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REPORT OF MANAGEMENT FOR 2021

Dear Shareholders,

Companhia Energética de Minas Gerais (‘Cemig’ or ‘the Company’) submits for your consideration the Report of Management, the Financial Statements, the Opinion of the Audit Board, the report of the Audit Committee and the Report of the Company’s external auditors on the business year ended December 31, 2021, together with the statements of the executive officers who have reviewed the financial statements and the related report of the external auditors.

MESSAGE FROM MANAGEMENT

2021 will go down in Cemig’s history as a year of transformation, and achievements. In parallel with the review of the Company’s strategic planning, with the objective of “Focus and Win”, and prioritizing investments in Minas Gerais State, we made important improvements in operational efficiency, financial results, and the quality of services provided to clients. All of us who work in the Company are proud of these achievements.

Our profile as an integrated company, with diversification of businesses across electricity generation, transmission, trading and distribution, gives us solidity, and reduces the risks involved in facing adverse scenarios – tending to produce greater stability in our results.

We achieved the highest nominal profitability in our history: net profit of R$3,753 million (30.99% higher than in 2020), and Ebitda of R$8,000 million (40.47% higher than in 2020).

Our ratio of Net debt to Adjusted Ebitda at the end of the year was 1.2x, which both demonstrates the Company’s financial solidity and provides sustaining power for our ambitious investment program for the coming years. We reduced our foreign exchange exposure, with the buyback of US$500 million in our Eurobonds maturing 2024, which also contributed to improvement of our debt profile.

Operational efficiency is a priority for the Company. In 2021 we repeated the result that we achieved in 2020: operational expenses of transmission and distribution were fully covered by regulatory revenues. Implementation of additional measures of efficiency, such as reduction of customer default, and containment of technical and non-technical energy losses within the regulatory limits, also contributed to the Ebitda of our distribution business being higher than the regulatory benchmark.

Our excellent financial results were achieved at the same time as ever-increasing quality of service provided to clients. Our DEC (the index that measures duration of electricity supply outages) was 9.46 hours – a further reduction, and the best result in our entire series of records.

These results that we have achieved have also resulted in continuous improvement of our ratings with the risk rating agencies. In 2021 both Fitch and Standard&Poor's raised our credit ratings, to AA+ on the Brazilian scale – which is also Cemig's best-ever risk rating in its history.

This scenario crowns a year in which Cemig announced the biggest investment plan in its history: R$22.5 billion by 2025, with focus on the distribution and transmission concessions, and, in generation, a focus on renewable sources. Reversing a previous trend, Cemig has now turned its priorities to its core businesses, with a focus on the State of Minas Gerais – to "Focus and Win".

We seek satisfaction of our client in digitalization and transformation of our customer relationship processes, with speedy, efficient and secure management. These investments planned for the coming years – with new substations and strengthening of the distribution network – will make possible greater supply of and access to electricity, which is a basic and vital factor for improvement of the quality of life of people served by the Company.

In the regulatory context, in 2021 the renegotiation of hydrological risk was completed, providing a solution for the costs assumed by the generating companies over the years 2012–2017. Due to this agreement, which eliminated all legal actions on the issue, Aneel ratified the extension of several of Cemig's generation concessions, the most important being those of the Nova Ponte and Emborcação plants, with extensions of approximately two years in comparison to their original expiration dates in 2025 (excluding the renewal of the concession contract, which is expected in both cases). This will result in significant additional cash flow for Cemig.

All these achievements took place in a particularly challenging scenario, in which the country continued to deal with the significant effects of the Covid-19 pandemic, which also affected our business.

Cemig took a protagonist role in the pandemic, underlining its vocation as a company with strong social responsibility. We gave priority to uninterrupted supply for hospitals and other public services, and we also made a strong contribution to the civil society movement Unidos pela Vacina ('United for the Vaccine'), making an effective contribution to vaccination of the population in Minas Gerais, thus directly supporting 425 municipalities.

The Company's participation took the form of voluntary involvement by its employees in support for transport, with the Company's vehicles, of professionals from various municipalities to take vaccines to rural regions, including to people who were bedridden, and donation of inputs to help promote access to the vaccine to combat Covid-19 in municipalities of the State.

The safety and health of the people who work for the Company were also a key point of concern, and the health protocols established were rigorously obeyed. Unfortunately, even with adoption of these practices, we still lost some employees as a result of the pandemic, and in our condolences we feel sincere and profound solidarity with their families.

We are determined to continue with sustainable practices in our operations, creating value for our stockholders and contributing to the wellbeing of society. We are the only company in the electricity sector outside of Europe that is included in the Dow Jones Sustainability Index (indeed we have been included in it every year since its creation 22 years ago). The index selected only seven companies in the sector in the whole of the world. We also have a leading position in various other Brazilian and international sustainability ratings. In another role, we are the largest incentivator of culture in Minas Gerais.

The year of 2022 brings us additional challenges related to the international and Brazilian context, and continuing effects of the pandemic. We hope that these will be moderated by the progress of vaccination in the population. On the other hand, the significant results we have obtained in recent years, which are due to the commitment of our management and the talent of the people that work in Cemig, enable us to be optimistic in relation to the Company's future.

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

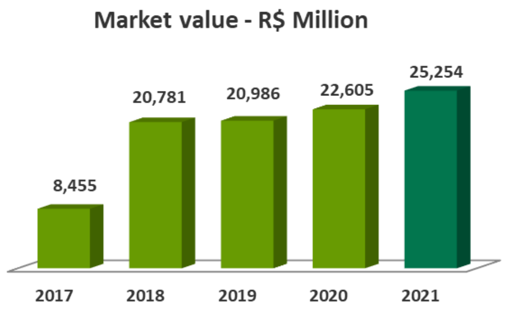
BRIEF HISTORY OF CEMIG

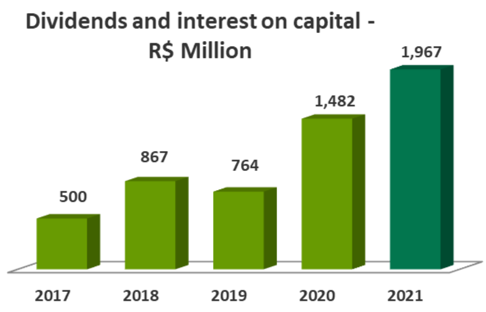
Companhia Energética de Minas Gerais ('Cemig') is a listed company of mixed public- and private-sector ownership, controlled by the government of the Brazilian state of Minas Gerais. Its shares are traded on the exchanges of São Paulo, New York and Madrid (Latibex). Its market valuation at the end of 2021 was approximately R$25 billion. For the 22th year running, Cemig has been included in the Dow Jones Sustainability World Index (the 'DJSI World'), for period 2021–22 – reflecting its established position as one of the world's most sustainable companies. It continues to be the only energy company in Latin America that has been included in the DJSI World since that index was created, in 1999.

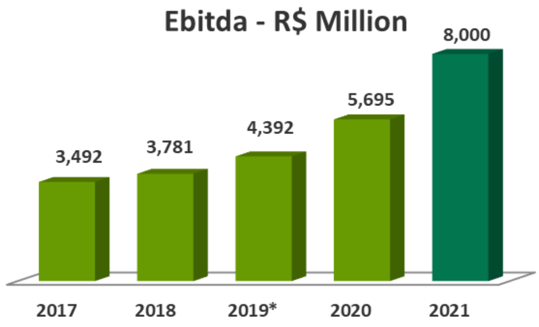
Cemig operates in generation, transmission, distribution and sale of energy, energy solutions, technology solutions, telecommunications, data center services and natural gas distribution. The Cemig Group comprises: the holding company, Cemig, its wholly-owned subsidiaries Cemig Geração e Transmissão S.A. ('Cemig GT') and Cemig Distribuição S.A. ('Cemig D'), and other entities – totaling 162 companies, 9 consortia and 2 FIPs (Equity Investment Funds), with assets and businesses in numerous states of Brazil.

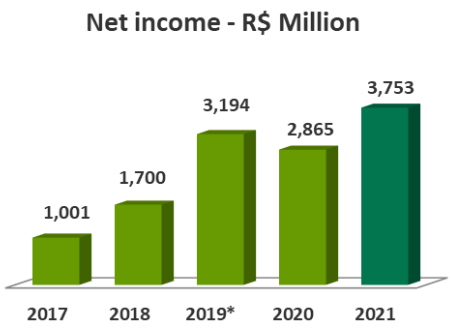
Cemig monitors and supervises management and activities of the subsidiaries and affiliates, through active participation in their governance bodies, always applying the criteria of good governance and supporting the efforts for them to achieve the aims of their business plans.

Main indicators:









Other indicators:

Description	2017	2018	2019	2020	2021
GWh billed	42,499	43,563	42,214	39,402	43,263
Revenue (R$ '000)	21,711	22,266	25,487	25,228	33,646
Earnings per share – R$	0.84	1.17	2.10	1.69	2.22
Number of customers billed	8,347	8,409	8,514	8,697	8,885
Number of employees	5,864	6,083	5,596	5,254	5,025

Our mission, vision and values

<u>Mission</u>

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

<u>Vision</u>

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

<u>Values</u>

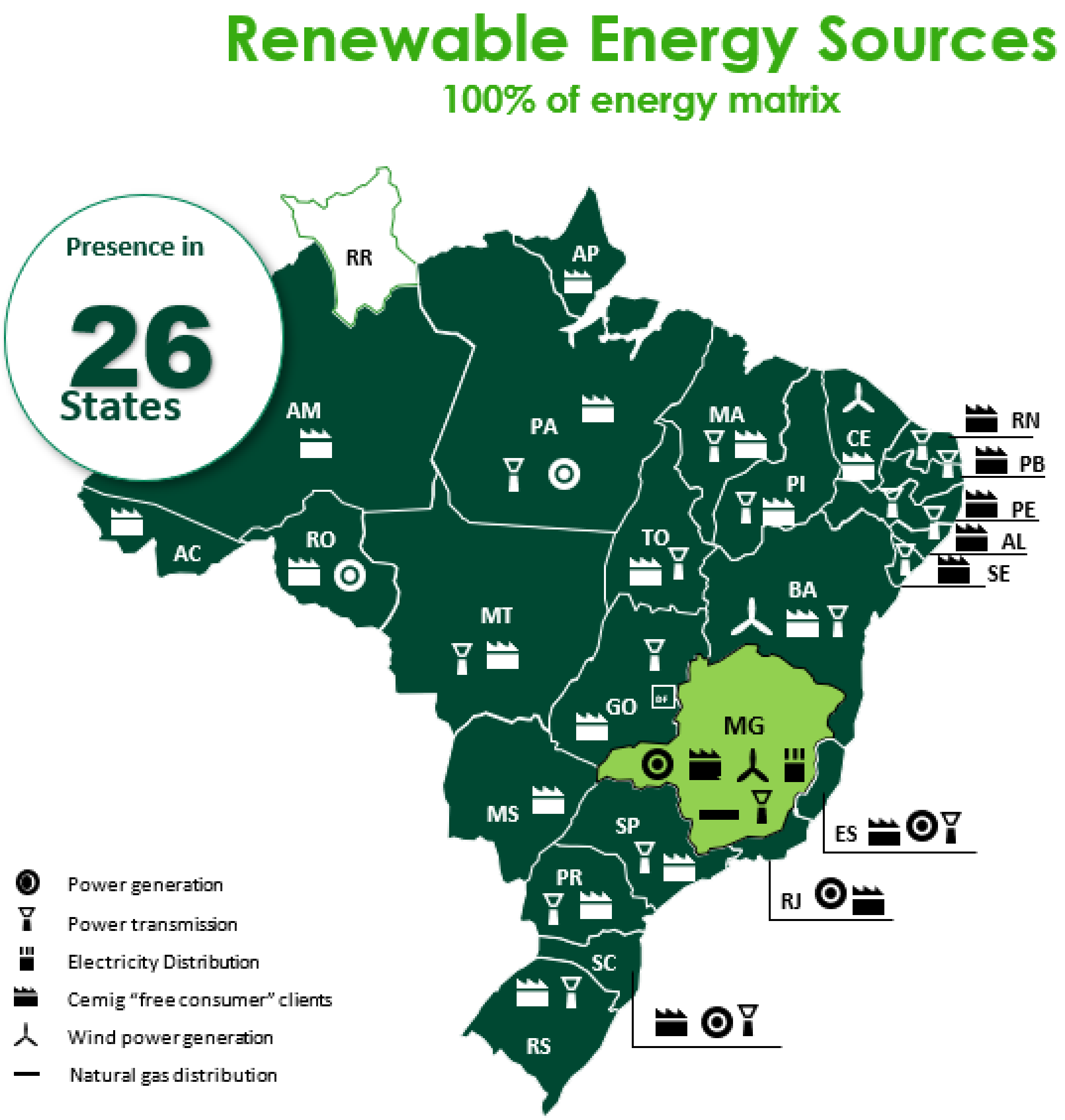
Respect for life; integrity; generation of value; sustainability and social responsibility; commitment and innovation.

Ethical Principles and Code of Professional Conduct

To provide a background of discipline for professional behavior, actions and decisions, Cemig has, since 2004, adopted its Statement of Ethical Principles and Code of Professional Conduct, which is available at http://www.cemig.com.br . This brings together 9 principles setting out the ethical conduct and values that are incorporated into our culture.

Area of operation

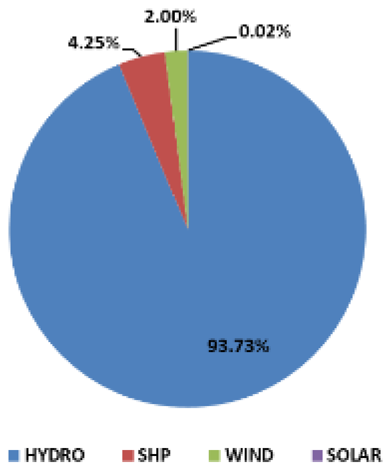
As the map below shows, Cemig operates in several regions of Brazil, with the greatest concentrated in the Southeast.



OUR BUSINESSES

Generation

Historically, the great majority of Cemig's generation plants have always used renewable energy sources. In February 2021, Brazil's Mining and Energy Ministry (MME) extinguished the concession of Cemig's *Igarapé* thermal generation plant, which had not been operating commercially since December 2019. With the exclusion of this plant, the entire 5,755 MW of Cemig's installed capacity now produces electricity exclusively from renewable sources (hydroelectric, wind or solar).



Including its subsidiaries, jointly controlled entities and affiliated companies, on December 31, 2021, Cemig had 70 plants in operation, with installed capacity of 5,755 MW, as bellow:

Generating plant	Installed capacity (MW)*
Emborcação	1,192
Nova Ponte	510
Irapé	399
Três Marias	396
Salto Grande	102
Queimado	86.6
Rosal	55
Sá Carvalho	78
Itutinga	52
Camargos	46
Santo Antônio	553.4
Belo Monte	1,313
Aimorés	148.5
Amador Aguiar I	94.3
Amador Aguiar II	82.6
Funil	81
Igarapava	49.7
Eólicas	115.2
Baguari	47.6
Outras	353
	5,755

* The figures for installed capacity represent Cemig's proportional interest in each project.

Renegotiation of hydrological risk (Generation Scaling Factor-GSF)

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

The compensation to the holders of hydroelectric occurs through the extension of the concession period for generation grants. The extension periods were ratified by Aneel Ratifying Resolution 2,919/2021 and Ratifying Resolution 2,932/2021. The extension periods of the plants of Lot D were, under the rule, equal to the maximum – 7 years (2,555 days) – permitted by Law 14,052/2020.

This renegotiation represents important progress for the electricity sector, reducing levels of litigation – and also for Cemig, in that it enables extension of the periods of its generation concessions, including those of the Nova Ponte and Emborcação plants, the concession contracts of which were extended from 2025 to 2027. More information on the new expiration periods of the generation concessions in Note 18.

Transmission

The subsidiary Cemig GT operates and maintains 39 substations and 4,998 km of transmission lines, operating at 230kV, 345kV and 500 kV, as part of Brazil's National Grid system. It also has assets that it operates and maintains in six substations of other transmission agents.

Cemig GT has transmission assets in 11 other companies, with whom it has operation and maintenance contracts, in 17 substations (of which tow are not substations of Cemig GT), and 439 km of transmission lines.

A significant event for the Company's transmission business, completed in 2021, was the acquisition of 100% of the equity in Sete Lagoas Transmissora de Energia S.A, a investment amount of R$48 million. This company has the concession for the 500/345 kV Sete Lagoas 4 substation, in Minas Gerais, which was granted by auction in 2010 and expires in 2041.

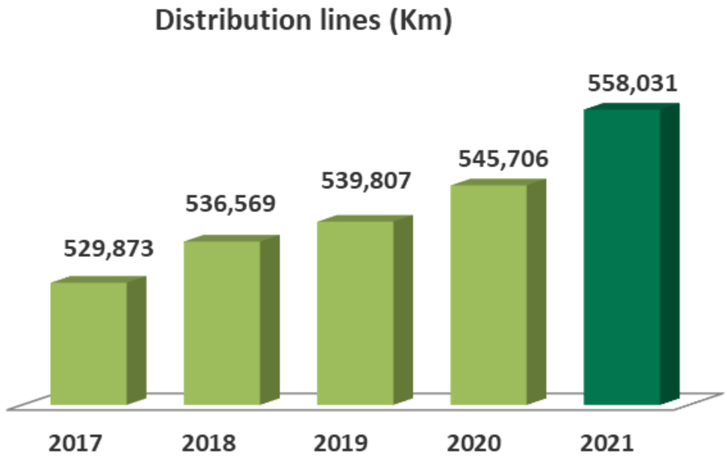
Distribution

Cemig D is one of Brazil's leading electricity operators. Its concession area covers 567,478 km², comprising approximately 96% of the State of Minas Gerais.

It is the largest distribution company in Latin America, with 558,031 km of distribution networks comprising 121,105 km in urban areas and 419,235 km in rural regions, and 17,691 km of distribution lines, with 8.9 million customers invoiced in 2021.

Cemig D also has the country's highest percentage of low-income customers benefiting from the Brazilian Social Tariff – serving an average of 950,000 qualifying customers with this profile, or 13% of its total of customers in the residential category.

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



Energy trading

The companies of the Cemig group are the leaders in serving the Free Market. We have expanded our area of activity to other states, while consolidating our position by adding new clients in the states where we already work, of which the principal ones are Minas Gerais, São Paulo and Rio Grande do Sul. At present we have clients in 25 states.

In service to large Free Clients, Cemig's leadership arises from a volume of sales equivalent to 14.55% of the entire Free Market.

Cemig is the leader in sales to final clients in the Brazilian Free Market. It recently passed the landmark of 1,000 MW average in sales to the market for incentive-bearing supply. This is unprecedented for this market, and especially for Cemig – which has been increasing its sales to this segment continuously since 2010. According to the CCCE (the wholesale energy exchange) the market of 'special' consumers in Brazil is now contracting at the level of 4,000 MW average. Thus, Cemig has approximately 25% of this market segment – the biggest market share of all the generators and traders.

Sale and distribution of gas

Cemig also operates in sales and distribution of natural gas through its subsidiary Gasmig, which is the exclusive distributor for piped natural gas in the whole of the State of Minas Gerais. In 2021, Gasmig sold a total of 1,387,514,844 m^3 of gas: 62% to industrial customers; 31% for thermal generation; and 7% to the automotive, residential and other sectors.

CONSOLIDATED RESULTS

Net income for the year

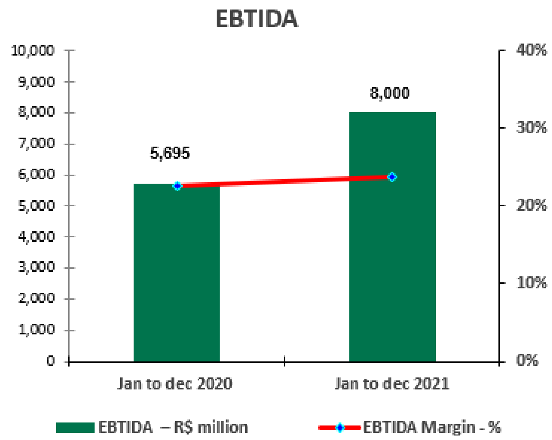
From January to December 2021, Cemig reports a net income of R$3,753 million, compared to a loss of R$2,865 million in 2020, an increase of 30.99%. The increase is due, basically, to recognition of the gains arising from renegotiation of hydrological risk, disposal of assets held for sale (Light) and the increase of operacional efficiency. The following items describe the main variations between the two periods in revenues, costs, expenses and financial items.

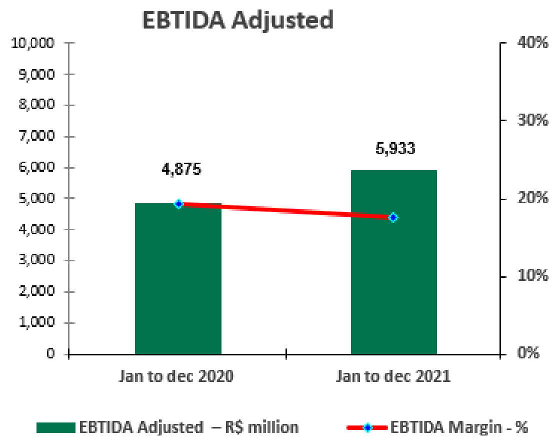
Ebitda (Earnings before interest, tax, depreciation and amortization)

Cemig's consolidated adjusted Ebitda, with the removal of non-recurrent items, higher in 21.70% from January to December 2021 compared to 2020, whereas the adjusted Ebitda margin higher from 19.32% to 17.63%. Consolidated Ebitda higher 40.47% from January to December 2021 compared to 2020, whereas the Ebitda margin was 22.57% from January to December 2021 to 23.78% on the same period of 2020.

EBITDA	2021	2020	Charge %
Net income for the year	3,753	2,865	30.99
+ Income tax and Social Contribution tax	945	936	0.96
+ Net financial revenue (expenses)	2,253	905	148.95
+ Depreciation and amortization	1,049	989	6.07
= Ebitda according to "CVM Instruction 527" (1)	**8,000**	**5,695**	**40.47**
Non-recurrent items			
+ Non-controlling interests	(2)	(1)	100
+ Periodic Tariff Review adjustments ***	(215)	(621)	(65.38)
+ Gains arising from the sale of non-current asset held for sale (Note 32)	(109)	-	-
+ Reversal of tax provisions	(89)	-	-
+ Impairment loss – Receivables from Renova	-	37	-
+ Renegotiation of hydrological risk costs (Law 14,052/20), net (Note 18)	(1,032)	-	-
+ Renegotiation of hydrological risk costs (Law 14,052/20), net – investees**	(308)	-	-
+ Advances for services provided, net *	(148)	-	-
+ Result of business combination (note 16)	(4)	(52)	(92.31)
+ Write-offs and impairments	51	(5)	-
+ Adjustment for impairment of investments (Note 16)	204	-	-
+ Write-d own of balance of post-retirement life insurance obligation (Note 24)	(415)	-	-
+ Reversal of losses expected on receivables from Minas Gerais State (net of provisions made)	-	(178)	-
Ebitda Adjusted (2)	**5,933**	**4,875**	**21.70**

* The amount refers to early payment of amounts for provision of services of the subsidiary ESCEE to a free customer, net of PIS/Pasep and Cofins taxes.
** On September 30, 2021 the jointly controlled subsidiaries Nesa and Aliança Energia, and the affiliated company Madeira, recognized amounts of R$30 million, R$149 million and R$129 million, respectively, arising from renegotiation of hydrological risk.
(***) The amount for 2020 comprises R$429 million as a result of the effect of the Periodic Tariff Review, excluding the effect of the changes in accounting practices for the sector; and R$192 million arising from the standardization of the sector's accounting practices.





(1) Ebitda is a non-accounting measure prepared by the Company, reconciled with its consolidated financial statements 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 adjusted Ebitda from January to December 2021 than the 2020 mainly from the gains arising from renegotiation of hydrological risk, in the amount of R$1,032 million, as per the table above. The higher Ebitda calculated in accordance with CVM Instruction 527/2012 results, mainly, reflects net revenue 33.37% higher year-on-year, partially offset by operational costs, excluding depreciation and amortization, 32.99% higher YoY.

The main items affecting the revenue in the year, are as follow:

<u>Revenue from supply of energy</u>

Revenue from supply of energy from January to December 2021 was R$29,619 million, 12.06% higher than the same period in 2020 (R$26,432 million).

Final customers

Revenue from energy sold to final customers, excluding Cemig's own consumption, from January to December 2021 was R$26,651 million, or 15.89% higher than the figure in the same period of 2020, R$23,018 million.

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 December 2021 to the same period in 2020:

Revenue from supply of energy

	2021			2020			Charge %	
	MWh (2)	R$	Average price billed (R$/MWh) (1)	MWh (2)	R$	Average price billed (R$/MWh) (1)	MWh	R$
Residential	11,185,772	11,123	994.43	10,980,626	9,875	899.31	1.87	12.64
Industrial	16,360,861	5,275	322.41	12,731,167	4,171	327.62	28.51	26.47
Commercial, Services and Others	8,334,095	5,520	662.38	8,571,078	4,979	580.91	(2.76)	10.87
Rural	3,975,398	2,566	645.45	3,766,186	2,190	581.43	5.56	17.17
Public authorities	729,312	583	799.66	713,984	522	731.56	2.15	11.69
Public lighting	1,225,733	718	585.75	1,242,760	550	442.87	(1.37)	30.55
Public services	1,418,306	879	620.00	1,362,402	722	529.57	4.10	21.91
Subtotal	**43,229,477**	**26,665**	**616.83**	**39,368,203**	**23,009**	**584.46**	**9.81**	**15.89**
Own consumption	33,074	-	-	34,089	-	-	(2.98)	-
Unbilled retail supply, net	-	(14)	-	-	9	-	-	-
	43,262,551	**26,651**	**616.02**	**39,402,292**	**23,018**	**584.18**	**9.80**	**15.78**
Wholesale supply to other concession holders (3)	10,824,709	3,024	279.35	13,906,848	3,363	241.82	(22.16)	(10.08)
Wholesale supply not yet invoiced, net	-	(55)	-	-	51	-	-	-
Total	**54,087,260**	**29,619**	**547.62**	**53,309,140**	**26,432**	**495.83**	**1.46**	**12.06**

(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 increase of 1.46% on the volume of energy sold are:

- Volume of energy sold to the industrial category 28.51% higher, mainly reflecting new contracts for sales to free clients, starting supply in January 2021.
- Energy sold to residential customers 1.87% higher from January to December 2021, mainly reflecting the number of customers 2.6% higher YoY .
- Volume of energy sold to public services 4.10% higher, mainly reflecting an increase in consumption related to capture of water, due to the low volume of rains in several months of 2021, and also the very low consumption by this consumer category in 2020.
- Volume of energy sold to the rural customers category 5.56% higher, mainly reflecting the fact that consumption for irrigation was higher, due to the lower volume of rains in 2021.
- Decrease of 2.76% in the volume of supply sold to the commercial customer category, mainly because of the significant migration of customers to Distributed Generation and the Free Market. In addition, this customer category still suffers in 2021, more than the others categories, the impact of the pandemic on economic activity, and thus on consumption.

Revenue from Use of Distribution Systems (TUSD)

This is revenue from charging Free Customers the Tariff for Use of the Distribution System (TUSD), on the volume of energy distributed. From January to December 2021, this was R$3,448 million, compared to R$3,022 million in 2020 - increase of 14.10%.

The volume of energy transported from January to December 2021 was 10.27% higher than the same period of 2020, due to: (i) the increase in consumption for irrigation by rural customers; (ii) the migration of commercial customers to Free Market; and (iii) growth in the industrial market in 2021, due to the recovery of the economy.

Additionally, the was 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. The effect of the Company’s annual tariff adjustment of 2021, applicable from May 28, 2021, was 2.40% for free clients, having an impact on the increase as well.

	MWh		
	2021	2020	Charge %
Industrial	20,446,578	18,612,418	9.85
Commercial	1,535,217	1,299,871	18.11
Rural	44,161	31,835	38.72
Public service	3,650	-	-
Concessionaires	310,178	315,142	(1.58)
Total	**22,339,784**	**20,259,266**	**10.27**

CVA and Other financial components in tariff adjustments

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

From January to December 2021 this represented a revenue of R$2,146 million, whereas in the same period of 2020 it produced a revenue of R$455 million. The difference mainly reflects a higher recognition of CVA and Other financial components from January to December 2021, comparing with the prior year, due to the increase in the cost of energy acquired in regulated market and transmission costs.

For further details, see Note 14.

Transmission concession revenue

Transmission revenue from Cemig GT and Centroeste comprises the sum of revenues recorded for construction, reinforcements, improvements, 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 indexes). Subsequently, all reinforcements and improvements works that are implemented upon specific authorization by Aneel result in the constitution of a new component of RAP.

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

- The infrastructure operation and maintenance revenue was R$355 million from January to December 2021, or 27.24% more than 2020 (R$279 million), mainly reflecting the annual increase as specified in the concession contracts;
- The revenues posted for construction, strengthening and enhancement of infrastructure totaled R$252 million from January to December 2021, 25.37% higher than 2020 (R$201 million). This mainly reflects a higher volume of realization in the portfolio of transmission investment projects, and resumption of works for which service contracts were suspended in 2020, in line with the corresponding increase in construction cost; and

- The revenues from financial remuneration of transmission contract assets were 50.68% higher from January to December 2021, at R$660 million, compared to R$438 million results in 2020 – mainly reflecting the higher IPCA inflation index (the basis for the remuneration of Contract 006/97) – which was 10.06% in 2021, compared to 4.52% em 2020. We also highlight the effects of Ratifying Resolution (ReH) 2852/2021, which defined the financial components for Concession Contract 006/97. The debtor balance of this component was recalculated, including the remuneration of the cost of capital at the recognized rate of Cost of Own Capital, which replaced 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 Aneel Resolution.

More details in Note 15.

Revenue from transactions in the Power Trading Chamber (CCEE)

Revenue from transaction with energy on the CCEE (Power Trading Chamber) was R$1,157 million from January to December 2021, compared to R$154 million in 2020, an increase of 651.30%. This increase is due to excess of energy from January to December 2021, compared to deficit positions in 2020. From January to December 2021, short-term bilateral sales were made that increased the Company's exposure on the CCEE.

Additionally, there was an increase of 58.19% in the average spot price (PLD) in the Southeast and Center-West regions, which was R$279.61/MWh from January to December 2021, compared to R$176.98/MWh in 2020, due to the water scarcity.

Revenue from supply of gas

Cemig reports revenue from supply of gas totaling R$3,470 million from January to December 2021, compared to R$2,011 million in 2020 – 72.55% higher YoY. This basically reflects the increase on volume of gas sold was in fact 45.20% higher (at 1,373,194m^3 from January to December 2021, vs. 945,727m^3 in 2020), – under the influence, mainly, of the thermoelectric power generation, which consumption was 205.32% higher, since the levels of the plants' reservoirs were lower than expected in 2021, causing greater dispatch of the thermoelectric plants; and the margin on natural gas was adjusted, in accordance with the IGPM inflation index, by 25.70% in 2021. Another important aspect is the increase in the average cost of gas in 2021, in the order of 42.70%, which was also reflected in the tariff.

Construction revenue

Infrastructure construction revenue of distribution from January to December 2021 was R$1,852 million, compared to R$1,435 million in 2020. This increase is mainly due to the execution of a larger proportion of the Investment Plan budget in assets related to distribution concession infrastructure, especially those related to the sub-transmission networks, in expansion, strengthening and enhancement of high-voltage infrastructure.

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

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

Revenue arising from advances for services provided

Revenue in the amount of R$154 million arising from the negotiation with a free customer that resulted in a revenue recognition related to trading services provided in advance by the subsidiary ESCEE, on June 2021.

Other operating revenues

The other operating revenues line for the Company and its subsidiaries from January to December 2021 totaled R$1,934 million, compared to R$1,709 million in 2020 – 13.17% higher YoY. See Note 27 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$13,679 million from January to December 2021, or 16.70% more than 2020 (R$11,722 million).

The Energy Development Account – CDE

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

CDE charges from January to December 2021 totaled R$2,658 million, 8.80% more than 2020 (R$2,443 million). This mainly reflects the start of charging of the 'Covid Account CDE' in May 2021.

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

Other taxes and charges on revenue

The 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$28,236 million from January to December 2021, or 31.75% more than 2020 (R$21,432 million). See more on the breakdown of operating costs and expenses in Note 28.

The following paragraphs comment on the main variations:

<u>Personnel</u>

The expense on personnel from January to December 2021 was R$1,240 million, or 2.82% less than 2020 (R$1,276 million). This variation results, mainly:

- Reduction of 4.36% in the avarage number of employees from January to December 2021, compared to 2020, 5,025 and 5,254, respectively;
- Recognition, in first half of 2021, of a cost of R$35,238 on voluntary retirement plans, compared to R$58,850 in first half of 2020; and
- Salary increase of 4.77% and 11.08% under the Collective Work Agreement, as from November 2020 and 2021, respectively.

<u>Post-employment obligations</u>

The impact of the post-retirement liabilities of the Company on operational profit in 2021 was a expense of R$15,000 in 2021 to an expense of R$438 million in 2020. This variation is due to the changes made by the Company in the Collective Work Agreement for 2021-23, for offer and payment of life insurance for the employees and ex-employees. The Company's understanding is that the post-employment benefit in question was canceled, in its entirety; and thus it wrote off the balance of the obligation, with a counterpart in the Income Statement (more details in Note 24 to the financial statements).

<u>Outsourced services</u>

The expense on outsourced services from January to December 2021 was R$1,450 million, or 14.62% more than the expense of R$1,265 million in 2020. The following paragraphs comment on the main variations:

- Expenses on information technology 16.25% higher from January to December 2021, at R$93 million, compared to R$80 million in 2020. This increase reflects new contracts and investments in IT security signed and made in 2021.
- Expenses on conservation and cleaning of power line pathways, access roads and firebreaks of Cemig D were 22.67% higher year-on-year, at R$92 million from January to December 2021 vs. R$75 million in 2020.

- Expenses on disconnection and reconnection 110.26% higher from January to December 2021, at R$82 million, compared to R$39 million in 2020. This reflects resumption of the services, after the energy supply suspension due to default was once again allowed for certain classes of customers.

Energy purchased for resale

The expense on energy purchased for resale from January to December 2021 was R$16,101 million, or 32.95% more than in 2020 (R$12,111 million). The difference is mainly:

- expenses on energy acquired at auction in the regulated market by Cemig D was 87.22% higher, at R$6,242 million compared to R$3,334 million in 2020. This increase many arises from higher variable costs in energy trading contracts in the Regulated Market, due to higher dispatching of thermal plants;

- Increase expenses on distributed generation ('geração distribuída') of 87.02%: R$1,268 million from January to December 2021, compared to R$678 million in 2020. This reflects the higher number of generation units installed (115,868 on December 2021, compared to 63,845 on December 2020); and the higher volume of energy injected into the grid (1,919,881 MWh from January to December 2021, compared to 1,008,590 MWh in 2020);

- Costs on energy acquired in the Free Market 25.12% higher, at R$4,976 million from January to December, compared to R$3,977 million in the prior year, mainly associated with new purchase contracts made to mitigate the exposure risk and the replenishment of incentive-bearing energy sources in energy balance.

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 and other system charges

Charges for use of the transmission network from January to December 2021 totaled R$3,337 million, compared with R$1,748 million in 2020, an higher of 90.90%.

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 difference is mainly due to lower transmission charges in 2Q20, resulting in lower cash outflow from distributors during the Covid-19 pandemic. The charges were readjusted by approximately 40% as from July 2020. Even considering reduction of approximately 10% of readjusted in July, 2021, there was increase 17% when compared to 2020.

Also, there was (i) higher dispatching of thermal plants outside the 'merit order', and (ii) importation of power for energy security of the system in 2021 – and consequently the high cost of these thermal plants, and of the US dollar, resulted in an increase in the System Services Charge (CCEE–ESS), which is also a component of this heading.

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 from January to December 2021 totaled R$375 million, or 11.35% less than 2020 (R$423 million). This arises mainly from the following factors:

- Provisions for the SAAG put option 88.68% higher, representing an expense of R$100 million in 2021, compared to R$53 million in 2020, mainly reflecting the negative effects on the fair value of Mesa resulting from the adverse judgment given in the arbitration proceedings involving SAE.
- Variation of provisions for tax contingencies, with a constitution of R$2 million from January to December 2021, compared to a positive amount (constitution of new provisions) of R$75 million in 2020. 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 from January to October, 2010, which resulted in cancellations of tax debits, according to calculations by the tax authority (Receita Federal).
- Constitution of estimated provisions for losses on loans to related parties, from January to December 2020, referring to credits owed by Renova totaling R$37,361.

For further details, please see Note 25.

Construction cost

Infrastructure construction costs from January to December 2021 totaled R$2,036 million, or 28.78% more than 2020 (R$1,581 million). This variation mainly due to the execution of a larger portion of the budget of the investment plan in distribution on January to December 2021, compared to 2020, especially in sub-transmission, in expansion, reinforcement and improvement 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

From January to December 2021, the Company recorded an expense of R$2,011 million on acquisition of gas, 85.69% more than its comparable expense of R$1,083 million in 2020. This basically reflects the increase of volume of gas sold was in fact 45.20% higher (at 1,373,194m³ on January to December 2021, vs. 945,272m³ in 2020), – under the influence, mainly, of the thermoelectric power generation, which consumption was 205.32% higher, since the levels of the plants' reservoirs were lower than expected in 2021, causing greater dispatch of the thermoelectric plants; and the margin on natural gas was adjusted, in accordance with the IGPM inflation index, by 25.70% in 2021. Another important aspect is the increase in the average cost of gas in 2021, in the order of 42.70%, which was also reflected in the tariff.

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$182 million from January to December 2021, compared to a gain of R$357 million in 2020, which is 48.96% lower from January to December 2021 compared to 2020. The difference is mainly due losses 186.33% higher on the investee Santo Antônio Energia, which reported a loss, resulting in negative equity income of R$528 million in 2021, compared to negative equity income of R$184 million in 2020. This difference primarily reflects recognition of the effects of the judgments given in the arbitration proceedings in which SAE is a party.

The breakdown of the results from the investees recognized under this line is given in detail in Note 16.

Net financial revenue (expenses)

Cemig reports net financial expenses from January to December 2021 of R$2,253 million, an increase of 148.95%, compared to 2020 (net financial expenses of R$905 million). The main factors are:

- Appreciation of the dollar against the real from January to December 2021 of 7.39%, compared to appreciation, of 29%, in 2020 – generating a posting of expenses of R$354 million from January to December 2021, vs. expenses, of R$1,749 million, in 2020;
- Decrease in the fair value of the financial instrument contracted to hedge the risks of the Eurobond from January to December 2021, in contrast to the positive effect at 2020. From January to December 2021, the variation in the fair value of the hedge instrument generated an expense of R$538 million, compared to a gain of R$1,753 million in 2020. The variation in 2021 arises from a fall in the future interest yield curve; and
- Recognition of the premium on repurchase of debt securities in the amount of R$491 million as a result of the partial buyback of its Eurobonds – *Tender Offer*. For further information, see Note 22.

For a breakdown of financial revenues and expenses please see Note 29.

Income tax and social contribution tax

From January to December 2021, the expense on income tax and the social contribution tax totaled R$945 million, on pre-tax profit of R$4,698 million, an effective rate of 20.12%. From January to December 2020, the expense on income tax and the social contribution tax was R$936 million, on pre-tax loss of R$3,801 million an effective rate of 24,63%.

These effective rates are reconciled with the nominal tax rates in Note 10c.

Liquidity and capital resources

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

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

Cash and cash equivalents

Cash and cash equivalents at December 31, 2021 totaled R$825 million, compared to R$1,680 million on December 31, 2020. No cash nor cash equivalents were held in any other currency than the Real. The main components of this variation:

Cash flow from operations

Net cash generated by operational activities in 2021 was R$3,683 million, compared to R$8,609 million in 2020. The lower cash flow in 2021 is basically due to higher expenditure on purchase of energy, and transmission charges, not yet included in the tariff adjustment – their effects are registered as assets in the CVA account.

Cash used in investment activities

The Company used net cash of R$1,371 million in investment activities in 2021, compared to net cash of R$5,077 million in 2020. This change basically reflects the higher volume of funds transferred to investments in securities in 2021 for repurchase of Eurobonds, more details see Note 22, and the disposal of Light, which generated R$1,367 million.

Cash flow in financing activities

Financial activity in 2021 consumed net cash flow of R$5,910 million, comprising: R$4,437 million in amortization of financings, R$13 million in new funding received; R$70 million in leasing payments; and R$1,416 million in dividends and Interest on Equity paid to shareholders.

Financial activity in 2020 consumed net cash flow of R$2,387 million, comprising: R$2,531 million in amortization of financings, R$826 million in new funding received; R$84 million in leasing payments; and R$598 million in dividends and Interest on Equity paid to shareholders.

Funding and debt management policy

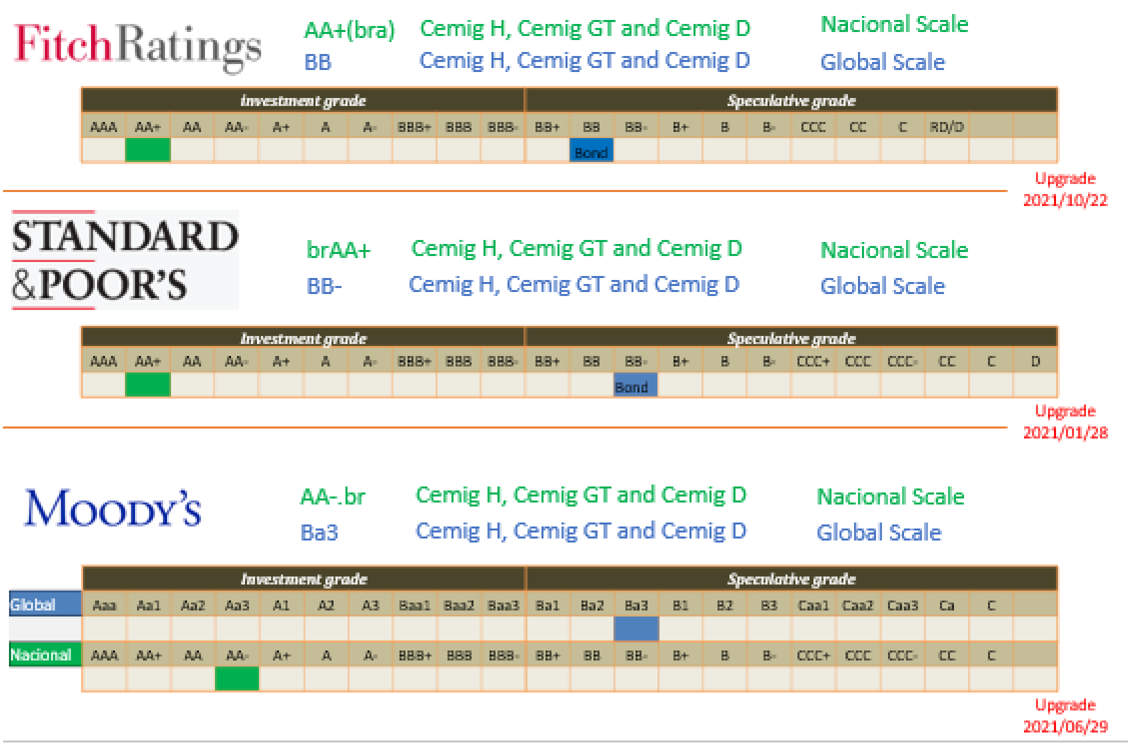
Cemig showed resilience and maintained liquidity for dealing with the crisis in 2021, even having executed a significant volume of investments. This was substantially the result of its significant cash flow from operations.

Benefiting from the liquidity events in 2020, and the proceeds from the sale of 22.58% of Light in 2021, the Company has not raised any new funding in the last 2 years. On the contrary, it amortized a significant volume of debt. In Cemig D, a total of R$834 million in debt was amortized; in Cemig GT, R$2,825 million; and in Gasmig, R$50 million.

In June 2021, taking advantage of the lowest US dollar exchange rate in twelve months – less than R$5.00/US$ – Cemig GT, for prudent management of its liabilities, began its strategy of reduction of concentration of debt in 2024 and FX exposure, with partial buyback of the balance of its Eurobond issue. As well as locking in the exchange rate at the moment of announcing the buyback, by contracting a financial protection, part of the hedge transactions contracted was undone, in the amount of US$500 million. This resulted in a reported gain in favor of the Company of R$774 million. In August 2021 Cemig GT settled the Tender Offer for US$500 million of debt securities in the external market, maturing in 2024, remunerated at 9.25% p.a. More information, see Note 22.

Corroborating these improvements, the principal international risk rating agencies made further upgrades in their credit risk ratings for Cemig, Cemig GT and Cemig D, recognizing the success in implementing measures that improve these companies' credit quality – improvement of the liquidity profile, sale of assets, refinancing of debts, greater operational efficiency, and increase in Ebitda, combined with a prudent strategy for management of liabilities. In January, 2021, Standard & Poor's raised its rating for the Company on the Brazilian scale to AA+, and on the global scale to BB-. In June, 2021, the Mood's increased its ratings on the Brazilian scale to AA-, and on the global scale to Ba3. In October, 2021, the Fitch increased its ratings on the Brazilian scale to AA+ and on the global scale to BB.

This table shows Cemig's ratings with the three principal agencies:



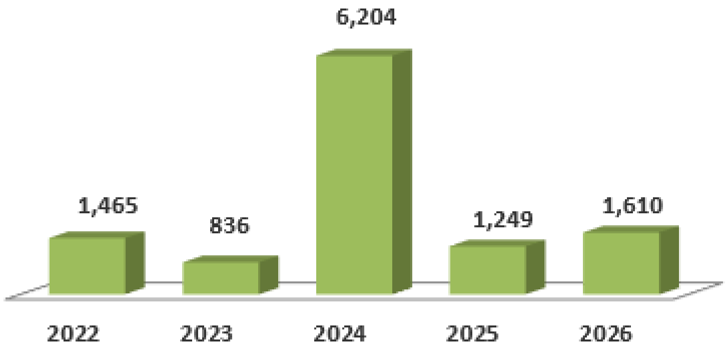
The details of funding raised, including costs and maturities, are given in Note 22.

Both the Eurobonds and the debentures have financial restrictive covenants related to (i) indebtedness and (ii) distribution of dividends, all of which the Company continues to comply with.

The Company's debt on December 31, 2021 totaled R$11,364 million, with average tenor of 3.3 years.

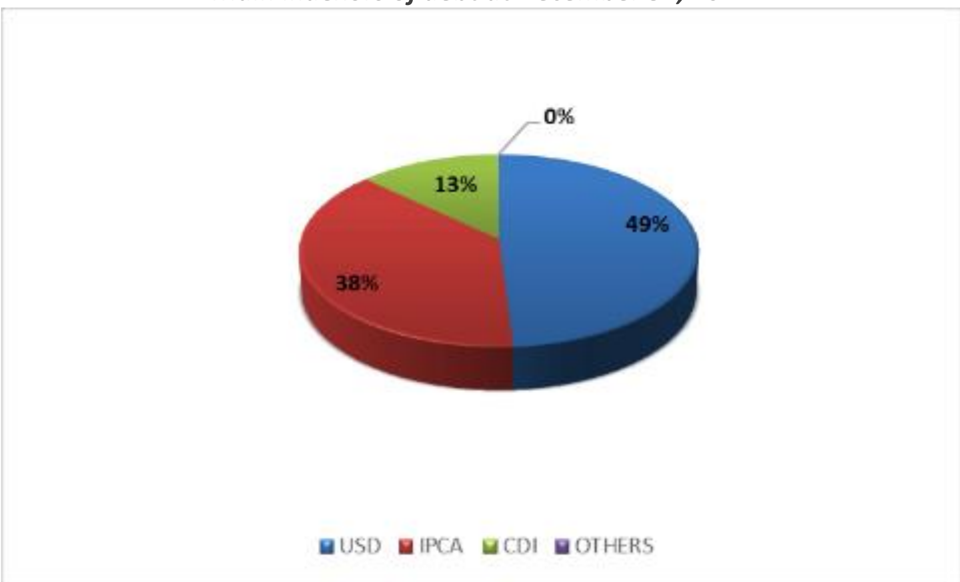
This chart shows the present amortization timetable:

Debt amortization timetable
Position at December 2021 (R$ million)



The composition of the debt is a reflection of the sources of funds available to its subsidiaries: there is a significant portion indexed to the CDI rate, and also in foreign currency – the foreign currency commitments are hedged to express them in terms of the CDI rate, to protect Cemig GT's Eurobonds against exchange rate variation. The average cost of the Company's debt is 3.72% p.a. in real terms, and 14.13% p.a. nominal.

Main indexors of debt at December 31, 2021



THE REGULATORY ENVIRONMENT

Energy Generation

2021 was one more year of low hydrology in Brazil's national grid. Average affluent natural energy (ANE) in the year was 71% of the historic average, the worst result since records began in 1931, compared to 76% in 2020. This was the third year running with ANE among its 5 worst years ever. In this scenario, the Power Industry Monitoring Committee (CMSE) and the Hydroelectric Management Exceptional Rules Chamber (CREG) coordinated a series of measures to preserve storage in the system over the year 2021 and avoid any need to cut generation load. Starting in June 2021, all the thermal generation plants were dispatched, with adaptations of the limits of exchange to operate at the N–1 safety level – permitting, for example: fuels for plants without contract; transactions for Free Consumers to offer reduction of consumption; and importation of power from Argentina and Uruguay. These measures, together with an improvement in hydrology in October and November 2021, made it possible to mitigate the risk of a power deficit in the country. However, storage in reservoirs at the end of December 2021 continued to be very low – it was 33% on December 31, compared to 24% in 2020.

The average spot price (PLD) in the Southeast in 2021 was R$279.61/MWh, 58% higher than 2020 (R$176.98/MWh). The spot price was lower in the first half of 2021, reflecting excesses of energy in the Northern Region – but in the second half of the year the conditions of the system took the price to its ceiling level (R$ 583.88/MWh), in July and August. The adverse hydrology also significantly penalized the hydroelectric plants, as their generation continued to be minimized during the whole of the year, with flexible minimum generation levels, and, thus, the Generation Scaling Factor (GSF) was lower than in 2021 compared to 2020, averaging 0.77 in 2021, compared to 0.83 in 2020.

Energy distribution

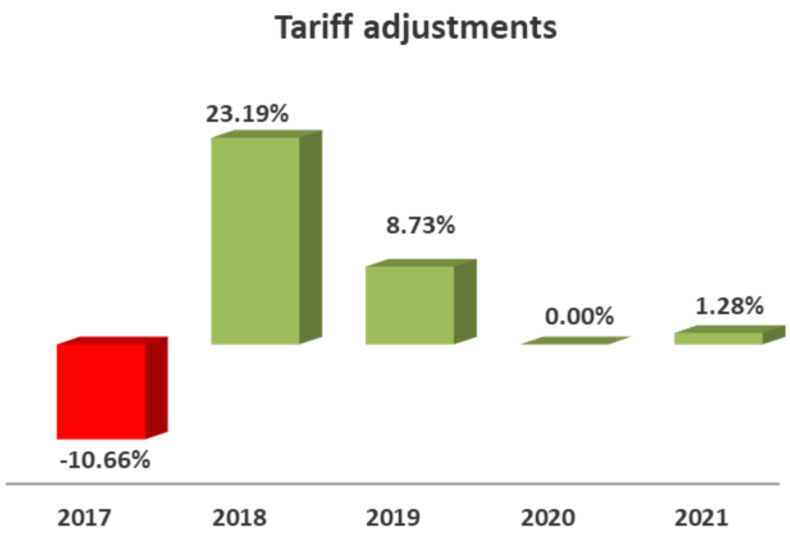
The Annual Tariff Adjustment – Cemig D

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

On May 20, 2021, the company submitted to Aneel a proposal for reimbursement of R$1.573 million to consumers in its concession area, equal to the financial component of the credit of Pasep and Cofins taxes under the Supreme Court ICMS judgment, to help keep consumer tariffs lower at a moment when the whole of society was seeking to reduce the impacts of the pandemic.

On May 25, 2021 Aneel approved the Cemig D Annual Tariff Adjustment, effective from May 28, 2021 to May 27, 2022, with an average increase perceived by customers of 1.28%. For residential (B1) consumers, the average effect was 0.0%. That means, for the second year running, Cemig's residential consumers had no increase in their electricity bills.

The level approved represented an average tariff reduction of 1.28%, the adjustment due to variation in 'Portion B' (manageable) costs was of 2.64%. The variation in non-controllable costs, plus the partial reimbursement of the PIS and Cofins tax credits referred to in the previous paragraph, was a negative effect, reduction the total impact to 1.28%.



It is important to note that of the amount charged to clients in their electricity bills, only 21.8% stays with the Company for remuneration of investment, depreciation and the concession holder's costs: this portion is referred to as Portion B. The other 78.2% is passed through to the consumer to cover the Company's non-manageable costs, a major component of which is purchase of power supply, and taxes.

Revenue Management

Cemig's project to deliver energy bills by email had reached 725,000 customers by the end of 2021, 52.90% more than at the end of 2020 (474,000). Several initiatives were taken in 2021 to increase the number of clients opting to receive their electricity bill via email – this important sustainability initiative also has a direct effect on client satisfaction, in that the clients themselves feel that they are contributing to preservation of the environment and reduction of the Company's costs.

Management of payments and revenue collection

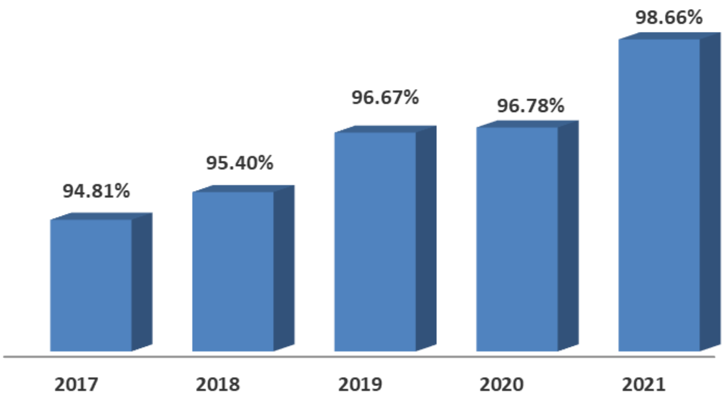
Numerous actions were taken in 2021 on collection of receivables, aiming to mitigate default and consequently improve revenue. We highlight:

- More intense and enhanced use of collection tools – by more than 30% compared to 2020: approximately 25 million collection messages via text and email; 6 million collection letters; 3 million adverse postings on public credit records; 2 million disconnections applied; and 900,000 protest proceedings in local public notaries' offices.
- Systematic activity with large clients, hospitals and public authorities.
- More intense filing of protest proceedings, with automation of the process.
- Expansion of the number of modes of payment, to include payment via Pix (the new Brazilian instant-payment system) via QR code on all invoices – about R$1 million was collected via this route; and the possibility of payment by credit card over digital media, and also directly to service teams in the field.
- Campaigns of negotiation, mainly on the digital channels, and with a sensitive approach for the income situation of families during the pandemic.

The results obtained in the year were positive – as shown below – in spite of the challenging domestic macroeconomic environment, impacted by the emergence of new Covid-19 strains, deterioration of the economy with closures of commercial and industrial establishments, increased unemployment, reduction of salaried people's income, higher electricity tariffs due to the higher 'flag' rates resulting from the hydrological crisis, and strong increases in the IGPM and IPCA inflation indices.

The total collection rate for invoices over the last 12 months was 98.6%, the highest index in the last five years. The volume collected in 2021 was more than R$ 26 billion (9% more than in 2020), mainly due to the great effort made by the collection teams, and the increase in total billing in the last quarter:

Receivables Collection Index (quarterly averages)



The index of estimated losses for doubtful receivables in 2021 was 3.8% lower than in 2020 – in which the index was already at a favorable level – mainly due to the negotiation of credits owed by facilities connected to the Minas Gerais state government, negotiations with hospitals, major industrial and commercial clients, and intensive collection work with the residential category of consumers.

Management of power losses

The indicator *Total losses in distribution* (IPTD) in 2021 was 11.27% in relation to the total energy injected into the distribution system. This was a reduction of 1.3% compared to the result of 12.57% for 2020. The IPTD for 2021 is made up of 8.77% in technical losses and 2.50% in non-technical losses and this is above the target set by Aneel for Cemig D in the current tariff cycle (2018–2022), which is 11.28% for 2021. This is an important achievement for the Company, and is the result of various actions taken during 2021, as described in more detail below.

The main actions in the plan in 2021 included:

- 384,000 inspections at consumer units in the Company's concession area (which is the size of France);
- regularization of approximately 86,000 consumers who were consuming energy without a contract;
- reduction of administrative losses in approximately 12,000 consumer units;
- removal of 3,700 clandestine connections to the electricity supply network;
- replacement of 34,000 obsolete meters; and

- intensification of work on charging in collection for irregular consumption (with 228 GWh billed).

It is important to highlight that through its Integrated Metering Center, Cemig remotely monitors large captive and free clients using high, medium and low voltage supply, effectively ‘bullet-proofing’ approximately 60% of the energy billed by Cemig D. This ‘bullet-proofing’ aims to identify and prevent attempts to carry out or repeat fraud in the metering systems.

In 2022 we expect to take action in approximately 1 million consumer units, seeking to regularize and/or modernize the Company’s metering system, with expansion of the total of smart and electronic meters, aiming to maintain the reduction in commercial losses, and regulatory compliance.

Energy transmission

The annual adjustment of transmission revenue takes place on July 1 of each year, except when there is a Periodic Tariff Review. In July 2021 the adjustment in the RAP of the transmission companies for the 2021–22 cycle was ratified.

As well as the adjustment, the revenue for this cycle was increased by the acceptance, in July 2020, of the application for reconsideration filed by the transmission companies against the review of the 2018–2023 period, mainly due to the recalculation of the financial component for Existing Facilities in the National Grid (RBSE).

In January 2021 the Federal Attorney General’s Office issued an Opinion on the legal effects of the reversal of the court decisions that suspended remuneration of the cost of capital of the transmission companies, concluding that the amounts involved should be updated by the rate for Cost of Own Capital up to July 1, 2020, the date of effective payment, and be incorporated into the RAP of the transmission companies as from the process of July 1, 2020 (for the period 2020-21), over a period of 8 years.

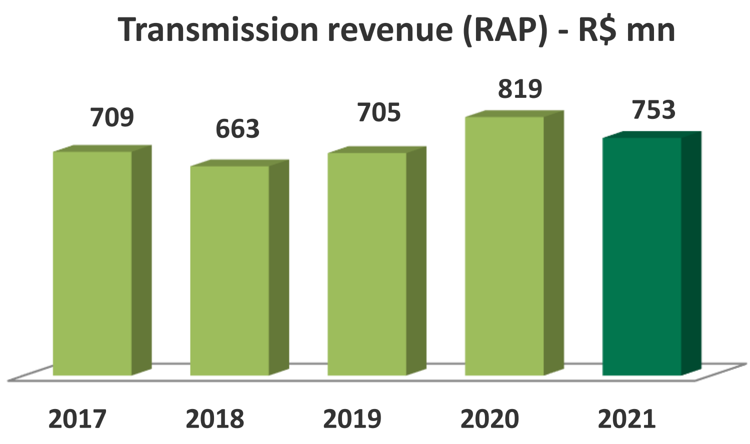
Due to the tariff pressure resulting from the effects of the Covid-19 pandemic, and due to the high risk of default in the electricity sector, Aneel opted for the alternative of ‘reprofiling’ these payments related to the remuneration of cost of capital, referred to above, for payment gradually over 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, with the highest amortization of the credits of the transmission companies in the cycles of 2023-24 through 2027-28.

The RAP approved

This resulted in the RAP of Cemig GT (Concession Contract 06/1997), ratified in 2021, being adjusted to R$684 million, which is 13.53% lower than in the prior period (R$791 million after Aneel Dispatch 1698/2021), mainly due to the reduction of the financial component after the reprofiling. The financial component for the 2020-21 cycle of R$ 332 million (comprising R$264 million in RAP and R$69 million in the Adjustment Component) was reduced to R$96 million in the 2021-22 cycle. The IPCA inflation index applied in the adjustment of RAP was 8.05%, and there was an increase in the RAP for the National Grid, due to new works entering the total during 2020-21 – an increase of R$26 million in RAP at prices of June 2021. As well as the RAP, an Adjustment Component of R$13 million was ratified in the 2021-22 cycle, relating to the differences between the Permitted Revenue and amounts actually received in the previous cycle.

The RAP of Cemig GT Itajubá (Concession Contract 079/2000) was increased by 46% in the 2021-22 cycle, from the previous period, reflecting the IGPM inflation index of the period, which was 37.04%, and the result of the Periodic Tariff Review for the 2019-24 cycle (Ratifying Resolution 2,839/2021), which repositioned RAPs for the National Grid by 79%. The Adjustment Component ratified for this contract was R$ 9 million, mainly reflecting the effect of the backdated adjustments of the RAPs for the National Grid, which underwent Periodic Tariff Review.

The revenue approved for Cemig GT under the two concession contracts (006/1997 and 079/2000) totals R$747 million, comprising R$725 million in RAP and R$22 million comprising the adjustment portion. Further to this, Centroeste (Contract 04/2005) had RAP of R$21 million for the 2020–21 cycle, and R$28 million for the 2021–21 cycle, an increase of 34%.

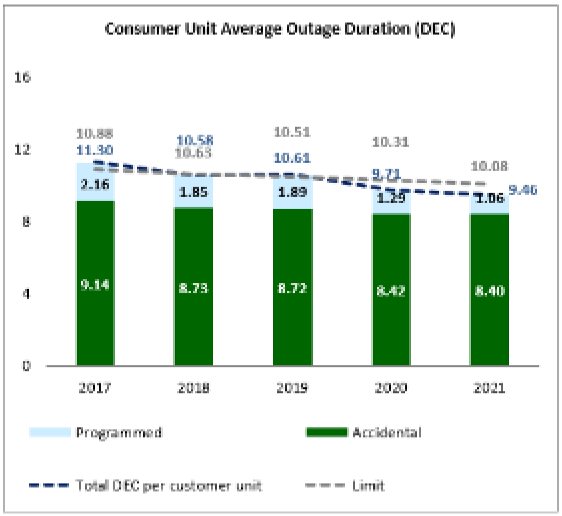


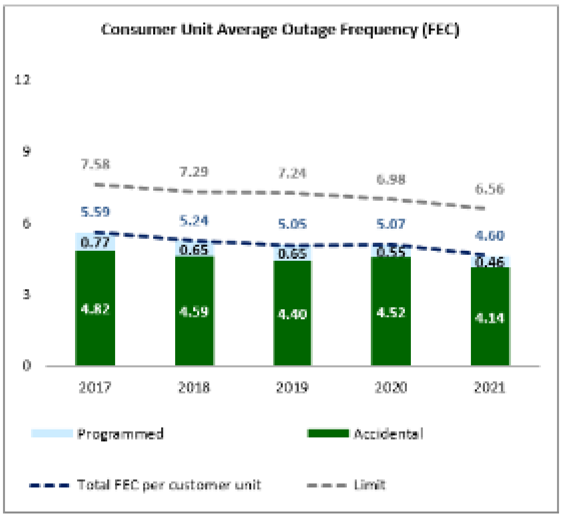
RELATIONSHIP WITH OUR CLIENTS

Quality of retail supply

The outage Duration indicator, DEC, achieved its best-ever result in Cemig D's history, at 9.46 hours per year, which compares to the regulatory limit of 10.08 hours. The charts below show the continuing evolution of the FEC indicator of average Frequency of outages per consumer unit in recent years, with a value of 4.60 hours in 2021, compares to the regulatory limit of 6.56 hours.

These results evidence of the efficacy in use of funds, and also the commitment to continuous improvement in service to clients.





Service policy

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

Cemig D is present in all the 774 municipalities of its concession area. In-person customer service is given by the '*Cemig Fácil'* service network, operating in 142 Branches and 635 Service Posts. In 2021, due to the Covid-19 pandemic, Cemig continues to have the health safety protocols in place for the safety of its consumers and employees.

Telephone service is provided through the '*Fale com a Cemig'* (Talk to Cemig) facility. This includes a specific number for the hearing-challenged. This channel also handles service to customers via social media (Facebook, Twitter). The number of contacts reported in 2021 was 11.02 million.

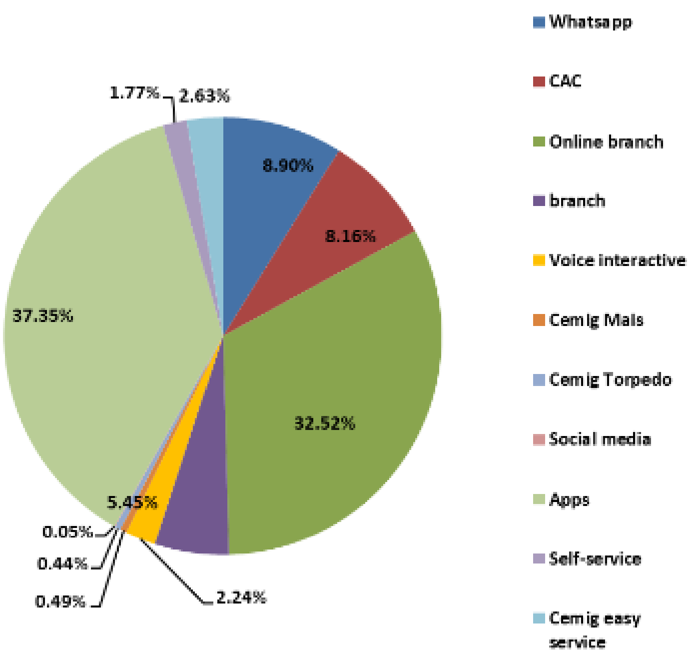
As well as its website, which received 36.5 million contacts in 2021, Cemig also has service channels via WhatsApp and Telegram for its main services, which received 8.7 million contacts in 2021.

For the online channels, we highlight the '*Cemig Atende*' ('Cemig Serves') app, for smartphones and tablets on Android or IOS or Windows Phone platforms – which had 31.8 million contacts.

A further 1.7 million contacts were made via self-service 'totems' inside the street branches, and five outside.

The total number of client contacts through the various channels in 2021 was 97.8 million.

The chart below shows the percentage participation of the various client communication channels in 2021.



Customer satisfaction

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

In the results published at the end of August 2021 we achieved a satisfaction index of 69.8%, less 11.5% from the survey's verdict in the previous year. This indicates that, in spite of our efforts to improve service to clients, the pandemic had a strong influence on our result.

Almost all the distributors suffered the same impact of this factor, with their scores all being significantly reduced.

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

NPS surveys also enable our clients to make comments on their experience with Cemig, opening up more space for them to express their opinion on the services we provide.

The 2021 IASC 2021 survey was held from August 6 to November 6, 2021, with 29,068 questionnaires being answered in 607 municipalities chosen by lot from locations in the areas of concessions (or authorizations) of the 104 electricity distributors.

The result will be known only in the first half of March 2022.

Digital transformation

Cemig and IBM have signed a strategic partnership to transform the relationship with Cemig's more than 8.8 million clients in Minas Gerais State.

A new omni-channel operation was developed – that is to say, convergence of the existing customer service channels: telephone, totem, WhatsApp, website, Telegram, SMS and the Cemig app – to provide an integrated service including voice recognition across the various platforms used by clients. Customers are able to change the service channel without loss of the interaction that has taken place up to the moment of the change of channel

In-person service to clients will be maintained, with trained and qualified teams pursuing superior levels of excellence, with the support of a platform of technological solutions which will make in-person customer service faster and more complete, resulting in the customer spending less time at the service branch.

We are innovating and strengthening our commitment to be more digital, more agile, more technological, and closer to our customers.

INVESTMENTS

In 2021, investments totaling R$1,646 million, R$164 million and R$245 million were made in our businesses of distribution, generation and transmission, respectively.

Investments in generation:

Generation and Distributed generation

The *Poço Fundo Small Hydro Plant* project

On February 13, 2019 Aneel, by its Authorizing Resolution 7,598, granted extension of the concession of the *Poço Fundo* Small Hydro Plant to May 2045, conditional upon amplification of the generator units.

Works were begun on January 6, 2020 on expansion of the generation capacity of the *Poço Fundo* Small Hydro Plant (SHP), for planned cost of approximately R$150 million, aiming for full operation in the first semester of 2022.

Aliança Geração

Cemig GT holds 45% of the equity of Aliança Geração de Energia S.A. ('Aliança Geração'). Aliança Geração has two capital expenditure investment projects in progress:

- Central Eólica Gravier S.A. ("Gravier"): This is located in the municipality of Icapuí, in the State of Ceará. The enterprise began in January 2021, and full commercial operation is estimated to start in the first half of 2022. The project will have 17 wind tower generators, with capacity to provide 4.2 MW – total generation capacity of 71.4 MW, and estimated average output of 32.43 MW.
- The Acauã wind farm complex: located in the municipalities of Tenente Laurentino Cruz, Lagoa Nova, Santana do Matos and São Vicente, in the State of Rio Grande do Norte. Building of the Acauã wind farm complex project began in March 2021, and full commercial operation is estimated to start in the second semester of 2023. It will have 26 wind tower generators, with capacity of 4.2 MW – total generation capacity of 109.2 MW, and estimated average output of 57.77 MW.

Cemig Sim

This is a Cemig Group company focused on energy innovation and solutions. In 2021, it invested approximately R$12.5 million in holdings of 49% in nine photovoltaic solar generation plants.

In 2021 it reached a total of 4,752 solar energy subscription clients. It plans to invest R$1 billion in distributed generation ('GD') over 2022–25.

UFV Boa Esperança

Investment for construction of the Boa Esperança photovoltaic generation plant was authorized by the Board of Directors in October 2021. The centralized plant has total capacity of 85 MW installed with inverter, in the municipality of Montes Claros, Minas Gerais. The planned construction period is 14 months, with first energization planned for the fourth quarter of 2022.

UFV Jusante

In December 2021 the Board of Directors authorized investment to build the Jusante (Upstream) centralized photovoltaic plant, with 70 MW capacity with inverter, in the municipality of São Gonçalo do Abaeté, Minas Gerais. Construction is planned to take 15 months, with first energization planned for 2023.

Investments in transmission

Sete Lagoas Transmissora de Energia

In December 2021, Cemig concluded acquisition of 100% of Sete Lagoas Transmissora de Energia S.A. (SLTE), from the Cobra Group, for consideration of R$48 million.

This investment in line with the Company's strategic planning, which includes growth in the electricity transmission market with addition of value, in Minas Gerais State. The assets of SLTE are of low risk and have high synergy with the other assets of Cemig GT in neighboring facilities, optimizing the use of the O&M teams.

Taesa

Cemig hold a 21.68% equity interest in Transmissora Aliança de Energia Elétrica S.A. (Taesa).

On December 17, 2021 Taesa won the auction for Lot 1 in Transmission Auction 02/2021 held by the regulator, Aneel.

Taesa's winning bid offered a discount of 47.76% on the base RAP (Permitted Annual Revenue), and will provide Taesa with revenue of R$130 million. Lot 1 is for 363 km of transmission lines, in the states of São Paulo and Paraná, the initial budget and construction time specified by the Regulator were: R$1.8 billion and 60 months.

This lot has important synergies, taking good advantage of Taesa's existing O&M structure, and excellent outlook both for capex and for early delivery of the project – in line with Taesa's habitual performance.

Investments in distribution

Investments in distribution in 2021 totaled approximately R$1,520 million.

Cemig D is planning to strengthen its investment program, in line with the Cemig Group's strategic planning: it expects to invest approximately R$12.5 billion from 2021 at 2025, which will reflect positively in Cemig's Regulatory Remuneration Base (BRR), and consequently increase revenue.

This higher investment by Cemig D will also have positive impacts in terms of improvement of the quality of supply of energy and reduction of operation and maintenance costs, with the increased reliability of the energy system.

Investments in natural gas

Companhia de Gás de Minas Gerais (Gasmig) is the exclusive distributor of piped natural gas in Minas Gerais, by grant of concession. It serves the industrial, residential and commercial markets and the thermal energy generation industry, providing compressed natural gas (CNG), liquified natural gas (LNG) and vehicle natural gas (VNG). Cemig holds 99.57% of the share capital of Gasmig.

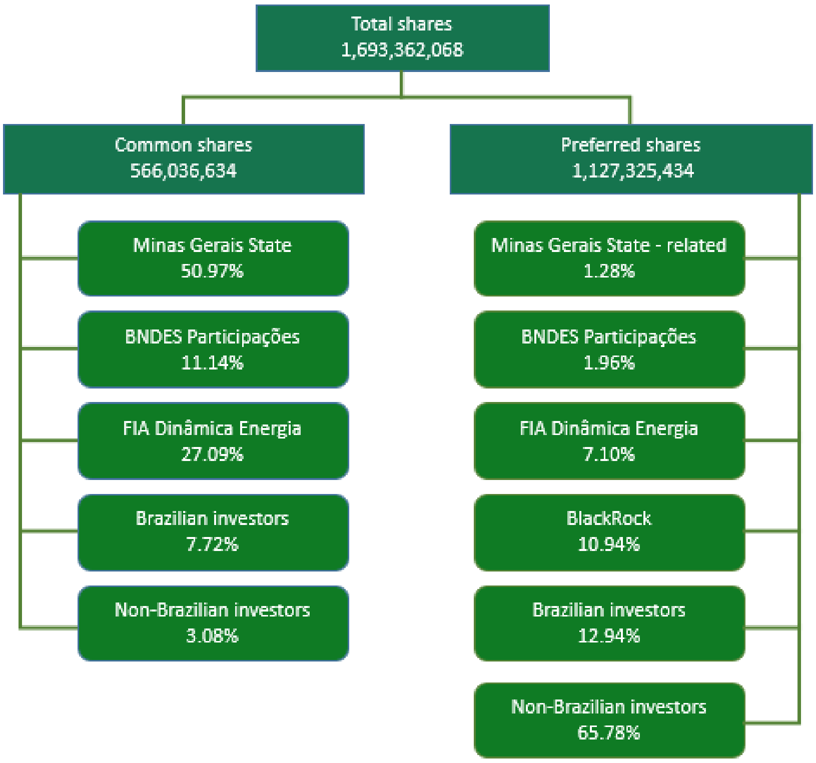
In 2021 Gasmig invested amounts around R$54.2 million in assets (R$50.2 million in 2020), mainly in expansion of its natural gas distribution networks in the State of Minas Gerais: its client base increased by 15.99%, from 61,414 consumer units in 2020, to 71,236 in 2021.

CAPITAL MARKETS AND DIVIDENDS

Cemig's shares were initially listed on the stock exchange of Minas Gerais State on October 14, 1960. Since 1972 they have been traded on the São Paulo stock exchange – under the tickers CMIG3 for the ON (common) shares, and CMIG4 for the preferred shares (PN). Cemig has been listed at Corporate Governance Level 1 on the São Paulo stock exchange since October 2001. ADRs for Cemig's shares have traded on the New York stock exchange since 1993 with tickers CIG and CIG/C) – and at Level 2, since 2001. Cemig shares have traded on the Madrid stock exchange (ticker: XCMIG) since 2002.

Shareholding structure

This chart shows the shareholding structure of Cemig on Monday, December 31, 2021, with share capital of R$8,467 million:



Share prices

The closing prices of Cemig's securities in São Paulo (Bovespa), New York (NYSE) and Madrid (Latibex) in 2020 and 2021 were as follows:

Security	Ticker	Currency	Close of 2020	Close of 2021
Cemig PN	CMIG4	R$	11.74	13.11
Cemig ON	CMIG3	R$	13.50	18.52
ADR PN	CIG	US$	2.20	2.43
ADR ON	CIG.C	US$	3.07	3.52
Cemig PN (Latibex)	XCMIG	Euro	2.26	2.06

Source: Economática. Prices adjusted by corporate action, including dividends.

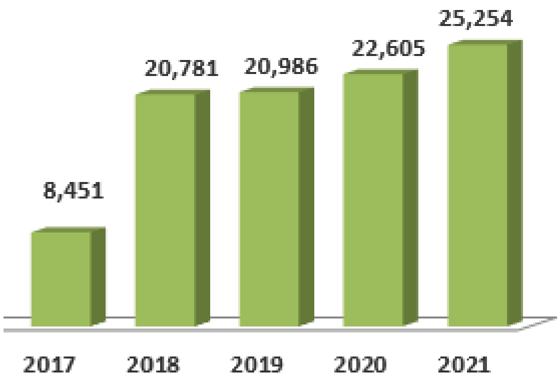
Total trading volume in the preferred shares, CMIG4, in 2021 was R$30.49 billion, a daily average of approximately R$123.44 million. The total volume making Cemig's preferred (PN) shares one of the most traded on the São Paulo stock exchange, thus offering investors an enhanced degree of security and liquidity.

Average daily volume of trading in the preferred shares on the NYSE in 2021 was US$18.12 million, with total volume of US$4.57 billion– reaffirming Cemig's position as a global investment option. And on the NYSE, Cemig's ADRs had the highest trading volume of all Brazilian power sector ADRs in 2021.

On the São Paulo exchange, Cemig was the electricity sector company with the third highest trading volume. Both of Cemig's shares that trade on the Bovespa outperformed the Brazilian electricity sector index – the IEE.

	CMIG4	CMIG3	CIG	CIG.C	IBOV	IEE	DJIA
2021/2020	11.67%	37.19%	10.45%	14.66%	(11.93)%	(7.90)%	18.73%

Market capitalization is calculated on the totality of the company's shares at market price on the last trading day of each year. Cemig's market cap. increased by 11.72% in 2021.



PROPOSAL FOR ALLOCATION OF NET INCOME

The Board of Directors decided to propose to the Annual General Meeting to be held on April, 2022 the following allocation of the net income for 2021, totaling R$3,751 million, of realization of the deemed cost of PP&E, totaling R$15 million, realization of the Unrealized Earnings Reserve totaling R$835 and addition of R$39 million to Retained Earnings, relating to post-employment benefits, as follow:

- R$187 million will be held in Stockholders' equity in the Legal Reserve, as required by Law 6,404/1976.

- R$1,966 million as minimum mandatory dividends, to the Company's shareholders, to be paid in two equal installments, by June 30 and December 30, 2022, as follows:

  - R$955 million in the form of mandatory dividends as of Interest on Equity, declared on December 07, 2021;
  - R$1,011 million in the form of dividends, to holders whose names are in the Company's Nominal Share Registry on the date of the AGM.

- R$1,553 million to be held in Shareholders' equity in the Retained Earnings Reserve, to provide funding for the Company's consolidated investments planned for 2022, in accordance with a capital budget.
- R$21 million to be held in Shareholders' equity in the Tax Incentives Reserve, for tax incentive due to investment in the region of Sudene.

The amount of R$835 million remains as Unrealized Earnings Reserve, considering the reversal of the reserve constituted in 2020 and the new constitution in 2021, of the same amount.

Payment of the dividends will be made by December 30, 2022, in accordance with the availability of cash and at the decision of the Executive Board.

CORPORATE GOVERNANCE

The Company's Board of Directors comprises nine sitting members, nominated and elected by the shareholders, with the exception of one member who is elected by the employees, as per Law 13,303/2016. Under the by-laws, the period of office of all the members runs concurrently, for two years, and they may be re-elected a maximum of three times. In 2021, the Board held 26 meetings for decisions and presentations on various subjects such as strategic planning and budget, investment projects and acquisitions.

The Audit Committee, created under the change to the by-laws in June 2018 and in compliance with Law 13,303/2016, is an advisory committee linked to the Board of Directors, with the functions of auditing and inspecting the quality and integrity of the accounting statements, compliance with legal and regulatory rules and the by-laws, and effectiveness of the systems of internal control, internal auditing and external auditing. It has three members, with term of office of three years, each of whom may be re-elected only once. In 2021 it held 39 meetings.

The Audit Board is a permanent body comprising five sitting members and their replacement members, elected for a period of office of two years, with a maximum of two re-elections allowed. The Audit Board met 14 times in 2021.

RELATIONSHIP WITH EXTERNAL AUDITORS

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

Complying with the rules of the CVM, a turnover system of external auditors is adopted, with a frequency of 5 years. As from the Interim Financial Statements of June 2017, our auditors of our Financial Statements are Ernst & Young Auditores Independentes S.S.. The services provided by the Company's external auditors have been as follows:

Service	2021	As % of audit fees	2020	As % of audit fees
Auditing services:				
Auditing of financial statements	8,682	100.00	7,577	100.00
Additional services:				
Auditing of the Public Digital Bookkeeping System (SPED)	934	10.76	750	9.90
Total	**9,616**	**110.76**	**8,327**	**109.90**

The additional services were contracted jointly with the external auditing services and refer, basically, to review of tax procedures adopted by the Company, and to preparation of a comfort letter for issuance of a debt instrument. These do not represent any type of consultation, tax planning or conflict of interest.

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

AUDITING AND MANAGEMENT OF RISKS

Maintaining a minimum frequency of a year for the updating procedure, the Executive Board and the Board of Directors approved, after consideration by the Audit Committee Cemig's updated Corporate Top Risks and Compliance Risks Matrix for 2021–22.

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

The matrix of internal controls is reassessed annually for sufficiency and compliance, with design tests, and support for remediations together with the processes and monitoring of these controls by the Company's Risk and Internal Controls Management Unit. The Executive Board issues periodic reports to the Board of Directors, the Audit Board, and the Audit Committee.

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

Anti-fraud Policy

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

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

TECHNOLOGICAL MANAGEMENT AND INNOVATION

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

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

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

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

The challenge was opened to the general public, which will be invited to present proposals for formatting of new Research and Development projects, in accordance with the rules of Aneel. The projects will be assessed under the guidelines for innovation approved in the strategic planning for 2021–25 and, if approved, will be formalized with new draft contracts for development of the ideas that are approved.

The Cemig Challenge expects proposals on the following macro themes:

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

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

The Energy Efficiency Program

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

Cemig D's Energy Efficiency Program maintains a large number of projects in execution – a total 19 initiatives in progress at the end of 2021. They include projects from public Calls for Projects, held annually by the program, and also projects built directly by Cemig.

In 2021 this program invested approximately R$40 million in projects throughout Cemig D's concession area, and made a further R$140 million available in a new public tender to select proposals for a portfolio of projects to be financed in 2022 and 2023.

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

Research and Development program

In 2021 Cemig D invested more than R$8.9 million in 36 R&D projects, on various themes, of which we highlight the following:

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

Cemig GT executed 30 R&D projects, resulting in an investment of more than R$15.9 million, on a variety of subjects, including:

- Adaptation of Cemig's virtual reality system to integration with real-time image inspection resources, and joint training of the field teams and the System Operations Center (COS).

- Individual Notification System (Dispositivo Individual para Notificação – DIN) in the event of a dam emergency.
- A tool for setting future prices in the optimum composition of an energy purchase and sale portfolio.
- Ecological processes: Development of new eco-technologies for diagnostics and environmental processes (the PROECOS project).

Management systems – Certificates

Cemig seeks optimum operation in its processes, with a focus on continuous improvement of the quality of management, to achieve its strategic objectives and satisfaction of its clients. Thus, for more than 20 years, it has achieved and maintained certifications of its processes in accordance with NBR ISO 9001.

To preserve natural resources and prevent pollution, Cemig has NBR ISO 14001 certification. And with a focus on prevention of accidents and preservation of human health, it maintains ISO 45001 Certification.

All these certifications are managed as an integrated system which has been improved over the years. In 2021 the Company took an important step in best practices of the management system: it concluded the project of unification of the management systems, involving the whole company, to ratify maturity of its Environmental Management, Health and Safety Management, and Process Quality Management.

With the conclusion of this project the Company achieved:

- integration of the various areas of the company in a single certification scope;
- increase commitment of the support systems to the results of the business;
- a clearer connection between the processes of the daily routine and the strategic objectives; and
- involvement of the whole company in constant incorporation of the regulatory requirements into processes.

The project was concluded in October 2021, with an external audit by the certifying body validating the new scope.

SOCIAL RESPONSIBILITY

Cemig bases its relations with communities near its project sites on actions guided by a sense of joint responsibility and by stimulus for local economic and social development.

The following are some of the highlights of 2021:

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

In 2021, still impacted by the health restrictions of Covid-19, meetings with communities were held online. Five webinars were held, focusing on "the Hydrological Crisis of 2021", for 5 generation plants: Nova Ponte, Emborcação, Irapé, Queimado and Rosal. The Proximidade (Proximity) Program was also present in the online meetings and workshops with municipal Civil Defense units for integration of the Dam Emergency Action Plans (PAEs) with the Municipal Contingency Plans (PlanCons).

40 meetings were held with the Civil Defense Organizations (CompDecs) of 52 municipalities, with official delivery (or updating) of the PAEs of the dams, presenting Flood Reach Studies for scenarios of dam rupture and exceptional floods, with indications to determine meeting points and escape routes.

Sponsorship Program: In the Sponsorship Program, donations in favor of the institutions are raised from third parties (the 'Sponsors'), by additions to their energy bills which are then 100% passed on to the institution's bank account. A total of 174 institutions received approximately R$61 million in donations in 2021.

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

The 2021 AI6% Campaign involved the participation of 1,300 employees, who voluntarily allocated R$1 million to benefit approximately 20,000 children and adolescents in vulnerable situations, served by 157 institutions. Cemig also allocated part of its income tax payable to the same FIAs, totaling R$1,3 million. Thus, a total of R$2.3 million was donated to entities spread out over 79 counties/municipalities in the Company's area of influence.

Corporate Volunteer Program: 'Voluntary Cemig' includes various actions to encourage and support employees' involvement in voluntary activities. Corporate volunteering is recognized in the business world as an important tool for improving organizational climate, developing skills, and contributing to improvement of society – and a company's image and reputation.

The You Program (Programa Você) aims to stimulate and disseminate the employees' solidarity and voluntary work, to promote human development and contribute to the well-being of communities where the company works. The Program is structured to maximize the potential of volunteers' ongoing actions – a path that migrates gradually from assistentialism to participative citizenship and social transformation. The Você program seeks to incentivate participation through transformative actions proposed by employees on the volunteering platform.

United for the Vaccine (Unidos pela Vacina): This movement was created to make vaccination of all Brazilians against Covid-19 feasible by September 2021. Cemig joined and supported the movement, which comprises numerous companies, bodies and civil society entities, which adopt municipalities, giving support in the supply of inputs, logistics and materials to help in the process of vaccination. Among the actions carried out, Cemig made vehicles and personnel available to contribute to the initiative. A total of 329 volunteers gave 1,391 hours of their time in helping to accelerate progress with the vaccine.

As well as social assistance activities, we continue to invest in online actions of social transformation, objects that benefit young people from poor communities, pupils of public schools, and women in vulnerable social situations in Minas Gerais.

In 2021 Cemig's Volunteering Program reports a total of 28 actions including actions for social assistance, actions proposed by employees and social transformation actions. 513 employees took part as volunteers, with a total of 2,000 hours of work by members of the Cemig Group workforce.

Projects in culture, sport and health

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

Culture

Cemig is the company that makes the largest investment in culture in Minas Gerais, invested in 2021 R$23.6 million in 64 cultural projects. As well as incentivating producers and artists, Cemig's support created direct benefits for the population, which gains access to cultural goods in a secure and democratic way.

Health:

In 2021, Cemig invested R$4.7 million, in various regions of Minas Gerais, providing various benefits to 18 hospital units: replacement of autoclaves, dryers, surgical installations, and also photovoltaic plants.

Sport:

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

Cemig published two public requests for proposals in 2021, to select projects involving sport that qualify for Support Incentive funding under federal or state laws. A total of 173 projects were received (116 from the federal tender and 57 from the specific tender), and we allocated approximately R$2 million to the best-assessed projects.

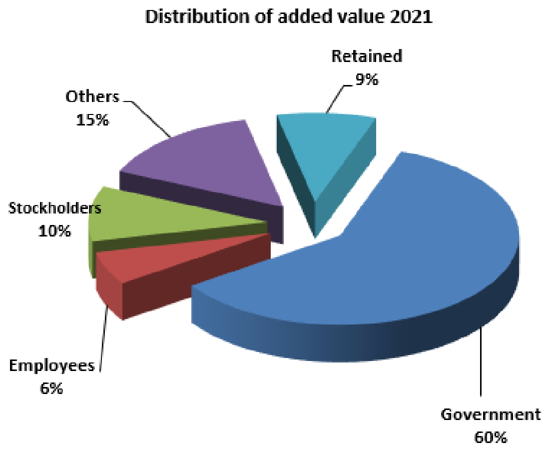
Fund for the elderly

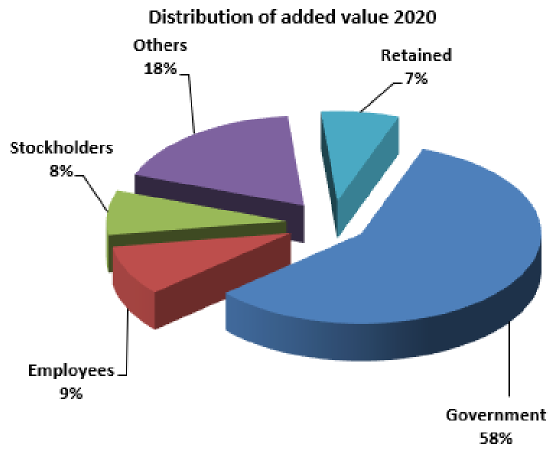
With people over the age of 60 enjoying longer lifetimes, and consequently becoming a larger proportion of the population, Cemig seeks to help with projects for protection of and service to the elderly in Minas Gerais state, with widening and improvement of the activities. Cemig also centers efforts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

One Requests for Concepts from the public was launched in 2021 to select projects to support the elderly, aligned with the organizational guidelines. A total of 48 projects were received and approximately R$1.3 million was allocated to the best-assessed projects.

Value added

The Value Added Statement *(Demonstração do Valor Adicionado*, or DVA) is an indicator of the Company’s generation of wealth, and its importance for society in general: the added value created in 2021 was R$20,667 million, which compares to R$19,319 million in 2020.



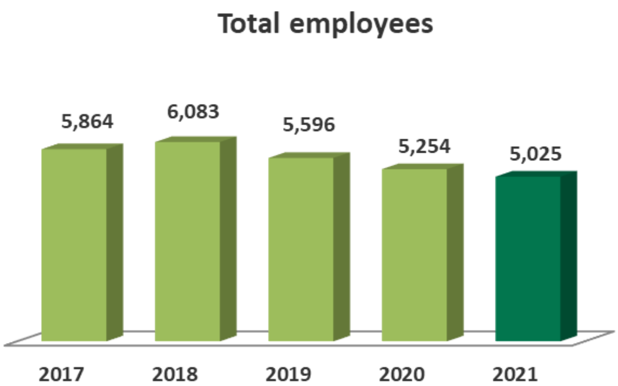


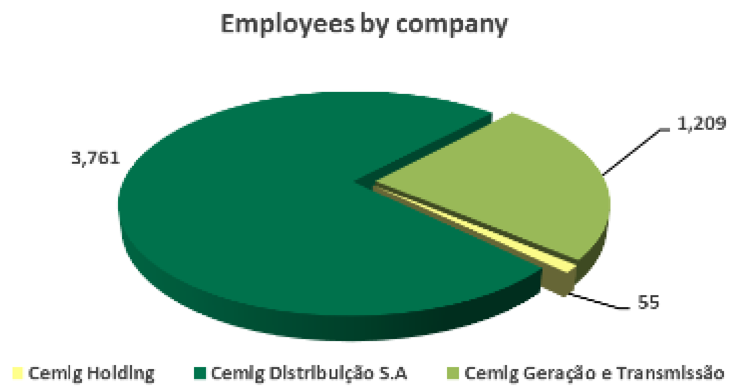
Human resources

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

Number of employees

In view of the reality imposed by the present conditions of regulation in the energy sector, Cemig D is working towards more efficiency and greater alignment with the sector benchmarks. In the quest to include new talents, motivate natural turnover of the workforce, and take opportunities for review of processes and greater efficiency, the Company has offered voluntary retirement programs in recent years. These have reduced its workforce in the last five years, from 5,864 employees in 2017 to 5,025 in 2021:





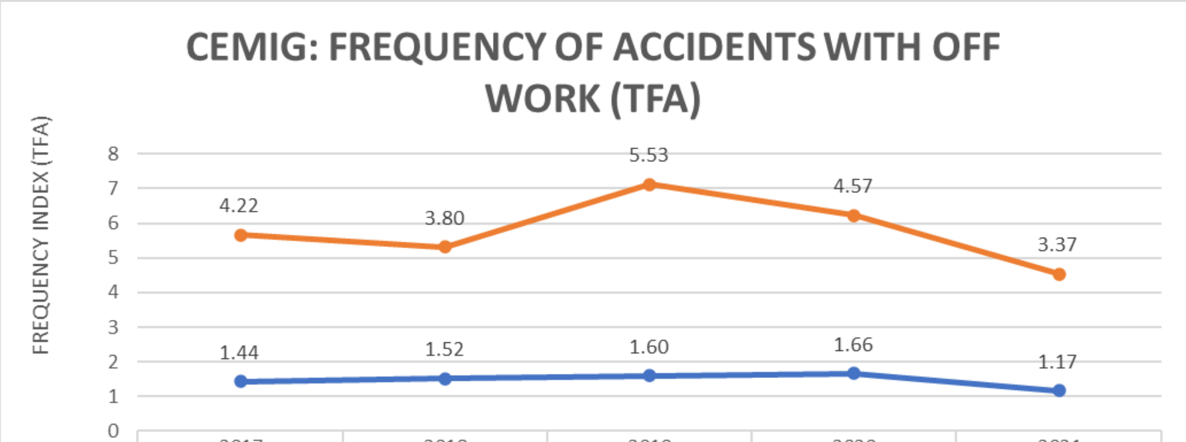
Cemig hired 235 people in 2021. These hirings were to fill vacancies at the technical, operational, administrative and university levels, replenishing the Company's team principally in essentially technical areas.

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

Health, Hygiene and Safety in the workplace

In 2021 health protocols were adopted, based on monitoring the development of Covid-19 throughout the country. The challenge of permanent activity in the area of health, with continuous monitoring of employees and the use of the App, through which information is provided to employees, made a positive contribution to protecting the health of employees and their family members, and minimizing transmissibility of the disease in the Company's internal environment.

Our accident rates, measured as the Basic accident frequency rate (TF) and the Rate of Accidents with Time off Work (TFA), showed in 2021 the best numbers of the last 5 years.



	2017	2018	2019	2020	2021
TF	4.22	3.80	5.53	4.57	3.37
TFA	1.44	1.52	1.60	1.66	1.17

The Company has been expanding its health and safety actions with a focus on prevention, and intensifying education campaigns to raise the awareness of the whole workforce.

Our employees' efforts have enabled the Company to bring these rates down to historic minima, demonstrating that although there is still much yet to be done, we are on the right track.

<u>UniverCemig</u>

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

UniverCemig is responsible for employees' skill acquisition and development, providing structured education, including its own training and outsourced training in Brazil and worldwide, and management of postgraduate and language courses. It also operates in the market, offering training to other companies, principally companies providing services to Cemig D (distribution).

In 2021 UniverCemig began professional training of 191 new employees of its own: 94 electricians, 85 technicians and 2 engineers, and trained 11,464 outsourced customer unit inspection technicians.

Organization climate and culture

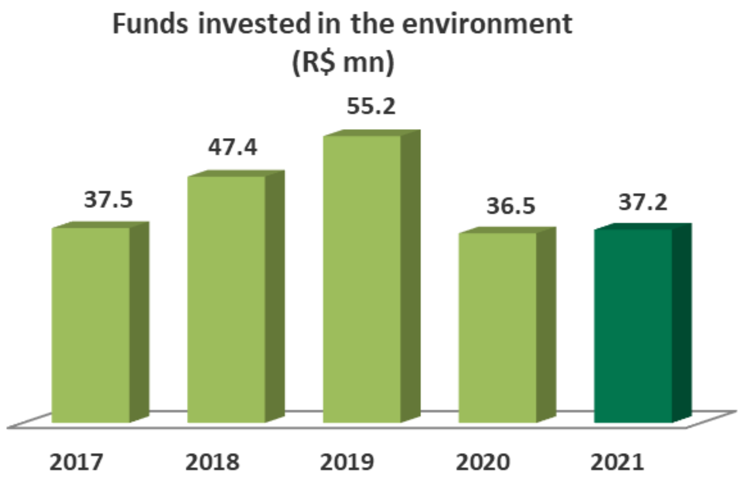
In June anda July 2021, Cemig held its Engagement and Atmosphere Survey, to ascertain aspects of link, connection and engagement with the Company, and objective information on the themes that might interfere with the organizational climate. 63% of the Company's employees took part, with 63.9% of those surveyed giving a favorable opinion. This indicates that there are important points that need to be worked on to improve the employees' perception.

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

Based on this diagnosis, packages were designed with practices aiming to develop a series of processes related to management of people, to achieve improving results, aligned with strengthening of Cemig’s company culture.

Environment

In 2021, Cemig invested approximately R$37.2 million in the environment, involving management of waste, R&D, and environmental obligations and improvements. These investments were lower than their historic average levels, due to the limitations on execution during the pandemic.



Water resources

Water is the principal raw material for production of energy by Cemig – used to turn its turbines. 100% of the water used is returned to the related watercourse, heavily impacted by the action of mankind, and subject to a regulatory environment.

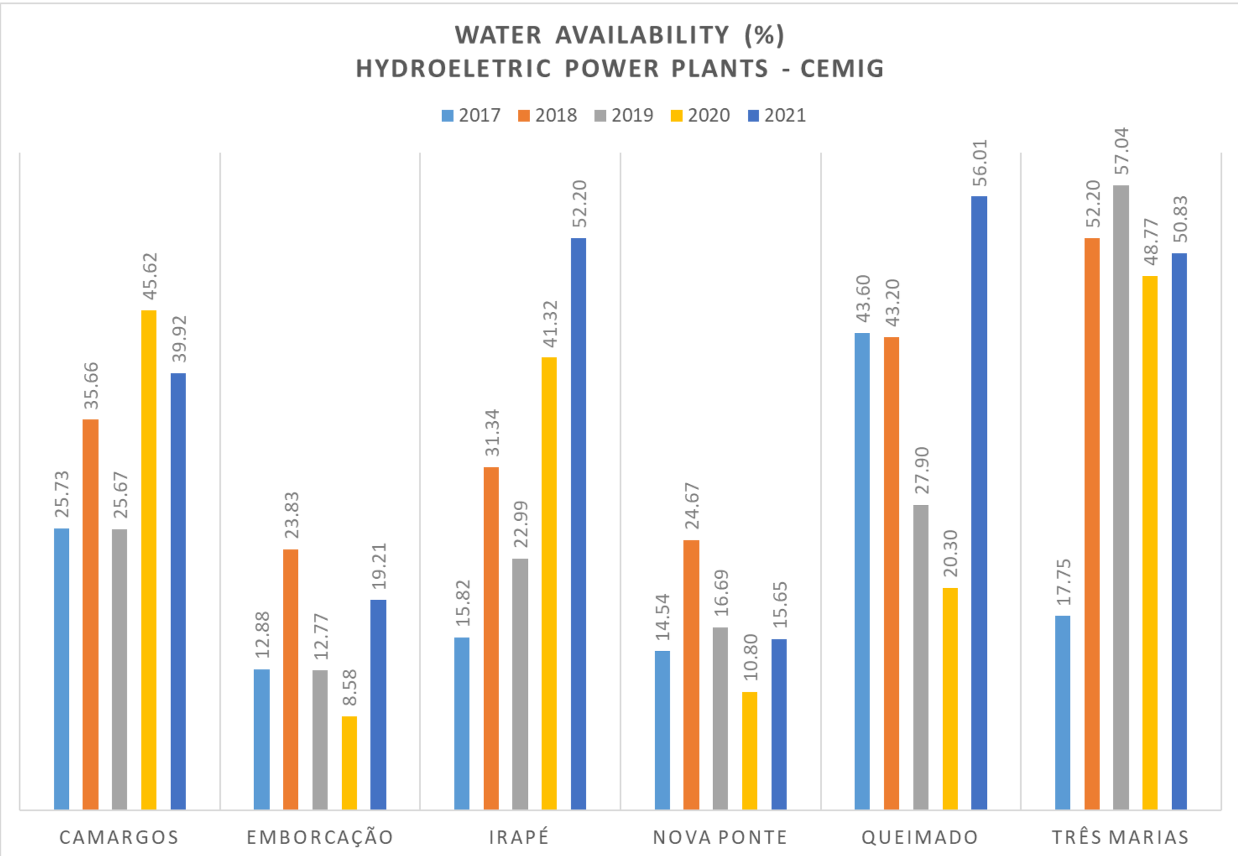
The body that decides to dispatch thermoelectric generation plants linked to Brazil’s National Grid is the National System Operator (ONS), responsible for the coordination and control of operation of the energy generation and transmission facilities in the National Grid, under the inspection and regulation of the energy regulator, Aneel.

In periods of severe drought, like the ocorred in 2021 and periods of severe drought, which Brazil suffered from 2013 to 2019, monitoring and forecasting of the levels of reservoirs and constant dialogue with public authorities, civil society and users have been of primordial importance in ensuring generation of power, as well as for the other uses of this resource.

Cemig published daily figures on the levels of several of its reservoirs on its website and on the PROX App, which is available for download to iOS and Android.

2021 was a year of hydrological crisis in the reservoirs of the large hydroelectric generation plants, located in the center-south regions of the country, and flows were down to record minimum levels during the drought, recovering slightly in the fourth quarter of the year. This regime of scarcity resulted in depletion of various reservoirs of the Southeast, including, for Cemig, the reservoirs of the Emborcação and Nova Ponte plants. At the Nova Ponte Plant, it was necessary to intensify management of multiple uses – organized through: participation in public hearings held by the Legislative Assembly of Minas Gerais State, the National System Operator (ONS), and in-person meetings; and actions in the field for monitoring of fish populations.

The chart below shows the information on water storage levels in Cemig's principal reservoirs in December 2021, compared with the same time in previous years.



Dam safety

The process that aims to ensure safety of the dams operated and maintained by Cemig uses, in all its phases, a methodology founded on best Brazilian and international practices and specific regulation.

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

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

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

In 2021, in spite of the complications of the Covid-19 pandemic, Cemig maintained its policy of increasingly close relations with the external public, focused on emergency situations, through the Municipal Coordination Units for Protection and Civil Defense ('Compdecs') – holding video meetings, and online training and workshops.

Cemig working with the theme areas referred to by Law 12,334/2010 , Law 14,066/2020 and Aneel Normative Resolution 696/2015, it prepared the strategy for alerts and alarms, and means of communication in dam rupture emergency situations, to be put in place with communities that might potentially be affected by such situations.

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

In 2021, even with the difficulties caused by renewal of the teams of CompDecs (civil defense units)(in a post-electoral year), our activities with these bodies were decisive in the strategy of focusing on integrating the Emergency Action Plans (PAEs) of the Company's 42 dams with the Municipal Contingency Plans (PlanCons) of the municipalities directly involved.

Also in 2021, we held approximately 50 online workshops to present and discuss the PAEs and use of PROX (the risk management App). The following actions were also discussed and executed with a focus on the Self-Rescue Zones (ZASs – Zonas de Auto-salvamento), the areas downstream from dams:

1. Registry of all buildings, dwellings, etc. of the permanent population for 61 municipalities.
2. Proposal for escape routes and meeting points for the 61 municipalities.
3. Warning signs put in place in 43 municipalities.

Cemig has also firmly continued the research project that focuses on development of the Individual Notification Device (DIN – Dispositivo Individual de Notificação), a small alert or alarm device to be placed individually in each home in the Self-Rescue Area, with long range, low energy consumption and able to emit individualized alerts in specific areas – assisting the population in being able to take joint responsibility and supporting a culture of resilience in preparation for emergency.

The Proximidade (Proximity) program has made the PROX mobile risk management app available for the relationship between the population and the civil defense units (CompDecs). This app provides hydrological and operational information about Cemig's hydroelectric plants, and serves as a risk management tool in which users register, and receive notifications and any alerts for dam emergencies.

In 2021 Cemig also entered a Technical Working Agreement for shared use of the PROX App with IBRAM, the Brazilian Mining Institute (Instituto Brasileiro de Mineração), and 11 associated mining companies, with a view to increasing the safety coverage of other populations that are subject to mining dam emergencies. This app is expected to increase safety coverage not only for dams but also for several other dangerous situations (for example floods, fires and landslides).

The major differential in the approach adopted by Cemig is presentation of the impacts caused by natural floods, giving greater security to populations living by rivers, and developing the resilience of towns and cities to flood events.

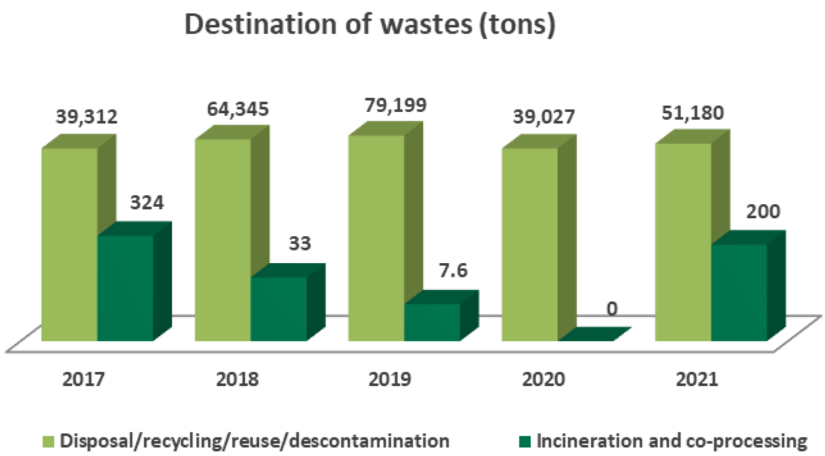
<u>Management of waste</u>

Over the whole of 2021, 51,180 tons of industrial wastes were allocated for disposal: 98.22% of these wastes were sold or recycled; 1.30% regenerated, reused or decontaminated; and 0.48% co-processed, incinerated, sent for treatment (effluents and sedimentation), or disposed of in industrial landfills.

In 2021 there was little variation in the final disposal of wastes from 2020, with an increase of 26.90% We continue to constantly refurbish transformers, reducing generation of scrap, and returning the equipment to service in the Company's system.

In 2021 was disposal of 357.3 tons of solid waste impregnated with oil, solvents, EPIs, fiber and glass fiber wastes, septic tank settlements, asbestos residues, waste contaminated with PCBs, and insulating mineral oil. This was 4.3% less in mass than in 2020. We made no disposals of wastes contaminated by PCBs in 2021. A total of 2.1 tons of lamps were sent for decontamination and recycling, 200 tons of waste from co-processing and 213 tons of insulating mineral oil were regenerated and reused by the Company.

All of these waste disposal activities have confirmation by final disposal certificates.



Programs for fish populations

Cemig created the '*Peixe Vivo*' ('*Fish Alive*') Program, with the mission of minimizing impact on fish populations, seeking handling solutions and technologies that integrate the generation of energy by Cemig with conservation of native fish species, promoting involvement of the community.

Since its creation the program operates on two fronts:

(i) preservation of fish populations and support for research projects; and
(ii) formation of protection strategies to avoid and prevent fish deaths at Cemig's hydroelectric plants.

In 2021 five research projects were carried out using funding from the R&D program and the company itself: 24 works (1 these, 4 dissertations, 2 monographs, 4 scientific abstracts and 13 scientific articles) were published related to the projects or actions of the '*Peixe Vivo*' program.

Climate change

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

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

RECOGNITION – AWARDS

Cemig's efforts in 2021 led to awards recognizing the excellence of its activities by various sectors of society. We highlight the following:

The Transparency Trophy

Cemig was recognized for the 17th year running in this annual award for transparency in financial statements. This is jointly organized by Anefac – the Brazilian Association of Finance, Management and Accounting Professionals, Fipecafi – the Accounting, Actuarial and Finance Research Institute of the Economics and Management School (FEA) of São Paulo University (USP), and Serasa Experian. Cemig's award, in the category Listed companies with billing over R$8 billion, reflects the clarity of its financial statements and the quality of the information published. The winning companies were chosen by master's degree and doctorate students of FEA/Fipecafi, after analysis of the financial statements of more than two thousand companies.

The Dow Jones Sustainability World Index

For the 22th consecutive year, Cemig has been selected for inclusion in the Dow Jones Sustainability World Index (the 'DJSI World'), for 2021–2022. The index functions as a global financial performance indicator, while testifying to Cemig's objective of respecting and building new businesses in accordance with enhanced corporate sustainability practices. The new composition of the DJSI World comprises 322, selected from among 3,455 companies.

The Bovespa ISE Corporate Sustainability Index

Cemig is included in this index for the 17th year running, reflecting its strong sustainable practices. The index is of Brazilian companies, and assesses corporate governance, economic efficiency, care for the environment, and social responsibility. Inclusion in the ISE recognizes Cemig's intense efforts to develop sustainable solutions aligned with preservation of the environment.

The CDP "A List"

Cemig was recognized for its leadership in corporate sustainability, for the third year consecutive, by award of double maximum rating in the 'A List' of the *Carbon Disclosure Project* (CDP), a global environmental NGO, for its commitment in combating climate change and ensuring water security. Cemig is one of a select number of companies, worldwide, that has been awarded "A" classification by the Carbon Disclosure Project (CDP), a worldwide environmental non-profit which evaluates and supplies data to investors on management of the water and climate risks of more than 13,000 organizations.

ISS – ESG Corporate Rating

Since 2016 Cemig has been classified as "Prime" – attributed to companies with high performance in ESG – by Institutional Shareholder Services Inc. (ISS), a global supplier of solutions in corporate government, responsible investment, market intelligence and editorial content to institutional investors and corporations worldwide.

Observatório da Transparência

Cemig is part of the list in the first study by the Transparency Observatory (Observatório da Transparência). This objective of this project, an initiative of the Global Reporting Initiative (GRI) in Brazil, is to recognize companies that have shown good practice and reporting of the 'GRI Principles' in its most recent Annual Sustainability Report. The research was based on the list of Brazil's 100 largest companies and ESG reports by KPMG – a worldwide organization of independent companies operating in auditing and consultancy.

The ICO2 Carbon Efficient Index

Cemig was selected for inclusion in Brazil's Carbon Efficient Index (*Índice Carbono Eficiente*), published by the São Paulo stock exchange (B3). This index is rebalanced every four months, and contains shares of companies participating in the IBrX100 index, as assessed and selected on the basis of transparency of practices in relation to their greenhouse gas emissions.

Standard & Poor's Global Sustainability Yearbook 2021

Cemig was listed in the Bronze category of Sustainability Yearbook 2021, one of the publications respected worldwide in terms of corporate sustainability. A record 7,032 companies participated in the 2021 selection, distributed between 61 sectors. Cemig was in 15th position, among 220 companies assessed in the electric power sector. The scores obtained in the evaluation conducted by S&P Global are also a key factor in selection for the DJSI.

Top 100 Green Utilities

Cemig is 24th-placed in the world ranking of the 100 leading electricity generation companies that have practices focused on renewable sources and reduction of greenhouse gas emissions.

APPRECIATION

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

CONSOLIDATED SOCIAL STATEMENT

1) Basis of calculations	2021			2020		
	Amount (R$ '000)			Amount (R$ '000)		
Net revenue (NR)	33,646,118			25,227,625		
Operational profit (OP)	7,048,340			4,706,296		
Gross payroll (GP)	1,240,468			1,276,076		
2) Internal social indicators	**Amount R$ '000**	**% of GP**	**% of NR**	**Amount R$ '000**	**% of GP**	**% of NR**
Food	81,442	6.57	0.24	79,263	6.21	0.31
Mandatory charges/costs on payroll	270,982	21.85	0.81	287,494	22.53	1.14
Private pension plan	79,165	6.38	0.24	82,396	6.46	0.33
Health	58,689	4.73	0.17	53131	4.16	0.21
Safety and medicine in the workplace	22,063	1.78	0.07	23,444	1.84	0.09
Education	835	0.07	-	824	0.06	-
Training and professional development	16,687	1.35	0.05	18,942	1.48	0.08
Provision of or assistance for day-care centers	1,904	0.15	0.01	2,154	0.17	0.01
Profit sharing	134,267	10.82	0.40	141,847	11.12	0.56
Other expenses	19,331	1.56	0.06	19,292	1.52	0.08
Internal social indicators – Total	**685,365**	**55.26**	**2.05**	**708,787**	**55.55**	**2.81**
3) External social indicators	**Amount R$ '000**	**% of OP**	**% of NR**	**Amount R$ '000**	**% of OP**	**% of NR**
Education	1,792	0.03	0.01	2,413	0.05	0.01
Culture	12,827	0.18	0.04	21,225	0.45	0.08
Health and water infrastructure	1,131	0.02	-	409	0.01	-
Sport	3,381	0.05	0.01	5,557	0.12	0.02
Other donations/subsidies / ASIN project / Sport	43,311	0.61	0.13	118,557	2.52	0.47
Total contributions to society	**62,442**	**0.89**	**0.19**	**148,161**	**3.15**	**0.58**
Taxes (excluding obligatory charges on payroll)	12,476,524	177.01	37.08	11,289,013	239.87	44.75
Internal social indicators – Total	**12,538,966**	**177.90**	**37.27**	**11,437,174**	**243.02**	**45.33**
4) Environmental indicators	**Amount R$ '000**	**% of OP**	**% of NR**	**Amount R$ '000**	**% of OP**	**% of NR**
Related to the company's operations	28,256	0.40	0.08	28,844	0.61	0.11
Total investment in the environment	**28,256**	**0.40**	**0.08**	**28,844**	**0.61**	**0.11**
As to setting of annual targets to minimize toxic waste and consumption in general during operations, and increase efficacy of use of natural resources, the company:	(X) has no targets ( ) meets 0–50% of targets	( ) meets 51–75% of targets ( ) meets 76–100% of targets		(X) has no targets ( ) meets 0–50% of targets	( ) meets 51–75% of targets ( ) meets 76–100% of targets	
5) Workforce indicators	**2021**			**2020**		
Number of employees at end of period	5,025			5,254		
Number of hirings during period	235			96		
Number of outsourced employees	48			103		
Number of interns	-			-		
Employees' levels of schooling						
- University and university extension	1,309			1,320		
- Secondary	3,658			3,851		
- Primary	58			83		
Number of employees over 45 years old	2,434			2,484		
Number of women employed	694			709		
% of supervisory positions held by women	39.83			37.51		
Number of African-Brazilian employees	277			276		
% of supervisory positions held by African-Brazilians	4.08			1.61		
Number of employees with disabilities	170			180		

6) Corporate citizenship	2021		
Ratio between highest and lowest compensation in the Company	26.77		
Total number of work accidents	22		
Who selects the company's social and environmental projects:	( )senior management	(x) senior management and functional managers	( ) all the employees
Who decides the company's work environment health and safety standards:	( ) senior management and line managers	(x) all employees	( ) All + Accident Prevention Committee
In relation to labor union freedom, the right to collective bargaining and/or internal employee representation, the company:	() does not get involved	( ) follows ILO rules	(x) encourages and follows the ILO
The company pension plan covers:	()senior management	( ) senior management and functional managers	(x) all the employees
The profit-sharing program covers:	()senior management	( ) senior management and functional managers	(x) all the employees
In selecting suppliers, the company's standards of ethics and social and environmental responsibility:	( ) are not considered	( ) are suggested	(x) are required
In relation to employee participation in volunteer work programs, the company:	( ) no supports	( ) supports	(x) organizes and encourages
Total number of customer complaints and criticisms:	Company 305,161	Procon 3.360	In the courts 11,458

7) Other information	2021
Investments in environmental issues	R$74,455 million
Monitoring of reservoir water quality	43 reservoirs and 175 biological data collection stations
Non-reusable wastes and materials	50,000 tons
oil regenerated by the Company	200 tons
Revenue from sales of waste	R$27,679 million

COMPOSITION OF BOARD OF DIRECTORS, AUDIT COMMITTEE AND EXECUTIVE BOARD

THE EXECUTIVE BOARD	
NAMES	POSITION
Reynaldo Passanezi Filho	Chief Executive Officer
Marney Tadeu Antunes	Chief Distribution and Sales Officer
Leonardo George de Magalhães	Chief Finance and Investor Relations Officer
Thadeu Carneiro da Silva	Chief Generation and Transmission Officer
Maurício Dall'Agnese	Chief Officer Cemigpar
Dimas Costa	Chief Trading Officer
Eduardo Soares	Chief Regulation and Legal

BOARD OF DIRETORS	
SITTING MEMBERS	SUBSTITUTE MEMBERS
Márcio Luiz Simões Utsch - Presidente (majority)	No
Jaime Leôncio Singer (majority)	No
Marcus Leonardo Silberman (majority)	No
José Reinaldo Magalhaes (majority)	No
Afonso Henriques Moreira Santos (majority)	No
José João Abdalla Filho (preferencialist)	No
Marcelo Gasparino da Silva (minority)	No
Paulo César de Souza e Silva (minority)	No
Franklin Moreira Gonçalves (employee representatives)	No

AUDIT BOARD	
SITTING MEMBERS	SUBSTITUTE MEMBERS
Gustavo de Oliveira Barbosa (Chair)	Igor Mascarenhas Eto (majority)
Fernando Scharlack Marcato (majority)	Julia Figueiredo Goytacaz Sant'Anna (majority)
Elizabeth Jucá e Mello Jacomet (majority)	Fernando Passalio de Avelar (majority)
Michele da Silva Consales Torres (preferred shares)	Ronaldo Dias (preferred shares)
Cláudio Morais Machado (minority)	Carlos Roberto de Albuquerque Sá (minority)

THE AUDIT COMMITTEE	
SITTING MEMBERS	SUBSTITUTE MEMBERS
Pedro Carlos de Mello (Financial Specialist and Coordinator)	No
Márcio de Lima Leite	No
Roberto Tommasetti	No
Afonso Henriques Moreira Santos	No

THE CUSTOMERS BOARD	
SITTING MEMBERS	SUBSTITUTE MEMBERS
José Luiz Nobre Ribeiro (Industrial)	José Ciro Motta
Solange Medeiros de Abreu (Residencial)	Lúcia Maria dos Santos Pacífico Homem
José Geraldo de Oliveira Motta (Commercial)	Helton Andrade
Aline de Freitas Veloso (Rural)	Ennia Rafael de Oliveira Guedes Bueno
Erick Nilson Souto (Public authorities)	Tadahiro Tsubouchi
Ricardo Augusto Amorim Cesar (Procon)	Christiane Vieira Soares Pedersoli
Roberta Nanini Chauar Rolim(Cemig)	Juliana Cardoso Amaral

INVESTOR RELATIONS

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E-Mail: ri@cemig.com.br

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

	Note	Consolidated		Parent company	
		2021	2020	2021	2020
CURRENT					
Cash and cash equivalents	6	825,208	1,680,397	26,692	422,647
Marketable securities	7	1,724,088	3,360,270	431,222	116,861
Receivables from customers, traders and concession holders	8	4,429,883	4,373,075	157,368	-
Concession financial and sector assets	14	1,504,666	258,588	-	-
Concession contract assets	15	599,692	737,110	-	-
Recoverable taxes	9	1,968,979	1,850,057	1,088	1,341
Income tax and social contribution tax credits	10a	698,914	597,610	-	-
Dividends receivables	16	335,189	188,327	1,820,578	1,272,878
Public Lighting Contribution		233,309	179,401	-	-
Reimbursement of tariff subsidies - payments	13	291,896	88,349	-	-
Derivative financial instruments	31b	-	522,579	-	-
Others		337,326	362,326	9,547	9,616
		12,949,150	**14,198,089**	**2,446,495**	**1,823,343**
Assets classified as held for sale	32	-	1,258,111	-	1,258,111
TOTAL CURRENT		**12,949,150**	**15,456,200**	**2,446,495**	**3,081,454**
NON-CURRENT					
Marketable securities	7	353,730	764,793	88,383	26,127
Receivables from customers, traders and concession holders	9	51,540	160,969	-	-
Recoverable taxes	9	1,997,285	3,442,071	502,452	497,386
Income tax and social contribution tax recoverable	10a	315,405	346,523	245,850	279,856
Deferred income tax and social contribution tax	10c	2,464,734	2,452,860	802,270	690,895
Escrow deposits	12	1,155,169	1,055,797	307,651	304,676
Derivative financial instruments	31b	1,219,176	2,426,351	-	-
Accounts receivable from the State of Minas Gerais	11	13,366	11,614	13,366	11,614
Concession financial and sector assets	14	4,969,400	3,798,734	-	-
Concession contract assets	15	5,780,316	4,242,962	-	-
Investments – Equity method	16	5,105,926	5,415,293	18,183,135	15,139,383
Property, plant and equipment	17	2,419,269	2,407,143	1,411	1,192
Intangible assets	18	12,953,317	11,809,928	1,380	2,655
Leasing – rights of use	19a	225,593	212,074	2,050	2,058
Others		72,432	79,768	25,011	25,187
TOTAL NON-CURRENT		**39,096,658**	**38,626,880**	**20,172,959**	**16,981,029**
TOTAL ASSETS		**52,045,808**	**54,083,080**	**22,619,454**	**20,062,483**

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

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

	Note	Consolidated		Parent company	
		2021	2020	2021	2020
CURRENT					
Suppliers	20	2,683,343	2,358,320	64,682	2,045
Regulatory charges	23	610,695	445,807	-	4,624
Profit sharing		136,580	121,865	11,126	12,626
Taxes payable	21	528,096	505,739	132,764	88,768
Income tax and social contribution tax	10b	190,002	140,058	-	3,634
Interest on equity and dividends payable	26f	1,909,050	1,448,846	1,911,250	1,446,945
Loans, financing and debentures	22	1,465,133	2,059,315	52,430	49,953
Payroll and related charges		225,189	212,755	12,596	10,713
Public lighting contribution		357,105	304,869	-	-
Post-employment obligations	24	346,733	304,551	26,917	25,062
Sector financial liabilities	14	51,359	231,322	-	-
PIS/Pasep and Cofins taxes to be refunded to customers	21	704,025	448,019	-	-
Derivative financial instruments - Swaps	31b	6,130	-	-	-
Put Option – SAAG	31b	636,292	536,155	-	-
Leasing liabilities	19b	61,586	47,799	277	241
Others		776,275	524,795	8,288	5,249
TOTAL CURRENT		**10,687,593**	**9,690,215**	**2,220,330**	**1,649,860**
NON-CURRENT					
Regulatory charges	23	204,623	291,189	4,624	-
Loans, financing and debentures	22	9,898,830	12,961,243	-	-
Taxes payable	21	341,689	262,745	-	-
Deferred income tax and social contribution tax	10c	962,255	1,040,003	-	-
Provisions	25	1,888,972	1,892,437	236,995	222,385
Post-employment obligations	24	5,857,941	6,538,496	697,149	713,718
PIS/Pasep and Cofins taxes to be refunded to customers	21	2,318,910	3,569,837	-	-
Leasing liabilities	19b	182,437	178,704	1,975	1,873
Other obligations		240,793	180,863	1,970	1,981
TOTAL NON-CURRENT		**21,896,450**	**26,915,517**	**942,713**	**939,957**
TOTAL LIABILITIES		**32,584,043**	**36,605,732**	**3,163,043**	**2,589,817**
EQUITY	26				
Share capital		8,466,810	7,593,763	8,466,810	7,593,763
Capital reserves		2,249,721	2,249,721	2,249,721	2,249,721
Profit reserves		10,948,094	10,060,605	10,948,094	10,060,605
Equity valuation adjustments		(2,208,214)	(2,431,423)	(2,208,214)	(2,431,423)
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT		**19,456,411**	**17,472,666**	**19,456,411**	**17,472,666**
NON-CONTROLLING INTERESTS		**5,354**	**4,682**	**-**	**-**
TOTAL EQUITY		**19,461,765**	**17,477,348**	**19,456,411**	**17,472,666**
TOTAL LIABILITIES AND EQUITY		**52,045,808**	**54,083,080**	**22,619,454**	**20,062,483**

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

STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
(In thousands of Brazilian Reais, except earnings per share)

	Note	Consolidated		Parent company	
		2021	2020	2021	2020
CONTINUING OPERATIONS					
NET REVENUE	27	**33,646,118**	**25,227,625**	**472,434**	**319**
OPERATING COSTS					
COST OF ENERGY AND GAS	28				
Energy purchased for resale		(16,101,254)	(12,111,489)	(239,487)	-
Charges for use of the national grid		(3,336,985)	(1,747,811)	-	-
Gas purchased for resale		(2,011,340)	(1,083,089)	-	-
		(21,449,579)	**(14,942,389)**	**(239,487)**	**-**
OTHER COSTS	28				
Personnel		(982,511)	(1,011,557)	-	-
Materials		(75,741)	(62,480)	-	-
Outsourced services		(1,264,519)	(1,086,517)	-	-
Depreciation and amortization		(947,230)	(865,202)	-	-
Operating provisions, net		(86,227)	(168,099)	-	-
Infrastructure construction cost		(2,035,648)	(1,581,475)	-	-
Others		(82,415)	(127,033)	-	-
		(5,474,291)	**(4,902,363)**	**-**	**-**
TOTAL COST		**(26,923,870)**	**(19,844,752)**	**(239,487)**	**-**
GROSS PROFIT		**6,722,248**	**5,382,873**	**232,947**	**319**
OPERATING EXPENSES	28				
Selling expenses		(143,856)	(146,705)	-	-
General and administrative expenses		(571,376)	(582,457)	(45,297)	(45,220)
Operating provisions		(144,595)	(108,482)	(23,766)	(54,910)
Other operating expenses, net		(452,646)	(749,475)	(43,583)	(70,328)
		(1,312,473)	**(1,587,119)**	**(112,646)**	**(170,458)**
Periodic tariff review, net		214,955	502,108	-	-
Renegotiation of hydrological risk (Law 14,052/20), net	18	1,031,809	-	-	-
Gains arising from the sale of non-current asset held for sale, net	32	108,550	-	108,550	-
Result of business combination	16	4,006	51,736	4,006	51,736
Share of profit, net, of affiliates, subsidiaries and joint ventures	16	182,076	356,698	3,412,862	2,980,914
Operating income before financial revenue (expenses) and taxes		**6,951,171**	**4,706,296**	**3,645,719**	**2,862,511**
Finance income	29	843,306	2,445,405	13,697	(2,054)
Finance expenses	29	(3,096,299)	(3,350,864)	(9,402)	(4,542)
Income before income tax and social contribution tax		**4,698,178**	**3,800,837**	**3,650,014**	**2,855,915**
Current income tax and social contribution tax	10d	(1,156,082)	(683,681)	(20,069)	(3,653)
Deferred income tax and social contribution tax	10d	210,773	(252,035)	121,376	11,848
NET INCOME FOR THE YEAR		**3,752,869**	**2,865,121**	**3,751,321**	**2,864,110**
Total of net income for the year attributed to:					
Equity holders of the parent		3,751,321	2,864,110	3,751,321	2,864,110
Non-controlling interests		1,548	1,011	-	-
		3,752,869	**2,865,121**	**3,751,321**	**2,864,110**
Basic and diluted earnings per preferred share – R$	26	**2.22**	**1.69**	**2.22**	**1.69**
Basic and diluted earnings per common share – R$	26	**2.22**	**1.69**	**2.22**	**1.69**

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

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

(In thousands of Brazilian Reais)

	Consolidated		Parent company	
	2021	2020	2021	2020
NET INCOME FOR THE YEAR	**3,752,869**	**2,865,121**	**3,751,321**	**2,864,110**
OTHER COMPREHENSIVE INCOME				
Items not to be reclassified to profit or loss in subsequent periods				
Post retirement liabilities – remeasurement of obligations of the defined benefit plans	301,201	(10,364)	29,415	4,963
Income tax and social contribution tax on remeasurement of defined benefit plans (Note 10c)	(102,408)	3,525	(10,001)	(1,687)
Equity gain (loss) on other comprehensive income in subsidiary and jointly controlled entity	-	-	179,379	(10,115)
Others comprehensive income	169	(714)	169	(714)
	198,962	**(7,553)**	**198,962**	**(7,553)**
COMPREHENSIVE INCOME FOR THE YEAR	**3,951,831**	**2,857,568**	**3,950,283**	**2,856,557**
Total of comprehensive income for the year attributed to:				
Equity holders of the parent	3,950,283	2,856,557	3,950,283	2,856,557
Non-controlling interests	1,548	1,011	-	-
	3,951,831	**2,857,568**	**3,950,283**	**2,856,557**

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

STATEMENTS OF CHANGES IN CONSOLIDATED EQUITY
FOR THE YEARS ENDED DECEMBER 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**
Subscription of capital	873,047	-	(873,047)	-	-	-	-	-
Net income for the year	-	-	-	-	3,751,321	3,751,321	1,548	3,752,869
Other Comprehensive Income	-	-	-	198,962	-	198,962	-	198,962
Actuarial losses reclassified (Note 26c)	-	-	-	39,267	(39,267)	-	-	-
Realization of PP&E deemed cost	-	-	-	(15,020)	15,020	-	-	-
Tax incentives reserve	-	-	21,213	-	(21,213)	-	-	-
Legal reserve (Note 26)	-	-	186,505	-	(186,505)	-	-	-
Retained earnings reserve (Note 26)	-	-	1,552,818	-	(1,552,818)	-	-	-
Proposed dividends	-	-	-	-	(1,966,538)	(1,966,538)	-	(1,966,538)
Non-controlling Interests	-	-	-	-	-	-	(876)	(876)
AS OF DECEMBER 31, 2021	**8,466,810**	**2,249,721**	**10,948,094**	**(2,208,214)**	**-**	**19,456,411**	**5,354**	**19,461,765**

	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**
Net income for the year	-	-	-	-	2,864,110	2,864,110	1,011	2,865,121
Subscription of capital	300,000	-	(300,000)	-	-	-	-	-
Other Comprehensive Income	-	-	-	(7,553)	-	(7,553)	-	(7,553)
Realization of PP&E deemed cost	-	-	-	(16,950)	16,950	-	-	-
Tax incentives reserve	-	-	17,829	-	(17,829)	-	-	-
Proposed dividends	-	-	-	-	(1,482,146)	(1,482,146)	-	(1,482,146)
Legal reserve (Note 26)	-	-	142,314	-	(142,314)	-	-	-
Retained earnings reserve (Note 26)	-	-	1,450,411	-	(1,450,411)	-	-	-
Non-controlling Interests	-	-	-	-	-	-	(579)	(579)
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**

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

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 30, 2021 AND 2020
(In thousands of Brazilian Reais)

	Note	Consolidated		Parent company	
		2021	2020	2021	2020
CASH FLOW FROM OPERATIONS					
Net income for the year		3,752,869	2,865,121	3,751,321	2,864,110
Expenses (revenues) not affecting cash and cash equivalents:					
Deferred income tax and social contribution tax	10d	(210,773)	252,035	(121,376)	(11,848)
Depreciation and amortization	28	1,049,108	989,053	1,730	2,954
Loss on write-off of net residual value of unrecoverable concession financial assets, concessional contract asset, PP&E and Intangible assets	14, 15, 17 and 18	46,960	39,039	-	157
Impairment of contract asset and intangible assets		-	(12,254)	-	-
Result of business combination		(4,006)	(51,736)	(4,006)	(51,736)
Renegotiation of hydrological risk costs (Law 14,052/20), net		(1,031,809)	-	-	-
Impairment (reversals) for contract assets		10,937	-	-	-
Discount and premium on repurchase of debt securities	22	491,037	-	-	-
Share of loss, net, of subsidiaries and joint ventures	16	(182,076)	(356,698)	(3,412,862)	(2,980,914)
Remeasuring of concession financial and concession contract assets	14 and 15	(1,305,900)	(800,968)	-	-
Periodic tariff reset adjustments		(236,627)	(551,852)	-	-
Interest and monetary variation		1,381,422	1,202,087	(11,180)	(67,525)
Exchange variation on loans, financing and debentures	22	353,321	1,742,494	-	-
Reimbursement of PIS/Pasep and Cofins over ICMS credits to customers – realization	27	(1,316,995)	(266,320)	-	-
Gains arising from the sale of non-current asset held for sale	32	(108,550)	-	(108,550)	-
Appropriation of transaction costs	22	20,456	15,107	55	222
Provisions for operating losses	28c	374,678	423,286	23,766	54,910
Net gain on derivative instruments at fair value through profit or loss	31	537,976	(1,752,688)	-	-
CVA (Parcel A items Compensation) Account and Other financial components in tariff adjustments	14	(2,146,043)	(454,741)	-	-
Post-employment obligations	24	84,798	490,953	36,857	50,110
Others		(24,051)	57,865	-	1,531
		1,536,732	**3,829,783**	**155,755**	**(138,029)**
Increase (decrease) in assets					
Receivables from customers, traders and concession holders		(90,382)	(78,420)	(157,368)	194
CVA and Other financial components in tariff adjustments	14	15,120	1,466,945	-	-
Recoverable taxes		1,667,775	(59,383)	2,062	-
Income tax and social contribution tax credits		(554,685)	(162,380)	128,232	45,546
Escrow deposits		(70,354)	1,537,655	1,665	14,688
Dividends received from investees	16	499,065	386,555	1,307,421	1,184,016
Contract assets and concession financial assets	14 and 15	713,641	688,104	-	-
Other		(267,030)	187,886	(911)	30,371
		1,913,150	**3,966,962**	**1,281,101**	**1,274,815**
Increase (decrease) in liabilities					
Suppliers		324,857	278,382	62,637	(666)
Taxes payable		5,008	823,522	(46,855)	(53,832)
Income tax and social contribution tax payable		1,206,026	689,596	20,069	3,653
Payroll and related charges		12,434	12,711	1,883	51
Regulatory charges		77,965	132,350	-	-
Post-employment obligations	24	(421,970)	(366,964)	(22,156)	(19,875)
Other		100,969	106,909	(7,628)	(16,192)
		1,305,289	**1,676,506**	**7,950**	**(86,861)**
Cash generated by operating activities		**4,755,171**	**9,473,251**	**1,444,806**	**1,049,925**
Interest paid on loans, financing and debentures	22	(1,590,268)	(1,081,476)	-	-
Interest paid on leasing contracts	19	(2,914)	(3,704)	(18)	(65)
Income tax and social contribution tax paid		(500,408)	(240,339)	815	-
Cash inflows from settlement of derivatives instruments		1,021,776	461,375	-	-
NET CASH FROM OPERATING ACTIVITIES		**3,683,357**	**8,609,107**	**1,445,603**	**1,049,860**
INVESTING ACTIVITIES					
Marketable securities		2,047,952	(3,368,351)	(376,617)	53,333
Restricted cash		44,479	(51,337)	342	(220)
Investments					
Acquisition of equity investees	16	(56,317)	(120,320)	(1,419,659)	(119,248)
Arising from the sale of equity interest, net of costs of sales	32	1,366,592	-	1,366,592	-
Cash arising from business combination		155	27,110	-	-
Cash arising from shareholding reorganization		-	-	-	11
Loans from related parties		-	(26,500)	-	(26,500)
Property, plant and equipment	17	(182,518)	(133,045)	(566)	-
Intangible assets	18	(50,849)	(40,980)	(30)	(13)

	Note	Consolidated		Parent company	
		2021	2020	2021	2020
Contract assets – distribution of gas and energy infrastructure		(1,798,296)	(1,363,564)	-	-
NET CASH (USED IN) INVESTING ACTIVITIES		**1,371,198**	**(5,076,987)**	**(429,938)**	**(92,637)**
FINANCING ACTIVITIES					
Proceeds from loans,financing and debentures, net		13,406	825,562	-	-
Interest on capital and dividends paid		(1,416,333)	(598,135)	(1,411,356)	(597,385)
Payment of loans, financing and debentures	22	(4,436,672)	(2,531,026)	-	-
Leasing liabilities paid	19	(70,145)	(83,881)	(264)	(1,547)
NET CASH (USED IN) FINANCING ACTIVITIES		**(5,909,744)**	**(2,387,480)**	**(1,411,620)**	**(598,932)**
Net (decrease) increase in cash and cash equivalents for the year		**(855,189)**	**1,144,640**	**(395,955)**	**358,291**
Cash and cash equivalents at the beginning of the year	6	1,680,397	535,757	422,647	64,356
Cash and cash equivalents at the end of the year	**6**	**825,208**	**1,680,397**	**26,692**	**422,647**

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

STATEMENTS OF ADDED VALUE

FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
(In thousands of Brazilian Reais)

	Consolidated				Parent company			
	2021		2020		2021		2020	
REVENUES								
Sales of energy, gas and services	42,951,811		34,512,165		523,438		354	
Distribution construction revenue	1,852,263		1,434,823		-		-	
Transmission construction revenue	251,973		201,451		-		-	
Interest revenue arising from the financing component in the transmission contract asset	660,457		438,393		-		-	
Gain on financial updating of the Concession Grant Free	523,105		347,057		-		-	
Adjustment to expectation of cash flow from reimbursement of distribution concession financial assets	53,751		15,464		-		-	
Periodic Tariff Reset adjustments	236,627		551,852		-		-	
Investment in PP&E	83,541		69,643		-		-	
Other revenues	16,770		38,107		-		-	
Allowance for doubtful receivables	(130,641)		(146,705)		-		-	
	46,499,657		**37,462,250**		**523,438**		**354**	
INPUTS ACQUIRED FROM THIRD PARTIES								
Energy bought for resale	(16,519,913)		(13,210,691)		(263,898)		-	
Charges for use of national grid	(3,703,852)		(1,949,501)		-		-	
Outsourced services	(2,189,153)		(1,924,343)		(24,020)		(26,130)	
Gas bought for resale	(2,554,083)		(1,375,351)		-		-	
Materials	(1,272,722)		(861,221)		(46)		(190)	
Other operating costs	(604,760)		(686,918)		79,393		(62,008)	
	(26,844,483)		**(20,008,025)**		**(208,571)**		**(88,328)**	
GROSS VALUE ADDED	**19,655,174**		**17,454,225**		**314,867**		**(87,974)**	
RETENTIONS								
Depreciation and amortization	(1,049,108)		(989,053)		(1,730)		(2,954)	
NET ADDED VALUE PRODUCED BY THE COMPANY	**18,606,066**		**16,465,172**		**313,137**		**(90,928)**	
ADDED VALUE RECEIVED BY TRANSFER								
Share of profit, net, of associates and joint ventures	182,076		356,698		3,412,862		2,980,914	
Renegotiation of hydrological risk costs (Law 14,052/20), net	1,031,809		-		-		-	
Result of business combinations	4,006		51,736		4,006		51,736	
Financial revenues	843,306		2,445,405		13,697		(2,054)	
ADDED VALUE TO BE DISTRIBUTED	**20,667,263**		**19,319,011**		**3,743,702**		**2,939,668**	
DISTRIBUTION OF ADDED VALUE								
		%		%		%		%
Employees	**1,315,814**	**6.37**	**1,772,267**	**9.16**	**48,102**	**1.29**	**72,546**	**2.47**
Direct remuneration	1,046,048	5.07	1,053,035	5.45	9,478	0.25	17,839	0.61
Post-employment obligations and other benefits	173,990	0.84	601,581	3.11	36,848	0.99	51,266	1.74
FGTS fund	60,538	0.29	58,801	0.30	1,776	0.05	1,524	0.05
Voluntary retirement program	35,238	0.17	58,850	0.30	-	-	1,917	0.07
Taxes	**12,476,524**	**60.37**	**11,289,013**	**58.45**	**(65,191)**	**(1.74)**	**(2,229)**	**(0.08)**
Federal	5,763,585	27.88	5,343,372	27.67	(72,189)	(1.92)	(3,245)	(0.11)
State	6,695,175	32.40	5,934,555	30.72	3,856	0.10	651	0.02
Municipal	17,764	0.09	11,086	0.06	3,142	0.08	365	0.01
Remuneration of external capital	**3,122,056**	**15.10**	**3,392,610**	**17.56**	**9,470**	**0.25**	**5,241**	**0.18**
Interest	3,109,268	15.04	3,374,783	17.47	9,402	0.25	4,542	0.16
Rentals	12,788	0.06	17,827	0.09	68	-	699	0.02
Remuneration of own capital	**3,752,869**	**18.16**	**2,865,121**	**14.83**	**3,751,321**	**100.20**	**2,864,110**	**97.43**
Interest on capital	955,282	4.62	553,488	2.86	955,282	25.52	553,488	18.83
Dividends	1,011,256	4.89	938,658	4.86	1,011,256	27.01	938,658	31.93
Retained Earnings	1,784,783	8.64	1,371,964	7.11	1,784,783	47.67	1,371,964	46.67
Non-controlling interest in retained earnings	1,548	0.01	1,011	-	-	-	-	-
	20,667,263	**100.00**	**19,319,011**	**100.00**	**3,743,702**	**100.00**	**2,939,668**	**100.00**

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED AS OF DECEMBER 31, 2021 AND 2020
(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 in the commercialization of electric power and as 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, including gas distribution, for the purpose of commercial operation. On the third quarter of 2021, the Company has begun the segregation of its commercialization business, partially transferring it to the Company from the subsidiary Cemig GT, aligned with its corporate business strategy.

Cemig hold equity interests in the following subsidiaries, jointly controlled entities and affiliates, all of which principal activities are: construction and operation of systems of generation, distribution and sale of energy and gas (information in MWh not examined by the external auditors):

Investments	Classification	Description
SUBSIDIARIES:		
Cemig Geração e Transmissão S.A. (‘Cemig GT’ or ‘Cemig Geração e Transmissão’)	Subsidiary	Wholly-owned subsidiary engaged in the energy generation and transmission services. Its shares are listed in Brazil, but are not actively traded. Cemig GT has interests in 67 power plants (60 of which are hydroelectric, 6 are wind power and 1 is solar) and associated transmission lines, most of which are part of the Brazilian national generation and transmission grid system, with total installed generation capacity of 5,755 MW (*).
Cemig Baguari	Subsidiary	Corporation engaged in the production and sale of energy as an independent power producer and in interests in investees or joint operations that are engaged in the production and sale of energy in future projects.
Cemig GeraçãoTrês Marias S.A.	Subsidiary	Corporation engaged in the production and sale of energy as public service concession holder, by commercial operation of the Três Marias Hydroelectric Plant, and sale and trading of energy in the Free Market. This subsidiary has installed capacity of 396 MW (*), and guaranteed offtake level of 239 MW (*) average.
Cemig Geração Salto Grande S.A.	Subsidiary	Corporation engaged in the production and sale of energy as public service concession holder, by commercial operation of the Salto Grande Hydroelectric Plant, and sale and trading of energy in the Free Market. This subsidiary has installed capacity of 102 MW (*), and guaranteed offtake level of 75 MW (*) average.
Cemig Geração Itutinga S.A.	Subsidiary	Corporation engaged in the production and sale of energy as public service concession holder, by commercial operation of the Itutinga Hydroelectric Plant, and sale and trading of energy in the Free Market. This subsidiary has installed capacity of 52 MW (*), and guaranteed offtake level of 28 MW (*) average.
Cemig Geração Camargos S.A.	Subsidiary	Corporation engaged in the production and sale of energy as public service concession holder, by commercial operation of the Camargos Hydroelectric Plant, and sale and trading of energy in the Free Market. This subsidiary has installed capacity of 46 MW (*), and guaranteed offtake level of 21 MW (*) average.
Cemig Geração Sul S.A.	Subsidiary	Corporation engaged in the production and sale of energy as public concession holder, by commercial operation of the Coronel Domiciano, Marmelos, Joasal, Paciência and Piau Small Hydroelectric Plants, and trading in energy in the Free Market. Aggregate installed generation capacity is 39.53 MW (*); guaranteed offtake level of 27.42 MW (*) average.
Cemig Geração Leste S.A.	Subsidiary	Corporation engaged in the production and sale of energy as public concession holder, by operation of the Dona Rita, Sinceridade, Neblina, Ervália, Tronqueiras and Peti Small Hydroelectric Plants, and trading in energy in the Free Market. Aggregate installed

Investments	Classification	Description
		generation capacity of these plants is 35.16 MW (*); guaranteed offtake level of 18.64 MW (*) average.
Cemig Geração Oeste S.A.	Subsidiary	Corporation engaged in the production and sale of energy as public service concession holder, by commercial operation of the Gafanhoto, Cajuru and Martins Small Hydroelectric Plants, and sale and trading of energy in the Free Market. It has aggregate installed capacity of 28.90 MW (*), and guaranteed offtake level of 11.21 MW (*) average.
Rosal Energia S.A. ('Rosal')	Subsidiary	Corporation that holds the concession to generate and sell energy, operating the *Rosal* Hydroelectric Plant, on the border between the states of Rio de Janeiro and Espírito Santo.
Sá Carvalho S.A. ('Sá Carvalho')	Subsidiary	Corporation that holds the concession to generate and sell energy, operating the *Sá Carvalho* Hydroelectric Plant.
Horizontes Energia S.A. ('Horizontes')	Subsidiary	Corporation that is classified as an independent power producer operating the *Machado Mineiro* and *Salto do Paraopeba* Hydroelectric Plants in Minas Gerais; and the *Salto do Voltão* and *Salto do Passo Velho* Hydroelectric Plants, in the state of Santa Catarina.
Cemig PCH S.A. ('PCH')	Subsidiary	Corporation that is classified as an independent power producer operating the *Pai Joaquim* hydroelectric power plant.
Cemig Trading S.A. ('Cemig Trading')	Subsidiary	Corporation engaged in trading and intermediation of energy.
Empresa de Serviços e Comercialização de Energia Elétrica S.A.	Subsidiary	Corporation engaged in the production and sale of energy as an independent power producer, in future projects.
Cemig Geração Poço Fundo	Subsidiary	Corporation engaged in the production and sale of energy, as an independent producer, through construction and operation of the hydroelectric power plant *Poço Fundo*, located in Machado river, in the State of Minas Gerais.
Central Eólica Praias de Parajuru S.A. ('Central Eólica Praias de Parajuru')	Subsidiary	Corporation engaged in the production and sale of energy at the wind power plant of the same name in the northeastern Brazilian state of Ceará.
Central Eólica Volta do Rio S.A. ('Central Eólica Volta do Rio')	Subsidiary	Corporation engaged in the production and sale of energy at the wind power plant of the same name in Acaraú, northeastern Brazilian state of Ceará.
Cemig Distribuição S.A. ('Cemig D' or 'Cemig Distribuição')	Subsidiary	Wholly-owned subsidiary, whose shares are listed in Brazil but are not actively traded; engaged in the distribution of energy through networks and distribution lines throughout almost the whole of Minas Gerais State.
Companhia de Gás de Minas Gerais ('Gasmig')	Subsidiary	Corporation engaged in the acquisition, transportation and distribution of combustible gas or sub-products and derivatives, through a concession for the distribution of gas in the State of Minas Gerais.
Cemig Sim ('Efficientia')	Subsidiary	Corporation that provides energy efficiency and optimization services and energy solutions through studies and execution of projects; and services of operation and maintenance of energy supply facilities.
Companhia de Transmissão Centroeste de Minas ('Centroeste') (3)	Subsidiary	Corporation engaged in the construction, operation and maintenance of the *Furnas-Pimenta* transmission line – part of the national grid.
Sete Lagoas Transmissora de Energia S.A. ("SLTE") (4)	Subsidiary	Energy transmission service concession, through construction, operation and maintenance of the energy transmission infrastructure of the Sete Lagoas 4 Substation in the city of Sete Lagoas, Minas Gerais.
JOINTLYCONTROLLED ENTITIES		
Guanhães Energia S.A. ('Guanhães Energia') (1)	Jointly controlled entity	Corporation engaged in the production and sale of energy through building and commercial operation of the following Small Hydro Plants: *Dores de Guanhães, Senhora do Porto* and *Jacaré*, in the county of Dores de Guanhães; and *Fortuna II*, in the county of Virginópolis, in Minas Gerais.
LightGer S.A. ('LightGer') (1)	Jointly controlled entity	Corporation classified as independent power producer, formed to build and operate the *Paracambi* Small Hydro Plant (or PCH), on the Ribeirão das Lages river in the county of Paracambi, Rio de Janeiro State.
Usina Hidrelétrica Itaocara S.A. ('UHE Itaocara')	Jointly controlled entity	Corporation, comprising the partners of the UHE Itaocara Consortium, formed by Cemig GT and Itaocara Energia (of the Light group), responsible for construction of the *Itaocara I* Hydroelectric Plant.
Axxiom Soluções Tecnológicas S.A. ('Axxiom')	Jointly controlled entity	Unlisted corporation, providing technology and systems solutions for operational management of public service concession holders, including companies operating in energy, gas, water and sewerage, and other utilities. Jointly controlled by Light (51%) and Cemig (49%).
Hidrelétrica Cachoeirão S.A. ('Cachoeirão')	Jointly controlled entity	Production and sale of energy as an independent power producer, through the *Cachoeirão* hydroelectric power plant located at *Pocrane*, in the State of Minas Gerais.
Hidrelétrica Pipoca S.A. ('Pipoca')	Jointly controlled entity	Independent production of energy, through construction and commercial operation of the *Pipoca* Small Hydro Plant (SHP, or *Pequena Central Hidrelétrica* – PCH), on the Manhuaçu River, in the municipalities of Caratinga and Ipanema, in Minas Gerais State.
Retiro Baixo Energética S.A. ('RBE')	Jointly controlled entity	Corporation that holds the concession to operate the *Retiro Baixo* Hydroelectric Plant, on the Paraopeba River, in the São Francisco river basin, in the municipalities of Curvelo and Pompeu, in Minas Gerais.
Amazônia Energia Participações S.A ('Amazônia Energia')	Jointly controlled entity	Special-purpose company created by Cemig GT (74.50% ownership) and Light (25.50%), for acquisition of an equity interest of 9.77% in Norte Energia S.A. ('Nesa'), the company holding the concession for the *Belo Monte* Hydroelectric Plant, on the Xingu River, in the Northern Brazilian State of Pará.
Aliança Norte Energia Participações S.A. ('Aliança Norte')	Jointly controlled entity	Special-purpose company created by Cemig GT (49% ownership) and Vale S.A. (51%), for acquisition of an equity interest of 9% in Norte Energia S.A. ('Nesa'), the company holds the concession for the *Belo Monte* Hydroelectric Plant, on the Xingu River, in the Northern Brazilian State of Pará.
Baguari Energia S.A. ('Baguari Energia')	Jointly controlled entity	Corporation engaged in the construction, operation, maintenance and commercial operation of the *Baguari* Hydroelectric Plant, through participation in the UHE Baguari Consortium (Baguari Energia 49.00%, Neoenergia 51.00%), on the Doce river in Governador Valadares, Minas Gerais.

Investments	Classification	Description
Aliança Geração de Energia S.A. ('Aliança')	Jointly controlled entity	Unlisted company created by Cemig GT and Vale S.A. as a platform for consolidation of generation assets held by the two parties in generation consortia, and investments in future generation projects. For their shares, the two parties subscribed the following generation plant assets: *Porto Estrela, Igarapava, Funil, Capim Branco I, Capim Branco II, Aimorés,* and *Candonga*. Subsequently, Santo Inácio Wind farm was added to the portfolio, which went in operation in December, 2017. With these assets Aliança has total installed generation capacity, in operation, of 1,257 MW (physical offtake guarantee 707 MW average). It also has other generation projects. Vale and Cemig GT respectively hold 55% and 45% of the total capital.
Transmissora Aliança de Energia Elétrica S.A. ('TAESA')	Jointly controlled entity	Corporation engaged in the construction, operation and maintenance of energy transmission facilities in all regions of Brazil through direct and indirect equity interests in investees
UFV Janaúba Geração de Energia Elétrica Distribuída SA UFV Corinto Geração de Energia Elétrica Distribuída SA UFV Manga Geração de Energia Elétrica Distribuída SA UFV Bonfinópolis II Geração de Energia Elétrica Distribuída SA UFV Lagoa Grande Geração de Energia Elétrica Distribuída SA, UFV Lontra Geração de Energia Elétrica Distribuída SA, UFV Mato Verde Geração de Energia Elétrica Distribuída SA, UFV Mirabela Geração de Energia Elétrica Distribuída SA, UFV Porteirinha Geração de Energia Elétrica Distribuída SA, UFV Porteirinha II Geração de Energia Elétrica Distribuída SA e UFV Brasilândia Geração de Energia Elétrica Distribuída S.A.	Jointly controlled entity	Generation of electric power from photovoltaic solar sources to the Distributed Generation market ('Geração Distribuída'), with total installed capacity of 53.61MWp. The wholly owned subsidiary Cemig Sim and Mori Energia holds 49% and 51% of the total equity, respectively.
Affiliated Company		
Madeira Energia S.A. ('Madeira')	Affiliated company	Corporation engaged in the construction and commercial operation of the Santo Antônio Hydroelectric Plant, through its subsidiary Santo Antônio Energia S.A., in the basin of the Madeira river, in the State of Rondônia.
Ativas Datacenter S.A. ('Ativas')	Affiliated entity	Corporation engaged in the supply of IT and communication infrastructure services, including physical hosting and related services for medium-sized and large corporations.
FIP Melbourne (Usina de Santo Antônio)	Affiliated entity	Investment fund managed by Banco Modal S.A., whose objective is to seek appreciation of capital invested through acquisition of shares, convertible debentures or warrants issued by listed or unlisted companies, and/or other assets. This fund held 83% of the share capital of SAAG Investimentos S.A. ('SAAG'), the objects of which are to own equity in Madeira Energia S.A. ('Mesa').
Jointly controlled entity held for sale:		
Renova Energia S.A. ('Renova Energia') – In-Court Supervised Reorganization (2)	Jointly controlled entity	Listed company engaged in the development, construction and operation of plants generating power from renewable sources – wind power, small hydro plants (SHPs), and solar energy; trading of energy; and related activities, In-Court Supervised Reorganization. Renova is the owner of three Small Hydroelectric Plants, representing 5.7 MW of the total installed generation capacity of Cemig GT. In 2021 Cemig GT classified its equity interest in Renova as a non-current asset held for sale.

(*) Information not examined by the external auditors.

(1) On December 9, 2021, Light disclosed to the market that it had signed a share purchase agreement with Brasal Energia S.A. for sale of its equity interest in Guanhães and LightGer, subject to the fullfilment of conditions precedent which are customary in a transaction of this nature. Brasal Energia S.A will join the existing shareholders' agreements of these investees, complying fully with their terms.

(2) On November 11, 2021, Cemig GT signed a Share Purchase Agreement to the sale of the whole equity interest held in Renova S.A and the assignment, for consideration, of all credits owed to Cemig GT by Renova Comercializadora de Energia S.A.. Thus the investment was classified as a non-current asset held for sale. For more information, see Note 32.

(3) On November 24, 2021, a Cemig GT Extraordinary General Meeting approved an increase in its share capital through its Parent company subscription of the investment held in Centroeste, completing the corporate restructuring authorized by Cemig's Board of Directors on February 12, 2021.

(4) On December 23, 2021 Cemig completed acquisition of 100% of the equity in Sete Lagoas Transmissora de Energia S.A. (SLTE), for consideration of R$48,055. For more information please see Note 16 of these financial statements.

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 financial statements has been prepared on a going concern basis.

b) Sete Lagoas Transmissora de Energia S.A. acquisition

On December 23, 2021, the Company concluded the acquisition of 100% of the equity interest held by Cobra Brasil Serviços, Comunicações e Energia S.A and Cobra Instalaciones Y Servicios S.A of Sete Lagoas Transmissora de Energia S.A. (SLTE). The consideration transferred was R$48,055, calculated by the purchase price adjustment mechanisms applicable until the closing date set in the share purchase contract. Shareholders' equity of the investee on November 30, 2021 was R$58,041.

SLTE holds the concession, awarded through the competitive bidding for Lot H in Aneel Transmission Auction 008/2010, for construction and operation of the Sete Lagoas 4 Substation, in Sete Lagoas, Minas Gerais. The concession lasts until June 2041.

The effects of the business combination on Company's financial statements are presented in Note 16 (d).

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, demanding the 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, which are gradually returning to work in-person until January, 2022, providing face masks for employees in external service or in service into its facilities, and requiring outsourcings providers to put the same procedures in place.

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

- Flexible terms for the flow of payments and installments of amounts collected from clients, under the programs launched by the Company during 2020;
- Launch, on April 20, 2021, of a campaign for negotiation enabling payment by low-voltage commercial customers in default in up to 12 monthly installments without interest, including exemption for 45 days from inflation updating not yet posted on invoices, aiming to keep the payment flow from small traders and services sector, to ensure their sustainability and contribute to their survival in the most critical period of the pandemic;
- Joining of the civil society movement named 'Unidos Pela Vacina' ('United for the Vaccine'), in order to collaborate effectively with the process of vaccination in the State of Minas Gerais, providing direct support to 425 municipalities. The Company's participation took the form of voluntary involvement by its employees in support for transport and professional traveling to various municipalities to deliver vaccines to rural regions, including people who were bedridden, as well as the donation of R$2,783, to promote access to the vaccine to combat Covid-19 in municipalities of the State.

Impact of Covid-19 on Financial Statements

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

Facing great challenges because of the pandemic, Cemig has shown operational resilience and sustainability, enabling quality energy supply to society, ensuring the provision of uninterrupted service to hospitals and other public services. As an integrated Company, coordinated by diversified business in the energy generation, transmission, sale and distribution sectors, the Company maintains its solidity, with stable financial performance, allowing for risk reduction in negative scenarios.

As of December 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 debt and 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 exposure to the exchange variation of the debt principal and 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, resulting in a net loss of R$892 million in 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. Seeking to diligent managing its liabilities and reducing its liquidity risk and exposure to the US dollar, on August 05, 2021, Cemig GT launched its Cash Tender Offer to acquire its debt securities issued in the external market, maturing in 2024, with 9.25% annual coupon, until an amount of US$500 million. Additionally, on June 7 and 8, 2021 the hedge transactions contracted were partially undone, for a volume of US$500 million. This resulted in a reported gain in favor of the Company of US$774 million. For more details, see note 31 (b).

- 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 and 936 extended the rule on suspension of supply of energy to the low-income sub-category of residential users, and certain other customers until December 31, 2021.

- 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 assessed 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 31.

- In the energy market, the volume of energy sold to captive customers, and transported for Free Customers and distributors with access to Cemig D's networks, was up 5.1% from January to December of 2021, compared to the same period of 2020, reflecting the easing of social isolation requirements. This increase has two components: consumption by the captive market 0.6% higher, and use of the network by Free Customers 10.3% higher.

The impacts of the Covid-19 pandemic disclosed in these financial statements 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 financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

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

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

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

The Company's Board of Directors authorized the issuance of this financial statements on March 29, 2022.

2.2 Basis of measurement

The consolidated financial statements were prepared on a historical cost basis, except in the case of certain financial instruments and assets as held for sale which are measured at fair value and fair value less costs to sell, in accordance with the standards applicable, as detailed in Note 31 and 32, respectively.

2.3 Functional currency and presentation currency

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

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

2.4 Use of estimates and judgments

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

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

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

- Adjustments for loss on doubtful accounts – Note 8.
- Deferred income tax and social contribution tax – Note 10.
- Financial assets and liabilities of the concession – Note 14.
- Concession contract assets – Note 15.
- Investments – Note 16.
- Property, plant and equipment ("PP&E") and useful life of assets – Note 17.

- Intangible assets and useful life of assets – Note 18.
- Leasing transaction – Note 19.
- Amounts to be refunded to customers – Note 21.
- Employee post-employment obligations –Note 24.
- Provisions – Note 25.
- Unbilled revenue – Note 27.
- Financial instruments measurement and fair value measurement – Note 31.
- Assets held for sale measurement – Note 32.

The settlement of the transactions involving those estimates may result in amounts different from those recorded in the financial statements due to the uncertainty inherent to the estimation process. The Company reviews its significant estimates at least annually.

2.5 New accounting standards, interpretation or amendments of accounting standards, applied for the first time in 2021

The Company and its subsidiaries have applied, for the first time, new accounting standards that became effective for annual periods beginning January 1, 2021 or later, which provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic, when certain conditions are met, as a practical expedient.

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

2.6 Standards issued but not yet effective

The new and amended standards and interpretations that are issued, but not yet effective, are disclosed below:

IAS 1 – Classification of Liabilities as Current or Non-current: In January 2020, the IASB issued amendments the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify: (I) what is meant by a right to defer settlement; (ii) that a right to defer must exist at the end of the reporting period; (iii) that classification is unaffected by the likelihood that an entity will exercise its deferral right; (iv) that only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and must be applied retrospectively. The Company and its subsidiaries do not expect material impacts from this amendment.

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

IFRS 3 – Business Combinations – Amendment to 'Reference to the Conceptual Framework': As well as the changes related to the reference to the Conceptual Framework, which did not significantly alter the standards required, the Board added an exception to the recognition principle in IFRS 3, aiming to avoid the issue of potential "Day 2" gains and losses arising from such liabilities and contingent liabilities as are within the scope of IAS 37 or IFRIC 21, if incurred separately. The amendments are effective for annual reporting periods beginning on or after 1 January 2022 and apply prospectively. The Company and its subsidiaries do not expect material impacts from this amendment.

IAS 37 – Provisions, Contingent liabilities and Contingent assets – Onerous Contracts: The amendment specifies which costs an entity needs to include when assessing whether a contract is onerous or loss-making. It applies a "directly-related cost approach": Costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the terms of the contract . The amendments are effective for annual reporting periods beginning on or after 1 January 2022 and its application is prospective. The Company do not expect any impacts arising from this amendment, which will be applied to contracts whose obligations have not been fulfilled at the beginning of the annual period in which they are first adopted.

IFRS 9 - Financial Instruments – Comissions and fees in the '10 per cent' test for derecognition of financial liabilities: The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The Company and its subsidiaries do not expect material impacts from this amendment.

IAS 08 – Accounting Policies, Changes in Accounting Estimates and Correction of Errors: The amendments clarify the distinction between changes in accounting estimates, changes in accounting policies and correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendments are effective for annual reporting periods beginning on or after 1 January 2023. The Company and its subsidiaries do not expect material impacts from this amendment.

IAS 01 and *IFRS Practice Statement 2 – Making Materiality Judgements* – Disclosure of accounting policies: These amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures. These amendments are applicable for annual periods beginning on or after 1 January 2023 with earlier application permitted. Since the amendments to the Practice Statement 2 provide non-mandatory guidance on the application of the definition of material to accounting policy information, an effective date for this amendment is not necessary. Company is assessing the effects of these alterations on its disclosure of accounting policies.

The Accounting Announcements Committee (CPC) also issued Revision No. 19/2021, on October 25, 2021, creating alterations in the pronouncements CPC 37 (R1) – Adoption of IFRS, CPC 48 – Financial Instruments, CPC 29 - Biological assets, CPC 27 – Property, Plant and Equipment, CPC 25 – Provisions, Contingent liabilities and Contingent assets and CPC 15 (R1) – Business Combinations, as a result of the annual alterations relating to the cycle of improvements for 2018–20, reflecting the changes made in international accounting rules.

2.7 Significant accounting policies

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

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

a) Financial instruments

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

Fair value through profit or loss: this includes the concession financial assets related to energy and gas distribution segment infrastructure. The financial assets related to energy distribution infrastruture are measured at the expected New Replacement Value (*Valor Novo de Reposição*, or VNR), as defined in the concession contract, which represent the fair value of the residual value of the infrastructure as of the balance sheet date. The financial assets related to gas distribution infrastruture are measured based on the fair value of the indemnity established in the concession contract. The Company and its subsidiaries recognize a financial asset resulting from a concession contract when it has an unconditional contractual right to receive cash or another financial asset from, or under the direction of the grantor for the services of construction and maintenance of the infrastructure.

This category also includes cash equivalents, marketable securities not classified at amortized cost, derivative financial instruments and indemnities receivable from the generation assets.

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

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

Derivative financial instruments (Swap transactions and call spread): Cemig GT, maintains derivative instruments to manage its exposure to the risks of changes in foreign currency exchange rates that are recognized initially at their fair value and the related transaction costs are recognized in the statement of income when they are incurred. After the initial recognition, derivatives are measured at fair value and changes in fair value are recorded in the statement of income .

Derivative financial instruments (Put options) – The options to sell to Cemig GT units of the FIP Melbourne and FIP Malbec funds ('the SAAG PUT') were measured at fair value using the Black-Scholes-Merton (BSM) method until the exercising date of the options, that occurred in 2020.

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

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

Additional disclosures of financial instruments are presented in Note 31. Information of expected credit losses is presented in Note 8.

b) Customers, traders and power transport concession holders

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

In order to estimate future losses on receivables, the Cemig D adopted a simplified approach, considered that the accounts receivable from customers do not have significant financial components, and calculated the expected loss considering the historical average of non-collection over the total billed in each month (based on the last 24 months of billing), segregated by type of customer and projected for the next 12 months, taking into account the age of maturity of invoices, including those not yet due and unbilled.

The expected losses for overdue accounts of customers that renegotiated their debt is measured based on the maturity date of the original invoice, despite the new terms negotiated. Expected losses are fully recognized for accounts overdue for more than 12 months.

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

For large customers, the provision for doubtful receivables is recorded based on estimates by Management, in an amount sufficient to cover probable losses. The main criteria used by the Company and its subsidiaries are: (i) customers with significant open balances, the receivable balance is analyzed based on the debt history, negotiations in progress, and asset guarantees; and (ii) for large customers, an individual analysis of the debtors and the initiatives in progress to realize the overdue receivables.

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

c) Investments

The Company and its subsidiaries hold investments in affiliates and joint ventures. Control is obtained when the Company and/or one of its subsidiaries has the power to control the financial and operational policies of an entity to receive benefits from its activities. These investments are accounted using the equity method in the individual and consolidated financial statements and are, initially, recognized at acquisition cost, by the consideration transferred, measured at fair value at acquisition date.

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

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

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

The financial statements of the associates and jointly controlled subsidiaries are prepared for the same reporting periods as the Company. When necessary, adjustments are made to bring the accounting policies in line with those of the Company.

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

d) Business combinations

A business combination occurs when the Company or its subsidiaries acquire control of a business, whatever its legal form. The Company determines that it has acquired a business when the group of activities and assets acquired includes, at least, an input – entry of funds, and a substantive process, which together contribute materially to the capacity to generate output – an outflow of funds.

The Company and its subsidiaries accounts business combinations using the acquisition method. Thus, at the moment of acquisition the acquiring company is required to recognize and measure the identifiable assets acquired, the liabilities assumed, and the shareholding interests of non-controlling equity holders at fair value, which will result in recognition of a goodwill due to expectation of future profitability, or in a gain arising from an advantageous purchase, the gain being allocated to the income statement for the period. Costs generated by acquisition of assets are allocated directly to the income statement as and when incurred.

After the initial recognition, the goodwill is measured at cost, less any accumulated impairments. For the purposes of the impairment test, the goodwill acquired in business combinations is, as from the acquisition date, allocated to each one of the cash generating units that it is expected will be benefited by the synergies of the combination.

It is the Company's understanding, in line with ICPC 09 (R2), that the amount specifically referred to the right of concession, the right of commercial operation, or similar rights, does not constitute goodwill, including when these rights are acquired in a business combination in which the acquired entity is a concession holder, whose right to the concession has a known and defined period.

When a business combination is carried out in stages ("step-acquisition method"), the interest previously held by the Company in its investee is remeasured at the fair value at the acquisition date and the corresponding gain or loss, if any, is recognized in the statement of income.

In the parent company, the difference between the amount paid and the amount of the shareholders' equity of the entities acquired is recognized in Investments based to the criteria described in item (c) above.

e) Concession assets

Energy Distribution segment: Assets linked to concession infrastructure still under construction are initially recorded as contract assets, considering the right of the Company to charge for the services provided to customers or receive an indemnity at the end of the concession period for assets not yet amortized. In accordance with CPC 47 / IFRS 15, the counterpart amounts of construction revenues equivalent to the new assets are initially recorded as contract assets, measured at acquisition cost in including capitalized borrowing costs. After the assets start operation, the conclusion of the performance obligation linked to construction is recorded, and the assets are split between financial assets and intangible assets.

The portion of the infrastructure to be amortized during the concession period is recorded as an intangible asset, as provided for in ICPC 01 (R1) / IFRIC 12 – Concession contracts, and subsequently measured at cost less amortization. The amortization rates reflect the expected pattern of their consumption and are measured based on the asset carrying amount using the straight-line method, using the rates based on the expected useful life of the energy distribution assets, that are used by the Regulator during the tariff process.

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

Transmission segment: When construction of transmission infrastructure is concluded the assets related to the transmission infrastructure remains classified as contract assets, considering the dependence on the satisfaction of a performance obligations during the concession period, represented by the network availability. The contract assets is reclassified as a financial assets only after satisfaction of the performance obligation to operate and maintain infrastructure, since from that point nothing more than the passage of time is necessary for the consideration to be received. The costs related to the infrastructure construction are recognized as incurred in the statement of income. The construction or upgrade services revenues are recognized in accordance with the stage of completion of the construction service, based on the costs actually incurred, including construction margin.

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

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

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

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

Financial portion of the transmission concession contracts renewed in accordance with Law 12,783/2013: corresponding to the financial portion of remuneration for the assets related to the Existing Basic System Network (RBSE), that represents the amount payable from the date of the extension of the concessions until it was incorporated into the tariff (January 1, 2013 until June 30, 2017), to be collected over a period of eight years.

The amounts to be received are subject to the applicable regulatory rules in the tariff process, including the mechanisms that monitor and measure efficiency. In this new context, the unconditional right to consideration depends on the satisfaction of the performance obligation to operate and maintain, and is, thus, characterized as a contract asset. It is classified to financial assets only after an authorizing dispatch by Aneel.

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

For the extension of the concession of the hydroelectric plants participating in the MRE, relating to the compensation for non-hydrological risks specified in Law 14,052/2020, an intangible asset was recognized, considering the nature of the right, which enables, by provision of law, the plants to be used for a period longer than the one specified in their original contracts, during the contract extension, the Company is entitled to sell the energy generated without constraint. The asset was measured at fair value in the initial recognition. The asset is amortized by the straight-line method for the new remaining period of the concession. For more details see Note 18.

Gas distribution segment: New assets are classified initially as contract assets, valued at acquisition cost, including capitalized borrowing costs. When they start operation, they are split into financial assets and intangible assets.

The portion of the assets of the concession that will be fully amortized during the concession period is recorded as an Intangible asset. Amortization reflects the pattern of consumption of the rights acquired. It is calculated on the balance of the assets linked to the concession, by the straight-line method.

The portion of the assets that is not recorded in financial assets is valued based on the New Replacement Value, equivalent to fair value, having as a reference the amounts homologated for the Remuneration Base of Assets in the processes of tariff review. The book value of assets substituted is written down, with counterpart in the Profit and loss account, and taken into consideration by the regulator in the next tariff review cycle.

f) Intangible assets

Intangible assets are mainly, comprised of the intangible assets related to the service concession contracts as described in topic (e) above as well as software. Intangible assets are stated at cost, less amortization, and any accumulated impairments when applicable. Amortization rates are shown in Note 18.

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

g) Property, plant and equipment

Property, plant and equipment are stated at the cost, including deemed cost, decommissioning costs and capitalized borrowing costs, less accumulated depreciation and impairment, if there is.

Depreciation is calculated on the balance of property, plant and equipment in service and investments in consortia, by the straight-line method, using the rates that reflect the estimated useful life of the assets, for assets related to energy activities, limited in certain circumstances to the periods of the related concession contracts. The main rates are shown in Note 17.

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

h) Impairment

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

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

i) Employee benefits

The liability recorded in the statements of financial position related to retirement benefit pension plan obligations is the greater of: (a) the amount to be paid in accordance with the terms of the pension plan for amortization of the actuarial obligations, and (b) the present value of the actuarial obligation, as calculated by a qualified actuary, less the fair value of the plan's assets, and adjusted for unrecognized actuarial gains and losses. The actuarial valuation involves use of assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future increases in retirement and pension benefits. The assumptions are reviewed at each base-date. For more information on the assumptions used, see Note 24 to these financial statements.

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

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

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

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

j) Income tax and social contribution tax

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

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

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

Current

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

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

Deferred

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

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

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

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

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

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

k) Government grants

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

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

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

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

l) Non-current assets classified as held for sale and discontinued operations

The Company and its subsidiaries classify non-current assets as held for sale when their carrying amount will be recovered, principally, through a sale transaction rather than through continuous use. Assets held for sale are measured at the lower of its carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the disposal of an asset, excluding finance expenses and income tax expenses.

Assets and liabilities classified as held for sale are presented separately as current items in the Statement of financial position.

Fixed assets (PP&E) and Intangible assets are not depreciated or amortized as long as they are classified as held for sale. Dividends received from jointly controlled undertakings and affiliated companies classified as held for sale are recognized in the Income statement, in view of the discontinuation of measurement by the equity method, under CPC 31 / IFRS 05.

A disposal group qualifies as discontinued operation if it is a component of an entity that either has been disposed of, or is classified as held for sale, and:

- represents a separate major line of business or geographical area of operations;
- is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations; or
- is a subsidiary acquired exclusively with a view to resale.

Discontinued operations are excluded from the reported profit from continuing operations, and are presented as a single amount, after taxes, based on discontinued operations, in the statement of income.

Additional disclosures are presented in Note 32. All the other notes to the financial statements include amounts for continuing operations, except when otherwise stated.

m) Revenue recognition

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

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

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

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

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

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

Revenues from supply of gas are recorded when the delivery has taken place, based on the volume measured and billed. The billing is carried out monthly. In addition, unbilled supply of gas, from the period between the last billing and the end of each month, is estimated based on the volume of gas delivered but not yet billed. Historically, the differences between the estimated amounts and the actual revenues recognized are not significant and are recorded in the following month.

Revenues from transmission concession services are recognized in the income monthly and include:

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

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

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

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

n) Sales tax

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

o) Finance income and expenses

Finance income is mainly comprised of interest income on funds invested, monetary adjustments on overdue receivables and interest income on other financial assets and liabilities. Interest income is recognized in the income using the effective interest method.

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

p) Cash dividends

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

q) Segment reporting

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

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

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

On 2021, due to the way in which management monitors the composition of its business segments, the Company reassessed its operating segments and started being disclosing the segments of Trading, holdings and Inter-segment Transactions, as a single segment. Due to this Company's reassessment the corresponding information from previous year is being restated. More details see Note 5.

r) Leases

The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period a period in exchange for consideration. Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The contracts that contain a lease component are described in Note 19.

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

Right-of-use assets

Right-of-use assets are measured at cost, less any accumulated amortization and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are amortized on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as described in Note 19.

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

Lease liabilities

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

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

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

Short-term leases and leases of low-value assets

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

3. PRINCIPLES OF CONSOLIDATION

The reporting dates of financial statements 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 (1)	2021			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	-	-	-	Consolidation	100.00	-
Cemig Sim	Consolidation	100.00	-	Consolidation	100.00	-
Cetroeste	-	-	-	Consolidation	100.00	-

(1) On November 24, 2021, an Extraordinary General Meeting of the Company approved an increase in its share capital, through subscription of the investment held in Centroeste, completing the corporate restructuring authorized by Cemig's Board of Directors on February 12, 2021. Thus, as from the current financial statements, this investee is no longer directly consolidated by the Company.

a) Subsidiaries, jointly controlled and affiliated entities

The financial statements of subsidiaries are included in the consolidated financial statements as from the date on which control is obtained, until the date on which the control ceases. The assets, liabilities and profit (loss) of the subsidiaries are consolidated using full consolidation. The accounting policies of the subsidiaries and jointly controlled entities are aligned with the policies adopted by the Company.

The Company controls an investee when its existing rights give it the current ability to direct the relevant activities of the investee. Control is achieved when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

When the Company loses controls of an investee, it derecognizes the assets and liabilities of the former subsidiary from the statements of financial position, at the date when control is lost.

Any investment retained in the former subsidiary is recognized at its fair value and any resulting difference is recognized as gain or loss in the statement of income.

Jointly controlled and affiliated entities are accounted for under the equity method.

b) Consortia

The Company recognizes the proportional interest in assets, liabilities, and profits (losses) of consortium operations since these investments are considered to be 'joint operations' in accordance with the requirements of CPC 19/IFRS 11.

c) Transactions eliminated in consolidation

Intra-group balances and transactions, and any unrealized gains and losses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealized gains arising from transactions with investee companies accounted for under the equity method are eliminated against the investment in proportion to the Company's equity interests in the investee. Unrealized losses are eliminated in the same way as unrealized gains are eliminated, but only up to the point at which there is no evidence of impairment.

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)	Horizontes Energia	Resolution 331/2002	07/2025
Salto Voltão (1)			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) (7)	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
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 (6)	Cemig D	002/1997 003/1997 004/1997 005/1997	12/2045
GAS DISTRIBUTION (6)	Gasmig	State Law 11,021/1993	01/2053

* The concession contract that were eligible for extension of the concession grant as a result of the renegotiation of hydrological risk (GSF) await a call from Aneel for signature of the amendment; and the eligible plants for which the grants were given by authorizing resolution await reformulation of those acts to contain the new dates. More details see Note 18.

(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 energy 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 asset.

(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) 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. On August 5, 2021, Gasmig was informed by an Official Letter from the Minas Gerais State Economic Development Department: (i) that the date of closing of the present tariff cycle had been brought forward to December 31, 2021; and (ii) of the start of the process of Periodic Tariff Review, which will take into account previously decided methodology, based on fundamental criteria such as clients' profile, costs of operation and investments.

(7) Aneel approved, through Authorizing Resolution n. 9.735, on February 23, 2021, the transfer of the concession contract from Cemig GT to Cemig Poço Fundo. This transfer was formally agreed on April 16, 2021, resulting in a new contract (01/2021).

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.

Generation concessions

In the generation business, the Company sells energy:

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

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

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

Transmission concessions

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

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

Onerous concessions

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

Project	Nominal value in 2021	Present value in 2021	Period of the concession	Updating indexer
Irapé	41,752	21,165	03/2006 – 02/2035	IGPM
Queimado (Consortium)	12,071	5,635	01/2004 – 12/2032	IGPM

The contracts for three Small Hydro Plants (SHPs) – Luiz Dias, Salto Morais and Xicão – with installed capacity of 1,620 kW, 2,394 kW and 1,808 kW, respectively, were extinguished by Aneel at Cemig GT's request, by authorizing resolutions of October 13, 2020, without reversion of assets, for further register as small hydropower plant with intalled capacity lower than 5MW (so-called '*Central Geradora Hidrelétrica* – CGH' under Brazillian law), under the legislation and regulations. Cemig GT continues to operate these plants. The concession for the Salto Morais Plant was terminated in July 2020, and since its power is lower than 5 MW, its commercial operation rights were converted into registration, which does not require a concession grant or authorization.

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

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

The amounts paid to the grantor in 2021, the nominal value and the present value of the amounts to be paid in the next 12 months, are as follows:

Project	Interest, %	Amounts paid in 2021	Nominal value of amounts to be paid in the next 12 months	Present value of amounts to be paid in the next 12 months
Irapé	100.00	2,734	3,119	2,936
Queimado (Consortium)	82.50	777	915	862

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

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

Distribution concessions

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

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

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

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

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

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

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

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

Fifth Amendment to concession contract

On December 21, 2015, the Company signed, with the Mining and Energy Ministry, the Fifth Amendment to its concession contracts, extending its energy distribution concessions for an additional 30 years, starting January 1, 2016.
The principal characteristics and terms of the Amendment are as follows:

- The annual tariff adjustment will occur on May 28 of each year, according the rules set for in Clause 6 of the Amendment will be applied.

- Limitation of in the distribution of dividends and/or payment of Interest on Equity to the minimum established by law, in the envent of non-compliance with the annual indicators for outages (DECi and FECi) for two consecutive years, or three times in a period of five years, until the regulatory parameters are restored.

- There is a requirement for injections of capital from the controlling shareholder in an amount sufficient to meet the minimum conditions for economic and financial sustainability.

- Subject to the compliance of efficiency criteria related to continuity of supply and the economic and financial management to guarantee the concession's operations, being assured the right to a full defense and the right to appeal, as follows: (i) for five years starting January 1, 2016, any non-compliance for two consecutive years, or non-compliance with any of the conditions at the end of five years, will result in cancelation of the concession contract; (ii) starting January 1, 2021, any non-compliance for three consecutive years with the criteria of efficiency in continuity of supply, or for two consecutive years with the criteria of efficiency in economic and financial management, will result in proceedings to establish expiration of the concession.

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

- Operational cash generation (-) QRR[1] (-) interest on the debt[2] ≥ 0;
- Ebitda [3] ≥ 0 (by the end of 2017, maintained in 2018, 2019 and 2020);
- [Ebitda (-) QRR] ≥ 0 (by the end of 2018, maintained in 2019 and 2020);
- {Net debt[4] / [Ebitda (-) QRR]} ≤ 1 / (80% of the Selic rate) (by the end of 2019); and,
- {Net debt / [Ebitda (-) QRR]} ≤ 1 / (111% of the Selic rate) (by the end of 2028).

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

Cemig D was in compliance with above criteria of efficiency as of December 31, 2021 and 2020.

Gas distribution concessions

The concessions for distribution of natural gas are granted by each Brazilian state. In the state of Minas Gerais the tariffs for natural gas are set by the regulator, the State's Economic Development Secretariat, by market segment. The tariffs is comprised of a portion for the cost of gas and a portion for the distribution of gas. Each quarter the tariffs are adjusted to pass through the cost of gas, and once a year they are adjusted to update the portion allocated to cover the costs relating to the provision of the distribution service – remuneration of invested capital and to cover all the operating, commercial and administrative expenses of the concession holder.

In addition to these adjustments, there are periodic reviews of tariffs. The first periodic review of tariff, referred to the 2018-22 cycle, was concluded in 2019. These reviews may occurr every five years from the end of the first cycle, to evaluate the changes in the costs of the Gasmig, and update the tariffs. The concession contract also specifies the possibility of an extraordinary review of tariffs if any event occurs that puts the economic-financial balance of the concession at risk.

On September 19, 2019 the Company signed, with the State of Minas Gerais as Grantor, the Third Amendment to the Concession Contract for Commercial Operation of Industrial, Institutional and Residential Piped Gas Services in the State of Minas Gerais, which represents conclusion of the process of economic-financial rebalancing of the concession contract, upon payment of a grant fee of R$852 million, updated, from its base date of January 1, 2019 to the date of payment, by the DI (Interbank Deposit) rate. This guarantees maintenance of the period of Gasmig's succession up to 2053.

Under the Third Amendment to the Concession Contract, the total value paid for the compensatory grant will be added to the Company's remuneration base of assets, and considered in the process of tariff review by the Grantor as an intangible asset to be amortized by the end of the concession contract, producing immediate effect in terms of setting and review of tariffs.

5. OPERATING SEGMENTS

The operating segments of the Company and its subsidiaries reflect their management and their organizational structure, used to monitoring its results. They are aligned with the regulatory framework of the Brazilian energy industry. The Company also operates in the gas market, through its subsidiary Gasmig, and in other businesses with less impact on the results of its operations.

In 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 increased 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 energy 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 the results of affiliates and jointly controlled companies whose management is the responsibility of the Equity Management Board ('CemigPar') as a single segment, evaluating Cemig's non-controlling shareholdings, 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, in 2021, the segment information is disclosed separately into the following 5 reportable segments:

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

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

Trading: Comprise commercialization of energy and provision of related services. As per Note 26(g), in the third quarter of 2021 the Company began the process of segregation of the commercialization business, with partial transfer from Cemig GT to the Company. There was no change in the Company's corporate strategy of serving the market with the purpose of energy delivery to its clients.

Distribution: Comprise provision of energy 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 shareholding 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 energy generated, and costs for purchase of energy 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.

In 2021, due to the way in which management monitors the composition of the segments, the Company reassessed its operating segments and started being disclosing the segments of Trading, Investess and Inter-segment Transactions, as a single segment. Due to this Company's reassessment the corresponding information from previous year is being restated.

INFORMATION BY SEGMENT AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2021									
ACCOUNT/DESCRIPTION	ENERGY				INVESTEES	TOTAL	INTER SEGMENT TRANSACTIONS (1)	RECONCILIATION (2) (3)	TOTAL
	GENERATION	TRANSMISSION	TRADING	DISTRIBUTION					
NET REVENUE	**2,921,309**	**1,093,704**	**6,429,728**	**22,344,681**	**2,858,118**	**35,647,540**	**(1,575,031)**	**(426,391)**	**33,646,118**
COST OF ENERGY, GAS AND CHARGES FOR USE OF THE NATIONAL GRID	**(794,537)**	**(252)**	**(5,734,940)**	**(14,852,696)**	**(2,011,340)**	**(23,393,765)**	**1,575,031**	**369,155**	**(21,449,579)**
OPERATING COSTS AND EXPENSES (3)									
Personnel	(148,820)	(114,696)	(20,778)	(846,747)	(109,427)	(1,240,468)	-	-	(1,240,468)
Employees and managers' profit sharing	(14,406)	(14,023)	(2,558)	(93,948)	(9,332)	(134,267)	-	-	(134,267)
Post-employment obligations	(5,173)	2,769	(803)	18,601	(30,588)	(15,194)	-	-	(15,194)
Materials, outsourced services and others expenses (revenues)	(208,600)	(94,298)	(13,745)	(1,523,805)	(165,126)	(2,005,574)	-	57,236	(1,948,338)
Depreciation and amortization	(254,634)	(3,485)	(525)	(682,598)	(107,866)	(1,049,108)	-	-	(1,049,108)
Operating provisions and impairment	(19,615)	(11,496)	(14,110)	(198,193)	(120,327)	(363,741)	-	-	(363,741)
Construction costs	-	(183,386)	-	(1,802,361)	(49,901)	(2,035,648)	-	-	(2,035,648)
Total cost of operation	**(651,248)**	**(418,615)**	**(52,519)**	**(5,129,051)**	**(592,567)**	**(6,844,000)**	**-**	**57,236**	**(6,786,764)**
OPERATING COSTS AND EXPENSES	**(1,445,785)**	**(418,867)**	**(5,787,459)**	**(19,981,747)**	**(2,603,907)**	**(30,237,765)**	**1,575,031**	**426,391**	**(28,236,343)**
Periodic tariff review, net	-	214,955	-	-	-	214,955	-	-	214,955
Renegotiation of hydrological risk (Law 14,052/20), net	1,031,809	-	-	-	-	1,031,809	-	-	1,031,809
Gains arising from the sale of non-current asset held for sale	-	-	-	-	108,550	108,550	-	-	108,550
Fair value of business combination	-	4,006	-	-	-	4,006	-	-	4,006
Equity in earnings of unconsolidated investees, net	53,680	-	-	-	128,396	182,076	-	-	182,076
OPERATING INCOME BEFORE FINANCE INCOME (EXPENSES)	**2,561,013**	**893,798**	**642,269**	**2,362,934**	**491,157**	**6,951,171**	**-**	**-**	**6,951,171**
Finance net income (expenses)	(758,151)	(394,950)	15,056	(7,531)	(1,107,417)	(2,252,993)	-	-	(2,252,993)
INCOME BEFORE INCOME TAX AND SOCIAL CONTRIBUTION TAX	**1,802,862**	**498,848**	**657,325**	**2,355,403**	**(616,260)**	**4,698,178**	**-**	**-**	**4,698,178**
Income tax and social contribution tax	(409,268)	(77,542)	(224,012)	(654,863)	420,376	(945,309)	-	-	(945,309)
NET INCOME FOR THE YEAR	**1,393,594**	**421,306**	**433,313**	**1,700,540**	**(195,884)**	**3,752,869**	**-**	**-**	**3,752,869**
Equity holders of the parent	1,393,594	421,306	433,313	1,700,540	(197,432)	3,751,321	-	-	3,751,321
Non-controlling interests	-	-	-	-	1,548	1,548	-	-	1,548

(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 YEAR ENDED DECEMBER 31, 2020 (RESTATED)									
ACCOUNT/DESCRIPTION	ENERGY				INVESTEES	TOTAL	INTER SEGMENT TRANSACTIONS (1)	RECONCILIATION (2) (3)	TOTAL
	GENERATION	TRANSMISSION	TRADING	DISTRIBUTION					
NET REVENUE	**2,589,094**	**777,889**	**5,382,327**	**16,511,663**	**1,673,107**	**26,934,080**	**(1,323,959)**	**(382,496)**	**25,227,625**
COST OF ENERGY, GAS AND CHARGES FOR USE OF THE NATIONAL GRID	**(528,505)**	**(224)**	**(5,026,868)**	**(9,960,012)**	**(1,083,089)**	**(16,598,698)**	**1,323,959**	**332,350**	**(14,942,389)**
OPERATING COSTS AND EXPENSES									
Personnel	(169,909)	(102,879)	(15,708)	(885,930)	(101,650)	(1,276,076)	-	-	(1,276,076)
Employees' and managers' profit sharing	(15,900)	(14,082)	(2,240)	(92,295)	(17,330)	(141,847)	-	-	(141,847)
Post-employment obligations	(42,736)	(38,382)	(5,770)	(296,844)	(54,513)	(438,245)	-	-	(438,245)
Materials, outsourced services and others expenses (revenues)	(176,438)	(64,558)	(11,182)	(1,327,081)	(110,387)	(1,689,646)	-	50,146	(1,639,500)
Depreciation and amortization	(205,164)	(4,736)	(705)	(668,421)	(110,027)	(989,053)	-	-	(989,053)
Operating provisions and impairment	(32,477)	7,248	(1,390)	(273,847)	(122,820)	(423,286)	-	-	(423,286)
Construction costs	-	(146,652)	-	(1,384,334)	(50,489)	(1,581,475)	-	-	(1,581,475)
Total cost of operation	**(642,624)**	**(364,041)**	**(36,995)**	**(4,928,752)**	**(567,216)**	**(6,539,628)**	**-**	**50,146**	**(6,489,482)**
OPERATING COSTS AND EXPENSES	**(1,171,129)**	**(364,265)**	**(5,063,863)**	**(14,888,764)**	**(1,650,305)**	**(23,138,326)**	**1,323,959**	**382,496**	**(21,431,871)**
Periodic tariff review, net	-	502,108	-	-	-	502,108	-	-	502,108
Fair value of business combination	10,839	-	-	-	345,859	356,698	-	-	356,698
Equity in earnings of unconsolidated investees, net	-	51,736	-	-	-	51,736	-	-	51,736
OPERATING INCOME BEFORE FINANCE INCOME (EXPENSES)	**1,428,804**	**967,468**	**318,464**	**1,622,899**	**368,661**	**4,706,296**	**-**	**-**	**4,706,296**
Finance expenses	(322,485)	(152,105)	20,201	22,518	(473,588)	(905,459)	-	-	(905,459)
INCOME BEFORE INCOME TAX AND SOCIAL CONTRIBUTION TAX	**1,106,319**	**815,363**	**338,665**	**1,645,417**	**(104,927)**	**3,800,837**	**-**	**-**	**3,800,837**
Income tax and social contribution tax	(307,584)	(221,820)	(80,712)	(430,313)	104,713	(935,716)	-	-	(935,716)
NET INCOME FOR THE YEAR	**798,735**	**593,543**	**257,953**	**1,215,104**	**(214)**	**2,865,121**	**-**	**-**	**2,865,121**
Equity holders of the parent	798,735	593,543	257,953	1,215,104	(1,225)	2,864,110	-	-	2,864,110
Non-controlling interests	-	-	-	-	1,011	1,011	-	-	1,011

(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.

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

6. CASH AND CASH EQUIVALENTS

	Consolidated		Parent company	
	2021	2020	2021	2020
Bank accounts	116,956	93,060	4,252	4,577
Cash equivalents				
Bank certificates of deposit (CDBs) (1)	624,681	1,415,964	2,047	412,136
Overnight (2)	81,456	171,373	20,393	5,934
Others	2,115	-	-	-
	708,252	1,587,337	22,440	418,070
	825,208	**1,680,397**	**26,692**	**422,647**

(1) *Bank Certificates of Deposit* (*Certificados de Depósito Bancário*, or CBDs), accrued interest at 70% to 109%, of the CDI Rate (Interbank Rate for Interbank Certificates of Deposit or *Certificados de Depósito Inter-bancário* – CDIs) published by the Custody and Settlement Chamber (*Câmara de Custódia e Liquidação*, or Cetip) on December 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 8.87% to 9.14% on December 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 31 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.

7. MARKETABLE SECURITIES

	Consolidated		Parent company	
	2021	2020	2021	2020
Investments				
Current				
Bank certificates of deposit (CDBs) (1)	100,554	545,366	25,175	18,884
Financial Notes (LFs) – Banks (2)	1,417,429	2,073,551	354,868	71,799
Treasury Financial Notes (LFTs) (3)	178,427	730,806	44,671	25,305
Others	27,678	10,547	6,508	873
	1,724,088	**3,360,270**	**431,222**	**116,861**
Non-current				
Financial Notes (LFs) – Banks (2)	348,149	729,767	87,163	25,269
Debentures (4)	4,874	24,789	1,220	858
Others	707	10,237	-	-
	353,730	**764,793**	**88,383**	**26,127**
	2,077,818	**4,125,063**	**519,605**	**142,988**

(1) Bank Certificates of Deposit (Certificados de Depósito Bancário, or CBDs), accrued interest at 107.24% of the CDI Rate (Interbank Rate for Interbank Certificates of Deposit or Certificados de Depósito Inter-bancário – CDIs) published by the Custody and Settlement Chamber (Câmara de Custódia e Liquidação, or Cetip) on December 31, 2021 (106% to 110% on December 31, 2020).

(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 105% and 130% of the CDI rate on December 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 9.12% and 9.50% in 2021 (1.86% and 1.90% in 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 December 31, 2021 and 2020.

Note 31 provides a classification of these marketable securities. Investments in marketable securities of related parties are shown in Note 30.

8. RECEIVABLES FROM CUSTOMERS, TRADERS AND 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	2021	2020
Billed supply	1,765,462	719,826	455,252	469,273	3,409,813	3,124,555
Unbilled supply	929,579	-	-	-	929,579	1,144,906
Other concession holders – wholesale supply	20,086	30,125	922	902	52,035	50,086
Other concession holders – wholesale supply, unbilled	264,864	-	-	-	264,864	260,521
CCEE (Power Trading Chamber)	72,411	96,207	-	913	169,531	210,271
Concession Holders – power transport	62,623	15,849	13,307	77,873	169,652	161,340
Concession Holders – power transport, unbilled	319,099	-	-	-	319,099	294,734
(–) Provision for doubtful receivables	(200,768)	(35,440)	(88,458)	(508,484)	(833,150)	(712,369)
	3,233,356	**826,567**	**381,023**	**40,477**	**4,481,423**	**4,534,044**
Current assets					**4,429,883**	**4,373,075**
Non-current assets					**51,540**	**160,969**

	Parent company					
	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	2021	2020
Billed supply	-	1,596	-	23,003	24,599	22,284
Unbilled supply	106,184	-	-	-	106,184	
CCEE (Power Trading Chamber)	48,869	-	-	-	48,869	-
(–) Provision for doubtful receivables	-	-	-	(22,284)	(22,284)	(22,284)
	155,053	**1,596**	**-**	**719**	**157,368**	**-**
Current assets					**157,368**	-

The Company and its subsidiaries’ exposure to credit risk related to customers and traders is provided in Note 31.

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	2021	Dec. 31, 2020
Residential	220,937	110,149
Industrial	184,954	187,927
Commercial, services and others	220,400	189,769
Rural	34,466	30,355
Public authorities	45,221	82,715
Public lighting	1,909	2,434
Public services	37,504	34,803
Charges for use of the network (TUSD)	87,759	74,217
	833,150	**712,369**

Considering the pandemic effects on levels of delinquency and the emergence of new factors such as the vaccination progress in the country, mutations of the virus, and changes in government support policy, the Company, taking into account the changes in 2020 and 2021, believes that the current assumptions represent its best estimate, at this moment, for expected losses on doubtful receivables for the year ended on December 31, 2021.

On July 31, 2020 Cemig D filed an application to the tax authority of State of Minas Gerais to offset debts for energy consumption and service owed by the direct and indirect administrations of Minas Gerais State, using amounts of ICMS tax payable, under Article 3 of Minas Gerais State Decree 47,908/2020, which regulated State Law 47,891/2020. The debts from the State of Minas Gerais that qualify for offset are those past due on June 30, 2019, an amount of R$222,266. Following ratification by the State Finance Secretary and formalization of the Debt Recognition Agreement, occurred on March, 31, 2021, offsetting began in April 2021. Up to December 31, 2021, 9 (nine) out of 21 (twenty-one) installments, in the amount of R$10,584 each were offset, remaining outstanding R$127,010. The offsetting is expected to occur on monthly basis, in this amount, up to December 2022.

Changes in the allowance for doubtful accounts are as follows:

	Consolidated
Balance at December 31, 2019	**809,725**
Additions, net (Note 28)	146,705
Reversals of disposals	(244,061)
Balance at December 31, 2020	**712,369**
Additions, net (Note 28)	143,856
Reversals of disposals	(23,075)
Balance at December 31, 2021	**833,150**

9. RECOVERABLE TAXES

	Consolidated		Parent company	
	2021	2020	2021	2020
Current				
ICMS (VAT)	112,813	97,272	3	-
PIS/Pasep (a) (b)	328,643	310,927	24	219
Cofins (a) (b)	1,508,180	1,425,796	121	1,018
Others	19,343	16,062	940	104
	1,968,979	**1,850,057**	**1,088**	**1,341**
Non-current				
ICMS (VAT) (b)	342,183	257,160	-	-
PIS/Pasep (a)	316,044	588,257	110,376	108,878
Cofins (a)	1,339,058	2,594,428	392,076	386,713
Others	-	2,226	-	1,795
	1,997,285	**3,442,071**	**502,452**	**497,386**
	3,966,264	**5,292,128**	**503,540**	**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 have 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.

The Company, in addition of the ability of receiving the credits through '*precatórios'* letters of credit, has begun to assess the possibility of credits administrative qualification, under which they will be able to be offset theses credits against federal taxes generated by the holding company's activity.

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 since May 2020 the amount receivable against amounts of federal taxes payable on a monthly basis, within the five-year period specified by the relevant law of limitation.

On May 13, 2021 the Brazilian Federal Supreme Court ('STF') ruled on the motion for clarification filed by the federal government, modulating the effects of the decision that ICMS tax (paid or payable) is not part of the base amount for calculation of the PIS, Pasep and Cofins taxes. The court ruled that only those who filed legal actions claiming this judgment on or before March 15, 2017 (date on which the argument was established) should have the right to reimbursement of the tax unduly paid, excluding legal and administrative actions filed after that date and before the date on which the judgment was given. Thus the changes made by the Supreme Court in the effects of the judgment do not affect the credits recognized by the Company. Further, the new ruling decided that the amounts of ICMS tax to be excluded from the basis for calculation of PIS/Pasep and Cofins taxes should be the ICMS tax stated on invoices this is in agreement with the criterion adopted by the Company for the actions which there is no further appeal. The Company recognized an increase of R$18,213 in the PIS/Pasep and Cofins recoverable amount, referring to the periods in which the Company excluded the ICMS tax paid from these taxes basis of calculation, instead of the ICMS tax stated on invoices.

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 reimbursed 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.

Considering the modulation of effects derived from STF, the subsidiary Gasmig recognized, in the second quarter of 2021, the PIS/Pasep and Cofins taxes credits totaling R$219,753, updated at December 31, 2021 is R$224,734. In the absence of a final judgment by the courts, Gasmig recorded a liability corresponding to the amounts to be reimbursed to its customers considering a 10 years period, from the date of the year end period.

For more information about the amounts to be refunded by Cemig D and Gasmig to customers, see Note 21.

The Company recorded in current asset and non-current asset the amounts of R$1,825,901 and R$1,651,094, respectively, corresponding to the tax credits of PIS/Pasep and Cofins over ICMS, with updating by the Selic rate to the date of their actual offsetting.

In 2021, credits of PIS/Pasep and Cofins taxes were offset against payable federal taxes in the amount of R$1,786,325 (R$1,274,636 on 2020).

b) Other recoverable taxes

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

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

10. INCOME AND SOCIAL CONTRIBUTION TAXES

a) Income tax and social contribution tax recoverable

The balances of income tax and social contribution tax refer to tax credits in the corporate income tax returns of previous years and to advance payments which will be offset against federal taxes eventually payable. Current 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	
	2021	2020	2021	2020
Income tax	763,468	697,923	221,422	245,996
Social contribution tax	250,851	246,210	24,428	33,860
	1,014,319	**944,133**	**245,850**	**279,856**
Current	**698,914**	**597,610**	**-**	**-**
Non-current	**315,405**	**346,523**	**245,850**	**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.

On September 24, 2021, the Brazilian Federal Supreme Court decided, unanimously, that the incidence of income tax and social contribution tax on the indexation charges applying Selic interest rate over undue paid taxes is unconstitutional. Since this is a constitutional decision with general repercussion, the Company and its subsidiaries is awaiting the final judgment, which is pending on eventual motions for clarification, and the result of any modulation, before assessing and recognizing the potential effects of the decision, since there is no legal action on this subject.

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	
	2021	2020
Current		
Income tax	147,312	108,262
Social contribution tax	42,690	31,796
	190,002	**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	
	2021	2020	2021	2020
Deferred tax assets				
Tax loss carryforwards	806,639	400,758	583,662	114,666
Provisions for contingencies	542,089	537,661	71,278	66,362
Impairment on investments	244,132	639,739	-	382,904
Fair value of derivative financial instruments (PUT SAAG)	216,339	182,293	-	-
Post-employment obligations	1,980,828	2,167,566	239,750	243,280
Estimated provision for doubtful receivables	314,863	256,130	8,477	7,578
Others	150,389	138,599	4,095	4,055
Total	**4,255,279**	**4,322,746**	**907,262**	**818,845**
Deferred tax liabilities				
Deemed cost	(219,067)	(224,610)	-	-
Acquisition costs of equity interests	(465,615)	(486,335)	(104,992)	(126,934)
Borrowing costs capitalized	(164,716)	(168,909)	-	-
Adjustment to expectation of cash flow – Concession assets	(245,181)	(242,424)	-	-
Adjustment of contract assets	(895,223)	(768,126)	-	-
Adjustment to fair value: Swap/Gains	(412,436)	(1,002,636)	-	-
Updating on escrow deposits	(6,737)	(6,129)	-	-
Reimbursement of costs – GSF	(319,207)	-	-	-
Others	(24,618)	(10,720)	-	(1,016)
Total	**(2,752,800)**	**(2,909,889)**	**(104,992)**	**(127,950)**
Total, net	**1,502,479**	**1,412,857**	**802,270**	**690,895**
Total assets	**2,464,734**	**2,452,860**	**802,270**	**690,895**
Total liabilities	**(962,255)**	**(1,040,003)**	**-**	**-**

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

	Consolidated	Parent company
Balance at December 31, 2019	**1,659,705**	**680,731**
Effects allocated to Statement of comprehensive income	3,525	(1,687)
Effects allocated to net profit from continuing operations	(252,035)	11,848
Others	1,662	3
Balance at December 31, 2020	**1,412,857**	**690,895**
Effects allocated to net profit from continuing operations	210,773	121,376
Effects allocated to Statement of comprehensive income	(102,408)	(10,001)
Deferred taxes arising from shareholding reorganization	(16,815)	-
Others	(1,928)	-
Balance at December 31, 2021	**1,502,479**	**802,270**

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

Based on the estimative from the Company and its subsidiaries, it is probable that future taxable profit will be available against which the unused tax losses and unused tax credits can be utilized and the Company estimated that the balance of deferred tax asset as of December 31, 2021 will be recovered, as follows:

	Consolidated	Parent company
2022	717,224	207,848
2023	583,660	96,024
2024	661,720	77,008
2025	506,749	65,658
2026	481,440	40,349
2027 to 2029	844,676	314,210
2030 to 2031	459,810	106,164
	4,255,279	**907,262**

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	
	2021	2020	2021	2020
Profit before income tax and social contribution tax	**4,698,178**	**3,800,837**	**3,650,014**	**2,855,915**
Income tax and social contribution tax – nominal expense (34%)	(1,597,381)	(1,292,285)	(1,241,005)	(971,011)
Tax effects applicable to:				
Gain in subsidiaries by equity method (net of effects of Interest on Equity)	5,878	92,898	885,492	807,067
Tax incentives	63,714	38,636	-	55
Difference between Presumed Profit and Real Profit	145,910	96,503	-	-
Non-deductible penalties	(22,971)	(25,189)	(52)	(749)
Income arising from the Light sale	154,326	-	154,326	-
Estimated losses on doubtful accounts receivable from related parties	-	(12,703)	-	(12,703)
Interest on equity declared	324,796	188,186	324,796	188,186
Others	(19,581)	(21,762)	(22,250)	(2,650)
Income tax and Social Contribution – effective gain (expense)	**(945,309)**	**(935,716)**	**101,307**	**8,195**
Current tax	**(1,156,082)**	**(683,681)**	**(20,069)**	**(3,653)**
Deferred tax	**210,773**	**(252,035)**	**121,376**	**11,848**
	(945,309)	**(935,716)**	**101,307**	**8,195**
Effective rate	**20.12%**	**24.62%**	**2.78%**	**0.29%**

11. 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.

However, the State of Minas Gerais government is contesting the Debt Recognition Agreement (‘TARD’) signed, in the previous years, once it believes that it was signed without obeying the legal requirements for validity of administrative acts and has notified Cemig to reimburse the 2 installments previously settled, and also the dividends retained, totaling R$299,005.

To solve the issue through a negotiated solution for impasses, the dispute on the TARD was submitted to the Chamber of Administrative Prevention and Resolution of Conflicts (‘Câmara de Prevenção e Resolução Administrativa de Conflitos’ – CPRAC) of State of Minas Gerais, which is currently in the initial stages.

The balance receivable on December 31, 2021, amounts R$13,366 (R$11,614 on December 31, 2020). On June 30, 2021, the Company retained the remaining portion of dividends to be paid to State of Minas Geraisand awaits development of the issue with CPRAC for the definitive write-off from accounts receivable of this remaining balance.

Regarding the discussion on the merits of the criterion used in the past for AFAC's monetary updating, if a solution is not successfully reached either through CPRAC or any legal proceedings on the merits, Management, based on assessment of legal advisors, has assessed the chances of loss as 'possible'.

12. ESCROW DEPOSITS

	Consolidated		Parent company	
	2021	2020	2021	2020
Labor claims	**266,604**	**277,980**	**25,292**	**29,859**
Tax contingencies				
Income tax on Interest on Equity	29,546	29,045	300	290
PIS/Pasep and Cofins taxes (1)	68,342	66,452	-	-
Donations and legacy tax (ITCD)	55,752	54,497	54,786	53,547
Urban property tax (IPTU)	86,925	84,248	62,229	60,872
Finsocial tax	40,999	40,349	40,999	40,349
Income and Social Contr. Tax on indemnity for employees' 'Anuênio' benefit (2)	290,198	285,836	13,936	13,727
Income tax withheld at source on inflationary profit	8,743	8,652	8,743	8,652
Income tax and contribution tax effective rate (3)	76,155	18,062	-	-
Others (4)	103,570	97,508	67,015	67,050
	760,230	**684,649**	**248,008**	**244,487**
Others				
Regulatory	52,736	51,605	20,033	19,690
Third party	12,482	9,105	6,630	3,469
Customer relations	7,924	7,595	941	1,214
Court embargo	19,146	12,881	3,373	2,583
Others	36,047	11,982	3,374	3,374
	128,335	**93,168**	**34351**	**30,330**
	1,155,169	**1,055,797**	**307,651**	**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 25 – 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 Equityand 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

13. REIMBURSEMENT OF TARIFF SUBSIDIES

The subsidies to finance the Program to Encourage Voluntary Reduction of Energy Consumption, in effect from September to December 2021, will be reimbursed through the System Services Charge (ESS). The program was created to encourage costumers to save energy due to the critical moment of hydrological scarcity – an emergency measure by the government to ensure the country continuity and security of energy supply. Customers that reduced consumption in the months of September to December 2021, so that the sum of their energy consumption in these months was from 10% to 20% less than in the same period of the previous year, were to be given a bonus of R$0.50 per kilowatt-hour (kWh) on the total of the energy saved. The bonus was to be stated in the first energy bill received after December 2021 consumption calculation and credited as a reduction in the subsequent energy bill. On December 31, 2021, the amount appropriated as revenue for subsidies under this bonus was R$205,439. The Company has this amount receivable, posted in Current assets.

On December 31, 2021, the amount recognized as subsidies revenues, reimbursed through the transfer of resources of Energy Development Account (CDE), was R$986,310 (R$1,035,617 on December 31, 2020). Of such amounts, Cemig D has a receivable of R$81,981, as of December 31, 2021 (R$82,616 on December 31, 2020) and Cemig GT has a receivable of R$4,476 (R$5,733 on December 31, 2020) in current assets.

14. CONCESSION FINANCIAL AND SECTOR ASSETS AND LIABILITIES

Consolidated	2021	2020
Concession financial assets		
Energy distribution concessions (14.1)	683,729	530,058
Gas distribution concessions (14.1)	34,386	29,183
Indemnifiable receivable – Generation (14.2)	816,202	816,202
Concession grant fee – Generation concessions (14.3)	2,792,201	2,549,198
	4,326,518	**3,924,641**
Sector financial assets		
Amounts receivable from Parcel A (CVA) and Other Financial Components (14.4)	2,147,548	132,681
Total	**6,474,066**	**4,057,322**
Current assets	**1,504,666**	**258,588**
Non-current assets	**4,969,400**	**3,798,734**

Consolidated	2021	2020
Sector financial liabilities		
Amounts receivable from Parcel A (CVA) and Other Financial Components (14.4)	51,359	231,322
Total	**51,359**	**231,322**
Current liabilities	**51,359**	**231,322**

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

	Generation	Distribution	Gas	Total
Balances at December 31, 2019	**3,284,418**	**459,711**	**23,663**	**3,767,792**
Additions	-	-	53	53
Transfers of contract assets	-	60,333	-	60,333
Transfers to intangible assets	-	(5,325)	21	(5,304)
Monetary updating	347,057	15,465	5,446	367,968
Disposals	-	(126)	-	(126)
Amounts received	(266,075)	-	-	(266,075)
Balances at December 31, 2020	**3,365,400**	**530,058**	**29,183**	**3,924,641**
Transfers of contract assets	-	109,842	-	109,842
Transfers to intangible assets	-	(9,392)	-	(9,392)
Additions	-	-	28	28
Monetary updating	523,105	53,751	5,175	582,031
Disposals	-	(530)	-	(530)
Amounts received	(280,102)	-	-	(280,102)
Balances at December 31, 2021	**3,608,403**	**683,729**	**34,386**	**4,326,518**

14.1 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. The financial assets 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.

14.2 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 December 31, 2021 and 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 Piau	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 Jaguara	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 December 31, 2021, investments made after the Jaguara, São Simão and Miranda plants came into operation, in the amounts of R$174,203, R$2,711 and R$22,546, respectively, are recorded as concession financial assets and the determination of the final amounts to be paid to the Company is in a process of discussion with Aneel (the grantor). The Company does not expect losses in realization of these amounts.

In 2019, Plubic 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, which resulted in the publication, on July 13, 2021, of Normative Resolution 942, by Aneel.

Under Normative Resolution 942, concession holders must attest the respective investments linked to reimbursable assets, based on an evaluation report, by July 12, 2022, – this period may be extended by Aneel for an equal period. According to Grantor's rules, the evaluation report must be prepared by a company accredited by Aneel, to be hired by the concession holder. Additionaly, the concession holders were required to state interest in receipt of the complementary amount until August 20, 2021. Cemig GT complied with this requirement within the specified period.

Appendix I of the above mentioned Resolution details the methodology and general criteria for calculation of investment portion linked to reversible assets, which must be based on the New Replacement Value – which is calculated, preferably, based on the reference database of prices, then, if it is not possible, by the concession holder's prices database and, as the last alternative, by the updated inspected accounting cost.

The Company is assessing the effects of this resolution and does not expect losses in its financial assets as a result of application of these new requirements.

On August 9, 2021, the Company stated its interest in receiving the complementary amount related to the portions of the investments linked to revertible assets that had not yet been modernized or depreciated and have not been indemnified.

The Company hired the valuation specialist service provider accredited by Aneel and expects to meet the requirements of Normative Resolution (ReN) 942/2021, proving the realization of related investments linked to revertible assets through a valuation report, within the stipulated deadline.

14.3 Concession grant fee – Generation concessions

The concession grant fee paid to Company for a 30-year concession contracts Nº. 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	2020	Monetary updating	Amounts received	2021
Cemig Geração Três Marias S.A.	Três Marias	1,447,210	287,009	(150,499)	1,583,720
Cemig Geração Salto Grande S.A.	Salto Grande	454,256	90,360	(47,462)	497,154
Cemig Geração Itutinga S.A.	Itutinga	170,460	36,723	(20,179)	187,004
Cemig Geração Camargos S.A.	Camargos	127,814	27,409	(15,022)	140,201
Cemig Geração Sul S.A.	Coronel Domiciano, Joasal, Marmelos, Paciência and Piau	167,206	37,565	(21,136)	183,635
Cemig Geração Leste S.A.	Dona Rita, Ervália, Neblina, Peti, Sinceridade and Tronqueiras	113,807	27,429	(16,049)	125,187
Cemig Geração Oeste S.A.	Cajurú, Gafanhoto and Martins	68,445	16,610	(9,755)	75,300
Total		**2,549,198**	**523,105**	**(280,102)**	**2,792,201**

SPC	Plants	2019	Monetary updating	Amounts received	2020
Cemig Geração Três Marias S.A.	Três Marias	1,402,425	187,746	(142,961)	1,447,210
Cemig Geração Salto Grande S.A.	Salto Grande	440,158	59,183	(45,085)	454,256
Cemig Geração Itutinga S.A.	Itutinga	164,799	24,829	(19,168)	170,460
Cemig Geração Camargos S.A.	Camargos	123,585	18,499	(14,270)	127,814
Cemig Geração Sul S.A.	Coronel Domiciano, Joasal, Marmelos, Paciência e Piau	161,490	25,794	(20,078)	167,206
Cemig Geração Leste S.A.	Dona Rita, Ervália, Neblina, Peti, Sinceridade e Tronqueiras	109,757	19,295	(15,245)	113,807
Cemig Geração Oeste S.A.	Cajurú, Gafanhoto e Martins	66,002	11,711	(9,268)	68,445
Total		**2,468,216**	**347,057**	**(266,075)**	**2,549,198**

Of the energy produced by these plants to being commercialized, since January, 2017, 70% is sold in the Regulated Market (ACR) and 30% in the Free Market (ACL).

Sector assets and liabilities

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

As established in the amendment to the concession contract, there is a guarantee that in the event of 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 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	2021			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	**988,850**	**4,133,064**	**5,121,914**	**83,984**	**1,561,906**	**1,645,890**
Current assets	988,850	2,397,151	3,386,001	83,984	834,093	918,077
Non-current assets	-	1,735,913	1,735,913	-	727,813	727,813
Liabilities	**(1,040,209)**	**(1,985,516)**	**(3,025,725)**	**(246,242)**	**(1,498,289)**	**(1,744,531)**
Current liabilities	(1,040,209)	(1,175,718)	(2,215,927)	(246,242)	(903,157)	(1,149,399)
Non-current liabilities	-	(809,798)	(809,798)	-	(595,132)	(595,132)
Total current, net	**(51,359)**	**1,221,433**	**1,170,074**	**(162,258)**	**(69,064)**	**(231,322)**
Total non-current, net	-	**926,115**	**926,115**	-	**132,681**	**132,681**
Total, net	**(51,359)**	**2,147,548**	**2,096,189**	**(162,258)**	**63,617**	**(98,641)**

Financial components	2021			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	23,593	(90,715)	(67,122)	879	-	879
Tariff for use of transmission facilities of grid participants	145,817	97,203	243,020	847	217,778	218,625
Tariff for transport of Itaipu supply	13,172	(972)	12,200	103	17,618	17,721
Alternative power source program (Proinfa)	11,427	18,664	30,091	(138)	5,857	5,719
ESS/EER System Service/Energy Charges	30,948	953,014	983,962	(1,465)	38,549	37,084
Energy bought for resale	389,548	1,177,997	1,567,545	4,078	448,720	452,798
Other financial components						
Over contracting of supply (1)	(67,566)	192,132	124,566	(55,828)	165,793	109,965
Neutrality of Parcel A	24,269	73,081	97,350	(2,706)	109,965	107,259
Billing return – Covid Account (2)	(371,350)	-	(371,350)	-	(504,476)	(504,476)
Other financial items	(230,046)	(225,769)	(455,815)	(86,248)	(394,367)	(480,615)
Excess demand and reactive power	(21,171)	(47,087)	(68,258)	(21,780)	(41,820)	(63,600)
TOTAL	**(51,359)**	**2,147,548**	**2,096,189**	**(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$192,132 on December 31, 2021, as 'Other financial components' to be ratified. At the reporting date for these financial statements, this matter was pending analysis by Aneel, however, the decision of SGT/SEM Dispatch 2508 of 2020 is in force and was considered in the last tariff process, in which part of the amount relating to over contracting in 2017 was ratified, totaling R$39,270.

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

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

Balance at December 31, 2019	**881,614**
Additions	611,212
Amortization	(156,471)
Payments from the Flag Tariff Centralizing Account	(62,771)
Receipt funds of "Covid-account"	(1,404,174)
Updating – Selic rate (Note 29)	31,949
Balance at December 31, 2020	**(98,641)**
Additions	1,908,166
Amortization	237,877
Transfer of other liabilities (1)	(15,120)
Updating – Selic rate (Note 29)	63,907
Balance at December 31, 2021	**2,096,189**

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

Tariff adjustment – Cemig D

On May 25, 2021 the grantor (Aneel) approved the Annual Tariff Adjustment for Cemig D, effective from May 28, 2021 to May 27, 2022, with an average increase for customers of 1.28% – being: (i) 2.14% for high-voltage customers and (ii) 0.89% for customers connected at low voltage. There was no adjustment to tariffs for residential customers connected at low voltage. This result arises from: (i) variation of 2.64% reflect Cemig D's manageable costs (Parcel B) and the direct pass-throug within the tariff, of 1.37% – the latter having zero economic effect for the Company, not affecting profitability, relating to the following items: (a) increase of 8.84% in non-manageable costs (Portion A), mainly related to purchase of energy supply, regulatory charges and transmission charges; (b) decrease of 8.80% in the financial components of the current process, led by the reduction of R$1,573,000 relating to credits of PIS/Pasep and Cofins taxes, which generated a negative variation in the tariff of 9.67% and the reversal of the Covid account (8.78%); and (c) withdrawal of 1.41% from the financial components of the prior process.

15. CONCESSION CONTRACT ASSETS

Under IFRS 15 / CPC 47 – *Revenue from contracts with customers*, the infrastructure construction revenue 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 December, 31, 2021 were as follows:

Consolidated	2021	2020
Distribution – Infrastructure assets under construction	1,926,652	1,141,599
Gas – Infrastructure assets under construction	95,137	94,115
Transmission – National Grid ('BNES' - Basic Network of the Existing System) - Law 12,783/13	2,011,576	1,895,854
Transmission – Assets remunerated by tariff	2,346,643	1,848,504
	6,380,008	**4,980,072**
Current	**599,692**	**737,110**
Non-current	**5,780,316**	**4,242,962**

Changes in concession contract assets are as follows:

	Transmission	Distribution	Gas	Total
Balance at December 31, 2019	**3,075,558**	**740,044**	**67,951**	**3,883,553**
Additions	201,451	1,346,410	50,489	1,598,350
Inflation adjustment	438,393	-	-	438,393
Results of the Periodic Tariff Revision	551,852	-	-	551,852
Amounts received	(623,480)	-	-	(623,480)
Disposals	(7,348)		(1,503)	(8,851)
Transfers to financial assets	-	(60,333)	-	(60,333)
Transfers to intangible assets		(882,951)	(22,822)	(905,773)
Contract assets arising from business combination	107,932	-	-	107,932
Provision for impairment	-	(1,571)	-	(1,571)
Balance at December 31, 2020	**3,744,358**	**1,141,599**	**94,115**	**4,980,072**
Additions	251,973	1,757,015	49,901	2,058,889
Inflation adjustment	660,457	-	-	660,457
Results of the Periodic Tariff Revision	236,627	-	-	236,627
Amounts received	(612,447)	-	-	(612,447)
Disposals	(3,986)	-	(4,306)	(8,292)
Others additions	-	-	6,709	6,709
Transfers to financial assets	-	(109,842)	-	(109,842)
Transfers to intangible assets	-	(851,183)	(51,282)	(902,465)
Contract assets arising from business combination	81,237	-	-	81,237
Provision for impairment	-	(10,937)	-	(10,937)
Balance at December 31, 2021	**4,358,219**	**1,926,652**	**95,137**	**6,380,008**

The amount of additions in the year ended December 31, 2021 includes R$15,329 borrowing costs, as presented in Note 22. The averade rate to determine the amount of borrowing costs able to be capitalized was 9.44%.

The Company has not identified any evidence of impairment of the others contract assets.

Energy and gas distribution activities

The assets of concession infrastructure of energy and gas distribution 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, n. 004/05 and n. 006/11, as follows:

	2021	2020
Current		
Concession contract - 004/05	26,678	18,680
Concession contract - 079/00	38,782	28,600
Concession contract – 006/11	7,355	-
Concession contract - 006/97		
National Grid ('BNES' - Basic Network of the Existing System)	317,692	533,430
National Grid - new facilities (RBNI)	209,185	156,400
	599,692	**737,110**
Non-current		
Concession contract - 004/05	89,204	90,977
Concession contract - 079/00	151,858	132,589
Concession contract – 006/11	73,882	-
Concession contract - 006/97		
National Grid ('BNES' - Basic Network of the Existing System)	1,693,884	1,362,424
National Grid - new facilities (RBNI)	1,749,699	1,421,259
	3,758,527	**3,007,249**
	4,358,219	**3,744,359**

a) Concession contract nº. 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 April 22, 2021, Resolution 2,852 ammended the repositioning of the RAP set by Resolution 2,712/2020, with retrospectively effect from July 1, 2018 and also the Adjustment Portion of the Review, with financial effects on the adjustment of RAP for the 2021-22 cycle, with effect from July 1st, 2021 to June 30, 2022.

The next Periodic Tariff Review (RTP) will take place in June 2023, with effect from July 1st, 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

In 2017, the Brazilian Large Free Customers' Association (*Associação Brasileira de Grandes Consumidores Livres*), the Brazilian Auto Glass Industry Technical Association (*Associação Técnica Brasileira das Indústrias Automáticas de Vidro*) and the Brazilian Ferro-alloys and Silicon Metal Producers' Association (*Associação Brasileira dos Produtores de Ferroligas e de Silicio Metálico*) obtained the preliminary injunction 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 2020 Aneel provisionally ratified only the inclusion of the cost of equity updated by IPCA index of the period between the 2017-2018 and 2019-2020 tariff cycles.

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 120/2016, concluded that it must be updated by the cost of equity rate, until July 01, 2020, which is the date that the payment took place and must be included to RAP as of July 1st, 2020 (2020-2021 cycle) for eight years.

On April 22, 2021, Aneel published Resolution 2,852, which altered Resolution 2,712/2020, defining, among other provisions, the financial component referred to. Thus, the cost of capital associated with these 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 2020-2021 to 2025-2026; and (ii) a residual value for the difference between the amount paid to the transmission companies in the 2017-2018 and 2019-2020 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 capital, up to the date of actual payment (July 1st, 2020), discounted present value of amount paid.

Additionally, 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 2021-2022 cycle, with zero amortization of the debt portion of the balance; in the 2022-2023 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 2023-2024 to 2027-2028, with amortization rates of 16.11% per year. Thus, to achieve regulatory stability and mitigate sector risk, this RAP's financial component might not be included in 2023 periodic review. The effects on short-term contractual assets due to the reduction of amortization in the two annual cycles of 2021–2022 and 2022–2023, corresponding to R$268,759, which was reclassified to long-term.

The Company recognized the effects of the decision by Aneel put into effect by Resolution 2,852/2021, amounting to R$211,246, based on recalculation of the financial component including the remuneration of capital at the rate of cost of 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 2020-2021 and 2025-2026, taking into account the reprofiling of the payments under the terms of the Resolution.

b) Concession contract nº. 079/00

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

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

On March 30, 2021, the Resolution nº 2,839 updated the amounts of the RAPs and the adjustment portions for this contract, resulting in R$3,708 in contractual assets amount.

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 June 2024 and be in effect from July 1st, 2024.

c) Concession contract nº. 006/2011

The contract regulates commercial operation of public transmission service, comprising construction, maintenance and operation of the Sete Lagoas 4 substation, in effect until June 15, 2041.

The indexer used for adjustment of the contract is the Expanded National Consumer Price (‘*Índice de Preços ao Consumidor Amplo’* – IPCA).

On July 13, 2021, Aneel established the RAP for the 2021–2022 cycle, through Resolution 2,895, which was amended by Resolution 2,959 on October 5, 2021, due to applications for reconsideration filed by the transmission concession holders.

The financial effects of the new RAPs, comparing with the contract financial forecasting model, were not significant, considering that there have not been significant changes in the assumptions used.

d) Concession contract nº. 004/2005

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).

On July 13, 2021, Aneel established the RAP for the 2021–2022 cycle, through Resolution 2,895, which was amended by Resolution 2,959 on October 5, 2021, due to applications for reconsideration filed by the transmission concession agents, including the Company.

The Company is assessing the financial effects of the RAPs established, comparing these amounts with the contract projections on financial modeling and does not expect significant variations, considering that there were no significant changes in the assumptions applied.

16. INVESTMENTS

Investees	Control	Consolidated		Parent company	
		2021	2020	2021	2020
Cemig Geração e Transmissão	Subsidiary	-	-	7,831,942	5,921,159
Hidrelétrica Cachoeirão	Jointly controlled	59,013	53,215	-	-
Guanhães Energia	Jointly controlledJointly controlled	125,172	131,391	-	-
Hidrelétrica Pipoca	Jointly controlled	46,722	35,552	-	-
Retiro Baixo	Jointly controlled	200,385	195,235	-	-
Aliança Norte (*Belo Monte* Plant)	Jointly controlled	609,154	631,227	-	-
Amazônia Energia (*Belo Monte* Plant)	Jointly controlled	932,600	965,255	-	-
Madeira Energia (*Santo Antônio* Plant)	Affiliated	-	209,374	-	-
FIP Melbourne (*Santo Antônio* Plant)	Affiliated	-	157,476	-	-
Lightger	Jointly controlled	124,275	130,794	-	-
Baguari Energia	Jointly controlled	168,430	159,029	-	-
Aliança Geração	Jointly controlled	1,140,930	1,166,240	-	-
Cemig Distribuição	Subsidiary	-	-	6,942,666	6,021,630
Taesa	Jointly controlled	1,580,379	1,467,445	1,580,379	1,467,445
Ativas Data Center	Affiliated	15,750	16,799	15,750	16,799
Gasmig	Subsidiary	-	-	1,635,985	1,495,599
Cemig Sim	Subsidiary	-	-	111,433	94,098
UFV Janaúba Geração de Energia Elétrica Distribuída	Jointly controlled	2,699	10,467	-	-
UFV Manga Geração de Energia Elétrica Distribuída	Jointly controlled	11,294	11,416	-	-
UFV Corinto Geração de Energia Elétrica Distribuída	Jointly controlled	9,258	9,212	-	-
UFV Bonfinópolis Geração de Energia Elétrica Distribuída	Jointly controlled	6,432	6,144	-	-
UFV Lagoa Grande Geração de Energia Elétrica Distribuída	Jointly controlled	14,890	15,059	-	-
UFV Lontra Geração de Energia Elétrica Distribuída	Jointly controlled	17,823	16,899	-	-
UFV Mato Verde Geração de Energia Elétrica Distribuída	Jointly controlled	6,130	6,182	-	-
UFV Mirabela Geração de Energia Elétrica Distribuída	Jointly controlled	4,058	3,989	-	-
UFV Porteirinha I Geração de Energia Elétrica Distribuída	Jointly controlled	5,318	6,075	-	-
UFV Porteirinha II Geração de Energia Elétrica Distribuída	Jointly controlled	6,384	6,382	-	-
UFV Brasilândia Geração de Energia Elétrica Distribuída (1)	Jointly controlled	14,553	-	-	-
Companhia de Transmissão Centroeste de Minas (2)	Subsidiary	-	-	-	118,217
Axxiom Soluções Tecnológicas	Jointly controlled	4,277	4,436	4,277	4,436
Sete Lagoas Transmissora	Subsidiary	-	-	60,703	-
Total of investments		**5,105,926**	**5,415,293**	**18,183,135**	**15,139,383**
Itaocara – equity deficit (3)	Jointly controlled	(20,767)	(29,615)	-	-
Madeira Energia (*Santo Antônio* Plant) – provisions to losses (4)	Affiliated	(161,648)	-	-	-
Total		**4,923,511**	**5,385,678**	**18,183,135**	**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 November 24, 2021, an Extraordinary Stockholders' Meeting of Cemig GT approved an increase in its share capital, through subscription of the investment held in Centroeste, completing the corporate restructuring authorized by Cemig's Board of Directors on February 12, 2021.

(3) On December 31, 2021 and 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$20,767 (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. Additionally, on December 1, 2021, Cemig GT injected capital into UHE Itaocara S.A., to assist in compliance with the final Arbitration Ruling against the investee, given by the FGV in its Mediation and Arbitration Chamber, in the amount of R$40,071. This amount is proportional to its shareholding interest in the investee. Further, R$1,359 was injected to cover the expenses specified in the 2021 budget of the investee.

(4) A loss was recognized to the extent that the Company has incurred obligations on behalf of the investee and the other shareholders. On December 31, 2021 this amount was R$161,648. See further information in this note.

The Company's investees that are not consolidated are jointly controlled entities, with the exception of the interests in the affiliates Madeira Energia (Santo Antônio power plant), Ativas Data Center and Light, the latter was classified as an asset held for sale at December, 31, 2020 and its sale was completed on January 22, 2021. See Note 32 for more information.

For the quarter ended of December 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's effects on the economic context and the long term expectation of realization of the assets underwent no significant change. Thus, the reported assets net carrying amount is recoverable and therefore the Company has not recognized any impairment loss related to its investments, except for the investment held in Mesa, as disclosed in more detail in this Note.

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$49,241 (R$53,858 on December 31, 2020) and R$67,205 (R$73,983 on December 31, 2020), respectively, are included in the financial statements 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 18.

Changes in these assets are as follows:

PARENT COMPANY					
Investees	**2019**	**Amortization**	**2020**	**Amortization**	**2021**
Lightger	81,489	(2,500)	78,989	(2,501)	76,488
Taesa	170,103	(9,320)	160,783	(9,321)	151,462
Gasmig	426,760	(15,257)	411,503	(15,257)	396,246
TOTAL	**678,352**	**(27,077)**	**651,275**	**(27,079)**	**624,196**

CONSOLIDATED						
Investees	2019	Amortization	2020	Amortization	Disposals (1)	2021
Cemig Geração e Transmissão						
Retiro Baixo	30,576	(1,389)	29,187	(1,389)	-	27,798
Madeira Energia (Santo Antônio Plant)	17,263	(737)	16,526	(738)	(15,788)	-
Lightger	81,489	(2,500)	78,989	(2,501)	-	76,488
Aliança Geração	352,225	(25,310)	326,915	(25,310)	-	301,605
Aliança Norte (Belo Monte Plant)	50,603	(1,971)	48,632	(1,972)	-	46,660
Taesa	170,103	(9,320)	160,783	(9,321)	-	151,462
TOTAL	**702,259**	**(41,227)**	**661,032**	**(41,231)**	**(15,788)**	**604,013**

(1) The Company's investment in Madeira Energia S.A. was written down to zero, as a result of the judgment given in the arbitration proceedings. There is more information below in this note.

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

PARENT COMPANY									
Investees	2020	Gain (loss) by equity method (Income statement)	Gain (loss) by equity method (Other comprehensive income)	Dividends	Additions / acquisitions	Disposals	Others	Results of business combination	2021
Cemig Geração e Transmissão (1)	5,921,159	868,934	47,561	(479,435)	1,350,000	-	123,723	-	7,831,942
Cemig Distribuição	6,021,630	1,700,541	131,818	(911,323)	-	-	-	-	6,942,666
Ativas Data Center	16,799	(1,049)	-	-	-	-	-	-	15,750
Gasmig	1,495,599	343,259	-	(203,042)	-	-	169	-	1,635,985
Cemig Sim	94,098	5,559	-	(782)	12,558	-	-	-	111,433
Companhia de Transmissão Centroeste de Minas	118,217	16,545	-	(11,038)	-	(123,724)	-	-	-
Axxiom Soluções Tecnológicas	4,436	(2,413)	-	-	2,254	-	-	-	4,277
Sete Lagoas Transmissora	-	376	-	-	54,847	-	1,474	4,006	60,703
Taesa	1,467,445	481,110	-	(368,176)	-	-	-	-	1,580,379
	15,139,383	**3,412,862**	**179,379**	**(1,973,796)**	**1,419,659**	**(123,724)**	**125,366**	**4,006**	**18,183,135**

(1) On July 30, 2021, the Company made an advance for future capital increase in Cemig GT, of R$1,350,000, in order to provide the resources for the Cash Tender offer implementation. For further information about the Tender Offer, see Note 22.

PARENT COMPANY								
Investees	2019	Gain (loss) by equity method (Income statement)	Gain (loss) by equity method (Other comprehensive income)	Dividends	Remeasurement of equity interest held in subsidiaries after loss of control	Additions / acquisitions	Others	2020
Cemig Geração e Transmissão	5,429,332	1,053,034	343	(561,550)	-	-	-	5,921,159
Cemig Distribuição	4,708,208	1,201,553	(10,458)	122,327	-	-	-	6,021,630
Ativas Data Center	16,114	685	-	-	-	-	-	16,799
Gasmig	1,410,950	219,436	-	(134,073)	-	-	(714)	1,495,599
Cemig Geração Distribuída	10,798	827	-	-	-	-	(11,625)	-
Cemig Sim (Efficientia)	17,156	2,699	-	(230)	-	74,473	-	94,098
Companhia de Transmissão Centroeste de Minas	23,984	17,215	-	(19,493)	37,469	44,775	14,267	118,217
Axxiom Soluções Tecnológicas	12,996	(8,560)	-	-	-	-	-	4,436
Taesa	1,213,193	494,025	-	(239,773)	-	-	-	1,467,445
	12,842,731	**2,980,914**	**(10,115)**	**(832,792)**	**37,469**	**119,248**	**1,928**	**15,139,383**

CONSOLIDATED							
Investees	**2020**	**Gain (loss) by equity method (Income statement)**	**Dividends**	**Additions / acquisitions**	**Losses on investments**	**Others**	**2021**
Hidrelétrica Cachoeirão	53,215	14,129	(8,331)	-	-	-	59,013
Guanhães Energia	131,391	(6,219)	-	-	-	-	125,172
Hidrelétrica Pipoca	35,552	11,170	-	-	-	-	46,722
Madeira Energia (Santo Antônio Plant)	209,374	(209,374)	-	-	-	-	-
FIP Melbourne (Santo Antônio Plant)	157,476	(157,476)	-	-	-	-	-
Lightger	130,794	5,465	(11,984)	-	-	-	124,275
Baguari Energia	159,029	31,071	(21,670)	-	-	-	168,430
Amazônia Energia (Belo Monte Plant)	965,255	(32,730)	-	75	-	-	932,600
Aliança Norte (Belo Monte Plant)	631,227	(22,073)	-	-	-	-	609,154
Ativas Data Center	16,799	(1,049)	-	-	-	-	15,750
Taesa	1,467,445	481,110	(368,176)	-	-	-	1,580,379
Aliança Geração	1,166,240	199,586	(224,896)	-	-	-	1,140,930
Retiro Baixo	195,235	12,352	(7,202)	-	-	-	200,385
UFV Janaúba Geração de Energia Elétrica Distribuída	10,467	694	(2,582)	-	-	(5,880)	2,699
UFV Corinto Geração de Energia Elétrica Distribuída	9,212	1,464	(1,418)	-	-	-	9,258
UFV Manga Geração de Energia Elétrica Distribuída	11,416	1,708	(1,830)	-	-	-	11,294
UFV Bonfinópolis II Geração de Energia Elétrica Distribuída	6,144	638	(350)	-	-	-	6,432
UFV Lagoa Grande Geração de Energia Elétrica Distribuída	15,059	1,746	(1,915)	-	-	-	14,890
UFV Lontra Geração de Energia Elétrica Distribuída	16,899	1,344	(420)	-	-	-	17,823
UFV Mato Verde Geração de Energia Elétrica Distribuída	6,182	690	(742)	-	-	-	6,130
UFV Mirabela Geração de Energia Elétrica Distribuída	3,989	619	(550)	-	-	-	4,058
UFV Porteirinha I Geração de Energia Elétrica Distribuída	6,075	(235)	(522)	-	-	-	5,318
UFV Porteirinha II Geração de Energia Elétrica Distribuída	6,382	715	(713)	-	-	-	6,384
UFV Brasilândia Geração de Energia Elétrica Distribuída (2)	-	3,303	(1,308)	12,558	-	-	14,553
Axxiom Soluções Tecnológicas	4,436	(2,413)	-	2,254	-	-	4,277
Total of investments	**5,415,293**	**336,235**	**(654,609)**	**14,887**	**-**	**(5,880)**	**5,105,926**
Itaocara – equity deficit (1)	(29,615)	7,489	-	41,430	(40,071)	-	(20,767)
Madeira Energia (*Santo Antônio* Plant) – provisions to losses (3)	-	(161,648)	-	-	-	-	(161,648)
Total	**5,385,678**	**182,076**	**(654,609)**	**56,317**	**(40,071)**	**(5,880)**	**4,923,511**

(1) On December 1, 2021, Cemig GT injected capital into UHE Itaocara S.A., to assist in compliance with the final Arbitration Ruling against the investee, given by the FGV in its Mediation and Arbitration Chamber, in the amount of R$40,071. This amount is proportional to its shareholding interest in the investee and was recognized under Other expenses in the Company's income statement. Further, R$1,359 was injected to cover the expenses specified in the 2021 budget of the investee.

(2) Includes the amount of R$1,961 of the acquisition of the jointly controlled subsidiary UFV Brasilândia.

(3) A loss was recognized for extension of the contractual obligations which the Company had assumed to the investee and the other shareholders. On December 31, 2021 this amount was R$161,648. There is more information below in this note.

CONSOLIDATED								
Investees	**2019**	**Gain (loss) by equity method (Income statement) (3)**	**Dividends**	**Additions / acquisitions**	**Others**	**Remeasurement of equity interest held in subsidiaries after loss of control**	**Disposals**	**2020**
Companhia de Transmissão Centroeste de Minas	23,984	-	-	44,775	14,267	37,469	(120,495)	-
Hidrelétrica Cachoeirão	53,728	9,200	(9,713)	-	-	-	-	53,215
Guanhães Energia (1)	131,076	315	-	-	-	-	-	131,391
Hidrelétrica Pipoca	30,730	11,285	(6,463)	-	-	-	-	35,552
Madeira Energia (Santo Antônio Plant)	166,617	42,757	-	-	-	-	-	209,374
FIP Melbourne (Santo Antônio Plant)	384,809	(227,333)	-	-	-	-	-	157,476
Lightger (1)	127,976	9,731	(6,913)	-	-	-	-	130,794
Baguari Energia	157,499	22,810	(21,280)	-	-	-	-	159,029
Amazônia Energia (Belo Monte Plant)	1,027,860	(62,754)	-	149	-	-	-	965,255
Aliança Norte (Belo Monte Plant)	671,166	(40,377)	-	438	-	-	-	631,227
Ativas Data Center	16,114	685	-	-	-	-	-	16,799
Taesa	1,213,193	494,025	(239,773)	-	-	-	-	1,467,445
Aliança Geração	1,191,550	89,120	(114,430)	-	-	-	-	1,166,240
Retiro Baixo	180,043	15,192	-	-	-	-	-	195,235
UFV Janaúba Geração de Energia Elétrica Distribuída	10,050	1,042	(625)	-	-	-	-	10,467
UFV Corinto Geração de Energia Elétrica Distribuída	-	606	-	8,606	-	-	-	9,212
UFV Manga Geração de Energia Elétrica Distribuída	-	1,173	-	10,243	-	-	-	11,416
UFV Bonfinópolis II Geração de Energia Elétrica Distribuída	-	(62)	-	6,467	(261)	-	-	6,144
UFV Lagoa Grande Geração de Energia Elétrica Distribuída	-	2,578	-	12,481	-	-	-	15,059
UFV Lontra Geração de Energia Elétrica Distribuída	-	2,684	-	14,215	-	-	-	16,899
UFV Mato Verde Geração de Energia Elétrica Distribuída	-	777	-	5,405	-	-	-	6,182
UFV Mirabela Geração de Energia Elétrica Distribuída	-	67	-	4,567	(645)	-	-	3,989
UFV Porteirinha I Geração de Energia Elétrica Distribuída	-	83	-	6,051	(59)	-	-	6,075
UFV Porteirinha II Geração de Energia Elétrica Distribuída	-	648	-	5,734	-	-	-	6,382
Axxiom Soluções Tecnológicas (1)	12,996	(8,560)	-	-	-	-	-	4,436
Total of investments	**5,399,391**	**365,692**	**(399,197)**	**119,131**	**13,302**	**37,469**	**(120,495)**	**5,415,293**
Itaocara – provision for losses (2)	(21,810)	(8,994)	-	1,189	-	-	-	(29,615)
Total	**5,377,581**	**356,698**	**(399,197)**	**120,320**	**13,302**	**37,469**	**(120,495)**	**5,385,678**

(1) With the cessation of control of Light, the remaining equity interest in these investees was recognized as an investment in affiliates or jointly controlled subsidiaries and measured by the equity method, in accordance with IFRS 10. More details see notes 1 and 33.

(2) On December 31, 2019, 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$21,810, resulting from contractual obligations assumed with the subsidiary and the other shareholders.

(3) Includes bargain purchase related to the acquisition of the joint-controlled entities UFV Corinto, UFV Manga, UFV Lagoa Grande, UFV Lontra, UFV Mato Verde and UFV Porteirinha II, in the amount of R$7 million.

Changes in dividends receivable are as follows:

	Consolidated	Parent company
Balance at December 31, 2019	**185,998**	**1,726,895**
Investees' dividends proposed (reversal)	399,197	832,792
Elimination of dividends due to business combination	(1,217)	(947)
Adjustment of dividends proposed by investee classified as held for sale	(1,531)	(1,531)
Amounts received	(386,555)	(1,184,016)
Withholding income tax on Interest on equity	(7,565)	(100,315)
Balance at December 31, 2020	**188,327**	**1,272,878**
Investees' dividends proposed	654,609	1,973,796
Amounts received	(499,065)	(1,307,421)
Withholding income tax on Interest on equity	(8,682)	(118,675)
Balance at December 31, 2021	**335,189**	**1,820,578**

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	2021			2020		
		Cemig interest (%)	Share capital	Equity	Cemig interest (%)	Share capital	Equity
Cemig Geração e Transmissão (3)	2,896,785,358	100.00	4,123,724	7,755,454	100.00	4,000,000	5,842,171
Madeira Energia (Santo Antônio Plant)	12,034,025,147	15.51	10,619,786	1,492,037	15.51	10,619,786	2,259,093
Hidrelétrica Cachoeirão	35,000,000	49.00	35,000	120,436	49.00	35,000	108,602
Guanhães Energia (4)	548,626,000	49.00	548,626	255,453	49.00	548,626	268,144
Hidrelétrica Pipoca	41,360,000	49.00	41,360	93,385	49.00	41,360	72,554
Baguari Energia (1)	26,157,300,278	69.39	186,573	242,736	69.39	186,573	229,189
Central Eólica Praias de Parajuru	85,834,843	100.00	85,835	128,466	100.00	70,560	107,204
Central Eólica Volta do Rio	274,867,441	100.00	274,867	206,783	100.00	117,230	171,453
Lightger (4)	79,078,937	49.00	79,232	97,525	49.00	79,232	105,724
Aliança Norte (Belo Monte Plant)	41,923,360,811	49.00	1,209,043	1,147,947	49.00	1,209,043	1,188,963
Amazônia Energia (Belo Monte Plant) (1)	1,322,697,723	74.50	1,322,698	1,251,811	74.50	1,322,698	1,295,644
Aliança Geração	1,291,582,500	45.00	1,291,488	1,857,905	45.00	1,291,488	1,857,905
Retiro Baixo	225,350,000	49.90	225,350	345,868	49.90	225,350	324,810
Usina Hidrelétrica Itaocara S.A.	156,259,500	49.00	156,259	(42,381)	49.00	71,709	(60,438)
Cemig Baguari	406,000	100.00	406	88	100.00	356	55
Cemig Ger. Três Marias S.A.	1,291,423,369	100.00	1,291,423	1,652,343	100.00	1,291,423	1,452,217
Cemig Ger. Salto Grande S.A.	405,267,607	100.00	405,268	526,776	100.00	405,268	455,480
Cemig Ger. Itutinga S.A.	151,309,332	100.00	151,309	211,956	100.00	151,309	179,745
Cemig Geração Camargos S.A.	113,499,102	100.00	113,499	165,369	100.00	113,499	143,704
Cemig Geração Sul S.A.	148,146,505	100.00	148,147	214,845	100.00	148,147	174,006
Cemig Geração Leste S.A.	100,568,929	100.00	100,569	147,702	100.00	100,569	127,128
Cemig Geração Oeste S.A.	60,595,484	100.00	60,595	105,990	100.00	60,595	83,870
Rosal Energia S.A.	46,944,467	100.00	46,944	114,751	100.00	46,944	127,019
Sá Carvalho S.A.	361,200,000	100.00	36,833	134,209	100.00	36,833	115,486
Horizontes Energia S.A.	39,257,563	100.00	39,258	59,575	100.00	39,258	55,461
Cemig PCH S.A.	45,952,000	100.00	45,952	90,117	100.00	45,952	89,898
Cemig Geração Poço Fundo S.A. (2)	97,161,578	100.00	97,162	114,128	100.00	1,402	3,801
Empresa de Serviços de Comercialização de Energia Elétrica S.A.	486,000	100.00	486	7,734	100.00	486	56,838
Cemig Trading S.A.	1,000,000	100.00	1,000	2,158	100.00	1,000	30,315
Cemig Distribuição	2,359,113,452	100.00	5,371,998	6,942,666	100.00	5,371,998	6,021,630
Taesa	1,033,496,721	21.68	3,042,034	6,684,756	21.68	3,042,034	6,025,904
Ativas Data Center	456,540,718	19.60	182,063	80,358	19.60	182,063	85,711
Gasmig	409,255,483	99.57	665,429	1,221,602	99.57	665,429	1,079,410
Cemig Sim	24,431,845	100.00	102,153	111,433	100.00	24,432	94,098
Companhia de Transmissão Centroeste de Minas	28,000,000	100.00	28,000	-	100.00	28,000	118,217
Sete Lagoas Transmissora de Energia	36,857,080	100.00	36,857	65,210	-	-	-
Axxiom Soluções Tecnológicas	68,064,706	49.00	68,065	8,728	49.00	65,165	9,054
UFV Janaúba Geração de Energia Elétrica Distribuída	18,509,900	49.00	6,510	5,507	49.00	18,510	21,362
UFV Corinto Geração de Energia Elétrica Distribuída	18,000,000	49.00	18,000	18,893	49.00	18,000	18,798
UFV Manga Geração de Energia Elétrica Distribuída	21,660,575	49.00	21,661	22,155	49.00	21,661	22,128
UFV Bonfinópolis Geração de Energia Elétrica Distribuída	13,197,187	49.00	13,197	13,226	49.00	13,197	12,514
UFV Lagoa Grande Geração de Energia Elétrica Distribuída	25,471,844	49.00	25,472	26,249	49.00	25,472	25,997
UFV Lontra Geração de Energia Elétrica Distribuída	29,010,219	49.00	29,010	29,406	49.00	29,010	27,334
UFV Mato Verde Geração de Energia Elétrica Distribuída	11,030,391	49.00	11,030	11,337	49.00	11,030	11,135
UFV Mirabela Geração de Energia Elétrica Distribuída	9,320,875	49.00	9,321	9,450	49.00	9,321	9,306
UFV Porteirinha I Geração de Energia Elétrica Distribuída	12,348,392	49.00	12,348	12,596	49.00	12,348	12,236
UFV Porteirinha II Geração de Energia Elétrica Distribuída	11,702,733	49.00	11,703	11,904	49.00	11,703	11,750
UFV Brasilândia Geração de Energia Elétrica Distribuída	25,629,900	49.00	25,879	26,625	-	-	-

* On November 11, 2021, Cemig GT signed a Contract for Share Purchase and Assignment of Credits for Consideration, for disposal of its entire equity interest in Renova Energia S.A. and for assignment, for consideration, of the totality of its credits held against that investee. Thus the investment was classified as a non-current asset held for sale. For more information, see Note 32.

(1) Jointly-control under a Shareholders' Agreement.

(2) On February 23, 2021, Aneel authorized through Resolution 9,735 the Company 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. In the third quarter, Cemig GT transferred to this investee, as an advance against future capital increase, the assets related to the Poço Fundo Small Hydro Plant, in the amount of R$77,483, as well as the amount of R$20,000, in cash. In the fourth quarter of 2021 the Company made a further injection, of R$40,000, into this investee, in cash.

(3) On July 30, 2021, the Company made an advance for future capital increase in Cemig GT, of R$1,350,000, in order to provide the resources for the Cash Tender offer implementation. For further information about the Tender Offer, please see Note 22.

(4) On December 9, 2021, Light disclosed to the market that it had signed a share purchase agreement with Brasal Energia S.A. for sale of its equity interest in Guanhães and LightGer, subject to the conditions precedent that are usual in this type of transaction. Brasal Energia S.A will join this investee existing shareholders' agreements, complying fully with their terms.

(5) The total of Shareholders' equity originally disclosed by the investee was adjusted by the Company for the purposes of posting equity income (change in the value of equity in non-consolidated investees), to take into account the modifying subsequent events resulting from the judgments given in the arbitration proceedings to which Saesa is a party. There is more information below in this note.

The main balances for the affiliated and jointly controlled entities, at December 31, 2021 is as follows:

2021	Usina Hidrelétrica Itaocara S.A.	Ativas Data Center	Taesa	Axxiom Soluções Tecnológicas	Lightger
Assets					
Current	4,618	42,324	2,135,183	12,863	35,465
Cash and cash equivalents	4,513	16,086	384,824	3,572	29,382
Non-current	11,292	95,931	13,760,452	18,804	119,645
Total assets	**15,910**	**138,255**	**15,895,635**	**31,667**	**155,110**
Liabilities					
Current	58,291	39,387	1,417,130	20,877	11,375
Loans and financings	-	23,778	15,672	6,997	8,573
Non-current	-	18,505	7,793,749	2,062	46,210
Loans and financings	-	14,214	614,073	-	46,211
Equity	(42,381)	80,363	6,684,756	8,728	97,525
Total liabilities and equity	**15,910**	**138,255**	**15,895,635**	**31,667**	**155,110**
Statement of income					
Net sales revenue	-	89,989	3,472,049	28,021	54,232
Cost of sales	(36,070)	(84,929)	(648,988)	(27,934)	(25,917)
Depreciation and amortization	-	(9,735)	(8,560)	(1,179)	(10,587)
Gross profit (loss)	**(36,070)**	**5,060**	**2,823,061**	**87**	**28,315**
General and administrative expenses	-	(7,483)	(169,246)	(4,136)	(1,645)
Finance income	133	436	34,283	90	2,433
Finance expenses	(30,556)	(2,989)	(844,392)	(849)	(11,073)
Operational profit (loss)	**(66,493)**	**(4,976)**	**1,843,706**	**(4,808)**	**18,030**
Share of (loss) profit, net, of subsidiaries and joint ventures	-	-	781,438	-	-
Income tax and social contribution tax	-	(375)	(411,430)	(117)	(2,554)
Net income (loss) for the year	**(66,493)**	**(5,351)**	**2,213,714**	**(4,925)**	**15,476**
Comprehensive income (loss) for the year					
Net income (loss) for the year	(66,493)	(5,351)	2,213,714	(4,925)	15,476
Equity valuation adjustments	-	-	37,761	-	-
Comprehensive income (loss) for the year	**(66,493)**	**(5,351)**	**2,251,475**	**(4,925)**	**15,476**

2021	Hidrelétrica Cachoeirão	Hidrelétrica Pipoca	Retiro Baixo	Aliança Norte	Guanhães Energia
Assets					
Current	29,407	17,532	111,093	97	15,605
Cash and cash equivalents	25,397	11,968	98,593	88	5,205
Non-current	92,761	101,264	321,788	1,149,638	391,787
Total assets	**122,168**	**118,796**	**432,881**	**1,149,735**	**407,392**
Liabilities					
Current	867	9,551	37,780	234	41,255
Loans and financings	-	6,543	13,705	-	11,951
Non-current	865	13,860	49,234	1,554	110,684
Loans and financings	-	13,497	41,086	-	92,680
Equity	120,436	95,385	345,867	1,147,947	255,453
Total liabilities and equity	**122,168**	**118,796**	**432,881**	**1,149,735**	**407,392**
Statement of income					
Net sales revenue	37,282	38,739	70,221	-	51,536
Cost of sales	(8,002)	(11,356)	(25,532)	(481)	(54,595)
Depreciation and amortization	(3,088)	(3,205)	(8,848)	-	(18,009)
Gross profit	**29,280**	**27,383**	**44,689**	**(481)**	**(3,059)**
General and administrative expenses	-	(1,978)	(2,854)	(1,584)	-
Finance income	1,271	346	4,332	8	473
Finance expenses	(10)	(1,712)	(4,777)	(7)	(8,445)
Operational profit (loss)	**30,541**	**24,039**	**41,390**	**(2,064)**	**(11,031)**
Share of (loss) profit, net, of subsidiaries and joint ventures	-	-	-	(38,953)	-
Income tax and social contribution tax	(1,707)	(1,142)	(13,775)	-	(1,660)
Net income (loss) for the year	**28,834**	**22,897**	**27,615**	**(41,017)**	**(12,691)**
Comprehensive income (loss) for the year					
Net income (loss) for the year	28,834	22,897	27,615	(41,017)	(12,691)
Comprehensive income (loss) for the year	**28,834**	**22,897**	**27,615**	**(41,017)**	**(12,691)**

2021	Amazônia Energia	Madeira Energia (1)	Baguari Energia	Aliança Geração	UFV Janaúba
Assets					
Current	101	927,739	71,753	727,760	1,188
Cash and cash equivalents	101	179,644	3,245	378,108	1,173
Non-current	1,253,799	23,286,096	218,200	3,364,245	17,864
Total assets	**1,253,900**	**24,213,835**	**289,953**	**4,092,005**	**19,052**
Liabilities					
Current	2,090	2,309,383	21,346	761,742	1,804
Loans and financings	-	116,120	-	101,316	-
Non-current	-	20,412,415	25,870	1,472,358	11,741
Loans and financings	-	12,827,607	-	700,351	-
Equity	1,251,810	1,492,037	242,737	1,857,905	5,507
Total liabilities and equity	**1,253,900**	**24,213,835**	**289,953**	**4,092,005**	**19,052**
Statement of income					
Net sales revenue	-	3,757,969	76,527	1,095,636	4,591
Cost of sales	(1,647)	(2,291,671)	(9,041)	(101,761)	(2,230)
Depreciation and amortization	-	(869,997)	(11,094)	(156,802)	(1,607)
Gross profit (loss)	**(1,647)**	**1,466,298**	**67,486**	**993,875**	**2,361**
General and administrative expenses	-	(80,547)	(78)	(44,315)	-
Finance income	-	265,048	3,978	41,720	20
Finance expenses	(1)	(3,475,505)	(3,577)	(233,424)	(833)
Operational profit (loss)	**(1,648)**	**(1,824,706)**	**67,809**	**757,856**	**1,548**
Share of (loss) profit, net, of subsidiaries and joint ventures	(42,286)	-	-	-	-
Income tax and social contribution tax	-	1,812,320	(23,031)	(252,020)	(503)
Net income (loss) for the year	**(43,934)**	**(12,386)**	**44,778**	**505,836**	**1,045**
Comprehensive income (loss) for the year					
Net income (loss) for the year	(43,934)	(12,386)	44,778	505,836	1,045
Comprehensive income (loss) for the year	**(43,934)**	**(12,386)**	**44,778**	**505,836**	**1,045**

(1) The total of Shareholders' equity originally disclosed by the investee was adjusted by the Company for the purposes of posting equity income (change in the value of equity in non-consolidated investees), to take into account the modifying subsequent events resulting from the judgments given in the arbitration proceedings to which Saesa is a party. There is more information below in this note.

2021	UFV Corinto	UFV Manga	UFV Bonfinópolis II	UFV Lagoa Grande	UFV Lontra
Assets					
Current	2,963	2,767	2,408	3,275	4,183
Cash and cash equivalents	2,485	2,272	1,790	2,792	3,007
Non-current	16,539	19,759	11,468	23,318	26,490
Total assets	**19,502**	**22,526**	**13,876**	**26,593**	**30,673**
Liabilities					
Current	609	371	650	344	1,267
Equity	18,893	22,155	13,226	26,249	29,406
Total liabilities and equity	**19,502**	**22,526**	**13,876**	**26,593**	**30,673**
Statement of income					
Net sales revenue	4,582	6,042	2,509	6,088	5,037
Cost of sales	-	-	-	-	-
Depreciation and amortization	(716)	(903)	(376)	(923)	(1,009)
Gross profit (loss)	**4,582**	**6,042**	**2,509**	**6,088**	**5,037**
General and administrative expenses	(963)	(1,070)	(819)	(1,163)	(1,211)
Finance income	-	18	-	-	-
Finance expenses	(82)	(37)	(4)	(7)	(381)
Operational profit (loss)	**3,537**	**4,953**	**1,686**	**4,918**	**3,445**
Income tax and social contribution tax	(493)	(663)	(259)	(663)	(545)
Net income (loss) for the year	**3,044**	**4,290**	**1,427**	**4,255**	**2,900**
Comprehensive income (loss) for the year					
Net income (loss) for the year	3,044	4,290	1,427	4,255	2,900
Comprehensive income (loss) for the year	**3,044**	**4,290**	**1,427**	**4,255**	**2,900**

2021	UFV Mato Verde	UFV Mirabela	UFV Porteirinha I	UFV Porteirinha II	UFV Brasilândia
Assets					
Current	1,386	1,105	2,484	908	2,976
Cash and cash equivalents	992	879	1,977	397	2,303
Non-current	10,723	9,224	11,476	11,627	27,045
Total assets	**12,109**	**10,329**	**13,960**	**12,535**	**30,021**
Liabilities					
Current	772	879	1,364	631	3,396
Equity	11,337	9,450	12,596	11,904	26,625
Total liabilities and equity	**12,109**	**10,329**	**13,960**	**12,535**	**30,021**
Statement of income					
Net sales revenue	2,607	2,148	2,492	2,648	5,308
Cost of sales	-	-	-	-	-
Depreciation and amortization	(449)	-	(437)	(426)	(1,114)
Gross profit	**2,607**	**2,148**	**2,492**	**2,648**	**5,308**
General and administrative expenses	(649)	(630)	(692)	(725)	(1,403)
Finance income	-	-	-	-	4
Finance expenses	(2)	(7)	(13)	(3)	(3)
Operational profit (loss)	**1,956**	**1,511**	**1,787**	**1,920**	**3,906**
Income tax and social contribution tax	(271)	(219)	(257)	(275)	(577)
Net income (loss) for the year	**1,685**	**1,292**	**1,530**	**1,645**	**3,329**
Comprehensive income (loss) for the year					
Net income (loss) for the year	1,685	1,292	1,530	1,645	3,329
Comprehensive income (loss) for the year	**1,685**	**1,292**	**1,530**	**1,645**	**3,329**

The main balances for the affiliated and jointly controlled entities, at December 31, 2020 is as follows:

2020	Usina Hidrelétrica Itaocara S.A.	Ativas Data Center	Taesa	Axxiom Soluções Tecnológicas	Lightger
Assets					
Current	2,649	38,677	2,360,161	19,881	103,508
Cash and cash equivalents	2,465	12,037	896,031	2,937	80,173
Non-current	10,429	104,053	11,745,258	20,705	128,937
Total assets	**13,078**	**142,730**	**14,105,419**	**40,586**	**232,445**
Liabilities					
Current	73,516	39,204	841,643	24,785	72,086
Loans and financings	-	26,517	121,355	7,210	8,579
Non-current	-	17,815	7,237,872	6,747	54,635
Loans and financings	-	15,935	922,669	1,422	54,613
Equity	(60,438)	85,711	6,025,904	9,054	105,724
Total liabilities and equity	**13,078**	**142,730**	**14,105,419**	**40,586**	**232,445**
Statement of income					
Net sales revenue	-	94,376	3,561,286	40,966	51,938
Cost of sales	(12,990)	(77,923)	(1,047,979)	(38,472)	(9,077)
Depreciation and amortization	(44)	(15,145)	(7,200)	(1,786)	(10,584)
Gross profit (loss)	**(12,990)**	**16,453**	**2,513,307**	**2,494**	**42,861**
General and administrative expenses	-	(7,618)	(152,544)	(4,889)	(1,297)
Finance income	71	154	38,813	130	2,029
Finance expenses	(5,437)	(3,216)	(514,336)	(945)	(16,201)
Operational profit (loss)	**(18,356)**	**5,773**	**1,885,240**	**(3,210)**	**27,392**
Share of (loss) profit, net, of subsidiaries and joint ventures	-	-	833,942	-	-
Income tax and social contribution tax	-	(2,276)	(456,255)	(35)	(2,430)
Net income (loss) for the year	**(18,356)**	**3,497**	**2,262,927**	**(3,245)**	**24,962**
Comprehensive income (loss) for the year					
Net income (loss) for the year	(18,356)	3,497	2,262,927	(3,245)	24,962
Comprehensive income (loss) for the year	**(18,356)**	**3,497**	**2,262,927**	**(3,245)**	**24,962**

2020	Hidrelétrica Cachoeirão	Hidrelétrica Pipoca	Retiro Baixo	Aliança Norte	Guanhães Energia
Assets					
Current	29,758	21,114	86,830	597	13,299
Cash and cash equivalents	26,073	8,466	74,234	572	5,939
Non-current	80,499	88,642	331,496	1,188,588	404,588
Total assets	**110,257**	**109,756**	**418,326**	**1,189,185**	**417,887**
Liabilities					
Current	1,655	16,817	29,623	222	26,664
Loans and financings	-	6,555	13,700	-	11,606
Non-current	-	20,385	63,893	-	123,079
Loans and financings	-	19,975	54,764	-	105,515
Equity	108,602	72,554	324,810	1,188,963	268,144
Total liabilities and equity	**110,257**	**109,756**	**418,326**	**1,189,185**	**417,887**
Statement of income					
Net sales revenue	33,739	33,550	73,240	-	49,008
Cost of sales	(14,547)	(6,296)	(29,230)	-	(36,173)
Depreciation and amortization	(2,786)	(3,194)	(10,526)	-	(17,085)
Gross profit	**19,192**	**27,254**	**44,010**	**-**	**12,835**
General and administrative expenses	-	(1,472)	(3,839)	(976)	-
Finance income	1,022	303	1,853	28	333
Finance expenses	(6)	(1,519)	(5,839)	(2)	(10,207)
Operational profit (loss)	**20,208**	**24,566**	**36,185**	**(950)**	**2,961**
Share of (loss) profit, net, of subsidiaries and joint ventures	-	-	-	(77,435)	-
Income tax and social contribution tax	(1,432)	(1,535)	(3,034)	-	(1,567)
Net income (loss) for the year	**18,776**	**23,031**	**33,151**	**(78,385)**	**1,394**
Comprehensive income (loss) for the year					
Net income (loss) for the year	18,776	23,031	33,151	(78,385)	1,394
Comprehensive income (loss) for the year	**18,776**	**23,031**	**33,151**	**(78,385)**	**1,394**

2020	Amazônia Energia	Madeira Energia	Baguari Energia	Aliança Geração	UFV Janaúba
Assets					
Current	116	945,143	63,452	805,696	2,672
Cash and cash equivalents	101	262,620	10,425	385,220	2,535
Non-current	1,296,085	21,369,986	208,577	2,460,761	19,246
Total assets	**1,296,201**	**22,315,129**	**272,029**	**3,266,457**	**21,918**
Liabilities					
Current	557	1,149,935	22,259	503,049	134
Loans and financings	-	107,579	-	19,328	-
Non-current	-	18,906,101	20,581	905,503	422
Loans and financings	-	4,902,313	-	261,024	-
Equity	1,295,644	2,259,093	229,189	1,857,905	21,362
Total liabilities and equity	**1,296,201**	**22,315,129**	**272,029**	**3,266,457**	**21,918**
Statement of income					
Net sales revenue	-	3,200,238	73,595	1,042,130	-
Cost of sales	(173)	(2,719,799)	(30,192)	(580,208)	3,256
Depreciation and amortization	-	(868,594)	(11,026)	(153,517)	(815)
Gross profit (loss)	**(173)**	**480,439**	**43,403**	**461,922**	**3,256**
General and administrative expenses	-	(82,383)	5,154	(46,537)	-
Finance income	1	258,775	2,168	28,160	44
Finance expenses	(2)	(2,112,254)	(952)	(62,522)	(37)
Operational profit (loss)	**(174)**	**(1,455,423)**	**49,773**	**381,023**	**3,263**
Share of (loss) profit, net, of subsidiaries and joint ventures	(84,060)	-	-	-	-
Income tax and social contribution tax	-	9,756	(16,899)	(126,735)	(478)
Net income (loss) for the year	**(84,234)**	**(1,445,667)**	**32,874**	**254,288**	**2,785**
Comprehensive income (loss) for the year					
Net income (loss) for the year	(84,234)	(1,445,667)	32,874	254,288	2,785
Comprehensive income (loss) for the year	**(84,234)**	**(1,445,667)**	**32,874**	**254,288**	**2,785**

2020	UFV Corinto	UFV Manga	UFV Bonfinópolis II	UFV Lagoa Grande	UFV Lontra
Assets					
Current	2,307	1,548	425	1,653	525
Cash and cash equivalents	1,263	498	3	640	-
Non-current	17,713	22,522	12,904	24,577	28,646
Total assets	**20,020**	**24,070**	**13,329**	**26,230**	**29,171**
Liabilities					
Current	301	143	815	233	605
Non-current	921	1,799	-	-	1,232
Equity	18,798	22,128	12,514	25,997	27,334
Total liabilities and equity	**20,020**	**24,070**	**13,329**	**26,230**	**29,171**
Statement of income					
Net sales revenue	3,324	3,306	-	1,847	-
Cost of sales	-	-	(384)	(449)	(525)
Depreciation and amortization	(722)	(911)	(129)	(497)	(313)
Gross profit (loss)	**3,324**	**3,306**	**(384)**	**1,398**	**(525)**
General and administrative expenses	(1,481)	(1,681)	(234)	(657)	(644)
Finance income	20	-	-	1	2
Finance expenses	(97)	(158)	(7)	(8)	(114)
Operational profit (loss)	**1,766**	**1,467**	**(625)**	**734**	**(1,281)**
Income tax and social contribution tax	(301)	(298)	-	(132)	-
Net income (loss) for the year	**1,465**	**1,169**	**(625)**	**602**	**(1,281)**
Comprehensive income (loss) for the year					
Net income (loss) for the year	1,465	1,169	(625)	602	(1,281)
Comprehensive income (loss) for the year	**1,465**	**1,169**	**(625)**	**602**	**(1,281)**

2020	UFV Mato Verde	UFV Mirabela	UFV Porteirinha I	UFV Porteirinha II
Assets				
Current	768	468	885	543
Cash and cash equivalents	2	2	1	16
Non-current	10,842	9,033	11,777	11,606
Total assets	**11,610**	**9,501**	**12,662**	**12,149**
Liabilities				
Current	475	195	426	399
Equity	11,135	9,306	12,236	11,750
Total liabilities and equity	**11,610**	**9,501**	**12,662**	**12,149**
Statement of income				
Net sales revenue	419	633	479	284
Cost of sales	(1)	(206)	(299)	(1)
Depreciation and amortization	(109)	(184)	(118)	(76)
Gross profit	**418**	**427**	**180**	**283**
General and administrative expenses	(262)	(323)	(210)	(780)
Finance expenses	(6)	(7)	(10)	(9)
Operational profit (loss)	**150**	**97**	**(40)**	**(506)**
Income tax and social contribution tax	(1)	(47)	-	600
Net income (loss) for the year	**149**	**50**	**(40)**	**94**
Comprehensive income (loss) for the year				
Net income (loss) for the year	149	50	(40)	94
Comprehensive income (loss) for the year	**149**	**50**	**(40)**	**94**

Madeira Energia S.A. ('MESA') and FIP Melbourne (special purpose vehicle through which Cemig GT helds interests in 'SAAG')

Santo Antônio Energia S.A ('SAESA') is a wholy-owned subsidiary of MESA, SAESA's, whose objects are operation and maintenance of the Santo Antônio Hydroelectric Plant and its transmission system, for 35 years from its signature, on June 13, 2008. The Santo Antônio Hydroelectric Plant began commercial operation with its first generating unit in 2012 and reached full generation in December 2016. Between the shareholders include Furnas, Odebrecht Energia, SAAG and the Company.

On December 31, 2021, MESA reported a negative net working capital. Hydroelectric plants project finances structurally present negative net working capital in the first years of operation, because they are built using high levels of financial leverage. On the other hand, they have firm long term contracts for energy supply as support and guarantee of payment of their debts.

To balance the situation of negative working capital, in addition to its long-term sale contracts that ensure regularity in its operational cash flow, MESA benefits from its debt reprofiling, which adjusted its debt repayments flow to its cash generation capacity.

Arbitration proceeding 115/2018 – Madeira Energia S.A.

In 2018 SAAG and Cemig GT filed Arbitration Proceeding 115/2018, seeking to annul the capital increase, approved by MESA Extraordinary General Meeting held on August 28, 2018, through capitalization of the credits arising from the annulment of the capital increase made in 2014 , which had been annulled in a previous arbitration proceeding.

On December 13, 2021 was released the arbitration decision annulling the capital increase part of the arbitration procedding, as well as on March 16, 2022, the Market Arbitration Chamber published a decision on a motion for clarification, in which was determined the revert of the increase of capital made by the shareholders in this investee.

As a consequence of the arbitration decision, Cemig GT's direct and idirect equity holding in Mesa is increased from 8.54% to 9.86% and 6.97% to 8.05%, respectively, resulting in a consolidated ownership increase from 15.51% to 17.91%.

Based on the opinion of its legal advisers, the Company believes that the modification on the arbitration decision effects is remote and awaits fulfilment with it.

Arbitration proceeding 21,511/ASM/JPA (c. 21,673/ASM) – Santo Antônio Energia S.A.

On January 31, 2022, was released the arbitration decision on arbitration proceeding in CCI (International Chamber of Commerce) Nº 21,511/ASM/JPA (c. 21,673/ASM), which consolidated the matters between *Santo Antônio Energia S.A.* (SAESA), *Consórcio Construtor Santo Antônio* (CCSA) and other parties, relating, in summary, to the following issues:

i. Liability of CCSA for reimbursement of the costs of replenishing the collateral and use of the contractual limitation clause, specified in contract.
ii. Liability of SAE relating to the increase in costs incurred by CCSA arising, mainly, from strikes and work stoppages occured from 2009 to 2013.

The result of this arbitration, made available by the International Arbitration Court of the International Chamber of Commerce on February 7, 2022, indicates that part of the claims of Saesa were accepted, as well as some of the claims of CCSA and where applicable of its co-consortium members against SAESA. Also, the arbitration decision initially declared as being without effect the instrument entitled "Terms and Conditions", which was the basis for recognition by the Company of the "Reimbursable Expenditures", as set out in an explanatory note to the financial statements of Saesa.

As well as the granted CCSA claims, with which Saesa vehemently disagrees, that have already been provisioned in SAESA financial statements as "Guarantee Deposits" (R$770 million) and "Other Provisions" (R$492 million), other claims were also granted with an estimated additional value of R$226 million payable.

Under the financing contracts signed with the National Bank for Economic and Social Development ('BNDES') and financing contracts under on lending from the BNDES, any amounts that SAESA is ordered to pay will be paid in accordance with procedures determined in the respective contracts.

On March 9, 2022, SAESA filed a motion for clarification on certain matters of the final decision, including pecuniary aspects, and believes that only after evaluation of this claim and any other motions for clarification that may be requested by the other parties involved, the decision will become definitive and able to produce effects, with effective decision on any amounts that may eventually be payable by SAESA.

SAESA also reiterated that the arbitration proceedings are in progress, still treated with confidentiality.

Investment in Madeira Energia S.A.

The arbitration decision against the claims of SAE, is an event after the reporting period of these financial statements, with a adjusting effect and reflects the preliminary results of the arbitration decision, since it is about conditions that existed on December 31, 2021, as per the provisions of IAS 10 –Events After the Reporting Period.

As a result of the above mentioned arbitration decicions, the Company recognized a impairment of R$366,850, which results in reduction of the investment carrying amount to zero and, in accordance with CPC 18 – Investments in Associates and Joint Ventures, has constituted a liability of R$161,648 for the obligations assumed on behalf of investee in equity support and guarantee agreements.

The liability was estimated applying of the Company's direct percentage shareholding in Mesa, currently 9.86%, applied to the expected cash outflow to settle the debt arising from the arbitration judgment. Considering that there are specific circumstances established in shareholders' agreements, and in the share purchase agreement of SAAG, and in the guarantees themselves provided by SAAG to Saesa, the Company believes that it does not have a responsibility in relation to its indirect shareholding in Mesa, currently of 8.05%, since it did not assume the obligations which were contracted by SAAG to Saesa before it entered the business; therefore, the other shareholder, the former holder of 100% of the equity (AG Participações), remains as guarantor of all the related obligations to that investee.

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 December 31, 2021 NESA had negative net working capital of R$189,028 (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.

The Company evaluated the recoverability amount of its investment in NESA, based on its value in use, in accordance with IAS 36 – Impairment of Assets, and IFRS 13 – Fair Value Measurement, and has concluded that the recoverable amount of the investment is higher than its carrying amout at December 31, 2021.

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 December 31, 2021 to R$2,832,000 (R$2,407,000 on December 31, 2020).

d) Shareholding restructuring of the wholly-owned transmission - Centroeste

On November 24, 2021, the Extraordinary General Meeting of the wholly-owned subsidiary Cemig GT approved an increase in the share capital of Cemig GT, by subscription of the investment held by the Company in Centroeste, thus completing the shareholding restructuring authorized by the Company's Board of Directors on February 12, 2021. Because it involved entities under common control, this restructuring is outside the scope of IFRS 3 / CPC 15 (R1).

This transfer, which had the prior consent of Aneel, was recorded in amount of R$123,724, supported with valation report measured at book value on October 31, 2021.

e) Acquisition of Sete Lagoas Transmissora de Energia S.A. - Business combination

On December 23, 2021, Cemig concluded acquisition of 100% of the shares in Sete Lagoas Transmissora de Energia S.A (SLTE), under a share purchase agreement signed on July 27, 2021 with Cobra Brasil Serviços, Comunicações e Energia S.A. and Cobra Instalaciones Y Servicios S.A.

SLTE holds the concession, awarded as Lot H in Aneel Transmission Auction 008/2010, for construction and operation of the Sete Lagoas 4 Substation, in Sete Lagoas, Minas Gerais. The concession contract expires in June 2041. The Sete Lagoas 4 substation began operation in June 2014, and accesses the National Grid through switching from the Neves 1–Três Marias 345kW Transmission Line (345 kV), owned by Cemig GT, which already operates the related terminals at this substation.

The consideration transferred for the investee acquisition comprised the sum of (i) the amount paid, wholly in cash, of R$48,055, and (ii) a contingent consideration, of R$1,475, which is retained due to environmental issues pending resolution by SLTE. The amount retained will be transferred to Cobra if this issue is resolved on favorable terms to SLTE within 24 months, with Cemig having the right to indemnity for any losses that exceed this amount.

The Company applied the acquisition method to account the business combination and, measured, provisionally, the identifiable assets acquired and the liabilities assumed at their respective acquisition-date fair values, in accordance with the provisions of IFRS 3/CPC 15. During the measurement period, the Company may retrospectively adjust the provisional amounts recognized at the acquisition date, to reflect any new information obtained about facts and circumstances that existed as of the acquisition date and, if known, would have affected the measurement of the amounts recognized. The measurement period is the period subsequent to the acquisition date during which the provisional amounts recognized for a business combination may be adjusted. It is limited to one year from the acquisition date.

Interest acquired – Fair value calculation

The preliminary fair value of interest acquired in relation to cash consideration is as follows:

	SLTE
SLTE equity value	58,041
Negative difference between fair value and equity value (1)	(4,506)
Fair value of net assets	53,535
Bargain purchase, recognized in 2021 profit	(4,005)
Cash consideration paid for 100% of the equity of SLTE	**49,530**

(1) The negative difference between fair value and equity value was allocated to the contractual assets of the concession, in accordance with IFRIC 12/ICPC01 and IFRS 15/CPC47, and the Brazilian regulatory model for transmission concessions.

The fair value of the assets and liabilities acquired at the acquisition date, is as follows:

Assets	Fair value on the transaction date	Liabilities	Fair value on the transaction date
Current	**15,476**	**Current**	**2,890**
Cash and cash equivalents	6,615	Loans and financings	1,952
Contract assets (1)	7,355	Other current liabilities	938
Other current assets	1,506	**Non-current**	**34,830**
Non-current	**75,779**	Loans and financings	11,454
Contract assets	73,044	Deferred tax liabilities	15,796
Other non-current assets	2,735	Taxes	7,580
		Fair value of net identifiable assets	**53,535**

(1) Considering that the concession contract is identifiable and may be measured in objective and reliable terms, the negative difference between fair value and the carrying amount was recognized in the subgroup 'Contractual assets' in the consolidated financial statements, and was considered as part of the investment in the individual financial statements. The (negative) added value is amortized over the period of the concession.

The assets and liabilities of the subsidiary, and their results, are presented in operating transmission segment.

f) 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, further to the write-downs of infrastructure assets in the amount of R$183,000 recorded at NESA in 2015, based on the results of the independent internal investigation conducted by NESA and its other shareholders, the results of which were reflected in the Company through the equity method in that same year.

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

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

Madeira Energia S.A. ('MESA')

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

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

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

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, since 2017 Renova, whose equity interest held by Cemig GT was classified in Non-current assets held for sale in 2021, is part of an investigation conducted by the Civil Police of Minas Gerais State and other public authorities related to certain injections of capital made by the controlling shareholders, including the Company and its subsidiary Cemig GT, and injections made in prior years by Renova in certain projects under development.

The police investigations of the inquiries referred to as operation “E o vento levou” and of the Minas Gerais Civil Police have not yet been completed, but no results are expected from these investigations with effects that could significantly impact the Company’s financial statements, even if there may be any which were not recorded by Renova, since no contractual or constructive obligations to the investee were assumed either by the Company nor by any of its subsidiaries.

Considering the share purchase agreement signed for disposal of the investment held in Renova, as reported in Note 32 to these financial statements, also no effects are expected after the conclusion of the sale transaction, considering that the share purchase instrument does not specify any right of indemnity against Cemig GT in relation to any act, fact, event, action or omission which took place before and/or after the date of its signature, except to the extent that they may constitute a violation or inexactitude of any of the declarations or warranties given by Cemig GT. In the contract, the parties expressly recognized the “closed door” nature of the transaction.

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 25). 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 financial statements, nether for the year ended in December 31, 2021 and 2020 nor in its prior financial statements.

In the second half of 2019, Company signed tooling agreements with the Securities and Exchange Commission (SEC) and US Department of Justice (DOJ), which was extended until August, 2021, and on September 2021, Company signed tooling agreements extension for more twelve months. Cemig has complied with the requests and intends to continue contributing to the SEC and the DOJ, in accordance with any demands presented.

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

The independent internal investigation begun in 2020 has been concluded, and its final report has been delivered and was approved by the Investigation Committee on November 24, 2021: no matters was identified that might present a significant impact on the financial statements at December 31, 2021 or on financial statements for prior business years. However, the Company awaits completion of the investigations by the Public Attorneys' Office of Minas Gerais State (MPMG) that are still ongoing and the Brazilian and international authorities, to which the reports were presented, statements of position, to confirm whether any additional procedure will be necessary.

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

17. PROPERTY, PLANT AND EQUIPMENT

Consolidated	2021			2020		
	Historical cost	Accumulated depreciation	Net value	Historical cost	Accumulated depreciation	Net value
In service						
Land	246,605	(25,822)	220,783	246,857	(22,624)	224,233
Reservoirs, dams and watercourses	3,295,828	(2,352,006)	943,822	3,299,589	(2,279,878)	1,019,711
Buildings, works and improvements	1,085,943	(837,942)	248,001	1,100,469	(835,848)	264,621
Machinery and equipment	2,672,848	(1,975,923)	696,925	2,646,844	(1,929,584)	717,260
Vehicles	20,632	(19,260)	1,372	20,602	(18,756)	1,846
Furniture and utensils	13,747	(11,230)	2,517	13,813	(10,991)	2,822
	7,335,603	**(5,222,183)**	**2,113,420**	**7,328,174**	**(5,097,681)**	**2,230,493**
In progress	305,849	-	305,849	176,650	-	176,650
Net property, plant and equipment	**7,641,452**	**(5,222,183)**	**2,419,269**	**7,504,824**	**(5,097,681)**	**2,407,143**

Parent company	2021			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	(24)	31	55	(22)	33
Machinery and equipment	5,200	(4,962)	238	5,220	(4,645)	575
Furniture and utensils	727	(693)	34	748	(706)	42
	6,064	**(5,679)**	**385**	**6,105**	**(5,373)**	**732**
In progress	1,026	-	1,026	460	-	460
Net property, plant and equipment	**7,090**	**(5,679)**	**1,411**	**6,565**	**(5,373)**	**1,192**

Changes in PP&E are as follows:

Consolidated	2020	Additions	Disposals	Reversal of provision (2)	Depreciation	Transfers / capitalizations	Business combination	2021
In service								
Land (1)	224,233	-	(620)	-	(2,830)	-	-	220,783
Reservoirs, dams and watercourses	1,019,711	-	-	-	(80,656)	4,767	-	943,822
Buildings, works and improvements	264,621	-	(25)	-	(17,421)	826	-	248,001
Machinery and equipment	717,260	-	(14,195)	-	(69,802)	63,619	43	696,925
Vehicles	1,846	-	-	-	(474)	-	-	1,372
Furniture and utensils	2,822	-	(1)	-	(304)	-	-	2,517
	2,230,493	**-**	**(14,841)**	**-**	**(171,487)**	**69,212**	**43**	**2,113,420**
In progress	**176,650**	**182,518**	**-**	**15,893**	**-**	**(69,212)**	**-**	305,849
Net property, plant and equipment	**2,407,143**	**182,518**	**(14,841)**	**15,893**	**(171,487)**	**-**	**43**	**2,419,269**

(1) Certain land sites linked to concession contracts and without provision for reimbursement are amortized in accordance with the period of the concession.
(2) Reversal of a provision previously recognized for impairment of works in progress assets with expectation of partial or total cancellation, due to the Company’s withdrawn of a previously agreed consortium

Consolidated	2019	Additions	Disposals (3)	Depreciation	Business combination	Transfers / capitalizations (2)	2020
In service							
Land (1)	228,357	340	(660)	(3,804)	-	-	224,233
Reservoirs, dams and watercourses	1,080,125	-	(51)	(80,233)	-	19,870	1,019,711
Buildings, works and improvements	273,519	-	(319)	(18,013)	-	9,434	264,621
Machinery and equipment	728,499	20,204	(2,091)	(78,932)	-	49,580	717,260
Vehicles	2,929	-	-	(1,083)	-	-	1,846
Furniture and utensils	3,134	16	(5)	(345)	-	22	2,822
	2,316,563	**20,560**	**(3,126)**	**(182,410)**	**-**	**78,906**	**2,230,493**
In progress	**133,562**	**112,485**	**10,814**	**-**	**198**	**(80,409)**	**176,650**
Net property, plant and equipment	**2,450,125**	**133,045**	**7,688**	**(182,410)**	**198**	**(1,503)**	**2,407,143**

(1) Certain land sites linked to concession contracts and without provision for reimbursement are amortized in accordance with the period of the concession.
(2) Balances of R$1,503 were transferred to Intangible assets from PP&E.
(3) Includes the impairment loss recognized for assets in progress.

Parent company	2019	Depreciation	2020	Addition	Depreciation	2021
In service						
Land	82	-	82	-	-	82
Buildings, works and improvements	35	(2)	33	-	(2)	31
Machinery and equipment	919	(344)	575	-	(337)	238
Furniture and utensils	50	(8)	42	-	(8)	34
	1,086	**(354)**	**732**	**-**	**(347)**	**385**
In progress	460	-	460	**566**	-	1,026
Net property, plant and equipment	**1,546**	**(354)**	**1,192**	**566**	**(347)**	**1,411**

Depreciation rates, which take into consideration the expected useful life of the assets, are revised annually by Management and are as follows.

Generation	(%)	Administration	(%)
Reservoirs, dams and watercourses	2	Software	20
Buildings – Machine room	2	Vehicles	14.29
Buildings – Other	3.33	IT equipment in general	16.67
Generator	3.33	General equipment	6.25
Water turbine	2.5	Buildings – Other	3.33
Pressure tunnel	3.13		
Command station, panel and cubicle	3.57		
Floodgate	3.33		

The average annual depreciation rate for the year 2021 is 3.33%:

Hydroelectric Generation	Wind Power Generation	Administration
3.14%	5.20%	6.35%

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 indemnified to the Company for the exception of the concession contracts related to Lot D of Auction 12/2015. Management believes that the amount ultimately received will be higher than the historical residual value.

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 (%)	2021	2020
In service				
Queimado Power Plant	82.50	3.94	220,009	218,111
Accumulated depreciation			(126,583)	(117,271)
Total operation			**93,426**	**100,840**
In progress				
Queimado Power Plant	82.50	-	43	1,580
Total construction			**43**	**1,580**
Total			**93,469**	**102,420**

18. INTANGIBLE ASSETS

Consolidated	2021			2020		
	Historical cost	Accumulated amortization	Residual value	Historical cost	Accumulated amortization	Residual value
In service						
Useful life defined						
Temporary easements	14,692	(4,726)	9,966	13,217	(4,045)	9,172
Onerous concession	13,599	(8,493)	5,106	19,169	(13,288)	5,881
Assets of concession	21,475,916	(9,669,212)	11,806,704	20,781,598	(9,107,068)	11,674,530
Assets of concession - GSF	1,031,809	(65,744)	966,065	-	-	-
Others	78,347	(73,854)	4,493	78,015	(70,286)	7,729
	22,614,363	**(9,822,029)**	**12,792,334**	**20,891,999**	**(9,194,687)**	**11,697,312**
In progress	**160,983**	**-**	**160,983**	**112,616**	**-**	**112,616**
Net intangible assets	**22,775,346**	**(9,822,029)**	**12,953,317**	**21,004,615**	**(9,194,687)**	**11,809,928**

Parent company	2021			2020		
	Historical cost	Accumulated amortization	Residual value	Historical cost	Accumulated amortization	Residual value
In service						
Useful life defined						
Software use rights	13,564	(12,273)	1,291	13,564	(10,968)	2,596
Brands and patents	8	(8)	-	8	(8)	-
Others	9	(9)	-	9	(9)	-
	13,581	**(12,290)**	**1,291**	**13,581**	**(10,985)**	**2,596**
In progress	**89**	**-**	**89**	**59**	**-**	**59**
Net intangible assets	**13,670**	**(12,290)**	**1,380**	**13,640**	**(10,985)**	**2,655**

Changes in intangible assets are as follow:

Consolidated	2020	Additions	Disposals	Amortization	Transfers (1)	Incorporation (2)	2021
In service							
Useful life defined							
Temporary easements	9,172	-	-	(681)	1,475	-	9,966
Onerous concession	5,881	-	(151)	(624)	-	-	5,106
Assets of concession	11,674,530	-	(23,146)	(757,219)	912,539	-	11,806,704
Assets of concession - GSF	-	1,031,809	-	(65,744)	-	-	966,065
Others	7,729	-	-	(3,567)	331	-	4,493
	11,697,312	**1,031,809**	**(23,297)**	**(827,835)**	**914,345**	-	**12,792,334**
In progress	112,616	50,849	-	-	**(2,488)**	**6**	**160,983**
Net intangible assets	**11,809,928**	**1,082,658**	**(23,297)**	**(827,835)**	**911,857**	**6**	**12,953,317**

(1) The transfers were made between concession contract assets to Intangible assets: R$902,465.
(2) This refers to the absorption of Sete Lagoas Transmissora de Energia.

Consolidated	2019	Additions	Disposals (1)	Amortization	Transfers (2)	2020
In service						
Useful life defined						
Temporary easements	8,457	-	-	(753)	1,468	9,172
Onerous concession	6,560	-	-	(679)	-	5,881
Assets of concession	11,517,001	-	(23,768)	(737,992)	919,289	11,674,530
Others	10,652	-	(157)	(4,754)	1,988	7,729
	11,542,670	-	**(23,925)**	**(744,178)**	**922,745**	**11,697,312**
In progress	81,801	40,980	-	-	(10,165)	112,616
Net intangible assets	**11,624,471**	**40,980**	**(23,925)**	**(744,178)**	**912,580**	**11,809,928**

(1) This includes the impairment reversal, in the amount of R$13,825, recognized in the Income Statement under “Other expenses”, as a result of the test of impairment of intangible assets, relating to the authorization for wind power generation granted to Volta do Rio, on December 31, 2020. More information is available on this note.
(2) The transfers were made between Intangible assets, concession contract assets and property, plant and equipment as follows: (1) R$905,773 from concession contract assets to intangible assets; (2) R$1,503 from property, plant and equipment to intangible assets; and (3) R$5,304 from concession financial assets to intangible.

Parent company	2020	Additions	Amortization	2021
In service				
Useful life defined				
Softwares use rights	2,596	-	(1,305)	1,291
	2,596	**-**	**(1,305)**	**1,291**
In progress	**59**	**30**	-	**89**
Net intangible assets	**2,655**	**30**	**(1,305)**	**1,380**

Parent company	2019	Additions	Disposals	Amortization	2020
In service					
Useful life defined					
Softwares use rights	3,971	-	-	(1,375)	2,596
Others	158	-	(157)	(1)	-
	4,129	**-**	**(157)**	**(1,376)**	**2,596**
In progress	**46**	**13**	-	-	**59**
Net intangible assets	**4,175**	**13**	**(157)**	**(1,376)**	**2,655**

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 15.

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, are as follows:

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

Gas	(%)	Administration	(%)
Tubing	3.33	Software	20.00
Buildings, works and improvements	4.00	Vehicles	20.00
Improvements in leased properties	10.00	Data processing equipment	20.00
Machinery and equipment	5.00 a 20.00	Furniture	10.00

The annual average amortization rate is 3.94% and by segment is follows:

Hydroelectric Generation	Wind Power Generation	Gas	Distribution	Administration
7.44%	8.81%	3.33%	3.83%	15.82%

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 Regulator.

The rights of authorization of the gas distribution concession, granted to Gasmig, valued at R$396,246 (R$411,503 on December 31, 2020), and to generate wind power granted to the subsidiary Parajuru and Volta do Rio, in the total amount of R$116,446 (R$127,841 on December 31, 2020) are classified in the consolidated statement of financial position under intangibles assets and are amortized by the straight-line method, for the period of the concessions.

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 the right of reimbursement 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 August 03, 2021, Aneel ratified, through the Resolution nº. 2,919/2021, the terms of concession extension of hydroelectric plants participating in the MRE, including all of the Company plants suitable for the renegotiation, except for Queimado and Irapé, which renegotiate the hydrological risk through the Resolution nº. 684/2015 and were not covered by the Resolution nº. 2,919/2021. The values ratified are aligned with the Company estimations, based on the Resolution Aneel nº. 895/2020.

On June 11, 2021, the Board of Directors of Cemig GT authorized withdrawal of any legal proceedings based on the MRE, and the signing of the Term of Acceptance of Law 14,052/2020 provisions, for the plants within the concession contracts of Cemig GT and subsidiaries. With the approval by the Board of Directors, the Company recognized, on the second quarter of 2021, an intangible asset relating to the right to the extension of concessions, with counterpart in "Operational costs – Renegotiation of hydrological risk (Law 14,052/20)", in the amount of R$909,601.

On September 14, 2021 Aneel ratified the grant extension of the hydroelectric plants participating in the MRE, through Resolution (ReH) 2,932/2021, including Irapé and Queimado, for which the extension were under discussion with the Grantor, and, therefore, were not included in ReH 2,919/2021. Thus, in the third quarter of 2021, there was a recognition of an increase of R$122,208 in Intangible assets, due to the concessions extension of those plants. As a result, the total of Intangible assets was increased to R$ 1,031,809, which is recognized with a counterpart in Renegotiation of hydrological risk – Law 14,052/20.

The fair values of the concessions extension rights have been estimated individually, as shown in the table below, using the revenue approach, under which future values are converted into a single present value, discounted by the rate of profitability approved by Management for the energy generation activity, reflecting present market expectations in relation to the future amounts. The useful life of items that are components of Intangible assets has been adjusted for the new remaining concession period, that is to say, the result of addition, to the original concession period, of the new concession extension granted.

Power Plant	Intangible assets – Right to extension of concession	End of concession	Extension in years	New end of concession
Cemig Geração Camargos	**9,459**	**01/05/2046**	**7**	**01/03/2053**
Cemig Geração Itutinga	**7,713**	**01/05/2046**	**7**	**01/03/2053**
Cemig Geração Leste	**154**			
Dona Rita	11	07/03/2046	4	07/19/2050
Ervalia	8	07/03/2046	0.8	04/19/2047
Neblina	11	07/03/2046	0.8	04/19/2047
Peti	113	01/05/2046	7	01/03/2053
Sinceridade	1	07/03/2046	0.7	03/12/2047
Tronqueiras	10	01/05/2046	1	12/26/2046
Cemig Geração Oeste	**234**			
Cajuru (Cemig)	234	01/05/2046	7	01/03/2053
Cemig Geração Salto Grande	**40,079**	**01/05/2046**	**7**	**01/03/2053**
Cemig Geração Sul	**2,106**			
Coronel Domiciano	36	07/03/2046	0.8	04/11/2047
Joasal	450	01/05/2046	7	01/03/2053
Marmelos	238	01/05/2046	7	01/03/2053
Paciencia	205	01/05/2046	7	01/03/2053
Piau	1,177	01/05/2046	7	01/03/2053
Cemig Geração Três Marias	**115,831**	**01/05/2046**	**7**	**01/03/2053**
Cemig Poço Fundo	**1,482**	**05/29/2045**	**7**	**05/27/2052**
Cemig PCH (Pai Joaquim)	**418**	**04/04/2032**	**0.4**	**09/14/2032**
Horizontes	**130**			
Machado Mineiro	130	07/08/2025	1.9	05/21/2027
Rosal	**8,900**	**05/08/2032**	**3.6**	**12/13/2035**
Sá Carvalho	**39,690**	**12/01/2024**	**1.7**	**08/27/2026**
Total	**226,196**			
Nova Ponte	254,956	07/23/2025	2.1	08/11/2027
Irapé	105,010	02/28/2035	2.6	09/18/2037
Queimado	19,326	12/18/2032	1.8	06/26//2034
Sao Bernardo (Cemig)	649	08/19/2025	1.9	06/27/2027
Emborcação	425,672	07/23/2025	1.8	05/26/2027
Total Cemig GT	**805,613**			
Total (R$)	**1,031,809**			

The Resolution nº. 2,919/2021 ratified the amount of the right to compensation for the São Simão, Jaguara, Miranda and Volta Grande generation plants, which had been owned by Cemig GT during the period stipulated in the Law 14,052/20 to be compensated, but does not specify how this compensation will happen in the event of absence of debts with the Federal Government related to the regime of concessions determined in that Law. The amounts calculated are:

Cemig Geração - Plant re-offered for tender	Amount
São Simão	783,004
Miranda	145,528
Jaguara	237,218
Volta Grande	156,688
Total	**1,322,438**

Considering that there is no legal provision relating to how the compensation of these non-hydrological risks will happen and the Company's right depends on the occurrence of uncertain future events, which are not totally under its control, as such these contingent assets have not been recognized.

19. LEASING TRANSACTIONS

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

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

The Company and its subsidiaries has elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option (short-term leases), and lease contracts for which the underlying asset is of low value (low-value assets). Thus, these leasing agreements are recognized as an expense in the income statement on the straight-line basis, over the period of the leasing. Their effects on net income from January to December 2021 were immaterial.

The discount rates were obtained by reference to the Company's incremental borrowing rate. In August 2021 the Company reviewed the methodology for discount rates estimation, which is now based on the risk-free rate adjusted to the reality of the Company, in order to reflect more appropriately its credit risk, and the economic conditions on the date of the agreement, 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
Contracts entered – August at December 2021 (1)		
Up to five years	5.81	0.47
Six to ten years	5.89	0.48
Eleven to fifteen years	5.95	0.49
Sixteen to thirty years	5.95	0.49

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

a) Right of use assets

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

Changes in the right of use asset are as follows:

Consolidated	Real estate property	Vehicles	Others	Total
Balances on December 31, 2019	**206,045**	**70,676**	**103**	**276,824**
Disposals (contracts terminated)	(8,662)	-	-	(8,662)
Amortization	(24,665)	(39,624)	(103)	(64,392)
Addition	6,193	-	-	6,193
Remeasurement	6,587	(4,476)	-	2,111
Balances on December 31, 2020	**185,498**	**26,576**		**212,074**
Disposals (contracts terminated)	(4,641)	-	-	(4,641)
Amortization (1)	(9,599)	(40,775)	-	(50,374)
Addition	11,066	-	-	11,066
Remeasurement (2)	9,243	48,225	-	57,468
Balances on December 31, 2021	**191,567**	**34,026**	**-**	**225,593**

(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$588 on December 31, 2021 (R$1,929 on December 30, 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, 2019	**3,330**
Addition	109
Settled	(39)
Amortization	(1,347)
Remeasurement	5
Balances on December 31, 2020	**2,058**
Amortization (1)	(84)
Remeasurement (2)	76
Balances on December 31, 2021	**2,050**

(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$6 on December 31, 2021 (R$123 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.

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, 2019	**287,747**	**3,479**
Addition	6,193	109
Settled	(10,795)	(183)
Interest incurred	28,832	316
Leasing paid	(83,881)	(1,547)
Interest in leasing contracts	(3,704)	(65)
Remeasurement	2,111	5
Balances on December 31, 2020	**226,503**	**2,114**
Addition	11,062	-
Settled	(4,661)	75
Interest incurred (1)	26,710	269
Leasing paid	(70,145)	(264)
Interest in leasing contracts	(2,914)	(18)
Remeasurement (2)	57,468	76
Balances on December 31, 2021	**244,023**	**2,252**
Current liabilities	**61,586**	**277**
Non-current liabilities	**182,437**	**1,975**

(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$1,736 and R$20 on December 31, 2021 (R$1,833 and R$25 on December 31, 2020), for the consolidated and individual financial statements, 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	662,684	244,023	7,107	2,252
Potential PIS/Pasep and Cofins (9.25%)	56,062	18,457	657	209

For lease liability and right of use measuring and remeasuring, the Company used the technique of discounted cash flow, without considering projected future inflation in the flows to be discounted, as per the prohibition imposed by CPC 06 (R2).

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)
2022	64,731	296
2023	28,945	296
2024	28,573	296
2025	28,388	296
2026	28,212	296
2027 at 2045	483,835	5,627
Undiscounted values	662,684	7,107
Embedded interest	(418,661)	(4,855)
Lease liabilities	**244,023**	**2,252**

20. SUPPLIERS

	Consolidated		Parent company	
	2021	2020	2021	2020
Energy on spot market – CCEE	129,957	490,285	-	-
Charges for use of energy network	175,476	192,287	95	95
Energy purchased for resale	1,314,197	807,708	62,322	6
Itaipu Binacional	331,118	325,277	-	-
Gas purchased for resale	227,683	126,850	-	-
Materials and services	504,912	415,913	2,265	1,944
	2,683,343	**2,358,320**	**64,682**	**2,045**

21. TAXES PAYABLE AND AMOUNTS TO BE REFUNDED TO CUSTOMERS

	Consolidated		Parent company	
	2021	2020	2021	2020
Current				
ICMS	123,928	112,068	2,616	-
Cofins (1)	166,482	183,995	30,030	37,853
PIS/Pasep (1)	36,180	41,116	6,496	9,266
INSS	36,178	28,715	1,940	1,585
Others (2)	165,328	139,845	91,682	40,064
	528,096	**505,739**	**132,764**	**88,768**
Non-current				
Cofins (1)	280,690	215,878	-	-
PIS/Pasep (1)	60,999	46,867	-	-
	341,689	**262,745**	**-**	**-**
	869,785	**768,484**	**132,764**	**88,768**
Amounts to be refunded to customers				
Current				
PIS/Pasep and Cofins	704,025	448,019	-	-
Non-current				
PIS/Pasep and Cofins	2,318,910	3,569,837	-	-
	3,022,935	**4,017,856**	**-**	**-**

(1) 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 15.

(2) This includes the withholding income tax on Interest on equity declared on June 29, 2021. This payment was made in July 2021, in accordance with the tax legislation.

The amounts of PIS/Pasep and Cofins taxes to be refunded to customers refer to the credits to be received by the Cemig D following the extinction of the ICMS value added tax within the taxable amount for calculation of those taxes, in amount of R$2,836,314, as described in Note 9 (a). Until December 2021, a total of R$ 1,583,314, has been reimbursed to clients.

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 Company started the reimbursement of the amounts to its customers, as follows:

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

- On May 25, 2021, Aneel ratified incorporation into the 2021 tariff adjustment, in effect from May 28, 2021 to May 27, 2022, of the negative financial component of R$1,573,000, corresponding to the total amount of the credits offset and received when the escrow deposit was released. There are more details on the credits in Note 8b to these financial statements. See Note 14.4 for more information on the Cemig D tariff adjustment.

Although the definitive criteria for the refunding of PIS/Pasep and Cofins taxes to customers are pending, awaiting conclusion of discussions with Aneel and the mechanisms and criteria for reimbursement.

Additionally, as per Note 9 (a), the subsidiary Gasmig recognized the amounts of the PIS/Pasep and Cofins taxes credits over ICMS for the periods covered by the legal action that argues this matter, in the amount of R$224,734. In the absence of a court judgment against which there is no further appeal, the subsidiary recorded a liability in the amount of R$186,621, corresponding to the amounts to be refunded to its customers, based on 10 years period, from the date of the end of the quarter. The 10 years period refers to the maximum amount possibly subject to restitution, to be validated after complementary analyses of the court decisions that will be issued, and the legislation in effect when the case was ruled against which there is no further appeal.

22. LOANS, FINANCING AND DEBENTURES

Financing source	Principal maturity	Annual financial cost %	Currency	Consolidated			
				2021			2020
				Current	Non-current	Total	Total
FOREIGN CURRENCY							
Banco do Brasil: Various Bonds (1) (4)	2024	Diverse	U$$	-	-	-	11,725
Eurobonds (2) (12)	2024	9.25%	U$$	42,173	5,580,500	5,622,673	7,853,959
(-)Transaction costs				-	(8,220)	(8,220)	(15,664)
(±) Interest paid in advance (3)				-	(13,356)	(13,356)	(25,314)
Debt in foreign currency				**42,173**	**5,558,924**	**5,601,097**	**7,824,706**
BRAZILIAN CURRENCY							
Caixa Econômica Federal (6)	2021	TJLP + 2.50%	R$	-	-	-	17,204
Caixa Econômica Federal (7)	2022	TJLP + 2.50%	R$	-	-	-	14,086
Eletrobrás (4)	2023	UFIR + 6.00% at 8.00%	R$	3,267	2,380	5,647	9,058
Sonda (8)	2022	110.00% of CDI	R$	52,430	-	52,430	50,008
(-)Transaction costs				-	-	-	(55)
Debt in Brazilian currency				**55,697**	**2,380**	**58,077**	**90,301**
Total of loans and financings				**97,870**	**5,561,304**	**5,659,174**	**7,915,007**
Debentures - 3th Issue – 3rd Series (2)	2022	IPCA + 6.20%	R$	428,367	-	428,367	761,520
Debentures - 7th Issue – Single series (2) (11)	2021	140.00% of CDI	R$	-	-	-	288,839
Debentures - 3th Issue – 2nd Series (4) (5)	2021	IPCA + 4.70%	R$	-	-	-	587,956
Debentures - 3th Issue – 3rd Series (4)	2025	IPCA + 5.10%	R$	323,437	824,028	1,147,465	1,035,247
Debentures - 7th Issue – 1st Series (4)	2024	CDI + 0.45%	R$	545,933	810,000	1,355,933	1,891,927
Debentures - 7th Issue – 2nd Series (4)	2026	IPCA + 4.10%	R$	3,364	1,756,264	1,759,628	1,587,924
Debentures – 4th Issue – 1st Series (9)	2022	TJLP+1.82%	R$	10,028	-	10,028	19,629
Debentures – 4th Issue – 2nd Series (9)	2022	Selic + 1.82%	R$	4,376	-	4,376	9,089
Debentures – 4th Issue – 3th Series (9)	2022	TJLP + 1.82%	R$	10,597	-	10,597	21,807
Debentures – 4th Issue – 4th Series (9)	2022	Selic + 1.82%	R$	5,201	-	5,201	10,703
Debentures – 7th Issue – Single series (9)	2023	CDI + 1.50%	R$	20,049	20,000	40,049	60,024
Debentures – 8th Issue – Single series (9)	2031	IPCA + 5.27%	R$	18,916	967,530	986,446	890,440
(-) Discount on the issuance of debentures (10)				-	(15,002)	(15,002)	(18,300)
(-) Transaction costs				(3,005)	(25,294)	(28,299)	(41,254)
Total, debentures				**1,367,263**	**4,337,526**	**5,704,789**	**7,105,551**
Total				**1,465,133**	**9,898,830**	**11,363,963**	**15,020,558**

Financing source	Principal maturity	Annual financial cost %	Currency	Parent company			
				2021			2020
				Current	Non-current	Total	Total
BRAZILIAN CURRENCY							
Sonda (7)	2021	110.00% of CDI	R$	52,430	-	52,430	50,008
(-) Transaction costs				-	-	-	(55)
Total of loans and financings				**52,430**	**-**	**52,430**	**49,953**

(1) On June 18, 2021, Cemig D made early settlement of the debt under the Debt Confirmation and Consolidation Agreement, in the principal amount of US$44,626, considering the guarantees constituted in the amount of US$42,843, by payment in cash, of roughly US$1,783. The total amount disbursed, comprising the basic cash amount, interest and fees, is R$10,075 on the date of payment.
(2) Cemig Geração e Transmissão;
(3) Advance of funds to achieve the yield to maturity agreed in the Eurobonds contract.
(4) Cemig Distribuição;
(5) In February 2021 Cemig D amortized the Second Series of its Third Debenture Issue.
(6) Central Eólica Praias de Parajuru. Early payment of the entire debt was made on July 23, 2021, in the amount of R$5,320. Until the settlement of the contracts, guarantees were maintained and the contractual obligations complied with;
(7) Central Eólica Volta do Rio. Early payment of the entire debt was made on July 23, 2021 in the amount of R$8,766. Until the settlement of the contracts, guarantees were maintained and the contractual obligations complied with;
(8) Parent Company. Arising from merger of Cemig Telecom.
(9) 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.
(10) Discount on the sale price of the 2nd series of the Seventh issue of Cemig Distribuição.
(11) 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.
(12) In August 2021, Cemig GT carried out a partial buyback of its Eurobonds issue, in the principal amount of US$500 million. There are more details on this transaction later in this Note.

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

Partial repurchase of Eurobonds – Tender Offer

On July 19, 2021 Cemig GT launched a Cash Tender Offer to acquire its debt securities issued in the external market, maturing in 2024, with 9.25% annual coupon, up to a principal amount of US$500 million. The price to be paid in the Cash Tender was 116.25%, or US$1,162.50 per US$1,000 of the principal amount.

On July 30, 2021, offers had been received from holders of Notes representing a total of US$774 million. Since the aggregate principal of all the Notes validly offered, until the Early Offer Date, exceeded the maximum amount, Cemig accepted the Notes offered on a pro rata basis until the ceiling amount of U$500 million.

In addition to the total acquisition amount, holders of validly offered notes that were accepted for purchase also received accumulated interest not yet paid since and including the last interest payment date, until but not including the Initial Settlement Date (August 5, 2021).

The financial settlement and cancellation of notes occurred on August 05, 2021 and the offers closing date is scheduled for August 13, 2021. The effects related to the repurchase of bonds are described below:

	%	US$	R$
Principal Amount	100.00	500,000	2,568,500
Premium to the market price + Tender	16.25	81,250	417,381
Accrued interests	1.54	7,708	39,598
		588,958	**3,025,479**
IOF ('financial operations tax') levied on premium	0.38	309	1,586
Income tax on premium	17.65	14,338	73,655
Income tax on accrued interests	17.65	1,360	6,988
		16,007	**82,229**
Total of payments		**604,965**	**3,107,708**
Partial disposal of hedge		-	(774,409)
NDF positive adjustment (*)		-	(23,699)
Total		**604,965**	**2,309,600**

(*) Difference between the dollar PTAX on the purchase date (R$5.137) and the financial instrument – NDF, protecting against foreign exchange, with the dollar purchase cap of R$5.0984.

Guarantees

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

	2021
Promissory notes and Sureties	7,176,573
Guarantee and Receivables	3,094,401
Receivables	35,555
Shares	52,430
Unsecured	1,005,004
TOTAL	**11,363,963**

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

Consolidated	2022	2023	2024	2025	2026	Total
Currency						
US dollar	42,173	-	5,580,500	-	-	**5,622,673**
Total, currency denominated	**42,173**	**-**	**5,580,500**	**-**	**-**	**5,622,673**
Index						
IPCA (1)	774,084	274,678	377,118	1,260,943	1,635,083	**4,321,906**
UFIR/RGR (2)	3,267	2,380	-	-	-	**5,647**
CDI (3)	627,989	560,000	270,000	-	-	**1,457,989**
URTJ/TJLP (4)	20,625	-	-	-	-	**20,625**
Total by index	**1,425,965**	**837,058**	**647,118**	**1,260,943**	**1,635,083**	**5,806,167**
(-)Transaction costs	(3,005)	(747)	(10,706)	(4,526)	(17,535)	**(36,519)**
(±)Interest paid in advance	-	-	(13,356)	-	-	**(13,356)**
(-) Discount	-	-	-	(7,501)	(7,501)	**(15,002)**
Overall total	**1,465,133**	**836,311**	**6,203,556**	**1,248,916**	**1,610,047**	**11,363,963**

Parent company	2022	Total
Indexers		
CDI (3)	52,430	52,430
Total, governed by indexers	**52,430**	**52,430**

(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 US dollar and index used for monetary updating of loans and financings had the following variations:

Currency	Accumulated change on 2021 (%)	Accumulated change on 2020 (%)	Indexer	Accumulated change on 2021 (%)	Accumulated change on 2020 (%)
US dollar	7.39	28.93	IPCA	10.06	4.52
			CDI	4.39	2.77
			TJLP	16.92	(18.31)

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

	Consolidated	Parent company
Balances on December 31, 2019	**14,776,031**	**48,252**
Liabilities arising from business combination	10,447	-
Initial balances	**14,786,478**	**48,252**
Loans and financing obtained	850,000	-
Transaction costs	(24,438)	-
Monetary variation	186,610	-
Exchange rate variation	1,742,494	-
Financial charges provisioned	1,211,104	1,479
Amortization of transaction cost	15,107	222
Financial charges paid	(1,211,772)	-
Amortization of financing	(2,531,026)	-
Reclassification to "Other obligations"	(7,030)	-
Subtotal	**15,017,527**	**49,953**
FIC Pampulha - títulos de empresas controladas	3,031	-
Balances on December 31, 2020	**15,020,558**	**49,953**
Liabilities arising from business combination (1)	13,406	-
Monetary variation	330,114	-
Exchange rate variation	353,321	-
Financial charges provisioned	1,162,011	2,422
Discount and premium on repurchase of debt securities (*Eurobonds*)	491,037	-
Amortization of transaction cost	20,456	55
Financial charges paid	(1,590,268)	-
Amortization of financing	(4,436,672)	-
Balances on December 31, 2021	**11,363,963**	**52,430**

(1) This refers to the debt of SLTE to the BNDES, settled in December 2021 with funds from the company's cash position plus a cash injection, of R$6,792, from Cemig H.

Borrowing costs, capitalized

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:

	2021	2020
Costs of loans and financing	1,162,011	1,211,104
Financing costs on intangible assets and contract assets (1) (Note 17 and 21)	(15,329)	(33,335)
Net effect in Profit or loss	**1,146,682**	**1,177,769**

(1) The average capitalization rate p.a. on December 31, 2021 was 9.44% (5.39% on December 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

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").

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 (3)	The following or less: 2.5 on/after Dec. 31, 2021	The following or less: 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 (4)	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	-	Annual
8th Debentures Issue Gasmig Single series (5)	EBITDA/Debt servicing	1.3 or more	-	Annual
	Net debt/EBITDA	3.0 or less	-	Annual
Financing Caixa Econômica Federal Parajuru and Volta do Rio (6)	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) 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.
(4) 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).
(5) 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.
(6) 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. Early payment of the entire debtor balance was made on July 23, 2021, in the amount of R$5,320 (Central Eólica Praias de Parajuru) and R$8,766 (Volta do Rio). Until the settlement of the contracts, guarantees were maintained and the contractual obligations complied with.

On December 31, 2021, the Company and its subsidiaries were compliant with the covenants.

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 31.

23. REGULATORY CHARGES

	Consolidated	
	2021	2020
Liabilities		
Global Reversion Reserve (RGR)	28,198	27,515
Energy Development Account (CDE)	109,618	64,179
Regulator inspection fee – ANEEL	2,526	3,200
Energy Efficiency Program	237,426	264,952
Research and development (R&D)	112,267	224,632
Energy System Expansion Research	4,377	3,776
National Scientific and Technological Development Fund	8,759	7,557
Proinfa – Alternative Energy Program	16,623	7,435
Royalties for use of water resources	5,374	12,976
Emergency capacity charge	26,325	26,325
Customer charges – Tariff flags	251,837	89,825
CDE on R&D (1)	2,767	-
CDE on EEP	4,583	-
Others	4,638	4,624
	815,318	**736,996**
Current liabilities	**610,695**	**445,807**
Non-current liabilities	**204,623**	**291,189**

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

24. POST-EMPLOYMENT OBLIGATIONS

Forluz Pension plan (a Supplementary retirement pension plan)

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

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

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

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

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

Life insurance

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

However, as a result of the ammendment in the Collective Work Agreement for 2021-2023, in relation to offer and payment of life insurance for the employees and former employees, the Company understood that the post-retirement benefit in question had been canceled in its entirety, and as a result wrote off the balance of the obligation, remeasured using the revised actuarial assumptions, recognized in the income statement and Shareholders' equity, in the amounts of R$ 415,438, and R$ 59,495.

On February 2, 2022 the Association of Retired Energy Workers and Pension Holders of Cemig and its Subsidiaries (*Associação dos Eletricitários Aposentados e Pensionistas da Cemig e Subsidiárias – AEA/MG*) filed an injunction ordering the Company to comply with and maintain in full the same terms relating to coverage of the life insurance premium as were previously practiced. However, on February 11, 2022, the Regional Employment Law Appeal Court of the 3rd Region refused this application, on the grounds that this had been validly decided in the collective agreement.

Actuarial obligations and recognition in the financial statements

On this Note the Company discloses its obligations and expenses incurred for purposes of the Retirement Plan, Health Plan, Dental Plan and the Life Insurance Plan in accordance with the terms of CPC 33 (R1) /IAS 19 - *Employee Benefits*, and the independent actuarial opinion issued as of December 31, 2021.

Debt with the pension fund (Forluz)

On December 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$384,513 on December 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 December 31, 2021 the total amount payable by Cemig and its subsidiaries as a result of the Plan A deficit is R$538,934 (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$353,421, and up to 2033 for the 2017 deficit, in the amount of R$185,513. 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, which occurred in 2019. The total amount to be paid by the Company to cover the deficit, without considering parity of contribution, 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.

The Company recognized the legal obligation in relation to the deficit of Plan A corresponding to 50% of the minimum amount, and, thus, obeying the contribution parity rule, made payments of R$6,783 in consignment, corresponding from April to December 2021, to remain at the disposal of Forluz to be redeemed at an account with an official bank. Due to the refusal by Forluz to receive this amount, on May 26, 2021 the Company proposed an Action of Consignment in Payment, which is in its initial pleading phase.

Due to the Debt Assumption Instrument not being signed for coverage of the minimum amount proposed in the plan for solution of the Plan A actuarial deficit for 2019, and the refusal of the payments in consignment made by the Company, on April 27, 2021 Forluz filed legal action against sponsors Cemig, Cemig GT and Cemig D, applying for approval and confirmation of the request to ensure compliance with the contracting of the debt for coverage of the deficit of Plan A, in the amount of R$160,425, for the 2019 business year. The chances of loss have been assessed as 'possible', due to the action still being at the instruction phase, and there being no decisions on the merit. Also, the application by Forluz for emergency writ was refused.

Actuarial information

Consolidated	Pension plans and retirement supplement plans	Health plan	Dental plan	Life insurance	2021
Present value of obligations	12,025,817	3,468,504	66,017	-	15,560,338
Fair value of plan assets	(9,377,896)	-	-	-	(9,377,896)
Initial net liabilities	**2,647,921**	**3,468,504**	**66,017**	**-**	**6,182,442**
Adjustment to asset ceiling	22,232	-	-	-	22,232
Net liabilities in the statement of financial position	**2,670,153**	**3,468,504**	**66,017**	**-**	**6,204,674**

Consolidated	Pension plans and retirement supplement plans	Health plan	Dental plan	Life insurance	2020
Present value of obligations	13,308,575	3,319,093	64,324	551,135	17,243,127
Fair value of plan assets	(10,420,081)	-	-	-	(10,420,081)
Initial net liabilities	**2,888,494**	**3,319,093**	**64,324**	**551,135**	**6,823,046**
Adjustment to asset ceiling	20,001	-	-	-	20,001
Net liabilities in the statement of financial position	**2,908,495**	**3,319,093**	**64,324**	**551,135**	**6,843,047**

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

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

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

Consolidated	Pension plans and retirement supplement plans	Health plan	Dental plan	Life insurance	Total
Defined-benefit obligation at December 31. 2019	**13,285,833**	**3,102,178**	**60,504**	**573,876**	**17,022,391**
Cost of current service	1,494	20,987	505	3,691	26,677
Interest on actuarial obligation	886,651	215,075	4,216	40,695	1,146,637
Actuarial losses (gains):					
Due to changes in demographic assumptions	134,660	394,768	4,147	-	533,575
Due to changes in financial assumptions	(375,170)	(151,843)	(3,869)	(34,374)	(565,256)
Due to adjustments based on experience	288,792	(118,782)	1,633	(22,990)	148,653
	48,282	**124,143**	**1,911**	**(57,364)**	**116,972**
Benefits paid	(913,685)	(143,290)	(2,812)	(9,763)	(1,069,550)
Defined-benefit obligation at December 31. 2020	**13,308,575**	**3,319,093**	**64,324**	**551,135**	**17,243,127**
Cost of current service	1,800	21,048	506	3,245	26,599
Past service cost (1)	-	-	-	(415,438)	(415,438)
Interest on actuarial obligation	883,788	231,050	4,554	39,303	1,158,695
Actuarial losses (gains):					
Due to changes in demographic assumptions	377,790	122,095	1,138	(14,979)	486,044
Due to changes in financial assumptions	(2,393,295)	(251,787)	(4,574)	(126,930)	(2,776,586)
Due to adjustments based on experience	827,508	200,126	3,028	(26,207)	1,004,455
	(1,187,997)	**70,434**	**(408)**	**(168,116)**	**(1,286,087)**
Benefits paid	(980,349)	(173,120)	(2,959)	(10,130)	(1,166,558)
Defined-benefit obligation at December 31. 2021	**12,025,817**	**3,468,504**	**66,017**	**-**	**15,560,338**

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

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

	Pension plans and retirement supplement plans
Fair value of the plan assets at December 31, 2019	**10,366,512**
Return on investments	756,155
Contributions from employer	211,099
Benefits paid	(913,685)
Fair value of the plan assets at December 31, 2020	**10,420,081**
Return on investments	(297,597)
Contributions from employer	235,761
Benefits paid	(980,349)
Fair value of the plan assets at December 31, 2021	**9,377,896**

The amounts recognized in 2021 and 2020 statement of income are as follows:

Consolidated	Pension plans and retirement supplement plans	Health plan	Dental plan	Life insurance	Total
Current service cost	1,800	21,048	506	3,245	26,599
Past service cost	-	-	-	(415,438)	(415,438)
Interest on the actuarial obligation	883,788	231,050	4,554	39,303	1,158,695
Expected return on the assets of the Plan	(685,058)	-	-	-	(685,058)
Expense in 2021 according to actuarial calculation	**200,530**	**252,098**	**5,060**	**(372,890)**	**84,798**

Consolidated	Pension plans and retirement supplement plans	Health plan	Dental plan	Life insurance	Total
Current service cost	1,494	20,987	505	3,691	26,677
Interest on the actuarial obligation	886,651	215,075	4,216	40,695	1,146,637
Expected return on the assets of the Plan	(682,361)	-	-	-	(682,361)
Expense in 2020 according to actuarial calculation	**205,784**	**236,062**	**4,721**	**44,386**	**490,953**

Changes in net liabilities were as follows:

Consolidated	Pension plans and retirement supplement plans	Health plan	Dental plan	Life insurance	Total
Net liabilities at December 31, 2019	**2,972,136**	**3,102,178**	**60,504**	**573,876**	**6,708,694**
Expense recognized in Statement of income	205,784	236,062	4,721	44,386	490,953
Contributions paid	(211,099)	(143,290)	(2,812)	(9,763)	(366,964)
Actuarial losses	(58,326)	124,143	1,911	(57,364)	10,364
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	200,530	252,098	5,060	42,548	500,236
Past service cost	-	-	-	(415,438)	(415,438)
Contributions paid	(235,761)	(173,120)	(2,959)	(10,130)	(421,970)
Actuarial losses (gains)	(203,111)	70,434	(408)	(168,116)	(301,201)
Net liabilities at December 31, 2021	**2,670,153**	**3,468,504**	**66,017**	**-**	**6,204,674**

	2021	2020
Current liabilities	346,733	304,551
Non-current liabilities	5,857,941	6,538,496

Parent company	Pension plans and retirement supplement plans	Health plan	Dental plan	Life insurance	Total
Net liabilities at December 31, 2019	**503,792**	**183,781**	**4,837**	**21,098**	**713,508**
Expense recognized in Statement of income	34,794	13,376	360	1,580	50,110
Contributions paid	(10,385)	(8,997)	(176)	(317)	(19,875)
Actuarial losses	(15,264)	12,920	(339)	(2,280)	(4,963)
Net liabilities at December 31, 2020	**512,937**	**201,080**	**4,682**	**20,081**	**738,780**
Expense recognized in Statement of income	35,403	14,742	352	1,495	51,992
Past service cost	-	-	-	(15,135)	(15,135)
Contributions paid	(11,599)	(10,082)	(184)	(291)	(22,156)
Actuarial losses (gains)	(38,307)	14,845	197	(6,150)	(29,415)
Net liabilities at December 31, 2021	**498,434**	**220,585**	**5,047**	**-**	**724,066**
				2021	**2020**
Current liabilities				**26,917**	**25,062**
Non-current liabilities				**697,149**	**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, that include the past service cost arising from the cancellation of the post-retirement life insurance obligation, totaling R$15,194 (R$438,245 on December 31, 2020), plus the finance expenses and monetary updating on the debt with Forluz, in the amounts of R$69,604 (R$52,708 on December 31, 2020).

The independent actuary's estimation for the expense to be recognized for 2022 is as follows:

Consolidated	Pension plans and retirement supplement plans	Health plan	Dental plan	Life insurance	Total
Current service cost	1,883	15,873	375	-	18,131
Interest on the actuarial obligation	1,224,041	362,118	6,892	-	1,593,051
Expected return on the assets of the Plan	(941,106)	-	-	-	(941,106)
Estimated total expense in 2022 as per actuarial report	**284,818**	**377,991**	**7,267**	**-**	**670,076**

The expectation for payment of benefits for 2022 is as follows:

Consolidated	Pension plans and retirement supplement plans – Forluz	Health plan	Dental plan	Life insurance	Total
Estimated payment of benefits	1,064,258	207,824	3,687	-	1,275,769

The Company and its subsidiaries Cemig GT and Cemig D have expectation of making contributions to the pension plan in 2022 of R$246,043 for amortization of the deficit of Plan A, and R$85,950 for the Defined Contribution Plan (recorded directly in the Statement of income for the year).

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

Pension plans and retirement supplement plans		Health plan	Dental plan	Life insurance
Plan A	Plan B			
10.04	12.86	14.44	15.47	-

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

	Cemig, Cemig GT e Cemig D	
	2021	2020
Shares	7.77%	9.25%
Fixed income securities	73.95%	72.17%
Real estate property	5.04%	3.71%
Others	13.24%	14.87%
Total	**100.00%**	**100.00%**

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

	2021	2020	2019
Non-convertible debentures issued by the Company and subsidiaries	302,451	338,431	398,652
Shares issued by the Company	277,368	4,328	23,852
Real estate properties of the Foundation, occupied by the Company and subsidiaries	386	285,293	502,751
	580,205	**628,052**	**925,255**

This table provides the main actuarial assumptions:

	2021		
	Pension plans and retirement supplement plans	Health plan and Dental plan	Life insurance
Annual discount rate for present value of the actuarial obligation	10.60%	10.75%	10.73%
Annual expected return on plan assets	10.60%	Not applicable	Not applicable
Long-term annual inflation rate	5.03%	5.03%	5.03%
Estimated future annual salary increases	5.03%	Not applicable	6.29%
General mortality table	AT-2000 S10% by sex	AT-2000 M&F S10% D20%	AT-2000 M&F S10% D20%
Disability table	Not applicable	Tasa 1927 100%	Tasa 1927 100%
Disabled mortality table	AT-83 IAM Male	MI-85 Female	MI-85 Female
Real growth of contributions above inflation (1)	-	1%	-

(1) Starting in 2018, Company adopted the assumption of real growth of the contributions above inflation at the rate of 1% p.a.

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

(1) Starting in 2018, Company adopted the assumption of real growth of the contributions above inflation at the rate of 1% p.a.

Below is a sensitivity analysis of the effects of changes in the main actuarial assumptions used to determine the defined-benefit obligation at December 31, 2021:

Effects on the defined-benefit obligation	Pension plans and retirement supplement plans	Health plan	Dental plan	Life insurance	Total
Reduction of one year in the mortality table	264,308	58,904	(1,045)	-	**322,167**
Increase of one year in the mortality table	(269,329)	(60,164)	1,027	-	**(328,466)**
Reduction of 1% in the discount rate	1,120,422	476,226	9,350	-	**1,605,998**

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

The Company has not made changes in the methods used to calculate its post-employment obligations for the years ended December 31, 2021 and 2020.

25. 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				
	2020	Additions	Reversals	Settled	2021
Labor	427,515	80,686	(45,925)	(58,342)	403,934
Civil					
Customer relations	22,089	36,073	-	(25,927)	32,235
Other civil actions	32,495	19,245	(957)	(12,235)	38,548
	54,584	**55,318**	**(957)**	**(38,162)**	**70,783**
Tax	1,294,287	90,931	(88,929)	(628)	1,295,661
Regulatory	51,660	6,993	(7,764)	(3,047)	47,842
Others	64,391	23,337	(3,697)	(13,279)	70,752
Total	**1,892,437**	**257,265**	**(147,272)**	**(113,458)**	**1,888,972**

		Consolidated				
	2019	Additions	Reversals	Settled (1)	Provisions arising from business combination (2)	2020
Labor	497,320	106,594	(60,267)	(116,132)	-	427,515
Civil						
Customer relations	18,314	21,806	(45)	(17,986)	-	22,089
Other civil actions	17,767	21,361	-	(6,633)	-	32,495
	36,081	**43,167**	**(45)**	**(24,619)**	**-**	**54,584**
Tax	1,260,441	113,312	(38,625)	(40,841)	-	1,294,287
Regulatory	36,789	16,473	(857)	(745)	-	51,660
Others	57,433	13,424	(7,364)	(2,233)	3,131	64,391
Total	**1,888,064**	**292,970**	**(107,158)**	**(184,570)**	**3,131**	**1,892,437**

(1) This includes the amount of R$38,740, corresponding to the reversal of the contingency provisions relating to ICMS credits, recognized as recoverable taxes, due to a final judgment, against which there is no further appeal, in favor of the subsidiary Gasmig, on June 9, 2020.
(2) On January 13, 2020, the Company obtained the Centroeste control, which is consolidated as of 2020 first quarter. More details see Note 16.

	Parent company				
	2020	Additions	Reversals	Settled	2021
Labor	28,152	22,541	-	(7,618)	43,075
Civil					
Customer relations	550	1,063	-	(393)	1,220
Other civil actions	3,178	162	(757)	(162)	2,421
	3,728	**1,225**	**(757)**	**(555)**	**3,641**
Tax	170,624	7,267	-	(169)	177,722
Regulatory	18,606	513	(7,664)	(289)	11,166
Others	1,275	685	(44)	(525)	1,391
Total	**222,385**	**32,231**	**(8,465)**	**(9,156)**	**236,995**

	Parent company				
	2019	Additions	Reversals	Settled	2020
Labor	42,178	17,226	(14,004)	(17,248)	28,152
Civil					
Customer relations	547	398	(1)	(394)	550
Other civil actions	1,256	2,198	-	(276)	3,178
	1,803	**2,596**	**(1)**	**(670)**	**3,728**
Tax	161,413	10,794	(819)	(764)	170,624
Regulatory	17,211	1,482	(84)	(3)	18,606
Others	822	523	-	(70)	1,275
Total	**223,427**	**32,621**	**(14,908)**	**(18,755)**	**222,385**

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 financial statements 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 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 probability of loss have been assessed as 'probable' and contingent liabilities, for actions in which the probability of loss are assessed as 'possible'

<u>Labor claims</u>

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$1,570,680 (R$1,386,147 at December 31, 2020), of which R$403,934 (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 indexes and interest rates; and this also applies to cases of express omission, or simple consideration of following the legal criteria.

<u>Customers claims</u>

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$180,858 (R$142,481 at December 31, 2020), of which R$32,235 (R$22,089 at December 31, 2020) has been recorded – this being the probable estimate for funds needed to settle these disputes.

<u>Other civil proceedings</u>

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$460,540 (R$359,122 at December 31, 2020), of which R$38,548 (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$212,312 (R$166,348 at December 31, 2020), of which R$19,041 (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$86,847 (R$84,525 at December 31, 2020). Of this total, R$3,432 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$1,433,086 (R$1,520,054 on December 31, 2020), of which R$1,272,036 has been provisioned from January to December 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, a decision 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.

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$199,430 (R$202,975 at December 31, 2020), of which R$1,152 (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$385,244 (R$345,475 at December 31, 2020), of which R$47,842 (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$55,193 (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$419,869 (R$356,236 on December 31, 2020). Of this total, R$810 (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, 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$401,589 (R$621,398 at December, 31, 2020), of which R$14,749 (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$290,198 (R$285,836 at December 31, 2020). The updated amount of the contingency is R$301,647 (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$121,223 (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$239,467 (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$453,924 (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 December 2021, the Tax Authority of Minas Gerais State issued infraction notices against the subsidiary Gasmig, in the total amount of R$357,435, 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 September 2021, alleging a divergence between the form of calculation used by Gasmig and the opinion of that tax authority. The claims comprises principal amount of R$124,478, penalty payments of R$200,546 and interest of R$32,411.

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 December 31, 2021 the amount of the contingency for the period relating to the rules on expiry by limitation of time is R$139,938 (R$107,000 on December 31, 2020). In July 2021, Gasmig filed an lawsuit for annulment of a tax debit, against the State of Minas Gerais, and this proceeding suspended the tax claim referred to above.

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$60,079 on December 31, 2021, and the chances of loss were assessed as 'possible', based on analysis of current judgments by the Brazilian courts on the theme.

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

The Brazilian tax authority issued, in August 2021, two infringement notices relating to calculation of the PIS/Pasep and Cofins taxes, from August 2016 to December 2017, alleging insufficiency of payment of these contributions due to supposed undue credits deduction of the expenses on the Proinfa charge, and absence of reversal of the credits related to non-technical losses. The Company is contesting these infringement notices. On December 31, 2021 the amount of the contingency is R$161,780 and the Company has classified the chances of loss as 'possible', due to the scarcity of case law on the subject.

<u>Regulatory matters</u>

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 and its subsidiaries 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$1,269,402 (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 energy sector, and because Cemig complied with Aneel Resolutions 414 and 456, which deal with the subject.

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

In a claim dating from August 2002, AES Sul Distribuidora challenged in the court the criteria for accounting of energy sale transactions in the wholesale energy market (*Mercado Atacadista de Energia*, or MAE) (predecessor of the present Power Trading Chamber – *Câmara de Comercialização de Energia Elétrica*, or CCEE), during the period of rationing. It obtained a favorable interim judgment on February 2006, which ordered the 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$436,835 (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$413,375 (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$123,098 (R$105,552 at December 31, 2020).

Other contingent liabilities

Early settlement of the CRC (Earnings Compensation) Account

The Company was 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. In August 2021, was released a decision from Audit Board of the State of Minas Gerais which recognized expiration of the punitive and compensatory claims, since it was not given within five years from the first event giving rise to the expiry period (a decision on the merits, appealable). As a result of this the case was set aside in November 2021.

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$198,144 (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$86,256 at December 31, 2021. The chances of loss have been assessed as 'possible'.

26. EQUITY AND REMUNERATION TO SHAREHOLDERS

a) Share capital

On December 31, 2021 and 2020, the Company's issued and share capital is R$8,466,810, represented by 566,036,634 common shares and 1,127,325,434 preferred shares, both of them with nominal value of R$5.00 (five Reais), as follows:

Shareholders	Number of shares on December 31, 2021					
	Common	%	Preferred	%	Total	%
State of Minas Gerais	288,485,632	51	13,143	-	288,498,775	17
Other entities of Minas Gerais State	23,094	-	14,472,345	1	14,495,439	1
FIA Dinâmica Energia S.A.	153,354,328	27	80,004,762	7	233,359,090	14
BNDES Participações	63,082,911	11	22,141,720	2	85,224,631	5
BlackRock	-	-	123,325,741	11	123,325,741	7
Others						
In Brazil	43,689,699	8	145,881,261	13	189,570,960	11
Foreign shareholders	17,400,970	3	741,486,462	66	758,887,432	45
Total	**566,036,634**	**100**	**1,127,325,434**	**100**	**1,693,362,068**	**100**

Shareholders	Number of shares on December 31, 2020					
	Common	%	Preferred	%	Total	%
State of Minas Gerais	258,738,711	51	11,788	-	258,750,499	17
Other entities of Minas Gerais State	20,713	-	7,442,037	1	7,462,750	-
FIA Dinâmica Energia S.A.	114,172,677	22	43,975,272	4	158,147,949	10
BNDES Participações	56,578,175	11	27,299,432	3	83,877,607	6
BlackRock	-	-	153,689,970	15	153,689,970	10
Others						
In Brazil	55,717,246	11	212,704,725	21	268,421,971	18
Foreign shareholders	22,442,767	5	565,959,088	56	588,401,855	39
Total	**507,670,289**	**100**	**1,011,082,312**	**100**	**1,518,752,601**	**100**

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

Capital increase

The Annual General Meeting held on April, 30, 2021 approved Management's proposal for allocation of the profits for 2020, disclosed 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 reserve and unrealized profit reserve) exceeded the share capital, by R$1,529,371.

This capital increase was made through the issuance of 174,609,467 new shares, of which 58,366,345 were common shares and 116,243,122 preferred shares, with nominal unit value of R$5.00, by the capitalization of R$873,047 from retained earnings reserve.

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, is described in the table below:

	Number of shares	
	2021	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 and diluted earnings per share

The Company's preferred shares carry the right to a minimum mandatory dividend, as shown in more detail in item 'e'.

The purchase and sale options of investments in SAAG, issued by Cemig GT, described in Note 30, could potentially dilute basic earning (loss) per share in the future; however, they have not caused dilution of earning per share in 2021 and 2020.

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

	2021	2020
Net income for the year attributed to equity holders of the parent	**3,751,321**	**2,864,110**
Minimum mandatory dividend from net income for the year - preferred shares	1,308,928	986,516
Net income for the year not distributed - preferred shares	1,187,952	919,835
Total earnings - preferred shares (A)	2,496,880	1,906,351
Minimum mandatory dividend from net income for the year - common shares	657,610	495,630
Net income for the year not distributed - common shares	596,831	462,129
Total earnings - common shares (B)	1,254,441	957,759
Basic and diluted earnings per preferred share (A / number of preferred shares)	**2.22**	**1.69**
Basic and diluted earnings per common share (B / number of common shares)	**2.22**	**1.69**

	2021	2020
Net income for the year from continuing operations attributed to equity holders of the parent	**3,751,321**	**2,864,110**
Minimum mandatory dividend from net income for the year from continuing operations – preferred shares	1,308,928	986,516
Net income for the year from continuing operations not distributed – preferred shares	1,187,952	919,835
Total earnings from continuing operations - preferred shares (A.1)	2,496,880	1,906,351
Minimum mandatory dividend from net income for the year from continuing operations - common shares	657,610	495,630
Net income for the year from continuing operations not distributed – common shares	596,831	462,129
Total earnings from continuing operations - common shares (B.1)	1,254,441	957,759
Basic and diluted earnings from continuing operations per preferred share (A.1 / number of preferred shares)	**2.22**	**1.69**
Basic and diluted earnings from continuing operations per common share (B.1 / number of common shares)	**2.22**	**1.69**

Considering that each class of share participates equally in the profit reported, the earning per share in the fiscal years ended in December 31, 2021 and 2020 were, respectively, R$2.22 and R$1.69. These figures are calculated based on the Company's number of shares on December 31, 2021, adjusting the earning per share of the comparative fiscal years.

c) Equity valuation adjustments

Consolidated	2021	2020
Adjustments to actuarial liabilities – Employee benefits	(329,036)	(340,327)
Subsidiaries, jointly controlled entities and affiliated company		
Adjustments to actuarial liabilities – Employee benefits	(2,433,543)	(2,660,312)
Deemed cost of PP&E	554,409	569,429
Translation adjustments	362	362
Others	(406)	(575)
	(1,879,178)	**(2,091,096)**
Equity valuation adjustments	**(2,208,214)**	**(2,431,423)**

The adjustments to post-employment benefit obligations comprise gains or losses resulting from re-measurements of the net defined-benefit obligation, in accordance with the actuarial report, net of tax effects: on December 31, 2021 this balance is R$2,208,214 (R$2,431,423 on December 31, 2020).

The Company has reclassified the accumulated balance of actuarial losses related to life insurance to Retained Earnings, in the amount of R$39,267, net of taxes, due to the cancellation of this post-employment benefit, with write-off of the obligation the balance (more details are available in Note 24).

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

d) Reserves

Capital reserves

	2021	2020
Investment-related donations and subsidies	1,856,628	1,856,628
Goodwill on issuance of shares	394,448	394,448
Inflation adjustment of capital	7	7
Shares in treasury	(1,362)	(1,362)
	2,249,721	**2,249,721**

The Reserve for investment-related donations and subsidies basically refers to the compensation by the Federal Government for the difference between the profitability obtained by Cemig up to March 1993 and the minimum return guaranteed by the legislation in effect at the time.

The reserve for treasury shares refers to the pass-through by Finor of shares arising from funds applied in Cemig projects in the area covered by Sudene (the development agency for the Northeast) under tax incentive programs.

Profit reserves

	2021	2020
Legal reserve	1,181,837	995,332
Statutory reserve	57,215	57,215
Retained earnings reserve	7,330,512	6,650,741
Unrealized earnings reserve	834,603	834,603
Incentive tax reserve	124,081	102,868
Reserve for mandatory dividends not distributed	1,419,846	1,419,846
	10,948,094	**10,060,605**

Legal reserve

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

Statutory reserve

The reserve under the By-laws is for future payment of extraordinary dividends, in accordance with Article 28 of the by-laws.

Retained earnings reserve

Retained earnings reserves refers to profits not distributed in prior years, to guarantee execution of the Company's Investment Program, and amortization of loans and financing. The retentions are supported by capital budgets approved by the Board of Directors in the respective years.

Unrealized earnings reserve

Article of the Brazilian corporate law nº 6,404/76 allows the Company to pay the mandatory dividend, calculated as required by the Bylaws up to the amounts of the realized portion of the net income for the year.

In 2021, Company presented a positive net share of profit of subsidiaries, jointly controlled entities and affiliates of R$3,038,463, which can be regarded as unrealized portion of net income for the year, in accordance with the Brazilian corporate law.

Additionally, the above does not apply to the payment of the minimum mandatory dividends on preferred shares, which are required to be paid in full for an amount of R$563,663 as described in further details in (f) below. In addition, since the creation of the Unrealized Earnings Reserve is optional, Management decided to propose the same proportion of dividend payment to shareholders owning common shares, considering Company's expected financial capacity.

The outstanding balance of the Unrealized Earnings Reserve will remain R$834,603, considering the reversal of the reserve recorded in 2020 and the creation of a new one in 2021, in the same amount.

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

Incentives tax reserve

The subsidiaries Cemig D and Cemig GT have a right to 75% reduction in income tax, including the tax paid at the additional rate, calculated on the basis of the operating profit in the region of Sudene (the Development Agency for the Northeast), for 10 years starting in 2014. The amount of the incentive recognized in the Statement of income was R$21,213 in 2021 (R$17,829 in 2020), and it was subsequently transferred to the incentives tax reserve. The amount of the tax incentives reserve on December 31, 2021 was R$124,081 (R$102,868 at December 31, 2020). This reserve cannot be used for payment of dividends.

Reserve for mandatory dividends not distributed

	2021
Dividends withheld, arising from the net income of 2015	622,530
Dividends withheld, arising from the net income of 2014	797,316
	1,419,846

These dividends were retained in Equity, in years 2015 and 2014, in the account Reserve for mandatory dividends not distributed; and as per the proposal approved in the Annual General Meetings of 2016 and 2015, the dividends retained will be paid as soon as the Company’s financial situation permits. The Company's Management, in view of the uncertainties present in the current macroeconomic scenario and the estimated cash requirement for the nex year, concluded that the financial situation does not yet allow the payment of these retained dividends.

e) Rights and preferences of the common and preferred shares

Every holder of Cemig common shares has the right to vote in an election for members of our Board of Directors. Under the Brazilian Corporate Law, any shareholder holding at least 5% of Cemig’s common shares in circulation may request adoption of a multiple vote procedure, which confers upon each share a number of votes equal to the present number of members of the Board of Directors and gives the shareholder the right to accumulate his or her votes in one sole candidate, or distribute them among several.

Under the Brazilian Corporate Law, holders of preferred shares representing at least 10% of Cemig's share capital, and also holders of common shares representing at least 15% of its share capital (other than the controlling shareholder) have the right to appoint a member of the Board of Directors and his or her respective substitute member in a separate election. If none of the holders of common or preferred shares qualifies under the minimum limits specified above, shareholders representing, in the aggregate, a minimum of 10% of the share capital may combine their holdings to elect a member of the Board of Directors, and that member's substitute member.

Under Article 171 of the Corporate Law, every shareholder has a generic right of first refusal in subscription of new shares, or securities convertible into shares, issued in any capital increase, in proportion to their percentage shareholding, except in the event of exercise of any option to acquire shares in our share capital. Shareholders are required to exercise their right of first refusal within 30 days from publication of the notice of increase of capital. Every holder of Cemig preferred shares has preference in the event of share redemption.
The dividend rights of the preferred and common shares are described below:

f) Dividends

Under the by-laws, if the Company is able to pay dividends higher than the mandatory minimum dividends required for the preferred Shareholders, and the remaining net income is sufficient to offer equal dividends for both the common and preferred shares, then the dividends per share will be the same for the holders of common shares and preferred shares. Dividends declared are paid in two equal installments, the first by June 30 and the second by December 30, of the year following the generation of the profit to which they refer. The Executive Board decides the location and processes of payment, subject to these periods.

Under its by-laws, Cemig is required to pay to its shareholders, as mandatory dividends, 50% of the net income of each year.

The preferred shares have preference in the event of reimbursement of capital and participate in profits on the same conditions as the common shares have the right, when there is net income, to a minimum annual dividends equal to the greater of:

(a) 10% of their par value, and
(b) 3% of the portion of equity that they represent.

Under its by-laws, Cemig's shares held by private individuals and issued up to August 5, 2004 have the right to a minimum dividend of 6% per year on their par value in all years when Cemig does not obtain sufficient profits to pay dividends to its Shareholders. This guarantee is given by the State of Minas Gerais by Article 9 of State Law 828 of December 14, 1951 and by State Law 15,290 of August 4, 2004.

Calculation of the minimum dividends proposed

The calculation of the minimum dividends proposed for distribution to Shareholders considering the unrealized profit assumption, as mentioned in the previous paragraph, is as follows:

	2021	2020
Calculation of Minimum Dividends required by the By-laws for the preferred shares		
Nominal value of the preferred shares	5,636,627	5,055,412
	5,636,627	**5,055,412**
Percentage applied to the nominal value of the preferred shares	10,00%	10.00%
Amount of the dividends by the first payment criterion	**563,663**	**505,541**
Equity	19,456,411	17,472,666
Preferred shares as a percentage of Equity (net of shares held in Treasury)	66,56%	66.56%
Portion of Equity represented by the preferred shares	12,950,187	11,629,806
Percentage applied to the portion of Equity	3,00%	3.00%
Amount of the dividends by the second payment criterion	**388,506**	**348,894**
Minimum Dividends required by the Bylaws for the preferred shares	**563,663**	**505,541**
Calculation of the Minimum Dividend under the by-laws based on the net income for the year		
Mandatory dividend		
Net income for the year	3,751,321	2,864,110
	50%	50.00%
Mandatory dividends – 50% of Net income	1,875,661	1,432,055
Unrealized earnings reserve	(834,603)	(834,603)
Reversal of the unrealized earnings reserve of 2019	834,603	834,603
Withholding income tax on Interest on equity	90,877	50,091
	1,966,538	**1,482,146**
Dividends recorded, as specified in the by-laws		
Interest on Equity	955,282	553,488
Ordinary dividends	1,011,256	928,658
	1,966,538	**1,482,146**
Total dividends for the preferred shares	**1,308,928**	**986,516**
Total dividends for the common shares	**657,610**	**495,630**
Unit value of dividends – R$		
Minimum dividends required by the by-laws for the preferred shares	0.50	0.50
Mandatory dividends (including withholding income tax on Interest on Equity)	1.16	0.98
Dividends proposed: Common (ON) shares	1.16	0.98
Dividends proposed: Preferred (PN) shares	1.16	0.98

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

	Consolidated	Parent company
Balances at December, 31, 2019	**744,591**	**742,519**
Proposed dividends	1,482,146	1,482,146
Dividends proposed for non-controlling shareholder	579	-
Tax withheld at source on Interest on Equity	(50,091)	(50,091)
Dividends retained – Minas Gerais state government	(130,244)	(130,244)
Dividends paid	(598,135)	(597,385)
Balances at December, 31, 2020	**1,448,846**	**1,446,945**
Proposed dividends	1,966,538	1,966,538
Dividends proposed for non-controlling shareholder	876	-
Tax withheld at source on Interest on Equity	(90,877)	(90,877)
Dividends retained – Minas Gerais state government (Note 11)	(13,366)	(13,366)
Dividends paid	(1,402,967)	(1,397,990)
Balances at December, 31, 2021	**1,909,050**	**1,911,250**

llocation of net income for 2021 – Management's proposal

The Board of Directors decided to propose to the Annual General Meeting to be held on April, 2022 the following allocation of the net income for 2021, totaling R$3,751,321, of realization of the deemed cost of PP&E, totaling R$15,020, realization of the unrealized earnings reserve totaling R$834,603 and addition of R$39,267 to retained rarnings, relating to post-employment benefits, as follow:

- R$186,505 will be held in Stockholders' equity in the Legal Reserve, as established in Brazilian corporate law 6,404/1976.

- R$1,966,538 as minimum mandatory dividends, to the Company's shareholders, to be paid in two equal installments, by June 30 and December 30, 2022, as follows:

  - R$955,282 in the form of the mandatory dividends as of Interest on Equity, declared on December 07, 2021;
  - R$1,011,256 in the form of dividends, to holders whose names are in the Company's Nominal Share Registry on the date of the AGM.

- R$1,552,818 to be held in Shareholders' equity in the Retained Earnings Reserve, to provide funding for the Company's consolidated investments planned for 2021, as per capital budget.
- R$21,213 to be held in Shareholders' equity in the Tax Incentives Reserve, related to tax incentive due to investment in the region of Sudene.

The amount of R$834,603 remains as Unrealized Earnings Reserve, considering the reversal of the reserve constituted in 2020 and the new constitution in 2021, of the same amount.

Payment of the dividends will be made by December 30, 2022, in accordance with the availability of cash and at the decision of the Executive Board.

g) Capital increase – Proposal by management

Considering that, on December 31, 2021, the share capital was R$8,466,810 and the amount of profit reserves, with the exclusion of the Tax Incentive Reserves and Unrealized Earnings Reserve, was R$9,989,410, exceeding the registered share capital by R$1,522,600, the Board of Directors will submit to the Annual General Meeting a proposal for increase of the registered share capital from R$8,466,810 to R$11,006,853, as per Article 199 of the Brazilian Corporate Law (Law 6,404/76), to be realized through capitalization of the balance of R$2,540,043 of the Retained Earnings Reserve, through a stock bonus, with issuance of 508,008,620 new shares, each with nominal (unit) value of R$5.00 set in the by-laws, of which 169,810,990 will be common shares and 338,197,630 will be preferred shares.

27. 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		Parent company	
	2021	2020	2021	2020
Revenue from supply of energy (a)	29,619,254	26,432,081	319,721	-
Revenue from use of the electricity distribution systems (TUSD) (b)	3,448,318	3,021,614	-	-
CVA and Other financial components (c)	2,146,043	454,741	-	-
Reimbursement of PIS/Pasep and Cofins over ICMS credits to customers– realization (1)	1,316,995	266,320	-	-
Transmission revenue			-	-
Transmission operation and maintenance revenue (d)	354,910	279,263	-	-
Transmission construction revenue (d)	251,973	201,451	-	-
Interest revenue arising from the financing component in the transmission contract asset (d) (Note 14)	660,457	438,393	-	-
Distribution construction revenue	1,852,263	1,434,823	-	-
Adjustment to expectation of cash flow from indemnifiable financial assets of distribution concession (e)	53,751	15,464	-	-
Revenue on financial updating of the Concession Grant Fee (f)	523,105	347,057	-	-
Transactions in energy on the CCEE (g)	1,156,503	153,762	203,245	-
Mechanism for the sale of surplus (h)	452,896	234,347	-	-
Supply of gas	3,470,406	2,011,084	-	-
Fine for violation of service continuity indicator	(70,948)	(50,532)	-	-
Advances for services provided (i)	153,970	-	-	-
Other operating revenues (j)	1,935,273	1,709,486	472	354
Deductions on revenue (k)	(13,679,051)	(11,721,729)	(51,004)	(35)
Net operating revenue	**33,646,118**	**25,227,625**	**472,434**	**319**

(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$	
	2021	2020	2021	2020
Residential	11,185,772	10,980,626	11,123,482	9,875,239
Industrial	16,360,861	12,731,167	5,274,972	4,170,940
Commercial, services and others	8,334,095	8,571,078	5,520,318	4,978,987
Rural	3,975,398	3,766,186	2,565,932	2,189,786
Public authorities	729,312	713,984	583,205	522,319
Public lighting	1,225,733	1,242,760	717,978	550,376
Public services	1,418,306	1,362,402	879,347	721,488
Subtotal	**43,229,477**	**39,368,203**	**26,665,234**	**23,009,135**
Own consumption	33,074	34,089	-	-
Unbilled revenue	-	-	(14,491)	8,867
	43,262,551	**39,402,292**	**26,650,743**	**23,018,002**
Wholesale supply to other concession holders (2)	10,824,709	13,906,848	3,023,921	3,363,012
Wholesale supply unbilled, net	-	-	(55,410)	51,067
Total	**54,087,260**	**53,309,140**	**29,619,254**	**26,432,081**

(1) Data not examined 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 grantor. The total amount of energy transported, in MWh, is as follows:

	MWh (1)	
	2021	2020
Industrial	20,446,578	18,612,418
Commercial	1,535,217	1,299,871
Rural	44,161	31,835
Public service	3,650	-
Concessionaires	310,178	315,142
Total	**22,339,784**	**20,259,266**

(1) Data not audited 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 14.

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 15.

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

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

	2021	2020
Construction and upgrades revenue	251,973	201,451
Construction and upgrades costs	(183,386)	(146,652)
Margin	68,587	54,799
Mark-up (%)	**37.40%**	**37.37%**
Operation and maintenance revenue	354,910	279,263
Operation and maintenance cost	(235,229)	(223,215)
Margin	119,681	56,048
Mark-up (%)	**50.88%**	**25.11%**

e) Adjustment to expected cash flow from financial assets on residual value of infrastructure asses 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 14.

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.

In the third quarter of 2021, part of the energy purchase contracts of the subsidiary Cemig GT were transferred to the Company, beginning the process of segregation of the commercialization business, in order to provide a more accurate view of this business segment results. Segregation of the commercialization business does not affect the Company's corporate strategy, of serving the market, with the purpose of delivery of energy to its clients.

h) Mechanism for the sale of energy surplus

The revenue from the surplus sale mechanism ('*Mecanismo de Venda de Excedentes* – MVE') refers to the sale of power surpluses by distributor agents. This mechanism is an instrument regulated by Aneel enabling distributors to sell over contracted supply – the energy amount that exceeds the quantity required to supply captive customers.

i) Advances for services provided

Corresponds to the negotiation with a free customer that resulted in a revenue recognition related to trading services provided in advance by the subsidiary ESCEE.

j) Other operating revenues

Consolidated	2021	2020
Charged service	16,698	10,821
Services rendered	52,688	138,935
Subsidies (1)	1,592,202	1,395,247
Rental and leasing	210,904	164,009
Contractual indemnities	26,990	-
Other	35,791	474
	1,935,273	**1,709,486**

(1) Includes the revenue recognized for the tariff subsidies applied to users of the distribution system, in the amount of R$986,310 on December 31, 2021 (R$1,035,617 on December 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$107,571 on December 31, 2021, recognized because of the creditor position assumed by the Company in CCRBT; and revenue recognized arising from subsidies, in the amount of R$205,439, relating to the Program to Encourage Voluntary Reduction of Electricity Consumption.

k) Deductions on revenue

	Consolidated		Parent Company	
	2021	2020	2021	2020
Taxes on revenue				
ICMS	6,993,172	6,097,534	2,824	-
Cofins	2,842,438	2,214,062	39,567	29
PIS/Pasep	617,928	480,903	8,590	6
Others	10,049	6,124	23	-
	10,463,587	**8,798,623**	**51,004**	**35**
Charges to the customer				
Global Reversion Reserve (RGR)	15,333	15,962	-	-
Energy Efficiency Program (PEE)	74,354	72,631	-	-
Energy Development Account (CDE)	2,658,383	2,442,553	-	-
Research and Development (R&D)	34,209	42,774	-	-
National Scientific and Technological Development Fund (FNDCT)	54,773	42,774	-	-
Energy System Expansion Research (EPE of MME)	27,386	21,387	-	-
Customer charges – Proinfa alternative sources program	65,733	38,532	-	-
Energy services inspection fee	34,685	34,613	-	-
Royalties for use of water resources	36,829	62,461	-	-
Customer charges – the 'Flag Tariff' system	162,012	149,419	-	-
CDE on R&D	20,564	-	-	-
CDE on PEE	31,203	-	-	-
	3,215,464	**2,923,106**	**-**	**-**
	13,679,051	**11,721,729**	**51,004**	**35**

28. OPERATING COSTS AND EXPENSES

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

	Consolidated		Parent company	
	2021	2020	2021	2020
Personnel (a)	1,240,468	1,276,076	14,564	15,961
Employees' and managers' profit sharing	134,267	141,847	5,697	13,756
Post-employment benefits – Note 24 (1)	15,194	438,245	33,432	47,518
Materials	94,021	79,077	46	190
Outsourced services (b)	1,449,954	1,264,788	18,250	26,126
Energy bought for resale (c)	16,101,254	12,111,489	239,487	-
Depreciation and amortization (2)	1,049,108	989,053	1,730	2,954
Operating provisions and adjustments for operating losses (d)	374,678	423,286	23,766	54,910
Charges for use of the national grid	3,336,985	1,747,811	-	-
Gas bought for resale	2,011,340	1,083,089	-	-
Construction costs (e)	2,035,648	1,581,475	-	-
Other operating expenses, net (f)	393,426	295,635	15,161	9,043
	28,236,343	**21,431,871**	**352,133**	**170,458**

(1) Due to the changes made in the Collective Work Agreement for 2021–23, for offer and payment of life insurance for the employees and former employees, the Company bilieves that the post-retirement benefit in question had been canceled, in its entirety, and as a result wrote down the balance of the obligation. More information, see Note 24.

(2) Net of PIS/Pasep and Cofins taxes applicable to amortization of the Right of Use, in the amount of R$1,736 in the statements and R$20 in the Parent company statements (R$1,929 and R$122 on December 31, 2020).

a) Personnel

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 provided 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.

The total amount of R$35,238 has been recorded as expense related to this program, corresponding to the enrollment of 324 employees.

b) Outsourced services

	Consolidated		Parent company	
	2021	2020	2021	2020
Meter reading and bill delivery	133,783	126,970	-	-
Communication	147,615	115,353	173	362
Maintenance and conservation of electrical facilities and equipment	485,382	442,837	20	18
Building conservation and cleaning	71,764	63,268	203	134
Security services	17,106	18,987	-	-
Auditing and consulting services	43,398	40,541	6,515	17,079
Information technology	93,288	80,497	1,915	1,748
Disconnection and reconnection	81,615	39,107	-	-
Legal services	31,511	21,283	6,800	1,117
Tree pruning	45,711	47,600	-	-
Cleaning of power line pathways	92,084	74,961	-	-
Copying and legal publications	17,978	16,783	188	303
Inspection of customer units	33,390	35,162	-	-
Other expenses	155,329	141,439	2,436	5,365
	1,449,954	**1,264,788**	**18,250**	**26,126**

c) Energy purchased for resale

	Consolidated		Parent company	
	2021	2020	2021	2020
Supply from Itaipu Binacional	1,945,788	1,990,221	-	-
Physical guarantee quota contracts	831,884	780,025	-	-
Quotas for Angra I and II nuclear plants	244,577	302,969	-	-
Spot market	1,224,155	1,496,785	11,125	-
Proinfa Program	400,638	317,588	-	-
‘Bilateral’ contracts	417,728	333,676	-	-
Energy acquired in Regulated Market auctions	6,242,369	3,334,408	-	-
Energy acquired in the Free Market (1)	4,976,410	3,976,906	252,773	-
Distributed generation (‘Geração distribuída’)	1,268,173	678,113	-	-
PIS/Pasep and Cofins credits	(1,450,468)	(1,099,202)	(24,411)	-
	16,101,254	**12,111,489**	**239,487**	**-**

(1) The energy acquired in the Free Market by the parent company arises from the contracts transferred by Cemig GT, as a result of the process of partial segregation of the Company’s energy commercialization business. For more information, see Note 27(g).

d) Operating provision (reversals)

	Consolidated		Parent company	
	2021	2020	2021	2020
Estimated losses on doubtful accounts receivables (Note 7) (1)	143,856	146,705	-	-
Estimated losses on other accounts receivables (2)	20,692	94	-	(164)
Estimated losses on doubtful accounts receivable from related (4)	-	37,361	-	37,361
Contingency provisions (reversals) (Note 25) (3)				
Labor claims	34,761	46,327	22,541	3,222
Civil	54,361	43,122	468	2,595
Tax	2,002	74,687	7,267	9,975
Other	18,869	21,676	(6,510)	1,921
	109,993	**185,812**	**23,766**	**17,713**
	274,541	**369,972**	**23,766**	**54,910**
Adjustment for losses				
Put option – SAAG (Note 31)	100,137	53,314	-	-
	100,137	**53,314**	**-**	**-**
	374,678	**423,286**	**23,766**	**54,910**

(1) The expected losses on receivables are presented as selling expenses in the Statement of Income.
(2) This refers mainly to the estimated loss on credits for sharing of infrastructure (rental of overhead cable poles).
(3) The provisions for contingencies of the holding company are presented in the consolidated profit and loss account for the year as operating expenses.
(4) Estimated losses on amounts receivable from Renova, as a result of the assessment of credit risk.

e) Construction infrastructure costs

Consolidated	2021	2020
Personnel and managers	100,162	82,620
Materials	1,149,667	774,823
Outsourced services	681,993	598,121
Others	103,826	125,911
	2,035,648	**1,581,475**

f) Other operating expenses, net

	Consolidated		Parent company	
	2021	2020	2021	2020
Leasing and rentals (recovery of costs)	5,991	10,689	38	631
Advertising	11,937	6,642	16	442
Own consumption of energy	27,651	24,399	-	-
Subsidies and donations	27,470	21,748	-	-
Onerous concession	3,456	2,801	-	-
Insurance	28,677	24,995	3,756	2,989
CCEE annual charge	5,865	5,709	9	1
Net loss (gain) on deactivation and disposal of assets	96,641	81,137	-	157
Forluz – Administrative running cost	31,601	29,955	1,565	1,474
Collection agents	85,062	85,712	-	-
Obligations deriving from investment contracts (1)	11,121	9,289	-	-
Taxes and charges	16,322	7,306	4,150	1,129
Losses (gains) on investments (2)	40,071	(13,825)	-	-
Other expenses (recovery of expenses)	1,561	(922)	5,627	2,220
	393,426	**295,635**	**15,161**	**9,043**

(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$149 million (R$119 million at December 31, 2020), of which Cemig GT's portion is R$52 million (R$41 million on December, 31, 2020).

(2) The Company injected capital into UHE Itaocara S.A., to assist in compliance with the final Arbitration Ruling against the investee, given by the FGV in its Mediation and Arbitration Chamber, in the amount of R$40,071. This amount is proportional to its shareholding interest in the investee, and was recognized under Other expenses in the Company's income statement.

29. FINANCE INCOME AND EXPENSES

	Consolidated		Parent company	
	2021	2020	2021	2020
FINANCE INCOME				
Income from financial investments	241,554	95,246	69,211	4,538
Interest on sale of energy	460,480	398,940	1	-
Monetary variations	67,828	42,323	8,530	14,147
Monetary variations – CVA (Note 14)	63,907	31,949	-	-
Monetary updating of escrow deposits	29,018	52,824	4,640	9,243
PIS/Pasep and Cofins charged on finance income (1)	(123,981)	(96,464)	(80,054)	(64,756)
Gains on financial instruments –swap (Note 31)	-	1,752,688	-	-
Borrowing costs paid by related parties	1,752	30,300	1,752	27,459
Monetary updating on PIS/Pasep and Cofins taxes credits over ICMS (2)	19,837	41,694	6,875	5,380
Others	82,911	95,905	2,742	1,935
	843,306	**2,445,405**	**13,697**	**(2,054)**
FINANCE EXPENSES				
Charges on loans and financings (Note 22)	(1,146,682)	(1,177,769)	(2,422)	(1,479)
Cost of debt – amortization of transaction cost (Note 22)	(20,456)	(15,107)	(55)	(222)
Foreign exchange variations - loans and financing (Note 22)	(353,321)	(1,742,494)	-	-
Discount and premium on repurchase of debt securities (*Eurobonds*) (Note 22)	(491,037)	-	-	-
Foreign exchange variations – Itaipu Binacional	(26,757)	(46,777)	-	-
Monetary updating – loans, financings and debentures (Note 22)	(330,114)	(186,610)	-	-
Monetary updating – onerous concessions	(8,268)	(9,165)	-	-
Charges and monetary updating on post-employment obligations (Note 24)	(69,604)	(52,708)	(3,425)	(2,592)
Loss on financial instruments –swap (Note 31)	(537,976)	-	-	-
Leasing – Monetary variation (Note 19)	(24,974)	(26,995)	(249)	(292)
Others	(87,110)	(93,239)	(3,251)	43
	(3,096,299)	**(3,350,864)**	**(9,402)**	**(4,542)**
NET FINANCE INCOME (EXPENSES)	**(2,252,993)**	**(905,459)**	**4,295**	**(6,596)**

(1) The PIS/Pasep and Cofins expenses apply to Interest on Equity.
(2) The updating of the tax credits for the court judgment on PIS, Pasep, Cofins / ICMS tax, and the related liability to be refunded to customers, is presented at net value.

30. 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	
	2021	2020	2021	2020	2021	2020	2021	2020
Shareholder								
Minas Gerais State Government								
Current								
Customers and traders (1)	167,366	334,824	-	-	107,256	127,385	-	-
Non-current								
Accounts Receivable – AFAC (2)	13,366	11,614	-	-	1,752	26,656	-	-
Affiliated (3)								
Madeira Energia								
Current								
Transactions with energy (4)	7,533	2,173	131,080	92,054	94,883	34,803	(1,731,392)	(1,200,019)
Adjustment for losses (5)	-	-	161,648	-	-	-	(161,648)	-
Jointly controlled entity (3)								
Aliança Geração								
Current								
Transactions with energy (4)	-	-	16,785	14,297	53,258	42,134	(196,098)	(174,426)
Provision of services (6)	512	323	-	-	5,241	4,823	-	-
Contingency (7)	-	-	52,497	41,376	-	-	(11,121)	(9,289)
Baguari Energia								
Current								
Transactions with energy (4)	-	-	983	922	154	166	(8,825)	(8,410)
Provision of services (6)	211	211	-	-	691	775	-	-
Norte Energia								

COMPANY	ASSETS		LIABILITIES		REVENUE		EXPENSES	
	2021	2020	2021	2020	2021	2020	2021	2020
Current								
Transactions with energy (4)	2,338	130	35,291	25,154	26,363	28,113	(335,780)	(265,330)
Lightger								
Current								
Transactions with energy (4)	-	-	2,160	1,646	-	-	(27,885)	(22,521)
Hidrelétrica Pipoca								
Current								
Transactions with energy (4)	-	-	3,153	2,728	-	-	(37,063)	(25,777)
Interest on Equity, and dividends	-	2,680	-	-	-	-	-	-
Retiro Baixo								
Current								
Transactions with energy (4)	570	-	622	144	6,356	5,348	(5,472)	(4,785)
Interest on Equity, and dividends	7,202	-	-	-	-	-	-	-
Hidrelétrica Cachoeirão								
Current								
Transactions with energy (4)		-		-				
Taesa								
Current								
Transactions with energy (4)	-	-	9,971	8,128	252	164	(122,780)	(99,644)
Provision of services (6)	150	289	-	-	1,242	979	-	-
Hidrelétrica Itaocara								
Current								
Adjustment for losses (8)	-	-	20,767	29,615	-	-	-	-
Axxiom								
Current								
Provision of services (9)	-	-	62	3,782	87	134	-	-
Other related parties								
FIC Pampulha								
Current								
Cash and cash equivalents	81,027	171,373	-	-	-	-	-	-
Marketable securities	1,707,323	3,355,688	-	-	28,169	32,855	-	-
Non-current								
Marketable securities	351,162	754,555	-	-	-	-	-	-
Forluz								
Current								
Post-employment obligations (10)	-	-	180,635	158,671	-	-	(200,530)	(205,784)
Supplementary pension contributions – Defined contribution plan (11)	-	-	-	-	-	-	(77,377)	(77,439)
Administrative running costs (12)	-	-	-	-	-	-	(31,599)	(29,954)
Operating leasing (13)	169,993	166,926	23,765	21,754	-	-	(28,915)	(42,072)
Non-current								
Post-employment obligations (10)	-	-	2,489,518	2,749,824	-	-	-	-
Operating leasing (13)	-	-	162,913	156,207	-	-	-	-
Cemig Saúde								
Current								
Health Plan and Dental Plan (14)	-	-	184,129	154,152		-	(257,158)	(240,783)
Non-current								
Health Plan and Dental Plan (14)	-	-	3,350,392	3,229,265	-	-	-	-

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

(1) Refers to sale of energy supply to the Minas Gerais State government. The price of the supply is set by the grantor (Aneel) through a Resolution relating to the annual tariff adjustment of Cemig D. In 2017 the government of Minas Gerais State signed a debt recognition agreement with Cemig D for payment of debits relating to the supply of power due and unpaid, in the amount of R$113,032, up to November 2019. These receivables have guarantee in the form of Cemig's right to retain dividends and Interest on Equity otherwise payable to the State (in proportion to the State's equity interest in the Company), for as long as any payments are overdue or in default. On March, 31, 2021, Cemig D obtained authorization from the Minas Gerais State Finance Secretary to offset part of the ICMS tax payable to the state against the debt owed by the State government to the company, under State Law 23,705/2020. The amount is to be offset in 21 equal monthly installments of approximately R$10.5 million. Until December 31, 2021, nine installments had been offset.

(2) 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 more information, see Note 11.

(3) The relationship between Cemig and its investees are described in Note 16 – Investments.

(4) 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).

(5) An uncovered liability was recognized corresponding to the Company's equity interest in Madeira Energia S.A. as a result of the judgment given in the arbitration proceedings (for more details see Note 16 to the financial statements).
(6) Refers to a contract to provide plant operation and maintenance services.
(7) 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$149 million (R$119 million on December 31, 2020), of which Cemig's portion is R$52 million (R$41 million on December 31, 2020).
(8) A liability was recognized corresponding to the Company's interest in the share capital of Hidrelétrica Itaocara, due to its negative equity (see Note 16).
(9) This refers to a contract for development of management software between Cemig D and Axxiom Soluções Tecnológicas S.A., instituted in Aneel Dispatch 2657/2017;
(10) 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 24).
(11) The Company's contributions to the pension fund for the employees participating in the Mixed Plan, and calculated on the monthly remuneration, in accordance with the regulations of the Fund.
(12) Funds for annual current administrative costs of the Pension Fund in accordance with the specific legislation of the sector. The amounts are estimated as a percentage of the Company's payroll.
(13) Rental of the Company's administrative head office, in effect until August 2024 (able to be extended every five years, up to 2034), with annual inflation adjustment by the IPCA index and price reviewed every 60 months. On April 27, 2021, the Company signed with Forluz a contract amendment due to the transfer of Cemig Sim e Gasmig facilities to Júlio Soares building, reducing the Company's rent expenses. On September 20, 2021 the lease contract was adjusted upward by 9.68%, corresponding to accumulated IPCA inflation over the prior 12 months.
(14) Post-employment obligations relating to the employees' health and dental plan (see Note 24).

Dividends receivable

Dividends receivable	Consolidated		Parent company	
	2021	2021	2021	2021
Cemig GT	-	-	799,947	891,998
Cemig D	-	-	916,961	309,434
Gasmig	-	-	350	-
Light	71,206	71,206	71,206	71,206
Taesa	31,873	-	31,873	-
Aliança Geração	224,896	114,430	-	-
Others (1)	7,214	2,691	241	240
	335,189	**188,327**	**1,820,578**	**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 financial statements because they relate to jointly controlled entities or affiliated companies:

Related party	Relationship	Type	Objective	2021	Maturity
Norte Energia (NESA) (1)	Affiliated	Surety	Financing	2,543,055	2042
Norte Energia (NESA)/Light (2)	Affiliated	Counter-guarantee	Financing	683,615	2042
Santo Antônio Energia S.A. (3)	Jointly controlled entity	Surety	Debentures	490,774	2037
Santo Antônio Energia S.A.	Jointly controlled entity	Guarantee	Financing	1,105,394	2034
Norte Energia (NESA)	Affiliated	Surety	Debentures	74,541	2030
				4,897,379	

(1) Related to Norte Energia financing
(2) Counter-guarantee to Light, related to execution of guarantees of the Norte Energia financing.
(3) Corporate guarantee given by Cemig to Saesa.

At December 31, 2021, Management believes that there is no need to recognize any provisions in the Company's financial statements for the purpose of meeting any obligations arising under these sureties and/or guarantees, except for those related to Santo Antônio Energia S.A.. For more details, see Note 16.

Purchase of energy guarantee

In the Financing Instruments of Santo Antônio Energia S.A., the Company granted a guarantee of trading of this investee's production, until 57.42 MWaverage per year, for a minimum annual revenue of R$66,114, with base date December 31, 2007, adjusted by the

IPCA inflation index, during the period from May 1, 2027 until conclusion of settlement of the obligations arising from those Financing Instruments. Additionally, a guarantee was given for trading of the Assured Energy of this investee, 6.04 MW average, for the period from January 1, 2030 up to completion of settlement of the obligations arising from those financing instruments.

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 reported as cash and cash equivalent, 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 96.25%, on December, 31, 2021 (98.79%, on December, 31, 2020).

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 year ended December 31, 2021 and 2020, are as follows:

	2021	2020
Remuneration	27,707	26,584
Profit sharing	3,808	8,528
Pension plans	2,104	1,488
Health and dental plans	253	139
Life insurance	9	-
Total	**33,881**	**36,739**

31. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

a) Financial instruments classification and fair value

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

	Level	2021		2020	
		Balance	Fair value	Balance	Fair value
Financial assets					
Amortized cost (1)					
Marketable securities – Cash investments	2	1,094,473	1,094,473	1,213,875	1,213,875
Customers and Traders; Concession holders (transmission service)	2	4,481,423	4,481,423	4,534,044	4,534,044
Restricted cash	2	19,195	19,195	63,674	63,674
Accounts receivable from the State of Minas Gerais (AFAC)	2	13,366	13,366	11,614	11,614

Concession financial assets – *CVA* (Parcel 'A' Costs Variation Compensation) Account and *Other financial components*	3	2,147,548	2,147,548	132,681	132,681
Reimbursement of tariff subsidies	2	291,896	291,896	88,349	88,349
Low-income subsidy	2	46,540	46,540	43,072	43,072
Escrow deposits	2	1,155,169	1,155,169	1,055,797	1,055,797
Concession grant fee – Generation concessions	3	2,792,201	2,792,201	2,549,198	2,549,198
		12,041,811	**12,041,811**	**9,692,304**	**9,692,304**
Fair value through profit or loss					
Cash equivalents – Cash investments		708,252	708,252	1,587,337	1,587,337
Marketable securities					
Bank certificates of deposit	2	100,554	100,554	545,366	545,366
Treasury Financial Notes (LFTs)	1	178,427	178,427	730,806	730,806
Financial Notes – Banks	2	704,364	704,364	1,635,016	1,635,016
		1,691,597	**1,691,597**	**4,498,525**	**4,498,525**
Derivative financial instruments (Swaps)	3	1,219,176	1,219,176	2,948,930	2,948,930
Derivative financial instruments (Ativas and Sonda Put options)	3	-	-	2,987	2,987
Concession financial assets – Distribution infrastructure	3	718,115	718,115	559,241	559,241
Reimbursements receivable – Generation	3	816,202	816,202	816,202	816,202
		4,445,090	**4,445,090**	**8,825,885**	**8,825,885**
		16,486,901	**16,486,901**	**18,518,189**	**18,518,189**
Financial liabilities					
Amortized cost (1)					
Loans, financing and debentures	2	(11,363,963)	(11,363,963)	(15,020,558)	(15,020,558)
Debt with pension fund (Forluz)	2	(384,513)	(384,513)	(472,559)	(472,559)
Deficit of pension fund (Forluz)	2	(538,934)	(538,934)	(540,142)	(540,142)
Concessions payable	3	(26,813)	(26,813)	(23,476)	(23,476)
Suppliers	2	(2,683,343)	(2,683,343)	(2,358,320)	(2,358,320)
Leasing transactions	2	(244,023)	(244,023)	(226,503)	(226,503)
Sector financial liabilities	2	(51,359)	(51,359)	(231,322)	(231,322)
		(15,292,948)	**(15,292,948)**	**(18,872,880)**	**(18,872,880)**
Fair value through profit or loss					
Derivative financial instruments - Swaps	3	(6,130)	(6,130)	-	-
SAAG put options	3	(636,292)	(636,292)	(536,155)	(536,155)
		(642,422)	**(642,422)**	**(536,155)**	**(536,155)**
		(15,935,370)	**(15,935,370)**	**(19,409,035)**	**(19,409,035)**

(1) On December 31, 2021 and 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. The information applied in the fair value valuation techniques is classified in three levels of fair value hierarchy, as follows:

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

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

- Level 3 – No active market – No observable inputs: Fair value is determined based on generally accepted valuation techniques, such as on discounted cash flow analysis or other valuation techniques, including non-observable data, such as the measurement at new replacement value (*Valor novo de reposição*, or VNR). Non-observable data should be used to measure fair value where significant observable data is not available, admitting situations in which there is little or no market activity at the measurement date. Non-observable data are developed using the best possible information available in the circumstances, which may include the entity's own data.

The fair value hierarchy prioritizes information (inputs) from valuation techniques, and not the valuation techniques used for measurement of fair value. In some cases information is used from different hierarchy levels in measurement of fair value, and this is classified entirely in the same level of the fair value hierarchy applicable to the significant information of a lower level. For assets and liabilities that are recognized at fair value on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization.

Fair value calculation of financial positions

Distribution infrastructure concession financial assets: 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. The gas distribution assets are measured at the construction cost adjusted by the General Market Prices Index (Índice Geral de Preços de Mercado – IGPM). Changes in concession financial assets are disclosed in Note 14.

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. For more information, see Note 14.2.

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 at same date, brought to present value at the reporting date of financial statements.

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 131.33% 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 + 0.79% to 4.67%, Company believes that their carrying amount is approximated to their fair value.

b) Derivative financial instruments

Put options

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

	2021	2020
Put option – SAAG	636,292	536,155
Put options – Ativas and Sonda	-	(2,987)
	636,292	**533,168**

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$636,292 was recorded in the Company's financial statements, 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, 2019	**482,841**
Adjustment to fair value	53,314
Balance at December 31, 2020	**536,155**
Adjustment to fair value	100,137
Balance at December 31, 2021	**636,292**

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

Early liquidation of Funds, and early maturity of put option

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

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

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 failed, 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 contract's 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 financial statements of December 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 June 30, 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 December 31, 2021, the same date as the closing of the Company's financial statements, 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.

In 2021, Cemig GT began studies and contracted services in order to take measures aimed to diligent managing its liabilities, and reducing liquidity risk and exposure to foreign currency. In this context, on July 19, 2021, Cemig GT opened a Tender Offer to acquire, for cash, foreign market debt securities it had issued, maturing in 2024, in the principal amount of US$500 million.

In alignment with Cash tender offer process, on June 7 and 8, 2021 the derivative financial instruments contracted, corresponding to US$500 million, were partially dismantled. As a result, the Company reported a gain of R$774,409.

To mitigate foreign exchange exposure until the date of repurchase, on June 4, 2021 the Company contracted a short-term hedge against variation in the value of the US dollar for a volume of US$600 million, locking in an exchange rate of R$5.0984/US$. The instrument contracted was a non-deliverable forward (NDF), which does not include physical delivery of the currency, providing the Company with a pre-agreed rate at the maturity, which was August 3, 2021. For more details, see Note 22.

On June 7 and December 6, 2021, the half-yearly settlements of interest in the swap took place, with a positive effect of R$399,799, resulting in a net cash inflow to Cemig GT of R$339,829. The total amount of hedge settlement until December 31, 2021 was R$1,174,207, with net cash inflow of R$998,075. The results from the settlement of the NDF was R$23,700, with net cash inflow of R$23,699.

Assets	Liability	Maturity period	Trade market	Notional amount	Realized gain / loss	
					2021	2020
US$ exchange variation + Rate (9.25% p.y.)	Local currency + R$ 151.99% of CDI	Interest: Half-yearly Principal: Dec. 2024	Over the counter	US$1,000,000	1,018,638	328,817
US$ exchange variation + Rate (9.25% p.y.)	Local currency + R$125.52% of CDI	Interest: Half-yearly Principal: Dec. 2024	Over the counter	US$500,000	155,569	165,884
US$ exchange variation higher R$5.0984	US$ exchange variation lower R$5.0954	August 03, 2021	Over the counter	US$600,000	23,700	-
					1,197,907	**494,701**

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 December 31, 2021 was a negative adjustment of R$537,976 (positive adjustment of R$1,752,688 on December 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. The counterparts of the NDF were Deutsche Bank, Bradesco, XP Inc. and Goldman Sachs.

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

Assets	Liability	Maturity period	Trade market	Notional amount (2)	Unrealized gain / loss		Unrealized gain / loss	
					Carrying amount 2021	Fair value 2021	Carrying amount 2020	Fair value 2020
US$ exchange variation + Rate (9.25% p.y.) (1)	Local currency + R$ 151.99% of CDI	Interest: Half-yearly Principal: Dec. 2024	Over the counter	US$500,000	873,095	706,401	1,772,477	2,110,490
US$ exchange variation + Rate (9.25% p.y.) (1)	Local currency + R$125.52% of CDI	Interest: Half-yearly Principal: Dec. 2024	Over the counter	US$500,000	577,565	506,645	587,945	838,440
					1,450,660	1,213,046	2,360,422	2,948,930
Current asset						-		522,579
Non-current asset						1,219,176		2,426,351
Current liabilities						(6,130)		-

1) For the US$1 billion Eurobond issued on December 2017: (i) for the principal, a call spread was contracted, with floor at R$ 3.25/US$ and ceiling at R$ 5.00/US$; and (ii) a swap was contracted for the total interest, for a coupon of 9.25% p.a. at an average rate equivalent to 150.49% of the CDI. In July 20 21, Cemig GT dismantled a total of US$500 million of the original hedge issued. For the additional US$500 issuance of the same Eurobond issued on July 2018: (1) a call spread was contracted for the principal, with floor at R$ 3.85/US$ and ceiling at R$ 5.00/US$; and (2) a swap was contracted for the interest, resulting in a coupon of 9.25% p.a., with an average rate equivalent to 125.52% of the CDI rate. The upper limit for the exchange rate in the hedge instrument contracted by the Company for the principal of the Eurobonds is R$ 5.00/US$. The instrument matures in December 2024. If the USD/BRL exchange rate is still over R$5.00 in December 2024, the company will disburse, on that date, the difference between the upper limit of the protection range and the spot dollar on that date. The Company is monitoring the possible risks and impacts associated with the dollar being valued above R$5.00, and assessing various strategies for mitigating the foreign exchange risk up to the maturity date of the transaction. The hedge instrument fully protects the payment of six-monthly interest, independently of the USD/BRL exchange rate.
2) In millions of US$.

In accordance with market practice, 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 December 31, 2021 was R$1,213,046 (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$1,450,660 at December 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 December 31, 2022, would be positively affected by the swap and call spread at the end of the period in the amount of R$132,632. The fair value of the financial instrument will be R$1,345,678, in which R$1,148,708 refers to the option (call spread) and R$196,971 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 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)	4,157,204	4,036,301	3,605,368	3,199,211
Swap (liability)	(3,942,500)	(3,839,331)	(3,902,419)	(3,962,727)
Option / Call spread	998,342	1,148,708	812,680	295,808
Derivative hedge instrument	**1,213,046**	**1,345,678**	**515,629**	**(467,708)**

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 its exposure to foreign exchange rate, interest rate, and inflation risks, which are effective, in alignment with the Company's business strategy.

The main risks to which the Company is exposed are as follows:

Exchange rate risk

The Company 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	2021		2020	
	Foreign currency	R$	Foreign currency	R$
US dollar				
Loans and financing (Note 22)	(1,007,557)	(5,622,673)	(1,513,592)	(7,865,684)
Suppliers (Itaipu Binacional) (Note 20)	(59,335)	(331,118)	(62,593)	(325,277)
	(1,066,892)	**(5,953,791)**	**(1,576,185)**	**(8,190,961)**
Net liabilities exposed		**(5,953,791)**		**(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 December 31, 2022 will be an deppreciation of the dollar by 8.61%, 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 22)	(5,622,673)	(5,138,542)	(6,428,215)	(7,707,813)
Suppliers (Itaipu Binacional) (Note 20)	(331,118)	(302,608)	(378,556)	(453,911)
	(5,953,791)	**(5,441,150)**	**(6,806,771)**	**(8,161,724)**
Net liabilities exposed	**(5,953,791)**	**(5,441,150)**	**(6,806,771)**	**(8,161,724)**
Net effect of exchange rate fluctuation		**512,641**	**(852,980)**	**(2,207,933)**

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 December 31, 2021. This risk arises from the effect of variations in Brazilian interest rates on net financial income comprised by financial revenues from cash investments made by the Company, and also to the financial assets related to the CVA and other financial components, 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 indexed to variation in interest rates, as follows:

Risk: Exposure to domestic interest rate changes	2021	2020
Assets		
Cash equivalents – Cash investments (Note 6) – CDI	708,252	1,587,337
Marketable securities (Note 7) – CDI / SELIC	2,077,818	4,125,063
Restricted cash – CDI	19,195	63,674
CVA and in tariffs (Note 14) – SELIC	2,147,548	132,681
	4,952,813	**5,908,755**
Liabilities		
Loans, financing and debentures (Note 22) – CDI	(1,457,989)	(2,310,590)
Loans, financing and debentures (Note 22) – TJLP	(20,625)	(72,726)
Sector financial liabilities (note 14)	(51,359)	(231,322)
	(1,529,973)	**(2,614,638)**
Net assets exposed	**3,422,840**	**3,294,117**

Sensitivity analysis

In relation to the most significant interest rate risk, Company estimates that, in a probable scenario, at December 31, 2022 Selic and TJLP rates will be 13.00% and 6.94%, respectively. The Company 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	2021	2022		
	Book value	'Probable' scenario Selic 13.00% TJLP 6.94%	'Possible' scenario Selic 9.75% TJLP 5.21%	'Remote' scenario Selic 6.50% TJLP 3.47%
Assets				
Cash equivalents (Note 6)	708,252	800,325	777,307	754,288
Marketable securities (Note 7)	2,077,818	2,347,934	2,280,405	2,212,876
Restricted cash	19,195	21,690	21,067	20,443
CVA and *Other financial components* – SELIC (Note 14)	2,147,548	2,426,729	2,356,934	2,287,139
	4,952,813	**5,596,678**	**5,435,713**	**5,274,746**
Liabilities				
Loans and financing (Note 22) – CDI	(1,457,989)	(1,647,528)	(1,600,143)	(1,552,758)
Loans and financing (Note 22) – TJLP	(20,625)	(22,056)	(21,700)	(21,341)
Sector financial liabilities (Note 14)	(51,359)	(54,923)	(54,035)	(53,141)
	(1,529,973)	**(1,724,507)**	**(1,675,878)**	**(1,627,240)**
Net assets exposed	**3,422,840**	**3,872,171**	**3,759,835**	**3,647,506**
Net effect of fluctuation in interest rates		**449,331**	**336,995**	**224,666**

Increase in inflation risk

The Company and its subsidiaries are exposed to the risk of increase in inflation index on December 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	2021	2020
Assets		
Concession financial assets related to Distribution infrastructure - IPCA (1)	718,115	559,241
Receivable from Minas Gerais state government (AFAC) – IGPM (Note 11 and 30)	13,366	11,614
Concession Grant Fee – IPCA (Note 14)	2,792,201	2,549,198
	3,523,682	**3,120,053**
Liabilities		
Loans, financing and debentures – IPCA and IGP-DI (Note 22)	(4,321,906)	(4,863,087)
Debt with pension fund (Forluz) – IPCA (Note 24)	(384,513)	(472,559)
Deficit of pension plan (Forluz) – IPCA (Note 24)	(538,934)	(540,142)
	(5,245,353)	**(5,875,788)**
Net liabilities exposed	**(1,721,671)**	**(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 4rd tariff review cycle.

Sensitivity analysis

In relation to the most significant risk of reduction in inflation index, reflecting the consideration that the Company has more assets than liabilities indexed to inflation indexes, the Company estimates that, in a probable scenario, at December 31, 2022 the IPCA inflation index will be 6.68% and the IGPM inflation index will be 11.46%. 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 index	2021	2022		
	Amount Book value	'Probable' scenario IPCA 6.68% IGPM 11.46%	'Possible' scenario (25%) IPCA 8.35% IGPM 14.33%	'Remote' scenario (50%) IPCA 10.02% IGPM 17.19%
Assets				
Concession financial assets related to Distribution infrastructure – IPCA (1)	718,115	767,729	780,134	792,536
Accounts receivable from Minas Gerais state government (AFAC) – IGPM index (Note 11 and 30)	13,366	14,898	15,281	15,664
Concession Grant Fee – IPCA (Note 14)	2,792,201	2,978,720	3,025,350	3,071,980
	3,523,682	**3,761,347**	**3,820,765**	**3,880,180**
Liabilities				
Loans, financing and debentures – IPCA and IGP-DI (Note 22)	(4,321,906)	(4,610,609)	(4,682,785)	(4,754,961)
Debt agreed with pension fund (Forluz) – IPCA (Note 24)	(384,513)	(410,198)	(416,620)	(423,041)
Deficit of pension plan (Forluz) (Note 24)	(538,934)	(574,935)	(583,935)	(592,935)
	(5,245,353)	**(5,595,742)**	**(5,683,340)**	**(5,770,937)**
Net liabilities exposed	**(1,721,671)**	**(1,834,395)**	**(1,862,575)**	**(1,890,757)**
Net effect of fluctuation in IPCA and IGP–M indexes		**(112,724)**	**(140,904)**	**(169,086)**

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

Liquidity risk

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

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

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

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

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

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

The flow of payments of the Company and subsidiaries obligation to suppliers, debts with the pension fund, loans, 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:						
- loating rates						
Loans, financing and debentures	59,693	966,957	1,126,129	10,398,032	930,332	13,481,143
Onerous concessions	310	640	2,849	12,753	15,305	31,857
Debt with pension plan (Forluz) (Note 24)	13,861	27,997	128,723	269,121	-	439,702
Deficit of the pension plan (FORLUZ) (Note 24)	6,127	12,358	56,981	330,598	481,893	887,957
	79,991	**1,007,952**	**1,314,682**	**11,010,504**	**1,427,530**	**14,840,659**
- Fixed rate						
Suppliers	2,419,219	264,124	-	-	-	2,683,343
	2,499,210	**1,272,076**	**1,314,682**	**11,010,504**	**1,427,530**	**17,524,002**

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	-	53,821	-	-	-	53,821
Debt with pension plan (Forluz) (Note 24)	682	1,377	6,333	13,241	-	21,633
Deficit of the pension plan (FORLUZ) (Note 24)	301	608	2,803	16,265	23,709	43,686
	983	**55,806**	**9,136**	**29,506**	**23,709**	**119,140**
- Fixed rate						
Suppliers	60,726	3,956	-	-	-	64,682
	61,709	**59,762**	**9,136**	**29,506**	**23,709**	**183,822**

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 December 31, 2021, considered to be adequate in relation to the credits in arrears receivable by the Company and its subsidiaries was R$833,150.

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

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

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

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

Group	Equity	Limit per bank (% of equity) (1) (2)			
		AAA	AA	A	BBB
Federal Risk	-	10%	10%	10%	10%
A1	Equal or over R$10 billion	9%	8%	7%	6%
A2	Between R$5 billion and R$10 billion	8%	7%	6%	5%
A3	Between R$2 billion and R$5 billion	7%	6%	5%	4%
A4	Between R$800 million and R$2 billion	6%	5%	4%	-

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

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

1. No bank may have more than 30% of the Group's portfolio.
2. The banks in the 'Federal risk', 'A1' and 'A2' groups must concentrate at least 50% of the total of the funds available, comprising investments held in the Investment Funds and in the own portfolio, excluding public securities.

The Company only permits investments in securities of non-financial companies that have a rating equal to or higher than the most recent rating of the Cemig parent company published by the risk rating agencies Fitch Rating, Moody's or Standard & Poor's.

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 monitories 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.

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

The efficiency criteria for continuity of supply and for economic and for financial management, required to maintain the distribution concession, were met in the year ended December 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.

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

Risk of debt early maturity

The Company'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 December, 31, 2021, the Company and its subsidiaries were in compliant with all the financial covenants requiring half-yearly and annual compliance. More details in Note 22.

Capital management

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

	Consolidated		Parent company	
	2021	2020	2021	2020
Total liabilities	32,584,043	36,605,732	3,163,043	2,589,817
(–) Cash and cash equivalents	(825,208)	(1,680,397)	(26,692)	(422,647)
(–) Restricted cash	(19,195)	(63,674)	(7)	(349)
Net liabilities	**31,739,640**	**34,861,661**	**3,136,344**	**2,166,821**
Total equity	**19,461,765**	**17,477,348**	**19,456,411**	**17,472,666**
Net liabilities / equity	**1.63**	**2.00**	**0.16**	**0.12**

32. ASSETS AND LIABILITIES AS HELD FOR SALE

On 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	2021	2020
Assets held for sale – investment in an affiliate (Light)	-	1,258,111
Assets held for sale – investment in a jointly controlled (Renova)	-	-
	-	1,258,111

Sale of retained investment in Light on January 2021

On January 22, 2021, the public offering of Light's common shares was completed (68,621,263 common shares). 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 of 2021 a 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.

Cemig GT's interest in Renova disposal process

On November 11, 2021, Cemig GT signed a Share Purchase Agreement with *AP Energias Renováveis Fundo de Investimento em Participações Multiestratégia*, an Angra Partners' investment vehicle, administered and managed by Mantiq Investimentos Ltda, including the sale of the whole equity interest of 13.80% held in Renova S.A – In-Court Supervised Reorganization ("Renova") and the assignment, for consideration, of all credits owed to Cemig GT by Renova Comercializadora de Energia S.A. – In-Court Supervised Reorganization, for total consideration of R$60 million. The contract establishes the Cemig GT right to an earn-out, depending on certain future events.

The agreement specifies other terms and conditions for the closing of the transaction, and is subject to compliance with certain precedent conditions that are usual in similar transactions, including prior approval by the grantor authorities, the creditors holding asset guarantees listed in Renova's Court Supervised Reorganization Plan and the counterparties in certain commercial contracts. In the event of the Transaction being completed, there will be potential for Cemig GT to benefit from certain tax credits. The final date for implementation of Closure of the Transaction is 180 calendar days from the date of signature of the Angra Agreement.

The equity interest held in Renova, which carrying amount is zero since December 31, 2018, was classified as an asset held for sale according to IFRS 5/CPC 31 – *Non-current Asset held for Sale and Discontinued Operation* at the forth quarter of 2021, in view of the high probability of conclusion of its plan for sale, especially after the approval by the competent governance body, which preceded the signature of the instrument.

Renova for in-court supervised reorganization

On December 31, 2021, Renova had net working capital of R$6,974, accumulated losses of R$3,959,358, negative shareholders' equity (unsecured equity) of R$651,178 and net income, in the year, of R$34,829.

On October 16, 2019, was granted court supervised reorganization petition applied by Renova, and by the other companies of the group ('the Renova Group').

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 and the transactions occurred in the year ended on December 31, 2021 does not have any additional impact on its financial statements and does not affect the sale's plan of its equity interest in the investee.

The principal events in Renova's in Court supervised reorganization have been as follows:

- On October 25, 2019, Cemig GT made an Advance for Future Capital Increase to Renova, of R$5,000 and subsequently was agreeded 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 Renova's activities, 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, in the approximate amount of R$60 million, and they also have priority of receipt in the court supervised reorganization process, in the sale of this asset given as guarantee. On June 30, 2020 an impairment in the amount of R$37.4 million was recognized related to this loan. Under the share purchase agreement Cemig GT assumed an obligation not to exercise the amount under this loan, made after the proceedings of in court supervised reorganization had begun, until disposal of the Independent Productive Unit (UPI) SF 120, the company own in the Mina de Ouro project.
- 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.
- On December 18, 2020, the in court supervised reorganization Plans filed by Renova were approved by the General Meeting of Creditors (AGC) and ratified by the recovery court on the same day.
- On May 06, 2021 and August 23, 2021, the Renova Board of Directors approved partial ratification of its first and second capital increase, within the limit of the authorized capital, and in accordance with the terms of the court supervised reorganization plan. Cemig GT was not part of the group of creditors that requested conversion of their credits into equity and will not subscribe any part of the capital increase. On November 11, 2021 the third 'window' agreed for increase Renova's capital, specified in the in court supervised reorganization Plan, tended. This resulted in aggregate credits of not more than R$15 million. The equity interest held by Cemig GT in the common share of Renova reduced from 36.23%, on March 31, 2021 to 13.80% on December 31, 2021.
- On November 24, 2021 the competitive proceeding for disposal of the UPI Enerbrás was ratified, with Vinci Energia Fundo de Investimentos em Participações em Infraestrutura being declared the winner, through its subsidiary V2i Energia S.A, for the amount of R$265.8 million, with completion subject to conditions precedent that are usual in the market.

- On December 1, 2021, sale of Renova’s entire equity interest in the UPI Brasil PCH to the other shareholders of Brasil PCH S.A. (BSB Energética S.A and Eletroriver S.A, exercising their right of first refusal under the Shareholders’ Agreement) was concluded, in the terms specified in the Tender Offer and in the in court supervised reorganziation Plan of the Renova Group. The funds received in the transaction, in the amount of R$1,100,000, were used for early settlement of the Debtor in Possession (DIP) loan contracted by its subsidiary Chipley SP Participação S.A., with co-obligation by Renova and Renova Participações S.A., with Quadra Gestão de Recursos S.A.
- On January 27, 2022, Renova accepted the proposal presented by AES GF1 HOLDING S.A., under a share purchase agreement for sale of certain assets and rights of the Cordilheira dos Ventos complex, comprising the projects Facheiro II, Facheiro III and Labocó, in the State of Rio Grande do Norte, with potential for development of wind generation capacity of 305 MW. The agreement included the right to an earn-out if the generation capacity built in the areas comprising the project turns out to be higher than 305 MW. The transaction is subject to certain conditions precedent, including holding of a competitive proceeding for the disposal of the Cordilheira dos Ventos UPI, under the in court supervised reorganization Proceedings, with AES as First Proposer (i.e. of a ‘Stalking Horse’ offer), with the right to match any offer made by third parties interested in the acquisition. On March 15, 2022, this process was ratified by the Judge of the second Bankruptcies and Supervised Reorganization Court of the Central legal district of São Paulo, with AES GF1 Holding S.A. being declared the winner, for the amount of R$42 million.

33. INSURANCE

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

	Coverage	Coverage period	Amount insured (1)	Annual premium (1)
Companhia Energética de Minas Gerais				
Facilities in buildings	Fire	Jan. 8, 2022 to Jan. 8, 2023	R$4,184	R$1
Cemig Geração e Transmissão				
Air transport / Aircraft	Fuselage Third party	May 27, 2021 to May 27, 2022 May 27, 2021 to May 27, 2022	US$1,500 US$4,000	US$55
Warehouse stores	Fire	Nov. 2, 2021 to Nov. 2, 2022	R$21,119	R$35
Buildings	Fire	Jan. 8, 2022 to Jan. 8, 2023	R$220,822	R$68
Telecom's equipment	Fire	Sep. 30, 2021 to Sep. 30, 2022	R$29,302	R$32
Operational risk - Transformers above 15MVA and other power distribution equipment with value above R$1,000	(2)	Dec. 7, 2021 to Dec. 7, 2022	R$757,263	R$1,269
Cemig Distribuição				
Air transport / Aircraft / Guimbal equipment	Fuselage Third party	May 27, 2021 to May 27, 2022	US$1,500 USS4,000	US$123
Warehouse stores	Fire	Nov. 2, 2021 to Nov. 2, 2022	R$68,950	R$115
Buildings	Fire	Jan. 8, 2021 to Jan. 8, 2022	R$487,948	R$150
Telecoms equipment	Fire	Sep. 30, 2021 to Sep. 30, 2022	R$96,115	R$104
Operational risk – Transformers above 15MVA and other energy distribution equipment with value above R$ 1,000 (2)	Total	Dec. 7, 2021 to Dec. 7, 2022	R$588,617	R$986
Gasmig				
Gas distribution network / Third party	Third party	Dec. 15, 2021 to Dec. 15, 2022	R$100,000	R$1,100
Own vehicle fleet (Operation)	Damage to third parties only	Jul. 7, 2021 to Jul. 7, 2022	R$500	R$1
Own vehicle fleet (Directors)	Full cover	Oct. 25, 2021 to Oct. 25, 2022	R$187	R$2
Facilities – multirisk	Robbery, theft and fire	Dec. 31, 2021 to Dec. 31, 2022	R$33,211	R$47

(1) Amounts expressed in R$ '000 or US$'000.
(2) Maximum indemnity limit: R$230,662

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

34. COMMITMENTS

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

	2022	2023	2024	2025	2026	After 2027	Total
Purchase of energy from Itaipu	1,530,224	1,576,776	1,576,776	1,576,776	1,576,776	31,535,528	39,372,856
Purchase of energy – auctions	3,823,036	3,340,834	3,553,197	3,356,128	3,032,771	44,839,384	61,945,350
Purchase of energy – 'bilateral contracts'	332,019	332,019	332,929	222,207	67,634	53,629	1,340,437
Quotas of Angra 1 and Angra 2	255,726	262,724	264,873	264,149	264,149	5,314,059	6,625,680
Transport of energy from Itaipu	215,389	218,223	222,040	158,810	91,641	429,448	1,335,551
Other energy purchase contracts	5,071,975	4,287,486	3,763,904	3,540,709	3,528,936	28,100,815	48,293,825
Physical quota guarantees	852,214	709,374	668,480	563,124	477,272	10,599,840	13,870,304
Total	**12,080,583**	**10,727,436**	**10,382,199**	**9,681,903**	**9,039,179**	**120,872,703**	**172,784,003**

35. NON-CASH TRANSACTIONS

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

- Capitalized financial costs of R$15,329 on the year end on December 31, 2021 (R$33,335 on December 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 1st quarter of 2020;
- Capital increase from retained profit reserve, with the issuance of shares, in the amount of R$300,000 on June 30, 2020;
- Lease addition in the amount of R$11,066 on December 31, 2021 (R$6,193 on December 31, 2020).

36. PARLIAMENTARY COMMITTEE OF INQUIRY ('CPI')

On June 17, 2021, the Legislative Assembly of Minas Gerais has established a Parliamentary Committee of Inquiry ('CPI') to investigate management acts of Cemig since 2019. At an ordinary meeting held on June 24, 2021, the Legislative Assembly of the State of Minas Gerais appointed the members of the CPI. The CPI was entitled to investigate the facts underlying the application for its creation, for 120 calendar days from appointment of its Chair and Vice-chair. This period was extended, on October 26, 2021, for 60 days.

The 'CPI' requested, through application, several documents and information related, mainly, to acquisition and disposal of equity interest, human resources management and procurement processes that were considered to be exempt from mandatory bidding. The Company had complied with the requests, into deadlines. Additionally, in relation to the processes of contracting, the Company carries out regular audits. At present there is an examination in progress in one of these: based on the results identified to date, no material impacts have been identified on the financial statements for the year ending December 31, 2021, nor for prior business years. The Company expects that the procedures will be concluded in the second quarter of 2022.

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

The Company reaffirm that all the actions taken by the present management aimed to preserve the shareholders' equity of the Company and ensure improvement in the offer of energy services to its clients, rigorously following the relevant legislation.

37. SUBSEQUENT EVENTS

Gasmig – Tariff adjustment and Extraordinary Tariff Review

On January 03, 2021, the State's Economic Development Secretariat (SEDE/MG) approved the tariff adjustment for Gasmig with effect from February 1, 2022 applied for the Industrial, Co-generation, Compressed Natural Gas, Liquid Natural Gas, Vehicle Natural Gas, Residential and Commercial customers. The average increase, depending on the customer category, was from 16% to 26%, compared to the tariffs in effect from November 2021, resulted from the variation in the cost of gas acquired to sell.

On January 28, 2022, the Minas Gerais State Government, through its SEDE, started the process of public consultation for Gasmig's second Periodic Tariff Review, to establish the revenue required to be in effect in Gasmig's next tariff cycle. The public consultation runs for 21 calendar days, ending on February 18, 2022.

Interest on Equity

On March 22, 2022 the Executive Board approved payment of Interest on Equity in the amount of R$245,000, as a minimum mandatory dividend for the 2022 business year, withholding income tax at 34% in accordance with the current legislation, the eligible the shareholders registered in the Issuer's Nominative Stock Registry on March 28, 2022.

* * * * * * * * * * * *

(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

Thadeu Carneiro da Silva
Chief Generation and Transmission Officer

Eduardo Soares
Chief Regulation and Legal

Mário Lúcio Braga
Controller
CRC-MG 47.822

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

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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 report on individual and consolidated financial statements

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

Opinion

We have audited the individual and consolidated financial statements of Companhia Energética de Minas Gerais - CEMIG (the "Company"), identified as individual and consolidated, respectively, which comprise the statements of financial position as at December 31, 2021, and the statements of profit or loss, of comprehensive income, of changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the individual and consolidated financial position of Companhia Energética de Minas Gerais - CEMIG as at December 31, 2021, and its individual and consolidated financial performance and cash flows for the year then ended in accordance with the accounting practices adopted in Brazil and International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB).

Basis for opinion

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

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Emphasis of matters

Restatement of earnings per share and disclosure of operating segments

As described in Note 26, due to the increase in the number of shares as a result of reserve capitalization, the Company adjusted earnings per share and respective explanatory notes for the year ended December 31, 2020, as provided for in NBC TG 41 – Earnings per Share (IAS 33 – Earnings per share). Additionally, as mentioned in Note 5, as a result of the change in the operating segment structure, the Company adjusted the disclosure of operating segments for year ended December 31, 2020, as provided for in NBC TG 22 – Information per Segment (IFRS 8 – Operating Segments). Our opinion is not modified in respect of these matters.

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

As described in Note 32 to the individual and consolidated financial statements, jointly-controlled entity Renova Energia S.A., currently classified as a non-current asset held for sale, has been undergoing an in-court supervised process since 2020. Additionally, as described in Note 16 to the individual and consolidated financial statements, affiliate Madeira Energia S.A. presents a negative net working capital, and circumstances were identified that demonstrate the need for third parties, the Company and/or other shareholders of this company to provide financial support, and specific circumstances in which shareholders' obligations are established in shareholders' agreements. These events or conditions, together with other matters described in the referred Notes, indicate the existence of material uncertainty that may raise significant doubt as to the ability of Renova Energia S.A. and Madeira Energia S.A. to continue as a going concern. Our opinion is not modified in respect of these matters.

Risks relating to compliance with laws and regulations

As mentioned in Notes 16 and 36 to the individual and consolidated financial statements, the Company and certain investees are being investigated by public authorities. These investigations involve and include some of their other shareholders and certain executives of the Company and of these other shareholders. We are currently unable to foresee future developments or potential impacts of these investigation processes conducted by the public authorities on the financial statements of the Company and its subsidiaries. Our opinion is not modified in respect of this matter.

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Key audit matters

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

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

Concession's infrastructure

As disclosed in Notes 14, 15 and 18 to the individual and consolidated financial statements, as at December 31, 2021, the Company and its subsidiaries recorded concession financial assets, contract assets and intangible assets amounted to R$ 4,326,518 thousand, R$6,380,008 thousand and R$ 12,953,317 thousand, respectively, representing the concession's infrastructure.

The amount of investments applied in the distribution infrastructure concession is an essential part of the methodology applied by the grantor to determing the tariff of energy and gas charged by the distribution companies to its final consumers, under the terms of the Concession Agreement. In 2021, the subsidiaries recognized in its assets investments in the concession infrastructure of energy and gas distribution amounting to R$ 1,806,916 thousand.

For generation, the concession financial assets is represented by indemnifiable receivable for hydroelectric power generation plants that were included in Lot D in 2016 and the amounted invested by the subsidiary that was not fully amortized at the end of the concession period and will be indemnified by the grantor, amounting to R$ 816,202 thousand. Generation intangible assets are mainly represented by the fair value of hydroelectric power plants' grant rights recorded in 2021 due to repactuation of hydrologic risk (Generation Scaling Factor-GSF), which resulted in extension of the concession period, amounting to R$ 966,065 thousand.

Determination of expenditures that qualify as concession infrastructure investment and are subject to indemnification has direct impact on evaluation of concession financial assets of the energy generation and distribution concessions.

The recognition of the concession contract asset and revenue in the transmission infrastructure requires a significant Executive board's estimation and judgment relation to: (i) the moment when control over an asset is obtained; (ii) the efforts or inputs necessary to satisfy the performance obligations; (iii) profit margins expected in each performance obligation; (iv) the expected revenue projections; and (v) the discount rate that represents the financial component embedded in the flow of future inflows.

Due to the high relevance of the amounts and the significant degree of judgment involved, we considered the measurement of the concession's intangible assets, indemnifiable financial assets and contract assets a key audit matter.

How our audit addressed this matter

Our audit procedures included, among others: (i) evaluating the design and operating effectiveness of the Company's and subsidiaries' internal controls over accounting for infrastructure investments, including the allocation of indirect costs, comparing costs with historical data and observable industry standards, measuring the indemnifiable financial assets relating to the generation and distribution concession and to revenues from contracts with customers in the transmission segment, including the controls over Executive board's review of the significant assumptions underlying the measurement and accounting of these assets; (ii) recalculating the distribution financial assets and comparing the calculation-related inputs with external market information and criteria established by the grantor, in addition to evaluating the changes in the last tariff reviews; (iii) analyzing the determination of the margin on projects under construction and projects of enhancements and upgrades of the existing transmission infraestructure, by verifying the methodology and assumptions adopted by the Company to estimate the total construction cost, and the present value of future cash flows, discounted at the implicit interest rate that represents the financial component embedded in the cash flows (iv) involving our internal specialists in evaluating significant assumptions used in financial modelling, analyzing the methodology and calculations to determine the implicit discount rate used, as well as in reviewing significant assumptions used for forecasting the costs of projects under construction; (v) analyzing the impacts from the new Annual Permitted Revenue (RAP); (vi) assessing historical construction costs of the generation financial assets, analyzing regulatory standards for their indemnification and monitoring public hearing and discussions between the Company and the grantor authority on the matter; (vii) analyzing the financial model and methodology used for measuring generation intangible assets related to the repactuation of hydrologic risk, and whether this repactuation is in compliance with the grantor authority determination; and (viii) assessing significant assumptions and the extension period of hydroelectric power plants determined through resolutions issued by the grantor authority. Additionally, we analyzed adequacy of Company's disclosures on these matters.

Based on the results of the audit procedures performed, which are consistent with the Executive Board's assessment, we considered the estimates prepared by Executive Board to be acceptable, as well as the related disclosures in Notes 14, 15 and 18, in the context of the individual and consolidated financial statements taken as a whole.

Impairment of investments in affiliates and jointly-controlled entities

As described in Notes 16 and 32 to the individual and consolidated financial statements, the Company and its subsidiaries have significant amounts in investments in affiliates and jointly-controlled entities, which are recorded under the equity method or classified as assets held for sale, and determine annually, or whenever applicable, the need to recognize a provision for impairment of these investments. Additionally, for cases in which the net book value of these investments are reduced to zero, a provision for additional losses is recorded based on the contractual obligations assumed by the Company with these investees, other shareholders and/or creditors.

This matter was considered a significant for our audit, considering the relevance of Company's and its subsidiaries' assets account balances, specially related to investments accounted for under the equity method, subjectivity of Executive Board's fair value estimates, that are based on assumptions affected by future market and economic conditions, and to the existence of certain specific circumstances related to arbitration decisions issued, certain investees and jointly-controlled entities' delayed operations startup and going concern risks.

How our audit addressed this matter

Our audit procedures included, among others: (i) evaluating process and controls implemented by Executive board to identify impairment indications on investments and to estimate their net recoverable amount, as applicable; including controls over Executive board's review of the significant assumptions underlying the fair value determination; (ii) evaluating the significant assumptions used to estimate fair value; comparing the significant assumptions used to estimate cash flows to current industry and economic trends; comparing relevant inputs to Company's operating data and performing sensitivity analysis to evaluate the fair value; (iii) involving our valuation specialists to assist in evaluating the discount rate used in the fair value calculation; and (iv) assessing the need for and measuring provision for additional losses based on the contractual obligations assumed by the Company for investments in affiliates and jointly-controlled entities whose equity interest's net book balance value is reduced to zero; and (v) involving more experienced audit professionals in defining the test strategy, assessing supporting audit documentation and in oversee the audit procedures performed. Additionally, we analyzed adequacy of Company's disclosures on this matter.

Based on the result of the audit procedures performed on the investments in affiliates and jointly-controlled entities account balances, which are consistent with the Executive Board's assessment, we considered that the criteria and assumptions relating to the impairment of investments adopted by the Executive Board, as well as respective disclosures in Notes 16 and 32, are acceptable in the context of the individual and consolidated financial statements taken as a whole.

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Risks relating to compliance with laws and regulations

As mentioned in Notes 16 and 36 to the individual and consolidated financial statements, the Company and certain investees are being investigated by public authorities. At the end of 2020, Company professionals responsible for governance authorized a specialized company to be engaged in order to analyze the internal procedures and investigate the allegations received by the state of Minas Gerais Prosecution Office (MPMG) concerning irregularities in purchase bidding processes. In addition, on February 18, 2022, the final report issued by the inquiry commission (CPI) established by the state of Minas Gerais Legislative Assembly (ALMG) was approved and submitted to the public authorities.

This matter was considered significant for our audit, due to the level of judgment and complexity inherent in these internal investigation processes and those conducted by public authorities.

How our audit addressed this matter

Our audit procedures included, among others: (i) analyzing the process and controls implemented by the Company for identifying non-compliance with laws and regulations; (ii) reviewing the independent internal investigation report issued by a specialized company engaged by the Company; (iii) obtaining an understanding on and assessing the main actions of the Executive Board and governance areas relating to these allegations; (iv) holding discussions on the matter with the Audit Committee, members of the Investigation Committee (CEI), as well as with the Compliance and Internal Audit area; (v) conducting tests on unusual transactions; (vi) involving our forensics professionals to assist in our assessment of the internal investigation's procedures and conclusions; and (vii) involving more experienced audit professionals in defining the test strategy, assessing supporting audit documentation and in oversee the audit procedures performed. Additionally, we analyzed adequacy of Company's disclosures on this matter.

Based on the result of the audit procedures performed on risks relating to non-compliance with laws and regulations, which are consistent with the Executive Board's assessment, we believe that the procedures adopted and assessment made by the Executive Board, as well as respective disclosures in Notes 16 and 36, are acceptable in the context of the individual and consolidated financial statements taken as a whole.

Other matters

Statements of value added

The individual and consolidated statements of value added (SVA) for the year ended December 31, 2021, prepared under the Company's Executive Board responsibility and presented as supplementary information for IFRS purposes, were submitted to audit procedures conducted together with audit of the Company's financial statements. In order to form our opinion, we evaluated if these statements are reconciled to the financial statements and accounting records, as applicable, and whether their form and content comply with the criteria defined in accounting pronouncement NBC TG 09 – Statements of Value Added. In our opinion, these statements of value added were fairly prepared, in all material respects, in accordance with the criteria defined in above mentioned accounting pronouncement and are consistent with the overall individual and consolidated financial statements.

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

The Company's Executive Board is responsible for such other information, which comprises the Management Report.

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

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

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

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

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

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

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

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

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

- Identified and assessed the risks of material misstatements of the individual and consolidated financial statements, whether due to fraud or error, designed and performed audit procedures responsive to those risks, and obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's and its subsidiaries' internal control.
- Evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Executive Board.
- Concluded on the appropriateness of the Executive Board's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast substantial doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the individual and consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluated the overall presentation, structure and content of the financial statements, including the disclosures, and whether the individual and consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

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

Belo Horizonte, March 29, 2022.

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

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

OPINION OF THE AUDIT BOARD

Cemig Geração e Transmissão S.A.

The members of the Audit Board of Cemig Geração e Transmissão S.A., undersigned, in performance of their function under the law and the Company's by-laws, have examined the financial statements for the business year ended December 31, 2021 and the related complementary documents, approved by the Company's Board of Directors, on March 29, 2022. After verifying these documents, and considering the examinations carried out by this Board and the explanations provided by the Company's Management in relation to acts of management and the related records in the 2021 financial year, and also based on the unqualified Opinion of Ernst & Young Auditores Independentes (EY) issued on March 29, 2022, hereby express the following favorable opinion, namely that these statements are adequately presented in all material aspects, and thus merit approval by the stockholders in the Annual General Meeting to be held in 2022.

Belo Horizonte, March 29, 2022.

Gustavo de Oliveira Barbosa

Cláudio Morais Machado

Elizabeth Jucá e Mello Jacometti

Fernando Scharlack Marcato

Michele da Silva Gonsales Torres

DIRECTORS' STATEMENT OF REVIEW OF THE FINANCIAL STATEMENTS

Companhia Energética de Minas Gerais

Distribuição S.A.

Geração e Transmissão S.A.

STATEMENT

We hereby state, for the due purposes, under the responsibility of our positions, that in meeting of the Executive Board of Companhia Energética de Minas Gerais (Cemig), Cemig Distribuição S.A. and Cemig Geração e Transmissão S.A., held on March 28, 2022, we approved the conclusion, on that date, of the Company's financial statements for the business year 2021; and also submission to the Board of Directors, for decision and submission to the Annual General Meeting, of the Report of Management, the Financial Statements for 2021 and the related complementary documents. In relation to those documents, we declare that we have reviewed, discussed and agree with the said Financial Statements.

Belo Horizonte, March 28, 2022.

aa.) Reynaldo Passanezi Filho – Chief Executive Officer
Dimas Costa – Chief Trading Officer
Leonardo George de Magalhães – Chief Finance and Investor Relations Officer
Marney Thadeu Antunes – Chief Distribution and Sales Officer
Maurício Dall'Agnese – Chief Officer Cemigpar
Thadeu Carneiro da Silva – Chief Generation and Transmission Officer

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

Companhia Energética de Minas Gerais | Distribuição S.A. | Geração e Transmissão S.A.

STATEMENT

We hereby state, for the due purposes, under the responsibility of our positions, that in meeting of the Executive Board of Companhia Energética de Minas Gerais (Cemig), Cemig Distribuição S.A. and Cemig Geração e Transmissão S.A), held on March 28, 2022, we approved the conclusion, on that date, of the Company’s financial statements for the business year 2021; and also submission to the Board of Directors, for decision and submission to the Annual General Meeting, of the Report of Management, the Financial Statements for 2021 and the related complementary documents. In relation to those documents, we declare that we have reviewed, discussed and agree with the opinions expressed by the representatives of the Independent External Auditors.

Belo Horizonte, March 29, 2022.

aa.) Reynaldo Passanezi Filho – Chief Executive Officer
Dimas Costa – Chief Trading Officer
Leonardo George de Magalhães – Chief Finance and Investor Relations Officer
Marney Thadeu Antunes – Chief Distribution and Sales Officer
Maurício Dall’Agnese – Chief Officer Cemigpar
Thadeu Carneiro da Silva – Chief Generation and Transmission Officer

REPORT OF THE AUDIT COMMITTEE

SUMMARY OF THE REPORT OF THE AUDIT COMMITTEE – March 29, 2022

INTRODUCTION

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

COMPOSITION OF THE AUDIT COMMITTEE

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

ACTIVITIES CARRIED OUT IN THE SCOPE OF ITS DUTIES IN YEAR OF 2021

In 2021 the Committee met 39 times. At the beginning of the first half of 2022 it has met 7 times. It has taken part in meetings of the Board of Directors 13 times in 2021 and four in the first half of 2022. Four meetings were held jointly with the Audit Board in 2021, and two so far in the first half of 2022. The Committee has maintained permanent contact with the managers of the various areas of the Company, aiming to accompany the work carried out, and obtain input information on which to base its assessments. 21 meetings were held with participation by the external auditors, Ernst and Young Auditores Independentes, to become aware of methodology, planning and results of the work, with a view to preparation of the Financial Statements at December, 31, 2021. The Committee met with members of the Executive Board of the Company to deal with subjects related to general aspects of the management of the institution, in particular those relating to accounting, internal controls, internal auditing, management of capital, financial management and management of risks. The Committee has presented recommendations for enhancement of processes, and accompanied the implementations of improvements that it has recommended, and also recommendations in relation to internal and external audits, indicated in the course of its work. The Committee has maintained regular contacts with the Company's Board of Directors, and has also issued opinions of aspects related to its duties under regulations, and provided information to that Board on its activities.

THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS

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

INTERNAL AUDITING

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

EXTERNAL AUDITING

The Committee met with the external auditors, Ernst and Young Auditores Independentes S.S., to ascertain the principal events in the works carried out in the preparation of the financial statements for 2021, and in their assessment of the Company's present internal controls. The Committee considers the work carried out to be satisfactory, and has not identified any situations that could affect the objectivity and independence of the external auditors.

THE FINANCIAL STATEMENTS

The Committee has accompanied the process of preparation of the financial statements for 2021, examining trial balances, balance sheets and explanatory notes, and has considered the financial statements, the Report of Management, the Report of the External Auditors and other documents destined for publication. It has taken cognizance of the accounting practices used in the preparation of the financial statements, which are aligned with the fundamental principles of accounting and with Brazilian corporate legislation, and which adequately portray the institution’s equity situation.

CONCLUSION

By the closing date of this report the Audit Committee had not received any reports of any accusation of non-compliance with rules, or absence of controls, or any act or omission by the Company's Management, that might indicate the existence of fraud, failings or errors that might put at risk the continuity of the institution or the fidelity of its accounting statements. Based on the considerations above, the Audit Committee, having duly weighed and considered its responsibilities and the natural limitations arising from the scope of its activity, recommends to the Board of Directors that the Financial Statements of Cemig, Cemig D and Cemig GT for 2021 should be approved.

Belo Horizonte, March 29, 2022.

The Audit Committee

PEDRO CARLOS DE MELLO – Coordinator

AFONSO HENRIQUES MOREIRA SANTOS – Member

MÁRCIO DE LIMA LEITE – Member

ROBERTO TOMMASETTI – Member

CAPITAL BUDGET

In accordance with Clause 196 of the Corporate Law and Article 25, § 1, Sub-item IV of CVM (‘*Comissão de Valores Mobiliários*’) Instruction 480, we present for analysis and subsequent approval of submission to the Ordinary General Meeting of Shareholders to be held on April, 2021, the proposal for the consolidated Capital Budget for the 2022 business year. The planned amount of capital budget will be achieved exclusively by allocating resources from Company’s operations, through the retained earnings for the period of 2021, of R$1,552,818.

Investments planned for 2022	
Energy distribution system	1,785,374
Energy Subtransmission system	1,003,662
Energy generation system	16,802
Energy transmission system	288,584
Contributions to subsidiaries and associates	89,000
Infrastructure and others	1,376,847
	4,560,269