CONTENTS

STATEMENTS OF FINANCIAL POSITION

AS OF SEPTEMBER 30, 2020 AND DECEMBER 31, 2019

ASSETS

(In thousands of Brazilian Reais)

	Note	Consolidated		Parent Company	
		Sep. 30, 2020	Dec. 31, 2019	Sep. 30, 2020	Dec. 31, 2019
CURRENT					
Cash and cash equivalents	5	296,513	211,608	234,261	136,208
Marketable securities	6	1,323,867	372,678	928,577	128,175
Customers and traders	7	993,596	1,033,281	876,912	912,315
Concession holders – transmission service	7	114,249	95,815	114,573	95,898
Recoverable taxes	8	531,145	51,182	520,531	43,700
Income tax and social contribution tax recoverable	9a	408,806	364,562	406,201	363,049
Dividends receivables	27	13,047	112,043	218,906	112,337
Concession financial assets	11	580,988	439,582	325,790	189,017
Contract assets	12	229,394	171,849	229,394	171,849
Derivative financial instruments	28	619,119	234,766	619,119	234,766
Others		137,364	151,187	99,153	157,122
TOTAL CURRENT		**5,248,088**	**3,238,553**	**4,573,417**	**2,544,436**
NON-CURRENT					
Marketable securities	6	143,218	916	100,445	315
Customers and traders	7	8,518	5,942	2,640	573
Deferred income tax and social contribution tax	9c	6,875	5,100	-	-
Recoverable taxes	8	52,484	676,051	23,966	647,934
Income tax and social contribution tax recoverable	9a	3,067	3,067	-	-
Escrow deposits	10	164,535	364,277	156,018	350,051
Derivative financial instruments	28	2,665,023	1,456,178	2,665,023	1,456,178
Others		56,180	64,472	57,478	64,061
Concession financial assets	11	3,944,144	4,125,488	1,701,687	1,907,837
Contract assets	12	1,387,384	1,024,385	1,387,384	1,024,385
Investments	13	3,980,855	4,041,565	7,318,702	7,341,485
Property, plant and equipment	14	2,402,856	2,448,487	1,768,843	1,822,191
Intangible	15	137,825	155,587	26,748	28,260
Leasing – rights of use	16a	44,191	52,984	42,129	51,581
TOTAL NON-CURRENT		**14,997,155**	**14,424,499**	**15,251,063**	**14,694,851**
TOTAL ASSETS		**20,245,243**	**17,663,052**	**19,824,480**	**17,239,287**

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

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STATEMENTS OF FINANCIAL POSITION

AS OF SEPTEMBER 30, 2020 AND DECEMBER 31, 2019

LIABILITIES

(In thousands of Brazilian Reais)

	Note	Consolidated		Parent Company	
		Sep. 30, 2020	Dec. 31, 2019	Sep. 30, 2020	Dec. 31, 2019
CURRENT					
Loans, financings and debentures	19	1,103,848	918,098	947,083	739,872
Suppliers	17	440,355	422,312	406,713	396,317
Income tax and social contribution tax	9b	100,275	133,868	-	-
Taxes payable	18	116,627	51,248	95,993	39,008
Regulatory charges	20	167,120	168,785	156,023	157,638
Post-employment obligations	21	64,504	62,550	64,504	62,550
Interest on equity, and dividends, payable	27	781,769	781,769	781,769	781,769
Payroll and related charges		57,845	51,020	56,859	50,048
Derivative financial instruments - options	28	515,887	-	515,887	-
Leasing – obligations	16b	11,815	16,724	11,055	16,097
Others		157,972	169,138	127,999	155,490
TOTAL CURRENT		**3,518,017**	**2,775,512**	**3,163,885**	**2,398,789**
NON-CURRENT					
Loans, financings and debentures	19	8,845,011	6,968,685	8,845,011	6,968,685
Deferred income tax and social contribution tax	9c	419,456	403,108	399,762	382,560
Regulatory charges	20	60,027	45,298	51,420	39,983
Post-employment obligations	21	1,389,939	1,372,337	1,389,939	1,372,337
Provisions	22	414,087	400,457	413,830	400,205
Derivative financial instruments - options	28	-	482,841	-	482,841
Leasing – obligations	16b	35,102	38,335	33,707	37,502
Others		59,424	40,278	22,746	20,184
TOTAL NON-CURRENT		**11,223,046**	**9,751,339**	**11,156,415**	**9,704,297**
TOTAL LIABILITIES		**14,741,063**	**12,526,851**	**14,320,300**	**12,103,086**
SHAREHOLDERS' EQUITY	23				
Share capital		4,000,000	2,600,000	4,000,000	2,600,000
Profit reserves		1,358,087	2,757,210	1,358,087	2,757,210
Equity valuation adjustments		(228,235)	(221,009)	(228,235)	(221,009)
Retained earnings		374,328	-	374,328	-
TOTAL SHAREHOLDERS' EQUITY		**5,504,180**	**5,136,201**	**5,504,180**	**5,136,201**
TOTAL LIABILITIES AND EQUITY		**20,245,243**	**17,663,052**	**19,824,480**	**17,239,287**

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STATEMENTS OF INCOME

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

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

	Note	Consolidated		Parent Company	
		Jan to Sep 2020	Jan to Sep 2019	Jan to Sep 2020	Jan to Sep 2019
NET REVENUE	24	**5,716,617**	**5,963,697**	**5,021,748**	**5,174,410**
OPERATING COSTS					
COST OF ENERGY	25				
Charges for use of the national grid		(148,489)	(142,377)	(109,498)	(102,253)
Energy bought for resale		(2,853,191)	(2,825,618)	(2,824,056)	(2,785,509)
		(3,001,680)	**(2,967,995)**	**(2,933,554)**	**(2,887,762)**
OTHER COSTS	25				
Personnel and managers		(187,185)	(208,887)	(174,664)	(193,893)
Materials		(10,524)	(13,822)	(6,460)	(9,725)
Outsourced services		(90,408)	(88,487)	(57,567)	(59,812)
Depreciation and amortization		(142,935)	(154,882)	(99,123)	(102,852)
Operating provisions, net	25c	(22,398)	(279,635)	(22,336)	(280,335)
Transmission infrastructure construction cost	25e	(115,709)	(150,158)	(115,709)	(150,158)
Other operating costs		(20,502)	(18,096)	(11,588)	(15,015)
		(589,661)	**(913,967)**	**(487,447)**	**(811,790)**
TOTAL COSTS		**(3,591,341)**	**(3,881,962)**	**(3,421,001)**	**(3,699,552)**
GROSS PROFIT		**2,125,276**	**2,081,735**	**1,600,747**	**1,474,858**
OPERATING EXPENSES					
Selling expenses	25c	(12,167)	(31,315)	(2,114)	(7,374)
General and administrative expenses		(72,770)	(81,661)	(72,770)	(81,661)
Operating provisions		-	(691,278)	-	(691,278)
Other operating expenses		(173,541)	(133,036)	(163,255)	(132,185)
		(258,478)	**(937,290)**	**(238,139)**	**(912,498)**
Share of profit (loss) of associates and joint ventures, net	13	(36,079)	(11,390)	350,033	454,412
Adjustment for impairment of investments	13	-	-	(8,459)	-
Operating profit before financial revenue (expenses) and taxes		**1,830,719**	**1,133,055**	**1,704,182**	**1,016,772**
Finance income	26	1,886,523	1,471,376	1,865,763	1,429,838
Finance expenses	26	(3,205,377)	(1,125,243)	(3,184,764)	(1,111,243)
Profit before income tax and social contribution tax		**511,865**	**1,479,188**	**385,181**	**1,335,367**
Current income tax and social contribution tax	9d	(129,313)	(493,576)	-	(344,700)
Deferred income tax and social contribution tax	9d	(14,573)	(193,851)	(17,202)	(198,906)
NET INCOME FOR THE PERIOD		**367,979**	**791,761**	**367,979**	**791,761**
Earnings per share – R$	**23**	**0.13**	**0.27**	**0.13**	**0.27**

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STATEMENTS OF INCOME

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

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

	Note	Consolidated		Parent Company	
		Jul to Sep 2020	Jul to Sep 2019	Jul to Sep 2020	Jul to Sep 2019
NET REVENUE	24	**1,926,923**	**1,766,124**	**1,644,541**	**1,496,330**
OPERATING COSTS					
COST OF ENERGY	25				
Charges for use of the national grid		(50,201)	(50,124)	(37,178)	(35,201)
Energy bought for resale		(1,068,046)	(1,126,457)	(1,043,104)	(1,088,712)
		(1,118,247)	**(1,176,581)**	**(1,080,282)**	**(1,123,913)**
OTHER COSTS	25				
Personnel and managers		(58,003)	(67,369)	(51,478)	(62,949)
Materials		(5,739)	(4,794)	(3,814)	(3,169)
Outsourced services		(33,101)	(30,210)	(19,966)	(21,109)
Depreciation and amortization		(47,069)	(51,395)	(32,815)	(33,990)
Operating provisions, net	25c	(6,223)	(265,681)	(6,164)	(265,685)
Transmission infrastructure construction cost	25e	(41,665)	(67,169)	(41,665)	(67,169)
Other operating costs		(7,662)	(8,851)	(3,970)	(6,597)
		(199,462)	**(495,469)**	**(159,872)**	**(460,668)**
TOTAL COSTS		**(1,317,709)**	**(1,672,050)**	**(1,240,154)**	**(1,584,581)**
GROSS PROFIT		**609,214**	**94,074**	**404,387**	**(88,251)**
OPERATING EXPENSES					
Selling expenses (reversals)	25c	4,130	(12,238)	1,907	3,078
General and administrative expenses		(23,425)	(24,675)	(23,425)	(24,675)
Other operating expenses		(68,416)	(18,738)	(67,311)	(18,396)
		(87,711)	**(55,651)**	**(88,829)**	**(39,993)**
Share of profit (loss) of associates and joint ventures, net		(33,684)	(20,143)	120,970	113,692
Operating profit before financial revenue (expenses) and taxes		**487,819**	**18,280**	**436,528**	**(14,552)**
Finance income	26	31,380	521,083	26,963	510,940
Finance expenses	26	(526,859)	(733,796)	(518,561)	(729,840)
Profit before income tax and social contribution tax		**(7,660)**	**(194,433)**	**(55,070)**	**(233,452)**
Current income tax and social contribution tax	9d	(48,182)	90,104	-	133,128
Deferred income tax and social contribution tax	9d	58,847	(29,623)	58,075	(33,628)
NET INCOME (LOSS) FOR THE PERIOD		**3,005**	**(133,952)**	**3,005**	**(133,952)**
Earnings per share – R$	23	**0.00**	**(0.05)**	**0.00**	**(0.05)**

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STATEMENTS OF COMPREHENSIVE INCOME

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

(In thousands of Brazilian Reais)

	Consolidated		Parent Company	
	Jan to Sep 2020	Jan to Sep 2019	Jan to Sep 2020	Jan to Sep 2019
NET INCOME FOR THE PERIOD	367,979	791,761	367,979	791,761
COMPREHENSIVE INCOME FOR THE PERIOD	367,979	791,761	367,979	791,761

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

STATEMENTS OF COMPREHENSIVE INCOME

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

(In thousands of Brazilian Reais)

	Consolidated		Parent Company	
	Jul to Sep 2020	Jul to Sep 2019	Jul to Sep 2020	Jul to Sep 2019
NET INCOME (LOSS) FOR THE PERIOD	3,005	(133,952)	3,005	(133,952)
COMPREHENSIVE INCOME FOR THE PERIOD	3,005	(133,952)	3,005	(133,952)

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

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STATEMENTS OF CHANGES IN EQUITY

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

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

	Share capital	Profit reserves	Equity valuation adjustments	Retained earnings	Total equity
Balances on December 31, 2018	**2,600,000**	**2,362,614**	**17,522**	**-**	**4,980,136**
Reversal of reserve for tax incentives	-	(1,166)	-	1,166	-
Net income for the period	-	-	-	791,761	791,761
Realization of PP&E deemed cost	-	-	(10,459)	10,459	-
Balances on September 30, 2019	**2,600,000**	**2,361,448**	**7,063**	**803,386**	**5,771,897**
Balances on December 31, 2019	**2,600,000**	**2,757,210**	**(221,009)**	**-**	**5,136,201**
Reversal of reserve for tax incentives (1)	-	877	-	(877)	-
Net income for the period	-	-	-	367,979	367,979
Share capital increase (note 23a)	1,400,000	(1,400,000)	-	-	-
Realization of PP&E deemed cost	-	-	(7,226)	7,226	-
Balances on September 30, 2020	**4,000,000**	**1,358,087**	**(228,235)**	**374,328**	**5,504,180**

(1) to be determined in the Annual General Meeting that decide on the allocation of net income for 2020.

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

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STATEMENTS OF CASH FLOWS

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

(In thousands of Brazilian Reais)

	Note	Consolidated		Parent Company	
		Jan to Sep 2020	Jan to Sep 2019	Jan to Sep 2020	Jan to Sep 2019
CASH FLOW FROM OPERATIONS					
Net income for the period		367,979	791,761	367,979	791,761
Adjustments for:					
Expenses (revenues) not affecting cash and cash equivalents:					
Depreciation and amortization	25	155,058	171,231	111,245	119,200
Write-down of net residual value of PP&E, intangible assets, concession financial and contract assets		6,582	8,699	1,716	3,276
Impairment of contract assets	12	11,175	-	11,175	-
Adjustment to expectation of cash flow from the concession financial and contract assets	11 and 12	(370,673)	(376,609)	(142,380)	(132,540)
Gain (loss) by equity method	13	36,079	11,390	(350,033)	(454,412)
Adjustment for impairment of Investments	13	-	-	8,459	-
Provision for impairment of intangible assets	15	8,459	-	-	-
Interest and monetary variation		743,910	585,899	736,787	575,127
Foreign exchange variations – loans and financings	19	2,415,000	434,396	2,415,000	434,396
Periodic Tariff Reset adjustments	11 and 12	(429,840)	-	(429,840)	-
Amortization of transaction cost of loans and financings	19	9,035	8,751	9,035	8,751
Deferred income tax and social contribution tax	9c	14,573	193,851	17,202	198,906
Recovery of PIS/Pasep and Cofins taxes credits over ICMS, including updating	8a	(9,966)	(666,122)	(9,565)	(640,455)
Provisions for operating losses, net	25c	34,565	1,002,228	24,450	978,987
Variation in fair value of derivative financial instruments – Swaps	28	(1,803,611)	(1,099,230)	(1,803,611)	(1,099,230)
Variation in fair value of derivative financial instruments (Put options)	28	33,046	32,619	33,046	32,619
Reimbursement for suspension of supply of power (Renova)		-	(62,575)	-	(62,575)
Post-employment obligations	21	79,352	75,343	79,352	75,343
Others		10,569	-	10,569	-
		1,311,292	**1,111,632**	**1,090,586**	**829,154**
(Increase) / decrease in assets					
Customers and traders		24,942	(226,481)	31,222	(217,694)
Recoverable taxes		(1,069)	2,544	2,063	5,912
Income tax and social contribution tax recoverable		(29,439)	(27,111)	(9,825)	(15,677)
Power transport concession holders		(18,434)	(23,228)	(18,675)	(23,234)
Escrow deposits		202,885	21,462	197,077	(817)
Dividends received		124,165	102,767	270,326	434,399
Concession financial assets	11	372,661	328,002	173,807	134,838
Contract assets		35,023	(41,872)	35,023	(41,872)
Others		24,953	59,923	64,552	53,350
		735,687	**196,006**	**745,570**	**329,205**
(Increase) / reduction in liabilities					
Suppliers		18,043	17,873	10,396	21,987
Taxes		155,110	(14,231)	146,712	(17,643)
Income tax and social contribution tax		129,313	493,576	-	344,700
Payroll and related charges		6,825	1,684	6,811	1,654
Regulatory charges		13,064	19,196	9,822	17,644
Post-employment obligations	21	(59,796)	(55,717)	(59,796)	(55,717)
Advances from customers		-	(40,894)	-	(40,894)
Others		(11,164)	(15,070)	(44,016)	(18,278)
		251,395	**406,417**	**69,929**	**253,453**
Cash from operations activities		**2,298,374**	**1,714,055**	**1,906,085**	**1,411,812**
Interest received		-	24,578	-	24,578
Income tax and social contribution tax paid		(144,384)	(686,774)	-	(542,646)
Interest paid on loans, financings and debentures	19	(434,271)	(449,205)	(432,875)	(449,205)
Settlement of derivative financial instruments (swap)		177,086	42,459	177,086	34,653
Interest paid on leasing transactions	16	(798)	(5,531)	(786)	(5,415)
CASH FROM OPERATING ACTIVITIES		**1,896,007**	**639,582**	**1,649,510**	**473,777**

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	Note	Consolidated		Parent Company	
		Jan to Sep 2020	Jan to Sep 2019	Jan to Sep 2020	Jan to Sep 2019
CASH FLOW IN INVESTMENT ACTIVITIES					
Funding of investments	13b	(731)	(43,050)	(12,731)	(43,050)
Reduction of share capital in investee		-	-	-	15,500
Loan with related parties	27	-	400,000	-	400,000
Property, plant and equipment	14	(94,684)	(45,156)	(46,516)	(17,371)
Intangible assets	15	(1,557)	(1,563)	(1,557)	(1,255)
Marketable securities		(1,093,491)	(303,325)	(900,532)	(197,335)
NET CASH FROM (USED IN) INVESTMENT ACTIVITIES		**(1,190,463)**	**6,906**	**(961,336)**	**156,489**
CASH FLOW IN FINANCING ACTIVITIES					
Interest on equity, and dividends		-	(42,947)	-	(42,501)
Payments of loans, financings and debentures	19	(607,882)	(537,892)	(577,926)	(537,892)
Leasing payments	16	(12,757)	(10,803)	(12,195)	(10,447)
NET CASH USED IN FINANCIAL ACTIVITIES		**(620,639)**	**(591,642)**	**(590,121)**	**(590,840)**
NET CHANGE IN CASH AND CASH EQUIVALENTS		**84,905**	**54,846**	**98,053**	**39,426**
Cash and cash equivalents at start of period		**211,608**	**301,696**	**136,208**	**226,830**
CASH AND CASH EQUIVALENTS AT END OF PERIOD		**296,513**	**356,542**	**234,261**	**266,256**

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STATEMENTS OF ADDED VALUE

FOR THE NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2020 AND 2019
(In thousands of Brazilian Reais)

	Consolidated				Parent Company			
	Jan to Sep 2020		Jan to Sep 2019		Jan to Sep 2020		Jan to Sep 2019	
REVENUES								
Sales of energy and services	6,279,991		5,959,947		5,687,634		5,308,306	
Construction revenue	115,709		150,158		115,709		150,158	
Gain on financial updating of the concession grant fee	228,293		244,069		-		-	
Investments in property, plant and equipment	48,167		17,688		48,167		17,688	
Transmission indemnity revenue	357,253		124,057		357,253		124,057	
PIS/Pasep and Cofins taxes credits	-		424,403		-		408,612	
Provision for doubtful receivables	(12,167)		(31,315)		(2,114)		(7,374)	
Other revenues, net	102		17,921		102		17,921	
	7,017,348		**6,906,928**		**6,206,751**		**6,019,368**	
INPUTS ACQUIRED FROM THIRD PARTIES								
Energy bought for resale	(3,131,877)		(3,098,219)		(3,100,750)		(3,055,137)	
Charges for use of national grid	(162,169)		(155,199)		(120,621)		(112,645)	
Outsourced services	(183,796)		(181,250)		(150,939)		(152,564)	
Materials	(94,220)		(106,808)		(90,157)		(102,711)	
Paid concession	(2,094)		(2,127)		(2,087)		(2,120)	
Other operating costs	(110,146)		(1,027,411)		(92,129)		(1,025,950)	
	(3,684,302)		**(4,571,014)**		**(3,556,683)**		**(4,451,127)**	
GROSS VALUE ADDED	**3,333,046**		**2,335,914**		**2,650,068**		**1,568,241**	
RETENTIONS								
Depreciation and amortization	(155,058)		(171,231)		(111,245)		(119,200)	
NET VALUE ADDED	**3,177,988**		**2,164,683**		**2,538,823**		**1,449,041**	
ADDED VALUE RECEIVED BY TRANSFER								
Share of (loss) profit, net, of associates and joint ventures	(36,079)		(11,390)		350,033		454,412	
Finance income	1,886,523		1,471,376		1,865,763		1,429,838	
Adjustment for impairment of investments	-		-		(8,459)		-	
	1,850,444		**1,459,986**		**2,207,337**		**1,884,250**	
ADDED VALUE TO BE DISTRIBUTED	**5,028,432**		**3,624,669**		**4,746,160**		**3,333,291**	
DISTRIBUTION OF ADDED VALUE								
		%		%		%		%
Employees	**301,554**	**6.00**	**322,178**	**8.88**	**289,326**	**6.10**	**307,410**	**9.23**
Direct remuneration	176,793	3.52	210,360	5.80	165,057	3.48	196,028	5.88
Current Benefits and post-employment	102,241	2.03	93,909	2.59	101,859	2.15	93,580	2.81
FGTS fund	11,172	0.22	12,055	0.33	11,062	0.23	11,948	0.36
Programmed voluntary retirement plan	11,348	0.23	5,854	0.16	11,348	0.24	5,854	0.18
Taxes	**1,150,297**	**22.88**	**1,380,308**	**38.10**	**901,532**	**18.99**	**1,118,769**	**33.56**
Federal	727,490	14.47	896,024	24.72	522,998	11.02	693,508	20.81
State	417,756	8.31	478,323	13.20	376,128	7.92	422,483	12.67
Municipal	5,051	0.10	5,961	0.18	2,406	0.05	2,778	0.08
Remuneration of external capital	**3,208,602**	**63.80**	**1,130,422**	**31.18**	**3,187,323**	**67.16**	**1,115,351**	**33.46**
Interest	3,205,377	63.75	1,125,243	31.04	3,184,764	67.10	1,111,243	33.34
Rentals	3,225	0.05	5,179	0.14	2,559	0.06	4,108	0.12
Remuneration of own capital	**367,979**	**7.32**	**791,761**	**21.84**	**367,979**	**7.75**	**791,761**	**23.75**
Retained earnings	367,979	7.32	791,761	21.84	367,979	7.75	791,761	23.75
	5,028,432	**100.00**	**3,624,669**	**100.00**	**4,746,160**	**100.00**	**3,333,291**	**100.00**

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

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NOTES TO THE INTERIM FINANCIAL INFORMATION

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

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

1. OPERATING CONTEXT

a) The Company

Cemig Geração e Transmissão S.A. ('Cemig GT', 'the Company' or 'Cemig Geração e Transmissão') is a listed corporation registred in the Brazilian Registry of Corporate Taxpayers (CNPJ) under number 06.981.176/0001-58 and a wholly-owned subsidiary of Companhia Energética de Minas Gerais ('Cemig'). It was incorporated on September 8, 2004, and began operating on January 1, 2005, pursuant to the process of 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, Minas Gerais.

The objects of the Company are: (i) to study, plan, design, build and commercially operate systems of generation, transmission and sale of energy and related services for which concessions are granted, under any form of law, to it or to subsidiaries; (ii) to operate in the various fields of energy, from any source, for the purpose of economic and commercial operation; (iii) to provide consultancy services within its field of operation to companies in Brazil and abroad; and (iv) to carry out activities directly or indirectly related to its objects.

The Company has too interests in 82 power plants – of these 75 are hydroelectric, six are wind power plants and one is solar – and the associated transmission lines, mostly part of the Brazilian national generation and transmission grid system, with installed capacity for 5,786 MW (information not reviewed by external auditors).

The Company has stockholding interests in subsidiaries, jointly-controlled entities and affiliated companies, the principal objects of which are construction and operation of systems for production and sale of energy.

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

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a) **Covid-19**

General Context

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

Company's initiatives

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

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

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

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

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

The Company was diligently to mitigate the crisis impacts on its liquidity, and implemented the following measures, among others:

- capital expenditure restraint and expenses reduction;
- negotiating with its customers on the free market their contracts; and

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- deferral payment of taxes and social charges, as authorized by legislation.

Impact of Covid-19 on Financial Statements

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

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

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

- the Company assessed whether the greater pressure on the exchange rate, combined with a lack of financial market liquidity, will have a negative impact on derivative financial instruments hired to protect its operations against the risks arising from foreign exchange rate changes. At this point, given the current market conditions, the change in derivative instrument's fair value, based on the forecasts of future interest and exchanges rates, cannot offset the Company's total exposure to foreign exchange rate variability, resulting in a net loss of R$611 million in the period of January to September of 2020. The long-term projections carried out for the foreign exchange rate are lower than the current dollar quotation, which may represent a decrease in Company's foreign exchange variation expense, if the projected scenario occurs;
- in measuring the expected loss on doubtful receivables the Company implemented negotiations with its customers, which made it possible for the impact of the retraction in economic activity on default by large Free Customers not to be material.
- the Company estimates that the assumptions applied to determine the recoverable amount of the relevant investments in subsidiaries, joint-controlled entities and associates were not influenced significantly by the Covid-19 situation, since these investees' cash flows are mainly related to long-term rights to commercial operation of the regulated activity. Therefore, no additional impairment losses was recognize to its investments in subsidiaries, joint-controlled entities and associates, due to the economic crisis;
- the Company has also made an assessment attempting to identify the behavior of the interest rates and discount rates that are the basis for the calculation of post-employment obligations, and believes that at this moment, due to the high volatility of the market, it is not possible to conclude whether the present rates reflect an alteration in the macroeconomic fundamentals that would indicate a need for recalculation of the actuarial liabilities;

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- despite the uncertainties related to the crisis unfolding and its potential long-term effects, the Company does not expect that the negative impact on its projections of likely future taxable profits might compromise the recoverability of its deferred tax assets;
- the Company also reviewed the financial assets and liabilities measured at fair value to reflect the conditions and current rates projected, which impacts are presented in Note 28; and
- the Company is starting negotiations and deferrals with its customers and energy suppliers, in order to maintain its liquidity during the economic crisis.

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

2. BASIS OF PREPARATION

2.1 Statement of compliance

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

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

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

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

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

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

Number of the note		Title of the note
Dec. 31, 2019	Sep. 30, 2020	
1	1	Operational context
2	2	Basis of preparation
3	3	Consolidation principles
4	4	Concessions and authorizations
5	29	Operational segments
6	5	Cash and cash equivalents
7	6	Marketable securities
8	7	Customers and traders
9	8	Recoverable taxes
10	-	PIS/Pasep and Cofins taxes credits over ICMS – Final Court Judgment
11	9	Income tax and social contribution tax
12	10	Escrow deposits
13	11	Concession financial assets
14	12	Contract assets
15	13	Investments
16	14	Property, plant and equipment
17	15	Intangible assets
18	16	Leasing transactions
19	17	Suppliers
20	18	Taxes
21	19	Loans, financings and debentures
22	20	Regulatory charges
23	21	Post-employment obligations
24	22	Provisions
25	23	Equity and remuneration to shareholders
26	24	Revenues
27	25	Operating costs and expenses
28	26	Financial revenue and expenses
29	27	Related party transactions
30	28	Financial instruments and risk management
33	30	Subsequent events

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

Number of the note	Title of the note
31	Insurance
32	Commitments

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3. PRINCIPLES OF CONSOLIDATION

The dates of Interim financial information of the subsidiaries, used for consolidation, and of the jointly controlled entities and affiliates, used for calculation of their equity method contribution, coincide with those of the Company. Accounting practices are applied uniformly and are the same as those used by the parent company.

The Company uses the criteria of full consolidation. The direct equity investments are as follows:

Subsidiary	Valuation method	Sep. 30, 2020 and Dec. 31, 2019
		Direct stake, %
Cemig Baguari Energia S.A.	Consolidation	100.00
Cemig Geração Três Marias S.A.	Consolidation	100.00
Cemig Geração Salto Grande S.A.	Consolidation	100.00
Cemig Geração Itutinga S.A.	Consolidation	100.00
Cemig Geração Camargos S.A.	Consolidation	100.00
Cemig Geração Sul S.A.	Consolidation	100.00
Cemig Geração Leste S.A.	Consolidation	100.00
Cemig Geração Oeste S.A.	Consolidation	100.00
Sá Carvalho S.A.	Consolidation	100.00
Horizontes Energia S.A.	Consolidation	100.00
Rosal Energia S.A.	Consolidation	100.00
Cemig PCH S.A.	Consolidation	100.00
Empresa de Serviços de Comercialização de Energia Elétrica S.A.	Consolidation	100.00
Cemig Geração Poço Fundo S.A.	Consolidation	100.00
Cemig Comercializadora de Energia Incentivada S.A. (1)	Consolidation	100.00
Cemig Trading S.A.	Consolidation	100.00
Central Eólica Praias de Parajuru S.A.	Consolidation	100.00
Central Eólica Volta do Rio S.A.	Consolidation	100.00

(1) On October 1, 2020, an Extraordinary General Meeting of Shareholders approved the merger of this wholly-owned subsidiary, at book value, and as a result the investee ceased to exist and the Company took over of all its rights and liabilities.

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4. CONCESSIONS AND AUTHORIZATIONS

The Company, including its consortium interests and subsidiaries, holds the following concessions or authorizations, from Aneel:

	Company holding concession or authorization	Concession or authorization contract	Expiration date
POWER GENERATION			
Hydroelectric plants			
Emborcação (1) (2)	Cemig GT	7/1997	Jul. 2025
Nova Ponte (1) (2)	Cemig GT	7/1997	Jul. 2025
Santa Luzia (1)	Cemig GT	7/1997	Feb. 2026
Irapé (1)	Cemig GT	14/2000	Feb. 2035
Queimado (Consortium) (1)	Cemig GT	06/1997	Jan. 2033
Rio de Pedras (1)	Cemig GT	02/2013	Sep. 2024
Poço Fundo (1)	Cemig GT	02/2013	Aug. 2025
São Bernardo (1)	Cemig GT	02/2013	Aug. 2025
Rosal (1)	Rosal Energia	01/1997	May 2032
Machado Mineiro (1)	Horizontes Energia	Resolution 331/2002	Jul. 2025
Salto Voltão (1)	Horizontes Energia	Resolution 331/2002	Oct. 2030
Salto Paraopeba (1)	Horizontes Energia	Resolution 331/2002	Oct. 2030
Salto do Passo Velho (1)	Horizontes Energia	Resolution 331/2002	Oct. 2030
PCH Pai Joaquim (1)	Cemig PCH	Authorizing Resolution 377/2005	Apr. 2032
Sá Carvalho (1)	Sá Carvalho	01/2004	Dec. 2024
Três Marias (3)	Cemig Geração Três Marias S.A.	08/2016	Jan. 2046
Salto Grande (3)	Cemig Geração Salto Grande	09/2016	Jan. 2046
Itutinga (3)	Cemig Geração Itutinga	10/2016	Jan. 2046
Camargos (3)	Cemig Geração Camargos	11/2016	Jan. 2046
Coronel Domiciano, Joasal, Marmelos, Paciência and Piau (3)	Cemig Geração Sul	12/2016 and 13/2016	Jan. 2046
Dona Rita, Ervália, Neblina, Peti, Sinceridade and Tronqueiras (3)	Cemig Geração Leste	14/2016 and 15/2016	Jan. 2046
Cajurú, Gafanhoto and Martins (3)	Cemig Geração Oeste	16/2016	Jan. 2046
Thermal plants			
Igarapé (6)	Cemig GT	7/1997	Aug. 2024
Wind power plantes			
Central Geradora Eólica Praias de Parajuru (4)	Parajuru	Resolution 526/2002	Sep. 2032
Central Geradora Eólica Volta do Rio (4)	Volta do Rio	Resolution 660/2001	Jan. 2031
POWER TRANSMISSION			
National grid (5)	Cemig GT	006/1997	Jan. 2043
Itajubá Substation (5)	Cemig GT	79/2000	Oct. 2030

(1) Generation concession contracts that are not within the scope of ICPC 01/ IFRIC 12, whose infrastructure assets are recorded as PP&E since the concession grantor does not have control over whom the service is provided to as the output is being sold mainly in the Free Market ('ACL').

(2) On July 17, 2020, the Company filed a statement of its interest in extending these plants concession, under the independent producer regime, outside the regime of quotas, to ensure its right of option under the legislative changes currently under discussion, relating to the group of measures to modernize the electricity sector. Any actual decision will only be made after publication by the Brazilian Mining and Energy Ministry and by the regulator, Aneel, of the conditions for extension, which will be submitted to decision by the Company's governance bodies at the due time.

(3) Refers to generation concession contracts of which the revenue relating to the concession grant fee is being recognized as a concession financial asset.

(4) These refers to concessions, given by the process of authorization, for generation of wind power as an independent power producer, to be sold under *Proinfa* (the program to encourage alternative energy sources). Assets tied to the right of commercial operation are recorded in PP&E. The rights of authorization of commercial operation that are considered as Investments in the interim financial information of the parent company are classified in the statements of financial position under Intangible.

(5) These refer to transmission concession contracts, which, in accordance with CPC 47/ IFRS 15, are recognized as contract asset for being subject to satisfaction of performance obligations.

(6) On December 6, 2019, Aneel suspended Igarapé Plant commercial operation upon the Company claim for early termination of its concession contract, and, as a result, the corresponding assets were written-off from the Company's financial statement position. On September 30, 2020, Aneel recommended to the Ministry of Mines and Energy (MME) the extinction formalization of Igarapé thermal plant concession, as claimed by the Company.

The contracts for three Small Hydro Plants (SHPs) – Luiz Dias, Salto Morais and Xicão – with installed capacity of 1,620kW, 2,394kW and 1,808kW, respectively, were extinguished by Aneel at Company's request, by authorizing resolutions of October 13, 2020, without reversion of assets, for further register as small hydropower plant with intalled capacity lower than 5MW (so-called '*Central Geradora Hidrelétrica* – CGH' under Brazillian law), under the legislation and regulations. The Company continues to operate these plants. The concession for the Salto Morais plant was terminated in July 2020, in accordance with the contract signed with Aneel, but

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continued to be operated by the Company, since its installed capacity is lower than 5MW, and under the legislation grant of concession or authorization is not necessary in this case.

The Company generate energy from nine hydroelectric plants that have the capacity of 5MW or less, including those mentioned in the previous paragraph – having a total installed capacity of 11.53MW, and thus under Law 9,074/95, these are dispensed from concession, permission or authorization, and do not have a final concession date.

5. CASH AND CASH EQUIVALENTS

	Consolidated		Parent Company	
	Sep. 30, 2020	Dec. 31, 2019	Sep. 30, 2020	Dec. 31, 2019
Bank accounts	5,767	8,644	343	2,503
Cash equivalents:				
Bank certificates of deposit (CDBs) (1)	148,272	184,682	133,995	127,419
Overnight (2)	142,474	18,282	99,923	6,286
	290,746	**202,964**	**233,918**	**133,705**
	296,513	**211,608**	**234,261**	**136,208**

(1) Bank Certificates of Deposit (Certificados de Depósito Bancário or CDBs), accrued interest at between 65.00% and 104.50% of the CDI Rate on September 30, 2020 (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) (65.00% to 103.00% in 2019). For these CDBs, the Company and its subisidiaries 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) Overnight transactions are repos available for redemption on the following day. They are usually backed by Treasury Bills, Notes or Bonds and referenced to a pre-fixed rate of 1.89% p.a. on September 30, 2020 (4.39% p.a. on December 31, 2019). Their purpose is to settle the short-term obligations of the Company, or to be used in the acquisition of other assets with better return to replenish the portfolio.

Note 28 gives the exposure of the Company and its subsidiaries to interest rate risks and a sensitivity analysis of their effects on financial assets and liabilities.

6. MARKETABLE SECURITIES

	Consolidated		Parent Company	
	Sep. 30, 2020	Dec. 31, 2019	Sep. 30, 2020	Dec. 31, 2019
Current				
Bank certificates of deposit (CDBs) (1)	46,004	-	32,264	-
Financial Notes (LFs) – Banks (2)	1,021,031	323,761	716,092	111,308
Treasury Financial Notes (LFTs) (3)	254,400	47,268	178,421	16,250
Debentures (4)	2,120	1,573	1,487	541
Others	312	76	313	76
	1,323,867	**372,678**	**928,577**	**128,175**
Non-current				
Financial Notes (LFs) – Banks (2)	135,839	-	95,270	-
Debentures (4)	7,379	916	5,175	315
	143,218	**916**	**100,445**	**315**
	1,467,085	**373,594**	**1,029,022**	**128,490**

(1) Bank Certificates of Deposit (Certificados de Depósito Bancário or CDBs), accrued interest at between 110.00% and 120.00% of the CDI Rate on September 30, 2020 (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).

(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 at rates between 102.25% and 142.90% of the CDI rate on September 30, 2020 (101.95% to 113.00% on December 31, 2019).

(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.

(4) *Debentures* are medium and long term debt securities, which give their holders a right of credit against the issuing company. The debentures have remuneration varying from 106.75% to 109.00% of the CDI rate on September 30, 2020 (108.25% to 113.00% of the CDI on December 31, 2019).

The classification of these securities and the investments of related parties are shown in notes 28 and 27, respectively.

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7. CUSTOMERS, TRADERS AND POWER TRANSPORT CONCESSION HOLDERS

	Balances not yet due		Past due			Consolidated	
	Billed	Unbilled	Up to 90 days	91 to 360 days	More than 360 days	Sep. 30, 2020	Dec. 31, 2019
Industrial	17,745	235,556	25,078	24,431	61,701	364,511	333,282
Commercial, services and others	3,470	77,899	10,714	9,703	-	101,786	111,091
Wholesale supply to other concession holders	10,044	312,714	23,481	889	9,667	356,795	257,724
Concession holders – transmission service	14,171	91,497	-	3,759	4,822	114,249	95,815
CCEE (Power Trading Exchange)	19,595	-	218,780	-	-	238,375	385,558
Provision for doubtful receivables	-	-	(1,239)	(782)	(57,332)	(59,353)	(48,432)
	65,025	**717,666**	**276,814**	**38,000**	**18,858**	**1,116,363**	**1,135,038**
Current assets						**1,107,845**	**1,129,096**
Customers and traders						993,596	1,033,281
Concession holders – transmission service						114,249	95,815
Non-current assets						**8,518**	**5,942**
Customers and traders						8,518	5,942

	Balances not yet due		Past due			Parent Company	
	Billed	Unbilled	Up to 90 days	91 to 360 days	More than 360 days	Sep. 30, 2020	Dec. 31, 2019
Industrial	10,793	202,544	18,068	12,254	18,548	262,207	248,023
Commercial, services and others	3,470	77,899	10,714	9,703	-	101,786	111,092
Wholesale supply to other concession holders	5,022	275,076	15,376	872	30	296,376	195,623
Concession holders – transmission service	14,438	91,555	-	3,759	4,821	114,573	95,898
CCEE (Power Trading Exchange)	19,595	-	218,789	-	-	238,384	375,752
Provision for doubtful receivables	-	-	(1,239)	(782)	(17,180)	(19,201)	(17,602)
	53,318	**647,074**	**261,708**	**25,806**	**6,219**	**994,125**	**1,008,786**
Current assets						**991,485**	**1,008,213**
Customers and traders						876,912	912,315
Concession holders – transmission service						114,573	95,898
Non-current assets						**2,640**	**573**
Customers and traders						2,640	573

The exposure of the Company and its subsidiaries to credit risk related to Customers and traders is given in Note 28.

The provision for doubtful receivables is considered sufficient to cover any potential losses in the realization of accounts receivables as follows:

	Consolidated	Parent Company
Balance on December 31, 2018	**24,486**	**24,486**
Provision made, net (note 25c)	31,315	7,374
Settled	(14,460)	(14,460)
Balance on September 30, 2019	**41,341**	**17,400**
Balance on December 31, 2019	**48,432**	**17,602**
Provision made, net (note 25c)	12,167	2,114
Settled	(1,246)	(515)
Balance on September 30, 2020	**59,353**	**19,201**

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8. RECOVERABLE TAXES

	Consolidated		Parent Company	
	Sep. 30, 2020	Dec. 31, 2019	Sep. 30, 2020	Dec. 31, 2019
Current				
ICMS tax recoverable	22,640	21,792	16,842	17,294
Cofins	401,889	5,560	398,021	3,196
PIS/Pasep	87,665	1,612	86,590	867
Social security contributions	14,701	15,041	14,701	15,041
Others	4,250	7,177	4,377	7,302
	531,145	**51,182**	**520,531**	**43,700**
Non-current				
ICMS tax recoverable	23,431	21,914	23,432	21,914
Cofins	23,457	537,040	439	514,351
PIS/Pasep	5,165	116,666	95	111,669
Others	431	431	-	-
	52,484	**676,051**	**23,966**	**647,934**
	583,629	**727,233**	**544,497**	**691,634**

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 its 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 credits recorded correspond to the amount of these taxes over ICMS paid in the period of July 2003 to May 2019.

Final court judgment has also been given, against which there is no further appeal, in favor of the similar actions filed by the Company's wholly-owned subsidiaries Sá Carvalho, Cemig Geração Poço Fundo S.A. (previously denominated Usina Termelétrica Barreiro S.A.) and Horizontes Energia S.A..

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

The Company is recovering the tax credits by offsetting the amount receivable against amounts of federal taxes payable on a monthly basis, starting in May, 2020, within the five-year period specified by the relevant law of limitation.

In this context, the Company transferred to current assets the credits for which the expectation of offsetting does not exceed a period of 12 months: R$85,695 for the PIS/Pasep taxes, and R$394,715 for the Cofins tax.

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The accounting effects relating to the recognition of the PIS/Pasep and Cofins taxes credits, including their monetary updating by the Selic rate, were recognized in the income statement in 2019, at net amount, updated to December 31, 2019, of R$427,055. Of this amount, R$413,616 and R$233,438 were recognized as operational revenue and financial revenue (net of PIS/Pasep and Cofins taxes), respectively. In addition, the amount of R$219,999 was recorded as IRPJ and CSLL.

These credits are updated by the Selic rate until offsetting of the amount receivable against amounts payable. On September 30, 2020, the net effect in the consolidated and individual finance income is R$9,966 and R$9,565, respectively, more details in Note 26.

Until September 30, 2020, credits of PIS/Pasep and Cofins taxes were offset against payable federal taxes in the amount of R$154,639.

a) Other recoverable taxes

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

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

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 income tax and social contribution tax assets are offset against current income tax and social contribution tax liabilities when the requirements of CPC 32 are met.

	Consolidated		Parent Company	
	Sep. 30, 2020	Dec. 31, 2019	Sep. 30, 2020	Dec. 31, 2019
Current				
Income tax	287,210	239,443	285,157	238,261
Social contribution tax	121,596	125,119	121,044	124,788
	408,806	**364,562**	**406,201**	**363,049**
Non-current				
Income tax	2,461	2,461	-	-
Social contribution tax	606	606	-	-
	3,067	**3,067**	-	-

The balances of income tax and social contribution taxes posted in non-current assets arise from retentions at source of tax relating to energy supply sold under the *Proinfa* program by companies opting to use the presumed profit method of tax reporting, where the expectation of offsetting is greater than 12 months.

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b) Income tax and social contribution tax payable

The balances of income tax and social contribution tax recorded in current liabilities refer mainly to the taxes owed by the Company and its subsidiaries which report by the Real Profit method, and have opted to make monthly payments based on estimated revenue, and also by the subsidiaries that have opted for the Presumed Profit method, in which payments are made quarterly.

	Consolidated	
	Sep. 30, 2020	Dec. 31, 2019
Current		
Income tax	74,670	98,712
Social contribution tax	25,605	35,156
	100,275	**133,868**

c) Deferred income tax and social contribution tax

The Company and its subsidiaries have deferred taxed assets and liabilities 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:

	Consolidated		Parent Company	
	Sep. 30, 2020	Dec. 31, 2019	Sep. 30, 2020	Dec. 31, 2019
Deferred tax assets				
Tax loss carryforwards	590,125	-	590,125	-
Post-employment obligations	456,864	444,411	456,864	444,411
Estimated losses on doubtful receivables	13,156	11,075	6,528	5,984
Provisions for contingencies	114,476	110,374	114,421	110,319
Provision for SAAG put option	175,402	164,166	175,402	164,166
Provisions for losses on investments	272,863	277,300	272,863	277,300
Other provisions	49,880	46,080	49,880	46,080
Paid concession	9,098	8,194	9,098	8,194
Others	11,692	21,210	11,661	21,176
	1,693,556	**1,082,810**	**1,686,842**	**1,077,630**
Deferred tax liabilities				
Fair Value as cost attributed on IFRS adoption	(226,314)	(231,833)	(207,858)	(212,319)
Adjustment of expected cash flow from reimbursements of concession assets	(613,513)	(514,801)	(613,513)	(514,801)
Fair value of equity holdings	(140,398)	(146,852)	(140,398)	(146,852)
Updating on escrow deposits	(391)	(385)	-	-
Derivative financial instruments (Swap)	(1,116,608)	(574,921)	(1,116,608)	(574,921)
Others	(8,913)	(12,026)	(8,227)	(11,297)
	(2,106,137)	**(1,480,818)**	**(2,086,604)**	**(1,460,190)**
Net total	**(412,581)**	**(398,008)**	**(399,762)**	**(382,560)**
Total assets	**6,875**	**5,100**	**-**	**-**
Total liabilities	**(419,456)**	**(403,108)**	**(399,762)**	**(382,560)**

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

	Consolidated	Parent Company
Balance on December 31, 2018	**(461,731)**	**(436,070)**
Effects allocated to income statement	(193,851)	(198,906)
Others	348	-
Balance on September 30, 2019	**(655,234)**	**(634,976)**
Balance on December 31, 2019	**(398,008)**	**(382,560)**
Effects allocated to income statement	(14,573)	(17,202)
Balance on September 30, 2020	**(412,581)**	**(399,762)**

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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 in the Statement of income:

	Consolidated		Parent Company	
	Jan to Sep 2020	Jan to Sep 2019	Jan to Sep 2020	Jan to Sep 2019
Profit before income tax and social contribution tax	**511,865**	**1,479,188**	**385,181**	**1,335,367**
Income tax and social contribution tax – nominal expense (34%)	(174,034)	(502,924)	(130,962)	(454,025)
Tax effects applicable to:				
Tax incentives	11	4,299	-	3,342
Share of profit (loss) of associates and joint ventures, net	(21,932)	(11,800)	114,559	150,048
Non-deductible penalties	(655)	(9,066)	(655)	(9,066)
Non-deductible contributions and donations	(38)	(981)	(38)	(659)
Difference between presumed profit and real profit methods	52,567	65,989	-	-
Estimated losses on doubtful accounts receivable from related parties	-	(233,930)	-	(233,930)
Others	195	986	(106)	684
Income tax and social contribution tax – effective expense	**(143,886)**	**(687,427)**	**(17,202)**	**(543,606)**
Current tax	(129,313)	(493,576)	-	(344,700)
Deferred tax	(14,573)	(193,851)	(17,202)	(198,906)
	(143,886)	**(687,427)**	**(17,202)**	**(543,606)**
Effective rate	**28.11%**	**46.47%**	**4.47%**	**40.71%**

	Consolidated		Parent Company	
	Jul to Sep 2020	Jul to Sep 2019	Jul to Sep 2020	Jul to Sep 2019
Profit before income tax and social contribution tax	**(7,660)**	**(194,433)**	**(55,070)**	**(233,452)**
Income tax and social contribution tax – nominal revenue (34%)	2,605	66,107	18,723	79,373
Tax effects applicable to:				
Tax incentives	4	(4,687)	-	(5,591)
Share of profit (loss) of associates and joint ventures, net	(14,980)	(9,563)	39,645	37,171
Non-deductible penalties	(269)	(9,062)	(269)	(9,062)
Non-deductible contributions and donations	-	(652)	-	(346)
Difference between presumed profit and real profit methods	23,231	20,280	-	-
Others	74	(1,942)	(24)	(2,045)
Income tax and social contribution tax – effective revenue	**10,665**	**60,481**	**58,075**	**99,500**
Current tax	(48,182)	90,104	-	133,128
Deferred tax	58,847	(29,623)	58,075	(33,628)
	10,665	**60,481**	**58,075**	**99,500**
Effective rate	**139.23%**	**31.11%**	**105.46%**	**42.62%**

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10. ESCROW DEPOSITS

	Consolidated		Parent Company	
	Sep. 30, 2020	Dec. 31, 2019	Sep. 30, 2020	Dec. 31, 2019
Labor claims	**31,636**	**32,100**	**31,052**	**31,477**
Tax issues				
Income tax on interest on equity	17,423	17,226	16,107	15,910
Pasep and Cofins taxes (1)	6,298	207,469	-	195,409
Income tax and social security contribution on indemnity for employees' 'Anuênio' benefit (2)	67,190	66,483	67,190	66,483
Urban property tax (IPTU)	11,975	11,423	11,973	11,421
Social contribution tax (3)	18,062	18,062	18,062	18,062
Others	3,046	2,513	2,829	2,357
	123,994	**323,176**	**116,161**	**309,642**
Others				
Court embargo	960	974	897	942
Regulatory	3,120	3,002	3,120	3,002
Others	4,825	5,025	4,788	4,988
	8,905	**9,001**	**8,805**	**8,932**
	164,535	**364,277**	**156,018**	**350,051**

(1) This refers to deposits in the action challenging the constitutionality of inclusion of ICMS tax within the amount to which PIS/Pasep and Cofins taxes are applied. More details below.
(2) More details in Note 22 – Provisions (*Indemnity of employees' future benefit – the 'Anuênio'*).
(3) Escrow deposit in the legal action challenging an infringement claim relating to application of Social Contribution tax to amounts of cultural and artistic donations and sponsorship, expenses on punitive fines, and taxes with liability suspended.

Release of escrow deposits

On February 13, 2020, the escrow deposits in the action challenging the constitutionality of inclusion of ICMS value added tax within the taxable amount for calculation of PIS/Pasep and Cofins taxes were released for an amount of R$196,169. The escrow deposit of R$5,856 made by the subsidiary Sá Carvalho was released in the third quarter of 2020. The escrow deposits from the others wholly owned subsidiaries will be claimed in their judicial action challenging the matter as they reach the final judgement.

11. CONCESSION FINANCIAL ASSETS

	Consolidated		Parent Company	
	Sep. 30, 2020	Dec. 31, 2019	Sep. 30, 2020	Dec. 31, 2019
Transmission – Indemnity receivable (11.1)	1,211,275	1,280,652	1,211,275	1,280,652
Generation – Indemnity receivable (11.2)	816,202	816,202	816,202	816,202
Generation – Concession grant fee (11.3)	2,497,655	2,468,216	-	-
	4,525,132	**4,565,070**	**2,027,477**	**2,096,854**
Current	**580,988**	**439,582**	**325,790**	**189,017**
Non-current	**3,944,144**	**4,125,488**	**1,701,687**	**1,907,837**

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

	Consolidated			Parent Company		
	Generation	Transmission	Total	Generation	Transmission	Total
Balance on December 31, 2018	**3,225,132**	**1,296,314**	**4,521,446**	**816,202**	**1,296,314**	**2,112,516**
Inflation adjustment	244,069	97,331	341,400	-	97,331	97,331
Amounts received	(193,164)	(134,838)	(328,002)	-	(134,838)	(134,838)
Transfers – Contract assets (note 12)	-	44,082	44,082	-	44,082	44,082
Balance on September 30, 2019	**3,276,037**	**1,302,889**	**4,578,926**	**816,202**	**1,302,889**	**2,119,091**
Balance on December 31, 2019	**3,284,418**	**1,280,652**	**4,565,070**	**816,202**	**1,280,652**	**2,096,854**
Inflation adjustment	228,293	94,247	322,540	-	94,247	94,247
Amounts received	(198,854)	(173,807)	(372,661)	-	(173,807)	(173,807)
Periodic Tariff Reset adjustments	-	10,183	10,183	-	10,183	10,183
Balance on September 30, 2020	**3,313,857**	**1,211,275**	**4,525,132**	**816,202**	**1,211,275**	**2,027,477**

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11.1 Transmission - Indemnifiable receivable

On April 20, 2016, the Mining and Energy Ministry (MME) issued its Ministerial Order 120, which set the amounts ratified by Aneel through its Dispatches, relating to the facilities of the National Grid not yet amortized nor depreciated nor yet reimbursed by the concession-granting power, related to the concession contracts renewed under Law 12,783/2013. These became a component of the Regulatory Remuneration Base of the energy transmission concession holders, as from the 2017 tariff-setting process. These regulations determined the amounts receivable as Permitted Annual Revenue (*Receita Anual Permitida - RAP*) of the amounts relating to the National Grid.

Based on the regulations of Aneel and the Mining and Energy Ministry, in particular MME Ministerial Order 120/2016 and Aneel Resolution 762/2017, the portion of the Company's receivable rights for which only the passage of time is required before their payment is governed by IFRS 09 / CPC 48 (financial asset).

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

The classification of this portion as a financial asset is based on the non-existence of assets linked to the financial component of the National Grid, for which a performance obligation is required for its receipt. In this context, the Company has the unconditional right to the receivable, specified in Article 15 of Law 12,783/2013 and also in the regulations of Aneel, requiring, basically, only the passage of time for receipt of the amounts payable. The financial asset recognized is classified as measured at amortized cost, in the terms of IFRS 09/ CPC 48, since its remuneration is based on the regulatory cost of capital, previously set by Aneel through its Resolution 762/2017 and is maintained in a business model whose objective is the receipt of contractual cash flows, constituting payment of principal and interest on the principal yet unpaid.

In relation to the facilities of the National Grid linked to the Company's concession contract, Aneel ratified, through its Dispatch 2,181, on august, 16, 2016, homologated the amount of R$892,050, in December, 2012, for the portion of the residual value of assets to be paid to the Company. This amount was recorded as a financial asset, with specific maturity and interest rate, in accordance with its characteristics.

The amount of the indemnity receivable, updated to September 30, 2020, of R$1,211,275 (R$1,280,652 on December 31, 2019) is classified as a financial asset, at amortized cost, in accordance with IFRS 9/CPC 48, as follows:

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Portion of remuneration and depreciation not paid since the extensions of concessions

An amount of R$761,166 (R$832,915 on December 31, 2019), corresponding to remuneration and depreciation not paid since the extension of the concessions, until the tariff adjustment of 2017, which will be inflation adjusted using the IPCA (Expanded National Customer Price) index and remunerated at the weighted average cost of capital of the transmission segment as defined by the regulator for the periodic tariff review, to be paid over a period of eight years through the RAP, since July of 2017.

On June 30, 2020 Aneel approved the periodic reset of Annual Revenue Permitted by Ratification Resolution n. 2,712/2020, resulting in an adjustment of R$10,183 in the financial component of RAP, mainly arising from the retrospective alteration as from July 1, 2018, of the transmission sector Weighted Average Cost of Capital. More information on the RAP periodic reset in Note 12.

Residual Value of transmission assets – the regulatory cost of capital updating

On April 10, 2017, a preliminary injunction was granted to the Brazilian Large Free Customers' Association (*Associação Brasileira de Grandes Consumidores Livres*), the Brazilian Auto Glass Industry Technical Association (*Associação Técnica Brasileira das Indústrias Automáticas de Vidro*) and the Brazilian Ferro-alloys and Silicon Metal Producers' Association (*Associação Brasileira dos Produtores de Ferroligas e de Silício Metálico*) in their legal action against the regulator and the Federal Government requesting suspension of the effects on their tariffs of remuneration at cost of equity of portions of 'National Grid' assets not yet paid from 2013 to 2017 owned to the agents that accepted the terms of Law 12,783/13.

The preliminary injunction was partial, with effects related to suspension of the inclusion in the customer tariffs paid by these associations of the portion of the indemnity corresponding to the remuneration at cost of equity included since the date of extension of the concessions – amounting to R$450,109 at September 30, 2020 (R$447,737 at December 31, 2019), adjusted by the IPCA index and by the regulatory weighted average cost of capital (regulatory WACC).

In June 2020, due to revocation of the majority of the injunctions, and in compliance with the Execution Opinions issued by the Federal Public Attorneys' Office to Aneel, the effects caused by the reversal of these injunctions were calculated, for inclusion of the cost of equity in the transmission revenue starting with the 2020-21 cycle, considering all retrospective effects, including those arising from the assumptions adopted in the 2018 RAP periodic reset. At this moment Aneel provisionally ratified only the inclusion of the cost of equity updated by IPCA index of the period between the 2017-18 and 2019-20 tariff cycles, considering the need for deeper examination of the legal conditions for analysis of the Company's appeal, which require the inclusion of the wacc remuneration for the periods in which it was suspended, in the average amount of R$86,042.

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The Company believes that the treatment given to this component, which includes updating by the IPCA inflation index, plus the regulatory weighted average cost of capital, of the period from June 2017 to June 2020, appropriately reflects the regulations issued by the grantor authority. Company has no expectation of loss in relation to realization of these amounts.

The difference due the incorporation of the cost of equity remuneration, arising from the amounts actually paid and the amounts due between the 2017-18 and 2019-20 cycles, will be incorporated into the RAP through Adjustment Parcels, over three cycles. The total value for this parameter to be received in the 2020-21 cycle, which includes accrual in the current cycle, in the amount of R$65,945, totals approximately R$131,075. In third quarter 2020 was received R$33,252.

11.2 Generation – Indemnity receivable

As from August 2013, with the extinction of the concession for various plants operated under Concession Contract 007/1997, the Company has a right to receive an amount corresponding to the residual value of the infrastructure assets as specified in the concession contract. These balances are recognized in financial assets, at fair value through profit or loss, and totaled R$816,202 on September 30, 2020 and December 31, 2019.

Generation plant	Concession expiration date	Installed capacity (MW)	Net balance of assets based on historical cost	Net balance of assets based on fair value (replacement cost)
Lot D				
UHE Três Marias	July 2015	396.00	71,694	413,450
UHE Salto Grande	July 2015	102.00	10,835	39,379
UHE Itutinga	July 2015	52.00	3,671	6,589
UHE Camargos	July 2015	46.00	7,818	23,095
PCH Piau	July 2015	18.01	1,531	9,005
PCH Gafanhoto	July 2015	14.00	1,232	10,262
PCH Peti	July 2015	9.40	1,346	7,871
PCH Dona Rita	Sep. 2013	2.41	534	534
PCH Tronqueiras	July 2015	8.50	1,908	12,323
PCH Joasal	July 2015	8.40	1,379	7,622
PCH Martins	July 2015	7.70	2,132	4,041
PCH Cajuru	July 2015	7.20	3,576	4,252
PCH Paciência	July 2015	4.08	728	3,936
PCH Marmelos	July 2015	4.00	616	4,265
Others				
UHE Volta Grande	Feb. 2017	380.00	25,621	70,118
UHE Miranda	Dec. 2016	408.00	26,710	22,546
UHE Jaguara	Aug. 2013	424.00	40,452	174,203
UHE São Simão	Jan. 2015	1,710.00	1,762	2,711
		3,601.70	**203,545**	**816,202**

As specified by the regulator (Aneel) in Normative Resolution 615/2014, the valuation reports that support the amounts in relation to the residual value of the plants previously operated by Company that were included in Lot D, and for the *Volta Grande* plant have been submitted to the regulator. The Company does not expect any losses in the realization of these amounts.

On September 30, 2020, investments made after the Jaguara, São Simão and Miranda plants came into operation, in the amounts of R$174,203, R$2,711 and R$22,546, respectively, are recorded as concession financial assets, and the determination of the final amounts to be paid to the Company is in a process of discussion with Aneel (the regulator). The Company's management does not expect losses in realization of these amounts.

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In 2019, Public Hearing 003/2019 was opened to obtain inputs on improvement of the regulation of criteria and procedures for calculation of investments in revertible assets, not yet amortized or not depreciated, of generation concessions (whether extended or not), under Law 12,783/2013. Technical Note 096/2019 was published on September 30, 2019. However, the Normative Resolution has not yet been voted on by the Council of Aneel.

11.3 Generation - Concession grant fee

The concession grant fee paid by the Company for a 30 year concession contracts n. 08 to 16/2016, related to 18 hydroelectric plants of Auction 12/2015, won by the Company, was an amount of R$2,216,353. The amount of the concession fee was recognized as a financial asset measured at amortized cost, as the Company has an unconditional right to receive the amount paid, updated by the IPCA Index and remuneratory interest (the total amount of which is equal to the internal rate of return on the project), during the period of the concession.

The changes in concession financial assets are as follows:

SPC	Plants	Balance at Dec. 31, 2019	Monetary updating	Amounts received	Balance at Sep. 30, 2020
Cemig Geração Três Marias S.A.	Três Marias	1,402,425	122,616	(106,844)	1,418,197
Cemig Geração Salto Grande S.A.	Salto Grande	440,158	38,678	(33,695)	445,141
Cemig Geração Itutinga S.A.	Itutinga	164,799	16,486	(14,326)	166,959
Cemig Geração Camargos S.A.	Camargos	123,585	12,273	(10,664)	125,194
Cemig Geração Sul S.A.	Coronel Domiciano, Joasal, Marmelos, Paciência and Piau	161,490	17,255	(15,005)	163,740
Cemig Geração Leste S.A.	Dona Rita, Ervália, Neblina, Peti, Sinceridade and Tronqueiras	109,757	13,054	(11,394)	111,417
Cemig Geração Oeste S.A.	Cajurú, Gafanhoto and Martins	66,002	7,931	(6,926)	67,007
Total		**2,468,216**	**228,293**	**(198,854)**	**2,497,655**

SPC	Plants	Balance at Dec. 31, 2018	Monetary updating	Amounts received	Balance at Sep. 30, 2019
Cemig Geração Três Marias S.A.	Três Marias	1,369,900	131,837	(103,787)	1,397,950
Cemig Geração Salto Grande S.A.	Salto Grande	429,910	41,564	(32,731)	438,743
Cemig Geração Itutinga S.A.	Itutinga	160,601	17,494	(13,916)	164,179
Cemig Geração Camargos S.A.	Camargos	120,452	13,032	(10,359)	123,125
Cemig Geração Sul S.A.	Coronel Domiciano, Joasal, Marmelos, Paciência and Piau	157,217	18,203	(14,576)	160,844
Cemig Geração Leste S.A.	Dona Rita, Ervália, Neblina, Peti, Sinceridade and Tronqueiras	106,697	13,651	(11,068)	109,280
Cemig Geração Oeste S.A.	Cajurú, Gafanhoto and Martins	64,153	8,288	(6,727)	65,714
Total		**2,408,930**	**244,069**	**(193,164)**	**2,459,835**

Of the energy produced by these plants, 70% is sold in the Regulated Market (ACR) and 30% in the Free Market (ACL).

12. CONCESSION CONTRACT ASSETS

Under IFRS 15 / CPC 47 – *Revenue from contracts with customers*, the infrastructure of construction revenue for which the right to consideration depends on satisfaction of performance obligations are classified as Contract assets on September 30, 2020 as follows:

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	Consolidated		Parent Company	
	Sep. 30, 2020	Dec. 31, 2019	Sep. 30, 2020	Dec. 31, 2019
Transmission – Reimbursement assets incorporated into the assets remuneration Base	485,455	347,691	485,455	347,691
Transmission – Assets remunerated by tariff	1,131,323	848,543	1,131,323	848,543
	1,616,778	**1,196,234**	**1,616,778**	**1,196,234**
Current	**229,394**	**171,849**	**229,394**	**171,849**
Non-current	**1,387,384**	**1,024,385**	**1,387,384**	**1,024,385**

The changes in contract assets are as follows:

Balance on December 31, 2018	**1,129,310**
Additions	150,158
Inflation adjustment	26,726
Adjustment to expectation of contractual cash flow from the concession	8,483
Amounts received	(108,286)
Settled	(3,259)
Transfers to PP&E (note 14)	6
Transfer to financial assets (note 11)	(44,082)
Balance on September 30, 2019	**1,159,056**
Balance on December 31, 2019	**1,196,234**
Additions	115,709
Adjustment to expected contract cash flow from the concession – Periodic Tariff Reset adjustments	419,657
Adjustment to expected contract cash flow from the concession	48,133
Amounts received	(150,732)
Settled	(1,048)
Impairment (1)	(11,175)
Balance on September 30, 2020	**1,616,778**

(1) The impairment of transmission contract asset, recorded in others expenses, refers to costs of assets not incorporated into the remuneration base and that are not expected to be recovered, in the amount of R$11,175.

The assets posted in this line are:

Remaining National Grid balance to be received through RAP

The portion of the RAP relating to the facilities of the National Grid arising from the regulatory reintegration quota incorporated into the Remuneration Base, under Mining and Energy Ministry Order 120/2016 and Aneel Resolution 762/2017, is classified as a contractual asset, since satisfaction of the performance obligation linked to their construction occurs during their useful life (availability of the network).

The right to the consideration linked to these assets depends on the availability of the network, since they were reincorporated into the Remuneration Base by the renewal of the concession contract, under Law 12,783/2013, and will be received for the remaining period of their useful life, whilst the services of operation and maintenance are rendered. Thus, the asset is recognized, under IFRS 15/ CPC 47, as a contract asset, representing the performance concluded prior to the right to receipt of the consideration, which will take place during the utilization of the infrastructure built, for the period of its useful life, in accordance with Aneel Resolution 762/2017, concomitantly with the provision of services of operation and maintenance, which are necessary for availability of the network.

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As a result of the Tariff Periodic Reset, as detailed further below on this explanatory note, the economic portion of RAP was remeasured in accordance with the applicable regulatory rules, resulting in an addition of R$220,943 to the Company's income for the period ended June 30, 2020.

The remaining balance of the indemnity for transmission, due to acceptance of the terms of Law 12,783/13 and the adjustments arising from periodic reset of RAP (RTP), of R$485,455, at September 30, 2020 (R$347,691 at December 31, 2019) was incorporated into the Assets Remuneration Base and is being recovered through the Annual Permitted Revenue (RAP).

Assets remunerated by tariff

For new assets related to improvements and upgrades of facilities constructed by transmission concession holders, the regulator (Aneel) calculates an additional portion of Permitted Annual Revenue (RAP) from the date that the new facilities enter commercial operation.

Under the *Proret*, the revenue established in the Resolutions is payable to the transmission concession holders as from the date of start of commercial operation of the facilities. In the periods between tariff reviews, the revenues associated with the improvements and upgrades of facilities are provisional. They are then finally determined in the review immediately subsequent to the start of commercial operation of the facilities; this review then has effect starting on the date when commercial operations begin. On September 30, 2020 was R$1,131,323 (R$848,543 on December 31, 2019).

The assets arising from reinforcements and improvements related to the period from January 2013 to January 2018 were remeasured using the Aneel Reference Price Bank, in accordance with the regulatory requirement due to the Periodic Reset of RAP ratified by Aneel on June 30, 2020, as detailed further below on this explanatory note. The remeasurement of this Remuneration Base resulted in an increase of R$198,714 in the Company's income.

The construction of infrastructure grants to the operator a right to receive consideration due to performance obligations represented by the construction, which is not unconditional until the satisfaction of performance obligations related to the operation and maintenance of the transmission lines. The revenue and costs related to construction of these assets are recognized in the statement of income as expenditures incurred.

Periodic Reset of Permitted Annual Revenue – RAP

On September 30, 2020, Aneel ratified the results of the Periodic Tariff Reset through Ratifying Resolution 2,712/2020, setting the revaluation of the Permitted Annual Revenue (RAP) to be applied from July 1, 2018. The result of the RAP Periodic Reset was a net increase of 9.13%, comprising: (i) –10.25%, arising from revaluation of the assets created by reinforcements and improvements (incremental basis); (ii) 0.51% for the assets reincorporated into the Remuneration Base; and (iii) 37.89% for the review of the financial component of RAP and change of the weighted average Regulatory Cost of Capital (WACC).

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13. INVESTMENTS

	Consolidated		Parent Company	
	Sep. 30, 2020	Dec. 31, 2019	Sep. 30, 2020	Dec. 31, 2019
Affiliated companies				
Madeira Energia (*Santo Antônio* Plant)	118,736	166,617	118,736	166,617
FIP Melbourne (*Santo Antônio* Plant)	346,170	384,809	346,170	384,809
Jointly controlled entities				
Hidrelétrica Cachoeirão	56,803	53,728	56,803	53,728
Guanhães Energia	130,587	131,076	130,587	131,076
Hidrelétrica Pipoca	34,149	30,730	34,149	30,730
LightGer	43,965	46,487	43,965	46,487
Baguari Energia	162,858	157,499	162,858	157,499
Aliança Norte (*Belo Monte* plant)	645,908	671,166	645,908	671,166
Amazônia Energia (*Belo Monte* plant)	989,249	1,027,860	989,249	1,027,860
Aliança Geração	1,259,626	1,191,550	1,259,626	1,191,550
Retiro Baixo	192,804	180,043	192,804	180,043
Subsidiaries				
Cemig Baguari	-	-	9	19
Cemig Geração Três Marias S.A.	-	-	1,454,406	1,407,996
Cemig Geração Salto Grande S.A.	-	-	460,172	446,318
Cemig Geração Itutinga S.A.	-	-	179,807	183,617
Cemig Geração Camargos S.A.	-	-	142,373	136,140
Cemig Geração Sul S.A.	-	-	176,353	179,275
Cemig Geração Leste S.A.	-	-	127,959	126,802
Cemig Geração Oeste S.A.	-	-	85,400	72,648
Rosal Energia S.A.	-	-	131,846	127,994
Sá Carvalho S.A.	-	-	111,924	123,929
Horizontes Energia S.A.	-	-	57,496	57,397
Cemig PCH S.A.	-	-	92,693	97,731
Cemig Geração Poço Fundo S.A.	-	-	3,860	3,638
Empresa de Serviços de Comercialização de Energia Elétrica S.A.	-	-	42,697	28,263
Cemig Comercializadora de Energia Incentivada S.A.	-	-	2,529	3,359
Cemig Trading S.A.	-	-	23,076	31,027
Central Eólica Praias de Parajuru S.A.	-	-	144,363	149,260
Central Eólica Volta do Rio S.A.	-	-	100,884	124,507
Total of investments	**3,980,855**	**4,041,565**	**7,318,702**	**7,341,485**
Usina Hidrelétrica Itaocara – equity deficit	(21,617)	(21,810)	(21,617)	(21,810)
Total	**3,959,238**	**4,019,755**	**7,297,085**	**7,319,675**

(1) On October 1, 2020, an Extraordinary General Meeting of Shareholders approved the merger of this wholly-owned subsidiary, at book value, and as a result the investee ceased to exist and the Company took over of all its rights and liabilities.

On December 31, 2019, the investee Usina Hidrelétrica Itaocara had negative shareholders' equity. Thus, after reducing the accounting value of its interest to zero, the Company recognized the loss to the extent that it assumed contractual obligations with the subsidiary and the other shareholders, which on September 30, 2020 is R$21,617 (R$21,810 on December 31, 2019).

For the third quarter of 2020, management considered that there was some indication, due to the economic shock of the Covid-19 pandemic (Note 1b), of potential decline in value of assets, as referred to in IAS 36 / CPC 01 – *Impairments*. Considering, however, the pandemic's effects on the economic context, and the fact that the long-term expectation of realization of the assets underwent no change, management of the Company and its subsidiaries concluded that the reported assets net carrying amount is recoverable, and, thus that there was no need to recognize any impairment loss in the Company nor its subsidiaries, as a result of the current economic scenario.

Additionally, in relation to the above, the Company's management has assessed the risk threatening all its investments ability to continue as a going concern, taking substantially into consideration: the guarantee of revenues of the transmission companies; the protection against *force majeure* reduction in regulated generation contracts; and all the legal measures that have been applied by the federal government and by Aneel – and has concluded that the Company and its subsidiaries' ability to continue as going concern is secure.

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a) Right to exploitation of the regulated activity

In the process of allocate the purchase price for of the acquisition of the subsidiaries and affiliates, a valuation was made for the intangible assets relating to the right to operate the infrastructure. This asset is presented together with the acquisition cost of the investments in the previous table. These assets will be amortized over the remaining period of the concessions on a straight-line basis.

The rights of authorization to generate wind energy granted to Parajuru and Volta do Rio, valued at R$55,411 (R$60,072 on December 31, 2019) and R$53,696 (R$66,606 on December 31, 2019), respectively, are included in the financial statements of Company in accordance with Technical Interpretation ICPC 09, the investments and are classified in the consolidated balance sheet under Intangibles. These concession assets are amortized by the straight-line method, during the period of the concession. More details in Note 15.

The changes in these assets are as follows:

Consolidated	Balance at Dec. 31, 2018	Amortization	Balance at Sep. 30, 2019	Balance at Dec. 31, 2019	Amortization	Balance at Sep. 30, 2020
Retiro Baixo	31,966	(1,042)	30,924	30,576	(1,042)	29,534
Madeira Energia (*Santo Antônio* plant)	18,000	(552)	17,448	17,263	(552)	16,711
Aliança Geração	377,534	(18,982)	358,552	352,225	(18,983)	333,242
Aliança Norte (*Belo Monte* plant)	52,575	(1,479)	51,096	50,603	(1,479)	49,124
	480,075	**(22,055)**	**458,020**	**450,667**	**(22,056)**	**428,611**

Parent Company	Balance at Dec. 31, 2018	Amortization	Balance at Sep. 30, 2019	Balance at Dec. 31, 2019	Amortization	Impairment	Balance at Sep. 30, 2020
Retiro Baixo	31,966	(1,042)	30,924	30,576	(1,042)	-	29,534
Central Eólica Praias de Parajuru	66,286	(4,661)	61,625	60,072	(4,661)	-	55,411
Central Eólica Volta do Rio	95,819	(6,160)	89,659	66,606	(4,451)	(8,459)	53,696
Madeira Energia (*Santo Antônio* plant)	18,000	(552)	17,448	17,263	(552)	-	16,711
Aliança Geração	377,534	(18,982)	358,552	352,225	(18,983)	-	333,242
Aliança Norte (*Belo Monte* plant)	52,575	(1,479)	51,096	50,603	(1,479)	-	49,124
	642,180	**(32,876)**	**609,304**	**577,345**	**(31,168)**	**(8,459)**	**537,718**

(1) Due to the result of the analysis of, and realization of the test for, impairment, the Company recognized the provision for impairment of the rights of authorization to generate wind energy of Volta do Rio, on June 30, 2020. More details in Note 15.

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b) Changes of investments in affiliates, subsidiaries and jointly-controlled entities:

Consolidated	Balance at Dec. 31, 2019	Gain (loss) by equity method	Additions	Dividends	Balance at Sep. 30, 2020
Hidrelétrica Cachoeirão	53,728	7,888	-	(4,813)	56,803
Guanhães Energia	131,076	(489)	-	-	130,587
Hidrelétrica Pipoca	30,730	6,222	-	(2,803)	34,149
Madeira Energia (*Santo Antônio* Plant)	166,617	(47,881)	-	-	118,736
FIP Melbourne (*Santo Antônio* Plant)	384,809	(38,639)	-	-	346,170
Baguari Energia	157,499	15,999	-	(10,640)	162,858
Lightger	46,487	4,391	-	(6,913)	43,965
Amazônia Energia (*Belo Monte* Plant)	1,027,860	(38,686)	75	-	989,249
Aliança Norte (*Belo Monte* Plant)	671,166	(25,258)	-	-	645,908
Aliança Geração	1,191,550	68,076	-	-	1,259,626
Retiro Baixo	180,043	12,761	-	-	192,804
Total of investments	**4,041,565**	**(35,616)**	**75**	**(25,169)**	**3,980,855**
Itaocara – equity deficit	(21,810)	(463)	656	-	(21,617)
Total	**4,019,755**	**(36,079)**	**731**	**(25,169)**	**3,959,238**

Consolidated	Balance at Dec. 31, 2018	Gain (loss) by equity method	Capital contributions	Dividends	Balance at Sep. 30, 2019
Hidrelétrica Cachoeirão	49,213	9,499	-	(3,421)	55,291
Guanhães Energia	111,838	(552)	19,766	-	131,052
Hidrelétrica Pipoca	30,629	2,294	-	(4,374)	28,549
Madeira Energia (*Santo Antônio* plant)	270,090	(67,996)	-	-	202,094
FIP Melbourne (*Santo Antônio* plant)	470,022	(56,067)	-	-	413,955
Baguari Energia	162,224	14,844	-	(13,563)	163,505
Lightger	42,191	6,106	-	(2,991)	45,306
Amazônia Energia (*Belo Monte* plant)	1,012,636	20,814	75	-	1,033,525
Aliança Norte (*Belo Monte* plant)	663,755	10,575	953	-	675,283
Aliança Geração	1,216,860	61,915	-	-	1,278,775
Retiro Baixo	170,720	9,396	-	-	180,116
Usina Hidrelétrica Itaocara S.A.	5,130	(22,218)	22,256	-	5,168
Total of investments	**4,205,308**	**(11,390)**	**43,050**	**(24,349)**	**4,212,619**

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Parent Company	Balance at Dec. 31, 2019	Gain (loss) by equity method	Additions	Dividends	Others	Balance at Sep. 30, 2020
Hidrelétrica Cachoeirão	53,728	7,888	-	(4,813)	-	56,803
Guanhães Energia	131,076	(489)	-	-	-	130,587
Hidrelétrica Pipoca	30,730	6,222	-	(2,803)	-	34,149
Madeira Energia (*Santo Antônio* Plant)	166,617	(47,881)	-	-	-	118,736
FIP Melbourne (*Santo Antônio* Plant)	384,809	(38,639)	-	-	-	346,170
Baguari Energia	157,499	15,999	-	(10,640)	-	162,858
Central Eólica Praias Parajuru	149,260	(4,897)	-	-	-	144,363
Central Eólica Volta do Rio	124,507	(27,164)	12,000	-	(8,459)	100,884
Lightger	46,487	4,391	-	(6,913)	-	43,965
Amazônia Energia (*Belo Monte* Plant)	1,027,860	(38,686)	75	-	-	989,249
Aliança Norte (*Belo Monte* Plant)	671,166	(25,258)	-	-	-	645,908
Aliança Geração	1,191,550	68,076	-	-	-	1,259,626
Retiro Baixo	180,043	12,761	-	-	-	192,804
Cemig Baguari	19	(10)	-	-	-	9
Cemig Ger.Três Marias S.A.	1,407,996	129,732	-	(83,322)	-	1,454,406
Cemig Ger.Salto Grande S.A.	446,318	43,203	-	(29,349)	-	460,172
Cemig Ger. Itutinga S.A.	183,617	21,837	-	(25,647)	-	179,807
Cemig Geração Camargos S.A.	136,140	23,375	-	(17,142)	-	142,373
Cemig Geração Sul S.A.	179,275	21,573	-	(24,495)	-	176,353
Cemig Geração Leste S.A.	126,802	22,012	-	(20,855)	-	127,959
Cemig Geração Oeste S.A.	72,648	13,655	-	(903)	-	85,400
Rosal Energia S.A.	127,994	22,923	-	(19,071)	-	131,846
Sá Carvalho S.A.	123,929	29,843	-	(41,848)	-	111,924
Horizontes Energia S.A.	57,397	11,118	-	(11,019)	-	57,496
Cemig PCH S.A.	97,731	13,950	-	(18,988)	-	92,693
Cemig Geração Poço Fundo S.A.	3,638	222	-	-	-	3,860
Empresa de Serviços de Comercialização de Energia Elétrica S.A.	28,263	42,113	-	(27,679)	-	42,697
Cemig Comercializadora de Energia Incentivada S.A.	3,359	751	-	(1,581)	-	2,529
Cemig Trading S.A.	31,027	21,876	-	(29,827)	-	23,076
Total of investments	**7,341,485**	**350,496**	**12,075**	**(376,895)**	**(8,459)**	**7,318,702**
Itaocara – equity deficit	(21,810)	(463)	656	-	-	(21,617)
Total	**7,319,675**	**350,033**	**12,731**	**(376,895)**	**(8,459)**	**7,297,085**

(1) Due to the result of the analysis of, and realization of the test for, impairment, the Company recognized the provision for impairment of the rights of authorization to generate wind energy of Volta do Rio, on June 30, 2020. More details in Note 15.

(2) On October 1, 2020, an Extraordinary General Meeting of Shareholders approved the merger of this wholly-owned subsidiary, at book value, and as a result the investee ceased to exist and the Company took over of all its rights and liabilities.

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Parent Company	Balance at Dec. 31, 2018	Gain (loss) by equity method	Capital contributions	Dividends	Others (1)	Balance at Sep. 30, 2019
Hidrelétrica Cachoeirão	49,213	9,499	-	(3,421)	-	55,291
Guanhães Energia	111,838	(552)	19,766	-	-	131,052
Hidrelétrica Pipoca	30,629	2,294	-	(4,374)	-	28,549
Madeira Energia (*Santo Antônio* Plant)	270,090	(67,996)	-	-	-	202,094
FIP Melbourne (*Santo Antônio* Plant)	470,022	(56,067)	-	-	-	413,955
Baguari Energia	162,224	14,844	-	(13,563)	-	163,505
Central Eólica Praias Parajuru	145,880	873	-	(12)	-	146,741
Central Eólica Volta do Rio	180,976	(11,973)	-	-	-	169,003
Lightger	42,191	6,106	-	(2,991)	-	45,306
Amazônia Energia (*Belo Monte* Plant)	1,012,636	20,814	75	-	-	1,033,525
Aliança Norte (*Belo Monte* Plant)	663,755	10,575	953	-	-	675,283
Aliança Geração	1,216,860	61,915	-	-	-	1,278,775
Retiro Baixo	170,720	9,396	-	-	-	180,116
Usina Hidrelétrica Itaocara S.A.	5,130	(22,218)	22,256	-	-	5,168
Cemig Baguari	36	(16)	-	-	-	20
Cemig Ger.Três Marias S.A.	1,395,614	132,652	-	(137,507)	-	1,390,759
Cemig Ger.Salto Grande S.A.	440,083	48,707	-	(33,659)	-	455,131
Cemig Ger. Itutinga S.A.	178,545	31,180	-	(40,967)	-	168,758
Cemig Geração Camargos S.A.	131,570	24,222	-	(27,142)	-	128,650
Cemig Geração Sul S.A.	176,424	30,832	-	(40,527)	-	166,729
Cemig Geração Leste S.A.	120,686	22,689	-	(29,021)	-	114,354
Cemig Geração Oeste S.A.	69,898	13,668	-	(14,174)	-	69,392
Rosal Energia S.A.	124,897	18,038	-	(21,443)	-	121,492
Sá Carvalho S.A.	94,447	45,005	-	(21,340)	-	118,112
Horizontes Energia S.A.	54,953	12,273	-	(16,066)	-	51,160
Cemig PCH S.A.	92,987	9,419	-	(14,629)	-	87,777
Cemig Geração Poço Fundo S.A.	18,406	1,384	-	(728)	(15,500)	3,562
Empresa de Serviços de Comercialização de Energia Elétrica S.A.	26,755	41,416	-	(53,575)	-	14,596
Cemig Comercializadora de Energia Incentivada S.A.	2,841	1,082	-	(1,064)	-	2,859
Cemig Trading S.A.	28,135	44,351	-	(56,252)	-	16,234
Total of investments	**7,488,441**	**454,412**	**43,050**	**(532,455)**	**(15,500)**	**7,437,948**

(1) The items in the column 'Others' refer to the reduction of share capital in the investee, approved by the Extraordinary General Meeting of Stockholders of February 11, 2019, in effect from April 20, 2019, as established by Law 6,404/1976.

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c) Information on the subsidiaries, affiliates and and jointly-controlled entities, not adjusted for the Company's percentage ownership interest:

Company	Number of shares	September 30, 2020			December 31, 2019		
		Equity interest (%)	Share capital	Equity	Equity interest (%)	Share capital	Equity
Affiliated companies							
Madeira Energia (*Santo Antônio* plant)	12,034,025,147	15.51	10,619,786	2,890,230	15.51	10,619,786	3,704,760
Jointly controlled entities							
Hidrelétrica Cachoeirão	35,000,000	49.00	35,000	114,833	49.00	35,000	109,649
Guanhães Energia	548,626,000	49.00	548,626	266,775	49.00	548,626	267,503
Hidrelétrica Pipoca	41,360,000	49.00	41,360	68,533	49.00	41,360	62,715
Baguari Energia (1)	26,157,300,278	69.39	186,573	234,707	69.39	186,573	226,984
Lightger	79,078,937	49.00	79,232	89,724	49.00	79,232	94,871
Aliança Norte (*Belo Monte* plant)	41,893,675,837	49.00	1,208,071	1,217,927	49.00	1,208,071	1,266,453
Amazônia Energia (*Belo Monte* plant) (1)	1,322,697,723	74.50	1,322,698	1,327,851	74.50	1,322,598	1,379,678
Aliança Geração	1,291,582	45.00	1,291,488	2,051,183	45.00	1,291,488	1,857,905
Retiro Baixo	225,350,000	49.90	225,350	327,194	49.90	225,350	299,532
Renova (1) (2)	41,719,724	36.23	2,960,776	(1,351,088)	36.23	2,960,776	(1,130,428)
Usina Hidrelétrica Itaocara S.A.	70,621,514	49.00	70,622	(44,116)	49.00	69,283	(44,510)
Subsidiaries							
Cemig Baguari	306,000	100.00	306	9	100.00	306	19
Cemig Ger.Três Marias S.A.	1,291,423,369	100.00	1,291,423	1,454,406	100.00	1,291,423	1,407,996
Cemig Ger.Salto Grande S.A.	405,267,607	100.00	405,268	460,172	100.00	405,268	446,318
Cemig Ger. Itutinga S.A.	151,309,332	100.00	151,309	179,807	100.00	151,309	183,617
Cemig Geração Camargos S.A.	113,499,102	100.00	113,499	142,373	100.00	113,499	136,140
Cemig Geração Sul S.A.	148,146,505	100.00	148,147	176,353	100.00	148,147	179,275
Cemig Geração Leste S.A.	100,568,929	100.00	100,569	127,959	100.00	100,569	126,802
Cemig Geração Oeste S.A.	60,595,484	100.00	60,595	85,400	100.00	60,595	72,648
Rosal Energia S.A.	46,944,467	100.00	46,944	131,846	100.00	46,944	127,994
Sá Carvalho S.A.	361,200,000	100.00	36,833	111,924	100.00	36,833	123,929
Horizontes Energia S.A.	39,257,563	100.00	39,258	57,496	100.00	39,258	57,397
Cemig PCH S.A.	45,952,000	100.00	45,952	92,693	100.00	45,952	97,731
Cemig Geração Poço Fundo S.A.	1,402,000	100.00	1,402	3,860	100.00	1,402	3,638
Empresa de Serviços de Comercialização de Energia Elétrica S.A.	486,000	100.00	486	42,697	100.00	486	28,263
Cemig Comercializadora de Energia Incentivada S.A.	1,000,000	100.00	1,000	2,529	100.00	1,000	3,359
Cemig Trading S.A.	1,000,000	100.00	1,000	23,076	100.00	1,000	31,027
Central Eólica Praias de Parajuru S.A.	70,560,000	100.00	70,560	88,952	100.00	71,835	89,188
Central Eólica Volta do Rio S.A.	117,230,000	100.00	117,230	47,188	100.00	138,867	57,901

(1) Control shared under a shareholders' agreement.

(2) In view of Renova's negative net equity, the Company reduced to zero the carrying value of its equity interests in this investee, at December 31, 2018. Renova adjusted its equity interest in the joint-venture Brasil PCH and recognized adjustments in its financial statements related to shares in profits and losses arising from this investee from the period of 2018, which resulted in restatement of its financial statements of December, 31, 2019.

(3) On October 1, 2020, an Extraordinary General Meeting of Shareholders approved the merger of this wholly-owned subsidiary, at book value, and as a result the investee ceased to exist and the Company took over of all its rights and liabilities.

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Madeira Energia S.A. (‘MESA’) and FIP Melbourne

MESA is the parent company of Santo Antônio Energia S.A (‘SAESA’), whose objects are operation and maintenance of the *Santo Antônio* Hydroelectric Plant and its transmission system, on the Madeira River, and all activities necessary for operation of the plant and its transmission system. Between the shareholders include Furnas, Odebrecht Energia, SAAG and the Company.

On September 30, 2020 the investee MESA reported a loss of R$814,530 (R$796,465 on September 30, 2019). On September 30, 2020 MESA reported a current liabilities in excess of current assets by R$18,135 (R$427,060 on December 31, 2019). This positive result is mainly due to the standstill applied to the installments payment of the financing contracts with the FNO, BNDES Direct, and on-lending banks. Other factors contributing to this result were postponements and savings in Capex, Opex, and G&A (general and administrative) expenditure due to the Covid-19 pandemic, which reduced execution of activities – and also due to efficient expenditure management by the investee management.

Historically Mesa has reported current liabilities in excess of current assets, and may do so again in the future, post-pandemic period, when the cash flows of financing and other expenses are normalized. Hydroelectric plants project finances structurally present negative net working capital in the first years of operation, because they are built using high levels of financial leverage. On the other hand, they have firm long term contracts for energy supply as support and guarantee of payment of their debts. To balance the situation of negative working capital, in addition to its long-term sale contracts that ensure regularity in its operational cash flow, MESA benefits from its debt reprofiling, which adjusted its debt repayments flow to its cash generation capacity, so that the investee does not depend on additional investment from the shareholders.

Arbitration proceedings

In 2014, the Company and SAAG Investimentos S.A. (SAAG), a vehicle through which the Company holds an indirect equity interest in MESA, opened arbitration proceedings, in the Market Arbitration Chamber, challenging the following: (a) the adjustment for impairment carried out by the Executive Board of MESA, in the amount of R$678 million approximately, relating to certain credits owed to Mesa by CCSA, based on absence of quantification of the amounts supposedly owed, and absence of prior approval by the Board of Directors, as required by the by laws and Shareholders’ Agreement of MESA; and also on the existence of credits owed to MESA by CCSA, for an amount greater than the claims; and (b) against the adjustment for impairment, carried out by the Executive Board of MESA, in the amount of R$678,551, relating to certain credits owed to Mesa by CCSA, on the grounds that those credits are owed in their totality by express provision of contract.

The arbitration judgment recognized the right of the Company and SAAG in full and ordered the annulment of the acts being impugned. As a consequence of this decision, MESA reversed the impairment, and posted a provision for receivables in the amount of R$678,551 in its financial statements as of December 31, 2017. On September 30, 2020, the investee confirmed its assets recoverability expectation and maintained the provision for receivables in the amount of R$678,551.

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To resolve the question of the liability of the CCSA consortium to reimburse the costs of re-establishment of the collateral and use of the contractual limiting factor, the affiliated company opened arbitration proceedings with the International Chamber of Commerce (ICC) against CCSA, which are in progress. This process is confidential under the Arbitration Regulations of the ICC.

The Company and SAAG Investimentos S.A. applied to the judiciary for provisional remedy prior to the arbitration proceeding, to suspend the effects of the capital increase approved by an Extraordinary General Meeting of Shareholders of Mesa held on August 28, 2018. This process is confidential under the Arbitration Regulations of the Market Arbitration Chamber.

Renova Energia S.A. (‘Renova’) - court-supervised reorganization (‘Renova’)

On September 30, 2020 the jointly controlled Renova, currently in court-supervised reorganization, reported a loss of R$222,939 (R$774,829 on September 30, 2019), presenting negative net working capital, of R$3,172,047 (R$2,906,643 on December 31, 2019) and net equity (uncovered liabilities).

However, in view of the investee’s equity deficit, the Company reduced the carrying value of its equity interests in Renova, at December 31, 2018, to zero and no further losses have been recognized, considering the non-existence of any legal or constructive obligations to the investee.

Additionally, the Company recorded, in June 30, 2019, an impairment of the receivables with the jointly-controlled entity related to energy purchase and sale agreements and terms of debt recognition for total outstanding balance, in the amount of R$688 million.

Application to the court by Renova for court-supervised reorganization

On October 16, 2019, was granted court-supervised reorganization petition applied by Renova, and by the other companies of the group (‘the Renova Group’). On July 7, 2020, Renova filed two new court supervised reorganization plans. The first plan relates exclusively to the companies of Phase A of the Alto Sertão III Project, bound to the loan originally obtained from the BNDES, and the second plan relates to the investee and the other companies in court-supervised reorganization of the Renova Group, both of them are in progress in the second Bankruptcy and Court-supervised reorganization Court of the legal district of São Paulo State. On November 3, 2020, Renova filed new court-supervised reorganization plan within the existing proceedings. The court-supervised reorganization plan is in discussion, which is subjected to enhancements and changes until the General Meeting of Creditors, scheduled to be held in November, 17 2020. Up to the date, the possible effects of this jointly controlled subsidiary court-supervised reorganization plan on its accounting balances have not been measured.

In this context, Renova signed with the Cemig (Parent’s Company) Debtor in Possession (DIP) loan agreements in the total amount of R$36,500. The funds of these loans were authorized by the second State of São Paulo Bankruptcy and Court-supervised Reorganization Court. They are guaranteed by a fiduciary assignment of shares in a company owning assets of a wind power project owned by Renova, and they also have priority of receipt in the court-supervised reorganization process. Additionally, the Company made an Advance for Future Capital Increase to Renova, of R$5,000, on October 25, 2019.

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On May 2, 2020, the Bankruptcy and Court-supervised Reorganization Court issued a decision ordering that the DIP loan, in the total amount of R$36,500 million, with asset guarantee, already constituted and registered, would be subscribed as a capital increase in Renova. Cemig has filed a Motion for Clarification, which was denied by the judge. A procedural appeal is now in progress against the first instance judge's decision, which was suspended by the Appeal Court on receiving this appeal. The Company's legal advisors have classified the chances of loss as 'possible'. Due to the uncertainties on the financial situation of the investee, Cemig recognized impairment loss for the total of its credits against Renova, of R$37,361, in the second quarter of 2020.

On September 4, 2020 the Renova Board of Directors approved acceptance of the offer made by 'Quadra Gestão de Recursos Ltda' of Debtor in Possession (DIP) financing of up to R$350,000, to be applied in restarting the works on Phase A of the Alto Sertão III wind complex, with conditions precedent including approval by a General Meeting of Creditors under the Court-Supervised Reorganization proceedings currently under the Second Bankruptcy and Court-Supervised Reorganization of São Paulo. Renova granted a guaranteed period of exclusivity for satisfactory negotiation between the parties.

On September 21, 2020, Renova approved the proposal made by the Company for suspension of the obligations in the PPA signed between them, as amended from time to time, for incentive-bearing wind power which were linked to phase A of the Alto Sertão III Wind Complex. The suspension will remain in effect until the beginning of the commercial operation of the facilities aimed at the Free Market, planned for December 2022, and is duly aligned with the strategic planning set out for compliance with the Renova reorganization plan.

On October 8, 2020, the Board of Renova approved acceptance of the binding proposal presented by Prisma Capital Ltda. for acquisition of the rights and assets related to Phase B of the *Alto Sertão III* Wind Complex, under first proposer ('Stalking Horse') conditions, with right of preference in the acquisition, subject to the usual conditions precedent, including approval by a General Meeting of Creditors and a competitive tender to be held for disposal of UPI Phase B, within the Court-Supervised Reorganization proceedings currently under the Second Bankruptcy and Court-Supervised Reorganization Court of São Paulo. The Transaction is part of Renova's strategy for its healthy recovery and reduction of its liabilities, with the proceeds obtained being specifically directed to compliance with its obligations under the Court-Supervised Reorganization Plan and restart of the works on Phase A of the *Alto Sertão III* Wind Complex.

On October 23, 2020, the convocation to Renova and its subsidiaries' General Meeting of Creditors was published. The meeting was not opened on the date of its first call, November 10, 2020, due to a lack of quorum, and the second one has been scheduled for November 17, 2020.

Considering the non-existence of any legal or constructive obligations to the investee, the Company has concluded that the granted of court-supervised reorganization filed by Renova does not have any additional impact in its interim financial information.

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Amazônia Energia S.A. and Aliança Norte Energia S.A.

Amazônia Energia and Aliança Norte are shareholders of Norte Energia S.A. (‘NESA’), which holds the concession to operate the *Belo Monte* Hydroelectric Plant. Through the jointly-controlled entities referred to above, the Company owns an indirect equity interest in NESA of 11.69%.

On September 30, 2020 NESA had negative net working capital of R$175,722 (R$3,309,499 in December 31, 2019) and will spend further amounts on projects specified in its concession contract, even after conclusion of the construction and full operation of the Belo Monte Hydroelectric Plant. According to the estimates and projections, the situation of negative net working capital, and the future demands for investments in the hydroelectric plant, will be supported by revenues from future operations and/or raising of bank financings.

NESA joined the BNDES Program to Support Maintenance of Productive Capacity, Employment and Income, in the context of the Covid-19 pandemic crisis, obtaining suspension of the FINEM Direct Installment payment from June to November 2020, and the FINEM Indirect Installment payment from July to December 2020, and in consequence, it cannot distribute dividends greater than 25% in 2020. The investee’s adherence to this program contributed significantly to reduction of its negative net working capital on September 30, 2020.

On September 21, 2015, NESA was awarded a preliminary injunction ordering the regulator to ‘abstain, until hearing of the application for an injunction made in the original case, from applying to Appellant any penalties or sanctions in relation to the Belo Monte Hydroelectric Plant not starting operations on the date established in the original timetable for the project, including those specified in an the regulator (Aneel) Normative Resolution 595/2013 and in the Concession Contract for the Belo Monte Hydroelectric Plant’. The legal advisers of NESA have classified the probability of loss as ‘possible’ and estimated the potential loss on September 30, 2020 to approximately R$2,239,000 (R$1,962,000 on December 31, 2019).

Risks related to compliance with law and regulations

Jointly-controlled entities and affiliates:

Norte Energia S.A. (‘Nesa’) – through Amazônia Energia and Aliança Norte

Investigations and other legal measures are in progress since 2015, conducted by the Federal Public Attorneys’ Office, which involve other shareholders of NESA and certain executives of those other shareholders. In this context, the Federal Public Attorneys have started investigations on irregularities involving contractors and suppliers of NESA and of its other shareholders, which are still in progress. At present, it is not possible to determine the outcome of these investigations, and their possible consequences. These might at some time in the future affect the investee. In addition, based on the results of the independent internal investigation conducted by NESA and its other shareholders, an infrastructure write-down of the R$183,000 was already recorded at NESA, and reflected in the Company’s financial statements through the equity pick effect in 2015.

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On March 9, 2018 '*Operação Fortuna'* started, as a 49th phase of 'Operation Lava Jato' ('Operation Carwash'). According to what has been disclosed by the media this operation investigates payment of bribes by the construction consortium of the *Belo Monte* power plant, comprising the companies Camargo Corrêa, Andrade Gutierrez, Odebrecht, OAS and J. Malucelli. Management of NESA believes that so far there are no new facts that have been disclosed by the 49th phase of 'Operation Carwash' that require additional procedures and internal independent investigation in addition to those already carried out.

The Company's management, based on its knowledge of the matters described above and on the independent procedure carried out, believes that the conclusions presented in the report of the independent investigation are adequate and appropriate; as a result no adjustment has been made in the interim financial information. The effects of any future alterations in the existing scenario will be reflected appropriately in the Company's interim financial information.

Madeira Energia S.A. ('MESA')

Investigations and other legal measures are in progress, conducted by the Federal Public Attorneys' Office, which involve other indirect shareholders of MESA and certain executives of those other indirect shareholders. In this context, the Federal Public Attorneys have started investigations searching for irregularities involving contractors and suppliers of MESA and of its other shareholders. In response to allegations of possible illegal activities, the investee and its other shareholders started an independent internal investigation.

The independent internal investigation, concluded in February 2019, in the absence of any future developments such as any leniency agreements by third parties that may come to be signed or collaboration undertakings that may be signed by third parties with the Brazilian authorities, found no objective evidence enabling it to be affirmed that there were any supposed undue payments by MESA (SAESA) that should be considered for possible accounting write-off, pass through or increase of costs to compensate undue advantages and/or linking of MESA with the acts of its suppliers, in the terms of the witness accusations and/or cooperation statements that have been made public.

The Company's management, based on its knowledge of the matters described above and on the independent procedures carried out, believes that the conclusions presented in the report of the independent investigation are adequate and appropriate; as a result no adjustment has been made in the interim financial information. The effects of any future alterations in the existing scenario will be reflected appropriately in the Company's interim financial information.

Renova Energia S.A. ('Renova')

Since 2017 Renova is part of a formal investigation by the Civil Police of Minas Gerais State and other public authorities related to certain capital injections made by some of its controlling shareholders, including the Company and capital injections made by Renova in certain projects under development in previous years.

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On April 11, 2019, within the 'Operação Descarte' scope, the Brazilian Federal Police commenced the '*Operation E o Vento Levou*' as part of the '*Lava Jato*' Investigation, and executed a search and seizure warrant issued by a Federal Court of São Paulo at Renova's head office in São Paulo, based on allegations and indications of misappropriation of funds harmful to the interests of Cemig. Based on the allegations being investigated, these events are alleged to have taken place before 2015. On July 25, 2019, the second phase of the operation occurred.

The 'Operation E o Vento Levou' and the police investigation of the Minas Gerais State Civil Police have not yet been concluded. Thus, there is a possibility that material information may be revealed in the future. If a criminal action is filed against agents who could have damaged Renova, Renova intends to act as auxiliary to the prosecution in any criminal proceedings, and subsequently sue for civil reparation of the damages suffered.

Due to these third party investigations, the governance bodies of Renova have requested opening of an internal investigation, conducted by an independent company with the support of an external law firm, the scope of which comprises assessment of the existence of irregularities, including noncompliance with: the Brazilian legislation related to acts of corruption and money laundering; Renova's Code of Ethics; and its integrity policies. Additionally, a Monitoring Committee was established in Renova which, jointly with the Audit Committee, accompanied this investigation. The internal investigation was concluded on February 20, 2020, and no concrete evidences of acts of corruption or diversion of funds to political campaigns were identified.

However, the independent investigators identified irregularities in the conducting of business and agreement of contracts by Renova, including: (i) payments without evidence of the consideration of services, in the total amount of approximately R$40 million; (ii) payments not in accordance with the company's internal policies and best governance practices, in the total amount of approximately R$137 million; and (iii) deficiencies in the internal controls of the investee.

As a result of the analysis of the above mentioned values, Renova concluded that R$35 million relates to effective assets and therefore no impairment is necessary. The remaining amount of R$142 million was already impaired in previous years, producing no impact on the financial statements for the year ended December 31, 2019 and on the interim financial information for the period ended September 30, 2020.

In response to the irregularities found, and based on the recommendations of the Monitoring Committee and legal advisers, the Board of Directors of Renova decided to take all the steps necessary to preserve the rights of the investee, continue with the measures to obtain reimbursement of the losses caused, and strengthen the company's internal controls.

Since the investment at Renova is fully impaired at September 30, 2020, and since no contractual or constructive obligations in relation to the investee have been assumed by the Company, it is not expected that effects resulting from the court-supervised reorganization process, or the investigations, or the operational activities of this investee can significantly impact the Company's interim financial information, even if eventually not yet recorded by Renova.

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Other investigations

In addition to the cases above, there are investigations being conducted by the Public Attorneys' Office of the State of Minas Gerais ('MPMG') and by the Civil Police of the State of Minas Gerais ('PCMG'), which aim to investigate possible irregularities in the investments made by the Company in Guanhães Energia and also in MESA. Additionally, on April 11, 2019 agents of the Brazilian Federal Police were in the Company's head office in Belo Horizonte to execute a search and seizure warrant issued by a São Paulo Federal Court in connection with the 'Operation E o Vento Levou', as described above.

These proceedings are being investigated through the analysis of documents demanded by the respective authorities, and by hearing of witnesses.

Internal procedures for risks related to compliance with law and regulations.

Taking into account the investigations, that are being conducted at the Company and at certain investees, as described above, the governance bodies of the Company have authorized contracting a specialized company to analyze the internal procedures related to these investments. This independent investigation was subject to oversight of an independent investigation committee whose creation was approved by our Board of Directors.

On July 29, 2019, Cemig (parent's Company) signed a tooling agreement with the Securities and Exchange Commission (SEC) and US Department of Justice (DOJ). Cemig has complied with the requests and intends to continue contributing to the SEC and the DOJ.

The Company's internal investigation was completed and the corresponding report was issued on May 8, 2020. Considering the results of the internal investigations, no objective evidence was identified to affirm that there were illegal acts on the investments made by Company that were subject to the investigation, therefore, there was no impact in the interim financial information ended September 30, 2020 nor in its prior years financial statements.

Due to the completion of the investigations for which the Special Investigating Committee was constituted, from the delivery of the final report by the specialized company, the governance bodies of the Company decided to extinguish that Committee. If there are any future needs resulting from developments in this matter, the Committee can be reinstated.

The Company will evaluate any changes in the future scenario and eventual impacts that could affect the Financial Statements, when applicable. The Company will collaborate with the relevant authorities and their analysis related to the investigations in progress.

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14. PROPERTY, PLANT AND EQUIPMENT

Consolidated	September 30, 2020			December 31, 2019		
	Historic cost	Accumulated depreciation	Net value	Historic cost	Accumulated depreciation	Net value
In service	**7,306,336**	**(5,046,613)**	**2,259,723**	**7,244,763**	**(4,929,379)**	**2,315,384**
Land	247,793	(22,039)	225,754	247,453	(19,178)	228,275
Reservoirs, dams and watercourses	3,299,559	(2,259,469)	1,040,090	3,279,784	(2,199,659)	1,080,125
Buildings, works and improvements	1,099,881	(831,326)	268,555	1,091,605	(818,120)	273,485
Machinery and equipment	2,625,559	(1,905,054)	720,505	2,592,087	(1,864,599)	727,488
Vehicles	20,602	(18,637)	1,965	20,616	(17,687)	2,929
Furniture and utensils	12,942	(10,088)	2,854	13,218	(10,136)	3,082
Under construction	**143,133**	**-**	**143,133**	**133,103**	**-**	**133,103**
Assets in progress	143,133	-	143,133	133,103	-	133,103
Net PP&E	**7,449,469**	**(5,046,613)**	**2,402,856**	**7,377,866**	**(4,929,379)**	**2,448,487**

Parent Company	September 30, 2020			December 31, 2019		
	Historic cost	Accumulated depreciation	Net value	Historic cost	Accumulated depreciation	Net value
In service	**6,175,767**	**(4,489,725)**	**1,686,042**	**6,153,927**	**(4,404,015)**	**1,749,912**
Land	243,194	(21,690)	221,504	243,194	(18,867)	224,327
Reservoirs, dams, watercourses	3,021,820	(2,122,872)	898,948	3,003,075	(2,069,552)	933,523
Buildings, works and improvements	1,013,359	(794,036)	219,323	1,013,385	(782,773)	230,612
Machinery and equipment	1,864,304	(1,522,784)	341,520	1,860,907	(1,505,381)	355,526
Vehicles	20,388	(18,423)	1,965	20,401	(17,473)	2,928
Furniture and utensils	12,702	(9,920)	2,782	12,965	(9,969)	2,996
Under construction	**82,801**	**-**	**82,801**	**72,279**	**-**	**72,279**
Assets in progress	82,801	-	82,801	72,279	-	72,279
Net PP&E	**6,258,568**	**(4,489,725)**	**1,768,843**	**6,226,206**	**(4,404,015)**	**1,822,191**

Changes in Property, plant and equipment were as follows:

Consolidated	Balance at Dec. 31, 2019	Addition	Transfer (2)	Settled	Depreciation	Balance at Sep. 30, 2020
In service	**2,315,384**	**13,726**	**66,181**	**(2,290)**	**(133,278)**	**2,259,723**
Land (1)	228,275	340	2	-	(2,863)	225,754
Reservoirs, dams, watercourses	1,080,125	-	19,840	(54)	(59,821)	1,040,090
Buildings, works and improvements	273,485	-	8,725	(56)	(13,599)	268,555
Machinery and equipment	727,488	13,386	37,594	(2,174)	(55,789)	720,505
Vehicles	2,929	-	-	(1)	(963)	1,965
Furniture and utensils	3,082	-	20	(5)	(243)	2,854
Under construction	**133,103**	**80,958**	**(67,684)**	**(3,244)**	**-**	**143,133**
Net PP&E	**2,448,487**	**94,684**	**(1,503)**	**(5,534)**	**(133,278)**	**2,402,856**

(1) Certain land sites linked to concession contracts and without provision for reimbursement are amortized in accordance with the period of the concession.
(2) Balance relating to transfers from Assets in progress to Assets in service and to Intangible (see Note 15).

Consolidated	Balance at Dec. 31, 2018	Addition	Transfer (2)	Settled	Depreciation	Balance at Sep. 30, 2019
In service	**2,540,035**	**-**	**41,831**	**(4,766)**	**(144,680)**	**2,432,420**
Land (1)	214,967	-	16,939	(10)	(2,252)	229,644
Reservoirs, dams, watercourses	1,150,495	-	14,303	(4,753)	(60,356)	1,099,689
Buildings, works and improvements	313,688	-	(15,904)	-	(14,024)	283,760
Machinery and equipment	853,054	-	26,469	-	(66,661)	812,862
Vehicles	4,525	-	(60)	-	(1,157)	3,308
Furniture and utensils	3,306	-	84	(3)	(230)	3,157
Under construction	**119,186**	**45,156**	**(38,093)**	**(6)**	**-**	**126,243**
Net PP&E	**2,659,221**	**45,156**	**3,738**	**(4,772)**	**(144,680)**	**2,558,663**

(1) Certain land sites linked to concession contracts and without provision for reimbursement are amortized in accordance with the period of the concession.
(2) Balance relating to transfers from Contract assets (see Note 12) and Intangible (see Note 15).

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Parent Company	Balance at Dec. 31, 2019	Addition	Transfer (2)	Settled	Depreciation	Balance at Sep. 30, 2020
In service	**1,749,912**	**5**	**35,989**	**(668)**	**(99,196)**	**1,686,042**
Land (1)	224,327	-	-	-	(2,823)	221,504
Reservoirs, dams, watercourses	933,523	-	18,746	-	(53,321)	898,948
Buildings, works and improvements	230,612	-	427	(56)	(11,660)	219,323
Machinery and equipment	355,526	5	16,808	(607)	(30,212)	341,520
Vehicles	2,928	-	-	-	(963)	1,965
Furniture and utensils	2,996	-	8	(5)	(217)	2,782
Under construction	**72,279**	**46,511**	**(35,989)**	**-**	**-**	**82,801**
Net PP&E	**1,822,191**	**46,516**	**-**	**(668)**	**(99,196)**	**1,768,843**

(1) Certain land sites linked to concession contracts and not having provision for reimbursement are amortized in accordance with the period of the concession.
(2) Balance relating to transfers from Assets in progress to Assets in service.

Parent Company	Balance at Dec. 31, 2018	Addition	Transfer (2)	Settled	Depreciation	Balance at Sep. 30, 2019
In service	**1,939,887**	**-**	**22,023**	**(11)**	**(103,878)**	**1,858,021**
Land (1)	210,963	-	16,939	(11)	(2,211)	225,680
Reservoirs, dams, watercourses	996,451	-	8,327	-	(53,850)	950,928
Buildings, works and improvements	269,263	-	(16,848)	-	(12,155)	240,260
Machinery and equipment	455,563	-	13,521	-	(34,305)	434,779
Vehicles	4,505	-	(59)	-	(1,140)	3,306
Furniture and utensils	3,142	-	143	-	(217)	3,068
Under construction	**85,318**	**17,371**	**(22,029)**	**(6)**	**-**	**80,654**
Net PP&E	**2,025,205**	**17,371**	**(6)**	**(17)**	**(103,878)**	**1,938,675**

(1) Certain land sites linked to concession contracts and not having provision for reimbursement are amortized in accordance with the period of the concession.
(2) Balance relating to transfers from Assets in progress to Assets in service and to Contract assets (see Note 12).

The average annual depreciation rate for the Company and its subsidiaries is 3.31%.

The Company and its subsidiaries have not identified any evidence of impairment of its Property, plant and equipment assets. The generation concession contracts provide that at the end of each concession the grantor must determine the amount to be reimbursed to the Company – with the exception of the concession contracts related to Lot D of Auction 12/2015. Management believes that the indemnity of these assets will be greater than the amount of their historic cost, after depreciation over their useful lives.

The residual value of the assets is the residual balance of the assets at the end of the concession contract which will be transferred to the grantor at the end of the concession contract and for which the Company is entitled to receive in cash. For contracts under which the Company does not have a right to receive such amounts or there is uncertainty related to collection of the amounts, such as in the case of thermal generation and hydroelectric generation as an independent power producer, no residual value is recognized, and the depreciation rates are adjusted so that all the assets are depreciated within the concession term.

Consortium

The Company is a partner in an energy generation consortium for the *Queimado* plant, for which no separate company with independent legal existence was formed to manage the object of the concession. The Company's portion in the consortium is recorded and controlled individually in the respective categories of PP&E and Intangible assets.

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Consolidated and Parent Company	Stake in power output, %	Average annual depreciation rate %	September 30, 2020	December 31, 2019
In service				
Queimado Power Plant	82.50	3.73	218,111	217,210
Depreciation			(115,124)	(109,012)
Total in service			**102,987**	**108,198**
In progress				
Queimado Power Plant	82.50	-	887	980
Total in progress			**887**	**980**
Total			**103,874**	**109,178**

15. INTANGIBLE ASSETS

Consolidated	June 30 2019			December 31, 2019		
	Historic cost	Accumulated amortization	Residual value	Historic cost	Accumulated amortization	Residual value
In service	**298,900**	**(168,098)**	**130,802**	**296,397**	**(148,179)**	**148,218**
Temporary easements	13,217	(3,858)	9,359	11,749	(3,292)	8,457
Paid concession	19,169	(13,118)	6,051	19,169	(12,609)	6,560
Assets of the concession (1)	202,337	(93,231)	109,106	202,337	(75,659)	126,678
Others	64,177	(57,891)	6,286	63,142	(56,619)	6,523
Under construction	**7,023**	**-**	**7,023**	**7,369**	**-**	**7,369**
Assets in progress	7,023	-	7,023	7,369	-	7,369
Net intangible assets	**305,923**	**(168,098)**	**137,825**	**303,766**	**(148,179)**	**155,587**

(1) The rights of authorization to generate wind energy granted to the Parajuru and Volta do Rio, in the amount of R$109,106, are considered as investments in the interim financial information of the parent company and are classified under Intangible assets in the statement of financial position, as per Technical Interpretation ICPC 09. These concession assets are amortized by the straight-line method, during the period of the concession.

Parent Company	September 30, 2020			December 31, 2019		
	Historic cost	Accumulated amortization	Residual value	Historic cost	Accumulated amortization	Residual value
In service	**94,387**	**(74,646)**	**19,741**	**93,366**	**(72,448)**	**20,918**
Temporary easements	11,451	(3,766)	7,685	11,451	(3,292)	8,159
Paid concession	19,169	(13,118)	6,051	19,169	(12,609)	6,560
Others	63,767	(57,762)	6,005	62,746	(56,547)	6,199
Under construction	**7,007**	**-**	**7,007**	**7,342**	**-**	**7,342**
Assets in progress	7,007	-	7,007	7,342	-	7,342
Net intangible assets	**101,394**	**(74,646)**	**26,748**	**100,708**	**(72,448)**	**28,260**

Changes in intangible assets are as follow:

Consolidated	Balance at Dec. 31, 2019	Addition	Impairment (1)	Capitalization / Transfer (2)	Amortization	Balance at September 30, 2020
In service	**148,218**	**-**	**(8,459)**	**3,406**	**(12,363)**	**130,802**
Temporary easements	8,457	-	-	1,468	(566)	9,359
Paid concessions	6,560	-	-	-	(509)	6,051
Assets of the concession	126,678	-	(8,459)	-	(9,113)	109,106
Others	6,523	-	-	1,938	(2,175)	6,286
Under construction	**7,369**	**1,557**	**-**	**(1,903)**	**-**	**7,023**
Assets in progress	7,369	1,557	-	(1,903)	-	7,023
Total	**155,587**	**1,557**	**(8,459)**	**1,503**	**(12,363)**	**137,825**

(1) Includes the impairment, in the amount of R$8,459 recognized in the Income Statement under "Other expenses", as a result of the test of impairment of intangible assets, relating to the authorization for wind power generation granted to Volta do Rio, on June 30, 2020. There is more information below in this note.

(2) Balance relating to transfers to Property, plant and equipment (see Note 14) and from Assets in progress to Assets in service.

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Consolidated	Balance at Dec. 31, 2018	Addition	Capitalization / Transfer	Settled	Amortization	Balance at September 30, 2019
In service	**191,135**	**-**	**(3,132)**	**(668)**	**(14,056)**	**173,279**
Temporary easements	9,085	-	-	-	(506)	8,579
Paid concessions	7,239	-	-	-	(509)	6,730
Right to commercial operation	162,106	-	2,881	(668)	(13,033)	151,286
Others	12,705	-	(6,013)		(8)	6,684
Under construction	**6,448**	**1,563**	**(612)**	**-**	**-**	**7,399**
Assets in progress	6,448	1,563	(612)	-	-	7,399
Total	**197,583**	**1,563**	**(3,744)**	**(668)**	**(14,056)**	**180,678**

(1) Balance relating to transfers to Property, plant and equipment (see Note 14) and from Assets in progress to Assets in service.

Parent Company	Balance at Dec. 31, 2019	Addition	Capitalization / Transfer (1)	Amortization	Balance at September 30, 2020
In service	**20,918**	**-**	**1,892**	**(3,069)**	**19,741**
Temporary easements	8,159	-	-	(474)	7,685
Paid concessions	6,560	-	-	(509)	6,051
Others	6,199	-	1,892	(2,086)	6,005
Under construction	**7,342**	**1,557**	**(1,892)**	**-**	**7,007**
Assets in progress	7,342	1,557	(1,892)	-	7,007
Total	**28,260**	**1,557**	**-**	**(3,069)**	**26,748**

(1) Balance relating to transfers from Assets in progress to Assets in service.

Parent Company	Balance at Dec. 31, 2018	Addition	Capitalization / Transfer	Amortization	Balance at September 30, 2019
In service	**24,267**	**-**	**612**	**(3,228)**	**21,651**
Temporary easements	8,787	-	-	(506)	8,281
Paid concessions	7,239	-	-	(509)	6,730
Others	8,241	-	612	(2,213)	6,640
Under construction	**6,448**	**1,255**	**(612)**	**-**	**7,091**
Assets in progress	6,448	1,255	(612)	-	7,091
Total	**30,715**	**1,255**	**-**	**(3,228)**	**28,742**

(2) Balance relating to transfers from Assets in progress to Assets in service.

Taking into account the useful life of the related assets, the average annual of the Company and its subsidiares amortization rate is 10.92%.

Items in intangible assets, rights of commercial operation, paid concessions, and others are amortized by the straight-line method; the rates used are based on the consumption pattern of these rights. The Company and its subsidiaries have not identified any evidence of impairment of its intangible assets. The Company and its subsidiaries have no intangible assets with non-defined useful life.

On December 31, 2019, the Company recognized an impairment loss for the intangible asset related to the right of authorization for wind power generation granted to the subsidiary Volta do Rio, in the amount of R$21,684, recorded in “Other expenses” in the income statement. The test of impairment of intangible assets, relating to the authorization for wind power generation granted to Volta do Rio, arises from non-achievement of the operational performance expected in 2019 for the wind generation assets of the subsidiary.

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On June 30, 2020, due to continuing operational performance lower than expectations, an impairment test was carried out on the intangible assets related to the authorization for wind generation of the Volta do Rio plant, resulting in the recognition of an impairment of R$8,459, in 'Other expenses' in the statement of income. On September 30, 2020 there were no indications of impairment of the subsidiary's assets, other than those recognized in the first half of 2020.

The Value in Use of the assets was calculated based on the projection of future expected cash flows for the operation of the assets of the subsidiary, brought to present value by the weighted average cost of capital (WACC) defined for the company's activity, using the Firm Cash Flow (FCFF) methodology.

16. LEASING TRANSACTIONS

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

- Leasing of buildings used as administrative headquarters;
- Leasing of commercial vehicles used in operations.

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

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

a) Right of use assets

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

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

Consolidated	Real estate property	Vehicles	Total
Balances on December 31, 2018	-	-	-
Initial adoption on January 1, 2019	44,823	16,379	61,202
Addition	11,109	-	11,109
Amortization	(8,020)	(4,475)	(12,495)
Balances on September 30, 2019	**47,912**	**11,904**	**59,816**
Balances on December 31, 2019	**42,260**	**10,724**	**52,984**
Settled (closed contracts)	(173)	-	(173)
Addition	1,270	-	1,270
Amortization (1)	(5,297)	(4,603)	(9,900)
Remeasurement (2)	10	-	10
Balances on September 30, 2020	**38,070**	**6,121**	**44,191**

Parent Company	Real estate property	Vehicles	Total
Balances on December 31, 2018	-	-	-
Initial adoption on January 1, 2019	44,735	14,810	59,545
Addition	11,109	-	11,109
Amortization	(8,011)	(4,083)	(12,094)
Balances on September 30, 2019	**47,833**	**10,727**	**58,560**
Balances on December 31, 2019	**41,903**	**9,678**	**51,581**
Amortization (1)	(5,251)	(4,211)	(9,462)
Remeasurement (2)	10	-	10
Balances on September 30, 2020	**36,662**	**5,467**	**42,129**

(1) Amortization of the Right of Use recognized in the Income Statement is net of use of the credits of PIS/Pasep and Cofins taxes on payments of rentals, in the amounts of R$483 and R$482, for the consolidated and individual financial statements, respectively.

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

b) Lease liabilities

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

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The changes in the lease liabilities are as follows:

	Consolidated	Parent Company
Balances at December 31, 2018	-	-
First adoption on January 1, 2019 (1)	61,202	59,545
Addition	11,109	11,109
Interest incurred	5,531	5,415
Payment of lease liability	(16,334)	(15,862)
Balances at September 30, 2019	**61,508**	**60,207**
Balances at December 31, 2019	**55,059**	**53,599**
Settled (closed contracts)	(174)	-
Addition	1,270	-
Accrued interest (2)	4,307	4,134
Payment of principal portion of lease liability	(12,757)	(12,195)
Payment of interest	(798)	(786)
Remeasurement (3)	10	10
Balances at September 30, 2020	**46,917**	**44,762**
Current liabilities	**11,815**	**11,055**
Non-current liabilities	**35,102**	**33,707**

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

(2) Financial revenues recognized in the Interim Financial Information are net of incorporation of the credits for PIS, Pasep and Cofins taxes on payments of rentals, in the amounts of R$277 and R$274, for the consolidated and individual financial statements, respectively.

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

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	Consolidated		Parent Company	
	Nominal	Adjustments to present value	Nominal	Adjustments to present value
Consideration for the leasing	131,586	46,917	130,547	44,762
Potential PIS/Pasep and Cofins the rate of 9.25%	11,519	3,569	11,384	3,521

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

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

	Consolidated (Nominal)	Parent Company (Nominal)
2020	3,434	3,273
2021	10,246	9,607
2022	5,133	5,103
2023	5,121	5,094
2024	5,116	5,093
2025 a 2045	102,536	102,377
Undiscounted values	**131,586**	**130,547**
Embedded interest	(84,669)	(85,785)
Lease liabilities	**46,917**	**44,762**

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17. SUPPLIERS

	Consolidated		Parent Company	
	Sep. 30, 2020	Dec. 31, 2019	Sep. 30, 2020	Dec. 31, 2019
Wholesale supply, and transport of supply	391,236	354,570	368,609	344,248
Materials and services	49,119	67,742	38,104	52,069
	440,355	**422,312**	**406,713**	**396,317**

18. TAXES

	Consolidated		Parent Company	
	Sep. 30, 2020	Dec. 31, 2019	Sep. 30, 2020	Dec. 31, 2019
Current				
ICMS (value added) tax	19,111	15,410	15,341	11,723
Pasep tax	13,885	4,371	11,017	2,973
Cofins tax	62,904	18,945	50,834	13,630
Social security contributions	12,413	5,340	11,282	4,378
ISS tax on services	1,570	1,893	1,138	1,430
Others	6,744	5,289	6,381	4,874
	116,627	**51,248**	**95,993**	**39,008**
Non-current (1)				
Pasep tax	13	52	-	10
Cofins tax	59	300	-	62
	72	**352**	**-**	**72**
	116,699	**51,600**	**95,993**	**39,080**

(1) Amounts reported on Statements of financial position in "Others"

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

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19. LOANS, FINANCING AND DEBENTURES

Financing source	Principal maturity	Annual financing cost	Currency	Consolidated – September 30, 2020			Consolidated – December 31, 2019
				Current	Non-current	Total	
FOREIGN CURRENCY							
Eurobonds	2024	9.25%	USD	294,132	8,461,051	8,755,183	6,091,742
(–) Transaction costs				-	(16,435)	(16,435)	(18,656)
(+/–) Funds advanced (1)				-	(26,526)	(26,526)	(30,040)
Debt in foreign currency				**294,132**	**8,418,090**	**8,712,222**	**6,043,046**
BRAZILIAN CURRENCY							
Pipoca Consortium	2020	IPCA	R$	-	-	-	185
Caixa Econômica Federal (2)	2021	TJLP + 2.50%	R$	51,700	-	51,700	60,516
Caixa Econômica Federal (3)	2022	TJLP + 2.50%	R$	105,065	-	105,065	117,710
Debt in Brazilian currency				**156,765**	**-**	**156,765**	**178,411**
Total of loans and financings				**450,897**	**8,418,090**	**8,868,987**	**6,221,457**
Debentures – 3rd Issue, 3rd Series	2022	IPCA + 6.20%	R$	373,025	357,008	730,033	1,087,989
Debentures – 6th Issue, 2nd series	2020	IPCA + 8.07%	R$	-	-	-	17,292
Debentures – 7th Issue, Single series (4)	2021	140.00% of CDI	R$	288,878	72,169	361,047	578,067
(–) Transaction costs				(8,952)	(2,256)	(11,208)	(18,022)
Total, debentures				**652,951**	**426,921**	**1,079,872**	**1,665,326**
Overall total				**1,103,848**	**8,845,011**	**9,948,859**	**7,886,783**

(1) Advance of funds to achieve the yield to maturity agreed in the Eurobonds contract.
(2) Central Eólica Praias de Parajuru
(3) Central Eólica Volta do Rio
(4) On July 24, 2019 the Company made extraordinary amortization of its Seventh Issue of Non-convertible ventures, in the amount of R$125 million, with final maturity in December 2021.

Financing source	Principal maturity	Annual financing cost	Currency	Parent Company – September 30, 2020			Parent Company – December 31, 2019
				Current	Non-current	Total	
FOREIGN CURRENCY							
Eurobonds	2024	9.25%	USD	294,132	8,461,051	8,755,183	6,091,742
(–) Transaction costs				-	(16,435)	(16,435)	(18,656)
(+/–) Funds advanced (1)				-	(26,526)	(26,526)	(30,040)
Debt in foreign currency				**294,132**	**8,418,090**	**8,712,222**	**6,043,046**
BRAZILIAN CURRENCY							
Pipoca Consortium	2020	IPCA	R$	-	-	-	185
Debt in Brazilian currency				**-**	**-**	**-**	**185**
Total of loans and financings				**294,132**	**8,418,090**	**8,712,222**	**6,043,231**
Debentures – 3rd Issue, 3rd Series	2022	IPCA + 6.20%	R$	373,025	357,008	730,033	1,087,989
Debentures – 6th Issue, 2nd series	2020	IPCA + 8.07%	R$	-	-	-	17,292
Debentures – 7th Issue, Single series (2)	2021	140.00% of CDI	R$	288,878	72,169	361,047	578,067
(–) Transaction costs				(8,952)	(2,256)	(11,208)	(18,022)
Total, debentures				**652,951**	**426,921**	**1,079,872**	**1,665,326**
Overall total				**947,083**	**8,845,011**	**9,792,094**	**7,708,557**

(1) Advance of funds to achieve the yield to maturity agreed in the Eurobonds contract.
(2) On July 24, 2019 the Company made extraordinary amortization of its Seventh Issue of Non-convertible ventures, in the amount of R$125 million, with final maturity on December 2021.

The debentures issued by the Company are non-convertible, there are no agreements for renegotiation, nor debentures held in treasury.

There is an early maturity clause for cross-default in the event of non-compliance, by the Company or by its parent company Cemig, on any pecuniary obligation with individual or aggregate value greater than R$50 million.

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

Consolidated	2020	2021	2022	2023	2024	Total
Currency						
US dollar	205,893	88,239	-	-	8,461,051	8,755,183
Total, currency-denominated	**205,893**	**88,239**	**-**	**-**	**8,461,051**	**8,755,183**
Indexers						
IPCA (1)	26,517	346,508	357,008	-	-	730,033
CDI (2)	72,360	288,687	-	-	-	361,047
TJLP (3)	30,471	113,933	12,361	-	-	156,765
Total, governed by indexers	**129,348**	**749,128**	**369,369**	**-**	**-**	**1,247,845**
(–) Transaction costs	(2,232)	(8,952)	(24)	-	(16,435)	(27,643)
(+/-) Funds advanced	-	-	-	-	(26,526)	(26,526)
Overall total	**333,009**	**828,415**	**369,345**	**-**	**8,418,090**	**9,948,859**

(1) IPCA ('Expanded Consumer Price') Inflation Index.
(2) CDI: Interbank Certificates of Deposit.
(3) Long-Term Interest Rate – TJLP.

Parent Company	2020	2021	2022	2023	2024	Total
Currency						
US dollar	205,893	88,239	-	-	8,461,051	8,755,183
Total, currency-denominated	**205,893**	**88,239**	**-**	**-**	**8,461,051**	**8,755,183**
Indexers						
IPCA (1)	26,517	346,508	357,008	-	-	730,033
CDI (2)	72,360	288,687	-	-	-	361,047
Total, governed by indexers	**98,877**	**635,195**	**357,008**	**-**	**-**	**1,091,080**
(–) Transaction costs	(2,232)	(8,952)	(24)	-	(16,435)	(27,643)
(+/-) Funds advanced	-	-	-	-	(26,526)	(26,526)
Overall total	**302,538**	**714,482**	**356,984**	**-**	**8,418,090**	**9,792,094**

(1) IPCA ('Expanded Consumer Price') Inflation Index.
(2) CDI: Interbank Certificates of Deposit

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

Currency	Accumulated change from January to September, 2020, %	Accumulated change from january to september, 2019, %	Indexer	Accumulated change from January to September, 2020, %	Accumulated change from january to september, 2019, %
Dólar Norte-Americano	39.94	7.47	IPCA	1.34	2.49
			CDI	2.29	4.67
			TJLP	(11.85)	(14.76)

Currency	Accumulated change in the third quarter of 2020, %	Accumulated change in the third quarter of 2019, %	Indexer	Accumulated change in the third quarter of 2020, %	Accumulated change in the third quarter of 2019, %
Dólar Norte-Americano	3.01	8.67	IPCA	1.24	0.26
			CDI	0.51	1.52
			TJLP	(0.61)	(4.95)

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The changes in loans, financing and debentures are as follows:

	Consolidated	Parent Company
Balances at December 31, 2018	**8,198,912**	**8,035,545**
Monetary updating	36,580	30,136
Foreign exchange variations	434,396	434,396
Financial costs recorded	606,829	601,938
Amortization of transaction cost	8,751	8,751
Financial charges paid	(449,205)	(449,205)
Amortization of financings	(537,892)	(537,892)
Balances at September 30, 2019	**8,298,371**	**8,123,669**
Balances at December 31, 2019	**7,886,783**	**7,708,557**
Monetary updating	22,998	15,742
Foreign exchange variations	2,415,000	2,415,000
Financial costs recorded	722,864	720,229
Amortization of transaction costs (1)	9,035	9,035
Financial charges paid	(499,939)	(498,543)
Amortization of financings	(607,882)	(577,926)
Balances at September 30, 2020	**9,948,859**	**9,792,094**

(1) Withholding income tax on remittance of interest on Eurobonds, in the amount of R$65,668, was offset against PIS/Pasep and Cofins credits.

Guarantees

The Company's debtor balances on loans and financings guaranteed by the parent company, Cemig on September 30, 2020 were as follows:

	September 30, 2020
Surety guarantees	9,442,208
Receivables	156,765
Shares	349,886
Total	**9,948,859**

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a) Restrictive covenants

The Company and its subsidiaries have contracts financial covenants as follows:

Security	Covenant	Ratio required – Cemig GT	Ratio required --- Cemig (guarantor)	Compliance required
7th debenture issue (1)	Net debt / (Ebitda + Dividends received)	The following, or less: 3.0 in 2020 2.5 in 2021	Ratio to be the following, or less: 3.0 in 2020 2.5 in 2021	Half-yearly and annual
Eurobonds (2)	Net debt / (Ebitda adjusted for the Covenant)	The following, or less: 3.0 on Dec. 31, 2020 3.0 on Jun. 30, 2021 2.5 on/after Dec. 31, 2021	Ratio to be the following, or less: 3.0 on Dec. 31, 2020 3.0 on Jun. 30, 2021 3.0 on/after December 31, 2021	Half-yearly and annual
Financing Caixa Econômica Federal Parajuru and Volta do Rio (3)	Debt servicing coverage index Equity / Total liabilities Share capital subscribed in investee / Total investments made in the project financed	1.20 or more 20.61% (Parajuru); 20.63% (Volta do Rio) 20.61% (Parajuru); 20.63% (Volta do Rio)	- - -	Annual (during amortization) Always Always

(1) 7th Issue of Debentures by the Company, in December 2016, of R$2,240 million.

(2) In the event of overrun of the financial maintenance covenants, interest will automatically be increased by 2% p.a. during the period in which they remain exceeded. There is also an obligation to comply with a 'debt maintenance covenant', involving asset collateral of 2.0x Cemig's consolidated Ebitda (1.75x at Dec. 2017); and an 'incurrence' covenant comprising an asset guarantee in the Company of 1.5x Ebitda

(3) The financing contracts with Caixa Econômica Federal for the *Praias de Parajuru* and *Volta do Rio* wind power plants have financial covenants with compliance relating to early maturity of the remaining balance of the debt. Compliance with the debt servicing coverage index is considered to be demandable only annually and during the period of amortization, which begins in July 2020.

The covenants remain in compliance as of September 30, 2020, with the exception non-compliance with the non-financial covenant of the loan contracts with the CEF of the subsidiaries Central Eólica Praias de Parajuru and Central Eólica Volta do Rio. Thus, exclusively to comply with the requirement of item 69 of CPC 26 (R1), the Company reclassified R$34,878 to current liabilities, referring to the loans of those subsidiaries, which were originally classified in non-current liabilities. Additionally, the Company assessed the possible consequences arising from this matter in their other contracts for loans, financings and debentures, and concluded that no further adjustments were necessary.

The information on the derivative financial instruments (swaps) contracted to hedge the debt servicing of the Eurobonds (principal, in foreign currency, plus interest), and the Company's exposure to interest rate risks, are disclosed in Note 28.

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20. REGULATORY CHARGES

	Consolidated		Parent Company	
	Sep. 30, 2020	Dec. 31, 2019	Sep. 30, 2020	Dec. 31, 2019
Liabilities				
Global reversion reserve (RGR)	2,661	5,949	-	3,100
Royalties for use of water resources (‘CFURH’)	13,555	9,767	9,931	6,951
Energy development account (CDE)	58,951	58,327	58,950	58,327
Electricity services inspection charge (TFSEE)	1,563	999	773	809
Proinfa – alternative energy program	7,154	8,353	7,154	8,353
National scientific and technological development fund (FNDCT)	1,662	1,503	1,117	1,106
Research and development	140,631	128,248	128,820	118,283
Energy system expansion research	970	937	698	692
	227,147	**214,083**	**207,443**	**197,621**
Current liabilities	**167,120**	**168,785**	**156,023**	**157,638**
Non-current liabilities	**60,027**	**45,298**	**51,420**	**39,983**

21. POST-EMPLOYMENT OBLIGATIONS

Changes in net liabilities were as follows:

Consolidated and Parent Company	Pension plans and retirement supplement plans	Health plan	Dental plan	Life insurance	Total
Net liabilities at December 31, 2018	**456,211**	**515,889**	**10,374**	**94,372**	**1,076,846**
Expense recognized in Statement of income	31,045	36,757	748	6,793	75,343
Contributions paid	(33,477)	(19,947)	(442)	(1,851)	(55,717)
Net liabilities at September 30, 2019	**453,779**	**532,699**	**10,680**	**99,314**	**1,096,472**
Net liabilities at December 31, 2019	**623,240**	**672,996**	**12,850**	**125,801**	**1,434,887**
Expense recognized in Statement of income	32,489	38,741	763	7,359	79,352
Contributions paid	(35,678)	(21,900)	(470)	(1,748)	(59,796)
Net liabilities at September 30, 2020	**620,051**	**689,837**	**13,143**	**131,412**	**1,454,443**
				Sep, 30, 2020	**Dec, 31, 2019**
Current liabilities				**64,504**	**62,550**
Non-current liabilities				**1,389,939**	**1,372,337**

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

The amounts reported as ‘Expense recognized in the Statement of income’ refer to the costs of post-employment obligations, totaling R$71,663 for the nine-month periods ended September 30, 2020 (R$65,314 for the nine-month periods ended September 30, 2019), plus the finance expenses and monetary updating on the debt with Forluz, in the amounts of R$7,689 for the nine-month periods ended September 30, 2020 (R$10,029 for the nine-month period ended September 30, 2019).

Debt with the pension fund (Forluz)

On September 30, 2020 the Company has recognized an obligation for past actuarial deficits relating to the pension fund in the amount of R$111,100 (R$128,172 on December 31, 2019). This amount has been recognized as an obligation payable, 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

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Company is required to pay this debt even if Forluz has a surplus, thus, the Company maintain recorded the debt in full and record the effects of monetary updating and interest in finance income (expenses) in the Statement of income.

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

Forluz and the sponsors Cemig, Cemig GT and Cemig D have signed a Debt Assumption Instrument to cover the deficit of Plan A for the years of 2015, 2016 and 2017. On September 30, 2020 the total amount payable by the Company was R$120,983 (R$124,499 on December 31, 2019 referring to the Plan A deficits of 2015, 2016 and 2017). The contracts were entered into in May 2017, March 2018 and April 2019, for the deficits, respectively, of 2015, 2016 and 2017. The monthly amortizations, calculated by the constant installments system (Price Table), will be paid up to 2031 for the 2015 and 2016 deficits, in the amount of R$81,205, and up to 2033 for the 2017 deficit, in the amount of R$39,778. 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.

22. PROVISIONS

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

Actions in which the Company and its subsidiaries are defendant

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

Consolidated	Dec. 31, 2019	Additions	Reversals	Settled	Sep. 30, 2020
Employment-law cases	69,043	9,791	-	(7,834)	71,000
Civil cases	182	13	-	-	195
Tax	285,940	7,181	-	(644)	292,477
Regulatory	3,004	356	-	(83)	3,277
Others	42,288	5,110	(53)	(207)	47,138
Total	**400,457**	**22,451**	**(53)**	**(8,768)**	**414,087**

Consolidated	Dec. 31, 2018	Additions	Reversals	Settled	Sep. 30, 2019
Employment-law cases	54,901	18,562	(1,456)	(6,339)	65,668
Civil cases	168	110	-	(99)	179
Tax	2,874	258,685	(724)	(60)	260,775
Regulatory	2,521	1,301	-	(918)	2,904
Others	38,244	3,819	(662)	(143)	41,258
Total	**98,708**	**282,477**	**(2,842)**	**(7,559)**	**370,784**

Parent Company	Dec. 31, 2019	Additions	Settled	Sep. 30, 2020
Employment-law cases	69,044	9,746	(7,790)	71,000
Civil cases	182	13	-	195
Tax	285,903	7,167	(631)	292,439
Regulatory	3,004	357	(83)	3,278
Others	42,072	5,053	(207)	46,918
Total	**400,205**	**22,336**	**(8,711)**	**413,830**

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Parent Company	Dec. 31, 2018	Additions	Reversals	Settled	Sep. 30, 2019
Employment-law cases	54,035	18,562	(589)	(6,340)	65,668
Civil cases	168	110		(99)	179
Tax	2,874	258,685	(724)	(60)	260,775
Regulatory	2,521	1,301		(918)	2,904
Others	38,195	3,653	(663)	(141)	41,044
Total	**97,793**	**282,311**	**(1,976)**	**(7,558)**	**370,570**

The Company and its subsidiaries, in view of the extended period and the Brazilian judiciary tax and regulatory systems, believes that it is not practical to provide information that would be useful to the users of these interim financial information in relation to the timing of any cash outflows, or any possibility of reimbursements.

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

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

Labor claims

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

The aggregate amount of the contingency is approximately R$158,032 (R$163,224 at December 31, 2019), of which R$69,964 (R$68,007 on December 31, 2019) has been recorded – the amount estimated as probably necessary for settlement of these disputes.

Alteration of the monetary updating index of employment-law cases

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

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In a joint judgment published on November 1, 2018, the TST decided that the IPCA-E should be adopted as the index for inflation adjustment of employment-law debts for cases filed from March 25, 2015 to November 10, 2017, and the TR would continue to be used for the other periods. The estimated amount of the contingency is R$7,563 (R$7,163 at December 31, 2019), of which R$1,036 (R$1,036 on December 31, 2019) has been provisioned upon assessment by the Company of the effects of the decision of the Regional Employment-Law Appeal Court of the third region (TRT3) in May 2019, on the subject of the joint judgment published by the TST, in the cases for which the chances of loss have been classified as 'probable' and which are at execution phase. No additional provision has been made, since the Company, based on the assessment by its legal advisers, has assessed the chances of loss in the action as 'possible', as a result of the decision by the Federal Supreme Court, and of there being no established case law, nor analysis by legal writers, on the subject, after the injunction given by the Federal Supreme Court.

Tax

Social Security contributions on profit sharing payments

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

The amount of the contingencies is approximately R$349,928 (R$341,988 on December 31, 2019), of which R$290,384 (R$283,861 on December 31, 2019) has been provisioned, this being the estimate of the probable amount of funds, on September 30, 2020, to settle these disputes.

Other tax actions

The Company are involved in numerous administrative and judicial claims relating to taxes, including, among other matters, subjects relating to the Social Integration Program (*Programa de Integração Social*, or PIS), the Contribution to Finance Social Security (*Contribuição para o Financiamento da Seguridade Social*, or Cofins), Corporate Income tax (*Imposto de Renda Pessoa Jurídica*, or IRPJ), the Social contribution tax on Net income (*Contribuição Social sobre o Lucro Líquido*, or CSLL), and motions to stay tax enforcement. The aggregate amount of these contingencies is approximately R$68,401 (R$61,482 on December 31, 2019), of which R$2,093 (R$2,079 on December 31, 2019) has been recorded – the amount estimated as probably necessary for settlement of these disputes.

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Regulatory

The Company is defendant in court and administrative proceedings challenging, especially: reduction of an energy supply contract, limitation on a procedure for operation of the sluice dam of a hydroelectric plant, a claim of infringement arising from an inspection by the regulator, and other matters. The amount of the contingency is approximately R$41,073 (R$31,302 on December 31, 2019), of which R$3,277 (R$3,004 on December 31, 2019) has been recorded – the amount estimated as probably necessary for settlement of these disputes.

Other legal actions in the normal course of business

The Company is involved, as plaintiff or defendant, in other lesser claims, related to the normal course of its operations, with an estimated total amount of R$151,564 (R$148,475 on December 31, 2019), of which R$47,333 (R$42,470 on December 31, 2019) has been recorded. Management believes that it has appropriate defense for these actions and does not expect these issues to give rise to significant losses that could have an adverse effect on the Company's financial position or profit. The main subjects related to these contingencies concern: (i) services of cleaning of power line pathways and fire breaks; and (ii) customer relations.

Contingent liabilities – for cases in which the chances of loss are assessed as 'possible', and the Company believes it has arguments of merit for legal defense

Taxes

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

Indemnity of employees' future benefit (the 'Anuênio')

In 2006 the Company paid an indemnity to its employees, totaling R$41,860, in exchange for rights to future payments (referred to as the *Anuênio*) for time of service, which would otherwise be incorporated, in the future, into salaries. The Company did not pay income tax and Social Security contributions on these amounts because it considered that those obligations are not applicable to amounts paid as an indemnity. However, to avoid the risk of a future fine, the Company obtained an injection, which permitted to make an escrow deposit of R$28,716 which updated now represents the amount of R$67,190 (R$66,483 on December 31, 2019). The updated amount of the contingency is R$69,234 (R$68,137 on December 31, 2019) and, based on the arguments above, management has classified the chance of loss as 'possible'.

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Social Security contributions

The Brazilian federal tax authority (*Secretaria da Receita Federal*) has filed administrative proceedings related to various matters: 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 have presented defenses and await judgment. The amount of the contingency is approximately R$18,082 (R$17,747 on December 31, 2019). Management has classified the chance of loss as 'possible', also taking into account assessment of the chance of loss in the judicial sphere, (the claims mentioned are in the administrative sphere), based on the evaluation of the claims and the related case law.

Non-homologation of offsetting of tax credit

The federal tax authority did not ratify the Company 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$75,990 (R$80,249 on December 31, 2019) and the chance of loss was classified as 'possible', since the relevant requirements of the National Tax Code (CTN) have been complied with.

The social contribution tax on net income (CSLL)

The federal tax authority issued tax assessments against the Company for the years of 2012 and 2013, alleging undue non-addition, or deduction, of amounts relating to the following items in calculating the Social Contribution tax on net income: (i) taxes with liability suspended; (ii) donations and sponsorship (Law 8,313/91); and (iii) fines for various alleged infringements. The amount of this contingency is R$85,227 (R$83,344 on December 31, 2019). The Company has classified the chances of loss as 'possible', in accordance with the analysis of the case law on the subject.

Regulatory matters

Accounting of energy sale transactions in the Power Trading Chamber (CCEE)

In a claim dating from August 2002, AES Sul Distribuidora challenged in the court the criteria for accounting of energy sale transactions in the wholesale energy market (*Mercado Atacadista de Energia*, or MAE), predecessor of the present Power Exchange (Chamber - *Câmara de Comercialização de Energia Elétrica*, or CCEE), during the period of rationing. It obtained a favorable interim judgment on February 2006, which ordered the regulator (Aneel), working with the CCEE, to comply with the claim by AES Sul and recalculate the settlement of the transactions during the rationing period, not considering the regulator (Aneel) Dispatch 288 of 2002.

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This should take effect in the CCEE as from November 2008, resulting in an additional disbursement for the Company, related to the expense on purchase of energy in the spot market on the CCEE, in the approximate amount of R$363,604 (R$343,469 at December 31, 2019). On November 9, 2008 the Company obtained an interim decision in the Regional Federal Appeal Court (*Tribunal Regional Federal*, or TRF), suspending the obligatory nature of the requirement to pay into court the amount that would have been owed under the Special Financial Settlement made by the CCEE and has classified the chance of loss as 'possible', since this action deals with the General Agreement for the Energy Sector, in which the Company has the full documentation to support its arguments.

Environmental claims

Impact arising from construction of power plants

The Public Attorneys of Minas Gerais State, together with an association and individuals, have brought class actions requiring the Company to invest, since 1997, at least 0.5% of the annual gross operating revenue of the *Emborcação, Pissarrão, Funil, Volta Grande, Poquim, Paraúna, Miranda, Nova Ponte, Rio de Pedras* and *Peti* plants in environmental protection and preservation of the water tables of the counties where those power plants are located, and proportional indemnity for allegedly irrecoverable environmental damage caused, arising from omission to comply with Minas Gerais State Law 12,503/1997. In May 2020, the Federal Supreme Court decided that the State Rule that requires electricity concession holders to invest a portion of their revenue in protection and preservation of water resources is unconstitutional, because it is an undue intervention by the State in the concession contract for generating water from water courses, which is an activity for which the Federal Government has the competency. As a result of this decision, the Company has classified the chance of loss as 'remote'. The amount involved in the dispute on September 30, 2020, is R$178,021 (R$165,299 on December 31, 2019).

The Public Attorneys' Office of Minas Gerais State has filed class actions requiring the formation of a Permanent Preservation Area (APP) around the reservoir of the *Capim Branco* hydroelectric plant, suspension of the effects of the environmental licenses, and recovery of alleged environmental damage. Based on the opinion of its legal advisers in relation to the changes that have been made in the new Forest Code and in the case law on this subject, the Company has classified the chance of loss in this dispute as 'possible'. The estimated value of the contingency is R$101,432 (R$95,215 on December 31, 2019).

Other environmental claims

The Company is involved in environmental matters, relating to protected areas, environmental licenses, recovery of environmental damage, and other matters, in the amount of R$49,895 (R$42,799 on December 31, 2019). No provision has been made, since based on the opinion of its legal advisers management has classified the chance of loss as 'possible'.

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23. EQUITY AND REMUNERATION TO SHAREHOLDERS

a) Share capital

On September 30, 2020 the Company's issued and outstanding share capital is R$4,000,000 (R$2,600,000 on December 31, 2019), represented by 2,896,785,358 nominal common shares, fully subscribed, without nominal value, wholly owned by Cemig (Companhia Energética de Minas Gerais).

Capital increase

The Annual General Meeting, held on July 31, 2020, approved the increase of the registered share capital in the amount of R$1,400,000, as per Article 199 of the Brazilian Corporate Law of 1976 (Law 6,404/1976), as the profit reserves, with the exclusion of the Tax Incentive reserves, exceed the registered share capital by R$113,360. Thus, the Company's share capital increased from R$2,600,000, represented by 2,896,785,358 nominal common shares, fully subscribed, without nominal value, to R$4,000,000, with the number and characteristics of the shares being maintained.

b) Earnings per share

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

	Jan to Sep 2020	Jan to Sep 2019	Jul to Sep 2020	Jul to Sep 2019
Number of shares	2,896,785,358	2,896,785,358	2,896,785,358	2,896,785,358
Net income (loss) for the period, R$'000	367,979	791,761	3,005	(133,952)
Earnings per share – Basic and diluted – in R$	**0.13**	**0.27**	**0.00**	**(0.05)**

The put option of investments described in Note 28 could potentially dilute basic earnings per share in the future; however, they have not caused dilution of earnings per share in the periods presented here.

24. REVENUES

Revenues are measured at the fair value of the consideration received or to be received and are recognized on a monthly basis as and when: (i) Rights and obligations of the contract with the customer are identified; (ii) the performance obligation of the contract is identified; (iii) the price for each transaction has been determined; (iv) the transaction price has been allocated to the performance obligations defined in the contract; and (v) the performance obligations have been complied.

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The revenue of the Company and its subsidiaries is as follows:

	Consolidated		Parent Company	
	Jan to Sep 2020	Jan to Sep 2019	Jan to Sep 2020	Jan to Sep 2019
Total revenue from supply of energy – with taxes (a)	5,367,636	5,247,834	4,830,700	4,675,991
Transmission revenue – with taxes (b)	711,082	520,238	714,798	523,318
Revenue from updating of the concession grant fee (c)	228,293	244,069	-	-
Construction revenue (d)	115,709	150,158	115,709	150,158
Transactions on CCEE (e)	90,701	413,848	82,128	393,662
Transmission indemnity revenue (f)	357,253	124,057	357,253	124,057
Contractual reimbursements	-	64,640	-	64,640
Recovery of PIS/Pasep and Cofins taxes credits over ICMS (note 8a)	-	424,403	-	408,612
Other operating revenues (g)	110,572	137,790	60,008	59,307
Sector / regulatory charges – Deductions from revenue (h)	(1,264,629)	(1,363,340)	(1,138,848)	(1,225,335)
	5,716,617	**5,963,697**	**5,021,748**	**5,174,410**

	Consolidated		Parent Company	
	Jul to Sep 2020	Jul to Sep 2019	Jul to Sep 2020	Jul to Sep 2019
Total revenue from supply of energy – with taxes (a)	1,927,253	1,824,124	1,704,445	1,608,823
Transmission revenue – with taxes (b)	186,433	184,178	187,846	185,342
Revenue from updating of the concession grant fee (c)	81,881	67,918	-	-
Construction revenue (d)	41,665	67,169	41,665	67,169
Transactions on CCEE (e)	59,103	9,811	52,766	1,544
Transmission indemnity revenue (f)	41,035	33,637	41,035	33,637
Other operating revenues (g)	40,307	46,042	21,375	18,237
Sector / regulatory charges – Deductions from revenue (h)	(450,754)	(466,755)	(404,591)	(418,422)
	1,926,923	**1,766,124**	**1,644,541**	**1,496,330**

(a) Revenue from energy supply

This table shows energy supply by type of customer:

	Consolidated				Parent Company			
	Jan to Sep 2020		Jan to Sep 2019		Jan to Sep 2020		Jan to Sep 2019	
	MWh (1)	R$	MWh (1)	R$	MWh (1)	R$	MWh (1)	R$
Industrial	8,268,207	2,112,414	9,638,560	2,338,288	7,380,790	1,981,357	8,473,942	2,132,952
Commercial	3,137,093	688,236	2,981,502	653,568	3,127,835	682,603	2,960,242	644,315
Rural	12,362	3,365	1,834	504	12,362	3,365	1,834	504
Subtotal	**11,417,662**	**2,804,015**	**12,621,896**	**2,992,360**	**10,520,987**	**2,667,325**	**11,436,018**	**2,777,771**
Net unbilled retail supply	-	(4,491)	-	35,556	-	(13,556)	-	29,000
	11,417,662	**2,799,524**	**12,621,896**	**3,027,916**	**10,520,987**	**2,653,769**	**11,436,018**	**2,806,771**
Wholesale supply to other concession holders (2)	9,873,587	2,462,941	8,799,289	2,267,271	9,345,392	2,076,155	8,499,918	1,925,916
Wholesale supply unbilled, net	-	105,171	-	(47,353)	-	100,776	-	(56,696)
	21,291,249	**5,367,636**	**21,421,185**	**5,247,834**	**19,866,379**	**4,830,700**	**19,935,936**	**4,675,991**

	Consolidated				Parent Company			
	Jul to Sep 2020		Jul to Sep 2019		Jul to Sep 2020		Jul to Sep 2019	
	MWh (1)	R$	MWh (1)	R$	MWh (1)	R$	MWh (1)	R$
Industrial	2,820,599	744,975	3,399,353	844,666	2,519,608	700,862	2,977,366	766,148
Commercial	977,301	209,959	1,089,600	228,403	975,747	208,596	1,082,700	225,419
Rural	4,609	1,239	862	243	4,609	1,239	862	243
Subtotal	**3,802,509**	**956,173**	**4,489,815**	**1,073,312**	**3,499,964**	**910,697**	**4,060,928**	**991,810**
Net unbilled retail supply	-	44,653	-	5,282	-	44,598	-	3,800
	3,802,509	**1,000,826**	**4,489,815**	**1,078,594**	**3,499,964**	**955,295**	**4,060,928**	**995,610**
Wholesale supply to other concession holders (2)	3,183,397	836,887	3,132,171	773,913	2,924,217	674,217	3,004,859	647,912
Wholesale supply unbilled, net	-	89,540	-	(28,383)	-	74,933	-	(34,699)
	6,985,906	**1,927,253**	**7,621,986**	**1,824,124**	**6,424,181**	**1,704,445**	**7,065,787**	**1,608,823**

(1) Information in MWh has not been reviewed by external auditors.
(2) Includes sales contracts in the Regulated Market to distribution companies, sales on the Free Market to traders and generation companies, 'bilateral contracts' with other agents, and the revenues from management of generation assets (GAG) for the 18 hydroelectric plants of Lot D of Auction no 12/2015.

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(b) Transmission concession revenue

Comprises the amount received from agents of the energy sector for operation and maintenance of transmission lines of the national grid, in the form of the Permitted Annual Revenue (Receita Anual Permitida, or RAP), plus an adjustment for expectation of cash flow arising from the variation in the fair value of the Remuneration Assets Base, in the amount of R$16,253 for the nine-month periods ended September 30, 2020 (R$8,483 for the nine-month periods ended September 30, 2019).

In addition, as a consequence of the Tariff Periodic Reset, the Remuneration Base was remeasured resulting in an increase of R$198,714 in the Company's income. More details in Note 12.

The Company is subject to the pecuniary penalty named Variable Portion (Parcela Variável, or PV) which is applied by the Concession-granting Power as a result of any unavailabilities or operational restrictions on facilities that are part of the National Grid. This penalty is recognized as a reduction of revenue from operation and maintenance of the transmission network in the period in which it occurs. The effects of the Variable Portion in transmission revenue were R$8,455 on September 30, 2020 (R$7,775 on September 30, 2019).

(c) Gain on financial updating of Concession Grant Fee

Represents the inflation adjustment using the IPCA inflation index, plus interest, on the Concession Grant Fee for the concession awarded as Lot D of Auction 12/2015. More details in Note 11.

(d) Construction revenue

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

(e) Revenue from power supply transactions on the CCEE (Power Trading Exchange)

Corresponds to the monthly calculation of the positive net balance of settlements of transactions for purchase and sale of energy in the Spot Market, through the CCEE, for which the consideration corresponds to the product of (i) the volume of energy sold, and (ii) the Spot Price.

(f) Transmission indemnity revenue

Corresponded to updating, by the IPCA index, of the balance of transmission indemnity receivable. More details in Notes 11 and 12.

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As a result of the Tariff Periodic Reset, the Company recognized a positive adjustment of R$231,126 in its income statemtent, of which R$10,183 corresponds to the portion classified as a financial asset, and R$220,943 corresponds to the assets reincorporated into the assets remuneration base. More details in Notes 11 and 12.

(g) Deductions on revenue

	Consolidated		Parent Company	
	Jan to Sep 2020	Jan to Sep 2019	Jan to Sep 2020	Jan to Sep 2019
Taxes on revenue				
ICMS tax	417,300	477,569	375,847	422,109
Cofins tax	457,028	483,978	411,910	434,281
PIS and Pasep taxes	99,445	106,230	89,428	94,285
ISS tax on services	4,210	4,987	1,815	1,916
	977,983	**1,072,764**	**879,000**	**952,591**
Charges to the customer				
Global Reversion Reserve (RGR)	11,572	12,600	9,905	10,980
Energy Development Account (CDE)	170,298	176,846	170,298	176,847
Proinfa Program	27,861	39,369	27,861	39,369
Research and Development (P&D)	9,936	10,300	7,739	8,047
National Scientific and Technological Development Fund (FNDCT)	9,936	10,300	7,739	8,047
Energy System Expansion Research (EPE)	4,968	5,150	3,870	4,023
Electricity Services Inspection Charge (TFSEE)	10,227	7,906	6,717	6,224
Royalties for use of water resources (CFURH)	41,848	28,105	25,719	19,207
	286,646	**290,576**	**259,848**	**272,744**
	1,264,629	**1,363,340**	**1,138,848**	**1,225,335**

	Consolidated		Parent Company	
	Jul to Sep 2020	Jul to Sep 2019	Jul to Sep 2020	Jul to Sep 2019
Taxes on revenue				
ICMS tax	144,983	183,105	131,155	163,031
Cofins tax	166,148	150,722	148,699	133,595
PIS and Pasep taxes	36,068	32,719	32,284	29,005
ISS tax on services	1,293	1,578	521	530
	348,492	**368,124**	**312,659**	**326,161**
Charges to the customer				
Global Reversion Reserve (RGR)	3,921	3,863	3,324	3,310
Energy Development Account (CDE)	56,711	60,545	56,711	60,546
Proinfa Program	10,122	13,040	10,122	13,040
Research and Development (P&D)	3,069	2,697	2,214	1,886
National Scientific and Technological Development Fund (FNDCT)	3,069	2,697	2,214	1,886
Energy System Expansion Research (EPE)	1,535	1,349	1,107	944
Electricity Services Inspection Charge (TFSEE)	4,538	2,847	2,168	2,276
Royalties for use of water resources (CFURH)	19,297	11,593	14,072	8,373
	102,262	**98,631**	**91,932**	**92,261**
	450,754	**466,755**	**404,591**	**418,422**

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25. OPERATING COSTS AND EXPENSES

	Consolidated		Parent Company	
	Jan to Sep 2020	Jan to Sep 2019	Jan to Sep 2020	Jan to Sep 2019
Personnel (1) (a)	225,875	246,091	213,355	231,096
Employee profit shares	27,230	38,140	27,158	38,002
Post-employment obligation (recovery of expense) (note 21)	71,663	65,314	71,663	65,314
Materials	12,101	15,064	8,038	10,967
Outsourced services (b)	110,350	118,779	77,509	90,104
Depreciation and amortization (1)	155,058	171,231	111,245	119,200
Provisions (c)	67,611	1,034,847	57,496	1,011,606
Charges for use of the national grid	148,489	142,377	109,498	102,253
Energy bought for resale (d)	2,853,191	2,825,618	2,824,056	2,785,509
Transmission infrastructure construction cost (e)	115,709	150,158	115,709	150,158
Other operating expenses, net (f)	62,542	11,633	43,413	7,841
	3,849,819	**4,819,252**	**3,659,140**	**4,612,050**

(1) Net of PIS/Pasep and Cofins taxes applicable to amortization of the Right of Use, in the amount of R$483 in the consolidated statements and R$482 in the Parent company statements.

	Consolidated		Parent Company	
	Jul to Sep 2020	Jul to Sep 2019	Jul to Sep 2020	Jul to Sep 2019
Personnel (1)	70,344	77,817	63,819	73,396
Employee profit shares	19,193	(4,191)	19,168	(4,280)
Post-employment obligation (reversal)	23,684	22,683	23,684	22,683
Materials	5,935	4,909	4,012	3,284
Outsourced services (b)	40,596	40,130	27,461	31,029
Depreciation and amortization	50,883	57,296	36,628	39,890
Provisions (c)	12,339	288,592	14,503	273,280
Charges for use of the national grid	50,201	50,124	37,178	35,201
Energy bought for resale (d)	1,068,046	1,126,457	1,043,104	1,088,712
Transmission infrastructure construction cost (e)	41,665	67,169	41,665	67,169
Other operating expenses, net (recovery of expenses) (f)	22,534	(3,285)	17,761	(5,790)
	1,405,420	**1,727,701**	**1,328,983**	**1,624,574**

(1) Net of PIS/Pasep and Cofins taxes applicable to amortization of the Right of Use, in the amount of R$159 in the consolidated statements and the Parent company statements.

a) Personnel

2020 Programmed Voluntary Retirement Plan (‘PDVP’)

On April 2020, the Company approved the Programmed Voluntary Retirement Plan for 2020 (‘the 2020 PDVP’). Those eligible – any employees who had worked with the Company for 25 years or more by December 31, 2020 – are able to join from May 4 to 22, 2020. The program will pay the standard legal payments for severance, 50% of the period of notice, an amount equal to 20% of the Base Value of the employee’s FGTS fund, an additional premium equal to 50% of the period of notice plus 20% of the Base Value of the employee’s FGTS fund, as well as the other payments under the legislation. The total costs on voluntary retirement plans were R$11,348, corresponding to acceptance by 61 employees.

In March, 2019, has been appropriated as expense, including severance payments, a total of R$5,854 (42 employees).

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b) Outsourced services

	Consolidated		Parent Company	
	Jan to Sep 2020	Jan to Sep 2019	Jan to Sep 2020	Jan to Sep 2019
Communication	2,129	2,776	1,804	2,315
Maintenance and conservation of electrical facilities and equipment	26,184	29,327	13,257	15,614
Building conservation and cleaning	18,464	20,426	14,879	15,690
Contracted labor	9,263	1,276	2,076	1,231
Freight and airfares	492	1,805	490	1,802
Accommodation and meals	1,496	2,505	1,464	2,488
Security services	5,942	6,046	4,016	4,045
Consultancy	3,659	4,186	3,261	3,879
Information technology	9,097	7,516	7,602	6,256
Energy	2,882	2,972	2,422	2,500
Environment services	5,659	8,195	4,526	5,914
Cleaning of power line pathways	3,375	3,061	3,375	3,032
Printing and images	1,579	1,973	933	1,226
Legal services and procedural costs	2,606	4,414	2,387	4,303
Others	17,523	22,301	15,017	19,809
	110,350	**118,779**	**77,509**	**90,104**

	Consolidated		Parent Company	
	Jul to Sep 2020	Jul to Sep 2019	Jul to Sep 2020	Jul to Sep 2019
Communication	786	1,031	710	844
Maintenance and conservation of electrical facilities and equipment	7,047	10,427	4,815	4,737
Building conservation and cleaning (recovery of expenses)	6,186	6,820	5,027	5,375
Contracted labor	7,738	(1,015)	564	560
Freight and airfares	5	582	4	581
Accommodation and meals	445	802	436	796
Security services	2,412	2,169	1,746	1,385
Consultancy	1,410	1,723	1,302	1,609
Information technology	2,389	2,742	2,025	2,143
Energy	716	1,079	597	885
Environment services	1,926	2,215	1,649	1,710
Cleaning of power line pathways	1,603	1,013	1,603	996
Printing and images	309	1,377	202	728
Legal services and procedural costs	870	1,941	832	1,937
Others	6,754	7,224	5,949	6,743
	40,596	**40,130**	**27,461**	**31,029**

c) Operating provisions (reversals)

	Consolidated		Parent Company	
	Jan to Sep 2020	Jan to Sep 2019	Jan to Sep 2020	Jan to Sep 2019
Provision for doubtful receivables (note 7) (1)	12,167	31,315	2,114	7,374
Estimated losses on other accounts receivable	-	3,247	-	3,247
Estimated losses on doubtful accounts receivable from related parties (note 27) (2)	-	688,031	-	688,031
Contingency provisions (reversals) (note 27) (3)				
Employment-law cases	9,791	17,106	9,746	17,973
Civil cases	13	110	13	110
Tax	7,181	257,961	7,167	257,961
Regulatory	356	1,301	357	1,301
Others	5,057	3,157	5,053	2,990
	22,398	**279,635**	**22,336**	**280,335**
	34,565	**1,002,228**	**24,450**	**978,987**
Change in fair value of derivative instruments				
Put option – SAAG (note 28)	33,046	32,619	33,046	32,619
	67,611	**1,034,847**	**57,496**	**1,011,606**

(1) The expected losses on receivables are presented as selling expenses in the Statement of Income.
(2) Estimated losses on amounts receivable from Renova, as a result of the assessment of credit risk.
(3) The provisions for contingencies are presented in the Statement of Income for the period as operating expenses.

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	Consolidated		Parent Company	
	Jul to Sep 2020	Jul to Sep 2019	Jul to Sep 2020	Jul to Sep 2019
Provision for doubtful receivables (recovery of expenses) (1)	(4,130)	12,238	(1,907)	(3,078)
Contingency provisions (reversals) (2)				
Employment-law cases	1,382	5,925	1,337	5,931
Civil cases	7	29	7	29
Tax	2,128	258,681	2,114	258,681
Regulatory	189	77	190	77
Others	2,517	969	2,516	967
	6,223	**265,681**	**6,164**	**265,685**
	2,093	**277,919**	**4,257**	**262,607**
Change in fair value of derivative instruments				
Put option – SAAG	10,246	10,673	10,246	10,673
	12,339	**288,592**	**14,503**	**273,280**

(1) The expected losses on receivables are presented as selling expenses in the Statement of Income.
(2) The provisions for contingencies are presented in the Statement of Comprehensive Income for the period as operating expenses.

d) Energy bought for resale

	Consolidated		Parent Company	
	Jan to Sep 2020	Jan to Sep 2019	Jan to Sep 2020	Jan to Sep 2019
Spot market – CCEE	245,945	91,657	218,965	57,178
Acquired in free market	2,885,932	3,006,562	2,881,785	2,997,959
PIS/Pasep and Cofins credits	(278,686)	(272,601)	(276,694)	(269,628)
	2,853,191	**2,825,618**	**2,824,056**	**2,785,509**

	Consolidated		Parent Company	
	Jul to Sep 2020	Jul to Sep 2019	Jul to Sep 2020	Jul to Sep 2019
Spot market – CCEE	29,965	65,333	5,970	35,384
Acquired in free market	1,142,123	1,168,393	1,139,640	1,158,311
PIS/Pasep and Cofins credits	(104,042)	(107,269)	(102,506)	(104,983)
	1,068,046	**1,126,457**	**1,043,104**	**1,088,712**

e) Transmission infrastructure construction cost

	Consolidated		Parent Company	
	Jan to Sep 2020	Jan to Sep 2019	Jan to Sep 2020	Jan to Sep 2019
Personnel	6,128	6,664	6,128	6,664
Materials	76,409	89,606	76,409	89,606
Outsourced services	33,123	53,915	33,123	53,915
Other (recovery of expenses)	49	(27)	49	(27)
	115,709	**150,158**	**115,709**	**150,158**

	Consolidated		Parent Company	
	Jul to Sep 2020	Jul to Sep 2019	Jul to Sep 2020	Jul to Sep 2019
Personnel	2,862	2,606	2,862	2,606
Materials	24,760	41,530	24,760	41,530
Outsourced services	14,039	23,075	14,039	23,075
Other (recovery of expenses)	4	(42)	4	(42)
	41,665	**67,169**	**41,665**	**67,169**

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f) Other operating costs and expenses

	Consolidated		Parent Company	
	Jan to Sep 2020	Jan to Sep 2019	Jan to Sep 2020	Jan to Sep 2019
Leasing and rentals (1)	2,230	3,830	1,552	2,759
Advertising	828	2,375	828	2,375
Subsidies and donations	112	2,884	112	1,938
Paid concessions	2,094	2,127	2,087	2,120
Taxes (IPTU, IPVA and others)	1,470	1,830	990	1,283
CCEE annual charge	2,005	2,275	1,983	2,275
Insurance	9,007	3,641	7,471	2,521
Loss (gain) on deactivation and disposal of assets	156	(14,585)	145	(14,585)
Impairment of transmission contract asset (note 12)	11,175	-	11,175	-
Forluz – Administrative running cost	4,951	5,226	4,950	5,225
Obligations deriving from investment contracts (2)	10,569	-	10,569	-
Adjustment for impairment of Investments (note 13)	8,459	-	-	-
Other (recovery of expenses)	9,486	2,030	1,551	1,930
	62,542	**11,633**	**43,413**	**7,841**

(1) The amounts related to leasing and rentals are recognized in accordance with CPC 06 (R2I /IFRS 16, as well as short-term leases and leases for which the underlying asset is of low value.

(2) This refers to the contractual obligations to the investee Aliança Geração, corresponding to contingencies resulting from events before the closing of the transaction which resulted in contribution of assets by Cemig and Vale S.A. to this investee in exchange for a equity interest. The total value of the contingencies is R$125 million (R$98 million at December 31, 2019, of which Cemig GT's portion is R$43 million (R$32 million on December, 31, 2019).

	Consolidated		Parent Company	
	Jul to Sep 2020	Jul to Sep 2019	Jul to Sep 2020	Jul to Sep 2019
Leasing and rentals (1)	145	1,894	375	1,212
Advertising	361	1,943	361	1,943
Subsidies and donations	-	1,918	-	1,018
Paid concessions	707	840	705	833
Taxes (IPTU, IPVA and others)	529	437	200	169
CCEE annual charge	634	818	634	819
Insurance	2,936	1,197	2,422	793
Loss (gain) on deactivation and disposal of assets	77	(17,355)	66	(17,355)
Forluz – Administrative running cost	1,666	2,122	1,666	2,121
Obligations deriving from investment contracts (2)	10,569	-	10,569	-
Other (recovery of expenses)	4,910	2,901	763	2,657
	22,534	**(3,285)**	**17,761**	**(5,790)**

(1) The amounts related to leasing and rentals are recognized in accordance with CPC 06 (R2I /IFRS 16, as well as short-term leases and leases for which the underlying asset is of low value.

(2) This refers to the contractual obligations to the investee Aliança Geração, corresponding to contingencies resulting from events before the closing of the transaction which resulted in contribution of assets by Cemig and Vale S.A. to this investee in exchange for a equity interest. The total value of the contingencies is R$125 million (R$98 million at December 31, 2019, of which Cemig GT's portion is R$43 million (R$32 million on December, 31, 2019).

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26. FINANCE INCOME AND EXPENSES

	Consolidated		Parent Company	
	Jan to Sep 2020	Jan to Sep 2019	Jan to Sep 2020	Jan to Sep 2019
FINANCE INCOME				
Income from cash investments	22,538	33,389	13,854	15,451
Arrears fees on sale of energy	6,473	16,272	2,775	3,994
Monetary updating	6,740	11,369	3,973	10,964
Monetary updating on escrow deposits	3,143	9,824	3,044	9,377
Gains on financial instruments – swap (note 28)	1,803,611	1,099,230	1,803,611	1,099,230
Borrowing costs paid by related parties	2,839	47,596	-	47,596
Monetary updating on PIS/Pasep and Cofins taxes credits over ICMS (note 8a)	9,966	247,967	9,565	237,859
Others	32,728	17,587	31,898	16,501
Pasep and Cofins taxes on financial revenues	(1,515)	(11,858)	(2,957)	(11,134)
	1,886,523	**1,471,376**	**1,865,763**	**1,429,838**
DESPESAS FINANCEIRAS				
Costs of loans, financings and debentures (note 19)	(722,864)	(606,829)	(720,229)	(601,938)
Amortization of transaction cost (note 19)	(9,035)	(8,751)	(9,035)	(8,751)
Monetary updating – Forluz	(7,689)	(10,029)	(7,689)	(10,029)
Inflation adjustment – Loans, financings and debentures (note 19)	(22,998)	(36,580)	(15,742)	(30,136)
Monetary updating	(17,637)	(7,192)	(12,150)	(6,874)
FX variation from loans and financings (note 19)	(2,415,000)	(434,396)	(2,415,000)	(434,396)
Leasing – Inflation adjustment (note 16)	(4,030)	(5,531)	(3,860)	(5,415)
Others	(6,124)	(15,935)	(1,059)	(13,704)
	(3,205,377)	**(1,125,243)**	**(3,184,764)**	**(1,111,243)**
NET FINANCE INCOME (EXPENSES)	**(1,318,854)**	**346,133**	**(1,319,001)**	**318,595**

	Consolidated		Parent Company	
	Jul to Sep 2020	Jul to Sep 2019	Jul to Sep 2020	Jul to Sep 2019
FINANCE INCOME				
Income from cash investments	7,163	12,224	4,863	6,637
Arrears fees on sale of energy	1,633	4,719	1,033	978
Monetary updating	1,756	2,689	935	2,500
Monetary updating on escrow deposits	602	4,063	598	3,874
Gains on financial instruments – swap	2,651	485,836	2,651	485,836
Borrowing costs paid by related parties	159	1,617	-	1,617
Monetary updating on PIS/Pasep and Cofins taxes credits over ICMS	2,107	6,552	2,016	6,308
Others	16,394	5,070	15,979	4,695
Pasep and Cofins taxes on financial revenues	(1,085)	(1,687)	(1,112)	(1,505)
	31,380	**521,083**	**26,963**	**510,940**
DESPESAS FINANCEIRAS				
Costs of loans, financings and debentures	(249,163)	(208,188)	(247,664)	(207,629)
Amortization of transaction cost	(3,053)	(2,967)	(3,053)	(2,967)
Monetary updating – Forluz	(2,767)	(2,430)	(2,767)	(2,430)
Inflation adjustment – Loans, financings and debentures	(9,998)	(6,227)	(8,290)	(3,176)
Monetary updating	(13,052)	(1,720)	(8,282)	(1,604)
FX variation from loans and financings	(247,050)	(498,300)	(247,050)	(498,300)
Leasing – Inflation adjustment	(1,353)	(1,791)	(1,241)	(1,755)
Others	(423)	(12,173)	(214)	(11,979)
	(526,859)	**(733,796)**	**(518,561)**	**(729,840)**
NET FINANCE INCOME (EXPENSES)	**(495,479)**	**(212,713)**	**(491,598)**	**(218,900)**

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27. RELATED PARTY TRANSACTIONS

The main principal balances and transactions with related parties are as follows (consolidated):

COMPANY	ASSETS		LIABILITIES		REVENUE		EXPENSES	
	Sep. 30, 2020	Dec. 31, 2019	Sep. 30, 2020	Dec. 31, 2019	Jan to Sep 2020	Jan to Sep 2019	Jan to Sep 2020	Jan to Sep 2019
CEMIG								
Current								
Interest on Equity, and dividends	-	-	781,769	781,769	-	-	-	-
Non-current								
Loans with related parties (1)	-	-	-	-	-	16,464	-	-
Jointly-controlled entity								
Madeira Energia								
Current								
Transactions in energy (2)	2,239	5,745	90,270	57,860	19,760	50,484	(739,617)	(537,215)
Aliança Geração								
Current								
Transactions in energy (2)	-	-	8,196	6,002	405	-	(65,096)	(62,114)
Provision of service	314	626	-	-	3,283	6,027	-	-
Interest on Equity, and dividends	-	103,033	-	-	-	-	-	-
Contingencies (3)	-	-	42,657	32,088	-	-	(10,569)	-
Norte Energia								
Current								
Transactions in energy (2)	2,518	-	-	-	21,049	14,977	(30,006)	(10,267)
Advance for future power supply (4)	10,075	40,081	-	-	-	-	-	-
Baguari Energia								
Current								
Provision of service (5)	211	-	-	-	716	762	-	-
Interest on Equity, and dividends	10,640	-	-	-	-	-	-	-
Lightger								
Current								
Transactions in energy (2)	-	-	1,593	1,541	-	-	(17,636)	(15,366)
Retiro Baixo								
Current								
Interest on Equity, and dividends	-	6,474	-	-	-	-	-	-
Hidrelétrica Pipoca								
Current								
Transactions in energy (2)	-	-	2,640	1,387	-	-	(17,670)	(13,618)
Hidrelétrica Cachoeirão								
Current								
Interest on Equity, and dividends	2,407	2,536	-	-	-	-	-	-
Renova								
Non-current								
Transactions in energy (2)	-	-	-	-	-	-	(7,070)	-
Accounts receivable (6)	-	-	-	-	-	93,708	-	(688,031)
Light								
Current								
Transactions in energy (2)	280	312	-	1,206	48,684	79,302	-	(5,556)
Taesa								
Current								
Transactions in energy (2)	-	-	1,037	1,255	104	35	(9,116)	(9,845)
Provision of service (5)	333	170	-	-	669	446	-	-
Hidrelétrica Itaocara								
Current								
Adjustment for losses (7)	-	-	21,617	21,809	-	-	-	-
Other related parties								
Cemig Distribuição								
Current								
Cooperation Working Agreement (8)	3,202	1,669	-	-	3,993	5,810	-	-
Transactions in energy (2)	31,683	29,655	1,051	507	220,082	198,369	(20,209)	(20,657)
FIC Pampulha								
Current								
Cash and cash equivalents	142,474	18,282	-	-	4,733	5,526	-	-
Marketable securities	1,323,555	372,601	-	-	-	-	-	-
Non-current								
Marketable Securities	143,218	916	-	-	-	-	-	-
Forluz								
Current								
Post-employment obligations (9)	-	-	34,350	32,775	-	-	(32,489)	(31,045)
Supplementary pension contributions – Defined contribution plan (10)	-	-	-	-	-	-	(14,360)	(14,923)
Administrative running costs (11)	-	-	-	-	-	-	(4,950)	(5,225)
Operating leasing (12)	36,544	40,125	5,083	9,479	-	-	(946)	(11,804)
Non-current								

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COMPANY	ASSETS		LIABILITIES		REVENUE		EXPENSES	
	Sep. 30, 2020	Dec. 31, 2019	Sep. 30, 2020	Dec. 31, 2019	Jan to Sep 2020	Jan to Sep 2019	Jan to Sep 2020	Jan to Sep 2019
Post-employment obligations (9)	-	-	585,701	590,465	-	-	-	-
Operating leasing (12)	-	-	33,599	32,124	-	-	-	-
Cemig Saúde								
Current								
Health Plan and Dental Plan (13)	-	-	31,643	29,422	-	-	(39,504)	(37,505)
Non-current								
Health Plan and Dental Plan (13)	-	-	671,337	656,424	-	-	-	-

The main conditions with reference to the related party transactions are:

(1) Refers to a loan contract in the amount of R$400,000 between the Company and its parent company Cemig. The balance of the loan was augmented by interest at 125.52% of the CDI rate. On July , 2019 there was full settlement of the loan.
(2) Transactions in energy between generators and distributors are made in auctions in the Regulated Market (ACR) organized by the federal government. The transactions in sale and purchase of electricity between generators and distributors are made through auctions in the Regulated Market, organized by the federal government. In the Free Market they are carried out through auctions or by direct contracting, in accordance with Article 28, §3, I of Law 13,303 of June 30, 2016. The transactions for transport of energy, are by transmission companies, arise from the centralized operation of the National Grid carried out by the National System Operator (ONS).
(3) This refers to the aggregate amounts of legal actions realized and legal actions provisioned arising from the agreement made between Aliança Geração, Vale S.A. and Cemig. The action is provisioned in the amount of R$125 million (R$98 million at December 31, 2019), of which Cemig's portion is R$43 million (R$32 million on December, 31, 2019).
(4) Refers to advance payments for energy supply made in 2019 to Norte Energia, established by auction and by contract registered with the CCEE. In full-year 2020 it will deliver contracted supply. Until September 30, 2020, the amount of energy delivered represents R$30,006. On September 30, 2020, the advance remaining amount is R$10,075. There is no financial updating of the contract.
(5) Refers to a contract to provide plant operation and maintenance services.
(6) As mentioned in Note 13(c), in June 2019, due to the uncertainties related to continuity of Renova, an estimated loss on realization of the receivables was recorded for the full value of the balance, R$688,031.
(7) A liability was recognized corresponding to the Company's interest in the share capital of Hidrelétrica Itaocara, due to its negative equity (more details in Note 13).
(8) An Administrative and Human Resources Sharing Agreement between Cemig, Cemig Distribuição, Cemig Geração e Transmissão and other subsidiaries of the Group, consented to by Aneel Dispatch 3,208/2016. This principally includes reimbursement of expenses related to sharing of infrastructure, personnel, transport, telecoms and IT;
(9) The contracts of Forluz are updated by the Expanded Consumer Price Index (*Índice Nacional de Preços ao Consumidor Amplo*, or IPCA) calculated by the Brazilian Geography and Statistics Institute (IBGE) plus interest of 6.00% p.a. and will be amortized up to the business year of 2031 (more details in Note 21).
(10) 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.
(11) 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.
(12) Rental of the Company's administrative head offices, in effect up to November 2020 (able to be extended every five years, up to 2035) and august 2024 (able to be extended every five years, up to 2034, currently in final phase of renewal), with annual inflation adjustment by the IPCA index and price reviewed every 60 months in line with market prices. Aiming at costs reduction, in november, 2019, Cemig performed the devolution of Aureliano Chaves to Forluz. Cemig is still negotiating with Forluz the returning of the remaining leased floors of Aureliano Chaves building, aiming at balancing the headquarters leasing costs to Cemig's budgeting.
(13) Post-employment obligations relating to the employees' health and dental plan (more details in Note 21).

Dividends receivable	Consolidated		Parent Company	
	Sep. 30, 2020	Dec. 31, 2019	Sep. 30, 2020	Dec. 31, 2019
Sá Carvalho S.A.	-	-	24,424	-
Cemig Geração Três Marias S.A.	-	-	53,322	-
Cemig Geração Salto Grande S.A.	-	-	14,349	-
Cemig Geração Itutinga S.A.	-	-	15,646	-
Cemig Geração Camargos S.A.	-	-	7,142	-
Cemig Geração Sul S.A.	-	-	14,495	-
Cemig Geração Leste S.A.	-	-	10,854	-
Rosal Energia S.A.	-	-	7,036	-
Empresa de Serviços de Comercialização de Energia Elétrica S.A.	-	-	27,679	-
Cemig Geração Poço Fundo S.A. (1)	-	-	294	294
Cemig Comercializadora de Energia Incentivada S.A.	-	-	791	-
Cemig Trading S.A.	-	-	29,827	-
Aliança Geração de Energia S.A.	-	103,033	-	103,033
Others	13,047	9,010	13,047	9,010
	13,047	**112,043**	**218,906**	**112,337**

(1) The Extraordinary General Meeting of Stockholders held on August 29, 2019 approved changes to the bylaws of the subsidiary, changing its name and its corporate objects. With the alteration, the name of Usina Termelétrica Barreiro S.A. was changed to Cemig Geração Poço Fundo S.A.

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Cash investments in the *FIC Pampulha* investment fund

The invests part of its cash balance in a reserved (group) investment fund, which has the characteristics of fixed income and obeys the Company's cash investment policy. The amounts invested by the fund on September 30, 2020 are reported in Marketable Securities in Current or Non-current assets, in proportion to the interests held by the Company in the fund.

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

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

Issuer of security	Type	Annual contractual conditions	Maturity	September 30, 2020			December 31, 2019		
				Cemig GT	Other subsidiaries	Total (consolidated)	Cemig GT 5.16%	Other subsidiaries 9.86%	Total (consolidated) 15.02%
Gasmig	Promissory note	107.00% of CDI	25/09/2020	-	-	-	523	998	1,521
				-	**-**	**-**	**523**	**998**	**1,521**

Remuneration of key management personnel

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

	Jan to Sep 2020	Jan to Sep 2019
Remuneration	2,275	2,307
Profit shares	856	629
Assistance benefits	196	227
	3,327	**3,163**

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28. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

a) Financial instruments classification and fair value

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

	Level	September 30, 2020		December 31, 2019	
		Balance	Fair value	Balance	Fair value
Assets					
Amortized cost (1)					
Marketable securities	2	479,779	479,779	46,727	46,727
Customers and traders concession holders (transmission service)	2	1,116,363	1,116,363	1,135,038	1,135,038
Restricted cash	2	47,987	47,987	11,059	11,059
Escrow deposits	2	164,535	164,535	364,277	364,277
Concession grant fee – Generation concessions	3	2,497,655	2,497,655	2,468,216	2,468,216
Reimbursements receivable – Transmission	3	1,211,275	1,211,275	1,280,652	1,280,652
		5,517,594	**5,517,594**	**5,305,969**	**5,305,969**
Fair value through profit or loss					
Cash equivalents – Investments	2	290,746	290,746	202,964	202,964
Marketable securities					
Financial notes (LF's) – Banks	2	732,906	732,906	279,547	279,547
Treasury financial notes (LFT's)	1	254,400	254,400	47,268	47,268
Debentures	2	-	-	52	52
		1,278,052	**1,278,052**	**529,831**	**529,831**
Derivative financial instruments (swaps)	3	3,284,142	3,284,142	1,690,944	1,690,944
Reimbursements receivable – Generation	3	816,202	816,202	816,202	816,202
		4,100,344	**4,100,344**	**2,507,146**	**2,507,146**
		10,895,990	**10,895,990**	**8,342,946**	**8,342,946**
Liabilities					
Amortized cost (1)					
Loans, financing and debentures	2	(9,948,859)	(9,948,859)	(7,886,783)	(7,886,783)
Debt with pension fund (Forluz)	2	(111,100)	(111,100)	(128,172)	(128,172)
Deficit of pension fund (Forluz)	2	(120,983)	(120,983)	(124,499)	(124,499)
Concessions payable	3	(21,856)	(21,856)	(19,692)	(19,692)
Suppliers	2	(440,355)	(440,355)	(422,312)	(422,312)
Leasing transactions	2	(46,917)	(46,917)	(55,059)	(55,059)
		(10,690,070)	**(10,690,070)**	**(8,636,517)**	**(8,636,517)**
Fair value through profit or loss					
Derivative financial instruments – SAAG Put options	3	(515,887)	(515,887)	(482,841)	(482,841)
		(11,205,957)	**(11,205,957)**	**(9,119,358)**	**(9,119,358)**

(1) On September 30, 2020 and December 31, 2019, the book values of financial instruments reflect their fair values.

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

- 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.

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

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

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

Fair value calculation of financial positions

<u>Transmission concession financial assets remunerated by Tariff:</u> These are measured at New Replacement Value (*Valor novo de reposição*, or VNR), according to criteria established by the Concession-granting power ('Grantor'), based on fair value of the concession assets in service and which will be revertible at the end of the concession, and on the weighted average cost of capital (WACC) defined by the Grantor, which reflects the concession holder's return on the operations of the concession. The VNR and the WACC are public information disclosed by the Grantor and by the Company. Changes in concession financial assets are disclosed in Note 11.

<u>Indemnifiable receivable – Generation</u>: Measured at New Replacement Value (VNR), as per criteria set by regulations of the grantor power, based on the fair value of the assets to be indemnify at the end of the concession.

<u>Cash investments:</u> Fair value of cash investments is determined taking into consideration the market prices of the investment, or market information that makes such calculation possible, considering future interest rates in the fixed income and FX markets applicable 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 in Reais.

<u>Derivative financial instruments:</u> Derivative financial instruments held by the Company are: Put options; and Swap transactions for protection of debts.

<u>Swap transactions:</u> Fair value was calculated based on the market value of the security at its maturity adjusted to present value by the discount rate from the market yield curve.

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Put options: The put options for units of FIP Melbourne and FIP Malbec ('the SAAG Put') were measured at fair value using the Black-Scholes-Merton (BSM) method. The fair value of these options has been calculated on the basis of the estimated exercise price on the day of exercise of the option, less the fair value of the shares that are the subject of the put option, also estimated for the date of exercise, brought to present value at the reporting date.

The movement in relation to the put options, and other information on the derivative instruments, is given in the item "b) Financial instruments – Derivatives", in this Note.

Other financial liabilities: Fair value of its loans, financing and debentures were determined using 140.97% of the CDI rate – based on its most recent funding. For the following, the Company considered fair value to be substantially equal to book value: Loans, financings and debentures, and debt renegotiated with Forluz, with annual rates between IPCA + 6.00% to 8.07% and CDI + 0.48% to 0.96%.

b) Derivative financial instruments

Put Option - SAAG

Option contracts were signed between Company and the private pension entities that participate in the investment structure of SAAG (comprising FIP Melbourne, Parma Participações S.A. and FIP Malbec – jointly, 'the Investment Structure'), giving those entities the right to sell units in the Funds that comprise the Investment Structure, at the option of the Funds, in the 84th (eighty-fourth) month from June 2014. The provision of exercise price of the Put Options would correspond to the amount invested by each private pension plan in the Investment Structure, updated *pro rata temporis* by the Expanded National Customer Price (IPCA) index published by the IBGE, plus interest at 7% per year, less such dividends and Interest on Equity as shall have been paid by SAAG to the pension plan entities. This option was considered to be a derivative instrument, accounted at fair value through profit and loss.

The Company used for measurement of the fair value of the SAAG put option the Black-Scholes-Merton ('BSM') model. The assumption was made that the future expenditures of FIP Malbec and FIP Melbourne are insignificant, so that the options are valued as if they hold direct equity interests at Mesa. However, neither SAAG nor Mesa have its share traded on a securities exchange, so that some assumptions are necessary for calculation of the price of the asset and its volatility for application of the BSM model. The closing price of the share of Mesa on September 30, 2020, is ascertained based on free cash flow (FCFE), expressed by equity, in pick-up of to the indirect interests held by the FIP. Volatility, in turn, is measured as an average of historic volatility (based on the hypothesis that the series of the difference of continuously capitalized returns follows a normal distribution) of comparable companies in the energy generation sector that are traded at Bovespa.

Based on the analysis performed, a liability of R$515,887 (R$482,841 on December 31, 2019) was recorded in the Company's interim financial information, for the difference between the exercise price and the estimated fair value of the assets. Since the option is due to be settled within twelve months after September 30, 2020, this amount was classified as current liabilities.

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The changes in the value of the options are as follows:

	Consolidated and Parent
Balance at December 31, 2018	**419,148**
Adjustment to fair value	32,619
Balance at September 30, 2019	**451,767**
Balance at December 31, 2019	**482,841**
Adjustment to fair value	33,046
Balance at September 30, 2020	**515,887**

The Company performed the sensitivity analysis of the exercise price of the option, varying the risk-free interest rate and the volatility, keeping the other variables of the model unchanged. In this context, scenarios for the risk-free interest rate at 0.45% to 4.45% p.a., and for volatility between 0.09 and 0.69 p.a., were used, resulting in estimates of minimum and maximum price for the put option of R$507,795 and R$524,101, respectively.

This option can potentially dilute basic earnings per share in the future; however, they have not caused dilution of earnings per share in the years presented.

Early liquidation of Funds, and early maturity of put option

On September 9, 2020, the administrator of the FIP funds, Banco Modal S.A., notified its unit holders of the beginning of the early liquidation process of the funds Melbourne, Parma Participações S.A. and FIP Malbec, due to expiration of the period of 180 days from its resignation, and the resignation of the manager of the Fund, from their respective positions, without there having been any indication of new service providers, as specified in the Fund's Regulations.

As established by contract, funds liquidation is one of the events that would result in expiration date of the option, which the private pension plan entities stated interest in exercising in the period from September 9 to October 2, 2020, to be settled within 15 days from the statement of interest.

However, the Company's management believes that the premises and conditions that were the grounds for the investment in Santo Antônio Energia and the legal structure of the various contracts signed for this purpose underwent substantial changes which resulted in the options imbalance.

Thus, using the contractual prerogative contained in the option instruments, the Company invoked the contractual mechanism of Amicable Resolution for the contractual terms negotiation with the private pension plan entities, which, if not successful, will allow the arbitration clause invocation for resolution of conflict between the parties.

Notwithstanding the negotiation in progress between the Company and the Funds, on September 30, 2020, the financial instruments were measured and recorded in accordance with the contracts original terms.

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Swap transactions

Considering that part of the loans and financings of the Company is denominated in foreign currency, the Company uses derivative financial instruments (swaps) to protect the servicing associated with these debts (principal plus interest).

The derivative financial instruments contracted by the Company have the purpose of protecting the operations against the risks arising from foreign exchange variation and are not used for speculative purposes.

The notional amount of derivative transactions is not presented in the statement of financial position, since they refer to transactions that do not require cash as only the gains or losses actually incurred are recorded. The net result of those transactions on September 30, 2020 was a positive adjustment of R$1,803,611 (positive adjustment of R$1,099,230 on September 30, 2019), which was posted in finance income (expenses).

The counterparties of the derivative transactions are the banks Bradesco, Itaú, Goldman Sachs and BTG Pactual. The controlling shareholder Cemig is guarantor of the derivative financial instruments contracted by the Company.

This table presents the derivative instruments contracted by the Company as of September 30, 2020 and December 31, 2019:

Assets (1)	Liability (1)	Maturity period	Trade market	Notional amount (2)	Unrealized gain (loss)		Unrealized gain (loss)	
					Carrying amount Sep. 30, 2020	Fair value Sep. 30, 2020	Carrying amount Dec. 31, 2019	Fair value Dec. 31, 2019
US$ exchange variation + Rate (9.25% p.y.)	Local currency + R$ 150.49% of CDI	Interest: Half-yearly Principal: Dec. 2024	Over the counter	US$1,000,000	1,878,749	2,330,534	813,535	1,235,102
US$ exchange variation + Rate (9.25% p.y.)	Local currency + R$ 125.52% of CDI	Interest: Half-yearly Principal: Dec. 2024	Over the counter	US$500,000	641,269	953,608	108,532	455,842
					2,520,018	**3,284,142**	**922,067**	**1,690,944**
Current						**619,119**		**234,766**
Non-current						**2,665,023**		**1,456,178**

(1) For the US$1 billion, Eurobond issued on December 2017: (i) for the principal, a call spread was contracted, with floor at R$3.25/US$ and ceiling at R$5.00/US$, and (ii) a swap was contracted for the total interest, for a coupon of 9.25% p.a., at an average rate equivalent to 150.49% of the CDI. For the additional US$500 million issuance of the same Eurobond issued on July 2018 (1) a call spread was contracted for the principal, with floor at R$3.85/US$ and ceiling at R$5.00/US$; and (2) a swap was contracted for the interest, resulting in a coupon of 9.25% p.a., with an average rate equivalent to 125.52% of the CDI rate.

(2) In millions of US$.

In accordance with market practice, the Company uses a mark-to-market method to measure its derivatives financial instruments for its Eurobonds. The principal indicators for measuring the fair value of the swap are the B3 future market curves for the DI rate and the dollar. The Black & Scholes model is used to price the call spread, and one of parameters of which is the volatility of the dollar, measured on the basis of its historic record over 2 years.

The fair value at September 30, 2020 was R$3,284,142 (R$1,690,944 on December 31, 2019), which would be the reference if the Company would liquidate the financial instrument on that date, but

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the swap contracts protect the Company's cash flow up to the maturity of the bonds in 2024 and they have carrying value of R$2,520,018 at September 30, 2020 (R$922,067 on December 31, 2019).

The Company is exposed to market risk due to having contracted this hedge, the principal potential impact being a change in future interest rates and/or the future exchange rates. Based on the futures curves for interest rates and dollar, the Company prepare a sensitivity analyses and estimates that in a probable scenario, its results would be affected by the swap and call spread, on September 30, 2021, in the amount of R$1,771,047 for the option (call spread), partially compensated by R$1,367,581 for the swap – comprising a total of R$3,138,628.

The Company has measured the effects on its net income of reduction of the estimated fair value for the 'probable' scenario, analyzing sensitivity for the risks of interest rates, exchange rates and volatility changes, by 25% and 50%, as follows:

Parent Company and Consolidated	Base scenario September 30, 2020	'Probable' scenario September 31, 2021	'Possible' scenario: exchange rate depreciation and interest rate increase 25%	'Remote' scenario: exchange rate depreciation and interest rate increase 50%
Swap, asset	7,406,363	7,010,276	6,075,986	5,184,936
Swap, liability	(5,728,877)	(5,642,695)	(5,746,469)	(5,845,958)
Option / Call spread	1,606,656	1,771,047	1,186,872	460,055
Derivative hedge instrument	**3,284,142**	**3,138,628**	**1,516,389**	**(200,967)**

The same methods of measuring marked to market of the derivative financial instruments described above were applied to the estimation of fair value.

c) Financial risk management

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

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

The main risks to which the Company and its subsidiaries are exposed are as follows:

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Interest rate risk

The Company and its subsidiaries were exposed to the risk of reduction in Brazilian interest rates, since it has more assets than liabilities indexed to variation in interest rates:

Exposure to Brazilian domestic interest rates	Consolidated		Parent Company	
	Sep. 30, 2020	Dec. 31, 2019	Sep. 30, 2020	Dec. 31, 2019
Assets				
Cash equivalents (note 5) – CDI rate	290,746	202,964	233,918	133,705
Securities (note 6) – CDI and Selic rates	1,467,085	373,594	1,029,022	128,490
Restricted cash – CDI	47,987	11,059	14,529	11,019
	1,805,818	**587,617**	**1,277,469**	**273,214**
Liabilities				
Loans, financings and debentures – CDI rate (note 19)	(361,047)	(578,067)	(361,047)	(578,067)
Loans, financings and debentures – TJLP Rate (note 19)	(156,765)	(178,226)	-	-
	(517,812)	**(756,293)**	**(361,047)**	**(578,067)**
Net assets (liabilities) exposed	**1,288,006**	**(168,676)**	**916,422**	**(304,853)**

Sensitivity analysis

The Company and its subsidiaries estimate that in a probable scenario, the Selic rate on September 30, 2021 will be 2.00% and the TJLP rate will be 4.56%. They have made a sensitivity analysis of the effects on profit arising from reductions of 25% and 50% in this rate in relation to the 'probable' scenario. Variation in the CDI rate accompanies the variation in the Selic rate.

Risk: Reduction in Brazilian interest rates – Consolidated	Sep. 30, 2020	Sep. 30, 2021		
	Amount Book value	'Probable' scenario: Selic 2.00% TJLP 4.56%	'Possible' scenario -25% Selic 1.50% TJLP 3.42%	Remote' scenario -50% Selic 1.00% TJLP 2.28%
Assets				
Cash equivalents – Cash investments (note 5)	290,746	296,561	295,107	293,653
Marketable securities (note 6)	1,467,085	1,496,427	1,489,091	1,481,756
Restricted cash	47,987	48,947	48,707	48,467
	1,805,818	**1,841,935**	**1,832,905**	**1,823,876**
Liabilities				
Loans, financings and debentures – CDI rate (note 19)	(361,047)	(368,268)	(366,463)	(364,657)
Loans, financings and debentures – TJLP Rate (note 19)	(156,765)	(163,913)	(162,126)	(160,339)
	(517,812)	**(532,181)**	**(528,589)**	**(524,996)**
Net assets (liabilities)	**1,288,006**	**1,309,754**	**1,304,316**	**1,298,880**
Net effect of variation in interest rates		**21,748**	**16,310**	**10,874**

Inflation risk

The Company and its subsidiaries are exposed to risk of reduction of inflation, due to their having more assets than liabilities indexed to the variation of inflation indicators, as follows:

Exposure to inflation	Consolidated		Parent Company	
	Sep. 30, 2020	Dec. 31, 2019	Sep. 30, 2020	Dec. 31, 2019
Assets				
Generation – Concession grant fee – IPCA (note 11)	2,497,655	2,468,216	-	-
Transmission – Reimbursement receivable – IPCA index (note 11)	1,211,275	1,280,652	1,211,275	1,280,652
	3,708,930	**3,748,868**	**1,211,275**	**1,280,652**
Liabilities				
Loans, financings and debentures – IPCA (note 19)	(730,033)	(1,105,466)	(730,033)	(1,105,466)
Debt agreed with pension fund (Forluz) – (note 21)	(111,100)	(128,172)	(111,100)	(128,172)
Solution for Forluz pension fund deficit (note 21)	(120,983)	(124,499)	(120,983)	(124,499)
	(962,116)	**(1,358,137)**	**(962,116)**	**(1,358,137)**
Net assets (liabilities) exposed	**2,746,814**	**2,390,731**	**249,159**	**(77,485)**

Sensitivity analysis

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The Company and its subsidiaries estimate that in a probable scenario, the IPCA inflation index on September 30, 2021 will be 3.83%. For the risk of reduction in inflation they have made a sensitivity analysis of the effects on profit arising from reductions in rates of 25% and 50% in relation to the 'probable' scenario.

Risk: reduction in inflation Consolidated	Sep. 30, 2020	Sep. 30, 2021		
	Book value	'Probable' scenario: IPCA 3.83%	'Possible' scenario - 25% IPCA 2.87%	Remote' scenario - 50% IPCA 1.92%
Assets				
Generation – Concession Grant Fee – IPCA (note 11)	2,497,655	2,593,315	2,569,338	2,545,610
Transmission – Reimbursement receivable – IPCA index (note 11)	1,211,275	1,257,667	1,246,039	1,234,531
	3,708,930	**3,850,982**	**3,815,377**	**3,780,141**
Liabilities				
Loans, financings and debentures – IPCA (note 19)	(730,033)	(757,993)	(750,985)	(744,050)
Debt agreed with pension fund (Forluz) (note 21)	(111,100)	(115,355)	(114,289)	(113,233)
Solution for Forluz pension fund deficit (note 21)	(120,983)	(125,617)	(124,455)	(123,306)
	(962,116)	**(998,965)**	**(989,729)**	**(980,589)**
Net assets exposed	**2,746,814**	**2,852,017**	**2,825,648**	**2,799,552**
Net effect of variation in inflation		**105,203**	**78,834**	**52,738**

Exchange rate risk

The Company is exposed to risk of increase in exchange rates, with effect on Loans and financings, and cash flow.

The net exposure to exchange rates is as follows:

Exposure to exchange rates	Consolidated and Parent Company			
	Sep. 30, 2020		Dec. 31, 2019	
	Foreign currency	R$	Foreign currency	R$
US dollar				
Loans and financings (note 19)	(1,552,145)	(8,755,183)	(1,511,336)	(6,091,742)
Net (liabilities) exposed		**(8,755,183)**		**(6,091,742)**

Sensitivity analysis

The Company estimates that in a probable scenario, on September 30, 2021 the exchange rates of foreign currencies in relation to the Real will be as follows: depreciation in the dollar exchange rate by 13.13%, to R$4.90/US$. The Company has made a sensitivity analysis of the effects on profit arising from depreciation of the Real exchange rate by 25%, and by 50%, in relation to this 'probable' scenario.

Risk: Exposure to exchange rates	Sep. 30, 2020	Sep. 30, 2021		
	Book value	'Probable' scenario Dólar 4.90	'Possible' scenario + 25% Dólar 6.13	Remote' scenario + 25% Dólar 7.35
US dollar				
Loans and financings (note 19)	(8,755,183)	(7,605,509)	(9,514,647)	(11,408,264)
Net liabilities exposed	**(8,755,183)**	**(7,605,509)**	**(9,514,647)**	**(11,408,264)**
Net effect of exchange rate variation		**1,149,674**	**(759,464)**	**(2,653,081)**

Note that the Company has contracted a swap transaction to replace the exposure to the US dollar with exposure to variation in the CDI Rate, as described in more detail in the item *Swap Transactions* in this Note.

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Liquidity risk

The Company 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.

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

Cash investments obey rigid principles for monitoring of operational, credit and liquidity risks, established in an Investment Policy, in accordance with the cash flow needs of the companies. These financial investments are made in exclusive investment funds of the Cemig economic group, or directly in CDB's (bank CD's) and/or repo transactions remunerated by the CDI rate.

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

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

The flow of payments of the Company's obligation to suppliers, debts with the pension fund, loans, financing and debentures, at floating and fixed rates, including future interest up to contractual maturity dates, is as follows:

Consolidated	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
Financial instruments at (interest rates):						
Floating rates						
Loans, financings and debentures	35,367	495,077	1,120,022	8,753,956	-	10,404,422
Onerous concessions	234	462	2,215	10,036	13,598	26,545
Debt agreed with pension fund (Forluz)	2,745	5,507	25,186	97,480	-	130,918
Solution for deficit of pension fund (Forluz)	1,222	2,454	11,240	65,118	124,779	204,813
	39,568	**503,500**	**1,158,663**	**8,926,590**	**138,377**	**10,766,698**
Fixed rate						
Suppliers	427,552	12,136	667	-	-	440,355
	467,120	**515,636**	**1,159,330**	**8,926,590**	**138,377**	**11,207,053**

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Parent Company	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
Financial instruments at (interest rates):						
Floating rates						
Loans, financings and debentures	24,880	474,027	1,024,315	8,716,859	-	10,240,081
Onerous concessions	234	462	2,215	10,036	13,598	26,545
Debt agreed with pension fund (Forluz)	2,745	5,507	25,186	97,480	-	130,918
Solution for deficit of pension fund (Forluz)	1,222	2,454	11,240	65,118	124,779	204,813
	29,081	**482,450**	**1,062,956**	**8,889,493**	**138,377**	**10,602,357**
Fixed rate						
Suppliers	404,348	1,711	654	-	-	406,713
	433,429	**484,161**	**1,063,610**	**8,889,493**	**138,377**	**11,009,070**

Credit Risk

The Company's risk of losses due to difficulty in receipt of amounts invoiced to customers is considered to be low. The Company carries out monitoring for the purpose of reducing default, on an individual basis, with its customers. Negotiations are also entered into for receipt of any receivables in arrears.

The provision for doubtful debtors constituted on September 30, 2020, considered to be adequate in relation to the credits receivable and in arrears, was R$59,353.

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

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

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

As a management instrument, the Company divides the investment of its cash holdings between direct purchases of securities, forming its own portfolio, and investment funds. The investment funds invest the funds exclusively in fixed income products, and companies of the Group are the only unit holders. They obey the same policy adopted in the investments for the Company's directly-held own portfolio.

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

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

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

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

(1) The percentage assigned to each bank depends on an individual assessment of indicators such as liquidity and quality of the credit portfolio.

The Company also sets two concentration limits:

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

COVID-19 Pandemic – Risks and uncertainties related to Company's business

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

Hydrological risk

The greater part of the energy sold by the Company is generated 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 replacement by thermoelectric sources, or to reduction of revenues due to reduction in consumption caused by implementation of wide-ranging programs for saving of energy.

Risk of debt early maturity

The Company has loans, financings and debentures contracts with covenants relating to financial index of the Company and its parent company, and cross-default clauses. Non-compliance with these covenants could result in earlier maturity of debts.

On September 30, 2020 the Company and its subsidiaries were compliant with all the covenants for financial index requiring half-yearly, annual and permanent compliance, except for non-compliance with the non-financial covenant of the loan contracts with the CEF of the subsidiaries Central Eólica Praias de Parajuru and Central Eólica Volta do Rio. More details in Note 19.

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d) Capital management

The comparisons of the Company’s consolidated net liabilities and its Equity are as follows:

	Consolidated		Parent Company	
	Sep. 30, 2020	Dec. 31, 2019	Sep. 30, 2020	Dec. 31, 2019
Total liabilities	**14,741,063**	**12,526,851**	**14,320,300**	**12,103,086**
Cash and cash equivalents (note 5)	(296,513)	(211,608)	(234,261)	(136,208)
Marketable securities (note 6)	(1,323,867)	(372,678)	(928,577)	(128,175)
Net liabilities	**13,120,683**	**11,942,565**	**13,157,462**	**11,838,703**
Total equity	**5,504,180**	**5,136,201**	**5,504,180**	**5,136,201**
Net liabilities / equity	**2.38**	**2.33**	**2.39**	**2.30**

29. OPERATING SEGMENTS

The operating segments of the Company and its subsidiaries reflect their management and their organizational structure, used to monitoring its results. They are aligned with the regulatory framework of the Brazilian energy industry.

The Company operates in the segments of generation and transmission; its subsidiaries operate only in the generation segment, and trading.

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These tables show information by segment for the nine-month periods ended September 30, 2020 and September 30, 2019:

	Jan to Sep 2020			
	Generation	Transmission	Trading	Total
SEGMENTS ASSETS	**16,744,443**	**3,370,983**	**129,817**	**20,245,243**
INVESTMENTS IN AFFILIATES AND JOINTLY-CONTROLLED ENTITIES	**3,980,855**	**-**	**-**	**3,980,855**
ADDITIONS TO THE SEGMENT	**96,972**	**115,709**	**-**	**212,681**
NET REVENUE	**4,717,661**	**927,625**	**71,331**	**5,716,617**
ENERGY COSTS				
Charges for use of the national grid	(148,489)	-	-	(148,489)
Energy bought for resale	(2,853,191)	-	-	(2,853,191)
	(3,001,680)	**-**	**-**	**(3,001,680)**
OPERATING COSTS AND EXPENSES				
Personnel	(140,207)	(85,490)	(178)	(225,875)
Employee profit shares	(18,299)	(8,931)	-	(27,230)
Post-employment liabilities	(39,651)	(32,012)	-	(71,663)
Materials	(9,412)	(2,689)	-	(12,101)
Outsourced services	(80,520)	(29,674)	(156)	(110,350)
Depreciation and amortization	(151,351)	(3,698)	(9)	(155,058)
Provisions	(47,286)	(20,325)	-	(67,611)
Transmission infrastructure construction cost	-	(115,709)	-	(115,709)
Other operating costs and expenses, net	(53,401)	(9,124)	(17)	(62,542)
	(540,127)	**(307,652)**	**(360)**	**(848,139)**
TOTAL COSTS AND EXPENSES	**(3,541,807)**	**(307,652)**	**(360)**	**(3,849,819)**
Share of profit (loss) of associates and joint ventures, net	(36,079)	-	-	(36,079)
Operating profit before Finance income (expenses)	**1,139,775**	**619,973**	**70,971**	**1,830,719**
Finance income	1,706,684	176,977	2,862	1,886,523
Finance expenses	(2,892,485)	(312,868)	(24)	(3,205,377)
Profit before income tax and social contribution tax	**(46,026)**	**484,082**	**73,809**	**511,865**
Income tax and social contribution tax	2,829	(137,646)	(9,069)	(143,886)
NET INCOME FOR THE PERIOD	**(43,197)**	**346,436**	**64,740**	**367,979**

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	Jan to Sep 2019			
	Generation	Transmission	Trading	Total
SEGMENTS ASSETS (1)	**14,721,374**	**2,875,681**	**65,997**	**17,663,052**
INVESTMENTS IN AFFILIATES AND JOINTLY-CONTROLLED ENTITIES (1)	**4,041,565**	**-**	**-**	**4,041,565**
ADDITIONS TO THE SEGMENT	**89,769**	**150,158**	**-**	**239,927**
NET REVENUE	**5,347,418**	**520,203**	**96,076**	**5,963,697**
ENERGY COSTS				
Charges for use of the national grid	(142,377)	-	-	(142,377)
Energy bought for resale	(2,825,618)	-	-	(2,825,618)
	(2,967,995)	**-**	**-**	**(2,967,995)**
OPERATING COSTS AND EXPENSES				
Personnel	(157,718)	(88,190)	(183)	(246,091)
Employee profit shares	(22,484)	(15,656)	-	(38,140)
Post-employment liabilities	(37,011)	(28,303)	-	(65,314)
Materials	(11,295)	(3,763)	(6)	(15,064)
Outsourced services	(86,517)	(31,990)	(272)	(118,779)
Depreciation and amortization	(166,688)	(4,543)	-	(171,231)
Provisions	(920,251)	(114,596)	-	(1,034,847)
Transmission infrastructure construction cost	-	(150,158)	-	(150,158)
Other operating costs and expenses, net	318	(11,937)	(14)	(11,633)
	(1,401,646)	**(449,136)**	**(475)**	**(1,851,257)**
TOTAL COSTS AND EXPENSES	**(4,369,641)**	**(449,136)**	**(475)**	**(4,819,252)**
Share of profit (loss) of associates and joint ventures, net	(11,390)	-	-	(11,390)
Operating profit before Finance income (expenses)	**966,387**	**71,067**	**95,601**	**1,133,055**
Finance income	1,360,735	106,995	3,646	1,471,376
Finance expenses	(1,013,459)	(111,769)	(15)	(1,125,243)
Profit before income tax and social contribution tax	**1,313,663**	**66,293**	**99,232**	**1,479,188**
Income tax and social contribution tax	(642,883)	(32,163)	(12,381)	(687,427)
NET INCOME FOR THE PERIOD	**670,780**	**34,130**	**86,851**	**791,761**

(1) Balances at December 31, 2019.

The revenue of the Company and its subsidiaries for the nine-month periods ended September 30, 2020 and September 30, 2019 breaks down by segment as follows:

	Jan to Sep 2020			
	Generation	Transmission	Trading	Total
Total revenue from supply of energy – with taxes	**5,367,636**	**-**	**-**	**5,367,636**
Transmission revenue – with taxes	**-**	**711,082**	**-**	**711,082**
Revenue from updating of the concession grant fee	**228,293**	**-**	**-**	**228,293**
Construction revenue	**-**	**115,709**	**-**	**115,709**
Transactions in energy on the CCEE	**90,701**	**-**	**-**	**90,701**
Transmission indemnity revenue	**-**	**357,253**	**-**	**357,253**
Other operating revenues	**9,357**	**24,697**	**76,518**	**110,572**
Sector / regulatory charges – Deductions from revenue	**(978,326)**	**(281,116)**	**(5,187)**	**(1,264,629)**
Net operating revenue	**4,717,661**	**927,625**	**71,331**	**5,716,617**

	Jan to Sep 2019			
	Generation	Transmission	Trading	Total
Total revenue from supply of energy – with taxes	5,247,834	-	-	5,247,834
Transmission revenue – with taxes	-	520,238	-	520,238
Revenue from updating of the concession grant fee	244,069	-	-	244,069
Construction revenue	-	150,158	-	150,158
Transactions in energy on the CCEE	413,848	-	-	413,848
Transmission indemnity revenue	-	124,057	-	124,057
Contractual reimbursements	64,640	-	-	64,640
PIS/Pasep and Cofins credits	424,403	-	-	424,403
Other operating revenues	14,853	20,041	102,896	137,790
Sector / regulatory charges – Deductions from revenue	(1,062,229)	(294,291)	(6,820)	(1,363,340)
Net operating revenue	**5,347,418**	**520,203**	**96,076**	**5,963,697**

Details of operating revenue are in Note 24.

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30. SUBSEQUENT EVENTS

Merger of the wholly-owned subsidiary Cemig Comercializadora de Energia Incentivada S.A.

On October 1, 2020 an Extraordinary General Meeting of Shareholders approved the merger of Cemig Comercializadora de Energia Incentivada S.A., at book value, with consequent extinction of this investee from that date and the Company becoming its successor in all its assets, rights and obligations.

Since this is a merger of a wholly-owned subsidiary, there was no capital increase nor need for issue of new shares by the Company.

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CONSOLIDATED RESULTS

(Figures in R$ '000 unless otherwise indicated)

Net income for the period

From January to September, 2020, the Company reports a net income of R$367,979, which compares with its net income of R$791,761 in the same period in 2019.

From January to September 2020, we highlight the recognition of (i) the positive adjustments of Periodic Reset of Permitted Annual Revenue in the amount of R$283,694 (net of taxes), and (ii) the negative result arising from the debt in foreign currency (Eurobonds) and its corresponding hedge instrument, which was R$403,517 (net of taxes).

In the same period of 2019, we highlight the recognition of PIS/Pasep and Cofins taxes credits over ICMS, in the amount of R$424,403 (see note n. 8), and the negative result arising from the debt in foreign currency (Eurobonds) and its corresponding hedge instrument, which was R$438,790 (net of taxes), which was partially offset by the recognition of an impairment loss for receivables from Renova, in the amount of R$688,031 (see note n. 27).

The main variations in revenue, costs, expenses and net finance income (expenses) are noted below.

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

The Company's Ebitda, adjusted including the removal of non-recurrent items, reduced in 14.82% from January to September, 2020 compared to the same period in 2019. The adjusted Ebitda margin decreased from 30.63% in the period from January to September, 2019 to 27.22% in the same period of 2020.

The Ebitda, measured according to CVM Instruction 527, increased in 52.25% from January to September, 2020, compared to the same period in 2019. The Ebitda margin increased from 21.86% in the period from January to September, 2019 to 34.74% in the same period of 2020.

Ebitda - R$'000	Jan to Sep 2020	Jan to Sep 2019	Change, %
Net income for the period	367,979	791,761	(53.52)
+ Current and deferred income tax and social contribution tax	143,886	687,427	(79.07)
+/- Net financial revenue (expenses)	1,318,854	(346,133)	-
+ Depreciation and amortization	155,058	171,231	(9.45)
= Ebitda according to "CVM Instruction 527" (1)	**1,985,777**	**1,304,286**	**52.25**
Non-recurrent items			
- PIS/Pasep and Cofins over ICMS (note 8a)	-	(424,403)	-
+ Impairment loss – Receivables from Renova (note 27)	-	688,031	-
- RTP adjustments	(429,840)	-	-
+ Tax provisions – Social Security contributions on profit sharing payments	-	258,625	-
= Ebitda Adjusted (2)	**1,555,937**	**1,826,539**	**(14.82)**

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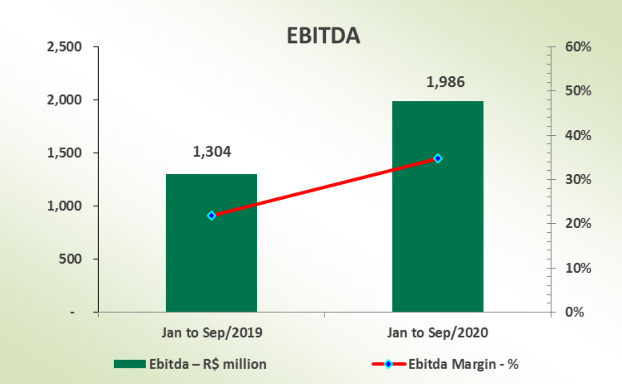

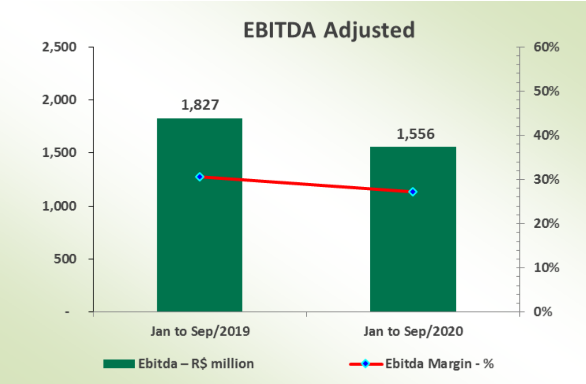

(1) Ebitda is a non-accounting measure prepared by the Company, reconciled with the consolidated Interim financial information in accordance with CVM Circular SNC/SEP 1/2007 and CVM Instruction 527 of October 4, 2012. It comprises Net income adjusted by the effects of net financial revenue (expenses), Depreciation and amortization, and Income and Social Contribution taxes. Ebitda is not a measure recognized by Brazilian GAAP nor by IFRS; it does not have a standard meaning; and it may be non-comparable with measures with similar titles provided by other companies. 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 Instruction 527 removing non-current items, which, because of their nature, do not contribute towards information on the potential of future cash generation, since they are extraordinary items.

The lower in adjusted Ebitda from January to September, 2020 than in the same period of 2019, mainly reflects the reduction of 78.08% in transactions in energy on the CCEE, R$90,701 from January to September, 2020 compared to R$413,848 in the same period of 2019.

The higher in Edtida, measured according to CVM Instruction 527, from January to September, 2020, than in the same period of 2019, is mainly due to the recognition of the positive adjustments of Periodic Reset of Permitted Annual Revenue in the amount of R$429,840, in addition to a reduction of 20.12% in operating costs and expenses, partially offset by a reduction of 4.14% in the Company's revenues.

More details on the specific items of this Comment.

Revenue from supply of energy

	January to September, 2020			January to September, 2019		
	MWh[2]	R$ (mn)	Average price/MWh billed – R$/MWh[1]	MWh[2]	R$ (mn)	Average price/MWh billed – R$/MWh
Industrial	8,268,207	2,112,414	255.49	9,638,560	2,338,288	230.85
Commercial	3,137,093	688,236	219.39	2,981,502	653,568	207.57
Rural	12,362	3,365	272.21	1,834	504	259.79
Subtotal	**11,417,662**	**2,804,015**	**245.59**	**12,621,896**	**2,992,360**	**225.33**
Net unbilled retail supply	-	(4,491)	-	-	35,556	-
	11,417,662	**2,799,524**	**247.38**	**12,621,896**	**3,027,916**	**245.53**
Wholesale supply to other concession holders	9,873,587	2,462,941	249.45	8,799,289	2,267,271	264.38
Wholesale supply unbilled, net	-	105,171	-	-	(47,353)	-
	21,291,249	**5,367,636**	-	**21,421,185**	**5,247,834**	-

(1) The calculation of the average price does not include revenue from supply not yet billed.
(2) Data not audited by external auditors.

The Company reports a revenue from supply of energy of R$5,367,636 from January to September, 2020, compared to R$5,247,934 in the same period of 2019 – or 2.28% higher.

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Transmission concession revenue

The Company's revenue from transmission comprises the sum of the revenues from all the transmission assets. The concession contracts establish the Permitted Annual Revenue (Receita Anual Permitida, or RAP) for the assets of the existing system, being updated in three ways: by the Periodic Review, the Annual Adjustment, and the possibility of an Extraordinary Review. The Company works with the regulatory body seeking recognition of its costs, in the processes of review, adjustment and ratification of the Annual Permitted Revenues (RAPs) for new assets.

This revenue was R$711,082 from January to September, 2020, compared to R$520,238 in the same period of 2019 – or 36.68% higher. The higher figure arises, mainly, from the periodic reset of RAP, ratified by Aneel in June 30, 2020, resulting in an adjustment of R$198,714. More details in Note 12.

Additionally, these revenues were impacted by the increase in annual RAP, in July 2020, and includes the effects of inflation and also new revenues resulting from investments authorized. They also include an adjustment to expectation of cash flow from financial assets, arising from change in the fair value of the Regulatory Remuneration Base of Assets (BRR).

Transmission reimbursement revenue

As specified in the sector regulations, the Company reports in each period the amount of the inflation/monetary adjustment applicable to the amount of indemnity receivable, based on the IPCA inflation index, which has a two-month delay, and the average regulatory cost of capital (WACC).

The revenue from reimbursements of transmission assets from January to September, 2020 was R$357,253 – or 187.97% higher than in the same period of 2019 (R$124,057). This higher figure mainly reflects the upward adjustment of the indemnity base, as a result of the Periodic Reset of RAP, which was remeasured in accordance with the applicable regulatory rules, resulting in an increase of R$231,126 in the Company's income at June 30, 2020.

Additionally, these revenues were impacted by the IPCA inflation index in both periods, and by the higher average cost of capital as from the Periodic Reset of RAP. At the beginning of the tariff cycle, which occurs in July of each year, the amounts received, plus the adjustment made for the cycle, corresponding to the amortization of the debtor balance up to the end of the period, are excluded from the remuneration base, reducing the amounts of the monetary updating and the remuneration on the remaining balance.

More details in Notes 11 and 12.

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Revenue from transactions in the Power Trading Chamber (CCEE)

Revenue from energy sales on the CCEE (Power Energy Trading Chamber) from January to September, 2020 was R$90,701, or 78.08% lower than in the same period in 2019 (R$413,848). This reduction is principally due to the deficit position on the CCEE assumed by the Company in some months in the first half of 2020, due to: (i) lower allocation of its own generation; (ii) lower GSFs; and (iii) higher sales through spot-market bilateral contracts.

Additionally, there was a reduction of 44.14% in the average spot price (PLD), which was R$118.35/MWh from January to September, 2020, compared to R$211.86/MWh in the same period of 2019.

Construction revenue

Construction revenues totaled R$115,709 from January to September, 2020, compared with R$150,158 in the same period of 2019, a reduction of 22.94%. This revenue is fully offset by Construction costs, of the same amount, and corresponds to the Company's investments in assets of the concession.

PIS/Pasep and Cofins taxes credits over ICMS

In the second quarter of 2019, were recognized PIS/Pasep and Cofins taxes credits over ICMS, totaling R$424,403, resulted from the success in the Company's legal action questioning the inclusion of ICMS tax in these amounts, and is backdated to July 2003. More details in Note 8a.

Taxes and regulatory charges reported as deductions from revenue

Taxes and charges applied to operating revenue from January to September, 2020 were R$1,264,629, or 7.24% lower than in the same period of 2019 (R$1,363,340).

The Energy Development Account – CDE

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

The charges for the CDE from January to September, 2020 were R$170,298 compared to R$176,846 in the same period of 2019, a reduction of 3.70%.

The other significant deductions from revenue are taxes, calculated as a percentage of sales revenue. Hence, their variations are substantially proportional to the changes in revenue.

Operating costs and expenses

Operating costs and expenses from January to September, 2020 totaled R$3,849,819, 20.12% lower than in the same period of 2019 (R$4,819,252).

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The following paragraphs outline the main variations in operating costs and expenses:

Energy *purchased* for resale

The expense on energy bought for resale from January to September, 2020 was R$2,853,191, compared to R$2,825,618 in the same period of 2019, representing an increase of 0.98%.

This difference is mainly due to a higher expense on purchase of energy in the spot market: R$245,945 from January to September, 2020, compared to R$91,657 in the same period of 2019. This variation is principally due to the deficit position on the CCEE assumed by the Company in some months from January to June 2020, due to: (i) lower allocation of its own generation; (ii) lower GSFs; and (iii) higher sales through spot-market bilateral contracts.

Personnel expenses

The expense on personnel from January to September, 2020 was R$225,875, 8.21% lower than in the same period of 2019 (R$246,091), arising mainly from the following factors:

- the average number of employees was 5.43% lower from January to September, 2020, at 1,288, compared to 1,362 in the same period of 2019; and
- salary increase of 2.55% under the Collective Work Agreement, as from November 2019, compared to a salary increase of 4.00% as from November 2018, also under the Collective Work Agreement.

Post-employment obligations

The impact of the Company's post-employment obligation on operating profit was an expense of R$71,663 from January to September, 2020 – which compares with an expense of R$65,314 in the same period of 2019, an increase of 9.72%. This is mainly the result of reduction in the discount rate used in the actuarial calculation – which increased the amount of the actuarial liabilities, and consequently the scale of the expense reported.

Construction cost

Construction cost was R$115,709 from January to September, 2020 – compared to R$150,158 in the same period of 2019, a reduction of 22.94%. This cost is offset in full by the accounting item Construction revenue, thus having no effect on net income. The difference mainly arises from the suspension of three implementation contracts, halting their financial realization – they will be re-tendered – and also the reductions resulting from the Covid-19 pandemic.

Operating provisions

Net operating provisions from January to September, 2020 was R$67,611, compared to R$1,034,847 in the same period of 2019, representing a reduction of 93.47%, arising mainly from the following factors:

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- the main effects arises from recognition, in June 2019, of a provision for loss on amounts receivable from Renova, in the amount of R$688,031, as a result of an assessment made by the Company of the credit risk of that investee. More details in Note 13;
- recognition, in the third half of 2019, of a tax contingency provision of R$258,625 resulting from reassessment of the chances of loss from 'possible' to 'probable' in the legal action related to social security contributions on payments of profit sharing (PRL) to employees in the years 1999 to 2016. More details in Note 22; and
- less provision for estimated losses for doubtful receivables from January to September, of R$12,167, compared to R$31,315 in the same period of 2019 – mainly due to clients' acceptance of the negotiation rules approved by the Company for dealing with the impacts of the Covid-19 pandemic.

More details on the components of Operating costs and expenses in Note 25.

Share of (loss) profit of associates and joint ventures, net

A net loss of R$36,079 in the value of non-consolidated investees was posted by the equity method from January to September, 2020, which compares with a net loss of R$11,390 in the same period of 2019, arising mainly from the following factors:

- Recognition of losses in the investees Amazônia Energia and Aliança Norte (shareholders of Norte Energia S.A. – 'NESA'), which reported a negative equity method of R$63,944 from January to September, 2020, compared to a positive equity method of R$31,389 in the same period of 2019.
- Higher gains in the investee Aliança Geração, which reported a positive equity method of R$68,076 from January to September, 2020, 9.95% higher than the same period in 2019 (R$61,915).
- Lower losses in the investee Santo Antônio Energia, which reported a negative equity method of R$86,520 from January to September, 2020, 30.26% higher than the same period in 2019 (R$124,063).

Note 13 gives the breakdown of equity method gains/losses, by investee.

Finance income (expenses)

The Company reports net financial expenses of R$1,318,854 from January to September, 2020, compared to net financial revenue of R$346,133 in the same period of 2019, due to the main factors:

- Net negative effect of R$611,389 from January to September 2020 in the Eurobonds transaction and its corresponding hedge instrument – compared to a net gain of R$664,834 in the same period of 2019. From January to September 2020 the variation in the fair value of the hedge instrument resulted in a gain 64% higher than the same period of 2019 (R$1,803,611 and R$1,099,230, respectively). The higher figure was the result of the dollar future curve moving upward, resulting in both the call spread and the asset becoming more valuable; and also due to the curve for the future DI interest rate (the

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liability side of the transaction) moving downward, and contributing to an increase in fair value. However, this positive effect was not enough to offset the negative variation of the principal of debt in foreign currency, mainly reflecting the increase in the US dollar exchange rate in the first half of 2020, which caused an accumulated FX effect of 39.94%, compared to 7.47% in the same period of 2019. The negative effect on the principal of the debt in foreign currency (Eurobonds) was R$2,415,000 in 2020, and R$434,396 in 2019.

- Additionally, the net financial result was impacted by the recognition of financial updating of PIS/Pasep and Cofins taxes credits in the first half of 2019, in the amount of R$247,967.

For a breakdown of financial income/expenses see Note 26.

Income tax and social contribution tax

From January to September, 2020 the expense on income tax and social contribution tax was R$143,886, on pre-tax loss of R$511,865 – an effective rate of 28.11%. In the same period of 2019, the expense on income tax and social contribution tax was R$687,427, or 46.47% of the pre-tax profit of R$1,479,188.

These effective rates are reconciled with the nominal rates in Note 9d.

Net income (loss) for the third quarter 2020

The Company reports a net income of R$3,005 for the third quarter of 2020, which compares with its net loss of R$133,952 in the same period of 2019.

In the third half of 2020, we highlight the net financial result was impacted by the negative result arising from the debt in foreign currency (Eurobonds) and its corresponding hedge instrument, which was R$244,399, compared to a expense of R$12,464 in the same period of 2019. More details in Notes 26 and 28.

In the third quarter of 2019, we highlight the recognition of a tax contingency provision of R$258,625 resulting from reassessment of the chances of loss from ‘possible’ to ‘probable’ in the legal action related to social security contributions on payments of profit sharing (PRL) to employees in the years 1999 to 2016 (see note n. 22).

The main variations in revenue, costs, expenses and net finance income (expenses) are noted below.

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

The Company’s Ebitda, adjusted including the removal of non-recurrent items, increased in 61.19% in the third quarter of 2020 compared to the same period in 2019. The adjusted Ebitda margin increased from 18.91% in the third quarter of 2019, to 27.97% in the same period of 2020.

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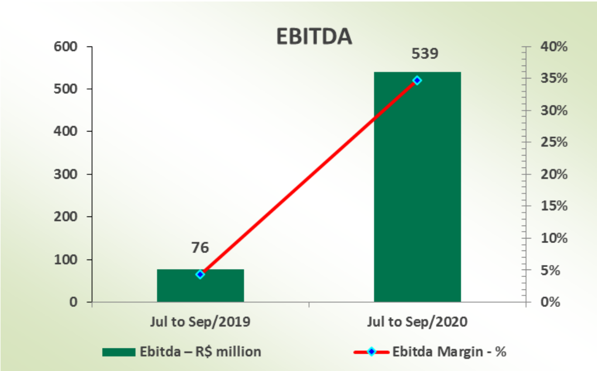
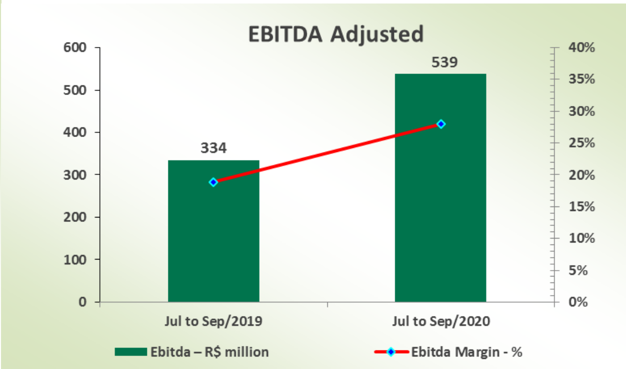
The Ebitda, measured according to CVM Instruction 527, increased 612.79% in the third quarter of 2020, compared to the same period in 2019. The Ebitda margin increased from 4.28% in the third quarter of 2019 to 27.97% in the same period of 2020.

Ebitda - R$'000	Jul to Sep 2020	Jul to Sep 2019	Change, %
Net income for the period	3,005	(133,952)	-
+ Current and deferred income tax and social contribution tax	(10,665)	(60,481)	(82.37)
+/- Net financial revenue (expenses)	495,479	212,713	132.93
+ Depreciation and amortization	50,883	57,296	(11.19)
= Ebitda according to "CVM Instruction 527" (1)	**538,702**	**75,576**	**612.80**
Non-recurrent items			
+ Tax provisions – Social Security contributions on profit sharing payments	-	258,625	-
= Ebitda Adjusted (2)	**538,702**	**334,201**	**61.19**





(1) Ebitda is a non-accounting measure prepared by the Company, reconciled with the consolidated Interim financial information in accordance with CVM Circular SNC/SEP 1/2007 and CVM Instruction 527 of October 4, 2012. It comprises Net income adjusted by the effects of net financial revenue (expenses), Depreciation and amortization, and Income and Social Contribution taxes. Ebitda is not a measure recognized by Brazilian GAAP nor by IFRS; it does not have a standard meaning; and it may be non-comparable with measures with similar titles provided by other companies. 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 Instruction 527 removing non-current items, which, because of their nature, do not contribute towards information on the potential of future cash generation, since they are extraordinary items.

The higher adjusted Ebitda in the third quarter of 2020, than in the same period of 2019 mainly reflects the increase of 9.10% in the Company's net revenue, associated with a reduction of 18.65% in operating costs and expenses.

The higher in Edtida, measured according to CVM Instruction 527, in the third quarter of 2020, than in the same period of 2019, is mainly due to the recognition, in the third quarter of 2019, of provisions for tax contingencies corresponding to legal actions disputing social security contributions on the payments of profit-sharing to its employees, in the amount of R$258,625. More details in Note 22.

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Revenue from supply of energy

	July to September, 2020			July to September, 2019		
	MWh[2]	R$ (mn)	Average price/MWh billed – R$/MWh[1]	MWh[2]	R$ (mn)	Average price/MWh billed – R$/MWh
Industrial	2,820,599	744,975	264.12	3,399,353	844,666	248.48
Commercial	977,301	209,959	214.84	1,089,600	228,403	209.62
Rural	4,609	1,239	268.82	862	243	281.90
Subtotal	**3,802,509**	**956,173**	**251.46**	**4,489,815**	**1,073,312**	**239.05**
Net unbilled retail supply	-	44,653	-	-	5,282	-
	3,802,509	**1,000,826**	**256.67**	**4,489,815**	**1,078,594**	**242.35**
Wholesale supply to other concession holders	3,183,397	836,887	262.89	3,132,171	773,913	247.09
Wholesale supply unbilled, net	-	89,540	-	-	(28,383)	-
	6,985,906	**1,927,253**	**-**	**7,621,986**	**1,824,124**	**-**

(1) The calculation of the average price does not include revenue from supply not yet billed.
(2) Data not audited by external auditors

The Company reports a revenue from supply of energy of R$1,927,253 in 3Q20, compared to R$1,824,124 in 3Q19 – or 5.65% higher. This variaton is mainly due to the 5.91% increase in the average price.

Transmission concession revenue

Company's transmission revenue comprises the sum of the revenues of all the transmission assets. The concession contracts establish the Permitted Annual Revenue (Receita Anual Permitida, or RAP) for the assets of the existing system, updated annually based on the variation in the IPCA inflation index. Whenever there is an upgrade or adaptation to an existing asset, made under specific authorization from Aneel, an addition is made to the RAP

This revenue was R$186,433 in 3Q20, compared to R$184,178 in 3Q19 – or 1.22% higher. The higher figure arises, mainly, from the increase in annual RAP, in July 2020, of 3.69% – this includes the effects of inflation and also new revenues resulting from investments authorized. They also include an adjustment to expectation of cash flow from financial assets, arising from change in the fair value of the Regulatory Remuneration Base of Assets. More details in Note 12.

Transmission reimbursement revenue

As specified in the sector regulations, the Company reports in each period the amount of the inflation/monetary adjustment applicable to the amount of indemnity receivable, based on the IPCA inflation index, which has a two-month delay, and the average regulatory cost of capital.

The revenue from reimbursements of transmission assets in 3Q20 was R$41,035 – or 21.99% higher than in 3Q19 (R$33,638). These revenues were mainly affected by the increase of remuneration at average cost of capital, which, increased from 6.64% in 3Q19 to 7.71% in 3Q20, and, as from June 30, 2020, began to be calculated on the re-measured Regulatory Remuneration Base (BRR), as a result of the periodic review of RAP.

At the beginning of the tariff cycle, which occurs in July of each year, the amounts received, plus the adjustment made for the cycle, corresponding to the amortization of the debtor balance up

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to the end of the period, are excluded from the remuneration base, reducing the amounts of the monetary updating and the remuneration on the remaining balance.

More details in Notes 11 and 12.

Revenue from transactions in the Power Trading Chamber (CCEE)

Revenue from energy sales on the CCEE (Power Energy Trading Chamber) in 3Q20 was R$59,103, compared to R$9,811 in 3Q19. This variation is principally due to: (i) higher allocation of its own generation in 3Q20 than in the same period of 2019; and (ii) higher GSFs. Also, due to the lower consumption caused by the Covid-19 pandemic, contrasting with the position assumed in 3Q19.

Construction revenue

Construction revenues totaled R$41,665 in 3Q20, compared with R$67,169 in 3Q19, a reduction of 37.97%. This revenue is fully offset by Construction costs, of the same amount, and corresponds to the Company's investments in assets of the concession.

Taxes and regulatory charges reported as deductions from revenue

Taxes and charges applied to operating revenue in 3Q20 were R$450,754, or 3.43% lower than in 3Q19 (R$466,755).

<u>The Energy Development Account – CDE</u>

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

The charges for the CDE in 3Q20 were R$56,711 compared to R$60,545 in 3Q19, a reduction of 6.33%.

The other significant deductions from revenue are taxes, calculated as a percentage of sales revenue. Hence, their variations are substantially proportional to the changes in revenue.

Operating costs and expenses

Operating costs and expenses in 3Q20 totaled R$1,405,420, 18.65% lower than in 3Q19 (R$1,727,701).

The following paragraphs outline the main variations in operating costs and expenses:

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Energy *purchased* for resale

The expense on energy bought for resale in 3Q20 was R$1,068,046, compared to R$1,126,457 in 3Q19, representing a reduction of 5.19%, mainly due to a lower expense on purchase of energy in the sport market (54.13%), of R$29,965 in 3Q20, compared to R$65,333 in the same period of 2019. The lower figure is mainly due to the average spot price (PLD) being 61.83% lower, at R$91.67/MWh in 3Q20 compared to R$214.12/MWh in 3Q19.

Personnel expenses

The expense on personnel in 3Q20 was R$70,344, 9.60% lower than in 3Q19 (R$77,817), arising mainly from the following factors:

- the average number of employees was 5.75% lower in 3Q20, at 1,262, compared to 1,339 in 3Q19; and
- salary increase of 2.55% under the Collective Work Agreement, as from November 2019, compared to a salary increase of 4.00% as from November 2018, also under the Collective Work Agreement.

Post-employment obligations

The impact of the Company's post-employment obligation on operating profit was an expense of R$23,684 in 3Q20 – which compares with an expense of R$22,683 in 3Q19, an increase of 4.41%. This is mainly the result of reduction in the discount rate used in the actuarial calculation – which increased the amount of the actuarial liabilities, and consequently the scale of the expense reported.

Construction cost

Construction cost was R$41,665 in 3Q20 – compared to R$67,169 in 3Q19, and reduction of 37.97%. This cost is offset in full by the accounting item Construction revenue, thus having no effect on net income. The difference mainly arises from the suspension of three implementation contracts, halting their financial realization – they will be re-tendered – and also the reductions resulting from the Covid-19 pandemic.

Operating provisions

Net operating provisions in 3Q20 total R$12,339, compared to R$288,592 in 3Q19, representing a reduction of 95.72%, arising mainly from the following factors:

- recognition, in the third half of 2019, of a tax contingency provision of R$258,625 resulting from reassessment of the chances of loss from 'possible' to 'probable' in the legal action related to social security contributions on payments of profit sharing (PRL) to employees in the years 1999 to 2016. More details in Note 22;

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- reversal of estimated losses for doubtful receivables in 3Q20 of R$4,130, compared to a constitution of R$12,238 in the same period of 2019. The difference mainly due to clients' acceptance of the negotiation rules approved by the Company for dealing with the impacts of the Covid-19 pandemic, which reduced default in the third quarter, and consequently a reversal of the balance provisioned in the second quarter.

More details on the components of Operating costs and expenses in Note 25.

Share of (loss) profit of associates and joint ventures, net

A net loss of R$33,684 in the value of non-consolidated investees was posted by the equity method in 3Q20, which compares with a net loss of R$20,143 in 3Q19. The main factors are:

- recognition of losses in the investees Amazônia Energia and Aliança Norte (shareholders of Norte Energia S.A. – 'NESA'), which reported a negative equity method of R$23,658 in 3Q20, compared to a positive equity method of R$38,774 in the same period of 2019;
- higher gains in the investee Aliança Geração, which reported a positive equity method of R$15,560 in 3Q20, compared to a positive equity method of R$1,011 in the same period of 2019; and
- lower losses in the investee Santo Antônio Energia, which reported a negative equity method of R$41,364 in 3Q20, 22.22% lower than the same period in 2019 (R$53,181).

Note 13 gives the breakdown of equity method gains/losses, by investee.

Finance income (expenses)

The reports net financial expenses in 3Q20 of R$495,479, compared to net financial expense of R$212,713 in the same period in 2019, an reduction of 132.93%. The main factors are:

- lower variation in the fair value of the hedge instrument in 3Q20, totaling R$2,651, compared to a negative FX effect on the principal of the debt in foreign currency (Eurobonds), of R$247,050 – generating a net negative variation of R$244,399;
- in 3Q19, there were positive variations in (a) the fair value of the hedge instrument – of R$485,836, and (b) the expense from FX variation of the debt in foreign currency, of R$498,300, generating a net negative variation of R$12,464; and
- the gain generated by the hedge instrument in 3Q20 declined due to the future dollar price having risen above R$5.00, the limit of the coverage margin of the call spread.

For a breakdown of financial income/expenses see Note 26.

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Income tax and social contribution tax

In 3Q20 the credits on income tax and social contribution tax was R$10,665, on pre-tax loss of R$7,660 – an effective rate of 139.23%. In the same period of 2019, the revenue on income tax and social contribution tax was R$60,481, or 31.11% of the pre-tax loss of R$194,433.

These effective rates are reconciled with the nominal rates in Note 9d.

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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

Paulo Mota Henriques
Chief Generation and Transmission Officer

Daniel Faria Costa
Chief Officer for Management of Holdings

Ronaldo Gomes de Abreu
Interim Director without portfolio

Luciano de Araújo Ferraz
Chief Regulation and Legal

Mário Lúcio Braga
Controller
CRC-MG-47,822

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

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

Independent auditor's review report on quarterly information - ITR

To the shareholders and Management of:
Cemig Geração e Transmissão S.A.
Belo Horizonte - MG

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

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

Scope of review

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

Conclusion on the individual and consolidated interim financial information

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

Emphasis of matters

Risks related to compliance with laws and regulations

As mentioned in Note 13 to the individual and consolidated interim financial information, currently investigations and other legal measures are being conducted by public authorities in connection with the Company, its parent company and certain investees regarding certain expenditures and their allocations, which involve and also include other shareholders of these investees and certain executives of the Company, of its parent company and of these other shareholders. The governance bodies of the parent company have authorized engaging a specialized company to analyze the internal procedures related to these certain investments and to ascertain such claims. The internal and independent investigation was completed, and the corresponding report was delivered on May 8, 2020, with the conclusion that no evidence has been identified to support the preliminarily investigated allegations. Thus far, it is not possible to predict developments arising from investigations conducted by public authorities, or their possible impact on the interim financial information of the Company and its subsidiaries. Our conclusion is not modified in respect of this matter.

Risk regarding the ability of jointly-controlled entity Renova Energia S.A. to continue as a going concern

As disclosed in Note 13 to the individual and consolidated interim financial information, on November 03, 2020, the jointly-controlled entity Renova Energia S.A. and some of its subsidiaries filed its court-supervised reorganization plans. The reorganization plan of the jointly-controlled entity and some of its subsidiaries is still in progress on the second State of São Paulo Bankruptcy and Court-Supervised Reorganization Court and the jointly-controlled entity shall submit the court-supervised reorganization plans to the General Meeting of Creditors approval in accordance with the terms and conditions established by the referred Law. The jointly-controlled entity up to the present date has not measured the possible effects of the court-supervised reorganization plans on its accounting balances. In addition, the jointly-controlled entity has incurred recurring losses and, as at September 30, 2020, has negative net working capital, equity deficit and negative gross margin. These events or conditions indicate the existence of relevant uncertainty that may raise significant doubt about the ability of this jointly-controlled entity to continue as a going concern. Our conclusion is not modified in respect of this matter.

Other matters

Statements of value added

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

Belo Horizonte (MG), November 13, 2020.

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

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

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