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

	Note	Consolidated		Parent company	
		Mar. 31, 2021	Dec. 31, 2020	Mar. 31, 2021	Dec. 31, 2020
CURRENT					
Cash and cash equivalents	5	3,332,411	1,680,397	1,777,947	422,647
Marketable securities	6	2,240,626	3,360,270	100,755	116,861
Receivables from customers, traders and power transport concession holders	7	4,317,385	4,373,075	-	-
Concession financial and sector assets	13	296,393	258,588	-	-
Concession contract assets	14	774,507	737,110	-	-
Recoverable taxes	8	1,821,241	1,850,057	249	1,341
Income tax and social contribution tax credits	9a	482,222	597,610	-	-
Dividends receivables	15	231,673	188,327	1,390,140	1,272,878
Public Lighting Contribution		177,499	179,401	-	-
Reimbursement of tariff subsidies payments	12	87,836	88,349	-	-
Derivative financial instruments	30	512,050	522,579	-	-
Others		392,202	362,326	11,557	9,616
		14,666,045	14,198,089	3,280,648	1,823,343
Assets classified as held for sale	32	-	1,258,111	-	1,258,111
TOTAL CURRENT		14,666,045	15,456,200	3,280,648	3,081,454
NON-CURRENT					
Marketable securities	6	608,066	764,793	26,815	26,127
Receivables from customers, traders and power transport concession holders	7	134,070	160,969	-	-
Recoverable taxes	8	3,087,870	3,442,071	496,400	497,386
Income tax and social contribution tax recoverable	9a	271,266	346,523	202,622	279,856
Deferred income tax and social contribution tax	9c	2,544,690	2,452,860	770,467	690,895
Escrow deposits	11	1,106,468	1,055,797	306,571	304,676
Derivative financial instruments	30b	2,249,532	2,426,351	-	-
Accounts receivable from the State of Minas Gerais	10	12,573	11,614	12,573	11,614
Concession financial and sector assets	13	4,010,432	3,798,734	-	-
Concession contract assets	14	4,368,011	4,242,962	-	-
Investments – Equity method	15	5,502,497	5,415,293	15,295,361	15,139,383
Property, plant and equipment	16	2,391,080	2,407,143	1,104	1,192
Intangible assets	17	11,782,273	11,809,928	2,341	2,655
Leasing – rights of use	18a	202,709	212,074	2,037	2,058
Others		73,472	79,768	19,738	25,187
TOTAL NON-CURRENT		38,345,009	38,626,880	17,136,029	16,981,029
TOTAL ASSETS		53,011,054	54,083,080	20,416,677	20,062,483

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

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

	Note	Consolidated		Parent company	
		Mar. 31, 2021	Dec. 31, 2020	Mar. 31, 2021	Dec. 31, 2020
CURRENT					
Suppliers	19	1,956,774	2,358,320	1,612	2,045
Regulatory charges	22	589,439	445,807	4,624	4,624
Profit sharing		147,269	121,865	14,777	12,626
Taxes payable	20	472,805	505,739	9,932	88,768
Income tax and social contribution tax	9b	76,529	140,058	-	3,634
Interest on equity and dividends payable		1,448,818	1,448,846	1,446,940	1,446,945
Loans, financing and debentures	21	1,628,278	2,059,315	50,274	49,953
Payroll and related charges		190,448	212,755	9,371	10,713
Public lighting contribution		268,843	304,869	-	-
Post-employment obligations	23	313,392	304,551	25,572	25,062
Sector financial liabilities	13	59,026	231,322	-	-
PIS/Pasep and Cofins taxes to be refunded to customers	20	836,107	448,019	-	-
Put Option - SAAG	30b	522,988	536,155	-	-
Leasing liabilities	18b	44,599	47,799	243	241
Others		502,641	524,795	4,182	5,249
TOTAL CURRENT		9,057,956	9,690,215	1,567,527	1,649,860
NON-CURRENT					
Regulatory charges	22	124,788	291,189	-	-
Loans, financing and debentures	21	13,037,225	12,961,243	-	-
Taxes payable	20	261,465	262,745	-	-
Deferred income tax and social contribution tax	9c	792,422	1,040,003	-	-
Provisions	24	1,867,263	1,892,437	229,512	222,385
Post-employment obligations	23	6,555,131	6,538,496	720,932	713,718
PIS/Pasep and Cofins taxes to be refunded to customers	20	3,023,426	3,569,837	-	-
Leasing liabilities	18b	173,390	178,704	1,868	1,873
Other obligations		218,161	180,863	1,971	1,981
TOTAL NON-CURRENT		26,053,271	26,915,517	954,283	939,957
TOTAL LIABILITIES		35,111,227	36,605,732	2,521,810	2,589,817
EQUITY	25				
Share capital		7,593,763	7,593,763	7,593,763	7,593,763
Capital reserves		2,249,721	2,249,721	2,249,721	2,249,721
Profit reserves		10,060,605	10,060,605	10,060,605	10,060,605
Equity valuation adjustments		(2,435,407)	(2,431,423)	(2,435,407)	(2,431,423)
Retained earnings		426,185	-	426,185	-
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT		17,894,867	17,472,666	17,894,867	17,472,666
NON-CONTROLLING INTERESTS		4,960	4,682	-	-
TOTAL EQUITY		17,899,827	17,477,348	17,894,867	17,472,666
TOTAL LIABILITIES AND EQUITY		53,011,054	54,083,080	20,416,677	20,062,483

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

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

	Note	Consolidated		Parent company	
		Jan to Mar, 2021	Jan to Mar, 2020 (restated)	Jan to Mar, 2021	Jan to Mar, 2020 (restated)
CONTINUING OPERATIONS					
NET REVENUE	26	7,110,741	6,041,984	83	5
OPERATING COSTS					
COST OF ENERGY AND GAS	27				
Energy purchased for resale		(3,108,114)	(2,814,495)	-	-
Charges for use of the national grid		(746,312)	(365,012)	-	-
Gas purchased for resale		(387,525)	(311,925)	-	-
		(4,241,951)	(3,491,432)	-	-
OTHER COSTS	27				
Personnel		(222,210)	(232,639)	-	-
Materials		(12,073)	(10,376)	-	-
Outsourced services		(269,029)	(231,530)	-	-
Depreciation and amortization		(214,379)	(210,892)	-	-
Operating provisions, net		4,982	(36,722)	-	-
Infrastructure construction cost		(348,375)	(310,271)	-	-
Others		(24,882)	(3,026)	-	-
		(1,085,966)	(1,035,456)	-	-
TOTAL COST		(5,327,917)	(4,526,888)	-	-
GROSS PROFIT		1,782,824	1,515,096	83	5
OPERATING EXPENSES (REVENUE)	27				
Selling expenses		(43,153)	(99,740)	-	-
General and administrative expenses		(205,265)	(191,980)	(19,929)	(14,302)
Operating provisions		13,967	(22,654)	(10,200)	(1,842)
Other operating expenses		(174,528)	(176,871)	(10,991)	(18,817)
		(408,979)	(491,245)	(41,120)	(34,961)
Periodic tariff review, net		5,816	-	-	-
Gains arising from the sale of non-current asset held for sale	32	108,550	-	108,550	-
Result of business combination	15d	-	51,736	-	51,736
Impairment (reversals) of assets held for sale	32	-	(609,160)	-	(609,160)
Share of profit, net, of affiliates, subsidiaries and joint ventures	15	118,687	81,942	273,512	317,506
Operating income before financial revenue (expenses) and taxes		1,606,898	548,369	341,025	(274,874)
Finance income	28	154,415	1,482,735	3,250	9,300
Finance expenses	28	(1,419,635)	(2,209,481)	(1,815)	(1,528)
Income before income tax and social contribution tax		341,678	(178,377)	342,460	(267,102)
Current income tax and social contribution tax	9d	(263,706)	(195,516)	-	(19)
Deferred income tax and social contribution tax	9d	344,379	305,760	79,572	198,719
NET INCOME FOR THE PERIOD		422,351	(68,133)	422,032	(68,402)
Total of net income for the period attributed to:					
Equity holders of the parent		422,032	(68,402)	422,032	(68,402)
Non-controlling interests		319	269	-	-
		422,351	(68,133)	422,032	(68,402)
Basic earnings (losses) per preferred share – R\$	25	0.25	(0.04)	0.25	(0.04)
Basic earnings (losses) per common share – R\$	25	0.25	(0.04)	0.25	(0.04)
Diluted earnings (losses) per preferred share – R\$	25	0.24	(0.04)	0.24	(0.04)
Diluted earnings (losses) per common share – R\$	25	0.24	(0.04)	0.24	(0.04)

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

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

	Consolidated		Parent company	
	Jan to Mar, 2021	Jan to Mar, 2020 (restated)	Jan to Mar, 2021	Jan to Mar, 2020 (restated)
NET (LOSS) INCOME FOR THE PERIOD	422,351	(68,133)	422,032	(68,402)
OTHER COMPREHENSIVE INCOME				
Items not to be reclassified to profit or loss in subsequent periods				
Others	169	(702)	169	(702)
	<u>169</u>	<u>(702)</u>	<u>169</u>	<u>(702)</u>
COMPREHENSIVE INCOME FOR THE PERIOD	<u>422,520</u>	<u>(68,835)</u>	<u>422,201</u>	<u>(69,104)</u>
Total of comprehensive income for the period attributed to:				
Equity holders of the parent	422,201	(69,104)	422,201	(69,104)
Non-controlling interests	319	269	-	-
	<u>422,520</u>	<u>(68,835)</u>	<u>422,201</u>	<u>(69,104)</u>

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

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

	Share capital	Capital reserves	Profit reserves	Equity valuation adjustments	Retained earnings	Total	Non-controlling interests	Total Equity
AS OF DECEMBER 31, 2020	7,593,763	2,249,721	10,060,605	(2,431,423)	-	17,472,666	4,682	17,477,348
Net income for the period	-	-	-	-	422,032	422,032	319	422,351
Other Comprehensive Income	-	-	-	169	-	169	-	169
Realization of PP&E deemed cost	-	-	-	(4,153)	4,153	-	-	-
Non-controlling Interests	-	-	-	-	-	-	(41)	(41)
AS OF MARCH 31, 2021	7,593,763	2,249,721	10,060,605	(2,435,407)	426,185	17,894,867	4,960	17,899,827

	Share capital	Capital reserves	Profit reserves	Equity valuation adjustments	Retained earnings	Total	Non-controlling interests	Total Equity
AS OF DECEMBER 31, 2019	7,293,763	2,249,721	8,750,051	(2,406,920)	211,640	16,098,255	4,250	16,102,505
Loss income for the period	-	-	-	-	(68,402)	(68,402)	269	(68,133)
Other Comprehensive Income	-	-	-	(702)	-	(702)	-	(702)
Realization of PP&E deemed cost	-	-	-	(3,023)	3,023	-	-	-
Tax incentives reserve (Note 26)	-	-	877	-	(877)	-	-	-
AS OF MARCH 31, 2020 (Restated)	7,293,763	2,249,721	8,750,928	(2,410,645)	145,384	16,029,151	4,519	16,033,670

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

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

	Note	Consolidated		Parent company	
		Jan to Mar, 2021	Jan to Mar, 2020 (restated)	Jan to Mar, 2021	Jan to Mar, 2020 (restated)
CASH FLOW FROM OPERATIONS					
Net (loss) income for the period		422,351	(68,133)	422,032	(68,402)
Expenses (revenues) not affecting cash and cash equivalents:					
Deferred income tax and social contribution tax	9d	(344,379)	(305,760)	(79,572)	(198,719)
Depreciation and amortization	27	238,431	242,752	451	776
Loss on write-off of net residual value of unrecoverable concession financial assets, concessional contract asset, PP&E and Intangible assets	13, 14, 16 and 17	14,444	7,153	-	-
Result of business combination	15d	-	(51,736)	-	(51,736)
Impairment (reversals) of assets held for sale	32	-	609,160	-	609,160
Share of loss, net, of subsidiaries and joint ventures	15	(118,687)	(81,942)	(273,512)	(317,506)
Remeasuring of concession financial and concession contract assets	13 and 14	(296,107)	(188,310)	-	-
Periodic tariff reset adjustments		(6,036)	-	-	-
Interest and monetary variation		419,438	341,147	(1,470)	(8,926)
Exchange variation on loans	21	751,781	1,756,536	-	-
Refunded of PIS/Pasep and Cofins over ICMS credits to customers – realization	26	(178,373)	-	-	-
Gains arising from the sale of non-current asset held for sale	32	(108,550)	-	(108,550)	-
Appropriation of transaction costs	21	4,137	3,545	55	51
Provisions for operating losses	27c	24,204	159,116	10,200	1,842
Net gain on derivative instruments at fair value through profit or loss	30	187,348	(1,314,240)	-	-
CVA (Parcel A items Compensation) Account and Other financial components in tariff adjustments	13	(338,907)	54,602	-	-
Post-employment obligations	23	125,059	122,738	12,998	12,528
Others		5,218	1,175	-	1,531
		801,372	1,287,803	(17,368)	(19,401)
Increase (decrease) in assets					
Receivables from customers, traders and power transport concession holders		39,436	101,211	-	194
CVA and Other financial components in tariff adjustments	13	-	62,771	-	-
Recoverable taxes		75,368	(9,351)	2,889	-
Income tax and social contribution tax credits		3,450	116,227	86,668	34,588
Escrow deposits		(48,164)	1,419,404	(1,405)	12,071
Dividends received from investees	15	970	492	-	-
Contract assets and concession financial assets	13 and 14	220,540	158,756	-	-
Other		(10,850)	75,199	3,049	4,180
		280,750	1,924,709	91,201	51,033
Increase (decrease) in liabilities					
Suppliers		(401,546)	(357,166)	(433)	(423)
Taxes payable		235,181	(44,498)	(78,829)	(90,094)
Income tax and social contribution tax payable		200,177	107,804	-	19
Payroll and related charges		(22,307)	(13,806)	(1,342)	(597)
Regulatory charges		(22,769)	19,308	-	-
Post-employment obligations	23	(99,583)	(87,785)	(5,274)	(4,658)
Other		(20,287)	(11,255)	(1,999)	(8,908)
		(131,134)	(387,398)	(87,877)	(104,661)
Cash generated by operating activities					
Interest paid on loans, financing and debentures	21	(154,673)	(200,576)	-	-
Interest paid on leasing contracts	18	(295)	(303)	(1)	(6)
Income tax and social contribution tax paid		(30,986)	(149,176)	-	-
NET CASH FROM OPERATING ACTIVITIES		765,034	2,475,059	(14,045)	(73,035)
INVESTING ACTIVITIES					
Marketable securities		1,276,371	(893,948)	15,418	100,401
Restricted cash		226	(10,397)	(2)	48
Investments	15				
Acquisition of equity investees	15	(12,558)	(44,775)	(12,558)	(44,775)
Arising from the sale of equity interest, net of costs of sales	32	1,366,592	-	1,366,592	-
Cash arising from business combination		-	27,110	-	-
Loans from related parties		-	(26,500)	-	(26,500)
Property, plant and equipment	16	(27,791)	(25,158)	-	-
Intangible assets	17	(9,076)	(3,102)	(30)	-
Contract assets – distribution of gas and energy infrastructure		(317,395)	(243,336)	-	-
NET CASH USED IN INVESTING ACTIVITIES		2,276,369	(1,220,106)	1,369,420	29,174

	Note	Consolidated		Parent company	
		Jan to Mar, 2021	Jan to Mar, 2020 (restated)	Jan to Mar, 2021	Jan to Mar, 2020 (restated)
FINANCING ACTIVITIES					
Interest on capital and dividends paid		(5)	(120)	(5)	(120)
Payment of loans, financing and debentures	21	(1,372,571)	(972,447)	-	-
Leasing liabilities paid	18	(16,813)	(22,412)	(70)	(455)
NET CASH USED IN FINANCING ACTIVITIES		(1,389,389)	(994,979)	(75)	(575)
Net (decrease) increase in cash and cash equivalents for the period		1,652,014	259,974	1,355,300	(44,436)
Cash and cash equivalents at the beginning of the period	5	1,680,397	535,757	422,647	64,356
Cash and cash equivalents at the end of the period	5	3,332,411	795,731	1,777,947	19,920

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

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

	Consolidated				Parent company			
	Jan to Mar, 2021		Jan to Mar, 2020 (restated)		Jan to Mar, 2021		Jan to Mar, 2020 (restated)	
REVENUES								
Sales of energy, gas and services	9,589,537		8,557,558		91		7	
Distribution construction revenue	329,309		263,073		-		-	
Transmission construction revenue	22,451		61,241		-		-	
Interest revenue arising from the financing component in the transmission contract asset	157,255		71,580		-		-	
Gain on financial updating of the Concession Grant Free	124,560		99,892		-		-	
Adjustment to expectation of cash flow from reimbursement of distribution concession financial assets	10,906		724		-		-	
Periodic Tariff Reset adjustments	6,036		-		-		-	
Investment in PP&E	22,473		15,015		-		-	
Other revenues	651		-		-		-	
Allowance for doubtful receivables	(32,153)		(99,740)		-		-	
	10,231,025		8,969,343		91		7	
INPUTS ACQUIRED FROM THIRD PARTIES								
Energy bought for resale	(3,384,255)		(3,068,459)		-		-	
Charges for use of national grid	(828,879)		(407,537)		-		-	
Outsourced services	(500,749)		(413,313)		(8,473)		(7,305)	
Gas bought for resale	(492,095)		(396,095)		-		-	
Materials	(202,080)		(176,338)		(8)		(27)	
Other operating costs	34,929		(735,988)		97,398		(614,123)	
	(5,373,129)		(5,197,730)		88,917		(621,455)	
GROSS VALUE ADDED	4,857,896		3,771,613		89,008		(621,448)	
RETENTIONS								
Depreciation and amortization	(238,431)		(242,752)		(451)		(776)	
NET ADDED VALUE PRODUCED BY THE COMPANY	4,619,465		3,528,861		88,557		(622,224)	
ADDED VALUE RECEIVED BY TRANSFER								
Share of (loss) profit, net, of associates and joint ventures	118,687		81,942		273,512		317,506	
Result of business combinations	-		51,736		-		51,736	
Financial revenues	154,415		1,482,735		3,250		9,300	
ADDED VALUE TO BE DISTRIBUTED	4,892,567		5,145,274		365,319		(243,682)	
DISTRIBUTION OF ADDED VALUE								
		%		%		%		%
Employees	418,337	8.55	416,987	8.10	19,490	5.34	19,832	(8.14)
Direct remuneration	262,135	5.36	256,737	4.99	6,290	1.72	6,975	(2.86)
Post-employment obligations and other benefits	140,890	2.88	144,318	2.80	12,787	3.51	12,426	(5.1)
FGTS fund	15,312	0.31	15,932	0.31	413	0.11	431	(0.18)
Taxes	2,625,239	53.66	2,567,370	49.90	(78,028)	(21.36)	(196,862)	80.79
Federal	1,028,075	21.02	1,006,481	19.56	(78,381)	(21.46)	(197,479)	81.04
State	1,594,162	32.58	1,555,323	30.23	349	0.10	275	(0.11)
Municipal	3,002	0.06	5,566	0.11	4	-	342	(0.14)
Remuneration of external capital	1,426,640	29.16	2,229,050	43.32	1,825	0.50	1,750	(0.72)
Interest	1,423,786	29.10	2,225,728	43.26	1,815	0.50	1,528	(0.63)
Rentals	2,854	0.06	3,322	0.06	10	-	222	(0.09)
Remuneration of own capital	422,351	8.63	(68,133)	(1.32)	422,032	115.52	(68,402)	28.07
Retained Earnings (losses)	422,032	8.62	(68,402)	(1.33)	422,032	115.52	(68,402)	28.07
Non-controlling interest in retained earnings	319	0.01	269	0.01	-	-	-	-
	4,892,567	100.00	5,145,274	100.00	365,319	100.00	(243,682)	100.00

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

**NOTES TO THE CONSOLIDATES INTERIM FINANCIAL INFORMATION
FOR THE THREE-MONTH PERIOD ENDED AS OF MARCH 31, 2021
(In thousands of Brazilian Reais, except where otherwise indicated)**

1. OPERATING CONTEXT

a) The Company

Companhia Energética de Minas Gerais ('Cemig', 'Parent company' or 'Company') is a listed corporation registered in the Brazilian Registry of Corporate Taxpayers (CNPJ) under number 17.155.730/0001-64, with shares traded on the São Paulo Stock Exchange ('B3') at Corporate Governance Level 1; on the New York Stock Exchange ('NYSE'); and on the stock exchange of Madrid ('Latibex'). The Company is an entity domiciled in Brazil, with head office in Belo Horizonte/MG. Constituted to operate exclusively as a holding company, with interests in subsidiaries or jointly controlled entities, whose objects are: construction and operation of systems for generation, transformation, transmission, distribution and sale of energy, and also activities in the various fields of energy sector and gas distribution, for the purpose of commercial operation.

Management has assessed the capacity of the Company to continue as a going concern, and believes that its operations will generate sufficient future cash flows to enable continuity of its businesses. In addition, Management is not aware of any material uncertainties that could generate significant doubts about its ability to continue as a going concern. Therefore, this interim financial information has been prepared on a going concern basis.

b) Acquisition of interest in special-purpose companies ('SPCs') operating in photovoltaic solar generation

On March 31, 2021, through its wholly-owned subsidiary Cemig Soluções Inteligentes em Energia S.A. (Cemig Sim), the Company acquired 49% of the specialized generation company UFV Brasilândia Geração de Energia Elétrica Distribuída S.A. ('Brasilândia'), which operates in photovoltaic solar generation for the distributed generation market, with installed capacity of 7.35 MWp, for R\$12,558, with fair value estimated at R\$14, 519.

The acquisition was completed through exercise by Cemig SIM of its purchase option to acquire 49% of the shares in Brasilândia, owned by Mori Energia Holding S.A., as established in the Memorandum of Understanding signed in June 2019, and amended in March 2020. The conditions established in the Agreements signed between Cemig Sim and Mori Energia governing the composition of management and governance of the projects result in their qualification as jointly-controlled subsidiaries. The excess by which Cemig Sim's share in the fair value of the identifiable assets and liabilities of the investee exceeds the cost of investment (goodwill premium), in the amount of R\$1,961, was included as revenue in calculation of its interest in the results of the investee in the period of the acquisition, with the corresponding deferred tax liabilities being recognized.

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.

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

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

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

- Flexible terms for the flow of payments and installments of amounts collected from clients, under the programs launched by the Company during 2020;
- Launch, on April 20, 2021, of a campaign for negotiation enabling payment by low-voltage commercial consumers in default in up to 12 monthly installments without interest, including exemption for 30 days from inflation updating not yet posted on invoices.

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

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

- Optimization of capital allocation.

Impact of Covid-19 on Financial Information

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

Due to the retraction in industrial and commercial activity, in the first quarters of 2020 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 were temporary, and in the fourth quarter of 2020 we saw consumption returning to the expected levels.

The accumulated variation since the third week of March 2020 resulted in an increase of 3.5% in consumption by Free Clients by March 28, 2021.

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

- The subsidiary Cemig GT assessed whether the greater pressure on the exchange rate, combined with a lack of financial market liquidity, will have a negative impact on derivative financial instruments hired to protect its operations against the risks arising from foreign exchange rate changes. At this point, given the current market conditions, the change in derivative instrument's fair value, based on the forecasts of future interest and exchanges rates, and the semiannual settlement of derivatives instruments, cannot offset the Company's total exposure to foreign exchange rate variability, resulting in a net loss of R\$938 million in the three months period ended on March 31, 2021. 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 from doubtful receivables, the Company assessed the circumstances of the Covid-19 pandemic, and the measures taken to reduce the impact of the economic retraction on default. The Company has intensified measures to mitigate risks of default, with a specific campaign of negotiation with clients, individual collections through the courts, expansions of the channels for negotiation, and diversification of means of payment. The company believes that the measures adopted mitigated the effects of the economic crisis on collection of receivables. Aneel Resolution 928 extended the rule on suspension of supply of electricity to the low-income sub-category of residential users, and certain other consumers.

- 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 has assessed the behavior of the interest rates and discount rates that are the basis for calculation of Post-employment obligations, and believes that these are not significantly affected by macroeconomic issues in the short and medium term, since the main assumptions used are long-term.
- The Company's management reviewed the financial assets and liabilities measured at fair value to reflect the conditions and current rates projected, which impacts are presented in Note 30.
- Regarding the energy market of Cemig D, in the year 2021, the energy transported was 9.79% higher and the energy sold to final consumers was 1.70% lower, compared to the same period of the previous year, reflecting the easing of social distancing rules.
- The Company has maintained negotiations and deferrals with its customers and energy and gas suppliers, in order to maintain Cemig GT and Gasmig liquidity during the economic crisis.

The impacts of the Covid-19 pandemic disclosed in this interim financial information were based on the Company's best estimates and significant long-term effects are not expected.

2. BASIS OF PREPARATION

2.1 Statement of compliance

The interim financial information has been prepared in accordance with IAS 34 – Interim Financial Reporting, issued by the International Accounting Standards Board (IASB), Technical Pronouncement 21 (R1) ('CPC21'), which applies to interim financial information, and the rules issued by the Brazilian Securities Commission (Comissão de Valores Mobiliários, or CVM), applicable to preparation of Quarterly Information (Informações Trimestrais, or ITR).

This interim financial information has been prepared according to principles, practices and criteria consistent with those adopted in the preparation of the financial statements on December 31, 2020.

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

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

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

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

Number of the Note		Title of the Note
Dec. 31, 2020	Mar. 31, 2021	
1	1	Operational context
2	2	Basis of preparation
3	3	Consolidation principles
4	4	Concessions and authorizations
5	31	Operational segments
6	5	Cash and cash equivalents
7	6	Marketable Securities
8	7	Customers and traders; Concession holders (power transport)
9	8	Recoverable taxes
10	9	Income tax and social contribution tax
11	10	Accounts receivable from the State of Minas Gerais
12	11	Escrow deposits
13	12	Reimbursement of tariff subsidies
14	13	Concession financial assets and liabilities
15	14	Contract assets
16	15	Investments
17	16	Property, plant and equipment
18	17	Intangible assets
19	18	Leasing – Right of Use
20	19	Suppliers
21	20	Taxes and social security
22	21	Loans, financings and debentures
23	22	Regulatory charges
24	23	Post-employment obligations
25	24	Provisions
26	25	Equity and remuneration to shareholders
27	26	Revenue
28	27	Operating costs and expenses
29	28	Financial revenue and expenses
30	29	Related party transactions
31	30	Financial instruments and risk management
32	32	Assets and liabilities classified as held for sale; profit (loss) from discontinued operations
35	33	Transactions not involving cash
36	34	Subsequent events

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

Number	Title of the Note
33	Insurance
34	Commitments

2.3 Retrospective application of accounting policy and reclassification of items in interim financial information

On June 30, 2020, Aneel ratified the results of the Periodic Tariff Review (RTP), resetting the amount of the Permitted Annual Revenue (RAP) to be applied to the revenue in effect on July 1, 2018. In this tariff review, considering the results and criteria applied by the grantor 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, which were not evident in 2018, time when the RTP should have occurred and the Company made the initial adoption of the CPC 47/IFRS 15, the Company decided to retrospective application the following items, 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 renewal of the concession under Law 12,783/14; (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 on its December 31, 2020 financial statements, in accordance with items 14 and 22 of CPC 23 / IAS 08 – *Accounting policies, changes in accounting estimates and errors*.

The adjustments made to the restated interim financial information, due to the change in accounting policy, were related to:

- 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 main effects in the restated interim financial information to comparative effect due to the changing in accounting policy are as follows:

STATEMENT OF INCOME	Consolidated			Parent company		
	Mar. 31, 2020			Mar. 31, 2020		
	As presented	Adjustment	Restated	As presented	Adjustment	Restated
CONTINUING OPERATIONS						
NET REVENUE (1)	6,059,215	(17,231)	6,041,984	5	-	5
TOTAL COST	(4,526,888)	-	(4,526,888)	-	-	-
GROSS PROFIT	1,532,327	(17,231)	1,515,096	5	-	5
OPERATING EXPENSES (2)	(491,375)	130	(491,245)	(34,961)	-	(34,961)
Share of profit (loss), net, of affiliates and jointly-controlled entities	81,942	-	81,942	328,793	(11,287)	317,506
Result of business combinations	51,736	-	51,736	51,736	-	51,736
Impairment of assets held for sale	(609,160)	-	(609,160)	(609,160)	-	(609,160)
Net finance income	(726,746)	-	(726,746)	7,772	-	7,772
Loss before income tax and social contribution tax	(161,276)	(17,101)	(178,377)	(255,815)	(11,287)	(267,102)
Current income tax and social contribution tax	(195,516)	-	(195,516)	(19)	-	(19)
Deferred income tax and social contribution tax (3)	299,946	5,814	305,760	198,719	-	198,719
LOSS FOR THE PERIOD	(56,846)	(11,287)	(68,133)	(57,115)	(11,287)	(68,402)
Total of loss for the period attributed to:						
Equity holders of the parent						
Loss for the period attributed to equity holders of the parent	(57,115)	(11,287)	(68,402)	(57,115)	(11,287)	(68,402)
Non-controlling interests						
Loss from the period	269	-	269	-	-	-
	(56,846)	(11,287)	(68,133)	(57,115)	(11,287)	(68,402)
Basic and diluted loss per preferred share – R\$ (4)	(0.04)	-	(0.04)	(0.04)	-	(0.04)
Basic and diluted loss per common share – R\$ (4)	(0.04)	-	(0.04)	(0.04)	-	(0.04)

- (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;
- (4) The basic and diluted earnings per share for the period ended in March 31, 2019 was also adjusted retrospectively in order to reflect the increase in the number of shares in 2020 and 2021. For more information, see Note 25.

STATEMENT OF CASH FLOWS - Consolidated	Mar. 31, 2020 As presented	Adjustment	Mar. 31, 2020 Restated
CASH FLOW FROM OPERATIONS			
Loss income for the period (1)	(56,846)	(11,287)	(68,133)
Adjustments to reconcile net income to net cash flows:			
Deferred income tax and social contribution tax (2)	(299,946)	(5,814)	(305,760)
Loss on write-off of net residual value of unrecoverable concession financial assets, concessional contract asset, PP&E and Intangible assets (3)	7,283	(130)	7,153
Adjustment to expectation of contract asset and financial concession asset (4)	(159,225)	(29,085)	(188,310)
Deffered PIS/Pasep and Cofins over contract revenues (6)	-	(356)	(356)
Others	1,843,209	-	1,843,209
TOTAL	1,334,475	(46,672)	1,287,803
Increase in assets			
Concession contract and financial assets (5)	112,084	46,672	158,756
Others	1,765,953	-	1,765,953
TOTAL	1,878,037	46,672	1,924,709
Increase (decrease) in liabilities			
	(387,398)	-	(387,398)
Cash generated by operating activities	2,825,114	-	2,825,114

- (1) Effects of retrospective application of accounting policy, recorded as retained earnings, for the period ended on March 31, 2020.
- (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) 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.
- (6) Effects of PIS/Pasep and Cofins over contract revenues, including the taxes deferral;

STATEMENT OF CASH FLOWS	Parent company		
	Mar. 31, 2020 As presented	Adjustment	Mar. 31, 2020 Restated
CASH FLOW FROM OPERATIONS			
Loss income for the period (1)	(57,115)	(11,287)	(68,402)
Expenses (revenues) not affecting cash and cash equivalents			
Share of loss, net, of subsidiaries and joint ventures (2)	(328,793)	11,287	(317,506)
Others	366,507	-	366,507
TOTAL	(19,401)	-	(19,401)

- (1) Effects of retrospective application of accounting policy, recorded as retained earnings, for the period ended on March 31, 2020.
- (2) This refers to the adjustment to the equity income (gain on interests in non-consolidated investees) of Cemig GT, due to backdated application of an accounting policy.

STATEMENTS OF COMPREHENSIVE INCOME	Consolidated			Parent company		
	Mar. 31, 2020 As presented	Adjustment	Mar. 31, 2020 Restated	Mar. 31, 2020 As presented	Adjustment	Mar. 31, 2020 Restated
LOSS INCOME FOR THE PERIOD	(56,846)	(11,287)	(68,133)	(57,115)	(11,287)	(68,402)
OTHER COMPREHENSIVE INCOME						
Items not to be reclassified to profit or loss in subsequent periods	(702)	-	(702)	(702)	-	(702)
COMPREHENSIVE INCOME FOR THE PERIOD	(57,548)	(11,287)	(68,835)	(57,817)	(11,287)	(69,104)
Total of comprehensive income for the period attributed to:						
Equity holders of the parent	(57,817)	(11,287)	(69,104)	(57,817)	(11,287)	(69,104)
Non-controlling interests	269	-	269	-	-	-
Total of comprehensive income for the period attributed to:	(57,548)	(11,287)	(68,835)	(57,817)	(11,287)	(69,104)

STATEMENTS OF ADDED VALUE	Consolidated			Parent company		
	Mar. 31, 2020 As presented	Adjustment	Mar. 31, 2020 Restated	Mar. 31, 2020 As presented	Adjustment	Mar. 31, 2020 Restated
REVENUES (1)	8,986,930	(17,587)	8,969,343	7	-	7
INPUTS ACQUIRED FROM THIRD PARTIES (2)	(5,197,860)	130	(5,197,730)	(621,455)	-	(621,455)
GROSS VALUE ADDED	3,789,070	(17,457)	3,771,613	(621,448)	-	(621,448)
RETENTIONS	(242,752)	-	(242,752)	(776)	-	(776)
NET ADDED VALUE PRODUCED BY THE COMPANY FROM CONTINUING OPERATIONS	3,546,318	(17,457)	3,528,861	(622,224)	-	(622,224)
ADDED VALUE RECEIVED BY TRANSFER	1,616,413	-	1,616,413	389,829	(11,287)	378,542
ADDED VALUE TO BE DISTRIBUTED	5,162,731	(17,457)	5,145,274	(232,395)	(11,287)	(243,682)
DISTRIBUTION OF ADDED VALUE						
Employees	416,987	-	416,987	19,832	-	19,832
Taxes (3)	2,573,540	(6,170)	2,567,370	(196,862)	-	(196,862)
Remuneration of external capital	2,229,050	-	2,229,050	1,750	-	1,750
Remuneration of own capital	(56,846)	(11,287)	(68,133)	(57,115)	(11,287)	(68,402)
	5,162,731	(17,457)	5,145,274	(232,395)	(11,287)	(243,682)

- (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) Others immaterial adjustments referring to impairment losses and others expected losses.
- (3) Effects of PIS/Pasep and Cofins over contract revenues, including the taxes deferral.

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 for the period ended on March 31, 2021. The retrospective application only affected the transmission segment, presented in Note 31.

3. PRINCIPLES OF CONSOLIDATION

The reporting dates of interim financial information of the subsidiaries used for the purposes of calculation of consolidation and jointly-controlled entities and affiliates used for calculation of this equity method contribution are prepared in the same reporting date of the Company. Accounting practices are applied uniformly in line with those used by the parent company.

The Company uses the criteria of full consolidation. The direct equity investments of Cemig, included in the consolidation, are the following:

Subsidiary	Mar. 31, 2021			Mar. 31, 2020		
	Form of valuation	Direct interest, %	Indirect interest, %	Form of valuation	Direct interest, %	Indirect interest, %
Cemig Geração e Transmissão	Consolidation	100.00	-	Consolidation	100.00	-
Cemig Distribuição	Consolidation	100.00	-	Consolidation	100.00	-
Gasmig	Consolidation	99.57	-	Consolidation	99.57	-
Cemig Geração Distribuída (Ipatinga Power Plant) (1)	-	-	-	Consolidation	100.00	-
Cemig Sim (Efficientia) (2)	Consolidation	100.00	-	Consolidation	100.00	-
Cetroeste	Consolidation	100.00	-	Consolidation	100.00	-

- (1) On October 19, 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 April 14, 2020, the minute of the Annual General Meeting that decided about changes in this subsidiary's By-laws was registered in the commercial registry authority, changing the name of this subsidiary to Cemig Soluções Inteligentes em Energia S.A.-Cemig Sim.

4. CONCESSIONS AND AUTHORIZATIONS

Cemig, through its subsidiaries, holds the following concessions or authorizations:

	Company holding concession or authorization	Concession or authorization contract	Expiration date
POWER GENERATION			
Hydroelectric plants			
Emborcação (1) (2)	Cemig GT	07/1997	07/2025
Nova Ponte (1) (2)	Cemig GT	07/1997	07/2025
Santa Luzia (1)	Cemig GT	07/1997	02/2026
Sá Carvalho (1)	Sá Carvalho	01/2004	12/2024
Rosal (1)	Rosal Energia	01/1997	05/2032
Machado Mineiro (1)			07/2025
Salto Voltão (1)	Horizontes Energia	Resolution 331/2002	10/2030
Salto Paraopeba (1)			10/2030
Salto do Passo Velho (1)			10/2030
PCH Pai Joaquim (1)	Cemig PCH	Authorizing Resolution 377/2005	04/2032
Irapé (1)	Cemig GT	14/2000	02/2035
Queimado (Consortium) (1)	Cemig GT	06/1997	01/2033
Rio de Pedras (1)	Cemig GT	02/2013	09/2024
Poço Fundo (1)	Cemig Geração Poço Fundo	01/2021	08/2045
São Bernardo (1)	Cemig GT	02/2013	08/2025
Três Marias (3)	Cemig Geração Três Marias	08/2016	01/2046
Salto Grande (3)	Cemig Geração Salto Grande	09/2016	01/2046
Itutinga (3)	Cemig Geração Itutinga	10/2016	01/2046
Camargos (3)	Cemig Geração Camargos	11/2016	01/2046
Coronel Domiciano, Joasal, Marmelos, Paciência and Piau (3)	Cemig Geração Sul	12/2016 and 13/2016	01/2046
Dona Rita, Ervália, Neblina, Peti, Sinceridade and Tronqueiras (3)	Cemig Geração Leste	14/2016 and 15/2016	01/2046
Cajurú, Gafanhoto and Martins (3)	Cemig Geração Oeste	16/2016	01/2046
Thermal plants			
Igarapé (6)	Cemig GT	07/1997	08/2024
Wind power plants			
Central Geradora Eólica Praias de Parajuru (4)	Parajuru	Resolution 526/2002	09/2032
Central Geradora Eólica Volta do Rio (4)	Volta do Rio	Resolution 660/2001	01/2031
POWER TRANSMISSION			
National grid (5)	Cemig GT	006/1997	01/2043
Itajubá Substation (5)	Cemig GT	79/2000	10/2030
Furnas – Pimenta - Transmission line (5)	Centroeste	004/2005	03/2035
ENERGY DISTRIBUTION (7)	Cemig D	002/1997 003/1997 004/1997 005/1997	12/2045
GAS DISTRIBUTION (7)	Gasmig	State Law 11,021/1993	01/2053

- (1) Generation concession contracts that are not within the scope of 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, Cemig GT 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 grantor, Aneel, of the conditions for extension, which will be submitted to decision by Cemig's governance bodies at the due time.
- (3) Generation concession contracts within the scope of IFRIC 12, under which Cemig has the right to receive cash and therefore, recognizes a concession financial assets.
- (4) This refers to concessions, given by the process of authorization, for generation, as an independent power producer, of wind power, sold under the Proinfa program. The assets tied to the right of commercial operation are recorded in PP&E. The rights of authorization of commercial operation that are classified as an Intangible.
- (5) These refer to transmission concession contracts, for which a contract asset was recognized upon the application of IFRS 15/CPC 47, 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 Cemig GT's claim for early termination of its concession contract, and, as a result, the corresponding assets were written-off from Cemig GT'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 Cemig GT.
- (7) Concession contracts that are within the scope of IFRIC 12/ICPC 01 and under which the concession infrastructure assets are recorded under the intangible and financial assets bifurcation model, and in compliance with IFRS 15, the infrastructure under construction has been classified as a contract asset.
- (8) By its Authorizing Resolution 9,735 of February 23, 2021, Aneel authorized transfer of ownership of the concession of the Poço Fundo Small Hydro Plant from Cemig Geração e Transmissão S.A. to Cemig Geração Poço Fundo S.A. The transfer was formalized by signature of a new concession contract, No. 01/2021, on April 16, 2021.

Cemig generate energy from nine hydroelectric plants that have the capacity of 5MW or less— having a total installed capacity of 11.53MW, and thus under Law 9,074/95, these are dispensed from concession, permission or authorization, and do not have a final concession date.

5. CASH AND CASH EQUIVALENTS

	Consolidated		Parent company	
	Mar. 31, 2021	Dec. 31, 2020	Mar. 31, 2021	Dec. 31, 2020
Bank accounts	67,575	93,060	4,502	4,577
Cash equivalents				
Bank certificates of deposit (CDBs) (1)	2,736,774	1,415,964	1,749,909	412,136
Overnight (2)	525,818	171,373	23,536	5,934
Others	2,244	-	-	-
	3,264,836	1,587,337	1,773,445	418,070
	3,332,411	1,680,397	1,777,947	422,647

- (1) *Bank Certificates of Deposit (Certificados de Depósito Bancário, or CDBs)*, accrued interest at 65% to 109%, of the CDI Rate (Interbank Rate for Interbank Certificates of Deposit or *Certificados de Depósito Inter-bancário – CDIs*) published by the Custody and Settlement Chamber (*Câmara de Custódia e Liquidação, or Cetip*) on March 31, 2021 (50% to 108% on December 31, 2020). For these CDBs, the Company and its subsidiaries have repo transactions which state, on their trading notes, the bank's commitment to repurchase the security, on demand, on the maturity date of the transaction, or earlier.
- (2) *Overnight* transactions are repos available for redemption on the following day. They are usually backed by Treasury Bills, Notes or Bonds and referenced to a pre-fixed rate of 2.64% on March 31, 2021 (1.89% on December 31, 2020). Their purpose is to settle the short-term obligations of the Company and its subsidiaries, or to be used in the acquisition of other assets with better return to replenish the portfolio.

Note 30 provides information in relation to the exposure of the Company and its subsidiaries to interest rate risks, and a sensitivity analysis of their effects on financial assets and liabilities.

6. MARKETABLE SECURITIES

	Consolidated		Parent company	
	Mar. 31, 2021	Dec. 31, 2020	Mar. 31, 2021	Dec. 31, 2020
Investments				
Current				
Bank certificates of deposit (CDBs) (1)	49,583	545,366	2,219	18,884
Financial Notes (LFs) – Banks (2)	1,827,759	2,073,551	81,813	71,799
Treasury Financial Notes (LFTs) (3)	352,348	730,806	15,772	25,305
Others	10,936	10,547	951	873
	2,240,626	3,360,270	100,755	116,861
Non-current				
Financial Notes (LFs) – Banks (2)	574,489	729,767	25,715	25,269
Debentures (4)	24,586	24,789	1,100	858
Others	8,991	10,237	-	-
	608,066	764,793	26,815	26,127
	2,848,692	4,125,063	127,570	142,988

- (1) Bank Certificates of Deposit (Certificados de Depósito Bancário, or CDBs), accrued interest at 108.50% a 117.00% of the CDI Rate (Interbank Rate for Interbank Certificates of Deposit or Certificados de Depósito Inter-bancário – CDIs) published by the Custody and Settlement Chamber (Câmara de Custódia e Liquidação, or Cetip) on March 31, 2021.
- (2) Bank Financial Notes (*Letras Financeiras, or LFs*) are fixed-rate fixed-income securities, issued by banks and that accrued interest a percentage of the CDI rate published by Cetip. The LFs had remuneration rates varying between 103.10% and 157% of the CDI rate on March 31, 2021 (99.50% and 130% on December 31, 2020).
- (3) Treasury Financial Notes (LFTs) are fixed-rate securities, their yield follows the daily changes in the Selic rate between the date of purchase and the date of maturity. The LFTs had remuneration rates varying between 2.60% and 2.90% on March 31, 2021 (1.86% and 1.90% on December 31, 2020).
- (4) *Debentures* are medium and long term debt securities, which give their holders a right of credit against the issuing company. The debentures have remuneration varying from TR+1% to 109% of the CDI Rate on March 31, 2021 and December 31, 2020.

Note 30 provides a classification of these marketable securities. Investments in marketable securities of related parties are shown in Note 29.

7. CUSTOMERS, TRADERS AND POWER TRANSPORT CONCESSION HOLDERS

	Consolidated					
	Balances not yet due	Up to 90 days past due	More than 91 up to 360 days past due	More than 361 days past due	Mar. 31, 2021	Dec. 31, 2020
Billed supply	1,489,773	671,905	380,196	646,273	3,188,147	3,124,555
Unbilled supply	1,169,949	-	-	-	1,169,949	1,144,906
Other concession holders – wholesale supply	28,382	19,225	720	198	48,525	50,086
Other concession holders – wholesale supply, unbilled	209,914	-	-	-	209,914	260,521
CCEE (Power Trading Chamber)	9,518	87,003	288	-	96,809	210,271
Concession Holders – power transport	45,814	26,094	19,072	88,490	179,470	161,340
Concession Holders – power transport, unbilled	306,261	-	-	-	306,261	294,734
(–) Provision for doubtful receivables	(275,977)	(12,507)	(14,421)	(444,715)	(747,620)	(712,369)
	2,983,634	791,720	385,855	290,246	4,451,455	4,534,044
Current assets					4,317,385	4,373,075
Non-current assets					134,070	160,969

The Company and its subsidiaries' exposure to credit risk related to customers and traders is provided in Note 30.

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

Consolidated	Mar. 31, 2021	Dec. 31, 2020
Residential	112,341	110,149
Industrial	194,168	187,927
Commercial, services and others	197,903	189,769
Rural	29,704	30,355
Public authorities	97,871	82,715
Public lighting	2,603	2,434
Public services	34,714	34,803
Charges for use of the network (TUSD)	78,316	74,217
	747,620	712,369

On July 31, 2020 Cemig D filed an application to the tax authority of State of Minas Gerais to offset debts for energy consumption and service owed by the direct and indirect administrations of Minas Gerais State, using amounts of ICMS tax payable, under Article 3 of Minas Gerais State Decree 47,908/2020, which regulated State Law 47,891/2020. The debts from the State of Minas Gerais that qualify for offset are those past due at June 30, 2019, an amount of R\$222,266. Following ratification by the State Finance Secretary and formalization of the Debt Recognition Agreement, which both took place on March, 31, 2021, offsetting will begin in April 2021. Up to May 2021, were offsetted 2 (two) out of 21 (twenty one) installments, in the amount of R\$10,584 each. The offsetting is expected to take place monthly, in this amount, up to December 2022.

Changes in the allowance for doubtful accounts are as follows:

	Consolidated
Balance at December 31, 2020	712,369
Additions, net (Note 27 e)	43,153
Disposals	(7,902)
Balance at March 31, 2021	747,620

8. RECOVERABLE TAXES

	Consolidated		Parent company	
	Mar. 31, 2021	Dec. 31, 2020	Mar. 31, 2021	Dec. 31, 2020
Current				
ICMS (VAT)	101,422	97,272	-	-
PIS/Pasep (a) (b)	305,038	310,927	24	219
Cofins (a) (b)	1,398,668	1,425,796	121	1,018
Others	16,113	16,062	104	104
	1,821,241	1,850,057	249	1,341
Non-current				
ICMS (VAT) (b)	267,042	257,160	-	-
PIS/Pasep (a)	523,742	588,257	109,055	108,878
Cofins (a)	2,297,086	2,594,428	387,345	386,713
Others	-	2,226	-	1,795
	3,087,870	3,442,071	496,400	497,386
	4,909,111	5,292,128	496,649	498,727

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 its subsidiaries, Cemig D and Cemig GT, and recognizing their right to exclude the ICMS amounts from the calculation basis of PIS/Pasep and Cofins taxes, backdated as from five years prior to the action initial filing– that is, from July 2003.

Thus, the Company recorded the PIS/Pasep and Cofins credits corresponded 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 Cemig’s wholly-owned subsidiaries Sá Carvalho, Cemig Geração Distribuída (former UTE Ipatinga S.A.), Cemig Geração Poço Fundo S.A. (previously denominated UTE Barreiro S.A.) and Horizontes Energia S.A..

The Company and its subsidiaries has two ways to recover the tax credit: (i) offsetting of the amount receivable against amounts payable of PIS/Pasep and Cofins taxes, monthly, within the five-year period specified by the relevant law of limitation; or (ii) receipt of specific credit instruments ‘*precatórios*’ from the federal government.

Cemig D and Cemig GT, prioritized the credits offsetting, to accelerate recovery. For the Company itself, priority will be given to receipt of the credits through *precatório* letters of credit, since the Company does not make enough monthly payments of PIS/Pasep and Cofins taxes to enable offsetting.

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 Cemig D and Cemig GT in 2019 and the subsidiaries are 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.

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

The Company recorded in current asset and non-current asset the amounts of R\$1,693,214 and R\$2,818,128, respectively, corresponding to the tax credits of PIS/Pasep and Cofins over ICMS, with updating by the Selic rate to the date of their actual offsetting.

Based on the opinion of its legal advisers, the Company's management believes that a portion of the tax credits to be received by Cemig D should be refunded to its customers, considering a maximum period for calculation of the reimbursement of 10 years. Thus, Cemig D has constituted a liability corresponding to the total amount of the tax credits comprising the period of the last 10 years, from June 2009 to May 2019, net of PIS/Pasep and Cofins taxes over monetary updating, presented in Note 20. Cemig D awaits the grantor's conclusion about the mechanisms and criteria for the reimbursement to its customers.

In the first quarter 2021, credits of PIS/Pasep and Cofins taxes were offset against payable federal taxes in the amount of R\$407,457 (R\$1,274,636 on 2020).

b) Other recoverable taxes

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

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

9. INCOME AND SOCIAL CONTRIBUTION TAXES

a) Income tax and social contribution tax recoverable

The balances of income tax and social contribution tax refer to tax credits in the corporate income tax returns of previous years and to advance payments which will be offset against federal taxes eventually payable. Current tax assets and current tax liabilities related to income tax and social contribution tax are offset in the statement of financial position subject to criteria established in CPC 32/IAS 12.

	Consolidated		Parent company	
	Mar. 31, 2021	Dec. 31, 2020	Mar. 31, 2021	Dec. 31, 2020
Income tax	525,911	697,923	168,685	245,996
Social contribution tax	227,577	246,210	33,937	33,860
	753,488	944,133	202,622	279,856
Current	482,222	597,610	-	-
Non-current	271,266	346,523	202,622	279,856

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

b) 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 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	
	Mar. 31, 2021	Dec. 31, 2020
Current		
Income tax	57,960	108,262
Social contribution tax	18,569	31,796
	76,529	140,058

c) Deferred income tax and social contribution tax

The Company and its subsidiaries have deferred taxed assets and liabilities from unused tax loss carryforwards, negative base for the social contribution tax, and deductible temporary differences, at the statutory rates applicable to each legal entity in Brazil of 25% (for Income tax) and 9% (for the social contribution tax), as follows:

	Consolidated		Parent company	
	Mar. 31, 2021	Dec. 31, 2020	Mar. 31, 2021	Dec. 31, 2020
Deferred tax assets				
Tax loss carryforwards	1,018,114	400,758	548,892	114,666
Provisions for contingencies	537,515	537,661	68,800	66,362
Impairment on investments	256,037	639,739	1,495	382,904
Provision PUT SAAG	177,816	182,293	-	-
Post-employment obligations	2,183,017	2,167,566	246,236	243,280
Estimated provision for doubtful receivables	262,518	256,130	7,578	7,578
Others	147,511	138,599	4,466	4,055
Total	4.582.528	4.322.746	877.467	818.845
Deferred tax liabilities				
Funding cost	(9,983)	(11,179)	-	-
Deemed cost	(223,029)	(224,610)	-	-
Acquisition costs of equity interests	(461,687)	(486,335)	(106,141)	(126,934)
Borrowing costs capitalized	(168,856)	(168,909)	-	-
Adjustment to expectation of cash flow – Concession assets	(243,796)	(242,424)	-	-
Adjustment of contract assets	(777,168)	(768,126)	-	-
Adjustment to fair value: Swap/Gains	(938,938)	(1,002,636)	-	-
Others	(6,803)	(5,670)	(859)	(1,016)
Total	(2,830,260)	(2,909,889)	(107,000)	(127,950)
Total, net	1,752,268	1,412,857	770,467	690,895
Total assets	2,544,690	2,452,860	770,467	690,895
Total liabilities	(792,422)	(1,040,003)	-	-

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

	Consolidated	Parent company
Balance at December 31, 2020	1,412,857	690,895
Effects allocated to net profit from continuing operations	344,379	79,572
Others	(4,968)	-
Balance at March 31, 2021	1,752,268	770,467

d) Reconciliation of income tax and social contribution tax effective rate

This table reconciles the statutory income tax (rate 25%) and social contribution tax (rate 9%) with the current income tax expense in the statement of income:

	Consolidated		Parent company	
	Mar. 31, 2021	Mar. 31, 2020 Restated	Mar. 31, 2021	Mar. 31, 2020 Restated
Profit before income tax and social contribution tax	341,678	(178,377)	342,460	(267,102)
Income tax and social contribution tax – nominal expense (34%)	(116,171)	60,648	(116,436)	90,815
Tax effects applicable to:				
Gain (loss) in subsidiaries by equity method (net of effects of Interest on Equity)	38,756	26,589	64,364	109,079
Non-deductible contributions and donations	(748)	(1,108)	-	-
Tax incentives	9,344	8,858	-	-
Difference between Presumed Profit and Real Profit	28,413	21,557	-	-
Non-deductible penalties	(3,715)	(6,994)	15	(269)
Income arising from the Light sale	133,663	-	133,663	-
Others	(8,869)	694	(2,034)	(925)
Income tax and Social Contribution – effective gain (expense)	80,673	110,244	79,572	198,700
Current tax	(263,706)	(195,516)	-	(19)
Deferred tax	344,379	305,760	79,572	198,719
	80,673	110,244	79,572	198,700
Effective rate	23.61%	(61.80%)	23.24%	(74.39%)

10. ACCOUNTS RECEIVABLE FROM THE STATE OF MINAS GERAIS

The Company has accounts receivable from the State of Minas Gerais, arising from return of an administrative deposit made for a dispute on the rate of inflation and other adjustment to be applied to an advance for future capital increase ('AFAC'), made in prior years, which was the subject of a debt recognition agreement. The agreement provided for payment by the Minas Gerais State in 12 consecutive monthly installments, each updated by the IGP–M index up to the date of actual payment, the first to become due on November 10, 2017. The agreement states that, in the event of arrears or default by the State in payment of the agreed consecutive monthly installments, Cemig is authorized to retain dividends or Interest on Equity distributable to the State in proportion to the State's equity interest, for as long as the arrears and/or default continues.

The balance receivable on March 31, 2021, is R\$12,573 (R\$11,614 on December 31, 2020), was classified as Non-current asset, as a result of the delays in installments past due since January 2018.

Considering the guarantees mentioned above, which the Company intends to execute in the event of the amount agreed in the debt recognition agreement, there are no expectation of losses on these receivables.

11. ESCROW DEPOSITS

	Consolidated		Parent company	
	Mar. 31, 2021	Dec. 31, 2020	Mar. 31, 2021	Dec. 31, 2020
Labor claims	266,570	277,980	30,989	29,859
Tax contingencies				
Income tax on Interest on Equity	29,084	29,045	291	290
PIS/Pasep and Cofins taxes (1)	66,657	66,452	-	-
Donations and legacy tax (ITCD)	54,646	54,497	53,694	53,547
Urban property tax (IPTU)	84,546	84,248	60,993	60,872
Finsocial tax	40,406	40,349	40,406	40,349
Income and Social Contr. Tax on indemnity for employees' 'Anuênio' benefit (2)	286,177	285,836	13,743	13,727
Income tax withheld at source on inflationary profit	8,659	8,652	8,659	8,652
Income tax and contribution tax effective rate (3)	76,155	18,062	-	-
Others (4)	97,776	97,508	67,104	67,050
	744,106	684,649	244,890	244,487
Others				
Regulatory	51,692	51,605	19,720	19,690
Third party	9,035	9,105	3,413	3,469
Customer relations	7,522	7,595	1,223	1,214
Court embargo	15,219	12,881	3,008	2,583
Others	12,324	11,982	3,328	3,374
	95,792	93,168	30,692	30,330
	1,106,468	1,055,797	306,571	304,676

- (1) This refers to escrow deposits in the action challenging the constitutionality of inclusion of ICMS tax within the amount to which PIS/Pasep and Cofins taxes are applied.
- (2) See more details in Note 24 – Provisions under the section relating to the 'Anuênio indemnity'.
- (3) Court escrow deposit in the proceedings challenging charging of corporate income tax and the Social Contribution tax on payments of Interest on Equity, and application of the Social Contribution tax to cultural and artistic donations and sponsorship, expenses on punitive fines, and taxes with enforceability suspended.
- (4) Includes escrow deposits from legal actions related to INSS and PIS/Pasep and Cofins taxes

12. REIMBURSEMENT OF TARIFF SUBSIDIES

Subsidies on tariffs charged to users of distribution services – TUSD and EUST (Charges for Use of the Transmission System) are reimbursed to distributors through the funds from the Energy Development Account (CDE).

On March 31, 2021, the amount recognized as subsidies revenues was R\$253,513 (R\$1,056,810 on December 31, 2020). Of such amounts, Cemig D has a receivable of R\$82,616, as of March 31, 2021 (R\$82,616 on December 31, 2020) and Cemig GT has a receivable of R\$5,220 (R\$5,733 on December 31, 2020) in current assets.

13. CONCESSION FINANCIAL AND SECTOR ASSETS AND LIABILITIES

Consolidated	Mar. 31, 2021	Dec. 31, 2020
Concession financial assets		
Energy distribution concessions (13.1)	554,724	530,058
Gas distribution concessions (13.1)	31,611	29,183
Indemnifiable receivable – Generation (13.2)	816,202	816,202
Concession grant fee – Generation concessions (13.3)	2,606,537	2,549,198
	4,009,074	3,924,641
Sector financial assets		
Amounts receivable from Parcel A (CVA) and Other Financial Components (13.4)	297,751	132,681
Total	4,306,825	4,057,322
Current assets	296,393	258,588
Non-current assets	4,010,432	3,798,734

Consolidated	Mar. 31, 2021	Dec. 31, 2020
Sector financial liabilities		
Amounts receivable from Parcel A (CVA) and Other Financial Components (13.4)	59,026	231,322
Total	59,026	231,322
Current liabilities	59,026	231,322
Non-current liabilities	-	-

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

	Generation	Distribution	Gas	Total
Balances at December 31, 2020	3,365,400	530,058	29,183	3,924,641
Addition	-	-	15	15
Transfers of contract assets	-	13,824	-	13,824
Monetary updating	124,560	10,906	2,413	137,879
Disposals	-	(64)	-	(64)
Amounts received	(67,221)	-	-	(67,221)
Balances at March 31, 2021	3,422,739	554,724	31,611	4,009,074

13.1 Distribution - Financial assets

The energy and gas distribution concession contracts are within the scope of ICPC 01 (IFRIC 12). The financial assets under these contracts refer to the investments made in infrastructure that will be paid by grantor at the end of the concession period and they are measured at fair value through profit or loss, in accordance with regulation of the energy segment and concession contracts executed by Cemig and its subsidiaries and the granting authorities.

13.2 Generation – Indemnity receivable

As from August 2013, with the extinction of the concession for various plants operated by Cemig GT under Concession Contract 007/1997, the subsidiary 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 March 31, 2021 and December 31, 2020.

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	71,694	413,450
UHE Salto Grande	July 2015	102	10,835	39,379
UHE Itutinga	July 2015	52	3,671	6,589
UHE Camargos	July 2015	46	7,818	23,095
PCH Piauí	July 2015	18.01	1,531	9,005
PCH Gafanhoto	July 2015	14	1,232	10,262
PCH Peti	July 2015	9.4	1,346	7,871
PCH Dona Rita	Sep. 2013	2.41	534	534
PCH Tronqueiras	July 2015	8.5	1,908	12,323
PCH Joasal	July 2015	8.4	1,379	7,622
PCH Martins	July 2015	7.7	2,132	4,041
PCH Cajuru	July 2015	7.2	3,576	4,252
PCH Paciência	July 2015	4.08	728	3,936
PCH Marmelos	July 2015	4	616	4,265
Others				
UHE Volta Grande	Feb. 2017	380	25,621	70,118
UHE Miranda	Dec. 2016	408	26,710	22,546
UHE Jaguará	Aug. 2013	424	40,452	174,203
UHE São Simão	Jan. 2015	1,710	1,762	2,711
		3,601.70	203,545	816,202

As specified by the grantor (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 Cemig GT, that were included in Lot D and for the *Volta Grande* plant have been submitted to the grantor. The Company does not expect any losses in the realization of these amounts.

On March 31, 2021, investments made after the Jaguará, 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 grantor). The Company 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.

13.3 Concession grant fee – Generation concessions

The concession grant fee for a 30-year concession contracts N^o. 08 to 16/2016, related to 18 hydroelectric plants of Auction 12/2015, won by Cemig GT, 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 Cemig GT 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	Dec. 31, 2020	Monetary updating	Amounts received	Mar. 31, 2021
Cemig Geração Três Marias S.A.	Três Marias	1,447,210	68,312	(36,118)	1,479,404
Cemig Geração Salto Grande S.A.	Salto Grande	454,256	21,508	(11,390)	464,374
Cemig Geração Itutinga S.A.	Itutinga	170,460	8,749	(4,843)	174,366
Cemig Geração Camargos S.A.	Camargos	127,814	6,530	(3,605)	130,739
Cemig Geração Sul S.A.	Coronel Domiciano, Joasal, Marmelos, Paciência and Piau	167,206	8,954	(5,072)	171,088
Cemig Geração Leste S.A.	Dona Rita, Ervália, Neblina, Peti, Sinceridade and Tronqueiras	113,807	6,544	(3,852)	116,499
Cemig Geração Oeste S.A.	Cajurú, Gafanhoto and Martins	68,445	3,963	(2,341)	70,067
Total		2,549,198	124,560	(67,221)	2,606,537

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

Sector assets and liabilities

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

The Amendment that extended concession period of Cemig D guarantees that, in the event of termination of the concession contract, for any reason, the remaining balances (assets and liabilities) of any shortfall in payment or reimbursement through the tariff must also be paid by the grantor. The balances on (i) the CVA (*Compensation for Variation of Parcel A items*) Account, (ii) the account for Neutrality of Sector Charges, and (iii) *Other financial components* in the tariff calculation, refer to the positive and negative differences between the estimate of the Company's non-manageable costs and the payments actually made. The variations are subject to monetary adjustment using the Selic rate and considered in the subsequent tariff adjustments.

The balance of these sector financial assets and liabilities, which are presented at net value, in assets or liabilities, in accordance with the tariff adjustments that have been authorized or are to be ratified, are as follows:

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

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

- (1) Cemig D was over contracted in 2017 and 2018 and the gain arising from the sale of the excess of energy in the spot market was provisionally passed through to customers by Aneel in the tariff adjustments of 2018 and 2019, including the portion in excess of the limit of 105% of the regulatory load – thus reducing the tariff that was determined. To establish whether this is a voluntary over contracting, the Company considers that the portion above the regulatory limit will be recovered in the subsequent tariff adjustment. On August 27, 2020, Aneel published the Dispatch 2,508/2020-SRM-SGT, which set new amounts for distributors' over contracting for the years 2016 and 2017, based on a new valuation criterion established by Aneel Technical Note 97/2020-SRM-SGT – not contained in the regulatory rules which were currently in force. As a result, Cemig D filed an appeal with the Council of Aneel, for the amounts of distribution agents' over contracting to be reset in accordance with the calculation criteria based on maximum effort contained in Aneel Normative Resolution 453/2011. The Company's position on this case is reinforced by the fact that the Brazilian Energy Distributors' Association (Abradee) filed a similar appeal, supported by the opinion of contracted legal advisers. The Company has no expectation of loss in relation to realization of these amounts. The Company recognizes this receivable asset, in the amount of R\$223,938 on March 31, 2021, as 'Other financial components' to be ratified. At the reporting date for this interim financial information, this matter was pending analysis by Aneel.
- (2) This is a financial component created for return to consumers of the amounts that were invoiced to them but received by Cemig from the Covid Account in 2020. These amounts will be returned to consumers in the tariff process of 2021, duly updated by the Selic rate, with guarantee of neutrality.

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

Balance at December 31, 2020	(98,641)
Additions	235,703
Amortization	103,204
Updating – Selic rate (Note 28)	(1,541)
Balance at March 31, 2021	238,725

14. CONCESSION CONTRACT ASSETS

Under IFRS 15 / CPC 47 – *Revenue from contracts with customers*, concession infrastructure assets recognized during the period of construction for which the right to consideration depends on satisfaction of a performance obligations related to the completion of its construction, or its future operation and maintenance are classified as contract assets. The balances of these on March 31, 2021 were as follows:

Consolidated	Mar. 31, 2021	Dec. 31, 2020
Distribution – Infrastructure assets under construction	1,293,426	1,141,599
Gas – Infrastructure assets under construction	95,378	94,115
National Grid ('BNES' - Basic Network of the Existing System) - Law 12,783/13	1,942,689	1,895,854
Transmission – Assets remunerated by tariff	1,811,025	1,848,504
	5,142,518	4,980,072
Current	774,507	737,110
Non-current	4,368,011	4,242,962

Changes in concession contract assets are as follows:

	Transmission	Distribution	Gas	Total
Balance at December 31, 2020	3,744,358	1,141,599	94,115	4,980,072
Additions	22,451	314,807	8,009	345,267
Inflation adjustment	157,255	-	-	157,255
Results of the Periodic Tariff Revision	6,036	-	-	6,036
Amounts received	(172,399)	-	-	(172,399)
Disposals	(3,987)	-	(628)	(4,615)
Others additions	-	-	1,117	1,117
Transfers to financial assets	-	(13,824)	-	(13,824)
Transfers to intangible assets	-	(149,156)	(7,235)	(156,391)
Balance at March 31, 2021	3,753,714	1,293,426	95,378	5,142,518

The amount of additions in the period ended March 31, 2021 includes R\$6,538 under the heading capitalized borrowing costs, as presented in Note 21.

The Company has not identified any evidence of impairment of the others contract assets, with definite expected useful life.

Energy and gas distribution activities

The concession infrastructure assets still under construction are recognized initially as contract assets, measured at amortized cost, including capitalized borrowing costs. When the asset start operations, the construction performance obligation is concluded, and the assets are split into financial assets and intangible assets.

The transmission activity

For transmission concessions, the consideration to be paid to the Company arises from the concession contracts n. 006/97, n. 079/00 and n. 004/05, as follows:

	Mar. 31, 2021	Dec. 31, 2020
Current		
Concession contract - 004/05	22,589	18,680
Concession contract - 079/00	32,768	28,600
Concession contract - 006/97		
National Grid ('BNES' - Basic Network of the Existing System)	548,890	533,430
National Grid - new facilities (RBNI)	170,260	156,400
	774,507	737,110
Non-current		
Concession contract - 004/05	90,663	90,977
Concession contract - 079/00	146,557	132,589
Concession contract - 006/97		-
National Grid ('BNES' - Basic Network of the Existing System)	1,285,844	1,362,424
National Grid - new facilities (RBNI)	1,456,143	1,421,259
	2,979,207	3,007,249
	3,753,714	3,744,359

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.

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.

On June 30, 2020, Aneel ratified the results of the Periodic Tariff Review for Contract 006/1997, through Ratifying Resolution 2,712/2020, setting the repositioning of the Permitted Annual Revenue (RAP), to be applied from July 1, 2018. In this process the RAP of the 2018-19 cycle was increased by 9.13% from the provisional amount of RAP for the same period. Although this revision was finalized only in 2020, its effects were backdated to July 2018.

As a result of the Periodic Tariff Review, the company recognized gains of R\$528,598 in its 2020 results, comprising R\$321,453 for the RBNI assets and R\$ 207,145 for the BNES assets, corresponding to the extension of the concessions, under Law 12,783/13, included in the Regulatory Remuneration Base.

On April 22, 2021, Resolution 2,852 altered the repositioning of the RAP set by Resolution 2,712/2020, with effect backdated to July 1, 2018, and also the Adjustment Portion of the Review, with financial effects on the adjustment of RAP for the 2021-22 cycle, to be in effect from July 1, 2021 to June 30, 2022. The Company is assessing the effects of this resolution, and does not expect losses in its contractual assets as a result of application of the changes introduced.

On December 31, 2020, as described in Note 2.3, 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 period ended on March 31, 2020 is R\$1,279,476.

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 Silício Metálico*) in their legal action against the grantor 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.

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 01, 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.

On April 22, 2021, Aneel published Ratifying Resolution 2,852, which altered Ratifying Resolution 2,712/2020, defining, among other provisions, the financial component referred to. The judgment vote attached to the Resolution states that, in compliance with the Execution Order Opinion issued by the Federal Procurator applying to Aneel, the cost of own capital associated with the financial components was incorporated into the calculation of the Periodic Review processes of 2018 deciding the RAP of the transmission concessions that were extended under Law 12,783/2013. This caused 2 effects: (i) A new value for the component to be considered in the RAP of the tariff cycles for 2020-21 to 2025-26; and (2) a residual value for the difference between the amount paid to the transmission companies in the 2017-18 and 2019-20 tariff cycles and the amount payable after the injunctions were overturned.

Thus, the debt balance of this component was recalculated, using remuneration at the rate of cost of own capital, up to the date of actual payment (July 1, 2020), after discounting the amounts paid, brought to present value.

However, due to the tariff pressure resulting from the effects of the Covid-19 pandemic, and due to the high risk of default in the electricity sector, Aneel opted the alternative of 'reprofiling' these payments, for payment gradually over a period of 8 years, guaranteeing the net present value of the transaction. In the proposed profile the minimum payment is made in the 2021-22 cycle, that is, say, with zero amortization of the debt portion of the balance; in the 2022-23 cycle there is amortization at a rate of 3.0%, so as to amortize part of the debt and keep the level of payments stable; and there are then constant payments over the cycles of 2023-24 to 2027-28, with amortization rates of 16.11% per year. Thus, to achieve regulatory stability and mitigate sector risk, this financial component of revenue will not be the subject of the periodic review of 2023.

The Company is assessing the effects of the decision by Aneel put into effect by Ratifying Resolution 2,852/2021, based on recalculation of the financial component including the remuneration of capital at the rate of cost of own capital, substituting the weighted average regulatory cost of capital, for the period from June 2017 to June 2020, and the new amounts of the component for the cycles of 2020-21 and 2025-26, taking into account the reprofiling of the payments under the terms of the Resolution. Considering that Aneel's decision resulted in an increase of the financial component to be received by the Company, there are no expectations of losses relating to this portion.

b) Concession contract n. 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.

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. Only of the revenues provisionally established, arising from enhancements and upgrades authorizations are reset. The Periodic Tariff Review resulted in recognition of a gain of R\$23,254 in the Company's net profit for 2020.

In response to the results decided by the Ratifying Resolution, Cemig GT presented an application for reconsideration, which resulted in Aneel recognizing the following inconsistencies: (i) no discount on the reassessed amount of the rates of PIS, Pasep and Cofins taxes relating to the benefit under REIDI (the Special Infrastructure Development Incentives Regime – Regime Especial de Incentivos para o Desenvolvimento da Infraestrutura), and (ii) material error in the recognition of the amounts of the average annual depreciation rate. As a result, the amounts of the RAPs and the Adjustment Portions for contract 079/00 of Cemig GT were altered, in accordance with Ratifying Resolution 2,839 of March 30, 2021, generating a positive adjustment of R\$6,036 in Contractual assets at March 31, 2021. The total amount of revenue recognized in the profit for the period in relation to the Tariff Review, net of applicable taxes, is R\$5,816.

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 – IGPM).

c) Concession contract n. 004/2005

C) The contract regulates the concession for the second-circuit 345kV transmission facility which runs between the Furnas and Pimenta substations, a distance of approximately 75 km, for a period of 30 years from March 2005. For making the transmission facilities available for commercial operation, Centroeste will receive the Permitted Annual Revenue (RAP), adjusted annually, in the first 15 years of commercial operation. In the 16th year of commercial operation, its RAP will be reduced by 50%, until the end of the concession.

The indexer used for adjustment of the contract is the IGP-M (Índice Geral de Preços do Mercado – General Market Prices Index).

15. INVESTMENTS

Investees	Control	Consolidated		Parent company	
		Mar. 31, 2021	Dec. 31, 2020	Mar. 31, 2021	Dec. 31, 2020
Cemig Geração e Transmissão	Subsidiary	-	-	5,609,162	5,921,159
Hidrelétrica Cachoeirão	Jointly-controlled	54,911	53,215	-	-
Guanhães Energia	Jointly-controlled	171,645	131,391	-	-
Hidrelétrica Pipoca	Jointly-controlled	38,116	35,552	-	-
Retiro Baixo	Jointly-controlled	194,206	195,235	-	-
Aliança Norte (<i>Belo Monte</i> Plant)	Jointly-controlled	625,000	631,227	-	-
Amazônia Energia (<i>Belo Monte</i> Plant)	Jointly-controlled	955,047	965,255	-	-
Madeira Energia (<i>Santo Antônio</i> Plant)	Affiliated	165,659	209,374	-	-
FIP Melbourne (<i>Santo Antônio</i> Plant)	Affiliated	121,936	157,476	-	-
Lightger	Jointly-controlled	128,304	130,794	-	-
Baguari Energia	Jointly-controlled	153,349	159,029	-	-
Aliança Geração	Jointly-controlled	1,202,711	1,166,240	-	-
Cemig Distribuição	Subsidiary	-	-	6,327,116	6,021,630
TAESA	Jointly-controlled	1,566,812	1,467,445	1,566,812	1,467,445
Ativas Data Center	Affiliated	16,989	16,799	16,989	16,799
Gasmig	Subsidiary	-	-	1,556,298	1,495,599
Cemig Sim	Subsidiary	-	-	106,828	94,098
UFV Janaúba Geração de Energia Elétrica Distribuída	Jointly-controlled	9,798	10,467	-	-
UFV Manga Geração de Energia Elétrica Distribuída	Jointly-controlled	11,214	11,416	-	-
UFV Corinto Geração de Energia Elétrica Distribuída	Jointly-controlled	9,348	9,212	-	-
UFV Bonfinópolis Geração de Energia Elétrica Distribuída	Jointly-controlled	6,188	6,144	-	-
UFV Lagoa Grande Geração de Energia Elétrica Distribuída	Jointly-controlled	15,040	15,059	-	-
UFV Lontra Geração de Energia Elétrica Distribuída	Jointly-controlled	16,618	16,899	-	-
UFV Mato Verde Geração de Energia Elétrica Distribuída	Jointly-controlled	6,039	6,182	-	-
UFV Mirabela Geração de Energia Elétrica Distribuída	Jointly-controlled	3,961	3,989	-	-
UFV Porteirinha I Geração de Energia Elétrica Distribuída	Jointly-controlled	4,959	6,075	-	-
UFV Porteirinha II Geração de Energia Elétrica Distribuída	Jointly-controlled	6,416	6,382	-	-
UFV Brasilândia Geração de Energia Elétrica Distribuída (1)	Jointly-controlled	14,519	-	-	-
Companhia de Transmissão Centroeste de Minas	Subsidiary	-	-	108,444	118,217
Axiom Soluções Tecnológicas	Jointly-controlled	3,712	4,436	3,712	4,436
Total of investments		5,502,497	5,415,293	15,295,361	15,139,383
Itaocara – equity deficit (2)		(29,890)	(29,615)	-	-
Total		5,472,607	5,385,678	15,295,361	15,139,383

- (1) On March 31, 2021, through its wholly-owned subsidiary Cemig Soluções Inteligentes em Energia S.A. (Cemig Sim), the Company acquired 49% of the specialized generation company UFV Brasilândia Geração de Energia Elétrica Distribuída S.A. ('Brasilândia'), which operates in photovoltaic solar generation for the distributed generation market, with installed capacity of 7.35 MWp, for R\$12,558, achieving a fair value gain of R\$1,961.
- (2) On March 31, 2021 and December 31, 2020, the investee has negative net equity. Thus, after reducing the accounting value of its interest to zero, the Company recognized the provision for losses to the extent of its obligations, in the amount of R\$29,890 (R\$29,615 on December 31, 2020), resulting from contractual obligations assumed with the jointly-controlled entity and the other shareholders. The loss is recorded in the balance sheet in Other obligations.

The Company's investees that are not consolidated are jointly-controlled entities, with the exception of the interests in the affiliates Light, classified as asset held for sale on December 31, 2020, Madeira Energia 'Santo Antônio' power plant and Ativas Data Center.

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 March 31, 2021 is R\$29,890 (R\$29,615 on December 31, 2020).

For the quarter ended of March 31, 2021, management evaluates if the economic shock of the Covid-19 pandemic (Note 1c), of potential decline in value of assets, as referred to in IAS 36 – *Impairments of Assets*. As a result of the analyzes, the Company concluded that the pandemic brought cyclical effects and a long-term expectation of realization of the assets underwent no change, with no losses in the recoverable value of its investments. Thus, 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 economic-financial clauses of Cemig D and Gasmig; 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 jointly-controlled 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. 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\$52,704 (R\$53,858 on December 31, 2020) and R\$72,289 (R\$73,983 on December 31, 2020), respectively, are included in the interim financial information of the subsidiary Cemig GT and of the Company, respectively, and 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. For further information see Note 17.

Changes in these assets are as follows:

PARENT COMPANY			
Investees	Dec. 31, 2020	Amortization	Mar. 31, 2021
Lightger	78,989	(625)	78,364
TAESA	160,783	(2,330)	158,453
Gasmig	411,503	(3,815)	407,688
TOTAL	651,275	(6,770)	644,505

CONSOLIDATED			
Investees	Dec. 31, 2020	Amortization	Mar. 31, 2021
Cemig Geração e Transmissão			
Retiro Baixo	29,187	(347)	28,840
Madeira Energia (Santo Antônio Plant)	16,526	(184)	16,342
Lightger	78,989	(625)	78,364
Aliança Geração	326,915	(6,327)	320,588
Aliança Norte (Belo Monte Plant)	48,632	(493)	48,139
TAESA	160,783	(2,330)	158,453
TOTAL	661,032	(10,306)	650,726

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

PARENT COMPANY						
Investees	Dec. 31, 2020	Gain (loss) by equity method (Income statement)	Dividends	Additions / acquisitions	Others	Mar. 31, 2021
Cemig Geração e Transmissão	5,921,159	(311,997)	-	-	-	5,609,162
Cemig Distribuição	6,021,630	392,153	(86,667)	-	-	6,327,116
Ativas Data Center	16,799	190	-	-	-	16,989
Gasmig	1,495,599	70,125	(9,595)	-	169	1,556,298
Cemig Sim	94,098	172	-	12,558	-	106,828
Companhia de Transmissão Centroeste de Minas	118,217	1,265	(11,038)	-	-	108,444
Axxiom Soluções Tecnológicas	4,436	(724)	-	-	-	3,712
Taesá	1,467,445	122,328	(22,961)	-	-	1,566,812
	15,139,383	273,512	(130,261)	12,558	169	15,295,361

CONSOLIDATED					
Investees	Dec. 31, 2020	Gain (loss) by equity method (Income statement)	Dividends	Additions / acquisitions	Mar. 31, 2021
Hidrelétrica Cachoeirão	53,215	3,996	(2,300)	-	54,911
Guanhães Energia	131,391	40,254	-	-	171,645
Hidrelétrica Pipoca	35,552	2,564	-	-	38,116
Madeira Energia (Santo Antônio Plant)	209,374	(43,715)	-	-	165,659
FIP Melbourne (Santo Antônio Plant)	157,476	(35,540)	-	-	121,936
Lightger	130,794	507	(2,997)	-	128,304
Baguari Energia	159,029	5,155	(10,835)	-	153,349
Amazônia Energia (Belo Monte Plant)	965,255	(10,208)	-	-	955,047
Aliança Norte (Belo Monte Plant)	631,227	(6,227)	-	-	625,000
Ativas Data Center	16,799	190	-	-	16,989
Taesa	1,467,445	122,328	(22,961)	-	1,566,812
Aliança Geração	1,166,240	36,471	-	-	1,202,711
Retiro Baixo	195,235	2,900	(3,929)	-	194,206
UFV Janaúba Geração de Energia Elétrica Distribuída	10,467	625	(1,294)	-	9,798
UFV Corinto Geração de Energia Elétrica Distribuída	9,212	136	-	-	9,348
UFV Manga Geração de Energia Elétrica Distribuída	11,416	(202)	-	-	11,214
UFV Bonfinópolis II Geração de Energia Elétrica Distribuída	6,144	44	-	-	6,188
UFV Lagoa Grande Geração de Energia Elétrica Distribuída	15,059	(19)	-	-	15,040
UFV Lontra Geração de Energia Elétrica Distribuída	16,899	(281)	-	-	16,618
UFV Mato Verde Geração de Energia Elétrica Distribuída	6,182	(143)	-	-	6,039
UFV Mirabela Geração de Energia Elétrica Distribuída	3,989	(28)	-	-	3,961
UFV Porteirinha I Geração de Energia Elétrica Distribuída	6,075	(1,116)	-	-	4,959
UFV Porteirinha II Geração de Energia Elétrica Distribuída	6,382	34	-	-	6,416
UFV Brasilândia Geração de Energia Elétrica Distribuída (2)	-	1,961	-	12,558	14,519
Axxiom Soluções Tecnológicas	4,436	(724)	-	-	3,712
Total of investments	5,415,293	118,962	(44,316)	12,558	5,502,497
Itaocara – equity deficit (1)	(29,615)	(275)	-	-	(29,890)
Total	5,385,678	118,687	(44,316)	12,558	5,472,607

- (1) On December 31, 2020, the investee had negative shareholders' equity. Thus, after reducing the accounting value of its interest to zero, the Company recognized the provision for losses on investments, in the amount of R\$29,615, resulting from contractual obligations assumed with the subsidiary and the other shareholders.
- (2) includes the amount of R\$1,961 of the acquisition of the jointly-controlled subsidiary Ufv Brasilândia.

Changes in dividends receivable are as follows:

	Consolidated	Parent company
Balance at December 31, 2020	188,327	1,272,878
Investees' dividends proposed	44,316	130,261
Amounts received	(970)	-
Withholding income tax received from subsidiary	-	(12,999)
Balance at March 31, 2021	231,673	1,390,140

c) Information This table gives the main information on the subsidiaries and affiliates, not adjusted for the percentage represented by the Company's ownership interest:

Investee	Number of shares	Mar. 31, 2021			Dec. 31, 2020		
		Cemig interest (%)	Share capital	Equity	Cemig interest (%)	Share capital	Equity (Restated)
Cemig Geração e Transmissão	2,896,785,358	100.00	4,000,000	5,530,798	100.00	4,000,000	5,842,171
Madeira Energia (Santo Antônio Plant)	12,034,025,147	15.51	10,619,786	1,749,198	15.51	10,619,786	2,259,093
Hidrelétrica Cachoeirão	35,000,000	49.00	35,000	110,939	49.00	35,000	108,602
Guanhães Energia	548,626,000	49.00	548,626	350,295	49.00	548,626	268,144
Hidrelétrica Pipoca	41,360,000	49.00	41,360	77,970	49.00	41,360	72,554
Baguari Energia (1)	26,157,300,278	69.39	186,573	221,004	69.39	186,573	229,189
Central Eólica Praias de Parajuru	70,560,000	100.00	85,835	112,954	100.00	70,560	107,204
Central Eólica Volta do Rio Lightger	117,230,000	100.00	274,867	173,416	100.00	117,230	171,453
	79,078,937	49.00	79,232	101,920	49.00	79,232	105,724
Aliança Norte (Belo Monte Plant)	41,923,360,811	49.00	1,209,043	1,177,268	49.00	1,209,043	1,188,963
Amazônia Energia (Belo Monte Plant) (1)	1,322,697,723	74.50	1,322,698	1,281,811	74.50	1,322,698	1,295,644
Aliança Geração	1,291,582,500	45.00	1,291,488	1,953,918	45.00	1,291,488	1,857,905
Retiro Baixo	225,350,000	49.90	225,350	331,397	49.90	225,350	324,810
Renova (1) (2)	41,719,724	36.23	2,960,776	(1,127,370)	36.23	2,960,776	(1,107,637)
Usina Hidrelétrica Itaocara S.A.	71,708,500	49.00	71,709	(60,999)	49.00	71,709	(60,438)
Cemig Baguari	356,000	100.00	406	101	100.00	356	55
Cemig Ger. Três Marias S.A.	1,291,423,369	100.00	1,291,423	1,484,540	100.00	1,291,423	1,452,217
Cemig Ger. Salto Grande S.A.	405,267,607	100.00	405,268	470,533	100.00	405,268	455,480
Cemig Ger. Itutinga S.A.	151,309,332	100.00	151,309	186,088	100.00	151,309	179,745
Cemig Geração Camargos S.A.	113,499,102	100.00	113,499	143,295	100.00	113,499	143,704
Cemig Geração Sul S.A.	148,146,505	100.00	148,147	181,642	100.00	148,147	174,006
Cemig Geração Leste S.A.	100,568,929	100.00	100,569	128,912	100.00	100,569	127,128
Cemig Geração Oeste S.A.	60,595,484	100.00	60,595	89,658	100.00	60,595	83,870
Rosal Energia S.A.	46,944,467	100.00	46,944	130,484	100.00	46,944	127,019
Sá Carvalho S.A.	361,200,000	100.00	36,833	111,063	100.00	36,833	115,486
Horizontes Energia S.A.	39,257,563	100.00	39,258	56,060	100.00	39,258	55,461
Cemig PCH S.A.	45,952,000	100.00	45,952	98,690	100.00	45,952	89,898
Cemig Geração Poço Fundo S.A.	1,402,000	100.00	1,602	3,946	100.00	1,402	3,801
Empresa de Serviços de Comercialização de Energia Elétrica S.A.	486,000	100.00	486	30,219	100.00	486	56,838
Cemig Trading S.A.	1,000,000	100.00	1,000	16,151	100.00	1,000	30,315
Cemig Distribuição	2,359,113,452	100.00	5,371,998	6,327,116	100.00	5,371,998	6,021,630
TAESA	1,033,496,721	21.68	3,042,035	6,598,211	21.68	3,042,034	6,025,904
Ativas Data Center	456,540,718	19.60	182,063	86,681	19.60	182,063	85,711
Gasmig	409,255,483	99.57	665,430	1,153,570	99.57	665,429	1,079,410
Cemig Sim	24,431,845	100.00	24,432	106,828	100.00	24,432	94,098
Companhia de Transmissão Centroeste de Minas	28,000,000	100.00	28,000	108,444	100.00	28,000	118,217
Axiom Soluções Tecnológicas	65,165,000	49.00	65,165	7,577	49.00	65,165	9,054
UFV Janaúba Geração de Energia Elétrica Distribuída	18,509,900	49.00	18,510	19,997	49.00	18,510	21,362
UFV Corinto Geração de Energia Elétrica Distribuída	18,000,000	49.00	18,000	19,156	49.00	18,000	18,798
UFV Manga Geração de Energia Elétrica Distribuída	21,660,575	49.00	21,661	21,974	49.00	21,661	22,128
UFV Bonfinópolis Geração de Energia Elétrica Distribuída	13,197,187	49.00	13,197	12,729	49.00	13,197	12,514
UFV Lagoa Grande Geração de Energia Elétrica Distribuída	25,471,844	49.00	25,472	26,444	49.00	25,472	25,997
UFV Lontra Geração de Energia Elétrica Distribuída	29,010,219	49.00	29,010	27,688	49.00	29,010	27,334
UFV Mato Verde Geração de Energia Elétrica Distribuída	11,030,391	49.00	11,030	11,228	49.00	11,030	11,135
UFV Mirabela Geração de Energia Elétrica Distribuída	9,320,875	49.00	9,321	9,436	49.00	9,321	9,306
UFV Porteirinha I Geração de Energia Elétrica Distribuída	12,348,392	49.00	12,348	12,275	49.00	12,348	12,236
UFV Porteirinha II Geração de Energia Elétrica Distribuída	11,702,733	49.00	11,703	11,939	49.00	11,703	11,750
UFV Brasilândia Geração de Energia Elétrica Distribuída	25,629,900	49.00	25,879	26,655	-	-	-

(1) Jointly-control 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. On May 5, 2021 the Board of Directors of Renova ratified the amount of the increase in its share capital to R\$3,295,178, divided into 100,142,466 shares, of which 50,854,986 are common

shares and 49,287,480 are preferred shares. Since Cemig did not take part in the capital increase, its equity interest was reduced to 29.72% of the voting stock and 15.09% of the total stock.

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 March 31, 2020, MESA reported a loss of R\$509,895 (R\$432,278 on March 31, 2020) and negative net working capital of R\$169,818 (R\$204,792 on December 31, 2020). It should be noted that hydroelectric projects constituted using project finance 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 contracts for sales of energy supply over the long term 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 count with the benefits of its debt reprofiling, that adjusted the flow of payments of the debt to its cash generation capacity, so that the investee does not depend on additional investment from the shareholders.

Arbitration proceedings

In 2014, Cemig GT and SAAG Investimentos S.A. (SAAG), a vehicle through which Cemig GT 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, 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 bylaws 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 Cemig GT 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 March 31, 2021, 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.

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

Renova Energia S.A. ('Renova') – In-court supervised reorganization

For 1Q21, Renova reported: a loss of R\$30,023 in the quarter (R\$53,166 in 1Q20); accumulated losses to March 31, 2021 of R\$ 4,024,210 (R\$3,994,187 to December 31, 2020); and negative equity of R\$1,127,370 (R\$1,107,637 at December 31, 2020). On the other hand on March 31, 2021, Renova had positive working capital of R\$556,109 (R\$272,539 at December, 31, 2020), reflecting the effects of the Judicial Recovery Plan, which enabled signature of agreements to resolve the situation of the group's liabilities, with renegotiation of interest rates and lengthening of periods for settlement of debt.

In view of the investee's negative net equity, the Cemig GT reduced the carrying amount of its equity interests in Renova, at December 31, 2018, to zero. No further losses have been recognized, considering the non-existence of any legal or constructive obligations to the investee.

Additionally, the Cemig GT recognized, since June, 30 2019, an impairment of the receivable with jointly-controlled entity, in the amount of R\$688 million.

Renova for in-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, Cemig GT made an Advance for Future Capital Increase to Renova, of R\$5,000 and subsequently was agreed between the 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.

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

- (i) the investments in Brasil PCH, Espira, Phase B and Mina de Ouro were presented as held for sale, in current assets;
- (ii) liabilities were 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 were 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 were 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 signed the final instruments for acquisition, on March 2, 2021, the contract for sale of shares of the Phase B UPI 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 *Chiplely 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.

On April 6, 2021, Renova completed the sale of 100% of the indirect subsidiary *Azalea Participações S.A.*, holder of the assets and rights of Phase B of the Alto Sertão III Wind Complex, to *Ventos Altos Energias Renováveis Ltda.*, and transferred the shares to that company on that date.

Additionally, on May 6, 2021 the Board of Directors of Renova approved partial ratification of the increase of R\$334,398 in the share capital, corresponding to the amount of the credits to be capitalized under the terms of the Judicial Recovery Plan. 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 was reduced from 29.72% to 15.09% of the total capital, considering that no other shareholder subscribes the capital increase. There was no effect on the present jointly control of Renova.

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 interim financial information.

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, Cemig GT owns an indirect equity interest in NESA of 11.69%.

On March 31, 2021 NESA had negative net working capital of R\$174,300 (R\$160,351 on December 31, 2020) 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.

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 grantor 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 grantor (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 March 31, 2021 to R\$2,603,000 (R\$2,407,000 on December 31, 2020).

d) Risks related to compliance with law and regulations

Jointly controlled investees:

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 Cemig GT consolidated 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 interim financial information. The effects of any future alterations in the existing scenario will be reflected appropriately in the Company's interim financial information.

Madeira Energia S.A. ('MESA')

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 interim financial information. The effects of any future changes in the existing scenario will be reflected appropriately in the Company's interim financial information.

Renova Energia S.A. ('Renova')

Since 2017 Renova is part of a formal investigation by the Civil Police of Minas Gerais State and other public authorities related to certain capital injections made by some of its controlling shareholders, including the Company and its subsidiaries Cemig GT, 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.

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 interim financial information for the period ended March 31, 2021 and the financial statements for the year ended 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 March 31, 2021, and since no contractual or constructive obligations in relation to the investee have been assumed by the Company and its subsidiaries, it is not expected that any effects resulting from the in-court supervised reorganization process, or the investigations, or the operational activities of this investee can significantly impact the Company's interim financial information even if eventually not yet recorded by Renova.

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 Cemig GT at Guanhães Energia and also at 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 entitled "E o Vento Levou", as described above.

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

Internal procedures for risks related to compliance with law and regulations

Taking into account the investigations that are being conducted 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, as well as the factors that led the Company to be assessed by federal tax authority for not paying withholding income tax in the acquisition of Light's interest from Enlighted (see Note 24). 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 Company consolidated the interim financial information, neither for the period ended in March 31, 2021 nor in its prior 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 interim financial information, when applicable. The Company will collaborate with the national and international relevant authorities and their analysis related to the investigations in progress.

16. PROPERTY, PLANT AND EQUIPMENT

Consolidated	Mar. 31, 2021			Dec. 31, 2020		
	Historical cost	Accumulated depreciation	Net value	Historical cost	Accumulated depreciation	Net value
In service						
Land	246,857	(23,567)	223,290	246,857	(22,624)	224,233
Reservoirs, dams and watercourses	3,301,345	(2,299,949)	1,001,396	3,299,589	(2,279,878)	1,019,711
Buildings, works and improvements	1,100,469	(840,391)	260,078	1,100,469	(835,848)	264,621
Machinery and equipment	2,656,339	(1,947,602)	708,737	2,646,844	(1,929,584)	717,260
Vehicles	20,602	(18,875)	1,727	20,602	(18,756)	1,846
Furniture and utensils	13,791	(11,044)	2,747	13,813	(10,991)	2,822
	7,339,403	(5,141,428)	2,197,975	7,328,174	(5,097,681)	2,230,493
In progress	193,105	-	193,105	176,650	-	176,650
Net property, plant and equipment	7,532,508	(5,141,428)	2,391,080	7,504,824	(5,097,681)	2,407,143

Parent company	Mar. 31, 2021			Dec. 31, 2020		
	Historical cost	Accumulated depreciation	Net value	Historical cost	Accumulated depreciation	Net value
In service						
Land	82	-	82	82	-	82
Buildings, works and improvements	55	(23)	32	55	(22)	33
Machinery and equipment	5,220	(4,730)	490	5,220	(4,645)	575
Furniture and utensils	748	(708)	40	748	(706)	42
	6,105	(5,461)	644	6,105	(5,373)	732
In progress	460	-	460	460	-	460
Net property, plant and equipment	6,565	(5,461)	1,104	6,565	(5,373)	1,192

Changes in PP&E are as follows:

Consolidated	Dec. 31, 2020	Additions	Disposals	Depreciation	Transfers / capitalizations	Mar. 31, 2021
In service						
Land (1)	224,233	-	-	(943)	-	223,290
Reservoirs, dams and watercourses	1,019,711	-	-	(20,129)	1,814	1,001,396
Buildings, works and improvements	264,621	-	-	(4,543)	-	260,078
Machinery and equipment	717,260	-	(1,514)	(16,531)	9,522	708,737
Vehicles	1,846	-	-	(119)	-	1,727
Furniture and utensils	2,822	-	-	(75)	-	2,747
	2,230,493	-	(1,514)	(42,340)	11,336	2,197,975
In progress	176,650	27,791	-	-	(11,336)	193,105
Net property, plant and equipment	2,407,143	27,791	(1,514)	(42,340)	-	2,391,080

(1) Certain land sites linked to concession contracts and without provision for reimbursement are amortized in accordance with the period of the concession.

Parent company	Dec. 31, 2020	Depreciation	Mar. 31, 2021
In service			
Land	82	-	82
Buildings, works and improvements	33	(1)	32
Machinery and equipment	575	(85)	490
Furniture and utensils	42	(2)	40
	732	(88)	644
In progress	460	-	460
Net property, plant and equipment	1,192	(88)	1,104

The average annual depreciation rate for the period is 3.35%:

Hydroelectric Generation	Wind Power Generation	Administration
3.18%	4.94%	6.57%

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

Consortium

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

	Stake in power output (%)	Average annual depreciation rate (%)	Mar. 31, 2021	Dec. 31, 2020
In service				
Queimado Power Plant	82.50	3.94	218,448	218,111
Accumulated depreciation			(119,899)	(117,271)
Total			98,549	100,840
In progress				
Queimado Power Plant	82.50	-	1,523	1,580
Total			1,523	1,580

17. INTANGIBLE ASSETS

Consolidated	Mar. 31, 2021			Dec. 31, 2020		
	Historical cost	Accumulated amortization	Residual value	Historical cost	Accumulated amortization	Residual value
In service						
Useful life defined						
Temporary easements	14,692	(4,233)	10,459	13,217	(4,045)	9,172
Onerous concession	19,169	(13,458)	5,711	19,169	(13,288)	5,881
Assets of concession (1)	20,900,404	(9,261,844)	11,638,560	20,781,598	(9,107,068)	11,674,530
Others	78,030	(71,266)	6,764	78,015	(70,286)	7,729
	21,012,295	(9,350,801)	11,661,494	20,891,999	(9,194,687)	11,697,312
In progress	120,779	-	120,779	112,616	-	112,616
Net intangible assets	21,133,074	(9,350,801)	11,782,273	21,004,615	(9,194,687)	11,809,928

- (1) The rights of authorization to generate wind energy granted to *Parajuru* and *Volta do Rio*, valued at R\$124,993 (R\$127,841 on December 31, 2020), and of the gas distribution concession, granted to Gasmig, valued at R\$407,688 (R\$411,503 on December 31, 2020), are included in the interim financial information of the subsidiary Cemig GT and of the Company, respectively, and 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.

Parent company	Mar. 31, 2021			Dec. 31, 2020		
	Historical cost	Accumulated amortization	Residual value	Historical cost	Accumulated amortization	Residual value
In service						
Useful life defined						
Software use rights	13,564	(11,312)	2,252	13,564	(10,968)	2,596
Brands and patents	8	(8)	-	8	(8)	-
Others	9	(9)	-	9	(9)	-
	13,581	(11,329)	2,252	13,581	(10,985)	2,596
In progress	89	-	89	59	-	59
Net intangible assets	13,670	(11,329)	2,341	13,640	(10,985)	2,655

Changes in intangible assets are as follow:

Consolidated	Dec. 31, 2020	Additions	Disposals	Amortization	Transfers (1)	Mar. 31, 2021
In service						
Useful life defined						
Temporary easements	9,172	-	-	(188)	1,475	10,459
Onerous concession	5,881	-	-	(170)	-	5,711
Assets of concession	11,674,530	-	(8,251)	(183,533)	155,814	11,638,560
Others	7,729	-	-	(980)	15	6,764
	11,697,312	-	(8,251)	(184,871)	157,304	11,661,494
In progress	112,616	9,076	-	-	(913)	120,779
Net intangible assets	11,809,928	9,076	(8,251)	(184,871)	156,391	11,782,273

- (1) The transfers were made between Intangible assets, concession contract assets and property, plant and equipment as follows: (1) R\$156,391 from concession contract assets to intangible assets; (2) R\$13,824 from concession contract assets to concession financial assets.

Parent company	Dec. 31, 2020	Additions	Amortization	Mar. 31, 2021
In service				
Useful life defined				
Softwares use rights	2,596	-	(344)	2,252
Others	-	-	-	-
	2,596	-	(344)	2,252
In progress	59	30	-	89
Net intangible assets	2,655	30	(344)	2,341

Concession assets

The energy and gas distribution infrastructure assets already in service and that will be fully amortized during the concession term are recorded as intangible assets. Assets linked to the infrastructure of the concession that are still under construction are posted initially as contract assets, as detailed in Note 14.

The intangible asset easements, onerous concessions, assets of concession, and others, are amortized by the straight-line method taking into account the consumption pattern of these rights. The additions recorded in the quarter ended on March 31, 2021 did not include any capitalized financial charges (compared to R\$1,107 on December 31, 2020).

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

The annual average amortization rate is 4.10%:

Hydroelectric Generation	Wind Power Generation	Gas	Distribution	Administration
9.54%	8.88%	3.89%	3.84%	15.87%

Under the regulations of the energy segment, property, plant and equipment used in the distribution concession are linked to these services, and cannot be withdrawn, disposed of, assigned or provided in guarantee without the prior express authorization of the Grantor. The rights of authorization of gas distribution granted to Gasmig, in the amount of R\$407,688 (R\$411,503 on December 31, 2020), are classified as intangible assets in the Company's consolidated balance sheet and are recognized as investments in its individual balance sheet, as Note 15, in accordance with Technical Interpretation ICPC 09. These rights of authorization of wind power generation and gas distribution are amortized by the straight-line method, during the period of the concession.

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.

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:

- (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 interim financial information at March 31, 2021.

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)
Emborcação	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 the 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 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.

18. LEASING TRANSACTIONS

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

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

The Company and its subsidiaries have elected to use the exemptions specified in the rule for short-term leasing operations (leasing transactions with a period of 12 months or less) without the option to purchase, and for low-value items. Thus, these leasing agreements are recognized as an expense in the income statement on the straight-line basis, over the period of the leasing. Their effects on net income from January to March 2021 were immaterial.

The discount rates were obtained by reference to the Company's incremental borrowing rate, based on the debts contracted by the Company and through quotations with potential financial institutions and reflect the Company's credit risk and the market conditions at the lease agreement date, as follows:

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 at 2021		
Up to three years	6.87	0.56
Three to four years	7.33	0.59
Four to twenty years	8.08	0.65

a) Right of use

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

Changes in the right of use asset are as follows:

Consolidated	Real estate property	Vehicles	Other	Total
Balances on December 31, 2020	185,498	26,576	-	212,074
Settled	(1,189)	-	-	(1,189)
Amortization (1)	(2,176)	(9,184)	-	(11,360)
Addition	1,488	-	-	1,488
Remeasurement (2)	168	1,528	-	1,696
Balances on March 31, 2021	183,789	18,920	-	202,709

(1) Amortization of the Right of Use recognized in the Income Statement is net of use of the credits of PIS/Pasep and Cofins taxes on payments of rentals, a total R\$140 on March 31, 2021 (R\$1,929 on December 31, 2020).

(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.

Parent company	Real estate property
Balances on December 31, 2020	2,058
Amortization (1)	(21)
Balances on March 31, 2021	2,037

(1) Amortization of the Right of Use recognized in the Income Statement is net of use of the credits of PIS/Pasep and Cofins taxes on payments of rentals, a total R\$2 on March 31, 2021 (R\$123 on December 31, 2020).

b) Leasing 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 incremental borrowing rate. The liability carrying amount is remeasured to reflect leases modifications.

The changes in the lease liabilities are as follows:

	Consolidated	Parent company
Balances on December 31, 2020	226,503	2,114
Addition	1,488	-
Settled	(1,350)	-
Interest incurred (1)	6,760	68
Leasing paid	(16,813)	(70)
Interest in leasing contracts	(295)	(1)
Remeasurement (2)	1,696	-
Balances on March 31, 2021	217,989	2,111
Current liabilities	44,599	243
Non-current liabilities	173,390	1,868

- (1) Financial revenues recognized in the Income Statement are net of incorporation of the credits for PIS/Pasep and Cofins taxes on payments of rentals, in the amounts of R\$428 and R\$5 on March 31, 2021 (R\$1,833 and R\$25 on December 31, 2020), for the consolidated and individual interim financial information, respectively.
- (2) The Company and its subsidiaries identified events that give rise to restatement and modifications of their principal contracts; the leasing liability was remeasured with an 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	Adjusted to present value	Nominal	Adjusted to present value
Consideration for the leasing	630,283	217,989	7,082	2,111
Potential PIS/Pasep and Cofins (9.25%)	54,425	17,241	655	203

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

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

	Consolidated (nominal)	Parent company (nominal)
2021	40,809	215
2022	27,481	286
2023	26,386	286
2024	26,348	286
2025	26,293	286
2026 at 2045	482,966	5,723
Undiscounted values	630,283	7,082
Embedded interest	(412,294)	(4,971)
Lease liabilities	217,989	2,111

19. SUPPLIERS

	Consolidated	
	Mar. 31, 2021	Dec. 31, 2020
Energy on spot market – CCEE	98,894	490,285
Charges for use of energy network	194,206	192,287
Energy purchased for resale	770,974	807,708
Itaipu Binacional	329,952	325,277
Gas purchased for resale	169,772	126,850
Materials and services	392,976	415,913
	1,956,774	2,358,320

20. TAXES PAYABLE AND AMOUNTS TO BE REFUNDED TO CUSTOMERS

	Consolidated		Parent company	
	Mar. 31, 2021	Dec. 31, 2020	Mar. 31, 2021	Dec. 31, 2020
Current				
ICMS	205,395	112,068	-	-
Cofins (2)	162,917	183,995	6,684	37,853
PIS/Pasep (2)	35,537	41,116	1,443	9,266
INSS	27,217	28,715	1,464	1,585
Others (1)	41,739	139,845	341	40,064
	472,805	505,739	9,932	88,768
Non-current				
Cofins (3)	214,828	215,878	-	-
PIS/Pasep (3)	46,637	46,867	-	-
	261,465	262,745	-	-
	734,270	768,484	9,932	88,768
Amounts to be refunded to customers				
Current				
PIS/Pasep and Cofins	836,107	448,019	-	-
Non-current				
PIS/Pasep and Cofins	3,023,426	3,569,837	-	-
	3,859,533	4,017,856	-	-

- (1) This includes the withholding income tax on Interest on equity. This payment, and the deduction, were made in the first month of 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 14.
- (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 2.3 and 14.

The amounts of PIS/Pasep and Cofins taxes to be refunded to customers refer to the credits to be received by the Company following the inclusion of the ICMS value added tax within the taxable amount for calculation of those taxes. According Note 9 (a), the Company recognized, in 2019, its right to offsetting of amounts unduly paid for the 10 years prior to the action being filed, with monetary updating by the Selic rate, due to the final judgment – against which there is no appeal – on the Ordinary Action, in favor of the Company.

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

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

On August 18, 2020, Aneel ratified the inclusion into the tariff readjustment for 2020 of a negative financial component of R\$714,339, in effect from August 19, 2020 to May 27, 2021 – this corresponds to the release of the escrow funds deposited in court following final judgment in the Company's favor against which there is no further appeal.

21. LOANS, FINANCING AND DEBENTURES

Financing source	Principal maturity	Annual financial cost %	Currency	Consolidated			
				Mar. 31, 2021			Dec. 31, 2020
				Current	Non-current	Total	Total
FOREIGN CURRENCY							
Banco do Brasil: Various Bonds (1) (4)	2024	Diverse	U\$\$	4,872	10,583	15,455	11,725
Eurobonds (2)	2024	9.25%	U\$\$	297,084	8,545,951	8,843,035	7,853,959
(-) Transaction costs				-	(14,856)	(14,856)	(15,664)
(±) Interest paid in advance (3)				-	(24,028)	(24,028)	(25,314)
Debt in foreign currency				301,956	8,517,650	8,819,606	7,824,706
BRAZILIAN CURRENCY							
Caixa Econômica Federal (5)	2021	TJLP + 2.50%	R\$	12,262	-	12,262	17,204
Caixa Econômica Federal (6)	2022	TJLP + 2.50%	R\$	13,187	-	13,187	14,086
Eletrobrás (4)	2023	UFIR + 6.00% at 8.00%	R\$	3,357	4,817	8,174	9,058
Sonda (7)	2021	110.00% of CDI	R\$	50,274	-	50,274	50,008
(-) Transaction costs				-	-	-	(55)
Debt in Brazilian currency				79,080	4,817	83,897	90,301
Total of loans and financings				381,036	8,522,467	8,903,503	7,915,007
Debentures - 3th Issue – 3rd Series (2)	2022	IPCA + 6.20%	R\$	378,648	-	378,648	761,520
Debentures - 7th Issue – Single series (2) (10)	2021	140.00% of CDI	R\$	-	-	-	288,839
Debentures - 3th Issue – 2nd Series (4)	2021	IPCA + 4.70%	R\$	-	-	-	587,956
Debentures - 3th Issue – 3rd Series (4)	2025	IPCA + 5.10%	R\$	260,095	762,179	1,022,274	1,035,247
Debentures - 7th Issue – 1st Series (4)	2024	CDI + 0.45%	R\$	542,362	1,215,000	1,757,362	1,891,927
Debentures - 7th Issue – 2nd Series (4)	2026	IPCA + 4.10%	R\$	18,757	1,624,452	1,643,209	1,587,924
Debentures – 4th Issue – 1st Series (8)	2022	TJLP+1.82%	R\$	9,888	7,288	17,176	19,629
Debentures – 4th Issue – 2nd Series (8)	2022	Selic + 1.82%	R\$	4,685	3,277	7,962	9,089
Debentures – 4th Issue – 3th Series (8)	2022	TJLP + 1.82%	R\$	11,503	7,455	18,958	21,807
Debentures – 4th Issue – 4th Series (8)	2022	Selic + 1.82%	R\$	5,480	3,891	9,371	10,703
Debentures – 7th Issue – Single series (8)	2023	CDI + 1.50%	R\$	20,020	40,000	60,020	60,024
Debentures – 8th Issue – Single series (8)	2031	IPCA + 5.27%	R\$	5,501	896,985	902,486	890,440
(-) Discount on the issuance of debentures (9)				-	(17,486)	(17,486)	(18,300)
(-) Transaction costs				(9,697)	(28,283)	(37,980)	(41,254)
Total, debentures				1,247,242	4,514,758	5,762,000	7,105,551
Total				1,628,278	13,037,225	14,665,503	15,020,558

Financing source	Principal maturity	Annual financial cost %	Currency	Parent company			
				Mar. 31, 2021			Dec. 31, 2020
				Current	Non-current	Total	Total
BRAZILIAN CURRENCY							
Sonda (7)	2021	110.00% of CDI	R\$	50,274	-	50,274	50,008
(-) Transaction costs				-	-	-	(55)
Total of loans and financings				50,274	-	50,274	49,953

- (1) Net balance of the Restructured Debt comprising bonds at par and discounted, with balance of R\$259,118, less the amounts given as Deposits in guarantee, with balance of R\$243,663. Interest rates vary – from 2% to 8% p.a.; six-month Libor plus spread of 0.81% to 0.88% p.a.
- (2) Cemig Geração e Transmissão;
- (3) Advance of funds to achieve the yield to maturity agreed in the Eurobonds contract.
- (4) Cemig Distribuição;
- (5) Central Eólica Praias de Parajuru;
- (6) Central Eólica Volta do Rio;
- (7) Parent Company. Arising from merger of Cemig Telecom.
- (8) Gasmig; The proceeds from the 8th debenture issue, concluded by Gasmig on September 10, 2020, in the amount of R\$850,000, were used to redeem the Promissory Notes issued on September 26, 2019, with maturity at 12 months, whose proceeds were used in their entirety for payment of the concession grant fee for the gas distribution concession contract.
- (9) Discount on the sale price of the 2nd series of the Seventh issue of Cemig Distribuição.
- (10) On February 02, 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 Company's interest in Light. For more information about the sale of the Company's interest in Light, see Note 32.

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

There are early maturity clauses for cross-default in the event of non-payment by Cemig GT or by the Company, of any pecuniary obligation with individual or aggregate value greater than R\$50 million (“cross default”).

Guarantees

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

	Mar. 31, 2021
Promissory notes and Sureties	10,204,607
Guarantee and Receivables	3,375,693
Receivables	102,017
Shares	43,627
Unsecured	939,559
TOTAL	14,665,503

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

Consolidated	2021	2022	2023	2024	2025	2026	Total
Currency							
US dollar	301,956	-	-	8,556,534	-	-	8,858,490
Total, currency denominated	301,956	-	-	8,556,534	-	-	8,858,490
Index							
IPCA (1)	32,995	630,006	254,060	349,035	1,166,536	1,513,985	3,946,617
UFIR/RGR (2)	2,531	3,264	2,379	-	-	-	8,174
CDI (3)	450,581	604,408	560,000	270,000	-	-	1,884,989
URTJ/TJLP (4)	44,442	17,141	-	-	-	-	61,583
Total by index	530,549	1,254,819	816,439	619,035	1,166,536	1,513,985	5,901,363
(-) Transaction costs	(9,394)	(796)	(766)	(17,541)	(5,109)	(19,230)	(52,836)
(±) Interest paid in advance	-	-	-	(24,028)	-	-	(24,028)
(-) Discount	-	-	-	-	(8,743)	(8,743)	(17,486)
Overall total	823,111	1,254,023	815,673	9,134,000	1,152,684	1,486,012	14,665,503

Parent company	2021	Total
Indexers		
CDI (3)	50,274	50,274
Total, governed by indexers	50,274	50,274
(-)Transaction costs	-	-
Overall total	50,274	50,274

- (1) Expanded National Customer Price (IPCA) Index.
(2) Fiscal Reference Unit (Ufir / RGR).
(3) CDI: Interbank Rate for Certificates of Deposit.
(4) Interest rate reference unit (URTJ) / Long-Term Interest Rate (TJLP)

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

Currency	Accumulated change on Mar. 31, 2021, %	Accumulated change on Mar. 31, 2020, %	Indexer	Accumulated change on Mar. 31, 2021, %	Accumulated change on Mar. 31, 2020, %
US dollar	9.63	28.98	IPCA	2.05	0.53
			CDI	0.48	1.02
			TJLP	(3.52)	(8.62)

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

	Consolidated	Parent company
Balances on December 31, 2020	15,020,558	49,953
Monetary variation	84,174	-
Exchange rate variation	751,781	-
Financial charges provisioned	332,565	266
Amortization of transaction cost	4,137	55
Financial charges paid	(154,673)	-
Amortization of financing	(1,372,571)	-
Reclassification to "Other obligations" (1)	(468)	-
Balances on March 31, 2021	14,665,503	50,274

- (1) Reclassification to Cemig D's customers (CMM and Serra da Fortaleza).

Borrowing costs, capitalized

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

The subsidiaries Cemig D and Gasmig considered the costs of loans and financing linked to construction in progress as construction costs of intangible and concession contract assets, as follows:

	Mar. 31, 2021	Mar. 31, 2020
Costs of loans and financing	332,565	327,998
Financing costs on intangible assets and contract assets (1) (Note 17 and 21)	(6,538)	(16,698)
Net effect in Profit or loss	326,027	311,300

- (1) The average capitalization rate p.a. on Mar. 31, 2021 was 7.50% (6.74% on Mar. 31, 2020).

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

Restrictive covenants

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

Title - Security	Covenant	Ratio required – Issuer	Ratio required Cemig (guarantor)	Compliance required
7th Debentures Issue Cemig GT (1)	Net debt / (Ebitda + Dividends received)	The following or less: 2.5 in 2021	The following or less: 2.5 in 2021	Semi-annual and annual
Eurobonds Cemig GT (2)	Net debt / Ebitda adjusted for the Covenant (6)	The following or less: 3.0 on June 30, 2021 2.5 on/after Dec. 31, 2021	The following or less: 3.0 on June 30, 2021 3.0 on/after Dec. 31, 2021	Semi-annual and annual
7th Debentures Issue Cemig D	Net debt / Ebitda adjusted	Less than 3.5	Less than 3.0	Semi-annual and annual
Debentures GASMIG (3)	Overall indebtedness (Total liabilities/Total assets)	Less than 0.6	-	Annual
	Ebitda / Debt servicing	1.3 or more	-	Annual
	Ebitda / Net finance income (expenses)	2.5 or more	-	Annual
	Net debt / Ebitda	The following or less: 2.5 on/after Dec, 31.2020	-	Annual
8th Debentures Issue Gasmig Single series (4)	EBITDA/Debt servicing	1.3 or more as of Dec, 31.2020	-	Annual
	Net debt/EBITDA	3.0 or less as of Dec, 31.2020	-	Annual
Financing Caixa Econômica Federal Parajuru and Volta do Rio (5)	Debt servicing coverage index	1.20 or more	-	Annual (during amortization)
	Equity / Total liabilities	20.61% or more (Parajuru) 20.63% or more (Volta do Rio)	-	Always
	Share capital subscribed in investee / Total investments made in the project financed	20.61% or more (Parajuru) 20.63% or more (Volta do Rio)	-	Always

- (1) 7th Issue of Debentures by Cemig GT, as of December 31, 2016, of R\$2,240 million.
- (2) In the event of a possible breach of the financial 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 'maintenance' covenants – that the consolidated debt, shall have a guarantee for debt of 1.75x Ebitda (2.0 as of December 31, 2017); and a 'damage' covenant, requiring real guarantee for debt at Cemig GT of 1.5x Ebitda.
- (3) If Gasmig does not achieve the required covenants, it must, within 120 days from the date of notice in writing from BNDES or BNDESPar, constitute guarantees acceptable by the debenture holders for the total amount of the debt, subject to the rules of the National Monetary Council (CMN), unless the required ratios are restored within that period. Certain contractually specified situations can cause early maturity of other debts (cross-default).
- (4) Non-compliance with the financial covenants results in automatic early maturity. If early maturity is declared by the debenture holders, Gasmig must make the payment after receipt of notification.
- (5) 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 debt remaining balance. 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.
- (6) 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.

The covenants remain in compliance as of March 31, 2021.

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 30.

22. REGULATORY CHARGES

	Consolidated	
	Mar. 31, 2021	Dec. 31, 2020
Liabilities		
Global Reversion Reserve (RGR)	27,489	27,515
Energy Development Account (CDE)	63,075	64,179
Regulator inspection fee – ANEEL	3,213	3,200
Energy Efficiency Program	204,005	264,952
Research and development (R&D)	107,417	224,632
Energy System Expansion Research	4,531	3,776
National Scientific and Technological Development Fund	9,067	7,557
Proinfra – Alternative Energy Program	9,018	7,435
Royalties for use of water resources	5,576	12,976
Emergency capacity charge	26,325	26,325
Customer charges – Tariff flags	41,805	89,825
CDE on R&D	123,559	-
CDE on EEP	84,523	-
Others	4,624	4,624
	714,227	736,996
Current liabilities	589,439	445,807
Non-current liabilities	124,788	291,189

23. POST-EMPLOYMENT OBLIGATIONS

Consolidated	Pension plans and retirement supplement plans	Health plan	Dental plan	Life insurance	Total
Net liabilities at December 31, 2020	2,908,495	3,319,093	64,324	551,135	6,843,047
Expense recognized in Statement of income	50,132	63,025	1,265	10,637	125,059
Contributions paid	(56,614)	(39,787)	(729)	(2,453)	(99,583)
Net liabilities at March 31, 2021	2,902,013	3,342,331	64,860	559,319	6,868,523
				Mar. 31, 2021	Dec. 31, 2020
Current liabilities				313,392	304,551
Non-current liabilities				6,555,131	6,538,496

Parent company	Pension plans and retirement supplement plans	Health plan	Dental plan	Life insurance	Total
Net liabilities at December 31, 2020	512,937	201,080	4,682	20,081	738,780
Expense recognized in Statement of income	8,851	3,686	88	373	12,998
Contributions paid	(2,785)	(2,361)	(46)	(82)	(5,274)
Net liabilities at March 31, 2021	519,003	202,405	4,724	20,372	746,504
				31/03/2021	31/12/2020
Current liabilities				25,572	25,062
Non-current liabilities				720,932	713,718

Amounts recorded as current liabilities refer to contributions to be made by Cemig and its subsidiaries in the next 12 months for the amortization of the actuarial liabilities.

The amounts reported as 'Expense recognized in the Statement of income' refer to the costs of post-employment obligations, totaling R\$106,683 (R\$105,405 on March 31, 2020), plus the finance expenses and monetary updating on the debt with Forluz, in the amounts of R\$18,376 (R\$17,333 on March 31, 2020).

Debt with the pension fund (Forluz)

On March 31, 2021, the Company and its subsidiaries have recognized an obligation for past actuarial deficits relating to the pension fund in the amount of R\$452,854 on March 31, 2021 (R\$472,559 on December 31, 2020). This amount has been recognized as an obligation payable by Cemig and its subsidiaries, and will be amortized until June of 2024, through monthly installments calculated by the system of constant installments (known as the 'Price' table), and adjusted by the IPCA (Expanded National Customer Price) inflation index (published by the Brazilian Geography and Statistics Institute – IBGE) plus 6% per year. The Company is required to pay this debt even if Forluz has a surplus, thus, the Company maintain recorded the debt in full, and record the effects of monetary updating and interest in finance income (expenses) in the statement of income.

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

Forluz and the sponsors Cemig, Cemig GT and Cemig D have signed a Debt Assumption Instrument to cover the deficit of Plan A for the years of 2015, 2016 e 2017. On March 31, 2021 the total amount payable by Cemig as a result of the Plan A deficit is R\$543,472 (R\$540,142 on December, 31, 2020, referring to the Plan A deficits of 2015, 2016 and 2017). The monthly amortizations, calculated by the constant installments system (Price Table), will be paid until 2031 for the 2015 and 2016 deficits, in the amount of R\$365,427, and up to 2033 for the 2017 deficit, in the amount of R\$178,045. Remuneratory interest applicable to the outstanding balance is 6% p.a., plus the effect of the IPCA. If the plan reaches actuarial surplus before the full period of amortization of the debt, also Company will not be required to pay the remaining installments and the contract will be extinguished.

In December, 2020, in accordance with the applicable legislation, Forluz proposed to Cemig a new Debt Assumption Instrument to be signed, if approved, by Forluz, Cemig, Cemig GT and Cemig D, in accordance with the plan to cover the deficit of Plan A, that occurred in 2019. The total amount to be paid by the Company to cover the deficit is R\$160,425, through 166 monthly installments. The remuneration interest rate over the outstanding balance is 6% per year, plus the effect of the IPCA. If the plan reaches actuarial balance before the full period of amortization of the debt, the Company will not be required to pay the remaining installments and the contract will be extinguished.

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

24. 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

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

	Consolidated				
	Dec. 31, 2020	Additions	Reversals	Settled	Mar. 31, 2021
Labor	427,515	30,677	(9,072)	(20,419)	428,701
Civil					
Customer relations	22,089	5,388	-	(3,848)	23,629
Other civil actions	32,495	4,567	-	(945)	36,117
	54,584	9,955	-	(4,793)	59,746
Tax	1,294,287	49,366	(78,688)	(44)	1,264,921
Regulatory	51,660	1,811	(3,188)	(977)	49,306
Others	64,391	6,676	(2,319)	(4,159)	64,589
Total	1,892,437	98,485	(93,267)	(30,392)	1,867,263

	Parent company				
	Dec. 31, 2020	Additions	Reversals	Settled	Mar. 31, 2021
Labor	28,152	8,155	-	(2,681)	33,626
Civil					
Customer relations	550	114	-	(73)	591
Other civil actions	3,178	139	-	(5)	3,312
	3,728	253	-	(78)	3,903
Tax	170,624	2,264	-	(11)	172,877
Regulatory	18,606	-	(748)	-	17,858
Others	1,275	348	(72)	(303)	1,248
Total	222,385	11,020	(820)	(3,073)	229,512

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

The Company and its subsidiaries believe 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, complementary additions to or re-calculation of retirement pension payments by Forluz, and salary adjustments.

The aggregate amount of the contingency is approximately R\$1,541,605 (R\$1,386,147 at December 31, 2020), of which R\$428,701 (R\$427,515 at December 31, 2020) has been recorded – the amount estimated as probably necessary for settlement of these disputes.

Alteration of the monetary updating index of employment-law cases

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

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

Customers claims

Company and its subsidiaries are involved in various civil actions relating to indemnity for moral injury and for material damages, arising, principally, from allegations of irregularity in measurement of consumption, and claims of undue charging, in the normal course of business, totaling R\$147,775 (R\$142,481 at December 31, 2020), of which R\$23,629 (R\$22,089 at December 31, 2020) has been recorded – this being the probable estimate for funds needed to settle these disputes.

Other civil proceedings

Company and its subsidiaries are involved in various civil actions claiming indemnity for moral and material damages, among others, arising from incidents occurred in the normal course of business, in the amount of R\$383,121 (R\$359,122 at December 31, 2020), of which R\$36,117 (R\$32,495 at December 31, 2020) has been recorded – the amount estimated as probably necessary for settlement of these disputes.

Tax

Company and its subsidiaries are involved in numerous administrative and judicial claims actions relating to taxes, including, among other matters, subjects relating to the Urban Property Tax (*Imposto sobre a Propriedade Territorial Urbana*, or IPTU); the Rural Property Tax (ITR); the Tax on Donations and Legacies (ITCD); 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 (*Contribuição Social sobre o Lucro Líquido*, or CSLL); and motions to tax enforcement. The aggregate amount of this contingency is approximately R\$180,395 (R\$166,348 at December 31, 2020), of which R\$15,985 (R\$13,505 at December 31, 2020) has been recorded – the amount estimated as probably necessary for settlement of these disputes.

In addition to the issues above the Company and its subsidiaries are involved in various proceedings on the applicability of the IPTU Urban Land Tax to real estate properties that are in use for providing public services. The aggregate amount of the contingency is approximately R\$84,994 (R\$84,525 at December 31, 2020). Of this total, R\$3,254 has been recognized (R\$3,844 at December 31, 2020) – this being the amount estimated as probably necessary for settlement of these disputes. The company has been successful in its efforts to have its IPTU tax liability suspended, winning judgments in favor in some cases – this being the principal factor in the reduction of the total value of the contingency.

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\$1,399,472 (R\$1,520,054 on December 31, 2020), of which R\$1,244,550 has been provisioned on March 31, 2021 (R\$1,275,808 on December 31, 2020), this being the estimate of the probable amount of funds to settle these disputes. The significant change in the amount of contingencies is due, among other factors, to a judgment given in favor of the Company in one of the administrative cases relating to social security contributions, for the period January to October 2010, which resulted in cancellations of tax debits, according to calculations made by the tax authority (*Receita Federal*).

Non-homologation of offsetting of tax credit

The federal tax authority did not ratify the Company's declared offsetting, in Corporate income tax returns, of carry-forwards and undue or excess payment of federal taxes – IRPJ, CSLL, PIS/Pasep and Cofins – identified by official tax deposit receipts ('DARFs' and 'DCTFs'). The Company and its subsidiaries is contesting the non-homologation of the amounts offset. The amount of the contingency is R\$203,317 (R\$202,975 at December 31, 2020), of which R\$1,132 (R\$1,130 at December 31, 2020), has been provisioned, since the relevant requirements of the National Tax Code (CTN) have been complied with.

Regulatory

The Company and its subsidiaries are involved in numerous administrative and judicial proceedings, challenging, principally: (i) tariff charges in invoices for use of the distribution system by a self-producer; (ii) alleged violation of targets for continuity indicators in retail supply of energy; and (iii) the tariff increase made during the federal government's economic stabilization plan referred to as the 'Cruzado Plan', in 1986. The aggregate amount of the contingency is approximately R\$357,660 (R\$345,475 at December 31, 2020), of which R\$49,306 (R\$51,660 at December 31, 2020) has been recorded as provision – the amount estimated as probably necessary for settlement of these disputes.

Other legal actions in the normal course of business

Breach of contract – Power line pathways and accesses cleaning services contract

The Company and its subsidiaries are involved in disputes alleging losses suffered as a result of supposed breaches of contract at the time of provision of services of cleaning of power line pathways and firebreaks. The amount recorded is R\$48,381 (R\$46,312 at December 31, 2020), this being estimated as the likely amount of funds necessary to settle this dispute.

‘Luz Para Todos’ Program

The Company is a party in disputes alleging losses suffered by third parties as a result of supposed breach of contract at the time of implementation of part of the rural electrification program known as the ‘Luz Para Todos’. The estimated amount of the contingency is approximately R\$371,069 (R\$356,236 on December 31, 2020). Of this total, R\$716 (R\$687 on December 31, 2020) has been provisioned the amount estimated as probably necessary for settlement of these disputes.

Other legal proceedings

Company and its subsidiaries are involved as plaintiff or defendant, in other less significant claims, related to the normal course of their operations including: environmental matters; provision of cleaning service in power line pathways and firebreaks, removal of residents from risk areas; and indemnities for rescission of contracts, on a lesser scale, related to the normal course of its operations, with an estimated total amount of R\$567,058 (R\$621,398 at December, 31, 2020), of which R\$15,492 (R\$17,392 at December, 31, 2020), the amount estimated as probably necessary for settlement of these disputes.

Contingent liabilities – loss assessed as ‘possible’

Taxes and contributions

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

Indemnity of employees’ future benefit (the ‘Anuênio’)

In 2006 the Company and its subsidiaries paid an indemnity to its employees, totaling R\$177,686, 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 and its subsidiaries did not pay income tax and Social Security contributions on this amount because it considered that those obligations are not applicable to amounts paid as an indemnity. However, to avoid the risk of a future fine, the Company obtained an injection, which permitted to make an escrow deposit of R\$121,834, which updated now represents the amount of R\$286,177 (R\$285,836 at December 31, 2020). The updated amount of the contingency is R\$295,458 (R\$294,613 at December 31, 2020) and, based on the arguments above, management has classified the chance of loss as ‘possible’.

Social Security contributions

The Brazilian federal tax authority (*Secretaria da Receita Federal*) has filed administrative proceedings related to various matters: employee profit sharing; the Workers' Food Program (*Programa de Alimentação do Trabalhador*, or PAT); education benefit; food benefit; Special Additional Retirement payment; overtime payments; hazardous occupation payments; matters related to Sest/Senat (transport workers' support programs); and fines for non-compliance with accessory obligations. The Company and its subsidiaries have presented defenses and await judgment. The amount of the contingency is approximately R\$117,182 (R\$110,436 at December 31, 2020). Management has classified the chance of loss as 'possible', also taking into account assessment of the chance of loss in the judicial sphere, (the claims mentioned are in the administrative sphere), based on the evaluation of the claims and the related case law.

Income tax withheld on capital gain in a shareholding transaction

The federal tax authority issued a tax assessment against Cemig as a jointly responsible party with its jointly-controlled entity Parati S.A. Participações em Ativos de Energia Elétrica (Parati), relating to withholding income tax (*Imposto de Renda Retido na Fonte*, or IRRF) allegedly applicable to returns paid by reason of a capital gain in a shareholding transaction relating to the purchase by Parati, and sale, by Enlighted, at July 7, 2011, of 100.00% of the equity interests in Luce LLC (a company with head office in Delaware, USA), holder of 75.00% of the shares in the Luce Brasil equity investment fund (FIP Luce), which was indirect holder, through Luce Empreendimentos e Participações S.A., of approximately 13.03% of the total and voting shares of Light S.A. (Light). The amount of the contingency is approximately R\$234,756 (R\$234,113 at December 31, 2020), and the loss has been assessed as 'possible'.

The social contribution tax on net income (CSLL)

The federal tax authority issued a tax assessment against the Company and its subsidiaries 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\$430,269 (R\$425,023 at December 31, 2020). The Company has classified the chances of loss as 'possible', in accordance with the analysis of the case law on the subject.

ICMS (local state value added tax)

From December 2019 to March 2020 the Tax Authority of Minas Gerais State issued infraction notices against the subsidiary Gasmig, in the total amount of R\$55,204, relating to reduction of the calculation base of ICMS tax in the sale of natural gas to its customers over the period from December 2014 to December 2015, alleging a divergence between the form of calculation used by Gasmig and the opinion of that tax authority. The claims comprises: principal of R\$17,047, penalty payments of R\$27,465 and interest of R\$10,692.

Considering that the State of Minas Gerais, over a period of more than 25 years, has never made any allegations against the methodology of calculation by the Company, Management and Company's legal advisors, believe that there is a defense under Article 100, III of the National Tax Code, which removes claims for penalties and interest; and that the contingency for loss related to these amounts is 'remote'. In relation to the argument on the difference between the amount of ICMS tax calculated by Gasmig and the new interpretation by the state tax authority, the probability of loss was considered 'possible'. On March 31, 2021 the amount of the contingency for the period relating to the rules on expiry by limitation of time is R\$113,731.

Interest on Equity

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

Regulatory matters

Public Lighting Contribution (CIP)

Cemig and Cemig D are defendants in several public civil claims (class actions) requesting nullity of the clause in the Electricity Supply Contracts for public illumination signed between the Company and the various municipalities of its concession area, and restitution by the Company of the difference representing the amounts charged in the last 20 years, in the event that the courts recognize that these amounts were unduly charged. The actions are grounded on a supposed error by Cemig in the estimation of the period of time that was used in calculation of the consumption of energy for public illumination, funded by the Public Lighting Contribution (*Contribuição para Iluminação Pública*, or CIP).

The Company believes it has arguments of merit for defense in these claims, since the charge at present made is grounded on Aneel Normative Resolution 456/2000. As a result it has not constituted a provision for this action, the amount of which is estimated at R\$1,119,937 (R\$1,072,398 at December 31, 2020). The Company has assessed the chances of loss in this action as 'possible', due to the Customer Defense Code (*Código de Defesa do Consumidor*, or CDC) not being applicable, because the matter is governed by the specific regulation of the electricity sector, and because Cemig complied with Aneel Resolutions 414 and 456, which deal with the subject.

Accounting of energy sale transactions in the PowerTrading 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 grantor (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 grantor (Aneel) Dispatch 288 of 2002.

This should take effect in the CCEE as from November 2008, resulting in an additional disbursement for Cemig GT, related to the expense on purchase of energy in the spot market on the CCEE, in the approximate amount of R\$389,697 (R\$376,228 at December 31, 2020). On November 9, 2008 Cemig GT 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. Cemig GT has classified the chance of loss as ‘possible’, since this action deals with the General Agreement for the Electricity Sector, in which the Company has the full documentation to support its arguments.

Tariff increases

Exclusion of customers classified as low-income

The Federal Public Attorneys’ Office filed a class action against the Company and the grantor (Aneel), to avoid exclusion of customers from classification in the *Low-income residential tariff* sub-category, requesting an order for Cemig D to pay twice the amount paid in excess by customers. A decision was given in favor of the plaintiffs, but the Company and the grantor (Aneel) have filed an interlocutory appeal and await judgment. The amount of the contingency is approximately R\$369,446 (R\$356,907 at December 31, 2020). Cemig D has classified the chances of loss as ‘possible’ due to other favorable decisions on this matter.

Environmental claims

Impact arising from construction of power plants

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. Cemig GT, 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, Cemig GT has classified the chance of loss in this dispute as ‘possible’. The estimated value of the contingency is R\$109,644 (R\$105,552 at December 31, 2020).

Other contingent liabilities

Early settlement of the CRC (Earnings Compensation) Account

The Company is involved in an administrative proceeding at the Audit Court of the State of Minas Gerais which challenges: (i) a difference of amounts relating to the discount offered by Cemig for early repayment of the credit owed to Cemig by the State under the Receivables Assignment Contract in relation to the CRC Account (*Conta de Resultados a Compensar*, or Earnings Compensation Account) – this payment was completed in the first quarter of 2013; and also (ii) possible undue financial burden on the State after the signature of the Amendments that aimed to re-establish the economic and financial balance of the Contract. The amount of the contingency is approximately R\$459,573 (R\$448,066 at December 31, 2020), and, based on the Opinion of the Public Attorneys' Office of the Audit Board of the State of Minas Gerais (Tribunal de Contas), the Company believes that it has met the legal requirements. Thus, it has assessed the chances of loss as 'possible', since it believes that the adjustment was made in faithful obedience to the legislation applicable to the case.

Contractual imbalance

Cemig D is party in other disputes arising from alleged non-compliance with contracts in the normal course of business, for an estimated total of R\$174,387 (R\$167,168 at December 31, 2020). Cemig D has classified the chance of loss as 'possible', after analysis of the case law on this subject.

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 subsidiary Cemig GT, as defendants jointly and severally liable. The amount involved in this dispute is estimated at R\$79,533 at March 31, 2021. The chances of loss have been assessed as 'possible'.

25. EQUITY AND REMUNERATION TO SHAREHOLDERS

a) Share capital

On March 31, 2021 and December 31, 2020, the Company's issued and share capital is R\$7,593,763, represented by 507,670,289 common shares and 1,011,082,312 preferred shares, both of them with nominal value of R\$5.00 (five Reais).

Capital increase

The Annual General Meeting held on April, 30, 2021 approved Management's proposal for allocation of the profits for 2020, published in the 2020 financial statements, and a capital increase from R\$7,593,763 to R\$8,466,810 as per Article 199 of the Brazilian Corporate Law (Law 6,404/76), since the profit reserves at December 31, 2020 (excluding tax-incentive amounts and Unrealized profit reserve) exceeded the share capital, by R\$1,529,371.

The capital increase was made through capitalization of the balance of R\$873,047 in the Retained Earnings reserve, by issuance of a stock bonus of 174,609,467 new shares (with par value R\$5.00, as per the by-laws), of which 58,366,345 are common shares and 116,243,122 are preferred shares.

b) Earnings per share

Due to the capital increase, on April 30, 2021, with issuance of 174,609,467 new shares, without a corresponding entry of funds into the Company, the basic and diluted profit per share are presented, retrospectively, considering the new number of Company's shares.

The number of shares included in the calculation of basic and diluted earnings per share, is described in the table below:

	Number of shares	
	Mar. 31, 2021	Mar. 31, 2020
Common shares already paid up	566,036,634	566,036,634
Shares in treasury	(79)	(79)
Total common shares	566,036,555	566,036,555
Preferred shares already paid up	1,127,325,434	1,127,325,434
Shares in treasury	(650,817)	(650,817)
Total preferred shares	1,126,674,617	1,126,674,617
Total	1,692,711,172	1,692,711,172

Basic earnings per share

The calculation of basic and diluted earnings per share is as follows:

	Mar. 31, 2021	Mar. 31, 2020 (restated)
Net income (loss) for the period (A)	422,032	(68,402)
Total earnings (B)	1,692,711,172	1,692,711,172
Basic earnings per share (A/B) (R\$)	0.25	(0.04)

Diluted earnings per share

The option to sell investments described in Note 30 have potentially dilute basic profit (loss) per share. The following shows the calculation of diluted profit per share:

	Mar. 31, 2021	Mar. 31, 2020 (restated)
Net income (loss) for the period (A)	422,032	(68,402)
Dilution effect related to the SAAG Option	(22,547)	-
Diluted earnings (loss) for the period (B)	399,485	(68,402)
Total earnings (C)	1,692,711,172	1,692,711,172
Diluted earnings per share (B/C) (R\$)	0.24	(0.04)

26. REVENUE

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.

Consolidated	Mar. 31, 2021	Mar. 31, 2020 (restated)
Revenue from supply of energy (a)	6,951,837	6,767,438
Revenue from use of the electricity distribution systems (TUSD) (b) CVA, and Other financial components (c)	836,735	724,371
Reimbursement of PIS/Pasep and Cofins over ICMS credits to customers— realization (1)	338,907	(54,602)
Transmission revenue	178,373	-
Transmission operation and maintenance revenue (d)	89,162	76,597
Transmission construction revenue (d)	22,451	61,241
Interest revenue arising from the financing component in the transmission contract asset (d) (Note 14)	157,255	71,580
Distribution construction revenue	329,309	263,073
Adjustment to expectation of cash flow from indemnifiable financial assets of distribution concession (e)	10,906	724
Revenue on financial updating of the Concession Grant Fee (f)	124,560	99,892
Transactions in energy on the CCEE (g)	107,045	87,824
Supply of gas	705,185	559,660
Fine for violation of service continuity indicator	(30,569)	(17,199)
Other operating revenues (h)	412,862	413,469
Deductions on revenue (i)	(3,123,277)	(3,012,084)
Net operating revenue	7,110,741	6,041,984

(1) For more information, see Note 9a.

a) Revenue from energy supply

These items are recognized upon delivery of supply, based on the tariff specified in the contractual terms and approved by the grantor for each class of customer or in effect in the market. Unbilled supply of energy, from the period between the last billing and the end of each month, is estimated based on the supply contracted. For the distribution concession contract, the unbilled supply is estimated based on the volume of energy delivered but not yet billed.

This table shows energy supply by type of customer:

	MWh (1)		R\$	
	Mar. 31, 2021	Mar. 31, 2020	Mar. 31, 2021	Mar. 31, 2020
Residential	2,875,007	2,785,000	2,659,585	2,559,054
Industrial	3,801,715	3,343,944	1,210,151	1,047,152
Commercial, services and others	2,105,940	2,443,717	1,320,731	1,440,399
Rural	844,374	775,005	534,815	472,819
Public authorities	186,717	217,006	137,104	157,868
Public lighting	355,356	339,494	211,955	152,776
Public services	347,115	335,474	194,880	178,663
Subtotal	10,516,224	10,239,640	6,269,221	6,008,731
Own consumption	8,560	9,406	-	-
Unbilled revenue	-	-	5,794	(152,833)
	10,524,784	10,249,046	6,275,015	5,855,898
Wholesale supply to other concession holders (2)	2,716,110	3,224,555	750,541	862,360
Wholesale supply unbilled, net	-	-	(73,719)	49,180
Total	13,240,894	13,473,601	6,951,837	6,767,438

(1) Data not reviewed by external auditors.

(2) Includes a CCEAR (Regulated Market Sales Contract), '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) Revenue from Use of the Distribution System (the TUSD charge)

These are recognized upon the distribution infrastructure become available to customers, and the fair value of the consideration is calculated according to the TUSD tariff of those customers, set by the regulator. The total amount of energy transported, in MWh, is as follows:

	MWh (1)	
	Mar. 31, 2021	Mar. 31, 2020
Industrial	4,982,862	4,520,139
Commercial	366,150	354,000
Rural	9,787	7,229
Public service	651	-
Concessionaires	72,117	71,813
Total	5,431,567	4,953,181

(1) Data not reviewed by external auditors

c) The CVA account, and Other financial components

The results from variations in the CVA account (*Parcel A Costs Variation Compensation Account*), and in *Other financial components* in calculation of tariffs, refer to the positive and negative differences between the estimated non-manageable costs of the subsidiary Cemig D and the cost actually incurred. The amounts recognized arise from balances recorded in the current period, homologated or to be homologated in tariff adjustment processes. For more information please see Note 13.

d) 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 14.

- 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 the 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:

	Mar. 31, 2021	Mar. 31, 2020
Construction and upgrades revenue	22,451	61,241
Construction and upgrades costs	(19,065)	(47,198)
Margin	3,386	14,043
Mark-up (%)	17.76%	29.75%
Operation and maintenance revenue	89,162	76,597
Operation and maintenance cost	(67,100)	(58,969)
Margin	22,062	17,628
Mark-up (%)	32.88%	29.89%

e) Adjustment to expected cash flow from financial assets on residual value of infrastructure assets of distribution concessions

Income from monetary updating of the Regulatory Remuneration Asset Base.

f) Revenue on financial updating of the 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. See Note 13.

g) Energy transactions on the CCEE (Power Trading Chamber)

The revenue from transactions made through the Power Trading Chamber (*Câmara de Comercialização de Energia Elétrica*, or CCEE) is the monthly 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 energy sold at the Spot Price.

h) Other operating revenues

Consolidated	Mar. 31, 2021	Mar. 31, 2020
Charged service	3,982	3,755
Services rendered	13,309	34,448
Subsidies (1)	337,234	335,344
Rental and leasing	47,112	39,755
Other	11,225	167
	412,862	413,469

(1) Includes the revenue recognized for the tariff subsidies applied to users of the distribution system, in accordance with the Decree n.7,891/2013, in the amount of R\$247,847 on March 31, 2021 (R\$281,019 on March 31, 2020). Includes the subsidies for sources that are subject to incentive, rural, irrigators, public services and the generation sources that are subject to the incentive; and also includes the tariff flag revenue in the amount of R\$18,475 on March 31, 2021, recognized because of the creditor position assumed by the Company in CCRBT.

i) Deductions on revenue

Consolidated	Mar. 31, 2021	Mar. 31, 2020 (restated)
Taxes on revenue		
ICMS	1,651,452	1,601,906
Cofins	612,850	544,563
PIS/Pasep	133,051	118,454
Others	836	1,758
	2,398,189	2,266,681
Charges to the customer		
Global Reversion Reserve (RGR)	3,690	3,949
Energy Efficiency Program (PEE)	25,422	16,905
Energy Development Account (CDE)	674,869	609,710
Research and Development (R&D)	13,710	11,278
National Scientific and Technological Development Fund (FNDCT)	13,710	11,278
Energy System Expansion Research (EPE of MME)	6,855	5,639
Customer charges – Proinfa alternative sources program	16,335	7,716
Energy services inspection fee	9,638	7,707
Royalties for use of water resources	8,879	11,638
Customer charges – the 'Flag Tariff' system	(48,020)	59,583
	725,088	745,403
	3,123,277	3,012,084

27. OPERATING COSTS AND EXPENSES

The operating costs and expenses of the Company and its subsidiaries are as follows:

	Consolidated		Parent company	
	Mar. 31, 2021	Mar. 31, 2020 (restated)	Mar. 31, 2021	Mar. 31, 2020
Personnel	307,454	311,606	6,301	6,196
Employees' and managers' profit sharing	29,514	25,840	2,270	3,240
Post-employment benefits – Note 23	106,683	105,405	12,094	11,675
Materials	20,850	18,625	8	27
Outsourced services (a)	342,434	299,081	2,709	7,305
Energy bought for resale (b)	3,108,114	2,814,495	-	-
Depreciation and amortization (1)	238,431	242,752	451	776
Operating provisions (reversals) and adjustments for operating losses (c)	24,204	159,116	10,200	1,842
Charges for use of the national grid	746,312	365,012	-	-
Gas bought for resale	387,525	311,925	-	-
Construction costs (d)	348,375	310,271	-	-
Other operating expenses, net (e)	77,000	54,005	7,087	3,900
	5,736,896	5,018,133	41,120	34,961

- (1) Net of PIS/Pasep and Cofins taxes applicable to amortization of the Right of Use, in the amount of R\$140 in the statements and R\$2 in the Parent company statements.

For details about the discontinued operating costs and expenses, see Note 32.

a) Outsourced services

	Consolidated		Parent company	
	Mar. 31, 2021	Mar. 31, 2020	Mar. 31, 2021	Mar. 31, 2020
Meter reading and bill delivery	31,174	32,050	-	-
Communication	40,492	31,527	55	82
Maintenance and conservation of electrical facilities and equipment	124,042	116,124	4	4
Building conservation and cleaning	16,799	15,841	38	43
Security services	3,157	4,530	-	-
Auditing and consulting services	9,276	10,787	1,590	6,128
Information technology	25,261	13,876	325	294
Disconnection and reconnection	16,007	11,229	-	-
Legal services	4,193	3,776	306	148
Tree pruning	10,805	9,028	-	-
Cleaning of power line pathways	24,407	14,772	-	-
Copying and legal publications	2,832	4,603	11	7
Inspection of customer units	5,602	3,789	-	-
Other expenses	28,387	27,149	380	599
	342,434	299,081	2,709	7,305

b) Energy purchased for resale

Consolidated	Mar. 31, 2021	Mar. 31, 2020
Supply from Itaipu Binacional	487,525	427,812
Physical guarantee quota contracts	202,065	189,833
Quotas for Angra I and II nuclear plants	61,144	75,742
Spot market	39,332	381,937
Proinfa Program	95,500	77,933
'Bilateral' contracts	84,987	79,176
Energy acquired in Regulated Market auctions	1,122,835	819,439
Energy acquired in the Free Market	1,035,843	843,106
Distributed generation ('Geração distribuída')	255,024	173,481
PIS/Pasep and Cofins credits	(276,141)	(253,964)
	3,108,114	2,814,495

c) Operating provision (reversals)

	Consolidated		Parent company	
	Mar. 31, 2021	Mar. 31, 2020	Mar. 31, 2021	Mar. 31, 2020
Estimated losses on doubtful accounts receivables (Note 7) (1)	43,153	99,740	-	-
Estimated losses on other accounts receivables (2)	(11,000)	-	-	-
Contingency provisions (reversals) (Note 24) (2)				
Labor claims	21,605	7,313	8,155	(1,846)
Civil	9,955	16,311	253	767
Tax	(29,322)	12,434	2,264	2,273
Other	2,980	2,506	(472)	648
	5,218	38,564	10,200	1,842
	37,371	138,304	10,200	1,842
Adjustment for losses				
Put option – SAAG (Note 30)	(13,167)	20,812	-	-
	(13,167)	20,812	-	-
	24,204	159,116	10,200	1,842

- (1) The expected losses on receivables are presented as selling expenses in the Statement of Income.
(2) The provisions for contingencies of the holding company are presented in the consolidated profit and loss account for the period as operating expenses.

d) Construction infrastructure costs

Consolidated	Mar. 31, 2021	Mar. 31, 2020
Personnel and managers	15,014	16,923
Materials	181,036	156,950
Outsourced services	130,039	99,983
Others	22,286	36,415
	348,375	310,271

e) Other operating expenses, net

	Consolidated		Parent company	
	Mar. 31, 2021	Mar. 31, 2020 (restated)	Mar. 31, 2021	Mar. 31, 2020
Leasing and rentals	1,608	2,110	3	221
Advertising	268	1,215	(12)	-
Subsidies and donations	1,007	1,672	-	-
Onerous concession	792	680	-	-
Insurance	7,330	6,061	959	685
CCEE annual charge	1,483	1,474	-	-
Net loss (gain) on deactivation and disposal of assets	11,804	6,433	-	-
Forluz – Administrative running cost	7,552	7,304	373	360
Collection agents	20,918	21,998	-	-
Obligations deriving from investment contracts (1)	5,379	-	-	-
Taxes and charges	3,936	4,781	353	617
Other expenses	14,923	277	5,411	2,017
	77,000	54,005	7,087	3,900

- (1) 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 an equity interest. The total value of the contingencies is R\$134 million (R\$119 million at December 31, 2020, of which Cemig GT's portion is R\$47 million (R\$41 million on December 31, 2020).

28. FINANCE INCOME AND EXPENSES

	Consolidated		Parent company	
	Mar. 31, 2021	Mar. 31, 2020	Mar. 31, 2021	Mar. 31, 2020
FINANCE INCOME				
Income from financial investments	31,613	18,166	7,912	1,373
Interest on sale of energy	114,784	92,072	-	-
Monetary variations	6,693	3,650	1,042	-
Monetary variations – CVA (Note 13)	-	11,643	-	-
Monetary updating of escrow deposits	2,507	16,360	490	5,696
PIS/Pasep and Cofins charged on finance income (1)	(15,838)	(8,794)	(8,566)	(454)
Gains on financial instruments –swap (Note 30)	-	1,314,240	-	-
Monetary updating on PIS/Pasep and Cofins taxes credits over ICMS (Note 8) (3)	-	14,849	809	1,909
Others	14,656	20,549	1,563	776
	154,415	1,482,735	3,250	9,300
FINANCE EXPENSES				
Charges on loans and financings (Note 21)	(326,027)	(311,300)	(266)	(542)
Cost of debt – amortization of transaction cost (Note 21)	(4,137)	(3,545)	(55)	(51)
Foreign exchange variations - loans and financing (Note 21)	(751,781)	(1,756,536)	-	-
Foreign exchange variations – Itaipu	(16,963)	(34,009)	-	-
Monetary updating – loans and financings (Note 21)	(84,174)	(68,445)	-	-
Monetary updating on PIS/Pasep and Cofins taxes credits over ICMS (3)	(6,784)	-	-	-
Monetary updating – onerous concessions	(3,893)	(691)	-	-
Charges and monetary updating on post-employment obligations (Note 23)	(18,376)	(17,333)	(904)	(853)
Loss on financial instruments –swap (Note 30)	(187,348)	-	-	-
Leasing – Monetary variation (Note 18)	(6,332)	(6,999)	(63)	(79)
Others (2)	(13,820)	(10,623)	(527)	(3)
	(1,419,635)	(2,209,481)	(1,815)	(1,528)
NET FINANCE INCOME (EXPENSES)	(1,265,220)	(726,746)	1,435	7,772

(1) The PIS/Pasep and Cofins expenses apply to Interest on Equity.

(2) Includes a negative amount of R\$1,541 for monetary updating of the CVA. For more information, see Note 13.

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

29. RELATED PARTY TRANSACTIONS

Cemig's main balances and transactions with related parties and its jointly-controlled entities are as follows:

COMPANY	ASSETS		LIABILITIES		REVENUE		EXPENSES	
	Mar. 31, 2021	Dec. 31, 2020	Mar. 31, 2021	Dec. 31, 2020	Mar. 31, 2021	Mar. 31, 2020	Mar. 31, 2021	Mar. 31, 2020
Shareholder								
Minas Gerais State Government								
Current								
Customers and traders (1)	328,220	334,824	-	-	32,630	39,507	-	-
Non-current								
Accounts Receivable – AFAC (2)	12,573	11,614	-	-	959	1,942	-	-
Affiliated (3)								
Madeira Energia								
Current								
Transactions with energy (4)	8,489	2,173	134,717	92,054	24,815	6,505	(411,740)	(270,316)
Jointly-controlled entity (3)								
Aliança Geração								
Current								
Transactions with energy (4)	8	-	17,137	14,297	11,012	9,872	(46,027)	(40,886)
Provision of services (5)	426	323	-	-	1,336	1,123	-	-
Interest on Equity, and dividends	114,430	114,430	-	-	-	-	-	-
Contingency (6)	-	-	46,755	41,376	-	-	(5,379)	-
Baguari Energia								
Current								
Transactions with energy (4)	-	-	927	922	-	-	(2,265)	(1,977)
Provision of services (5)	211	211	-	-	-	239	-	-
Interest on Equity, and dividends	10,835	-	-	-	-	-	-	-
Norte Energia								
Current								
Transactions with energy (4)	130	130	33,782	25,154	6,969	6,927	(80,621)	(54,310)
Advance for future power supply (7)	-	-	-	-	-	-	-	(9,966)
Lightger								
Current								
Transactions with energy (4)	-	-	2,226	1,646	-	-	(6,461)	(5,066)
Interest on Equity, and dividends	2,996	-	-	-	-	-	-	-
Hidrelétrica Pipoca								
Current								
Transactions with energy (4)	-	-	3,137	2,728	-	-	(9,107)	(3,159)
Interest on Equity, and dividends	2,680	2,680	-	-	-	-	-	-
Retiro Baixo								
Current								
Transactions with energy (4)	464	-	587	144	1,392	1,259	(1,738)	-
Interest on Equity, and dividends	3,929	-	-	-	-	-	-	-
Hidrelétrica Cachoeirão								
Current								
Transactions with energy (4)	-	-	-	-	453	449	-	-
Interest on Equity, and dividends	2,315	-	-	-	-	-	-	-
Renova								
Non-current								
Loans from related parties (8)	-	-	-	-	-	408	-	-
Taesa								
Current								
Transactions with energy (4)	-	-	7,987	8,128	60	-	(27,075)	(23,398)
Provision of services (5)	243	289	-	-	310	148	-	-
Interest on Equity, and dividends	22,961	-	-	-	-	-	-	-
Hidrelétrica Itaocara								
Current								
Adjustment for losses (9)	-	-	29,890	29,615	-	-	-	-
Axxiom								
Current								
Provision of services (10)	-	-	2,820	3,782	-	-	-	-
Other related parties								

COMPANY	ASSETS		LIABILITIES		REVENUE		EXPENSES	
	Mar. 31, 2021	Dec. 31, 2020	Mar. 31, 2021	Dec. 31, 2020	Mar. 31, 2021	Mar. 31, 2020	Mar. 31, 2021	Mar. 31, 2020
FIC Pampulha								
Current								
Cash and cash equivalents	525,818	171,372	-	-	-	-	-	-
Marketable securities	2,235,592	3,355,688	-	-	37,441	12,132	-	-
Non-current								
Marketable securities	599,074	754,555	-	-	-	-	-	-
Forluz								
Current								
Post-employment obligations (11)	-	-	162,404	158,671	-	-	(50,132)	(51,446)
Supplementary pension contributions – Defined contribution plan (12)	-	-	-	-	-	-	(17,439)	(19,968)
Administrative running costs (13)	-	-	-	-	-	-	(7,551)	(7,304)
Operating leasing (14)	165,256	166,926	21,754	21,754	-	-	(2,405)	(10,904)
Non-current								
Post-employment obligations (11)	-	-	2,739,609	2,749,824	-	-	-	-
Operating leasing (14)	-	-	155,944	156,207	-	-	-	-
Cemig Saúde								
Current								
Health Plan and Dental Plan (15)	-	-	161,742	154,152	-	-	(64,290)	(60,196)
Non-current								
Health Plan and Dental Plan (15)	-	-	3,245,449	3,229,265	-	-	-	-

The main conditions and characteristics of interest with reference to the related party transactions are:

- Refers to sale of energy supply to the Minas Gerais State government. The price of the supply is set by the grantor (Aneel) through a Resolution relating to the annual tariff adjustment of Cemig D. In 2017 the government of Minas Gerais State signed a debt recognition agreement with Cemig D for payment of debits relating to the supply of power due and unpaid, in the amount of R\$113,032, up to November 2019. Twenty installments were unpaid at March 31, 2021. These receivables have guarantee in the form of Cemig's right to retain dividends and Interest on Equity otherwise payable to the State (in proportion to the State's equity interest in the Company), for as long as any payments are overdue or in default. On March, 31, 2021, Cemig D obtained authorization from the Minas Gerais State Finance Secretary to offset part of the ICMS tax payable to the state against the debt owed by the State government to the company, under State Law 23,705/2020. The amount is to be offset in 21 equal monthly installments of approximately R\$10.5 million;
- This refers to the recalculation of the inflation adjustment of amounts relating to the Advance against Future Capital Increase (AFAC), which were returned to the State of Minas Gerais. These receivables have guarantee in the form of Cemig's right to retain dividends and Interest on Equity otherwise payable to the State (in proportion to the State's equity interest in the Company), for as long as any payments are overdue or in default. For further information, see Note 10.
- The relationship between Cemig and its investees are described in Note 15 – Investments.
- The transactions in sale and purchase of energy between generators and distributors take place through auctions in the Regulated Market, and are organized by the federal government. In the Free Market, transactions are made through auctions or through direct contracting, under the applicable legislation. Transactions for transport of energy, on the other hand, are carried out by transmission companies and arise from the centralized operation of the National Grid, executed by the National System Operator (ONS).
- Refers to a contract to provide plant operation and maintenance services.
- 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\$134 million (R\$119 million on December 31, 2020), of which Cemig's portion is R\$47 million (R\$41 million on December 31, 2020).
- Refers to advance payments for energy supply made in 2019 to Norte Energia, established by auction and by contract registered with the CCEE (Power Trading Chamber). Norte Energia delivered contracted supply until December 31, 2020.
- On November 25, 2019, December 27, 2019 and January 27, 2020, DIP loan contracts under court-supervised reorganization proceedings, referred to as 'DIP' and 'DIP 2', 'DIP 3' were entered into between the Company and Renova Energia S.A., in the amounts of R\$10 million, R\$6.5 million and R\$20 million, respectively. The contracts specify interest equal to 100% of the accumulated variation in the DI rate, plus an annual spread, applied pro rata die (on 252-business-days basis), of 1.083% for the DIP contract, 2.5% for the DIP2 contract and 1.5% for the DIP3, until the date of respective full payment. The Company recognized an impairment loss for the receivables from Renova, of its total carrying amount of R\$37,361, in the second semester of 2020. For further information, see Note 15 (c).
- A liability was recognized corresponding to the Company's interest in the share capital of Hidrelétrica Itaocara, due to its negative equity (see Note 15).
- This refers to a contract for development of management software between Cemig D and Axiom Soluções Tecnológicas S.A., instituted in Aneel Dispatch 2657/2017;
- The contracts of Forluz are updated by the Expanded Customer Price Index (*Índice Nacional de Preços ao Consumidor Amplo*, or IPCA) calculated by the Brazilian Geography and Statistics Institute (IBGE) plus interest of 6% p.a. and will be amortized up to the business year of 2031 (see Note 23).
- 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.
- 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.
- Rental of the Company's administrative head offices, in effect until November 2020 and August 2024 (able to be extended every five years, up to 2034), with annual inflation adjustment by the IPCA index and price reviewed every 60 months. Aiming at costs reduction, in November 2019, Cemig returned the Aureliano Chaves building 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.
- Post-employment obligations relating to the employees' health and dental plan (see Note 23).

Dividends receivable

Dividends receivable	Consolidated		Parent company	
Cemig GT	-	-	891,998	891,998
Cemig D	-	-	383,101	309,434
Gasmig	-	-	9,596	-
Centroeste	-	-	11,038	-
Light	71,206	71,206	71,206	71,206
Taesá	22,961	-	22,961	-
Aliança Geração	114,430	114,430	-	-
Others (1)	23,076	2,691	240	240
	231,673	188,327	1,390,140	1,272,878

(1) The subsidiaries grouped in 'Others' are identified in the table above under "Interest on Equity, and Dividends".

Guarantees on loans, financing and debentures

Cemig has provided guarantees on loans, financing and debentures of the following related parties – not consolidated in the interim financial information because they relate to jointly-controlled entities or affiliated companies:

Related party	Relationship	Type	Objective	Mar.31, 2021	Maturity
Norte Energia (NESA)	Affiliated	Surety	Financing	2,585,799	2042
Norte Energia (NESA)/Light (1)	Jointly-controlled entity	Counter-guarantee	Financing	683,615	2042
Santo Antônio Energia S.A. (2)	Jointly-controlled entity	Surety	Debentures	463,591	2037
Santo Antônio Energia S.A.	Jointly-controlled entity	Guarantee	Financing	1,085,623	2034
Norte Energia (NESA)	Affiliated	Surety	Debentures	69,966	2030
				4,888,594	

(1) Counter-guarantee to Light, related to execution of guarantees of the Norte Energia financing.

(2) Corporate guarantee given by Cemig to Saesa.

At March 31, 2021, Management believes that there is no need to recognize any provisions in the Company's interim financial information for the purpose of meeting any obligations arising under these sureties and/or guarantees.

Cash investments in FIC Pampulha – the investment fund of Cemig and its subsidiaries and affiliates

Cemig and its subsidiaries and jointly-controlled entities invest part of their financial resources in an investment fund which has the characteristics of fixed income and obeys the Company's cash investment policy. The amounts invested by the fund are presented in Marketable securities line in current and non-current assets, or presented deducted from the Debentures line in current and non-current liabilities, in proportion to the Company's participation in the fund, of 98.23%, on March, 31, 2021.

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

Remuneration of key management personnel

The total costs of key personnel, comprising the Executive Board, the Fiscal Council, the Audit Committee and the Board of Directors, are within the limits approved at a General Shareholders' Meeting, and the effects on the income statements of the in period ended March 31, 2021 and 2020, are as follows:

	Mar. 31, 2021	Mar. 31, 2020
Remuneration	5,877	7,141
Profit sharing	1,303	1,336
Pension plans	380	342
Health and dental plans	54	70
Total	7,614	8,889

30. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

a) Financial instruments classification and fair value

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

	Level	Mar. 31, 2021		Dec. 31, 2020	
		Balance	Fair value	Balance	Fair value
Financial assets					
Amortized cost (1)					
Marketable securities – Cash investments	2	968,606	968,606	1,213,875	1,213,875
Customers and Traders; Concession holders (transmission service)	2	4,451,455	4,451,455	4,534,044	4,534,044
Restricted cash	2	63,448	63,448	63,674	63,674
Accounts receivable from the State of Minas Gerais (AFAC)	2	12,573	12,573	11,614	11,614
Concession financial assets – CVA (Parcel 'A' Costs Variation Compensation) Account and <i>Other financial components</i>	3	297,751	297,751	132,681	132,681
Reimbursement of tariff subsidies	2	87,836	87,836	88,349	88,349
Low-income subsidy	2	43,054	43,054	43,072	43,072
Escrow deposits	2	1,106,468	1,106,468	1,055,797	1,055,797
Concession grant fee – Generation concessions	3	2,606,537	2,606,537	2,549,198	2,549,198
		9,637,728	9,637,728	9,692,304	9,692,304
Fair value through profit or loss					
Cash equivalents – Cash investments		3,264,836	3,264,836	1,587,337	1,587,337
Marketable securities					
Bank certificates of deposit	2	-	-	545,366	545,366
Treasury Financial Notes (LFTs)	1	352,348	352,348	730,806	730,806
Financial Notes – Banks	2	1,527,738	1,527,738	1,635,016	1,635,016
		5,144,922	5,144,922	4,498,525	4,498,525
Derivative financial instruments (Swaps)	3	2,761,582	2,761,582	2,948,930	2,948,930
Derivative financial instruments (Ativas and Sonda Put options)	3	2,528	2,528	2,987	2,987
Concession financial assets – Distribution infrastructure	3	586,335	586,335	559,241	559,241
Reimbursements receivable – Generation	3	816,202	816,202	816,202	816,202
		9,311,569	9,311,569	8,825,885	8,825,885
		18,949,297	18,949,297	18,518,189	18,518,189
Financial liabilities					
Amortized cost (1)					
Loans, financing and debentures	2	(14,665,503)	(14,665,503)	(15,020,558)	(15,020,558)
Debt with pension fund (Forluz)	2	(452,854)	(452,854)	(472,559)	(472,559)
Deficit of pension fund (Forluz)	2	(543,472)	(543,472)	(540,142)	(540,142)
Concessions payable	3	(25,188)	(25,188)	(23,476)	(23,476)
Suppliers	2	(1,956,774)	(1,956,774)	(2,358,320)	(2,358,320)
Leasing transactions	2	(217,989)	(217,989)	(226,503)	(226,503)
Sector financial liabilities	2	(59,026)	(59,026)	(231,322)	(231,322)
		(17,920,806)	(17,920,806)	(18,872,880)	(18,872,880)
Fair value through profit or loss					
SAAG put options	3	(522,988)	(522,988)	(536,155)	(536,155)
		(18,443,794)	(18,443,794)	(19,409,035)	(19,409,035)

(1) On March 31, 2021 and December 31, 2020, the book values of financial instruments reflect their fair values.

At initial recognition the Company measures its financial assets and liabilities at fair value and classifies them according to the accounting standards currently in effect. *Fair value* is a measurement based on assumptions that market participants would use in pricing an asset or liability, assuming that market participants act in their economic best interest. To increase consistency and comparability in fair value measurements and related disclosures, the fair value hierarchy categorizes into three levels the inputs to valuation techniques used to measure fair value as follows:

- Level 1 – Active market – Quoted prices: A financial instrument is considered to be quoted in an active market if the prices quoted are promptly and regularly made available by an exchange or organized over-the-counter market, by operators, by brokers or by a market association, by entities whose purpose is to publish prices, or by regulatory agencies, and if those prices represent regular arm’s length market transactions made without any preference.

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

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

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

Fair value calculation of financial positions

Distribution infrastructure concession financial assets: These are measured at New Replacement Value (*Valor novo de reposição*, or VNR), according to criteria established by the Concession-granting power (‘Grantor’), based on fair value of the concession assets in service and which will be revertible at the end of the concession, and on the weighted average cost of capital (WACC) defined by the Grantor, which reflects the concession holder’s return on the operations of the concession. The VNR and the WACC are public information disclosed by the Grantor and by Cemig respectively. Changes in concession financial assets are disclosed in Note 13.

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.

Marketable securities: Fair value of marketable securities is determined taking into consideration the market prices of the investment, or market information that makes such calculation possible, considering future interest rates and exchange of investments to similar securities. The market value of the security is deemed to be its maturity value discounted to present value by the discount rate obtained from the market yield curve.

Put options: The Company adopted the Black-Scholes-Merton method for measuring fair value of the Ativas and Sonda options. The fair value of these options was calculated on the basis of the estimated exercise price on the day of exercise of the option, less the fair value of the underlying shares, also estimated for the date of exercise, brought to present value at the reporting date of interim financial information.

Swaps: 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 132.80% of the CDI rate – based on its most recent funding. For the loans, financing, debentures and debt renegotiated with Forluz, with annual rates between IPCA + 4.10% to 6.20% and CDI + 0.23% to 1.35%, Company believes that their carrying amount is approximated to their fair value.

b) Derivative financial instruments

Put options

On March 31, 2021 and December 31, 2020, the options values were as follows:

	Mar. 31, 2021	Dec. 31, 2020
Put option – SAAG	522,988	536,155
Put options – Ativas and Sonda	(2,528)	(2,987)
	<u>520,460</u>	<u>533,168</u>

Put option – SAAG

Option contracts were signed between Cemig GT 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.

A liability of R\$522,988 was recorded in the Company’s interim financial information, for the difference between the exercise price and the estimated fair value of the assets. Considering the early liquidation of Funds, and early maturity of put option, this amount was classified as current liabilities.

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

	Consolidated
Balance at December 31, 2020	536,155
Adjustment to fair value	(13,167)
Balance at March 31, 2021	522,988

This option can potentially dilute basic earning per share. More details, see note 25.

Early liquidation of Funds, and early maturity of put option

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

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

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

Thus, using the contractual prerogative contained in the option instruments, the Company invoked the contractual mechanism of Amicable Resolution for the contractual terms negotiation with the private pension plan entities. 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.

Sonda and Ativas options

The Company, as successor of CemigTelecom, and Sonda Procwork Outsourcing Informática signed a Purchase Option Agreement (issued by Cemig Telecom) and a Sale Option Agreement (issued by Sonda), which resulted in the Company simultaneously having a right (put option) and an obligation (call option) related to the shares held by the investee Ativas Datacenter S.A. ("Ativas"). The exercise price of the put option and the call option is equivalent to fifteen times and seventeen times, respectively, the adjusted net income of Ativas in the period prior to the exercise date. Both options, if exercised, result in the sale of the shares in Ativas, currently owned by the Company, and the exercise of one of the options results in nullity of the other. The options may be exercised as from January 1, 2021.

The put and call options in Ativas ('the Ativas Options') were measured at fair value and posted at their net value, i.e. the difference between the fair values of the two options on the reporting date of the interim financial information of March 31, 2021.

The measurement has been made using the Black-Scholes-Merton (BSM) model. In the calculation of the fair value of the Ativas Options based on the BSM model, the following variables are taken into account: closing price of the underlying asset on March 31, 2021; the risk-free interest rate; the volatility of the price of the underlying asset; the time to maturity of the option; and the exercise prices on the exercise date.

The valuation base date is March 31, 2021, the same date as the closing of the Company's interim financial information, and the methodology used to calculate the fair value of the company is discounted cash flow (DCF) based on the value of the shares transaction of Ativas by Sonda, occurred on October 19, 2016. Maturity was calculated assuming exercise date between January 1, 2022 and March 31, 2022. This is the first opportunity for the exercise of the option, which will be available at the same period of the following years, since the option grants the Company the right of selling to Sonda its interests held in Ativas, as of 2021.

Considering that the exercise prices of the options are contingent upon the future financial results of Ativas, the estimated exercise prices on the maturity date was based on statistical analyses and information of comparable listed companies.

Swap transactions

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

The derivative financial instruments contracted 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 are 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 March 31, 2021 was a negative adjustment of R\$187,348 (positive adjustment of R\$1,314,240 on March 31, 2020), which was posted in finance income (expenses).

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

This table presents the derivative instruments as of March 31, 2021 and December 31, 2020.

Assets (1)	Liability (1)	Maturity period	Trade market	Notional amount (2)	Unrealized gain / loss		Unrealized gain / loss	
					Carrying amount Mar. 31, 2021	Fair value Mar. 31, 2021	Carrying amount Dec. 31, 2020	Fair value Dec. 31, 2020
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	1,886,397	1,978,224	1,772,477	2,110,490
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	645,071	783,358	587,945	838,440
					2,531,468	2,761,582	2,360,422	2,948,930
Current asset						512,050		522,579
Non-current asset						2,249,532		2,426,351

- 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.
- In millions of US\$.

In accordance with market practice, Cemig GT 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 March 31, 2021 was R\$2,761,582 (R\$2,948,930 on December 31, 2020), which would be the reference if Cemig GT 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\$2,531,468 at March 31, 2021 (R\$2,360,422 on December 31, 2020).

Cemig GT 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, Cemig GT prepare a sensitivity analyses and estimates that in a probable scenario its results at March 31, 2022, would be negatively affected by the swap and call spread at the end of the period in the amount of R\$357,205. The fair value of the financial instrument will be R\$2,591,725, in which R\$1,717,728 refers to the option (call spread) and R\$873,997 refers to the swap.

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

Parent Company and Consolidated	Base scenario Mar. 31, 2021	'Probable' scenario:	'Possible' scenario exchange rate depreciation and interest rate increase 25%	'Remote' scenario: exchange rate depreciation and interest rate increase 50%
Swap (asset)	6,950,394	6,525,631	5,893,268	4,845,622
Swap (liability)	(5,774,504)	(5,651,634)	(5,754,206)	(5,851,436)
Option / Call spread	1,585,692	1,717,728	1,465,877	430,359
Derivative hedge instrument	2,761,582	2,591,725	1,604,939	(575,455)

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 is exposed are as follows:

Exchange rate risk

The Company and its subsidiaries are exposed to the risk of appreciation in exchange rates, with effect on loans and financing, suppliers (energy purchased from Itaipu) and cash flow. For Cemig GT debt denominated in foreign currency, were 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 Cemig GT exposures to market risk associated to this instrument is described in the topic "Swap transaction" of this Note. The risk exposure of Cemig D is mitigated by the account for compensation of variation of parcel A items (CVA).

The net exposure to exchange rates is as follows:

Exposure to exchange rates	Mar. 31, 2021		Dec. 31, 2020	
	Foreign currency	R\$	Foreign currency	R\$
US dollar				
Loans and financing (Note 21)	(1,554,858)	(8,858,490)	(1,513,592)	(7,865,684)
Suppliers (Itaipu Binacional) (Note 19)	(57,914)	(329,952)	(62,593)	(325,277)
	(1,612,772)	(9,188,442)	(1,576,185)	(8,190,961)
Net liabilities exposed		(9,188,442)		(8,190,961)

Sensitivity analysis

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

Risk: foreign exchange rate exposure	Base Scenario	'Probable' scenario US\$=R\$5.10	'Possible' scenario US\$= R\$6.38	'Remote' scenario US\$=R\$7.65
US dollar				
Loans and financings (Note 21)	(8,858,490)	(7,929,774)	(9,919,991)	(11,894,660)
Suppliers (Itaipu Binacional) (Note 19)	(329,952)	(295,360)	(369,490)	(443,040)
	(9,188,442)	(8,225,134)	(10,289,481)	(12,337,700)
Net liabilities exposed	(9,188,442)	(8,225,134)	(10,289,481)	(12,337,700)
Net effect of exchange rate fluctuation	-	963,308	(1,101,039)	(3,149,258)

Company has entered into swap operations to replace the exposure to the US dollar fluctuation with exposure to fluctuation in the CDI Rate, as described in more detail in the item 'Swap Transactions' in this Note.

Interest rate risk

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

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

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.

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

Risk: Exposure to domestic interest rate changes	Mar. 31, 2021	Dec. 31, 2020
Assets		
Cash equivalents – Cash investments (Note 5) – CDI	3,264,836	1,587,337
Marketable securities (Note 6) – CDI / SELIC	2,848,692	4,125,063
Restricted cash – CDI	63,448	63,674
CVA and in tariffs (Note 13) – SELIC	297,751	132,681
	6,474,727	5,908,755
Liabilities		
Loans, financing and debentures (Note 21) – CDI	(1,884,989)	(2,310,590)
Loans, financing and debentures (Note 21) – TJLP	(61,583)	(72,726)
Sector financial liabilities (note 13)	(59,026)	(231,322)
	(2,005,598)	(2,614,638)
Net assets exposed	4,469,129	3,294,117

Sensitivity analysis

In relation to the most significant interest rate risk, Company estimates that, in a probable scenario, at March 31, 2022 Selic and TJLP rates will be 5.50% and 5.12%, respectively. The Company has made a sensitivity analysis of the effects on its net income arising from increases in rates of 25% and 50% in relation to the ‘probable’ scenario. Fluctuation in the CDI rate accompanies the fluctuation of Selic rate.

Risk: Increase in Brazilian interest rates	Mar. 31, 2021	Mar. 31, 2022		
	Book value	‘Probable’ scenario Selic 5.50% TJLP 5.12%	‘Possible’ scenario Selic 4.13% TJLP 3.84%	‘Remote’ scenario Selic 2.75% TJLP 2.56%
Assets				
Cash equivalents (Note 5)	3,264,836	3,444,402	3,399,674	3,354,619
Marketable securities (Note 6)	2,848,692	3,005,370	2,966,343	2,927,031
Restricted cash	63,448	66,938	66,068	65,193
CVA and Other financial components – SELIC (Note 13)	297,751	314,127	310,048	305,939
	6,474,727	6,830,837	6,742,133	6,652,782
Liabilities				
Loans and financing (Note 21) – CDI	(1,884,989)	(1,988,663)	(1,962,839)	(1,936,826)
Loans and financing (Note 21) – TJLP	(61,583)	(64,736)	(63,948)	(63,160)
Sector financial liabilities (Note 13)	(59,026)	(62,048)	(61,293)	(60,537)
	(2,005,598)	(2,115,447)	(2,088,080)	(2,060,523)
Net assets (liabilities) exposed	4,469,129	4,715,390	4,654,053	4,592,259
Net effect of fluctuation in interest rates		246,261	184,924	123,130

Increase in inflation risk

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

Exposure to increase in inflation	Mar. 31, 2021	Dec. 31, 2020
Assets		
Concession financial assets related to Distribution infrastructure - IPCA (1)	586,335	559,241
Receivable from Minas Gerais state government (AFAC) – IGPM (Note 10 and 29)	12,573	11,614
Concession Grant Fee – IPCA (Note 13)	2,606,537	2,549,198
	3,205,445	3,120,053
Liabilities		
Loans, financing and debentures – IPCA and IGP-DI (Note 21)	(3,946,617)	(4,863,087)
Debt with pension fund (Forluz) – IPCA	(452,854)	(472,559)
Deficit of pension plan (Forluz) – IPCA	(543,472)	(540,142)
	(4,942,943)	(5,875,788)
Net assets (liabilities) exposed	(1,737,498)	(2,755,735)

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

Sensitivity analysis

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

Risk: increase in inflation	Mar. 31, 2021	Mar. 31, 2022		
	Amount Book value	‘Probable’ scenario IPCA 4.02% IGPM 3.85%	‘Possible’ scenario (25%) IPCA 5.03% IGPM 4.81%	‘Remote’ scenario (50%) IPCA 6.03% IGPM 5.78%
Assets				
Concession financial assets related to Distribution infrastructure – IPCA (1)	586,335	609,852	615,758	621,612
Accounts receivable from Minas Gerais state government (AFAC) – IGPM index (Note 10 and 29)	12,573	13,057	13,178	13,300
Concession Grant Fee – IPCA (Note 13)	2,606,537	2,711,320	2,737,646	2,763,711
	3,205,445	3,334,229	3,366,582	3,398,623
Liabilities				
Loans, financing and debentures – IPCA and IGP-DI (Note 21)	(3,946,617)	(4,105,271)	(4,145,132)	(4,184,598)
Debt agreed with pension fund (Forluz) – IPCA	(452,854)	(471,059)	(475,633)	(480,161)
Deficit of pension plan (Forluz)	(543,472)	(565,320)	(570,809)	(576,243)
	(4,942,943)	(5,141,650)	(5,191,574)	(5,241,002)
Net asset (liability) exposed	(1,737,498)	(1,807,421)	(1,824,992)	(1,842,379)
Net effect of fluctuation in IPCA and IGP–M indices		(69,923)	(87,494)	(104,881)

(1) Portion of the Concession financial assets relating to the Regulatory Remuneration Base of Assets ratified by the grantor (Aneel) after the 4th tariff review cycle.

Liquidity risk

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

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

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

Short-term investments must comply with investing principles established in the Company's Cash Investment Policy. These include applying its resources in private credit investment funds, without market risk, and investment of the remainder directly in bank CDs or repo contracts which earn interest at the CDI rate.

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

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

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

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, financing and debentures	59,893	591,073	1,790,603	13,058,363	1,721,256	17,221,188
Onerous concessions	299	590	2,549	11,755	15,118	30,311
Debt with pension plan (Forluz) (Note 23)	12,862	25,761	117,553	371,810	-	527,986
Deficit of the pension plan (FORLUZ) (Note 23)	5,682	11,444	52,100	301,173	509,882	880,281
	78,736	628,868	1,962,805	13,743,101	2,246,256	18,659,766
- Fixed rate						
Suppliers	1,723,588	231,616	1,570	-	-	1,956,774
	1,802,324	860,484	1,964,375	13,743,101	2,246,256	20,616,540

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, financing and debentures	-	-	50,274	-	-	50,274
Debt with pension plan (Forluz) (Note 23)	633	1,267	5,784	18,293	-	25,977
Deficit of the pension plan (FORLUZ) (Note 23)	280	563	2,563	14,818	25,086	43,310
	913	1,830	58,621	33,111	25,086	119,561
- Fixed rate						
Suppliers	1,612	-	-	-	-	1,612
	2,525	1,830	58,621	33,111	25,086	121,173

Credit risk

The distribution concession contract requires levels of service on a very wide basis within the concession area, and disconnection of supply of defaulting customers is permitted. Additionally, the Company uses numerous tools of communication and collection to avoid increase in default. These include: telephone contact, emails, text messages, collection letters, posting of customers with credit protection companies, and collection through the courts.

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

The allowance for doubtful accounts receivable recorded on March 31, 2021, considered to be adequate in relation to the credits in arrears receivable by the Company and its subsidiaries was R\$747,620.

Company and its subsidiaries manage the counterparty risk of financial institutions based on an internal policy, applied since 2004.

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

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

As a management instrument, the Company and its subsidiaries divide the investment of its funds into direct purchases of securities (own portfolio) and investment funds. The investment funds invest the funds exclusively in fixed income products, having companies of the Group as the only unit holders. They obey the same policy adopted in the investments for the Company's directly-held own portfolio.

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

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

Banks that exceed these thresholds are classified in three groups, in accordance with their equity value, plus a specific segment comprising those whose credit risk is associated only with federal government, and within this classification, limits of concentration by group and by institution are set:

Group	Equity	Limit per bank (% of equity)*
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%

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

Further to these points, Cemig also sets two concentration limits:

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

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

The Company's assessment concerning the risks and potential impacts of Covid-19 are disclosed in Note 1c.

Risk of over-contracting and under-contracting of energy supply

Sale or purchase of energy supply in the spot market to cover a positive or negative exposure of supply contracted, to serve the captive market of Cemig D, is an inherent risk to the energy distribution business. The regulatory agent limits for 100% pass-through to customers the exposure to the spot market, valued at the difference between the distributor's average purchase price and the spot price (PLD), is only the margin between 95% and 105% of the distributor's contracted supply. Any exposure that can be proved to have arisen from factors outside the distributor's control ('involuntary exposure') may also be passed through in full to customers. Company's management is continually monitors its contracts for purchase of energy supply to mitigate the risk of exposure to the spot market.

On April 07, 2020, Aneel expanded the limit of total amount of energy that can be declared by energy distributors in the process of the mechanism for the sale of surplus ('Mecanismo de Venda de Excedentes' - MVE), during 2020, from 15% to 30%, for the purpose of facilitating contractual reductions, considering the scenario caused by Covid-19 pandemic.

On May 18, 2020, the Decree 10,350/2020 authorized the creation and management of the *Covid Account* by the CCEE (Power Trading Chamber), whose purposes includes the coverage of the financial effects of over contracting caused by the pandemic. The amount estimated for this coverage was R\$212,473. The Decree also added a sub-item to Article 3 of the Decree 5,163/2004, reducing the charge arising from the effects of the Covid-19 pandemic, calculated in accordance with an Aneel regulation, as one of the possible items to be treated as involuntary over contracting, and as a result passed through to customers.

Risk of continuity of the concession

The risk to continuity of the distribution concession arises from the new terms included in the extension of Cemig D's concession for 30 years from January 1, 2016, as specified by Law 12,783/13. The extension introduced changes to the present contract, conditional upon compliance by the distributor with new criteria for quality, and for economic and financial sustainability.

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

Additionally, as from 2021, non-compliance with the quality criteria for three consecutive years, or the minimum parameters for economic/financial sustainability for two consecutive years, results in opening of proceedings for termination of the concession.

Due to the inspection carried out by Aneel, the indicators of efficiency criteria regarding service continuity were recalculated for the period from January 2016 to May 2019, resulting in a non-compliance of the annual global limit for the indicator DEC (Customer Unit Average Outage Duration) for the periods of 2016 and 2017. Once the DEC calculated for the period of 2019 also exceeded the regulatory global limit, the prohibition on declaration of dividends and interest on equity, provided in Article 2º of Aneel Normative Resolution 747/2016, was applied, limiting the amount of Cemig D dividend and interest on equity, isolated or jointly, to 25% of net income, less the amounts allocated to the legal reserve and the Contingency Reserve. It is important to note that the internal indicators (DECi and FECi) for maintaining the distribution concession were complied with in all periods.

The efficiency criteria for continuity of supply and for economic and for financial management, required to maintain the distribution concession, were met in the period ended March 31, 2021.

Hydrological risk

The greater part of the energy sold by the Company's subsidiaries is generated by hydroelectric plants. A prolonged period of drought 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 generation, or reduction of revenues due to reduction in consumption caused by implementation of wide-ranging programs for saving of energy. Prolongation of the generation of energy using the thermal plants could pressure costs of acquisition of supply for the distributors, causing a greater need for cash, and could result in future increases in tariffs.

Risk of debt early maturity

The Company's subsidiaries have loan contracts with restrictive covenants normally applicable to this type of transaction, related to compliance with a financial index. Non-compliance with these covenants could result in earlier maturity of debts.

On March, 31, 2021, the Company and its subsidiaries was compliant with all the covenants for financial index requiring half-yearly and annual compliance. More details in Note 21.

Capital management

This table shows comparisons of the Company's net liabilities and its equity:

	Consolidated		Parent company	
	Mar. 31, 2021	Dec. 31, 2020	Mar. 31, 2021	Dec. 31, 2020
Total liabilities	35,111,227	36,605,732	2,521,810	2,589,817
(-) Cash and cash equivalents	(3,332,411)	(1,680,397)	(1,777,947)	(422,647)
(-) Restricted cash	(63,448)	(63,674)	(351)	(349)
Net liabilities	31,715,368	34,861,661	743,512	2,166,821
Total equity	17,899,827	17,477,348	17,894,867	17,472,666
Net liabilities / equity	1.77	2.00	0.04	0.12

31. 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 also operates in the gas market, through its subsidiary Gasmig, and in other businesses with less impact on the results of its operations.

These segments are reflected in the Company's management, organizational structure, and monitoring of results.

As from 1° quarter of 2021, the Executive Board has begun to make a separate performance evaluation of the energy trading activity, using information on its results to support decisions on application of funds to this sector of the business. This change in the separation of details by operational segment as disclosed by the Company arises from the growing importance of the activity of this segment in the energy market for complying with and maintaining the Company's contractual obligations, especially after the reduction of the Company's own generation capacity – hence this decision on criteria for segregation, to obtain separate information on the profit and loss of this segment. The energy trading activity, as an operational segment, comprises purchase and sale of electricity in the Free and Regulated markets, and the activities related to its commercial and market procedures, including transactions on the Power Trading Exchange (CCEE).

In a further separation of segmented management and analysis, we are now monitoring and evaluating the results of the affiliated and jointly-controlled companies overseen by the department of the Chief Officer for Holdings ('CemigPar') as a single segment, evaluating Cemig's non-controlling stockholdings, in line with the Company's business strategies. The main aim of separation of this segment is to monitor compliance with the targets established by these companies, to ensure sustainability and maximization of their return for the company. The results of the subsidiaries Gasmig and Cemig Sim are also included in this segment, since their management and analysis of performance, too, is linked to the CemigPar management unit (the office of the Chief Officer for Holdings).

Thus, as from 1° quarter of 2021, the segment information started be presented separately into the following 5 reportable segments:

Generation: Comprise production of electricity from hydroelectric and wind facilities.

Transmission: Comprise construction, operation and maintenance of transmission lines and substations.

Trading: Comprise trading in electricity and provision of related services

Distribution: Comprise provision of electricity distribution services, including operation and maintenance of the related infrastructure and services.

Investees: Comprise management of the equity interests in which the company does not have stockholding control, in line with the Company's business strategies. The results of the subsidiaries Gasmig and Cemig Sim are also included in this segment, since their management, too, is linked to the CemigPar management unit (the office of the Chief Officer for Holdings).

Transfer of energy from the generation activity to the trading activity comprises a transaction between segments, since it consists of obtaining of revenue from the sale of electricity generated, and costs for purchase of electricity to be traded – these are measured at sale prices estimated in accordance with criteria based on the Company's model for management of these businesses, using market prices as a reference.

This table shows the segment information in the new segmentation base, for first quarter 2021 and 2020, on a consolidated basis:

INFORMATION BY SEGMENT AS OF AND FOR THE PERIOD ENDED MARCH 31, 2021

ACCOUNT/DESCRIPTION	ENERGY				INVESTEES	TOTAL	INTER SEGMENT TRANSACTIONS (1)	RECONCILIATION (2) (3)	TOTAL
	GENERATION	TRANSMISSION	TRADING	DISTRIBUTION					
NET REVENUE	737,997	226,450	1,380,435	4,661,974	580,061	7,586,917	(374,384)	(101,792)	7,110,741
COST OF ENERGY AND GAS	(141,367)	(49)	(1,262,728)	(2,913,613)	(387,525)	(4,705,282)	374,384	88,947	(4,241,951)
OPERATING COSTS AND EXPENSES									
Personnel	(33,768)	(27,188)	(5,227)	(212,509)	(26,656)	(305,348)	-	(2,106)	(307,454)
Employees' and managers' profit sharing	(3,110)	(2,757)	(542)	(20,097)	(3,008)	(29,514)	-	-	(29,514)
Post-employment obligations	(9,791)	(8,837)	(1,701)	(71,897)	(14,457)	(106,683)	-	-	(106,683)
Materials, outsourced services and others expenses (revenues)	(40,975)	(24,350)	(2,639)	(359,142)	(22,751)	(449,857)	-	9,573	(440,284)
Depreciation and amortization	(46,846)	(823)	(136)	(164,258)	(26,492)	(238,555)	-	124	(238,431)
Operating provisions (reversals)	(16,289)	(3,145)	584	(18,112)	7,504	(29,458)	-	5,254	(24,204)
Construction costs	-	(19,065)	-	(321,301)	(8,009)	(348,375)	-	-	(348,375)
Total cost of operation	(150,779)	(86,165)	(9,661)	(1,167,316)	(93,869)	(1,507,790)	-	12,845	(1,494,945)
OPERATING COSTS AND EXPENSES	(292,146)	(86,214)	(1,272,389)	(4,080,929)	(481,394)	(6,213,072)	374,384	101,792	(5,736,896)
Periodic tariff review, net	-	5,816	-	-	-	5,816	-	-	5,816
Gains arising from the sale of non-current asset held for sale	-	-	-	-	108,550	108,550	-	-	108,550
Equity in earnings of unconsolidated investees, net	62,645	-	-	-	56,042	118,687	-	-	118,687
OPERATING INCOME BEFORE FINANCE INCOME (EXPENSES)	508,496	146,052	108,046	581,045	263,259	1,606,898	-	-	1,606,898
Finance income	(432,234)	(217,394)	2,945	(39,455)	(579,082)	(1,265,220)	-	-	(1,265,220)
INCOME BEFORE INCOME TAX AND SOCIAL CONTRIBUTION TAX	76,262	(71,342)	110,991	541,590	(315,823)	341,678	-	-	341,678
Income tax and social contribution tax	14,951	23,491	(35,307)	(149,439)	226,977	80,673	-	-	80,673
NET INCOME (LOSS) FOR THE PERIOD	91,213	(47,851)	75,684	392,151	(88,846)	422,351	-	-	422,351
Equity holders of the parent	91,213	(47,851)	75,684	392,151	(89,165)	422,032	-	-	422,032
Non-controlling interests	-	-	-	-	319	319	-	-	319

(1) The only inter-segment transactions are from the generation to the trading segment, as explained above.

(2) The reconciliation between the published amounts for the segments and the accounting information on revenue and costs indicates the transactions between the consolidated companies (eliminations).

(3) The information on operational costs and expenses separated by type is segregated in accordance with the internal business model, which has immaterial differences in relation to the accounting information.

INFORMATION BY SEGMENT AS OF AND FOR THE PERIOD ENDED MARCH 31, 2020

ACCOUNT/DESCRIPTION	ENERGY				INVESTEEES	TOTAL	INTER SEGMENT TRANSACTIONS (1)	RECONCILIATION (2) (3)	TOTAL
	GENERATION	TRANSMISSION (RESTATEO)	TRADING (1)	DISTRIBUTION					
CONTINUING OPERATIONS									
NET REVENUE	1,700,601	176,286	-	3,777,379	464,806	6,119,072	-	(77,088)	6,041,984
COST OF ENERGY AND GAS									
Energy bought for resale	(913,749)	-	-	(1,919,179)	-	(2,832,928)	-	18,433	(2,814,495)
Charges for use of the national grid	(49,434)	(56)	-	(372,581)	-	(422,071)	-	57,059	(365,012)
Gas bought for resale	-	-	-	-	(311,925)	(311,925)	-	-	(311,925)
Total	(963,183)	(56)	-	(2,291,760)	(311,925)	(3,566,924)	-	75,492	(3,491,432)
OPERATING COSTS AND EXPENSES									
Personnel	(46,219)	(28,839)	-	(215,679)	(20,869)	(311,606)	-	-	(311,606)
Employees' and managers' profit sharing	(3,769)	(2,430)	-	(16,401)	(3,240)	(25,840)	-	-	(25,840)
Post-employment obligations	(12,188)	(10,339)	-	(71,202)	(11,676)	(105,405)	-	-	(105,405)
Materials, outsourced services and others expenses (revenues)	(33,579)	(13,267)	-	(313,466)	(12,995)	(373,307)	-	1,596	(371,711)
Depreciation and amortization	(51,189)	(1,250)	-	(163,082)	(27,231)	(242,752)	-	-	(242,752)
Operating provisions (reversals)	(28,438)	(2,844)	-	(125,748)	(2,086)	(159,116)	-	-	(159,116)
Construction costs	-	(47,198)	-	(248,407)	(14,666)	(310,271)	-	-	(310,271)
Total cost of operation	(175,382)	(106,167)	-	(1,153,985)	(92,763)	(1,528,297)	-	1,596	(1,526,701)
OPERATING COSTS AND EXPENSES	(1,138,565)	(106,223)	-	(3,445,745)	(404,688)	(5,095,221)	-	77,088	(5,018,133)
Fair value of business combination	-	51,736	-	-	-	51,736	-	-	51,736
Impairment (reversals) of assets held for sale	-	-	-	-	(609,160)	(609,160)	-	-	(609,160)
Equity in earnings of unconsolidated investees, net	9,799	-	-	-	72,143	81,942	-	-	81,942
OPERATING INCOME BEFORE FINANCE INCOME (EXPENSES)	571,835	121,799	-	331,634	(476,899)	548,369	-	-	548,369
Finance income	1,213,238	128,988	-	128,024	12,485	1,482,735	-	-	1,482,735
Finance expenses	(1,833,705)	(199,122)	-	(162,440)	(14,214)	(2,209,481)	-	-	(2,209,481)
INCOME BEFORE INCOME TAX AND SOCIAL CONTRIBUTION TAX	(48,632)	51,665	-	297,218	(478,628)	(178,377)	-	-	(178,377)
Income tax and social contribution tax	41,524	(3,057)	-	(100,629)	172,406	110,244	-	-	110,244
NET INCOME (LOSS) FOR THE PERIOD	(7,108)	48,608	-	196,589	(306,222)	(68,133)	-	-	(68,133)
Equity holders of the parent	(7,108)	48,608	-	196,589	(306,491)	(68,402)	-	-	(68,402)
Non-controlling interests	-	-	-	-	269	269	-	-	269

- (1) The results of the Trading business are presented in the Generation segment, since in 2020 this activity was considered to be an element of the generation business, and segregating it using the assumptions of the new segmentation base is impracticable. Thus, for 1Q20 we do not present the trading segment and there are no inter-segment transactions.
- (2) The reconciliation between the published amounts for the segments and the accounting information on revenue and costs indicates the transactions between the consolidated companies (eliminations).
- (3) The information on operational costs and expenses separated by type is segregated in accordance with the internal business model, which has immaterial differences in relation to the accounting information.

The information for assets by segment is not presented, because this is not part of the information made available to the Company's management.

As stated in Note 2.3, the effects of the retrospective application adjustments in balances for March 31, 2020 only affected the transmission segment.

32. ASSETS AND LIABILITIES AS HELD FOR SALE

On March 31, 2021 and December 31, 2020 assets and liabilities classified as held for sale, and the results of discontinued and continuing operations, were as follows:

Consolidated and Parent company – Statements of financial position	Mar. 31, 2021	Dec. 31, 2020
Assets held for sale – investment in an affiliate	-	1,258,111

Sale of retained investment in Light on January 2021

On January 22, 2021, the public offering of common shares in Light was completed. This offering comprises: (a) primary distribution of 68,621,264 new common shares in Light (“the Primary Offering”); and (b) a secondary distribution, of the Company shares, with restricted placement efforts. The Company sold its entire holding of shares in Light at R\$20.00 per share for a total of R\$1,372,425.

As a result, the Company recognized, in January, 2021, the gain before taxes of R\$108,550, considering the carrying amount of the non-current asset held for sale at the transaction date. The fiscal cost of the investment was adjusted for the tax calculation, pursuant to tax law, considering the equity value of the investment, plus the goodwill and the excess of net fair value of the investee’s identifiable assets and liabilities over the cost paid in the step-acquisitions.

Consolidated and Parent company	
Cemig’s shares	68,621,263
Sale price of the shares – January 21, 2021	20.00
Total value	1,372,425
Estimated cost to sell (0.42%) (1)	(5,764)
Fair value, less cost to sell on 01/22/2021	1,366,661
Non-current asset held for sale carrying amount in 12/31/2020	(1,258,111)
Gains arising from the sale of non-current asset held for sale	108,550
IRPJ and CSLL	(36,907)
Gain after taxes	71,643

(1) The estimated cost to sell includes financing, accounting and legal advices services.

33. NON-CASH TRANSACTIONS

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

- Capitalized financial costs of R\$6,538 on the period ended on March 31, 2021 (R\$16,698 on March 31, 2020);
- Except for the cash arising from the business combination, in the amount of R\$27,110, and the payment of R\$44,775, the acquisition of the Centroeste's remaining equity interest did not generate effects in the Company's cash flow, in the 1^o quarter of 2020;
- Lease addition in the amount of R\$1,488 on March 31, 2021.

34. SUBSEQUENT EVENTS

2021 Programmed Voluntary Retirement Plan ('PDVP')

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

Process of evaluating disinvestment strategies

As disclosed in the Material Announcement of May 6, 2021, by continuing the process of evaluating disinvestment structures of its entire equity interest in Taesa, the transaction will be effected by a special Auction to be held in the location and according to the rules specified by the São Paulo stock exchange (B3).

Cemig intends to carry out the Transaction in accordance with the tentative timetable below, which does not in any way bind the Company, nor Taesa. The definitive timetable of the Transaction will be contained in the Auction Announcement to be published at the opportune time.

Principal phases	Dates
Period for diligence by potential acquirers	05/06/2021 to 07/30/2021
Publication of the Auction Announcement, with details of the terms and conditions of the Transaction	First half of June, 2021
Delivery of envelopes for participation in the Auction, including one with the financial proposals for acquisition of the entire equity interest of Cemig in Taesa	Until July 30, 2021
Ratification of the result of the Auction	By August, 2021)

After ratification of the result of the Auction, further stages will be necessary for the transaction, including signature of the related share purchase agreement, and compliance with the applicable precedent conditions.

The competitive procedure organization should not be considered as an obligation on the part of the Company to hold the auction, nor as an announcement of a public offering for distribution of securities. The Company can revoke or alter this tentative timetable at any time, and the conditions and characteristics of the transaction of disinvestment structures of its entire equity interest in Taesa, which depends on corporate approvals necessary for the transaction.

Gasmig tariff adjustment

By Resolution 23 of April 29, 2021, the Minas Gerais State Economic Development Department (SEDE) approved new tariffs to be applied by Gasmig for the various consumer categories: from May 1, 2021 for the industrial, natural gas, industrial compressed gas, and co-generation user categories; and from June 3, 2021 for the automotive industry. This resulted in an average increase of 21% over the tariffs in effect since April 2021. This increase was made in reference to the variation in the cost of gas acquired by the Company.

CONSOLIDATED RESULTS **(Figures in R\$ '000 unless otherwise indicated)**

Net income for the period

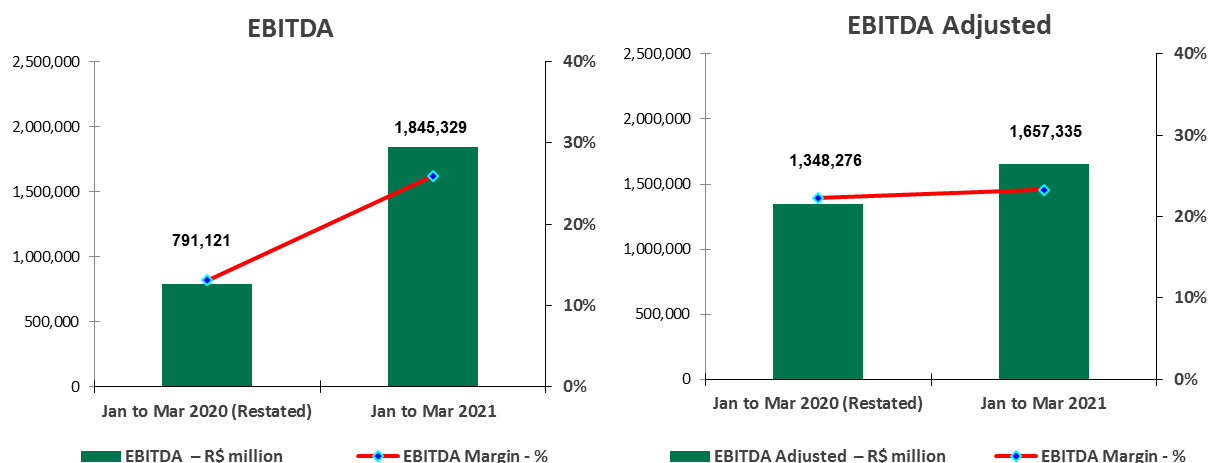
From January to March 2021, Cemig reports profit of R\$422,351, compared to a loss of R\$68,133 (restated) in the same period in 2020. The higher profit in 2021 basically reflects the higher revenues in 1Q21, and also recognition in 2020 of an impairment (net of tax) of R\$402,046 in Assets held for sale. The following items describe the main variations between the two periods in revenues, costs, expenses and financial items.

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

Cemig's consolidated adjusted Ebitda, with the removal of non-recurrent items, higher in 22.92% on first quarter of 2021 compared to the same period of 2020, whereas the adjusted Ebitda margin higher from 22.32% to 23.33%. Consolidated Ebitda higher 133.25% on first quarter of 2021 compared to the same period of 2020, whereas the Ebitda margin was 13.09% on first quarter of 2020 to 25.97% on the same period of 2021.

EBITDA - R\$'000	Jan to Mar 2021	Jan to Mar 2020 (Restated)	Change %
Net income for the period	422,351	(68,133)	-
+ Income tax and Social Contribution tax	(80,673)	(110,244)	(26.82)
+ Net financial revenue (expenses)	1,265,220	726,746	74.09
+ Depreciation and amortization	238,431	242,752	(1.78)
= Ebitda according to "CVM Instruction 527" (1)	1,845,329	791,121	133.25
Non-recurrent items			
+ Non-controlling interests	(319)	(269)	18.59
+ Impairment (reversals) of assets held for sale (Note 32)	-	609,160	-
+ Periodic Tariff Review adjustments	(5,816)	-	-
+ Obligations arising from investment contracts (Note 27)	5,379	-	-
+ Gains arising from the sale of non-current asset held for sale	(108,550)	-	-
+ Reversal of tax provisions	(78,688)	-	-
+ Result of business combination (note 15)	-	(51,736)	-
Ebitda Adjusted (2)	1,657,335	1,348,276	22.92

- (1) Ebitda is a non-accounting measure prepared by the Company, reconciled with its consolidated interim financial information in accordance with the specifications in CVM Circular SNC/SEP 01/2007 and CVM Instruction 527 of October 4, 2012. It comprises: net income adjusted for the effects of net financial revenue (expenses), depreciation, amortization and income tax and the social contribution tax. Ebitda is not a measure recognized by Brazilian GAAP nor by IFRS; it does not have a standard meaning; and it may be non-comparable with measures with similar titles provided by other companies. Cemig publishes Ebitda because it uses it to measure its own performance. Ebitda should not be considered in isolation or as a substitution for net income or operational profit, nor as an indicator of operational performance or cash flow, nor to measure liquidity nor the capacity for payment of debt.
- (2) The Company adjusts the EBITDA measured according to CVM Instruction 527 removing non-current items, which, because of their nature, do not contribute towards information on the potential of future cash generation, since they are extraordinary items.



The higher Ebitda in 1Q21 than 1Q20 mainly reflects net revenue 17.69% higher year-on-year, partially offset by operational costs, excluding depreciation and amortization, 12.87% higher YoY. The higher Ebitda – calculated in accordance with CVM Instruction 527/2012 – mainly reflects the impairment of assets held for sale in 1Q20, of R\$620,160, and also the positive effects on revenues in 1Q21.

The main items in revenue in the period, are as follow:

Revenue from supply of energy

Revenue from supply of energy from January to March 2021 was R\$6,951,837, 2.72% higher than the same period in 2020 (R\$6,767,438).

Final customers

Revenue from energy sold to final customers, excluding Cemig's own consumption, from January to March 2021 was R\$6,275,015, or 7.16% higher than the figure in the same period of 2020, R\$5,855,898.

Main factors:

- The annual tariff adjustment for Cemig D, effective July 1, 2020, with average upward effect on customer tariffs of 4.27%. As from August 19, 2020, the adjustment was recalculated, resulting in the adjustment having a null effect on customer tariffs, due to reimbursement to customers of R\$714,339, corresponding to the escrow deposits released after the success of Cemig's legal action (against which there is no further appeal), which recognized the right to exclude the ICMS amounts from the calculation basis of PIS/Pasep and Cofins taxes;
- increase of 2.70% in volume of sales to the final customers.

Cemig's energy market

The total for sales in Cemig's consolidated energy market comprises sales to: (i) Captive customers in Cemig's concession area in the State of Minas Gerais; (ii) Free Customers in both the State of Minas Gerais and other States of Brazil, in the Free Market (*Ambiente de Contratação Livre*, or ACL); (iii) other agents of the energy sector – traders, generators and independent power producers, also in the Free Market; (iv) Distributors, in the Regulated Market (*Ambiente de Contratação Regulada*, or ACR); and (v) the Power Trading Chamber (*Câmara de Comercialização de Energia Elétrica* – CCEE), eliminating transactions between companies of the Cemig Group.

This table details Cemig's market and the changes in sales of energy by customer category, comparing the period from January to March 2021 to the same period in 2020:

Revenue from supply of energy

	Jan to Mar 2021			Jan to Mar 2020			Charge %	
	MWh (2)	R\$	Average price billed (R\$/MWh) (1)	MWh (2)	R\$	Average price billed (R\$/MWh) (1)	MWh	R\$
Residential	2,875,007	2,659,585	925.07	2,785,000	2,559,054	918.87	3.23	3.93
Industrial	3,801,715	1,210,151	318.32	3,343,944	1,047,152	313.15	13.69	15.57
Commercial, Services and Others	2,105,940	1,320,731	627.15	2,443,717	1,440,399	589.43	(13.82)	(8.31)
Rural	844,374	534,815	633.39	775,005	472,819	610.09	8.95	13.11
Public authorities	186,717	137,104	734.29	217,006	157,868	727.48	(13.96)	(13.15)
Public lighting	355,356	211,955	596.46	339,494	152,776	450.01	4.67	38.74
Public services	347,115	194,880	561.43	335,474	178,663	532.57	3.47	9.08
Subtotal	10,516,224	6,269,221	596.15	10,239,640	6,008,731	586.81	2.70	4.34
Own consumption	8,560	-	-	9,406	-	-	(8.99)	-
Unbilled retail supply, net	-	5,794	-	-	(152,833)	-	-	(103.79)
	<u>10,524,784</u>	<u>6,275,015</u>	<u>596.21</u>	<u>10,249,046</u>	<u>5,855,898</u>	<u>571.36</u>	<u>2.69</u>	<u>7.16</u>
Wholesale supply to other concession holders (3)	2,716,110	750,541	276.33	3,224,555	862,360	267.44	(15.77)	(12.97)
Wholesale supply not yet invoiced, net	-	(73,719)	-	-	49,180	-	-	(249.90)
Total	<u>13,240,894</u>	<u>6,951,837</u>	<u>525.03</u>	<u>13,473,601</u>	<u>6,767,438</u>	<u>502.27</u>	<u>(1.73)</u>	<u>2.72</u>

(1) The calculation of the average price does not include revenue from supply not yet billed.

(2) Data not audited by external auditors. .

(3) Includes Regulated Market Energy Sale Contracts (CCEARs) and 'bilateral contracts' with other agents.

The following factors that contributed significantly to the decreased of 1.73% on the volume of energy sold are:

- Decrease of 13.82% in the volume of supply sold to the commercial customer category, reflecting the impact of the pandemic on economic activity, and thus on consumption. The lower volume in the captive market reflects the significant migration of consumers to Distributed Generation and the Free Market.
- Volume of supply to other concession holders 15.77% lower year-on-year, mainly due to the higher volume of sales through individual ('bilateral') short-term contracts to traders in the early months of 2020, and also the differences in seasonalization between distributors, which affects sales in the Regulated Market.
- the volume of energy sold to the industrial customer category was 13.69% higher, mainly reflecting new contracts for sales to Free Clients, starting supply in January 2021.

Revenue from Use of Distribution Systems (the TUSD charge)

This is revenue from charging Free Customers the Tariff for Use of the Distribution System (TUSD), on the volume of energy distributed. On January to March 2021, this was R\$836,735, compared to R\$724,371 in the same period of 2020 - increase of 15.51%.

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

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

	MWh		
	Mar. 31, 2021	Mar. 31, 2020	Charge %
Industrial	4,982,862	4,520,139	10.24
Commercial	366,150	354,000	3.43
Rural	9,787	7,229	35.39
Public service	651	-	-
Concessionaires	72,117	71,813	0.42
Total	5,431,567	4,953,181	9.66

CVA and Other financial components in tariff adjustments

These items are the recognition of the difference between actual non-controllable costs (in which the contribution to the CDE – the Energy Development Account and energy bought for resale, are significant components) and the costs that were used in calculating rates charged to customers. The amount of this difference is passed through to customers in the next tariff adjustment of Cemig D (the distribution company).

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

For further details, see Note 13.

Transmission concession revenue

Transmission revenue from Cemig GT and Centroeste 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\$89,162 on January to March 2021, or 16.40% more than the same period of 2020 (R\$76,597 - Restated). Revenues posted for construction, strengthening and enhancement of infrastructure totaled R\$22,451 on January to March 2021, 63.34% less than the same period of 2020 (R\$61,241 - Restated). This mainly reflects the lower investments in transmission, 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. At the same time, revenues from financial remuneration of transmission contract assets were 119.69% higher on January to March 2021, at R\$157,255, compared to R\$71,580 in the (re-presented) results for the same period of 2020 – mainly reflecting the increase in the remuneration base of the assets linked to contracts, as from the Periodic Tariff Review (RTP) ratified by Aneel on June 30, 2020 and December 30, 2020.

More details in Note 14.

Revenue from transactions in the Power Trading Chamber (CCEE)

Revenue from transaction with energy on the CCEE (Power Trading Chamber) was R\$107,045 on January to March 2021, compared to R\$87,824 in the same period of 2020, an increase of 21.89%. This higher amount is due to excess of energy in 1Q21, compared to deficit positions in 1Q20. In 1Q20 short-term bilateral sales were made that increased the Company's exposure on the CCEE.

Revenue from supply of gas

Cemig reports revenue from supply of gas totaling R\$705,185 on January to March 2021, compared to R\$559,660 in the same period of 2020 – 26.00% higher YoY. This basically reflects the increase on volume of gas sold was in fact 35.00% higher (at 337,576m³ on January to March 2021, vs. 250,136m³ in the same period of 2020), – under the influence, mainly, of the thermoelectric power generation, which consumption was 189.00% higher.

Construction revenue

Infrastructure construction revenue of distribution from January to March 2021 was R\$321,301, compared to R\$248,407 in the same period of 2020. This variation is mainly due to the execution of a larger proportion of the Investment Plan budget in assets related to distribution concession infrastructure, especially those related to the sub-transmission networks, in expansion, strengthening and enhancement of high-voltage infrastructure.

This revenue is fully offset by Construction costs, of the same amount, and corresponds to the Company's investments in assets of the concession in the period.

The construction revenues of the Transmission segment have been dealt with in topic *Transmission Concession Revenues*.

Other operating revenues

The other operating revenues line for the Company and its subsidiaries from January to March 2021 totaled R\$412,862, compared to R\$413,469 in the same period of 2020 – 0.15% lower YoY. See Note 26 for a breakdown of other operating revenues.

Taxes and regulatory charges reported as Deductions from revenue

The taxes and charges that are recorded as deductions from operating revenue totaled R\$3,123,277 on January to March 2021, or 3.69% more than the same period of 2020 (R\$3,012,084 - restated).

Customer charges – the 'Flag' Tariff system

The 'Flag' Tariff bands are activated as a result of low levels of water in the system's reservoirs – tariffs are temporarily increased due to scarcity of rain. The 'Red' band has two levels – Level 1 and Level 2. Level 2 comes into effect when scarcity is more intense. Activation of the flag tariffs generates an impact on billing in the subsequent month.

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

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

Other taxes and charges on revenue

The deductions and charges with the most significant impact on revenue are mainly taxes, calculated as a percentage of sales revenue. Thus their variations are, substantially, in proportion to the variations in revenue.

Operating costs and expenses (excluding financial income/expenses)

Operating costs and expenses totaled R\$5,736,896 from January to March 2021, or 14.32% more than the same period of 2020 (R\$5,018,133 - restated). See more on the breakdown of Operating costs and expenses in Note 27.

The following paragraphs comment on the main variations:

Personnel

The expense on personnel from January to March 2021 was R\$307,454, or 1.33% less than the same period of 2020 (R\$311,606). This variation results, mainly:

- Salary increase of 4.77% under the Collective Work Agreement, as from November 2020;
- Reduction of 4.97% in the average number of employees on January to March 2021, compared to the same period of 2020, 5,334 and 5,613, respectively.

Energy purchased for resale

The expense on energy purchased for resale from January to March 2021 was R\$3,108,114, or 10.43% more than in 2020 (R\$2,814,495). The difference is mainly:

- Expense on supply from Itaipu was 13.96% higher, at R\$487,525 from January to March 2021, compared to R\$427,812 in the same period of 2020. The difference is mainly due to the increase of 19.87% in the average dollar quotation from January to March 2021 compared to the same period of 2020 (R\$5.55 and R\$4.63, respectively), which has contributed to the rise in dollar energy price per KW (US\$28.07/KW on January to March 2021 and US\$28.41/KW in the same period of 2020);
- expenses on energy acquired at auction in the regulated market by Cemig D were 37.02% higher, at R\$1,122,835, compared to R\$819,439 in the same period of 2020. This increase mainly arises from higher variable costs in electricity trading contracts in the Regulated Market, due to higher dispatching of thermal plants;
- The expense on purchase of supply at the spot price was lower 89.70% on January to March 2021, at R\$39,332, compared to the same period of 2020 (R\$381,937). This lower figure mainly reflects absence of expenses on purchase of energy in the spot market by Cemig D in 1Q21, compared to an expense of R\$221,689 in 1Q20. The nil net balance on transactions on the CCEE in 1Q21 is mainly due to the lower impact of availability contracts, due to dispatching of the thermoelectric plants outside 'merit order', for reasons of hydrological security. Also, Cemig GT made less purchases of spot energy in 1Q21 than 1Q20, mainly due to having made bilateral spot sales in 2020, increasing its exposure to the spot market.

This is a non-manageable cost: the difference between the amounts used as a reference for calculation of tariffs and the costs actually incurred is compensated for in the subsequent tariff adjustment. For more details please see Note 14.

Charges for use of the transmission network

Charges for use of the transmission network from January to March 2021 totaled R\$746,312, compared with R\$365,012 in the same period of 2020, an higher of 104.46%.

These charges are payable by energy distribution and generation agents for use of the facilities that are components of the national grid. The amounts to be paid are set by a Resolution from the Grantor (Aneel).

The higher figure is mainly due to the annual adjustment in charges for use of the National Grid, which usually takes place in July, and had an higher effect of approximately 27.4% in 2020. Also, there was higher dispatching of thermal plants outside the 'merit order', for energy security of the system, in 1Q21, and consequently their high cost increased the System Service Charge (CCEE-ESS), which is also part of this account line, from R\$48,418 in 1Q20 to R\$253,198 in 1Q21.

This is a non-manageable cost in the distribution activity: the difference between the amounts used as a reference for calculation of tariffs and the costs actually incurred is compensated for in the subsequent tariff adjustment. More details see note 14.

Operating provisions

Operating provisions on January to March 2020 totaled R\$24,204, or 84.79% less than the same period of 2020 (R\$159,116). This arises mainly from the following factors:

- Expected losses on doubtful receivables from clients 67.76% lower, at R\$32,153 on January to March 2021, compared to R\$99,740 in the same period of 2020. This mainly reflects: (i) progress in negotiations of the most recent debt owed by the Minas Gerais State Government, which became due since 2019; and (ii) the positive effect of enhancement of the rules for provisioning in progress, which aims to assimilate good practices adopted by the market in the electricity sector. For more information, see Note 7.
- Provisions for the SAAG put option were 163.27% lower YoY: a reversal of R\$13,167 in 1Q21, compared to posting of a provision of R\$20,812 in 1Q20. For more information on the criteria and variables for calculation of these options, please see Note 30b.
- Net additional provisions for third-party liability legal actions were higher – at R\$9,955, from January to March 2021, compared to the same period of 2020, of R\$16,311. The difference mainly arises from provisions made for legal actions for third party liability, claiming payment of indemnity for pain and suffering, and material and aesthetic damage, caused by accidents involving the electricity network.
- Difference in the provisions for tax contingencies, with a net reversal of R\$29,322 in 1Q21, compared to a positive amount (constitution of new provisions) of R\$12,434 in 1Q20. The improvement resulted, among other factors, from a judgment given in favor of the Company in one of the administrative cases relating to social security contributions, which resulted in cancellations of tax debits, according to calculations made by the tax authority (Receita Federal).

- Provisions for employment-law contingencies were 195.43% higher year-on-year: net new provisions of R\$21,605 were made in 1Q21, compared to net new provisions of R\$7,313 made in 1Q20. The higher figure mainly reflects suspension, in 2020, of claims relating to differences in the calculation of the basis for additional payment for hazardous work, due to the Federal Supreme Court recognizing the judgment in Ruling 1046 as a General Precedent.

For further details, please see Note 24.

Construction cost

Infrastructure construction costs from January to March 2021 totaled R\$348,375, or 12.28% more than the same period of 2020 (R\$310,271). The difference mainly arises the higher volume of investments in distribution on January to March 2021, compared to the same period of 2020, especially in sub-transmission, in expansion, strengthening and enhancement of high-voltage infrastructure.

This line records the Company's investment in assets of the concession in the period, and is fully offset by the line Construction revenue, in the same amount.

Gas bought for resale

On January to March 2021, the Company recorded an expense of R\$387,525 on acquisition of gas, 24.24% more than its comparable expense of R\$311,925 in the same period of 2020. This basically reflects the increase of volume of gas sold was in fact 35.00% higher (at 337,576m³ on January to March 2021, vs. 250,136m³ in the same period of 2020), – under the influence, mainly, of the thermoelectric power generation, which consumption was 189.00% higher.

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

The result of equity method valuation of interests in non-consolidated investees was a gain of R\$118,687 on January to March 2021, compared to a gain of R\$81,942 in the same period of 2020 (44.84% higher on January to March 2020, compared to the same period of 2020). As a result, mainly, of the increase of 58.55% in the investee TAESA's result, which was R\$77,152 on January to March 2020 and R\$122,328 in the same period of 2021. It also reflects a positive equity method gain in the investee Guanhões in 1Q21, of R\$40,254, which compares to an equity method loss of R\$358 in 1Q20.

The breakdown of the results from the investees recognized under this line is given in detail in Note 15.

Net financial revenue (expenses)

Cemig reports net financial expenses from January to March 2021 of R\$1,265,220, compared to net financial expenses of R\$726,746 in the same period of 2020 (increase of 74.09%). The main factors are:

- The dollar appreciated by 9.63% against the Real in 1Q21, compared to appreciation of 28.98% in 1Q20. This resulted in negative effects on the principal of the Eurobond debt in both periods: R\$750,900 in 1Q21, and R\$1,752,000 in 1Q20.
- Negative variation in the fair value of the financial instrument contracted to hedge the risks of the Eurobond in 1Q21, in contrast to the positive effect at March 31, 2020. In 1Q21 the variation in the fair value of the hedge instrument generated an expense of R\$187,348, compared to a gain of R\$1,314,240 in 1Q20. The reduction in the fair value of the hedge instrument in 1Q21 arises from the higher future yield curve, and the six-monthly amortization payments made in June and December 2020.

For a breakdown of financial revenues and expenses please see Note 28.

Income tax and social contribution tax

On January to March 2021, the expense on income tax and the social contribution tax totaled R\$116,171, on pre-tax profit of R\$341,678, an effective rate of 23.61%. On January to March 2020, the expense on income tax and the social contribution tax was R\$60,648 (restated), on pre-tax loss of R\$178,377 (restated) an effective rate of 61.80%.

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

OTHER INFORMATION THAT THE COMPANY BELIEVES TO BE MATERIAL

Board of Directors

Meetings

The Board of Directors met 6 times up to March 31, 2021, to discuss strategic planning, projects, acquisition of new assets, various investments, and other subjects.

Membership, election and period of office

The present period of office began with the EGM on July 31, 2020, with election by the multiple voting system.

The periods of office of the present members of the Board of Directors expire at the Annual General Meeting of Shareholders to be held in 2022.

Principal responsibilities and duties:

Under the by-laws, the Board of Directors has the following responsibilities and duties, as well as those conferred on it by law:

- Decision on any sale of assets, loans or financings, charge on the company's property, plant or equipment, guarantees to third parties, or other legal acts or transactions, with value equal to 1% or more of the Company's total Shareholders' equity.
- Authorization for issuance of securities in the domestic or external market to raise funds;
- Approval of the Long-term Strategy and the Multi-year Business Plan, and alterations and revisions to them, and the Annual Budget.

Qualification and remuneration

The Board of Directors of the Company comprises 9 (nine) sitting members and the same number of substitute members. One is the Chair, and another Deputy Chair. The members of the Board of Directors are elected for concurrent periods of office of 2 (two) years, and may be dismissed at any time, by the General Meeting of Shareholders. Re-election for a maximum of 3 (three) consecutive periods of office is permitted, subject to any requirements and prohibitions in applicable legislation and regulations.

A list with the names of the members of the Board of Directors and their résumés is on our website at: <http://ri.cemig.com.br>.

The Audit Committee

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

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

Under the by-laws, the Audit Committee of Cemig has the following duties, among others:

- to supervise the activities of the external auditors, evaluating their independence, the quality of the services provided and the appropriateness of such services to the Company's needs;
- to supervise activities in the areas of internal control, internal audit and preparation of the financial statements;
- to evaluate and monitor, jointly with the management and the Internal Audit Unit, the appropriateness of the transactions with related parties.

Executive Board

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

Members are allowed simultaneously also to hold non-remunerated positions in the management of wholly-owned subsidiaries, subsidiaries or affiliates of Cemig, upon decision by the Board of Directors. They are also, obligatorily under the by-laws, members, with the same positions, of the Boards of Directors of Cemig GT (Generation and Transmission) and Cemig D (Distribution). The period of office of the present Chief Officers expires at the first meeting of the Board of Directors held after the Annual General Meeting of 2022.

The members of the Executive Board and their résumés are on our website: <http://ri.cemig.com.br>.

The members of the Executive Board (the Company's Chief Officers) have individual responsibilities set by the Board of Directors and the by-laws. These include:

- Current management of the Company's business, subject to compliance with the Long-term Strategy, the Multi-year Business Plan, and the Annual Budget, prepared and approved in accordance with these by-laws.
- Authorization of the Company's capital expenditure projects, signing of agreements or other legal transactions, contracting of loans and financings, and creation of any obligation in the name of the Company, based on an approved Annual Budget, which individually or in aggregate have values less than 1% (one per cent) of the Company's Shareholders' equity, including injection of capital into wholly-owned or other subsidiaries, affiliated companies, and the consortia in which the Company participates.
- The Executive Board meets, ordinarily, at least two times per month; and, extraordinarily, whenever called by the Chief Executive Officer or by two Executive Officers with at least two days' prior notice in writing or by email or other digital medium, such notice not being required if all the Executive Officers are present. The decisions of the Executive Board are taken by vote of the majority of its members, and in the event of a tie the Chief Executive Officer shall have a casting vote.

Audit Board

Meetings

- The Audit Board held three meetings through the first quarter 2021.

Membership, election and period of office

- We have a permanent Audit Board, made up of five sitting members and their respective substitute members. They are elected by the Annual General Meeting of Shareholders, for periods of office of two years.
- Nominations to the Audit Board must obey the following:
 - a) The following two groups of shareholders each have the right to elect one member, in separate votes, in accordance with the applicable legislation: (i) the minority holders of common shares; and (ii) the holders of preferred shares.
 - b) The majority of the members must be elected by the Company's controlling shareholder; at least one must be a public employee, with a permanent employment link to the Public Administration.
- The members of the Audit Board are listed on our website: <http://ri.cemig.com.br>.

Under the by-laws, the Audit Board has the duties and competencies set by the applicable legislation and, to the extent that they do not conflict with Brazilian legislation, those required by the laws of the countries in which the Company's shares are listed and traded.

Qualification and remuneration

The global or individual compensation of the members of the Audit Board is set by the General Meeting of Shareholders which elects it, in accordance with the applicable legislation.

Résumé information on its members is on our website: <http://ri.cemig.com.br>.

Corporate risk management and internal controls

As a part of Cemig's corporate governance practices, corporate risk management overall objective is to build and maintain a structure capable of providing material information to senior management to support making of decisions, creating and protecting the company's value. The process of risk management enables the risk of the business's objectives to be managed effectively, making it possible to influence and align strategy and performance in all the areas of the company.

Since 2016 Cemig's corporate risk management activity is subordinated to the office of the CEO. In 2019, a separate senior management unit, Compliance, Corporate Risks and Internal Controls, was created, bringing the processes of risk management and internal controls together under a single administration. This change underlines the intention to increase the synergy between these processes, and the independence from other processes – so as to supply senior management with independent information for decision-making, preserving the value of the company.

Thus, in 2019, the Executive Board and the Board of Directors approved the 'Top Risks' corporate risk matrix, for the years 2019/2020, which comprehends business such as Generation, Transmission, Distribution, Trading, Distributed Generation ('Geração Distribuída'), Holding as well as ordinary business risks.

These risks, related to execution of strategy and scenarios, and also risks of conflicts of interest, fraud and corruption are under responsibility of the Chief Officers and they are monitored and reported periodically to the Management.

Each Chief Officer's Department has responsibility for monitoring and managing the Company's exposure to these risks as they relate to execution of strategy and scenarios, and also risks of conflicts of interest, fraud and corruption. The Chief Officers report on this monitoring periodically to senior management.

In 2019, the Company hired an expert consulting firm to support the review of internal control and risk matrix as well as to monitor periodically the execution and sufficiency of controls, analysis of failure/weakness and to support the remediation plans development and execution.

The matrix of internal controls is also revised and approved annually. The Risk Management and Internal Controls Unit tests and monitors the controls design. The internal audit, in its turn, monitors independently the internal control practices by testing control effectiveness. The conclusion of this assessment is reported periodically to the Board of Directors, the Audit Board, and the Audit Committee.

The internal controls provide reasonable assurance that errors and frauds that might cause an impact on the performance are detected and prevented, aimed at:

- Operational effectiveness and efficiency
- Reliable financial reporting
- Compliance with laws, regulations and policies.

The controls linked to mitigation of risks associated with preparation and publication of the financial statements are a part of Cemig's Risks and Internal Controls Matrix. The financial statements are issued in accordance with Section 404 of the Sarbanes-Oxley Law and the rules of the US Public Company Accounting Oversight Board (PCAOB), included as part of the annual 20-F Report filed with the US Securities and Exchange Commission (SEC). Cemig obtained the first certification of its internal controls for the business year of 2006, filed with the US Securities and Exchange Commission (SEC) on July 23, 2007.

Statement of Ethical Principles and Code of Professional Conduct

On May 11, 2004 Cemig's Board of Directors approved the Statement of Ethical Principles and Code of Professional Conduct, which aims to orient and discipline everyone acting in the name of, or interacting with, Cemig, to ensure ethical behavior at all times, and always in accordance with the law and regulations. The code can be seen at <http://ri.cemig.com.br>. It was updated in 2018 and in 2019 to comply with the laws n. 12,486/2013 and n. 13,303/2016. Annually, the Company provide training on Statement of Ethical Principles and Code of Professional Conduct for all its employees.

The Ethics Committee

This was created on August 12, 2004, and is responsible for coordinating action in relation to management (interpretation, publicizing, application and updating) of the Statement of Ethical Principles and Code of Professional Conduct, including assessment of and decision on any possible non-compliances with Cemig's Code of Ethics.

The Committee has eight sitting members. It may be contacted through our Ethics Channel – the anonymous reporting channel on the corporate Intranet, or by email, internal or external letter or by an exclusive phone line – these means of communication are widely publicized internally to all staff. These channels enable both reports of adverse activity and also consultations. Reports may result in opening of proceedings to assess any non-compliances with Cemig's Statement of Ethical Principles and Code of Professional Conduct.

The Ethics Channel

Cemig installed this means of communication, available on the internal corporate Intranet, in December 2006.

Through it the Ethics Committee can receive anonymous reports or accusations that can enable Cemig to detect irregular practices that are contrary to its interest, such as: financial fraud, including adulteration, falsification or suppression of financial, tax or accounting documents; misappropriation of goods or funds; receipt of undue advantages by managers or employees; irregular contracting; and other practices considered to be illegal.

It is one more step in improving Cemig's transparency, compliance with legislation, and alignment with best corporate governance practices. It improves the management of internal controls and dissemination of the ethical culture to Cemig's employees in the cause of optimum compliance by our business.

Anti-fraud Policy

In its business and activities, Cemig does not accept the practice and concealment of acts of fraud or corruption in all its forms. Suspicions and allegations of such acts are rigorously assessed and where proven, apply disciplinary procedures set out in the internal rules of the Company, as well as lawsuits and criminal charges, when applicable.

Thus, in 2012, Cemig consolidated its Anti-Fraud Policy is applicable to all members of the Board of Directors and Fiscal Officers, employees and contractors. The policy underscores the Company's commitment to the Global Compact principles on the subject, particularly the principle of number ten, which deals with combating corruption in all its forms, including extortion and bribery.

SHAREHOLDING POSITION OF HOLDERS OF MORE THAN 5% OF THE VOTING STOCK ON MARCH 31, 2021

	COMMON SHARES	%	PREFERRED SHARES	%	TOTAL SHARES	%
State of Minas Gerais	258,738,711	50.97	11,788	-	258,750,499	17.04
Other entities of Minas Gerais State	20,713	-	11,100,260	1.10	11,120,973	0.73
FIA Dinâmica Energia S.A.	129,606,377	25.53	35,328,172	3.49	164,934,549	10.86
BNDES Participações	56,578,175	11.14	27,299,432	2.70	83,877,607	5.52
BlackRock	-	-	153,689,970	15.20	153,689,970	10.12
Others	62,726,313	12.36	783,652,670	77.51	846,379,003	55.73
In Brazil	45,582,076	8.98	164,868,948	16.31	210,451,024	13.86
Foreign shareholders	17,144,237	3.38	618,783,742	61.20	635,927,979	41.87
Total	507,670,289	100.00	1,011,082,312	100.00	1,518,752,601	100.00

CONSOLIDATED SHAREHOLDING POSITION OF THE CONTROLLING SHAREHOLDERS AND MANAGERS, AND FREE FLOAT, ON MARCH 31, 2021

	January to March 2021	
	ON	PN
Controlling shareholder	258,738,711	11,788
Board of Directors	-	38,323
Executive Board	10,313	8,333
Shares in Treasury	71	583,709
Free float	248,921,194	1,010,440,159
TOTAL	507,670,289	1,011,082,312

Investor Relations

In 2019 we expanded Cemig's exposure to the Brazilian and global capital markets, through strategic actions intended to enable investors and shareholders to make a correct valuation of our businesses and our prospects for growth and addition of value.

We maintain a constant and proactive flow of communication with Cemig's investor market, continually reinforcing our credibility, seeking to increase investors' interest in the Company's shares, and to ensure their satisfaction with our shares as an investment.

Our results are published through presentations transmitted via video webcast and telephone conference calls, with simultaneous translation in English, always with members of the Executive Board present, developing a relationship that is increasingly transparent and in keeping with best corporate government practices.

To serve our shareholders – who are spread over more than 40 countries – and to facilitate optimum coverage of investors, Cemig has been present in and outside Brazil at a very large number of events, including seminars, conferences, investor meetings, congresses, roadshows, and events such as Money Shows; as well as holding phone and video conference calls with analysts, investors and others interested in the capital markets.

On September 2020, we held our 25rd Annual Meeting with the Capital Markets, where market professionals had the opportunity to interact with the Company's directors and principal executives. In 2020 the event was held online, due to the Covid-19 pandemic.

Corporate governance

Our corporate governance model is based on principles of transparency, equity and accountability, focusing on clear definition of the roles and responsibilities of the Board of Directors and the Executive Board in the formulation, approval and execution of policies and guidelines for managing the Company's business.

We seek sustainable development of the Company through balance between the economic, financial, environmental and social aspects of our enterprises, aiming always to improve the relationship with shareholders, customers, and employees, the public at large and other stakeholders.

Cemig's preferred and common shares (tickers: CMIG4 and CMIG3 respectively) have been listed at Corporate Governance Level 1 on the São Paulo Stock Exchange since 2001. This classification represents a guarantee to our shareholders of optimum reporting of information, and also that shareholdings are relatively widely dispersed. Because Cemig has ADRs (American Depositary Receipts) listed on the New York Stock Exchange, representing its preferred (PN) shares (ticker CIG) and common (ON) shares (ticker CIG.C), it is also subject to the regulations of the US Securities and Exchange Commission (SEC) and the New York Stock Exchange Listed Company Manual. Our preferred shares have also been listed on the Latibex of the Madrid stock exchange (with ticker XCMIG) since 2002.

In June 11, 2018 an Extraordinary Meeting of Shareholders approved alterations to the Company's bylaws, to maintain best corporate governance practices, and adapt to Law 13,303/2016 (also known as the State Companies Law).

The improvements now formally incorporated in the by-laws include:

- Reduction of the number of members of the Board of Directors from 15 to 9, in line with the IBGC Best Corporate Governance Practices Code, and the Corporate Sustainability Evaluation Manual of the Dow Jones Sustainability Index.
- Creation of the Audit Committee (*Comitê de Auditoria*). The Audit Board (*Conselho Fiscal*) remains in existence.
- The Policy on Eligibility and Evaluation for nomination of a member of the Board of Directors and/or the Executive Board in subsidiary and affiliated companies.
- The Related Party Transactions Policy.

- Formal designation for the Board of Directors to ensure implementation of and supervision of the Company's systems of risks and internal controls.
- Optional power for the Executive Board to expand the technical committees (on which members are career employees), with autonomy to make decisions in specific subjects.
- The CEO now to be responsible for directing compliance and corporate risk management activities.
- Greater emphasis on the Company's control functions: internal audit, compliance, and corporate risk management.
- Adoption of an arbitration chamber for resolution of any disputes between the Company, its shareholders, managers, and/or members of the Audit Board.

(The original is signed by the following signatories)

Reynaldo Passanezi Filho
Chief Executive Officer

Dimas Costa
Chief Trading Officer

Leonardo George de Magalhães
Chief Finance and Investor Relations
Officer

Marney Tadeu Antunes
Chief Distribution Officer

Maurício Dall'Agneses
Chief Officer Cemigpar

Paulo Mota Henriques
Chief Generation and Transmission Officer

Eduardo Soares
Chief Regulation and Legal

Mário Lúcio Braga
Controller
CRC-MG 47.822

Carolina Luiza F. A. C. de Senna
Financial Accounting and Equity Interests
Manager
Accountant – CRC-MG 77.839



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

Independent Auditor's Review Report on Quarterly Information - ITR

To the Shareholders and Management of
Companhia Energética de Minas Gerais - CEMIG
Belo Horizonte - MG

Introduction

We have reviewed the accompanying individual and consolidated interim financial information, contained in the Quarterly Information Form (ITR) of Companhia Energética de Minas Gerais – Cemig (the “Company”), for the quarter ended March 31, 2021, comprising the statement of financial position as at March 31, 2021, and the related statements of profit or loss, of comprehensive income, of changes in equity and cash flows for the three-month period then ended, including the explanatory notes.

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

Scope of review

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

Conclusion on the individual and consolidated interim financial information

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



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Emphasis of matters

Restatement of corresponding figures

As described in Note 2.3, 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, the prior quarter corresponding amounts, presented for comparative purposes, are being restated in accordance with NBC TG 23 - Accounting Policies, Changes in Accounting Estimates and Errors. Additionally, as described in Note 25, due to the increase in the number of shares as a result of reserves capitalization, the Company adjusted the earnings per share and the respective explanatory notes for the quarter ended March 31, 2020. Our conclusion is not modified in respect to this matter.

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

As described in Note 15 to the individual and consolidated interim financial information, on December 18, 2020 were approved in the General Meeting of Creditors and ratified by the 2nd State of São Paulo In-Court Reorganization and Bankruptcy Court, the court-supervised reorganization plans of the jointly-controlled entity Renova Energia S.A. and some of its subsidiaries, which accounting effects were recorded in the financial statements of the jointly-controlled entity for the year ended December 31, 2020. Although the in-court reorganization plans effects have been approved and recorded, 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 conclusion is not modified in respect to this matter.



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Other matters

Statements of value added

The above mentioned quarterly information include the individual and consolidated statements of value added (SVA) for the three-month period ended March 31, 2021, prepared under Company's Management responsibility and presented as supplementary information by IAS 34. These statements have been subjected to review procedures performed together with the review of the quarterly information with the objective to conclude whether they are reconciled to the interim financial information and the accounting records, as applicable, and if its format and content are in accordance with the criteria set forth by NBC TG 09 – Statement of Value Added. Based on our review, nothing has come to our attention that causes us to believe that they were not prepared, in all material respects, consistently with the overall individual and consolidated interim financial information.

Belo Horizonte (MG), May 14, 2021.

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

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