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REPORT OF MANAGEMENT FOR 2020

Dear Shareholders,

Cemig Geração e Transmissão ('Cemig GT' or 'the Company') submits for your consideration the Report of Management, the Financial Statements, the Opinion of the Audit Board, the report of the Audit Committee and the Report of the Company's external auditors on the business year ended December 31, 2020, together with the statements of the executive officers who have reviewed the financial statements and the related report of the external auditors.

MESSAGE FROM MANAGEMENT

2020 will certainly go down in history for its singularity – the whole of society had to deal with the effects of a worldwide pandemic, with significant upheavals in people's lives and behavior, and powerful impacts on the economic and social environment.

In March 2020 we set up our *Coronavirus Crisis Management Committee*, to ensure that decisions were taken fast, due to the rapid advance of the pandemic and its widespread, complex, systemic effects. We took various measures to protect our cash position, such as postponing investments, expenses, and payment of dividends, as well as renegotiating credits receivable from clients.

One of our great priorities was to ensure the safety and health of our employees: we put numerous measures in place, including adoption of home office working for a significant part of the workforce, and safety protocols in accordance with the health authorities' proposals for our field teams. Unfortunately, some of our employees became victims of the pandemic. These are irreparable losses, a reason for extreme sadness and our solidarity with the families involved. We continue firmly to believe that respect for life is a non-negotiable asset for Cemig GT.

And in this challenging environment, we again proved the resilience and sustainability of Cemig GT's operations, also, in the financial dimension.

Even considering the retraction of economic activity, with the partial or total shutdown of retailers and industry for a large part of the year, we closed 2020 with net income of R$1,056 million, and Ebitda of R$2,586 million – or 70.02% higher than in 2019.

In their assessments, the rating agencies recognized these results and improvements with increases in their ratings during the year. Even with the effects and uncertainties of the pandemic, Fitch and Moody's both increased our overall credit ratings in the year, and in 2021 Standard&Poor's also increased our ratings: from B to BB– on the global scale, and from A+ to AA+ plus on the Brazilian scale – a significant increase of three 'notches'.

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

In the transmission business, we were successful in the tariff review process, with acceptance of our investments, and recognition of Cemig GT as one of the most efficient companies in the sector, in terms of operational costs compared to those of other transmission companies.

Due to the retraction in industrial and commercial activity, we suffered a higher impact from the pandemic in our energy trading business, with the need to offer flexibility in our contracts with our large clients – affecting the profitability of this business. These impacts, though, were temporary, and in the fourth quarter of 2020 we saw consumption returning to the levels expected in our planning.

We are recognized as a sustainable company, which concerns itself with the impact of its actions on the environment and on society – and we are also the company that most invests in culture in the State. We were once again included in the São Paulo *Stock Exchange Corporate Sustainability Index,* and in the *Dow Jones Sustainability Index*, in which we have been included since its creation in 1999. We are signatories of the UN Global Compact; and we have leading positions in several international and Brazilian sustainability ratings – representing recognition of the value of our shares from the point of view of sustainability.

Even living with the effects of the pandemic, we believe that in 2021 Brazil will already be presenting signs of economic recovery, which we confidently expect to have positive effects on our profitability.

Our Board of Directors and Executive Board, our body of managers, and our qualified workforce are committed and motivated to ensure the progress and sustainability of our operations, and with them, adequate return to stockholders, and delivery of the expectations of other stakeholders.

This results in our being optimistic in relation to Cemig GT's future.

In preparation for this future, we concluded the review of our strategic planning at the beginning of 2021, centering on the objective of "Focus to Achieve", giving priority to the regulated businesses of generation and transmission where we have stockholding control, seeking security and the highest levels of efficiency, through a modern and sustainable management.

Additionally, in 2020 we began development of a new project for our organizational culture. In this project we will strengthen and re-emphasize our corporate values and expected patterns of behavior, in a way that is convergent with our ethical principles, in a more harmonic and productive environment.

We take this opportunity to express our thanks to our employees, stockholders and other stakeholders for their joint and continuing efforts to maintain the recognition of Cemig GT as an outstanding major company in the Brazilian electric power sector.

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CEMIG GERAÇÃO E TRANSMISSÃO

Since Cemig GT was created it has always shown its vocation for energy generation through hydroelectric plants. Building very large projects, and overcoming immense challenges, it became a landmark in the history of major power plants by reason of its engineering and the scale of the power plants that it built. Minas Gerais played its part in this vocation, with its vast natural hydroelectric potential, and also its wind potential – which Cemig has mapped in its now published *Wind Atlas of Minas Gerais*.

The Company has too interests in 82 power plants – of these 75 are hydroelectric, 6 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 audited by external auditors).

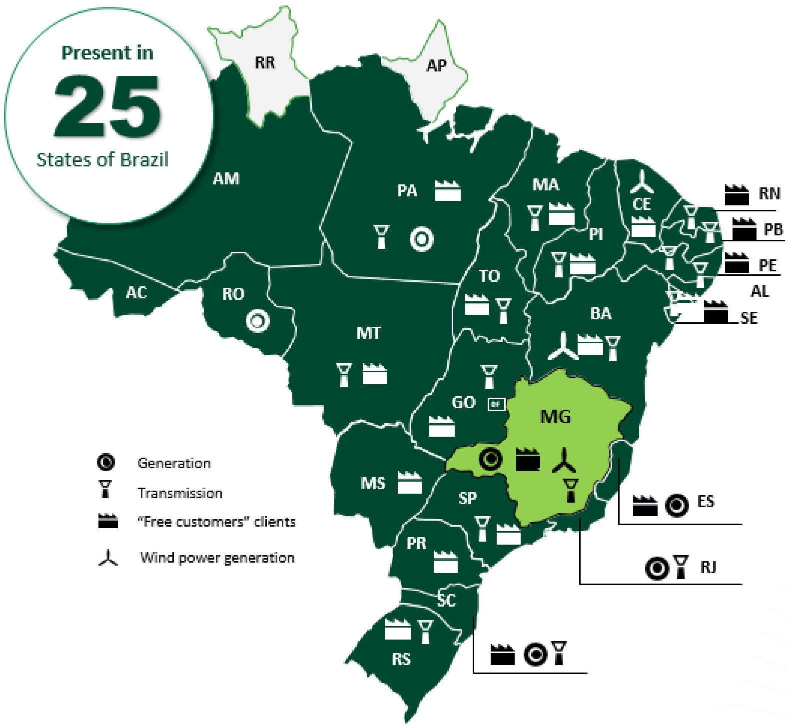
Transmission

The Company operated and maintained 39 substations and 4,930 km of transmission lines, operating at 230kV, 345kV and 500kV, as part of Brazil's National Grid system.

The Company has transmission assets of 13 other companies, with whom it has operation and maintenance contracts, in 17 substations (of which three are not substations of the Company), and serving 365 km of transmission lines.

Area of operation

As the map below shows, the Company operates in various regions of Brazil, with the greatest concentration in the Southeast.



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Our mission, vision and values

Mission

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

Vision *(of the Parent company, Cemig, shared by Cemig GT in the applicable businesses):*

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

Values

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

Ethical Principles and Code of Professional Conduct

To provide a background of discipline for professional behavior, actions and decisions, the Company has, since 2004, adopted its Statement of Ethical Principles and Code of Professional Conduct, which is available at http://www.cemig.com.br. This brings together nine principles setting out the ethical conduct and values that are incorporated into our culture.

REGULATORY ENVIRONMENT

Energy generation

2020 was one more year of low hydrology in the Brazil's national grid. Average Affluent Natural Energy (ANE) in the year was 76% of the historic average, compared to 74% in 2019. In spite of the hydrology lows, the effects of the quarantine measures for the pandemic reduced energy consumption in the National Grid, and resulted in a recovery in reservoir levels, which reached 60% at the end of the rainy period and during the dry period, there was rapid depletion, leading the reservoirs of the grid's to levels near historic lows.

The average Spot Price (PLD) in the Southeast in 2020 was R$176.98/MWh, compared to R$227.10/MWh in 2019, a reduction of 22.07%. In spite of the weaker hydrology, the reduction of energy consumption during the pandemic led prices in the first half of 2020 close to their minimum, contributing to variation of the spot price in the period. The Generation Scaling Factor (GSF) was lower than in 2019, averaging 0.83 in 2020, compared to 0.91 in 2019.

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Energy transmission

Because it acts in a regulated market, the Company's revenue from the transmission assets is set by Aneel. The amount of this revenue is 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.

The annual adjustment of transmission revenue takes place on July 1 of each year, except when there is a Periodic Tariff Review. This process aims to (i) adjust the approved RAP by the adjustment index specified in each concession contract; (ii) add a component of new RAP for improvements that have started commercial operation in the tariff cycle in question (July of the previous year to June of the year of the adjustment); and (iii) calculate the Adjustment Amount. The regulatory model adopts the revenue cap method, setting a ceiling for revenue for transmission in each period.

The review of this amount for Cemig GT (Concession Contract 006/1997) for the 2018–23 cycle was approved by Aneel in July 2020, simultaneously with adjustment of the RAP for 2020-21 – the results were published in Confirming Resolution (*Resolução Homologatória*) 2,725/2020). Aneel approved RAP of R$785 million for the Company for 2020–21, an increase of 15.7% from 2019–20.

A highlight in the adjustment was the component for recognition of new works put into operation in 2019–20 – the increased RAP from these new components added R$43 million to the RAP at June 2020.

The prior delay in the Review of the RAP for the 2018–23 cycle generated an adjustment component of R$165 million, referring to the positive effects of the revision of revenue for the cycles of 2018–19 and 2019–20. This amount will be paid in three installments of R$55 million (at June 2020 prices), in the three cycles 2020-21, 2021-22 and 2022-23, with adjustment by the IPCA inflation index.

In this structure, the adjustment component for Cemig GT 006/1997 in the 2020-21 cycle was R$44 million, comprising R$55 million for the review delay adjustment, and R$11 million negative as a result of other adjustments.

For Cemig GT's concession contract for Itajubá (Contract 079/2000), the RAP was adjusted upward by 6.5%, reflecting IGPM inflation in the period, adding RAP of R$28 million at July 2020.

The revenue approved for Cemig GT under the two concession contracts (006/1997 and 079/2000) totals R$858 million, comprising R$813 million in RAP and R$45 million comprising the adjustment portion.

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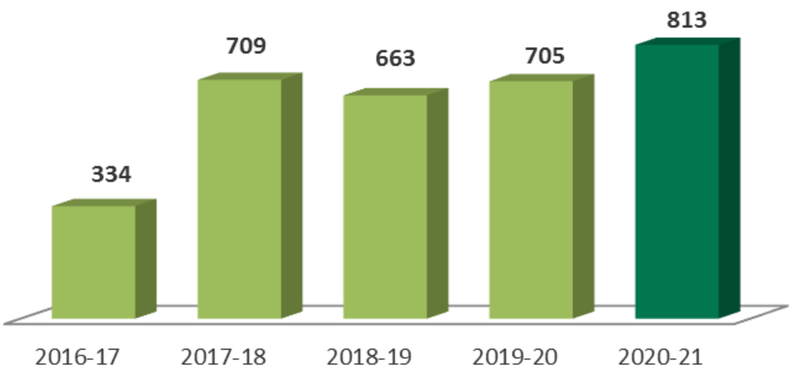
Transmission revenue (RAP) R$ mn



Renegotiation of hydrological risk – the Generation Scaling Factor (GSF)

On September 9, 2020, the Law 14,052 was issued, changing the Law 13,203/2015 and establishing new conditions for renegotiation of hydrological risk in relation to the portion of costs incurred due to the GSF, borne by the holders of hydroelectric plants participating in the Energy Reallocation Mechanism (MRE) since 2012, when there was a serious crisis in water sources.

The compensation to the holders of hydroelectric occurs through the extension of the concession period for generation grants and will be recognized as an intangible asset in exchange for a compensation of electricity costs.

This renegotiation represents important progress for the electricity sector, reducing levels of litigation – and also for Cemig, in that it enables extension of the periods of its generation concessions.

The periods of extension, published by the Power Trading Chamber - CCEE, which are still awaiting ratification by Aneel, indicate an extension of approximately 2 years for two of our principal power plants, *Emborcação* and *Nova Ponte*, and also extensions of seven years for the plants of Lot D – as well as extensions for the other plants where we hold an equity interest directly or through investees.

FINANCIAL RESULTS

The Covid-19 pandemic

The World Health Organization declared Covid-19 to be a pandemic on March 11, 2020. This led Brazil's government authorities to adopt physical distancing as a means of containing spread of the virus, with negative impacts on a vast range of organizations, affecting their production processes, slowing down or stopping their supply chains, generating scarcity of labor, and closing stores, factories and facilities. In Brazil, several government measures were also imposed on the electricity sector to meet the demands of the crisis.

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In response to the scenario as announced, Cemig created its *Coronavirus Crisis Management Committee* on March 23, 2020, with the aim of taking decisions to mitigate effects of the pandemic, protect Cemig's employees and clients, and ensure that services continued to be provided.

We describe the impacts of the Covid-19 pandemic in more detail in Note 1c (*Operational context*) – of these financial statements. In spite of the impacts of the pandemic on Cemig's balance sheets in 2020, we do not expect significant impacts over the long term.

Net income for the year

The Company reports a net income of R$1,056 million for 2020, which compares with its net income of R$901 million in 2019 (restated), representing a increase of 17.20%.

For 2020, we highlight the recognition of gains from adjustments related to the transmission business, as a result of: (i) Periodic Tariff Review adjustments, and (ii) the harmonization of the sector's accounting practices.

For 2019, we highlight the recognition of PIS/Pasep and Cofins taxes credits over ICMS, in the amount of R$414 million (see Note n. 9a), and the negative result arising from the debt in foreign currency (Eurobonds) and its corresponding hedge instrument, which was R$504 million, which was partially offset by the recognition of an impairment loss for receivables from Renova, in the amount of R$688 million (see Note n. 29) and tax contingency provision related to social security contributions on payments of profit sharing (PRL) in the amount of R$187 million. All values net of taxes.

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 6,84% in 2020 compared to 2019. The adjusted Ebitda margin decreased from 26.91% in 2019 to 26.64% in 2020.

The Ebitda, measured according to CVM Instruction 527, increased in 70.02% in 2020, compared to 2019. The Ebitda margin increased from 19.45% in 2019 to 35.15% in 2020.

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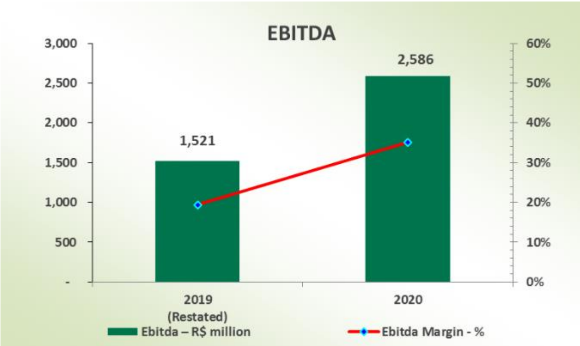
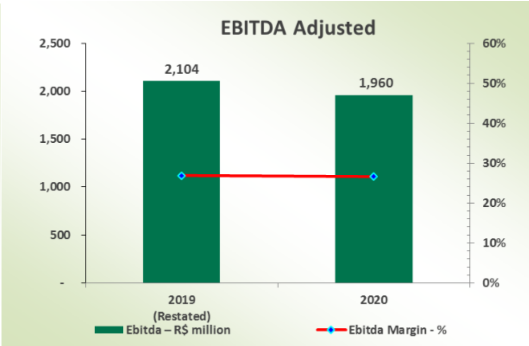
Ebitda – R$ million	2020	2019 (Restated)	Change, %
Net income for the year	1,056	901	17.20
+ Current and deferred income tax and social contribution tax	424	638	(33.54)
+/- Net financial revenue (expenses)	894	(234)	-
+ Depreciation and amortization	212	216	(1.85)
= Ebitda according to "CVM Instruction 527" (1)	**2,586**	**1,521**	**70.02**
Non-recurrent items			
- PIS/Pasep and Cofins over ICMS	-	(414)	-
+ Impairment loss – Receivables from Renova (Note 28)	-	688	-
- Periodic Tariff Review adjustments / Standardization of accounting practices (*)	(621)	(100)	521
+ Tax provisions – Social Security contributions on profit sharing payments	-	284	-
+/- Asset settled and impairment	(5)	125	-
= Ebitda Adjusted (2)	**1,960**	**2,104**	**(6.84)**

(*) R$429 million as a result of the effect of the Periodic Tariff Review, excluding the effect of the changes in accounting practices for the sector; and R$192 million arising from the standardization of the sector's accounting practices.





(1) Ebitda is a non-accounting measure prepared by the Company, reconciled with the consolidated financial statements 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 of 6,84% in adjusted Ebitda in 2020 than in 2019, mainly reflects the higher volume of net equity losses in 2020. More details on the specific items of this Comment.

The higher of 70.02% in Edtida, measured according to CVM Instruction 527, in 2020, than in 2019, is related, principally, to the higher number of non-recurring items that have effects in the calculation, as shown in the table above.

More details on the specific items of this Comment.

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

Revenue from supply of energy

	2020			2019		
	MWh²	R$ (mn)	Average price/MWh billed – R$/MWh¹	MWh²	R$ (mn)	Average price/MWh billed – R$/MWh
Industrial	10,958,355	2,944	268.66	12,489,908	3,182	254.77
Commercial	4,187,321	905	216.11	4,121,020	891	216.21
Rural	16,814	5	272.21	3,038	1	329.16
Subtotal	**15,162,490**	**3,854**	**254.15**	**16,613,966**	**4,074**	**245.22**
Net unbilled retail supply	-	(5)	-	-	16	-
	15,162,490	**3,849**	**249.68**	**16,613,966**	**4,090**	**247.31**
Wholesale supply to other concession holders	14,037,374	3,437	244.85	12,050,102	3,015	250.21
Wholesale supply unbilled, net	-	51	-	-	(67)	-
	29,199,864	**7,337**	**-**	**28,664,068**	**7,038**	**-**

(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$7,337 million in 2020, compared to R$7,038 million in 2019 – or 4.25% higher. This variation is mainly due from the following factors:

- Sales to traders and generators 20.35% higher, at 11,808,227 MWh in 2020, compared to 9,811,854 MWh in 2019, due to a higher volume of spot sales in the early months of 2020, for the purpose of redeeming part of the credit that the company has with the CCEE;
- This increase was partially offset by reduction of 12.26% on consumption by industrial Free Clients, mainly due to the Covid-19 pandemic.

Transmission concession revenue

The Company’s transmission revenue comprises the sum of revenues recorded for construction, strengthening, enhancement, operation and maintenance, as specified in the transmission contracts. Under the concession contracts, Annual Permitted Revenues (RAPs) of the existing electricity system, and those involved in tenders. These are updated annually, based mainly on the inflation index specified in the contract (the IPCA and IGP-M indices). Subsequently, all strengthening and enhancement works that are implemented upon specific authorization by Aneel result in the constitution of a new component of RAP.

This infrastructure operation and maintenance revenue was R$511 million in 2020, or 7.09% less than 2019 (R$550 million - Restated). Revenues posted for construction, strengthening and enhancement of infrastructure totaled R$201 million in 2020, 35.58% less 2019 (R$ 312 million - Restated). This mainly reflects the lower investments in transmission in 2020, as a result of new decisions on investments in small-scale improvements, due to the alterations in regulations, and the suspension of contracts with suppliers of strengthening works.

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At the same time, revenues from financial remuneration of transmission contract assets were 25.61% higher in 2020, at R$412 million, compared to R$328 million in the (re-presented) results for 2019 – mainly reflecting the increase in the remuneration base of the assets linked to Contract 006/1997, as from the Periodic Tariff Review (RTP) ratified by Aneel on June 30, 2020.

The tariff review effected in June 2020 for Contract 006/1997 resulted in recognition of revenue of R$529 million, comprising R$ 322 million for new assets in the National Grid, and R$207 million for existing assets in the National Grid, corresponding to the extension of the concessions, under Law 12,783/13, which were included in the regulatory remuneration base. In December 2020, contract 079/2020 was also submitted to the periodic tariff review, and this resulted in recognition of revenue of R$23 million (R$22 million net of PIS/Pasep and Cofins taxes). The revenues resulting from the periodic tariff reviews reflect, principally, the change in the rate of regulatory remuneration for the transmission activity, and remeasurement of the New Replacement Value (*Valor Novo de Reposição* – VNR) of the regulatory remuneration base (BRR).

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.

More details in Note 13 of these financial statements.

Revenue from transactions in the Power Trading Chamber (CCEE)

Revenue from energy sales on the CCEE (Power Trading Chamber) in 2020 was R$154 million, or 64.92% lower than in 2019 (R$439 million). This reduction is principally due to the to the reduction of GSF with the worsening of hydrological conditions in 2020 and a reduction of 22.07% in the average spot price (PLD), which was R$176.98/MWh in 2020, compared to R$227.10/MWh in 2019.

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$414 million, 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 9a of these financial statements.

Taxes and regulatory charges reported as deductions from revenue

Taxes and charges applied to operating revenue in 2020 were R$1,747 million, or 4.22% lower than in 2019 (R$1,824 million - restated).

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Proinfa – Alternative Energy Program

Each year Aneel approves the budget of the program, and the Company pays the approved amounts through the charging of the Tariff for Use of the National Grid. These amounts are passed through in full to Eletrobras, which is the manager of these funds.

The charges relating to Proinfa in 2020 were R$39 million, or 25% less than in2019 (R$52 million), mainly reflecting the reduction of the quotas approved for the 2020 program, compared to 2019.

Royalties for use of water resources (CFURH)

The value of these royalties corresponds to 7% of the volume of energy (in MWh) generated from hydroelectric resources, multiplied by the Updated Reference Tariff (Tarifa Atualizada de Referências – DAR), which is set annually by Aneel.

This charge in 2020 was R$62 million, 44.19% higher than in 2019 (R$43 million), mainly due to the higher volume of generation in 2020 (11,208 GWh, compared to 7,933 GWh in 2019), offsetting the reduction in the Proinfa charge. This higher volume of generation was due to the better hydrological conditions in 2020 than in 2019.

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 2020 totaled R$5,348 million, 16.87% lower than in 2019 (R$6,433 million - restated).

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

Energy *purchased* for resale

The expense on energy bought for resale of 2020 was R$4,026 million, compared to R$3,841 million in 2019, representing an increase of 4.82%.

This difference is mainly due to a higher expense on purchase of energy in the spot market: R$441 million in 2020, compared to R$113 million in 2019. This variation is principally due to the deficit position on the CCEE assumed by the Company in the beginning of 2020, due to: (i) lower allocation of its own generation; (ii) lower GSFs; and (iii) higher sales through spot-market bilateral contracts. There were also deficits at the end of 2020, caused mainly by the reduction of the GSF, due to worsening in the hydrological conditions of the system.

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Personnel expenses

The expense on personnel in 2020 was R$307 million, 4.66% lower than in 2019 (R$332 million), arising mainly from the following factors:

- the average number of employees was 5.33% lower in 2020, at 1,276, compared to 1,307 in 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.

Employee profit shares

The expense on profit shares in 2020 was R$36 million, compared to R$63 million in 2019. This basically reflects the change in the criteria for calculation of profit-sharing amounts between the two periods, in accordance with the Collective Agreements related to Cemig's Profit Sharing Program in 2019 and 2020.

Post-employment obligations

The impact of the Company's post-employment obligation on operating profit was an expense of R$94 million in 2020 – which compares with an expense of R$88 million in 2019, an increase of 6.82%. This is mainly the result of to the lower discount rate used in the actuarial valuation for 2019, which generated higher projected costs for 2020, with an impact on expenses in the current year.

Construction cost

Construction cost was R$147 million in 2020 – compared to R$220 million in 2019, a reduction of 33.18%. This cost is offset in full by the accounting item Construction revenue, thus having no effect on net income. The difference mainly arises the lower volume of investments in 2020, compared to 2019.

Operating provisions

Net operating provisions in 2020 was R$98 million, compared to R$1,110 million in 2019, representing a reduction of 91.17%, arising mainly from the following factors:

- 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 million, as a result of an assessment made by the Company of the credit risk of that investee. More details in Note 14;
- recognition, in the third half of 2019, of a tax contingency provision of R$284 million 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 23; and

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- less provision for estimated losses for doubtful receivables in 2020, of R$11 million, compared to R$38 million in 2019 – mainly due to the reduction in defaults in 2020 caused by the 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 26c of these financial statements.

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

A net loss of R$137 million in the value of non-consolidated investees was posted by the equity method in 2020, which compares with a net loss of R$83 million in 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$103 million in 2020, compared to a positive equity method of R$22 million in 2019.
- Lower losses in the investee Santo Antônio Energia, which reported a negative equity method of R$185 million in 2020, 2.12% higher than in 2019 (R$189 million).
- Higher gains in the investee Aliança Geração, which reported a positive equity method of R$89 million in 2020, 14.60% higher than in 2019 (R$78 million), partially offsetting the negative effects of equity-related losses of MESA and NESA.

Note 14 gives the breakdown of equity method gains/losses, by investee.

Finance income (expenses)

The Company reports net financial expenses of R$894 million in 2020, compared to net financial revenue of R$234 million in 2019, due to the main factors:

- Net positive effect of R$4 million in 2020 in the Eurobonds transaction and its corresponding hedge instrument – compared to a net gain of R$764 million in 2019, mainly due from the following factors:
    - Higher exchange rate variation on loans in foreign currency – this variation in 2020 represented a financial expense of R$1,749 million, compared to a financial expense of R$234 million in 2019. The difference mainly reflects the increase in the exchange rate for the dollar against the Real in 2020 (an increase of 29%, compared to an increase of 4% in 2019) with a negative effect on the principal of the debt in foreign currency (Eurobonds); and

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  - Higher gain on the hedge transaction contracted to protect the Eurobond issue from exchange rate variation: this gain was R$1,753 million in 2020, compared to R$998 million in 2019. The difference mainly reflects the increase in US dollar future prices, which resulted in an increase of the fair value of the options (call spreads) and in the asset side of the interest rate swap, and also the lower future curve of the Brazilian indexer, the DI rate (the liability side of the swap).
- Interest on the loan in foreign currency 28% higher in 2020, at R$850 million, compared to R$664 million in 2019, reflecting the increase of 29% in the exchange rate of the dollar against the Real (to R$5.19/R$ in 2020, from R$4.03/US$ in 2019); and
- 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$240 million.

For a breakdown of financial income/expenses see Note 27 of these financial statements.

Income tax and social contribution tax

For 2020 the expense on income tax and social contribution tax was R$424 million, on pre-tax loss of R$1,480 million – an effective rate of 28.66%. In 2019, the expense on income tax and social contribution tax was R$638 million (restated), or 41.95% of the pre-tax profit of R$1,539 million (restated).

These effective rates are reconciled with the nominal rates in Note 10d os these financial statements.

Liquidity and capital resources

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

Our liquidity requirements are also affected by our dividend policy. We finance our liquidity and capital needs principally with cash generated by operations and with funds from financing.

Cash and cash equivalents

Cash and cash equivalents at December 31, 2020 totaled R$384 million, compared to R$212 million on December 31, 2019. No cash nor cash equivalents were held in any other currency than the Real. The main components of this variation are as follows:

Cash flow from operations

Consolidated net cash generated by operations in 2020 totaled R$2,565 million, which compares with consolidated net cash generated by operations in 2019 of R$743 million.

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In 2020 the Company began offsetting, against federal taxes payable, of the credits of PIS/Pasep and Cofins taxes (originally charged on amounts of ICMS tax also paid by the Company) that resulted from the Supreme Court judgment. This resulted in a lower outflow of cash for payment of taxes – totaling R$144 million in 2020 – than in 2019 (R$701 million). There was also a cash inflow in 2020 of R$196 million, from release of the amounts held in escrow against that judgment. Another highlight is the receipt of R$419 million in 2020 for liquidation of a swap related to the Eurobonds (that transaction replaced the effect of variation of the debt in US dollars, when expressed in Reais, with a liability related to the Brazilian CDI rate).

Cash flow from investment activities

Net cash consumed by investment activities in 2020 was R$1,151 million, which compares with R$93 million generated investment activities in 2019. This change basically reflects the higher volume of funds transferred to investments in securities in 2020 (R$1,013 million in 2020, compared to R$190 million in 2019), as a result of the higher volume of cash available in 2020.

Cash flow in financing activities

Net cash consumed by financing activities totaled R$1,241 million in 2020, compared to R$926 million consumed on financing activities in 2019. This higher figure mainly results from greater amortization of loans in 2020 – a total of R$807 million, compared to a total of R$610 million in amortization of loans in 2019. Another highlight was the payment, in 2020, of dividends and Interest on Equity, totaling R$418 million, compared to R$296 million paid in 2019.

Funding and debt management policy

In 2020, especially after the first quarter, with the worsening of the crisis and uncertainties caused by the pandemic, the local market began to be more selective, with less availability of credit and higher spreads – but this scenario improved gradually, until conditions were better over the fourth quarter.

In 2020 the Company amortized debt totaling R$807 million.

Corroborating these improvements, the principal international risk rating agencies made further upgrades in their credit risk ratings for the Company, recognizing the success in implementing measures that improve its credit quality – improvement of the liquidity profile, sale of assets, refinancing of debts and greater operational efficiency and increase on Lajida, combined with a more prudent strategy for management of liabilities. In 2020, Moody’s raised its rating for the Cemig on the Brazilian scale to A1, and on the global scale to Ba3; and Fitch increased its ratings on the Brazilian scale to AA–, and on the global scale to BB–. Further perception of the improvement came in January 2021, when Standard&Poor’s increased Cemig’s ratings on the Brazilian scale to BB–, and on the global scale to AA+.

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This table shows how the Company’s credit ratings have been changed, from December 2019 to December 2020:

Fitch		Investiment Grade										Speculative Grade											
Brazilian	*Global*	AAA	AA+	AA	AA-	A+	A	A-	BBB+	BBB	BBB-	BB+	BB	BB-	B+	B	B-	CCC	CC	C	RD/D		
December - 2019																							
December - 2020																							

Moodys		Investiment Grade										Speculative Grade											
Brazilian	*Global*	Aaa	Aa1	Aa2	Aa3	A1	A2	A3	Baa1	Baa2	Baa3	Ba1	Ba2	Ba3	B1	B2	B3	Caa1	Caa2	Caa3	Ca	C	
December - 2019																							
December - 2020																							

S&P		Investiment Grade										Speculative Grade											
Brazilian	*Global*	AAA	AA+	AA	AA-	A+	A	A-	BBB+	BBB	BBB-	BB+	BB	BB-	B+	B	B-	CCC+	CCC	CCC-	CC	C	D
December - 2019																							
December - 2020																							

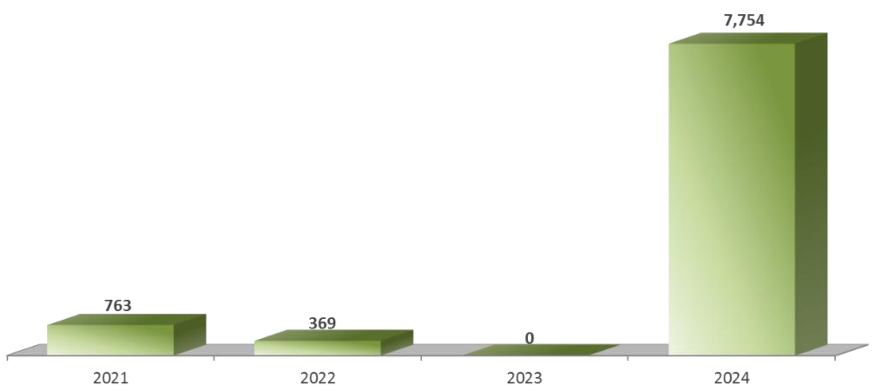
The details of funding raised, including costs and maturities, are given in Note 20 to the financial statements.

Both the Eurobonds and the debentures have restrictive covenants limiting the indebtedness capacity of both the Company and of Cemig (Cemig GT’s controlling stockholder). The Company understands, however, that with continuation of disinvestment, the consequent reduction in leverage, and operational efficiency, these financial covenants will be complied with.

The Company’s debt on December 31, 2020 totaled R$8,886 million, with average tenor of 3.7 years. There are more details in Note 20 to the financial statements.

This chart shows the present amortization timetable:

Debt amortization timetable
Position at December 2020 – R$million



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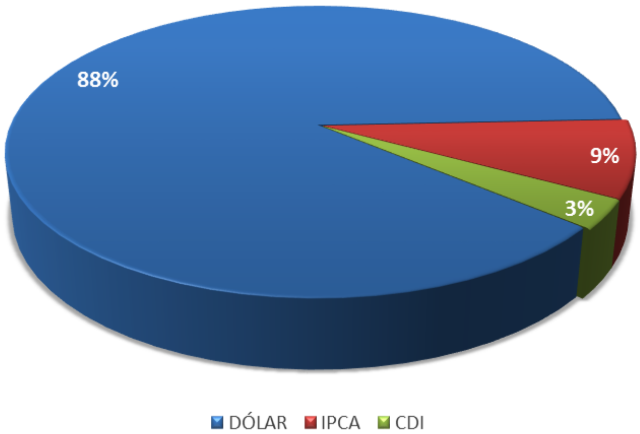
The composition of the Company's debt is a reflection of the sources of funding available to it. Among these there is a significant proportion of debt in foreign currency. The latter is hedged against FX variation by an instrument which exchanges its cost in US dollars for local interest indexed to the CDI rate. The average cost of the Company's debt is 1.64% p.a. in real terms, and 4.83% p.a. nominal.

Debt breakdown



PROPOSAL FOR ALLOCATION OF NET INCOME

The Board of Directors decided to propose to the Annual General Meeting to be held on April 2021 that the income for 2020, of R$1,056 million, the balance of Reserve for Equity Valuation Adjustments, of R$10 million and R$212 million from prior periods adjustments:

- R$53 million to the legal reserve;
- R$561 million for payment of dividends, as follows:
  - R$225 million in the form of Interest on Equity, as decided by the Executive Board on December 23, 2020;
  - R$336 million mandatory minimum dividends;
- R$1 million to be recorded as Incentives Tax reserve, in reference to the tax incentive amounts obtained in relation to the investments made in the region of Sudene;
- R$223 million to be held in Shareholders' Equity in the Unrealized Earnings reserve, considering the portion of the 2020 net income not yet financially realized.
- R$440 million to be held in Shareholders' Equity in the Retained earnings reserve, to guarantee execution of the Company's Investment Program.

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INVESTMENTS

Investments in generation:

The Poço Fundo Small Hydro Plant project: On February 13, 2019 Aneel, by its Authorizing Resolution 7,598, granted extension of the concession of the Poço Fundo Small Hydro Plant to May 2045, conditional upon amplification of the generator units.
Works were begun on January 6, 2020 on expansion of the generation capacity of the *Poço Fundo* Small Hydro Plant (SHP), for planned cost of approximately R$150 million, aiming for full operation in April 2022.

Investments in transmission

In the transmission business, the decision on rules for reimbursement of assets in previous years has ensured that we had a stable flow of cash for the coming year, making it possible to expand the multi-annual Program of investments for the Company from R$1.1 billion to R$1.45 billion in the next five years – which will make it possible to add new revenues arising from these investments, and mitigate important risks for operation of the system.

The investments in 2020 was R$147 million.

CORPORATE GOVERNANCE

The Company's Board of Directors comprises nine sitting members, eight nominated and elected by the shareholders, with the exception of one member elected by the employees. Under the by-laws, the period of office of all the members runs concurrently, for two years, and they may be re-elected a maximum of three times. In 2020, 26 meetings of the Board of Directors were held, to decide on a range of matters such as, among others, strategic and budgetary planning, investment projects and acquisitions.

The Audit Committee, is an advisory committee linked to the Board of Directors with the functions of auditing and inspecting the quality and integrity of the financial statements, adherence to the legal and regulatory requirements; and effectiveness of the internal control systems and the internal and external auditing. It has four members, with term of office of three years, and one re-election is allowed. The Audit Committee held 42 meetings in 2020.

The *Audit Board* is established permanently, and has five members and their substitute members, elected for periods of office of two years – able to be renewed for two consecutive times. The Audit Board held 16 meetings in 2020.

RELATIONSHIP WITH EXTERNAL AUDITORS

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

Complying with the requirement of the CVM, a turnover system of external auditors is adopted, with a frequency of five years. As from the Interim Financial Statements of June 2017, our auditors of our Financial Statements are Ernst & Young Auditores Independentes S.S.. The services provided by the Company's external auditors have been as follows:

Service	2020	As % of audit fees	2019	As % of audit fees
Auditing of Financial Statements	2,511	100.00	2,070	100.00
Auditing of the public digital bookkeeping system (SPED)	239	9.52	338	16.34
Total	**2,750**	**109.52**	**2,408**	**116.34**

The services of the public digital bookkeeping system (SPED) were contracted jointly with the auditing services of Financial Statements being restricted to review of tax procedures adopted by the Company. These do not represent any type of consultation, tax planning or conflict of interest.

It should be noted that any additional services to be provided by the external auditors, including that mentioned above, are subject to obligatory prior approval by the Executive Board and Board of Directors, taking account of any conflict of interest, loss of independence or objectivity of the auditors, in accordance with the terms specified in the Sarbanes-Oxley Law and CVM Instruction 381/2003.

INTERNAL AUDITING AND MANAGEMENT OF RISKS

The objective of corporate risk management, a process that is an integral part of Cemig's corporate governance practices, is to build a structure capable of providing material information to senior management to support decision-making, creating and protecting value for the Company. The process of risk management enables proper management of the risks of the business objectives, able to influence and align the strategy and performance in all areas of the Company.

In an annual procedure, the Executive Board and the Board of Directors approved Cemig's updated Corporate Top Risks Matrix in 2020.

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These risks, associated with execution of strategy and scenarios of the Company's exposure, conflicts of interest, fraud and corruption are under the responsibility of the members of the Executive Board, and are monitored and reported periodically to Senior Management.

The matrix of internal controls is also revised and approved annually, and the controls are tested and monitored by the Company's Risks and Internal Controls Management Unit, with periodic reporting to the Board of Directors, the Audit Board, and the Audit Committee.

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

Anti-fraud Policy

The Company has a policy of prohibiting any type of gift, direct or indirect, or form of money or that can be estimated in terms of money, goods, or services, including in the form of publicity or advertising, that has a political objective of favoring any political party or its members, whether militantly active or not. This Policy applies to Cemig, and its wholly-owned and other subsidiaries, and is in line with the 'Elections Law' – Federal Law 9,504 of September 30, 1997, as amended by Law 13,487 of October 6, 2017.

Cemig also has a '*Whistleblower Channel*', an Ombudsman, and an Ethics Committee. They deal with recording and treatment of any irregularities or ethical dilemmas affecting its operations. All reports are assessed, and when concluded, answers are made available the accusing parties. The 'Whistleblower Channel' preserves anonymity for those providing information.

Cyber attack

On December 25, 2020 the Company and its economic group suffered a 'ransomware' attack that caused a partial and temporary interruption of its operations.

The Company made significant investments in privacy, protection and safety of information/cybersecurity, both through technologies and in processes and contracting of specialized resources for its teams. As part of these actions, measures were taken to combat access and/or any undue use of data, including investigations and audits of the information technology systems. As a result of these efforts, further incidents of undue use of data or other undesirable activities by outside agents were mitigated.

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An audit and a forensic evaluation of the attack were also carried out, and no significant impacts on the financial statements of the Company and its subsidiaries were found.

TECHNOLOGICAL MANAGEMENT AND INNOVATION

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

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

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

Six projects contracted in 2019, as a result of a specific tender related to the '3D' targets referred to as Cemig 4.0, were being executed in 2020 for completion in 2021:

- Intelligent supplier chain management;
- Intelligence in the user experience;
- Management of assets;
- Operations Center of the Future project; and
- Distributed Energy resources.

Research and Development program

The Company executed 30 R&D projects, for investment of R$19.97 million, on a range of themes, the following being highlights:

- Adaptation of Cemig's virtual reality system to integration with real-time image inspection resources, and joint training of the field teams and the System Operations Center (COS);
- Individual Notification System (Dispositivo Individual para Notificação – DIN) in the event of a dam emergency;

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- A tool for setting future prices in the optimum composition of an energy purchase and sale portfolio; and
- Ecological processes: Development of new eco-technologies for diagnostics and environmental processes (the PROECOS project).

SOCIAL RESPONSIBILITY

The Company bases its relations with communities near its project sites on a sense of joint responsibility and on stimulus for local economic and social development.

The following are some of the highlights of 2020:

The Proximidade (Proximity) Program: This was created by Cemig to form a closer relationship with communities close to plants under Cemig's concessions, and, jointly with other programs of the Company, to take technical knowledge to them and promote their social development. Meetings are held in which specialists give objective presentations to explain operational aspects of reservoirs, make the initial preparation of Emergency Action Plans (PAEs), and publicize the environmental actions Cemig carries out at dam reservoirs. Other subjects covered include dam safety and secure coexistence with the electricity system.

In 2020, due to the Covid-19 pandemic, none of this program's standard events with surrounding communities were held. But the program was present in virtual meetings with local civil defense units ('Compdecs'), in continuing organization of Emergency Action Plans (PAEs) for Cemig's generation plants.

Meetings were held with the Compdecs of 12 municipalities, with official delivery (or updating) of the external PAEs of nine dams, presenting Flood Reach Studies for scenarios of dam rupture and exceptional floods, with indications to determine meeting points and escape routes. Training was also held on execution of the Proximidade app, as a tool for management of risks, warning notifications and registration for use by Compdecs.

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

The 2020 AI6% Campaign involved the participation of 1,548 employees, who voluntarily allocated R$1.2 million to benefit approximately 24,000 children and teenagers in vulnerable situations, served by 163 institutions. The Company also allocated part of its income tax payable to the same FIA's. The amount invested by the Company was R$890 thousand. In total, R$2.1 million was donated to entities spread out over the 85 municipalities in the Company's area of influence.

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Projects in culture, sport and health

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

<u>Culture</u>

Cemig is the largest incentivator of culture in Minas Gerais, and one of the largest in the country. In 2020 Cemig GT allocated R$5.2 million for sponsorship of seven cultural projects.

With the social distancing required by the Covid-19 pandemic, Cemig strengthened its campaign of projects online through a cultural agenda publicized in social media, the press and radio. Cemig also supported more than 1,000 items of online content, including virtual visits, live sessions online, music, cinema and theater. Cemig also sponsors major names in Minas Gerais culture, such as the *Clóvis Salgado Foundation*, the *Inhotim Institute*, the *Minas Gerais Philharmonic Orchestra* , the *Galpão Group*, *Grupo Corpo*, and other exponents of the state's culture.

<u>Sport:</u>

For the community, sports programs create social recovery and citizenship benefits, especially for children and teenagers, not only by encouraging sports but also by generating opportunities for local young people to become athletes.

For the Company, these projects enhance its image as a company committed to the development of healthy habits, and the welfare and development of the communities.

Cemig published two public requests for proposals in 2022, to select projects involving sport that qualify for Support Incentive funding under federal or state laws. A total of 189 projects were received (109 from the federal tender and 80 from the specific tender), and we allocated approximately R$4.4 million to the best-assessed projects.

Value added

The Value Added Statement (*Demonstração do Valor Adicionado*, or DVA) is an indicator of wealth creation and of the Company's importance for society in general: the added value created in 2020 was R$6,107 million, compared to R$4,210 million in 2019 (Restated).

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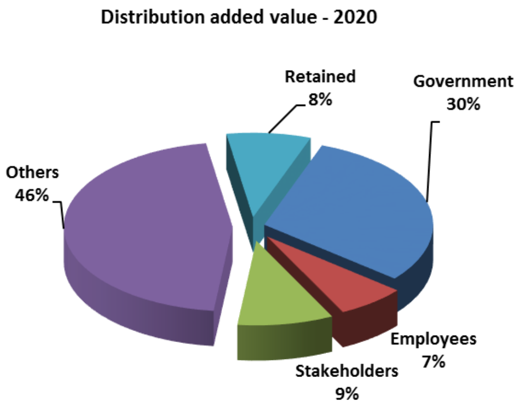
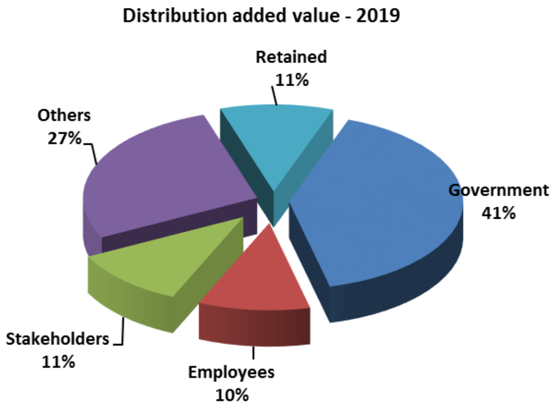


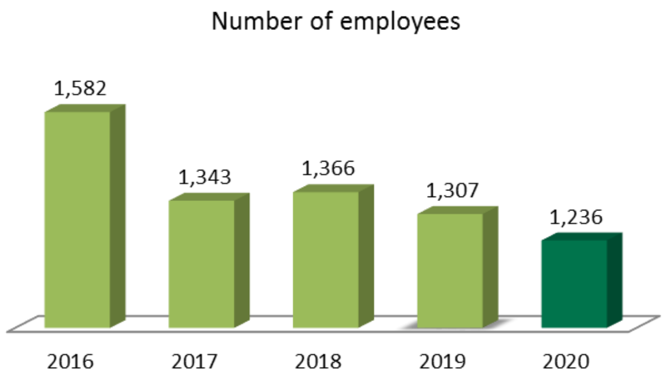


Human resources

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

<u>Number of employees</u>

In view of the reality imposed by the present conditions of regulation in the energy sector, the Company is working towards more efficiency and greater alignment with the sector benchmarks. The Company has shown a reduction of the number of employees in the last 5 years, from 1,582 in 2016 to 1,236 in 2020, as shown:



We also approved a change in our personnel policy, to enable market professionals to be contracted for management positions in the company in cases where an external recruiting process is more appropriate, with a limit of up to 40% of all management posts. It is important to note that the Company will continue to encourage and give priority to professional growth of its employees, valuing recognized technical capacity and commitment in its employees.

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UniverCemig

Cemig invests continually in knowledge management due to the specificities of the energy power sector, also aiming to keep its workforce qualified and up-to-date.

In this context Cemig's corporate university (UniverCemig) is responsible for employees' skill acquisition and development, through construction of educational solutions, provision of its own training, hiring of outsourced training in Brazil and in the rest of the world, and management of postgraduate and language courses. It also operates in the market, offering training to other companies, principally companies providing services to Cemig D (distribution).

In 2020 there were 851 participations in in-person technical training sessions for the Company's employees. In total, there were 16,740 person-hours of training.

Training in the distance learning format played an important role in this period, with a considerable increase in demand: there were more than 30,460 participations, with a total of 62,737 person-hours of training, in 22 courses offered. These included training in health and safety protocols, safe use of energy, moral and sexual harassment, and training in, and annual subscription to, the Cemig Declaration of Ethical Principles and Code of Professional Conduct (2020). All these were made available to employees, members of the Audit Board, management, outsourced providers and trainees.

Cemig believes that the training of its workforce is fundamental for reaching the strategic objectives with sustainability.

Organization climate and culture

In February 2020, Cemig held its Engagement and Atmosphere Survey, to ascertain aspects of link, connection and engagement with the Company, and objective information on the themes that might interfere with the organizational climate.

To identify and promote a new culture, making it possible to meet needs and obtain organizational results, in June 2020 Cemig began its "New Energies" program to enhance the potential of the culture. This seeks to develop behaviors that are not yet fully in place, but which are fundamental for taking Cemig to a more up-to-date management model, with more sustainable and perennial results. In July 2020 we carried out our "Cultural Mapping. It made it possible to identify the Company's strong points, and the main challenges and targets to be set out for the coming years.

Health, Hygiene and Safety in the workplace

2020 was extremely atypical, due to the pandemic, which significantly altered working conditions and the company routine of activities since March, requiring adoption of protocols to protect the health and life of employees of our workforce.

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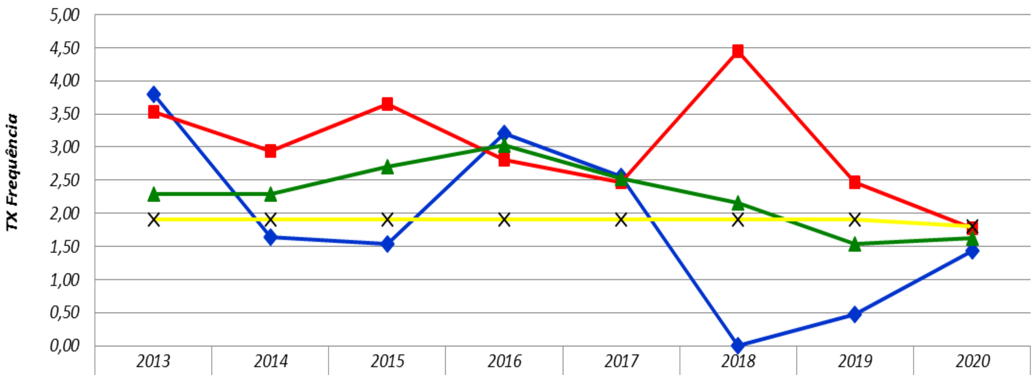
The Company has continually reduced the work accident frequency index (TFA) of its workforce in recent years, to its historically lowest levels at the end of 2019, this index was 1.53 accidents with time off work per million person hours worked. The most recent calculation of the indicator (December 2020), was 1.62, or 5.89% higher than the result in 2019, and 10% lower than the upper limit of 1.80.

In response to these results, Cemig intensified its activities in health and safety, which involve the entire workforce, with a revision of safety procedures, increase in the number of training and recycling hours, and discussions with suppliers to improve quality indicators for 2021.

Taxa de Frequência Com Afastamento Acumulado no Ano - TFA CEMIG GT



	2013	2014	2015	2016	2017	2018	2019	2020
Pessoal Próprio	3,79	1,64	1,53	3,20	2,55	0,00	0,47	1,44
Contratados	3,53	2,94	3,65	2,80	2,46	4,45	2,47	1,78
Força de Trabalho	2,29	2,29	2,71	3,03	2,52	2,15	1,53	1,62
Limite	1,90	1,90	1,90	1,90	1,90	1,90	1,90	1,80

Environment

In 2020, Cemig invested approximately R$23.1 million in the environment. These investments were less than in 2019, due to the limitations on execution during the pandemic. Within Cemig GT's Environmental Strategy, the Environmental Adequacy Plan Monitoring Group periodically reviews the prioritization and allocation of these resources. The funds were applied in investments, R&D projects and expenses related to compliance with environmental obligations and improvements.

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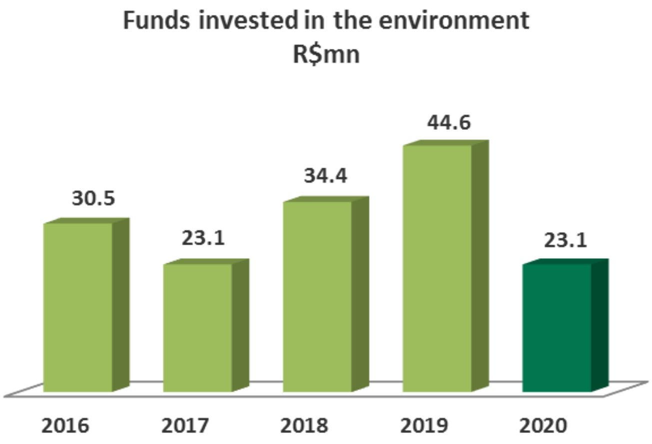

Water resources

Water is the principal raw material for production of energy by Cemig – used to turn its turbines. 100% of the water used is returned to the related watercourse. It is a resource that is sensitive to climate variations, vulnerable to the consequences of exploration and other natural resources, heavily impacted by the action of mankind, and subject to a regulatory environment. Consequently the subjects of water management and conservation are of extreme importance to Cemig, management based on its water resources policy.

The body that decides to dispatch thermoelectric generation plants linked to Brazil's National Grid is the National System Operator (ONS), responsible for the coordination and control of operation of the energy generation and transmission facilities in the National Grid, under the inspection and regulation of the energy regulator, Aneel. Operation of the reservoirs that the Company uses for generation of hydroelectric power involves, essentially, consideration of the multiple uses of the water by other users of the river basin, and this in turn leads to the need to consider a series of restraints in relation to the environment, safety, irrigation systems, human supply, waterways, bridges, and other considerations – all of which the Company rigorously obeys and respects. In periods of severe drought, like the one since 2013, monitoring and forecasting of the levels of reservoirs and constant dialogue with public authorities, civil society and users have been of primordial importance in ensuring generation of power, as well as for the other uses of this resource.

Cemig published daily figures on the levels of several of its reservoirs on its website.

Considering the nature of its operations, the Company participates actively in decision committees and forums, accompanying and proposing the most appropriate decisions possible for the power industry, reconciling multiple uses of river basins. These organizations include: the National and State Water Resources Councils, the committees of the various river basins, Technical Chambers and Workgroups.

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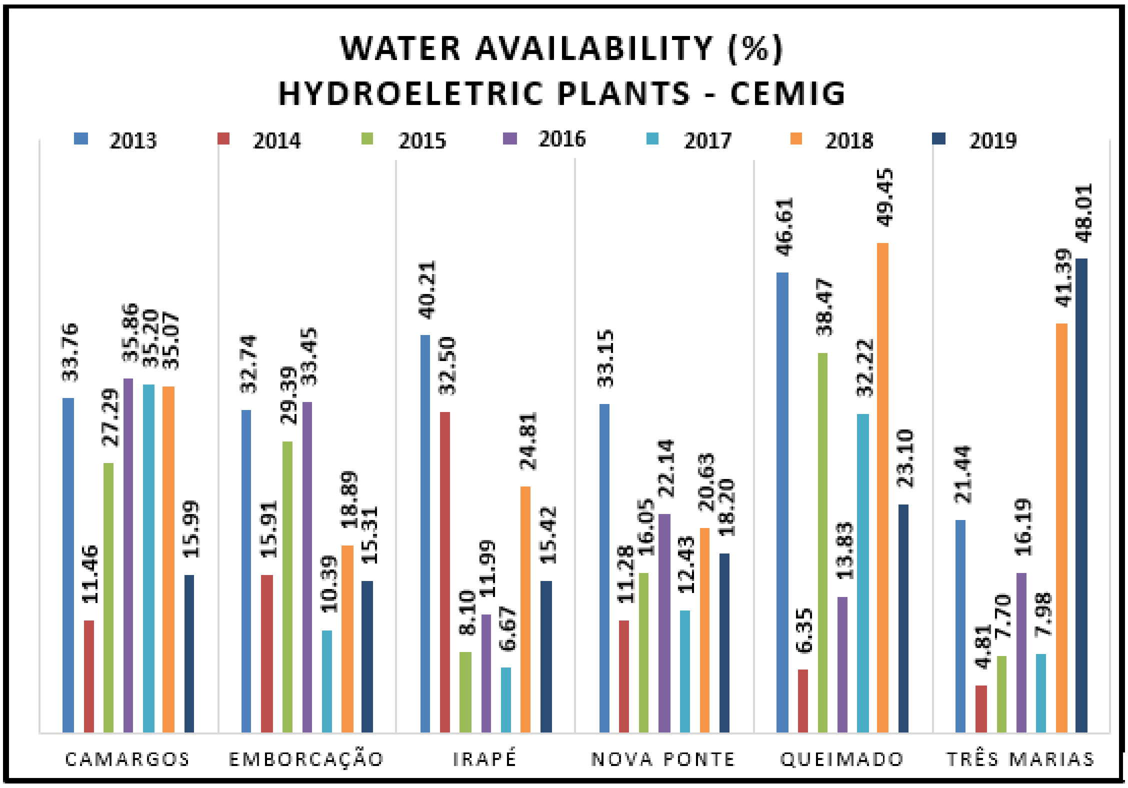
The chart below shows the information on water storage levels in Cemig's principal reservoirs in December 2020, compared with the same time in previous years.



Dam safety

The process that aims to ensure safety of the dams operated and maintained by Cemig uses, in all its phases, a methodology founded on best Brazilian and international practices, also complying with Brazilian Federal Law 12,334/2010 and Law 14,066/2020 (under regulation), which established the National Dam Safety Policy and its associated regulation (Aneel Normative Resolution 696/2015).

The process includes field inspection, collection and analysis instrumentation data, preparation and updating of dam safety plans, planning and monitoring of maintenance services, analysis of results, and classification of the built structures. Based on the classification of structures, frequency of safety inspections, and the monitoring routine are established.

The vulnerability of each dam is calculated automatically, and continuously, and monitored by the specialized inspector dam safety system. There are periodic reviews of dam safety by Cemig's professionals, which can also involve a multidisciplinary team of external consultants. These reviews go carefully into all matters relating to the safety of the dams, which are carefully investigated by highly-qualified specialists.

Cemig was the pioneer in Brazil in preparation of Emergency Plans ('PAEs') for dam rupture – it began studies on the subject in 2003. There are currently specific emergency plans available for each dam, covering the following items:

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- Identification and analysis of possible emergency situations;
- Procedures to identify any malfunction or potential rupture conditions;
- Procedures for notification;
- Preventive and corrective procedures to be adopted in emergency situations;
- Responsibilities and contact list; and
- Dissemination, training and updating.

Periodically, are done Internal and External training on these Emergency Action Plans ('PAEs').

In spite of the complications of the Covid-19 pandemic in 2020, Cemig maintained, minimally its policy of increasingly close relations with the public, focused on emergency situations, through the Municipal Coordination Units for Protection and Civil Defense ('COMPDECs') - holding video meetings, and online training and workshops.

Working with the theme areas referred to by Law 12,334/2010, Law 14,066/2020 and Aneel Normative Resolution 696/2015, it prepared the strategy for alerts and alarms, and means of communication in dam rupture emergency situations, to be put in place with communities that might potentially be affected by such situations. The document was divided into two parts, for the internal and external public:

- Internal Pae: describing all the procedures for detection, prevention and correction to be adopted in emergency situations, enabling technical management to take the best decision as well and fast as possible, making maximum efforts to preserve the structure of the dam and avoid the accident;
- External Pae: setting out the interfaces between the company and the public during any emergency situations that are detected.

Complying with Normative Resolution 696/2015, the internal PAEs are being dealt with by internal management units of the companies responsible for operation and maintenance of the hydroelectric plants, and being made available to the projects and their structural maintenance and dam security technical teams. The external PAE's are required to be available at the projects, at the prefectures involved, and with the competent authorities and civil defense organizations.

The external document focuses on presenting the risk of flooding caused by ordinary floods, and also by possible dam rupture events. The intention is to build a culture of readiness for flood situations for the communities living along the rivers where Cemig's plants are located.

Due to the difficulties of the pandemic, and also since 2020 was an electoral year, with possible changes in Compdec teams as from 2021, a strategy of focusing the work on a specific number of Compdecs was adopted. The work focused on the municipalities listed in the Self-rescue Zones (ZASs) of four Small Hydro Plants – Cajuru, Gafanhoto, Divinópolis and Carmo do Cajuru – due to the history of relationship between these Compdecs and Cemig, and their proximity to Belo Horizonte.

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The meetings were held online. From July through December, activities were held to integrate the PAEs of the Cajuru and Gafanhoto SHPs to the respective Contingency Plans (‘PlanCons’) of Carmo do Cajuru and Divinópolis; and to register the population working or living in self-rescue zones within the potential flood area, with choice of 32 meeting points and a further 162 escape routes. Five online meetings and six in-person (field) meetings were held to ensure programming of integration of the PAEs with the contingency plans.

The major gain which the approach adopted by Cemig proposes is presentation of the impacts caused by natural floods, giving greater security to populations living by rivers, and developing the resilience of towns and cities to flood events. Further, the *‘Proximidade’* Program has now made a mobile app for relationship between populations and this COMPDEC’s. As well as hydrological and operational information on Cemig plants, the app is a tool for risk management, regulation of details of interested parties and notification and alerts for dam emergencies.

Management of waste

In 2020, 1,033 tons of industrial wastes were allocated for disposal: 99.63% of these wastes were sold or recycled and 0.37% were co-processed.

Programs for fish populations

The activities of the *Peixe Vivo* (‘*Live Fish*’) program are in three main areas: (a) conservation and handling programs, seeking to adopt best practices for fish conservation; (b) research and development, enlarging scientific knowledge of ichthyofauna and providing inputs for more efficient conservation strategies; and (c) relationship with the community, disseminating the program’s activities and results to the public, seeking their involvement in construction of the strategic planning.

In 2020 five research projects were carried out using funding from the R&D program, and from the company itself; and 23 works (2 theses, 2 dissertations, 4 monographs, 1 book, 4 scientific abstracts and 10 scientific articles) were published related to the projects or actions of the *Peixe Vivo* program, presenting results for projects in progress or completed. The research project coordinated by the *Peixe Vivo* team in 2020 involved a total of 64 people from teaching and research institutions in 2020.

FINAL REMARKS – APPRECIATION

The Company’s management wishes in particular to thank its parent company majority shareholder, the State of Minas Gerais, for the trust and support that it has constantly shown during the year. The Company also thanks the other federal, state and municipal authorities, the communities served by the Company, the shareholders, other investors – and, above all, its highly qualified group of employees, for their dedication.

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SOCIAL STATEMENT

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

1 - Basis of calculations	2020 – Parent company			2019 – Parent company (Restated)		
	Amount (R$ ’000)			Amount (R$ ’000)		
Net revenue (NR)	6,328,745			6,785,941		
Operational profit (OP)	2,202,401			1,151,129		
Gross payroll (GP)	287,008			302,199		
2) Internal social indicators	**Amount (R$ ’000)**	**% of GP**	**% of NR**	**Amount (R$ ’000)**	**% of GP**	**% of NR**
Food	17,988	6.27	0.28	19,041	6.30	0.28
Mandatory charges/costs on payroll	69,343	24.16	1.10	82,509	27.30	1.22
Private pension plan	20,306	7.08	0.32	21,031	6.96	0.31
Health	12,009	4.18	0.19	12,001	3.97	0.18
Safety and medicine in the workplace	4,882	1.70	0.08	5,070	1.68	0.07
Education	234	0.08	0.00	282	0.09	0.00
Training and professional development	6,222	2.17	0.10	13,098	4.33	0.19
Provision of or assistance for day-care centers	583	0.20	0.01	516	0.17	0.01
Profit sharing	35,648	12.42	0.56	62,528	20.69	0.92
Others	4,817	1.68	0.08	4,950	1.64	0.07
Internal social indicators – Total	**172,032**	**59.94**	**2.72**	**221,026**	**73.14**	**3.26**
3) External social indicators	**Amount (R$ ’000)**	**% of OP**	**% of NR**	**Amount (R$ ’000)**	**% of OP**	**% of NR**
Education	-	0.00	0.00	14,735	1.28	0.22
Culture	4,849	0.22	0.08	180	0.02	0.00
Health and water infrastructure	-	0.00	0.00	130	0.01	0.00
Sport	1,749	0.08	0.03	1,286	0.11	0.02
Other donations/subsidies / ASIN project	35	0.00	0.00	2,311	0.20	0.03
Total contributions to society	**6,633**	**0.30**	**0.10**	**18,642**	**1.62**	**0.27**
Taxes (excluding obligatory charges on payroll)	1,522,889	69.15	24.06	1,325,493	115.15	19.53
Internal social indicators – Total	**1,529,522**	**69.45**	**24.17**	**1,344,135**	**116.77**	**19.81**
4) Environmental indicators	**Amount (R$ ’000)**	**% of OP**	**% of NR**	**Amount (R$ ’000)**	**% of OP**	**% of NR**
Related to the company’s operations	15,324	0.70	0.24	22,071	2.10	0.33
Total investment in the environment	**15,324**	**0.70**	**0.24**	**22,071**	**2.10**	**0.33**
As to annual targets to minimize toxic waste and consumption during operations, and increase efficacy of use of natural resources, the company:	(x) has no targets ( ) meets 0–50% of targets	( ) meets 51–75% of targets ( ) meets 76–100% of targets		(X) has no targets ( ) meets 0–50% of targets	( ) meets 51–75% of targets ( ) meets 76–100% of targets	
5) Workforce indicators						
Number of employees at end of business year	1,236			1,307		
Hirings during the business year	12			87		
Number of outsourced employees	22			37		
Number of interns				66		
Employees’ levels of education						
- University and university extension	506			521		
- 2 Secondary	723			778		
- 1 Primary	6			8		
Number of employees over 45 years old	482			496		
Number of women employed	177			183		
% of supervisory positions held by women	11.29%			9.23%		
Number of African-Brazilian employees	54			58		
% of supervisory positions held by African-Brazilians	1.61%			1.54%		
Number of employees with disabilities	33			32		

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6) Corporate citizenship	2020		
Ratio between highest and lowest compensation in the Company	25.24		
Total number of work accidents	16		
Who selects the company's social and environmental projects?	( ) senior management	(x) senior management and line managers	( ) all the employees
Who decides the company's work-environment health and safety standards?	( ) senior management and line managers	(x) all employees	( ) All + Accident Prevention Ctee.
In relation to labor union freedom, the right to collective bargaining, and/or internal employee representation, the company:	(x) does not get involved	( ) follows the ILO guidelines	( ) encourages and follows the ILO
The company pension plan covers	( ) senior management and line managers	( ) senior management and line managers	(x) all employees
The profit-sharing program covers:	( ) senior management and line managers	( ) senior management and line managers	(x) all employees
In relation to employee participation in volunteer work programs, the company:	( ) don't get involved	( ) supports	(x) organizes and encourages
Total number of customer complaints and criticisms:	Via Procon N.A.	Via Procon N.A.	In the courts 1
% of complaints and criticisms met or solved:	Via Procon N.A.	Via Procon N.A.	In the courts N.A.
Total added value distributable (R$ '000)	In 2020: R$6,106,828		
Distribution of added value (DVA)	30.42% government 9.20% stockholders 6.62% employees	45.67% others 8.09% retained	

7) Other information	2020
Investments in environmental issues	R$15,324,406.30
Monitoring of reservoir water quality	43 reservoirs and 178 collection stations
Non-reusable wastes and materials	622 tons
Revenue from sales of waste	R$2,595,916.74

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CEMIG GT IN NUMBERS

Item	2020 Parent company	2019 Parent company (Restated)
Service		
Number of customers	2,336	1,601
Number of employees	1,236	1,307
Energy sold per employee – MWh	21,941	21,116
Market		
Own generation – GWh	7,155	5,533
Average sale price (excluding ICMS tax), R$/MWh – Industrial	235.51	222.54
Expenses		
Number of plants in operation	21	21
Installed capacity (MW)	2.303	2.303
Financial		
Net operational revenue, R$ mn	6,329	6,786
Operational margin, %	34.80%	16.96%
Ebitda, R$ mn	2,586	1,521
Profit, R$ mn	1,056	901
Earnings per share	0.36	0.31
Stockholders' equity – R$ mn	5,842	5,348
Book value per share	2.02	1.85
Return on equity, %	18.07%	16.85%
Debt / Stockholder's equity, %	243.18%	233.55%
Current liquidity ratio	1.38	1.13
General liquidity ratio	0.77	0.69

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COMPOSITION OF BOARD OF DIRECTORS, AUDIT COMMITTEE AND EXECUTIVE BOARD

THE EXECUTIVE BOARD	
NAME	**POSITION**
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
Maurício Dall'Agnese	Chief Officer Cemigpar
Marney Tadeu Antunes	Chief without portfolio
Eduardo Soares	Chief Regulation and Legal

BOARD OF DIRECTORS
NAMES
Márcio Luiz Simões Utsch
Vago
Cledorvino Belini
José Reinaldo Magalhães
Afonso Henriques Moreira Santos
José João Abdalla Filho
Marcelo Gasparino da Silva
Paulo César de Souza e Silva
Marco Aurélio Dumont Porto

AUDIT BOARD	
SITTING MEMBERS	**SUBSTITUTE MEMBERS**
Gustavo de Oliveira Barbosa	Igor Mascarenhas Eto
Fernando Scharlack Marcato	Carlos Eduardo Amaral Pereira da Silva
Elizabeth Jucá e Mello Jacometti	Fernando Passalio de Avelar
Michele da Silva Gonsales Torres	Ronaldo Dias
Cláudio Morais Machado	Carlos Roberto de Albuquerque Sá

THE AUDIT COMMITTEE
NAMES
Pedro Carlos de Mello (Financial Specialist and Coordinator)
Márcio de Lima Leite
Roberto Tommasetti
Afonso Henriques Moreira Santos

INVESTOR RELATIONS

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

Website: www.cemig.com.br
e-mail: ri@cemig.com.br

STATEMENTS OF FINANCIAL POSITION

AS OF DECEMBER 31, 2020 AND 2019 AND JANUARY 1, 2019

ASSETS

(In thousands of Brazilian Reais)

	Note	Consolidated			Parent Company		
		Dec. 31, 2020	2019 (Restated)	Jan. 1, 2019 (Restated)	Dec. 31, 2020	2019 (Restated)	Jan. 1, 2019 (Restated)
CURRENT							
Cash and cash equivalents	6	384,397	211,608	301,696	290,995	136,208	226,830
Marketable securities	7	1,132,281	372,678	161,848	889,671	128,175	12,922
Receivables from customers and traders	8	910,455	1,033,281	879,875	797,580	912,315	730,991
Concession holders – transmission service	8	109,908	95,815	71,164	111,066	95,898	71,236
Recoverable taxes	9	347,801	51,182	48,505	339,018	43,700	41,166
Income tax and social contribution tax recoverable	10a	467,700	364,562	159,160	465,246	363,049	156,738
Dividends receivables	14	117,110	112,043	98,842	117,404	112,337	98,842
Concession financial assets	12	258,588	250,565	242,516	-	-	-
Contract assets	13	718,430	576,184	482,144	718,430	576,184	482,144
Derivative financial instruments	29	522,579	234,766	69,643	522,579	234,766	69,643
Others		134,942	151,187	192,111	104,781	157,122	173,814
TOTAL CURRENT		**5,104,191**	**3,453,871**	**2,707,504**	**4,356,770**	**2,759,754**	**2,064,326**
NON-CURRENT							
Marketable securities	7	254,481	916	21,498	199,928	315	1,709
Receivables from customers and traders	8	6,774	5,942	5,020	2,872	573	5,020
Deferred income tax and social contribution tax	10c	10,969	5,100	-	-	-	-
Recoverable taxes	9	54,760	676,051	17,825	23,851	647,934	17,068
Income tax and social contribution tax recoverable	10a	-	3,067	3,115	-	-	-
Escrow deposits	11	160,321	364,277	374,374	151,838	350,051	338,779
Derivative financial instruments	29	2,426,351	1,456,178	743,692	2,426,351	1,456,178	743,692
Others		55,084	64,472	1,090,844	57,656	64,061	1,097,124
Concession financial assets	12	3,106,812	3,033,853	2,982,616	816,202	816,202	816,202
Contract assets	13	2,916,272	2,499,374	2,426,520	2,916,272	2,499,374	2,426,520
Investments	14	3,755,799	4,041,565	4,205,308	7,257,319	7,341,485	7,488,441
Property, plant and equipment	15	2,405,681	2,448,487	2,659,221	1,773,139	1,822,191	2,025,205
Intangible	16	156,486	155,587	197,583	26,724	28,260	30,715
Leasing – rights of use	17a	41,884	52,984	-	40,018	51,581	-
TOTAL NON-CURRENT		**15,351,674**	**14,807,853**	**14,727,616**	**15,692,170**	**15,078,205**	**14,990,475**
TOTAL ASSETS		**20,455,865**	**18,261,724**	**17,435,120**	**20,048,940**	**17,837,959**	**17,054,801**

The Explanatory Notes are an integral part of these Financial Statements.

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STATEMENTS OF FINANCIAL POSITION

AS OF DECEMBER 31, 2020 AND 2019 AND JANUARY 1, 2019

LIABILITIES

(In thousands of Brazilian Reais)

	Note	Consolidated			Parent Company		
		2020	2019 (Restated)	Jan. 1, 2019 (Restated)	2020	2019 (Restated)	Jan. 1, 2019 (Restated)
CURRENT							
Loans, financings and debentures	20	764,810	918,098	604,211	733,520	739,872	604,211
Suppliers	18	465,939	422,312	484,726	392,574	396,317	436,114
Income tax and social contribution tax	10b	128,012	133,868	112,057	-	-	-
Taxes payable	19	165,241	103,368	101,201	149,775	91,128	89,990
Regulatory charges	21	172,619	168,785	139,457	160,872	157,638	131,615
Post-employment obligations	22	66,206	62,550	57,052	66,206	62,550	57,052
Interest on equity, and dividends, payable	28	891,998	781,769	660,068	891,998	781,769	659,622
Payroll and related charges		52,106	51,020	62,724	51,150	50,048	61,743
Put options SAAG	29	536,155	-	-	536,155	-	-
Leasing liabilities	17b	8,702	16,724	-	7,908	16,097	-
Others		172,668	169,138	114,458	161,472	155,490	113,167
TOTAL CURRENT		**3,424,456**	**2,827,632**	**2,335,954**	**3,151,630**	**2,450,909**	**2,153,514**
NON-CURRENT							
Loans, financings and debentures	20	8,120,901	6,968,685	7,594,701	8,120,901	6,968,685	7,431,334
Deferred income tax and social contribution tax	10c	773,560	512,135	536,613	754,603	491,587	510,953
Taxes payable	19	262,745	226,237	223,706	262,673	225,957	223,385
Regulatory charges	21	56,953	45,298	59,349	47,746	39,983	54,048
Post-employment obligations	22	1,391,479	1,372,337	1,019,794	1,391,479	1,372,337	1,019,794
Provisions	23	418,548	400,457	98,708	418,261	400,205	97,793
Put options SAAG	29	-	482,841	419,148	-	482,841	419,148
Leasing liabilities	17c	35,841	38,335	-	34,678	37,502	-
Others		129,211	39,926	21,651	24,798	20,112	19,336
TOTAL NON-CURRENT		**11,189,238**	**10,086,251**	**9,973,670**	**11,055,139**	**10,039,209**	**9,775,791**
TOTAL LIABILITIES		**14,613,694**	**12,913,883**	**12,309,624**	**14,206,769**	**12,490,118**	**11,929,305**
SHAREHOLDERS' EQUITY	24						
Share capital		4,000,000	2,600,000	2,600,000	4,000,000	2,600,000	2,600,000
Profit reserves		2,072,877	2,757,210	2,362,614	2,072,877	2,757,210	2,362,614
Equity valuation adjustments		(230,706)	(221,009)	17,522	(230,706)	(221,009)	17,522
Retained earnings		-	211,640	145,360	-	211,640	145,360
TOTAL SHAREHOLDERS' EQUITY		**5,842,171**	**5,347,841**	**5,125,496**	**5,842,171**	**5,347,841**	**5,125,496**
TOTAL LIABILITIES AND EQUITY		**20,455,865**	**18,261,724**	**17,435,120**	**20,048,940**	**17,837,959**	**17,054,801**

The Explanatory Notes are an integral part of these Financial Statements.

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STATEMENTS OF INCOME

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

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

	Note	Consolidated		Parent Company	
		2020	2019 (Restated)	2020	2019 (Restated)
NET REVENUE	**25**	**7,356,088**	**7,820,387**	**6,328,745**	**6,785,941**
OPERATING COSTS					
COST OF ENERGY	**26**				
Charges for use of the national grid		(199,246)	(189,901)	(146,371)	(137,186)
Energy bought for resale		(4,026,190)	(3,841,262)	(3,905,833)	(3,780,346)
		(4,225,436)	**(4,031,163)**	**(4,052,204)**	**(3,917,532)**
OTHER COSTS	**26**				
Personnel and managers		(257,605)	(274,004)	(238,078)	(254,458)
Materials		(15,326)	(20,640)	(8,518)	(13,399)
Outsourced services		(121,340)	(124,494)	(81,677)	(83,899)
Depreciation and amortization		(183,173)	(195,969)	(136,677)	(137,987)
Operating provisions, net	26c	(33,325)	(317,406)	(33,234)	(318,067)
Transmission infrastructure construction cost	26e	(146,652)	(220,390)	(146,652)	(220,390)
Other operating costs		(66,064)	(46,174)	(15,426)	(20,379)
		(823,485)	**(1,199,077)**	**(660,262)**	**(1,048,579)**
TOTAL COSTS		**(5,048,921)**	**(5,230,240)**	**(4,712,466)**	**(4,966,111)**
GROSS PROFIT		**2,307,167**	**2,590,147**	**1,616,279**	**1,819,830**
OPERATING REVENUE (EXPENSES)					
Selling expenses	26c	(11,054)	(38,407)	(1,198)	(7,576)
General and administrative expenses		(109,480)	(121,683)	(104,982)	(121,683)
Operating provisions	26c	(258)	(690,690)	(258)	(690,690)
Other operating expenses		(178,446)	(351,772)	(177,326)	(330,076)
		(299,238)	**(1,202,552)**	**(283,764)**	**(1,150,025)**
Periodic Tariff Review adjustments, net	13	502,108	-	502,108	-
Share of profit (loss) of associates and joint ventures, net	14	(136,548)	(82,668)	353,953	503,008
Adjustment for impairment of Investments	14	-	-	13,825	(21,684)
Operating income before financial revenue (expenses) and taxes		**2,373,489**	**1,304,927**	**2,202,401**	**1,151,129**
Finance income	27	1,890,015	1,383,270	1,864,996	1,336,943
Finance expenses	27	(2,783,844)	(1,149,320)	(2,753,770)	(1,130,003)
Profit before income tax and social contribution tax		**1,479,660**	**1,538,877**	**1,313,627**	**1,358,069**
Current income tax and social contribution tax	10d	(167,677)	(549,733)	4,747	(362,241)
Deferred income tax and social contribution tax	10d	(256,448)	(87,786)	(262,839)	(94,470)
NET INCOME FOR THE YEAR		**1,055,535**	**901,358**	**1,055,535**	**901,358**
Earnings per share – Basic and diluted – in R$	**24**	**0.36**	**0.31**	**0.36**	**0.31**

The Explanatory Notes are an integral part of these Financial Statements.

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STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

(In thousands of Brazilian Reais)

	Consolidated		Parent Company	
	2020	2019 (Restated)	2020	2019 (Restated)
NET INCOME FOR THE YEAR	**1,055,535**	**901,358**	**1,055,535**	**901,358**
Items not to be reclassified to profit or loss in subsequent years				
Re-measurement of defined-benefit plan obligations (Note 22)	520	(334,810)	520	(334,810)
Income tax and social contribution tax on restatement of defined benefit plans (Note 10c)	(177)	113,836	(177)	113,836
	343	**(220,974)**	**343**	**(220,974)**
COMPREHENSIVE INCOME FOR THE YEAR	**1,055,878**	**680,384**	**1,055,878**	**680,384**

The Explanatory Notes are an integral part of these Financial Statements.

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STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 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 January 1, 2019 (Restated)	**2,600,000**	**2,362,614**	**17,522**	**145,360**	**5,125,496**
Net income for the year	-	-	-	901,358	901,358
Other comprehensive income					
Adjustment of actuarial liabilities – restatement of obligations of the defined benefit plans, net of taxes	-	-	(220,974)	-	(220,974)
Comprehensive income for the period	**-**	**-**	**(220,974)**	**901,358**	**680,384**
Appropriation of Net income for the year					
Tax incentive reserves (Note 24c)	-	(1,166)	-	1,166	-
Realization of PP&E deemed cost (Note 24f)	-	-	(17,557)	17,557	-
Legal reserve (Note 24c)	-	41,754	-	(41,754)	-
Interest on Equity (R$ 0.09 p/share) (Note 24d)	-	-	-	(270,000)	(270,000)
Dividends under the by-laws (R$ 0.06 per share) (Note 24d)	-	-	-	(188,039)	(188,039)
Retained earnings reserve (Note 24c)	-	354,008	-	(354,008)	-
Balances on December 31, 2019 (Restated)	**2,600,000**	**2,757,210**	**(221,009)**	**211,640**	**5,347,841**
Net income for the year	-	-	-	1,055,535	1,055,535
Other comprehensive income					
Adjustment of actuarial liabilities – restatement of obligations of the defined benefit plans, net of taxes	-	-	343	-	343
Comprehensive income for the period	**-**	**-**	**343**	**1,055,535**	**1,055,878**
Capital increase (Note 24a)	1,400,000	(1,400,000)	-	-	-
Appropriation of Net income for the year					
Tax incentive reserves (Note 24c)	-	877	-	(877)	-
Realization of PP&E deemed cost (Note 24f)	-	-	(10,040)	10,040	-
Legal reserve (Note 24c)	-	52,733	-	(52,733)	-
Interest on Equity (R$0.08 p/share) (Note 24d)	-	-	-	(225,200)	(225,200)
Dividends under the by-laws (R$0.12 per share) (Note 24d)	-	-	-	(336,348)	(336,348)
Unrealized profit reserve (Note 24c)	-	222,935	-	(222,935)	-
Retained earnings reserve (Note 24c)	-	439,122	-	(439,122)	-
Balances on December 31, 2020	**4,000,000**	**2,072,877**	**(230,706)**	**-**	**5,842,171**

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STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

(In thousands of Brazilian Reais)

	Note	Consolidated		Parent Company	
		2020	2019 (Restated)	2020	2019 (Restated)
CASH FLOW FROM OPERATIONS		1,055,535	901,358	1,055,535	901,358
Net income for the year					
Adjustments for:					
Expenses (revenues) not affecting cash and cash equivalents:					
Depreciation and amortization	26	211,514	215,522	152,358	157,541
Write-down of net residual value of PP&E, intangible assets, concession financial and contract assets		(7,688)	103,105	(12,621)	86,583
Adjustment to expectation of cash flow from the concession financial and contract assets	13	(813,824)	(737,631)	(466,767)	(419,364)
Gain (loss) by equity method	14	136,548	82,668	(353,953)	(503,008)
Adjustment for impairment of Investments	14	-	-	(13,825)	21,684
Provision for impairment of intangible assets	16	(13,825)	21,684	-	-
Interest and monetary variation		967,648	801,096	959,225	785,521
Foreign exchange variations – loans and financings	20	1,749,000	233,846	1,749,000	233,846
Periodic Tariff Review adjustments	13	(551,852)	-	(551,852)	-
Amortization of transaction cost of loans and financings	20	12,095	11,706	12,095	11,706
Deferred income tax and social contribution tax	10c	256,448	87,786	262,839	94,470
Recognition of recovery of PIS/Pasep and Cofins taxes credits over ICMS	9a	(11,497)	(651,355)	(11,019)	(622,866)
Provisions for operating losses, net	26c	44,637	1,046,503	34,690	1,016,333
Net gain on derivative instruments at fair value through profit or loss	29	(1,752,688)	(997,858)	(1,752,688)	(997,858)
Variation in fair value of derivative financial instruments (Put options)	29	53,314	63,693	53,314	63,693
Post-employment obligations	22	105,802	100,458	105,802	100,458
Others		58,469	(15,281)	58,466	(15,281)
		1,499,636	**1,267,300**	**1,280,599**	**914,816**
(Increase) / decrease in assets					
Receivables from customers and traders		110,940	(192,735)	111,238	(184,453)
Recoverable taxes		7,419	(7,539)	11,034	(7,381)
Income tax and social contribution tax recoverable		(53,305)	(12,222)	(21,479)	(5,763)
Power transport concession holders		(14,093)	(24,651)	(15,168)	(24,662)
Escrow deposits		207,829	22,323	201,981	372
Dividends received	14b	153,732	133,617	603,979	665,028
Concession financial assets and Contract assets	12 and 13	725,550	511,452	459,475	252,471
Others		28,216	62,199	61,017	44,658
		1,166,288	**492,444**	**1,412,077**	**740,270**
(Increase) / decrease in liabilities					
Suppliers		43,627	(62,414)	(3,743)	(39,797)
Taxes		214,842	(49,190)	211,820	(50,178)
Income tax and social contribution tax		167,677	549,733	(4,747)	362,241
Payroll and related charges		1,086	(11,704)	1,102	(11,695)
Regulatory charges		15,489	15,277	10,997	11,958
Post-employment obligations	22	(82,484)	(77,227)	(82,484)	(77,227)
Advances from customers		-	(40,894)	-	(40,894)
Others		59,417	40,139	(21,604)	13,813
		419,654	**363,720**	**111,341**	**168,221**
Cash from operations activities		**3,085,578**	**2,123,464**	**2,804,017**	**1,823,307**
Interest received		-	24,578	-	24,578
Income tax and social contribution tax paid		(144,328)	(700,911)	-	(542,646)
Interest paid on loans, financings and debentures	20	(794,600)	(803,307)	(793,214)	(803,307)
Cash inflows from settlement of derivatives instruments		418,731	100,106	418,731	100,106
Interest paid on leasing contracts	17	(736)	(1,087)	(723)	(1,054)
NET CASH FROM OPERATING ACTIVITIES		**2,564,645**	**742,843**	**2,428,811**	**600,984**

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	Note	Consolidated		Parent Company	
		2020	2019 (Restated)	2020	2019 (Restated)
CASH FLOW IN INVESTMENT ACTIVITIES					
Funding of investments	14b	(1,776)	(43,933)	(151,826)	(43,933)
Reduction of share capital in investee		-	-	-	15,500
Loan with related parties	28	-	400,000	-	400,000
Property, plant and equipment	15	(133,045)	(70,344)	(74,685)	(22,286)
Intangible assets	16	(3,043)	(2,103)	(3,043)	(1,776)
Marketable securities		(1,013,168)	(190,248)	(961,109)	(113,859)
NET CASH FROM (USED IN) INVESTMENT ACTIVITIES		**(1,151,032)**	**93,372**	**(1,190,663)**	**233,646**
CASH FLOW IN FINANCING ACTIVITIES					
Interest on equity, and dividends	24d	(417,539)	(295,838)	(417,539)	(295,392)
Payments of loans, financings and debentures	20	(806,791)	(610,064)	(650,098)	(610,064)
Leasing payments	17	(16,494)	(20,401)	(15,724)	(19,796)
NET CASH USED IN FINANCIAL ACTIVITIES		**(1,240,824)**	**(926,303)**	**(1,083,361)**	**(925,252)**
NET CHANGE IN CASH AND CASH EQUIVALENTS	6	**172,789**	**(90,088)**	**154,787**	**(90,622)**
Cash and cash equivalents at start of year		**211,608**	**301,696**	**136,208**	**226,830**
CASH AND CASH EQUIVALENTS AT END OF YEAR		**384,397**	**211,608**	**290,995**	**136,208**

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STATEMENTS OF ADDED VALUE

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019
(In thousands of Brazilian Reais)

	Consolidated				Parent Company			
	2020		2019 (Restated)		2020		2019 (Restated)	
REVENUES								
Sales of energy and services	8,142,884		7,859,354		7,283,206		6,997,027	
Construction revenue	201,451		311,759		201,451		311,759	
Interest revenue arising from the financing component in the transmission contract asset	411,968		327,995		411,968		327,995	
Gain on financial updating of the concession grant fee	347,057		318,267		-		-	
Periodic Tariff Review adjustments	551,852		-		551,852		-	
Investments in property, plant and equipment	69,645		25,012		69,645		25,012	
Recovery of PIS/Pasep and Cofins taxes credits over ICMS	-		413,616		-		397,301	
Provision for doubtful receivables	(11,054)		(38,407)		(1,198)		(7,576)	
Other revenues, net	2,584		23,932		2,584		23,932	
	9,716,387		**9,241,528**		**8,519,508**		**8,075,450**	
INPUTS ACQUIRED FROM THIRD PARTIES								
Energy bought for resale	(4,417,425)		(4,210,530)		(4,289,008)		(4,145,838)	
Charges for use of national grid	(217,558)		(207,094)		(161,239)		(151,123)	
Outsourced services	(265,255)		(261,114)		(225,569)		(220,501)	
Materials	(114,255)		(158,615)		(107,447)		(151,375)	
Paid concession	(2,801)		(2,958)		(2,791)		(2,948)	
Other operating costs	(134,218)		(1,276,175)		(92,698)		(1,232,151)	
	(5,151,512)		**(6,116,486)**		**(4,878,752)**		**(5,903,936)**	
GROSS VALUE ADDED	**4,564,875**		**3,125,042**		**3,640,756**		**2,171,514**	
RETENTIONS								
Depreciation and amortization	(211,514)		(215,522)		(152,358)		(157,541)	
NET VALUE ADDED	**4,353,361**		**2,909,520**		**3,488,398**		**2,013,973**	
ADDED VALUE RECEIVED BY TRANSFER								
Share of (loss) profit, net, of associates and joint ventures	(136,548)		(82,668)		353,953		503,008	
Finance income	1,890,015		1,383,270		1,864,996		1,336,943	
Adjustment for impairment of Investments	-		-		13,825		(21,684)	
	1,753,467		**1,300,602**		**2,232,774**		**1,818,267**	
ADDED VALUE TO BE DISTRIBUTED	**6,106,828**		**4,210,122**		**5,721,172**		**3,832,240**	
DISTRIBUTION OF ADDED VALUE								
		%		%		%		%
Employees	**404,155**	**6.62**	**437,328**	**10.39**	**385,004**	**6.74**	**418,106**	**10.91**
Direct remuneration	243,177	3.98	289,554	6.88	224,717	3.93	270,969	7.07
Current Benefits and post-employment	134,735	2.21	126,425	3.00	134,197	2.35	125,941	3.29
FGTS fund	14,895	0.24	15,495	0.37	14,742	0.26	15,342	0.40
Programmed voluntary retirement plan	11,348	0.19	5,854	0.14	11,348	0.20	5,854	0.15
Taxes	**1,857,884**	**30.42**	**1,712,687**	**40.68**	**1,522,889**	**26.63**	**1,374,845**	**35.87**
Federal	1,272,649	20.84	1,063,126	25.25	998,203	17.45	800,451	20.89
State	579,231	9.48	641,622	15.24	522,091	9.13	570,745	14.89
Municipal	6,004	0.10	7,939	0.19	2,595	0.05	3,649	0.09
Remuneration of external capital	**2,789,254**	**45.68**	**1,158,749**	**27.52**	**2,757,744**	**48.18**	**1,137,931**	**29.70**
Interest	2,783,844	45.59	1,149,320	27.30	2,753,770	48.13	1,130,003	29.49
Rentals	5,410	0.09	9,429	0.22	3,974	0.05	7,928	0.21
Remuneration of own capital	**1,055,535**	**17.28**	**901,358**	**21.41**	**1,055,535**	**18.45**	**901,358**	**23.52**
Interest on equity	225,200	3.68	270,000	6.41	225,200	3.94	270,000	7.04
Dividends	336,348	5.51	188,039	4.47	336,348	5.88	188,039	4.91
Retained earnings	493,987	8.09	443,319	10.53	493,987	8.63	443,319	11.57
	6,106,828	**100.00**	**4,210,122**	**100.00**	**5,721,172**	**100.00**	**3,832,240**	**100.00**

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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

(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 equity interests in the following subsidiaries, jointly-controlled entities and affiliates, all of which principal activities are: construction and operation of systems for production and sale of energy (information in MW has not been audited by the external auditors):

Investments	Classification	Description
JOINTLY CONTROLLED		
Hidrelétrica Cachoeirão S.A. ('Cachoeirão')	Jointly controlled	Production and sale of energy as an independent power producer, through the Cachoeirão hydroelectric power plant located at Pocrane, in the State of Minas Gerais.
Baguari Energia S.A. ('Baguari Energia')	Jointly controlled	Construction, operation, maintenance and commercial operation of the Baguari Hydroelectric Plant, through participation in the UHE Baguari Consortium (Baguari Energia 49.00% and Baguari I - wholly-owned subsidiary of Neoenergia 51.00%), located on the Doce River in Governador Valadares, Minas Gerais State.
Hidrelétrica Pipoca S.A. ('Pipoca')	Jointly controlled	Independent production of energy, through construction and commercial operation of the Pipoca Small Hydro Plant (SHP, or Pequena Central Hidrelétrica – PCH), on the Manhuaçu River, in the municipalities of Caratinga and Ipanema, in the State of Minas Gerais.
LightGer S.A. ('LightGer')	Jointly controlled	Independent power production through building and commercial operation of the hydroelectric potential referred to as the Paracambi Small Hydro Plant (or PCH) on the Ribeirão das Lages river in the county of Paracambi, in the State of Rio de Janeiro.
Renova Energia S.A. ('Renova Energia') – court supervised reorganization	Jointly controlled	Listed company operating in development, construction and operation of plants generating power from renewable sources – wind power, small hydro plants (SHPs), solar energy, trading of energy, and related activities. This jointly-controlled investee is currently under court supervised reorganization.
Retiro Baixo Energética S.A. ('RBE')	Jointly controlled	RBE holds the concession to operate the Retiro Baixo hydroelectric plant, on the Paraopeba River, in the São Francisco river basin, in the municipalities of Curvelo and Pompeu, in Minas Gerais State.
Aliança Norte Energia Participações S.A. ('Aliança Norte')	Jointly controlled	This is a special-purpose company (SPC) created by Cemig GT (49.00% ownership) and Vale S.A. (51.00%), for acquisition of an interest of 9.00% in Norte Energia S.A. ('Nesa'), the company holding the concession for the Belo Monte Hydroelectric Plant, on the Xingu River, in the State of Pará.

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Investments	Classification	Description
Amazônia Energia Participações S.A (‘Amazônia Energia’)	Jointly controlled	This is a special-purpose company created by Cemig GT (74.50% ownership) and Light (25.50%), for acquisition of an interest of 9.77% in Norte Energia S.A. (‘Nesa’), the company holding the concession for the Belo Monte Hydroelectric Plant, on the Xingu River, in the Brazilian State of Pará.
Aliança Geração de Energia S.A. (‘Aliança’)	Jointly controlled	Unlisted corporation created by the Company and Vale S.A. to become a platform for consolidation of generation assets held by the two parties in generation consortia, and investments in future generation projects. The two parties subscribed their shares in the company by transfer of their interests in the following generation assets: Porto Estrela, Igarapava, Funil, Capim Branco I, Capim Branco II, Aimorés, and Candonga. Subsequently, Santo Inácio Wind farm was added to the portfolio, which went in operation in December, 2017. With these assets Aliança has total installed generation capacity, of 1,158.34 MW (physical offtake guarantee 660.54 MW average) and a total installed wind generation of 98.70 MW (physical offtake guarantee 46.00 MW average). Vale holds 55.00% of the total capital, and Cemig GT 45.00%.
Usina Hidrelétrica Itaocara S.A. (‘UHE Itaocara’)	Jointly controlled	The UHE Itaocara consortium is a jointly-controlled corporation – formed by the Company and Itaocara Energia (of the Light group). It is responsible for construction of the Itaocara I Hydroelectric Plant.
Guanhães Energia S.A. (‘Guanhães Energia’)	Jointly controlled	Production and sale of energy through building and commercial operation of the following Small Hydro Plants: Dores de Guanhães, Senhora do Porto and Jacaré, in the county of Dores de Guanhães; and Fortuna II, in the county of Virginópolis, in Minas Gerais.
AFFILIATED COMPANY		
Madeira Energia S.A. (‘Madeira’)	Affiliated Company	Construction and commercial operation of the Santo Antônio hydroelectric plant, through its subsidiary Santo Antônio Energia S.A., in the basin of the Madeira river, in the State of Rondônia.
SUBSIDIARIES		
Cemig Geração Três Marias S.A	Subsidiary	A corporation wholly owned by the Company. Objects are production and sale of energy as public service concession holder, by commercial operation of the Três Marias Hydroelectric Plant, and sale and trading of energy in the Free Market. This subsidiary has installed capacity of 396 MW (*), and guaranteed offtake level of 239 MW (*) average, of which 70% is sold through the quota regime and 30% is free for trading.
Cemig Geração Salto Grande S.A	Subsidiary	A corporation wholly owned by the Company. Objects are production and sale of energy as public service concession holder, by commercial operation of the Salto Grande Hydroelectric Plant, and sale and trading of energy in the Free Market. Installed capacity 102 MW (*), guaranteed offtake 75 MW (*) average, of which 70% is sold through the quota regime and 30% is free for trading.
Cemig Geração Camargos S.A	Subsidiary	A corporation wholly owned by the Company. Objects are production and sale of energy as public service concession holder, by commercial operation of the Camargos Hydroelectric Plant, and sale and trading of energy in the Free Market. Installed capacity 46 MW (*), guaranteed offtake 21 MW (*) average, of which 70% is sold through the quota regime and 30% is free for trading.
Cemig Geração Itutinga S.A	Subsidiary	A corporation wholly owned by the Company. Objects are production and sale of energy as public service concession holder, by commercial operation of the Itutinga Hydroelectric Plant, and sale and trading of energy in the Free Market. Installed capacity 52 MW (*), guaranteed offtake 28 MW (*) average, of which 70% is sold through the quota regime and 30% is free for trading.
Cemig Geração Leste S.A	Subsidiary	Corporation wholly owned by the Company. Its objects are production and sale of energy as public concession holder, by operation of the Dona Rita, Sinceridade, Neblina, Ervália, Tronqueiras and Peti Small Hydroelectric Plants, and trading in energy in the Free Market. Aggregate installed generation capacity of these plants is 35.17 MW (*); average offtake guarantee is 18.80 MW (*),of which 70% is sold through the quota regime and 30% is free for trading.
Cemig Geração Oeste S.A	Subsidiary	Corporation wholly owned by the Company. Objects are production and sale of energy as public service concession holder, by commercial operation of the Gafanhoto, Cajuru and Martins Small Hydroelectric Plants, and sale and trading of energy in the Free Market. It has aggregate installed capacity of 28.90 MW (*), and aggregate offtake guarantee of 11.21 MW (*) average, of which 70% is sold through the quota regime and 30% is free for trading.
Cemig Geração Sul S.A	Subsidiary	Corporation wholly owned by the Company. Its objects are production and sale of energy as public concession holder, by commercial operation of the Coronel Domiciano, Marmelos, Joasal, Paciência and Piau Small Hydroelectric Plants, and trading in energy in the Free Market. Aggregate installed generation capacity of these plants is 39.53 MW (*); average offtake guarantee is 27.09 MW (*),of which 70% is sold through the quota regime and 30% is free for trading.
Central Eólica Praias de Parajuru S.A. (‘Central Eólica Praias de Parajuru’)	Subsidiary	Production and sale of energy through a wind farm in the county of Beberibe in the State of Ceará, Northern Brazil.
Central Eólica Volta do Rio S.A. (‘Central Eólica Volta do Rio’)	Subsidiary	Production and sale of energy from a wind farm in Acaraú, in the State of Ceará, Northern Brazil.
Sá Carvalho S.A. (‘Sá Carvalho’)	Subsidiary	Production and sale of energy, as a public energy service concession holder, through the Sá Carvalho hydroelectric power plant.
Horizontes Energia S.A. (‘Horizontes’)	Subsidiary	Independent power producer operating the Machado Mineiro and Salto do Paraopeba Hydroelectric Plants in Minas Gerais; and the Salto do Voltão and Salto do Passo Velho Hydroelectric Plants, in the state of Santa Catarina.
Rosal Energia S.A. (‘Rosal’)	Subsidiary	Production and sale of energy, as a public energy service concession holder, through the Rosal hydroelectric power plant located on the border between the States of Rio de Janeiro and Espírito Santo.
Cemig PCH S.A. (‘PCH’)	Subsidiary	Production and sale of energy as an independent power producer, through the Pai Joaquim hydroelectric power plant.
Empresa de Serviços e Comercialização de Energia Elétrica S.A.	Subsidiary	Production and sale of energy as an independent power producer, in future projects.
Cemig Geração Poço Fundo S.A. (‘Poço Fundo’)	Subsidiary	Production and sale of thermally generated energy, as an independent producer, through construction and operation of the UTE Barreiro thermal generation plant, located on the premises of Vallourec Tubos do Brasil S.A., in the State of Minas Gerais.
Cemig Trading S.A. (‘Cemig Trading’)	Subsidiary	Trading and intermediation in supply of energy.

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Investments	Classification	Description
Cemig Baguari Energia S.A. ('Cemig Baguari')	Subsidiary	Production and sale of energy as an independent and participation in other companies or consortia the objectives of which are production and commercial operation of electricity, in future projects.

(*) information not audited by the external auditors.

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 financial statements has been prepared on a going concern basis.

b) Incorporação da subsidiária integral Cemig Comercializadora de Energia Incentivada S.A.

On October 1, 2020 an Extraordinary General Meeting of Stockholders approved absorption the merger of the Company's subsidiary Cemig Comercializadora de Energia Incentivada, at book value, with consequent extinction of this investee from that date, and as a result the investee ceased to exist and the Company took over of all its rights and liabilities, in accordance with Article 227 of Law 6,404/76.

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

c) 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

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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.

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

- Restraint of the capital expenditure planned for 2020, in the approximate amount of R$180 and a budget review, which reduced the expenses related to labor, material, outsourced services and others, in the approximate amount of R$28;
- Negotiating with its customers on the free market their contracts; and
- Deferral, during the year, of taxes and social charges payment, as authorized by legislation.

Impact of Covid-19 on Financial Statements

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

The Covid-19 crisis impacted the Cemig group’s operations, but the most serious effects were in the second quarter of 2020, and the first half of the third quarter.

As of December 31, 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. In view of the current market conditions, the change in derivative instrument’s fair value, based on the forecasts of future interest and exchanges rates, and the semiannual settlement of derivatives instruments, were sufficient to offset the Company’s total exposure to foreign exchange rate variability, resulting in a net gain of R$4 in the period of January to December 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.

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- the management´s 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 impairment losses were recognized to its investments in subsidiaries, joint-controlled entities and associates, due to the economic crisis;
- 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 reviewed the financial assets and liabilities measured at fair value to reflect the conditions and current rates projected, which impacts are presented in Note 29 of these financial statements; and
- the Company has maintained 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 disclosed in this financial statements were based on the Company's best estimates. Despite the impact of the pandemic on the Company's financial position in 2020, significant long-term effects are not expected.

2. BASIS OF PREPARATION

2.1 Statement of compliance

The individual and consolidated financial statements of the Company have been prepared in accordance with accounting practices adopted in Brazil, which comprise: the rules issued by the Brazilian Securities Commission (CVM), and the pronouncements made by the Accounting Pronouncements Committee (CPC), and in accordance with the international financial reporting standards (IFRS) issued by IASB.

The accounting practices adopted in Brazil applied in the individual financial statements, as from 2014, do not differ from those of IFRS applicable to the separate financial statements, since this rule permitted application of the equity method of accounting in subsidiaries, affiliated companies and joint ventures. Thus, these individual financial statements, which are presented jointly with the consolidated financial statements, are also in accordance with international financial reporting standards (IFRS).

The individual and consolidated financial statements provide comparative information in respect of the previous period. In addition, the Company presents an additional statement of financial position at the beginning of the preceding period when there is a retrospective application of an accounting policy, a retrospective restatement, or a reclassification of items in financial statements. An additional statement of financial position as at January 1, 2019 is presented in these individual and consolidated financial statements due to the retrospective application of an accounting policy (see Note n. 2.9).

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All relevant information in the financial statements is being disclosed, which is used by management in its administration of the Company.

On March 26, 2021, the Company's management authorized the issuance of the financial statements for the year ended December 31, 2020.

2.2 Basis of measurement

These financial statements were prepared on a historical cost basis, except in the case of certain financial instruments which are measured at fair value, as detailed in Note 29.

2.3 Functional currency and presentation currency

These individual and consolidated financial statements are presented in Reais – R$, which is the functional currency of the Company and its subsidiaries. The information is expressed in thousands of Reais (R$ '000), except where otherwise indicated.

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

2.4 Use of estimates and judgments

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

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

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

- Adjustments for loss on doubtful accounts – Note 8.
- Deferred income tax and social contribution tax – Note 10.
- Concession financial assets – Note 12.
- Concession contract assets – Note 13.
- Investments – Note 14.
- Property, plant and equipment ('PP&E') and useful life of assets – Note 15.
- Intangible assets and useful life of assets – Note 16.

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- Leasing transactions – Note 17.
- Employee post-employment obligations – Note 22.
- Provisions – Note 23.
- Unbilled revenue – Note 25.
- Financial instruments measurement and fair value measurement – Note 29.

The settlement of the transactions involving those estimates may result in amounts that are significantly different from those recorded in the Financial Statements due to the uncertainty inherent to the estimation process. The Company and its subsidiaries reviews its significant estimates at least annually.

2.5 Regulatory accounting statements

Under the Electricity Sector Accounting Manual (MSCE), the Company is obliged to publish Regulatory Accounting Statements (Demonstrações Contábeis Regulatórias, or DCRs), presented independently from the corporate financial statements, and made available on the regulator's website and that of the Company by April 30 of the following year.

2.6 New accounting standards, interpretation or revisions of accounting standards, applied for the first time in 2020

The Company has applied, for the first time, new accounting standards that became effective for annual periods beginning January 1, 2020 or later, as described below:

CPC 15 (R1)/IFRS 03: The amendment clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that, together, significantly contribute to the ability to create output. Furthermore, it clarifies that a business can exist without including all of the inputs and processes needed to create outputs and also introduced an optional fair value concentration test. The alterations apply prospectively to transactions or other events that take place on or after the date of first application.

CPC 26 (R1)/IAS 1 and IAS 8: These change the definition of 'material omission' or 'distorted material disclosure' and clarify some aspects of that definition.

CPC 38/IAS 39, CPC 40 (R1)/IFRS 7 e CPC 48/IFRS 09 – "Interest rate benchmark reform": provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainty about the timing and/or amount of benchmark-based cash flows of the hedged item or the hedging instrument.

CPC 06(R2)/IFRS 16: provide relief to lessees from applying CPC 06/IFRS 16 guidance on lease modification accounting for rent concession arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any chance in lease payment resulting from the Covid-19 related rent concession the same

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way it would account for the change under CPC 06/IFRS 16, if the change were not a lease modification.

Conceptual Framework for Financial Reporting: The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the IASB in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards. This will affect those entities which developed their accounting policies based on the Conceptual Framework. The revised Conceptual Framework includes some new concepts, updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts.

These amendments had no impact on the consolidated financial statements of the Company.

2.7 Standards issued but not yet effective

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's financial statements are disclosed below:

IFRS 17 – Insurance contracts, issued by IASB in May, 2017: a rule that has not yet been issued in Brazil, which has the general aim of supplying an accounting model for insurance contracts that is more useful and consistent for insurance companies; it is not applicable to the Company and its subsidiaries. IFRS 17 is effective for reporting periods beginning on or after 1 January 2023.

IAS 1 – Classification of Liabilities as Current or Non-current: In January 2020, the IASB issued amendments the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify: (i) what is meant by a right to defer settlement; (ii) that a right to defer must exist at the end of the reporting period (iii) that classification is unaffected by the likelihood that an entity will exercise its deferral right (iv) that only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification. The amendments are effective for annual reporting periods beginning on or after 1 January 2021 and must be applied retrospectively. The Company and its subsidiaries do not expect material impacts from this review.

IAS 16 - Property, Plant and Equipment – Proceeds before intended use: In May 2020, the IASB issued amendments to IAS 16 which prohibits entities deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, these proceeds from the selling such items and the costs of producing those items must be recognized in profit or loss. The amendment is effective for annual reporting periods beginning on or after January 1, 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment. The Company and its subsidiaries do not expect material impacts from this review.

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The Accounting Announcements Committee (CPC) also issued Revision No. 17/2020, on February 11, 2021, creating alterations in the pronouncements CPC 06 (R2), CPC 11, CPC 38, CPC 40 (R1) and CPC 48, arising from the definition of the term “Review of the Reference Interest Rate”, applicable to annual periods beginning on or after January 1, 2021. The company and its subsidiaries do not expect any material impacts arising from this revision.

2.8 Significant accounting policies

The significant accounting policies described below have been applied consistently to all the periods presented in the financial statements, in accordance with the standards and regulations described in Item 2.1 – *Statement of compliance*.

The accounting policies relating to the present operations of the Company and its subsidiaries that require judgment and the use of specific valuation criteria are the following:

a) Financial instruments

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

Fair value through profit or loss – In this category are: Cash equivalents; marketable securities not classified at amortized cost; Derivative financial instruments; and Indemnities receivable from generation assets.

Cash and short-term deposits in the statements of financial position comprise cash at banks and on hand and short-term highly liquid deposits, subject to an insignificant risk of changes in value, maintained to carry out the Company’s and its subsidiaries cash management.

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

Derivatives financial instruments (Swap transactions and call spread) – The Company holds derivative hedge instruments to regulate its exposures to risks of variation in foreign exchange rates that are recognized initially at their fair value. The related transaction costs are recognized in the statements of income when they are incurred. After the initial recognition, derivatives are measured at fair value and changes in fair value are recorded in the statements of sncome.

Derivative financial instruments (Put options) – The options to sell units of FIP Melbourne and FIP Malbec funds (‘the SAAG PUT’) were measured at fair value using the Black-Scholes-Merton (BSM) method until the exercising date of the options.

Amortized cost – In this category are: Receivables from customers, traders, and energy transport concession holders; Restricted cash; Court escrow deposits; Securities for which there is a positive intention to hold them to maturity or the terms of their contracts originate known cash flows that constitute exclusively payments of principal and interest; Concession financial assets

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related to the concession grant fee for energy generation contracts; Receivables from related parties; Suppliers; Loans, financings and debentures; Debt agreed with the pension fund (Forluz); Concessions payable; Advances to customers; and Other credits.

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

Additional disclosures of financial instruments are presented in Note 29 to these financial statements.

b) Customers, traders and power transport concession holders

Accounts receivable from customers, traders and power transport concession holders are initially recognized at the sales value and subsequently measured at amortized cost. Includes any direct taxes for which the company and its subsidiaries has the tax responsibility, less taxes withheld at source, which are considered to be tax credits.

The Annual Permitted Revenue (RAP) is the consideration received as revenue from the investment in the national grid as well as the construction or upgrades, operation and maintenance services. The revenues from the energy transmission concession contracts are recognized when the performance obligation are satisfied. The contract asset are transferred to the financial asset, falling within the scope of IFRS 9, after the issuance of the credit notice, monthly issued by ONS, authorizing RAP billing, which is when the right to consideration is unconditional. The revenues are recognized at the transaction price and the assets are subsequently measured at amortized cost, using the effective interest method, adjusted by impairment losses, when applicable, and recognizing the deferred taxes. As required by IFRS 9 – Financial Instruments, the financial asset carrying amount is analyzed and, when applicable, a loss allowance for expected credit losses is recognized.

The adjust for doubtful receivables is recorded based on estimates by management. The main criteria set by the company and its subsidiaries are: (i) For customers with significant balances, the balance receivable is analyzed in the light of the history of the debt, negotiations in progress, and asset guarantees; and (ii) for large customers, an individual analysis of the debtors and the initiatives in progress for receipt of the credits due.

c) Investments

The Company has investments in affiliated companies, subsidiaries and jointly-controlled entities. Control is obtained when the Company has the power to control the financial and operational policies of an entity, to receive benefits from its activities. These investments are accounted using the equity method in the individual and consolidated financial statements of the parent company, and are, initially, recognized acquisition cost, by the consideration transferred, measured at fair value at acquisition date.

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The difference between the amount paid and the amount of the shareholders' equity acquired is recognized in Investments as:

(i) added value, when the economic basis is substantially related to the fair value of the net assets of the subsidiary acquired; and
(ii) goodwill premium, when the amount paid is higher than the fair value of the net assets, and this difference represents the expectation of generation of future value.

The goodwill premium arising from the acquisition is tested annually for impairment.

After application of the equity method, the Company determines whether it is necessary to recognize an impairment loss on its investment in its affiliates or jointly-controlled entities. At each reporting date, the Company determines whether there is objective evidence that the investment in the affiliates or jointly-controlled entities is impaired. If there is such evidence, the investment carrying amount is subject to impairment testing.

The participations in consortia are accounted in accordance with CPC 19 (R2) – Joint ventures, and these investments are recognized in accordance with the Company's participation in any assets and/or liabilities held or assumed jointly. The result of these investments is recognized in proportion to the Company's participation in the revenues and expenses of the joint operation.

d) Concession assets

Transmission segment: When construction of transmission infrastructure is finalized, the assets related to the transmission infrastrture remains as contract asset, considering the existence of performance obligations during the concession period, represented by the network construction, operation and maintenance, as there is no unconditional right to receive the consideration for the construction service unless the company operates and maintains the infrastructure. The contract asset is reclassified as a financial asset (accounts receivable) only after the performance obligation to operate and maintain the infrastructure is satisfied, since from that point nothing more than the passage of time is necessary for the consideration to be received. The costs related to the infrastructure construction are recognized as incurred in the statement of income. The construction or upgrade services revenues are recognized in accordance with the stage of completion of the construction service, based on the costs actually incurred, including construction margin.

The margin added to the performance obligation related to the construction and improvements is based on Company's expectations regarding its projects profitability.

When adjusting the promised amount of consideration for the concession contract asset financing component, the Company uses the discount rate which reflects the Company's estimation of the financing of the transmission infrastructure investments. This reflects the rate that discounts the nominal amount of the promised consideration to the price that the customer would pay in cash for the goods or services when (or as) they transfer to the customer. The interest rates implicit in the contract are defined at the beginning of the investments and take into account the credit risk of the counterparties.

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When the tariff set is changed at the time of the periodic tariff reviews, the contract asset is remeasured, discounting the future revenue (RAPs) using the contract original discount rate, implicit in the contract. The amount remeasured is confronted to the carrying amount and the difference is recognized as an adjustment to revenue (either as an increase in or a reduction of revenue) at the date of the contract modification (the adjustment to revenue is made on a cumulative catch-up basis).

Of the amounts of Permitted Annual Transmission Revenue (RAP), invoiced by the transmission concession, the portion relating to the fair value of the operation and maintenance of the assets is recorded in the income statement and the portion relating to the construction revenue, originally recognized at the time of the formation of the assets, is used to write down the contract asset. Additions for expansion and improvements generate additional cash flow, and hence this new cash flow is capitalized into the asset balance of the contract.

Financial portion of remuneration and depreciation unpaid since the extensions of concessions in accordance with Law 12,783/2013: corresponding to the portion of remuneration and depreciation unpaid from the date of the extension of the concessions until it was incorporated into the Assets Remuneration Base (January 1, 2013 until June 30, 2017), to be paid over a period of eight years through the RAP.

The amounts to be received are subject to the applicable regulatory rules in the tariff process, including the mechanisms that monitor and measure efficiency. In this new context, the unconditional right to consideration depends on the satisfaction of the performance obligation to operate and maintain, and is, thus, characterized as a contractual asset. For more information, see Note 2.9.

Generation segment: The concession fee right paid for the concession contracts granted by the Brazilian Regulator (Aneel) in November 2015, has been classified as a financial asset, at amortized cost, as it represents an unconditional right to receive cash, adjusted by the IPCA index, and remuneratory interest, during the period of the concession.

e) Intangible assets

Intangible assets comprise, mainly, the assets related to concession contracts for services described above and software. Intangible assets are stated at cost, less amortization, and any accumulated impairments when applicable. Amortization rates are shown in Note 16.

Any gain or loss arising upon derecognition of the asset, calculated as the difference between the net disposal proceeds and the carrying amount of the asset, is included in the statements of income.

f) Property, plant and equipment

Property, plant and equipment are stated at the cost, including deemed capitalized borrowing costs and less accumulated depreciation.

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Depreciation is calculated on the balance of property, plant and equipment in service and investments in consortia, by the straight-line method, using the rates that reflect the estimated useful life of the assets, for assets related to the energy activities, limited in certain circumstances to the periods of the related concession contracts. The main rates are shown in Note 15.

Gains and losses resulting from the disposal of a property, plant and equipment, are measured as the difference between the net proceeds obtained from the sale and the asset's book value, and are recognized in the Statements of income when the asset is disposed of.

g) Impairment

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

Additionally, management revises, annually, the carrying amount of non-financial assets, for the purpose of assessing if there is any indication, such as events or changes in the economic, operational or technological conditions that an asset may be impaired. If any indication exists and the asset carrying amount exceeds its recoverable amount, an impairment loss is recognized, adjusting the carrying amount of the asset or cash generating unit to its recoverable amount. The recoverable amount of an asset or cash generating unit is defined as the higher between its value in use and its fair value less costs to sell.

h) Employee benefits

The liability recorded in the statements of financial position related to retirement benefit pension plan obligations, is the greater of: (a) the amount to be paid in accordance with the terms of the pension plan for amortization of the actuarial obligations, and (b) the present value of the actuarial obligation, as calculated by a qualified actuary, less the fair value of the plan's assets, and adjusted for unrecognized actuarial gains and losses. Expenses related to the debt agreed upon with the pension trust fund were recorded in finance income (expenses), because they represent financial interest and inflation adjustment. Other expenses related to the pension fund were recorded as operating expenses.

Actuarial gains and losses arising as a result of changes in actuarial assumptions are recognized in other comprehensive income.

Short-term benefits to employees: Employees' profit sharing as determined in the Company's by-laws are recorded in accordance with the collective agreement established with the employees' union and recorded in employees' and managers' profit sharing in the Statement of income.

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i) Income tax and social contribution tax

The income tax and social contribution tax expenses represents the total amount of current and deferred taxes, which are presented separately in the financial statements. The Company is subject to the regular tax regime '*Lucro Real*'. However, its subsidiaries that can benefit from the favorable tax regime, according to tax law, analyze the payable tax projection for the next year, in order to determine the tax regime that reduces its taxes payment.

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

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

Current

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

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

Deferred

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

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

- When the deferred tax (asset or liability) arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable

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future and taxable profit will be available against which the temporary differences can be utilized.

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

Deferred income tax and social contribution tax assets are reviewed at the reporting date, and are reduced to the extent that their realization is no longer probable.

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

j) Government grants

Government grants are recognized when there is reasonable assurance that the grant will be received, and all attached conditions will be complied with.

The Company has ventures in an area incentivated by Sudene, which result in the recognition of its right to a 75% reduction in income tax, including the additional. Such tax incentives, in the form of exemption or reduction of income tax, comply with the concept of government grants and are recognized by recording the total tax in the income statement as if due, and the equivalent grant income, shown as a deduction from income tax expense.

Given the legal restriction on the distribution of net income corresponding to the tax incentive, the Company maintains the amount related to the incentive granted in the tax incentive reserve.

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

k) Current versus non-current classifications

The Company presents assets and liabilities in the statement of financial position based on current/non-current classification. Assets and liabilities are current when they are:

- Expected to be realized, intended to be sold, consume or settled in the normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realized or settled within twelve months after the reporting period
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

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- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The terms of the liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

l) Revenue recognition

In general, for the business of the Company and its subsidiaries in the energy sector, revenues are recognized when a performance obligation is satisfied, at the value that is expected to be received in exchange for the goods or services transferred, this value being allocated to that performance obligation. The Entity records the revenue only when it is probable that it will receive the consideration in exchange for the goods or services transferred, taking into account the client's capacity and intention to comply with the payment obligation.

Revenues from the sale of energy are recorded based on the energy supplied and the tariffs specified in the terms of the contract or in effect in the market. Revenues from retail supply of energy to final customers are recorded monthly basis, when the energy is supplied, based on measured and invoiced energy. In addition, the Company recognizes the unbilled retail supply of energy, from the period between the last billing and the end of each month, is estimated based on the supply contracted. Historically, the differences between the estimated amounts and the actual revenues recognized are not significant.

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

- Construction revenue corresponds to the performance obligation to build the transmission infrastructure, recognized based on the satisfaction of obligation performance over time. They are measured based on the cost incurred, including PIS/Pasep and Cofins taxes over the total revenues and the profit margin of the project.
- Operation and maintenance revenue corresponds to the performance obligation of operation and maintenance specified in the transmission concession contract, after termination of the construction phase. They are recognized when the services are rendered and he invoices for the RAPs are issued.
- Interest revenue in the contract asset recognized, recorded as transmission concession gross revenue in statement income. Revenue corresponds to the significant financing component in the contract asset, and is recognized by the linear effective interest rate method based on the rate determined at the start of the investments, which is not subsequently changed. The average of the implicit rates is 6.86%. The rates are determined for each authorization and are applied on the amount to be received (future cash flow) over the contract duration. This includes financial updating by the inflation index specified for each transmission contract.

The services provided include charges for connection and other related services; the revenues are accounted when the services are provided.

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The profit margin on operation and maintenance of transmission infrastructure is determined based on the individual sale price of the service, based on available information on the value of the consideration that the entity expects to have the right to, in exchange for the services promised to the client, in cases where the Company's transmission subsidiaries have the right, separately, to the remuneration for the activity of operation and maintenance, as per CPC 47/IFRS 15 – Revenue from contracts with clients, and the costs incurred for the provision of services of operation and maintenance.

The Resolution Aneel 729/2016 regulates the Variable Portion ('Parcela Variável' or 'PV'), which is the pecuniary penalty applied by the grantor as a result of any unavailability's or operational restrictions on facilities that are part of the National Grid and the surcharge corresponding to the pecuniary bonuses provided to concessionaries as an incentive to improve the transmissions facilities availability. The Company assessed the PV effects, based on historical data, and concluded that recognizing the occasional variable consideration arising from the PV estimated would not result in relevant account information. Therefore, for the both situations described, it is recognized as an adjustment to revenue, either as an increase in or a reduction of operation and maintenance revenue, when it occurs.

m) Sales tax

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

n) Finance income and expenses

Financial revenues refer principally to the revenue from cash investments, late fees on electricity invoices to customers, updating of tax credits, updating of concession financial assets, updating of Court escrow deposits, and change in the fair value of, or interest on, other financial assets. Interest income is recognized in the income using the effective interest method.

Finance expenses include: interest expense on borrowings; and foreign exchange and monetary adjustments on borrowing costs of debt, financings, and debentures. Interest expense on the Company's borrowings that is not capitalized is recognized in the Statements of income using the effective interest method.

o) Cash dividends

A liability to pay a dividend is recognized when the distribution is authorized or is enforced by law. The Brazilian law requires the payment of a minimum dividend, and, thus, it is considered a present obligation at the end of the fiscal year, being recognized as an entity's liability.

p) Segment reporting

The operating results of all operating segments for which discrete financial information is available are reviewed regularly by the Company's CEO, to make decisions about resources to be allocated to the segment, and to assess its performance.

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Segment results that are reported to the CEO include items directly attributable to the segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets (primarily the Company's headquarters) and head office expenses.

Segment capital expenditure is the total cost incurred during the year to acquire: concession financial assets, intangible assets, concession contract assets and property, plant and equipment.

q) Leases

As from the CPC06/IFRS 16 first adoption, on January 01, 2018, the Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The contracts that contain a lease component are described in Note 17.

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

Right-of-use assets

Right-of-use assets are measured at cost, less any accumulated amortization and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are amortized on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as described in Note 17.

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

Lease liabilities

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

In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to

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reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

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

Short-term leases and leases of low-value assets

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

2.9 Retrospective application of accounting policy and reclassification of items in financial statements

On January 1, 2018, at the first adoption of CPC 47/IFRS 15, considering the characteristics of its concession contracts, the Company classified as contract assets: (i) the consideration to be received for the construction of power transmission infrastructure corresponding to the remaining balance of National Grid assets ('BNES' - Basic Network of the Existing System), re-incorporated into the remuneration base (the economic portion), and (ii) the assets remunerated by tariff, since the performance obligation of construction and upgrade is conditional upon satisfaction of the performance obligation of operation and maintenance.

On the other hand, at first adoption, the financial portion of the National Grid assets, which represents the amount owed since the extension of the concessions until its incorporation into the tariff (i.e. from January 1, 2013 to June 30, 2017), was classified as a financial asset, since it no longer involved the construction of infrastructure assets and exclusively represented installments not paid, updated by the regulatory cost of capital of the transmission sector. The classification of this portion as a financial asset was based on the belief that the non-existence of infrastructure assets linked to the financial component of the national grid assets in relation to which a performance obligation could be required would substantiate its classification as financial asset.

On June 30, 2020, Aneel ratified the results of the Periodic Tariff Review (RTP), resetting the positioning of the Permitted Annual Revenue (RAP) to be applied to the revenue in effect on July 1, 2018. In this tariff reset, considering the results and criteria applied by the regulator in the formulation of the regulations to be applied for the National Grid assets – which among other factors include subjection of the amounts of the National Grid assets to operational efficiency measurement mechanisms, no longer having indemnity nature, clarifying certain elements for determination of accounting policy. Additionally, and partially in connection with the clarifications, the CVM issued CVM/SNC/SEP Circular Nº 04/2020, issued on December 01, 2020 and the procedures also to be adopted by the other companies of the Brazilian power transmission sector: (i) classification of the National Grid assets as contract assets, relating to the

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renewal of the concession under Law 12783/14; (ii) allocation of the margin to performance obligations under the concession contract; and (iii) determination of the discount rate to be used for recognition of the financial component in the contract asset.

Thus, the Company used the retrospective method, with cumulative effect recognized in these financial statements, in accordance with items 14 and 22 of CPC 23/IAS 08 – *Accounting policies, changes in accounting estimates and errors.* The mainly effects of the changing accounting policy on the restated financial statements are as follows:

Statement of financial position	Consolidated				Consolidated			
	December 31, 2019				January 1, 2019			
	As presented	Reclassification	Adjustment	Restated	As presented	Reclassification	Adjustment	Restated
CURRENT								
Concession financial assets (1)	439,582	(189,017)	-	250,565	423,511	(180,995)	-	242,516
Contract assets (1) (2)	171,849	189,017	215,318	576,184	130,951	180,995	170,198	482,144
Others	2,627,122	-	-	2,627,122	1,982,844	-	-	1,982,844
TOTAL CURRENT	**3,238,553**	**-**	**215,318**	**3,453,871**	**2,537,306**	**-**	**170,198**	**2,707,504**
NON-CURRENT								
Concession financial assets (1)	4,125,488	(1,091,635)	-	3,033,853	4,097,935	(1,115,319)	-	2,982,616
Contract assets (1) (2)	1,024,385	1,091,635	383,354	2,499,374	998,359	1,115,319	312,842	2,426,520
Others	9,274,626	-	-	9,274,626	9,318,480	-	-	9,318,480
TOTAL NON-CURRENT	**14,424,499**	**-**	**383,354**	**14,807,853**	**14,414,774**	**-**	**312,842**	**14,727,616**
TOTAL ASSETS	**17,663,052**	**-**	**598,672**	**18,261,724**	**16,952,080**	**-**	**483,040**	**17,435,120**

Statement of financial position	Consolidated			Consolidated		
	December 31, 2019			January 1, 2019		
	As presented	Adjustment	Restated	As presented	Adjustment	Restated
CURRENT LIABILITIES						
Taxes payable (3)	51,248	52,120	103,368	57,664	43,537	101,201
Others	2,724,264	-	2,724,264	2,234,753	-	2,234,753
Total current liabilities	**2,775,512**	**52,120**	**2,827,632**	**2,292,417**	**43,537**	**2,335,954**
NON-CURRENT LIABILITIES						
Taxes payable (3)	352	225,885	226,237	4,445	219,261	223,706
Deferred income tax and social contribution tax (4)	403,108	109,027	512,135	461,731	74,882	536,613
Others	9,347,879	-	9,347,879	9,213,351	-	9,213,351
Total non-current liabilities	**9,751,339**	**334,912**	**10,086,251**	**9,679,527**	**294,143**	**9,973,670**
TOTAL LIABILITIES	**12,526,851**	**387,032**	**12,913,883**	**11,971,944**	**337,680**	**12,309,624**
EQUITY						
Retained earnings (5)	-	211,640	211,640	-	145,360	145,360
Others	5,136,201	-	5,136,201	4,980,136	-	4,980,136
TOTAL EQUITY	**5,136,201**	**211,640**	**5,347,841**	**4,980,136**	**145,360**	**5,125,496**
TOTAL LIABILITIES AND EQUITY	**17,663,052**	**598,672**	**18,261,724**	**16,952,080**	**483,040**	**17,435,120**

Statement of financial position	Parent Company				Parent Company			
	December 31, 2019				January 1, 2019			
	As presented	Reclassification	Adjustment	Restated	As presented	Reclassification	Adjustment	Restated
CURRENT								
Concession financial assets (1)	189,017	(189,017)	-	-	180,995	(180,995)	-	-
Contract assets (1) (2)	171,849	189,017	215,318	576,184	130,951	180,995	170,198	482,144
Others	2,183,570	-	-	2,183,570	1,582,182	-	-	1,582,182
TOTAL CURRENT	**2,544,436**	**-**	**215,318**	**2,759,754**	**1,894,128**	**-**	**170,198**	**2,064,326**
NON-CURRENT								
Concession financial assets (1)	1,907,837	(1,091,635)	-	816,202	1,931,521	(1,115,319)	-	816,202
Contract assets (1) (2)	1,024,385	1,091,635	383,354	2,499,374	998,359	1,115,319	312,842	2,426,520
Others	11,762,629	-	-	11,762,629	11,747,753	-	-	11,747,753
TOTAL NON-CURRENT	**14,694,851**	**-**	**383,354**	**15,078,205**	**14,677,633**	**-**	**312,842**	**14,990,475**
TOTAL ASSETS	**17,239,287**	**-**	**598,672**	**17,837,959**	**16,571,761**	**-**	**483,040**	**17,054,801**

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Statement of financial position	Parent Company			Parent Company		
	December 31, 2019			January 1, 2019		
	As presented	Adjustment	Restated	As presented	Adjustment	Restated
CURRENT LIABILITIES						
Taxes payable (3)	39,008	52,120	91,128	46,453	43,537	89,990
Others	2,359,781	-	2,359,781	2,063,524	-	2,063,524
Total current liabilities	**2,398,789**	**52,120**	**2,450,909**	**2,109,977**	**43,537**	**2,153,514**
NON-CURRENT LIABILITIES						
Taxes payable (3)	72	225,885	225,957	4,124	219,261	223,385
Deferred income tax and social contribution tax (4)	382,560	109,027	491,587	436,071	74,882	510,953
Others	9,321,665	-	9,321,665	9,041,453	-	9,041,453
Total non-current liabilities	**9,704,297**	**334,912**	**10,039,209**	**9,481,648**	**294,143**	**9,775,791**
TOTAL LIABILITIES	**12,103,086**	**387,032**	**12,490,118**	**11,591,625**	**337,680**	**11,929,305**
EQUITY						
Retained earnings (5)	-	211,640	211,640	-	145,360	145,360
Others	5,136,201	-	5,136,201	4,980,136	-	4,980,136
TOTAL EQUITY	**5,136,201**	**211,640**	**5,347,841**	**4,980,136**	**145,360**	**5,125,496**
TOTAL LIABILITIES AND EQUITY	**17,239,287**	**598,672**	**17,837,959**	**16,571,761**	**483,040**	**17,054,801**

(1) Reclassification of the financial portion of the national grid ('BNES' - Basic Network of the Existing System') asset to contract asset, since its consideration was included into the remuneration base, and, thus, it is subjected to the efficiency mechanisms applied to the operation and maintenance performance obligation..
(2) Recognition of the profit margin associated to the performance obligation to construct and upgrade the transmission infrastructure, as well as the inte rest revenue resulting from the financing component in the contract asset and the result of the periodic tariff revision;
(3) Effects of PIS/Pasep and Cofins over contract revenues.
(4) Deferral of income tax and social contribution tax over the adjustments;
(5) Effects of retrospective application of accounting policy, recorded as retained earnings, in accordance with CPC 23/IAS 08.

Statement of income	Consolidated			Parent Company		
	2019			2019		
	As presented	Adjustment	Restated	As presented	Adjustment	Restated
NET REVENUE (1)	**7,723,720**	**96,667**	**7,820,387**	**6,689,274**	**96,667**	**6,785,941**
TOTAL COST	**(5,230,240)**	**-**	**(5,230,240)**	**(4,966,111)**	**-**	**(4,966,111)**
GROSS PROFIT	**2,493,480**	**96,667**	**2,590,147**	**1,723,163**	**96,667**	**1,819,830**
OPERATING EXPENSES (2)	**(1,206,310)**	**3,758**	**(1,202,552)**	**(1,153,783)**	**3,758**	**(1,150,025)**
Share of profit (loss) of associates and joint ventures, net	(82,668)	-	(82,668)	503,008	-	503,008
Impairment loss on investments	-	-	-	(21,684)	-	(21,684)
Income before income tax and social contribution tax	1,204,502	100,425	1,304,927	1,050,704	100,425	1,151,129
Net finance income	**233,950**	**-**	**233,950**	**206,940**	**-**	**206,940**
Profit before income tax and social contribution tax	**1,438,452**	**100,425**	**1,538,877**	**1,257,644**	**100,425**	**1,358,069**
Current income tax and social contribution tax	(549,733)	-	(549,733)	(362,241)	-	(362,241)
Deferred income tax and social contribution tax (3)	(53,641)	(34,145)	(87,786)	(60,325)	(34,145)	(94,470)
NET INCOME FOR THE YEAR	**835,078**	**66,280**	**901,358**	**835,078**	**66,280**	**901,358**
Earnings per share – R$	**0.29**	**-**	**0.31**	**0.29**	**-**	**0.31**

(1) Recognition of the profit margin associated to the performance obligation to construct and upgrade the transmission infrastructure, as well as the interest revenue resulting from the financing component;
(2) Reversal of expected losses recorded in others expenses in prior periods.
(3) Deferral of income tax and social contribution tax over the adjustments.

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Statement of comprehensive income	Consolidated 2019 As presented	Consolidated 2019 Adjustment	Consolidated 2019 Restated	Parent Company 2019 As presented	Parent Company 2019 Adjustment	Parent Company 2019 Restated
NET INCOME FOR THE YEAR	835,078	66,280	901,358	835,078	66,280	901,358
OTHER COMPREHENSIVE INCOME						
Items not to be reclassified to profit or loss in subsequent years	(220,974)	-	(220,974)	(220,974)	-	(220,974)
COMPREHENSIVE INCOME FOR THE YEAR	**614,104**	**66,280**	**680,384**	**614,104**	**66,280**	**680,384**

Statement of cash flows	Consolidated 2019 As presented	Consolidated 2019 Adjustment	Consolidated 2019 Restated	Parent Company 2019 As presented	Parent Company 2019 Adjustment	Parent Company 2019 Restated
CASH FLOW FROM OPERATIONS						
Net income for the year (1)	835,078	66,280	901,358	835,078	66,280	901,358
Expenses (revenues) not affecting cash and cash equivalents:						
Deferred income tax and social contribution tax (2)	53,641	34,145	87,786	60,325	34,145	94,470
Write-down of net residual value of PP&E, intangible assets, concession financial and contract assets (3)	106,893	(3,788)	103,105	90,371	(3,788)	86,583
Adjustment to expectation of cash flow from the concession financial and contract assets (4)	(487,669)	(249,962)	(737,631)	(169,402)	(249,962)	(419,364)
PIS/Pasep and Cofins over contract revenues (5)	-	15,206	15,206	-	15,206	15,206
Others	897,476	-	897,476	236,563	-	236,563
	1,405,419	**(138,119)**	**1,267,300**	**1,052,935**	**(138,119)**	**914,816**
(Increase) / decrease in assets						
Concession financial assets and Contract assets (6)	373,333	138,119	511,452	114,352	138,119	252,471
Others	(19,008)	-	(19,008)	487,799	-	487,799
	354,325	**138,119**	**492,444**	**602,151**	**138,119**	**740,270**
(Increase) / decrease in liabilities	**363,720**	**-**	**363,720**	**168,221**	**-**	**168,221**
Cash from operations activities	**2,123,464**	**-**	**2,123,464**	**1,823,307**	**-**	**1,823,307**
Others	(1,380,621)	-	(1,380,621)	(1,222,323)	-	(1,222,323)
CASH FROM OPERATING ACTIVITIES	**742,843**	**-**	**742,843**	**600,984**	**-**	**600,984**

(1) Effects of retrospective application of accounting policy, recorded as retained earnings, in accordance with CPC23/IAS 08.
(2) Deferral of income tax and social contribution tax over the adjustments;
(3) Others immaterial adjustments referring to impairment losses and others expected losses.
(4) Recognition of the profit margin associated to the performance obligation to construct and upgrade the transmission infrastructure, as well as the interest revenue resulting from the financing component) and the result of the periodic tariff revision;
(5) Effects of PIS/Pasep and Cofins over contract revenues, including the taxes deferral;
(6) Adjustments in the amounts of the contract assets that were received, due to the reallocation of the consideration to performance obligation to construct and upgrade.

Statements of added value	Consolidated 2019 As presented	Consolidated 2019 Adjustment	Consolidated 2019 Restated	Parent Company 2019 As presented	Parent Company 2019 Adjustment	Parent Company 2019 Restated
REVENUES (1)	9,129,654	111,874	9,241,528	7,963,576	111,874	8,075,450
INPUTS ACQUIRED FROM THIRD PARTIES (2)	(6,120,244)	3,758	(6,116,486)	(5,907,694)	3,758	(5,903,936)
GROSS VALUE ADDED	**3,009,410**	**115,632**	**3,125,042**	**2,055,882**	**115,632**	**2,171,514**
RETENTIONS	(215,522)	-	(215,522)	(157,541)	-	(157,541)
NET VALUE ADDED	**2,793,888**	**115,632**	**2,909,520**	**1,898,341**	**115,632**	**2,013,973**
ADDED VALUE RECEIVED BY TRANSFER	1,300,602	-	1,300,602	1,818,267	-	1,818,267
ADDED VALUE TO BE DISTRIBUTED	**4,094,490**	**115,632**	**4,210,122**	**3,716,608**	**115,632**	**3,832,240**
DISTRIBUTION OF ADDED VALUE						
Employees	437,328	-	437,328	418,106	-	418,106
Taxes (3)	1,663,335	49,352	1,712,687	1,325,493	49,352	1,374,845
Remuneration of external capital	1,158,749	-	1,158,749	1,137,931	-	1,137,931
Remuneration of own capital	835,078	66,280	901,358	835,078	66,280	901,358
	4,094,490	**115,632**	**4,210,122**	**3,716,608**	**115,632**	**3,832,240**

(1) Recognition of the profit margin associated to the performance obligation to construct and upgrade the transmission infrastructure, as well as the interest revenue resulting from the financing component) and the result of the periodic tariff revision;
(2) Reversal of expected losses recorded in others expenses in prior periods;
(3) Deferral of income tax and social contribution tax over the adjustments.

The adjustments were made to provide more useful and reliable information to users of the financial statements, related to:

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- Allocation of margin to the performance obligation for construction of transmission infrastructure, based on the 'expected cost plus margin' approach;
- Standardization of the criteria for definition of the implicit rate used in the calculation of the financing component of the contract;
- Reclassification of the financial component of the national grid ('BNES' - Basic Network of the Existing System) assets to contract assets, due to the inclusion of the consideration associated with these assets in the regulatory remuneration base, subjecting them to efficiency mechanisms for the performance obligations to operate and maintain the transmission infrastructure.
- Inclusion of current and deferred PIS/Pasep and Cofins taxes in the calculation of the revenues under the contracts.

The income tax and social contribution tax over the adjustments were recognized.

The adjustment did not have an impact on the Company's operating, investing and financing cash flows. The retrospective application only affected the transmission segment, presented in Note 5.

3. PRINCIPLES OF CONSOLIDATION

The dates of financial statements of the subsidiaries, used for consolidation, and of the jointly controlled entities and affiliates, used for calculation of their equity method contribution, are applied uniformly in line 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:

Subsidiaries	December 31, 2020		December 31, 2020	
	Valuation method	Direct stake, %	Valuation method	Direct stake, %
Cemig Baguari Energia S.A.	Consolidation	100.00	Consolidation	100.00
Cemig Geração Três Marias S.A.	Consolidation	100.00	Consolidation	100.00
Cemig Geração Salto Grande S.A.	Consolidation	100.00	Consolidation	100.00
Cemig Geração Itutinga S.A.	Consolidation	100.00	Consolidation	100.00
Cemig Geração Camargos S.A.	Consolidation	100.00	Consolidation	100.00
Cemig Geração Sul S.A.	Consolidation	100.00	Consolidation	100.00
Cemig Geração Leste S.A.	Consolidation	100.00	Consolidation	100.00
Cemig Geração Oeste S.A.	Consolidation	100.00	Consolidation	100.00
Sá Carvalho S.A.	Consolidation	100.00	Consolidation	100.00
Horizontes Energia S.A.	Consolidation	100.00	Consolidation	100.00
Rosal Energia S.A.	Consolidation	100.00	Consolidation	100.00
Cemig PCH S.A.	Consolidation	100.00	Consolidation	100.00
Empresa de Serviços de Comercialização de Energia Elétrica S.A.	Consolidation	100.00	Consolidation	100.00
Cemig Geração Poço Fundo S.A.	Consolidation	100.00	Consolidation	100.00
Cemig Comercializadora de Energia Incentivada S.A. (1)	-	-	Consolidation	100.00
Cemig Trading S.A.	Consolidation	100.00	Consolidation	100.00
Central Eólica Praias de Parajuru S.A.	Consolidation	100.00	Consolidation	100.00
Central Eólica Volta do Rio S.A.	Consolidation	100.00	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)			Oct. 2030
Salto Paraopeba (1)			Oct. 2030
Salto do Passo Velho (1)			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 financial statements 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's 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. In February, 2021, the Thermal Plant Igarapé concession of was extinct. by the Brazilian Mining and Energy Ministry, in consideration of the termination request submitted by the Company.

Generation concessions

In the generation business, the Company sells energy:

(1) Through auctions, to distributors to meet the demands of their captive markets; and
(2) To free customers in the free market (*Ambiente de Contratação Livre*, or ACL).

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In the free market, energy is traded by the generation concession holders, small hydro plants (PCHs, or SHPs), self-producers, traders, and importers of energy.

There is also revenue from the spot market, which remunerates agents for de-contracted energy, which is settled at the Spot Price (PLD).

Transmission concessions

Under the transmission concession contracts, the Company is authorized to charge a Tariff for Use of the Transmission System (*Tarifa de Uso do Sistema de Transmissão*, or TUST). Tariffs are adjusted annually on the same date the Permitted Annual Revenue (*Receitas Anuais Permitidas*, or RAP) of transmission concessions, contract is adjusted. This tariff is in effect from July 1 of each year, upon its publication, until June 30 of the subsequent year.

The payment for use of transmission service also applies to generation provided by the Itaipu Binacional. However, due to the legal characteristics of that plant, the corresponding charges are assumed by the holders of distribution concessions that hold quotas of its output.

Onerous concessions

When obtaining the concessions for construction of certain generation projects, the Company and its subsidiaries is required to make payments to the regulator, over the period of the contract or for up to 5 years upon signature of the concession contract, for plants with installed capacity between 1 and 50 MW, as compensation for the right to operate them. The information on the concessions and the amounts to be paid are as follows:

Project	Nominal value in 2020	Present value in 2020	Period of the concession	Updating indexer
Irapé	38,114	18,478	Mar. 2006 to Feb. 2035	IGPM
Queimado (Consortium)	9,319	4,984	Jan. 2004 to Dec. 2032	IGPM

(1) Under Aneel Resolution 467/2011 the power plants with total installed generation capacity of 1 to 50 MW must pay Aneel for five years, starting on the date that the concession contract is signed.

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 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.

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The concessions fee are paid monthly to the grantor for an amount that changes over time. These payments are recorded as an intangible asset, representing a right to operate the concession and to charge users through the concession period, they are recorded as from the date of signature of the contracts at the present value of the future payment obligations.

The amounts paid to the grantor in 2020, the nominal value and the present value of the amounts to be paid in the next 12 months, are as follows:

Project	Stake, %	Amounts paid in 2019	Nominal value of amounts to be paid in 12 months	Present value of amounts to be paid in 12 months
Irapé	100.00	2,198	2,618	2,463
Queimado (Consortium)	82.50	631	712	732

The rate used by the Company and its subsidiaries to discount the above liabilities to its present value, was 12.50%, and represents the average cost of funding in normal conditions on the date the concession contract was entered into.

5. 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 years ended December 31, 2020 and December 31, 2019:

ACCOUNT/DESCRIPTION	2020			
	Generation And Sale	Transmission	Trading	Total
SEGMENTS ASSETS	**16,083,128**	**4,281,948**	**90,789**	**20,455,865**
INVESTMENTS IN AFFILIATES AND JOINTLY-CONTROLLED ENTITIES	**3,755,799**	**-**	**-**	**3,755,799**
ADDITIONS TO THE SEGMENT	**137,864**	**201,451**	**-**	**339,315**
NET REVENUE	**6,536,917**	**723,808**	**95,363**	**7,356,088**
ENERGY COSTS				
Charges for use of the national grid	(199,246)	-	-	(199,246)
Energy bought for resale	(4,026,190)	-	-	(4,026,190)
	(4,225,436)	**-**	**-**	**(4,225,436)**
OPERATING COSTS AND EXPENSES				
Personnel	(192,086)	(114,238)	(211)	(306,535)
Employee profit shares	(23,453)	(12,343)	-	(35,796)
Post-employment liabilities	(52,964)	(40,918)	-	(93,882)
Materials	(12,911)	(3,848)	-	(16,759)
Outsourced services	(113,273)	(44,075)	(220)	(157,568)
Depreciation and amortization	(206,839)	(4,666)	(9)	(211,514)
Provisions	(84,448)	(13,503)	-	(97,951)
Transmission infrastructure construction cost	-	(146,652)	-	(146,652)
Other operating costs and expenses, net	(68,008)	11,963	(21)	(56,066)
	(753,982)	**(368,280)**	(461)	(1,122,723)
TOTAL COSTS AND EXPENSES	**(4,979,418)**	**(368,280)**	**(461)**	**(5,348,159)**
Periodic Tariff Review adjustments, net	-	502,108	-	502,108
Share of profit (loss) of associates and joint ventures, net	(136,548)	-	-	(136,548)
Operating profit before Finance income (expenses)	**1,420,951**	**857,636**	**94,902**	**2,373,489**
Finance income	1,712,548	174,229	3,238	1,890,015
Finance expenses	(2,511,589)	(272,221)	(34)	(2,783,844)
Profit before income tax and social contribution tax	**621,910**	**759,644**	**98,106**	**1,479,660**
Income tax and social contribution tax	(205,910)	(206,231)	(11,984)	(424,125)
NET INCOME FOR THE YEAR	**416,000**	**553,413**	**86,122**	**1,055,535**

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ACCOUNT/DESCRIPTION	2019			
	Generation And Sale	Transmission (Restated)	Trading	Total (Restated)
SEGMENTS ASSETS (1)	**14,721,374**	**3,536,845**	**65,997**	**18,324,216**
INVESTMENTS IN AFFILIATES AND JOINTLY-CONTROLLED ENTITIES (1)	**4,041,565**	**-**	**-**	**4,041,565**
ADDITIONS TO THE SEGMENT	**121,380**	**220,390**	**-**	**341,770**
NET REVENUE	**6,881,167**	**867,027**	**128,622**	**7,876,816**
ENERGY COSTS				
Charges for use of the national grid	(189,901)	-	-	(189,901)
Energy bought for resale	(3,841,262)	-	-	(3,841,262)
	(4,031,163)	**-**	**-**	**(4,031,163)**
OPERATING COSTS AND EXPENSES				
Personnel	(206,663)	(114,837)	(245)	(321,745)
Employee profit shares	(35,818)	(26,908)	-	(62,726)
Post-employment liabilities	(49,627)	(38,138)	-	(87,765)
Materials	(16,877)	(6,059)	(8)	(22,944)
Outsourced services	(124,135)	(44,922)	(466)	(169,523)
Depreciation and amortization	(209,959)	(5,563)	-	(215,522)
Provisions	(975,353)	(134,843)	-	(1,110,196)
Transmission infrastructure construction cost	-	(220,390)	-	(220,390)
Other operating costs and expenses, net	(174,547)	(16,358)	87	(190,818)
	(1,792,979)	**(608,018)**	**(632)**	**(2,401,629)**
TOTAL COSTS AND EXPENSES	**(5,824,142)**	**(608,018)**	**(632)**	**(6,432,792)**
Share of profit (loss) of associates and joint ventures, net	(82,668)	-	-	(82,668)
Operating profit before Finance income (expenses)	**974,357**	**259,009**	**127,990**	**1,361,356**
Finance income	1,281,195	97,905	4,170	1,383,270
Finance expenses	(1,034,521)	(114,784)	(15)	(1,149,320)
Profit before income tax and social contribution tax	**1,221,031**	**242,130**	**132,145**	**1,595,306**
Income tax and social contribution tax	(550,999)	(89,373)	(16,333)	(656,705)
NET INCOME FOR THE YEAR	**670,032**	**152,757**	**115,812**	**938,601**

(1) Balances at December 31, 2019.

As mentioned in Note 2.9, the effects of the re-presentation of the corresponding balances on December, 31, 2019 and the business year ended on that date refer in their entirety to the transmission segment.

The revenue of the Company and its subsidiaries for the years ended December 31, 2020 and December 31, 2019 breaks down by segment as follows:

	2020			
	Generation	Transmission	Trading	Total
Total revenue from supply of energy – with taxes	7,337,485	-	-	7,337,485
Transmission revenue				
Transmission operation and maintenance revenue	-	511,366	-	511,366
Transmission construction revenue	-	201,451	-	201,451
Interest revenue arising from the financing component in the transmission contract asset	-	411,968	-	411,968
Revenue from updating of the concession grant fee	347,057	-	-	347,057
Transactions in energy on the CCEE	153,762	-	-	153,762
Other operating revenues	4,412	33,608	102,251	140,271
Sector / regulatory charges – Deductions from revenue	(1,305,799)	(434,585)	(6,888)	(1,747,272)
Net operating revenue	**6,536,917**	**723,808**	**95,363**	**7,356,088**

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	2019			
	Generation	Transmission (Restated)	Trading	Total (Restated)
Total revenue from supply of energy – with taxes	7,037,448	-	-	7,037,448
Transmission revenue				
Transmission operation and maintenance revenue	-	550,289	-	550,289
Transmission construction revenue	-	370,488	-	370,488
Interest revenue arising from the financing component in the transmission contract asset	-	331,446	-	331,446
Revenue from updating of the concession grant fee	318,267	-	-	318,267
Transactions in energy on the CCEE	438,555	-	-	438,555
Contractual reimbursements	64,640	-	-	64,640
PIS/Pasep and Cofins credits	413,616	-	-	413,616
Other operating revenues	16,501	27,786	137,751	182,038
Sector / regulatory charges – Deductions from revenue	(1,407,860)	(412,982)	(9,129)	(1,829,971)
Net operating revenue	**6,881,167**	**867,027**	**128,622**	**7,876,816**

Details of operating revenue are in Note 25 of these financial statements.

6. CASH AND CASH EQUIVALENTS

	Consolidated		Parent Company	
	2020	2019	2020	2019
Bank accounts	9,919	8,644	1,118	2,503
Cash equivalents:				
Bank certificates of deposit (CDBs) (1)	316,680	184,682	244,469	127,419
Overnight (2)	57,798	18,282	45,408	6,286
	374,478	**202,964**	**289,877**	**133,705**
	384,397	**211,608**	**290,995**	**136,208**

(1) Bank Certificates of Deposit (Certificados de Depósito Bancário or CDBs), accrued interest at between 80.00% and 107.00% of the CDI Rate on December 31, 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 December 31, 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 29 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 of these financial statements.

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7. MARKETABLE SECURITIES

	Consolidated		Parent Company	
	2020	2019	2020	2019
Current				
Bank certificates of deposit (CDBs) (1)	183,930	-	144,501	-
Financial Notes (LFs) – Banks (2)	699,325	323,761	549,412	111,308
Treasury Financial Notes (LFTs) (3)	246,471	47,268	193,636	16,250
Debentures (4)	2,011	1,573	1,580	541
Others	544	76	542	76
	1,132,281	**372,678**	**889,671**	**128,175**
Non-current				
Financial Notes (LFs) – Banks (2)	246,121	-	193,360	-
Debentures (4)	8,360	916	6,568	315
	254,481	**916**	**199,928**	**315**
	1,386,762	**373,594**	**1,089,599**	**128,490**

(1) Bank Certificates of Deposit (Certificados de Depósito Bancário or CDBs), accrued interest at between 106.00% and 110.00% of the CDI Rate on December 31, 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 99.50% and 130.00% of the CDI rate on December 31, 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 TR + 1.00% to 109.00% of the CDI rate on December 31, 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 29 and 28, respectively.

8. 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	2020	2019
Industrial	28,787	246,456	7,250	23,261	34,514	340,268	333,282
Commercial, services and others	12,170	70,508	9,297	10,864	-	102,839	111,091
Wholesale supply to other concession holders	10,379	277,215	26,114	734	4,832	319,274	257,724
Concession holders – transmission service	11,089	91,522	-	1,961	5,336	109,908	95,815
CCEE (Power Trading Chamber)	-	150	189,477	-	-	189,627	385,558
Provision for doubtful receivables	(3,838)	-	(583)	(559)	(29,799)	(34,779)	(48,432)
	58,587	**685,851**	**231,555**	**36,261**	**14,883**	**1,027,137**	**1,135,038**
Current assets						**1,020,363**	**1,129,096**
Customers and traders						910,455	1,033,281
Concession holders – transmission service						109,908	95,815
Non-current assets						**6,774**	**5,942**
Customers and traders						6,774	5,942

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	Balances not yet due		Past due			Parent Company	
	Billed	Unbilled	Up to 90 days	91 to 360 days	More than 360 days	2020	2019
Industrial	18,885	210,128	1,413	17,969	17,030	265,425	248,023
Commercial, services and others	12,170	70,508	9,297	10,864	-	102,839	111,092
Wholesale supply to other concession holders	5,189	238,182	16,692	717	185	260,965	195,623
Concession holders – transmission service	12,191	91,578	-	1,961	5,336	111,066	95,898
CCEE (Power Trading Chamber)	-	-	189,477	-	-	189,477	375,751
Provision for doubtful receivables	(1,601)	-	(583)	(559)	(15,511)	(18,254)	(17,601)
	46,834	610,396	216,296	30,952	7,040	911,518	1,008,786
Current assets						908,646	1,008,213
Customers and traders						797,580	912,315
Concession holders – transmission service						111,066	95,898
Non-current assets						2,872	573
Customers and traders						2,872	573

The exposure of the Company and its subsidiaries to credit risk related to Customers and traders is given in Note 29 of these financial statements.

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 26c)	38,407	7,576
Settled	(14,461)	(14,461)
Balance on December 31, 2019	48,432	17,601
Provision made, net (Note 26c)	11,054	1,198
Settled	(24,707)	(545)
Balance on December 31, 2020	34,779	18,254

9. RECOVERABLE TAXES

	Consolidated		Parent Company	
	2020	2019	2020	2019
Current				
ICMS tax recoverable	12,325	21,792	6,809	17,294
Cofins (a) (b)	259,102	5,560	256,627	3,196
PIS/Pasep (a) (b)	56,682	1,612	55,893	867
Social security contributions	14,698	15,041	14,698	15,041
Others	4,994	7,177	4,991	7,302
	347,801	51,182	339,018	43,700
Non-current				
ICMS tax recoverable (b)	23,850	21,914	23,851	21,914
Cofins (a)	24,983	537,040	-	514,351
PIS/Pasep (a)	5,496	116,666	-	111,669
Others	431	431	-	-
	54,760	676,051	23,851	647,934
	402,561	727,233	362,869	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.

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Thus, the Company recorded the PIS/Pasep and Cofins credits 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 has recorded in current assets the credits for which the expectation of offsetting does not exceed a period of 12 months: R$54,992 for the PIS/Pasep taxes, and R$253,297 for the Cofins tax.

These credits are updated by the Selic rate until offsetting of the amount receivable against amounts payable. On December 31, 2020, the net effect in the consolidated and individual finance income is R$11,497 and R$11,019, respectively, more details in Note 27 of these financial statements.

Until December 31, 2020, credits of PIS/Pasep and Cofins taxes were offset against payable federal taxes in the amount of R$328,750.

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 financial statements reporting date.

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

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10. 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/IAS 12 are met.

	Consolidated		Parent Company	
	2020	2019	2020	2019
Current				
Income tax	342,199	239,443	340,293	238,261
Social contribution tax	125,501	125,119	124,953	124,788
	467,700	**364,562**	**465,246**	**363,049**
Non-current				
Income tax	-	2,461	-	-
Social contribution tax	-	606	-	-
	-	**3,067**	-	-

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	
	2020	2019
Current		
Income tax	92,948	98,712
Social contribution tax	35,064	35,156
	128,012	**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:

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	Consolidated		Parent Company	
	2020	2019 (Restated)	2020	2019 (Restated)
Deferred tax assets				
Tax loss carryforwards	284,526	-	284,526	-
Post-employment obligations	459,381	444,411	459,381	444,411
Estimated losses on doubtful receivables	11,169	11,075	6,206	5,984
Provisions for contingencies	114,343	110,374	114,288	110,319
Provision for SAAG put option	182,293	164,166	182,293	164,166
Provisions for losses on investments	256,835	277,300	256,835	277,300
Other provisions	41,301	46,080	41,301	46,080
Paid concession	9,707	8,194	9,707	8,194
Others	19,625	21,210	13,464	21,176
	1,379,180	**1,082,810**	**1,368,001**	**1,077,630**
Deferred tax liabilities				
Fair Value as cost attributed on IFRS adoption	(224,610)	(231,833)	(206,408)	(212,319)
Adjustment of contract assets	(768,126)	(623,828)	(768,126)	(623,828)
Fair value of equity holdings	(138,247)	(146,852)	(138,247)	(146,852)
Updating on escrow deposits	(391)	(385)	-	-
Derivative financial instruments (Swap)	(1,002,636)	(574,921)	(1,002,636)	(574,921)
Others	(7,761)	(12,026)	(7,187)	(11,297)
	(2,141,771)	**(1,589,845)**	**(2,122,604)**	**(1,569,217)**
Net total	**(762,591)**	**(507,035)**	**(754,603)**	**(491,587)**
Total assets	**10,969**	**5,100**	**-**	**-**
Total liabilities	**(773,560)**	**(512,135)**	**(754,603)**	**(491,587)**

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

	Consolidated	Parent Company
Balance on January 1, 2019	**(536,613)**	**(510,953)**
Effects allocated to income statement	(87,786)	(94,470)
Effects allocated to comprehensive income	113,836	113,836
Others	3,528	-
Balance on December 31, 2019	**(507,035)**	**(491,587)**
Effects allocated to income statement	(256,448)	(262,839)
Effects allocated to comprehensive income	(177)	(177)
Others	1,069	-
Balance on December 31, 2020	**(762,591)**	**(754,603)**

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

The Company and its subsidiaries estimated that the balance of deferred tax asset as of December 31, 2020 will be realized, as follows:

	Consolidated	Parent Company
2021	260,641	258,378
2022	313,168	310,939
2023	230,087	227,858
2024	170,019	167,789
2025 to 2027	264,116	261,888
2028 to 2030	141,149	141,149
	1,379,180	**1,368,001**

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:

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	Consolidated		Parent Company	
	2020	2019 (Restated)	2020	2019 (Restated)
Profit before income tax and social contribution tax	**1,479,660**	**1,538,877**	**1,313,627**	**1,358,069**
Income tax and social contribution tax – nominal expense (34%)	(503,084)	(523,218)	(446,633)	(461,743)
Tax effects applicable to:				
Interest on equity	76,568	91,800	76,568	91,800
Tax incentives	3,730	12,958	-	10,025
Share of profit (loss) of associates and joint ventures, net	(77,247)	(44,965)	110,027	165,087
Non-deductible penalties	(2,583)	(26,260)	(2,583)	(26,260)
Non-deductible contributions and donations	(1,447)	(3,763)	(55)	(2,642)
Difference between presumed profit and real profit methods	74,953	88,506	-	-
Estimated losses on doubtful accounts receivable from related parties	-	(233,931)	-	(233,931)
Others	4,985	1,354	4,584	953
Income tax and social contribution tax – effective expense	**(424,125)**	**(637,519)**	**(258,092)**	**(456,711)**
Current tax	(167,677)	(549,733)	4,747	(362,241)
Deferred tax	(256,448)	(87,786)	(262,839)	(94,470)
	(424,125)	**(637,519)**	**(258,092)**	**(456,711)**
Effective rate	**28.66%**	**41.95%**	**19.65%**	**33.60%**

11. ESCROW DEPOSITS

	Consolidated		Parent Company	
	2020	2019	2020	2019
Labor claims	**25,653**	**32,100**	**25,075**	**31,477**
Tax issues				
Income tax on interest on equity	17,473	17,226	16,157	15,910
Pasep and Cofins taxes (1)	6,300	207,469	-	195,409
Income tax and social security contribution on indemnity for employees' 'Anuênio' benefit (2)	67,371	66,483	67,371	66,483
Urban property tax (IPTU)	12,852	11,423	12,850	11,421
Social contribution tax (3)	18,062	18,062	18,062	18,062
Others	3,549	2,513	3,332	2,357
	125,607	**323,176**	**117,772**	**309,642**
Others				
Court embargo	1,357	974	1,325	942
Regulatory	2,931	3,002	2,931	3,002
Others	4,773	5,025	4,735	4,988
	9,061	**9,001**	**8,991**	**8,932**
	160,321	**364,277**	**151,838**	**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 23 – 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.

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12. CONCESSION FINANCIAL ASSETS

	Consolidated		Parent Company	
	2020	2019 (Restated)	2020	2019 (Restated)
Generation – Indemnity receivable (12.1)	816,202	816,202	816,202	816,202
Generation – Concession grant fee (12.2)	2,549,198	2,468,216	-	-
	3,365,400	**3,284,418**	**816,202**	**816,202**
Current	**258,588**	**250,565**	**-**	**-**
Non-current	**3,106,812**	**3,033,853**	**816,202**	**816,202**

(*) Assets linked to transmission infrastructure began to be recognized in their entirety as contract assets as from the re-presentation of 2018, as required by IFRS 15/CPC 47. For more details see Note 13 – Contract assets.

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

	Consolidated			Parent Company		
	Generation	Transmission	Total	Generation	Transmission	Total
Balance on January 1, 2019 (Restated)	**3,225,132**	**-**	**3,225,132**	**816,202**	**-**	**816,202**
Inflation adjustment	318,267	-	318,267	-	-	-
Amounts received	(258,981)	-	(258,981)	-	-	-
Balance on December 31, 2019 (Restated)	**3,284,418**	**-**	**3,284,418**	**816,202**	**-**	**816,202**
Inflation adjustment	347,057	-	347,057	-	-	-
Amounts received	(266,075)	-	(266,075)	-	-	-
Balance on December 31, 2020	**3,365,400**	**-**	**3,365,400**	**816,202**	**-**	**816,202**

11.1 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 December 31, 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**

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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 December 31, 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.

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.

11.2 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 Dec. 31, 2020
Cemig Geração Três Marias S.A.	Três Marias	1,402,425	187,746	(142,961)	1,447,210
Cemig Geração Salto Grande S.A.	Salto Grande	440,158	59,183	(45,085)	454,256
Cemig Geração Itutinga S.A.	Itutinga	164,799	24,829	(19,168)	170,460
Cemig Geração Camargos S.A.	Camargos	123,585	18,499	(14,270)	127,814
Cemig Geração Sul S.A.	Coronel Domiciano, Joasal, Marmelos, Paciência and Piau	161,490	25,794	(20,078)	167,206
Cemig Geração Leste S.A.	Dona Rita, Ervália, Neblina, Peti, Sinceridade and Tronqueiras	109,757	19,295	(15,245)	113,807
Cemig Geração Oeste S.A.	Cajurú, Gafanhoto and Martins	66,002	11,711	(9,268)	68,445
Total		**2,468,216**	**347,057**	**(266,075)**	**2,549,198**

SPC	Plants	Balance at Dec. 31, 2018	Monetary updating	Amounts received	Balance at Dec. 31, 2019
Cemig Geração Três Marias S.A.	Três Marias	1,369,900	171,675	(139,150)	1,402,425
Cemig Geração Salto Grande S.A.	Salto Grande	429,910	54,131	(43,883)	440,158
Cemig Geração Itutinga S.A.	Itutinga	160,601	22,855	(18,657)	164,799
Cemig Geração Camargos S.A.	Camargos	120,452	17,022	(13,889)	123,585
Cemig Geração Sul S.A.	Coronel Domiciano, Joasal, Marmelos, Paciência and Piau	157,217	23,815	(19,542)	161,490
Cemig Geração Leste S.A.	Dona Rita, Ervália, Neblina, Peti, Sinceridade and Tronqueiras	106,697	17,899	(14,839)	109,757
Cemig Geração Oeste S.A.	Cajurú, Gafanhoto and Martins	64,153	10,870	(9,021)	66,002
Total		**2,408,930**	**318,267**	**(258,981)**	**2,468,216**

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

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13. 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 related to the completion of its construction, or its future operation and maintenance are classified as contract assets as follows:

	Consolidated		Parent Company	
	2020	2019 (Restated)	2020	2019 (Restated)
National Grid ('BNES' - Basic Network of the Existing System) - Law 12,783/13	1,895,854	1,927,817	1,895,854	1,927,817
Transmission – Assets remunerated by tariff	1,738,848	1,147,741	1,738,848	1,147,741
	3,634,702	**3,075,558**	**3,634,702**	**3,075,558**
Current	**718,430**	**576,184**	**718,430**	**576,184**
Non-current	**2,916,272**	**2,499,374**	**2,916,272**	**2,499,374**

The changes in contract assets are as follows:

Balance on January 1, 2019 (Restated)	**2,908,664**
Additions	311,759
Inflation adjustment	327,995
Amounts received	(472,860)
Balance on December 31, 2019 (Restated)	**3,075,558**
Additions	201,451
Inflation adjustment	411,968
Results of the Periodic Tariff Revision	551,852
Amounts received	(606,127)
Balance on December 31, 2020	**3,634,702**

For transmission concessions, the consideration to be paid to the Company arises from the concession contracts n. 006/97 and n. 079/00, as follows:

	2020	2019 (Restated)
Current		
Concession contract - 079/00 (a)	28,600	21,021
Concession contract - 006/97 (b)		
National Grid ('BNES' - Basic Network of the Existing System)	533,430	433,936
National Grid - new facilities (RBNI)	156,400	121,227
	718,430	**576,184**
Non-current		
Concession contract - 079/00 (a)	132,589	94,754
Concession contract - 006/97 (b)		
National Grid ('BNES' - Basic Network of the Existing System)	1,362,424	1,493,882
National Grid - new facilities (RBNI)	1,421,259	910,738
	2,916,272	**2,499,374**
	3,634,702	**3,075,558**

a) Concession contract n. 006/97

The contract regulates the public service of commercial operation of transmission facilities that are classified as parts of the National Grid, pursuant to Law 9,074/1995 and to the regulation applicable, in effect until December 31, 2042.

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The contract was renewed on December 4, 2012, for 30 years, from January 1, 2013, under Provisional Act 579 of September 11, 2012 (converted into Law 12,783/2013), which specified reimbursement for the assets that had not been depreciated on December, 31, 2012.

The criteria for calculation of New Replacement Value (Valor Novo de Reposição – VNR) of the transmission facilities, for the purposes of reimbursement, were set by Aneel Normative Resolution 589 of December 10, 2013.

The process and period of payment of the reimbursement were set by Brazilian Ministry of Mining and Energy (MME), by Ministerial Order 120, of April 20, 2016, which specified that the amounts ratified by Aneel, through a Dispatch, for the National Grid facilities which had not yet been amortized, nor depreciated, nor indemnified by the concession-granting power ('the Grantor'), associated to the concession contracts that were renewed under Law 12783/2013, should become part of the Regulatory Remuneration Base as from the tariff process of 2017.

Aneel Normative Resolution 762/2017 set the procedures and criteria to be used in the calculation of the cost of capital to be added to the Permitted Annual Revenue, under Law 12,783/2013, in harmony with MME Ministerial Order 120/2016.

At the first adoption of CPC 47/ IFRS 15, on January 01, 2018, considering the characteristics of its concession contracts, the Company classified as contract assets: (i) the consideration to be received for the construction of power transmission infrastructure corresponding to the remaining balance of National Grid assets, re-incorporated into the remuneration base (the economic portion), and (ii) the assets remunerated by tariff, since the performance obligation of construction and upgrade depends on satisfaction of the performance obligation of operation and maintenance.

On December 31, 2020, as described in Note 2.9, the Company reclassified to contract asset the amounts recorded as financial asset at the first adoption of CPC 47/ IFRS 15, related to the National Grid ('BNES' - Basic Network of the Existing System)) financial portion, which represents the amount to be paid since the extension of the concessions until its incorporation into the tariff, to be received in 8 years, starting in June, 2017, and exclusively represented installments not paid from January 1, 2013 to June 30, 2017, updated by the regulatory cost of capital of the transmission sector. The amounts reclassified for the year ended on December 31, 2019 and in the statement of financial position for January 01, 2019 are R$1,280,652 and R$1,296,314, respectively.

The classification of these assets as a contract asset is based on its inclusion in the Remuneration Assets Base – 'BRR' of the transmission concession agents. Although this new regulation determined that the amounts to be paid were subject to the regulatory rules applicable to the tariff process, including the mechanisms for measuring efficiency, the tariff review specific rules were not clear about the treatment that would be applied to the financial portion, especially related to the asset write-off in the period. The Periodic Tariff Review, which occurred in 2020, confirmed the impact of the write-off on this component in the period. In this new context, the consideration to be received is associated to the performance obligation to operate and maintain. Thus, the asset has the distinctive characteristics which is pertinent to its classification as a contract asset.

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The next Periodic Tariff Review (RTP) will take place in June 2023, with effect from July 1, 2023. The indexer used to update the contract is the Expanded Consumer Price Index (Índice de Preços ao Consumidor Amplo –IPCA).

National Grid Assets- 'BNES' - Basic Network of the Existing System – 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 Silicio 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.

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.

On January 06, 2021, the Brazilian General Attorney's Office issued a legal opinion about the effects of the reversal of the court decision that had suspended the cost of equity remuneration of the transmission agents determined by Ministerial Order 120, of April 20, 2016.

The legal opinion concluded that the interest not received in the period of January, 2013 to June, 2017 – cost of capital remuneration – must be updated by the cost of equity rate, as established in the MME Ministerial Order 120/2016 and in the Aneel Resolution 762/2017, until July 1, 2020, which is the date that the payment took place, and must be included to RAP as of July 1, 2020 (2020-2021 cycle) for eight years.

The Company believes that the treatment given to this component, which includes updating by the IPCA inflation index, plus the r egulatory 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.

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b) Concession contract 079/00

The contract regulates commercial operation of public transmission service, comprising construction, maintenance and operation of transmission of the following facilities: The Itajubá 3 Substation; the Itajubá 3–Poços de Caldas Transmission Line; and the Itajubá 3–Cachoeira Paulista Transmission Line, in effect until October 4, 2034.

The contract does not provide the review of the established revenue. Only of the revenues provisionally established, arising from enhancements and upgrades authorizations are reset. Thus, on December 15, 2020, the Resolution 2,825/2020 ratified the RAP Periodic Tariff Review of bid contracts of energy transmission, whose tariff review was scheduled for July, 2019. More information on this matter is provided further in this Note.

The Periodic Tariff Reviews determined the tariff reset, with effects backdated to the date of the start of commercial operation, resulting in a repositioning factor of 57.5%. In addition, an adjustment portion relating to the backdating of the repositioning of RAP since the date of start of commercial operation in the amount of R$24 million.

The amounts will comprise the new RAP as from the adjustment for the 2021/2022 cycle and the adjustment portion relating to the backdating will be paid in 3 installments during the next adjustment processes.

The next Periodic Tariff Review (RTP) of the enhancements that have been approved will take place in June 2024, and be in effect from July 1, 2024. The indexer used for adjustment of the contract is the General Market Prices Index (Índice Geral de Preços do Mercado – IGP-M).

<u>Assumptions considered in the estimation of the expected consideration for the construction services related to enhancements and upgrades of infrastructure.</u>

a) The margin is allocated to the performance obligation to construct the transmission infrastructure, using the cost incurred, plus margin;
b) Future RAPs are calculated based on management's best estimates, considering the cost of capital, plus the remuneration specified by the regulations;
c) The discount rate used for calculation of present value of future RAPs is the implicit rate related to the financing component of the contract, corresponding to the best estimate of the amount that reflects the price that a customer would have paid for the promised goods or services if the customer had paid cash for the infrastructure construction services when (or as) they transfer to the customer (i.e. the cash selling price);
d) PIS/Pasep and Cofins taxes are included in the calculation of the revenues from the contracts, and these taxes deferral is recognized;
e) The estimated construction margin for the projects in service and in progress are obtained on the basis of the rate of profitability expected by management for the transmission activity in the period of commencement of the investments – this is considered individually, by an act of regulation (a concession contract or an Authorizing Resolution).

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The estimated construction margin for the projects in service and in progress are obtained on the basis of the rate of profitability expected by management for the transmission activity in the period of commencement of the investments – this is considered individually, by an act of regulation (a concession contract or an Authorizing Resolution).

Periodic Tariff Revision of Permitted Annual Revenue – RAP

On June 30, 2020, Aneel ratified the results of the Periodic Tariff Review – RTP 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 Revision of the period 2018-2019 was a net increase of 9.13% compared to the provisional RAP of this same period. Although it was concluded only in 2020, the Revision had retrospective effects since July, 2018.

The RTP comprised the reset of the BNES and RBNI (New National Grid Facilities) revenues, as follows:

- The National Grid ('BNES' - Basic Network of the Existing System')

Increase of 13.15% in revenues of this type, due to:

(i) upward variation in the WACC, after tax, from 6.64% to 7.71%;
(ii) incorporation of the amounts referring to the remuneration of the Annual Cost of Assets (Custo Anual do Ativos – CAA) of the National Grid not incorporated into revenue for the period from January 2013 through June 2017 (Ke);
(iii) changes in the asset base, taking into account write-offs and assets that have been fully depreciated. Due to these effects, the economic and financial components of Tariff Review Process (TRP) n. 120/2016 for the National Grid were increased, by 7% and 38%, respectively. The financial components include the remuneration of Ke (cost of equity). The RAP of the National Grid also contains amounts for O&M, which were 3% lower.

- New National Grid Facilities (RBNI)

Reduction of 10% in relation to the RAP of the original authorization, due to:

(i) changing in the remuneration base due to the difference between the reference prices ('banco de preços') of the authorization and the prices used in the review;
(ii) effect of the diminishing profile of the RAP on the recalculation of the revenue for the new cycle. Since the repositioning has effect backdated to July 2018, an Adjustment Amount ('Parcela de Ajuste – PA') was established, referring to the difference between the amount of the repositioning and the provisional amount of the RAPs in effect in the period 2018–2020. This Adjustment Amount will undergo monetary updating by the IPCA index at each tariff adjustment and will be in effect in the cycles of 2020–2023. In spite of the reduction of the RAP in relation to the authorization, the review generated an increase in the present value of the contract asset, due mainly to the positive difference between the price of the transaction calculated on the basis of New Replacement Value (Valor Novo de Reposição – VNR) used in the review and the transaction price estimated based on the costs incurred.

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On December 15, 2020 Aneel ratified, by Authorizing Resolution 2825/2020, the result of the Periodic Tariff Reviews of Permitted Annual Revenue (RAP) of Transmission Contracts resulting from public bidding. The revenues from enhancements and upgrades with date of start of commercial operation up to January, 31, 2019 were submitted to the Periodic Review, with effects backdated to the date of the start of commercial operation. The enhancements and upgrades that were subject to review received a repositioning factor of 57.5%, plus an adjustment portion relating to the backdating of the repositioning of RAP since the date of start of commercial operation. The amounts will comprise the RAP of Itajubá as from the adjustment for the 2021/2022 cycle.

As a result of the RTP of the contract 006/1997, the Company recognized a revenue of R$528,598 in the statement of income. Of this amount, R$321,453 refers to the RBNI assets whilst R$207,145 refers to 'BNES' assets, the latter corresponding to the concessions extension, based on the Law 12,783/13, which were incorporated in the regulatory remuneration base. The RTP of the contract 079/2020 resulted in the recognition of a revenue of R$23,254, in the statement of income for the year ended in December 31, 2020. The revenue arising from the revisions represents, mainly, the variation in the remuneration regulatory rate set for the transmission sector and the remeasurement of the New Replacement Value (*Valor Novo de Reposição*, or VNR) of the regulatory remuneration base – BRR. The total amount recognized in the statement of income relate to the Periodic Tariff Revision, net of PIS/Pasep and Cofins taxes, is R$502,108.

14. INVESTMENTS

	Consolidated		Parent Company	
	2020	2019	2020	2019
Affiliated companies				
Madeira Energia (*Santo Antônio* Plant)	209,374	166,617	209,374	166,617
FIP Melbourne (*Santo Antônio* Plant)	157,476	384,809	157,476	384,809
Jointly controlled entities				
Hidrelétrica Cachoeirão	53,215	53,728	53,215	53,728
Guanhães Energia	131,391	131,076	131,391	131,076
Hidrelétrica Pipoca	35,552	30,730	35,552	30,730
LightGer	51,805	46,487	51,805	46,487
Baguari Energia	159,029	157,499	159,029	157,499
Aliança Norte (*Belo Monte* plant)	631,227	671,166	631,227	671,166
Amazônia Energia (*Belo Monte* plant)	965,255	1,027,860	965,255	1,027,860
Aliança Geração	1,166,240	1,191,550	1,166,240	1,191,550
Retiro Baixo	195,235	180,043	195,235	180,043
Subsidiaries				
Cemig Baguari	-	-	55	19
Cemig Geração Três Marias S.A.	-	-	1,452,217	1,407,996
Cemig Geração Salto Grande S.A.	-	-	455,480	446,318
Cemig Geração Itutinga S.A.	-	-	179,745	183,617
Cemig Geração Camargos S.A.	-	-	143,704	136,140
Cemig Geração Sul S.A.	-	-	174,005	179,275
Cemig Geração Leste S.A.	-	-	127,128	126,802
Cemig Geração Oeste S.A.	-	-	83,870	72,648
Rosal Energia S.A.	-	-	127,020	127,994
Sá Carvalho S.A.	-	-	115,486	123,929
Horizontes Energia S.A.	-	-	55,461	57,397
Cemig PCH S.A.	-	-	89,898	97,731
Cemig Geração Poço Fundo S.A.	-	-	3,801	3,638
Empresa de Serviços de Comercialização de Energia Elétrica S.A.	-	-	56,838	28,263
Cemig Comercializadora de Energia Incentivada S.A.	-	-	-	3,359
Cemig Trading S.A.	-	-	30,315	31,027
Central Eólica Praias de Parajuru S.A.	-	-	161,061	149,260
Central Eólica Volta do Rio S.A.	-	-	245,436	124,507
Total of investments	**3,755,799**	**4,041,565**	**7,257,319**	**7,341,485**
Usina Hidrelétrica Itaocara – equity deficit (2)	(29,615)	(21,810)	(29,615)	(21,810)
Total	**3,726,184**	**4,019,755**	**7,227,704**	**7,319,675**

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(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.
(2) 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 December 31, 2020 is R$29,615 (R$21,810 on December 31, 2019).

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 December 31, 2020 is R$29,615 (R$21,810 on December 31, 2019).

For the year of 2020, management considered that there was some indication, due to the economic shock of the Covid-19 pandemic (Note 1.c), of potential decline in value of assets, as referred to in IAS 36 / CPC 01 – *Impairments of Assets*. 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 assessed the recoverable amount of the assets for which there were indications that they may be impaired and 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.

a) Right to exploitation of the regulated activity

In the process of allocating 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$53,858 (R$60,072 on December 31, 2019) and R$73,983 (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 16.

The changes in these assets are as follows:

Consolidated	Balance at Dec. 31, 2018	Amortization	Balance at Dec. 31, 2019	Amortization	Balance at Dec. 31, 2020
Retiro Baixo	31,966	(1,390)	30,576	(1,390)	29,186
Madeira Energia (*Santo Antônio* plant)	18,000	(737)	17,263	(737)	16,526
Aliança Geração	377,534	(25,309)	352,225	(25,310)	326,915
Aliança Norte (*Belo Monte* plant)	52,575	(1,972)	50,603	(1,971)	48,632
	480,075	**(29,408)**	**450,667**	**(29,408)**	**421,259**

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Parent Company	Balance at Dec. 31, 2018	Amortization	Impairment	Balance at Dec. 31, 2019	Amortization	Impairment	Balance at Dec. 31, 2020
Retiro Baixo	31,966	(1,390)	-	30,576	(1,390)	-	29,186
Central Eólica Praias de Parajuru	66,286	(6,214)	-	60,072	(6,214)	-	53,858
Central Eólica Volta do Rio	95,819	(7,529)	(21,684)	66,606	(6,448)	13,825	73,983
Madeira Energia (*Santo Antônio* plant)	18,000	(737)	-	17,263	(737)	-	16,526
Aliança Geração	377,534	(25,309)	-	352,225	(25,310)	-	326,915
Aliança Norte (*Belo Monte* plant)	52,575	(1,972)	-	50,603	(1,971)	-	48,632
	642,180	**(43,151)**	**(21,684)**	**577,345**	**(42,070)**	**13,825**	**549,100**

(1) Due to the result of the analysis of, and realization of the test for, impairment, the Company reversed the provision for impairment of the rights of authorization to generate wind energy of Volta do Rio, on December 31, 2020. More details in Note 16.

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 Dec. 31, 2020
Hidrelétrica Cachoeirão	53,728	9,200	-	(9,713)	53,215
Guanhães Energia	131,076	315	-	-	131,391
Hidrelétrica Pipoca	30,730	11,285	-	(6,463)	35,552
Madeira Energia (*Santo Antônio* Plant)	166,617	42,757	-	-	209,374
FIP Melbourne (*Santo Antônio* Plant)	384,809	(227,333)	-	-	157,476
Baguari Energia	157,499	22,810	-	(21,280)	159,029
Lightger	46,487	12,231	-	(6,913)	51,805
Amazônia Energia (*Belo Monte* Plant)	1,027,860	(62,754)	149	-	965,255
Aliança Norte (*Belo Monte* Plant)	671,166	(40,377)	438	-	631,227
Aliança Geração	1,191,550	89,120	-	(114,430)	1,166,240
Retiro Baixo	180,043	15,192	-	-	195,235
Total of investments	**4,041,565**	**(127,554)**	**587**	**(158,799)**	**3,755,799**
Itaocara – equity deficit	(21,810)	(8,994)	1,189	-	(29,615)
Total	**4,019,755**	**(136,548)**	**1,776**	**(158,799)**	**3,726,184**

Consolidated	Balance at Dec. 31, 2018	Gain (loss) by equity method	Capital contributions	Dividends	Others	Balance at Dec. 31, 2019
Hidrelétrica Cachoeirão	49,213	10,473	-	(5,958)	-	53,728
Guanhães Energia	111,838	(528)	19,766	-	-	131,076
Hidrelétrica Pipoca	30,629	4,475	-	(4,374)	-	30,730
Madeira Energia (*Santo Antônio* plant)	270,090	(103,473)	-	-	-	166,617
FIP Melbourne (*Santo Antônio* plant)	470,022	(85,213)	-	-	-	384,809
Baguari Energia	162,224	22,401	-	(27,126)	-	157,499
Lightger	42,191	7,287	-	(2,991)	-	46,487
Amazônia Energia (*Belo Monte* plant)	1,012,636	15,097	127	-	-	1,027,860
Aliança Norte (*Belo Monte* plant)	663,755	6,458	953	-	-	671,166
Aliança Geração	1,216,860	77,723	-	(103,033)	-	1,191,550
Retiro Baixo	170,720	12,659	-	(3,336)	-	180,043
Usina Hidrelétrica Itaocara S.A.	5,130	(50,027)	23,087	-	21,810	-
Total of investments	**4,205,308**	**(82,668)**	**43,933**	**(146,818)**	**21,810**	**4,041,565**
Itaocara – equity deficit	-	-	-	-	(21,810)	(21,810)
Total	**4,205,308**	**(82,668)**	**43,933**	**(146,818)**	**-**	**4,019,755**

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Parent Company	Balance at Dec. 31, 2019	Gain (loss) by equity method	Additions	Dividends	Others	Balance at Dec. 31, 2020
Hidrelétrica Cachoeirão	53,728	9,200	-	(9,713)	-	53,215
Guanhães Energia	131,076	315	-	-	-	131,391
Hidrelétrica Pipoca	30,730	11,285	-	(6,463)	-	35,552
Madeira Energia (*Santo Antônio* Plant)	166,617	42,757	-	-	-	209,374
FIP Melbourne (*Santo Antônio* Plant)	384,809	(227,333)	-	-	-	157,476
Baguari Energia	157,499	22,810	-	(21,280)	-	159,029
Central Eólica Praias Parajuru	149,260	(2,199)	14,000	-	-	161,061
Central Eólica Volta do Rio	124,507	(28,896)	136,000	-	13,825	245,436
Lightger	46,487	12,231	-	(6,913)	-	51,805
Amazônia Energia (*Belo Monte* Plant)	1,027,860	(62,754)	149	-	-	965,255
Aliança Norte (*Belo Monte* Plant)	671,166	(40,377)	438	-	-	631,227
Aliança Geração	1,191,550	89,120	-	(114,430)	-	1,166,240
Retiro Baixo	180,043	15,192	-	-	-	195,235
Cemig Baguari	19	(14)	50	-	-	55
Cemig Ger.Três Marias S.A.	1,407,996	177,542	-	(133,321)	-	1,452,217
Cemig Ger.Salto Grande S.A.	446,318	58,511	-	(49,349)	-	455,480
Cemig Ger. Itutinga S.A.	183,617	21,775	-	(25,647)	-	179,745
Cemig Geração Camargos S.A.	136,140	24,706	-	(17,142)	-	143,704
Cemig Geração Sul S.A.	179,275	19,225	-	(24,495)	-	174,005
Cemig Geração Leste S.A.	126,802	21,181	-	(20,855)	-	127,128
Cemig Geração Oeste S.A.	72,648	12,125	-	(903)	-	83,870
Rosal Energia S.A.	127,994	28,097	-	(29,071)	-	127,020
Sá Carvalho S.A.	123,929	33,405	-	(41,848)	-	115,486
Horizontes Energia S.A.	57,397	16,622	-	(18,558)	-	55,461
Cemig PCH S.A.	97,731	22,138	-	(29,971)	-	89,898
Cemig Geração Poço Fundo S.A.	3,638	163	-	-	-	3,801
Empresa de Serviços de Comercialização de Energia Elétrica S.A.	28,263	56,254	-	(27,679)	-	56,838
Cemig Comercializadora de Energia Incentivada S.A.	3,359	751	-	(1,581)	(2,529)	-
Cemig Trading S.A.	31,027	29,115	-	(29,827)	-	30,315
Total of investments	**7,341,485**	**362,947**	**150,637**	**(609,046)**	**11,296**	**7,257,319**
Itaocara – equity deficit	(21,810)	(8,994)	1,189	-	-	(29,615)
Total	**7,319,675**	**353,953**	**151,826**	**(609,046)**	**11,296**	**7,227,704**

(1) Due to the result of the analysis of, and realization of the test for, impairment, the Company reversed the provision for impairment of the rights of authorization to generate wind energy of Volta do Rio, on December 31, 2020. More details in Note 16.
(2) On October 1, 2020, Cemig GT completed the merger of its subsidiary Cemig Comercializadora de Energia Incentivada S.A., at book value, with consequent extinction of this investee, and the Cemig GT becoming its successor in all its assets, rights and obligations.

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Parent Company	Balance at Dec. 31, 2018	Gain (loss) by equity method	Capital contributions	Dividends	Others	Balance at Dec. 31, 2019
Hidrelétrica Cachoeirão	49,213	10,473	-	(5,958)	-	53,728
Guanhães Energia	111,838	(528)	19,766	-	-	131,076
Hidrelétrica Pipoca	30,629	4,475	-	(4,374)	-	30,730
Madeira Energia (*Santo Antônio* Plant)	270,090	(103,473)	-	-	-	166,617
FIP Melbourne (*Santo Antônio* Plant)	470,022	(85,213)	-	-	-	384,809
Baguari Energia	162,224	22,401	-	(27,126)	-	157,499
Central Eólica Praias Parajuru (1)	145,880	3,392	-	(12)	-	149,260
Central Eólica Volta do Rio	180,976	(34,785)	-	-	(21,684)	124,507
Lightger	42,191	7,287	-	(2,991)	-	46,487
Amazônia Energia (*Belo Monte* Plant)	1,012,636	15,097	127	-	-	1,027,860
Aliança Norte (*Belo Monte* Plant)	663,755	6,458	953	-	-	671,166
Aliança Geração	1,216,860	77,723	-	(103,033)	-	1,191,550
Retiro Baixo	170,720	12,659	-	(3,336)	-	180,043
Usina Hidrelétrica Itaocara S.A.	5,130	(50,027)	23,087	-	21,810	-
Cemig Baguari	36	(17)	-	-	-	19
Cemig Ger.Três Marias S.A.	1,395,614	169,890	-	(157,508)	-	1,407,996
Cemig Ger.Salto Grande S.A.	440,083	64,894	-	(58,659)	-	446,318
Cemig Ger. Itutinga S.A.	178,545	37,522	-	(32,450)	-	183,617
Cemig Geração Camargos S.A.	131,570	31,712	-	(27,142)	-	136,140
Cemig Geração Sul S.A.	176,424	36,310	-	(33,459)	-	179,275
Cemig Geração Leste S.A.	120,686	29,320	-	(23,204)	-	126,802
Cemig Geração Oeste S.A.	69,898	16,924	-	(14,174)	-	72,648
Rosal Energia S.A.	124,897	24,540	-	(21,443)	-	127,994
Sá Carvalho S.A.	94,447	50,822	-	(21,340)	-	123,929
Horizontes Energia S.A.	54,953	18,510	-	(16,066)	-	57,397
Cemig PCH S.A.	92,987	19,373	-	(14,629)	-	97,731
Cemig Geração Poço Fundo S.A. (2)	18,406	1,460	-	(728)	(15,500)	3,638
Empresa de Serviços de Comercialização de Energia Elétrica S.A.	26,755	55,083	-	(53,575)	-	28,263
Cemig Comercializadora de Energia Incentivada S.A.	2,841	1,582	-	(1,064)	-	3,359
Cemig Trading S.A.	28,135	59,144	-	(56,252)	-	31,027
Total of investments	**7,488,441**	**503,008**	**43,933**	**(678,523)**	**(15,374)**	**7,341,485**
Itaocara – equity deficit	-	-	-	-	(21,810)	(21,810)
Total	**7,488,441**	**503,008**	**43,933**	**(678,523)**	**(37,184)**	**7,319,675**

(1) In view of Renova's negative net equity, the Company reduced to zero the carrying amount 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 year of 2018, which resulted in restatement of its financial statements of December, 31, 2019.

(2) 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.

Changes in dividends receivable are as follows:

	Consolidated		Parent Company	
	2020	2019	2020	2019
Opening balances	**112,043**	**98,842**	**112,337**	**98,842**
Investees' dividends proposed	158,799	146,818	609,046	678,523
Amounts received	(153,732)	(133,617)	(603,979)	(665,028)
Ending balances	**117,110**	**112,043**	**117,404**	**112,337**

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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	December 31, 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	2,259,093	15.51	10,619,786	3,704,760
Jointly controlled entities							
Hidrelétrica Cachoeirão	35,000,000	49.00	35,000	108,602	49.00	35,000	109,649
Guanhães Energia	548,626,000	49.00	548,626	268,144	49.00	548,626	267,503
Hidrelétrica Pipoca	41,360,000	49.00	41,360	72,554	49.00	41,360	62,715
Baguari Energia (1)	26,157,300,278	69.39	186,573	229,189	69.39	186,573	226,984
Lightger	79,078,937	49.00	79,232	105,724	49.00	79,232	94,871
Aliança Norte (*Belo Monte* plant)	41,923,360,811	49.00	1,209,043	1,188,963	49.00	1,208,071	1,266,453
Amazônia Energia (*Belo Monte* plant) (1)	1,322,697,723	74.50	1,322,698	1,295,644	74.50	1,322,598	1,379,678
Aliança Geração	1,291,582,500	45.00	1,291,488	1,857,905	45.00	1,291,488	1,857,905
Retiro Baixo	225,350,000	49.90	225,350	324,810	49.90	225,350	299,532
Renova (1) (2)	41,719,724	36.23	N/D	N/D	36.23	2,960,776	(1,130,428)
Usina Hidrelétrica Itaocara S.A.	71,708,500	49.00	71,709	(60,438)	49.00	69,283	(44,510)
Subsidiaries							
Cemig Baguari	356,000	100.00	356	55	100.00	306	19
Cemig Ger.Três Marias S.A.	1,291,423,369	100.00	1,291,423	1,452,217	100.00	1,291,423	1,407,996
Cemig Ger.Salto Grande S.A.	405,267,607	100.00	405,268	455,480	100.00	405,268	446,318
Cemig Ger. Itutinga S.A.	151,309,332	100.00	151,309	179,745	100.00	151,309	183,617
Cemig Geração Camargos S.A.	113,499,102	100.00	113,499	143,704	100.00	113,499	136,140
Cemig Geração Sul S.A.	148,146,505	100.00	148,147	174,006	100.00	148,147	179,275
Cemig Geração Leste S.A.	100,568,929	100.00	100,569	127,128	100.00	100,569	126,802
Cemig Geração Oeste S.A.	60,595,484	100.00	60,595	83,870	100.00	60,595	72,648
Rosal Energia S.A.	46,944,467	100.00	46,944	127,019	100.00	46,944	127,994
Sá Carvalho S.A.	361,200,000	100.00	36,833	115,486	100.00	36,833	123,929
Horizontes Energia S.A.	39,257,563	100.00	39,258	55,461	100.00	39,258	57,397
Cemig PCH S.A.	45,952,000	100.00	45,952	89,898	100.00	45,952	97,731
Cemig Geração Poço Fundo S.A.	1,402,000	100.00	1,402	3,801	100.00	1,402	3,638
Empresa de Serviços de Comercialização de Energia Elétrica S.A.	486,000	100.00	486	56,838	100.00	486	28,263
Cemig Comercializadora de Energia Incentivada S.A. (3)	-	-	-	-	100.00	1,000	3,359
Cemig Trading S.A.	1,000,000	100.00	1,000	30,315	100.00	1,000	31,027
Central Eólica Praias de Parajuru S.A.	70,560,000	100.00	70,560	107,204	100.00	71,835	89,188
Central Eólica Volta do Rio S.A.	117,230,000	100.00	117,230	171,453	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 amount 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 year of 2018, which resulted in restatement of its financial statements of December, 31, 2019. This investee has not conclued its financial statements for the year ended in December 31, 2020, and thus their account information is not disclosed.

(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.

The main balances for the affiliated companies and jointly-controlled entities, at December 31, 2020 and 2019, are as follows:

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2020	Hidrelétrica Cachoeirão	Baguari Energia	Guanhães Energia	Madeira Energia	Hidrelétrica Pipoca	LightGer
Assets						
Current	29,758	63,452	13,299	945,143	21,114	103,508
Cash and cash equivalents	26,073	10,425	5,939	262,620	8,466	80,173
Non-current	80,499	208,577	404,588	21,369,986	88,642	128,937
Total assets	**110,257**	**272,029**	**417,887**	**22,315,129**	**109,756**	**232,445**
Liabilities						
Current	1,655	22,259	26,664	1,149,935	16,817	72,086
Loans and financings	-	-	11,606	107,579	6,555	8,579
Non-current	-	20,581	123,079	18,906,101	20,385	54,635
Loans and financings	-	-	105,515	4,902,313	19,975	54,613
Stockholders' equity	108,602	229,189	268,144	2,259,093	72,554	105,724
Total liabilities and equity	**110,257**	**272,029**	**417,887**	**22,315,129**	**109,756**	**232,445**
Statement of income						
Net sales revenue	33,739	73,595	49,008	3,200,238	33,550	51,938
Operating costs	(14,547)	(30,192)	(36,173)	(2,719,799)	(6,296)	(9,077)
Depreciation	(2,786)	(11,026)	(17,085)	(868,594)	(3,194)	(10,584)
Gross income	**19,192**	**43,403**	**12,835**	**480,439**	**27,254**	**42,861**
General and administrative expenses	-	5,154	-	(82,383)	(1,472)	(1,297)
Finance income	1,022	2,168	333	258,775	303	2,029
Finance expenses	(6)	(952)	(10,207)	(2,112,254)	(1,519)	(16,201)
	20,208	**49,773**	**2,961**	**(1,455,423)**	**24,566**	**27,392**
Operational income						
Income tax and social contribution tax	(1,432)	(16,899)	(1,567)	9,756	(1,535)	(2,430)
Net income (loss) for the period	**18,776**	**32,874**	**1,394**	**(1,445,667)**	**23,031**	**24,962**
Comprehensive income for the period	-	-	-	-	-	-
Net income (loss) for the period	18,776	32,874	1,394	(1,445,667)	23,031	24,962
Comprehensive income for the period	**18,776**	**32,874**	**1,394**	**(1,445,667)**	**23,031**	**24,962**

2020	Amazônia Energy	Retiro Baixo	Aliança Geração	Aliança Norte	Itaocara
Assets					
Current	116	86,830	805,696	597	2,649
Cash and cash equivalents	101	74,234	385,220	572	2,465
Non-current	1,296,085	331,496	2,460,761	1,188,588	10,429
Total assets	**1,296,201**	**418,326**	**3,266,457**	**1,189,185**	**13,078**
Liabilities					
Current	557	29,623	503,049	222	73,516
Loans and financings	-	13,700	19,328	-	-
Non-current	-	63,893	905,503	-	-
Loans and financings	-	54,764	261,024	-	-
Stockholders' equity (negative)	1,295,644	324,810	1,857,905	1,188,963	(60,438)
Total liabilities and equity (negative)	**1,296,201**	**418,326**	**3,266,457**	**1,189,185**	**13,078**
Statement of income					
Net sales revenue	-	73,240	1,042,130	-	-
Operating costs	(173)	(29,230)	(580,208)	-	(12,990)
Depreciation	-	(10,526)	(153,517)	-	(44)
Gross income (loss)	**(173)**	**44,010**	**461,922**	**-**	**(12,990)**
General and administrative expenses	-	(3,839)	(46,537)	(976)	-
Finance income	1	1,853	28,160	28	71
Finance expenses	(2)	(5,839)	(62,522)	(2)	(5,437)
Operational income	**(174)**	**36,185**	**381,023**	**(950)**	**(18,356)**
Share of (loss) profit, net, of associates and joint ventures	(84,060)	-	-	(77,435)	-
Income tax and Social Contribution tax	-	(3,034)	(126,735)	-	-
Net income (loss) for the period	**(84,234)**	**33,151**	**254,288**	**(78,385)**	**(18,356)**
Comprehensive income for the period					
Net income (loss) for the period	(84,234)	33,151	254,288	(78,385)	(18,356)
Comprehensive income for the period	**(84,234)**	**33,151**	**254,288**	**(78,385)**	**(18,356)**

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2019	Hidrelétrica Cachoeirão	Baguari Energia	Guanhães Energia	Madeira Energia	Hidrelétrica Pipoca	LightGer
Assets						
Current	34,631	59,577	1,195	749,937	10,542	86,758
Cash and cash equivalents	30,341	8,827	422	77,538	2,395	69,419
Non-current	82,183	187,511	267,384	21,679,635	89,940	124,500
Total assets	**116,814**	**247,088**	**268,579**	**22,429,572**	**100,482**	**211,258**
Liabilities						
Current	7,165	15,571	1,062	1,176,997	11,196	53,373
Loans and financings	-	-	484	73,428	6,581	8,619
Non-current	-	4,533	14	17,547,815	26,571	63,014
Loans and financings	-	-	-	10,924,960	26,454	63,014
Stockholders' equity	109,649	226,984	267,503	3,704,760	62,715	94,871
Total liabilities and equity	**116,814**	**247,088**	**268,579**	**22,429,572**	**100,482**	**211,258**
Statement of income						
Net sales revenue	37,844	68,433	-	3,197,523	30,260	49,979
Operating costs	(16,832)	(23,132)	(1,502)	(2,508,203)	(14,575)	(27,227)
Depreciation	(2,773)	(8,868)	(10)	-	(3,143)	(10,584)
Gross income (loss)	**21,012**	**45,301**	**(1,502)**	689,320	**15,685**	**22,752**
General and administrative expenses	-	-	-	(98,771)	(66)	(1,531)
Finance income	1,483	4,232	360	131,422	395	3,982
Finance expenses	(13)	(669)	(42)	(1,683,378)	(3,629)	(7,411)
Operational income	**22,482**	**48,864**	**(1,184)**	**(961,407)**	**12,385**	**17,792**
Income tax and social contribution tax	(1,775)	(16,581)	(10)	9,574	(928)	(2,942)
Net income (loss) for the period	**20,707**	**32,283**	**(1,194)**	**(951,833)**	**11,457**	**14,850**
Comprehensive income for the period						
Net income (loss) for the period	20,707	32,283	(1,194)	(951,833)	11,457	14,850
Comprehensive income for the period	**20,707**	**32,283**	**(1,194)**	**(951,833)**	**11,457**	**14,850**

2019	Amazônia Energy	Retiro Baixo	Aliança Geração	Aliança Norte	Itaocara
Assets					
Current	81	68,182	831,517	1,155	2,783
Cash and cash equivalents	67	55,676	394,567	1,113	2,657
Non-current	1,380,150	342,954	2,266,077	1,266,023	18,997
Total assets	**1,380,231**	**411,136**	**3,097,594**	**1,267,178**	**21,780**
Liabilities					
Current	553	33,939	595,838	725	56,294
Loans and financings	-	13,703	152,305	-	-
Non-current	-	77,665	643,851	-	9,996
Loans and financings	-	68,468	68,518	-	-
Stockholders' equity (negative)	1,379,678	299,532	1,857,905	1,266,453	(44,510)
Total liabilities and equity (negative)	**1,380,231**	**411,136**	**3,097,594**	**1,267,178**	**21,780**
Statement of income					
Net sales revenue	-	70,341	1,015,746	-	-
Operating costs	(199)	(30,119)	(629,653)	-	(102,347)
Depreciation	-	(8,841)	(122,102)	-	(126)
Gross income (loss)	**(199)**	**40,222**	**386,093**	**-**	**(102,347)**
General and administrative expenses	(16)	(3,582)	(29,607)	(1,717)	-
Finance income	1	2,989	34,172	57	256
Finance expenses	(1)	(8,174)	(68,912)	(3)	(5)
Operational income	**(215)**	**31,455**	**321,746**	**(1,663)**	**(102,096)**
Share of (loss) income, net, of associates and joint ventures	20,481	-	12,264	18,867	-
Income tax and Social Contribution tax	-	(3,301)	(109,048)	-	-
Net income (loss) for the period	**20,266**	**28,154**	**228,962**	**17,204**	**(102,096)**
Comprehensive income for the period					
Net income (loss) for the period	20,266	28,154	228,962	17,204	(102,096)
Comprehensive income for the period	**20,266**	**28,154**	**228,962**	**17,204**	**(102,096)**

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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 December 31, 2020 MESA reported a loss of R$1,445,667 (R$951,833 on December 31, 2019) and negative net working capital of R$204,792 (R$427,060, negative, on December 31, 2019). 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 million , 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 million in its financial statements as of December 31, 2017. On December 31, 2020, the investee confirmed its assets recoverability expectation and maintained the provision for receivables in the amount of R$678 million.

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.

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

The investee Renova, currently in court-supervised reorganization, has been reporting recurring losses and presenting negative net working capital, net equity (uncovered liabilities) throughout the past years.

In view of the investee’s equity deficit, the Company reduced the carrying amount 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 recognized, since June, 30 2019, an impairment of the receivable with jointly-controlled entity in the amount of R$688 million.

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 October 25, 2019, the Company made an Advance for Future Capital Increase to Renova, of R$5,000 and subsenquently was agreeded between Cemig (Parent’s Company) and Renova a Debtor in Possession (DIP) loan agreements in the total amount of R$36.5 million. The funds of these loans, made under specific rules of court-supervised reorganization proceedings, were necessary to support the expenses of maintaining the activities of Renova, and 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.

On May 2, 2020, the State of São Paulo Bankruptcy and Court-supervised Reorganization Court issued a decision ordering that the DIP loan, in the total amount of R$36.5 million, with asset guarantee, already constituted and registered, would be subscribed as a capital increase in Renova. Company has filed a Motion for Clarification and in a virtual and permanent session of the 2nd Chamber of Business Law of the São Paulo Court of Justice, decided to uphold the appeal. Thus, the clauses of the court-supervised plan that deal with the loan contracts signed by the Company are maintained, for a while.

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.

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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, which occurred on December 18, 2020. The proceeds obtained will be 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 December 18, 2020, the General Meeting of Creditors approved the court-supervised reorganization plans submitted to the court by Renova. The economic and financial reasonableness of the two plans was presented at the creditors' meeting, as follows:

(i) raising of a bridge loan for completion of the Alto Sertão III wind complex – this was signed on December 17, 2020, in the amount of R$350 million, in the Debtor in Possession (DIP) financing form, by the subsidiary Chipley SP Participações S.A., with co-obligations by Renova Energia S.A. and Renova Participações S.A., to be allocated specifically to resumption of the works on Phase A of the Alto Sertão III Wind Complex;

(ii) sale of assets, principally the shareholding in Brasil PCH, and some wind power ongoing projects;

(iii) renegotiation of the period for settlement of liabilities, with alteration only of maturities, and not amounts; and

(iv) conclusion of the works on the Alto Sertão III Wind Complex.

In this sense, the plans describe the means of recovery in detail, give details of the DIP bridge loan, identify the Isolated Production Units (UPIs) and specify the procedure for resources disposal and allocation.

The expected effects of the approval of the court-supervised reorganization plan on Renova's financial statements at December 2020 are as follow:

(i) the investments in Brazil PCH, Espra, Phase B and Mina de Ouro will be presented as held for sale, in current assets;

(ii) liabilities will be updated from the date of application for court-supervised reorganization until December 31, 2020 at 100% of the CDI rate;

(iii) the liabilities to controlling shareholders will be updated from the date of approval of the application for court-supervised reorganization, at 100% of the CDI rate; and

(iv) the interest provisioned for the period between approval of the application and approval of the plan will be reversed.

On February 11, 2021, *PSS Principal Fundo de Investimento em Participações Multiestratégia*, managed by *Prisma Capital Ltda*., won the competitive tender for sale of the Phase B UPI specified in the Renova Group's court-supervised reorganization Plan, with the proposal of R$58,386, 16.77% higher than the minimum value specified in the Plan. Renova and the PSS Principal Fund will sign the final instruments for acquisition, in the terms of the Tender of the Phase B UPI, in order to begin compliance with the precedent conditions that are usual in such transactions.

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Further, on March 1, 2021 the Board of Directors of Renova approved an increase in the share capital of this investee of until R$ 1,420,786, with the condition that partial subscription of R$332,416 or more, corresponding to the amount of the credits to be capitalized under the Plans, will be accepted. The capital increase and its final amount are subject to approval by the Board of Directors, after expiry of the periods for exercise of rights of first refusal and subscription of leftover shares by holders of subscription rights. The Company is not part of the group of creditors that requested conversion of their credits into equity, and also will not subscribe any part of the capital increase. As a result, the equity interest held by the Company in Renova will be reduced from 29.81% to 15.15% of the total capital, considering that no other shareholder subscribes the capital increase. There will be no effect on the present jointly control of Renova.

On March 2, 2021 the contract for sale of shares of the Phase B UPI was signed, on the terms specified in the Tender of that UPI and in the Renova Group's court-supervised reorganization Plan, subject to implementation of the suspensive conditions that are usual in the market.

On March 5, 2021, in the context of the court-supervised reorganization, Renova received R$362,465 from the Debtor in Possession financing contracted by its subsidiary Chipley SP Participações S.A. – in court-supervised reorganization with co-obligations by Renova and Renova Participações S.A. – in court-supervised reorganization, through a Bank Credit Note structured by *Quadra Gestão de Recursos S.A.* ('*Quadra Capital*') and issued in favor of *QI Sociedade de Crédito Ltda*., as specified and authorized in the court-supervised reorganization proceedings of the Renova Group, currently under the 2nd Court for Bankruptcies and Court-Supervised Reorganization of the Legal District of São Paulo State. The funds obtained will enable resumption of the works for conclusion of construction and start of commercial operation of Phase A of Alto Sertão III.

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

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 December 31, 2020 NESA had negative net working capital of R$160.351 (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 loans.

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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 December 31, 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 December 31, 2020 to R$2,407,000 (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.

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 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 financial statements. The effects of any future alterations in the existing scenario will be reflected appropriately in the Company's financial statements.

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Madeira Energia S.A. ('MESA')

There are ongoing investigation 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 financial statements. The effects of any future alterations in the existing scenario will be reflected appropriately in the Company's financial statements.

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.

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.

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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 December 31, 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 December 31, 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 financial statements, even if eventually not yet recorded by Renova.

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.

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

Taking into account the investigations, that are being conducted by public authorities 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.

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 financial statements ended December 31, 2020 nor in its prior years financial statements.

In the second semester of 2019, Company signed tooling agreements with the Securities and Exchange Commission (SEC) and US Department of Justice (DOJ), which was extended in February, 2021 for an additional period of six months. Cemig has complied with the requests and intends to continue contributing to the SEC and the DOJ.

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.

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

The 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 national and international relevant authorities and their analysis related to the investigations in progress.

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15. PROPERTY, PLANT AND EQUIPMENT

Consolidated	December 31, 2020			December 31, 2019		
	Historic cost	Accumulated depreciation	Net value	Historic cost	Accumulated depreciation	Net value
In service	**7,321,663**	**(5,091,975)**	**2,229,688**	**7,244,763**	**(4,929,379)**	**2,315,384**
Land	246,775	(22,624)	224,151	247,453	(19,178)	228,275
Reservoirs, dams and watercourses	3,299,589	(2,279,878)	1,019,711	3,279,784	(2,199,659)	1,080,125
Buildings, works and improvements	1,100,414	(835,826)	264,588	1,091,605	(818,120)	273,485
Machinery and equipment	2,641,324	(1,924,711)	716,613	2,592,087	(1,864,599)	727,488
Vehicles	20,602	(18,756)	1,846	20,616	(17,687)	2,929
Furniture and utensils	12,959	(10,180)	2,779	13,218	(10,136)	3,082
Under construction	**175,993**	**-**	**175,993**	**133,103**	**-**	**133,103**
Assets in progress	175,993	-	175,993	133,103	-	133,103
Net PP&E	**7,497,656**	**(5,091,975)**	**2,405,681**	**7,377,866**	**(4,929,379)**	**2,448,487**

Parent Company	December 31, 2020			December 31, 2019		
	Historic cost	Accumulated depreciation	Net value	Historic cost	Accumulated depreciation	Net value
In service	**6,182,139**	**(4,523,568)**	**1,658,571**	**6,153,927**	**(4,404,015)**	**1,749,912**
Land	242,176	(22,261)	219,915	243,194	(18,867)	224,327
Reservoirs, dams, watercourses	3,021,850	(2,141,101)	880,749	3,003,075	(2,069,552)	933,523
Buildings, works and improvements	1,013,858	(797,915)	215,943	1,013,385	(782,773)	230,612
Machinery and equipment	1,871,166	(1,533,759)	337,407	1,860,907	(1,505,381)	355,526
Vehicles	20,388	(18,542)	1,846	20,401	(17,473)	2,928
Furniture and utensils	12,701	(9,990)	2,711	12,965	(9,969)	2,996
Under construction	**114,568**	**-**	**114,568**	**72,279**	**-**	**72,279**
Assets in progress	114,568	-	114,568	72,279	-	72,279
Net PP&E	**6,296,707**	**(4,523,568)**	**1,773,139**	**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 (3)	Depreciation	Balance at Dec. 31, 2020
In service	**2,315,384**	**20,560**	**78,906**	**(3,126)**	**(182,036)**	**2,229,688**
Land (1)	228,275	340	-	(660)	(3,804)	224,151
Reservoirs, dams, watercourses	1,080,125	-	19,870	(51)	(80,233)	1,019,711
Buildings, works and improvements	273,485	-	9,434	(319)	(18,012)	264,588
Machinery and equipment	727,488	20,204	49,580	(2,091)	(78,568)	716,613
Vehicles	2,929	-	-	-	(1,083)	1,846
Furniture and utensils	3,082	16	22	(5)	(336)	2,779
Under construction	**133,103**	**112,485**	**(80,409)**	**10,814**	**-**	**175,993**
Net PP&E	**2,448,487**	**133,045**	**(1,503)**	**7,688**	**(182,036)**	**2,405,681**

(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 16);
(3) Includes the impairment loss recognized for assets in progress.

Consolidated	Balance at Dec. 31, 2018	Addition	Transfer (2)	Settled	Depreciation	Balance at Dec. 31, 2019
In service	**2,540,035**	**-**	**48,828**	**(91,095)**	**(182,384)**	**2,315,384**
Land (1)	214,967	-	16,939	(153)	(3,478)	228,275
Reservoirs, dams, watercourses	1,150,495	-	14,431	(4,756)	(80,045)	1,080,125
Buildings, works and improvements	313,688	-	(15,851)	(5,682)	(18,670)	273,485
Machinery and equipment	853,054	-	33,282	(80,501)	(78,347)	727,488
Vehicles	4,525	-	(58)	-	(1,538)	2,929
Furniture and utensils	3,306	-	85	(3)	(306)	3,082
Under construction	**119,186**	**70,344**	**(45,090)**	**(11,337)**	**-**	**133,103**
Net PP&E	**2,659,221**	**70,344**	**3,738**	**(102,432)**	**(182,384)**	**2,448,487**

(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 13) and Intangible (see Note 16).

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Parent Company	Balance at Dec. 31, 2019	Addition	Transfer (2)	Settled (3)	Depreciation	Balance at Dec. 31, 2020
In service	**1,749,912**	**6,839**	**39,615**	**(1,437)**	**(136,358)**	**1,658,571**
Land (1)	224,327	-	-	(660)	(3,752)	219,915
Reservoirs, dams, watercourses	933,523	-	18,776	-	(71,550)	880,749
Buildings, works and improvements	230,612	-	926	(56)	(15,539)	215,943
Machinery and equipment	355,526	6,823	19,905	(716)	(44,131)	337,407
Vehicles	2,928	-	-	-	(1,082)	1,846
Furniture and utensils	2,996	16	8	(5)	(304)	2,711
Under construction	**72,279**	**67,846**	**(39,615)**	**14,058**	**-**	**114,568**
Net PP&E	**1,822,191**	**74,685**	**-**	**12,621**	**(136,358)**	**1,773,139**

(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;
(3) Includes the impairment loss recognized for assets in progress.

Parent Company	Balance at Dec. 31, 2018	Addition	Transfer (2)	Settled	Depreciation	Balance at Dec. 31, 2019
In service	**1,939,887**	**-**	**23,982**	**(75,240)**	**(138,717)**	**1,749,912**
Land (1)	210,963	-	16,939	(151)	(3,424)	224,327
Reservoirs, dams, watercourses	996,451	-	8,455	-	(71,383)	933,523
Buildings, works and improvements	269,263	-	(16,792)	(5,686)	(16,173)	230,612
Machinery and equipment	455,563	-	15,296	(69,403)	(45,930)	355,526
Vehicles	4,505	-	(59)	-	(1,518)	2,928
Furniture and utensils	3,142	-	143	-	(289)	2,996
Under construction	**85,318**	**22,286**	**(23,988)**	**(11,337)**	**-**	**72,279**
Net PP&E	**2,025,205**	**22,286**	**(6)**	**(86,577)**	**(138,717)**	**1,822,191**

(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 13).

The average annual depreciation rate for the Company and its subsidiaries is 3.12%. Depreciation rates, which take into consideration the expected useful life of the assets, are revised annually by Management and are as follows :

Generation	(%)	Administration	(%)
Reservoirs, dams and watercourses	2.00	Vehicles	14.29
Buildings – Machine room	2.00	IT equipment in general	16.67
Buildings – Other	3.33	General equipment	6.25
Generator	3.33	Buildings – Other	3.33
Water turbine	2.50		
Pressure tunnel	3.13		
Command station, panel and cubicle	3.57		
Town planning and improvements	3.33		

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.

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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.

Consolidated and Parent Company	Stake in power output, %	Average annual depreciation rate %	December 31, 2020	December 31, 2019
In service				
Queimado Power Plant	82.50	3.94	218,111	217,210
Depreciation			(117,271)	(109,012)
Total in service			**100,840**	**108,198**
In progress				
Queimado Power Plant	82.50	-	1,580	980
Total in progress			**1,580**	**980**
Total			**102,420**	**109,178**

16. INTANGIBLE ASSETS

Consolidated	December 31, 2020			December 31, 2019		
	Historic cost	Accumulated amortization	Residual value	Historic cost	Accumulated amortization	Residual value
In service	**298,944**	**(150,917)**	**148,027**	**296,397**	**(148,179)**	**148,218**
Temporary easements	13,217	(4,045)	9,172	11,749	(3,292)	8,457
Paid concession	19,169	(13,288)	5,881	19,169	(12,609)	6,560
Assets of the concession (1)	202,338	(74,497)	127,841	202,337	(75,659)	126,678
Others	64,220	(59,087)	5,133	63,142	(56,619)	6,523
Under construction	**8,459**	**-**	**8,459**	**7,369**	**-**	**7,369**
Assets in progress	8,459	-	8,459	7,369	-	7,369
Net intangible assets	**307,403**	**(150,917)**	**156,486**	**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$127,841, are considered as investments in the financial statements 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	December 31, 2020			December 31, 2019		
	Historic cost	Accumulated amortization	Residual value	Historic cost	Accumulated amortization	Residual value
In service	**94,430**	**(76,149)**	**18,281**	**93,366**	**(72,448)**	**20,918**
Temporary easements	11,451	(3,923)	7,528	11,451	(3,292)	8,159
Paid concession	19,169	(13,288)	5,881	19,169	(12,609)	6,560
Others	63,810	(58,938)	4,872	62,746	(56,547)	6,199
Under construction	**8,443**	**-**	**8,443**	**7,342**	**-**	**7,342**
Assets in progress	8,443	-	8,443	7,342	-	7,342
Net intangible assets	**102,873**	**(76,149)**	**26,724**	**100,708**	**(72,448)**	**28,260**

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Changes in intangible assets are as follow:

Consolidated	Balance at Dec. 31, 2019	Addition	Impairment (1)	Capitalization / Transfer (2)	Amortization	Balance at December 31, 2020
In service	**148,218**	**-**	**13,825**	**3,456**	**(17,472)**	**148,027**
Temporary easements	8,457	-	-	1,468	(753)	9,172
Paid concessions	6,560	-	-	-	(679)	5,881
Assets of the concession	126,678	-	13,825	-	(12,662)	127,841
Others	6,523	-	-	1,988	(3,378)	5,133
Under construction	**7,369**	**3,043**	**-**	**(1,953)**	**-**	**8,459**
Assets in progress	7,369	3,043	-	(1,953)	-	8,459
Total	**155,587**	**3,043**	**13,825**	**1,503**	**(17,472)**	**156,486**

(1) This includes the impairment reversal, in the amount of R$13,825 recognized in the Income Statement under “Other revenues”, 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 December 31, 2020. There is more information below in this note.
(2) Balance relating to transfers to Property, plant and equipment (see Note 15) and from Assets in progress to Assets in service.

Consolidated	Balance at Dec. 31, 2018	Addition	Impairment (1)	Capitalization / Transfer (2)	Settled	Amortization	Balance at December 31, 2019
In service	**191,135**	**-**	**(21,684)**	**(2,562)**	**(667)**	**(18,004)**	**148,218**
Temporary easements	9,085	-	-	-	-	(628)	8,457
Paid concessions	7,239	-	-	-	-	(679)	6,560
Right to commercial operation	162,106	-	(21,684)	667	(667)	(13,744)	126,678
Others	12,705	-	-	(3,229)	-	(2,953)	6,523
Under construction	**6,448**	**2,103**	**-**	**(1,182)**	**-**	**-**	**7,369**
Assets in progress	6,448	2,103	-	(1,182)	-	-	7,369
Total	**197,583**	**2,103**	**(21,684)**	**(3,744)**	**(667)**	**(18,004)**	**155,587**

(1) This includes the impairment, in the amount of R$21,684 recognized in the Income Statement under “Other expenses”. More details in this Note.
(2) Balance relating to transfers to Property, plant and equipment (see Note 15) and from Assets in progress to Assets in service.

Parent Company	Balance at Dec. 31, 2019	Addition	Capitalization / Transfer (1)	Amortization	Balance at December 31, 2020
In service	**20,918**	**-**	**1,942**	**(4,579)**	**18,281**
Temporary easements	8,159	-	-	(631)	7,528
Paid concessions	6,560	-	-	(679)	5,881
Others	6,199	-	1,942	(3,269)	4,872
Under construction	**7,342**	**3,043**	**(1,942)**	**-**	**8,443**
Assets in progress	7,342	3,043	(1,942)	-	8,443
Total	**28,260**	**3,043**	**-**	**(4,579)**	**26,724**

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

Parent Company	Balance at Dec. 31, 2018	Addition	Capitalization / Transfer (1)	Amortization	Balance at December 31, 2019
In service	**24,267**	**-**	**882**	**(4,231)**	**20,918**
Temporary easements	8,787	-	-	(628)	8,159
Paid concessions	7,239	-	-	(679)	6,560
Others	8,241	-	882	(2,924)	6,199
Under construction	**6,448**	**1,776**	**(882)**	**-**	**7,342**
Assets in progress	6,448	1,776	(882)	-	7,342
Total	**30,715**	**1,776**	**-**	**(4,231)**	**28,260**

(1) 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 12.46%.

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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.

In 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" arises from non-achievement of the operational performance expected in 2019 for the wind generation assets of the subsidiary.

On December, 31, 2020, upon conclusion of the refurbishment of the 19 aero generators of the subsidiary Volta do Rio and full resumption of its generation capacity, the Company tested its operation assets for impairment, and it was found that economic and financial equilibrium, and the liquidity, of the subsidiary will be re-established. As a result, the Company reversed part of the loss that had been recognized, resulting in a net reversal of R$13,825 on December, 31, 2020, which is posted in the statement of income as other expenses.

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 wind generation activity, using the Firm Cash Flow (FCFF) methodology.

Renegotiation of hydrological risk – the Generation Scaling Factor (GSF)

On September 9, 2020, the Law 14,052 was issued, changing the Law 13,203/2015 and establishing new conditions for renegotiation of hydrological risk in relation to the portion of costs incurred due to the GSF, borne by the holders of hydroelectric plants participating in the Energy Reallocation Mechanism (MRE) between 2012 and 2017, when there was a serious crisis in water sources.

The aim of this new law is to compensate the holders of hydroelectric plants participating in the MRE for non-hydrological risks caused by:

(i) generation ventures classified as structural, related to bringing forward of physical guarantee of the plants;
(ii) the restrictions on start of operation of the transmission facilities necessary for outflow of the generation output of structural projects; and
(iii) generation outside the merit order system, and importation.

This compensation will take the form of extension of the grant of concession or authorization to operate, limited to 7 years, calculated on the basis of the parameters applied by Aneel.

On December 1, 2020, Aneel issued its Normative Resolution 895, which established the methodology for calculation of the compensation, and the procedures for renegotiation of hydrological risk. To be eligible for the compensations under Law 14,052, the holders of hydroelectric plants participating in the MRE are required to:

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(i) cease any legal actions which claimed exemption from or mitigation of hydrological risks related to the MRE;
(ii) relinquishing any claims and/or further legal actions in relation to exemptions from or mitigation of hydrological risks related to the MRE; and
(iii) not to have renegotiated hydrological risk under Law 13,203/2015.

On March 2, 2021 the CCEE sent to Aneel the calculations for the concessions extensions in the Free Market (ACL) that have opted to accept the conditions proposed by Aneel Normative Resolution 895/2020 and Law 14,052/2020. The Company's management is awaiting ratification and publication by Aneel of its extensions of the concessions grants, for subsequent submission to the Company's governance bodies for approval. Thus, no impact arising from this subject has been recorded in the financial statements at December 31, 2020.

Based on the data supplied by CCEE to Aneel, the Company's plants will have the right to the following periods of extension:

Power Plant	Physical Guarantee (average MW)	Concession extension (months)
Emboração	500	23
Nova Ponte	270	25
Sá Carvalho	56	22
Rosal	29	46
Others (1)	399	-

(1) Includes 11 power plants, of which 7 are owned by Cemig GT, 1 is owned by Cemig PCH and 3 are owned by Horizontes. The average concession extension in months varies between 1 and 84 months.

The accounting effect arising from renegotiation of hydrological risk comprises: recognition of an intangible asset, related to the right of grant arising from the compensation for costs incurred in prior years, based on fair value, with counterpart in energy cost compensation in statement of income. These effects will be recognized after approval by the Company's governance bodies of the proposal for renegotiation of hydrological risk. This is expected to take place at the end of the first half of 2021.

With the approval of Law 14,120/2021, the right to reimbursement for the generation plants of Lot D was recognized, enabling the CCEE to make a new calculation, including these plants, indicating the right to their concession extension by the allowed maximum (seven years). Official confirmation of these amounts is pending regulations to be issued by Aneel.

17. 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 building used as administrative headquarter;
- Leasing of commercial vehicles used in operations.

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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 December 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, and reflect the Company's credit risk and the market conditions at the lease agreement date, as follows:

Marginal rates	Annual rate (%)	Monthly rate (%)
Initial application		
Up to two years	7.96	0.64
Three to five years	10.64	0.85
Six to twenty years	13.17	1.04
Contracts entered – 2019 and 2020		
Up to three years	6.87	0.56
Three to four years	7.33	0.59
Four to twenty years	8.08	0.65

a) Right of use assets

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

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

Consolidated	Real estate property	Vehicles	Total
Balances on December 31, 2018	-	-	-
Initial adoption on January 1, 2019	44,823	16,379	61,202
Addition	11,396	114	11,510
Amortization	(10,402)	(5,993)	(16,395)
Remeasurement	(3,557)	224	(3,333)
Balances on December 31, 2019	**42,260**	**10,724**	**52,984**
Settled (closed contracts)	(1,002)	-	(1,002)
Addition	1,415	-	1,415
Amortization (1)	(6,494)	(6,086)	(12,580)
Remeasurement (2)	1,545	(478)	1,067
Balances on December 31, 2020	**37,724**	**4,160**	**41,884**

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	114	11,223
Amortization	(10,384)	(5,470)	(15,854)
Remeasurement	(3,557)	224	(3,333)
Balances on December 31, 2019	**41,903**	**9,678**	**51,581**
Settled (closed contracts)	(692)	-	(692)
Addition	146	-	146
Amortization (1)	(6,435)	(5,558)	(11,993)
Remeasurement (2)	1,510	(534)	976
Balances on December 31, 2020	**36,432**	**3,586**	**40,018**

(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$572 and R$573, for the consolidated and individual financial statements, respectively (R$1,261 in 2019 for the consolidated and individual financial statements).

(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.

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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.

The changes in the lease liabilities are as follows:

	Consolidated	Parent Company
Balances at December 31, 2018	-	-
First adoption on January 1, 2019	61,202	59,545
Addition	11,510	11,223
Interest incurred (1)	7,168	7,014
Payment of principal portion of lease liability	(20,401)	(19,796)
Payment of interest	(1,087)	(1,054)
Remeasurement (2)		
Balances at December 31, 2019	**55,059**	**53,599**
Settled (closed contracts)	(1,502)	(1,196)
Addition	1,415	146
Accrued interest (1)	5,734	5,508
Payment of principal portion of lease liability	(16,494)	(15,724)
Payment of interest	(736)	(723)
Remeasurement (2)	1,067	976
Balances at December 31, 2020	**44,543**	**42,586**
Current liabilities	**8,702**	**7,908**
Non-current liabilities	**35,841**	**34,678**

(1) Financial revenues recognized in the Financial Statements are net of incorporation of the credits for PIS, Pasep and Cofins taxes on payments of rentals, in the amounts of R$392 and R$388, for the consolidated and individual financial statements, respectively. (R$558 in 2019 for the consolidated and individual financial statements).

(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.

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	135,106	44,543	129,927	42,586
Potential PIS/Pasep and Cofins (9.25%)	11,768	3,656	11,632	3,607

The Company 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 financial statements.

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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)
2021	10,047	9,196
2022	5,310	5,123
2023	5,298	5,115
2024	5,296	5,115
2025	5,296	5,115
2026 a 2045	103,859	100,263
Undiscounted values	**135,106**	**129,927**
Embedded interest	(90,563)	(87,341)
Lease liabilities	**44,543**	**42,586**

18. SUPPLIERS

	Consolidated		Parent Company	
	2020	2019	2020	2019
Wholesale supply, and transport of supply	394,406	354,570	340,010	344,248
Materials and services	71,533	67,742	52,564	52,069
	465,939	**422,312**	**392,574**	**396,317**

19. TAXES

	Consolidated		Parent Company	
	2020	2019 (Restated)	2020	2019 (Restated)
Current				
ICMS (value added) tax	20,597	15,410	15,663	11,723
Pasep tax (2)	17,339	13,668	15,618	12,270
Cofins tax (2)	78,801	61,768	72,018	56,453
Social security contributions	7,066	5,340	5,662	4,378
ISS tax on services	2,145	1,893	1,756	1,430
Others (1)	39,293	5,289	39,058	4,874
	165,241	**103,368**	**149,775**	**91,128**
Non-current (1)				
Pasep tax (3)	46,867	40,344	46,854	40,302
Cofins tax (3)	215,878	185,893	215,819	185,655
	262,745	**226,237**	**262,673**	**225,957**
	427,986	**329,605**	**412,448**	**317,085**

(1) This includes the withholding income tax on Interest on equity paid in January 2020, in accordance with the tax legislation.
(2) Includes Cofins and PIS/Pasep recognized in current liability includes the deferred taxes related to the interest revenue arising from the financing component in contract asset and to the revenue of construction and upgrade associated with the transmission concession contract, whose consideration will be received in at least twelve months after the reporting period. For more information, see Note 2.9 and 13.
(3) The deferral of PIS/Pasep and Cofins taxes related to the interest revenue arising from the financing component in contract asset and to the revenue of construction and upgrade associated with the transmission concession contract, whose consideration will be received in at least twelve months after the reporting period. For more information, see Note 2.9 and 13.

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20. LOANS, FINANCING AND DEBENTURES

Financing source	Principal maturity	Annual financing cost	Currency	Consolidated – December 31, 2020			Consolidated – December 31, 2019
				Current	Non-current	Total	
FOREIGN CURRENCY							
Eurobonds	2024	9.25%	USD	58,909	7,795,050	7,853,959	6,091,742
(–) Transaction costs				-	(15,664)	(15,664)	(18,656)
(+/–) Funds advanced (1)				-	(25,314)	(25,314)	(30,040)
Debt in foreign currency				**58,909**	**7,754,072**	**7,812,981**	**6,043,046**
BRAZILIAN CURRENCY							
Pipoca Consortium	2020	IPCA	R$	-	-	-	185
Caixa Econômica Federal (2)	2021	TJLP + 2.50%	R$	17,204	-	17,204	60,516
Caixa Econômica Federal (3)	2022	TJLP + 2.50%	R$	14,086	-	14,086	117,710
Debt in Brazilian currency				**31,290**	**-**	**31,290**	**178,411**
Total of loans and financings				**90,199**	**7,754,072**	**7,844,271**	**6,221,457**
Debentures – 3rd Issue, 3rd Series	2022	IPCA + 6.20%	R$	394,672	366,848	761,520	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$	288,839	-	288,839	578,067
(–) Transaction costs				(8,900)	(19)	(8,919)	(18,022)
Total, debentures				**674,611**	**366,829**	**1,041,440**	**1,665,326**
Overall total				**764,810**	**8,120,901**	**8,885,711**	**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 February 2, 2021, the Company made the mandatory early redemption of this debentures, in the amount of R$264,796, with 20% discount of the funds obtained by the sale of the Cemig's (Parent's Company) interest in Light.

Financing source	Principal maturity	Annual financing cost	Currency	Parent Company – December 31, 2020			Parent Company – December 31, 2019
				Current	Non-current	Total	
FOREIGN CURRENCY							
Eurobonds	2024	9.25%	USD	58,909	7,795,050	7,853,959	6,091,742
(–) Transaction costs				-	(15,664)	(15,664)	(18,656)
(+/–) Funds advanced (1)				-	(25,314)	(25,314)	(30,040)
Debt in foreign currency				**58,909**	**7,754,072**	**7,812,981**	**6,043,046**
BRAZILIAN CURRENCY							
Pipoca Consortium	2020	IPCA	R$	-	-	-	185
Debt in Brazilian currency				**-**	**-**	**-**	**185**
Total of loans and financings				**58,909**	**7,754,072**	**7,812,981**	**6,043,231**
Debentures – 3rd Issue, 3rd Series	2022	IPCA + 6.20%	R$	394,672	366,848	761,520	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$	288,839	-	288,839	578,067
(–) Transaction costs				(8,900)	(19)	(8,919)	(18,022)
Total, debentures				**674,611**	**366,829**	**1,041,440**	**1,665,326**
Overall total				**733,520**	**8,120,901**	**8,854,421**	**7,708,557**

(1) Advance of funds to achieve the yield to maturity agreed in the Eurobonds contract.
(2) On February 2, 2021, the Company made the mandatory early redemption of this debentures, in the amount of R$264,796, with 20% discount of the funds obtained by the sale of the Cemig's (controladora da Companhia) interest in Light.

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("cross default").

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Guarantees

The Company's debtor balances on loans and financings guaranteed by the parent company, Cemig on December 31, 2020 were as follows:

Consolidated	2020
Surety guarantees	8,574,463
Receivables	31,290
Shares	279,958
Total	**8,885,711**

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

Consolidated	2021	2022	2023	2024	Total
Currency					
US dollar	58,909	-	-	7,795,050	7,853,959
Total, currency-denominated	**58,909**	**-**	**-**	**7,795,050**	**7,853,959**
Indexers					
IPCA (1)	394,672	366,848	-	-	761,520
CDI (2)	288,839	-	-	-	288,839
TJLP (3)	31,290	-	-	-	31,290
Total, governed by indexers	**714,801**	**366,848**	**-**	**-**	**1,081,649**
(–) Transaction costs	(8,900)	(19)	-	(15,664)	(24,583)
(+/-) Funds advanced	-	-	-	(25,314)	(25,314)
Overall total	**764,810**	**366,829**	**-**	**7,754,072**	**8,885,711**

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

Parent Company	2021	2022	2023	2024	Total
Currency					
US dollar	58,909	-	-	7,795,050	7,853,959
Total, currency-denominated	**58,909**	**-**	**-**	**7,795,050**	**7,853,959**
Indexers					
IPCA (1)	394,672	366,848	-	-	761,520
CDI (2)	288,839	-	-	-	288,839
Total, governed by indexers	**683,511**	**366,848**	**-**	**-**	**1,050,359**
(–) Transaction costs	(8,900)	(19)	-	(15,664)	(24,583)
(+/-) Funds advanced	-	-	-	(25,314)	(25,314)
Overall total	**733,520**	**366,829**	**-**	**7,754,072**	**8,854,421**

(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 in 2020, %	Accumulated change in 2019, %	Indexer	Accumulated change in 2020, %	Accumulated change in 2019, %
Dólar Norte-Americano	28.93	4.02	IPCA	4.52	4.31
			CDI	2.77	5.97
			TJLP	(18.31)	(20.20)

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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	50,969	38,289
Foreign exchange variations	233,846	233,846
Financial costs recorded	804,721	802,542
Amortization of transaction cost	11,706	11,706
Financial charges paid	(803,307)	(803,307)
Amortization of financings	(610,064)	(610,064)
Balances at December 31, 2019	**7,886,783**	**7,708,557**
Monetary updating	43,337	35,134
Foreign exchange variations	1,749,000	1,749,000
Financial costs recorded	926,183	923,243
Amortization of transaction costs (1)	12,095	12,095
Financial charges paid	(924,896)	(923,510)
Amortization of financings	(806,791)	(650,098)
Balances at December 31, 2020	**8,885,711**	**8,854,421**

(1) Withholding income tax on remittance of interest on Eurobonds, in the amount of R$130,296, was offset against PIS/Pasep and Cofins credits.

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

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The covenants remain in compliance as of December 31, 2020, with the exception non-compliance with the 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$2,012 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 29 of these financial statements.

21. REGULATORY CHARGES

	Consolidated		Parent Company	
	2020	2019	2020	2019
Liabilities				
Global reversion reserve (RGR)	2,805	5,949	-	3,100
Royalties for use of water resources (CFURH)	12,976	9,767	9,004	6,951
Energy development account (CDE)	64,179	58,327	64,179	58,327
Electricity services inspection charge (TFSEE)	1,511	999	721	809
Proinfa – alternative energy program	7,435	8,353	7,435	8,353
National scientific and technological development fund (FNDCT)	1,980	1,503	1,329	1,106
Research and development	137,557	128,248	125,146	118,283
Energy system expansion research	1,129	937	804	692
	229,572	**214,083**	**208,618**	**197,621**
Current liabilities	**172,619**	**168,785**	**160,872**	**157,638**
Non-current liabilities	**56,953**	**45,298**	**47,746**	**39,983**

22. POST-EMPLOYMENT OBLIGATIONS

The Forluz Pension plan (a supplementary retirement pension plan)

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

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

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

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

Independently of the plans made available by Forluz, the Company maintains payments of part of the life insurance premium for the employees and retirees, and contributes to a health plan and a dental plan for the active employees, retired employees and dependents, administered by Cemig Saúde.

Actuarial obligations and recognition in the financial statements

On this Note the Company discloses its obligations and expenses incurred for purposes of the Retirement Plan, Health Plan, Dental Plan and the Life Insurance Plan in accordance with terms of IAS 19 – *Employee Benefit*s (*Benefícios a Empregados*), and the independent actuarial opinion issued as of December 31, 2020.

Debt with the pension fund (Forluz)

On December 31, 2020 the Company has recognized an obligation for past actuarial deficits relating to the pension fund in the amount of R$106,940 (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 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 December 31, 2020 the total amount payable by the Company was R$122,234 (R$124,499 on December 31, 2019 referring to the Plan A deficits of 2015, 2016 and 2017). The monthly amortizations, calculated by the constant installments system (Price Table), will be paid up to 2031 for the 2015 and 2016 deficits, in the amount of R$82,114, and up to 2033 for the 2017 deficit, in the amount of R$40,120. 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.

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In December 2020, in accordance with legislation, Forluz sent Cemig a proposal for the signing of a new Debt Assumption Instrument between Forluz and the sponsors Cemig, Cemig GT and Cemig D, in accordance with the plan to cover the deficit of Plan A, that occurred in 2019. The total amount to be paid by the Company to cover the deficit is R$36,304, through 166 monthly installments. 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.

Actuarial information

2020	Pension plans and retirement supplement plans	Health Plan	Dental Plan	Life insurance	Total (consolidated)
Present value of the obligations	2,980,490	717,713	13,891	120,823	3,832,917
Fair value of plan assets	(2,380,823)	-	-	-	(2,380,823)
Initial net liabilities	**599,667**	**717,713**	**13,891**	**120,823**	**1,452,094**
Adjustment to asset ceiling	5,591	-	-	-	5,591
Net liabilities in the statement of financial position	**605,258**	**717,713**	**13,891**	**120,823**	**1,457,685**

2019	Pension plans and retirement supplement plans	Health Plan	Dental Plan	Life insurance	Total (consolidated)
Present value of the obligations	2,976,005	672,996	12,850	125,801	3,787,652
Fair value of plan assets	(2,367,313)	-	-	-	(2,367,313)
Initial net liabilities	**608,692**	**672,996**	**12,850**	**125,801**	**1,420,339**
Adjustment to asset ceiling	14,548				14,548
Net liabilities in the statement of financial position	**623,240**	**672,996**	**12,850**	**125,801**	**1,434,887**

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

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

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

Consolidated and Parent Company	Pension plans and retirement supplement plans	Health Plan	Dental Plan	Life insurance	Total
Defined-benefit obligation at December 31, 2018	**2,483,291**	**515,889**	**10,374**	**94,372**	**3,103,926**
Cost of current service	231	3,196	76	582	4,085
Interest on the actuarial obligation	216,300	45,814	921	8,475	271,510
Actuarial losses (gains):					
Due to changes in demographic assumptions	1,581	58	3	32	1674
Due to changes in financial assumptions	470,267	123,699	2,390	28,000	624,356
Due to adjustments based on experience	(328)	13,410	(322)	(3,227)	9,533
	471,520	**137,167**	**2,071**	**24,805**	**635,563**
Benefits paid	(195,337)	(29,070)	(592)	(2,433)	(227,432)
Defined-benefit obligation at December 31, 2019	**2,976,005**	**672,996**	**12,850**	**125,801**	**3,787,652**
Cost of current service	481	5,010	121	897	6,509
Interest on the actuarial obligation	199,016	46,644	895	8,915	255,470
Actuarial losses (gains):					
Due to changes in demographic assumptions	30,166	88,204	895	-	119,265
Due to changes in financial assumptions	(87,302)	(32,490)	(835)	(7,382)	(128,009)
Due to adjustments based on experience	60,503	(30,905)	592	(5,061)	25,129
	3,367	**24,809**	**652**	**(12,443)**	**16,385**
Benefits paid	(198,379)	(31,746)	(627)	(2,347)	(233,099)
Defined-benefit obligation at December 31, 2020	**2,980,490**	**717,713**	**13,891**	**120,823**	**3,832,917**

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Changes in the fair values of the plan assets are as follows:

Consolidated and Parent Company	Pension plans and retirement supplement plans
Fair value of the plan assets at December 31, 2018	**2,071,598**
Real return on the investments	445,920
Contributions from the employer	45,132
Benefits paid	(195,337)
Fair value of the plan assets at December 31, 2019	**2,367,313**
Real return on the investments	164,125
Contributions from the employer	47,764
Benefits paid	(198,379)
Fair value of the plan assets at December 31, 2020	**2,380,823**

The amounts recognized in the 2020 and 2019 Statement of income are as follows:

Consolidated and Parent Company	Pension plans and retirement supplement plans	Health Plan	Dental Plan	Life insurance	Total
Cost of current service	481	5,010	121	897	6,509
Interest on the actuarial obligation	199,016	46,644	895	8,915	255,470
Return on the assets of the plan	(156,177)	-	-	-	(156,177)
Total expense in 2020 according to actuarial calculation	**43,320**	**51,654**	**1,016**	**9,812**	**105,802**

Consolidated and Parent Company	Pension plans and retirement supplement plans	Health Plan	Dental Plan	Life insurance	Total
Cost of current service	231	3,196	76	582	4,085
Interest on the actuarial obligation	216,300	45,814	921	8,475	271,510
Return on the assets of the plan	(175,137)	-	-	-	(175,137)
Total expense in 2019 according to actuarial calculation	**41,394**	**49,010**	**997**	**9,057**	**100,458**

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	41,394	49,010	997	9,057	100,458
Contributions paid	(45,132)	(29,070)	(592)	(2,433)	(77,227)
Actuarial gains (losses)	170,767	137,167	2,071	24,805	334,810
Net liabilities at December 31, 2019	**623,240**	**672,996**	**12,850**	**125,801**	**1,434,887**
Expense recognized in Statement of income	43,320	51,654	1,016	9,812	105,802
Contributions paid	(47,764)	(31,746)	(627)	(2,347)	(82,484)
Actuarial gains (losses)	(13,538)	24,809	652	(12,443)	(520)
Net liabilities at December 31, 2020	**605,258**	**717,713**	**13,891**	**120,823**	**1,457,685**
				2020	**2019**
Current liabilities				**66,206**	**62,550**
Non-current liabilities				**1,391,479**	**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$93,882 for the year ended December 31, 2020 (R$87,765 for the year ended December 31, 2019), plus the finance expenses and monetary updating on the debt with Forluz, in the amounts of R$11,920 for the year ended December 31, 2020 (R$12,693 for year ended December 31, 2019).

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The independent actuary's estimation for the expense to be recognized for 2021 is as follows:

Consolidated	Pension plans and retirement supplement plans	Health Plan	Dental Plan	Life insurance	Total
Cost of current service	523	5,063	128	796	6,510
Interest on the actuarial obligation	198,471	49,945	984	8,611	258,011
Expected return on the assets of the Plan	(157,116)	-	-	-	(157,116)
Estimate of total expense in 2021 as per actuarial calculation report	**41,878**	**55,008**	**1,112**	**9,407**	**107,405**

The expectation for payment of benefits for 2021 is as follows:

Consolidated	Pension plans and retirement supplement plans	Health Plan	Dental Plan	Life insurance	Total
Estimate of payment of benefits	**201,052**	**37,609**	**648**	**4,055**	**243,364**

The Company has expectation of contribution to the pension fund in 2021 of R$50,030 for amortization of the deficit in Plan A, and of R$21,363 to the Defined Contribution plan (recorded directly in the Statements of income for the year).

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

Pension plans and retirement supplement plans		Health Plan	Dental Plan	Life insurance
Plan A	Plan B			
11.58	12.81	13.80	15.01	18.66

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

	2020 Consolidated	2019 Consolidated
Shares	9.25%	9.51%
Fixed income securities	72.18%	72.28%
Real estate property	3.71%	3.79%
Others	14.86%	14.42%
Total	**100.00%**	**100.00%**

The following assets of the pension plan, measured at fair value, are related to the Company:

	2020 Consolidated	2018 Consolidated
Non-convertible debentures issued by the Company	135,321	203,313
Real estate properties of Forluz, occupied by the Company	61,344	135,935
	196,665	**339,248**

This table provides the main actuarial assumptions:

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	2020			2019		
	Pension plans and retirement supplement plans	Health Plan and Dental Plan	Life insurance	Pension plans and retirement supplement plans	Health Plan and Dental Plan	Life insurance
Annual discount rate for present value of the actuarial obligation	6.83%	7.14%	7.25%	6.87%	7.09%	7.19%
Annual expected return on plan assets	6.83%	Não aplicável	Não aplicável	6.87%	Not applicable	Not applicable
Long-term annual inflation rate	3.32%	3.32%	3.32%	3.61%	3.61%	3.61%
Estimated future annual salary increases	3.32%	Não aplicável	4.56%	3.61%	Not applicable.	4.85%
General mortality rate table	AT-2000 M S10% D10%	AT-2000 M S10% D20%	AT-2000 M S10% D20%	AT-2000 M S10% D10%	AT-2000 M S10% D20%	AT-2000 M S10% D20%
Disability rate	Não aplicável	Álvaro Vindas D30%	Álvaro Vindas D30%	Not applicable	Álvaro Vindas D30%	Álvaro Vindas D30%
Disabled mortality rate	AT-49 M	MI-85 F	MI-85 F	AT-49 M	MI-85 F	MI-85 F
Real growth of contributions above inflation (1)	-	1.00%	-	-	1.00%	-

(1) Starting in 2018, the assumption was adopted that real growth of the contributions above inflation would be 1.00% p.a.

Sensitivity of changes in main actuarial assumptions used to determine the defined-benefit obligation, on December 31, 2020:

Effects on the defined-benefit obligation	Pension plans and retirement supplement plans	Health Plan	Dental Plan	Life insurance	Total (Consolidated)
Reduction of one year in the mortality table	72,538	17,358	288	(3,457)	**86,727**
Increase of one year in the mortality table	(72,974)	(17,459)	(291)	3,676	**(87,048)**
Reduction of 1.00% in the discount rate	347,715	103,294	2,196	23,780	**476,985**

In the presentation of the sensitivity analysis, the present value of the defined-benefit obligation was calculated using the Unit Projected Credit method, the same method used to calculate the defined-benefit obligation recognized in the Statements of financial position. The Company has not made changes in the methods used to calculate its post-retirement obligations for the years ending December 31, 2020 and 2019.

23. 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	Dec. 31, 2020
Employment-law cases	69,043	12,431	(9,322)	(13,438)	58,714
Civil cases	182	18	-	-	200
Tax	285,940	21,858	(8)	(738)	307,052
Regulatory	3,004	1,172	(14)	(736)	3,426
Others	42,288	7,295	(105)	(322)	49,156
Total	**400,457**	**42,774**	**(9,449)**	**(15,234)**	**418,548**

Consolidated	Dec. 31, 2018	Additions	Reversals	Settled	Dec. 31, 2019
Employment-law cases	54,901	29,965	(2,537)	(13,286)	69,043
Civil cases	168	144	-	(130)	182
Tax	2,874	284,290	(724)	(500)	285,940
Regulatory	2,521	1,781	-	(1,298)	3,004
Others	38,244	5,152	(665)	(443)	42,288
Total	**98,708**	**321,332**	**(3,926)**	**(15,657)**	**400,457**

Parent Company	Dec. 31, 2019	Additions	Reversals	Settled	Dec. 31, 2020
Employment-law cases	69,044	12,358	(9,322)	(13,393)	58,687
Civil cases	182	18	-	-	200
Tax	285,903	21,846	(8)	(727)	307,014
Regulatory	3,004	1,172	(14)	(736)	3,426
Others	42,072	7,184	-	(322)	48,934
Total	**400,205**	**42,578**	**(9,344)**	**(15,178)**	**418,261**

Parent Company	Dec. 31, 2018	Additions	Reversals	Settled	Dec. 31, 2019
Employment-law cases	54,035	29,965	(1,670)	(13,286)	69,044
Civil cases	168	144	-	(130)	182
Tax	2,874	284,253	(724)	(500)	285,903
Regulatory	2,521	1,781	-	(1,298)	3,004
Others	38,195	4,983	(665)	(441)	42,072
Total	**97,793**	**321,126**	**(3,059)**	**(15,655)**	**400,205**

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 financial statements 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$140,378 (R$163,224 at December 31, 2019), of which R$58,714 (R$69,043 on December 31, 2019) has been recorded – the amount estimated as probably necessary for settlement of these disputes.

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Alteration of the monetary updating index of employment-law cases

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

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

<u>Tax</u>

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$363,833 (R$341,988 on December 31, 2019), of which R$304,022 (R$283,861 on December 31, 2019) has been provisioned, this being the estimate of the probable amount of funds, on December 31, 2020, to settle these disputes.

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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$77,538 (R$80,249 at 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.

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$71,018 (R$61,482 on December 31, 2019), of which R$1,900 (R$2,079 on December 31, 2019) has been recorded – the amount estimated as probably necessary for settlement of these disputes.

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$48,213 (R$31,302 on December 31, 2019), of which R$3,426 (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$237,534 (R$148,475 on December 31, 2019), of which R$49,356 (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 – loss assessed as 'possible'

Taxes

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

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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$67,371 (R$66,483 on December 31, 2019). The updated amount of the contingency is R$69,439 (R$68,137 on December 31, 2019) and, based on the arguments above, management has classified the chance of loss as 'possible'.

Social Security contributions

The Brazilian federal tax authority (*Secretaria da Receita Federal*) has filed administrative proceedings related to various matters: 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$18,146 (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.

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$85,580 (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.

<u>Regulatory matters</u>

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 Trading 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$376,228 (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 (STF) declared unconstitutional the rule from the state that requires the investment of a portion of the revenue from the distribution agent's in the protection and preservation of water resources, since it characterizes undue State intervention in the concession contract for the exploitation of the energy use of watercourse, which is compentence of the Union. As a result, the Company reassessed the probability of loss to remote, in the amount of R$186,064 on December 31, 2020 (R$165,299 at 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$105,552 (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$51,936 (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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Contingent liabilities – loss assessed as 'possible'

Renova: Application to override corporate identity

A receivables investment fund filed an application for Override of Legal Identity (Incidente de Desconsideração da Personalidade Jurídica – IDPJ) in relation to certain companies of the Renova group, aiming to include some shareholders of Renova, including the Company and its parent company (Cemig), as defendants jointly and severally liable. The amount involved in this dispute is estimated at R$76,005 at December 31, 2020. The chances of loss have been assessed as 'possible'.

24. EQUITY AND REMUNERATION TO SHAREHOLDERS

a) Share capital

On December 31, 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).

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

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 years referred to, as follows:

	2020	2019
Number of shares	2,896,785,358	2,896,785,358
Net income for the year, R$'000	1,055,535	901,358
Earnings per share – Basic and diluted – in R$	**0.36**	**0.31**

The put option of investments described in Note 29 could potentially dilute basic earnings per share in the future; however, they have not caused dilution of earnings per share in the years presented.

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c) Reserves

Profit reserves

The composition of the profit reserves account is as follows:

	2020	2019
Profit reserves		
Legal reserve	264,756	212,023
Tax Incentives reserve – Sudene	44,727	43,850
Unrealized earnings reserve	222,935	-
Retained earnings reserve	1,540,459	2,501,337
	2,072,877	**2,757,210**

Legal reserve

Constitution of the Legal reserve is mandatory, up to the limits established by law. The purpose of the reserve is to ensure security of the share capital, its use being allowed only for offsetting of losses or increase in the share capital. This reserve constitution corresponds to 5% of the net income for the year, less the amount allocated to incentive tax reserve.

Appropriation of retained earnings to profit reserves

This refers to profits not distributed in prior years, to guarantee execution of the Company's Investment Program, and amortizations of loans and financings. The retentions are supported by capital budgets approved by the Board of Directors in the year in question.

Unrealized earnings reserve

Article 197 of the Brazilian corporate law nº 6,404/76 allows the Company to pay the mandatory dividend, calculated as required by the Bylaws (see e) below), up to the amounts of the realized portion of the net income for the year (received in cash).

The Company's by-laws establish that, as well as the payment of the mandatory minimum dividend corresponding to 50% of the net income for the year, the balance after retention of the amount specified for investments in a capital budget will be distributed as dividends or Interest on Equity, subject to the availability of cash.

For 2020 the Company reports net income of R$1,055,535. Components include the net gain resulting from the Periodic Tariff Review of the transmission, R$502,108; and the gain on derivative financial instruments, marked to market of, R$1,752,688. This would enable a Unrealized earnings reserve to be constituted, at the Company's option, in recognition of those components of the net income for the year that have not been financially realized.

Constitution of the Unrealized earnings reserve may not prejudice payment of the mandatory minimum dividend, which amounts to R$561,548, as detailed below in this Note.

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Thus, considering the proposal for payment of minimum dividends, as described in more detail in Sub-item 'd', and the proposal for retention of earnings, as per the capital budget for the 2021 business year, the Company's management is proposing constitution of a Unrealized profit reserve in the amount of R$222,935, as follows:

	2020
Net income for the year	**1,055,535**
Tax incentive reserves	(877)
Legal reserve	(52,733)
Dividends under the by-laws (d)	(336,348)
Interest on Equity (d)	(225,200)
Balance to be distributed	**440,377**
Realization of PP&E deemed cost	10,040
Retained earnings	211,640
Retained earnings reserve	(439,122)
Unrealized earnings reserve	**222,935**

The unrealized earnings reserve amounts can only be used to pay mandatory dividends. Hence, when the Company realizes such profits in cash, it must distribute the corresponding dividend in the subsequent period, after offsetting of any losses in subsequent years.

Incentives tax reserve

The Company's has a right to 75% reduction in income tax, including the tax paid at the additional rate, calculated on the basis of the operating profit, when earned in the region of Sudene (the Development Agency for the Northeast), for 10 years starting in 2014. The amount of the Tax incentives reserve on December 31, 2020 was R$44,727 (R$43,850 at December 31, 2019).

d) Dividends

The Company's by-laws state that 50% of the net income in each business period must be allocated to payment of mandatory dividends to the Company's sole shareholder.

Dividends declared, whether mandatory or extraordinary, are paid in 2 (two) equal installments, by June 30 and December 31 of the year following the generation of the profit. The Executive Board decides the location and processes of payment, subject to these periods.

Article 9 of Law 9,249 of December 26, 1995, allows Interest on Equity paid to shareholders to be deductible from taxable profit for the purposes of income and the social contribution taxes. In the case of the Company, Interest on Equity is calculated as shareholders' equity multiplied by the TJLP long-term interest rate.

On December 23, 2020 the Executive Board decided to declare payment of Interest on Equity in the amount of R$225,200, on account of the minimum mandatory dividend for the 2020 – income tax at 15% being deducted at source, unless the stockholder is exempt under current legislation. The tax benefit arising from the payments was R$76,568. This is recognized in the Income statement for 2020.

The calculation of the dividends for the 2019 and 2018 business years and as follows:

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	2020	2019 (Restated)
Mandatory dividend		
Net income for the year	1,055,535	901,358
Mandatory dividend – 50% of Net income	527,768	417,539
Income tax withheld at source on Interest on Equity	33,780	40,500
	561,548	**458,039**
Dividends declared		
Interest on capital	225,200	270,000
Dividends under the by-laws	336,348	188,039
	561,548	**458,039**
Dividends and interest on capital per share		
Mandatory minimum dividend (in R$)	0.12	0.06
Juros sobre capital próprio (em R$)	0.08	0.09

This table provides the changes on dividends and interest on capital payable:

	Consolidado	Controladora
Balance at December 31, 2018	**660.068**	**659.622**
Dividends proposed	188.039	188.039
Interest on Equity declared	270.000	270.000
Income tax on Interest on Equity	(40.500)	(40.500)
Payment	(295.838)	(295.392)
Balance at December 31, 2019	**781.769**	**781.769**
Dividends proposed	336,348	336,348
Interest on Equity declared	225,200	225,200
Income tax on Interest on Equity	(33,780)	(33,780)
Payment	(417,539)	(417,539)
Balance at December 31, 2020	**891,998**	**891,998**

e) Allocation of net income for 2020 – Management's proposal

The Board of Directors decided to propose to the Annual General Meeting to be held on April, 2021 that the income for 2020, in the amount of R$1,055,535, the balance of Reserve for Equity Valuation Adjustments, of R$10,040 and R$211,640 from prior periods adjustments:

- R$52,733 to be allocated to the Legal Reserve;
- R$561,548 for payment of dividends, as follows:
  - R$225,200 in the form of Interest on Equity, as decided by the Executive Board on December 23, 2020;
  - R$336,348 as mandatory minimum dividends;
- R$877 to be recorded as Incentives Tax Incentives Reserve, in reference to the tax incentive amounts obtained in relation to the investments made in the region of Sudene;
- R$222,935 to be held in Shareholders' Equity in the Unrealized Earnings Reserve, considering the portion of the 2020 net income not yet financially realized;
- R$439,122 to be held in Shareholders' Equity in the Retained Earnings Reserve, to guarantee execution of the Company's Investment Program.

f) Equity valuation adjustments

	2020	2019
Adjustments to actuarial liabilities – Employee benefits	(627,323)	(627,666)
Deemed cost of PP&E	396,617	406,657
Equity valuation adjustment	**(230,706)**	**(221,009)**

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The adjustments to post-employment benefit obligations comprise gains or losses resulting from re-measurements of the net defined-benefit obligation, in accordance with the actuarial report.

The amounts recorded as deemed cost of the generation assets represents its fair value determined using the replacement cost at initial adoption of IFRS on January 1, 2009. The valuation of the generation assets resulted in an increase in their book value, recorded in a specific line in Equity, net of the tax effects. These values are being realized based on the depreciation of the assets.

25. 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.

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

	Consolidated		Parent Company	
	2020	2019 (Restated)	2020	2019 (Restated)
Total revenue from supply of energy – with taxes (a)	7,337,485	7,037,448	6,579,404	6,301,190
Transmission revenue				
Transmission operation and maintenance revenue	511,366	550,289	516,487	554,521
Transmission construction revenue (c) (Note 13)	201,451	311,759	201,451	311,759
Interest revenue arising from the financing component in the transmission contract asset (Note 13)	411,968	327,995	411,968	327,995
Revenue from updating of the concession grant fee (c)	347,057	318,267	-	-
Transactions on CCEE (d)	153,762	438,555	105,327	393,667
Contractual reimbursements (1)	-	64,640	-	64,640
Recovery of PIS/Pasep and Cofins taxes credits over ICMS (Note 8a)	-	413,616	-	397,301
Other operating revenues (e)	140,271	182,038	81,988	80,310
Sector / regulatory charges – Deductions from revenue (f)	(1,747,272)	(1,824,220)	(1,567,880)	(1,645,442)
	7,356,088	**7,820,387**	**6,328,745**	**6,785,941**

(1) Reimbursement for the suspension of energy supplies - Renova.

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(a) Revenue from energy supply

This table shows energy supply by type of customer:

	Consolidated				Parent Company			
	2020		2019		2020		2019	
	MWh (1)	R$	MWh (1)	R$	MWh (1)	R$	MWh (1)	R$
Industrial	10,958,355	2,944,091	12,489,908	3,181,501	10,217,317	2,760,372	11,478,691	2,928,232
Commercial	4,187,321	904,927	4,121,020	891,284	4,174,499	897,680	4,092,905	879,067
Rural	16,814	4,577	3,038	844	16,814	4,577	3,038	844
Subtotal	**15,162,490**	**3,853,595**	**16,613,966**	**4,073,629**	**14,408,630**	**3,662,629**	**15,574,634**	**3,808,143**
Net unbilled retail supply	-	(4,254)	-	16,058	-	(13,364)	-	20,000
	15,162,490	**3,849,341**	**16,613,966**	**4,089,687**	**14,408,630**	**3,649,265**	**15,574,634**	**3,828,143**
Wholesale supply to other concession holders (2)	14,037,374	3,437,077	12,050,102	3,014,654	12,710,409	2,866,257	11,158,662	2,546,543
Wholesale supply unbilled, net	-	51,067	-	(66,893)	-	63,882	-	(73,496)
	29,199,864	**7,337,485**	**28,664,068**	**7,037,448**	**27,119,039**	**6,579,404**	**26,733,296**	**6,301,190**

(1) Information in MWh has not been audited 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.

(b) Transmission concession revenue

- Construction revenue corresponds to the performance obligation to build the transmission infrastructure, recognized based on the satisfaction of obligation performance over time. They are measured based on the cost incurred, including PIS/Pasep and Cofins taxes over the total revenues and the profit margin of the project. For more information, see Note 13.
- Operation and maintenance revenue correspondes to the performance obligation of operation and maintenance specified in the transmission concession contract, after termination of the construction phase. They are recognized when the services are rendered and he invoices for the RAPs are issued.
- Interest revenue in the contract asset recognized, recorded as transmission concession gross revenue in statement income. Revenue corresponds to the significant financing component in the contract asset, and is recognized by the linear effective interest rate method based on the rate determined at the start of the investments, which is not subsequently changed. The average of the implicit rates is 6.86%. The rates are determined for each authorization and are applied on the amount to be received (future cash flow) over the contract duration. This includes financial updating by the inflation index specified for each transmission contract.

The margin defined for each performance obligation from the transmission concession contract is as follows:

	Consolidated	
	2020	2019
Construction and upgrades revenue	201,451	311,759
Construction and upgrades costs	(146,652)	(220,390)
Margin	**54,799**	**91,369**
Mark-up (%)	**37.37%**	**41.46%**
Operation and maintenance revenue	511,366	550,289
Operation and maintenance cost	(224,406)	(387,628)
Margin	**286,960**	**162,661**
Mark-up (%)	**127.88%**	**41.96%**

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(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 12.

(d) Revenue from power supply transactions on the CCEE (Power Trading Chamber)

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.

(e) Other operating revenues

	Consolidated		Parent Company	
	2020	2019	2020	2019
Charged service	117,766	160,623	59,483	58,896
Subsidies	21,193	17,563	21,193	17,563
Rental and leasing	1,141	2,196	1,141	2,196
Others	171	1,656	171	1,655
	140,271	**182,038**	**81,988**	**80,310**

(f) Deductions on revenue

	Consolidated		Parent Company	
	2020	2019 (Restated)	2020	2019 (Restated)
Taxes on revenue				
ICMS tax	578,566	640,278	521,669	570,238
Cofins tax	627,861	645,878	561,031	580,975
PIS and Pasep taxes	136,531	141,378	121,802	126,133
ISS tax on services	5,158	6,768	2,000	2,660
	1,348,116	**1,434,302**	**1,206,502**	**1,280,006**
Charges to the customer				
Global Reversion Reserve (RGR)	15,275	16,007	13,000	13,840
Energy Development Account (CDE)	233,998	235,037	233,998	235,037
Proinfa Program	38,532	52,042	38,532	52,042
Research and Development (P&D)	13,651	13,228	10,568	10,267
National Scientific and Technological Development Fund (FNDCT)	13,651	13,228	10,568	10,267
Energy System Expansion Research (EPE)	6,825	6,614	5,284	5,133
Electricity Services Inspection Charge (TFSEE)	14,761	10,753	8,882	8,501
Royalties for use of water resources (CFURH)	62,463	43,009	40,546	30,349
	399,156	**389,918**	**361,378**	**365,436**
	1,747,272	**1,824,220**	**1,567,880**	**1,645,442**

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26. OPERATING COSTS AND EXPENSES

	Consolidated		Parent Company	
	2020	2019 (Restated)	2020	2019 (Restated)
Personnel (1) (a)	306,535	321,745	287,008	302,199
Employee profit shares	35,796	62,726	35,648	62,528
Post-employment obligation (recovery of expense) (Note 22)	93,882	87,765	93,882	87,765
Materials	16,759	22,944	9,951	15,704
Outsourced services (b)	157,568	169,523	117,903	128,928
Depreciation and amortization (1)	211,514	215,522	152,358	157,541
Provisions (c)	97,951	1,110,196	88,004	1,080,026
Charges for use of the national grid	199,246	189,901	146,371	137,186
Energy bought for resale (d)	4,026,190	3,841,262	3,905,833	3,780,346
Transmission infrastructure construction cost (e)	146,652	220,390	146,652	220,390
Other operating expenses, net (f)	56,066	190,818	12,620	143,523
	5,348,159	**6,432,792**	**4,996,230**	**6,116,136**

(1) Net of PIS/Pasep and Cofins taxes applicable to amortization of the Right of Use, in the amount of R$572 in the consolidated statements and R$573 in 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 provided 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 amount of R$5,854 (42 employees).

b) Outsourced services

	Consolidated		Parent Company	
	2020	2019	2020	2019
Communication	2,960	3,845	2,560	3,169
Maintenance and conservation of electrical facilities and equipment	40,826	41,954	19,629	23,028
Building conservation and cleaning	25,006	27,142	20,316	21,136
Contracted labor	2,663	1,875	2,631	1,815
Freight and airfares	560	2,464	559	2,461
Accommodation and meals	1,970	3,587	1,932	3,565
Security services	8,676	8,234	5,674	5,345
Consultancy	8,519	5,462	8,056	4,998
Information technology	18,427	12,416	15,424	10,595
Energy	4,112	3,918	3,458	3,289
Environment services	7,726	12,397	6,345	8,740
Cleaning of power line pathways	5,117	3,858	5,117	3,829
Printing and images	1,868	2,512	1,147	1,646
Legal services and procedural costs	3,888	7,853	3,652	7,395
Others	25,250	32,006	21,403	27,917
	157,568	**169,523**	**117,903**	**128,928**

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c) Operating provisions

	Consolidated		Parent Company	
	2020	2019	2020	2019
Provision for doubtful receivables (Note 8) (1)	11,054	38,407	1,198	7,576
Estimated losses on other accounts receivable (2)	258	2,659	258	2,659
Estimated losses on doubtful accounts receivable from related parties (Note 28) (3)	-	688,031	-	688,031
Contingency provisions (reversals) (Note 28) (4)				
Employment-law cases	3,109	27,428	3,036	28,295
Civil cases	18	144	18	144
Tax (5)	21,850	283,566	21,838	283,529
Regulatory	1,158	1,781	1,158	1,781
Others	7,190	4,487	7,184	4,318
	33,325	**317,406**	**33,234**	**318,067**
	44,637	**1,046,503**	**34,690**	**1,016,333**
Change in fair value of derivative instruments				
Put option – SAAG (Note 29)	53,314	63,693	53,314	63,693
	97,951	**1,110,196**	**88,004**	**1,080,026**

(1) The expected losses on receivables are presented as selling expenses in the Statement of Income.
(2) The estimated losses on other accounts receivable are presented in the consolidated Statement of income as operating expenses.
(3) Estimated losses on amounts receivable from Renova, as a result of the assessment of credit risk.
(4) The provisions for contingencies are presented in the Statement of Income for the year as operating expenses.
(5) The provision recognized in 2019 is due to the Company's reassessment, based on the opinion of its legal advisers, of the chances of loss in legal actions disputing social security contributions on the payments of profit-sharing to its employees from 1999 to 2016. For more information, see Note 23.

d) Energy bought for resale

	Consolidated		Parent Company	
	2020	2019	2020	2019
Spot market – CCEE	440,519	112,934	338,982	78,335
Acquired in free market	3,976,906	4,097,596	3,950,026	4,067,503
PIS/Pasep and Cofins credits	(391,235)	(369,268)	(383,175)	(365,492)
	4,026,190	**3,841,262**	**3,905,833**	**3,780,346**

e) Transmission infrastructure construction cost

	Consolidated		Parent Company	
	2020	2019	2020	2019
Personnel	8,370	9,229	8,370	9,229
Materials	90,176	130,369	90,176	130,369
Outsourced services	48,153	80,304	48,153	80,304
Other (recovery of expenses)	(47)	488	(47)	488
	146,652	**220,390**	**146,652**	**220,390**

f) Other operating costs and expenses

	Consolidated		Parent Company	
	2020	2019 (Restated)	2020	2019 (Restated)
Leasing and rentals (1)	4,194	7,561	2,747	6,047
Advertising	1,640	3,166	1,571	3,166
Subsidies and donations	4,257	11,071	163	7,772
Paid concessions	2,801	2,958	2,791	2,948
Taxes (IPTU, IPVA and others)	1,684	2,626	1,135	1,548
CCEE annual charge	2,565	2,986	2,543	2,985
Insurance	12,514	6,222	10,465	4,696
Loss (gain) on deactivation and disposal of assets (3)	(28,082)	68,006	(28,098)	67,744
Forluz – Administrative running cost	6,618	6,844	6,617	6,843
Obligations deriving from investment contracts (2)	9,289	32,088	9,289	32,088
Adjustment for impairment of Investments (Note 14)	(13,825)	21,684	-	-
Other (recovery of expenses)	52,411	25,606	3,397	7,686
	56,066	**190,818**	**12,620**	**143,523**

(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$119 million (R$98 million at December 31, 2019, of which Cemig GT's portion is R$41 million (R$32 million on December, 31, 2019).

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27. FINANCE INCOME AND EXPENSES

	Consolidated		Parent Company	
	2020	2019	2020	2019
FINANCE INCOME				
Income from cash investments	33,268	42,491	21,613	22,124
Arrears fees on sale of energy	8,928	19,204	4,456	5,795
Monetary updating	16,953	12,876	14,185	12,470
Monetary updating on escrow deposits	3,873	12,226	3,768	11,644
Gains on financial instruments – swap (Note 29)	1,752,688	997,858	1,752,688	997,858
Borrowing costs paid by related parties	2,841	47,596	-	47,596
Monetary updating on PIS/Pasep and Cofins taxes credits over ICMS (Note 9a)	11,497	239,748	11,019	228,718
Others	63,928	23,837	62,609	22,479
Pasep and Cofins taxes on financial revenues	(3,961)	(12,566)	(5,342)	(11,741)
	1,890,015	**1,383,270**	**1,864,996**	**1,336,943**
DESPESAS FINANCEIRAS				
Costs of loans, financings and debentures (Note 20)	(926,183)	(804,721)	(923,243)	(802,542)
Amortization of transaction cost (Note 20)	(12,095)	(11,706)	(12,095)	(11,706)
Monetary updating – Forluz	(11,920)	(12,693)	(11,920)	(12,693)
Inflation adjustment – Loans, financings and debentures (Note 20)	(43,337)	(50,969)	(35,134)	(38,289)
Monetary updating	(29,618)	(11,589)	(16,108)	(9,575)
FX variation from loans and financings (Note 20)	(1,749,000)	(233,846)	(1,749,000)	(233,846)
Leasing – Monetary variation (Note 17)	(5,342)	(6,610)	(5,120)	(6,456)
Others	(6,349)	(17,186)	(1,150)	(14,896)
	(2,783,844)	**(1,149,320)**	**(2,753,770)**	**(1,130,003)**
NET FINANCE INCOME (EXPENSES)	**(893,829)**	**233,950**	**(888,774)**	**206,940**

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28. RELATED PARTY TRANSACTIONS

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

COMPANY	ASSETS		LIABILITIES		REVENUE		COSTS/EXPENSES	
	2020	2019	2020	2019	2020	2019	2020	2019
CEMIG								
Current								
Interest on Equity, and dividends	-	-	891,998	781,769	-	-	-	-
Non-current								
Loans with related parties (1)	-	-	-	-	-	16,464	-	-
Affiliated (2)								
Madeira Energia								
Current								
Transactions in energy (3)	2,173	5,745	69,386	57,860	34,809	67,648	(996,819)	(729,290)
Jointly-controlled entity (2)								
Aliança Geração								
Current								
Transactions in energy (3)	-	-	6,260	6,002	542	-	(86,953)	(83,146)
Provision of service	313	626	-	-	4,371	6,762	-	-
Interest on Equity, and dividends	114,430	103,033	-	-	-	-	-	-
Contingencies (4)	-	-	41,376	32,088	-	-	(9,289)	(32,088)
Norte Energia								
Current								
Transactions in energy (3)	130	-	-	-	28,113	21,566	(40,081)	(10,267)
Advance for future power supply (5)	-	40,081	-	-	-	-	-	-
Baguari Energia								
Current								
Provision of service (6)	211	-	-	-	775	1,021	-	-
Lightger								
Current								
Transactions in energy (3)	-	-	1,646	1,541	-	-	(22,521)	(21,011)
Retiro Baixo								
Current								
Interest on Equity, and dividends	-	6,474	-	-	-	-	-	-
Hidrelétrica Pipoca								
Current								
Transactions in energy (3)	-	-	2,728	1,387	-	-	(25,777)	(18,698)
Interest on Equity, and dividends	2,680	-	-	-	-	-	-	-
Hidrelétrica Cachoeirão								
Current								
Interest on Equity, and dividends	-	2,536	-	-	-	-	-	-
Renova								
Current								
Transactions in energy (3)	-	-	-	-	-	4,447	(7,070)	-
Non-current								
Accounts receivable (7)	-	-	-	-	-	93,708	-	(688,031)
Light								
Current								
Transactions in energy (3)	5,511	6,213	-	1,206	67,102	97,560	-	(7,940)
Taesa								
Current								
Transactions in energy (3)	-	-	940	1,255	164	-	(11,299)	(12,752)
Provision of service (6)	289	170	-	-	979	594	-	-
Hidrelétrica Itaocara								
Current								
Adjustment for losses (8)	-	-	29,615	21,810	-	-	-	-
Cemig Geração Poço Fundo								
Current								
Interest on Equity, and dividends	-	-	294	294	-	-	-	-
Other related parties								
Cemig Distribuição								
Current								
Cooperation Working Agreement (9)	1,707	1,669	-	-	5,700	7,479	-	-
Transactions in energy (3)	29,268	29,655	1,016	507	300,410	270,418	(27,194)	(27,538)
FIC Pampulha								
Current								
Cash and cash equivalents	57,797	18,282	-	-	-	-	-	-
Marketable securities	1,131,739	372,601	-	-	11,006	2,872	-	-

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COMPANY	ASSETS		LIABILITIES		REVENUE		COSTS/EXPENSES	
	2020	2019	2020	2019	2020	2019	2020	2019
Non-current								
Marketable Securities	254,481	916	-	-	-	-	-	-
Forluz								
Current								
Post-employment obligations (10)	-	-	35,907	32,775	-	-	(43,320)	(41,394)
Supplementary pension contributions – Defined contribution plan (11)	-	-	-	-	-	-	(20,390)	(20,730)
Administrative running costs (12)	-	-	-	-	-	-	(6,617)	(6,843)
Operating leasing (13)	37,062	40,125	4,824	9,479	-	-	(534)	(15,331)
Non-current								
Post-employment obligations (10)	-	-	569,351	590,465	-	-	-	-
Operating leasing (13)	-	-	34,639	32,124	-	-	-	-
Cemig Saúde								
Current								
Health Plan and Dental Plan (14)	-	-	32,380	29,422	-	-	(52,670)	(50,007)
Non-current								
Health Plan and Dental Plan (14)	-	-	699,224	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) The relationship between the Company and its investees are described in Note 14 – Investments.
(3) 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).
(4) 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$119 million (R$98 million at December 31, 2019), of which Cemig's portion is R$41 million (R$32 million on December, 31, 2019).
(5) 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. There was no financial updating of the contract.
(6) Refers to a contract to provide plant operation and maintenance services.
(7) As mentioned in Note 14(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.
(8) 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 14).
(9) 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;
(10) 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 22).
(11) 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.
(12) 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.
(13) Rental of the Company's administrative head offices, in effect up to November 2020 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 and on November, 2020.By the end of the contract term, the Company decided not to renew the lease contract and, therefore, the Company vacated the Aureliano Chaves building facilities
(14) Post-employment obligations relating to the employees' health and dental plan (more details in Note 22).

	Consolidated		Parent Company	
	2020	2019	2020	2019
Cemig Geração Poço Fundo S.A. (1)	-	-	294	294
Aliança Geração de Energia S.A.	114,430	103,033	114,430	103,033
Others	2,680	9,010	2,680	9,010
	117,110	**112,043**	**117,404**	**112,337**

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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 December 31, 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	December 31, 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 financial statements of the years ended December 31, 2020 and December 31, 2019, are as follows:

	2020	2019
Remuneration	3,451	3,095
Profit shares	1,149	742
Private pension	249	260
Health and dental plans	30	27
	4,879	**4,124**

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29. 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	2019		2019 (Restated)	
		Balance	Fair value	Balance	Fair value
Financial assets					
Amortized cost (1)					
Marketable securities	2	465,128	465,128	46,727	46,727
Customers and traders concession holders (transmission service)	2	1,027,137	1,027,137	1,135,038	1,135,038
Restricted cash	2	53,565	53,565	11,059	11,059
Escrow deposits	2	160,321	160,321	364,277	364,277
Concession grant fee – Generation concessions	3	2,549,198	2,549,198	2,468,216	2,468,216
		4,255,349	**4,255,349**	**4,025,317**	**4,025,317**
Fair value through income or loss					
Cash equivalents – Investments	2	374,478	374,478	202,964	202,964
Marketable securities					
Bank certificates of deposit (CDBs)	1	123,738	123,738	-	-
Financial notes (LF's) – Banks	2	551,425	551,425	279,547	279,547
Treasury financial notes (LFT's)	1	246,471	246,471	47,268	47,268
Debentures	2	-	-	52	52
		1,296,112	**1,296,112**	**529,831**	**529,831**
Derivative financial instruments (swaps)	3	2,948,930	2,948,930	1,690,944	1,690,944
Reimbursements receivable – Generation	3	816,202	816,202	816,202	816,202
		3,765,132	**3,765,132**	**2,507,146**	**2,507,146**
		9,316,593	**9,316,593**	**7,062,294**	**7,062,294**
Financial Liabilities					
Amortized cost (1)					
Loans, financing and debentures	2	(8,885,711)	(8,885,711)	(7,886,783)	(7,886,783)
Debt with pension fund (Forluz)	2	(106,940)	(106,940)	(128,172)	(128,172)
Deficit of pension fund (Forluz)	2	(122,234)	(122,234)	(124,499)	(124,499)
Concessions payable	3	(23,476)	(23,476)	(19,692)	(19,692)
Suppliers	2	(465,939)	(465,939)	(422,312)	(422,312)
Leasing transactions	2	(44,543)	(44,543)	(55,059)	(55,059)
		(9,648,843)	**(9,648,843)**	**(8,636,517)**	**(8,636,517)**
Fair value through income or loss					
SAAG Put options	3	(536,155)	(536,155)	(482,841)	(482,841)
		(10,184,998)	**(10,184,998)**	**(9,119,358)**	**(9,119,358)**

(1) On December 31, 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

Indemnifiable receivable – Generation: 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.

Cash investments: 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.

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

Swap transactions: 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.

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%.

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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 exercise price of the Put Options corresponds 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 until the early exercise of the option (for further details, see the next topic of this Note), of accounted at fair value through profit and loss, measured using the Black-Scholes-Merton ("BSM") model.

Based on the analysis performed, a liability of R$536,155 was recorded in the Company's financial statements 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 December 31, 2020, this amount was classified as current liabilities.

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	63,693
Balance at December 31, 2019	**482,841**
Adjustment to fair value	53,314
Balance at December 31, 2020	**536,155**

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 advance 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.

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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 prerrogative 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. Since the amicable negotiation did not succeed, the Company invoked the arbitration clause for resolution of conflict between the parties, which awaits the decision of the Brazil Canada Chamber of Commerce of the State of São Paulo. The Company recorded the accounting effects of this contract in accordance with the contracts original terms.

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 and coins) 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 December 31, 2020 was a positive adjustment of R$1,752,688 (positive adjustment of R$997,858 on December 31, 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.

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

Assets (1)	Liability (1)	Maturity period	Trade market	Notional amount (2)	Unrealized gain (loss)		Unrealized gain (loss)	
					Carrying amount Dec. 31, 2020	Fair value Dec. 31, 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$1,000,000	1,772,477	2,110,490	813,535	1,235,102
US$ 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	587,945	838,440	108,532	455,842
					2,360,422	**2,948,930**	**922,067**	**1,690,944**
Current						**522,579**		**234,766**
Non-current						**2,426,351**		**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$500 issuance of the same Eurobond issued on July 2018: (1) a call spread was contracted for the principal, with floor at R$ 3.85/US$ and ceiling at R$ 5.00/US$; and (2) a swap was contracted for the interest, resulting in a coupon of 9.25% p.a., with an average rate equivalent to 125.52% of the CDI rate The upper limit for the exchange rate in the hedge instrument contracted by the Company for the principal of the Eurobonds is R$ 5.00/US$. The instrument matures in December 2024. If the USD/BRL exchange rate is still over R$ 5.00 in December 2024, the company will disburse, on that date, the difference between the upper limit of the protection range and the spot dollar on that date. The Company is monitoring the possible risks and impacts associated with the dollar being valued above R$ 5.00, and assessing various strategies for mitigating the foreign exchange risk up to the maturity date of the transaction. The hedge instrument fully protects the payment of six-monthly interest, independently of the USD/BRL exchange 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 December 31, 2020 was R$2,948,930 (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 the swap contracts protect the Company’s cash flow up to the maturity of the bonds in 2024 and they have carrying amount of R$2,360,422 at December 31, 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 December 31, 2021, in the amount of R$1,707,842 for the option (call spread), partially compensated by R$1,097,590 for the swap – comprising a total of R$2,805,432.

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:

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Parent Company and Consolidated	Base scenario December 31, 2020	'Probable' scenario December 31, 2021	'Possible' scenario: exchange rate depreciation and interest rate increase 25%	'Remote' scenario: exchange rate depreciation and interest rate increase 50%
Swap, asset	6,996,487	6,616,145	5,866,365	5,147,485
Swap, liability	(5,607,778)	(5,518,555)	(5,595,382)	(5,669,279)
Option / Call spread	1,560,221	1,707,842	1,018,860	338,419
Derivative hedge instrument	**2,948,930**	**2,805,432**	**1,289,843**	**(183,375)**

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:

Exchange rate risk

For the debt denominated in foreing currency, the Company contracted a derivative financial instrument that protects the risks associated with the interest and principal, in the form of a swap and a call spread, respectively, in accordance with the hedge policy of the Company. The Company exposure to market risk associated to this instrument is described in the topic "Swap transaction" of this Note.

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			
	2020		2019	
	Foreign currency	R$	Foreign currency	R$
US dollar				
Loans and financings (Note 20)	(1,511,336)	(7,853,959)	(1,511,336)	(6,091,742)
Net (liabilities) exposed		**(7,853,959)**		**(6,091,742)**

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Sensitivity analysis

The Company estimates, based on information from its financial consultants, that in a probable scenario, on December 31, 2021 the exchange rates of foreign currencies in relation to the Real will be as follows: appreciation of the dollar exchange rate by 0.06%, to R$5.20/US$. The Company has made a sensitivity analysis of the effects on profit arising from depreciation of the Real exchange rate considering the increase of 25%, and 50%, in relation to this 'probable' scenario.

Risk: Exposure to exchange rates	2020	Dec. 31, 2021		
	Book value	'Probable' scenario Dólar 5.20	'Possible' scenario + 25% Dólar 6.50	Remote' scenario + 25% Dólar 7.80
US dollar				
Loans and financings (Note 20)	(7,853,959)	(7,858,946)	(9,823,683)	(11,788,420)
Net liabilities exposed	**(7,853,959)**	**(7,858,946)**	**(9,823,683)**	**(11,788,420)**
Net effect of exchange rate variation		**(4,987)**	**(1,969,724)**	**(3,934,461)**

Interest rate risk

This risk arises from the effect of variations in Brazilian interest rates on financial expenses associated to loans, financings and debentures in Brazilian currency, and also on financial revenues from cash investments made by the Company and its subsidiaries. The Company does not contract derivative financial instruments for protection from this risk. Variations in interest rates are continually monitored with the aim of assessing the need for contracting of financial instruments that mitigate this 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	
	2020	2019	2020	2019
Assets				
Cash equivalents (Note 6) – CDI rate	374,478	202,964	289,877	133,705
Securities (Note 7) – CDI and Selic rates	1,386,762	373,594	1,089,599	128,490
Restricted cash – CDI	53,565	11,059	18,351	11,019
	1,814,805	**587,617**	**1,397,827**	**273,214**
Liabilities				
Loans, financings and debentures – CDI rate (Note 20)	(288,839)	(578,067)	(288,839)	(578,067)
Loans, financings and debentures – TJLP Rate (Note 20)	(31,290)	(178,226)	-	-
	(320,129)	**(756,293)**	**(288,839)**	**(578,067)**
Net assets (liabilities) exposed	**1,494,676**	**(168,676)**	**1,108,988**	**(304,853)**

Sensitivity analysis

The Company and its subsidiaries estimate that in a probable scenario, the Selic rate on December 31, 2021 will be 5.50% and the TJLP rate will be 4.87%. 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.

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Risk: Reduction in Brazilian interest rates – Consolidated	2020	Dec. 31, 2021		
	Amount Book value	'Probable' scenario: Selic 5.50% TJLP 4.87%	'Possible' scenario -25% Selic 4.13% TJLP 3.65%	Remote' scenario -50% Selic 2.75% TJLP 2.44%
Assets				
Cash equivalents – Cash investments (Note 6)	374,478	395,074	389,944	384,776
Marketable securities (Note 7)	1,386,762	1,463,034	1,444,035	1,424,898
Restricted cash	53,565	56,511	55,777	55,038
	1,814,805	**1,914,619**	**1,889,756**	**1,864,712**
Liabilities				
Loans, financings and debentures – CDI rate (Note 20)	(288,839)	(304,725)	(300,768)	(296,782)
Loans, financings and debentures – TJLP Rate (Note 20)	(31,290)	(32,814)	(32,432)	(32,053)
	(320,129)	**(337,539)**	**(333,200)**	**(328,835)**
Net assets	**1,494,676**	**1,577,080**	**1,556,556**	**1,535,877**
Net effect of variation in interest rates		**82,404**	**61,880**	**41,201**

Inflation risk

The Company is exposed to the risk of increase in inflation index on December 31, 2020. A portion of the loans, financings and debentures as well as the pension fund liabilities are adjusted using the IPCA (Expanded National Customer Price). The revenues are also adjusted using the IPCA and IGP-M index, mitigating part of the Company risk exposure.

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	
	2020	2019 (Restated)	2020	2019 (Restated)
Assets				
Generation – Concession grant fee – IPCA (Note 12)	2,549,198	2,468,216	-	-
	2,549,198	**2,468,216**	**-**	**-**
Liabilities				
Loans, financings and debentures – IPCA (Note 20)	(761,520)	(1,105,466)	(761,520)	(1,105,466)
Debt agreed with pension fund (Forluz) – (Note 22)	(106,940)	(128,172)	(106,940)	(128,172)
Solution for Forluz pension fund deficit (Note 22)	(122,234)	(124,499)	(122,234)	(124,499)
	(990,694)	**(1,358,137)**	**(990,694)**	**(1,358,137)**
Net assets (liabilities) exposed	**1,558,504**	**1,110,079**	**(990,694)**	**(1,358,137)**

Sensitivity analysis

The Company and its subsidiaries estimate that in a probable scenario, the IPCA inflation index on December 31, 2021 will be 4.53%. 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	2020	Dec. 31, 2021		
	Book value	'Probable' scenario: IPCA 4.53%	'Possible' scenario - 25% IPCA 3.40%	Remote' scenario - 50% IPCA 2.27%
Assets				
Generation – Concession Grant Fee – IPCA (Note 12)	2,549,198	2,664,677	2,635,871	2,607,065
	2,549,198	**2,664,677**	**2,635,871**	**2,607,065**
Liabilities				
Loans, financings and debentures – IPCA (Note 20)	(761,520)	(796,017)	(787,412)	(778,807)
Debt agreed with pension fund (Forluz) (Note 22)	(106,940)	(111,784)	(110,576)	(109,368)
Solution for Forluz pension fund deficit (Note 22)	(122,234)	(127,771)	(126,390)	(125,009)
	(990,694)	**(1,035,572)**	**(1,024,378)**	**(1,013,184)**
Net assets exposed	**1,558,504**	**1,629,105**	**1,611,493**	**1,593,881**
Net effect of variation in inflation		**70,601**	**52,989**	**35,377**

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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	27,486	461,840	1,059,317	8,329,749	-	9,878,392
Onerous concessions	247	530	2,454	10,699	14,213	28,143
Debt agreed with pension fund (Forluz)	2,844	5,731	26,090	91,832	-	126,497
Solution for deficit of pension fund (Forluz)	1,258	2,535	11,572	66,673	118,116	200,154
	31,835	**470,636**	**1,099,433**	**8,498,953**	**132,329**	**10,233,186**
Fixed rate						
Suppliers	411,617	53,326	996	-	-	465,939
	443,452	**523,962**	**1,100,429**	**8,498,953**	**132,329**	**10,699,125**

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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	24,716	456,272	1,035,366	8,327,232	-	9,843,586
Onerous concessions	247	530	2,454	10,699	14,213	28,143
Debt agreed with pension fund (Forluz)	2,844	5,731	26,090	91,832	-	126,497
Solution for deficit of pension fund (Forluz)	1,258	2,535	11,572	66,673	118,116	200,154
	29,065	**465,068**	**1,075,482**	**8,496,436**	**132,329**	**10,198,380**
Fixed rate						
Suppliers	359,529	32,053	992	-	-	392,574
	388,594	**497,121**	**1,076,474**	**8,496,436**	**132,329**	**10,590,954**

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 December 31, 2020, considered to be adequate in relation to the credits receivable and in arrears, was R$34,779.

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

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

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

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.

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

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federal government, and within this classification, limits of concentration by group and by institution are set:

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

(1) The percentage assigned to each bank depends on 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 1c..

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 December 31, 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 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 20.

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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	
	2020	2019	2020	2019
Total liabilities	14,613,694	12,913,883	14,206,769	12,490,118
Cash and cash equivalents (Note 6)	(384,397)	(211,608)	(290,995)	(136,208)
Marketable securities (Note 7)	(1,132,281)	(372,678)	(889,671)	(128,175)
Net liabilities	13,097,016	12,329,597	13,026,103	12,225,735
Total equity	5,842,171	5,347,841	5,842,171	5,347,841
Net liabilities / equity	2.24	2.31	2.23	2.29

30. INSURANCE

The Company maintains insurance policies to cover damages on certain assets, in accordance with orientation by specialists, as listed below, taking into account the nature and the degree of risk, for amounts considered sufficient to cover any significant losses related to its assets and responsibilities. The risk assumptions adopted, due to their nature, are not part of the scope of an audit of the financial statements, and consequently were not examined by the external auditors.

Assets	Cover	Dates of cover	Amount insured (1)	Annual premium (1)
Air transport – Aircraft / Guimbal helicopter	Fuselage	April 29, 2020 to April 29, 2021	US$1,140	
	Third party	April 29, 2020 to April 29, 2021	US$4,000	US$24
Warehouse stores	Fire	Nov. 2, 2020 to Nov. 2, 2021	R$18,981	R$17
Facilities in buildings	Fire	Jan. 8 2021 to Jan. 8, 2022	R$240,257	R$70
Telecoms equipment	Fire	July 8 2020 to July 8, 2021	R$2,650	R$2
Operational risk – generators, rotors, and power equipment above R$1 million	(2)	Dec, 7, 2020 to Dec. 7, 2021	R$715,118	R$941

(1) Amounts expressed in thousands of Reais or dollars.
(2) The maximum indemnity limit (MIL) is R$230,662.

Except for air travel and aircraft insurance, the Company does not have third party accident liability insurance, and is not seeking proposals for this type of insurance. Additionally, the Company have not sought proposals for, and do not have current policies for, insurance against events that could affect their facilities such as earthquakes, floods, systemic failures or business interruption. The Company has not suffered significant losses arising from these risks. The Company has not suffered significant losses as a result of the risks.

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31. COMMITMENTS

The Company has contractual obligations and commitments, including purchase of energy and operational leasing, as follows:

	2021	2022	2023	2024	2025	After 2026	Total
Purchase of energy	4,334,611	3,828,692	3,727,561	3,477,748	3,310,220	28,777,230	47,456,062

* *

(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

Maurício Dall'Agnese
Chief Officer for Management of Holdings

Marney Tadeu Antunes
Interim Director without portfolio

Eduardo Soares
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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Edifício Phelps Offices Towers
Rua Antônio de Albuquerque, 156
11º andar - Savassi
30112-010 - Belo Horizonte - MG - Brasil
Tel: +55 31 3232-2100
Fax: +55 31 3232-2106
ey.com.br

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

Independent auditor's report on individual and consolidated financial statements

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

Opinion

We have audited the individual and consolidated financial statements of Cemig Geração e Transmissão S.A. (the "Company"), identified as individual and consolidated, respectively, which comprise the statements of financial position as at December 31, 2020, and the statements of profit or loss, of comprehensive income, of changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the individual and consolidated financial position of Cemig Geração e Transmissão S.A. as at December 31, 2020, and its individual and consolidated financial performance and cash flows for the year then ended in accordance with the accounting practices adopted in Brazil and with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB).

Basis for opinion

We conducted our audit in accordance with Brazilian and International Standards on Auditing. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the individual and consolidated financial statements section of our report. We are independent of the Company and its subsidiaries in accordance with the relevant ethical principles set forth in the Code of Professional Ethics for Accountants, the professional standards issued by the Brazil's National Association of State Boards of Accountancy (CFC) and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter

Restatement of corresponding figures

As described in Note 2.9, due to the impacts of the adjustments in discounts rates of the financial inflows of the concession contract related to the transmission segment and the respective impact on the construction margin allocation on the statement of profit and loss, and due to the effect of the modification in the presentation of the concession assets from Law 12,783/13 (RBSE), the prior year corresponding amounts, presented for comparative purposes, are being restated in accordance with NBC TG 23 – Accounting Policies, Changes in Accounting Estimates and Errors. Our opinion is not modified in respect to this matter.

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

As described in Note 14 to the individual and consolidated financial statements, on December 18, 2020 were approved in the General Meeting of Creditors the court-supervised reorganization plans under the terms of Law No. 11,101/05 of jointly-controlled entity Renova Energia S.A. and some of its subsidiaries, which had been authorized by the 2nd State of São Paulo In-Court Reorganization and Bankruptcy Court.

The jointly-controlled entity is determining the effects of the court-supervised reorganization plans on its financial statements for the year ended December 31, 2020, which have not yet being concluded. Although the in-court reorganization plans have been approved, there are events or conditions together with other matters described in referred note that may indicate significant doubt about its ability to continue as a going concern. Our opinion is not modified in respect to this matter.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the individual and consolidated financial statements as a whole, and in forming our opinion thereon and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter, including any commentary on the findings or outcome of our procedures, is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the individual and consolidated financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatements of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Concession's infrastructure

As described in Notes 12 and 13 to the individual and consolidated financial statements as of December 31, 2020, the Company and its subsidiaries have concession financial assets and contract assets, amounted to R$3,365,400 thousand and R$3,634,702 thousand, respectively, representing the energy generation and transmission concession infrastructure.

In the case of generation, the concession financial assets is represented by indemnifiable receivable for hydroelectric power generation plants that were included in Lot D in 2016 and the Company's infrastructure that was not fully amortized at the end of the concession period and will be indemnified by the grantor, amounted to R$ 816,202 thousand. Determination of expenditures that qualify as concession generation infrastructure investment and are subject to indemnification, has direct impact on evaluation of concession financial assets.

The concession contract assets for to the transmission segment is recorded against construction revenue, once it is necessary to satisfy the obligation to operate and maintain the infrastructure so that the Company becomes entitled to an unconditional right to receive cash.

The recognition of the concession contract asset and revenue in the transmission concession segment in accordance with CPC 47 - Revenue from contracts with customers (IFRS15 - Revenue from contracts with customers) requires significant management 's judgment relating to the moment when control over an asset is obtained. Additionally, measuring the physical advance of the construction of the asset in relation to the satisfaction of the performance obligation over time requires also management's estimations and significant judgments to estimate the efforts or inputs necessary to satisfy the performance obligation, such us materials and manpower, expected margins on each identified performance obligation and the estimate revenues.. Since this is a long-term contract, the identification of the discount rate that represents the financial component embedded in the inflows also requires significant management's judgment.

Due to the highly relevance of the amounts and the significant degree of judgment involved, we considered measuring the indemnifiable financial assets related to generation concession and revenue from contracts with customers of the transmission segment a key audit matter.

How our audit addressed this matter

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Our audit procedures included, among others: (i) evaluating the design and operating effectiveness of the Company’s and its subsidiaries’ internal controls over measuring the indemnifiable financial assets relating to the generation concession and to revenues from contracts with customers in the transmission segment, including the controls over management’s review of the significant assumptions underlying the measurement and accounting of these assets; (ii) analyzing the determination of the margin on projects under construction and projects of enhancements and upgrades of the existing transmissions infrastructure, by verifying the methodology and assumptions adopted by the Company to estimate the total construction cost, and the present value of future cash flows, discounted at the implicit interest rate that represents the financial component embedded in the cash flows (iii) involving our internal specialists to evaluate significant assumptions used in financial modelling, analyzing the methodology and calculations to determine the implicit discount rate used, as well as in reviewing significant assumptions used for forecasting the costs of projects under construction; (iv) analyzing the impacts arising from the transmission Periodic Tariff Review (RTP) by examining the technical notes issued by the grantor, recalculating the present value of the contractual inflows from the concession assets based on the new Annual Permitted Revenue (RAP), and verifying disallowance of projects and remuneration bases; (v) assessing historical build-up cost of the generation financial assets , analyzing regulatory standards for their indemnification and monitoring public hearing and discussions between the Company and the grantor on the matter (vii) evaluating the related disclosures made by the Company to the individual and consolidated financial statements.

As a result of these procedures, we identified an audit adjustment indicating the need to remeasure the contract asset related to transmission concession, and this adjustment was recorded by management in view of its significance to the financial statements taken as a whole.

Based on the results of the audit procedures performed on the balances of financial assets and contract assets of the Company and its subsidiaries, which are consistent with management's assessment, we considered the criteria and assumptions for determining fair value of the indemnifiable financial assets in the generation concession and revenue from contracts with customers in the transmission concession segment prepared by management to be acceptable, as well as the related disclosures in Notes 12 and 13 in the context of the financial statements taken as a whole.

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Impairment of certain investments in associates and joint ventures

As described in Note 14 to the individual and consolidated financial statements, the Company and its subsidiaries have investments in affiliates and jointly-controlled entities carried under the equity method in the amount R$3,755,799 thousand, net of provision for impairment, and assesses annually, or whenever applicable, the need to recognize any additional impairment loss. In 2020, as a result of this analysis, the Company and its subsidiaries concluded that there was indication of impairment of their direct and indirect investments in Madeira Energia S.A., Norte Energia S.A., Renova Energia S.A. and Guanhães Energia S.A. and, consequently, conducted the analysis, determined their recoverable amounts, and recognized losses, where applicable.

This matter was considered significant for our audit, considering the relevance of Company’s and its subsidiaries’ assets account balances, specially related to investments accounted for under the equity method, subjectivity of management’s fair value estimates, that are based on assumptions affected by future market and economic conditions, and to the existence of certain specific circumstances related to certain investees and joint ventures’ delayed operations startup and going concern risks.

How our audit addressed this matter

Our audit procedures included, among others: (i) evaluating process and controls implemented by management to identify impairment indications on investments and to estimate their net recoverable amount, as applicable; including controls over management's review of the significant assumptions underlying the fair value determination; (ii) evaluating the significant assumptions used to estimate fair value; comparing the significant assumptions used to estimate cash flows to current industry and economic trends; comparing relevant inputs to Company’s operating data and performing sensitivity analysis to evaluate the fair value; (iii) involving our valuation specialists to assist in evaluating the discount rate used in the fair value calculation; and (iv) involving experienced audit professionals to define the testing strategy, to review the audit supporting documentation, and to oversee the audit procedures performed. In addition, we assessed the adequacy of the Company's disclosures on this matter.

Based on the results of the audit procedures performed on the investments in affiliates and jointly-controlled entities account balances, which are consistent with management's assessment, we considered that the criteria and assumptions relating to the impairment of investments adopted by management, as well as the related disclosures in Note 14, are acceptable in the context of the financial statements taken as a whole.

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Other matters

Statements of value added

The individual and consolidated statements of value added (SVA) for the year ended December 31, 2020, prepared under the responsibility of Company management, and presented as supplementary information for IFRS purposes, were submitted to audit procedures conducted together with the audit of the Company's financial statements. To form our opinion, we evaluated if these statements are reconciled to the financial statements and accounting records, as applicable, and whether their form and content comply with the criteria defined in accounting pronouncement NBC TG 09 – Statements of Value Added. In our opinion, these statements of value added were fairly prepared, in all material respects, in accordance with the criteria defined in above mentioned accounting pronouncement and are consistent with the overall individual and consolidated financial statements.

Other information accompanying the individual and consolidated financial statements and the auditor's report

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

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

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

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

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

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

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

Auditor's responsibilities for the audit of the individual and consolidated financial statements

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

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

- Identified and assessed the risks of material misstatements of the individual and consolidated financial statements, whether due to fraud or error, designed and performed audit procedures responsive to those risks, and obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's and its subsidiaries' internal control.

- Evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

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

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

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- Obtained sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the individual and consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Belo Horizonte, March 26, 2021.

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

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

OPINION OF THE AUDIT BOARD

The members of the Audit Board of Cemig Geração e Transmissão S.A., undersigned, in performance of their function under the law and the Company's by-laws, have examined the financial statements for the business year ended December 31, 2020 and the related complementary documents, approved by the Company's Board of Directors, on March 26, 2021. After verifying these documents, and considering the examinations carried out by this Board and the explanations provided by the Company's Management in relation to acts of management and the related records in the 2019 financial year, and also based on the unqualified Opinion of Ernst & Young Auditores Independentes (EY) issued on March 26, 2021, hereby express the following favorable opinion, namely that these statements are adequately presented in all material aspects, and thus merit approval by the stockholders in the Annual General Meeting to be held in 2021.

Belo Horizonte, March 26, 2021.

(Signed by:)

Gustavo de Oliveira Barbosa

Cláudio Morais Machado

Elizabeth Jucá e Mello Jacometti

Fernando Scharlack Marcato

Michele da Silva Gonsales Torres

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DIRECTORS' STATEMENT OF REVIEW OF THE FINANCIAL STATEMENTS

STATEMENT

We hereby state, for the due purposes, under the responsibility of our positions, that in the 914th meeting of the Executive Board of Cemig Geração e Transmissão S.A. (Cemig GT), held on March 26, 2021, we approved the conclusion, on that date, of the Company's financial statements for the business year 2020; and also submission to the Board of Directors, for decision and submission to the Annual General Meeting, of the Report of Management, the Financial Statements for 2020 and the related complementary documents. In relation to those documents, we declare that we have reviewed, discussed and agree with the said Financial Statements.

Belo Horizonte, March 26, 2021.

(Signed by:)

aa.) Reynaldo Passanezi Filho – Chief Executive Officer
Dimas Costa – Chief Trading Officer
Eduardo Soares - Chief Regulation and Legal
Leonardo George de Magalhães – Chief Finance and Investor Relations Officer
Marney Tadeu Antunes – Chief Distribution and Sales Officer
Maurício Dall'Agnese – Chief Officer Cemigpar
Paulo Mota Henriques – Chief Generation and Transmission Officer

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

STATEMENT

We hereby state, for the due purposes, under the responsibility of our positions, that at the 914th meeting of the Executive Board of Cemig Geração e Transmissão S.A. (Cemig GT), held on March 26, 2021, we approved the conclusion, on that date, of the Company's financial statements for the business year 2020; and also submission to the Board of Directors, for decision and submission to the Annual General Meeting, of the Report of Management, the Financial Statements for 2020 and the related complementary documents. In relation to those documents, we declare that we have reviewed, discussed and agree with the opinions expressed by the representatives of the Independent External Auditors.

Belo Horizonte, March 26, 2021.

(Signed by:)

aa.) Reynaldo Passanezi Filho – Chief Executive Officer
Dimas Costa – Chief Trading Officer
Eduardo Soares - Chief Regulation and Legal
Leonardo George de Magalhães – Chief Finance and Investor Relations Officer
Marney Tadeu Antunes – Chief Distribution and Sales Officer
Maurício Dall'Agnese – Chief Officer Cemigpar
Paulo Mota Henriques – Chief Generation and Transmission Officer

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REPORT OF THE AUDIT COMMITTEE

SUMMARY OF THE REPORT OF THE AUDIT COMMITTEE – March 26, 2021

INTRODUCTION

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

COMPOSITION OF THE AUDIT COMMITTEE

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

ACTIVITIES CARRIED OUT IN THE SCOPE OF ITS DUTIES IN YEAR OF 2020

In 2020 the Committee met 42 times. At the beginning of the first half of 2021 it has met 11 times. It has taken part in meetings of the Board of Directors five times. Four meetings were held jointly with the Audit Board in 2020, and one so far in the first half of 2021. The Committee has maintained permanent contact with the managers of the various areas of the Company, aiming to accompany the work carried out, and obtain input information on which to base its assessments. Ten meetings were held with participation by the external auditors, Ernst and Young Auditores Independentes, to become aware of methodology, planning and results of the work, with a view to preparation of the Financial Statements at December, 31, 2020. The Committee met with members of the Executive Board of the Company to deal with subjects related to general aspects of the management of the institution, in particular those relating to accounting, internal controls, internal auditing, management of capital, financial management and management of risks. The Committee has presented recommendations for enhancement of processes, and accompanied the implementations of improvements that it has recommended, and also recommendations in relation to internal and external audits, indicated in the course of its work. The Committee has maintained regular contacts with the

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Company’s Board of Directors, and has also issued opinions of aspects related to its duties under regulations, and provided information to that Board on its activities.

THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS

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

INTERNAL AUDITING

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

EXTERNAL AUDITING

The Committee met with the external auditors, Ernst and Young Auditores Independentes S.S., to ascertain the principal events in the works carried out in the preparation of the financial statements for 2020, and in their assessment of the Company’s present internal controls. The Committee considers the work carried out to be satisfactory, and has not identified any situations that could affect the objectivity and independence of the external auditors.

THE FINANCIAL STATEMENTS

The Committee has accompanied the process of preparation of the financial statements for 2020, examining trial balances, balance sheets and explanatory notes, and has considered the financial statements, the Report of Management, the Report of the External Auditors and other documents destined for publication. It has taken cognizance of the accounting practices used in the preparation of the financial statements, which are aligned with the fundamental principles of accounting and with Brazilian corporate legislation, and which adequately portray the institution’s equity situation.

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CONCLUSION

By the closing date of this report the Audit Committee had not received any reports of any accusation of non-compliance with rules, or absence of controls, or any act or omission by the Company's Management, that might indicate the existence of fraud, failings or errors that might put at risk the continuity of the institution or the fidelity of its accounting statements. Based on the considerations above, the Audit Committee, having duly weighed and considered its responsibilities and the natural limitations arising from the scope of its activity, recommends to the Board of Directors that the Financial Statements of Cemig, Cemig D and Cemig GT for 2020 should be approved.

Belo Horizonte, March 26, 2021.

The Audit Committee

PEDRO CARLOS DE MELLO – Coordinator

AFONSO HENRIQUES MOREIRA SANTOS – Member

MÁRCIO DE LIMA LEITE – Member

ROBERTO TOMMASETTI – Member

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CAPITAL BUDGET

In accordance with Clause 196 of the Corporate Law and Article 25, § 1, Sub-item IV of CVM (‘*Comissão de Valores Mobiliários*’) Instruction 480, we present for analysis and subsequent approval of submission to the Ordinary General Meeting of Shareholders to be held on April, 2021, the proposal for the consolidated Capital Budget for the 2021 business year. The planned amount of capital budget will be achieved exclusively by allocating resources from Company’s operations, through the retained earnings for the period of 2020, of R$439,122.

Investments planned for 2021	
Energy generation system	131,000
Energy transmission system	209,200
Contributions to subsidiaries and associates	82,283
Infrastructure and others	16,639
Total	**439,122**

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