	-
Interest on Equity and dividends	-	-	383,101	309,434	-	-	-	-
Other related parties								
Cemig Geração e Transmissão								
Current								
Cooperation Working Agreement (2)	-	-	1,287	1,707	-	-	(1,287)	-
Transactions with energy (3)	4,605	1,245	29,548	29,421	6,640	6,771	(81,013)	(69,412)
Aliança Geração								
Current								
Transactions with energy (3)	-	-	9,716	8,037	10,876	9,872	(23,437)	(21,060)
Madeira Energia								
Current								
Transactions with energy (3)	-	-	22,913	22,668	-	-	(50,713)	(49,072)
Norte Energia								
Current								
Transactions with energy (3)	-	-	25,300	25,154	-	-	(55,997)	(54,310)
Baguari Energia								
Current								
Transactions with energy (3)	-	-	927	922	-	-	(2,265)	(1,977)
TAESA								
Current								
Transactions with energy (3)	-	-	7,113	7,188	-	-	(24,500)	(20,262)
Axxiom								
Current								
Provision of services (4)	-	-	2,820	3,722	-	-	-	-
Retiro Baixo								
Current								
Transactions with energy (3)	464	-	587	144	1,392	1,259	(1,738)	-
FIC Pampulha								
Current								
Cash and cash equivalents	291,411	107,284	-	-	-	-	-	-
Securities	1,238,974	2,100,746	-	-	22,773	4,558	-	-
Non-current								
Securities	332,010	472,371	-	-	-	-	-	-
Forluz								
Current								
Post-employment obligations (5)	-	-	117,662	114,956	-	-	(30,812)	(31,918)
Supplementary pension contributions - Defined contribution plan (6)	-	-	-	-	-	-	(12,054)	(13,956)
Administrative running costs (7)	-	-	-	-	-	-	(5,512)	(5,326)
Operational leasing (8)	126,382	127,659	16,644	16,644	-	-	(1,841)	(7,609)
Non-current								
Post-employment obligations (5)	-	-	1,662,433	1,675,343	-	-	-	-
Operational leasing (8)	-	-	119,310	119,512	-	-	-	-
Cemig Saúde								
Current								
Health Plan and Dental Plan (9)	-	-	110,038	104,556	-	-	(46,486)	(43,594)
Non-current								
Health Plan and Dental Plan (9)	-	-	2,353,338	2,341,494	-	-	-	-

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 grantor (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 March 31, 2021. 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. On March, 31, 2021, Cemig D obtained authorization from the Minas Gerais State Finance Secretary to offset part of the ICMS tax payable to the state against the debt owed by the State government to the company, under State Law 23,705/2020. The amount is to be offset in 21 equal monthly installments of approximately R$10,5 million;
(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 purchase and sale of electricity between generators and distributors take place through auctions in the Regulated Market, organized by the federal government. In the Free Market, the transactions are carried out either through auctions, or by direct contracting between the parties - as specified in Article 28, §3º, I, of Law 13,303 of June 30, 2016. Operations in transport of electricity, on the other hand, are carried out by the transmission companies, and arise from the centralized operation of the National Grid, executed by the National System Operator (ONS;
(4) 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.
(5) 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);
(6) 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.
(7) 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;
(8) Rental of the Company's administrative head office, in effect up to 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;
(9) 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 are presented in Marketable securities line in current and non-current assets, in proportion to the Company's participation in the fund, of 54.44%, on March, 31, 2021.

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.

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 in period ended March 31, 2021 and 2020, are as follows:

	Jan to Mar, 2021	Jan to Mar, 2020
Remuneration	1,741	1,755
Profit sharing	398	416
Pension plans	129	124
Health and dental plans	16	15
Total	**2,284**	**2,310**

- The company does not directly remunerate the members of the Executive Board. They are paid by the controlling stockholder. These expenses are refunded through the sharing agreement for human resources and infrastructure between Cemig, Cemig Distribuição, Cemig Geração e Transmissão and other subsidiaries of the Group, consented to by Aneel in its Dispatch 3208/2016.

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	Mar. 31, 2021		Dec. 31, 2020	
		Balance	Fair value	Balance	Fair value
Financial assets					
Amortized cost (1)					
Marketable securities - Cash investments	2	505,374	505,374	754,013	754,013
Customers and Traders; Concession holders - Transport of energy (Note 6)	2	3,037,125	3,037,125	3,066,450	3,066,450
Customers - Accounts receivable from Minas Gerais State (Note6)	2	334,879	334,879	334,824	334,824
Restricted cash	2	9,552	9,552	9,808	9,808
Concession financial assets - CVA (Parcel 'A' Costs Variation Compensation) Account, and Other financial components	3	297,751	297,751	132,681	132,681
Reimbursement of tariff subsidies	2	82,616	82,616	82,616	82,616
Low-income subsidy	2	43,054	43,054	43,072	43,072
Escrow deposits	2	575,435	575,435	527,628	527,628
		4,885,786	**4,885,786**	**4,951,092**	**4,951,092**
Fair value through profit or loss					
Cash equivalents - cash investments	2	638,707	638,707	581,287	581,287
Marketable securities					
Bank certificates of deposit	2	27,479	27,479	341,413	341,413
Treasury Financial Notes (LFTs)	1	195,273	195,273	457,503	457,503
Financial Notes - Banks	2	846,679	846,679	1,023,561	1,023,561
Debentures	2	-	-	-	-
		1,069,431	1,069,431	1,822,477	1,822,477
Concession financial assets - Distribution infrastructure	3	554,724	554,724	530,058	530,058
		2,262,862	**2,262,862**	**2,933,822**	**2,933,822**
		7,148,648	**7,148,648**	**7,884,914**	**7,884,914**
Financial liabilities					
Amortized cost (1)					
Loans, financings and debentures	2	(4,421,160)	(4,421,160)	(5,097,240)	(5,097,240)
Debt with pension fund (Forluz)	2	(328,093)	(328,093)	(342,369)	(342,369)
Deficit of pension fund (Forluz)	2	(393,746)	(393,746)	(391,333)	(391,333)
Sector financial liabilities	3	(59,026)	(59,026)	(231,322)	(231,322)
Suppliers	2	(1,430,181)	(1,430,181)	(1,783,607)	(1,783,607)
Leasing transactions	2	(170,905)	(170,905)	(177,762)	(177,762)
		(6,803,111)	**(6,803,111)**	**(8,023,633)**	**(8,023,633)**

(1) On March 31, 2021 and December 31, 2020, 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, assuming that market participants act in their economic best interest. To increase consistency and comparability in fair value measurements and related disclosures, the fair value hierarchy categorizes into three levels the inputs to valuation techniques used to measure fair value as follows:

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

For assets and liabilities that are recognized at fair value on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization.

Fair value calculation of financial positions

<u>Distribution infrastructure concession financial assets</u>: 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.

<u>Marketable securities</u>: 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.

<u>Other financial liabilities</u>: Fair value of its loans, financing and debentures were determined using 129.25% 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 6.20% and CDI + 0.23% to 1.35%, Company believes that their carrying amount is approximated to their fair value.

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 (energy purchased from Itaipu) and cash flow. The risk exposure of Cemig D is mitigated by the account for compensation of variation of parcel A items (CVA).

The net exposure to exchange rates is as follows:

Exposure to exchange rates	Mar. 31, 2021		Dec. 31, 2020	
	Foreign currency	R$	Foreign currency	R$
US dollar				
Loans and financing (Note 17)	(2,713)	(15,454)	(2,256)	(11,725)
Suppliers (Itaipu Binacional) (Note 15)	(57,914)	(329,952)	(62,593)	(325,277)
Net liabilities exposed		**(345,406)**		**(337,002)**

<u>Sensitivity analysis</u>

Based on finance 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 March 31, 2022 will be an deppreciation of the dollar by 10.48%, to R$5.10. The Company has prepared a sensitivity analysis of the effects on the Company's net income arising from depreciation of the Real exchange rate considering the increase of 25%, and 50%, in relation to this 'probable' scenario.

Risk: foreign exchange rate exposure	Mar. 31, 2021	Mar. 31, 2022		
	Book value	'Probable' scenario US$=R$5.10	'Possible' scenario US$= R$6.38	'Remote' scenario US$=R$7.65
US dollar				
Loans and financing (Note 17)	(15,454)	(13,834)	(17,306)	(20,751)
Suppliers (Itaipu Binacional) (Note 15)	(329,952)	(295,360)	(369,490)	(443,040)
Net liabilities exposed	**(345,406)**	**(309,194)**	**(386,796)**	**(463,791)**
Net effect of exchange rate fluctuation		**36,212**	**(41,390)**	**(118,385)**

Interest rate risk

The Company is exposed to the risk of decrease in Brazilian domestic interest rates on March 31, 2021. This risk arises from the effect of variations in Brazilian interest rates on financial revenues from cash investments made by the Company, and also to the financial assets related to the CVA and other financial components, net of the effects on financial expenses associated to loans, financings and debentures in Brazilian currency, and also sectorial financial liabilities.

Part of the loans and financings in Brazilian currency comprises financings obtained from various financial agents that specify interest rates taking into account basic interest rates, the risk premium compatible with the companies financed, their guarantees, and the sector in which they operate.

This exposure occurs as a result of net assets (liabilities) indexed to variation in interest rates, as follows:

Risk: Exposure to domestic interest rate changes	Mar. 31, 2021	Dec. 31, 2020
Assets		
Cash equivalents - cash investments (Note 4)	638,707	581,287
Marketable securities (Note 5)	1,574,805	2,576,490
CVA and Other financial components in tariffs (Note 11)	297,751	132,681
	2,511,263	**3,290,458**
Liabilities		
Loans, financings and debentures - CDI rate (Note 17)	(1,757,362)	(1,891,927)
Sector financial liabilities (Note 11)	(59,026)	(231,322)
	(1,816,388)	**(2,123,249)**
Net assets (liabilities) exposed	**694,875**	**1,167,209**

Sensitivity analysis

In relation to the most significant interest rate risk, Company estimates that, in a probable scenario, at March 31, 2022 Selic rates will be 5.50%. The Company has made a sensitivity analysis of the effects on its net income arising from increases in rates of 25% and 50% in relation to the 'probable' scenario. Fluctuation in the CDI rate accompanies the fluctuation of Selic rate.

Risk: Increase in Brazilian interest rates	Mar. 31, 2021	Mar. 31, 2022		
	Book value	'Probable' scenario Selic 5.50%	'Possible' scenario Selic 4.13%	'Remote' scenario Selic 2.75%
Assets				
Cash equivalents - cash investments (Note 4)	638,707	673,836	665,086	656,271
Marketable securities (Note 5)	1,574,805	1,661,419	1,639,844	1,618,112
CVA and Other financial components in tariffs - Selic rate (Note 11)	297,751	314,127	310,048	305,939
	2,511,263	**2,649,382**	**2,614,978**	**2,580,322**
Liabilities				
Loans, financings and debentures - CDI rate (Note 17)	(1,757,362)	(1,854,017)	(1,829,941)	(1,805,689)
Sector financial liabilities (Note 11)	(59,026)	(62,272)	(61,464)	(60,649)
	(1,816,388)	**(1,916,289)**	**(1,891,405)**	**(1,866,338)**
Net liabilities exposed	**694,875**	**733,093**	**723,573**	**713,984**
Net effect of variation in interest rates		**38,218**	**28,698**	**19,109**

Increase in inflation risk

The Company is exposed to the risk of increase in inflation index on March 31, 2021. A portion of the loans, financings and debentures as well as the pension fund liabilities are adjusted using the IPCA (Expanded National Customer Price). The revenues are also adjusted using the IPCA and IGP-M index, mitigating part of the Company risk exposure. This table presents the Company's net exposure to inflation index:

Exposure to increase in inflation	Mar. 31, 2021	Dec. 31, 2020
Assets		
Concession financial assets related to infrastructure - IPCA index (Note11) (*)	554,724	530,058
Receivable from Minas Gerais state government (Debt recognition agreement) - IGPM index (Note25)	334,879	334,824
	889,603	**864,882**
Liabilities		
Loans, financings and debentures - IPCA index (Note 17)	(2,665,483)	(3,211,127)
Debt agreed with pension fund (Forluz) - IPCA index (Note 19)	(328,093)	(342,369)
Forluz deficit solution plan - IPCA index (Note 19)	(393,746)	(391,333)
	(3,387,322)	**(3,944,829)**
Net liabilities exposed	**(2,497,719)**	**(3,079,947)**

(*) Portion of the concession financial assets relating to the Regulatory Remuneration Base of Assets ratified by the grantor (Aneel) after the 4rd tariff review cycle.

Sensitivity analysis

In relation to the most significant risk of reduction in inflation index, reflecting the consideration that the Company has more assets than liabilities indexed to inflation indices, the Company estimates that, in a probable scenario, at March 31, 2022 the IPCA inflation index will be 4.02% and the IGPM inflation index will be 3.85%. The Company has prepared a sensitivity analysis of the effects on its net income arising from a reduction in inflation of 25% and 50% in relation to the 'probable' scenario.

Risk: increase in inflation	Mar. 31, 2021	Mar. 31, 2022		
	Book value	'Probable' scenario IPCA 4.02% IGPM 3.85%	'Possible' scenario (25%) IPCA 5.03% IGPM 4.81%	'Remote' scenario (50%) IPCA 6.03% IGPM 5.78%
Assets				
Concession financial assets related to infrastructure - IPCA index (Note11) (*)	554,724	577,024	582,627	588,174
Receivable from Minas Gerais state government (Debt recognition agreement) - IGPM index (Note25)	334,879	347,772	350,987	354,235
	889,603	**924,796**	**933,614**	**942,409**
Liabilities				
Loans, financings and debentures - IPCA index (Note 17)	(2,665,483)	(2,772,635)	(2,799,557)	(2,826,212)
Debt agreed with pension fund (Forluz) - IPCA index (Note 19)	(328,093)	(341,282)	(344,596)	(347,877)
Forluz deficit solution plan - IPCA index (Note 19)	(393,746)	(409,575)	(413,551)	(417,489)
	(3,387,322)	**(3,523,492)**	**(3,557,704)**	**(3,591,578)**
Net liabilities exposed	**(2,497,719)**	**(2,598,696)**	**(2,624,090)**	**(2,649,169)**
Net effect of variation in IPCA and IGPM indexes		**(100,977)**	**(126,371)**	**(151,450)**

(*) Portion of the concession financial assets relating to the Regulatory Remuneration Base of Assets ratified by the grantor (Aneel) after the 4rd tariff review cycle.

Liquidity risk

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

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

Cemig manages liquidity risk by permanently monitoring its cash flow in a 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.

Any reduction in the Company's ratings could result in a reduction of its ability to obtain new financing and could also make refinancing of debts not yet due more difficult or more costly. In this situation, any financing or refinancing of the Company's debt could have higher interest rates or might require compliance with more onerous covenants, which could additionally cause restrictions to the operations of the business.

The flow of payments of the Company's obligation to suppliers, debts with the pension fund, loans, financing and debentures, at floating and fixed rates, 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	54,116	128,876	788,384	3,638,806	818,153	5,428,335
Debt with pension plan (Forluz)	9,318	18,664	85,167	269,376	-	382,525
Deficit of the pension plan (Forluz)	4,116	8,291	37,746	218,200	369,409	637,762
	67,550	**155,831**	**911,297**	**4,126,382**	**1,187,562**	**6,448,622**
- Fixed rate						
Suppliers	1,198,537	230,844	800	-	-	1,430,181
	1,266,087	**386,675**	**912,097**	**4,126,382**	**1,187,562**	**7,878,803**

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 risk arising from the possibility of Cemig incurring losses as a result of difficulty in receiving amounts billed to its customers is considered to be low. The credit risk is also reduced by the extremely wide customers' base.

The allowance for doubtful accounts receivable recorded on March 31, 2021, considered to be adequate in relation to the credits in arrears receivable by the Company and its subidiaries was R$683,706.

Company manages the counterparty risk of financial institutions based on an internal policy, applied 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 interim financial information.

As a management instrument, the Company divide 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 their equity value, plus a specific segment comprising those whose credit risk is associated only with federal government, and within this classification, limits of concentration by group and by institution are set:

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%

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

In addition to these points, Cemig, Cemig D's parent company, also establishes 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 Cemig D, 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.

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 Cemig D 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 March 31, 2021.

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.

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:

	Mar. 31, 2021	Dec. 31, 2020
Total liabilities	17,836,989	18,964,978
(-) Cash and cash equivalents	(691,380)	(292,589)
(-) Marketable securities	(1,242,795)	(858,177)
Net liabilities	**15,902,814**	**17,814,212**
Total equity	**6,327,116**	**4,904,797**
Net liabilities / equity	2.51	3.63

27. NON-CASH TRANSACTIONS

On March 31, 2021 and 2020, the Company had the following transactions not involving cash, which are not reflected in the Cash flow statement:

- Capitalized financial costs of R$6,112 on the period enden on March 31, 2021 (R$16,247 on March 31, 2020);

- Lease addition in the amount of R$1,488 on March 31, 2021.

28. SUBSEQUENT EVENTS

2021 Programmed Voluntary Retirement Plan ('PDVP')

On May 2021, the Company approved the Programmed Voluntary Retirement Plan for 2021 ('the 2021 PDVP'). All the employees are eligible to join the program, except as provided for in the Program, from May 10 to 31, 2021. The program will pay the standard legal payments for voluntary termination of employment and a bonus, as an indemnity, which is calculated by the application of a percentage determined by the length of time the employee has worked for Cemig, on the current remuneration, for each year of employment, according to the Program terms, and, for those employees whose job tenure in Cemig is longer than 36 years, the value of 10.5 remunerations.

FINANCIAL RESULTS

(Figures in R$ ’000 unless otherwise indicated)

Net income for the period

From January to March 2021, Cemig D reports profit of R$392,152, compared to a profit of R$196,589 in the same period in 2020. The following items describe the main variations between the two periods in revenues, costs, expenses and financial items..

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

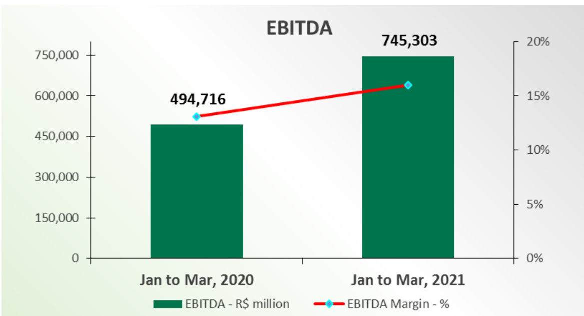
Cemig D’s Ebitda in 1Q21 was 50.65% higher than its Ebitda in 1Q20; Ebitda margin was 15.99% in 1Q21, compared to 13.10% in 1Q20..

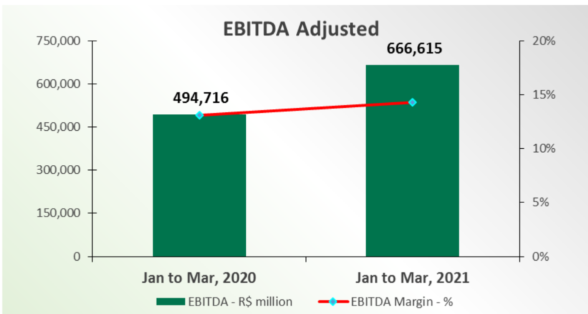
Ebitda adjusted for exclusion of non-recurring items was 34.75% higher in 1Q21 than in 1Q20, due to the reversal, in 2021, of the tax provision for Social Security contributions on profit sharing; and Adjusted Ebitda margin was 14.30% in 1Q21, compared to 13.10% in 1Q20.

Ebitda - R$ ’000	Jan to Mar, 2021	Jan to Mar, 2020	Change %
Net income for the period	392,152	196,589	99.48
+ Income tax and Social Contribution tax	149,439	100,629	48.50
+ Net financial revenue (expenses)	39,455	34,416	14.64
+ Depreciation and amortization	164,257	163,082	0.72
= Ebitda according to “CVM Instruction 527” (1)	**745,303**	**494,716**	**50.65**
+ Reversal of tax provisions	(78,688)	-	-
= Ebitda Adjusted (2)	**666,615**	**494,716**	**34.75**

(1) Ebitda is a non-accounting measure prepared by the Company, reconciled with its interim financial information in accordance with the specifications in CVM Circular SNC/SEP 01/2007 and CVM Instruction 527 of October 4, 2012. It comprises: net income adjusted for the effects of net financial revenue (expenses), depreciation, amortization and income tax and the social contribution tax. Ebitda is not a measure recognized by Brazilian GAAP nor by IFRS; it does not have a standard meaning; and it may be non-comparable with measures with similar titles provided by other companies. Cemig publishes Ebitda because it uses it to measure its own performance. Ebitda should not be considered in isolation or as a substitution for net 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 EBITDA 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 1Q21 than in 1Q20 mainly reflects net revenue 23.42% higher year-on-year.

Operatinoal revenue

The composition of the Company's revenue is as follows:

	Jan to Mar, 2021	Jan to Mar, 2020
Revenue from supply of energy - captive customers, in Cemig's concession area	5,074,888	4,895,060
Reimbursement of PIS/Pasep and Cofins over ICMS credits to customers - realization	178,373	-
Revenue from use of the energy distribution systems (TUSD) - free customers	842,555	730,219
CVA, and Other financial components	338,907	(54,602)
Distribution construction revenue	321,301	248,407
Adjustment to expectation from reimbursement of distribution concession financial assets	10,906	724
Fine for violation of service continuity indicator	(30,569)	(17,199)
Other operating revenues	444,950	440,531
Deductions on revenue	(2,519,336)	(2,465,761)
	4,661,975	**3,777,379**

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

Revenue from energy sold to final customers from January to March 2021 was R$5,074,888 - or 3.67% higher than in the same period of 2020 (R$4,895,060). The main factors in this revenue, in 2021, were:

- increase of 3.23% 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 0.83% in average monthly consumption by this user category due to the effects of the Covid-19 pandemic;

- increase of 8.53% in volume of supply sold to rural costumers, mainly due to the 32.5% increase in the consumption for irrigation and farming, responsible for 30% of the comsumption of this class, reflecting the lower rainfall in the current period;

- reduction of 16.40% in volume of energy sold to the commercial and services customers, mainly reflecting significant migration of consumers to mini- and micro-distributed generation, and also to the captive market. This user category also suffered effects of the pandemic, with non-essential commercial establishments and services totally or partially closed, or their in-person activity reduced;

- reduction of 13.96% 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;

- reduction of 8.92% of consumption by the industrial user category, mainly due to the migration of Captive Client segment to the Free Market.

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

Customer type	MWh*		
	Jan to Mar, 2021	Jan to Mar, 2020	Change %
Residential	2,875,007	2,785,000	3.23
Industrial	430,303	472,440	(8.92)
Commercial, Services and Others	1,106,513	1,323,647	(16.40)
Rural	837,407	771,566	8.53
Public authorities	186,717	217,006	(13.96)
Public lighting	355,356	339,494	4.67
Public services	347,115	335,474	3.47
Total	**6,138,418**	**6,244,627**	**(1.70)**

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

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 March 2021, this was R$842,555, compared to R$730,219 in the same period of 2020 - increase of 15.38%.

This difference mainly arises from the Company's annual tariff adjustment, in effect of 10.16% for free clients, applied from June 30, 2020, which respectively affected Free Clients with increases 5.74%, on August 19, 2020.

Additionally, the volume of energy transported from January to March 2021 was 9.96% higher than the same period of 2020:

	MWh*		
	Jan to Mar, 2021	Jan to Mar, 2020	Change %
Industrial	4,982,862	4,520,139	10.24
Commercial	366,150	354,000	3.43
Rural	9,787	7,229	35.39
Public services	651	-	-
Concessionaires	72,117	71,813	0.42
Total	**5,431,567**	**4,953,181**	**9.66**

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

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 Cemig D (the distribution company).

From January to March 2021 this represented a gain (posted in revenue) of R$338,907, whereas in the same period in 2020 it produced a expenses of R$54,602. The difference mainly reflects a higher posting of new CVA and Other financial components in tariff adjustments in 1Q21, due to the increase in the cost of energy purchased from Itaipu, which is indexed to the US dollar, and the cost of transmission. Also, realization of amounts approved in the current tariff cycle was lower than in the prior cycle.

For further details, see Note 11.

Construction revenue

Infrastructure construction revenue from January to March, 2021 was R$321,301, compared to R$248,407 in the same period in 2020. This increase 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 sub-transmission networks, in expansion, strengthening and enhancement of high-voltage infrastructure.

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.

Taxes and regulatory charges reported as Deductions from revenue

The taxes and charges that are recorded as deductions from operating revenue totaled R$2,519,336 from January to March 2021, or 2.17% more than the same period of 2020 (R$2,465,761).

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.

In 1Q21 these charges produced a credit of R$48,020, which compares to an expense of R$59,583 in 1Q20. The positive amount in 1Q21 is due to reversal of the provision for the charge in December 2020, which was higher than the calculation of the actual charges for 1Q21. Due to the position with the Flag Account being in credit, these amounts were reversed in their entirety, with no effect on net profit, since the amounts billed to the consumer under the Flag system are recognized as an advance of sector financial assets.

The difference reflects the application of the 'yellow' tariff flag on December 2019 (influencing billing on January 2020) and January 2020, and green flag on February 2020 (influencing billing on March 2020).

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 totaled R$4,080,929 from January to March 2021, or 18.43% more than the same period of 2020 (R$3,445,745).

See more on the breakdown of Operating costs and expenses in Note 23. The following paragraphs comment on the main variations:

Energy purchased for resale

The expense on energy purchased for resale from January to March 2021 was R$2,148,339, or 11.94% more than in 2020 (R$1,919,179). The difference is mainly:

- Expense on supply from Itaipu was 13.96% higher, at R$487,525 from January to March 2021, compared to R$427,812 in the same period of 2020. The difference is mainly due to the increase of 19.87% in the average dollar quotation from January to March 2021 compared to the same period of 2020 (R$5.55 and R$4.63, respectively), which has contributed to the rise in dollar energy price per KW (US$28.07/KW from January to March 2021 and US$28.41/KW in the same period of 2020);

- expenses on energy acquired at auction in the regulated market by Cemig D were 36.62% higher, at R$1,130,524, compared to R$827,471 in the same period of 2020. This increase many arises from higher variable costs in electricity trading contracts in the Regulated Market, due to higher dispatching of thermal plants;

- absence of expenses on purchase of energy in the spot market by Cemig D in 1Q21, compared to an expense of R$221,689 in 1Q20. The nil net balance on transactions on the CCEE in 1Q21 is mainly due to the lower impact of availability contracts, due to dispatching of the thermoelectric plants outside ‘merit order’, for reasons of hydrological security.

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 23b.

Charges for use of the transmission network

Charges for use of the transmission network from January to March 2021 totaled R$765,274, compared with R$372,581 in the same period of 2020, an higher of 105.40%.

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 Grantor (Aneel).

The higher figure is mainly due to the annual adjustment in charges for use of the National Grid, which usually takes place in July, and had an higher effect of approximately 27.4% in 2020. Also, there was higher dispatching of thermal plants outside the ‘merit order’, for energy security of the system, in 1Q21, and consequently their high cost increased the System Service Charge (CCEE-ESS), which is also part of this account line, from R$12,100 in 1Q20 to R$282,198 in 1Q21.

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

<u>Operating provisions</u>

Operating provisions from January to March 2020 totaled R$18,112, or 85.60% less than the same period of 2020 (R$125,748). This main impacts result from the following factors:

- difference in the provisions for tax contingencies, with a net reversal of R$ 32,938 in 1Q21, compared to a positive amount (constitution of new provisions) of R$ 7,431 in 1Q20. The improvement resulted, among other factors, from a judgment given in favor of the Company in one of the administrative cases relating to social security contributions, for the period January to October 2010, which resulted in cancellations of tax debits, according to calculations made by the tax authority (Receita Federal);

- lower provisions for third-party civil legal actions: net new provisions in 1Q21 of R$ 9,667, compared to new provisions of R$ 15,539 in 1Q20. This difference mainly reflects provisions made in 2020 for legal actions for third-party liability, claiming indemnity for pain and suffering, and material and aesthetic damage, caused by accidents involving the electricity network operated by the Company;

- The allowance for estimated losses on doubtful receivables was R$ 44,178 in 1Q21, 54.05% less than in 1Q20 (R$ 96,145). This mainly reflects: (i) progress in negotiations of the most recent debt owed by the Minas Gerais State Government, which became due since 2019; and (ii) the positive effect of enhancement of the rules for provisioning in progress, which aims to assimilate good practices adopted by the market in the electricity sector.

Taking into account the changes observed in 2020, the effects of the pandemic on levels of default, development of new conditioning factors such as the speed of vaccination in the country, mutations of the virus and changes in the policy of government support, the Company believes that the present assumptions represent the best possible estimate, at this moment, for the provision for doubtful receivables for 1Q21.

Net financial revenue (expenses)

Cemig D reports net financial expenses in 1Q21 of R$ 39,455, compared to net financial expenses of R$ 34,416 in 1Q20. The most significant variations in components of Net financial revenue (expenses) between the two years were:

- the gain on monetary adjustment of amounts deposited in escrow with the courts, at R$ 1,553 in 1Q21, was 83.03% lower than in 1Q20 (R$ 9,152). This is mainly due to the release of the significant escrow deposit made in the successful legal action that challenged the inclusion of amounts of ICMS tax (paid or payable) within the amount on which the PIS, Pasep and Cofins taxes are charged. It also reflects the lower Selic rate in 1Q21 than 1Q20;

- the monetary variation on the CVA account was a net negative item of R$ 1,541 in 1Q21, compared to a gain of R$ 11,643 in 1Q20. This is mainly the result of the lower Selic rate, and also the lower balance of new positive items added in 1Q21;

- monetary correction on loans, financings and debentures was 40.07% higher in 1Q21, at R$ 70,582, than in 1Q20 (R$ 50,392). 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 2.05% in 1Q21, compared to 0.53% in 1Q20.

- revenue from late charges on customer electricity bills 25.99% higher, at R$ 113,424 in 1Q21, compared to R$ 90,026 in 1Q20. This mainly reflected the adverse effects of the pandemic on default. In 2020 the impact was greater in the second half of the year, due to the restriction on mobility, and limited employment of collection tools by the Company.

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

Income tax and social contribution tax

From January to March 2021, the expense on income tax and the social contribution tax totaled R$149,439, on pre-tax profit of R$541,591. From January to March 2020, the expense on income tax and the social contribution tax was R$100,629, on pre-tax loss of R$297,218.

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

Marney Tadeu Antunes
Chief Distribution Officer

Maurício Dall'Agnese
Chief Officer for Management of Holdings

Paulo Mota Henriques
Chief without portfolio

Eduardo Soares
Chief Regulation and Legal

Mário Lúcio Braga
Controller
Accountant - 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 the 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 March 31, 2021, comprising the statement of financial position as at March 31, 2021, and the related statements of profit or loss, of comprehensive income, of changes in equity and cash flows for the three-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 three-month period ended March 31, 2021, 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), May 14, 2021.

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

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