CONTENTS

STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2021 AND DECEMBER 31, 2020
ASSETS
(In thousands of Brazilian Reais)

	Note	Jun. 30, 2021	Dec. 31, 2020
CURRENT			
Cash and cash equivalents	4	580,741	659,045
Marketable securities	5	1,176,744	2,104,119
Customers and traders	6	3,034,147	2,989,608
Concession holders - Transport of energy	6	261,355	257,540
Recoverable taxes	7	1,797,392	1,483,677
Income tax and social contribution tax recoverable	8a	51,227	128,539
Inventories		28,966	29,312
Public lighting contribution		197,137	179,406
Reimbursement of tariff subsidy payments	10	81,981	82,616
Low-income subsidy		42,730	43,072
Concession financial and sector assets	11	171,832	-
Others credits		165,886	135,835
TOTAL CURRENT		**7,590,138**	**8,092,769**
NON-CURRENT			
Marketable Securities	5	290,701	472,371
Deferred Income tax and social contribution tax	8b	1,767,518	1,747,020
Recoverable taxes	7	1,930,080	2,888,626
Income tax and social contribution tax recoverable	8a	67,283	66,667
Escrow deposits	9	578,075	527,628
Customers and traders	6	63,504	120,041
Concession holders - Transport of energy	6	34,366	34,085
Others credits		13,424	13,865
Concession financial and sector assets	11	1,235,446	662,739
Contract assets	12	1,465,334	1,141,599
Intangible assets	13	9,249,744	9,207,269
Leasing - rights of use	14	145,166	166,344
TOTAL NON-CURRENT		**16,840,641**	**17,048,254**
TOTAL ASSETS		**24,430,779**	**25,141,023**

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

STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2021 AND DECEMBER 31, 2020
LIABILITIES
(In thousands of Brazilian Reais)

	Note	Jun. 30, 2021	Dec. 31, 2020
CURRENT			
Loans, financing and debentures	17	826,806	1,181,014
Suppliers	15	1,768,948	1,783,607
Taxes payable	16	251,862	234,490
Payroll and related charges		160,890	138,444
Regulatory charges	18	416,937	267,696
Employees' and managers' profit shares		40,533	73,691
Post-employment obligations	19	228,042	213,283
Public lighting contribution		282,268	304,869
Sector financial liabilities	11	138,808	231,322
Interest on Capital, and dividends, payable	25	221,463	309,434
PIS/Pasep and Cofins taxes to be refunded to customers	16	1,590,108	448,019
Leasing liabilities	14	27,258	38,521
Others		404,815	338,794
TOTAL CURRENT		**6,358,738**	**5,563,184**
NON-CURRENT			
Loans, financing and debentures	17	3,495,740	3,916,226
Provisions	20	1,216,047	1,246,762
Post-employment obligations	19	4,445,118	4,433,298
Regulatory charges	18	152,193	234,237
PIS/Pasep and Cofins taxes to be refunded to customers	16	2,038,718	3,569,837
Leasing liabilities	14	130,735	139,241
Others		14,152	16,607
TOTAL NON-CURRENT		11,492,703	13,556,208
TOTAL LIABILITIES		**17,851,441**	**19,119,392**
EQUITY	21		
Share capital		5,371,998	5,371,998
Profit reserves		2,471,584	2,653,670
Equity valuation adjustments		(2,004,037)	(2,004,037)
Retained earnings		739,793	-
TOTAL EQUITY		**6,579,338**	**6,021,631**
TOTAL LIABILITIES AND EQUITY		**24,430,779**	**25,141,023**

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

STATEMENTS OF INCOME
FOR THE SIX-MONTH PERIODS ENDED JUNE 30, 2021 AND 2020
(In thousands of Brazilian Reais, except earnings per share)

	Note	Jan to Jun, 2021	Jan to Jun, 2020
Revenue	22	**9,463,013**	**7,555,731**
OPERATING COSTS	23		
COST OF ENERGY AND GAS			
Energy purchased for resale		(4,523,541)	(3,822,279)
Charges for use of the national grid		(1,485,726)	(638,051)
		(6,009,267)	(4,460,330)
OTHER COSTS			
Personnel		(351,266)	(358,862)
Materials		(23,929)	(22,231)
Outsourced services		(548,013)	(467,665)
Amortization		(287,081)	(276,031)
Operating provisions, net	23d	(16,424)	(52,029)
Infrastructure construction cost		(719,519)	(581,744)
Others		(31,119)	(24,258)
		(1,977,351)	(1,782,820)
TOTAL COST		**(7,986,618)**	**(6,243,150)**
GROSS PROFIT		**1,476,395**	**1,312,581**
OPERATING EXPENSES	23		
Selling expenses		(36,389)	(198,649)
General and administrative expenses		(194,864)	(185,188)
Other operating expenses, net		(239,385)	(232,465)
		(470,638)	**(616,302)**
Operating income before financial revenue (expenses) and taxes		**1,005,757**	**696,279**
Finance income	24	292,851	251,681
Finance expenses	24	(282,393)	(227,026)
Income before income tax and social contribution tax		**1,016,215**	**720,934**
Current income tax and social contribution tax	8c	(296,920)	(284,819)
Deferred income tax and social contribution tax	8c	20,498	43,275
Net income for the period		**739,793**	**479,390**
Basic and diluted earnings per shares, R$	21	0.31	0.20

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

STATEMENTS OF INCOME
FOR THE THREE-MONTH PERIODS ENDED JUNE 30, 2021 AND 2020
(In thousands of Brazilian Reais, except earnings per share)

	Note	Apr to Jun, 2021	Apr to Jun, 2020
Revenue	22	**4,801,038**	**3,778,352**
OPERATING COSTS	23		
COST OF ENERGY AND GAS			
Energy purchased for resale		(2,375,202)	(1,903,100)
Charges for use of the national grid		(720,452)	(265,470)
		(3,095,654)	(2,168,570)
OTHER COSTS			
Personnel		(201,032)	(198,674)
Materials		(16,212)	(13,833)
Outsourced services		(301,446)	(259,021)
Amortization		(144,284)	(139,851)
Operating provisions, net	23d	(31,490)	(22,426)
Infrastructure construction cost		(398,218)	(333,337)
Others		(23,450)	(15,877)
		(1,116,132)	(983,019)
TOTAL COST		**(4,211,786)**	**(3,151,589)**
GROSS PROFIT		**589,252**	**626,763**
OPERATING EXPENSES	23		
Selling expenses		7,789	(102,504)
General and administrative expenses		(49,160)	(49,872)
Other operating expenses, net		(123,170)	(109,742)
		(164,541)	**(262,118)**
Operating income before financial revenue (expenses) and taxes		**424,711**	**364,645**
Finance income	24	185,337	156,874
Finance expenses	24	(135,424)	(97,803)
Income before income tax and social contribution tax		**474,624**	**423,716**
Current income tax and social contribution tax	8c	(130,237)	(167,861)
Deferred income tax and social contribution tax	8c	3,254	26,946
Net income for the period		**347,641**	**282,801**
Basic and diluted earnings per shares, R$	21	0.15	0.12

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

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE SIX-MONTH PERIODS ENDED JUNE 30, 2021 AND 2020
(In thousands of Brazilian Reais)

	Jan to Jun, 2021	Jan to Jun, 2020
Net income for the period	739,793	479,390
COMPREHENSIVE INCOME FOR THE PERIOD	**739,793**	**479,390**

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

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE THREE-MONTH PERIODS ENDED JUNE 30, 2021 AND 2020
(In thousands of Brazilian Reais)

	Apr to Jun, 2021	Apr to Jun, 2020
Net income for the period	347,641	282,801
COMPREHENSIVE INCOME FOR THE PERIOD	**347,641**	**282,801**

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

STATEMENTS OF CHANGES IN EQUITY
FOR THE SIX-MONTH PERIODS ENDED JUNE 30, 2021 AND 2020
(In thousands 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	-	-	-	479,390	479,390
COMPREHENSIVE INCOME FOR THE PERIOD	**-**	**-**	**-**	**479,390**	**479,390**
Dividend payments proposal (reversals)	-	469,896	-	-	469,896
BALANCES ON JUNE 30, 2020	**5,371,998**	**1,799,685**	**(1,993,579)**	**479,390**	**5,657,494**
BALANCES ON DECEMBER 31, 2020	**5,371,998**	**2,653,670**	**(2,004,037)**	**-**	**6,021,631**
Net income for the period	-	-	-	739,793	739,793
COMPREHENSIVE INCOME FOR THE PERIOD	**-**	**-**	**-**	**739,793**	**739,793**
Interest on capital declared (Note 21)	-	(182,086)	-	-	(182,086)
BALANCES ON JUNE 30, 2021	**5,371,998**	**2,471,584**	**(2,004,037)**	**739,793**	**6,579,338**

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

STATEMENTS OF CASH FLOWS
FOR THE SIX-MONTH PERIODS ENDED JUNE 30, 2021 AND 2020
(In thousands of Brazilian Reais)

	Note	Jan to Jun, 2021	Jan to Jun, 2020
CASH FLOW FROM OPERATIONS			
Net income for the period		739,793	479,390
Expenses (revenues) not affecting cash and cash equivalents:			
Post-employment obligations	19	170,420	167,520
Depreciation and amortization	13b and 14a	330,129	329,133
Operating provisions	23d	41,813	250,678
Provision for impairment of contract assets	12	(3,722)	(7,942)
Write-off of net residual value of unrecoverable Concession financial assets and Intangible assets	11a and 13b	12,787	3,831
Refunded of PIS/Pasep and Cofins over ICMS credits to customers - realization	22	(430,911)	-
Financial interest and inflation adjustment		219,156	154,346
Adjustment to expectation of contractual cash flow from the concession	11a	(20,025)	955
Amortization of transaction cost of loans and financings	17	904	1,014
CVA (Parcel A Compensation) Account and Other Financial Components in tariff adjustment	22	(792,651)	(81,652)
Deferred income tax and social contribution tax	8c	(20,498)	(43,275)
		247,195	1,253,998
Increase (decrease) in assets			
Customers and traders		(24,391)	(58,231)
Concession holders - Transport of energy		(4,096)	1,694
CVA (Parcel A Compensation) Account and Other Financial Components in tariff adjustment		-	62,771
Recoverable taxes		(21,644)	44,104
Income tax and social contribution tax recoverable		(11,566)	(83,575)
Escrow deposits		(45,568)	1,211,892
Public lighting contribution		(17,731)	(10,555)
Reimbursement of tariff subsidies	10	635	8,130
Low-income subsidy		342	(8,333)
Others		(18,264)	56,741
		(142,283)	1,224,638
Increase (decrease) in liabilities			
Suppliers		(21,950)	(199,992)
Taxes payable		460,059	270,423
Income tax and social contribution tax payable		296,920	284,819
Payroll and related charges		22,446	29,372
Public lighting contribution		(22,601)	(13,513)
Regulatory charges	18	67,197	54,353
Post-employment obligations	19	(143,841)	(93,081)
Provisions	20	(47,139)	(52,788)
Employees’ and managers’ profit sharing		(33,158)	(15,979)
Others		101,227	151,493
		679,160	415,107
Cash from operating activities		**784,072**	**2,893,743**
Interest paid on loans, financings and debentures	17	(141,502)	(180,142)
Interest paid in leasing contracts	14	(833)	(816)
Income tax and social contribution tax paid		-	(37,999)
NET CASH FROM OPERATING ACTIVITIES		**641,737**	**2,674,786**
CASH FLOW IN INVESTMENT ACTIVITIES			
Marketable securities - cash investments		1,109,045	(1,370,253)
Intangible assets	13	(13,450)	(12,438)
Contract assets	12	(694,187)	(547,922)
NET CASH FLOW USED IN INVESTMENT ACTIVITIES		**401,408**	**(1,930,613)**
CASH FLOW IN FINANCING ACTIVITIES			
Leasing liabilities paid	14b	(26,725)	(33,205)
Loans, financings and debentures, paid	17	(851,980)	(536,867)
Interest on capital and dividends paid		(242,744)	-
NET USED IN FINANCIAL ACTIVITIES		**(1,121,449)**	**(570,072)**
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS FOR THE PERIOD		**(78,304)**	**174,101**
Cash and cash equivalents at start of period	4	659,045	234,346
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	4	**580,741**	**408,447**

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

STATEMENTS OF ADDED VALUE
FOR THE SIX-MONTH PERIODS ENDED JUNE 30, 2021 AND 2020
(In thousands of Brazilian Reais)

	Jan to Jun, 2021		Jan to Jun, 2020	
REVENUES				
Sales of energy and services	13,821,097		11,667,604	
Distribution construction revenue	719,519		581,744	
Adjustment to expectation of reimbursement of distribution concession financial assets	20,025		(955)	
Other revenues	4,636		-	
Provision for doubtful receivables	(36,389)		(198,649)	
	14,528,888		12,049,744	
INPUTS ACQUIRED FROM THIRD PARTIES				
Energy bought for resale	(4,902,137)		(4,153,068)	
Charges for use of national grid	(1,637,163)		(703,087)	
Outsourced services	(881,492)		(727,632)	
Materials	(410,160)		(313,553)	
Other operating costs	(108,930)		(141,302)	
	(7,939,882)		(6,038,642)	
GROSS VALUE ADDED	**6,589,006**		**6,011,102**	
RETENTIONS				
Depreciation and amortization	(330,129)		(329,133)	
NET ADDED VALUE PRODUCED BY THE COMPANY	**6,258,877**		**5,681,969**	
ADDED VALUE RECEIVED BY TRANSFER				
Financial revenues	292,851		251,681	
ADDED VALUE TO BE DISTRIBUTED	**6,551,728**		**5,933,650**	
DISTRIBUTION OF ADDED VALUE				
		%		%
Employees	**605,956**	**9.25**	**601,145**	**10.13**
Direct remuneration	351,579	5.37	330,689	5.57
Post-employment obligations and Other benefits	203,264	3.10	203,249	3.43
FGTS fund	22,044	0.34	21,623	0.36
Voluntary retirement program	29,069	0.44	45,584	0.77
Taxes	**4,908,341**	**74.92**	**4,600,088**	**77.52**
Federal	2,126,898	32.46	1,974,991	33.28
State	2,778,288	42.41	2,620,767	44.17
Municipal	3,155	0.05	4,330	0.07
Remuneration of external capital	**297,638**	**4.54**	**253,027**	**4.27**
Interest	294,331	4.49	248,409	4.19
Rentals	3,307	0.05	4,618	0.08
Remuneration of own capital	**739,793**	**11.29**	**479,390**	**8.08**
Interest on Equity	182,086	2.78	-	-
Retained earnings	557,707	8.51	479,390	8.08
	6,551,728	**100.00**	**5,933,650**	**100.00**

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

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 energy 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 8,763,302 customers, on June 30, 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 customers in default in up to 12 monthly installments without interest, including exemption for 45 days from inflation updating not yet posted on invoices, aiming to keep the payment flow from small traders and services sector, to ensure their sustainability and contribute to their survival in the most critical period of the pandemic;

  - Joining of the civil society movement named 'Unidos Pela Vacina' ('United for the Vaccine'), in order to collaborate effectively with the process of vaccination in the State of Minas Gerais, providing direct support to 425 municipalities. The company's participation took the form of voluntary involvement by its employees in support for transport and professional traveling to various municipalities to deliver vaccines to rural regions, including people who were bedridden, as well as the donation of R$2,783, to promote access to the vaccine to combat Covid-19 in municipalities of the State.

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 in 2020, 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. In the fourth quarter of 2020, on the other hand, we saw a resumption in consumption to almost the forecast levels, and with the measures taken to preserve employment and income, and the outlook for progress with the vaccination program, we see a positive outlook for the economy in 2021.

As of June 30, 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 energy 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;

- In the energy market, the volume of energy sold to captive customers, and transported for Free Clients and distributors with access to Cemig D’s networks, was up 7.4% in the first semester of 2021, in comparison with the same period in 2020, reflecting the easing of social isolation requirements. This increase has two components: consumption by the captive market 1.7% higher, and use of the network by Free Clients 14.6% higher .

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 August 16, 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	Jun. 30, 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
-	28	Parliamentary Committee of Inquiry ('CPI')

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 of the Note	Title of the Note
3	Concessions
28	Insurance
29	Contractual obligations

3. OPERATING SEGMENTS

The Company operates only in energy 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

	Jun. 30, 2021	Dec. 31, 2020
Bank accounts	43,008	77,758
Cash investments		
Bank certificates of deposit (1)	96,008	474,003
Overnight (2)	441,725	107,284
	537,733	**581,287**
	580,741	**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 June 30, 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 4.14% on June 30, 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

	Jun. 30, 2021	Dec. 31, 2020
Bank certificates of deposit (1)	43,810	341,413
Financial Notes (LFs) - banks (2)	941,233	1,754,948
Treasury Financial Notes (LFTs) (3)	466,901	457,503
Debentures (4)	10,454	19,252
Others	5,047	3,374
	1,467,445	**2,576,490**
Current asset	**1,176,744**	**2,104,119**
Non-current asset	**290,701**	**472,371**

(1) Bank Certificates of Deposit (Certificados de Depósito Bancário, or CBDs), accrued interest at 111.04% a 115.97% 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 June 30, 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 136.14% of the CDI rate on June 30, 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 4.07% and 4.50% on June 30, 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 June 30, 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	Jun. 30, 2021	Dec. 31, 2020
Residential	776,608	288,145	426,111	233,546	52,926	1,777,336	1,666,208
Industrial	30,040	63,961	18,495	17,650	147,490	277,636	281,005
Commercial, services and others	287,404	138,281	87,691	66,541	141,609	721,526	745,764
Rural	182,941	107,664	72,711	52,606	16,553	432,475	394,907
Public authorities	230,811	25,435	7,256	16,337	82,408	362,247	389,510
Public lighting	24,564	554	926	1,272	505	27,821	59,253
Public services	52,898	40,556	2,129	4,254	26,582	126,419	125,561
Subtotal - customers	**1,585,266**	**664,596**	**615,319**	**392,206**	**468,073**	**3,725,460**	**3,662,208**
Concession holders - Transport of energy	44,751	215,735	10,372	23,447	82,039	376,344	365,842
Energy in spot market - supply	-	-	-	913	-	913	20,653
Provision for doubtful receivables	(220,326)	(11,500)	(11,699)	(7,598)	(458,222)	(709,345)	(647,429)
	1,409,691	**868,831**	**613,992**	**408,968**	**91,890**	**3,393,372**	**3,401,274**
Current							
Customers and traders						**3,034,147**	**2,989,608**
Concession holders - Transport of energy						**261,355**	**257,540**
Non-current							
Customers and traders						**63,504**	**120,041**
Concession holders - Transport of energy						**34,366**	**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:

	Jun. 30, 2021	Dec. 31, 2020
Residential	112,203	106,870
Industrial	147,030	136,934
Commercial, services and others	197,253	182,155
Rural	28,685	28,684
Public authorities	106,302	82,487
Public lighting	1,787	1,513
Public services	35,463	34,569
Concession holders - Transport of energy	80,622	74,217
	709,345	**647,429**

Considering the pandemic effects on levels of delinquency, and the emergence of new factors such as the vaccination progress in the country, mutations of the virus, and changes in government support policy, the Company, taking into account the changes in 2020 and in the first semester of 2021, believes that the current assumptions represent its best estimate, at this moment, for expected losses on doubtful receivables for the period end on June 30, 2021.

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 June 2021, were offseted 3 (three) 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	36,389
Disposals (reversals)	25,527
Balance at June 30, 2021	**709,345**

7. RECOVERABLE TAXES

	Jun. 30, 2021	Dec. 31, 2020
Current		
ICMS tax recoverable	62,318	62,221
COFINS tax (a) (b)	1,424,420	1,165,559
PIS-PASEP taxes (a) (b)	310,210	254,001
Others	444	1,896
	1,797,392	**1,483,677**
Non-current		
ICMS tax recoverable (b)	253,570	232,011
COFINS tax (a)	1,377,457	2,182,732
PIS-PASP taxes (a)	299,053	473,883
	1,930,080	**2,888,626**
	3,727,472	**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.

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 (STF) 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.

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. For more information about credits to be refunded to customers, see Note 16.

On June 30, 2021 the Company recorded in current asset and non-current asset the amounts of R$1,731,518 and R$1,676,510, 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.

In the firt semester 2021, credits of PIS/Pasep and Cofins taxes were offset against payable federal taxes in the amount of R$695,019 (R$945,886 in 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.

	Jun. 30, 2021	Dec. 31, 2020
Income tax	41,583	108,732
Social contribution tax	76,927	86,474
	118,510	**195,206**
Current	**51,227**	**128,539**
Non-current	**67,283**	**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	Jun. 30, 2021	Dec. 31, 2020
Deferred tax assets		
Post-employment obligations	1,483,423	1,463,842
Doubtful receivables	258,816	241,419
Impairment	17,568	18,834
Provisions for contingencies	354,490	356,956
Administrative tax	5,063	5,250
Provision for profit shares	13,781	25,055
Others	6,560	6,083
	2,139,701	**2,117,439**
Deferred tax liabilities		
Adjustment to expectation of cash flow - Concession assets	(200,986)	(198,689)
Borrowing costs capitalized	(168,684)	(168,909)
Funding cost	(2,513)	(2,821)
	(372,183)	**(370,419)**
Total deferred tax, net	**1,767,518**	**1,747,020**

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

Balance at December 31, 2020	**1,747,020**
Effects allocated to income statements	20,498
Balance at June 30, 2021	**1,767,518**

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 Jun, 2021	Jan to Jun, 2020
Profit before income tax and social contribution tax	1,016,215	720,934
Nominal rate	**34%**	**34%**
Income tax and social contribution tax - nominal expense	(345,513)	(245,118)
Tax effects applicable to:		
Interest on equity and dividends payable	61,909	-
Tax incentives	19,509	16,463
Non-deductible contributions and donations	(1,624)	(960)
Non-deductible penalties	(10,145)	(11,477)
Others	(558)	(452)
Income tax and social contribution tax - effective expense	**(276,422)**	**(241,544)**
Effective rate	**27.20%**	**33.50%**
Current tax	**(296,920)**	**(284,819)**
Deferred tax	**20,498**	**43,275**

	Apr to Jun, 2021	Apr to Jun, 2020
Profit before income tax and social contribution tax	474,624	423,716
Nominal rate	**34%**	**34%**
Income tax and social contribution tax - nominal expense	(161,372)	(144,064)
Tax effects applicable to:		
Interest on equity and dividends payable	32,442	-
Tax incentives	10,186	8,641
Non-deductible contributions and donations	(1,282)	(538)
Non-deductible penalties	(6,506)	(4,912)
Others	(451)	(42)
Income tax and social contribution tax - effective expense	**(126,983)**	**(140,915)**
Effective rate	**26.75%**	**33.26%**
Current tax	**(130,237)**	**(167,861)**
Deferred tax	**3,254**	**26,946**

9. ESCROW DEPOSITS

	Jun. 30, 2021	Dec. 31, 2020
Labor Claims	**209,268**	**222,090**
Tax contingencies		
Income tax on Interest on Equity	11,336	11,281
Income tax and Social Security contribution on 'Anuênio' employee indemnity (1)	205,576	204,739
Others	97,138	37,660
	314,050	**253,680**
Others		
Regulatory	28,997	28,984
Third party	5,536	5,537
Customer relations	5,766	5,629
Court embargo	9,549	7,105
Others	4,909	4,603
	54,757	**51,858**
	578,075	**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 June 30, 2021, the amount recognized as subsidies revenues was R$494,424 (R$545,778 on June 30, 2020). Of such amounts, Cemig D has a receivable of R$81,981 (R$82,616 on December 31, 2020) in current assets.

11. CONCESSION FINANCIAL AND SECTOR ASSETS AND LIABILITIES

Concession financial assets	Jun. 30, 2021	Dec. 31, 2020
Financial assets related to infrastructure (a)	582,654	530,058
CVA (Parcel A Compensation) Account and Other Financial Components in tariff-setting (b)	824,624	132,681
	1,407,278	**662,739**
Current asset	**171,832**	**-**
Non-current asset	**1,235,446**	**662,739**

SECTOR FINANCIAL LIABILITIES	Jun. 30, 2021	Dec. 31, 2020
Amounts receivable from Parcel A (CVA) and Other Financial Components (b)	(138,808)	(231,322)
Current liabilities	**(138,808)**	**(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:

Balance at December 31, 2020	**530,058**
Transfers of contract assets (Note 12)	32,743
Disposals	(172)
Adjustment of expectation of cash flow from the concession financial assets	20,025
Balance at June 30, 2021	**582,654**

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

The balances on the CVA (*Compensation for Variation of Parcel A items*) Account, the account for Neutrality of Sector Charges, and *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 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	Jun. 30, 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	**2,099,388**	**1,342,517**	**3,441,905**	**83,984**	**1,561,906**	**1,645,890**
Current assets	2,099,388	215,934	2,315,322	83,984	834,093	918,077
Non-current assets	-	1,126,583	1,126,583	-	727,813	727,813
Liabilities	**(2,238,196)**	**(517,893)**	**(2,756,089)**	**(246,242)**	**(1,498,289)**	**(1,744,531)**
Current liabilities	(2,238,196)	(44,102)	(2,282,298)	(246,242)	(903,157)	(1,149,399)
Non-current liabilities	-	(473,791)	(473,791)	-	(595,132)	(595,132)
Total current, net	**(138,808)**	**171,832**	**33,024**	**(162,258)**	**(69,064)**	**(231,322)**
Total non-current, net	**-**	**652,792**	**652,792**	**-**	**132,681**	**132,681**
Total, net	**(138,808)**	**824,624**	**685,816**	**(162,258)**	**63,617**	**(98,641)**

Financial components	Jun. 30, 2021 Amounts ratified by Aneel in the last tariff adjustment	Jun. 30, 2021 Amounts to be ratified by Aneel in the next tariff adjustments	Jun. 30, 2021 Total	Dec. 31, 2020 Amounts ratified by Aneel in the last tariff adjustment	Dec. 31, 2020 Amounts to be ratified by Aneel in the next tariff adjustments	Dec. 31, 2020 Total
Items of 'Parcel A'						
Energy Development Account (CDE) quota	55,034	(905)	54,129	879	-	879
Tariff for use of transmission facilities of grid participants	317,518	126,524	444,042	847	217,778	218,625
Tariff for transport of Itaipu supply	28,431	10,534	38,965	103	17,618	17,721
Alternative power source program (Proinfa)	26,282	-	26,282	(138)	5,857	5,719
ESS/EER System Service/Energy Charges	66,289	149,024	215,313	(1,465)	38,549	37,084
Energy bought for resale	838,890	201,304	1,040,194	4,078	448,720	452,798
Other financial components						
Over contracting of supply (1)	(148,644)	255,202	106,558	(55,828)	165,793	109,965
Neutrality of Parcel A	53,392	125,628	179,020	(2,706)	109,965	107,259
Billing return - Covid Account (2)	(816,970)	-	(816,970)	-	(504,476)	(504,476)
Other financial items	(506,101)	(31,703)	(537,804)	(86,248)	(394,367)	(480,615)
Excess demand and reactive power	(52,929)	(10,984)	(63,913)	(21,780)	(41,820)	(63,600)
TOTAL	**(138,808)**	**824,624**	**685,816**	**(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$186,344 on June 30, 2021, as 'Other financial components' to be ratified. At the reporting date for this interim financial information, this matter was pending analysis by Aneel, however, the decision of SGT/SEM Dispatch nº 2,508 of 2020 is in force, and was considered in the last tariff process, in which part of the amount relating to over contracting in 2017 was ratified, totaling R$39,270.

(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 are being returned to consumers in the calculated 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	612,231
Assets realized	180,420
Transfer of other liabilities (1)	(15,121)
Updating - Selic rate (Note 24)	6,927
Balance at June 30, 2021	**685,816**

(1) Amounts relating to the reversal of the credits that could not be returned to customers in final billing, for the purpose of moderation of tariffs, as specified in §6 of Article 88 of REN 414/2010, included by REN 714/2016.

Annual Tariff Adjustment

On May 25, 2021 Aneel approved the result of the Annual Tariff Adjustment of Cemig D (Distribution), effective from May 28, 2021 to May 27, 2022, with average effect perceived by consumers of 1.28% - its components included average increases of: 2.14% for high-voltage consumers, and 0.89% for consumers connected at low voltage. For residential consumers connected at low voltage there was no adjustment to tariffs. This result reflects: (i) variation of 2.64% in the Parcel B costs, and the direct pass-throughs within the tariff, which were reduced by 1.37% - the latter having no economic effect for the Company, not impacting its profitability - relating to the following items: (a) non-manageable costs (Parcel A) 8.84% higher, mainly related to purchase of energy, sector charges and transmission costs; (b) financial components of the present process 8.80% lower, among which highlights are (1) the reduction of R$ 1,573,000 relating to credits of PIS, Pasep and Cofins taxes, which generated a negative variation in the tariff of 9.67%, and (2) the reversal of the Covid account (8.78%); and (c) withdrawal of 1.41% relating to the financial components of the previous process.

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:

Balance at December 31, 2020	**1,141,599**
Additions	706,125
Transfers to financial assets (Note 11)	(32,743)
Transfers to intangible assets (Note 13)	(353,369)
Reversal impairment (1)	3,722
Balance at June 30, 2021	**1,465,334**

(1) Refers to reversal of provisions for losses posted on assets in progress (canceled works).

The amount of additions in the first semester of 2021 were R$706,125 and includes R$11,938 under the heading capitalized borrowing costs (R$21,495 in the first semester of 2020), 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

	Jun. 30, 2021			Dec. 31, 2020		
	Historic cost	Accumulated amortization	Amount, net	Historic cost	Accumulated amortization	Amount, net
Assets of concession	**22,212,242**	**(10,095,169)**	**12,117,073**	**21,815,858**	**(9,759,741)**	**12,056,117**
(-) 'Special obligations'	(4,506,750)	1,521,274	(2,985,476)	(4,391,518)	1,438,572	(2,952,946)
Net concession assets	**17,705,492**	**(8,573,895)**	**9,131,597**	**17,424,340**	**(8,321,169)**	**9,103,171**
Intangible assets in progress	118,147	-	118,147	104,098	-	104,098
Total intangible assets	**17,823,639**	**(8,573,895)**	**9,249,744**	**17,528,438**	**(8,321,169)**	**9,207,269**

b) Changes in intangible assets

Balance at December 31, 2020	**9,207,269**
Additions	13,394
Others transfers	56
Settled	(12,615)
Transfers of contract assets (Note 12)	353,369
Amortization	(311,729)
Balance at June 30, 2021	**9,249,744**

The amount of additions in the first semestre of 2021 were R$13,394, there was no movement as financial charges (reversal of R$111 in the period from January to June 2020).

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 recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option (short-term leases), and lease contracts for which the underlying asset is of low value (low-value assets). Thus, these leasing agreements are recognized as an expense in the income statement on the straight-line basis, over the period of the leasing. Their effects on net income from January to June 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	Total
BALANCES ON DECEMBER 31, 2020	**145,456**	**20,888**	**166,344**
Settled	(1,554)	-	(1,554)
Addition	5,288	-	5,288
Amortization (1)	(3,476)	(15,144)	(18,620)
Remeasurement	(7,773)	1,481	(6,292)
Balance at June 30, 2021	**137,941**	**7,225**	**145,166**

(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$220 in the first semester of 2021 (R$688 in the period from January to June 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:

Balance at December 31, 2020	**177,762**
Addition	5,288
Settled	(1,414)
Interest incurred (1)	10,207
Leasing paid	(26,725)
Interest in leasing contracts	(833)
Remeasurement	(6,292)
Balance at June 30, 2021	**157,993**
Current liabilities	**27,258**
Non-current liabilities	**130,735**

(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$655 in the first semester of 2021 (R$664 in the period from January to June 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	448,580	157,993
Potential PIS/Pasep and Cofins	39,785	12,970

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).

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	18,092
2022	19,688
2023	19,650
2024	19,614
2025	19,559
2026 to 2046	351,977
Undiscounted values	**448,580**
Embedded interest	(290,587)
Lease liabilities	**157,993**

15. SUPPLIERS

	Jun. 30, 2021	Dec. 31, 2020
Energy on spot market - CCEE	365,565	408,932
Charges for use of energy network (1)	206,961	198,108
Energy purchased for resale	569,383	518,990
Itaipu Binacional	317,873	325,277
Materials and services	309,166	332,300
	1,768,948	**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

	Jun. 30, 2021	Dec. 31, 2020
Taxes and contributions		
Current		
ICMS	122,219	79,595
Cofins	64,727	63,682
PIS/Pasep	13,933	13,719
INSS	18,644	19,660
ISSQN	8,652	10,150
Income tax on Interest on Equity	14,313	37,960
Others	9,374	9,724
	251,862	**234,490**
Amounts to be restituted to customers		
Current		
PIS/Pasep anf Cofins	1,590,108	448,019
Non Current		
PIS/Pasep anf Cofins	2,038,718	3,569,837
	3,628,826	**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 representing the amount of R$3,408,028, according Note 7 (a).

The Cemig D registered 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 Company started the reimbursement of amounts to its customers, as follows:

- On August 18, 2020, Aneel ratified the inclusion into the tariff adjustment 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 following final judgment in Company’s favor against which there is no further appeal.

- On May 25, 2021, Aneel ratified incorporation into the 2021 tariff adjustment, in effect from May 28, 2021 to May 27, 2022, of the negative financial component of R$1,573,000, corresponding to the total credits amount confirmed by the Brazilian tax authority (‘Receita Federal’). See Note 11b for more information on the Cemig D tariff adjustment.

Although 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.

17. LOANS, FINANCING AND DEBENTURES

Financing source	Jun. 30, 2021						Dec. 31, 2020
	Principal maturity	Annual Financial cost (%)	Currency	Current	Non-current	Total	Total
Foreign currency							
Banco do Brasil S.A. - Various bonds (1)	2024	Several	US$	-	-	-	11,725
Debt in foreign currency				**-**	**-**	**-**	**11,725**
Brazilian currency							
Eletrobrás	2023	UFIR + 6 a 8.00%	R$	3,336	3,994	7,330	9,058
Debt in Brazilian currency				**3,336**	**3,994**	**7,330**	**9,058**
Total of loans and financings				**3,336**	**3,994**	**7,330**	**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$	278,214	777,640	1,055,854	1,035,247
Debentures - 7th Issue, 1th Series (2)	2024	CDI + 0.454%	R$	543,106	1,080,000	1,623,106	1,891,927
Debentures - 7th Issue, 2th Series (2)	2026	IPCA + 4.10%	R$	2,910	1,657,402	1,660,312	1,587,924
(-) Discount on the issuance of debentures (3)				-	(16,664)	(16,664)	(18,300)
(-) Transaction costs				(760)	(6,632)	(7,392)	(8,297)
Total, debentures				**823,470**	**3,491,746**	**4,315,216**	**5,076,457**
Overall total				**826,806**	**3,495,740**	**4,322,546**	**5,097,240**

(1) On June 18, 2021, Cemig D made early settlement of the debt under the Debt Confirmation and Consolidation Agreement, in the principal amount of US$44,626, considering the guarantees constituted in the amount of US$42,843, by payment in cash, of roughly US$1,783. The total amount disbursed, comprising the basic cash amount, interest and fees, is R$10,075 on the date of payment.
(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
Indexers							
IPCA (1)	21,911	259,213	259,213	259,213	1,087,916	828,700	2,716,166
UFIR/RGR (2)	1,686	3,263	2,381	-	-	-	7,330
CDI (3)	273,106	540,000	540,000	270,000	-	-	1,623,106
Total, governed by indexers	**296,703**	**802,476**	**801,594**	**529,213**	**1,087,916**	**828,700**	**4,346,602**
(-) Transaction costs	(329)	(760)	(760)	(431)	(2,607)	(2,505)	(7,392)
(-) Discount	-	-	-	-	(8,332)	(8,332)	(16,664)
Overall total	**296,374**	**801,716**	**800,834**	**528,782**	**1,076,977**	**817,863**	**4,322,546**

(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 Jan to Jun 30, 2021 (%)	Accumulated change on Jan to Jun 30, 2020 (%)	Indexer	Accumulated change on Jan to Jun 30, 2021 (%)	Accumulated change on Jan to Jun 30, 2020 (%)
US dólar	(3.74)	35.86	IPCA	3.77	0.10
			CDI	1.26	1.76

Currency	Accumulated change on Apr to Jun 30, 2021 (%)	Accumulated change on Apr to Jun 30, 2020 (%)	Indexer	Accumulated change on Apr to Jun 30, 2021 (%)	Accumulated change on Apr to Jun 30, 2020 (%)
US dollar	(12.20)	5.33	IPCA	1.68	(0.43)
			CDI	0.77	0.74

Changes in loans, financing and debentures are as follows:

Balance at December 31, 2020	**5,097,240**
Monetary variation	121,169
Exchange rate variation	(629)
Financial charges provisioned	92,040
Amortization of transaction cost	904
Financial charges paid	(141,502)
Amortization of financing	(851,980)
Reclassification to “Other obligations” (1)	5,304
Balance at June 30, 2021	**4,322,546**

(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%). This amounts were Reclassificated to the Company’s customers (CMM and Serra da Fortaleza) in 2020.

Borrowing costs, capitalized

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 Jun, 2021	Jan to Jun, 2020
Costs of loans, financings and debentures	92,040	121,673
Financing costs on intangible assets and contract assets (1) (Notes 12 and 13)	(11,938)	(21,384)
Net effect in Profit or loss	**80,102**	**100,289**

(1) The average capitalization rate p.a. on June 30, 2021 was 8.01% (4.42% on June 30, 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 June 30, 2021, were as follows:

Promissory notes and Sureties	3,259,770
Receivables	1,055,446
Shares	6,877
Unsecured	453
TOTAL	**4,322,546**

Restrictive covenants

The Company has contract with financial covenants as follows:

Security	Covenant	Ratio required Cemig D- Issuer	Ratio required Cemig (guarantor)	Compliance required
7th debenture issue	Net debt / (Ebitda adjusted) (1)	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) Ebitda is defined as: (i) Profit before interest, income tax and Social Contribution tax on profit; depreciation; and amortization, 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.

On June 30, 2021, the Company were compliant with the covenants.

18. REGULATORY CHARGES

	Jun. 30, 2021	Dec. 31, 2020
Liabilities		
Energy Efficiency Program (EEP)	206,995	264,952
Research and development (R&D)	75,114	86,402
Energy System Expansion Research	2,882	2,639
National Scientific and Technological Development Fund	6,047	5,562
Energy Development Account (CDE)	46,557	-
CDE on R&D	16,330	-
CDE on EEP	65,683	-
Global Reversion Reserve (RGR)	24,545	24,545
Emergency capacity charge	26,325	26,325
Aneel inspection charge	1,809	1,683
Customer charges - Tariff flags	96,843	89,825
	569,130	**501,933**
Current liabilities		
Non-current liabilities	**416,937**	**267,696**
Liabilities	**152,193**	**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	61,625	91,174	1,798	15,823	170,420
Contributions paid	(81,931)	(57,239)	(1,052)	(3,619)	(143,841)
Net liabilities at June 30, 2021	**1,769,994**	**2,434,234**	**46,497**	**422,435**	**4,673,160**
				Jun. 30, 2021	**Dec. 31, 2020**
Current liabilities				**228,042**	**213,283**
Non-current liabilities				**4,445,118**	**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$145,680 (R$151,763 on June 30, 2020), plus the finance expenses and monetary updating on the debt with Forluz, in the amounts of R$24,740 (R$15,757 on June 30, 2020).

Debt with the pension fund (Forluz)

On June 30, 2021 , the Company has recognized an obligation for past actuarial deficits relating to the pension fund in the amount of R$311,355 on June 30, 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.

Equation of 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 June 30, 2021 the total amount payable by Cemig D as a result of the Plan A deficit is R$391,284 (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$261,419, and up to 2033 for the 2017 deficit, in the amount of R$129,865. 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 déficit, without considering parity of contribution, 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.

The Company acknowledged the legal obligation in relation to the deficit of Plan A corresponding to 50% of the minimum amount, and, thus, obeying the contribution parity rule, made payments of R$ 1,604 in consignment, corresponding to April, May and June 2021, to remain at the disposal of Forluz to be redeemed at an account with an official bank. Due to the refusal by Forluz to receive this amount, on May 26, 2021 the Company proposed an Action for Consignment of Payment, which is in its initial pleading phase.

Due to the Debt Assumption Instrument not being signed for coverage of the minimum amount proposed in the plan for solution of the Plan A actuarial deficit for 2019, and the refusal of the payments in consignment made by the Company, on April 27, 2021 Forluz filed legal action against sponsors Cemig, Cemig GT and Cemig D, applying for approval and confirmation of the request to ensure compliance with the contracting of the debt for coverage of the deficit of Plan A, in the amount of R$116,228, for the 2019 business year. The chances of loss have been assessed as 'possible', due to the action still being at the instruction phase, and there being no decisions on the merit.

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	Jun. 30, 2021
Labor	337,064	28,142	(9,038)	(28,142)	328,026
Civil					
Customer relations	21,540	12,677	-	(10,371)	23,846
Other civil actions	29,117	9,788	-	(4,526)	34,379
	50,657	22,465	-	(14,897)	58,225
Tax					
Environmental	815,454	51,864	(78,361)	(34)	788,923
Regulatory	29,627	2,093	(2,438)	(701)	28,581
Others	13,960	3,757	(2,060)	(3,365)	12,292
Total	**1,246,762**	**108,321**	**(91,897)**	**(47,139)**	**1,216,047**

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$1,273,432 (R$1,163,625 on December 31, 2020), of which R$328,026 (R$337,064 on 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$130,191 (R$117,229 on December 31, 2020), of which R$23,846 (R$21,540 on 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$327,781 (R$277,595 at December 31, 2020), of which R$34,379 (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$874,909 (R$990,654 on December 31, 2020), of which R$781,672 has been provisioned on June 30, 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$112,340 (R$109,540 on December 31, 2020), of which R$7,251 (R$7,007 on December 31, 2020) 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$264,859 (R$256,803 on December 31, 2020), of which R$28,581 (R$29,627 on December 31, 2020) has been recorded as provision - the amount estimated as probably necessary for settlement of these disputes.

Other legal actions in the normal course of business

‘*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$385,098 (R$356,236 on December 31, 2020). Of this total, R$743 (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$470,104 (R$428,111 on December, 31, 2020), of which R$11,549 (R$13,273 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$205,576 (R$204,739 on December 31, 2020). The updated amount of the contingency is R$212,548 (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$98,988 (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$86,735 (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$294,848 (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$58,565 on June 30, 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 Energy 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$39,318 (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$381,052 (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$181,239 (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 June 30, 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 Jun, 2021	Jan to Jun, 2020
Total number of shares	2,359,113,452	2,359,113,452
Net income for the period	739,793	479,390
Basic and diluted earnings per common share (R$)	**0.31**	**0.20**

	Apr to Jun, 2021	Apr to Jun, 2020
Total number of shares	2,359,113,452	2,359,113,452
Net income for the period	347,641	282,801
Basic and diluted earnings per common share (R$)	**0.15**	**0.12**

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 and on June 29, 2021 management decided to declare Interest on Equity in the amounts of R$86,667 and R$95,419, respectively on account of the minimum obligatory dividend for the 2021 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 Jun, 2021	Jan to Jun, 2020
Revenue from supply of energy - captive customers, in Cemig's concession area (a)	10,122,765	9,286,600
Reimbursement of PIS/Pasep and Cofins over ICMS credits to customers- realization (*)	430,911	-
Revenue from use of the energy distribution systems (TUSD) - free customers (b)	1,669,221	1,410,801
CVA, and Other financial components in tariff increases (c)	792,651	81,652
Distribution construction revenue (d)	719,519	581,744
Adjustment to expectation from reimbursement of distribution concession financial assets (e)	20,025	(955)
Fine for violation of continuity indicator	(44,904)	(29,117)
Mechanism for the sale of surplus (f)	-	104,814
Other operating revenues (g)	850,453	812,854
Taxes and charges reported as deductions from revenue (h)	(5,097,628)	(4,692,662)
	9,463,013	**7,555,731**

	Apr to Jun, 2021	Apr to Jun, 2020
Revenue from supply of energy - captive customers, in Cemig's concession area (a)	5,047,877	4,391,540
Reimbursement of PIS/Pasep and Cofins over ICMS credits to customers- realization (*)	252,538	-
Revenue from use of the energy distribution systems (TUSD) - free customers (b)	826,666	680,582
CVA, and Other financial components in tariff increases (c)	453,744	136,254
Distribution construction revenue (d)	398,218	333,337
Adjustment to expectation from reimbursement of distribution concession financial assets (e)	9,119	(1,679)
Fine for violation of continuity indicator	(14,335)	(11,918)
Mechanism for the sale of surplus (f)	-	41,514
Other operating revenues (g)	405,503	435,623
Taxes and charges reported as deductions from revenue (h)	(2,578,292)	(2,226,901)
	4,801,038	**3,778,352**

(*) 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 Jun, 2021	Jan to Jun, 2020	Jan to Jun, 2021	Jan to Jun, 2020
Residential	5,641,592	5,442,910	5,280,573	4,866,635
Industrial	855,836	879,316	624,928	615,285
Commercial, services and others	2,102,567	2,312,782	2,149,621	2,099,432
Rural	1,899,390	1,663,627	1,158,436	982,503
Public authorities	358,362	386,015	265,367	279,249
Public lighting	670,035	664,656	361,053	295,455
Public services	699,867	675,124	391,974	356,523
Subtotal	**12,227,649**	**12,024,430**	**10,231,952**	**9,495,082**
Own consumption	16,832	17,376	-	-
Wholesale supply to other concession holders	-	-	913	-
Unbilled revenue	-	-	(110,100)	(208,482)
Total	**12,244,481**	**12,041,806**	**10,122,765**	**9,286,600**

	MWh (*)		R$	
	Apr to Jun, 2021	Apr to Jun, 2020	Apr to Jun, 2021	Apr to Jun, 2020
Residential	2,766,585	2,657,910	2,620,987	2,307,579
Industrial	425,533	406,876	309,802	287,200
Commercial, services and others	996,054	989,135	1,042,491	903,816
Rural	1,061,983	892,061	625,485	510,628
Public authorities	171,645	169,009	128,263	121,381
Public lighting	314,679	325,162	149,098	142,679
Public services	352,752	339,650	197,094	177,860
Subtotal	**6,089,231**	**5,779,803**	**5,073,220**	**4,451,143**
Own consumption	8,272	7,970	-	-
Wholesale supply to other concession holders	-	-	-	-
Unbilled revenue	-	-	(25,343)	(59,603)
Total	**6,097,503**	**5,787,773**	**5,047,877**	**4,391,540**

(*) 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 Jun, 2021	Jan to Jun, 2020
Industrial	10,101,082	8,750,291
Commercial	722,967	608,096
Rural	20,347	14,274
Public services	1,551	-
Concessionaires	124,337	144,465
Total	**10,970,284**	**9,517,126**

	MWh (*)	
	Apr to Jun, 2021	Apr to Jun, 2020
Industrial	5,118,220	4,230,152
Commercial	356,817	254,096
Rural	10,560	7,045
Public services	900	-
Concessionaires	52,220	72,652
Total	**5,538,717**	**4,563,945**

(*) 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 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) Transactions in the Surpluses Sales Mechanism (MVE)

Revenue from transactions under the Surplus Sales Mechanism (MVE) refers to the sale of power surpluses by distributor. The MVE is an instrument regulated by Aneel enabling distributors to sell overcontracted supply - supply in excess of what turns out to be their need to meet demand from captive consumers.

g) Other operating revenues

	Jan to Jun, 2021	Jan to Jun, 2020
Charged service	7,932	5,221
Other services	9,380	6,910
Low income Subsidies	131,929	160,042
Other Subsidies (1)	540,481	560,739
Rental and leasing	97,553	80,036
Transactions in energy on the CCEE	48,806	-
Others	14,372	(94)
	850,453	**812,854**

	Apr to Jun, 2021	Apr to Jun, 2020
Charged servisse	3,950	1,466
Other services	4,101	3,555
Low income Subsidies	66,683	115,860
Other Subsidies (1)	274,160	274,346
Rental and leasing	50,796	40,596
Transactions in energy on the CCEE	(8,391)	-
Others	14,204	(200)
	405,503	**435,623**

(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$494,424 from January to June 30, 2021 and R$246,577 in the second quarter of 2021 (R$545,778 from January to June 30, 2020 and R$264,760 in the second quarter of 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$46,057 from January to June 30, 2021 and R$27,583 in the second quarter of 2021 (R$14,961 from January to June 30, 2020 and R$9,586 in the second quarter of 2020), recognized because of the creditor position assumed by the Company in CCRBT.

h) Deductions on revenue

	Jan to Jun, 2021	Jan to Jun, 2020
Taxes on revenue		
ICMS	2,776,888	2,620,234
PIS/Pasep	179,406	148,337
Cofins	826,357	683,252
ISSQN	458	330
	3,783,109	**3,452,153**
Charges to the customer		
Engergy Efficiency Program (PEE)	29,967	33,443
Energy Development Account (CDE)	1,202,846	1,104,278
Research and Development (R&D)	10,268	13,377
National Scientific and Technological Development Fund (FNDCT)	18,861	13,377
Energy System Expansion Research (EPE of MME)	9,431	6,689
Customer charges - the ‘Flag Tariff’ system	7,017	59,656
CDE on R&D	8,593	-
CDE on EEP	17,186	-
Energy Services Inspection Charge	10,350	9,689
	1,314,519	**1,240,509**
	5,097,628	**4,692,662**

	Apr to Jun, 2021	Apr to Jun, 2020
Taxes on revenue		
ICMS	1,375,134	1,230,199
PIS/Pasep	90,936	72,495
Cofins	418,857	333,916
ISSQN	198	158
	1,885,125	**1,636,768**
Charges to the customer		
Engergy Efficiency Program (PEE)	4,545	16,538
Energy Development Account (CDE)	589,367	552,139
Research and Development (R&D)	99	6,615
National Scientific and Technological Development Fund (FNDCT)	8,692	6,615
Energy System Expansion Research (EPE of MME)	4,347	3,308
Customer charges - the ‘Flag Tariff’ system	55,037	73
CDE on R&D	8,593	-
CDE on EEP	17,186	-
Energy Services Inspection Charge	5,301	4,845
	693,167	**590,133**
	2,578,292	**2,226,901**

23. OPERATING COSTS AND EXPENSES

	Jan to Jun, 2021	Jan to Jun, 2020
Personnel (a)	454,674	451,411
Employees' and managers' profit shares	36,043	19,211
Post-employment obligations	145,680	151,763
Materials	32,271	27,904
Outsourced services (b)	594,347	506,300
Energy purchased for resale (c)	4,523,541	3,822,279
Amortization (Note 13b)	311,729	304,837
Amortization of Right of Use - Leasing (Note 14)	18,400	24,296
Operating provisions (d)	41,813	250,678
Charges for use of the national grid and other charges of the grid	1,485,726	638,051
Construction infrastructure costs (e)	719,519	581,744
Other operating expenses, net (f)	93,513	80,978
	8,457,256	**6,859,452**

	Apr to Jun, 2021	Apr to Jun, 2020
Personnel (a)	242,165	235,732
Employees' and managers' profit shares	15,946	2,810
Post-employment obligations	73,783	80,561
Materials	16,750	12,727
Outsourced services (b)	294,492	254,119
Energy purchased for resale (c)	2,375,202	1,903,100
Amortization (Note 13b)	156,675	153,903
Amortization of Right of Use - Leasing (Note 14)	9,197	12,148
Operating provisions (d)	23,701	124,930
Charges for use of the national grid and other charges of the grid	720,452	265,470
Construction infrastructure costs (e)	398,218	333,337
Other operating expenses, net (f)	49,746	34,870
	4,376,327	**3,413,707**

a) Personnel

2021 Programmed Voluntary Retirement Plan ('PDVP')

In May 2021, the Company approved the Programmed Voluntary Severance Program for 2021 ('the 2021 PDVP'). Those eligible - all employees of Cemig, Cemig D or Cemig GT - were able to join from May 10 to 31, 2021, subject to certain exceptions specified by the program. The program provides the normal legal severance payments in the 'On request' mode, plus an additional indemnity premium on the employee's compensation, of a fixed percentage depending on the time of service with the company, for each year worked; for employees with more than 36 years' service with Cemig this fixed value is 10.5 times.

The amount of R$ 29,069 was appropriated as an expense relating to the PDVP, which was accepted by 271 employees.

2020 Programmed Voluntary Retirement Plan ('PDVP')

The balance on June 30, 2020 includes R$ 45,584 appropriated as an expense for the 2020 PDVP, including severance payments - corresponding to acceptances by 329 employees.

b) Outsourced services

	Jan to Jun, 2021	Jan to Jun, 2020
Meter reading and bill delivery	63,192	65,168
Maintenance and conservation of electrical facilities and equipment	213,091	211,740
Communication	75,783	41,685
Building conservation and cleaning	21,965	29,625
Cleaning of power line pathways	45,969	32,161
Disconnection and reconnection	36,094	15,278
Tree pruning	23,063	24,336
Costs of proceedings	8,785	8,419
Maintenance and conservation of furniture and utensils	4,118	2,304
Information technology	37,626	17,198
Contracted labor	2,747	3,380
Accommodation and meals	4,088	3,488
Security services	3,866	5,224
Maintenance and conservation of vehicles	919	1,093
Costs of printing and legal publications	6,567	8,561
Consultancy	8,190	3,402
Inspection of customer units	13,816	12,618
Logistics services	4,646	4,678
Others	19,822	15,942
	594,347	**506,300**

	Apr to Jun, 2021	Apr to Jun, 2020
Meter reading and bill delivery	32,018	33,118
Maintenance and conservation of electrical facilities and equipment	96,690	104,012
Communication	36,163	11,173
Building conservation and cleaning	11,064	20,103
Cleaning of power line pathways	22,803	17,940
Disconnection and reconnection	20,087	4,049
Tree pruning	12,258	15,308
Costs of proceedings	5,435	4,932
Maintenance and conservation of furniture and utensils	2,116	1,286
Information technology	17,274	8,183
Contracted labor	1,625	1,827
Accommodation and meals	2,014	1,224
Security services	2,683	2,588
Maintenance and conservation of vehicles	465	526
Costs of printing and legal publications	4,351	4,276
Consultancy	5,616	2,443
Inspection of customer units	8,214	8,829
Logistics services	2,619	3,698
Others	10,997	8,604
	294,492	**254,119**

c) Energy purchased for resale

	Jan to Jun, 2021	Jan to Jun, 2020
Supply from Itaipu Binacional	967,628	952,413
Physical guarantee quota contracts	422,310	400,204
Quotas for Angra I and II nuclear plants	122,289	151,484
Spot market	297,583	417,023
‘Bilateral’ contracts	195,094	163,392
Energy acquired in Regulated Market auctions	2,177,452	1,584,890
Proinfa Program	191,000	155,866
Distributed generation (‘Geração distribuída’)	528,781	327,796
PIS/Pasep and Cofins credits	(378,596)	(330,789)
	4,523,541	**3,822,279**

	Apr to Jun, 2021	Apr to Jun, 2020
Supply from Itaipu Binacional	480,103	524,601
Physical guarantee quota contracts	209,823	199,970
Quotas for Angra I and II nuclear plants	61,145	75,742
Spot market	297,583	195,334
‘Bilateral’ contracts	110,107	84,216
Energy acquired in Regulated Market auctions	1,046,928	757,419
Proinfa Program	95,500	77,933
Distributed generation (‘Geração distribuída’)	273,757	154,314
PIS/Pasep and Cofins credits	(199,744)	(166,429)
	2,375,202	**1,903,100**

d) Operating provision (reversals)

	Jan to Jun, 2021	Jan to Jun, 2020
Estimated losses on doubtful accounts receivables (Note 6) (1)	36,389	198,649
Estimated losses on other accounts receivable (reversals) (2)	(11,000)	-
Contingency provisions (reversals) (Note 20)		
Labor claims	19,104	16,057
Civil	22,465	20,681
Tax	(26,497)	13,224
Regulatory	(345)	(223)
Others	1,697	2,290
	16,424	**52,029**
	41,813	**250,678**

	Apr to Jun, 2021	Apr to Jun, 2020
Estimated losses on other accounts receivable (reversals) (Note 6) (1)	(7,789)	102,504
Contingency provisions (reversals) (Note 20)		
Labor claims	10,846	9,577
Civil	12,798	5,142
Tax	6,441	5,793
Regulatory	781	266
Others	624	1,648
	31,490	**22,426**
	23,701	**124,930**

(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.

e) Construction infrastructure costs

	Jan to Jun, 2021	Jan to Jun, 2020
Personnel	30,642	37,179
Materials	377,889	285,649
Outsourced services	283,596	220,878
Financial charges	11,938	21,384
Renting	1,305	5
Taxes and charges	2,247	650
Other	11,902	15,999
	719,519	**581,744**

	Apr to Jun, 2021	Apr to Jun, 2020
Personnel	17,398	21,459
Materials	210,543	161,267
Outsourced services	157,156	134,325
Financial charges	5,826	5,137
Renting	806	2
Taxes and charges	936	338
Other	5,553	10,809
	398,218	**333,337**

f) Other operating expenses (revenue), net

	Jan to Jun, 2021	Jan to Jun, 2020
Leasing and rentals (1)	863	2,720
Advertising	2,248	2,231
Own consumption of energy	11,387	10,750
Subsidies and donations	4,780	3,205
CCEE annual charge	1,649	1,603
Forluz - Administrative running cost	11,367	10,840
Collection agents	42,892	42,393
Taxes and charges	4,105	-
Other expenses	14,222	7,236
	93,513	**80,978**

	Apr to Jun, 2021	Apr to Jun, 2020
Leasing and rentals (expenses recovery) (1)	(161)	1,939
Advertising	2,133	1,259
Own consumption of energy	11,387	10,750
Subsidies and donations	3,773	1,645
CCEE annual charge	825	802
Forluz - Administrative running cost	5,855	5,514
Collection agents	21,974	20,395
Taxes and charges (expenses recovery)	1,153	(3,835)
Other expenses (revenues)	2,807	(3,599)
	49,746	**34,870**

(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 Jun, 2021	Jan to Jun, 2020
FINANCE INCOME		
Income from financial investments	32,869	18,212
Interest on sale of energy	234,659	171,983
Foreign exchange variations - loans and financings (Note 17)	629	5,586
Foreign exchange variations - Itaipu	7,291	-
Monetary variation	2,000	1,882
Monetary updating on escrow deposits	4,879	13,457
Monetary variation - CVA (Note 11)	6,927	25,688
PIS/Pasep and Cofins taxes charged on financial income	(14,719)	(13,826)
Monetary updating on PIS/Pasep and Cofins taxes credits over ICMS (1)	-	15,741
Others	18,316	12,958
	292,851	**251,681**
FINANCE EXPENSES		
Charges on loans, financings and debentures (Note 17)	(80,102)	(100,289)
Amortization of transaction cost (Note 17)	(904)	(1,014)
Forluz - Monetary variation charges	(24,740)	(15,757)
Foreign exchange variations - Itaipu	-	(66,466)
Monetary variations - loans, financings and debentures (Note 17)	(121,169)	(21,711)
Monetary updating on PIS/Pasep and Cofins taxes credits over ICMS to be restituted (1)	(13,336)	-
R&D and PEE - monetary adjustments	(2,636)	(5,222)
Leasing - Monetary variation (Note 14)	(9,552)	(10,617)
Monetary variation - Others	(10,432)	(1,317)
Others	(19,522)	(4,633)
	(282,393)	**(227,026)**
NET FINANCE INCOME (EXPENSES)	**10,458**	**24,655**

	Apr to Jun, 2021	Apr to Jun, 2020
FINANCE INCOME		
Income from financial investments	19,441	10,567
Interest on sale of energy	121,235	81,957
Foreign exchange variations - loans and financings	1,510	10,122
Foreign exchange variations - Itaipu	24,254	-
Monetary variation	1,332	841
Monetary updating on escrow deposits	3,326	4,305
Monetary variations - financings and debentures	-	28,681
Monetary variation - CVA	8,468	14,045
PIS/Pasep and Cofins taxes charged on financial income	(8,409)	(6,659)
Monetary updating on PIS/Pasep and Cofins taxes credits over ICMS (1)	-	7,105
Others	14,180	5,910
	185,337	**156,874**
FINANCE EXPENSES		
Charges on loans, financings and debentures	(38,953)	(50,682)
Amortization of transaction cost	(436)	(507)
Forluz - Monetary variation charges	(11,427)	(3,199)
Foreign exchange variations - Itaipu	-	(32,457)
Monetary variations - loans, financings and debentures	(50,587)	-
Monetary updating on PIS/Pasep and Cofins taxes credits over ICMS to be restituted (1)	(4,767)	-
R&D and PEE - monetary adjustments	(1,331)	(2,270)
Leasing - Monetary variation	(4,590)	(5,213)
Monetary variation - Others	(7,224)	(620)
Others	(16,109)	(2,855)
	(135,424)	**(97,803)**
NET FINANCE INCOME (EXPENSES)	**49,913**	**59,071**

(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

25. RELATED PARTY TRANSACTIONS

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

COMPANY	ASSETS		LIABILITIES		REVENUE		EXPENSES	
	Jun. 30, 2021	Dec. 31, 2020	Jun. 30, 2021	Dec. 31, 2020	Jan to Jun, 2021	Jan to Jun, 2020	Jan to Jun, 2021	Jan to Jun, 2020
Controlling shareholder								
Minas Gerais State Government								
Current								
Customers and Traders (1)	300,785	334,824	-	-	45,711	70,851	-	-
Cemig								
Current								
Cooperation Working Agreement (2)	-	-	14,959	10,072	-	-	(20,102)	(12,208)
Transactions in energy (3)	72	73	-	-	-	-	-	-
Interest on Equity and dividends	-	-	221,463	309,434	-	-	-	-
Other related parties								
Cemig Geração e Transmissão								
Current								
Cooperation Working Agreement (2)	-	-	558	1,707	-	-	(1,845)	(791)
Transactions with energy (3)	1,229	1,245	29,409	29,421	13,318	13,357	(160,564)	(139,475)
Aliança Geração								
Current								
Transactions with energy (3)	-	-	9,528	8,037	22,902	19,606	(50,351)	(42,851)
Madeira Energia								
Current								
Transactions with energy (3)	-	-	23,256	22,668	-	-	(102,255)	(98,440)
Norte Energia								
Current								
Transactions with energy (3)	-	-	25,824	25,154	-	-	(113,067)	(108,885)
Baguari Energia								
Current								
Transactions with energy (3)	-	-	946	922	-	-	(4,351)	(4,172)
TAESA								
Current								
Transactions with energy (3)	-	-	7,132	7,188	-	-	(49,958)	(39,085)
Axxiom								
Current								
Provision of services (4)	-	-	-	3,722	-	-	-	-
Retiro Baixo								
Current								
Transactions with energy (3)	-	-	599	144	2,912	2,519	(3,062)	(2,103)
FIC Pampulha								
Current								
Cash and cash equivalents	441,725	107,284	-	-	-	-	-	-
Securities	1,171,697	2,100,746	-	-	23,853	5,366	-	-
Non-current								
Securities	290,701	472,371	-	-	-	-	-	-

COMPANY	ASSETS		LIABILITIES		REVENUE		EXPENSES	
	Jun. 30, 2021	Dec. 31, 2020	Jun. 30, 2021	Dec. 31, 2020	Jan to Jun, 2021	Jan to Jun, 2020	Jan to Jun, 2021	Jan to Jun, 2020
Forluz								
Current								
Post-employment obligations (5)	-	-	122,673	114,956	-	-	(61,625)	(63,835)
Supplementary pension contributions - Defined contribution plan (6)	-	-	-	-	-	-	(25,857)	(25,105)
Administrative running costs (7)	-	-	-	-	-	-	(11,367)	(10,840)
Operational leasing (8)	117,212	127,659	15,670	16,644	-	-	(1,813)	(15,175)
Non-current								
Post-employment obligations (5)	-	-	1,647,321	1,675,343	-	-	-	-
Operational leasing (8)	-	-	112,128	119,512	-	-	-	-
Cemig Saúde								
Current								
Health Plan and Dental Plan (9)	-	-	115,106	104,556	-	-	(92,972)	(87,188)
Non-current								
Health Plan and Dental Plan (9)	-	-	2,365,625	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. 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. Until June 30, 2021, three installments had been offset;

(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 energy 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, under the applicable legislation. Operations in transport of energy, 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. On April 27, 2021, the Company signed with Forluz a contract amendment due to the transfer of the administratives head offices of the investees Cemig SIM and Gasmig to the Júlio Soares building, reducing the Company's rent expenses;

(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 33.40%, on June 30, 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 June 30, 2021 and 2020, are as follows:

	Jan to Jun, 2021	Jan to Jun, 2020
Remuneration	4,542	3,877
Profit sharing	492	990
Pension plans	534	240
Health and dental plans	41	34
Total (1)	**5,609**	**5,141**

(1) 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 3,208/2016.

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	Jun. 30, 2021		Dec. 31, 2020	
		Balance	Fair value	Balance	Fair value
Financial assets					
Amortized cost (1)					
Marketable securities - Cash investments	2	377,846	377,846	754,013	754,013
Customers and Traders; Concession holders - Transport of energy (Note 6)	2	3,092,587	3,092,587	3,066,450	3,066,450
Customers - Accounts receivable from Minas Gerais State (Note6)	2	300,785	300,785	334,824	334,824
Restricted cash	2	13,635	13,635	9,808	9,808
Concession financial assets - CVA (Parcel 'A' Costs Variation Compensation) Account, and Other financial components	3	824,624	824,624	132,681	132,681
Reimbursement of tariff subsidies	2	81,981	81,981	82,616	82,616
Low-income subsidy	2	42,730	42,730	43,072	43,072
Escrow deposits	2	578,075	578,075	527,628	527,628
		5,312,263	**5,312,263**	**4,951,092**	**4,951,092**
Fair value through profit or loss					
Cash equivalents - cash investments	2	537,733	537,733	581,287	581,287
Marketable securities					
Bank certificates of deposit	2	43,810	43,810	341,413	341,413
Treasury Financial Notes (LFTs)	1	466,901	466,901	457,503	457,503
Financial Notes - Banks	2	578,888	578,888	1,023,561	1,023,561
		1,089,599	1,089,599	1,822,477	1,822,477
Concession financial assets - Distribution infrastructure	3	582,654	582,654	530,058	530,058
		2,209,986	**2,209,986**	**2,933,822**	**2,933,822**
		7,522,249	**7,522,249**	**7,884,914**	**7,884,914**
Financial liabilities					
Amortized cost (1)					
Loans, financings and debentures	2	(4,322,546)	(4,322,546)	(5,097,240)	(5,097,240)
Debt with pension fund (Forluz)	2	(311,355)	(311,355)	(342,369)	(342,369)
Deficit of pension fund (Forluz)	2	(391,284)	(391,284)	(391,333)	(391,333)
Sector financial liabilities	3	(138,808)	(138,808)	(231,322)	(231,322)
Suppliers	2	(1,768,948)	(1,768,948)	(1,783,607)	(1,783,607)
Leasing transactions	2	(157,993)	(157,993)	(177,762)	(177,762)
		(7,090,934)	**(7,090,934)**	**(8,023,633)**	**(8,023,633)**

(1) On June 30, 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.

Other financial liabilities: Fair value of its loans, financing and debentures were determined using 127.45% of the CDI rate - based on its most recent funding. For the loans, financing, debentures and debt renegotiated with Forluz, with annual rates between IPCA + 4.10% to 6.00% and CDI + 0.36% to 2.12%, 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 due to the payment of energy purchased from Itaipu. 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	Jun. 30, 2021		Dec. 31, 2020	
	Foreign currency	R$	Foreign currency	R$
US dollar				
Loans and financing (Note 17)	-	-	(2,256)	(11,725)
Suppliers (Itaipu Binacional) (Note 15)	(63,547)	(317,873)	(62,593)	(325,277)
Net liabilities exposed		**(317,873)**		**(337,002)**

Sensitivity analysis

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 June 30, 2022 will be an appreciation of the dollar by 3.95%, to R$5.20. 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	Jun. 30, 2021	Jun. 30, 2022		
	Book value	'Probable' scenario US$=R$5.20	'Possible' scenario US$= R$6.50	'Remote' scenario US$=R$7.80
US dollar				
Suppliers (Itaipu Binacional) (Note 15)	(317,873)	(330,443)	(413,053)	(495,664)
Net liabilities exposed	**(317,873)**	**(330,443)**	**(413,053)**	**(495,664)**
Net effect of exchange rate fluctuation		**(12,570)**	**(95,180)**	**(177,791)**

Interest rate risk

The Company is exposed to the risk of decrease in Brazilian domestic interest rates on June 30, 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	Jun. 30, 2021	Dec. 31, 2020
Assets		
Cash equivalents - cash investments (Note 4)	537,733	581,287
Marketable securities (Note 5)	1,467,445	2,576,490
CVA and Other financial components in tariffs (Note 11)	824,624	132,681
	2,829,802	**3,290,458**
Liabilities		
Loans, financings and debentures - CDI rate (Note 17)	(1,623,106)	(1,891,927)
Sector financial liabilities (Note 11)	(138,808)	(231,322)
	(1,761,914)	**(2,123,249)**
Net assets exposed	**1,067,888**	**1,167,209**

Sensitivity analysis

In relation to the most significant interest rate risk, Company estimates that, in a probable scenario, at June 30, 2022 Selic rates will be 7.00%. 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	Jun. 30, 2021	Jun. 30, 2022		
	Book value	'Probable' scenario Selic 7.00%	'Possible' scenario Selic 5.25%	'Remote' scenario Selic 3.50%
Assets				
Cash equivalents - cash investments (Note 4)	537,733	575,374	565,964	556,554
Marketable securities (Note 5)	1,467,445	1,570,166	1,544,486	1,518,806
CVA and Other financial components in tariffs - Selic rate (Note 11)	824,624	882,348	867,917	853,486
	2,829,802	**3,027,888**	**2,978,367**	**2,928,846**
Liabilities				
Loans, financings and debentures - CDI rate (Note 17)	(1,623,106)	(1,736,723)	(1,708,319)	(1,679,915)
Sector financial liabilities (Note 11)	(138,808)	(148,525)	(146,095)	(143,666)
	(1,761,914)	**(1,885,248)**	**(1,854,414)**	**(1,823,581)**
Net assets exposed	**1,067,888**	**1,142,640**	**1,123,953**	**1,105,265**
Net effect of variation in interest rates		**74,752**	**56,065**	**37,377**

Increase in inflation risk

The Company is exposed to the risk of increase in inflation index on June 30, 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	Jun. 30, 2021	Dec. 31, 2020
Assets		
Concession financial assets related to infrastructure - IPCA index (Note11) (*)	582,654	530,058
Receivable from Minas Gerais state government (Debt recognition agreement) - IGPM index (Note25)	300,785	334,824
	883,439	**864,882**
Liabilities		
Loans, financings and debentures - IPCA index (Note 17)	(2,716,166)	(3,211,127)
Debt agreed with pension fund (Forluz) - IPCA index (Note 19*)*	(311,355)	(342,369)
Forluz deficit solution plan - IPCA index (Note 19)	(391,284)	(391,333)
	(3,418,805)	**(3,944,829)**
Net liabilities exposed	**(2,535,366)**	**(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 June 30, 2022 the IPCA inflation index will be 4.27% and the IGPM inflation index will be 4.01%. 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	Jun. 30, 2021	Jun. 30, 2022		
	Book value	'Probable' scenario IPCA 4.27% IGPM 4.01%	'Possible' scenario (25%) IPCA 5.34% IGPM 5.01%	Remote' scenario (50%) IPCA 6.41% IGPM 6.02%
Assets				
Concession financial assets related to infrastructure - IPCA index (Note11) (*)	582,654	607,533	613,768	620,002
Receivable from Minas Gerais state government (Debt recognition agreement) - IGPM index (Note25)	300,785	312,846	315,854	318,892
	883,439	**920,379**	**929,622**	**938,894**
Liabilities				
Loans, financings and debentures - IPCA index (Note 17)	(2,716,166)	(2,832,146)	(2,861,209)	(2,890,272)
Debt agreed with pension fund (Forluz) - IPCA index (Note 19*)*	(311,355)	(324,650)	(327,981)	(331,313)
Equation of the deficit on Pension Plan (Forluz) - IPCA Index (Note 19)	(391,284)	(407,992)	(412,179)	(416,365)
	(3,418,805)	**(3,564,788)**	**(3,601,369)**	**(3,637,950)**
Net liabilities exposed	**(2,535,366)**	**(2,644,409)**	**(2,671,747)**	**(2,699,056)**
Net effect of variation in IPCA and IGPM indexes		**(109,043)**	**(136,381)**	**(163,690)**

(*) 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	50,668	100,894	834,477	3,957,736	-	4,943,775
Debt with pension plan (Forluz)	9,484	19,029	87,436	244,702	-	360,651
Equation of the deficit on Pension Plan (Forluz) - IPCA Index (Note 19)	4,191	8,440	38,722	223,907	361,385	636,645
	64,343	**128,363**	**960,635**	**4,426,345**	**361,385**	**5,941,071**
- Fixed rate						
Suppliers	1,067,015	405,986	295,947	-	-	1,768,948
	1,131,358	**534,349**	**1,256,582**	**4,426,345**	**361,385**	**7,710,019**

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 June 30, 2021, considered to be adequate in relation to the credits in arrears receivable by the Company and its subidiaries was R$709,345.

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 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.

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 June 30, 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:

	Jun. 30, 2021	Dec. 31, 2020
Total liabilities	17,851,441	19,119,392
Cash and cash equivalents	(580,741)	(659,045)
Marketable securities	(1,176,744)	(2,104,119)
Net liabilities	**16,093,956**	**16,356,228**
Total equity	**6,579,338**	**6,021,631**
Net liabilities / equity	2.45	2.72

27. NON-CASH TRANSACTIONS

On June 30, 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$11,938 on the period enden on June 30, 2021 (R$21,384 on June 30, 2020);

- Lease addition in the amount of R$5,288 on June 30, 2021.

28. PARLIAMENTARY COMMITTEE OF INQUIRY ('CPI')

On June 17, 2021 the Legislative Assembly of Minas Gerais State has established a Parliamentary Committee of Inquiry ('CPI') to investigate management acts of Cemig since 2019. At an ordinary meeting on June 24, 2021, the Legislative Assembly of Minas Gerais State appointed the members of a Committee of Inquiry to investigate acts of management in the Company. The Committee has powers, for 120 days from appointment of its Chair and Deputy Chair, to conduct investigations on the reports that form the basis of the application for it to be constituted.

The 'CPI' requested, through application, several documents and information related, mainly, to acquisition and disposal of equity interest, human resources management and procurement processes that were considered to be exempt from mandatory bidding. The Company has complied with the requests, including the deadlines.

The Company reaffirms its commitment to provide all the information necessary for full understanding and clarification of its management decisions.

FINANCIAL RESULTS

(Figures in R$ '000 unless otherwise indicated)

Net income for the period

The Company reports a net income of R$739,793 for the first half of 2021, which compares with its net income of R$479,390 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)

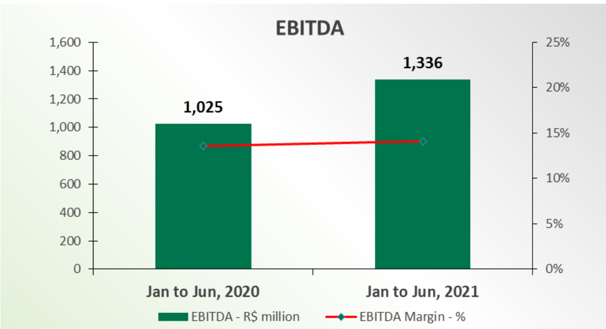
Cemig D's Ebitda in 1H21 was 30.28% higher than its Ebitda in 1H20; Ebitda margin was 14.12% in 1H21, compared to 13.57% in 1H20.

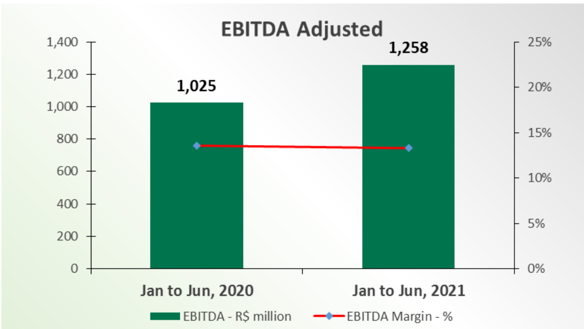
Ebitda adjusted for exclusion of non-recurring items was 22.64% higher in 1H21 than in 1H20, due to the reversal, in 2021, of the tax provision for Social Security contributions on profit sharing; and Adjusted Ebitda margin was 13.29% in 1H21, compared to 13.57% in 1H20.

Ebitda - R$'000	Jan to Jun, 2021	Jan to Jun, 2020	Change %
Net income for the period	739,793	479,390	54.32
+ Income tax and Social Contribution tax	276,422	241,544	14.44
+ Net financial revenue (expenses)	(10,458)	(24,655)	(57.58)
+ Depreciation and amortization	330,129	329,133	0.30
= Ebitda according to "CVM Instruction 527" (1)	**1,335,886**	**1,025,412**	**30.28**
+ Reversal of tax provisions	(78,361)	-	-
= Ebitda Adjusted (2)	**1,257,525**	**1,025,412**	**22.64**

(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 nº 01/2007 and CVM Instruction nº 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 nº 527/2012 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 1H21 than 1H20 is mainly due to: Net revenue 25.24% higher in the period, due to the improvement in residential and rural consumption, and the restitution of credits of PIS, Pasep and Cofins taxes to consumers, offset by the higher cost of energy purchased for resale and charges for use of the National Grid.

The higher adjusted Ebitda in 1H21 than 1H20 mainly reflects net revenue 25.24% higher due to stronger residential and rural consumption, and the restitution of credits of PIS, Pasep and

Cofins taxes to consumers, offset by increased costs of energy bought for resale and charges for use of the National Grid.

Operational revenue

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

	Jan to Jun, 2021	Jan to Jun, 2020
Revenue from supply of energy - captive customers, in Cemig's concession area	10,122,765	9,286,600
Reimbursement of PIS/Pasep and Cofins over ICMS credits to customers- realization	430,911	-
Revenue from use of the energy distribution systems (TUSD) - free customers	1,669,221	1,410,801
CVA and Other financial components	792,651	81,652
Distribution construction revenue	719,519	581,744
Adjustment to expectation from reimbursement of distribution concession financial assets	20,025	(955)
Fine for violation of service continuity indicator	(44,904)	(29,117)
Other operating revenues	850,453	917,668
Deductions on revenue)	(5,097,628)	(4,692,662)
	9,463,013	**7,555,731**

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

Revenue from energy sold to final customers from January to June, 2021 was R$10,122,765 - or 9.00% higher than in the same period in 2020 (R$9,286,600). The main factors in this revenue, in 2021, were:

- increase of 3.65% in the volume of energy sold to residential users mainly due to the number of consumers in this category being 2.7% higher, and also reflecting an increase of 0.97% in average monthly consumption by this user category due to the effects of the Covid-19 pandemic;

- increase of 14.17% in volume of energy sold to rural costumers, mainly due to the 44% increase in the consumption for irrigation and farming, responsible for 38% of the comsumption of this class, reflecting the lower rainfall in the current period;

- reduction of 9.09% 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 free market. This user category also still suffers the effects of reduced activity due to the pandemic;

- reduction of 7.16% in volume of energy sold to the 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 2.67% in volume of energy sold to 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 Jun, 2021	Jan to Jun, 2020	Change %
Residential	5,641,592	5,442,910	3.65
Industrial	855,836	879,316	(2.67)
Commercial, Services and Others	2,102,567	2,312,782	(9.09)
Rural	1,899,390	1,663,627	14.17
Public authorities	358,362	386,015	(7.16)
Public lighting	670,035	664,656	0.81
Public services	699,867	675,124	3.66
Total	**12,227,649**	**12,024,430**	**1.69**

- 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 June, 2021, this was R$1,669,221, compared to R$1,410,801 in the same period in 2020 - increase of 18.32%.

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 in 1H21 was 15.27% higher YoY, due to: (i) higher consumption for irrigation by rural consumers, (ii) migration of commercial consumers to the Free Market; and (iii) growth in the industrial market in 2021, due to the recovery of the economy, as follows:

	MWh*		
	Jan to Jun, 2021	Jan to Jun, 2020	Change %
Industrial	10,101,082	8,750,291	15.44
Commercial	722,967	608,096	18.89
Rural	20,347	14,274	42.55
Public services	1,551	-	-
Concessionaires	124,337	144,465	(13.93)
Total	**10,970,284**	**9,517,126**	**15.27**

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 June, 2021 this represented a gain (posted in revenue) of R$792,651, whereas in the same period in 2020 it produced a revenue of R$81,652. The difference mainly reflects a higher posting of new CVA and Other financial components in tariff adjustments in 1H21, due to the increase in the costs of energy acquired at auction in the regulated market, 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 11b.

Construction revenue

Infrastructure construction revenue from January to June, 2021 was R$719,519, compared to R$581,744 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$5,097,628 from January to June 2021, or 8.63% more than the same period in 2020 (R$4,692,662). The main factors, in 1H21, were:

The Energy Development Account - CDE

The amounts of payments to the Energy Development Account (CDE) are decided by an Aneel Resolution. The purpose of the CDE is to cover costs of concession indemnities (reimbursements of costs of assets), tariff subsidies, the subsidy for balanced tariff reduction, the low-income consumer subsidy, the coal consumption subsidy, and the Fuels Consumption Account (CCC).

CDE charges in 1H21 totaled R$ 1,202,846, 8.93% more than in 1H20 (R$ 1,104,278). This mainly reflects the start of charging of the 'CDE Covid Account' in May 2021, ratified by Dispatch nº 939 of April 5, 2021, under Normative Resolution nº 885 of June 23, 2020.

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

Other taxes and charges on revenue

The other significant deductions from revenue are 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$8,457,256 from January to June 2021, or 23.29% more than the same period in 2020 (R$6,859,452).

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

Employee profit sharing

The expense on employees' and managers' profit sharing was R$36,043 in 1H21, compared to R$19,211 in 1H20, an increase of 87.62%. The higher figure arises from the higher profit of Cemig D's parent company - Cemig - the basis of calculation for profit shares (the collective agreements of Cemig D, Cemig Geração e Transmissão and Cemig are unified).

Outsourced services

The expense on outsourced services in 1H21 was R$ 594,347, 17.39% higher than in 1H20 (R$ 506,300). The main factors are:

- expenses on information technology 118.78% higher in 1H21, at R$ 37,626, compared to R$ 17,198 in 1H20. This increase reflects new contracts and investments made in safety in 2021;
- expenses on communication 81.80% higher in 1H21, at R$ 75,783, compared to R$ 41,685 in 1H20. This increases reflects the contracting of a new Customer Relationship service in 2021;
- expenses on conservation and cleaning of power line pathways 42.93% higher in 1H21, at R$ 45,969, compared to R$ 32,161 in 1H20;
- expenses on disconnection and reconnection 136.25% higher in 1H21, at R$ 36,094, compared to R$ 15,278 in 1H20. This reflects resumption of the services, after disconnection of supply to defaulting consumers was once again allowed for certain classes of consumers.

Energy purchased for resale

The expense on energy purchased for resale from January to June 2021 was R$4,523,541, or 18.35% more than in 2020 (R$3,822,279). The difference is mainly:

- expenses on energy acquired at auction in the regulated market by Cemig D were 37.39% higher, at R$2,177,452 from January to June, 2021, compared to R$1,584,890 in the same period in 2020. This increase many arises from higher variable costs in energy trading contracts in the Regulated Market, due to higher dispatching of thermal plants;
- reduction of 28.64% on the expenses on purchase of supply in the spot market: R$297,583 in 1H21, compared to R$417,023 in the same period in 2020. The difference is mainly due to the lower impact of the effects of availability contracts, due to dispatching of the thermoelectric plants;
- expenses on distributed generation 61.31% higher: R$ 528,781 in 1H21, compared to R$ 327,796 in 1H20. This reflects the higher number of generation units installed

(86,377 in June 2021, compared to 49,339 in June 2020); and the higher volume of energy injected into the grid (864,599 MWh in 1H20, compared to 426,761 MWh in 1H20).

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 see Note 23c.

Charges for use of the transmission network and other system charges

Charges for use of the transmission network in 1H21 totaled R$ 1,485,726, compared to R$ 638,051 in 1H20, an increase of 132.85%. This expense refers to the charges paid by energy distribution and generation agents for use of the facilities and components of the national grid. The amounts to be paid by the Company are set by an Aneel resolution.

The difference is mainly due to lower transmission charges in 2Q20, resulting in lower cash outflow from distributors during the Covid-19 pandemic. The charges were increased by approximately 40% as from July 2020. Also, there was higher dispatching of thermal plants outside the 'merit order', for energy security of the system, in 1H21, and consequently their high cost increased the System Service Charge (CCEE-ESS), which is also part of this account line, from R$5,630 in 1H20 to R$424,968 in 1H21.

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.

Operating provisions

Operating provisions from January to June, 2021 totaled R$41,813, or 83.32% less than the same period in 2020 (R$250,678). This main impacts result from the following factors:

- difference in the provisions for tax contingencies, with a net reversal of R$26,497 in 1H21, compared to a positive amount (constitution of new provisions) of R$13,224 in 1H20. 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);

- The allowance for doubtful debtors was 81.68% lower, at R$ 36,389 at June 30, 2021, compared to R$ 198,649 at the end of 1H20, mainly reflecting the positive effect, as from March 2021, of improvement of the rules for provisioning in progress, which aim to assimilate good practices adopted by the market in the energy sector, added to efficacy of the default mitigation plan, with more intense use of collection tools, widening of the channels of negotiation, and diversification of means of payment.

Net financial revenue (expenses)

Cemig D reports net financial revenue in 1H21 of R$10,458, compared to net financial revenue of R$24,655 in 1H20, representing a reduction of 57.58%. The most significant variations in components of Net financial revenue (expenses) between the two years were:

- Revenue from late charges on customer energy bills 36.44% higher, at R$ 234,659 in 1H21, compared to R$ 171,983 in 1H20. This mainly reflected the adverse effects of the pandemic on familie's income;

- different net effects of foreign exchange variations on Itaipu generated a net gain of R$ 7,291 in 1H21,compared to a net expense of R$ 66,466 in 1H20. This change reflects the lower exchange rate for conversion of the payments made in 2Q21.

- difference in the result of monetary updating of the tax credits arising from the successful legal action challenging the charging of PIS, Pasep and Cofins taxes on amounts of ICMS tax: this effect is presented net of the effect of updating of the amounts to be reimbursed to consumers. This factor generated a net financial expense of R$ 13,336 in 1H21, compared to a net financial revenue of R$ 15,741 in 1H20. The difference arises from the start of the process of offsetting of the tax credits, which resulted in a liability for restitution of amounts to consumers higher than the total of the remaining credits offsetable;

- monetary correction on loans, financings and debentures was 458.10% higher in 1H21, at R$121,169, than in 1H20 (R$21,711). 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 3.77% in 1H21, compared to 0.10% in 1H20.

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

Income tax and social contribution tax

From January to June 2021, the expense on income tax and the social contribution tax totaled R$276,422, on pre-tax profit of R$1,016,215. From January to June 2020, the expense on income tax and the social contribution tax was R$241,544, on pre-tax loss of R$720,934.

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

Results for the quarter

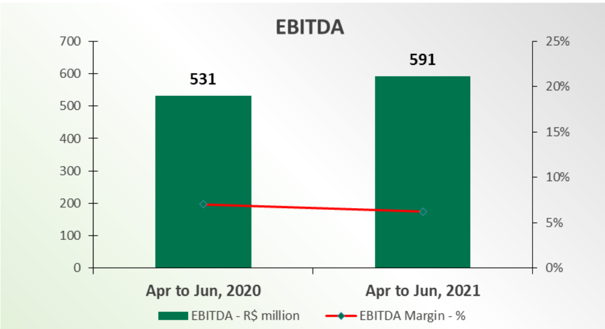
The Company reports a net income of R$347,641 for the second quarter of 2021, which compares with its net income of R$282,801 in the same period in 2020. The following items describe the main variations between the two periods in revenues, costs, expenses and financial items.

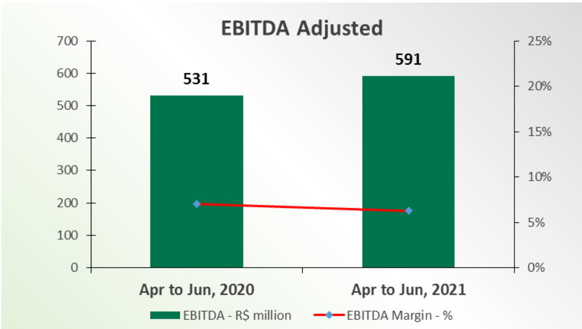
Ebitda (Earnings before interest, tax, depreciation and amortization)

Cemig D's Ebitda in 2Q21 was 11.28% higher than its Ebitda in 2Q20; Ebitda margin was 12.31% in 2Q21, compared to 14.06% in 2Q20.

Ebitda - R$'000	Apr to Jun, 2021	Apr to Jun, 2020	Change %
Net income for the period	347,641	282,801	22.93
+ Income tax and Social Contribution tax	126,983	140,915	(9.89)
+ Net financial revenue (expenses)	(49,913)	(59,071)	(15.50)
+ Depreciation and amortization	165,872	166,051	(0.11)
= Ebitda according to "CVM Instruction 527" (1)	**590,583**	**530,696**	**11.28**

(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 nº 01/2007 and CVM Instruction nº 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.





The higher Ebitda in 2Q21 than in 2Q20 mainly reflects net revenue 27.07% higher due to improvement in residential and rural consumption, and reimbursement of the credits of PIS, Pasep and Cofins taxes to consumers, offset by higher costs of energy purchased for resale and charges for use of the National Grid.

Operational revenue

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

	Apr to Jun, 2021	Apr to Jun, 2020
Revenue from supply of energy - captive customers, in Cemig's concession area	5,047,877	4,391,540
Reimbursement of PIS/Pasep and Cofins over ICMS credits to customers- realization	252,538	-
Revenue from use of the energy distribution systems (TUSD) - free customers	826,666	680,582
CVA and Other financial components	453,744	136,254
Distribution construction revenue	398,218	333,337
Adjustment to expectation from reimbursement of distribution concession financial assets	9,119	(1,679)
Fine for violation of service continuity indicator	(14,335)	(11,918)
Other operating revenues	405,503	477,137
Deductions on revenue	(2,578,292)	(2,226,901)
	4,801,038	**3,778,352**

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

Revenue from energy sold to final customers from April to June, 2021 was R$5,047,877 - or 14.95% higher than in the same period in 2020 (R$4,391,540). The main factors in this revenue, in 2021, were:

- increase of 19.05% in volume of energy sold to rural costumers, mainly due to the increase in the consumption for irrigation and farming, which is responsible for the most of the comsumption of this class, reflecting the lower rainfall in the current period when compared to the same period in 2020;

- volume of energy sold to industrial consumers 4.59% higher, due to the effects of the Covid-19 pandemic, mainly in the 2nd quarter of 2020, when industrial activity was reduced;

- increase of 4.09% in the volume sold to residential users, mainly due to the addition of new customers units to the distribution network;

- volume of energy sold to consumers in the public illumination category 3.22% lower, mainly due to installation of LED lamps in numerous municipalities.

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

Customer type	MWh		
	Apr to Jun, 2021	Apr to Jun, 2020	Change %
Residential	2,766,585	2,657,910	4.09
Industrial	425,533	406,876	4.59
Commercial, Services and Others	996,054	989,135	0.70
Rural	1,061,983	892,061	19.05
Public authorities	171,645	169,009	1.56
Public lighting	314,679	325,162	(3.22)
Public services	352,752	339,650	3.86
Total	**6,089,231**	**5,779,803**	**5.35**

- 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 April to June, 2021, this was R$826,666, compared to R$680,582 in the same period in 2020 - increase of 21.46%.

The difference is mainly due to the volume of energy transported in the second quarter being 21.36% higher YoY, due to: (i) increased consumption for irrigation by rural consumers, (ii) migration of commercial consumers to the Free Market; and (iii) growth in the industrial market in 2021, due to the recovery of the economy, as shown below:

	MWh		
	Apr to Jun, 2021	Apr to Jun, 2020	Change %
Industrial	5,118,220	4,230,152	20.99
Commercial	356,817	254,096	40.43
Rural	10,560	7,045	49.89
Public services	900	-	-
Concessionaires	52,220	72,652	(28.12)
Total	**5,538,717**	**4,563,945**	**21.36**

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 April to June, 2021 this represented a gain (posted in revenue) of R$453,744, whereas in the same period in 2020 it produced a revenue of R$136,254. The difference mainly reflects a higher posting of new CVA and Other financial components in tariff adjustments in 2Q21, due to the increase in the costs of energy acquired at auction in the regulated market, 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 11b.

Construction revenue

Infrastructure construction revenue from April to June, 2021 was R$398,218, compared to R$333,337 in the same period in 2020, an increase of 19.46%. The changes mainly reflects to the higher volume of investments in 2021.

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$2,578,292 from April to June 2021, or 15.78% more than the same period in 2020 (R$2,226,901). The main factors, in 2Q21, were:

The Energy Development Account - CDE

The amounts of payments to the Energy Development Account (CDE) are decided by an Aneel Resolution. The purpose of the CDE is to cover costs of concession indemnities (reimbursements of costs of assets), tariff subsidies, the subsidy for balanced tariff reduction, the low-income consumer subsidy, the coal consumption subsidy, and the Fuels Consumption Account (CCC).

CDE charges in 2Q21 totaled R$ 589,367, 6.74% more than in 2Q20 (R$ 552,139). This mainly reflects the start of charging of the 'CDE Covid Account' in May 2021, ratified by Dispatch nº 939 of April 5, 2021, under Normative Resolution nº 885 of June 23, 2020.

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

Other taxes and charges on revenue

The other significant deductions from revenue are 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$4,376,327 from April to June 2021, or 28.20% more than the same period in 2020 (R$3,413,707).

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

Employee profit sharing

The expense on employees' and managers' profit sharing was R$15,946 in 2Q21, compared to R$2,810 in 2Q20. The higher figure arises from the higher profit of Cemig D's parent company - Cemig - the basis of calculation for profit shares (the collective agreements of Cemig D, Cemig Geração e Transmissão and Cemig are unified).

Outsourced services

The expense on outsourced services in 2Q21 was R$ 294,492, 15.89% higher than in 2Q20 (R$ 254,119). The main factors are:

- expenses on information technology 111.10% higher in 2Q21, at R$ 17,274, compared to R$ 8,183 in 2Q20. This increase reflects new contracts and investments made in safety in 2021;

- expenses on communication 223.66% higher in 2Q21, at R$ 36,163, compared to R$ 11,173 in 2Q20. This increases reflects the contracting of a new Customer Relationship service in 2021;

- expenses on disconnection and reconnection 396.10% higher in 2Q21, at R$ 20,087, compared to R$ 4,049 in 2Q20. This reflects resumption of the services, after disconnection of supply to defaulting consumers was once again allowed for certain classes of consumers.

Energy purchased for resale

The expense on energy purchased for resale from April to June 2021 was R$2,375,202, or 24.81% more than in 2020 (R$1,903,100). The difference is mainly:

- expenses on energy acquired at auction in the regulated market by Cemig D were 38.22% higher, at R$1,046,928 from April to June, 2021, compared to R$757,419 in the same period in 2020. This increase many arises from higher variable costs in energy trading contracts in the Regulated Market, due to higher dispatching of thermal plants;

- expense on purchase of supply at the spot price was 52.35% higher in 2Q20, at R$ 297,583, compared to R$ 195,334 in 1Q20. The result expressed for spot-price supply is the net balance between revenues and expenses of transactions on the Power Trading Exchange (CCEE). The difference mainly reflects an average spot price (PLD) 204.00% higher in the Southeast and Center-West regions: it was R$ 229.44/MWh in 1H21, compared to R$ 75.47/MWh in 1H20;

- expenses on distributed generation 77.40% higher: R$ 273,757 in 2Q21, compared to R$ 154,314 in 2Q20. This reflects the higher number of generation units installed and the higher volume of energy injected into the grid (445,944 MWh in 2Q20, compared to 232,076 MWh in 2Q20).

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 see Note 23c.

Charges for use of the transmission network and other system charges

Charges for use of the transmission network in 2Q21 totaled R$ 720,452, compared to R$ 265,470 in 2Q20, a year-on-year increase of 171.39%. This expense refers to the charges paid by energy distribution and generation agents for use of the facilities and components of the national grid. The amounts to be paid by the Company are set by an Aneel resolution.

The difference is mainly due to lower transmission charges in 2Q20, resulting in lower cash outflow from distributors during the Covid-19 pandemic. The charges were increased by approximately 40% as from July 2020. Also, there was higher dispatching of thermal plants outside the ‘merit order’, for energy security of the system, in 2021, and consequently their high cost increased the System Service Charge (CCEE-ESS), which is also part of this account line, from R$5,630 in 2Q20 to R$142,771 in 2Q21.

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.

Operating provisions

Operating provisions from April to June, 2021 totaled R$23,701, or 81.03% less than the same period in 2020 (R$124,930). This main impacts result from the following factors:

- the allowance for doubtful debtors was R$7,789 in 2Q21 compared to R$ 102,504 at the end of 2Q20, mainly reflecting the positive effect of improvement of the rules for provisioning in progress, which aim to assimilate good practices adopted by the market in the energy sector, added to efficacy of the default mitigation plan, with more intense use of collection tools, widening of the channels of negotiation, and diversification of means of payment;

- variation of provisions for third-party civil legal actions: net new provisions in 2Q21 of R$12,798, compared to net new provisions of R$5,142 in 2Q20. This is mainly due to, among other factors, to recent decisions unfavorable to the Company, related to customer relations and civil liability.

Net financial revenue (expenses)

Cemig D reports net financial revenue in 2Q21 of R$49,913, compared to net financial revenue of R$59,071 in 2Q20, representing a reduction of 15.50%. The most significant variations in components of Net financial revenue (expenses) between the two years were:

- revenue from late charges on customer energy bills 47.93% higher, at R$ 121,235 in 2Q21, compared to R$ 81,957 in 2Q20. This mainly reflected the adverse effects of the pandemic on families' income;

- different net effects of foreign exchange variations on Itaipu: they generated a net gain of R$ 24,254 in 2Q21,compared to a net expense of R$ 32,457 in 2Q20. This change reflects the lower exchange rate for conversion of the payments made in 2Q21

- difference in the result of monetary updating of the tax credits arising from the successful legal action challenging the charging of PIS, Pasep and Cofins taxes on amounts of ICMS tax: this effect is presented net of the effect of updating of the amounts to be reimbursed to consumers. This factor generated a net financial expense of R$ 4,767 in 2Q21, compared to a net financial revenue of R$ 7,105 in 2Q20. The difference arises from the start of the process of offsetting of the tax credits, which resulted in a liability for restitution of amounts to consumers higher than the total of the remaining credits offsetable;

- monetary correction on loans, financings and debentures presented a net balance as financial expenses of R$50,857 in 2Q21, compared to a net financial revenue of R$28,681 in the same period in 2020. This is mainly due to positive variation of 1.68% in the IPCA inflation index - the main indexor used for updating the Company's debts - in 2Q21 compared to a negative variation of 0.43% in the same period in 2020.

- higher expenses on monetary updating of the Forluz liability: R$ 11,427 in 2Q21, vs. R$ 3,199 in 2Q20. This mainly reflects the higher 12-month IPCA inflation index at June 30, 2021: 8.35%, compared to 2.13% at June 30, 2020.

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

Income tax and social contribution tax

From April to June 2021, the expense on income tax and the social contribution tax totaled R$126,983, on pre-tax profit of R$474,624. From April to June 2020, the expense on income tax and the social contribution tax was R$140,915, on pre-tax loss of R$423,716.

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

Thadeu Carneiro da Silva
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 June 30, 2021, comprising the statement of financial position as at June 30, 2021, and the related statements of profit or loss, of comprehensive income for the three and six-month periods then ended, and of changes in equity and cash flows for the six-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).

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Other matters

Statement of value added

The above mentioned quarterly information include the statement of value added (SVA) for the six-month period ended June 30, 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), August 16, 2021.

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

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