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REPORT OF MANAGEMENT FOR 2022

Dear Shareholders,

Cemig Distribuição ('Cemig D' or 'the Company') submits for your consideration the Report of Management, the Financial Statements, the Opinion of the Audit Board and the Report of the Company's external auditors on the business year ended December 31, 2022, together with the statements of the executive officers who have reviewed the financial statements and the related report of the external auditors.

MESSAGE FROM MANAGEMENT

We made significant progress in 2022 - a year that will be remembered for our success in implementing our strategy.

At the time of the revision of the strategic planning of Cemig, the controlling stockholder of Cemig D, we made our main objectives transparently clear: "To Focus and Win" - prioritizing investments in Minas Gerais and continuously seeking improvements in operational efficiency, financial results and quality of service provided to clients.

To start with the financial results: we report net profit of R$443 million for 2022, with Ebitda of R$2.2 billion. We highlight the fact that we report these positive results even with the provision, in 2022, for the Pasep and Cofins tax credits on ICMS, which had an impact of approximately R$1.3 billion on the profit reported by Cemig D. That is to say, even with this significant provision, these results show the resilience of our operations and Cemig D's capacity to generate cash and profits.

Another highlight is our low financial leverage - expressed as Net debt / Adjusted Ebitda - of 1.27x at the end of the year, enabling the Company to implement its investment program and maintain its credit quality, with consequent access to the capital market.

Our operational expenses were once again completely covered by tariffs, and Ebitda was higher than the required regulatory level. In 2023 we will continue to invest in new measures for operational efficiency - among which one highlight has been our reductions of post-employment obligations, with significant positive effects on our net profit and balance sheet.

In our service to clients, an important part of our strategic vision, we continue to present consistent results, with quality indicators better than those used as benchmarks by the regulator. Our DEC indicator - the average total of outage duration per client in the year - was 9.48 hours, which compares with the regulatory threshold of 9.98 hours; and our FEC, the average frequency of outages per consumer in the year, was 4.58, while the regulatory maximum is 6.43.

We have an ambition to transform the relationship with Cemig D's more than 9 million clients, significantly improving their perception in relation to the services we provide. As an example, through Cliente+ ('Client+') project we aim to provide an omnichannel operation, unifying the customer service channels available (telephone, in-person and online), providing integrated cognitive service across various platforms that clients use, faster and more efficiently.

In our strategy of concentrating investment in Minas Gerais, we are investing R$3.1 billion in our distribution business - a very significant amount, and a change of level in Cemig D's level of investment. This means more supply of electricity, in turn boosting growth in the State of

Minas Gerais, and ever-improving quality to our clients. Another consideration is that these investments become part of the Regulatory Remuneration Base (Base de Remuneração Regulatória - BRR) to be ratified by Aneel in the Tariff Review scheduled for next year.

We believe that human capital plays a fundamental role in execution of our strategy. A significant proportion of our employees took part in Cemig's 2022 company atmosphere survey, which showed a strong increase of 11 percentage points in the index of employee satisfaction from the previous survey, with 75% of respondents reporting a favorable assessment. This in turn gives us significant satisfaction, since it demonstrates our employees' growing engagement and commitment to the Company's future and success.

Sustainability is in the DNA of our parent company, Cemig, and our own. Cemig is the only company in the power sector outside Europe that has been in the Dow Jones Sustainability Index every year for the last 23 years. At the beginning of 2023, Cemig received one more recognition that ratifies this status of sustainable company - the top position in Brazil in the annual Carbon Clean200™ global ranking of the 200 listed companies that have led initiatives for solutions for the transition to a clean energy future. Cemig was also honorably placed in 37th position in the worldwide ranking.

In conclusion, we can reaffirm that we have been successful in our strategy. We are investing strongly in Minas Gerais; we continue our quest for improvement in service to our clients; and we achieve solid financial results, with discipline in management of costs - and all this with increased engagement by our employees, and sustainable corporate practices.

These results bring us increasing optimism and enthusiasm to continue with execution of our strategy, in our objective of "Focusing to Win", and continuously seeking to make Cemig D more efficient, profitable and admired by its clients, and ready to face future challenges.

We thank our employees, stockholders and other stakeholders for the sum of their efforts to ensure that Cemig D continues to play a protagonist role in the Brazilian power industry.

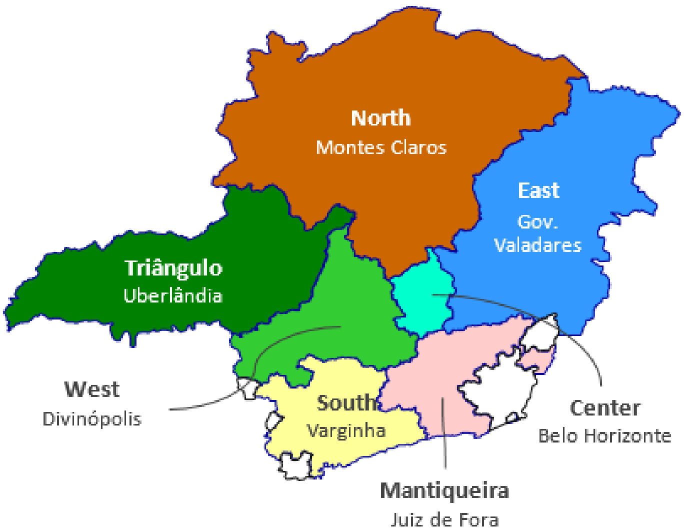
BRIEF HISTORY OF CEMIG DISTRIBUIÇÃO

Cemig D is one of Brazil's leading electricity operators and is the largest distribution company in Latin America.

Its concession area covers 574,844 km², comprising approximately 97% of the State of Minas Gerais with 574,844 km of distribution networks comprising 124,946 km in urban areas and 431,413 km in rural regions, and 18,485 km of distribution lines, with 9,035 million customers invoiced in 2022.

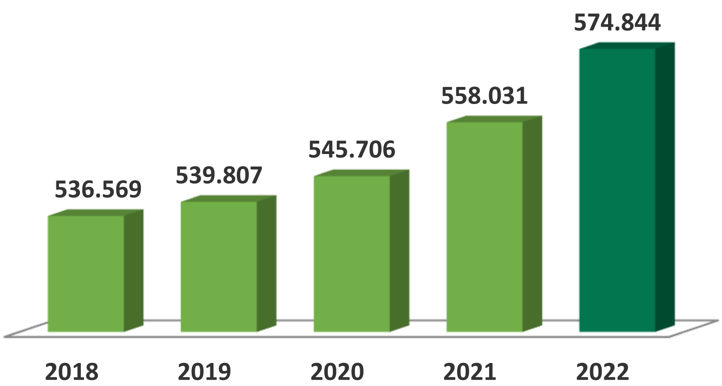
Cemig D also has the country's highest percentage of low-income customers benefiting from the Brazilian Social Tariff - serving an average of 1,187 thousand of qualifying customers with this profile, or 16% of its total of customers in the residential category.

Concession area



Changes in Cemig D's sub-transmission and distribution line in the last five years.

Distribution lines (Km)



Our mission, vision and values

Mission

To provide the public with integrated solutions for clean and accessible energy in a way that is innovative, sustainable and competitive.

Vision (of Cemig D's parent company - Cemig - and shared with Cemig D in the applicable businesses):

To be among the three best integrated energy groups in Brazil in terms of governance, financial health, performance of assets and satisfaction of clients.

Values

Respect for life; integrity; generation of value; sustainability and social responsibility; commitment and innovation.

Ethical Principles and Code of Professional Conduct

Code of Professional Conduct

On April 18, 2022 the Board of Directors of Cemig approved the new *Cemig Code of Conduct* (https://ri.cemig.com.br/en), which was reviewed and revised with participation by employees of all the areas of the Company. It is based on the pillars of Cemig's identity and policies: respect for life, integrity, generation of value, commitment, innovation, sustainability, social responsibility, and alignment with the Company's cultural identity. It constitutes a pact which aims to incorporate common values, objectives and behavior, developing a culture of integrity. The Code is to be complied with by all the people to whom it is addressed: managers, members of the Board of Directors, members of committees under the bylaws, employees, interns and outsourced parties who have any established relationship with the Company's stakeholders.

The Ethics Committee

The Ethics Committee is responsible, among other attributions, for coordinating action in relation to management (interpretation, publicizing, application and updating) of the Statement of Cemig Code of Conduct, including assessment of and decision on any possible non-compliances.

The Commission is made up of 8 members including Superintendents and Managers, appointed by the Executive Board. It may be contacted through our Ethics Channel - the anonymous reporting channel on the corporate Intranet, or by email, internal or external letter or by an exclusive phone line - these means of communication are widely publicized internally to all staff. These channels enable both reports of adverse activity and also consultations. Reports may result in opening of proceedings to assess any non-compliances with Cemig's Statement of Cemig Code of Conduct.

FINANCIAL RESULTS

(The operational information was not examined by the independent auditors)

Net income for the year

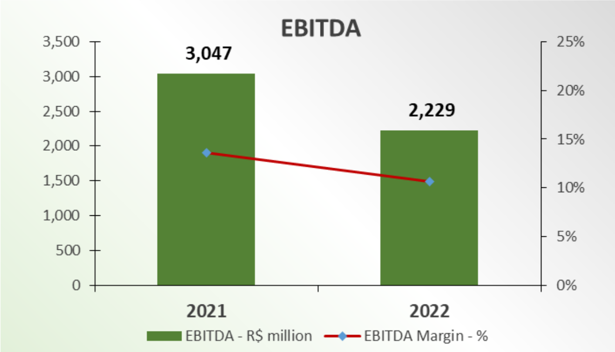
Cemig Distribuição reports net income of R$443 million for 2022, compared to net income of R$1,701 million in 2021. The following items describe the main variations between the two periods in revenues, costs, expenses and financial items:

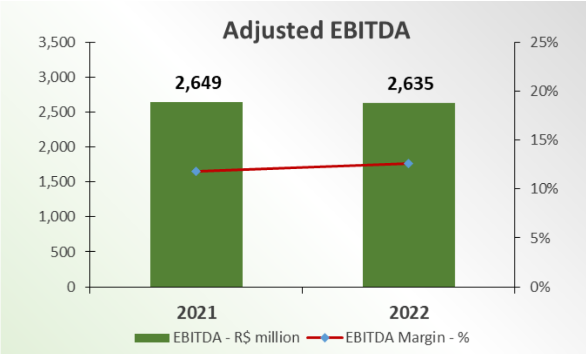
Ebitda (Earnings before interest, tax, depreciation and amortization)

Ebitda - R$'000	Note	2022	2021	Change, %
Net income for the year		443	1.701	(73,96)
+ Income tax and Social Contribution tax	9d	(67)	655	-
+ Net financial revenue (expenses)	25	1.115	8	-
+ Depreciation and amortization	24c	738	683	8,05
= Ebitda according to "CVM Instruction 156" (1)		**2.229**	**3.047**	**(26,85)**
+ Reimbursement of PIS/Pasep and Cofins over ICMS credits to customers	23	830	-	-
- Reversal of tax provisions - Social security contributions on profit sharing	21	(42)	(89)	(52,81)
- Write-down of balance of post-retirement life insurance obligation	20	-	(309)	-
- TARD related to infraStructure		(145)	-	-
+ Tax provisions - Indemnity of employess' future benefit (the 'Anuênio')	21	98	-	-
- Change in estimate of expected losses	7	(131)	-	-
- Gain in the MVE - Mechanism for the Sale of Surplus, net of taxes	23c	(204)	-	-
= Adjusted EBITDA (2)		**2.635**	**2.649**	**(0,53)**

(1) Ebitda is a non-accounting measure prepared by the Company, reconciled with the consolidated financial statements in accordance with CVM Circular SNC/SEP n. 1/2007 and CVM Resolution n. 156 of June 23, 2022. It comprises Net income adjusted by the effects of net financial revenue (expenses), Depreciation and amortization, and Income and Social Contribution taxes. Ebitda is not a measure recognized by Brazilian GAAP nor by IFRS; it does not have a standard meaning; and it may be non-comparable with measures with similar titles provided by other companies. The Company 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 Resolution n. 156/2022 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.





Cemig D's EBITDA reduced by 26.85% in 2022 compared to 2021, while the EBITDA margin increased from 13.64% in 2021 to 10.66% in 2022. Adjusted EBITDA by excluding non-recurring items reduced by 0.53% in 2022 compared to 2021, while its margin increased from 11.86% in 2021 to 12.60% in 2022.

Operational revenue

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

	2022	2021
Revenue from supply of energy - captive customers, in Cemig's concession area	20,209	21,713
Reimbursement of PIS/Pasep and Cofins over ICMS credits to customers- realization	2,360	1,317
Revenue from use of the energy distribution systems (TUSD) - free customers	3,715	3,473
Sectoral financial assets and liabilities, net	(1,146)	2,146
Distribution construction revenue	3,193	1,802
PIS/Pasep and Cofins credits to be refunded to consumers	(830)	-
Adjustment to expectation from reimbursement of distribution concession financial assets	39	54
Fine for violation of service continuity indicator	(94)	(71)
Mechanism for the sale of surplus	453	453
Other operating revenues	2,462	2,449
Taxes and charges levied on revenues	(9,442)	(10,992)
	20,919	**22,345**

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

Total revenue from energy sold to final customers in was R$20,209 million in 2022, compared to R$21,713 million in 2021, representing a reduction of 6.93%. The main factors in this revenue, in 2022, were:

	2022			2021			Change, %	
	MWh (3)	R$(mn)	Average price/MWh billed (R$/MWh) (1)	MWh (3)	R$(mn)	Average price/MWh billed (R$/MWh) (1)	MWh (3)	R$
Residential	11,216,803	10,133	903.38	11,185,772	11,123	994.39	0.28	(8.90)
Industrial	1,532,562	1,240	809.10	1,694,611	1,333	786.61	(9.56)	(6.98)
Commercial, Services and Others	4,541,506	5,024	1.106.24	4,143,117	4,613	1.113.41	9.63	8.91
Rural	3,061,899	2,041	666.58	3,944,412	2,557	648.26	(22.36)	(20.18)
Public authorities	855,672	660	771.32	729,312	583	799.38	17.28	13.21
Public lighting	1,138,039	535	470.11	1,225,733	718	585.77	(7.18)	(25.49)
Public services	1,400,256	841	600.60	1,418,306	879	619.75	(1.27)	(4.32)
Subtotal	23,746,737	**20,474**	862.18	24,341,263	**21,807**	895.89	**(2.44)**	**(6.11)**
Own consumption	30,942	-	-	33,074	-	-	(6.06)	-
Wholesale supply to other concession holders (2)	-	60		-	1		-	-
Wholesale supply not yet invoiced, net	-	(325)		-	(95)		-	-
Total	23,777,679	**20,209**	849.91	24,374,337	**21,713**	890.81	**(2.45)**	**(6.93)**

(1) The calculation of the average price does not include revenue from supply not yet billed.
(2) Includes Regulated Market Energy Sale Contracts (CCEARs) and 'bilateral contracts' with other agents.
(3) Data not audited by external auditors.

- The average price billed to Rural clients was 22.36% lower, due mainly to the number of consumers in this category being 31.3% lower, as a result of migration to other consumer categories in compliance with Aneel Normative Resolution (ReN) 901/2020, which ordered change of category for clients that did not re-register and provide proof of the status of their activity as qualifying for the tariff benefit applied to Rural consumers;
- Volume of energy billed to Industrial consumers 9.56% lower, due to migration of clients from the captive market to the Free Market, and also to lower activity in the industrial sector in the state than in the previous year;
- Volume of energy billed to the Public illumination category 7.18% lower due to replacement of existing lamps with LED lamps in some prefectures;
- Volume of energy billed to the Public authorities category 17.28% higher, due to (i) return of activity following the pandemic, and (ii) reclassification of consumers from the Rural and Public services categories to the Public authorities category, as required by Aneel Normative Resolution (ReN) 901/2020;

- Volume of energy billed to the Commercial and services category 9.63% higher, due to the increase in the number of consumers in this category mainly as a result of migration of clients from the Public services and Rural categories, in compliance with Aneel Normative Resolution (ReN) 901/2020.

In addition to the comments above, we should also highlight the significant reduction in the ICMS tax component of the amounts that Cemig D charges to clients, in the second half of 2022, as a result of ICMS tax for all categories of consumer being limited to a maximum of 18%, and this tax not being applicable to distribution services, nor to the sector charges linked to electricity operations.

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 2022 this was R$3,715 million, compared to R$3,473 million in the same period in 2021, an increase of 6.97%.

This mainly reflects the average tariff for Free Clients being 22.82% higher in 2022 than in 2021, partially offset by the reduction in the rate of ICMS tax resulting from Complementary Law 194/2022 coming into force. Also, the volume of energy transported in 2022 was 1.99% higher than in 2021.

	MWh (1)		
	2022	2021	Change, %
Industrial	20,666,410	20,446,578	1.08
Commercial	1,760,697	1,535,217	14.69
Rural	40,142	44,161	(9.10)
Public services	13,130	3,650	259.73
Public authorities	2,662	-	-
Concessionaires	300,924	310,178	(2.98)
Total energy transported	22,783,965	22,339,784	1.99

(1) Data not audited by external auditors.

CVA and Other financial components in tariff adjustments

Cemig D recognizes in its financial statements the positive or negative variations between actual non-controllable costs and the costs that are used in calculating rates charged to customers. These balances represent the amounts that should be reimbursed to the customers or passed on to Cemig D in the next tariff adjustments of Cemig D.

An expense of R$1,146 million was recognized in 2022, compared to R$2,146 million in 2021. This mainly reflects lower costs of purchase of electricity for resale, due to the more favorable hydrological situation in 2022. A highlight is the reduction in costs of energy acquired at auction, due to the reduction in dispatching of thermal plants, and also to lower costs of the System Services Charge due to the effect of lower dispatching of thermal plants outside the merit order. Another factor in the amount of CVA gains to be returned to consumers was lower payments for settlement of energy purchases on the CCEE than in 2021, mainly due to the lower spot price in 2022, which remained at the minimum level during almost the entire year.

See more information in note 12 of these financial statements.

Reimbursement, paid to consumers, of credits of PIS, Pasep and Cofins taxes - Amount realized

In 2022 the company posted a gain from realization of the restitution to consumers of credits of R$2,360 million, compared to R$1,317 million in 2021. The return of these amounts to revenue reflects the tariff charged by Cemig from June 2022 through May 2023 being discounted by these amounts of the PIS, Pasep and Cofins taxes, which are being returned to consumers. See more details in note 17.

Construction revenue

The construction revenues associated with assets related to the infrastructure of the distribution concession were R$3,193 million in 2022, compared to R$1,802 million in 2021, an increase of 77.19%. This increase basically reflects higher execution of the Company's investment plan than in 2021, in particular the following: increased connection requests from clients; execution of the Advanced Metering Infrastructure project, with installation of 230,000 smart meters; expansion of the high voltage system, with 45 new and expanded substations being energized; and construction of 896 km of distribution lines.

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 sector charges and taxes that are treated as deductions from revenue totaled R$9,442 million in 2022, or 14.09% less than in 2021 (R$10,992 million). This is mainly a reflection of (i) reduction of the ICMS tax rate for all categories of consumer, and (ii) removal of applicability of this tax to (a) distribution services and (b) the sector charges linked to electricity operations, as mentioned above.

Operating costs and expenses (excluding financial income/expenses)

Operating costs and expenses totaled R$19,426 million in 2022, or 2.78% lower than in 2021 (R$19,982 million).

The following paragraphs comment on the main variations. See more on the breakdown of Operating costs and expenses in Note 24 of these financial statements.

<u>Employee and management profit-sharing</u>

The expense on employees' and managers' profit shares in 2022 was R$40 million, 57.60% below that of 2021 (R$94 million). This basically reflects the change in the criteria for calculation of profit-sharing amounts between the two periods, in accordance with the Collective Agreements related to Cemig's Profit Sharing Program in 2022 and 2021.

<u>Post-employment obligations</u>

The impact of the post-employment obligations of the Company on operational profit in 2022 was an expense of R$420 million, compared to an expense of R$19 million in 2021. This variation is due to the changes made by the Company in the Collective Work Agreement for 2021-23, for offer and payment of life insurance for the employees and ex-employees. The Company ceased the payment of this post-employment benefit; and thus, it wrote off the balance of the obligation, with a counterpart in the Income Statement. More details in Note 20.

Energy bought for resale

The expense on electricity purchased for resale in 2022 was R$9,171 million, or 19.88% less than in 2021 (R$11,447 million). The main factors are:

- Expenses on electricity acquired at auctions in the Regulated Market 46.16% lower, at R$3,380 million in 2022, compared to R$6,278 million in 2021. This is mainly due to lower availability dispatching of the thermal plants, and lower acquisition of energy through the Surplus and Deficits Offsetting Mechanism (MSCD);
- Expenses on purchase of energy in the spot market 56.36% lower, at R$434 million in 2022, compared to R$995 million in 2021, mainly reflecting the much lower average spot price of R$58.72 in 2022, compared to R$274.11 in 2021;
- The expense on electricity from Itaipu Binacional was 15.51% lower: R$1,644 million in 2022, compared to R$1,946 million in 2021. The lower figure mainly reflects reduction, by issue of a resolution, in the price for demand from Itaipu, in US dollars - from R$28.07/kW to R$24.73/kW;
- Expenses on Distributed Generation 55.91% higher in 2022, at R$1,977 million, compared to R$1,268 million in 2021. This higher figure reflects the higher number of generation units installed (191,153 in December 2022, compared to 115,868 in December 2021); and the higher volume of energy injected into the grid (3,041 GWh in 2022, compared to 1,920 GWh in 2021);
- Expenses on supply acquired through physical guarantee quota contracts 11.14% higher, at R$973 million in 2022, compared to R$875 million in 2021 - due to the annual increase in the Annual Generation Revenues (RAG - Receita Anual de Geração) of the plants operating under the quota regime, which is set by a Resolution, always in July;
- Expenses on quotas of supply from the Angra I and Angra II nuclear plants were 46.04% higher in 2022, at R$357 million, compared to R$245 million in 2021. This reflects the annual financial adjustment, set by a Resolution, of Cemig's monthly quota from R$20.3 million in 2021 to R$29.7 million in 2022;
- Expenses on 'bilateral' contracts were 17.98% higher in 2022, at R$493 million, compared to R$418 million in 2021. This is mainly the result of the annual adjustments of bilateral contracts in the Regulated Market.

This is a non-manageable cost: the difference between the amounts used as a reference for calculation of tariffs and the costs actually incurred is compensated for in the subsequent tariff adjustment. For more details, please see Note 24a of these financial statements.

Charges for use of the transmission network and other system charges

Charges for use of the transmission network in 2022 totaled R$2,767 million, compared with 2021 (R$3,406 million), a reduction of 18.75%.

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

This variation mainly reflects costs of the System Services Charge (CCEE-ESS) 56.65% lower, as a result of lower dispatching of plants outside the merit order; partially offset by costs of Contracts for Use of the Distribution System (CUSDs) 39.47% higher than in 2021, since these costs were reduced in 2021 as a result of the credits that the Company held at that time.

This is a non-manageable cost: the difference between the amounts used as a reference for calculation of tariffs and the costs actually incurred is compensated for in the subsequent tariff adjustment. More details see note 12b of these financial statements.

Operational provisions

Operating provisions were R$399 million in 2022 compared to R$198 million in 2021, representing an increase of 101.22%. The main variations that explain this increase are:

- New provisions for employment-law contingencies of R$140 million in 2022, compared to a reduction (net reversal of provisions) of R$18 million in 2021. The variation mainly reflects provisioning of Social Security contributions for the legal action on indemnities related to the Anuênio (time-of-service compensation payment); and financial updating of the legal actions related to Social Security contributions on payment of profit shares, which are adjusted by the Selic rate (more details in Note 21 to the financial statements);
- Net new provisions for employment-law contingencies were R$68 million in 2022, compared to net new provisions of R$1 million in 2021. The increase is mainly the result of the judgment on the question of whether amounts negotiated prevail over amounts legislated, which affected a number of different actions at very different stages and on a range of subjects, leading to an increase in new provisions;
- Provisions for client default 16.93% lower in 2022, at R$108 million, compared to R$130 million in 2021, due to (i) lower default in the prior 12 months, and (ii) changes in the criteria for measuring default, to be more in line with the real default behavior of the Company's clients in practice.

Net financial revenue (expenses)

Cemig D posted net financial expenses of R$1,115 million in 2022, compared to net financial expenses of R$8 million in 2021. The most significant variations in components of Net financial revenue (expenses) between the two years were:

- A higher net financial expense on updating of the tax credits for PIS, Pasep and Cofins taxes (which resulted from exclusion of ICMS tax from the basis for their calculation): this figure was R$1,335 million in 2022, compared to R$25 million in 2021. This arises from increase in the liability to reimburse consumers in 2022, to comply with a legal obligation on the distributors to return in full the amounts that were wrongly charged to consumers;
- Revenue from late charges on electricity bills was 28.26% lower in 2022, at R$325 million, compared to R$453 million in 2021. This reflects: (i) the lower level of default in 2022, due to increase in use of collection tools; (ii) change in the charging of ICMS

tax; (iii) lower electricity bills than in 2021 - when the tariff flag system was in effect; and (iv) alteration of the inflation updating index from the IGPM inflation index (in effect up to May 2022) to the IPCA inflation index (in effect as from June 2022), in accordance with Aneel Normative Resolution 932/2021;

- increase of 189.06% in the net result of monetary variation related to the balances of CVA and other financial components account, being a financial revenue of R$185 million in 2022, compared to R$64 million in 2021. This variation is basically due to the increase in the Selic rate, the balance indexer, when compared to the previous year.

For a breakdown of financial revenues and expenses see Note 25 of these financial statements.

Income tax and social contribution tax

In 2022 Cemig D's expense on income tax and the Social Contribution tax totaled R$67 million, on pretax profit of R$377 million. In 2021 the Company's expense on income tax and the Social Contribution tax was R$655 million, on pretax profit of R$2,355 million.

These effective rates are reconciled with the nominal tax rates in Note 9d of these financial statements.

Liquidity and capital resources

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

<u>Cash and cash equivalents</u>

Cash and cash equivalents on December 31, 2022 totaled R$441 million, compared to R$199 million on December 31, 2021. No cash nor cash equivalents were held in any other currency than the Real.

<u>Cash flow from operations</u>

Net cash generated from operating activities in 2022 and 2021 totaled R$3,462 million and R$587 million, respectively. This variation results mainly from the higher expenditure of resources, in 2021, with the purchase of energy and charges for the use of the basic transmission network in relation to the amounts that had been included in the tariff adjustment.

<u>Cash flow from investment activities</u>

In 2022 investment activities consumed cash of R$3,113 million; in 2021 they generated positive cash flow of R$376 million. This reflects the increased volume of investments made in distribution infrastructure in 2022: R$3,244 million, compared to R$1,790 million in 2021. In 2021 there was net redemption of R$2,165 million in securities, compared to R$131 million in 2022.

Cash flow in financing activities

Financing activities produced a net cash outflow of R$107 million in 2022 - as total proceeds of loans in 2022, R$988 million net of transaction costs, were partially offset by payment of past loans and financings. This compares to net outflow of R$1,423 million in 2021.

PROPOSAL FOR ALLOCATION OF NET INCOME

The Board of Directors decided to propose to the Annual General Meeting to be held on April 30, 2023 the following allocation of the net income for 2022, totaling R$443 million, as follow:

- R$21 million, being 5% of net profit after adjustment for the Tax incentives reserve, should be allocated to the Legal reserve;
- R$16 million to be held in Shareholders' equity in the Tax incentives reserve, for tax incentive amounts gained in 2022 due to investment in the region of Sudene;
- R$261 million to be paid as dividends, in the form of Interest on Equity;
- R$145 million to be held in Stockholders' equity in the Retained earnings reserve, to ensure funding for the Company's investments planned for 2023.

Payment of the dividends will be made by December 30, 2023, in accordance with the availability of cash and at the decision of the Executive Board.

Since the Interest on Equity declared in 2022 was higher than the dividends specified in the bylaws, Management will propose that of the total of R$577 million declared, the amount of R$268 million (this amount being net of income tax) should be allocated to increase the Company's capital.

FUNDING AND DEBT MANAGEMENT POLICY

The Company generated a significant total of cash flow from operations in 2022, resulting from higher revenues, rigorous combat of default, and due to losses and operational expenses being kept within the regulatory limits. This financial balance made it possible to execute a significant volume of investments without negatively affecting the Company's leverage, which in turn contributed to sustainability of its operations and continuity of its program of investments.

In June 2022 Cemig D concluded its 8th Issue of non-convertible debentures, with surety guarantee and without asset guarantees, for a total of R$1 billion, in two Series: The First Series was for a total of R$500 million, with remuneratory interest of 1.35% p.a. above the CDI rate, and payment bullet at 5 years. The Second Series, also for R$500 million, pays remuneratory interest of 6.11% p.a. above IPCA inflation, with maturity at 7 years and amortizations in the 6th and 7th years.

Corroborating the improvements described above, we highlight that the international risk rating agencies Standard and Poor's and Fitch Ratings maintained their ratings for Cemig D; and Moody's increased its rating on the global scale from "Ba3" to "Ba2" - the same as its sovereign rating for Brazil - and from AA-.br to AA.br on the Brazilian scale. These ratings reflect success in the implementation of measures that resulted in improvement of the Company's credit quality, with highlights for: improvement of the liquidity profile, sale of assets, refinancing of debts, better operational efficiency, and increase in Ebitda, combined with a strategy of prudent management of liabilities.

This table shows Cemig's current ratings by the three main agencies:

Fitch	Investment grade										Speculative grade											
National / Global	AAA	AA+	AA	AA-	A+	A	A-	BBB+	BBB	BBB-	BB+	BB	BB-	B+	B	B-	CCC	CC	C	RD/D		
dez - 21																						
dez - 22																						

Moodys	Investment grade										Speculative grade											
Global	Aaa	Aa1	Aa2	Aa3	A1	A2	A3	Baa1	Baa2	Baa3	Ba1	Ba2	Ba3	B1	B2	B3	Caa1	Caa2	Caa3	Ca	C	
dez - 21																						
dez - 22																						
National	AAA	AA+	AA	AA-	A+	A	A-	BBB+	BBB	BBB-	BB+	BB	BB-	B+	B	B-	CCC+	CCC	CCC-	CC	C	D
dez - 21																						
dez - 22																						

S&P	Investment grade										Speculative grade											
National / Global	AAA	AA+	AA	AA-	A+	A	A-	BBB+	BBB	BBB-	BB+	BB	BB-	B+	B	B-	CCC+	CCC	CCC-	CC	C	D
dez - 21																						
dez - 21																						

The details of the Company's loans, financings and debentures, including costs and maturities, are given in Note 18 to these financial statements.

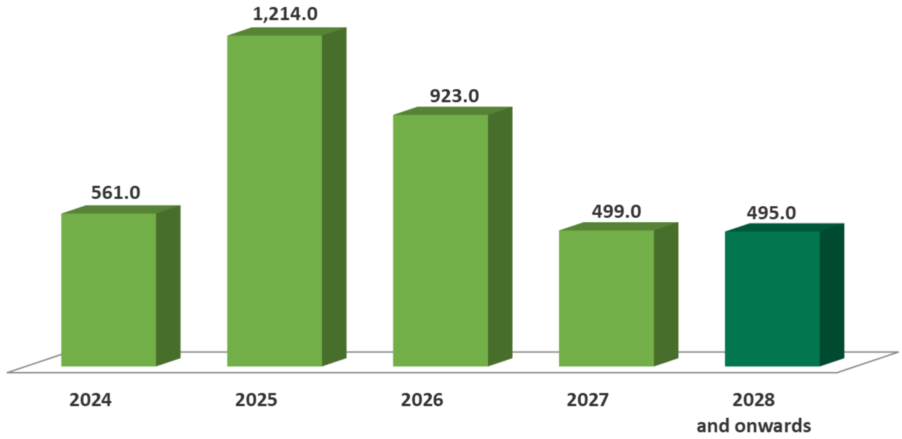
The Company has restrictive covenants applying to all of its debenture issues, which limit the capacity of Cemig D, and of Cemig as guarantor, to take on new debt.

Cemig D's debt on December 31, 2022 totaled R$4,576 million, with average tenor of 3.3 years.

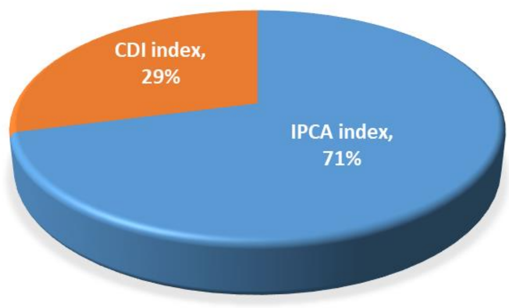
This chart shows the present amortization timetable:

Debt amortization timetable

Position at December 2022 - R$ million



Main indexors of debt at December 31, 2022



There is a natural hedge for the debt indexed to the IPCA inflation index, since the Company's revenue from the distribution activity is also adjusted by this index. The average cost of the Company's debt is 5.80% p.a. in real terms, and 11.96% p.a. in terms of nominal cost.

REGULATORY ENVIRONMENT

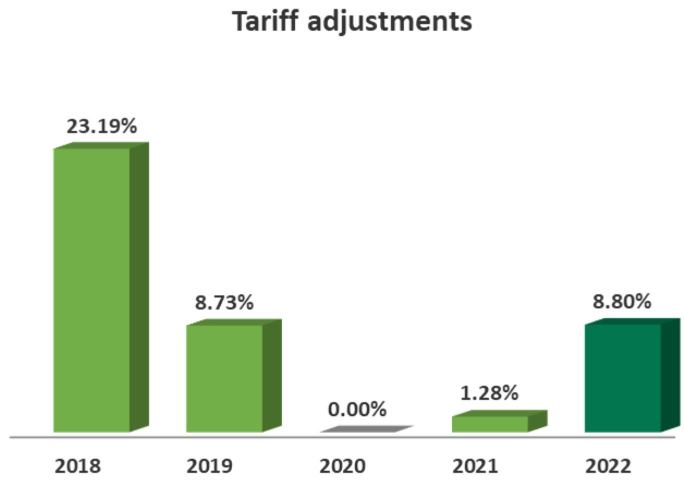
The Annual Tariff Adjustment - Cemig D

Cemig D's Tariff Adjustment occurs annually on May 28 and every five years, under the concession contract, there is also an overall Periodic Tariff Revision, also in May. The aim of the tariff adjustment is to pass on the non-manageable costs in full, and to provide inflation adjustment for the manageable costs which are established in the Tariff Review. Manageable costs are adjusted by the IPCA inflation index, less a deduction factor known as the X Factor, intended to capture productivity improvement, under a methodology using the price-cap regulatory model.

At its 18th Ordinary Public Meeting on May 24, 2022, the Council of Aneel decided to extended the period of validity of the Company's tariffs.

On June 21, 2022 Aneel ratified the result of the Annual Tariff Adjustment of Cemig Distribution (Cemig D), effective from June 22, 2022 to May 27, 2023, the result of which is an average increase for consumers of 8.80%. For residential consumers (B1) the average effect was an increase of 5.22%, which is well below the average of Brazilian residential tariff adjustments, which was 10.61%. The period in which the tariffs were without the new adjustment, from May 28 to June 21, 2022, had its financial effect calculated for subsequent compensation to Cemig D.

In the composition of the approved readjustment, the variation of costs of parcel B, manageable costs, represented 3.89%, and the variation of non-manageable costs, already considered the partial return of Pasep/Cofins credits, contributed with the remaining 4.91%.



It is important to note that of the amount charged to clients in their electricity bills, only 23.1% stays with the Company for remuneration of investment, depreciation and the concession holder's costs: this portion is referred to as Portion B. The other 76.9% is passed through to the consumer to cover the Company's non-manageable costs, a major component of which is purchase of power supply, and taxes.

INVESTMENTS

The investments in distribution, in the year 2022, were approximately R$3,056 million, representing an increase of more than 75% in relation to the investments of 2021 (R$1,740 million).

Cemig D is forecasted to strengthen its investment program, in line with the strategic planning of Cemig Group, with the expectation of relevant investments from 2021 to 2025, with positive reflections on the regulatory remuneration base and consequent increase in revenue.

Cemig D's higher investment will also have positive impacts on the improvement of the quality of electricity supply, customer service and reduction of operation and maintenance costs, given the increased reliability of the electric system.

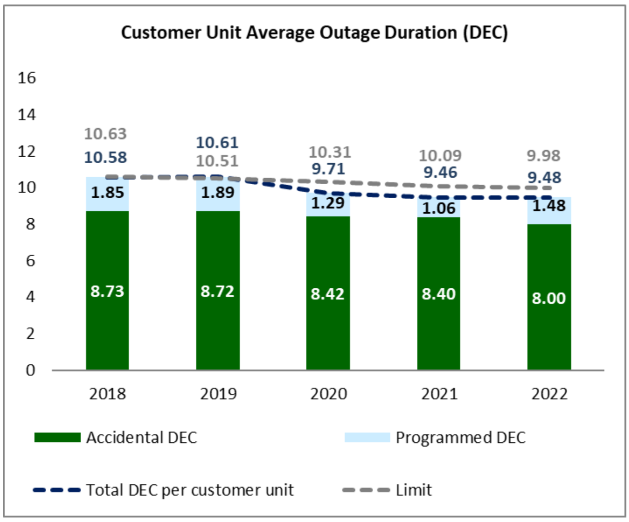
RELATIONSHIP WITH OUR CLIENTS

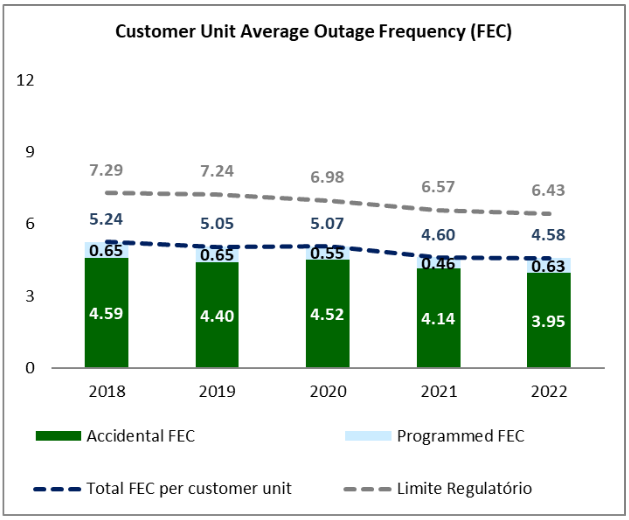
Quality of retail supply

The outage duration indicator, DEC (average total hours of blackout per consumer, in the year), was 9.48 hours in 2022, which compares to the regulatory limit of 9.98 hours. DEC has two components - programmed outages, and accidental outages. In 2022 the accidental outages component of the DEC was 8.00 hours, Cemig D's best result in recent years, and significantly lower than in 2021. The outage frequency indicator, FEC (average number of blackouts, per consumer, in the year) has been reduced significantly over the years. It was 4.58, in 2022, compared to the regulatory limit of 6.43.

These results underline Cemig's commitment to continuous improvement in service to clients, through increased investments and efficacious application of funds.

The charts below show the figures for DEC and FEC in the last 5 years:





Service policy

To provide quality customer service, and to facilitate customer access, Cemig D makes available a mix of customer service channels available in various means of communication, both in-person and by telephone or online, serving all the segments of the market.

The concession area of Cemig D is almost the entirety of the Brazilian State of Minas Gerais; the Company is present in all 774 of the state's municipalities. In-person customer service is given by the Cemig Fácil service network, operating through 139 Branches and 638 Service Posts. Due to continuation of the Covid-19 pandemic, Cemig continues to comply with the health safety protocols for the safety of its consumers and employees.

Telephone service is provided through the Fale com a Cemig ("Talk to Cemig") facility. This includes a specific number for the hearing-challenged. This channel also handles service to customers via video and the various chats of social media. The number of contacts reported in 2022 was 7.4 million.

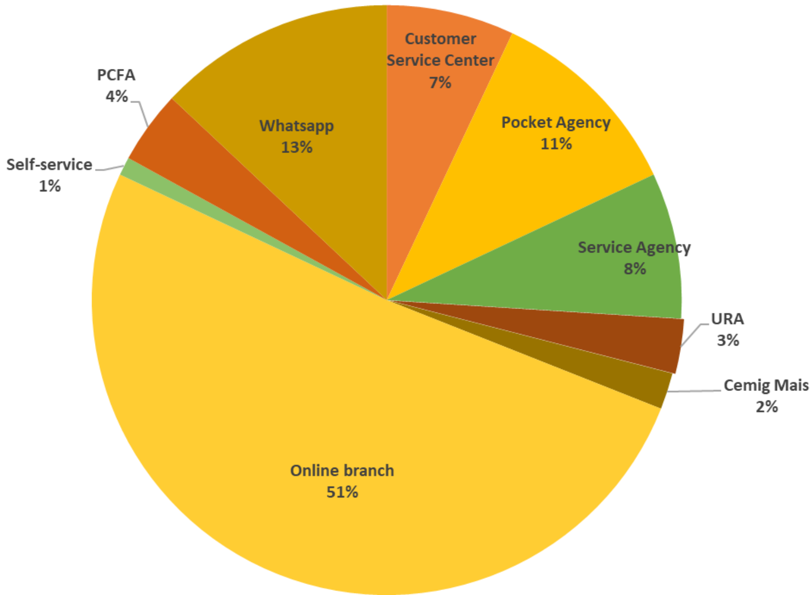
As well as its website, which received 53 million contacts in 2022, Cemig also has service channels via WhatsApp and Telegram for its main services - these received more than 13 million contacts in the year.

We also highlight the Cemig Atende (“Cemig Responds”) app, available for smart phones and tablets in Android and iOS, which attended 11 million contacts in 2022.

A further 0.9 million contacts were made via self-service ‘totems’ inside street branches, and at five external points.

In total, this means that Cemig dealt with more than 122.3 million client service contacts in 2022, through its various channels.

This chart shows the percentage participation of the various client communication channels in 2022:



Customer satisfaction

As a reference for Cemig’s work in improving service to its clients, we highlight the Quality Satisfaction Perception Index (ISQP) award, researched and published annually by the Brazilian Electricity Distributors’ Association (Associação Brasileira das Distribuidoras de Energia Elétrica - Abradee).

The survey published the end of August 2022 reported a satisfaction index of 67.7%. This was higher than the percentage reported by Abradee for the country as a whole, 67.0%, indicating that (i) in spite of Cemig’s efforts to improve its service to clients, the pandemic had a strong influence on the result, and (ii) the development of digital channels has made clients increasingly demanding.

In the quest for continued improvement in service to our clients, we have put in place monthly NPS (Net Promoter Score) surveys, to improve our understanding of clients’ needs, and thus operate more efficiently in response to their complaints.

The 2022 IASC survey was held from July 5 to October 5, 2022, through questionnaires made in municipalities chosen by lot from within the areas of concessions or operational authorizations of all of Brazil's electricity distributors.

The results will be published only in April 2023.

Transformation in client service

Cemig has a strategic partnership to transform the relationship with its more than 9 million clients in Minas Gerais State.

The "Cliente+" project has as its main aim to provide an Omnichannel operation, bringing together all the existing client service channels - telephone, in-person and digital - providing a single overall channel for contact including all the platforms used by clients.

For this to achieve the desired effectiveness, a management structure called the Torre de Controle ('Control Tower') been created, with a central dashboard for real-time support and monitoring which shows the results of a specially developed data and analytical intelligence architecture. Rapidly and with directed action, it is able to deal with inconsistencies, redefine processes and apply improvements in the operation.

Management of billing

Cemig's project to deliver electricity bills by email had reached 1 million customers by the end of 2022, 38.48% more than at the end of 2021 (725,000). Several new initiatives were taken in 2022 to increase the number of clients opting to receive their electricity bill via email - this important sustainability initiative also has a direct effect on client satisfaction, in that the clients themselves feel that they are contributing to preservation of the environment and reduction of the Company's costs.

Management of default and revenue collection

The domestic environment in terms of default by population for their basic household accounts was challenging in 2022.

On the other hand, the results achieved by our distribution segment were positive, as a result of a number of initiatives taken by the Company:

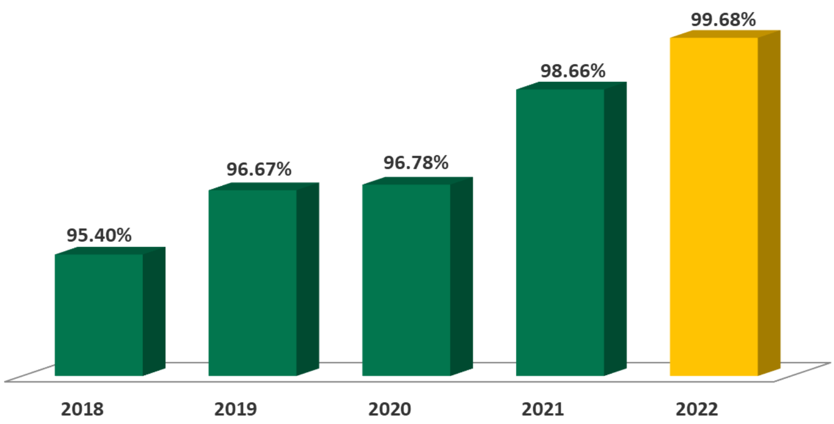
- Intensification of collection activities - an increase of 20% from 2021 in the number of individual actions - and improvement of their methods and effectiveness. More than 35 million collection demand communications were issued by text message and email (including notifications prior to the date of electricity bills becoming due); 2 million collection letters were delivered jointly with new bills issued by meter readers; 5.7 million accounts were reported to credit record agencies; supply was suspended to 1.9 million accounts; and 272,000 legal protest demands were issued in the public notaries system;
- There was strong third-party collection activity by contracted collection companies on past due debts for retail supply that had proved more difficult to collect - those more than one year past due, or those arising from irregular consumption;

- Implementation of a specific collection center for irregular consumption, with treatment of a selected portfolio;
- Systematic action by a specialized team dedicated to collection from large clients, hospitals and public authorities (e.g. Government of the State of MG - see details in explanatory note no. 7);
- Stimuli for use of electronic means of payment - more accessible. In the first half of 2022 Cemig D carried out a promotional campaign, Conta com Pix (“Rely on Pix”), for clients to use the Pix instant payment method. This increased the proportion of monthly bill payments made by this method by 12%;
- Payment by credit card through digital channels, and directly to field service teams, was made available;
- Campaigns were created for negotiation of debt, through digital channels, and also through the local (Procon) consumer protection agencies;
- Reduction of ICMS value added tax on electricity bills for the final quarters of the year, non-application of extra months under the ‘Tariff Flag’ system, and the effects of income transfer policies in the second half of year;
- Improvement of the method of calculation of the provision for double receivables.

The ARFA collection index (total collection / total invoiced)

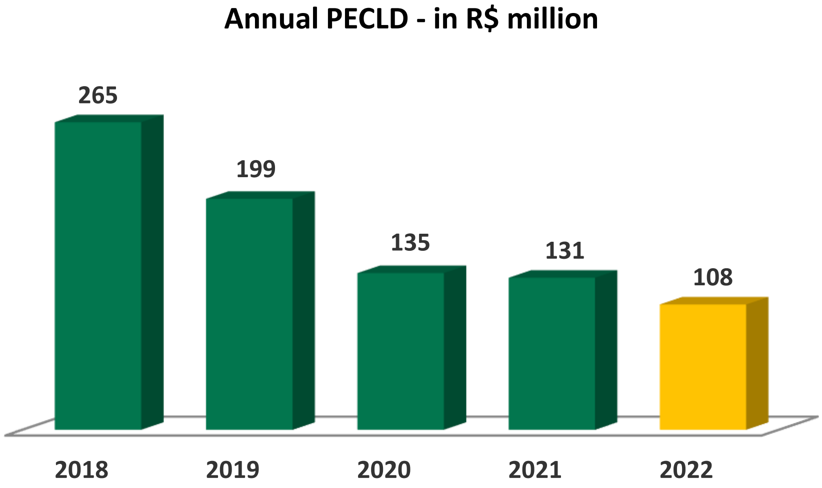
In the 12 months to the end of 2022, this index reached a historic peak of 99.68%, as can be seen in the following graph

Historic values of the collection index



Allowance for doubtful receivables

The result of the index in 2022 was R$108 million. Comparison with the previous year is limited by a non-recurring effect - adjustment of the criterion for classification of credits as being in default, to provide a better reflection of the company's actual experience of success in collection of receivables (which resulted in a reversal of provisions in the amount of R$138.8 million).



Management of power losses

The indicator Total Losses in Distribution (IPTD) in 2022 was 11.11% in relation to the total energy injected into the distribution system. This was a reduction of 0.12% compared to the result of 11.23% for 2021. The total IPTD for 2022 comprises 8.77% in technical losses, and 2.34% in non-technical losses. This result is within the target of 11.22% set by Aneel for Cemig for 2022. For the second year running the Company contained its levels of losses to within regulatory limits, thanks to implementation of its Energy Recovery Plan in 2022, detailed as follows.

The main actions in the Energy Recovery Plan in 2022 included: (i) 401,000 inspections at consumer units in the Company's concession area; (ii) replacement of 612,000 obsolete meters; (iii) removal of 4,300 clandestine connections to the electricity supply network; (iv) installation of 237,000 smart meters; and (v) intensification of work on charging and collection for irregular consumption (with 295 GWh billed).

It is important to highlight that through its Integrated Metering Center, Cemig remotely monitors large captive and free clients receiving high, medium and low voltage supply, thus monitoring approximately 63% of the associated consumption. This monitoring makes it possible to identify and prevent attempts to carry out or repeat fraud in the metering systems.

For 2023, aiming to maintain the trend to reduction of losses to levels below regulatory limits, various actions to combat and control losses are planned, including: (i) inspections at consumer units; (ii) campaigns of communication to the population; (iii) criminal proceedings against re-offending perpetrators of fraud; (iv) modernization of the metering system; (v) increase in the number of smart meters; and (vi) regularization of clandestine connections in low-income communities (the "Legal Energy Program" - Programa Energia Legal).

RELATIONSHIP WITH EXTERNAL AUDITORS

The Company's policies in contracting of services of external auditors aim to avoid conflict of interest and loss of objectivity and are based on the principles that preserve the independence of the auditor. To avoid subjectivity in the definition of principles of independence in the services provided by the external auditors, procedures have been established for approval of the contracting of these services, expressly defining: (i) services that have been previously authorized; (ii) services that are subject to prior approval by the Audit Board/Audit Committee; and (iii) services that are prohibited.

Complying with the requirement of the CVM, a turnover system of external auditors is adopted, with a frequency of five years. Since the second quarter of 2022 the auditors responsible for the Company's external auditing has been KPMG Auditores Independentes Ltda. The services provided by the Company's external auditors have been as follows:

Service	2022	2021
Auditing of financial statements and ancillary obligations	1,230	2,269

It should be noted that any additional services to be provided by the external auditors, are subject to obligatory prior approval by the Executive Board and Board of Directors, taking account of any conflict of interest, loss of independence or objectivity of the auditors, in accordance with the terms specified in the Sarbanes-Oxley Law and CVM Resolution n. 162/2022.

SUSTAINABILITY - ESG PERFORMANCE

Cemig's commitment to ethical and sustainable development is at the heart of its activity. The company has been in the Dow Jones Sustainability World Index (the 'DJSI World') since that index was created, and in the ISE Corporate Sustainability Index (Índice de Sustentabilidade Empresarial) of the São Paulo stock exchange for 18 years. Cemig has also been recognized for its leadership in corporate sustainability by its award of the maximum score in the 'A List' of the Carbon Disclosure Project (CDP) for management of hydrological risk.

ESG Indicators

Cemig publishes its environmental, social and governance indicators quarterly in its Quarterly ESG Report, and annually in its Annual and Sustainability Report. For more details on Cemig's performance in 2022, the report can be accessed at: reports.

Cemig's commitment to sustainable development takes material form in its commitment to the ESG factors, which are integrated into the Company's daily operations, and put into practice in the following areas:

Environmental performance

Cemig is a signatory to and supports and participates in various Brazilian and international initiatives, aiming to underline and strengthen its commitment and contribution to sustainable development, and to orient the practices of its managers, audit committee, employees, interns, outsourced contractors and subcontractors, business partners, suppliers and service providers.

Among its various voluntary commitments, since 2007 Cemig has participated in the Carbon Disclosure Project (CDP), a non-profit which enables companies, cities and states to publish their environmental impact, so as to generate data and stimulate initiatives that promote the sustainable economy.

In 2022, Cemig totaled a little more than R$20.9 million of resources invested in the environment, encompassing waste management, Research and Development projects, and compliance with environmental obligations and improvements.

Management of waste

Cemig manages its wastes in compliance with Brazil's National Solid Wastes Policy (Política Nacional de Resíduos Sólidos - PNRS). Its units follow the process of identifying, separating, packing and transporting their wastes to temporary warehousing at the Igarapé Advanced Distribution Center (CDA-IG), after which Cemig's Material and Services Supplies senior management unit is responsible for final disposal.

In 2022 a total of 44,500 tons of waste and scrap was allocated for disposal. Practically all of this was recycled or sold, generating a gross revenue for the Company of approximately R$59 million.

Since the quantity of wastes that Cemig D will generate is not predictable, because this is a consequence of the performance of the electricity system, the Company does not stipulate targets for reduction of wastes. Although the Company uses state-of-the-art operation and maintenance techniques, aiming for the lowest possible generation of waste, even so it is not possible to state the exact moment of de-activation of some equipment or components, since their management involves optimized use, and decision on useful life take into account innumerable variables that do not depend on human management.

As contributions to environmental improvement, we highlight the Company's actions in consolidating methods of recycling and reuse of these materials, and environmentally appropriate techniques for final disposal.

Climate change

To contribute to world efforts to limit global warming, in 2022 Cemig signed adherence to the global Ambition Net Zero movement of the United Nations Global Compact - underlining and strengthens its firm commitment to sustainability and best ESG practices.

The global importance of debate on the effects of climate change continues to receive special attention from Cemig, identifying the risks and opportunities of the businesses, and intensifying the quest for solutions for adaptation and mitigation, avoiding risks and impacts on the Company's business.

Cemig’s leadership is engaged and involved in discussions on greenhouse gas emissions, focusing on effective action, as shown by the establishment of voluntary targets for reduction of: (i) emissions; (ii) electricity consumption; and (iii) energy losses.

Social Performance

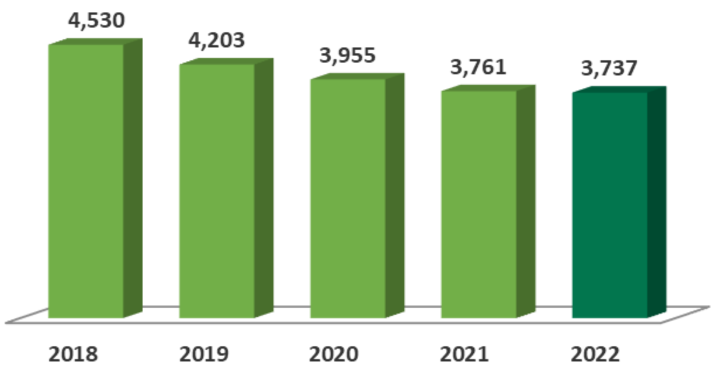
Human resources

Cemig believes that its human capital is a fundamental element for fulfillment of its commitment to economic, social and environmental sustainability. With this focus, it adopts best practices in the labor market in its management of people.

Number of employees

Faced with the reality imposed by the current regulatory conditions of the energy sector, Cemig continues to work in search of more efficiency and greater alignment with the sector's references. In order to incorporate new talents, promote the natural rotation of the staff, taking advantage of opportunities to review processes and improve efficiency, the company has implemented voluntary severance programs in recent years, which resulted in a significant reduction in the number of employees in recent years, from 4,530 in 2018 to 3,737 employees in 2022, as shown in the graph below:

Number of employees



Cemig hired 317 people in 2022. These hirings were to fill vacancies at the technical, operational, administrative and university levels, replenishing the Company’s team principally in essentially technical areas.

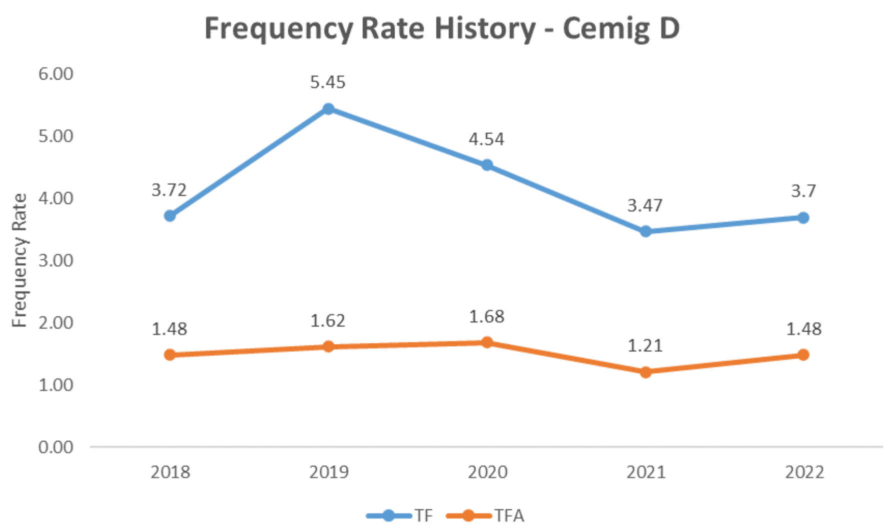
As well as hirings through public competitions, we made professional hirings from the market for management positions for cases where external recruitment was more appropriate - limited to a total of 40% of management positions.

Health, Hygiene and Safety in the workplace

In 2022 health protocols were adopted, based on monitoring the development of Covid-19 throughout the country.

The challenge of permanent activity in the area of health, with continuous monitoring of employees and the use of the App, through which information is provided to employees, made a positive contribution to protecting the health of employees and their family members, and minimizing transmissibility of the disease in the Company's internal environment.

Our accident rates, measured as the Basic accident frequency rate (TF) and the Rate of Accidents with Time off Work (TFA), in 2022, we present the best indices of the last 5 years:



Our accident rates increased from 2021, breaking a series in which the number has decreased since 2019. The Company has been undertaking internal actions and review of processes aiming to resume the downward tendency of the TFA and TF figures in the coming years, including education campaigns to raise awareness awareness of professionals who make up the workforce.

Organization climate and culture

In October 2022, Cemig held its Engagement and Atmosphere Survey for the employees, to obtain information on aspects of their sense of connection to and engagement with the Company, aiming for objectiveness on subjects that might influence the organizational climate. 59% of the Company's direct employees took part, and the percentage of those reporting a favorable view was 75% - or 11 percentage points higher than in the survey made in 2021.

Cemig has also engaged strongly in promotion of a new culture, aiming to ensure the organization's needs are met and its results achieved, through its Novas Energias ('New Energies') program, which began in June 2020. Based on the 'cultural mapping', packages were designed with practices that aim to develop people management processes, aiming to enhance results in alignment with strengthening of Cemig's desired culture.

The main practices dealt with in these packages were creation of structured models for internal governance, through strategic connections, career paths, recruitment and selection (internal and external), integration, a recognition program, internal communication, performance management, development of future leaders, and the succession process. Theoretical leadership development modules were also enacted, aiming to keep managers aligned with what is expected in relation to the practices developed by the team of the Novas Energias ('New Energies') project.

The following are some of the highlights of 2022:

The AI6% Program - This program encourages employees and retires of Cemig to use a program in which 6% of their income tax liability is paid to Infancy and Adolescents' Funds (Fundos da Infância e da Adolescência, or FIAs).

The 2022 AI6% Campaign involved the participation of 1,391 employees, who voluntarily allocated R$1 million to benefit approximately 20,000 children and teenagers in vulnerable situations, served by 145 institutions. The Company also allocated part of its income tax payable to the same FIA's.

The amount invested by the Company was R$1.5 million. In total, R$2.5 million was donated to entities spread out over the 77 municipalities in the Company's area of influence.

Corporate Volunteer Program - Corporate volunteering is recognized in the business world as an important tool for improving organizational climate, developing skills, and contributing to improvement of society - and a company's image and reputation.

Great social transformations can be promoted from volunteer work. Offering help without receiving any financial consideration for it changes the way you look at the world, sets an example for new generations, and brings benefits such as increased empathy, personal development, and strengthened ties with those around you.

The You Program (Programa Você) - encompasses several actions to encourage and support employee involvement in voluntary activities. The Program is structured to maximize the potential of volunteers' ongoing actions - a path that migrates gradually from assistentialism to participative citizenship and social transformation.

This program was created based on 3 pillars: (i) incentives to encourage voluntary work, disseminating the Company's culture and offering the first contact with the theme; (ii) transformative action, focusing on entrepreneurship, education and female empowerment; and (iii) suggestion of actions that employees can take on the volunteering program, which any of them can join.

Aiming to implement improvements in the process and meet the needs of all those involved in volunteering, both volunteers and beneficiaries, strategic planning of volunteering was carried out with the help of a company specialized in the subject.

2022 was atypical, with changes in the Company's volunteering activities, the return to in-person working, and some restrictions due to the election, but even so actions were taken with positive impacts on society, such as social assistance activities in accordance with the needs of the moment.

The SOS Chuvas (SOS Rains) campaign - More than 600 towns in Minas Gerais were under alert, and thousands of people negatively affected, by damage caused by heavy rains in the state. To help in assistance actions, Cemig made collection points available at its branches in 17 municipalities of the state, for collection of mineral water, personal hygiene items, non-perishable foods, cleaning materials, bedclothes and towels - to help people who had suffered from the floods at the beginning of the year.

V-Day - Volunteering Day - This event was held in Santa Luzia, at the Tancredo Neves state school, serving residents of the area and of the occupied area of Vitória, in the Isidoro region. 685 people were benefited by actions of 94 volunteers and 34 partnerships. Local residents received a series of benefits free of charge - including: medical attention (family doctor, nutritionist, psychologists, blood pressure and glucose tests); advice on oral health; a solidarity bazaar; a beauty workshop (braids, haircuts, eyebrows, makeup, nails); legal advice (family courts); orientation and writing of résumés; financial orientation; orientation for public safety in relation to the electricity network; art exhibitions; a solar telescope; and games for children including popcorn and Cotton Candy.

In 2022 Cemig's Volunteering Program reports a total of 21 actions including actions for social assistance, actions proposed by employees and social transformation actions. 183 employees took part as volunteers, with a total of 400 hours of work by members of the Cemig Group workforce.

Projects in culture, sport and health

Cemig has a policy of sponsorship that aims to evidence the Company's commitment to the reality and demands of the environment and the locations where it works, contributing to development and strengthening of culture, sport, education and social activity, in line with public policies of the communities where it is involved.

Culture

Cemig is the company with the largest investment in culture in Minas Gerais, with investments in 2022 of R$69.8 million in 146 cultural projects. In addition to encouraging producers and artists, Cemig's support brings direct benefits to the population, which has safer and more democratic access to cultural goods.

Health

In 2022 Cemig invested R$18.5 million in various regions of the state, serving 166 hospital units, with installation of photovoltaic generation plants and replacement of inefficient equipment with more up-to-date equipment.

Sport

For the community, sports programs create social recovery and citizenship benefits, especially for children and teenagers, not only by encouraging sports but also by generating opportunities for local young people to become athletes. For the Company, these projects enhance its image as a company committed to the development of healthy habits, and the welfare and development of the communities.

Cemig launches a public call for proposals every year to select projects that promote the practice of sports and offer social and citizenship benefits, especially for children and adolescents. In addition, these projects reinforce the company's image as one committed to the well-being and development of local communities. In the last four years, Cemig has allocated more than R$17 million to sports projects, positively impacting the lives of more than 10,000 children and adolescents in 35 municipalities in all regions of Minas Gerais. Of this amount, 30% came from the state sports law and 70% from the federal law.

For Cemig, diversity is a value and must also be present in sports. Since 2019, the Company has invested in the "Play like a girl" project, which aims to promote sports for girls in situations of social vulnerability in the metropolitan region of Belo Horizonte.

With more than R$1.5 million invested, the project has been able to bring countless benefits to needy communities in the region. Besides providing sports practice, the initiative has contributed to the formation of leaders, the valuing of diversity, and the promotion of gender equality.

Furthermore, in the last four years, almost 12% of the resources allocated to sports have been directed to projects that work exclusively with people with disabilities in several sports modalities and regions of the state.

An example of these investments is the "Paralympic Swimming" project, which has brought important recognition to Minas. Through the formation of athletes and support for training, many of these young people were successful in the Tokyo Paralympics, an event in which they won medals and brought pride to the people of Minas Gerais.

The company remains committed to making a difference in people's lives and to contributing to the construction of a fairer and more inclusive society.

Fund for the elderly

With people over the age of 60 enjoying longer lifetimes, and consequently becoming a larger proportion of the population, Cemig seeks, through allocation of incentive-bearing funds, to help with projects for protection of and service to the elderly in Minas Gerais state, with widening and improvement of the activities. Cemig also centers efforts on supporting proposals for structuring of Municipal and State Funds for the Elderly in the state, improving the activities destined for them.

Since 2019 Cemig has invested more than R$13 million in institutions supporting the aged, serving more than 17,000 people in the state, through 35 institutions in 21 municipalities.

One of these institutions is the Santa Casa de Misericórdia of Belo Horizonte (‘the BH Santa Casa’), the largest healthcare center in Minas Gerais, which operates in 35 medical specialties, providing 1,000 high quality beds in the public national health system (SUS).

The project Enhancement of Care for the Aged at the BH Santa Casa, which received almost R$1 million in funds from Cemig, will serve 2,400 elderly patients suffering from pathologies that require hemodynamic therapy. The project aims to improve the care given in the hemodynamic sector of the institution, including reform of the surgical arch, and purchase of equipment, furniture and accessories

Technological management and innovation

The energy industry is undergoing transformational changes, led by the intersection of different factors, such as: (i) growing decentralization of energy generation systems; (ii) advances in energy storage technologies; (iii) proliferation of digital technologies, which enable energy to be produced, transmitted and consumed more intelligently and efficiently; (iv) growth in various sources of renewable energy, such as wind and solar; and (v) the trend to decarbonization the economy using energy from renewable sources, as part of global efforts to mitigate climate change.

With eyes on this new group of changes, in 2018 Cemig created the *CemigTech* program, and the *Strategic Digital Technology Plan* - covering training, diagnosis, prospecting and technological ways forward, aiming to:

- create new training for the new types of business emerging in the country and the world;
- build project bid documents to collect R&D proposals in digital technology to place the company in harmony with technological evolution and the major digital transformations; and
- create projects that can boost new business activities that create economic and social benefit for the Company.

Constant innovation is one of Cemig's major principles, and the process of becoming aware of new ideas for the sector is a part of this. For this purpose, the Cemig 2021 Innovation Challenge was launched in August 2021, to take place over a period of 18 months, with expiration until April 2023.

The challenge was opened to the general public, which will be invited to present proposals for formatting of new Research and Development projects, in accordance with the rules of Aneel and aligned with the Company's strategy. The projects will be assessed under the guidelines for innovation in the strategic planning and, if approved, will be formalized with new draft contracts for development of the ideas that are approved.

The Cemig Challenge expects proposals on the following macro themes:

- Intelligent products and services
- Electricity systems of the future
- Electrification and electro-mobility - and
- Alternatives in sustainable generation.

Any individual or legal entity with head office in Brazil can send proposals.

The Energy Efficiency Program

Through its Energy Efficiency Program, Cemig has been running projects to orient the population on the optimum use of energy.

Cemig D's Energy Efficiency Program maintains a large number of projects in execution - a total 39 initiatives in progress at the end of 2022. They include projects from public Calls for Projects, held annually by the program, and also projects built directly by Cemig.

In 2022 this program invested approximately R$100 million in projects throughout Cemig D's concession area, and made a further R$50 million available in a new public tender to select proposals for a portfolio of projects to be financed in 2023 and 2024.

The actions of the Program tend to focus on energy efficiency associated with social responsibility, innovation and generation opportunities for Cemig D as a business. They have prominently featured initiatives benefiting hospitals, schools, low-income communities and public lighting.

Research and Development program

Cemig Distribuição invested more than R$12.2 million in 37 R&D projects, on several themes, of which we highlight the following:

- Development of synergetic networks for applications in energy distribution;
- Development of a methodology using ground penetrating radar to assess risk of urban trees falling;
- Artificial Intelligence in the Distribution Operation: the Distribution Operations Center of the Future - An integrated space-time situation awareness hyper-vision platform.

Management systems - Certificates

As part of its continuous quest for optimum execution of its processes and management, and achievement of its strategic objectives - and consequently satisfaction of its clients.

Cemig maintains certification of its processes under three Brazilian ISO standards: NBR ISO 9001 (Quality Management System), NBR 14001 (Environmental Management System) and NBR 45001 (Health and Safety Management System). These are internationally recognized as the best certifications for management practices.

In 2022, Cemig D underwent an audit for recertification of its systems. Its Ombudsman group passed its second audit for maintenance of certification. The cycle of certifications takes place over a period of 3 years (Recertification, First maintenance certification, and Second maintenance certification).

Maintenance of certification was recommended for all the process groups certified, confirming the commitment of all those involved to continuous compliance with the requirements of the standards.

Performance in Corporate governance

Cemig's corporate governance is based on transparency, equity and accountability. The main characteristic of Cemig's governance model is clear definition of the roles and responsibilities of the Board of Directors and Executive Board in formulating, approving and executing the policies and directives on how to conduct the Company's business. The members of the Board of Directors, who are appointed by the General Meeting of Stockholders, elect that Board's chair and deputy chair and appoint the Executive Board (statutory executive officers).

The focus of the Company's governance has been a balance between the economic, financial and environmental aspects of Cemig, aiming to continue contributing to sustainable development, and continuous improvement of its relationship with stockholders, clients, employees, society as a whole and other stakeholders. To sustain a well-structured corporate governance model, Cemig follows the good practices and recommendations of the Brazilian Corporate Governance Institute (Instituto Brasileiro de Governança Corporativa - IBGC), fostering a relationship of trust and integrity with its stakeholders. Since 2001 Cemig has followed the Level I Corporate Governance Practices of the São Paulo stock exchange (B3).

Board of Directors

Meetings

The Board of Directors met 15 times up to December 31, 2022, to discuss strategic planning, projects, acquisition of new assets, various investments, and other subjects.

Membership, election and period of office

The present period of office began with the EGM on April 29, 2022, with election by the multiple voting system.

The periods of office of the present members of the Board of Directors expire at the Annual General Meeting of Shareholders to be held in 2024.

The composition of the Board of Directors will be assessed annually by the Board of Directors itself, aiming to implement a gradual change with a view to increase diversity - for which targets may possibly be established.

The Board of Directors has eleven sitting members, 11 nominated and elected by the stockholders, and one elected by the employees. One member of the Board of Directors is its Chair, and another is its Deputy Chair. The members of the Board of Directors are elected for concurrent periods of office of 2 (two) years, and may be dismissed at any time, by the General Meeting of Shareholders, Re-election for a maximum of 3 (three) consecutive periods of office is permitted, subject to any requirements and prohibitions in applicable legislation and regulations.

A list with the names of the members of the Board of Directors, their responsibilities and resumes is on our website at: https://ri.cemig.com.br/en.

The Audit Committee

The Audit Committee is an independent, consultative body, permanently established, with its own budget allocation. Its objective is to provide advice and assistance to the Board of Directors, to which it reports. It also has the responsibility for such other activities as are attributed to it by legislation.

The Audit Committee has four members, the majority of them independent, nominated and elected by the Board of Directors in the first meeting after the Annual General Meeting for periods of office of three years, not to run concurrently. One re-election is permitted.

The responsibilities of the Audit Committee are available on our website: https://ri.cemig.com.br/en.

Executive Board

The Executive Board has 7 (seven) members, whose individual functions are set by the Company's bylaws. They are elected by the Board of Directors, for a period of office of two years, subject to the applicable requirements of law and regulation, and may be re-elected up to three times.

Members are allowed simultaneously also to hold non-remunerated positions in the management of wholly owned subsidiaries, subsidiaries or affiliates of Cemig, upon decision by the Board of Directors. They are also, obligatorily under the by-laws, members, with the same positions, of the Boards of Directors of Cemig GT (Generation and Transmission) and Cemig D (Distribution).

The period of office of the present Chief Officers expires at the first meeting of the Board of Directors held after the Annual General Meeting of 2024.

The composition of the Executive Board will be assessed annually by the Board of Directors itself, aiming to implement a gradual change with a view to increase diversity - for which targets may possibly be established.

The members of the Executive Board, their resumes and responsibilities are on our website: https://ri.cemig.com.br/en

Fiscal Board

Meetings

In 2022, 10 meetings of the Fiscal Board were held.

Composition, election and term

We have a permanent Fiscal Board, composed of five effective members and their respective alternates, elected by the General Assembly for a mandate of two (2) years.

In the composition of the Fiscal Board, the following nomination rules will be observed:

- minority common stockholders and preferred stockholders shall be assured the right to elect, in a separate vote, one (1) member, respectively, in accordance with the applicable legislation; and,

- the majority of the members must be elected by the Company's controlling shareholder, and at least 1 (one) of them must be a public servant, with permanent ties to the Public Administration.

The composition of the Fiscal Board and curricular information about its members is available on our website at https://ri.cemig.com.br/en

Internal auditing, management of risks and internal controls

Maintaining a minimum frequency of a year for the updating procedure, the Executive Board and the Board of Directors approved, after consideration by the Audit Committee, Cemig's updated Corporate Top Risks and Compliance Risks Matrix for 2022-23.

These risks, associated with execution of strategy and scenarios of the Company's exposure, conflicts of interest, fraud and corruption are under the responsibility of the members of the Executive Board, and are monitored and reported periodically to Senior Management. The Matrix is divided into separate risk components: Distribution, Generation, Trading, IT, Institutional Regulations, Agile Management with Safety, Corporate Enabling Factors, and Financial.

To strengthen governance and discussion on risk management even further, in June 2022 the Risks Committee was created, linked to and advising the Board of Directors. It was given the duties of analysis of compliance with the requirements of the regulatory and inspection agencies; definition of the principal risks ('Top Risks'), and monitoring of their treatment; identification and measurement of action plans for mitigation and control of the risks identified; and assessment of the limits of tolerance to the risks to which the Company will be exposed.

The Company also has an Annual Internal Audit Plan, approved by the Company's management, for assessing the principal corporate procedures. The objective of this plan is to ensure appropriateness, efficacy and efficiency in the Company's processes, as well as compliance with the laws, rules, standards and internal procedures to which the Company is subject. The Internal Audit makes an independent assessment of the efficacy of the management of risks, and the effectiveness of the internal control system, reporting any deficiencies and proposing actions for improvement to be implemented by the areas responsible, which are periodically monitored for their compliance.

Certification of quality from the Institute of Internal Auditors (IIA)

In 2023 Cemig's Internal Audit unit received Quality Certification from the Institute of Internal Auditors (IIA), the world body that regulates the activity of internal auditing in terms of compliance with international rules and standards of auditing. This is an important achievement - it places Cemig's Internal Auditing area in the select group of Brazilian companies that have this international certification from the IIA.

Anti-fraud Policy

Cemig prides itself on its commitment to combat and prevention of fraud, corruption and any type of act that might represent deviation from the ethical conduct required by established internal and external rules. In this it relies on, and enjoys, the dedication and diligence of the entire workforce to ensure that no unlawful act is committed in its name.

For prevention of any act of this type, the Company has an effective system of internal controls and compliance, including, among others, the Ethics Committee, the Reporting Channel, and internal policies and procedures for integrity, auditing, encouragement for reporting of irregularities, and prevention of fraud and corruption. All employees and any professionals in any relationship with Cemig, including stockholders, managers, employees and outside contractors, are made fully aware of them.

The Reporting Channel guarantees confidentiality, anonymity and non-retaliation to those reporting a complaint. The Ethics Committee is responsible for making sure there is proper investigation of all accusations received, and after this is concluded, the responses are made available to the reporting parties.

Internal procedures for risks related to compliance with law and regulations

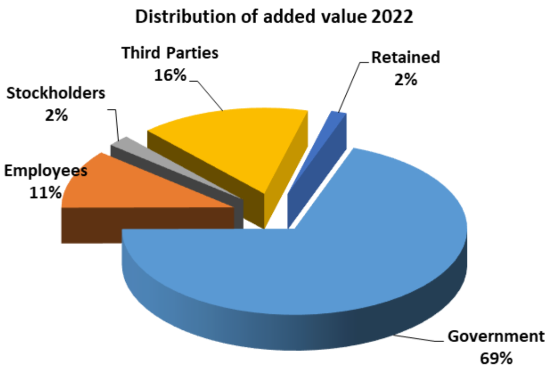
In the end of 2020, the Company began internal procedures for investigation of allegations received by the Minas Gerais State Public Attorneys' Office, through Official Letters, the content of which basically refers to alleged irregularities in public bidding purchasing processes. The investigation is being conducted by a new Special Investigation Committee (Comitê Especial de Investigação - CEI), with support from specialized advisers.

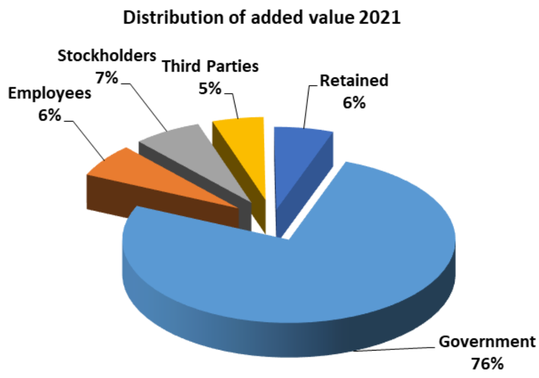
The investigations are ongoing and, to date, no issues have been identified that may have a material impact on the financial statements as of December 31, 2021 or prior year financial statements.

The Company will evaluate any changes in the future scenario and eventual impacts that could affect the financial information, when applicable. The Company continues to cooperate with domestic and foreign authorities in their analysis related to the ongoing investigations.

Added value

The Added Value Statement (Demonstração do Valor Adicionado, or DVA) is an indicator of wealth creation and of the Company's importance for society in general: the added value created in 2022 was assessed as R$12,325 million, compared to R$13,719 million in 2021:





FINAL REMARKS - APPRECIATION

Cemig D’s management is grateful to its majority shareholder, the State of Minas Gerais, for the trust and support constantly shown throughout the year and the same mode of our shareholders. Cemig also thanks the communities served by the Company, interested parts and, its highly qualified group of employees, for their dedication.

SOCIAL STATEMENT

AS OF DECEMBER 31, 2022 AND 2021

1) Basis of calculations	2022 Amount (R$'000)			2021 Amount (R$'000)		
Net revenue (NR)	20,918,716			22,344,681		
Operational profit (OP)	1,492,156			2,362,936		
Gross payroll (GP)	585,749			846,747		
2) Internal social indicators	**Amount (R$'000)**	**% of GP**	**% of NR**	**Amount (R$'000)**	**% of GP**	**% of NR**
Food	66,682	11.38	0.32	61,184	7.23	0.27
Mandatory charges/costs on payroll	195,179	33.32	0.93	185,506	21.91	0.83
Private pension plan	54,365	9.28	0.26	52,552	6.21	0.24
Health	49,146	8.39	0.23	43,893	5.18	0.2
Safety and medicine in the workplace	17,993	3.07	0.09	17,229	2.03	0.08
Education	460	0.08	0.00	595	0.07	0.08
Training and professional development	16,599	2.83	0.08	9,865	1.17	0.08
Provision of or assistance for day-care centers	1,632	0.28	0.01	1,377	0.16	0.01
Profit sharing	39,834	6.80	0.19	93,948	11.1	0.42
Others	9,201	1.57	0.04	13,806	1.63	0.06
Internal social indicators - Total	**451,091**	**77.01**	**2.16**	**479,955**	**56.68**	**2.15**
3) External social indicators	**Amount (R$'000)**	**% of OP**	**% of NR**	**Amount (R$'000)**	**% of OP**	**% of NR**
Education	9,929	0.67	0.05	1,832	0.08	0.01
Culture	66,096	4.43	0.32	7,780	0.33	0.03
Sport	4,250	0.28	0.02	1,984	0.08	0.01
Other donations/subsidies / ASIN project	94,707	6.35	0.45	39,680	1.68	0.18
Total contributions to society	**174,982**	**11.73**	**0.84**	**51,276**	**2.17**	**0.23**
Taxes (excluding obligatory charges on payroll)	8,419,928	564.28	40.25	10,319,505	441.98	46.74
Internal social indicators - Total	8,594,910	576.01	41.09	**10,494,920**	**444.15**	**46.97**
4) Environmental indicators	**Amount (R$'000)**	**% of OP**	**% of NR**	**Amount (R$'000)**	**% of OP**	**% of NR**
Related to the company's operations	20,861	1.40	0.10	11,633	0.49	0.05
Total investment in the environment	**20,861**	**1.40**	**0.10**	**11,633**	**0.49**	**0.05**

5) Workforce indicators	2022	2021
Number of employees at end of business year	3,737	3,761
Hirings during the business year	317	191
Number of outsourced employees	23	34
Number of interns hired	70	-
Employees' levels of education		
- University and university extension	788	762
- 2 Secondary	2,904	2,945
- 1 Primary	45	54
Number of employees over 45 years old	1,735	1,927
Number of women employed	537	512
% of supervisory positions held by women	11.36%	11.63%
Number of African-Brazilian employees	228	220
% of supervisory positions held by African-Brazilians	1%	1%
Number of employees with disabilities	127	138

6) Corporate citizenship	2022		
Relationship between higher and lower remuneration in the Company	23,35		
Total number of accidents at work (own employees)	13		
The social and environmental projects developed by the Company were defined by:	( ) senior management	(x) senior management and line managers	( ) all the employees
The standards of safety and health in the work environment have been defined by:	( ) senior management and line managers	(x) all the employees	( ) All + Accident Prevention
Regarding freedom of association, the right to collective bargaining and the internal representation of workers, the Company:	( ) does not get involved	( ) ILO guidelines	(x) encourages and follows the ILO
The private pension plan includes:	( ) senior management	( ) senior management and line managers	(x) all the employees
Profit sharing or profit sharing includes:	( ) senior management	( ) senior management and line managers	(x) all the employees
In the selection of suppliers, the same ethical standards and social and environmental responsibility adopted by the Company:	( ) are not considered	( ) are suggested	(x) are required
Regarding the participation of employees in volunteer work programs, the Company:	( ) does not get involved	( ) supports	(x) organizes and encourages
Total number of consumer complaints and criticisms:	Company: 295,016	Via Procon: 4,372	In the courts: 18,360
Total added value to be distributed (in thousand R$)	**In 2022**: R$12,325 million		
Distribution of Value Added (DVA)	69.38% government 11.08% employees 2.12% stockholders 15.94% third parties	76.12% government 6.49% employees 6.65% stockholders 4.99% third parties	

7) Other information	2022
Investments in environmental issues	R$21 million
Waste and unusable material	44 mil tons
Revenue from sales of waste	R$59 million

CEMIG D IN NUMBERS

Item	2022	2021
Service		
Number of customers (in million)	9,035	8,885
Number of employees	3,737	3,761
Number of customers per employee	2,418	2,362
Number of locations served	5,415	5,415
Number of counties (municipalities) served	774	774
Market		
Concession area (Km²)	567,478	567,478
Average residential consumption (KWh/annual)	1,495,23	1,533
Average supply rates - including ICMS tax (R$/MWh)		
Residential	903,39	994,43
Commercial	1,106,32	1,113,40
Industrial	809,20	786,41
Rural	666,61	648,27
DECi (hours) - indicator for outage	9.48	9.46
FECi (number of interruptions) - indicator for outage	4.58	4.60
Deprivation of supply per customer - minutes/month	47.40	47.30
Operating		
Number of energy substation	448	422
Distribution line (Km)	18,485	17,691
Distribution network (Km)		
Urban	124,946	121,105
Rural	431,413	419,235
Financial		
Net operational revenue, R$mn	20,919	22,345
Operational margin, %	7.13	10.58
Ebitda, R$mn	2,229	3,047
Profit, R$mn	443	1,701
Earnings per lot of 1000 shares R$	188	721
Stockholders' equity - R$mn	7,105	6,943
Book value per share	3.01	2.94
Return on equity, %	6.24	24.49
Debt / Stockholder's equity, %	257.67	254.28
Current liquidity ratio	0.98	1.17
General liquidity ratio	0.77	0.86

COMPOSITION OF THE BOARDS, AUDIT COMMITTEE AND EXECUTIVE BOARD

THE EXECUTIVE BOARD	
NAME	**POSITION**
Reynaldo Passanezi Filho	Chief Executive Officer
Marney Tadeu Antunes	Chief Distribution and Sales Officer
Leonardo George de Magalhães	Chief Finance and Investor Relations Officer
Thadeu Carneiro da Silva	Chief without portfolio
Marco da Camino Ancona Lopez Soligo	Chief Officer Cemigpar
Dimas Costa	Chief Trading Officer
Henrique Motta Pinto	Chief Regulation and Legal

BOARD OF DIRECTORS
NAMES
Márcio Luiz Simões Utsch - President (majority)
Jaime Leôncio Singer (majority)
Marcus Leonardo Silberman (majority)
José Reinaldo Magalhaes (majority)
Afonso Henriques Moreira Santos (majority)
Ricardo Menin Gaertner (majority)
Aloísio Macário Ferreira de Souza (minority shareholders)
Roger Daniel Versieux (minority shareholders)
João José Abdalla Filho (preferred shareholders)
Paulo César de Souza e Silva (minority shareholders)
Anderson Rodrigues (employee representative)

FISCAL BOARD	
SITTING MEMBERS	**SUBSTITUTE MEMBERS**
Gustavo de Oliveira Barbosa (President) (majority)	Igor Mascarenhas Eto (majority)
Fernando Scharlack Marcato (majority)	Luísa Cardoso Barreto (majority)
Elizabeth Jucá e Mello Jacometti (majority)	Fernando Passalio de Avelar (majority)
Michele da Silva Gonsales Torres (preferred shareholders)	Ronaldo Dias (preferred shareholders)
João Vicente Silva Machado (minority shareholders)	Ricardo José Martins Gimenez (minority shareholders)

SITTING MEMBERS
Pedro Carlos de Mello (Coordinator and Financial Specialist)
Márcio de Lima Leite
Roberto Tommasetti
Afonso Henriques Moreira Santos

CONSUMER COUNCIL	
SITTING MEMBERS	**SUBSTITUTE MEMBERS**
José Ciro Mota (Industrial)	Tânia Mara Aparecida Costa Santos
Solange Medeiros de Abreu (Residential)	Betânia Moura Magalhães Corrêa
Edilson Avelino da Mata (Commercial)	Helton Andrade
Aline de Freitas Veloso (Rural)	Weber Bernardes de Andrade
Erick Nilson Souto (Public authorities)	Luiz Paulo Aparecido Gontijo Caetano
Luciano José de Oliveira (Cemig)	Alexandre Ribeiro de Almeida

INVESTOR RELATIONS

Investor Relations Office
Tel: +5531 3506-5024 and 3506-5028
Fax: +5531 3506-5025 and 3506-5026

website: https://ri.cemig.com.br/en
e-mail: ri@cemig.com.br

STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2022 AND 2021
ASSETS

(In thousands of Brazilian Reais)

	Note	2022	2021
CURRENT			
Cash and cash equivalents	5	440,700	198,694
Marketable securities	6	279,717	342,243
Receivables from customers, traders and concession holders	7	2,761,370	3,021,976
Concession holders - Transport of energy	7	333,642	264,910
Recoverable taxes	8	1,828,665	1,907,198
Income tax and social contribution tax credits	9a	-	45,363
Inventories		30,259	29,963
Public lighting contribution		207,286	233,315
Reimbursement of tariff subsidies payments	11	90,923	287,420
Low-income subsidy		62,479	46,540
Concession sector assets	12b	746,031	1,221,433
Others assets		209,817	161,923
TOTAL CURRENT		**6,990,889**	**7,760,978**
NON-CURRENT			
Marketable Securities	6	1,052	69,125
Deferred Income tax and social contribution tax	9c	2,119,494	1,656,651
Recoverable taxes	8	540,281	1,197,692
Income tax and social contribution tax recoverable	9a	76,278	68,967
Escrow deposits	10	651,279	619,772
Concession holders - Transport of energy	7	43,386	48,148
Others assets		17,327	13,352
Concession sector assets	12b	198,059	926,115
Financial assets related to infrastructure	12a	1,369,652	683,729
Contract assets	13	1,849,852	1,926,652
Intangible assets	14	11,314,918	9,449,638
Leasing - right of use assets	15	240,178	176,809
TOTAL NON-CURRENT		**18,421,756**	**16,836,650**
TOTAL ASSETS		**25,412,645**	**24,597,628**

The accompanying notes are an integral part of the financial statements.

STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2022 AND 2021
LIABILITIES

(In thousands of Brazilian Reais)

	Note	2022	2021
CURRENT			
Loans and debentures	18	883,795	875,254
Suppliers	16	1,929,723	2,019,994
Taxes payable	17	538,690	226,823
Income tax and social contribution	9b	88,043	-
Payroll and related charges		162,661	141,428
Regulatory charges payable	19	393,389	499,178
Employee and management profit-sharing		52,273	87,116
Post-employment obligations	20	274,904	244,559
Public lighting contribution		312,475	357,106
Accounts payable related to energy generated by residential consumers		455,273	236,000
Concession sector liabilities	12b	-	51,359
Interest on equity, and dividends, payable	22	504,052	916,961
PIS/Pasep and Cofins taxes to be refunded to customers	17	1,154,798	704,025
Leasing liabilities	15	43,602	49,261
Other liabilities		325,837	250,829
TOTAL CURRENT		**7,119,515**	**6,659,893**
NON-CURRENT			
Loans and debentures	18	3,692,203	3,371,907
Provisions	21	1,342,624	1,203,590
Post-employment obligations	20	3,550,093	3,928,836
Regulatory charges payable	19	55,437	197,457
PIS/Pasep and Cofins taxes to be refunded to customers	17	1,632,200	2,132,289
Interest on equity, and dividends, payable	22	679,794	-
Leasing liabilities	15	216,271	141,751
Other liabilities		19,248	19,239
TOTAL NON-CURRENT		11,187,870	10,995,069
TOTAL LIABILITIES		**18,307,385**	**17,654,962**
EQUITY	22		
Share capital		5,371,998	5,371,998
Profit reserves		3,270,982	3,404,039
Equity valuation adjustments		(1,537,720)	(1,833,371)
TOTAL EQUITY		**7,105,260**	**6,942,666**
TOTAL LIABILITIES AND EQUITY		**25,412,645**	**24,597,628**

The accompanying notes are an integral part of the financial statements.

STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
(In thousands of Brazilian Reais, except earnings per share)

	Note	2022	2021
NET REVENUE	**23**	**20,918,716**	**22,344,681**
OPERATING COSTS			
Cost of energy	24a	(11,938,473)	(14,852,695)
Infrastructure and construction cost	24b	(3,193,092)	(1,802,361)
Operating costs	24c	(2,956,091)	(2,481,608)
		(18,087,656)	**(19,136,664)**
GROSS INCOME		**2,831,060**	**3,208,017**
OPERATING EXPENSES	**24c**		
Expected credit losses		(108,141)	(130,175)
General and administrative expenses		(569,188)	(434,976)
Other operating expenses, net		(661,575)	(279,930)
		(1,338,904)	**(845,081)**
Operating income before financial income (expenses) and taxes		**1,492,156**	**2,362,936**
Finance income	25	790,885	657,355
Finance expenses	25	(1,906,130)	(664,887)
Income before income tax and social contribution tax		**376,911**	**2,355,404**
Current income tax and social contribution tax	9d	(548,585)	(632,400)
Deferred income tax and social contribution tax	9d	615,149	(22,463)
Net income for the year		**443,475**	**1,700,541**
Basic and diluted earnings per shares, R$	22	0.19	0.72

The accompanying notes are an integral part of the financial statements.

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
(In thousands of Brazilian Reais)

	2022	2021
Net income for the year	443,475	1,700,541
OTHER COMPREHENSIVE INCOME		
Items not to be reclassified to profit or loss in subsequent years		
Post retirement liabilities - remeasurement of obligations of the defined benefit plans (Note 20)	447,957	199,724
Income tax and social contribution tax on remeasurement of defined benefit plans (Note 9c)	(152,306)	(67,906)
	295,651	**131,818**
COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAXES	**739,126**	**1,832,359**

The accompanying notes are an integral part of the financial statements.

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
(In thousands of Brazilian Reais, except where otherwise indicated)

	Share capital	Profit reserves	Equity valuation adjustments	Retained earnings	Total equity
AS OF DECEMBER 31, 2020	**5,371,998**	**2,653,670**	**(2,004,037)**	**-**	**6,021,631**
Net income for the year	-	-	-	1,700,541	1,700,541
Remeasurement of obligations of the defined benefit plans, net of taxes	-	-	131,818	-	131,818
COMPREHENSIVE INCOME FOR THE YEAR	**-**	**-**	**131,818**	**1,700,541**	**1,832,359**
Legal reserve	-	83,966	-	(83,966)	-
Interest on Equity (R$0,1725 per share)	-	-	-	(407,018)	(407,018)
Proposed dividends (R$0,2138 per share)	-	-	-	(504,306)	(504,306)
Tax incentives reserve	-	21,213	-	(21,213)	-
Retained earning reserve	-	645,190	-	(645,190)	-
Actuarial losses reclassified	-	-	38,848	(38,848)	-
AS OF DECEMBER 31, 2021	**5,371,998**	**3,404,039**	**(1,833,371)**	**-**	**6,942,666**
Net income for the year	-	-	-	443,475	443,475
Remeasurement of obligations of the defined benefit plans, net of taxes	-	-	295,651	-	295,651
Comprehensive result of the year	**-**	**-**	**295,651**	**443,475**	**739,126**
Legal reserve	-	21,384	-	(21,384)	-
Interest on equity capital declared and mandatory dividends (R$0.2444 per share)	-	(315,664)	-	(260,868)	(576,532)
Tax incentives reserve	-	15,796	-	(15,796)	-
Retained earning reserve	-	145,427	-	(145,427)	-
AS OF DECEMBER 31, 2022	**5,371,998**	**3,270,982**	**(1,537,720)**	**-**	**7,105,260**

The accompanying notes are an integral part of the financial statements.

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
(In thousands of Brazilian Reais)

	Note	2022	2021
CASH FLOW FROM OPERATIONS			
Net income for the year		443,475	1,700,541
ADJUSTMENTS:			
Post-employment obligations	20	448,434	31,827
Depreciation and amortization	13b and 14a	738,025	682,595
Expected credit losses	24c	108,141	130,175
Other provisions	24c	397,377	68,018
Adjustment of assets in progress	13	595	10,937
Write-off of net residual value of unrecoverable Concession financial assets and Intangible assets	12a and 14b	57,513	22,157
Refunded of PIS/Pasep and Cofins over ICMS credits to customers - realization	23	(2,360,056)	(1,316,995)
Financial interest and inflation adjustment		1,565,854	419,100
Adjustment to expectation of contractual cash flow from the concession	12a	(39,369)	(53,751)
Amortization of transaction cost of loans	18	2,655	1,788
CVA (Parcel A Compensation) Account and Other Financial Components in tariff adjustment	23	1,146,559	(2,146,043)
Deferred income tax and social contribution tax	9c	(615,149)	22,463
		1,894,054	(427,188)
(Increase) decrease in assets			
Receivables from customers, traders and concession holders		152,465	(42,502)
Concession holders - Transport of energy		(63,970)	(21,433)
CVA (Parcel A Compensation) Account and Other Financial Components in tariff adjustment		190,661	-
Recoverable taxes	8	692,490	(47,268)
Income tax and social contribution tax recoverable		(375,520)	(51,631)
Escrow deposits		16,736	(73,353)
Contractual assets and concession financial assets		91,607	-
Public lighting contribution		26,029	(53,909)
Reimbursement of tariff subsidies	11	196,497	(204,804)
Low-income subsidy		(15,939)	(3,468)
Others		(183,374)	(46,918)
		727,682	(545,286)
Increase (decrease) in liabilities			
Suppliers		(106,993)	209,630
Taxes payable		1,159,636	872,269
Income tax and social contribution tax payable		548,585	632,400
Payroll and related charges		21,233	2,984
Public lighting contribution		(44,631)	52,237
Regulatory charges	19	(246,387)	194,702
Post-employment obligations	20	(348,875)	(305,289)
Provisions	21	(128,556)	(90,498)
Employees’ and managers’ profit sharing		(34,843)	13,425
Others		334,141	202,228
		1,153,310	1,784,088
Cash generated by operating activities		**3,775,046**	**811,614**
Interest paid on loans and debentures	18	(310,066)	(222,710)
Interest paid in leasing contracts	18	(2,555)	(2,328)
NET CASH FLOW FROM OPERATING ACTIVITIES		**3,462,425**	**586,576**
INVESTING ACTIVITIES			
Marketable securities - cash investments	6	130,599	2,165,122
Intangible assets	14	(187,121)	(49,635)
Contract assets	13	(3,056,452)	(1,739,885)
NET CASH FROM (USED IN) INVESTING ACTIVITIES		**(3,112,974)**	**375,602**
FINANCING ACTIVITIES			
Loans and debentures obtained	18	1,000,000	-
Transaction costs		(12,478)	-
Leasing liabilities paid	15b	(51,792)	(56,211)
Payment of loans and debentures	18	(820,008)	(1,123,574)
Interest on capital and dividends paid		(223,167)	(242,744)
NET CASH USED IN FINANCING ACTIVITIES		**(107,445)**	**(1,422,529)**
NET CHANGE IN CASH AND CASH EQUIVALENTS		**242,006**	**(460,351)**
Cash and cash equivalents at the beginning of the year	5	198,694	659,045
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	5	**440,700**	**198,694**

The accompanying notes are an integral part of the financial statements.

STATEMENTS OF ADDED VALUE
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
(In thousands of Brazilian Reais)

	2022	2021
REVENUES		
Sales of energy and services	27,958,657	31,480,599
Distribution construction revenue	3,193,092	1,802,361
Adjustment to expectation of reimbursement of distribution concession financial assets	39,369	53,751
Other revenues	-	16,443
Adjustment to estimated credit losses	(108,141)	(130,175)
	31,082,977	33,222,979
INPUTS ACQUIRED FROM THIRD PARTIES		
Energy bought for resale	(9,856,672)	(12,425,546)
Charges for use of national grid	(3,049,306)	(3,753,164)
Outsourced services	(2,418,233)	(1,861,261)
Materials	(2,135,575)	(1,090,675)
Other operating costs	(536,346)	(347,858)
	(17,996,132)	(19,478,504)
GROSS VALUE ADDED	**13,086,845**	**13,744,475**
RETENTIONS		
Depreciation and amortization	(738,025)	(682,595)
NET ADDED VALUE PRODUCED BY THE COMPANY	**12,348,820**	**13,061,880**
ADDED VALUE RECEIVED BY TRANSFER		
Financial revenues	806,069	657,355
ADDED VALUE TO BE DISTRIBUTED	**13,154,889**	**13,719,235**
DISTRIBUTION OF ADDED VALUE		
Employees	**1,366,177**	**889,878**
Direct remuneration	728,006	724,104
Post-employment obligations and Other benefits	539,043	94,316
FGTS fund	44,849	42,389
Voluntary retirement program	54,279	29,069
Taxes	**9,380,829**	**10,443,644**
Federal	5,814,484	4,582,842
State	3,562,045	5,856,230
Municipal	4,300	4,572
Remuneration of external capital	**1,964,408**	**685,172**
Interest	1,947,256	677,854
Rentals	17,152	7,318
Remuneration of own capital	**443,475**	**1,700,541**
Interest on Equity	260,868	407,018
Dividends	-	504,306
Retained earnings	182,607	789,217
	13,154,889	**13,719,235**

The accompanying notes are an integral part of the financial statements.

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 9,035,083 customers, on December 31, 2022.

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 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 financial statements has been prepared on a going concern basis.

1.1. Acceptance of the Hydrological Scarcity Account conditions

According to Decree 10,939/2022, which fixed the values of the resources of the Hydrological Scarcity Account for the amounts requested by the concessionaires through the Acceptance Agreement of ReN nº 1,008/2022, the Cemig Distribuição S.A. ("Cemig D") requested the ceiling amount of the funds in the first passthrough under the Decree, relating to the Incentive Program for Voluntary Reduction of Electricity Consumption (Programa de Incentivo à Redução Voluntária de Consumo), and also to importation of energy authorized by the Chamber of Hydroenergetic Management Exceptional Rules Committee on Exceptional Rules for Hydroenergetic Management (Câmara de Regras Excepcionais para Gestão Hidroenergética - "CREG"), for the months of July and August 2021, totaling R$190,658, received on May 9, 2022. This amount reduced the Revenue from supply of energy and increased CVA and Other financial components for 2021.

2. BASIS OF PREPARATION

2.1. Statement of compliance

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Presentation of the Added Value Statements (Demonstrações do Valor Adicionado - DVA) is required by the Brazilian corporate law, and by the accounting practices adopted in Brazil for listed companies (CPC 09 - Added Value Statements). IFRS does not require presentation of this statement. As a result, under IFRS this statement is presented as supplementary information, without prejudice to the financial statements as a whole.

Management certifies that all the material information in the financial statements 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 financial statements on March 24, 2023.

2.2. Basis of measurement

The consolidated financial statements were prepared on a historical cost basis, except in the case of certain financial instruments and assets as held for sale which are measured at fair value and fair value less costs to sell, in accordance with the standards applicable, as detailed in Note 27.

2.3. Functional currency and presentation currency

The financial statements is presented in Reais - R$, which is the functional currency of the Company. The information is expressed in thousands of Reais (R$'000), except when otherwise indicated.

Transactions in foreign currency, corresponding to those not carryied under the functional currency, were converted to Reais at the exchange rate as of the transaction date. Balances of monetary assets and liabilities denominated in foreign currency are translated to Reais at the exchange rates at the reporting date. Foreign exchange gains and losses resulting from updating assets and liabilities are recognized as finance income and cost in the statements of income.

2.4. Significant accounting practices

The accounting practices, described in detail in the explanatory notes, have been applied consistently in all years presented in these financial statements, in compliance with the rules and regulations described in item 2.1 - Statement of compliance.

2.5. Use of estimates and judgments

Preparation of the parent company and consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenues and expenses. Future reported results may differ from these estimates.

Estimates and assumptions are annually reviewed, using as a reference both historical experience and any significant change in scenarios that could affect the Company's financial position or results of operations. Revisions in relation to accounting estimates are recognized in the period in which the estimates are reviewed, and in any future periods affected.

The main estimates and judgments that have a signficant effect in the amounts recognized in the financial statements are as follows:

- Note 7 - Expected credit losses;
- Note 9 - Deferred income tax and social contribution tax;
- Note 12 - Financial assets and liabilities of the concession;
- Note 13 - Concession contract assets;
- Note 14 - Intangible assets and useful life of assets;
- Note 15 - Leasing;
- Note 17 - Amounts to be refunded to customers;
- Note 20 - Employee post-employment obligations;
- Note 21 - Provisions;
- Note 23 - Unbilled revenue;
- Note 27 - Financial instruments measurement and fair value measurement.

2.6. New or revised accounting standards applied for the first time in 2022

The changes presented below became effective on January 1, 2022 and had no material impact on the Company's parent company and consolidated financial statements.

Standard	Main changes	Effective Date
CPC 25/IAS 37 - Provisions, Contingent Liabilities and Contingent Assets	Specification of which costs the entity needs to include when assessing whether a contract is onerous. The amendment applies a 'directly related cost approach', whereby the cost that directly relates to a contract to provide goods or services includes incremental costs and a cost allocation directly related to the contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly charged to the counterparty under the contract.	January 1, 2022
CPC 27/IAS 16 - Fixed Assets	Refers to the impossibility for entities to deduct from the cost of property, plant and equipment any revenues arising from the sale of items produced while the asset is established in the location and condition necessary for it to be capable of operating in the manner intended by management. These revenues and associated costs must be recognized directly in income.	January 1, 2022
CPC 15/IFRS 3 - Business Combination	In addition to the changes related to the reference to the conceptual framework, which did not significantly change the required standards, an exception to the IFRS 3/CPC 15 recognition principle was added to avoid the problem of potential "day 2" gains and losses arising from contingent liabilities and liabilities that would be in the scope of IAS 37/CPC 25 or IFRIC 21/ICPC 19 if incurred separately.	January 1, 2022

2.7. Standards issued but not yet effective

Standard	Main changes	Effective Date
IFRS 17 - Insurance contracts, issued by the IASB in May 2017	The standard, not yet issued in Brazil, has the general objective of providing an accounting model for insurance contracts, regardless of the type of entity that issues them, that is more useful and consistent for insurance issuers, and is not initially applicable to the Company and its subsidiaries. This standard does not have a corresponding standard in Brazil.	January 1, 2023
IAS 1/CPC 26 - Review of the classification of liabilities as current and non-current	Clarify, among others, the concept of deferring the settlement of a liability, in addition to defining that the right to defer must exist at the end of the reporting period and that the classification is independent of the probability that the entity will exercise its right to defer. In addition, the revision states that only if the derivative embedded in a convertible liability is an equity instrument will the terms of the liability not impact its classification.	January 1, 2024
IAS 08/CPC 23 - Accounting Policies, Changes in Estimates and Correction of Errors - Definition of accounting estimates	Clarify the distinction between changes in accounting estimates, changes in accounting policies, and correction of errors, as well as how entities use measurement techniques and inputs to develop accounting estimates	January 1, 2023
IAS 01/CPC 26 and IFRS Practice Statement 2 - Making Materiality Judgements	Assists entities in providing accounting policy disclosures that are more useful by replacing the requirement to disclose significant accounting policies with disclosure of material accounting policies and adds guidance on how the entity applies the concept of materiality when making accounting policy disclosure decisions.	January 1, 2023
IAS 12/CPC 32 - Deferred tax related to assets and liabilities arising from a unique transaction	Restrict the scope of the initial recognition exemption so that it does not apply to transactions that give rise to equal and offsetting temporary differences, resulting in the recognition of a deferred tax asset and a deferred tax liability for temporary differences arising from the initial recognition of leases and decommissioning provisions.	January 1, 2023

In relation to the standards under discussion at the IASB or with an effective date set for a future year, the Company is following the discussions and, so far, has not identified significant impacts.

The Accounting Announcements Committee (CPC) also issued Revision No. 20/2021, on July 4, 2022, creating alterations in the pronouncements CPC 11 - Insurance Contracts, CPC 23 - Accounting Policies, Estimate Changes and Error Correction, CPC 26 (R1) - Accounting Statement Presentation, CPC 40 (R1) - Financial Instruments: Evidencing, CPC 49 - Accounting and Accounting Reporting for Retirement Benefit Plans, CPC 21 (R1) - Interim Statements, CPC 32 - Taxes on Incomes, CPC 37 (R1) - Initial Adoption of International Accounting Standards, and CPC 47 - Revenue from Contract with Customer, reflecting the changes made in international accounting rules, effective as of 2023.

2.8. Regrouping of items in the Statement of income

Starting in the third quarter of 2022, the Company made some adjustments in the classification of expenses in its profit and loss account (Statement of income), so as to group certain items more accurately in accordance with their function. Description of the nature of each type of expense continues to be presented in the related Notes to the financial statements, without alteration. These adjustments do not affect margins, or indicators, and are merely improvements proposed by the Company's management.

To maintain comparability, the corresponding information for the period ended December 31, 2021 is being presented using the same criteria. The Company considers these adjustments not to be material.

3. CONCESSION

The Company operates the concession for the distribution of energy in the greater part of the State of Minas Gerais, which expires in December 2045.

According to the concession contract, all assets and facilities that are used in the provision of the distribution service and which have been created by the Company are considered revertible and part of the assets of the related concession. These assets are automatically reverted to the Grantor at the end of the contract and are then valued to determine the amount of the indemnity payable to the Company, subject to the amounts and the dates on which they were incorporated into the energy system.

The Company does not have obligations to make payment in compensation for commercial operation of the distribution concessions but it has to comply with requirements related to quality, and investments made, in accordance with the concession contract.

The concession contracts and the Brazilian legislation establish a mechanism of maximum prices that allows for three types of adjustments to tariffs: (i) an annual tariff adjustment; (ii) periodic review of tariffs; and (iii) extraordinary reviews.

Each year the Cemig D has the right to request for the annual adjustment, the purpose of which is to be compensated the effects of inflation on the tariffs, and to allow for certain changes in costs that are outside the Cemig D's control to be passed through to customers - for example the cost of energy purchased for resale and sector charges including charges for the use of the transmission and distribution facilities.

Also, the regulator performs a periodic review of tariffs every five years, which aims to adjust due to changes in the Cemig D's costs, and to establish a factor based on scale gains, which will be applied in the annual tariff adjustments, for the purpose of sharing such gains with the Cemig D's customers.

The Company also has the right to request an extraordinary review of tariffs in the event that any unforeseen development significantly affects the economic-financial equilibrium of the concession. The Periodic Review and the Extraordinary Review are subject, to a certain degree, to the discretion of the regulator, although there are pre-established provisions for each revision cycle.

Under the distribution concession contracts, the Company is authorized to charge customers a tariff consisting of two components: (i) A component related to costs of energy purchased for resale, charges for use of the transmission grid and charges for use of the distribution system that are not under its control ('Parcel A costs'); and (ii) a portion relating to operating costs ('Parcel B costs').

Fifth Amendment to concession contract

The Fifth Amendment to its concession contracts, signed, with the Mining and Energy Ministry extending its energy distribution concessions for an additional 30 years, starting January 1, 2016.

The principal characteristics and terms of the Amendment are as follows:

- The annual tariff adjustment will occur on May 28 of each year, according the rules set for in Clause 6 of the Amendment will be applied;
- Limitation of in the distribution of dividends and/or payment of Interest on Equity to the minimum established by law, in the envent of non-compliance with the annual

indicators for outages (DECi and FECi) for two consecutive years, or three times in a period of five years, until the regulatory parameters are restored;

- There is a requirement for injections of capital from the controlling shareholder in an amount sufficient to meet the minimum conditions for economic and financial sustainability;
- Requirement of compliance with efficiency criteria related to the continuity of supply and economic and financial management to maintain the concession, respecting the right to full defense and the adversary in case of non-compliance, being that any non-compliance for three consecutive years for the criteria of efficiency in the continuity of supply and two consecutive years for the criteria of efficiency in economic and financial management will result in the opening of a process of forfeiture of the concession.
- Subject to the compliance of efficiency criteria related to continuity of supply and the economic and financial management to guarantee the concession's operations, being assured the right to a full defense and the right to appeal, being that any non-compliance for three consecutive years with the criteria of efficiency in continuity of supply, or for two consecutive years with the criteria of efficiency in economic and financial management, will result in proceedings to establish expiration of the concession.

The criteria of efficiency in economic and financial management are as follows:

- Operational cash generation (-) QRR[1] (-) interest on the debt[2] ≥ 0; and
- {Net debt[4] / [EBITDA[3] (-) QRR]} ≤ 1 / (111% of the Selic rate) (by the end of 2028).

1. QRR = 'Regulatory reintegration quota', or Regulatory depreciation expense.
2. Net debt x 111% of the Selic rate.
3. Calculated EBITDA according to the method defined by the regulator (Aneel), contained in distribution concession contract.
4. Gross debt, less financial assets.

The efficiency criteria related to the continuity of supply and the economic and financial management to maintain the concession of Cemig D was in compliance with above criteria of efficiency as of December 31, 2022 and 2021.

4. 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.

5. CASH AND CASH EQUIVALENTS

	2022	2021
Bank accounts	83,858	104,930
Cash equivalents		
Bank certificates of deposit (CDBs) (1)	309,894	77,814
Automated applications - Overnight (2)	46,948	15,950
	356,842	**93,764**
	440,700	**198,694**

(1) *Bank Certificates of Deposit* (*Certificados de Depósito Bancário*, or CBDs), accrued interest at 80% to 112%, 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 December 31, 2022 (70% to 109% on December 31, 2021). For these CDBs, the Company and its subsidiaries have 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) Automated applications (*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 13.62% to 13.64% on December 31, 2022 (8.87% to 9.14% on December 31, 2021). Their purpose is to settle the short-term obligations of the Company and its subsidiaries, or to be used in the acquisition of other assets with better return to replenish the portfolio.

Note 27 of these financial statements 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.

Accounting policy

Cash and cash equivalents consist of balances in bank current accounts and highly liquid short-term investments, subject to an insignificant risk of change in value, held to meet the Company's short-term cash management.

6. MARKETABLE SECURITIES

	2022	2021
Bank certificates of deposit (1)	30,587	19,689
Financial Notes (LFs) - banks (2)	182,161	345,714
Treasury Financial Notes (LFTs) (3)	64,208	34,937
Debentures (4)	2,647	4,862
Others	1,166	6,166
	280,769	**411,368**
Current asset	**279,717**	**342,243**
Non-current asset	**1,052**	**69,125**

(1) Bank Certificates of Deposit (Certificados de Depósito Bancário, or CBDs), accrued interest varying between 103% to 104.4% 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 December 31, 2022 (107.24% on December 31, 2021).

(2) Bank Financial Notes (*Letras Financeiras*, or LFs) are fixed-rate fixed-income securities, issued by banks and that accrued interest a percentage of the CDI rate published by Cetip. The LFs had remuneration rates varying between 103.3% and 110.26% of the CDI rate on December 31, 2022 (105% and 130% on December 31, 2021).

(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 13.65% and 13.88% in 2022 (9.12% and 9.50% in 2021).

(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 114.29% of the CDI Rate on December 31, 2022 (TR+1% to 109% of the CDI Rate on December 31, 2021).

The accounting policy and the classification of these securities and the financial investments in related parties' securities are stated in notes 27 and 26 of these financial statements. The earnings of these securities are properly stated in the Statements of Cash Flows in the investment activity.

7. RECEIVABLES FROM CUSTOMERS, TRADERS AND 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	2022	2021
Residential	675,451	315,124	303,581	311,189	195,461	1,800,806	1,871,570
Industrial	24,495	64,089	28,602	10,828	127,001	255,015	261,341
Commercial, services and others	278,955	172,908	105,738	97,030	141,928	796,559	765,846
Rural	104,931	65,703	48,367	37,562	35,657	292,220	349,398
Public authorities	43,051	34,495	3,747	386	16,263	97,942	236,355
Public lighting	10,469	530	195	75	1,034	12,303	22,320
Public services	46,181	42,915	2,173	3,873	30,681	125,823	124,974
Subtotal - customers	**1,183,533**	**695,764**	**492,403**	**460,943**	**548,025**	**3,380,668**	**3,631,804**
Concession holders - Transport of energy	64,953	290,536	16,609	5,891	82,283	460,272	400,817
Energy in spot market - supply	-	-	48,439	6,963	913	56,315	77,284
Provision for expected credit losses	(133,335)	(12,580)	(87,254)	(102,973)	(422,715)	(758,857)	(774,871)
	1,115,151	**973,720**	**470,197**	**370,824**	**208,506**	**3,138,398**	**3,335,034**
Current							
Receivables from customers, traders and concession holders						**2,761,370**	**3,021,976**
Concession holders - Transport of energy						**333,642**	**264,910**
Non-current							
Concession holders - Transport of energy						**43,386**	**48,148**

The Company exposure to credit risk related to customers and traders is provided in Note 27 of these financial statements. The transactions involving related parties is provided in Note 26 of these financial statements.

As of August 2022, in order to more adequately reflect the estimate of expected credit losses on overdue customer balances, the limit for full recognition of losses was changed from 12 to 24 months, resulting in a reversal of R$130,569 in 2022 in expected credit losses.

The expected credit losses are considered sufficient to cover eventual losses in the realization of these assets and their composition, by class of consumer, is as follows:

	2022	2021
Residential	269,007	217,594
Industrial	122,227	141,009
Commercial, services and others	194,431	212,464
Rural	31,070	32,795
Public authorities	26,621	44,993
Public lighting	(88)	988
Public services	32,346	37,269
Concession holders - Transport of energy	83,243	87,759
	758,857	**774,871**

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 on June 30, 2019, an amount of R$222,266. The offsetting started in April 2021, after the approval by the State Treasury Department and the formalization of the Agreement Term and Debt Acknowledgment which occurred on March 31, 2021. In December 2022 the last installment of the total of 21 was compensated, in the amount of R$10,584 each.

Changes in the expected credit losses are as follows:

Balance on December 31, 2020	**647,429**
Additions, net	130,175
Amounts written off	(2,733)
Balance on December 31, 2021	**774,871**
Additions, net (Note 24)	238,710
Amounts written off	(124,155)
Change in estimation criteria	(130,569)
Balance on December 31, 2022	**758,857**

Accounting policy

Accounts receivable from customers, traders and power transport concession holders are initially recognized at the sales value of the energy supplied or the value of the gas supplied and are measured at amortized cost. These receivables are stated with the amount of sales tax included, net of the taxes withheld by the payers, which are recognized as recoverable taxes.

For captive customers, the Company adopts in its analysis a simplified approach, considering that the balances of its Accounts Receivable do not have significant financing components and estimates the expected loss considering the average history of non-collection over the total amount billed in each month, based on 24 months of billing, segregated by consumer class and projected for the next 12 months considering the age of maturity of the invoices, including those not yet due and unbilled.

The expected losses for overdue accounts of customers that renegotiated their debt is measured based on the maturity date of the original invoice, despite the new terms negotiated. Expected losses are fully recognized for accounts overdue for more than 24 months.

Expected losses for invoices unbilled, not yet due or less than 12 months past due are measured according to the potential default events, or losses of credit expected for the whole life of a financial instrument, if the credit risk has significantly increased since its initial recognition.

For large customers, the adjustment for expected credit losses is recorded based on policies approved by Management. The main criteria defined by the Company are: (i) for customers with significant amounts outstanding, the balance receivable is analyzed taking into account the history of the debt, ongoing negotiations and real guarantees; and (ii) for large customers, an individual analysis is made of debtors and ongoing initiatives to receive the credits.

8. RECOVERABLE TAXES

	2022	2021
Current		
ICMS (VAT)	404,590	77,705
Cofins (a) (b)	1,170,056	1,502,006
PIS/Pasep (a) (b)	253,606	327,075
Others	413	412
	1,828,665	**1,907,198**
Non-current		
ICMS (VAT) (b)	515,972	312,339
Cofins (a)	19,973	727,425
PIS/Pasep (a)	4,336	157,928
	540,281	**1,197,692**
	2,368,946	**3,104,890**

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 Brazilian 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 this is in agreement with the criterion adopted by the Company for the actions which there is no further appeal. The Company recognized an increase of R$22,539 in the PIS/Pasep and Cofins recoverable amount, referring to the periods in which the Company exclued the ICMS tax paid from these taxes basis of calculation, instead of the ICMS tax stated on invoices.

Based on the opinion of legal advisors, the Company had constituted a liability related to the portion of tax credits corresponding to the period of the last 10 years, that is, from June 2009 to May 2019, net of PIS/Pasep and Cofins levied on its update revenue.
On June 27, the Draft Law 1,280/22, which provided for the full allocation of tax credits related to the issue of PIS/Pasep and Cofins on ICMS to customers of electricity distributors, without

the limitation of the period of 10 years mentioned above was converted into Law 14,385/22 and the Company made an allowance, posting an additional amount in liabilities, as per Note 17.

The Company's management awaits the Law regulation by Aneel, and is assessing possible future actions related to this matter with its legal advisers.

The Company has recorded at December 31, 2022 the amount of R$1,421,739 in current assets (R$1,825,901 at December 31, 2021) and R$24,309 in non-current assets (R$885,353 at December 31, 2021) 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 2022, credits of PIS/Pasep and Cofins taxes were offset against payable federal taxes in the amount of R$1,441,893 (R$1,475,537 in 2021).

b) Other recoverable taxes

The ICMS (VAT) credits 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 financial statements reporting date.

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

9. 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.

	2022	2021
Income tax	61,390	37,388
Social contribution tax	14,888	76,942
	76,278	**114,330**
Current	-	**45,363**
Non-current	**76,278**	**68,967**

The balances of income tax and social contribution tax posted in non-current assets result mainly from advance payments required by the tax legislation, which were higher than the amount of IRPJ/CSLL calculated at the end of the calendar year by the Company.

b) Income tax and social contribution tax payable

The income tax and social contribution tax balances posted in current liabilities refer mainly to taxes due by the company, which are paid on a quarterly basis.

	2022	2021
Current		
Income tax	77,292	-
Social contribution tax	10,751	-
	88,043	**-**

c) Deferred income tax and social contribution tax

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	2022	2021
Deferred tax assets		
Post-employment obligations	1,238,981	1,324,647
Expected credit losses	295,384	292,275
Impairment	22,271	22,552
Operational Provisions (1)	523,338	-
Provisions for contingencies	396,213	350,522
Administrative tax	4,500	4,875
Provision for profit shares	17,773	29,620
Others	8,586	7,029
	2,507,046	**2,031,520**
Deferred tax liabilities		
Adjustment to expectation of cash flow - Concession assets	(212,326)	(207,940)
Borrowing costs capitalized	(169,801)	(164,716)
Funding cost	(5,425)	(2,213)
	(387,552)	**(374,869)**
Total net assets presented in the balance sheet	**2,119,494**	**1,656,651**

(1) This provision arises from Law 14385/22, which specifies that 100% of the amounts arising from tax charged in excess (as defined by the court ruling that PIS, Pasep and Cofins taxes could not be charged on amounts of ICMS tax included within electricity bills) should be reimbursed to consumers. The amount refers to the period as from the 11th year, i.e. as from the date of the final judgment subject to no further appeal, net of the portion included in the 2022 Annual Tariff Adjustment.

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

Balance on December 31, 2020	**1,747,020**
Effects allocated to net income	(22,463)
Effects allocated to Statement of comprehensive income	(67,906)
Balance on December 31, 2021	**1,656,651**
Effects allocated to net income	615,149
Effects allocated to Statement of comprehensive income	(152,306)
Balance on December 31, 2022	**2,119,494**

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

The estimated taxable incomes forecast, on which the realization of deferred tax asset are based, are determined by the annual budget and the long-term budget, both reviewed periodically, and by the historical income. However, the taxable income may be either higher or lower than the evaluation used by the management when the amount of the deferred tax recognized was determined.

Based on the estimative from the Company and its subsidiaries, it is probable that future taxable income will be available against which the unused tax losses and unused tax credits can be utilized and the Company estimated that the balance of deferred tax asset as of December 31, 2022 will be recovered, as follows:

2023	390,610
2024	372,837
2025	372,837
2026	372,837
2027	372,837
2028 to 2030	375,053
2031 to 2032	250,035
	2,507,046

d) 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 (expense recovery) in the statement of income:

	2022	2021
Profit before income tax and social contribution tax	376,911	2,355,404
Nominal rate	34%	34%
Income tax and social contribution tax - nominal expense	(128,150)	(800,837)
Tax effects applicable to:		
Interest on equity and dividends payable	196,021	138,386
Tax incentives	42,010	45,935
Non-deductible contributions and donations	(7,419)	(5,434)
Non-deductible penalties	(40,372)	(21,205)
Others	4,474	(11,708)
	66,564	**(654,863)**
Effective rate	17.66%	27.80%
Current tax	**(548,585)**	**(632,400)**
Deferred tax	**615,149**	**-22,463**

Accounting policy

The income tax and social contribution tax expenses represents the total amount of current and deferred taxes, which are presented separately in the financial statements. The Company is subject to the regular tax regime 'Lucro Real'. The company is subject to the real profit regime for the calculation of taxes on results.

Deferred and current tax items are recognized in correlation to the underlying transaction either in OCI or directly in equity.

Periodically, in accordance with ICPC 22 / IFRIC 23, the Company and its subsidiaries evaluate positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Current

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date.

Advances, or tax credits, are presented as current or non-current assets, in accordance with the expected date of their realization at the balance sheet date, when the tax amounts are duly calculated and offset against advances made.

Deferred

Deferred tax is recognized for temporary differences between the carrying amount of an asset or liability in the statement of financial position and its tax base at the reporting date.

Deferred tax liabilities are recognized for all the inter-temporal tax differences. Deferred tax assets are recognized for all the temporary differences deductible, to the extent that it is probable that future taxable profit will be available for the temporary differences to be offset.

These taxes are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred income tax and social contribution tax assets are reviewed at the reporting date, and are reduced to the extent that their realization is no longer probable or recognized to the extent that it becomes probable that future taxable profits will allow them to be recovered.

The Company offsets deferred tax assets and deferred tax liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on the same taxable entity.

Government grants

The Company has ventures in an area incentivized by SUDENE area, which result in the recognition of its right to a 75% reduction in income tax, including the additional. Such tax incentives, in the form of exemption or reduction of income tax, comply with the concept of government grants and are recognized as income on a systematic basis over the periods that the related income tax expense for which it is intended to compensate, is recorded.

Given the legal restriction on the distribution of net income corresponding to the tax incentive, the Company maintains the amount related to the incentive granted in the tax incentive reserve. More details in note 22 of these financial statements.

10. ESCROW DEPOSITS

	2022	2021
Labor claims	**203,119**	**215,540**
Tax contingencies		
Income tax on Interest on Equity	12,198	11,486
Income tax and Social Security contribution on 'Anuênio' employee indemnity (1)	218,771	207,863
JCP in the Income tax and Social Security contribution calculation base (2)	85,832	81,479
Others	64,197	43,995
	380,998	**344,823**
Others		
Regulatory	31,428	29,425
Third party	5,786	5,696
Customer relations	6,166	6,230
Court embargo	13,056	13,008
Patrimonial	4,448	555
Others	6,278	4,495
	67,162	**59,409**
	651,279	**619,772**

(1) More details in Note 21 - Provisions under the section relating to the 'Anuênio indemnity'.
(2) More details in Note 21 - Provisions - Interest on Equity.

11. REIMBURSEMENT OF TARIFF SUBSIDIES

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

On December 31, 2022, the amount recognized as subsidies revenues was R$936,227 (R$986,310 on December 31, 2021). Of such amounts, Cemig D has a receivable of R$75,189 (R$81,981 on December 31, 2021) in current assets.

On March 10, 2023, Cemig D entered into an agreement for the assignment of credits without co-obligation with Banco ABC Brasil S.A. to anticipate the receivables with CDE in the amount of R$100.000, of which R$25.000 and R$75.000 from the invoices of April and May 2023, respectively.The total amount received on March 10, 2023 was R$97.554.

12. CONCESSION FINANCIAL AND SECTOR ASSETS AND LIABILITIES

FINANCIAL AND SECTORIAL CONCESSION ASSETS	2022	2021
Financial assets related to infrastructure (a)	1,369,652	683,729
Compensation account of change in values of items of the "portion A" CVA and other financial components (b)	944,090	2,147,548
	2,313,742	**2,831,277**
Current asset	**746,031**	**1,221,433**
Non-current asset	**1,567,711**	**1,609,844**

SECTORIAL CONCESSION LIABILITIES	2022	2021
Amounts receivable from Parcel A (CVA) and Other Financial Components (b)	-	(51,359)
Current liability	**-**	**(51,359)**

a) Financial assets related to infrastructure

Contracts concession’s distribution are within the scope of ICPC 01 (IFRIC 12). The financial assets under these contracts refer to the investments made in infrastructure that will be paid by grantor at the end of the concession period. These financial assets 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 on December 31, 2020	**530,058**
Transfers of contract assets (Note 13)	109,842
Transfers to intangible asset (note 14)	(9,392)
Disposals	(530)
Adjustment of expectation of cash flow from the concession financial assets	53,751
Balance on December 31, 2021	**683,729**
Transfers of contract assets (Note 13)	761,711
Transfers to intangible asset (note 14)	(22,581)
Special obligations - Additions	(91,607)
Disposals	(969)
Adjustment of expectation of cash flow from the concession financial assets	39,369
Balance on December 31, 2022	**1,369,652**

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

As established in the amendment to the concession contract, there is a guarantee that in the event of extinction of the concession, for any reason, the Concession-granting power must include, in the total of the reimbursement, the remaining balances (assets and liabilities) of any shortfall in payment or reimbursement through the tariff. 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 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	2022			2021		
	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	**544,370**	**399,720**	**944,090**	**988,850**	**4,133,064**	**5,121,914**
Current asset	544,370	201,661	746,031	988,850	2,397,151	3,386,001
Non-current asset	-	198,059	198,059	-	1,735,913	1,735,913
Liabilities	**-**	**-**	**-**	**(1,040,209)**	**(1,985,516)**	**(3,025,725)**
Current liabilities	-	-	-	(1,040,209)	(1,175,718)	(2,215,927)
Non-current liabilities	-	-	-	-	(809,798)	(809,798)
Total current, net	**544,370**	**201,661**	**746,031**	**(51,359)**	**1,221,433**	**1,170,074**
Total non-current, net	**-**	**198,059**	**198,059**	**-**	**926,115**	**926,115**
Total, net	**544,370**	**399,720**	**944,090**	**(51,359)**	**2,147,548**	**2,096,189**

Financial components	2022			2021		
	Amounts ratified by Aneel in the last tariff adjustment	Amounts to be ratified by Aneel in the next tariff adjustments	Total	Amounts ratified by Aneel in the last tariff adjustment	Amounts to be ratified by Aneel in the next tariff adjustments	Total
Items of 'Parcel A'						
Energy Development Account (CDE) quota	140,528	(139,639)	889	23,593	(90,715)	(67,122)
Tariff for use of transmission facilities of grid participants	4,297	211,497	215,794	145,817	97,203	243,020
Tariff for transport of Itaipu supply	180	17,786	17,966	13,172	(972)	12,200
Alternative power source program (Proinfa)	38,984	(7,872)	31,112	11,427	18,664	30,091
ESS/EER System Service/Energy Charges	377,682	204,843	582,525	30,948	953,014	983,962
Energy bought for resale	233,721	(1,321,656)	(1,087,935)	389,548	1,144,892	1,534,440
Other financial components						
Over contracting of supply (1)	40,617	708,966	749,583	(67,566)	225,237	157,671
Neutrality of Parcel A	(32,683)	235,990	203,307	24,269	73,081	97,350
Billing return - Covid Account (2)	-	-	-	(371,350)	-	(371,350)
Other financial items	(235,974)	537,513	301,539	(230,046)	(225,769)	(455,815)
Excess demand and reactive power	(22,983)	(47,707)	(70,690)	(21,171)	(47,087)	(68,258)
TOTAL	**544,369**	**399,721**	**944,090**	**(51,359)**	**2,147,548**	**2,096,189**

(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. In 2020, Aneel published the Dispatch 2,508, which set new amounts for distributors' over contracting of 2017 in the amount of R$39,270, which was considered in the 2021 tariff process. Due to the administrative appeals submitted to Aneel, the amounts of overcontracting had their values adjusted through Aneel's dispatch 2.168, of 2022. With the publication of the order, and considering the current rules, the amount of R$218,900, pending transfer from 2017, will be considered in the next tariff process. Regarding the amount of R$26,778 related to the 2018 overcontracting, the Company continues to recognize the right and awaits publication of the respective order.

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

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

Balance on December 31, 2020	**(98,641)**
Net constitution of financial assets	1,908,166
Assets realized	237,877
Transfer to other liabilities	(15,120)
Updating - Selic rate (Note 25)	63,907
Balance on December 31, 2021	**2,096,189**
Net constitution of financial assets	(385,630)
Assets realized	(760,929)
(-) Proceeds from loan - Water scarcity account	(190,661)
Updating - Selic rate (Note 25)	185,121
Balance on December 31, 2022	**944,090**

Annual Tariff Adjustment

On June 22, 2022, after an extension of the previous tariffs for 25 days while decision at the federal level on measures for tariff mitigation were expected, Aneel ratified the result of the Cemig D's Annual Tariff Adjustment, to be in effect until May 27, 2023, with average effect on customers of 8.80% - its components included average increases of 14.31% for high-voltage customers, and of 6.23% for customers connected at low voltage. For residential customers served at low voltage, the average increase was 5.22%.

This result arises from: (i) variation of 3.89% in the Portion B costs (manageable costs), due to the IPCA inflation index over the 12 prior months, and (ii) direct pass-throughs within the tariff, which had an impact of 4.91%, but which had no economic effect for the Cemig D, not affecting its profitability, relating to the following items: (a) increase of 4.78% in non-manageable costs (Portion A), mainly related to purchase of energy supply, regulatory charges and transmission charges, including the reducing effect of the R$409,920 inclusion in pass-throughs from the CDE (Energy Development Account) arising from the process of capitalization of Eletrobras;

(b) reduction of 9.32%, referring to the financial components of the current process, in which an important element is inclusion of R$2,810,830 referring to the PIS/Pasep and Cofins taxes credits reimbursement, which generated a negative variation in the tariff of 15.20%; and (c) an effect of 9.45% relating to the financial components of the previous process withdrawal. For more information on the PIS/Pasep and Cofins taxes credits, see Note 17.

Accounting policy

Assets related to the concession

The portion of the value of the assets which will not be fully amortized by the end of the concession is reported as a financial asset because it is an unconditional right to receive cash or another financial asset directly from the grantor. This portion is subsequently measured at the estimated fair value, which represents the New Replacement Value (Valor Nove de reposição, or VNR), based on the Regulatory Remuneration Base of Assets ratified by the regulator (Aneel) in the tariff processes

Impairment

In assessing impairment of financial assets, the Company uses historical trends of the probability of default, timing of recovery and the amounts of loss incurred, adjusted to reflect management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

Additionally, the Management assesses at the end of each reporting period whether there were events or changes in economic, operating or technological circumstances that may indicate deterioration or loss of its recoverable value. If such evidence is identified, the Company estimates the recoverable value of the asset and, if the net book value exceeds the recoverable value, an impairment loss is recognized by adjusting the net book value to the recoverable value. In this case, the recoverable value of an asset or a certain cash generating unit is defined as the higher between the value in use and the net sales value.

13. CONCESSION CONTRACT ASSETS

Changes in concession contract assets are as follows:

Balance on December 31, 2020	**1,141,599**
Additions	1,757,015
Transfers to financial assets (Note 12)	(109,842)
Transfers to intangible assets (Note 14)	(851,183)
Adjustment of assets in progress	(10,937)
Balance on December 31, 2021	**1,926,652**
Additions	3,097,578
Transfers to financial assets (Note 12)	(761,711)
Transfers to intangible assets (Note 14)	(2,412,072)
Adjustment of assets in progress (1)	(595)
Balance on December 31, 2022	**1,849,852**

(1) Refers to the constitution of provisions for losses in the amount of R$19,792 recorded in assets in progress (cancelled works), net of reversal of provisions recorded in prior years in the amount of R$19,197.

The amount of additions in the period of January to December 2022 were R$3,097,578 and includes the amount of R$41,126 under the heading capitalized borrowing costs (R$17,130 in the same period of 2021), as presented in Note 18 of these financial statements. The capitalization of financial charges is a non-cash transaction, and is therefore not reflected in the cash flow statements.

Accounting policy

The assets related to the infrastructure of the concession still under construction are initially recorded as contract assets, considering the Company's right to charge for services rendered to consumers or receive an indemnity at the end of the concession for assets not yet amortized. 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.

14. INTANGIBLE ASSETS

The portion of the distribution infrastructure that will be fully used during the concession is recorded in intangible assets. Assets linked to the concession's infrastructure that are still under construction are posted initially as contract assets, as detailed in Note 13 of these financial statements.

a) Balance composition

	2022			2021		
	Historic cost	Accumulated amortization	Amount, net	Historic cost	Accumulated amortization	Amount, net
Assets of concession	**25,760,065**	**(11,151,378)**	**14,608,687**	**22,935,008**	**(10,473,515)**	**12,461,493**
(-) 'Special obligations' (c)	(5,287,534)	1,809,300	(3,478,234)	(4,773,952)	1,613,335	(3,160,617)
Net concession assets	**20,472,531**	**(9,342,078)**	**11,130,453**	**18,161,056**	**(8,860,180)**	**9,300,876**
Intangible assets in progress	184,465	-	184,465	148,762	-	148,762
Total intangible assets	**20,656,996**	**(9,342,078)**	**11,314,918**	**18,309,818**	**(8,860,180)**	**9,449,638**

b) Changes in intangible assets

Balance on December 31, 2020	**9,207,269**
Additions	45,346
Transfers of financial assets (Note 12)	9,392
Others transfers	126
Disposals	(21,627)
Transfers of contract assets (Note 13)	851,183
Amortization	(642,051)
Balance on December 31, 2021	**9,449,638**
Additions	95,514
Others transfers	91,607
Disposals	(56,544)
Transfers of contract assets (Note 13)	2,412,072
Transfers of financial assets (Note 12)	22,581
Amortization	(699,950)
Balance on December 31, 2022	**11,314,918**

Among the additions made in 2022, in the amount of R$95,514, there were no movements related to financial charges (reversal of R$4,163 in 2021).

The principal annual amortization rates, which take into account the expected useful life of assets, reflect the level of consumption expected from them and are reviewed annually by management, as follows:

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

The average annual and amortization rate of assets linked to the distribution concession is 4.09%, which is representes by activity as follows:

Distribution	Administration
3.91%	15.72%

Under the regulations of the energy segment, property, plant and equipment used in the distribution concession are linked to these services, and cannot be withdrawn, disposed of, assigned or provided in guarantee without the prior express authorization of the Grantor.

c) Special obligations

The balance of intangible assets is reduced by the obligations linked to the concession, which comprise the following:

Obligations Linked to the Concession	2022	2021
Customer Financial Participation (1)	(4,753,794)	(4,246,489)
Participation of the Union, States and Municipalities (2)	(593,689)	(546,171)
Universalization of the Public Electricity Service	(306,080)	(306,080)
Others, Exceeding Demand and Surplus Reactives	(351,017)	(287,957)
Energy Efficiency Program (PEE)	(95,552)	(95,552)
Donations and Grants For Investments in the Service Granted	(4,071)	(4,071)
Research and Development	(6,967)	(5,115)
(-) Accumulated Amortization	1,809,300	1,613,335
Total	**(4,301,870)**	**(3,878,100)**

Allocation	2022	2021
Infrastructure under construction - Contract Asset	(732,030)	(717,483)
Infrastructure - Intangible in Service	(3,478,234)	(3,160,617)
Infrastructure - Financial Asset	(91,606)	-
Total	**(4,301,870)**	**(3,878,100)**

(1) Contributions by consumers: these are the participation of outside parties in works for supply of electricity, as governed by specific regulations.
(2) The contributions of the federal government, states and municipalities refer to the participation of these bodies in works for supply of electricity. In this line, the participation of municipalities is the most significant (59% of the total): these are usually works relating to extension and modification of distribution networks that are not made universally available.

The amortization rate of the linked obligations is the average rate for the activity into which the asset was incorporated. The annual average is 4.11%, which breaks down by activity as follows:

Distribution	Administration
3.95%	15.61%

Accounting policy

The portion of the assets of the concession that will be amortized in their entirety during the period of the concession is classified as an intangible asset and amortized during the concession agreement period as provided for in ICPC 01 (R1) / IFRIC 12 - Concession contracts. The amortization reflects the pattern of consumption of the rights acquired. It is calculated on the balance of the assets linked to the concession, by the straight-line method, based on the application of rates that consider the expected useful life of the electricity distribution assets, which are taken into consideration by the regulator during the process of tariff review.

Intangible assets comprise, mainly, the assets relating to the concession contract for services, described above, and software. They are measured at total acquisition cost, less amortization expenses and accumulated impairment losses, when applicable.

Any gain or loss arising from the derecognition of intangible assets, corresponding to the difference between their carrying amount and net sales value, is recognized in the income statement.

15. LEASING

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 building used as administrative headquarter; and

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 December 2022 were immaterial.

The discount rates were obtained based on incremental borrowing rate, 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
Contracts entered - from August, 2021 to December, 2022		
Up to five years	6.43	0.52

Six to ten years	6.54	0.53
Eleven to fifteen years	6.58	0.54
Sixteen to thirty years	6.60	0.54

(1) Each month the Company calculates the addition to the rate to be applied to the new contracts. For the purposes of publication, these are presented at the average rates used.

a) Right of use assets

Changes in the right of use asset are as follows:

	Imóveis	Veículos	Total
Balance on December 31, 2020	**145,456**	**20,888**	**166,344**
Low (terminated contracts)	(3,941)	-	(3,941)
Addition	6,582	-	6,582
Amortization	(7,222)	(33,782)	(41,004)
Remeasurement	7,526	41,302	48,828
Balance on December 31, 2021	**148,401**	**28,408**	**176,809**
Low (terminated contracts)	(4,090)	-	(4,090)
Addition	1,272	89,583	90,855
Amortization (1)	(7,813)	(30,768)	(38,581)
Remeasurement	12,025	3,160	15,185
Balance on December 31, 2022	**149,795**	**90,383**	**240,178**

(1) Amortization of the Right of Use recognized in the Statement of income is net of use of the credits of PIS/Pasep and Cofins taxes on payments of rentals, a total R$506 in 2022 (R$460 in 2021).

b) Leasing liabilities

The changes in the lease liabilities are as follows:

Balance on December 31, 2020	**177,762**
Addition	6,582
Settled	(4,168)
Interest incurred	20,547
Leasing paid	(56,211)
Interest in leasing contracts	(2,328)
Remeasurement	48,828
Balance on December 31, 2021	**191,012**
Addition	90,855
Disposals (ended contracts)	(4,418)
Interest incurred (1)	21,586
Leasing paid	(51,792)
Interest in leasing contracts	(2,555)
Remeasurement	15,185
Balance on December 31, 2022	**259,873**
Current liabilities	**43,602**
Non-current liabilities	**216,271**

(1) Financial expenses 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$1,404 on December 2022 (R$1,325 in the same period of 2021).

Additions and settled in leases are non-cash transactions, and therefore are not reflected in the Statements of Cash Flows.

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	591,266	259,873
Potential PIS/Pasep and Cofins	43,729	14,813

For lease liability and right of use measuring and remeasuring, the Company 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) / IFRS 16.

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:

Maturity of lease contracts	
2023	45,802
2024	45,602
2025	45,462
2026	45,295
2027	39,445
2028 to 2048	369,660
Undiscounted values	**591,266**
Embedded interest	(331,393)
Lease liabilities	**259,873**

Accounting policy

The Company assesses, when entering into a contract for the supply of goods or services, whether it is or contains a lease, i.e., whether it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Company adopts a single recognition and measurement approach for all leases, except for short-term leases and/or leases of low-value assets. Those agreements that contain leases have been described throughout this note.

At the date of start of the leasing operation, the lessee recognizes a liability to make the payments (a leasing liability) and an asset, representing the right to use the subject asset during the period of the leasing (an asset of right to use).

Right of use assets

Right-of-use assets are measured at cost, less any accumulated amortization and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of Right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are amortized on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as described in Note 15.

If ownership of the leased asset transfers to the Company at the end of the lease term or the cost reflects the exercise of a purchase option, amortization is calculated using the estimated useful life of the asset.

Lease liabilities

At the commencement date of the lease, the Company recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating the lease, if the lease term reflects the Company exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognized as expenses in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

The Company recognizes separately the expenses of interest on the leasing liability and the expense of depreciation of the asset of the right to use.

Short-term leases and leases of low-value assets

The Company applies the short-term lease recognition exemption to its short-term leases. It also applies the lease of low-value assets recognition exemption to leases that are considered to be low value. Lease payments on short-term leases and leases of low value assets are recognized as expense on a straight-line basis over the lease term.

16. SUPPLIERS

	2022	2021
Energy on spot market - CCEE	95,928	122,384
Charges for use of energy network (1)	204,119	181,586
Energy purchased for resale (2)	682,239	999,008
Itaipu Binacional	273,618	331,118
Materials and services	673,819	385,898
	1,929,723	**2,019,994**

(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.
(2) The improvement in the hydrological conditions of the system between the two periods enabled the National System Operator (ONS) to cease dispatching outside the merit order, which reduced the charges paid to cover these dispatches and the effects of availability of the generation plants.

17. TAXES PAYABLE AND AMOUNTS TO BE REFUNDED TO CUSTOMERS

	2022	2021
Taxes and contributions		
Current		
ICMS	53,004	80,087
Cofins	72,901	67,996
PIS/Pasep	15,661	14,595
INSS	27,589	23,259
ISSQN	16,191	11,106
Income tax on Interest on Equity	-	17,968
Others	12,544	11,812
	197,890	**226,823**
Amounts to be refunded to customers		
Current		
PIS/Pasep and Cofins	1,154,798	704,025
ICMS (1)	340,800	-

Non-current		
PIS/Pasep and Cofins	1,632,200	2,132,289
	3,127,798	**2,836,314**
	3,325,688	**3,063,137**

(1) On June 23, 2022, Complementary Law 194 came into force with immediate effect, making changes to the National Tax Code (CTN) and to Complementary Law 87/96 (the 'Kandir Law'), (i) classifying electricity, among other goods, as essential, (ii) prohibiting the setting of rates of ICMS tax for transactions with these goods at a level higher than those of transactions in general, and (iii) removing this tax from electricity transmission and distribution services, and from sector charges linked to transactions in electricity

The amounts of PIS/Pasep, and Cofins taxes to be repaid to consumers in relation to the credits due to Cemig D as a result of the legal action which ruled that ICMS tax was not applicable, totaled R$2,786,998 at December 31, 2022, as described in Note 8 (a). Up to December 2022, a total of R$3,943, 371 had been restituted to clients (R$1,583,314 up to December 2021).

Complementary to the liabilities for the portion of the tax credits corresponding to the period of the last 10 years, the Company posted, in June 2022, the updated amount of R$624,251 arising from ratification of the Annual Tariff Adjustment of 2022, which took into account the effects of Draft Law 1280/22, which was converted into Law 14385/22 on June 27, 2022. The balance posted is net of PIS, Pasep and Cofins taxes on the finance income arising from monetary updating of the amounts in question.

That law specifies that 100% of the amounts arising from tax charged in excess (arising from the ruling that PIS, Pasep and Cofins taxes could not be charged on amounts of ICMS tax included within electricity bills) should be reimbursed to consumers. As a consequence, the updated amount of R$1,479,010 was posted for the 100% reimbursement of the tax credit to consumers, referring to the amount in excess of the amount that had been included in the 2022 Annual Tariff Adjustment relating to the period as from the 11th year, backdated to the date of the final judgment against which there was no further appeal. The Company's management is assessing, with its legal advisers, any future legal actions related to this matter.

In December 2022, the Brazilian Association of Energy Distributors (Abradee) filed a Direct Unconstitutionality Action (ADI) with the Federal Supreme Court (STF) with a request for an injunction against article 1 of Law 14,385/2022, which, by amending Law 9,427/1996, determines and disciplines the destination to the users of the public service of electricity distribution, through tariffs, of the PIS and Cofins tax overpayments refunded as a consequence of the exclusion of the ICMS from their calculation bases, related to Theme No. 69 of the Supreme Court's General Repercussion and arising from lawsuits filed by the distribution companies.

The Company started the reimbursement of the 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 amount of the credits offset and received when the escrow deposit was released.
- On June 22, 2022, Aneel ratified incorporation into the 2022 tariff adjustment, in effect from June 22, 2022 to May 27, 2023, of a negative financial component of R$2,810,830,

corresponding to the reimbursements of the PIS/Pasep and Cofins taxes. There are more details on the credits in Note 8a to this interim financial information. See Note 12b for more information on the Cemig D tariff adjustment.

18. LOANS AND DEBENTURES

Financing source	2022						2021
	Principal maturity	Annual financial cost %	Currency	Current	Non-current	Total	Total
BRAZILIAN CURRENCY							
Eletrobrás	2023	UFIR+6to8.00 %	R$	2,380	-	2,380	5,647
Total of loans				2,380	-	2,380	5,647
Debentures - 3th Issue - 3rd Series (1)	2025	IPCA+5.10%	R$	329,679	582,199	911,878	1,147,465
Debentures - 7th Issue - 1st Series (1)	2024	CDI+0.454%	R$	544,698	269,999	814,697	1,355,933
Debentures - 7th Issue - 2nd Series (1)	2026	IPCA+4.10%	R$	3,267	1,861,280	1,864,547	1,759,628
Debentures - 8th Issue - 1st Series (1)	2027	CDI+1.35%	R$	3,095	500,000	503,095	-
Debentures - 8th Issue - 2nd Series (1)	2029	IPCA+6.10%	R$	1,422	505,986	507,408	-
(-) Discount on the issuance of debentures (2)				-	(12,048)	(12,048)	(15,002)
(-) Transaction costs				(746)	(15,213)	(15,959)	(6,510)
Total of debentures				**881,415**	**3,692,203**	**4,573,618**	**4,241,514**
Total loans and debentures				**883,795**	**3,692,203**	**4,575,998**	**4,247,161**

(1) Nominal, unsecured, book-entry debentures not convertible into shares, with no renegotiation clauses;
(2) Discount on the sale price of the 2nd series of the Seventh and Eighth issue.

Funding raised

On June 29, 2022, the Company completed its 8th issue of non-convertible debentures, with surety guarantee, in two Series, for a total of R$1,000,000, which were the subject of a public offering for distribution, with restricted placement efforts, in accordance with CVM regulations.

The following were placed in this Restricted Offering: (i) First Series: 500,000 Debentures, with total amount of R$500,000, remuneration at the CDI Rate +1.35%, and maturity at five years, the proceeds being allocated to strengthening the Company's cash position; and (ii) Second Series: 500,000 Debentures, with total amount of R$500,000, remuneration at the CDI Rate + 6.10%, and maturity at seven years, the proceeds being allocated to expenditure on the project to expand electricity distribution, as detailed in the issue documents of the Debentures.

Financing source	Entry Date	Due Date Principal	Financial charges	Value
BRAZILIAN CURRENCY				
Debentures - 8th Issue - 1st Series	June 2022	2027	CDI + 1.35%	500,000
Debentures - 8th Issue - 2nd Series	June 2022	2029	IPCA + 6.10%	500,000
(-) Transaction costs				(12,103)
(-) Discount on the issuance of debentures (1)				(375)
Total funding raised				**987,522**

(1) Discount on the issuance of debentures related to the 2nd series of debentures.

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

	2023	2024	2025	2026	2027	2028 onwards	Total
Indexers							
IPCA (1)	334,368	291,100	1,221,739	930,640	-	505,986	3,283,833
UFIR/RGR (2)	2,380	-	-	-	-	-	2,380
CDI (3)	547,793	269,999	-	-	500,000	-	1,317,792
Total by Indexers	**884,541**	**561,099**	**1,221,739**	**930,640**	**500,000**	**505,986**	**4,604,005**
(-) Transaction costs	(746)	(413)	(1,839)	(1,759)	(962)	(10,240)	(15,959)
(-) Discount	-	-	(5,850)	(5,850)	-	(348)	(12,048)
Total	**883,795**	**560,686**	**1,214,050**	**923,031**	**499,038**	**495,398**	**4,575,998**

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

Changes in loans and debentures are as follows:

Balance on December 31, 2020	**5,097,240**
Monetary variation	285,357
Exchange rate variation	(629)
Financial charges provisioned	209,689
Amortization of transaction cost	1,788
Financial charges paid	(222,710)
Amortization of financing	(1,123,574)
Balance on December 31, 2021	**4,247,161**
Borrowings	1,000,000
Transaction costs	(12,103)
Discount on the issuance of debentures	(375)
Funding raised, net	987,522
Monetary variation	162,341
Exchange Variation	-
Accrued financial charges	306,393
Amortization of transaction cost	2,655
Financial charges paid	(310,066)
Amortization of financing	(820,008)
Balance on December 31, 2022	**4,575,998**

Borrowing costs, capitalized

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

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

	2022	2021
Costs of loans and debentures	306,393	209,689
Financing costs on intangible assets and contract assets (1) (Notes 13 and 14)	(41,126)	(12,967)
Net effect in Profit or loss	**265,267**	**196,722**

(1) The average capitalization rate p.a. on December 31, 2022 was 11.33% (10.05% on December 31, 2021).

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 December 31, 2022, were as follows:

Surety and receivables	2,663,027
Promissory notes and Sureties	911,638
Receivables	998,953
Shares	2,294
Unsecured	86
TOTAL	**4,575,998**

Restrictive covenants

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 (“cross default”).

The Company has contract with financial covenants as follows:

Security (2)	Covenant	Ratio required Cemig D-Issuer	Ratio required Cemig (guarantor)	Compliance required
7th and 8th debenture issue	Net debt / (Ebitda adjusted) (1)	The following or less: 3.5	Ratio to be the following, or less: 3.0	Half-yearly and annual

(1) Adjusted Ebtida corresponds to earnings before interest, income taxes and social contribution on net income, depreciation and amortization, calculated in accordance with CVM Resolution 156, dated June 23, 2022, from which non-operating income, any credits and non-cash gains that increase net income are subtracted, to the extent that they are non-recurring, and any cash payments made on a consolidated basis during such period in respect of non-cash charges that were added back in the determination of Ebtida in any prior period, and increased by non-cash expenses and non-cash charges, to the extent that they are non-recurring.

(2) Non-compliance with financial covenants leads to early maturity, creating immediate demandability of payment by the Company of the Nominal Unit Value or the Updated Nominal Unit Value (as the case may be) of the debentures, plus any other charges due, without the need for advice, notification or any action through the courts or otherwise.

Management monitors these indexes, so that the conditions are satisfied.

19. REGULATORY CHARGES

	2022	2021
Liabilities		
Energy Efficiency Program (EEP)	220,801	237,426
Research and development (R&D)	112,458	89,947
Energy System Expansion Research	3,226	3,677
National Scientific and Technological Development Fund	6,735	7,638
Energy Development Account (CDE) (2)	46,557	46,557
CDE on R&D (1)	2,021	2,291
CDE on PEE (1)	4,041	4,583
Global Reversion Reserve (RGR)	24,545	24,545
Emergency capacity charge	26,325	26,325
Aneel inspection charge	2,101	1,809
Customer charges - Tariff flags (3)	16	251,837
	448,826	**696,635**
Current liabilities	**393,389**	**499,178**
Non-current liabilities	**55,437**	**197,457**

(1) Refers to the amount transferred from the R&D account, which will be paid as CDE over R&D, in accordance with Aneel Dispatch 904 of March 30, 2021.

(2) Charging of the 'CDE Covid Account' began in May 2021, as ratified by Dispatch 939 of April 5, 2021, under Normative Resolution 885 of June 23, 2020.

(3) The variation arises from different activation of the Flag Tariffs: the Water Scarcity flag was in effect in December 2021, and the Green Flag was in effect in June 2022.

20. POST-EMPLOYMENT OBLIGATIONS

Forluz Pension plan (a Supplementary retirement pension plan)

The Company is one of the sponsors of Forluz - Forluminas Social Security Foundation, a non-profit legal entity whose object is to provide its associates and participants and their dependents with a finance income to complement retirement and pension, in accordance with the pension plan that they are subscribed in.

Forluz provides the following supplementary pension benefit plans available to its participants:

<u>Mixed Benefit Plan ('Plan B'):</u> This plan operates as a defined-contribution plan in the fund accumulation phase for retirement benefits for normal time of service, and as a defined-benefit plan for disability or death of participants still in active employment, and for receipt of benefits for time of contribution. The Sponsors match the basic monthly contributions of the participants. This is the only plan open for joining by new participants. The actuarial risks related to Plan B occur only as from the option for the lifetime benefit at the moment of the participant's retirement. In this specific case the responsibility for the risk of insufficiency of reserves for coverage of the benefits (deficits) is in parity between sponsors and participants.

<u>Funded Benefit Plan ('Plan A'):</u> This plan includes all currently employed and assisted participants who opted to migrate from the Company's previously sponsored defined benefit plan, and are entitled to a benefit proportional to those balances. For participants who are still working, this benefit has been deferred to the retirement date The benefit balances of Plan A have the characteristic of lifetime payment, and the responsibility for the risk of insufficiency of reserves to cover the benefits (deficits) is exclusively that of the sponsors.

The Company also maintain, independently of the plans made available by Forluz, contribute to a health plan and a dental plan for the active employees, retired employees and dependents, administered by Cemig Saúde.

Life insurance

Until the end of the Collective Agreement in effect up to October 2021, the Company made available coverage of 50% of the cost of the life insurance policy, with certain specific characteristics, for retirees.

However, as a result of the amendment in the Collective Work Agreement for 2021-23, in relation to offer and payment of life insurance for the employees and former employees, the Company understood that the post-retirement benefit in question had been canceled in its entirety, in the fourth quarter of 2021, and as a result wrote off the balance of the obligation, remeasured using the revised actuarial assumptions, recognized in the income statement and

Stockholders' equity, in the amounts of R$309,013, and R$58,860, respectively, totaling R$367,873.

In February 2022, the Association of Retired Energy Workers and Pension Holders of Cemig and its Subsidiaries (*Associação dos Eletricitários Aposentados e Pensionistas da Cemig e Subsidiárias - AEA/MG*) filed an injunction ordering the Company to comply with and maintain in full the same terms relating to coverage of the life insurance premium as were previously practiced. However, the Regional Employment Law Appeal Court of the 3rd Region refused this application, on the grounds that this had been validly decided in the collective agreement. In view of this, the Company's legal advisors assessed the probability of loss of this lawsuit as remote.

Actuarial obligations and recognition in the financial statements

On this Note the Company discloses its obligations and expenses incurred for purposes of the Retirement Plan, Health Plan, Dental Plan and the Life Insurance Plan in accordance with the terms of CPC 33 (R1) / IAS 19 - Employee Benefits, and the independent actuarial opinion issued as of December 31, 2022.

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

Forluz and the sponsors Cemig, Cemig GT and Cemig D have signed a Debt Assumption Instrument to cover the deficit of Plan A for the years of 2015, 2016 e 2017. On December 31, 2022 the total amount payable by Cemig as a result of the Plan A deficit is R$396,483 (R$390,458 on December, 31, 2021, 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$263,620, and up to 2033 for the 2017 deficit, in the amount of R$132,863. 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.

Restricted deposits made to Forluz

Resolution of the 2019 deficit

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, which occurred in 2019. The total amount to be paid by the Company to cover the deficit, 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$12,053 (R$4,914 on December 31, 2021) in consignment, 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 of Consignment in Payment.

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$160,425, for the 2019 business year.

In May 2022 the first instance of the Employment-law Appeal Court of Minas Gerais gave a decision in favor of Forluz, and against the Company's application - but in this dispute appeal lies to higher instances. As a result the Company, based on the assessments of its specialists,

has opted to maintain the assessment of chances of loss in the action as 'possible'.

Resolution of the 2020 deficit

On March 31, 2022, in view of the divergences mentioned in the previous item, payment on account of the 2020 deficit of Plan A was begun, with deposit of the first tranche, limited to 50% of the amounts specified in the Plan proposed by Forluz, in obedience to the constitutional rule of parity of contribution. Forluz appealed, exercising its procedural right, on April 18, 2022. The amount deposited by the Company was R$7,881 on December 31, 2022. This will be held in escrow, available to Forluz, by an official bank.

The total amount to be paid by the Company arising from the deficit ascertained in Plan A, without considering contribution parity, is R$182,316, in 158 monthly payments, with remuneratory interest of 6% per year on the outstanding balance, plus inflation as measured by the IPCA-IBGE (Expanded National Consumer Price) index. If the plan reaches actuarial balance before the full period of amortization of the contract, the Company is dispensed from payment of the remaining installments and the contract is extinguished.

Debt agreed with the pension fund (Forluz)

On December 31, 2022, the Company and its subsidiaries have recognized an obligation for past actuarial deficits relating to the pension fund in the amount of R$182,140 on December 31, 2022 (R$278,580 on December 31, 2021). This amount has been recognized as an obligation payable by Cemig and its subsidiaries, and will be amortized until June of 2024, through monthly installments calculated by the system of constant installments (known as the 'Price' table) and adjusted by the IPCA (Expanded National Customer Price) inflation index (published by the Brazilian Geography and Statistics Institute - IBGE) plus 6% per year. The Company is required to pay this debt even if Forluz has a surplus, thus, the Company maintain recorded the debt in full, and record the effects of monetary updating and interest in finance income (expenses) in the statement of income.

Actuarial information

2022	Pension plans and retirement supplement plans	Health plan	Dental plan	Total
Present value of obligations	6,766,866	2,392,168	43,413	9,202,447
Fair value of plan assets	(5,441,522)	-	-	(5,441,522)
Initial net liabilities	**1,325,344**	**2,392,168**	**43,413**	**3,760,925**
Adjustment to asset ceiling	64,072	-	-	64,072
Net liabilities in the statement of financial position	**1,389,416**	**2,392,168**	**43,413**	**3,824,997**

2021	Pension plans and retirement supplement plans	Health plan	Dental plan	Total
Present value of obligations	7,225,191	2,503,024	46,763	9,774,978
Fair value of plan assets	(5,614,388)	-	-	(5,614,388)
Initial net liabilities	**1,610,803**	**2,503,024**	**46,763**	**4,160,590**
Adjustment to asset ceiling	12,805	-	-	12,805
Net liabilities in the statement of financial position	**1,623,608**	**2,503,024**	**46,763**	**4,173,395**

The asset ceiling is the present value of any economic benefits available in the form of restitutions coming from the plan or reductions in future contributions to the plan.

The present value of the liabilities of the pension plan is adjusted to the asset ceiling, which corresponds to the surplus result of Plan B, which has a specific destination allocation under the regulations of the National Private Pension Plans Council (CNPC).

Changes in the present value of the defined benefit obligation are as follows:

	Pension plans and retirement supplement plans	Health plan	Dental plan	Life insurance	Total
Defined-benefit obligation at December 31, 2020	**8,088,978**	**2,400,299**	**45,751**	**410,232**	**10,945,260**
Cost of current service	922	15,187	355	2,381	18,845
Cost of past services (1)	-	-	-	(309,012)	(309,012)
Interest on actuarial obligation	537,239	167,161	3,241	29,265	736,906
Actuarial losses (gains):					
Due to changes in demographic assumptions	195,864	84,353	769	(10,974)	270,012
Due to changes in financial assumptions	(1,434,634)	(190,141)	(3,334)	(95,615)	(1,723,724)
Due to adjustments based on experience	423,862	151,060	2,101	(18,811)	558,212
	(814,908)	**45,272**	**(464)**	**(125,400)**	**(895,500)**
Benefits paid	(587,040)	(124,895)	(2,120)	(7,466)	(721,521)
Defined-benefit obligation at December 31, 2021	**7,225,191**	**2,503,024**	**46,763**	**-**	**9,774,978**
Cost of current service	987	11,448	261	-	12,696
Cost of past services (2)	(2,601)	-	-	-	(2,601)
Interest on actuarial obligation	735,238	261,416	4,883	-	1,001,537
Actuarial losses (gains):					
Due to changes in demographic assumptions	(4,312)	(1,046)	67	-	(5,291)
Due to changes in financial assumptions	(508,981)	(222,897)	(3,950)	-	(735,828)
Due to adjustments based on experience	(36,130)	(10,544)	(2,011)	-	(48,685)
	(549,423)	**(234,487)**	**(5,894)**	**-**	**(789,804)**
Benefits paid	(642,526)	(149,233)	(2,600)	-	(794,359)
Defined-benefit obligation at December 31, 2022	**6,766,866**	**2,392,168**	**43,413**	**-**	**9,202,447**

(1) Due to the alterations made in the Collective Work Agreement for 2021-23, for offer and payment of life insurance for the employees and former employees, the Company understood that the post-retirement benefit in question had been entirely canceled, and as a result wrote down the balance of the obligation, remeasured using the revised actuarial assumptions.

(2) Refers to the alterations of the conditions in Plan B for applying for Improvement of pension for time of contribution, or due to special reasons, or age ('MAT').

Changes in the fair values of the plan assets

	Pension plans and retirement supplement plans
Fair value of plan assets at December 31, 2020	**6,310,292**
Return on investments	(279,672)
Contributions from employer	170,808
Benefits paid	(587,040)
Fair value of plan assets at December 31, 2021	**5,614,388**
Return on investments	272,618
Contributions from employer	197,042
Benefits paid	(642,526)
Fair value of plan assets at December 31, 2022	**5,441,522**

The amounts recognized in 2022 and 2021 statement of income are as follows:

2022	Pension plans and retirement supplement plans	Health Plan	Dental Plan	Total
Current service cost	987	11,448	261	12,696
Past service cost	(2,601)	-	-	(2,601)
Interest on the actuarial obligation	735,238	261,416	4,883	1,001,537
Expected return on the assets of the Plan	**(563,198)**	**-**	**-**	**(563,198)**
Expense (recovery of expense) in 2022 according to actuarial calculation	**170,426**	**272,864**	**5,144**	**448,434**

2021	Pension plans and retirement supplement plans	Health Plan	Dental Plan	Life insurance	Total
Current service cost	922	15.187	355	2.381	18.845
Past service cost	-	-	-	(309.012)	(309.012)
Interest on the actuarial obligation	537.239	167.161	3.241	29.265	736.906
Expected return on the assets of the Plan	(414.912)	-	-	-	(414.912)
Expense (recovery of expense) in 2021 according to actuarial calculation	**123.249**	**182.348**	**3.596**	**(277.366)**	**31.827**

Changes in net liabilities

	Pension plans and retirement supplement plans	Health Plan	Dental Plan	Life insurance	Total
Net liabilities at December 31, 2020	**1,790,299**	**2,400,299**	**45,751**	**410,232**	**4,646,581**
Expense recognized in statement of income	123,249	182,348	3,596	31,646	340,839
Cost of past service	-	-	-	(309,012)	(309,012)
Contributions paid	(170,808)	(124,895)	(2,120)	(7,466)	(305,289)
Actuarial losses (gains)	(119,132)	45,272	(464)	(125,400)	(199,724)
Net liabilities at December 31, 2021	**1,623,608**	**2,503,024**	**46,763**	**-**	**4,173,395**
Expense recognized in statement of income	173,027	272,864	5,144	-	451,035
Cost of past service	(2,601)	-	-	-	(2,601)
Contributions paid	(197,042)	(149,233)	(2,600)	-	(348,875)
Actuarial losses (gains)	(207,576)	(234,487)	(5,894)	-	(447,957)
Net liabilities at December 31, 2022	**1,389,416**	**2,392,168**	**43,413**	**-**	**3,824,997**
				2022	**2021**
Current liabilities				**274,904**	**244,559**
Non-current liabilities				**3,550,093**	**3,928,836**

Amounts recorded as current liabilities refer to contributions to be made by Cemig and its subsidiaries 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$419,633 (R$18,601 of expense recovery on December 31, 2021), plus the finance expenses and monetary updating on the debt with Forluz, in the amounts of R$28,801 (R$50,428 on December 31, 2021).

Sensitivity analysis and estimates for the following year

The independent actuary's estimation for the expense to be recognized for 2023 is as follows:

2023	Pension plans and retirement supplement plans	Health Plan	Dental Plan	Total
Current service cost	161	10,419	248	10,828
Interest on the actuarial obligation	756,780	274,175	4,977	1,035,932
Expected return on the assets of the Plan	(593,816)	-	-	(593,816)
Estimated total expense in 2023 as per actuarial report	**163,125**	**284,594**	**5,225**	**452,944**

The expectation for payment of benefits for 2023 is as follows:

2023	Pension plans and retirement supplement plans	Health Plan	Dental Plan	Total
Estimated payment of benefits	666,343	157,087	2,742	826,172

Cemig Distribuição expects to make contributions to the pension fund in 2023 in the amount of R$188,630 to amortize the deficit of Plan A and R$58,165 for the Defined Contribution Plan (recorded directly in the result for the year).

The Company has expectation of making contributions to the pension plan in 2022 of R$188,630 for amortization of the deficit of Plan A, and R$58,165 for the Defined Contribution Plan (recorded directly in the Statement of income for the year).

Below is a sensitivity analysis of the liabilities effect of changes in the main actuarial assumptions used to determine the defined-benefit obligation at December 31, 2022:

Effects on the defined-benefit obligation	Pension plans and retirement supplement plans	Health plan	Dental plan	Total
Reduction of one year in the mortality table	145,122	37,517	674	183,313
Increase of one year in the mortality table	(147,794)	(38,496)	(691)	(186,981)
Reduction of 1% in the discount rate	582,976	305,305	5,333	893,614

In the presentation of the sensitivity analysis, the present value of the defined-benefit obligation was calculated using the Projected Unit Credit method, the same method used to calculate the defined-benefit obligation recognized in the Statement of financial position.

The average maturity periods of the obligations of the benefit plans, in years, are as follows:

Pension plans and retirement supplement plans		Health plan	Dental plan
Plan A	Plan B		
8.73	10.83	12.79	12.37

The main categories plan's assets, as a percentage of total plan's assets are as follows:

	2022	2021
Shares	6.45%	7.77%
Fixed income securities	76.89%	73.95%

Real estate property	4.89%	5.04%
Others	11.77%	13.24%
Total	**100.00%**	**100.00%**

The following assets measured at fair value, are related to the Company and are not considered plan assets. According to the requirement of the standards, the amount are presented for information purpose:

	2022	2021
Non-convertible debentures issued by the Company	136,672	226,032
Real estate properties of the Foundation, occupied by the Company	208,710	214,396
	345,382	**440,428**

Main actuarial assumptions

	2022		2021		
	Pension plans and retirement supplement plans	Health plan and Dental plan	Pension plans and retirement supplement plans	Health plan and Dental plan	Life insurance
Annual discount rate for present value of the actuarial obligation	11.73%	11.83%	10.60%	10.75%	10.73%
Annual expected return on plan assets	11.73%	Not applicable	10.60%	Not applicable	Not applicable
Long-term annual inflation rate	5.31%	5.31%	5.03%	5.03%	5,03%
Estimated future annual salary increases	5.31%	Not applicable	5.03%	Not applicable	6,29%
General mortality table	AT-2000 S10% by sex	AT-2000 M&F S10% D20%	AT-2000 S10% by sex	AT-2000 M&F S10% D20%	AT-2000 M&F S10% D20%
Disability table	Not applicable	Álvaro Vindas increase of 30%	Not applicable	Tasa 1927 increase of 100%	Tasa 1927 increase of 100%
Disabled mortality table	AT-83 IAM Male	MI-85 Female	AT-83 IAM Male	MI-85 Female	MI-85 Female
Real growth of contributions above inflation	-	1%	-	1%	-

The Company has not made changes in the methods used to calculate its post-employment obligations for the years ended December 31, 2022 and 2021.

Accounting policy

In the case of retirement obligations, the liability recognized in the balance sheet with respect to defined benefit pension plans is the greater of the debt agreed with the foundation for amortization of actuarial obligations and the present value of the actuarial obligation, calculated by means of an actuarial report, less the fair value of the plan's assets. The actuarial valuation involves the use of assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates, and future increases in retirement and pension benefits. All assumptions are reviewed at each base date.

Expenses related to the debt agreed upon with the pension trust fund were recorded in finance income (expenses), because they represent financial interest and inflation adjustment. Other expenses related to the pension fund were recorded as operating expenses.

Actuarial gains and losses arising as a result of changes in actuarial assumptions are recognized in other comprehensive income and shall not be reclassified to Statement of income in a subsequent period.

The past service cost, due change or withdrawal of the defined benefit plan, and the gain or loss on settlement of obligations, are determined by remeasurement of the net present value of the obligation, using the revised actuarial assumptions, and is recognized directly in the Statement of income for the year in which the change, withdrawal or settlement is made.

21. PROVISIONS

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

In this context, considering the assessment of the Company and its legal advisers, provisions were constituted for the legal actions in which the expectation of loss is assessed as 'probable', as follows:

	2021	Additions	Reversals	Settled	2022
Labor	293,731	87,052	(18,991)	(64,481)	297,311
Civil					
Customer relations	31,015	40,713	(7)	(35,042)	36,679
Other civil actions	36,127	10,856	(3,439)	(10,857)	32,687
	67,142	51,569	(3,446)	(45,899)	69,366
Tax	797,442	182,686	(42,436)	(372)	937,320
Regulatory	32,545	4,547	(2,063)	(736)	34,293
Others	12,730	17,081	(8,409)	(17,068)	4,334
Total	**1,203,590**	**342,935**	**(75,345)**	**(128,556)**	**1,342,624**

	2020	Additions	Reversals	Settled	2021
Labor	337,064	45,485	(44,073)	(44,745)	293,731
Civil					
Customer relations	21,540	34,884	-	(25,409)	31,015
Other civil actions	29,117	19,083	-	(12,073)	36,127
	50,657	53,967	-	(37,482)	67,142
Tax	815,454	71,115	(88,929)	(198)	797,442
Regulatory	29,627	4,943	(100)	(1,925)	32,545
Others	13,960	6,902	(1,984)	(6,148)	12,730
Total	**1,246,762**	**182,412**	**(135,086)**	**(90,498)**	**1,203,590**

Also, there are legal actions in which the chances of loss have been assessed as 'possible', since the Company's legal advisers have assessed the actions as having a possibility of being decided in favor of the Company, and provisions have not been constituted for them - as follows:

Possible losses	2022	2021
Labor	997,927	934,182
Civil		
Customer relations	194,128	117,896
Other civil actions	444,688	340,230
	638,816	458,127
Tax	1,191,496	1,146,816
Regulatory	869,338	736,024
Others (1)	949,190	855,718
Total	**4,646,767**	**4,130,866**

(1) The main figures are presented in specific paragraphs in the Provisions chapter.

The Company 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 financial statements in relation to the the timing of any cash outflows, or any possibility of reimbursements.

The Company believes that any disbursements in excess of the amounts provisioned, when the respective claims are completed, will not significantly affect the Company and its subsidiaries' result of operations or financial position.

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

<u>Tax</u>

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 amount of the contingency is approximately R$152,686 (R$120,923 on December 31, 2021), of which R$10,091 (R$7,866 on December 31, 2021) has been recorded - the amount estimated as probably necessary for settlement of these disputes.

Social Security contributions on income 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.

In August 2022, the Higher Tax Appeal Chamber (CSRF) of the Tax Appeals Council (CARF), changing its case law, canceled claims for Social Security contributions on amounts paid as income-sharing. The Chamber recognized that there was no change in the identity or type of the payment of these amounts, provided that they were paid to the employees after signature of the related agreement, whether or not that signature had been given after the start of the period to which the calculation of targets referred. Based on this decision, the Company altered its expectation for the contingency for losses related to the income-sharing payments that are still in proceedings in the administrative sphere, from 'probable' to 'possible', resulting in a reduction of R$42,433 in the provision. The Company continues to monitor the legal actions in progress in the judiciary, for which it has maintained the assessment of chances of loss as 'probable', thus maintaining the related provisioning.

The amount of the contingencies is approximately R$982,070 (R$886,365 on December 31, 2021), of which R$829,721 has been provisioned (R$789,576 on December 31, 2021), this being the estimate of the probable amount of funds to settle these disputes.

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 nor Social Security contributions in relation to these amounts because it believed that amounts paid as indemnity are not taxable. However, given the possibility of dispute and to avoid risk of future penalty payments, the Company and its subsidiaries filed legal actions for recognition of the right of non-taxation on these Anuênio payments, making separate submissions and argument in relation to (a) income tax and (b) the social security contribution, in the aggregate historic amount of R$87,268, which is considered sufficient for payment of the lawsuit.

In the action relating to applicability of the social security contribution, a court judgment was given that impedes consideration of an appeal to the Federal Supreme Court - thus consideration by the Higher Appeal Court remains. Additionally, in October 2022, a judgment was published refusing to recognize the Special Appeal filed by the Company, reducing the chances of success in the action. As a result the assessment of the chances of loss in this action were altered from 'possible' to 'probable', and a provision made for the amount deposited in escrow. The chances of loss in the action relating to applicability of income tax on the amounts of the anuênios, due to its current phase of procedure, have been maintained as 'possible'. The amount of the contingency is approximately R$218,772 (R$207,863 on December 31, 2021), of which R$97,508 (R$92,834 on December 31, 2021) has been provisioned.

Social Security contributions

The Brazilian federal tax authority (Secretaria da Receita Federal) has filed administrative proceedings related to several 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$112,362 (R$101,475 on December 31, 2021). 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$60,454 (R$88,563 on December 31, 2021), 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 several alleged infringements. The amount of this contingency is R$355,930 (R$309,008 on December 31, 2021). The Company evaluated the tax treatments adopted, which are susceptible to questioning by the tax authorities, and concluded that it is more likely than not that they will be accepted by the tax authorities.

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$66,693 (R$60,079 on December 31, 2021).

Reversal of credits in calculation of PIS/ Pasep and Cofins taxes

On August of 2021 the Brazilian tax authority (Receita Federal do Brasil) issued two infringement notices relating to calculation of the PIS, Pasep and Cofins taxes, for tax triggering events from August 2016 and December 2017, alleging insufficiency of payment of these contributions on the basis of supposed undue posting as credits of the expenses on the Proinfa charge, and absence of reversal of the credits related to non-technical losses. The Company is contesting these infringement notices. On December 31, 2022 the amount of the contingency is R$179,848 (R$161,780 on December 31, 2021); the Company has classified the chances of loss as ‘possible’, due to the scarcity of case law on the subject.

Labor claims

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

The amount of the contingency is approximately R$1,295,238 (R$1,279,002 at December 31, 2021), of which R$297,311 (R$293,731 at December 31, 2021) has been recorded - the amount estimated as probably necessary for settlement of these disputes.

Customers claims

The Company is involved in various civil actions relating to indemnity for personal 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$230,807 (R$148,911 at December 31, 2021), of which R$36,679 (R$31,015 at December 31, 2021) 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 personal and material damages, among others, arising from incidents occurred in the normal course of business, in the amount of R$477,375 (R$376,357 on December 31, 2021), of which R$32,687 (R$36,127 at December 31, 2021) 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: (i) tariff charges in invoices for use of the distribution system by a self-producer; (ii) alleged violation of targets for continuity indicators in retail supply of energy; and (iii) the tariff increase made during the federal government's economic stabilization plan referred to as the 'Cruzado Plan', in 1986. The amount of the contingency is approximately R$374,696 (R$311,883 on December 31, 2021), of which R$34,293 (R$32,545 at December 31, 2021) has been recorded as provision - the amount estimated as probably necessary for settlement of these disputes.

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 several 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$45,642 (R$43,312 on December 31, 2021).

Inefficiency in provision of services

A public class action brought by the Public Attorneys' Office of Minas Gerais state against the Company, alleging inefficiency in provision of services and distribution of electricity to the consumers of the municipality of Rio Vermelho. In November 2022 the parties entered into a settlement, in which the Company assumed the responsibility to carry out works for improvement of the services provided to the municipality of Rio Vermelho. As a result of ratification of this settlement, the chances of loss in this action of the amount of the contingency of R$302,970, at December 31, 2022, were reassessed to 'remote'.

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$483,294 (R$413,375 on December 31, 2021). The Company has classified the chances of loss as 'possible' due to other favorable decisions on this matter.

<u>Other legal actions in the normal course of business</u>

The Company is involved, on the plaintiff or defendant side, in other litigation, on a lesser scale, including: environmental matters; removal of residents from risk areas; and indemnities for rescission of contracts, related to the normal course of its operations - in the estimated amount of R$259,881 (R$250,436 at December 31, 2021), of which R$4,193 has been provisioned (R$11,920 on December, 31, 2021), this being the probable estimate of funds required to settle these matters.

'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$470,248 (R$419,869 on December 31, 2021). Of this total, R$141 (R$810 on December 31, 2021) has been provisioned the amount estimated as probably necessary for settlement of these disputes.

Contractual imbalance

Cemig D is party in other disputes arising from alleged non-compliance with contracts in the normal course of business, for an estimated total of R$223,395 (R$198,144 on December 31, 2021). Cemig D has classified the chance of loss as 'possible', after analysis of the case law on this subject.

22. EQUITY AND REMUNERATION TO SHAREHOLDERS

a) Share capital

On December 31, 2022 and December 31, 2021 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:

	2022	2021
Total number of shares	2,359,113,452	2,359,113,452
Net income for the year	443,475	1,700,541
Basic and diluted earnings per common share (R$)	**0.19**	**0.72**

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

c) Equity valuation adjustments

The adjustments to post-employment benefit obligations comprise gains or losses resulting from re-measurements of the net defined-benefit obligation, in accordance with the actuarial report, net of tax effects: on December 31, 2022 this balance is R$1,537,720 (R$1,833,371 on December 31, 2021).

d) Profit Reserves

The composition of the Profit reserves account is shown as follows:

	2022	2021
Profit reserves		
Legal reserve	498,528	477,144
Reserve for tax incentives - SUDENE	91,269	75,473
Retained profit reserve	2,681,185	2,851,422
	3,270,982	**3,404,039**

<u>Legal reserve</u>

Constitution of the legal reserve is mandatory, up to the limits established by law. The purpose of the reserve is to ensure the security of the share capital, its use being allowed only for offsetting of losses or increase capital. This reserve constitution corresponds to 5% of the net income for the year, less the amount allocated to incentive tax reserve. As of December 31, 2022, the legal reserve constituted totals R$21,384 (R$83,966 as of December 31, 2021).

Retained earnings reserve

Retained earnings reserves refers to profits not distributed in prior years, to guarantee execution of the Company's Investment Program. The retentions are supported by capital budgets approved by the Board of Directors in the respective years. On December 31, 2022, the amount of R$315,664 from the profit retention reserve was used.

Incentives tax reserve

The Company has a right to 75% reduction in income tax, including the tax paid at the additional rate, calculated on the basis of the operating profit in the region of Sudene (the Development Agency for the Northeast), for 10 years starting in 2014. The amount of the incentive recognized in the Statement of income was R$15,796 in 2022 (R$21,213 in 2021), and it was subsequently transferred to the incentives tax reserve. The amount of the tax incentives reserve on December 31, 2022 was R$91,269 (R$75,473 at December 31, 2021). This reserve cannot be used for payment of dividends.

e) Dividends

The obligation to pay dividends is recognized when the distribution is authorized or as provided for by law and/or the Company's bylaws. In view of the applicable legislation and the Company's bylaws, which provide for a minimum dividend payment of 50% of net income for the year, this is considered a present obligation on the closing date of the fiscal year, and is recognized as a liability.

As specified in the by-laws, the Company may, at the discretion of management, declare interim dividends, in the form of Interest on Equity, to be paid from Retained earnings, Profit reserves calculated in half-yearly or interim balance sheets. 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, being for legal purposes a part of the amount of the dividends distributed by the Company.

Article 9 of Law 9,249 of December 26, 1995, allows Interest on Equity paid to stockholders to be deductible from taxable profit for the purposes of income tax and the Social Contribution tax. In the case of Cemig D Interest on Equity is calculated as stockholders' equity multiplied by the TJLP long-term interest rate.

The Company's Board of Directors approved the declaration of Interest on Equity in the total amount of R$576,532, according to the amounts and dates below, to be compensated with the minimum mandatory dividend of 2022, with withholding income tax of 15%, under the terms of the current legislation.

- R$130,457, declared on March 22, 2022;
- R$152,262, declared on June 7, 2022;
- R$140,449, declared on September 20, 2022; and
- R$153,364, declared on December 21, 2022.

Considering that the interest on equity capital declared was higher than the dividends provided for in the Bylaws, the Management will propose that of the R$576,532 declared, the amount of R$268,314, already net of income tax, be allocated for capital stock increase.

The tax benefits resulting from the payments were R$196,021, recognized in the result for the year 2022.

	2022
Mandatory dividend	
Net income for the year	443,475
Mandatory dividend - 50% of Net income	221,738
Income tax withheld at source on Interest on Equity	39,130
	260,868
Dividends to be distributed - Proposal	
Interest on Equity	576,532
Income tax on Interest on Equity	(47,350)
Capital increase	(268,314)
	260,868
Dividends per share - R$	0.2444

This table gives the amounts of dividends and Interest on Equity for the years shown:

Balance on December 31, 2020	**309,434**
Dividends proposed	504,306
Interest on Equity declared	407,018
Income tax on Interest on Equity	(61,053)
Payment	(242,744)
Balance on December 31, 2021	**916,961**
Interest on Equity declared	576,532
Income tax on Interest on Equity	(86,480)
Payment	(223,167)
Balance on December 31, 2022	**1,183,846**

On December 23, 2022 an Extraordinary General Meeting of Stockholders of the Company decided, based on studies of availability of cash, to suspend payment of the remaining dividends and Interest on Equity which had been approved by the Annual General Meeting held on April 29, 2022 relating to the 2021 business year, in the amount of R$679,794, until December 31, 2024, depending on the Company's availability of cash, to be decided by Management.

Allocation of net income for 2022 - Management's proposal

The Board of Directors will forward to the Ordinary General Assembly ("AGO"), to be held until April 30, 2023, the following proposal for allocation of net income for 2022, in the amount of R$443,475:

- R$21,384, being 5% of net profit after adjustment for the Tax incentives reserve, to be allocated to the Legal reserve;
- R$15,796 to be held in Stockholders' equity in the Tax incentives reserve, for tax incentive amounts gained in 2022 due to investments in the region of Sudene;
- R$260,868 to be allocated for payment of dividends, in the form of Interest on Equity;

- R$145,427 to be held in Stockholders' equity in the Retained earnings reserve, to ensure funding for the Company's planned investments for 2023.

The dividend payment will be made in two equal installments, the first by June 30 and the second by December 30, 2023.

23. REVENUE

The revenue of the Company is as follows:

	2022	2021
Revenue from supply of energy - captive customers, in Cemig's concession area (a)	20,209,439	21,712,573
Reimbursement of PIS/Pasep and Cofins over ICMS credits to customers- realization (*)	2,360,056	1,316,995
Revenue from use of the energy distribution systems (TUSD) - free customers (b)	3,715,074	3,473,193
Sector financial assets and liabilities, net (c)	(1,146,559)	2,146,043
Distribution construction revenue (d)	3,193,092	1,802,361
PIS/Pasep and Cofins credits to be refunded to consumers	(829,783)	-
Adjustment to expectation of cash flow from financial assets of distribution concession (e)	39,369	53,751
Fine for violation of service continuity indicator	(94,035)	(70,948)
Mechanism for the sale of surplus (f)	453,131	453,296
Other operating revenues (g)	2,461,551	2,449,447
Taxes and charges reported as deductions from revenue (h)	(9,442,619)	(10,992,030)
	20,918,716	**22,344,681**

(*) For more information, see Note 8a of these financial statements.

a) Revenue from supply of energy

This table shows supply of energy by type of customer:

	MWh		R$	
	2022	2021	2022	2021
Residential	11,216,803	11,185,772	10,133,148	11,123,490
Industrial	1,532,562	1,694,611	1,240,145	1,332,655
Commercial, services and others	4,541,506	4,143,117	5,024,343	4,612,943
Rural	3,061,899	3,944,412	2,041,079	2,557,044
Public authorities	855,672	729,312	660,453	583,205
Public lighting	1,138,039	1,225,733	534,658	717,978
Public services	1,400,256	1,418,306	840,669	879,347
Subtotal	**23,746,737**	**24,341,263**	**20,474,495**	**21,806,662**
Own consumption	30,942	33,074	-	-
Wholesale supply to other concession holders	-	-	59,673	913
Unbilled revenue	-	-	(324,729)	(95,002)
Total	**23,777,679**	**24,374,337**	**20,209,439**	**21,712,573**

(1) Information not audited 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'.

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 12b of these financial statements.

On November 8, 2022, ANEEL issued Normative Resolution No. 1,046, which regulated, among other aspects, the limits of transfer of energy overcontracting, voluntary exposure and the results of the Surplus Sale Mechanism (Mecanismo de Venda de Excedentes, or 'MVE'). It was regulated how any gains earned under the MVE should be shared with the consumer, and how any losses should be fully assumed by the Distributor. In this scenario, the Company recorded a gain of R$224.957 for the years 2020, 2021 and until November 2022. This value already considers the sharing with consumers of the total difference between the month-to-month Spot Price ('PLD') and the value of the energy sold in the MVE, adjusted by Selic.

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

	2022	2021
Charged service	19,057	16,698
Other services	22,513	19,949
Low-income Subsidies	320,625	269,609
Other Subsidies (1)	1,653,062	1,299,320
Rental and leasing (2)	490,806	209,268

Transactions on the CCEE	(51,684)	618,607
Others	7,172	15,996
	2,461,551	**2,449,447**

(1) This comprises the revenue recognized as a result of the subsidies applied to the tariffs charged to users of public electricity distribution service, in the amount of R$936,227 at December 31, 2022 (R$986,310 at December 31, 2021) - these include: subsidies on load from incentive-bearing sources, rural supply, nocturnal irrigation, generation from incentive-bearing sources and public service; 'Tariff Flag' revenue, of R$289,897 on December 31, 2022 (R$107,571 on December 31, 2021), recognized as a result of the creditor position required by the Company in the Tariff Flag Centralized Credits Account (CCRBT); and reversal of the revenue recognized as a result of the subsidies related to the Program to Encourage Voluntary Reduction of Electricity Consumption, in the amount of R$5,473 on December 31, 2022 (revenue of R$205,439 December 31, 2021) and R$432,412 on December 31, 2022, for the amounts injected by Eletrobras or its subsidiaries under CNPE Resolution 15/21, passed through to holders of electricity distribution concessions and permissions.

(2) This comprises R$186,871 for the Debt Recognition Agreement signed with a large client in June 2022, referring to use of infrastructure (distribution poles) in the period from January 2019 to May 2022. This amount and its related monetary updating of R$10,344 will be received in four successive monthly installments starting in July 2022.

h) Deductions on revenue

	2022	2021
Taxes on revenue		
ICMS	3,560,687	5,854,583
PIS/Pasep	389,714	414,986
Cofins	1,795,048	1,911,453
ISSQN	1,101	976
	5,746,550	**8,181,998**
Charges to the customer		
Energy Efficiency Program (PEE)	68,944	74,354
Energy Development Account (CDE)	3,742,707	2,415,700
Research and Development (R&D)	25,400	26,621
National Scientific and Technological Development Fund (FNDCT)	36,286	42,223
Energy System Expansion Research (EPE of MME)	18,143	21,111
Customer charges - the 'Flag Tariff' system	(251,821)	162,012
CDE on R&D	10,886	15,601
CDE on PEE	21,772	31,203
Energy Services Inspection Charge	23,752	21,207
	3,696,069	**2,810,032**
	9,442,619	**10,992,030**

In February 2023, an injunction was issued in Direct Unconstitutionality Action (ADI) no. 7.195, which determined the suspension of the effects of art. 3, X, of Supplementary Law no. 87/96, with wording given by Supplementary Law no. 194/2022, which excluded transmission and distribution services and sectorial charges linked to electricity operations from the ICMS tax base. With this, Cemig adjusted its procedure in light of the decision and is awaiting the definitive judgment on the merits, still pending in the Federal Supreme Court.

Accounting policy

Revenue recognition

In general, revenue from contracts with customers is recognized when the performance obligation is satisfied, at an amount that reflects the consideration to which the Company and its subsidiaries expects to be entitled in exchange for the goods or services transferred, which must be allocated to that performance obligation. The revenue is recognized only when it is probable that the Company will collect the consideration to which it will be entitled in exchange for the goods or services that will be transferred to the customer, considering the customer's ability and intention to pay that amount of consideration when it is due.

Revenues from the sale of energy are measured based on the energy supplied and the tariffs specified in the terms of the contract or in effect in the market. Revenues from supply of energy to final customers are recorded when the delivery has taken place. The billing is carried out monthly. Unbilled supply of energy, from the period between the last billing and the end of each month, is estimated based on the supply contracted and on the volume of energy delivered but not yet billed. In the case of the distribution concession contract, the unbilled revenue is estimated based on the volume of energy consumed and unbilled in the period. The supply is billed in monthly basis in accordance with the metering calendar in accordance with the sector's regulations.

Historically, the differences between the estimated amounts and the actual revenues recognized are not significant.

Revenues from use of the distribution system (TUSD) received by the Company from other concession holders and other customers that use the distribution network are recognized in the period in which the services are provided. Unbilled retail supply of energy, from the period between the last measured consumption, according to the schedules specified in the concession regulation, and the end of each month is estimated based on the billing from the previous month or the contractual amount. Historically, the differences between the estimated amounts and the actual revenues recognized are not significant.

The ‘Parcel A’ revenue and other financial components in tariff adjustments are recognized in the Statement of income when the energy acquisition costs effectively incurred are different from those considered by the Grantor to stablishes the energy distribution tariff.

Any adjustment of expected cash flows from the concession financial asset of the energy distribution concession contract is presented as operating revenue, together with the other revenues related to the energy distribution services.

Construction revenue corresponds to the performance obligation to build the distribution infrastructure, embodied in investments in assets of the concession made by the Company in the year. The recognition of this revenue is directly related to the expenses incurred with the construction of the assets of the concession infrastructure.

Government grants

Government grants are recognized when there is reasonable assurance that all conditions established and related to the grant will be met and that it will be received, in accordance with CPC 07 (R1)/IAS 20.

In addition, the Company receives amounts from the Energy Development Account (CDE) as reimbursement for subsidies on tariffs granted to users of the public energy distribution service - TUSD and EUST (charges for use of the transmission system). These amounts are recognized in the income statement in a monthly basis as those subsidiaries acquire the right of receive them.

Sales tax

Expenses and non-current assets acquired are recognized net of the amount of sales taxes when they are recoverable from the taxation authority.

24. OPERATING COSTS AND EXPENSES

a) Cost of energy

	2022	2021
Energy purchased for resale		
Supply from Itaipu Binacional	1,644,066	1,945,787
Physical guarantee quota contracts	972,986	875,489
Quotas for Angra I and II nuclear plants	357,192	244,577
Spot market	434,229	994,946
'Bilateral' contracts	492,855	417,728
Energy acquired in Regulated Market auctions	3,380,335	6,278,209
Proinfa Program	597,815	400,638
Distributed generation ('Geração distribuída')	1,977,194	1,268,172
PIS/Pasep and Cofins credits	(685,444)	(978,847)
	9,171,228	**11,446,699**
Basic Network Usage Charges		
Tariff for transport of Itaipu supply	155,604	160,761
Transmission charges - Basic Grid	1,962,681	1,881,235
Connection Charges	109,637	91,366
Distribution charges	7,187	5,198
System Services Charge (CCEE-ESS)	370,425	1,533,128
Reserve Energy Charge (CCEE-EER)	443,772	81,476
PIS/Pasep and Cofins credits	(282,061)	(347,168)
	2,767,245	**3,405,996**
	11,938,473	**14,852,695**

b) Construction infrastructure costs

	2022	2021
Personnel	122,847	90,799
Materials	2,017,448	1,025,714
Outsourced services	987,843	631,688
Financial charges	41,126	12,967
Leasing and Rentals	6,047	3,778
Taxes and charges	4,377	3,396
Other	13,404	34,019
	3,193,092	**1,802,361**

c) Other operating costs and expenses

	Operating costs		ECL		General and administrative expenses		Other operating expenses, net		Total	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Personnel	668,477	644,268	-	-	244,628	202,479	-	-	913,105	846,747
Employees' and managers' income sharing	82	6,089	-	-	2,326	1,765	37,426	86,095	39,834	93,949
Post-employment obligations	-	-	-	-	-	-	419,634	(18,601)	419,634	(18,601)
Materials	66,702	47,864	-	-	51,425	17,097	-	-	118,127	64,961
Outsourced services	1,219,771	1,091,225	-	-	200,067	130,713	-	-	1,419,838	1,221,938
Depreciation and amortization (Note 14b)	643,222	551,509	-	-	56,728	90,542	-	-	699,950	642,051
Amortization of Right of use - lease (note 15)	38,075	40,544	-	-	-	-	-	-	38,075	40,544
Provisions (reversals) for contingencies	267,590	47,326	-	-	-	-	-	-	267,590	47,326
Expected credit losses of accounts receivable (reversals) (1)	-	-	108,141	130,175	-	-	23,068	20,692	131,209	150,867
Other operation costs and expenses, net	52,172	52,783	-	-	14,014	(7,620)	181,447	191,744	247,633	236,907
	2,956,091	**2,481,608**	**108,141**	**130,175**	**569,188**	**434,976**	**661,575**	**279,930**	**4,294,995**	**3,326,689**

(1) The amount allocated in the column "Other operating expenses (income)" refers mainly to the estimated loss with a fine for supplier termination.

Personnel

Programmed Voluntary Retirement Plan ('PDVP')

In April and December 2022, the Company approved the PDVP's 2022 and 2023, respectively, and for PDVP 2022 the period for adhesion of the employees was from May 20 to May 20, 2022, being later reopened in the period from May 30 to June 3, 2022, with adhesion of 238 employees, and for PDVP 2023 was from December 20, 2022 to January 27, 2023, with adhesion of 114 employees. The program provides the normal legal severance payments in the 'Severance on Request' mode, plus an additional indemnity premium based 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 25 years of service with Cemig this fixed value is 12 times the employee's monthly salary.

Cemig D costs for the programs totaled R$54,285, of which R$36,941 for PDVP 2022 and R$17,344 for PDVP 2023 and were recognized in the result as personnel costs and expenses.

25. FINANCE INCOME AND EXPENSES

	2022	2021
FINANCE INCOME		
Income from financial investments	113,525	78,459
PIS/Pasep and Cofins charged on finance income (1)	(15,184)	(35,615)
Accruals on energy bills	324,821	452,921
Foreign exchange variations - Itaipu Binacional	16,722	-
Interest	57,055	27,629
Interests of escrow deposits	48,243	18,791
Interest - CVA (Note 12b)	185,121	63,907
Others	60,582	51,263
	790,885	**657,355**
FINANCE EXPENSES		
Charges on loans and debentures (Note 18)	(265,267)	(196,722)
Amortization of transaction cost (Note 18)	(2,655)	(1,788)
Forluz - Interest charges	(28,800)	(50,428)
Foreign exchange variations - Itaipu Binacional	-	(26,757)
Interest - loans and debentures (Note 18)	(162,341)	(285,357)
Interest on PIS/Pasep and Cofins taxes credits over ICMS refundable (2)	(1,335,034)	(25,404)
R&D and PEE - monetary adjustments	(36,850)	(11,800)
Interest on leases (Note 15)	(20,182)	(19,222)
Interest - Others	(24,932)	(23,072)
Others	(30,069)	(24,337)
	(1,906,130)	**(664,887)**
NET FINANCE INCOME (EXPENSES)	**(1,115,245)**	**(7,532)**

(1) PIS/Pasep and Cofins expenses are levied on financial income and interest on own capital.
(2) The interet of the tax credits related to PIS/Pasep and Cofins, arising from the exclusion of ICMS from its calculation basis, and the liability to be refunded to consumers is presented by net value. With the offsetting of the credits, the liability to be refunded to consumers exceeded the value of the credits to be received, generating a net financial expense.

Accounting policy

Financial income refers mainly to income from financial investments, moratorium accruals on energy sales, restatement of tax credits, restatement of the concession's sectorial financial assets, restatement of deposits linked to litigation and variation of fair value or interest on other financial assets and liabilities. Interest income is recognized in the income statement using the effective interest method.

Finance expenses include interest expense on borrowings, and foreign exchange and monetary adjustments on borrowing costs of debt and debentures. They also include the negative change in fair value on other financial assets and liabilities. Interest expense on the Company's borrowings that is not capitalized is recognized in the Statement of income using the effective interest method.

26. RELATED PARTY TRANSACTIONS

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

COMPANY	ASSETS		LIABILITIES		REVENUES		EXPENSES	
	2022	2021	2022	2021	2022	2021	2022	2021
Transactions with energy (3)								
Companhia Energética de Minas Gerais	70	72	-	-	-	-	-	-
Cemig Geração e Transmissão	4,634	3,431	28,488	24,067	33,966	28,784	(303,018)	(258,035)
Aliança Geração	4,070	-	11,366	9,857	55,629	52,713	(122,553)	(105,468)
Madeira Energia	-	-	27,859	24,105	-	-	(234,321)	(212,714)
Norte Energia	-	-	30,263	26,809	-	-	(259,901)	(235,916)
Baguari Energia	-	-	1,109	983	-	-	(9,028)	(8,825)
Taesa	-	-	10,891	8,483	-	-	(123,451)	(109,492)
Retiro Baixo	1,046	570	702	622	6,567	6,356	(6,029)	(5,472)
Hidrelétrica Cachoeirão	-	-	-	-	1,604	-	-	-
Hidrelétrica Pipoca	108	-	-	-	1,425	-	-	-
Connection charges								
Cemig Geração e Transmissão (5)	-	-	10,874	8,650	-	-	(88,360)	(79,445)
Customers and traders								
Governo do Estado de Minas Gerais (1)	36,558	167,366	-	-	166,331	107,256	-	-
Cooperation Working Agreement (2)								
Companhia Energética de Minas Gerais	-	-	26,483	11,370	-	-	(45,923)	(37,867)
Cemig Geração e Transmissão	-	-	2,565	2,362	-	-	(431)	(5,700)
Provision of services								
Axxiom (6)	-	-	-	62	-	-	-	-
Loan with related parties								
Companhia Energética de Minas Gerais (4)	-	-	-	-	-	-	(3,024)	-
Interest on Equity, and dividends								
Companhia Energética de Minas Gerais	-	-	1,183,846	916,961	-	-	-	-
FIC Pampulha								
Current								
Cash and cash equivalents	46,948	15,950	-	-	-	-	-	-
Marketable securities	278,552	336,078	-	-	6,632	3,973	-	-
Non-current								
Marketable securities	1,052	69,125	-	-	-	-	-	-
Forluz								
Current								
Post-employment obligations (7)	-	-	143,863	130,870	-	-	(173,027)	(123,249)
Supplementary pension contributions - Defined contribution plan (8)	-	-	-	-	-	-	(54,636)	(52,564)
Administrative running costs (9)	-	-	-	-	-	-	(26,365)	(23,082)
Operating leasing (10)	-	-	18,686	17,186	-	-	(23,245)	(21,709)
Non-current								
Post-employment obligations (7)	-	-	1,245,553	1,492,738	-	-	-	-
Operating leasing (10)	133,724	127,031	132,151	122,532	-	-	-	-
Cemig Saúde								
Current								
Health Plan and Dental Plan (11)	-	-	151,833	127,015	-	-	(278,008)	(185,944)
Non-current								
Health Plan and Dental Plan (11)	-	-	2,283,748	2,422,772	-	-	-	-

The main conditions related to the business between related parties are shown below:

(1) Refers to the sale of energy to the State Government of Minas Gerais considering that the price of energy is that defined by Aneel through a resolution on the Company's annual tariff adjustment. In 2017, the Government of the State of Minas Gerais signed a Debt Acknowledgment Agreement (TARD) with Cemig D for the payment of outstanding energy supply debts amounting to R$113,032, to be settled by November 2019. These receivables are guaranteed

by the retention of dividends or interest on equity distributed to the State, in proportion to its indirect interest, for as long as the delinquency and/or default persists. Cemig D obtained authorization on March 31, 2021 from the State Treasury Department of Minas Gerais to offset part of the ICMS to be collected against the debt that the State Government of Minas Gerais has with the Company under State Law 23,705/2020. The monthly amount to be offset is R$10.5 million, in 21 equal installments. Until December 31, 2022 all installments were compensated;

(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 the loan contract signed on March 2, 2022 between the Company and its majority stockholder for R$100 million, to be settled on August 1, 2022, augmented by interest in the amount of R$3,024,000, corresponding to 110% of the CDI rate, with a Promissory Note issued by the Company to the benefit of the parent company as guarantee. This loan was approved by Aneel;

(5) This refers to the contract (CCT) for connection of the distribution facilities to the transmission system;

(6) 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.

(7) 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 20 of these financial statements);

(8) 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.

(9) 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;

(10) Rental of the Company's administrative head office, in effect up to August 2024 (Júlio Soares building, 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 September 20, 2021 the lease contract was adjusted upward by 8.72%, corresponding to accumulated IPCA inflation over the prior 12 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 Cemig D rent expenses;

(11) Post-employment obligations relating to the employees' health and dental plan (more details in Note 20 of these financial statements).

Cash investments in FIC Pampulha

Cemig and its subsidiaries and jointly controlled entities 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 reported as cash and cash equivalent or marketable securities line in current and non-current assets.

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

Remuneration of key management personnel

The total remuneration 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 Statement of income of the in year ended December 31, 2022 and 2021, are as follows:

	2022	2021
Remuneration	11,995	10,485
Income sharing	3,200	1,946
Pension plans	1,134	954
Health and dental plans	146	115
Life insurance	33	7
Total (1)	**16,508**	**13,507**

(1) A The company does not directly remunerate the members of the key personnel. 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.

27. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

a) Financial instruments classification and fair value

The main financial instruments are as follows:

	Level	2022		2021	
		Balance	Fair value	Balance	Fair value
Financial assets					
Amortized cost (1)					
Marketable securities - Cash investments		39,581	39,581	218,822	218,822
Receivables from customers, traders and concession holders (Note 5)		3,138,398	3,138,398	3,335,034	3,335,034
Restricted cash		1,444	1,444	2,144	2,144
Concession financial assets - CVA (Parcel 'A' Costs Variation Compensation) Account, and Other financial components		944,090	944,090	2,147,548	2,147,548
Reimbursement of tariff subsidies		90,923	90,923	287,420	287,420
Low-income subsidy		62,479	62,479	46,540	46,540
Escrow deposits		651,279	651,279	619,772	619,772
		4,928,194	**4,928,194**	**6,657,280**	**6,657,280**
Fair value through profit or loss					
Cash equivalents - cash investments	2	356,842	356,842	93,764	93,764
Marketable securities					
Bank certificates of deposit	2	30,587	30,587	19,689	19,689
Treasury Financial Notes (LFTs)	1	64,208	64,208	34,937	34,937
Financial Notes - Banks	2	144,798	144,798	137,920	137,920
Debentures	2	1,595	1,595	-	-
		241,188	241,188	192,546	192,546
Concession financial assets - Distribution infrastructure	3	1,369,652	1,369,652	683,729	683,729
		1,967,682	**1,967,682**	**970,039**	**970,039**
		6,895,876	**6,895,876**	**7,627,319**	**7,627,319**
Financial liabilities					
Amortized cost (1)					
Loans and debentures		(4,575,998)	(4,575,998)	(4,247,161)	(4,247,161)
Debt with pension fund (Forluz)		(182,140)	(182,140)	(278,580)	(278,580)
Deficit of pension fund (Forluz)		(396,483)	(396,483)	(390,458)	(390,458)
Sector financial liabilities		-	-	(51,359)	(51,359)
Suppliers		(1,929,723)	(1,929,723)	(2,019,994)	(2,019,994)
Leasing transactions		(259,873)	(259,873)	(191,012)	(191,012)
		(7,344,217)	**(7,344,217)**	**(7,178,564)**	**(7,178,564)**

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. The information applied in the fair value valuation techniques is classified in three levels of fair value hierarchy, 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. Level 2 is based on information that is observable, either directly or indirectly. 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: Fair value is determined based on generally accepted valuation techniques, such as on discounted cash flow analysis or other valuation techniques, including non-observable data, such as the measurement at New Replacement Value (*Valor novo de reposição*, or VNR). Non-observable data should be used to measure fair value where significant observable data is not available, admitting situations in which there is little or no market activity at the measurement date. Non-observable data are developed using the best possible information available in the circumstances, which may include the entity's own data.

The fair value hierarchy prioritizes information (inputs) from valuation techniques, and not the valuation techniques used for measurement of fair value. In some cases information is used from different hierarchy levels in measurement of fair value, and this is classified entirely in the same level of the fair value hierarchy applicable to the significant information of a lower level. 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

Distribution infrastructure concession financial assets: distribution system assets 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 12 of these financial statements.

Marketable securities: are measured 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 and debentures were determined using 123.44% of the CDI rate - based on its most recent funding. For the loans and debentures and debt renegotiated with Forluz, with annual rates between IPCA + 4.10% to 6.11% and CDI + 1.18% to 6.96%, 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 its liquidity or profitability, recommending hedge protection strategies to minimize its exposure to foreign exchange rate, interest rate, 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	2022		2021	
	Foreign currency	R$	Foreign currency	R$
US dollar				
Suppliers (Itaipu Binacional) (Note 16)	(52,440)	(273,618)	(59,335)	(331,118)
Net liabilities exposed		**(273,618)**		**(331,118)**

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 December 31, 2023 will be an deppreciation of the dollar by 2.26%, to R$5.10. The Company has prepared a sensitivity analysis of the effects on the Company's net income arising from depreciation of the Real exchange rate in relation to this 'adverse' scenario.

Risk: foreign exchange rate exposure	2022	2023	
	Book value	'Probable' scenario US$ R$5.10	'Adverse' scenario USR6.00
US Dollar			
Suppliers - Itaipu binacional (Note 16)	(273,618)	(267,446)	(314,642)
Net liabilities exposed	**(273,618)**	**(267,446)**	**(314,642)**
Net effect of exchange rate variation		**6,172**	**(41,024)**

Interest rate risk

The Company is exposed to the risk of decrease in Brazilian domestic interest rates on December 31, 2022. This risk arises from the effect of variations in Brazilian interest rates on net financial income comprised by financial revenues from cash investments made by the Company, and also to the financial assets related to the CVA and other financial components, and to the financial expenses associated to loans and debentures in Brazilian currency, and also sectorial financial liabilities.

Part of the loans in Brazilian currency is obtained from several 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 indexed to variation in interest rates, as follows:

Risk: Exposure to domestic interest rate changes	2022	2021
Assets		
Cash equivalents - cash investments (Note 5)	356,842	93,764
Marketable securities (Note 6)	280,769	411,368
CVA and Other financial components in tariffs (Note 12b)	944,090	2,147,548
	1,581,701	**2,652,680**
Liabilities		
Loans and debentures - CDI rate (Note 18)	(1,317,792)	(1,355,933)
Sector financial liabilities (Note 12b)	-	(51,359)
	(1,317,792)	**(1,407,292)**
Net assets exposed	**263,909**	**1,245,388**

<u>Sensitivity analysis</u>

In relation to the most significant interest rate risk, Company estimates that, in a probable scenario, at December 31, 2023 Selic rates will be 12.50%. The Company made a sensitivity analysis of the effects on its net income arising from a decrease in the rate. Fluctuation in the CDI rate accompanies the fluctuation of Selic rate.

Risk: Increase in Brazilian interest rates	2022	December 31, 2023	
	Book value	'Probable' scenario Selic 12.50%	'Adverse' scenario Selic 9.75%
Assets			
Cash equivalents - cash investments (Note 5)	356,842	401,447	391,634
Marketable securities (Note 6)	280,769	315,865	308,144
CVA and Other financial components in tariffs - Selic rate (Note 12b)	944,090	1,062,101	1,036,139
	1,581,701	**1,779,413**	**1,735,917**
Liabilities			
Loans and debentures - CDI rate (Note 18)	(1,317,792)	(1,482,516)	(1,446,277)
	(1,317,792)	**(1,482,516)**	**(1,446,277)**
Net assets exposed	**263,909**	**296,897**	**289,640**
Net effect of variation in interest rates		**32,988**	**25,731**

Inflation risk

The Company is exposed to the risk of increase in inflation index on December 31, 2022. A portion of the loans 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 or 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	2022	2021
Assets		
Concession financial assets related to infrastructure - IPCA index (*) (Note 12a)	1,369,652	683,729
	1,369,652	**683,729**
Liabilities		
Loans and debentures - IPCA index (Note 18)	(3,283,833)	(2,907,093)
Debt agreed with pension fund (Forluz) - IPCA index (Note 20)	(182,140)	(278,580)
Forluz deficit solution plan - IPCA index (Note 20)	(396,483)	(390,458)
	(3,862,456)	**(3,576,131)**
Net liabilities exposed	**(2,492,804)**	**(2,892,402)**

(*) 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 indexes, the Company estimates that, in a probable scenario, at December 31, 2023 the IPCA inflation index will be 5.30% and the IGPM inflation index will be 3.49%. The Company made a sensitivity analysis of the effect on the result in an 'Adverse' scenario, as follows:

Risk: increase in inflation index	2022	December 31, 2023	
	Book value	'Probable' scenario IPCA 5.30% IGPM 3.49%	'Adverse' scenario IPCA 7.90% IGPM 6.90%
Assets			
Concession financial assets related to infrastructure - IPCA index (*) (Note 12a)	1,369,652	1,442,244	1,477,855
	1,369,652	**1,442,244**	**1,477,855**
Liabilities			
Loans and debentures - IPCA index (Note 18)	(3,283,833)	(3,457,876)	(3,543,256)
Debt agreed with pension fund (Forluz) - IPCA index (Note 20)	(182,140)	(191,793)	(196,529)
Equation of the deficit on Pension Plan (Forluz) - IPCA Index (Note 20)	(396,483)	(417,497)	(427,805)
	(3,862,456)	**(4,067,166)**	**(4,167,590)**
Net liabilities exposed	**(2,492,804)**	**(2,624,922)**	**(2,689,735)**
Net effect of variation in IPCA and IGP-M indexes		**(132,118)**	**(196,931)**

(*) 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 and subsidiaries 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 and subsidiaries obligation to suppliers, debts with the pension fund, loans 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 and debentures	69,353	475,852	1,319,519	8,965,797	-	10,830,521
Debt with pension plan (Forluz)	54,689	446,180	634,359	3,844,296	-	4,979,524
Equation of the deficit on Pension Plan (Forluz) - IPCA Index	4,696	9,476	43,695	254,710	298,393	610,970
	128,738	**931,508**	**1,997,573**	**13,064,803**	**298,393**	**16,421,015**
- Fixed rate						
Suppliers	1,734,128	195,595	-	-	-	1,929,723
	1,862,866	**1,127,103**	**1,997,573**	**13,064,803**	**298,393**	**18,350,738**

(*) The lease payment flow is presented in Note 15.

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 December 31, 2022, considered to be adequate in relation to the credits in arrears receivable by the Company was R$758,857 (R$774,871 on December 31, 2021).

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, and may be of public or private capital as well as financial or non-financial entities. The Company does not carry out any transactions in variable income securities or that would bring volatility risk into its financial statements.

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. Minimum Brazilian long-term rating of ‘BBB’(bra), ‘brBBB’ or ‘Baa2’ by any of the agencies: Fitch Ratings, Moody’s or Standard & Poor’s.
2. Equity greater than R$800 million.
3. Basel ratio one percentage point above the minimum set by the Brazilian Central Bank.

The quality of the financial institutions’ credit portfolio is another indicator that is monitored and may result in reduction of the institution’s limit.

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) (2)			
		AAA	AA	A	BBB
Federal Risk (RF)	-	10%	10%	10%	10%
A1	Equal or over R$10 billion	9%	8%	7%	6%
A2	Between R$5 billion and R$10 billion	8%	7%	6%	5%
A3	Between R$2 billion and R$5 billion	7%	6%	5%	4%
A4	Between R$800 million and R$2 billion	6%	5%	4%	-

(1) The percentage assigned to each bank depends on individual assessment of indicators, e.g. liquidity, and quality of the credit portfolio.
(2) When the institution has different ratings from different risk rating agencies, the rating that is most favorable for the institution is taken into account.

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. The banks in the ‘Federal risk’, ‘A1’ and ‘A2’ groups must concentrate at least 50% of the total of the funds available, comprising investments held in the Investment Funds and in the own portfolio, excluding public securities.

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 Fifth Amendment to the concession contracts 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 to the new criteria for quality, and for economic and financial sustainability.

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

Also, as from the sixth calendar year after signature of the contract, 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 financial management, required to maintain the distribution concession, were met in the period ended December 31, 2022.

Hydrological risk

The greater part of the electricity sold by the Company is produced by hydroelectric plants. A prolonged period of scarce rainfall can result in lower water volumes in the reservoirs of these plants, which can lead to an increase in the cost of acquisition of energy, due to their replacement by thermoelectric sources, or to reduction of revenues due to reduction in consumption caused by implementation of wide-ranging programs for saving of electricity. Prolonged generation by thermal plants can pressure distributors' costs of acquisition of supply, causing a greater need for cash, and can cause tariff increases in the future.

The Company continuously monitors the position of its energy balance and the risk position of power purchase contracting, in order to ensure that transactions are consistent with its objectives and corporate strategy.

Risk of debt early maturity

The Company has loan and debentures contracts with restrictive covenants related to compliance with a financial index. More details in Note 18 of these financial statements.

Accounting policy

Financial instruments are classified, at initial recognition, as measured at amortized cost, fair value through other comprehensive income (OCI), and fair value through profit or loss, depending on the financial asset's contractual cash flow characteristics and the Company's business model for managing them.

Fair value through profit or loss: this includes the concession financial assets related to energy and gas distribution segment infrastructure. The financial assets related to energy distribution infrastructure are measured at the expected New Replacement Value (*Valor Novo de*

Reposição, or VNR), as defined in the concession contract, which represent the fair value of the residual value of the infrastructure as of the balance sheet date. The financial assets related to gas distribution infrastructure are measured based on the fair value of the indemnity established in the concession contract. The Company recognize a financial asset resulting from a concession contract when it has an unconditional contractual right to receive cash or another financial asset from, or under the direction of the grantor for the services of construction and maintenance of the infrastructure.

This category also includes cash equivalents, marketable securities not classified at amortized cost.

The disclosures about the main assumptions used in fair value measurement are summarized in the respective notes.

Amortized cost: This includes accounts receivables from customers, traders and concession holders; restricted cash; escrow deposits in litigation; marketable debt securities with the intention of holding them until maturity and the terms of their contracts originate known cash flows that constitute exclusively payments of principal and interest; concession financial assets related to generation concession grant fee; accounts receivable from related parties; suppliers; loans and debentures; debt agreed with the pension fund (Forluz); concessions payable; the Minas Gerais State PRCT Tax Amnesty Program; assets and liabilities related to the CVA account and Other financial components in tariff adjustments; the low-income subsidy; reimbursement of tariff subsidies; and other credits.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate (EIR). Gains and losses are recognized in income or loss when the asset is derecognized, modified or impaired.

Capital management

The Company has the policy of maintaining a solid capital base to maintain the confidence of investors, creditors and the market and to enable the implementation of its investment program and the maintenance of its credit quality, with access to capital markets, seeking to invest in projects that offer minimum real internal rates of return equal to or greater than those provided for in the Long Term Strategy, with the cost of capital for its various businesses as a reference.

The Company monitors capital using a leverage ratio represented by net debt divided by Adjusted EBITDA. Net debt is calculated as the total of loans and debentures, less cash and cash equivalents and marketable securities. The Company aims to keep its consolidated net indebtedness at or below 2.5 times EBITDA.

	2022	2021
Loans and debentures	4,575,998	4,247,161
(-) Cash and cash equivalents	(440,700)	(198,694)
(-) Marketable securities	(280,769)	(411,368)
Net debt	**3,854,529**	**3,637,099**
Ebtida adjusted	**3,043,126**	**2,647,026**
Net debt / Ebtida adjusted	1.27	1.37

This table shows comparisons of the Company’s net liabilities in the end of period:

	2022	2021
Total liabilities	18,307,385	17,654,962
Cash and cash equivalents	(440,700)	(198,694)
Marketable securities	(279,717)	(342,243)
Net liabilities	**17,586,968**	**17,114,025**
Total equity	**7,105,260**	**6,942,666**
Net liabilities / equity	2.48	2.47

28. INSURANCE

The Company maintain insurance policies to cover damages on certain assets, in accordance with orientation by specialists, as listed below, taking into account the nature and the degree of risk. The risk assumptions adopted, due to their nature, are not part of the scope of an audit of the financial statements, and consequently were not examined by the external auditors.

Assets	Coverage	Coverage period	Amount insured (1)	Annual premium (1)
Air transport / Aircraft	Fuselage Third party	Mai. 27, 2022 to Mai. 27, 2023	US$3,538 US$4,000	US$128
Warehouse stores	Fire	Nov. 2, 2022 to Nov. 2, 2024	R$68,950	R$115
Buildings	Fire	Jan. 8, 2023 to Jan. 8, 2024	R$536,818	R$114
Telecoms equipment	Fire	Sep. 30, 2022 to Sep. 30, 2023	R$117,687	R$113
Operational risk - Transformers above 15MVA and other power distribution equipment with value above R$1,000	(2)	Dec. 7, 2022 to Dec. 7, 2023	R$696,754	R$1,168

(1) Amounts expressed in R$’000 or US$’000;
(2) Maximum indemnity limit: R$269,785.

The Company, except for its aircraft, does not have third party liability insurance covering accidents, and is not seeking proposals for this type of insurance. Additionally, Company has not sought proposals for, and does not have current policies for insurance against events that could affect its facilities such as earthquakes, floods, systemic failures or business interruption. The Company has not suffered significant losses arising from the above-mentioned risks.

29. COMMITMENTS

The Company and its subsidiaries have contractual obligations and commitments that include, mainly purchase of energy from Itaipu, as follows:

	2023	2024	2025	2026	2027	2028 em diante	Total
Purchase of energy from Itaipu	1,818,746	1,818,746	1,818,746	1,818,746	1,818,746	36,374,922	45,468,652
Purchase of energy - auctions	200,573	222,251	221,805	221,268	221,050	3,304,701	4,391,648
Purchase of energy - ‘bilateral contracts’	3,885,972	3,932,450	3,524,041	3,807,650	3,630,757	54,110,916	72,891,786
Quotas of Angra 1 and Angra 2	487,971	489,308	310,065	99,403	19,198	58,957	1,464,902
Transport of energy from Itaipu	374,810	377,876	376,844	376,844	378,736	7,583,263	9,468,373
Other energy purchase contracts	828,091	776,646	704,364	634,356	534,948	11,152,828	14,631,233
	7,596,163	**7,617,277**	**6,955,865**	**6,958,267**	**6,603,435**	**112,585,587**	**148,316,594**

The payment flows for leases, loans, and suppliers are presented in notes 15 and 27.

30. RISKS RELATED TO COMPLIANCE WITH LAWS AND REGULATIONS

Internal procedures for risks related to compliance with law and regulations

At the end of 2020, the Company began internal procedures to investigate complaints received by the Public Prosecutor's Office of Minas Gerais (MPMG) through letters sent to the Company, which include alleged irregularities in the procurement process, whose investigation is being monitored by an Investigation Committee, with the support of specialized counsel.

The internal and independent investigation started in December 2020 was concluded at the end of 2021, with the receipt of the final report, approved by the Investigation Committee and sent by the Company to the MPMG, which has not yet concluded its investigation. The Company awaits the outcome of the investigation by MPMG and other national and international authorities with whom the aforementioned report has been shared.

The Company will evaluate any future changes in this scenario and possible impacts, if any, that may affect the financial statements and remains collaborating with the national and international public authorities in their analyses related to the ongoing investigations.

Parliamentary Committee of Inquiry (‘CPI’)

On June 17, 2021, the Legislative Assembly of Minas Gerais has established a Parliamentary Committee of Inquiry (‘CPI’) to investigate management acts of Cemig since 2019. The CPI was empowered to investigate the facts that were the basis for the request for its establishment, and by means of requirements, the CPI requested various information and documents related mainly to people management and procurement processes, which were fully met by the Company in compliance with the stipulated deadlines.

On February 18, 2022 the CPI approved its final report, to be submitted to the Public Attorneys’ Office of Minas Gerais State, and other public control bodies, for assessment of what further submissions of it should be made. So far there are not known to be any potential accusations that might take place by reason of the results indicated by the CPI.

The Company carries out regular internal audits; and based on the results identified to date, no material impacts on the financial statements for 2022, nor for prior fiscal year, have been identified.

31. SUBSEQUENT EVENTS

Advances against future capital increase

On February 27, March 10 and March 17, 2023, the Company’s parent company, Cemig (Companhia Energética de Minas Gerais - Cemig) made advances against future capital increase to the Company, in the amounts of R$100,000, R$94,000 and R$350,000, to strengthen its cash position. These amounts will be used for investments and operational expenses.

Loan with related parties

On February 10 and February 15, 2023, the amounts of R$150,000 and R$200,000, respectively, were received in relation to the loan approved by Aneel and authorized by the Board of Directors in 2020 between Cemig D (borrower) and Cemig (lender) in the amount of R$350,000, for payment by May 2024. The loan is to be repaid with interest at 110% of the CDI rate, payable together with the initial amount. As guarantee, the Company issued a Promissory Note in favor of Cemig, for the principal and the estimated interest under the contract.

In March 2023 the Board of Directors authorized signature of the first amendment to the loan contract between Cemig D (borrower) and Cemig (lender), in the same terms set out above, recognized by Aneel, in the total amount of R$750,000. Up to the present moment no funds have been transferred.

Declaration of Interest on Equity

On March 22, 2023, the Executive Board, upon authorization of the Board of Directors, approved the declaration of interest on equity in the amount of R$155,026 for the first quarter of 2023, to be paid in two equal installments, the first up to June 30, 2024, and the second up to December 30, 2024. The Executive Board is responsible for determining the places and processes for payment and imputing the interest on equity to the mandatory dividends for 2023, in a proposal to be submitted to the General Assembly.

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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

Marco da Camino Ancona Lopez Soligo
Chief Officer Cemigpar

Thadeu Carneiro da Silva
Chief without portfolio

Henrique Motta Pinto
Chief Regulation and Legal

Mário Lúcio Braga
Controller
CRC-MG 47.822

José Guilherme Grigolli Martins
Financial Accounting and Equity Interests Manager
Accountant - CRC-1SP/242.451-O4

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Independent auditors' report on the financial statements

To the Stockholders and Board of Directors

Cemig Distribuição S.A.

Belo Horizonte - MG

Opinion

We have audited the financial statements of Cemig Distribuição S.A. (the "Company"), identified as the parent company and consolidated, respectively, which comprise the statement of financial position as of December 31, 2022 and the respective statements of income, comprehensive income, changes in shareholder´s equity and cash flows for the year then ended, and the corresponding notes comprising significant accounting policies and other explanatory information.

In our opinion, the aforementioned financial statements present fairly, in all material aspects, the financial position of Cemig Distribuição S.A. as of December 31, 2022, and of its operations and cash flows for the year then ended, in accordance with the accounting practices adopted in Brazil and in accordance with the International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB).

Basis for opinion

We conducted our audit in accordance with Brazilian and International Standards on Auditing. Our responsibilities under those standards are further described in the "Auditors' responsibilities for the audit of the financial statements" section of our report. We are independent to the Company in accordance with the ethical requirements of Ethics Standards Boards for Accountants and Professional Standard issued by Federal Accounting Council, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Matter of Emphasis - Risks related to non-compliance to laws and regulations

As mentioned in note 30 to the financial statements, there are investigations being conducted by public authorities regarding the Company and its parent company Companhia Energética de Minas Gerais – Cemig. We are currently unable to foresee future developments of potential impacts in the financial statements of these investigations conducted by public authorities. Our opinion is not modified in respect of this matter.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Revenue recognition from energy distributed, but not billed

Notes 7 and 25 to the financial statements

Key audit matter	How this matter has been conducted in our audit
The unbilled revenue recognized by the Company corresponds to electricity, not billed to consumers. Billing is carried out based on reading cycles that, in some cases, exceed the accounting closing period. The recognition of unbilled revenue takes into account the premise of the number of days not billed, as well as historical data obtained, mainly through computerized system parameters, such as: (i) the date of the consumer reading; (ii) the volume and value of energy billed in the previous month; (iii) the number of days not billed, measured between the reading date and the base date. Due to the estimated amount of unbilled revenue and the impact that any change in the assumptions used could have on the amounts recorded in the financial statements, we consider this matter to be the key audit matter.	Our audit procedures included, but were not limited to: - Using the support of our information technology specialists, we evaluated the design, implementation and effectiveness of key internal controls, related to the determination of the amount of unbilled electricity revenue, which included the evaluation of controls at the transaction level , on the completeness and accuracy of the data used, in determining the estimate of unbilled revenue, specifically: the date of the consumer reading, the volume and value of energy billed in the previous month and the number of unbilled days measured between the date of the reading and the base date. -We recalculated the amount of unbilled revenue, by multiplying the daily proportion of the volume and amount of energy billed in the last billing to the consumer, by the number of days not billed, determined by the difference between the reading date and the base date. - We evaluated whether the disclosures made in the consolidated financial statements are in accordance with applicable standards and whether all relevant information is considered. Based on the evidence obtained from the procedures summarized above, we consider the revenue recognition from energy distributed but not billed to be acceptable, as well as the respective disclosures, in the context of the financial statements, for the year ended December 31, 2022.

Measurement of the post-employment obligations	
Note 20 to the financial statements	
Key audit matter	**How this matter has been conducted in our audit**
The Company sponsor defined benefit pension plans and health plans that ensure supplementary retirement benefits and medical assistance to their employees. The measurement of the actuarial obligation of defined benefit pension and health plans involves management's judgments for the choice of actuarial assumptions that are used, mainly: (i) the discount rate; (ii) life expectancy; and (iii) real growth in contributions and wages. The Company hire external actuaries to assist in the process of evaluating actuarial assumptions and calculating the obligation of pension and health plans. We consider this matter to be a key audit matter, due to the uncertainties related to the assumptions for estimating the actuarial obligation of defined benefit pension and health plans, which have a risk of resulting in a material adjustment to the balances of the financial statements.	Our audit procedures included, but were not limited to: - We evaluated the design, implementation and effectiveness of certain internal controls associated with the actuarial liability measurement process, including controls related to the preparation, review and approval of discount rate assumptions, life expectancy and actual growth of contributions and salary; - We assess the scope, independence, competence, professional qualifications, experiences and objectivity of the external actuary hired, to assist in estimating the actuarial obligation of pension and health plans; - We evaluated, with the help of our specialists in actuarial calculations, the reasonableness and consistency of the assumptions used, such as the discount rate, life expectancy and the real growth of contributions and salaries, including comparison with data obtained from external sources. - We assess whether the disclosures made in the financial statements are in accordance with applicable standards and whether all relevant information is considered. Based on the evidence obtained through the procedures summarized above, we consider acceptable the measurement of the actuarial obligation of defined benefit pension and health plans, as well as the respective disclosures, in the context of the financial statements, related to the year ended in December 31, 2022.

Recognition and disclosures of provisions for legal and administrative proceedings	
Notes 9 and 21 to the financial statements	
Key audit matter	**How this matter has been conducted in our audit**
The Company are defendants in civil, tax, labor, environmental and regulatory lawsuits and administrative proceedings, the recognition and measurement of which requires the exercise of judgment by the Company. A provision for these claims is recorded when it is probable that an outflow of cash will be required to settle the obligation and the amount can be reliably estimated. The measurement of this estimate involves management judgments for measuring the value and classification of the probability of loss of the shares. The Company discloses contingent liabilities whose likelihood of an outflow of funds from the entity is possible. We consider this matter to be a key audit matter, due to the degree of judgment inherent in determining estimates related to value and assessing the likelihood of loss classification that have a risk of resulting in a material adjustment to the balances and/or disclosures in the individual financial statements and consolidated.	Our audit procedures included, but were not limited to: - We evaluated the design, implementation and effectiveness of key internal controls related to the identification, evaluation, measurement and disclosure of provisions, including controls over the Company's assessment of the likelihood of losing these legal and administrative actions and the amounts that would be paid in case of loss. - We obtained direct confirmation from the internal and external lawyers, in order to obtain their assessment of the risks of losses and the amounts related to the cases in which the Company is a defendant. We compare the information contained in the confirmations received with the accounting records. - With the assistance of our legal specialists, we evaluated the Company's criteria to support forecasts and the amounts associated with certain relevant proceedings, selected on a sampling basis. - We assessed the accuracy of the tax contingencies recorded by the Company, as well as compared, based on a sample, the existing jurisprudence on the topics in question. - We assess whether the disclosures made in the financial statements are in accordance with applicable standards and whether all relevant information is considered. Based on the evidence obtained through the procedures summarized above, we consider the amount and disclosures of the provision for lawsuits acceptable, in the context of the financial statements, for the year ended December 31, 2022.

Other matters

Statements of Value Added

The statements of value added (DVA) for the year ended December 31, 2022, prepared under the responsibility of the Company's management, and presented as supplementary information for IFRS purposes, were submitted for the auditing procedures jointly with audit of the Company's financial statements. For the purposes of forming our opinion, we evaluate whether these statements are reconciled with the financial statements and accounting records, as applicable, and if their form and content are in accordance with the criteria as defined in Technical Pronouncement CPC 09 - Statement of Added Value. In our opinion, this statement of value added have been properly prepared, in all material respects, in accordance with the criteria defined in this Technical Pronouncement and is consistent with the financial statements taken as a whole.

Corresponding figures

The corresponding figures related to statement of financial position as of December 31, 2021 and the statements of income, comprehensive income, changes in shareholders' equity and cash flows and respective explanatory notes for the year ended on that date, presented as corresponding figures in the financial statements for the current year, were audited by other independent auditors, who issued a report dated March 29, 2022, unmodified. The corresponding amounts related to the statements of value added (DVA), for the year ended December 31, 2021, were submitted to the same audit procedures by these independent auditors who based on their audit have issued an unmodified report.

Other information that accompanies the financial statements and the auditor's report

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

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

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

Responsibilities of management and those charged with governance for the financial statements

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

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

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

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Brazilian and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

– Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

– Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

– Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

– Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

– Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter, or, when in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Belo Horizonte, March 25, 2023.

KPMG Auditores Independentes Ltda.

CRC SP-014428/O-6 F-MG

(Original in Portuguese signed by)

Thiago Rodrigues de Oliveira

Contador CRC 1SP259468/O-7

OPINION OF THE AUDIT BOARD

The members of the Audit Board of Cemig Distribuição S.A., undersigned, in performance of their function under the law and the Company's by-laws, have examined the financial statements for the business year ended December 31, 2022 and the related complementary documents, approved by the Company's Board of Directors, on March 24, 2023. After verifying these documents, and considering the examinations carried out by this Board and the explanations provided by the Company's Management in relation to acts of management and the related records in the 2022 financial year, and also based on the unqualified Opinion of KPMG Auditores Independentes Ltda. issued on March 25, 2023, hereby express the following favorable opinion, namely that these statements are adequately presented in all material aspects, and thus merit approval by the stockholders in the Annual General Meeting to be held in 2023.

Belo Horizonte, March 25, 2023.

Gustavo de Oliveira Barbosa - President

Elizabeth Jucá e Mello Jacometti - Board Member

Michele da Silva Gonsales Torres - Board Member

João Vicente Silva Machado - Board Member

Luísa Cardoso Barreto - Board Member

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DIRECTORS' STATEMENT OF REVIEW OF THE FINANCIAL STATEMENTS

STATEMENT

We hereby state, for the due purposes, under the responsibility of our positions, that in meeting of the Executive Board of Cemig Distribuição S.A., held on March 22, 2023, we approved the conclusion, on that date, of the Company's financial statements for the business year 2022; and also submission to the Board of Directors, for decision and submission to the Annual General Meeting, of the Report of Management, the Financial Statements for 2022 and the related complementary documents. In relation to those documents, we declare that we have reviewed, discussed and agree with the said Financial Statements.

Belo Horizonte, March 22, 2023.

Reynaldo Passanezi Filho - Chief Executive Officer
Dimas Costa - Chief Trading Officer
Leonardo George de Magalhães - Chief Finance and Investor Relations Officer
Marney Thadeu Antunes - Chief Distribution and Sales Officer
Marco da Camino Ancona Lopes Soligo - Chief Officer Cemigpar
Thadeu Carneiro da Silva - Chief without portfolio
Henrique Motta Pinto - Chief Regulation and Legal

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DIRECTORS' STATEMENT OF REVIEW OF THE REPORT BY THE EXTERNAL AUDITORS ON THE FINANCIAL STATEMENTS

STATEMENT

We hereby state, for the due purposes, under the responsibility of our positions, that in meeting of the Executive Board of Companhia Energética de Minas Gerais (Cemig), Cemig Distribuição S.A. and Cemig Geração e Transmissão S.A), held on March 22, 2023, we approved the conclusion, on that date, of the Company's financial statements for the business year 2022; and also submission to the Board of Directors, for decision and submission to the Annual General Meeting, of the Report of Management, the Financial Statements for 2022 and the related complementary documents. In relation to those documents, we declare that we have reviewed, discussed and agree with the opinions expressed by the representatives of the Independent External Auditors.

Belo Horizonte, March 22, 2023.

Reynaldo Passanezi Filho - Chief Executive Officer
Dimas Costa - Chief Trading Officer
Leonardo George de Magalhães - Chief Finance and Investor Relations Officer
Marney Thadeu Antunes - Chief Distribution and Sales Officer
Marco da Camino Ancona Lopes Soligo - Chief Officer Cemigpar
Thadeu Carneiro da Silva - Chief without portfolio
Henrique Motta Pinto - Chief Regulation and Legal

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REPORT OF THE AUDIT COMMITTEE

SUMMARY OF THE REPORT OF THE AUDIT COMMITTEE - March 24, 2023

INTRODUCTION

The purpose of the Audit Committee, a statutory body of Cemig Distribuição S.A. ('Cemig D'), is to advise the Board of Directors on the exercise of its functions of audit and inspection, and, among other duties specified in its Internal Regulations, evaluate and state opinions on: the quality and integrity of the accounting statements; adherence to the rules of law, the bylaws and regulations; and the effectiveness of the systems of internal control, and of independent and external auditing. The assessments made by the Committee are based (i) on information received from Management, from the external auditors, from internal audits, and from those responsible for management of risk and internal controls; and (ii) on its own analyses arising from direct observation. It is a function of the Committee, with the technical and operational support of the Company's Compliance area, to carry out analysis of the appropriateness of nominations to the post of Manager or member of the Audit Board by carrying out background checks of integrity and compliance.

COMPOSITION OF THE AUDIT COMMITTEE

The Audit Committee comprises: Mr. Pedro Carlos de Mello, Coordinator of the Committee and elected on June 06, 2018; and the committee members Mr. Afonso Henriques Moreira Santos, elected on September 14, 2020, Mr. Márcio de Lima Leite elected on May 21, 2020 and Mr. Roberto Tommasetti elected on May 15, 2019.

ACTIVITIES CARRIED OUT IN THE SCOPE OF ITS DUTIES IN YEAR OF 2022

In 2022 the Committee met 35 times. At the beginning of the first quarter of 2023 it has met 6 times. It has taken part in meetings of the Board of Directors 13 times in 2022 and one in 2023. Four meetings were held jointly with the Audit Board in 2022, and two so far in the first half of 2023. The Committee has maintained permanent contact with the managers of the various areas of the Company, aiming to accompany the work carried out, and obtain input information on which to base its assessments. 18 meetings were held with participation by the external auditors, KPMG Auditores Independentes Ltda., to become aware of methodology, planning and results of the work, with a view to preparation of the Financial Statements at December, 31, 2022. The Committee met with members of the Executive Board of the Company to deal with subjects related to general aspects of the management of the institution, in particular those relating to accounting, internal controls, internal auditing, management of capital, financial management and management of risks. The Committee has presented recommendations for enhancement of processes, and accompanied the implementations of improvements that it has recommended and recommendations in relation to internal and external audits, indicated in the course of its work. The Committee has maintained regular contacts with the Company's Board of Directors, and has also issued

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opinions of aspects related to its duties under regulations, and provided information to that Board on its activities.

THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS

The work carried out by Deputy Director of Compliance, Corporative Risks and Internal Controls, were the subject of accompaniment by the Committee. The Audit Committee considers that the activity of the Company's management in ensuring the effectiveness of the institution's systems of internal controls and risk management is positive (although in its opinion some points require more attention).

INTERNAL AUDITING

Several meetings have been held with the General Manager and the Managers of Internal Auditing (AI), with a view to accompanying the work carried out by these units. The Committee has made an assessment of the scope and quality of the audits carried out, and the level of independence of the area - assessing it to be positive. In the work carried out by internal auditing, no failures to comply with the legislation in effect and/or the internal rules were found of which the degree of severity could put the solidity and continuity of the Company at risk.

EXTERNAL AUDITING

The Committee met with the external auditors, KPMG Auditores Independentes Ltda., to ascertain the principal events in the works carried out in the preparation of the financial statements for 2022, and in their assessment of the Company's present internal controls. The Committee considers the work carried out to be satisfactory, and has not identified any situations that could affect the objectivity and independence of the external auditors.

THE FINANCIAL STATEMENTS

The Committee has accompanied the process of preparation of the financial statements for 2022, examining trial balances, balance sheets and explanatory notes, and has considered the financial statements, the Report of Management, the Report of the External Auditors and other documents destined for publication. It has taken cognizance of the accounting practices used in the preparation of the financial statements, which are aligned with the fundamental principles of accounting and with Brazilian corporate legislation, and which adequately portray the institution's equity situation.

CONCLUSION

By the closing date of this report the Audit Committee had not received any reports of any accusation of non-compliance with rules, or absence of controls, or any act or omission by the Company's Management, that might indicate the existence of fraud, failings or errors that might put at risk the continuity of the institution or the fidelity of its accounting statements.

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Based on the considerations above, the Audit Committee, having duly weighed and considered its responsibilities and the natural limitations arising from the scope of its activity, recommends to the Board of Directors that the Financial Statements of Cemig for 2022 should be approved.

Belo Horizonte, March 24, 2023.

The Audit Committee

PEDRO CARLOS DE MELLO - Coordinator

AFONSO HENRIQUES MOREIRA SANTOS - Member

MÁRCIO DE LIMA LEITE - Member

ROBERTO TOMMASETTI - Member

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CAPITAL BUDGET

In accordance with Clause 196 of the Corporate Law and Article 27, § 1, Sub-item IV of CVM Instruction 80, we present for analysis and subsequent approval of submission to the Ordinary General Meeting of Stockholders to be held on April 2023, the proposal for the consolidated Capital Budget for the 2023 business year, in thousands of Reais. The estimated amount for the Capital Budget will be served exclusively by own resources from the Company's operations, including the amount of R$145,427 thousand from the retained earnings for the year of 2022.

Investments planned for 2023	
Electrical sub-transmission system	712,302
Electrical distribution system (medium and low voltage)	2,014,679
Infrastructure and Others	490,495
	3,217,476

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