CONTENTS

STATEMENTS OF FINANCIAL POSITION

AS OF MARCH 31, 2020 AND DECEMBER 31, 2019

ASSETS

(In thousands of Brazilian Reais)

	Note	Mar. 31, 2020	Dec. 31, 2019
CURRENT			
Cash and cash equivalents	4	292,589	234,346
Marketable securities	5	858,177	109,960
Customers and traders	6	3,000,659	3,021,551
Concession holders - Transport of energy	6	248,294	242,229
Recoverable taxes	7	33,445	29,101
Income tax and social contribution tax recoverable	8a	121,896	235,745
Inventories		27,924	31,408
Public Lighting Contribution		173,728	164,971
Reimbursement of tariff subsidy payments	10	93,673	93,673
Low-income subsidy		29,647	29,582
Concession financial and sector assets	11	694,783	640,161
Others		104,332	174,431
TOTAL CURRENT		**5,679,147**	**5,007,158**
NON-CURRENT			
Marketable Securities	5	68,801	305
Deferred Income tax and social contribution tax	8b	1,757,873	1,741,544
Recoverable taxes	7	5,178,572	5,141,553
Escrow deposits	9	562,419	1,766,042
Customers and traders	6	711	711
Concession holders - Transport of energy	6	70,317	70,412
Others credits		36,874	37,562
Concession financial and sector assets	11	552,776	701,164
Contractual assets	12	704,016	740,044
Intangible assets	13	9,058,360	8,938,620
Leasing - rights of use	14	199,909	212,948
TOTAL NON-CURRENT		**18,190,628**	**19,350,905**
TOTAL ASSETS		**23,869,775**	**24,358,063**

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

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STATEMENTS OF FINANCIAL POSITION

AS OF MARCH 31, 2020 AND DECEMBER 31, 2019

LIABILITIES

(In thousands of Brazilian Reais)

	Note	Mar. 31, 2020	Dec. 31, 2019
CURRENT			
Loans and financings	17	14,133	16,548
Debentures	17	983,021	886,401
Suppliers	15	1,298,051	1,534,689
Taxes payable	16	227,306	192,731
Payroll and related charges		121,395	130,861
Regulatory charges	18	273,145	283,361
Employees' and managers' profit shares		132,196	150,970
Post-employment obligations	19	203,161	201,241
Public Lighting Contribution		247,968	251,809
Interest on Capital, and dividends, payable	21	822,183	822,183
Leasing - obligations	14	61,386	64,034
Others		232,372	176,492
TOTAL CURRENT		**4,616,317**	**4,711,320**
NON-CURRENT			
Loans and financings	17	28,914	27,353
Debentures	17	4,227,140	4,864,620
Provisions	20	1,210,196	1,221,151
Post-employment obligations	19	4,377,491	4,359,058
Taxes payable	16	436	436
Regulatory charges	18	122,541	101,968
Pasep and Cofins taxes to be reimbursed to customers	16	4,217,114	4,193,329
Leasing - obligations	14	147,956	157,160
Others		16,873	13,460
TOTAL NON-CURRENT		**14,348,661**	**14,938,535**
TOTAL LIABILITIES		**18,964,978**	**19,649,855**
EQUITY	21		
Share capital		5,371,998	5,371,998
Profit reserves		1,329,789	1,329,789
Equity valuation adjustments		(1,993,579)	(1,993,579)
Retained earnings		196,589	-
TOTAL EQUITY		**4,904,797**	**4,708,208**
TOTAL LIABILITIES AND EQUITY		**23,869,775**	**24,358,063**

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STATEMENTS OF INCOME

FOR THE THREE-MONTH PERIODS ENDED MARCH 31, 2020 AND 2019

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

	Note	Jan. to Mar. 2020	Jan. to Mar. 2019
NET REVENUE	22	3,777,379	3,550,422
OPERATING COSTS	23		
COST OF ENERGY			
Energy purchased for resale		(1,919,179)	(1,828,301)
Charges for use of the national grid		(372,581)	(338,942)
		(2,291,760)	**(2,167,243)**
OTHER COSTS			
Personnel and managers		(160,188)	(181,192)
Materials		(8,398)	(7,868)
Outsourced services		(208,644)	(196,514)
Depreciation and amortization		(136,180)	(132,818)
Operating provisions, net	23d	(29,603)	3,506
Infrastructure construction cost		(248,407)	(160,201)
Others		(8,381)	(842)
		(799,801)	**(675,929)**
TOTAL COST		**(3,091,561)**	**(2,843,172)**
GROSS PROFIT		**685,818**	**707,250**
OPERATING EXPENSES	23		
Selling expenses		(96,145)	(62,642)
General and administrative expenses		(135,316)	(153,508)
Other operating expenses, net		(122,723)	(147,173)
		(354,184)	**(363,323)**
Income before finance income (expenses) and taxes		**331,634**	**343,927**
Finance income	24	128,024	119,282
Finance expenses	24	(162,440)	(173,856)
Income before income tax and social contribution tax		**297,218**	**289,353**
Current income tax and social contribution tax	8c	(116,958)	(77,417)
Deferred income tax and social contribution tax	8c	16,329	(23,582)
NET INCOME FOR THE PERIOD		**196,589**	**188,354**
Basic and diluted earnings per shares, R$	21	**0.0833**	**0.0798**

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STATEMENTS OF COMPREHENSIVE INCOME

FOR THE THREE-MONTH PERIODS ENDED MARCH 31, 2020 AND 2019

(In thousands of Brazilian Reais)

	Jan. to Mar. 2020	Jan. to Mar. 2019
NET INCOME FOR THE PERIOD	**196,589**	**188,354**
COMPREHENSIVE INCOME FOR THE PERIOD	**196,589**	**188,354**

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE THREE-MONTH PERIODS ENDED MARCH 31, 2020 AND 2019

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

	Share capital	Advance against future capital increase	Profit reserves	Equity valuation adjustments	Retained earnings	Total equity
BALANCES ON DECEMBER 31, 2018	**2,771,998**	**2,600,000**	**545,856**	**(1,275,496)**	**-**	**4,642,358**
Net income for the period	-	-	-	-	188,354	188,354
BALANCES ON MARCH 31, 2019	**2,771,998**	**2,600,000**	**545,856**	**(1,275,496)**	**188,354**	**4,830,712**
BALANCES ON DECEMBER 31, 2019	**5,371,998**	**-**	**1,329,789**	**(1,993,579)**	**-**	**4,708,208**
Net income for the period	-	-	-	-	196,589	196,589
BALANCES ON MARCH 31, 2020	**5,371,998**	**-**	**1,329,789**	**(1,993,579)**	**196,589**	**4,904,797**

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STATEMENTS OF CASH FLOWS

FOR THE THREE-MONTH PERIODS ENDED MARCH 31, 2020 AND 2019

(In thousands of Brazilian Reais)

	Note	Jan. to Mar. 2020	Jan. to Mar. 2019
CASH FLOW FROM OPERATIONS			
Net income for the period		196,589	188,354
Expenses (revenues) not affecting cash and cash equivalents:			
Post-employment obligations	19	83,760	79,325
Depreciation and amortization	13b and 14	163,082	161,965
Operating provisions	23c	125,748	59,136
Write-off of net residual value of unrecoverable Concession financial assets and Intangible assets	11a and 13b	2,521	3,469
Financial interest and inflation adjustment		123,147	115,767
Adjustment to expectation of contractual cash flow from the concession	11a	(724)	(6,040)
Amortization of transaction cost of loans and financings	17	507	4,017
CVA (Parcel A Compensation) Account and Other Financial Components in tariff adjustment	22	54,602	(120,350)
Deferred income and social contribution taxes	8c	(16,329)	23,582
		732,903	509,225
(Increase) / decrease in assets			
Customers and traders		(75,253)	(43,729)
Concession holders - Transport of energy		(5,970)	(6,471)
CVA (Parcel A Compensation) Account and Other Financial Components in tariff adjustment	11b	62,771	74,534
Recoverable taxes		(17,578)	8,228
Income tax and social contribution tax recoverable		(3,109)	(4,464)
Escrow deposits		1,212,775	3,936
Public lighting tax		(8,757)	(12,056)
Reimbursement of tariff subsidies		-	(82,470)
Low-income subsidy		(65)	(11,314)
Others		74,271	61,759
		1,239,085	(12,047)
Increase / (decrease) in liabilities			
Suppliers		(270,647)	343,385
Taxes		35,254	(93,215)
Income tax and social contribution tax payable		116,958	77,417
Payroll and related charges		(9,466)	(3,854)
Public lighting tax		(3,841)	(43,357)
Regulatory charges		10,357	(45,999)
Post-employment obligations	19	(63,407)	(56,446)
Employees' and managers' profit sharing	20	(40,558)	(34,715)
Others		(18,774)	46,261
Increase / (decrease) in liabilities		54,622	(62,148)
		(189,502)	127,329
Cash from operating activities		**1,782,486**	**624,507**
Interest paid on loans, financings and debentures	17	(124,650)	(187,495)
Interest paid in leasing contracts	14	(233)	-
Income tax and social contribution tax payable		-	(55,959)
NET CASH FROM OPERATING ACTIVITIES		**1,657,603**	**381,053**
CASH FLOW IN INVESTMENT ACTIVITIES			
Marketable Securities - cash investments		(816,713)	205,282
In intangible assets	13	(3,039)	(5,865)
In contractual assets	12	(229,121)	(143,721)
NET CASH FLOW FROM (USED IN) INVESTMENT ACTIVITIES		**(1,048,873)**	**55,696**
CASH FLOW IN FINANCING ACTIVITIES			
Leasing liabilities paid	14	(16,805)	-
Loans, financings and debentures, paid	17	(533,682)	(511,349)
NET USED IN FINANCIAL ACTIVITIES		**(550,487)**	**(511,349)**
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS FOR THE PERIOD		**58,243**	**(74,600)**
Cash and cash equivalents at start of period	4	234,346	451,304
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	4	**292,589**	**376,704**

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STATEMENTS OF ADDED VALUE

FOR THE THREE-MONTH PERIODS ENDED MARCH 31, 2020 AND 2019

(In thousands of Brazilian Reais)

	Jan. to Mar. 2020		Jan. to Mar. 2019	
REVENUES				
Sales of energy and services	5,994,009		5,942,080	
Distribution construction revenue	248,407		160,201	
Adjustment to expectation of reimbursement of distribution concession financial assets	724		6,040	
Other revenues	-		1,599	
Provision for doubtful receivables	(96,145)		(62,642)	
	6,146,995		**6,047,278**	
INPUTS ACQUIRED FROM THIRD PARTIES				
Energy bought for resale	(2,083,539)		(2,002,607)	
Charges for use of national grid	(410,558)		(373,490)	
Outsourced services	(338,735)		(303,872)	
Materials	(139,559)		(84,041)	
Other operating costs	(77,190)		(40,331)	
	(3,049,581)		**(2,804,341)**	
GROSS VALUE ADDED	**3,097,414**		**3,242,937**	
RETENTIONS				
Depreciation and amortization	(163,082)		(161,965)	
NET ADDED VALUE PRODUCED BY THE COMPANY	**2,934,332**		**3,080,972**	
ADDED VALUE RECEIVED BY TRANSFER				
Financial revenues	128,024		119,282	
ADDED VALUE TO BE DISTRIBUTED	**3,062,356**		**3,200,254**	
DISTRIBUTION OF ADDED VALUE				
		%		%
Employees	**288,028**	**9.41**	**342,571**	**10.70**
Direct remuneration	176,745	5.77	234,923	7.34
Post-employment obligations and Other benefits	99,785	3.26	93,435	2.92
FGTS fund	11,498	0.38	14,213	0.44
Taxes	**2,397,386**	**78.29**	**2,484,295**	**77.63**
Federal	1,003,355	32.76	1,126,449	35.20
State	1,390,487	45.41	1,354,544	42.33
Municipal	3,544	0.12	3,302	0.10
Remuneration of external capital	**180,353**	**5.88**	**185,034**	**5.78**
Interest	178,687	5.83	184,471	5.76
Rentals	1,666	0.05	563	0.02
Remuneration of own capital	**196,589**	**6.42**	**188,354**	**5.89**
Retained earnings	196,589	6.42	188,354	5.89
	3,062,356	**100.00**	**3,200,254**	**100.00**

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

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NOTES TO THE INTERIM FINANCIAL INFORMATION

FOR THE THREE-MONTH PERIOD ENDED AS OF MARCH 31, 2020

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

1. OPERATING CONTEXT

Cemig Distribuição S.A. ('Cemig D', 'Cemig Distribuição' or 'the Company') is a Brazilian corporation registered for trading with the Brazilian Securities Commission (Comissão de Valores Mobiliários, or CVM), and in the Brazilian Register of Corporate Taxpayers (CNPJ) under No. 06.981.180/0001-16. A wholly-owned subsidiary of Companhia Energética de Minas Gerais - Cemig ('Cemig'), it was incorporated on September 8, 2004, and began operating on January 1, 2005, pursuant to the separation of activities ('unbundling') of Cemig. Its shares are not traded on any exchange. It is domiciled in Brazil, with head office in Belo Horizonte city, Minas Gerais.

Its corporate objects are: To study, plan, project, build and commercially operate systems of distribution and sale of electricity and related services for which concessions are granted to it under any form of law.

The Company has a concession area of 567,478 km2, comprising approximately 97% of the Brazilian state of Minas Gerais, serving 8,565,258 customers, on March 31, 2020 (data not reviewed by external auditors).

The Fifth Amendment to the concession contracts, signed with the Mining and Energy Ministry, extended the concession for 30 years, from January 1, 2016. The amendment establishes standards of service quality and economic-financial indicators that the Company must meet during the new concession period.

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

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1.1 COVID - 19

General Context

On March 11, 2020, the World Health Organization characterized Covid-19 as a pandemic, reinforcing the restrictive measures recommendations to prevent the virus dissemination worldwide. These measures are based, mainly, on social distancing, which have been causing major negative impact on entities, affecting their production process, interrupting their supply chains, causing workforce shortages and closing of stores and facilities. The economies around the world are developing measures to handle the economic crisis, especially by their central banks and fiscal authorities, but the economic downturn and its effects are not yet accurately measurable.

Government measures aimed at Brazilian energy sector

Several measures were implemented by the Brazilian government, specifically aimed at energy sector, which include:

- The provisional normative act. 950/2020 issued in April 8, 2020, which provides for 100% discount in the calculation of social energy tariff ('Tarifa Social de Energia Elétrica'), from April 1, 2020 to June 20, 2020, applicable to customers included in low-income residential subclass, with energy consumption less than or equal to 220 kWh/month. The act also authorizes the Federal Government to allocate resources to Energy Development Account (CDE), limited to R$900, to cover the tariff discounts established.
- Expansion on the limit of total amount of energy that can be declared by energy distributors in the process of the surplus sales mechanism ('Mecanismo de Venda de Excedentes' - MVE), during 2020, from 15% to 30%, for the purpose of facilitating contractual reductions.
- Provision of financial resources available in the reserve fund in April 2020, by CCEE, in accordance with Aneel Dispatch 986/2020, dedicated to reduce future regulatory fees. The Company was granted with R$122 million.
- Under Resolution 878/2020, issued on March 24, 2020, the regulator has implemented some measures in an attempt to maintain the public service of energy supply, which include: prohibiting energy supply suspension due to default of certain categories of customers (residential), for 90 days, prioritizing emergency assistance and energy supply to services and activities regarded as essential, drawing up specific contingency plans to assist health care units and hospital services, among others.
- The regulator have been discussing other measures to support the energy sector, especially towards energy distribution, by providing short-term resources in order to offset the liquidity reduction due to decrease in revenue and collection.

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Company's initiatives

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 and responding to the impact of Covid-19, because of the fast-changing situation, which became more widespread, complex and systemic.

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

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

The Company also adopted the follow measures in order to contribute with society, which are assessed continuously:

- Providing payment flexibility to low-income residential subclass customers, registered as social tariff, who will be able to pay their debts in up to six installments, without interests or penalties.
- Providing payment flexibility to public and philanthropic hospitals as well as to emergency rooms units, which will be able to pay the bills not yet collected in up to six installments, without interests or penalties;
- Offering the entities regarded as small business by Brazilian law the option for payment in up to six installments, without interests or penalties.
- A donation program linked to its customers established for the purchase of medical equipment to hospitals located in several regions in the State of Minas Gerais, in addition to a donation made directly by the Company, which has already committed an amount around R$10 million.

The Company is working diligently to mitigate the crisis impacts on its liquidity, implementing the following measures, among others:

- reviewing its program of investments and expenses;
- payment of minimum mandatory dividends to shareholders, and concentration of the greater part of the dividend's payment at the end of 2020;

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- negotiating with its customers on the free market the volumes and delivery times on their contracts;
- deferral payment of taxes and social charges, as authorized by legislation.

Impact of Covid-19 on Financial Statements

Considering the significant restrictions on business and social interaction during the Covid-19 pandemic in combination with the latest movements in exchange and interest rates, the Company estimates that the resulting economic contraction might have a negative effect on its liquidity, but the overall impact of the Covid-19 outbreak on its financial position and performance is still difficult to be accurately measured at this point.

In such a scenario, the significant intervention in the local market policies and the initiatives to reduce the transmission of Covid-19 are likely to cause a reduction in energy consumption and consequently in revenue from sale of energy, as well as an increase in expected credit losses. The energy demand (load) measured by Brazilian Interconnected Power Grid (SIN) has decreased 18.3% since the second half of March 2020.

As of March 31, 2020, from the observation of the pandemic's immediate economic effects, the Company assessed the assumptions used for calculating fair value and recoverable amount of certain financial and non-financial assets, as follows:

- The Company is assessing the circumstances arising from Covid-19 pandemic and associated measures aimed at reducing its systematic impact when measuring expected credit losses. Under the Resolution 878/2020, the regulator has implemented some measures in an attempt to maintain the public service of energy supply, including prohibiting energy supply suspension due to default of certain customers categories. This measures can increase delinquency and bring further cash flow pressure. The Company believes it is still too early to assess accurately these measures potential impact, which may be mitigated by the possible interventions from federal government in order to support the Brazilian energy distributors.

- The Company has also made an assessment attempting to identify the behavior of the interest rates and discount rates that are the basis for the calculation of post-employment obligations, and believes that at this moment, due to the high volatility of the market, it is not possible to conclude whether the present rates reflect an alteration in the macroeconomic fundamentals that would indicate a need for recalculation of the actuarial liabilities.

- 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.

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The impacts of the Covid-19 pandemic published in this interim financial information are based on the Company's best estimates. The Company estimates that the effects of the pandemic may temporarily affect its liquidity in 2020, however, significant long-term effects are not expected. Based on the market projections and on the crisis measurable effects, the Company has observed the following effects in 2020:

- The Company expects that the return of economic activities after the peak of the coronavirus outbreak will reestablish the collection behavior, which reduced in April 2020. In addition, the negotiations to enable the recovery of past due receivables and the possible regulator's measures to reestablish economic balance, which are currently being discussed in the sector, may mitigate the negative effects of the economic crisis on collection.

- Measured up to the initial days of May 2020, the reduction in the market of Cemig D's captive customers was approximately 11%. We believe there is a possibility that the effect of this temporary market reduction on the Company's cash flow will be mitigated by the possible actions of the federal government to support the energy distributors. Further, the Company expects that the market will recover as the requirements for social distancing are made more flexible, as is happening in several cities of Minas Gerais and the country.

- The Company also reviewed the financial assets and liabilities measured at fair value to reflect the conditions and current rates projected, which impacts are presented in Note 26.

2. BASIS OF PREPARATION

2.1. Statement of compliance

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

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

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

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

The Company's Executive Board authorized the issuance of this Interim financial information on May 11, 2020.

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

Number of the note		Title of the note
Dec. 31, 2019	Mar. 31, 2020	
1	1	Operational context
2	2	Basis of preparation
4	3	Operational segments
5	4	Cash and cash equivalents
6	5	Marketable securities
7	6	Customers and traders; Concession holders (power transport)
8	7	Recoverable taxes
9	-	PIS/Pasep and Cofins taxes credits over ICMS – Final Court Judgment
10	8	Income tax and social contribution tax
11	9	Escrow deposits
12	10	Reimbursement of tariff subsidies
13	11	Concession financial assets and liabilities
14	12	Contract assets
15	13	Intangible assets
16	14	Leasing - Right of Use
17	15	Suppliers
18	16	Taxes and amounts reimbursement to customers
19	17	Loans, financings and debentures
20	18	Regulatory charges
21	19	Post-employment obligations
22	20	Provisions
23	21	Equity and remuneration to shareholders
24	22	Revenue
25	23	Operating costs and expenses
26	24	Financial revenue and expenses
27	25	Related party transactions
28	26	Financial instruments and risk management
32	27	Transactions not involving cash
33	28	Subsequent events

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

Number of the note	Title of the note
3	Concessions
29	Insurance
30	Contractual obligations
31	The Annual Tariff Adjustment

3. OPERATIONAL SEGMENTS

The Company operates only in electricity distribution, and only in the Brazilian State of Minas Gerais. Its Income statement reflects this activity. Management believes that its Income statements and the other information contained in these Notes provide the required information about its sole operational segment.

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4. CASH AND CASH EQUIVALENTS

	Mar. 31, 2020	Dec. 31, 2019
Bank accounts	49,861	192,772
Cash investments		
Bank certificates of deposit (1)	108,318	36,198
Overnight (2)	134,410	5,376
	242,728	**41,574**
	292,589	**234,346**

(1) *Bank Certificates of Deposit* (*Certificados de Depósito Bancário*, or CBDs), accrued interest at 70% to 104% of the CDI Rate (*Interbank Rate for Interbank Certificates of Deposit or Certificados de Depósito Inter-bancário* - CDIs) published by the *Custody and Settlement Chamber* (*Câmara de Custódia e Liquidação*, or Cetip) on March 31, 2020 (70% to 104% on December 31, 2019).

(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 3.64% on March 31, 2020 (4.39% on December 31, 2019).

Note 26 gives the exposure of the Company to interest rate risks, and a sensitivity analysis of their effects on financial assets and liabilities.

5. MARKETABLE SECURITIES

	Mar. 31, 2020	Dec. 31, 2019
Bank certificates of deposit	-	221
Financial Notes (LFs) - banks (1)	795,731	95,204
Treasury Financial Notes (LFTs) (2)	119,095	13,900
Debentures (3)	11,944	732
Others	208	208
	926,978	**110,265**
Current asset	**858,177**	**109,960**
Non-current asset	**68,801**	**305**

(1) 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 102% and 124% of the CDI rate on March 31, 2020 (101.95% and 113% on December 31, 2019).

(2) *Treasury Financial Notes* (LFTs) are fixed-rate fixed-income securities which accrue interest at a rate that follows the daily variation of the Selic rate from the purchase date to maturity.

(3) Debentures are medium- and long-term debt securities, which give their holders a right of credit against the issuing company. The debentures have remuneration varying from 106.75% to 113% of the CDI Rate on March 31, 2020 (108.25% to 113% of CDI on December 31, 2019).

Note 26 shows a classification of these marketable securities. Investments in marketable securities of related parties are shown in Note 25.

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6. CUSTOMERS, TRADERS AND POWER TRANSPORT CONCESSION HOLDERS

Customer type	Balances not yet due		Balances past due			Total	
	Billed energy	Not yet billed energy	Up to 90 days	91 to 360 days	More than 360 days	Mar. 31, 2020	Dec. 31, 2019
Residential	707,300	273,687	467,151	141,531	80,057	1,669,726	1,628,954
Industrial	50,643	54,792	38,393	15,332	138,746	297,906	307,379
Commercial, services and others	350,536	156,898	133,999	52,890	105,496	799,819	816,583
Rural	136,163	54,870	73,174	52,488	20,486	337,181	356,303
Public authorities	55,549	28,835	30,841	102,405	216,363	433,993	422,034
Public lighting	8,900	23,443	1,266	919	263	34,791	34,662
Public services	72,124	27,480	5,913	8,328	21,134	134,979	133,077
Subtotal - customers	**1,381,215**	**620,005**	**750,737**	**373,893**	**582,545**	**3,708,395**	**3,698,992**
Concession holders - Transport of energy	77,187	195,640	16,235	7,718	76,618	373,398	367,429
Supply - spot market energy	17,287	-	-	-	-	17,287	-
Provision for doubtful receivables	(152,148)	(9,259)	(13,352)	(6,342)	(597,998)	(779,099)	(731,518)
	1,323,541	**806,386**	**753,620**	**375,269**	**61,165**	**3,319,981**	**3,334,903**
Current							
Customers and traders						**3,000,659**	**3,021,551**
Concession holders - Transport of energy						**248,294**	**242,229**
Non-current asset							
Customers and traders						**711**	**711**
Concession holders - Transport of energy						**70,317**	**70,412**

The Company's exposure to credit risk related to customers and traders is given in Note 26. The transactions involving related parties is provided in Note 25.

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

	Mar. 31, 2020	Dec. 31, 2019
Residential	132,341	127,747
Industrial	140,140	132,663
Commercial, services and others	161,706	153,819
Rural	28,651	30,248
Public authorities	227,384	200,302
Public lighting	1,247	1,123
Public services	32,843	30,829
Concession holders - Transport of energy	54,787	54,787
	779,099	**731,518**

Changes in the provision for doubtful receivables on March 31, 2020 and 2019 are as follows:

Balance at December 31, 2018	**697,089**
Additions, net	62,642
Disposals	(38,454)
Balance at March 31, 2019	**721,277**
Balance at December 31, 2019	**731,518**
Additions, net	96,145
Disposals	(48,564)
Balance at March 31, 2020	**779,099**

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7. RECOVERABLE TAXES

	Mar. 31, 2020	Dec. 31, 2019
Current		
ICMS tax recoverable	30,057	25,743
COFINS tax	1,728	1,713
PIS-PASEP taxes	1,312	1,301
Others	348	344
	33,445	**29,101**
Non-current		
ICMS tax recoverable (2)	218,628	215,189
COFINS tax (1)	4,075,197	4,047,607
PIS-PASP taxes (1)	884,747	878,757
	5,178,572	**5,141,553**
	5,212,017	**5,170,654**

(1) Credits related to the exclusion of ICMS tax amounts from the basis for calculation of PIS/Pasep and Cofins taxes. More details below.
(2) The ICMS (VAT) credits that are reported in non-current assets arise mainly from acquisitions of property, plant and equipment, and intangible assets, and can be offset against taxes payable in the next 48 months.

a) PIS/Pasep and Cofins taxes credits over ICMS

On May 8, 2019 the Regional Federal Appeal Court of the First Region gave final judgment - against which there is no appeal - on the Ordinary Action, deciding in favor of the Company and recognizing their right to exclude the ICMS amounts from the calculation basis of PIS/Pasep and Cofins taxes, backdated as from five years prior to the action initial filing- that is, from July 2003.

Thus, the PIS/Pasep and Cofins credits are recorded in non-current asset corresponding to the amount of these taxes over ICMS paid in the period of July 2003 to May 2019.

The Company will recover the tax credit by 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

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, was given in favor of the Company.

Based on the opinion of its legal advisers, the Company believes that a portion of the credits to be received, should be reimbursed to its customers, considering a maximum period for calculation of the reimbursement of 10 years. Thus, the Company has constituted a liability corresponding to the credits to be reimbursed to its customers, which comprises the period of the last 10 years, from June 2009 to May 2019, net of PIS/Pasep and Cofins taxes over monetary updating. For futher details, see Note 16. The mechanisms and criteria for reimbursement will be discussed with the regulator, as soon as the Company has full qualification of its credits by the Brazilian tax authority (Receita Federal).

The accounting effects relating to the recognition of the PIS/Pasep and Cofins taxes credits, including their monetary updating by the Selic rate, were recognized in the income statement in 2019. These credits are updated by the Selic rate until offsetting. On March 31, 2020, the net effect in the finance income is R$8,636 as shown in Note 24.

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8. INCOME AND SOCIAL CONTRIBUTION TAXES

a) Income and social contribution taxes 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.

	Mar. 31, 2020	Dec. 31, 2019
Current		
Income tax	81,275	163,015
Social contribution tax	40,621	72,730
	121,896	**235,745**

b) Deferred income and social contribution taxes

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

Temporary differences of income tax and social contribution tax	Mar. 31, 2020	Dec. 31, 2019
Deferred tax assets		
Post-employment obligations	1,422,999	1,411,395
Doubtful receivables	286,863	270,605
Impairment	18,299	18,299
Provisions for contingencies	347,635	351,827
Administrative tax	5,532	5,625
Provision for profit shares	44,947	51,330
Others	5,407	5,003
	2,131,682	**2,114,084**
Deferred tax liabilities	(200,502)	(202,548)
Adjustment to expectation of cash flow - Concession assets	(169,977)	(166,478)
Borrowing costs capitalized	(3,330)	(3,514)
Funding cost	**(373,809)**	**(372,540)**
Total, net assets	**1,757,873**	**1,741,544**

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

Balances at December 31, 2018	**1,334,421**
Effects allocated to income statements	(23,582)
Balances at March 31, 2019	**1,310,839**
Balances at December 31, 2019	**1,741,544**
Effects allocated to income statements	16,329
Balances at March 31, 2020	**1,757,873**

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

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c) 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:

	Jan. to Mar. 2020	Jan. to Mar. 2019
Profit before income tax and social contribution tax	**297,218**	**289,353**
Nominal rate	34%	34%
Income tax and social contribution tax - nominal expense	(101,054)	(98,380)
Tax effects applicable to:		
Tax incentives	7,822	5,928
Non-deductible contributions and donations	(422)	(450)
Non-deductible penalties	(6,565)	(7,933)
Others	(410)	(164)
Income tax and Social Contribution - effective gain (expense)	**(100,629)**	**(100,999)**
Effective rate	**33.86%**	**34.91%**
Current tax	**(116,958)**	**(77,417)**
Deferred tax	**16,329**	**(23,582)**

9. ESCROW DEPOSITS

	Mar. 31, 2020	Dec. 31, 2019
Labor Claims	256,211	280,542
Tax contingencies		
Income tax on Interest on Equity	11,165	11,105
PIS/Pasep and Cofins taxes (1)	-	1,181,808
Income tax and Social Security contribution on ‘Anuênio’ employee indemnity (2)	202,950	202,042
Others	35,350	34,113
	249,465	**1,429,068**
Others		
Regulatory	20,416	20,326
Third party	6,940	6,725
Customer relations	4,620	4,412
Court embargo	5,977	6,502
Others	18,790	18,467
	56,743	**56,432**
	562,419	**1,766,042**

(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. More details below.

(2) See more details in Note 20 - Provisions under the section relating to the ‘Anuênio indemnity’.

Release of escrow deposits

On February 13, 2020, the escrow deposits in the action challenging the constitutionality of inclusion of ICMS value added tax within the taxable amount for calculation of PIS/Pasep and Cofins taxes were released for an amount of R$1,186,402. These amounts are related to the escrow deposits made from August 2008 to August 2011, and were updated by the Selic rate until the release date.

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10. REIMBURSEMENT OF TARIFF SUBSIDIES

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

On March 31, 2020, the amount recognized as subsidies revenues was R$281,019 (R$247,410 on March 31, 2019). Of such amounts, the Company has a receivable of R$93,673, on March 31, 2020 (R$93,673 on December 31, 2019) in current assets.

11. CONCESSION FINANCIAL AND SECTOR ASSETS AND LIABILITIES

	Mar. 31, 2020	Dec. 31, 2019
Financial assets related to infrastructure (a)	471,675	459,711
CVA (Parcel A Compensation) Account and Other Financial Components in tariff-setting (b)	775,884	881,614
	1,247,559	**1,341,325**
Current asset	**694,783**	**640,161**
Non-current asset	**552,776**	**701,164**

Financial assets related to infrastructure

The energy 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 paid by grantor at the end of the concession period and they are measured at fair value through profit or loss, in accordance with regulation of the energy segment and concession contracts executed by the Company and the granting authorities.

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

Balances at December 31, 2018	**395,743**
Transfers of contract assets (note 12)	10,147
Disposals	(154)
Adjustment of expectation of cash flow from the Concession financial assets	6,040
Balances at March 31, 2019	**411,776**
Balances at December 31, 2019	**459,711**
Transfers of contract assets (note 12)	11,766
Transfers to intangible assets (note 13)	(415)
Disposals	(111)
Adjustment of expectation of cash flow from the Concession financial assets	724
Balances at March 31, 2020	**471,675**

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

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

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

Balance sheet	Mar. 31, 2020			Dec. 31, 2019		
	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	**526,057**	**2,707,640**	**3,233,697**	**1,286,413**	**2,144,280**	**3,430,693**
Current assets	526,057	2,168,524	2,694,581	1,286,413	1,269,049	2,555,462
Non-current assets	-	539,116	539,116	-	875,231	875,231
Liabilities	**(353,839)**	**(2,103,974)**	**(2,457,813)**	**(882,425)**	**(1,666,654)**	**(2,549,079)**
Current liabilities	(353,839)	(1,645,959)	(1,999,798)	(882,425)	(1,032,876)	(1,915,301)
Non-current liabilities	-	(458,015)	(458,015)	-	(633,778)	(633,778)
Total current, net	**172,218**	**522,565**	**694,783**	**403,988**	**236,173**	**640,161**
Total non-current, net	**-**	**81,101**	**81,101**	**-**	**241,453**	**241,453**
Total, net	**172,218**	**603,666**	**775,884**	**403,988**	**477,626**	**881,614**

Financial components	Mar. 31, 2020			Dec. 31, 2019		
	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	46,860	79,945	126,805	118,775	29,398	148,173
Tariff for use of transmission facilities of grid participants	(6,763)	175,899	169,136	(18,157)	113,801	95,644
Tariff for transport of Itaipu supply	3,616	21,494	25,110	8,691	16,069	24,760
Alternative power source program (Proinfa)	4,188	(23,351)	(19,163)	10,542	(5,859)	4,683
ESS (System Service Charge) and EER (Reserve Energy Charge)	(67,191)	(203,753)	(270,944)	(161,253)	(135,703)	(296,956)
Energy bought for resale	272,983	708,657	981,640	661,108	631,920	1,293,028
'Other financial components'						
Over contracting of supply (1)	(33,487)	207,800	174,313	(83,718)	215,508	131,790
Neutrality of Parcel A	(11,879)	28,413	16,534	(29,697)	(11,915)	(41,612)
Other financial items	(28,088)	(300,136)	(328,224)	(70,219)	(206,481)	(276,700)
Tariff Flag balances	-	-	-	-	(102,976)	(102,976)
Excess demand and reactive power	(8,021)	(91,302)	(99,323)	(32,084)	(66,136)	(98,220)
TOTAL	**172,218**	**603,666**	**775,884**	**403,988**	**477,626**	**881,614**

(1) In 2017 and 2018 Cemig D over contracted 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, when Aneel publishes the Dispatch that makes the numbers in question official. 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$219,047, as 'Other financial components', to be approved by Aneel in the next forthcoming tariff adjustments.

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Changes in balances of financial assets and liabilities:

Balance at December 31, 2018	**1,080,693**
Net constitution of financial assets	167,230
Assets realized	(46,880)
Payments from the Flag Tariff Centralizing Account	(74,534)
Updating - Selic rate	20,906
Balance at March 31, 2019	**1,147,415**
Balance at December 31, 2019	**881,614**
Net constitution of financial assets	182,365
Assets realized	(236,967)
Payments from the Flag Tariff Centralizing Account	(62,771)
Updating - Selic rate	11,643
Balance at March 31, 2020	**775,884**

Payments from the Flag Tariff Centralizing Account

The 'Flag Account' (Conta Centralizadora de Recursos de Bandeiras Tarifárias - CCRBT or 'Conta Bandeira') manages the funds that are collected from captive customers of distribution concession and permission holders operating in the national grid, and are paid, on behalf of the CDE, directly to the Flag Account. The resulting funds are passed through by the Power Trading Chamber (CCEE) to distribution agents, based on the difference between the realized amounts of costs of thermal generation and the exposure to short term market prices, and the amount covered by the tariff in force.

From January to March, 2020, funds passed through by the Flag Account totaled R$62,771 (R$74,534 from January to March, 2019), and were recognized as a partial realization of CVA receivables constituted.

12. CONCESSION CONTRACT ASSETS

Under IFRS 15 / CPC 47 - Revenue from contracts with customers, assets recognized in counterpart to concession infrastructure revenue for assets still under construction are posted initially as contractual assets, measured at acquisition cost, including borrowing costs. After the assets start operation, the performance obligation related to construction having been concluded, the assets are split between financial assets and intangible assets.

Changes in concession contract assets are as follows:

Balances at December 31, 2018	**518,162**
Additions	153,482
Transfers to financial assets (note 11)	(10,147)
Transfers to intangible assets (note 13)	(127,807)
Balances at March 31, 2019	**533,690**
Balances at December 31, 2019	**740.044**
Additions	245.458
Transfers to financial assets (note 11)	(11.766)
Tranfers to intangible assets (nota 13)	(269.720)
Balances at March 31, 2020	**704.016**

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The amount of additions in the period of three months ended on March 31, 2020 were R$245,458 and includes R$16,337 (R$9,761 in the period of three months ended on March 31, 2019) under the heading capitalized borrowing costs, as presented in Note 17.

The Company does not have any contract asset with indefinite useful life.

13. INTANGIBLE ASSETS

The portion of the distribution infrastructure that will be used during the concession is listed in intangible assets.

a) Balance composition

	Mar. 31, 2020			Dec. 31, 2019		
	Historic cost	Accumulated amortization	Amount, net	Historic cost	Accumulated amortization	Amount, net
Assets of concession	**21,191,027**	**(9,306,688)**	**11,884,339**	**20,901,165**	**(9,128,241)**	**11,772,924**
(-) 'Special obligations'	(4,220,333)	1,316,303	(2,904,030)	(4,184,097)	1,275,409	(2,908,688)
Net concession assets	**16,970,694**	**(7,990,385)**	**8,980,309**	**16,717,068**	**(7,852,832)**	**8,864,236**
Intangible assets in progress	78,051	-	78,051	74,384	-	74,384
Total intangible assets	**17,048,745**	**(7,990,385)**	**9,058,360**	**16,791,452**	**(7,852,832)**	**8,938,620**

b) Changes in intangible assets

Balances at December 31, 2018	**8,890,070**
Additions	6,719
Disposals	(3,315)
Transfers of contract assets (note 12)	127,807
Depreciation and Amortization	(148,849)
Balances at March 31, 2019	**8,872,432**
Balances at December 31, 2019	**8,938,620**
Disposals	(2,410)
Transfers of contract assets (note 12)	269,720
Transfers of financial assets (note 11)	415
Depreciation and Amortization	(150,934)
Balances at March 31, 2020	**9,058,360**

The amount of additions in the period of three months ended on March 31, 2020 were R$2,949 and includes a reversion of R$90 (constitution of R$854 in the period of three months ended on March 31, 2019) of borrowing costs, as presented in Note 17.

14. LEASING TRANSACTIONS

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

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

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The Company have elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option (short-term leases), and lease contracts for which the underlying asset is of low value (low-value assets). Thus, these leasing agreements are recognized as an expense in the income statement on the straight-line basis, over the period of the leasing. Their effects on net income from January to March 2020 were immaterial.
The discount rates were obtained by reference to the Company's incremental borrowing rate, based on the debts contracted by the Company and through quotations with potential financial institutions.

a) Right of use assets

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

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

	Real estate property	Vehicles	Others	Total
Balances at December 31, 2018	-	-	-	-
Initial adoption at January 1, 2019	173,828	87,093	411	261,332
Amortization	(5,086)	(7,953)	(77)	(13,116)
Balances at March 31, 2019	**168,742**	**79,140**	**334**	**248,216**
Balances at December 31, 2019	**155,218**	**57,627**	**103**	**212,948**
Settled (closed contracts)	(546)	-	-	(546)
Amortization (1)	(4,129)	(8,287)	(77)	(12,493)
Balances at March 31, 2020	**150,543**	**49,340**	**26**	**199,909**

(1) Amortization of the Right of Use recognized in the Income Statements is net of use of the credits of PIS/Pasep and Cofins taxes on payments of rentals, a total R$345.

b) Lease liabilities

The liability for lease agreements was measured at the present value of the lease payments required to be made over the lease term, discounted at the Company's marginal interest rate for borrowing.

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Changes in the lease liabilities are as follows:

Balances at December 31, 2018	-
First adoption on January 1, 2019 (1)	261,332
Interest incurred	7,230
Payment of lease liability	(17,913)
Balances on March 31, 2019	**250,649**
Balances on December 31, 2019	**221,194**
Settled (closed contracts)	(552)
Interest incurred (2)	5,738
Payment of principal portion of lease liability	(16,805)
Payments of interest	(233)
Balances on March 31, 2020	**209,342**
Current liabilities	**61,386**
Non-current liabilities	**147,956**

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

(2) Financial revenues recognized in the Income Statements are net of incorporation of the credits for PIS/Pasep and Cofins taxes on payments of rentals, in the amounts of R$334.

The potential right to recovery of PIS/Pasep and Cofins taxes embedded in the leasing consideration, according to the periods specified for payment, is as follows:

Cash flow	Nominal	Adjusted to present value
Consideration for the leasing	533,502	209,342
Potential PIS/Pasep and Cofins	42,556	13,550

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

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

Maturity of installments	
2020	49,832
2021	47,589
2022	20,312
2023	20,263
2024	20,175
2025 to 2045	375,331
Undiscounted values	**533,502**
Embedded interest	(324,160)
Leasing liabilities	**209,342**

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15. SUPPLIERS

	Mar. 31, 2020	Dec. 31, 2019
Energy on spot market - CCEE	108,898	389,220
Charges for use of energy network (1)	149,522	149,887
Energy purchased for resale	636,222	447,313
Itaipu Binacional	136,632	242,766
Materials and services	266,777	305,503
	1,298,051	**1,534,689**

(1) The charges payable by distribution and generation agents for use of the facilities that are components of the national grid are set by an Aneel Resolution.

16. TAXES PAYABLE AND AMOUNTS TO BE RESTITUTED TO CUSTOMERS

	Mar. 31, 2020	Dec. 31, 2019
Taxes and contributions		
Current		
ICMS	125,818	77,390
COFINS	57,400	68,253
PIS-PASEP	12,346	14,644
INSS	17,173	17,426
ISSQN	5,850	6,078
Others	8,719	8,940
	227,306	**192,731**
Non-current		
COFINS	375	375
PIS/PASEP	61	61
	436	**436**
	227,742	**193,167**
Amounts to be restituted to customers		
Non-current		
PIS/Pasep and Cofins (1)	4,217,114	4,193,329
	4,217,114	**4,193,329**

(1) The amounts of PIS/Pasep and Cofins taxes to be reimbursed to customers refer to the credits to be received by the Company. For further information see Note 7a.

The amounts of PIS/Pasep and Cofins taxes to be reimbursed to customers refer to the credits to be received by the Company following the inclusion of the ICMS value added tax within the taxable amount for calculation of those taxes. According note 7(a), the Company recognized, in 2019, its right to offsetting of amounts unduly paid for the 10 years prior to the action being filed, with monetary updating by the Selic rate, due to the final judgment – against which there is no appeal – on the Ordinary Action, in favor of the Company.

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

The amounts will be reimbursed to customers as from the date when the tax credits are in fact offset and the mechanisms and criteria for the reimbursement will be discussed with Aneel.

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17. LOANS, FINANCING AND DEBENTURES

Financing source	Mar. 31, 2020						Dec. 31, 2019
	Principal maturity	Annual Financial cost (%)	Currency	Current	Non-current	Total	Total
Foreign currency							
Banco do Brasil S.A. - Various bonds (1)	2024	Several	US$	5,217	20,744	25,961	18,051
Debt in foreign currency				**5,217**	**20,744**	**25,961**	**18,051**
Brazilian currency							
Eletrobrás	2023	UFIR + 6.00% to 8,00%	R$	8,916	8,170	17,086	20,268
Large customers (2)	2024	IGP-DI + 6.00%	R$	-	-	-	5,582
Debt in Brazilian currency				8,916	8,170	17,086	25,850
Total of loans and financings				14,133	28,914	43,047	43,901
Debentures - 3rd Issue, 2nd Series (3)	2021	IPCA + 4.70%	R$	551,558	-	551,558	1,108,945
Debentures - 3rd Issue, 3nd Series (3)	2025	IPCA + 5.10%	R$	5,527	962,860	968,387	990,893
Debentures - 7th Issue, 1th Series (3)	2024	CDI + 0.454%	R$	408,935	1,755,000	2,163,935	2,164,083
Debentures - 7th Issue, 2th Series (3)	2026	IPCA + 4.10%	R$	17,771	1,539,123	1,556,894	1,519,042
(-) Discount on the issuance of debentures (4)				-	(20,784)	(20,784)	(21,606)
(-) Transaction costs				(770)	(9,059)	(9,829)	(10,336)
Total, debentures				**983,021**	**4,227,140**	**5,210,161**	**5,751,021**
Overall total				**997,154**	**4,256,054**	**5,253,208**	**5,794,922**

(1) Net balance of the Restructured Debt comprising bonds at par and discounted, with balance of R$237,214, less the amounts given as Deposits in guarantee, with balance of R$211,253. Interest rates vary - from 2 to 8 p.a.; six-month Libor plus spread of 0.81% to 0.88% p.a.;
(2) Financings under the heading of reimbursable injections of funds for execution of works at the following companies: CMM (IGP-DI Index + 6%); Mineradora Serra da Fortaleza (IGP-DI + 6%); On March 31, 2020, these balances was reclassified to "Other obligations" (customers).
(3) Nominal, unsecured, book-entry debentures not convertible into shares, with no renegotiation clauses.
(4) Discount on the sale price of the 2nd series of the Seventh issue.

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

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

	2020	2021	2022	2023	2024	2025	2026	Total
Currency								
US dollar	5,217	-	-	-	20,744	-	-	25,961
Total, currency-denominated	**5,217**	**-**	**-**	**-**	**20,744**	**-**	**-**	**25,961**
Indexers								
IPCA (1)	26,206	548,651	240,715	240,715	240,715	1,010,276	769,561	3,076,839
UFIR/RGR (2)	8,036	3,406	3,265	2,379	-	-	-	17,086
CDI (3)	273,935	540,000	540,000	540,000	270,000	-	-	2,163,935
Total, governed by indexers	**308,177**	**1,092,057**	**783,980**	**783,094**	**510,715**	**1,010,276**	**769,561**	**5,257,860**
(-) Transaction costs	(348)	(944)	(833)	(833)	(485)	(3,261)	(3,125)	(9,829)
(-) Discount	-	-	-	-	-	(10,392)	(10,392)	(20,784)
Overall total	**313,046**	**1,091,113**	**783,147**	**782,261**	**530,974**	**996,623**	**756,044**	**5,253,208**

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

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

Currency	Accumulated change in Mar. 31, 2020, %	Accumulated change in Mar. 31, 2019, %	Indexer	Accumulated change in Mar. 31, 2020, %	Accumulated change in Mar. 31, 2019, %
US dollar	28.98	0.57	IPCA	0.53	1.51
			CDI	1.02	1.51

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Changes in loans, financing and debentures are as follows:

Balances at December 31, 2018	**6,263,408**
Monetary variation	26,555
Exchange rate variation	133
Financial charges provisioned	109,839
Amortization of transaction cost	4,017
Financial charges paid	(187,495)
Amortization of financing	(511,349)
Subtotal	**5,705,108**
(-) FIC Pampulha - issued securities of own company	7,174
Balances at March 31, 2019	**5,712,282**
Balances at December 31, 2019	**5,794,922**
Monetary variation	50,392
Exchange rate variation	4,536
Financial charges provisioned	65,854
Amortization of transaction cost	507
Financial charges paid	(124,650)
Amortization of financing	(533,682)
Reclassification to “Other obligations” (1)	(4,671)
Balances at March 31, 2020	**5,253,208**

(1) Reclassification to Cemig D’s customers (CMM and Serra da Fortaleza) – Other obligations.

Borrowing costs, capitalized

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

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

	Jan. to Mar. 2020	Jan. to Mar. 2019
Costs of loans, financings and debentures	65,854	109,839
Financing costs on intangible assets and contractual assets (1) (Notes 15 and 16)	(16,247)	(10,615)
Net effect in Profit or loss	**49,607**	**99,224**

(1) The average capitalization rate p.a. in 2020 was 6.88% (7.31% in 2019).

Guarantees

The guarantees of the debt balance on loans and financing, on March 31, 2020, were as follows:

Promissory notes and Sureties	3,691,012
Receivables	1,519,149
Shares	42,008
Unsecured	1,039
TOTAL	**5,253,208**

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Restrictive covenants

The Company has contracts with financial covenants as follows:

Security	Covenant	Ratio required Cemig D-Issuer	Ratio required Cemig (guarantor)	Compliance required
7th debenture issue (1)	Net debt / (Ebitda adjusted)	The following or less: 3.5 on/after Jun. 30, 2020	Ratio to be the following, or less: 3.5 on Jun. 30, 2020 3.0 on/after Dec. 31, 2020	Half-yearly and anual

(1) The instrument described above has a restrictive covenant requiring specific ratios up to its maturity, as shown in the detailed table at the beginning of this Note.

The covenants remain in compliance on March 31, 2020.

18. REGULATORY CHARGES

	Mar. 31, 2020	Dec. 31, 2019
Liabilities		
Energy Efficiency	264,486	254,595
Research and development	78,693	78,227
Global Reversion Reserve (RGR)	24,545	24,545
Emergency capacity charge	26,325	26,325
Aneel inspection charge	1,621	1,621
Customers charges - 'Flag Tariff' system	16	16
	395,686	**385,329**
Current liabilities	**273,145**	**283,361**
Non-current liabilities	**122,541**	**101,968**

19. POST-EMPLOYMENT OBLIGATIONS

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

	Pension plans and retirement supplement plans	Health plan	Dental plan	Life insurance	Total
Net liabilities at December 31, 2018	**1,356,045**	**1,695,721**	**33,979**	**316,299**	**3,402,044**
Expense recognized in statement of income	30,678	40,270	813	7,564	79,325
Contributions paid	(32,998)	(20,844)	(460)	(2,144)	(56,446)
Net liabilities at March 31, 2019	**1,353,725**	**1,715,147**	**34,332**	**321,719**	**3,424,923**
Net liabilities at December 31, 2019	**1,845,105**	**2,245,400**	**42,817**	**426,977**	**4,560,299**
Expense recognized in statement of income	31,918	42,758	836	8,248	83,760
Contributions paid	(37,946)	(23,022)	(656)	(1,783)	(63,407)
Net liabilities at March 31, 2020	**1,839,077**	**2,265,136**	**42,997**	**433,442**	**4,580,652**
				Mar. 31, 2020	**Dec. 31, 2019**
Current liabilities				**203,161**	**201,241**
Non-current liabilities				**4,377,491**	**4,359,058**

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

The amounts reported as 'Expense recognized in the Statement of income' refer to the costs of post-employment obligations, totaling R$71,202 (R$68,291 in the first quarter of 2019), plus the finance expenses and monetary updating on the debt with Forluz, in the amounts of R$12,558 (R$11,034 in the first quarter of 2019).

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Debt with the pension fund (Forluz)

The Company has recognized an obligation for past actuarial deficits relating to the pension fund in the amount of R$396,564 on March 31, 2020 (R$410,343 on December 31, 2019). 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 the Company have signed a Debt Assumption Instrument to cover the deficit of Plan A for the years of 2015, 2016 and 2017. On March 31, 2020 the total amount payable by the Company as a result of this deficits is R$398,083 (R$398,584 on December 31, 2019). The contracts were entered into in May 2017, March 2018 and April 2019, for the deficits, respectively, of 2015, 2016 and 2017. The monthly amortizations, calculated by the constant installments system (Price Table), will be paid up to 2031 for the 2015 and 2016 deficits, in the amount of R$267,798 and up to 2033 for the 2017 deficit, in the amount of R$130,285. 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.

20. PROVISIONS

The Company is 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 is defendant

The Company 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:

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	Dec. 31, 2019	Additions	Reversals	Settled	Mar. 31, 2020
Labor	382,915	32,837	(26,357)	(32,703)	356,692
Civil					
Customer relations	17,767	6,087	(13)	(5,903)	17,938
Other civil actions	16,329	9,465	-	(1,906)	23,888
	34,096	**15,552**	**(13)**	**(7,809)**	**41,826**
Tax	774,348	7,431	-	(8)	781,771
Environmental	2	3	-	-	5
Regulatory	16,575	3	(492)	(3)	16,083
Others	13,215	639	-	(35)	13,819
Total	**1,221,151**	**56,465**	**(26,862)**	**(40,558)**	**1,210,196**

	Dec. 31, 2018	Additions	Reversals	Settled	Mar. 31, 2019
Labor	366,951	30,544	(34,722)	(30,543)	332,230
Civil					
Customer relations	17,945	2,959	(3,394)	(2,933)	14,577
Other civil actions	28,084	1,121	(2,738)	(1,121)	25,346
	46,029	**4,080**	**(6,132)**	**(4,054)**	**39,923**
Tax	2,111	2	(180)	(2)	1,931
Environmental	1,209	46	-	-	1,255
Regulatory	16,990	57	(1,108)	(57)	15,882
Others	6,599	3,907	-	(59)	10,447
Total	**439,889**	**38,636**	**(42,142)**	**(34,715)**	**401,668**

The Company's 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 these interim financial information in relation to the timing of any cash outflows, or any possibility of reimbursements. The Company's believes that any disbursements in excess of the amounts provisioned, when the respective claims are completed, will not significantly affect the Company's result of operations or financial position.

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

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

Labor claims

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

The aggregate amount of the contingency is approximately R$1,440,447 (R$1,434,014 on December 31, 2019), of which R$347,397 (R$373,754 on December 31, 2019) has been recorded - the amount estimated as probably necessary for settlement of these disputes.

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Alteration of the monetary updating index of employment-law cases

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

In a joint judgment published on November 1, 2018, the TST decided that the IPCA-E should be adopted as the index for inflation adjustment of employment-law debts for cases filed from March 25, 2015 to November 10, 2017, and the TR would continue to be used for the other periods. The estimated amount of the contingency is R$103,760 (R$97,487 at December 31, 2019), of which R$9,295 (R$9,161 on December 31, 2019) has been provisioned upon assessment by the Company of the effects of the decision of the Regional Employment-Law Appeal Court of the third region (TRT3) in April 2019, on the subject of the joint judgment published by the TST, in the cases for which the chances of loss have been classified as ‘probable’ and which are at execution phase. No additional provision has been made, since the Company, based on the assessment by its legal advisers, has assessed the chances of loss in the action as ‘possible’, as a result of the decision by the Federal Supreme Court, and of there being no established case law, nor analysis by legal writers, on the subject, after the injunction given by the Federal Supreme Court.

Customers claims

The Company is 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$103,353 (R$56,211 on December 31, 2019), of which R$17,938 (R$17,767 on December 31, 2019) has been recorded - this being the probable estimate for funds needed to settle these disputes.

Other civil proceedings

The Company is involved in various civil actions claiming indemnity for moral and material damages, among others, arising from incidents occurred in the normal course of business, in the amount of R$237,872 (R$228,500 on December 31, 2019), of which R$23,888 (R$16,329 on December 31, 2019) has been recorded - the amount estimated as probably necessary for settlement of these disputes.

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Tax

Social Security contributions on profit sharing payments

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

The amount of the contingencies is approximately R$959,460 (R$950,209 on December 31, 2019), of which R$780,554 (R$772,684 on December 31, 2019) has been provisioned, this being the estimate of the probable, on March 31, 2020 of funds to settle these disputes.

Other tax claims

The Company is involved in numerous administrative and judicial claims actions relating to taxes, including, among other matters, subjects relating to the Urban Property Tax (Imposto sobre a Propriedade Territorial Urbana, or IPTU); the Social Integration Program (Programa de Integração Social, or PIS-Pasep) and the Contribution to Finance Social Security (Contribuição para o Financiamento da Seguridade Social, or Cofins). The aggregate amount of the contingency is approximately R$60,744 (R$54,579 on December 31, 2019), of which R$1,217 (R$2,218 on December 31, 2019) has been recorded - the amount estimated as probably necessary for settlement of these disputes.

Regulatory

The Company is involved in numerous administrative and judicial proceedings, challenging, principally: alleged violation of targets for continuity indicators in retail supply of energy and 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$203,942 (R$208,537 on December 31, 2019), of which R$16,083 (R$16,575 on December 31, 2019) has been recorded as provision - the amount estimated as probably necessary for settlement of these disputes.

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‘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$332,079 (R$321,567 on December 31, 2019). Of this total, R$4,131 (R$4.002 on December 31, 2019) has been provisioned - the amount estimated as probably necessary for settlement of these disputes.

Other legal proceedings

The Company is 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$390,571 (R$381,826 on December, 31, 2019), of which R$9,693 (R$9,215 on December, 31, 2019), the amount estimated as probably necessary for settlement of these disputes.

Contingent liabilities - whose loss are assessed as ‘possible’

Taxes and contributions

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

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

In 2006 the Company paid an indemnity to its employees, totaling R$127,058, in exchange for rights to future payments (referred to as the Anuênio) for time of service, which would otherwise be incorporated, in the future, into salaries. The Company did not pay income tax 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$202,950 (R$202,042 on December 31, 2019). The updated amount of the contingency is R$208,477 (R$207,067 on December 31, 2019) and, based on the arguments above, management has classified the chance of loss as ‘possible’.

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Social security contributions

The Brazilian federal tax authority (Secretaria da Receita Federal) has filed administrative proceedings related to various matters: employee profit sharing; the Workers' Food Program (Programa de Alimentação do Trabalhador, or PAT); education benefit; food benefit; Special Additional Retirement payment; overtime payments; hazardous occupation payments; matters related to Sest/Senat (transport workers' support programs); and fines for non-compliance with accessory obligations. The Company has presented defenses and await judgment. The amount of the contingency is approximately R$94,366 (R$93,571 on December 31, 2019). Management has classified the chance of loss as 'possible', also taking into account assessment of the chance of loss in the judicial sphere, (the claims mentioned are in the administrative sphere), based on the evaluation of the claims and the related case law.

Non-homologation of offsetting of tax credit

The federal tax authority did not ratify the Company's declared offsetting, in Corporate income tax returns, of carry-forwards and undue or excess payment of federal taxes - IRPJ, CSLL, PIS/Pasep and Cofins - identified by official tax deposit receipts ('DARFs' and 'DCTFs'). The Company is contesting the non-homologation of the amounts offset. The amount of the contingency is R$42,420 (R$41,944 on December 31, 2019), and the chance of loss was classified as 'possible', since the relevant requirements of the National Tax Code (CTN) have been complied with.

The Social Contribution tax on net income (CSLL)

The federal tax authority issued a tax assessment against the Company for the years of 2012 and 2013, alleging undue non-addition, or deduction, of amounts relating to the following items in calculating the Social Contribution tax on net income: (i) taxes with liability suspended; (ii) donations and sponsorship (Law 8,313/91); and (iii) fines for various alleged infringements. The amount of this contingency is R$312,014 (R$305,571 on December 31, 2019). The Company has classified the chances of loss as 'possible', in accordance with the analysis of the case law on the subject.

<u>Regulatory matters</u>

Public Lighting Contribution (CIP)

The Company is defendant 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).

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The Company believes it has arguments of merit for defense in these claims, since the charge at present made is grounded on Aneel Normative Resolution 456/2000. As a result, it has not constituted a provision for this action, the amount of which is estimated at R$31,179 (R$30,015 on December 31, 2019).

Tariff increases

Exclusion of customers classified as low-income

The Federal Public Attorneys' Office filed a class action against the Company and the regulator (Aneel), to avoid exclusion of customers from classification in the Low-income residential tariff sub-category, requesting an order for the Company to pay twice the amount paid in excess by customers. A decision was given in favor of the plaintiffs, but the Company and the regulator (Aneel) have filed an interlocutory appeal and await judgment. The amount of the contingency is approximately R$337,240 (R$326,719 on December 31, 2019). The Company has classified the chances of loss as 'possible' due to other favorable decisions on this matter.

Other contingent liabilities

Contractual imbalance

The Company is party in other disputes arising from alleged non-compliance with contracts in the normal course of business, for an estimated total of R$153,166 (R$148,904 on December 31, 2019). The Company has classified the chance of loss as 'possible', after analysis of the case law on this subject.

21. EQUITY AND REMUNERATION TO SHAREHOLDERS

a) Share capital

On March 31, 2020 the Company's issued and outstanding share capital is R$5,371,998 (R$5,371,998 on December 31, 2019), represented by 2,359,113,452 nominal common shares, fully subscribed, without nominal value, wholly owned by Cemig (Companhia Energética de Minas Gerais).

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

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b) Earnings per share

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

	Jan. to Mar. 2020	Jan. to Mar. 2019
Total number of shares	2,359,113,452	2,359,113,452
Net income for the period	196,589	188,354
Basic and diluted earnings per common share (R$)	**0.0833**	**0.0798**

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

Annual General Meeting (AGM)

The Company has re-presented its Corporate Events Calendar, on March 31, 2020, changing the date of Annual General Meeting of Shareholders ("AGM") from April 30, 2020 to July 31, 2020, in which the Board of Directors' proposal of allocation of the net income for 2019, disclosed in financial statements of 2019, will be decided.

22. REVENUE

The revenue of the Company is as follows:

	Jan. to Mar. 2020	Jan. to Mar. 2019
Revenue from supply of energy - captive customers, in Cemig's concession area (a)	4,895,060	4,889,692
Revenue from use of the energy distribution systems (TUSD) - free customers (b)	730,219	636,237
CVA, and Other financial components in tariff increases (c)	(54,602)	120,350
Distribution construction revenue (d)	248,407	160,201
Adjustment to expectation from reimbursement of distribution concession financial assets (e)	724	6,040
Fine for violation of continuity indicator	(17,199)	(22,825)
Other operating revenues (f)	440,531	318,626
Taxes and charges reported as deductions from revenue (g)	(2,465,761)	(2,557,899)
	3,777,379	**3,550,422**

a) Revenue from energy supply

This table shows supply of energy by type of customer:

	MWh (*)		R$	
	Jan. to Mar. 2020	Jan. to Mar. 2019	Jan. to Mar. 2020	Jan. to Mar. 2019
Residential	2,785,000	2,743,798	2,559,056	2,458,439
Industrial	472,440	640,656	328,085	416,154
Commercial, services and others	1,323,647	1,360,143	1,195,616	1,136,659
Rural	771,566	860,119	471,875	456,753
Public authorities	217,006	223,700	157,868	153,592
Public lighting	339,494	351,964	152,776	150,845
Public services	335,474	339,111	178,663	167,496
Subtotal	**6,244,627**	**6,519,491**	**5,043,939**	**4,939,938**
Own consumption	9,406	9,983	-	-
Unbilled revenue	-	-	(148,879)	(50,246)
Total	**6,254,033**	**6,529,474**	**4,895,060**	**4,889,692**

(*) Information in MWh has not been reviewed by external auditors.

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b) Revenue from use of network - Free Customers

A significant part of the large industrial customers in the concession area of the Company have the status of 'Free Clients'. Most of them are buying their supply from Cemig's generation and transmission company, Cemig GT. Thus, the charges for the use of the distribution network ('TUSD') of these Free Clients are made, separately, by the Company. They are recorded in the item 'Revenue from use of the network'.

c) The CVA Account ('Parcel A' Costs Variation Compensation Account), and Other financial components, in tariff adjustments

The results from variations in (i) the CVA account (Parcel A Costs Variation Compensation Account), and in (ii) Other financial components in calculation of tariffs, refer to the positive and negative differences between the estimated non-manageable costs of the Company and the cost actually incurred. The amounts recognized arise from balances recorded in the current period, homologated or to be homologated in tariff adjustment processes. More details in Note 11b.

d) Distribution construction revenue

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

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

Revenue from the variation of the fair value of the Regulatory Remuneration Asset Base.

f) Other operating revenues

	Jan. to Mar. 2020	Jan. to Mar. 2019
Charged service	3,755	4,356
Other services	3,355	4,223
Subsidies (1)	330,575	287,277
Rental and leasing	39,440	29,329
CCEE energy transactions (reversal)	63,300	(6,600)
Others	106	41
	440,531	**318,626**

(1) Revenue recognized for the governmental subsidies on tariffs applicable to certain customers of distribution services, including the low-income-user subsidies - which are reimbursed by Eletrobrás.

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g) Deductions on revenue

	Jan. to Mar. 2020	Jan. to Mar. 2019
Taxes on revenue		
ICMS	1,390,035	1,353,948
PIS-PASEP	75,842	98,804
COFINS	349,336	455,097
ISSQN	172	146
	1,815,385	**1,907,995**
Charges to the customer		
Engergy Efficiency Program (PEE)	16,905	16,883
Energy Development Account (CDE)	552,139	600,569
Research and Development (R&D)	6,762	6,753
National Scientific and Technological Development Fund (FNDCT)	6,762	6,753
Energy System Expansion Research (EPE of MME)	3,381	3,377
Customer charges - the 'Flag Tariff' system	59,583	11,156
Energy Services Inspection Charge	4,844	4,413
	650,376	**649,904**
	2,465,761	**2,557,899**

23. OPERATING COSTS AND EXPENSES

	Jan. to Mar. 2020	Jan. to Mar. 2019
Personnel	215,679	247,659
Employees' and managers' profit shares	16,401	46,261
Post-employment obligations	71,202	68,291
Materials	15,177	14,585
Outsourced services (a)	252,181	239,462
Energy purchased for resale (b)	1,919,179	1,828,301
Amortization (note 13b)	150,934	148,849
Amortization of Right of Use - Leasing (note 14)	12,148	13,116
Operating provisions (c)	125,748	59,136
Charges for use of the national grid	372,581	338,942
Infrastructure construction cost (d)	248,407	160,201
Other operating expenses, net (e)	46,108	41,692
	3,445,745	**3,206,495**

a) Outsourced services

	Jan. to Mar. 2020	Jan. to Mar. 2019
Meter reading and bill delivery	31,763	31,765
Maintenance and conservation of electrical facilities and equipment	107,728	94,081
Communication	19,302	17,863
Building conservation and cleaning	20,732	19,374
Cleaning of power line pathways	14,221	12,614
Disconnection and reconnection	11,229	17,546
Tree pruning	9,028	8,252
Costs (recovery of costs) of proceedings	3,487	3,470
Maintenance and conservation of furniture and utensils	1,018	669
Information technology	9,015	6,549
Contracted labor	1,553	1,917
Accommodation and meals	2,264	2,175
Security services	2,636	2,152
Bill printing	287	278
Maintenance and conservation of vehicles	567	478
(Recovery of) costs of printing and legal publications	4,285	4,215
Consultancy	959	379
Transport expenses - legal entities	407	892
Inspection of customer units	3,789	2,089
Freight and airfares	980	-
Other expenses	6,931	12,704
	252,181	**239,462**

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b) Energy purchased for resale

	Jan. to Mar. 2020	Jan. to Mar. 2019
Supply from Itaipu Binacional	427,812	333,156
Physical guarantee quota contracts	200,234	178,931
Quotas for Angra I and II nuclear plants	75,742	67,293
Spot market	221,689	489,525
‘Bilateral’ contracts	79,176	72,596
Energy acquired in Regulated Market auctions	827,471	727,831
Proinfa Program	77,933	95,309
Distributed generation (‘Geração distribuída’)	173,482	37,966
PIS/Pasep and Cofins credits	(164,360)	(174,306)
	1,919,179	**1,828,301**

c) Operating provision (reversals)

	Jan. to Mar. 2020	Jan. to Mar. 2019
Estimated losses on doubtful accounts receivables (note 7) (1)	96,145	62,642
Contingency provisions (reversals) (note 20)		
Employment-law cases	6,480	(4,178)
Civil cases	15,539	(2,052)
Tax	7,431	(178)
Environmental	3	46
Regulatory	(489)	(1,051)
Others	639	3,907
	29,603	**(3,506)**
	125,748	**59,136**

(1) The estimated losses on other accounts receivable are presented in the Statements of income as operating expenses.

d) Infrastructure construction cost

	Jan. to Mar. 2020	Jan. to Mar. 2019
Personnel	15,720	11,450
Materials	124,382	69,537
Outsourced services	86,553	64,556
Financial charges	16,247	10,615
Acquisition of buildings	117	179
Taxes and charges	312	228
Other	5,076	3,636
	248,407	**160,201**

e) Other operating expenses (revenues), net

	Jan. to Mar. 2020	Jan. to Mar. 2019
Leasing and rental costs (1)	781	-
Advertising	972	1,372
Own consumption of energy	5,211	6,289
Subsidies and donations	1,560	1,991
CCEE anual charge	801	866
Insurance	2,240	507
Forluz - Administrative running cost	5,326	4,894
Net loss (gain) on deactivation and disposal of assets	6,493	5,600
Collection agentes	21,998	20,958
Taxes and charges	3,835	3,752
Other expenses	(3,109)	(4,537)
	46,108	**41,692**

(1) The Company and its subsidiaries have operational leasing contracts relating, mainly, to vehicles and buildings used in its operational activities. Their amounts are not material in relation to the total costs of the Company and its subsidiaries. In relation to this, there are remaining leasing arrangements and rentals that do not qualify for recognition under CPC 06/IFRS 16.

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24. FINANCE INCOME AND EXPENSES

	Jan. to Mar. 2020	Jan. to Mar. 2019
FINANCE INCOME		
Income from cash investments	7,645	11,854
Arrears fees on sale of energy	90,026	80,820
Foreign exchange variations - Itaipu	-	3,650
Monetary variations	1,041	1,432
Monetary updating on escrow deposits	9,152	3,125
Monetary variations - CVA (note 11b)	11,643	20,906
PIS/Pasep and Cofins taxes charged on financial revenues	(7,167)	(7,211)
Monetary updating on PIS/Pasep and Cofins taxes credits over ICMS	8,636	-
Others	7,048	4,706
	128,024	**119,282**
FINANCE EXPENSES		
Charges on loans, financings and debentures (Note 17)	(49,607)	(99,224)
Amortization of transaction cost (note 17)	(507)	(4,017)
Forluz - monetary adjustments charges	(12,558)	(11,034)
Foreign exchange variations - loans and financings (note 17)	(4,536)	(133)
Foreign exchange variations - Itaipu	(34,009)	-
Debentures and financings - monetary adjustments (note 17)	(50,392)	(26,555)
R&D and PEE - monetary adjustments	(2,952)	(4,509)
Leasing - monetary adjustment (note 14)	(5,404)	(7,230)
Monetary adjustment - Others	(697)	(232)
Others	(1,778)	(20,922)
	(162,440)	**(173,856)**
NET FINANCE INCOME (EXPENSES)	**(34,416)**	**(54,574)**

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25. RELATED PARTY TRANSACTIONS

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

EMPRESAS	ASSETS		LIABILITIES		REVENUE		EXPENSES	
	Mar. 31, 2020	Dec. 31, 2019	Mar. 31, 2020	Dec. 31, 2019	Jan. to Mar. 2020	Jan. to Mar. 2019	Jan. to Mar. 2020	Jan. to Mar. 2019
Controlling shareholder								
Minas Gerais State Government								
CURRENT								
Customers and Traders (1)	364,704	345,929	-	-	39,507	38,821	-	-
Cemig								
CURRENT								
Cooperation Working Agreement (2)	-	-	4,393	7,234	-	-	(4,393)	(7,175)
Transactions in energy (3)	-	-	-	-	-	725	-	-
Interest on Equity and dividens	-	-	822,183	822,183	-	-	-	-
Other related parties								
Cemig Geração e Transmissão								
CURRENT								
Cooperation Working Agreement (2)	-	-	-	1,669	-	-	-	(1,861)
Transactions in energy (3)	1,875	972	25,688	30,618	6,771	7,054	(69,412)	(63,016)
Aliança Geração								
CURRENT								
Transactions in energy (3)	-	-	7,979	7,620	9,872	9,640	(21,060)	(19,571)
Madeira Energia								
CURRENT								
Transactions in energy (3)	-	-	22,167	-	-	-	(49,072)	-
Reimbursement for decontracted supply (4)	-	3,504	-	-	-	818	-	-
Norte Energia								
CURRENT								
Transactions in energy (3)	-	-	24,533	24,459	-	-	(54,310)	(51,320)
Baguari Energia								
CURRENT								
Transactions in energy (3)	-	-	927	924	-	-	(1,977)	-
TAESA								
CURRENT								
Transactions in energy (3)	-	-	5,889	7,268	-	-	(20,262)	(20,837)
Axxiom								
CURRENT								
Provision of services (5)	-	-	3,158	3,177	-	-	-	-
Retiro Baixo								
CURRENT								
Transactions in energy (3)	-	-	-	567	1,259	1,186	-	-
FIC Pampulha								
CURRENT								
Cash and cash equivalents	134,410	5,376	-	-	-	-	-	-
Marketable securities	857,968	109,567	-	-	4,558	3,022	-	-
NON-CURRENT								
Marketable securities	68,801	269	-	-	-	-	-	-
Forluz								
CURRENT								
Post-employment obligations (6)	-	-	106,616	104,928	-	-	(31,918)	(30,678)

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EMPRESAS	ASSETS		LIABILITIES		REVENUE		EXPENSES	
	Mar. 31, 2020	Dec. 31, 2019	Mar. 31, 2020	Dec. 31, 2019	Jan. to Mar. 2020	Jan. to Mar. 2019	Jan. to Mar. 2020	Jan. to Mar. 2019
Supplementary pension contributions - Defined contribution plan (7)	-	-	-	-	-	-	(13,956)	(12,841)
Administrative running costs (8)	-	-	-	-	-	-	(5,326)	(4,894)
Operational leasing (9)	131,752	135,147	21,140	24,396	-	-	(7,609)	(8,899)
NON-CURRENT								
Post-employment obligations (6)	-	-	1,732,461	1,740,177	-	-	-	-
Operational leasing (9)	-	-	115,325	115,498	-	-	-	-
Cemig Saúde								
CURRENT								
Health Plan and Dental Plan (10)	-	-	97,606	95,231	-	-	(43,594)	(41,083)
NON-CURRENT								
Health Plan and Dental Plan (10)	-	-	2,210,527	2,192,986	-	-	-	-

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 regulator (Aneel) through a Resolution relating to the annual tariff adjustment of the Company. In 2017 the government of Minas Gerais State signed a debt recognition agreement with the Company for payment of debits relating to the supply of power due and unpaid, in the amount of R$113, up to November 2019. Twenty installments were unpaid on March 31, 2020. 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. The amount of the Public Lighting Contribution relating to the debt recognition agreement on December 31, 2019 is R$216,593 and is recorded as a provision for doubtful account (PECLD).

(2) Technical Cooperation Working Agreement between Cemig, Cemig D and Cemig GT, instituted by Aneel Dispatch 3,208/2016. Principally includes reimbursement of expenses related to sharing of infrastructure, personnel, transport, telecoms and IT.

(3) The transactions in purchase and sale of electricity between generators and distributors take place through auctions in the Regulated Market, organized by the federal government. In the Free Market, the transactions are carried out either through auctions, or by direct contracting between the parties - as specified in Article 28, §3º, I, of Law 13.303 of June 30, 2016. Operations in transport of electricity, on the other hand, are carried out by the transmission companies, and arise from the centralized operation of the National Grid, executed by the National System Operator (ONS).

(4) Refers to reimbursement due to termination of contract related to change of the "power purchase agreements" (CCEARs) between Santo Antônio Energia S.A., a subsidiary of Madeira Energia, and Cemig Distribuição endend in January 2020.

(5) This refers to a contract for development of management software between the Company and Axxiom Soluções Tecnológicas S.A., instituted in Aneel Dispatch 2,657/2017.

(6) The contracts of Forluz are updated by the Expanded Customer Price Index (Índice Nacional de Preços ao Consumidor Amplo, or IPCA) calculated by the Brazilian Geography and Statistics Institute (IBGE) and will be amortized up to business year 2024 (see Note 19);

(7) 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.

(8) 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.

(9) Rental of the Company's administrative head offices, in effect up to November 2020 (Edifício Aureliano Chaves, able to be extended every five years, up to 2035) and August 2024 (Edifício Júlio Soares, able to be extended every five years, up to 2034), with annual inflation adjustment by the IPCA index and price reviewed every 60 months. Aiming at costs reduction, in November 2019, Cemig returned the Aureliano Chaves building to Forluz;

(10) Post-employment obligations relating to the employees' health and dental plan (see Note 19).

Cash investments in FIC Pampulha

The Company 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 on March 31, 2020 are reported in Marketable securities in current or non-current assets.

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

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

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Issuer of security	Type	Annual contractual conditions	Maturity	Mar. 31, 2020	Dec. 31, 2019
				Cemig D 31.85% (1)	Cemig D 4.42% (1)
Gasmig	Promissory Note	107.00% of CDI	Sep. 25, 2020	3,261	447
				3,261	**447**

(1) Participation percentage of Cemig D in FIC Pampulha.

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 periods ended on March 31, 2020 and 2019, are as follows:

	Jan. to Mar. 2020	Jan. to Mar. 2019
Remuneration	1,755	2,172
Profit shares	416	155
Assistance benefits	139	190
Total	**2,310**	**2,517**

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26. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

a) Financial instruments classification and fair value

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

	Level	Mar. 31, 2020		Dec. 31, 2019	
		Balance	Fair value	Balance	Fair value
Financial assets					
Amortized cost (1)					
Marketable securities - Cash investments	2	251,110	251,110	14,147	14,147
Customers and Traders; Concession holders - Transport of energy	2	2,955,277	2,955,277	2,912,869	2,912,869
Customers - Accounts receivable from Minas Gerais State	2	364,704	364,704	422,034	422,034
Restricted cash	2	843	843	1,196	1,196
Concession financial assets - CVA (Parcel 'A' Costs Variation Compensation) Account, and Other financial components	3	775,884	775,884	881,614	881,614
Reimbursement of tariff subsidies	2	93,673	93,673	93,673	93,673
Low-income subsidy	2	29,647	29,647	29,582	29,582
Escrow deposits	2	562,419	562,419	1,766,042	1,766,042
Receivable amount of related party transactions - Reimbursement of decontracting of supply	2	-	-	3,504	3,504
		5,033,557	**5,033,557**	**6,124,661**	**6,124,661**
Fair value through profit or loss					
Cash equivalents - cash investments	2	242,728	242,728	41,574	41,574
Marketable securities					
Treasury Financial Notes (LFTs)	1	119,094	119,094	13,900	13,900
Financial Notes - Banks	2	556,662	556,662	82,203	82,203
Debentures	2	112	112	15	15
		675,868	675,868	96,118	96,118
Concession financial assets - Distribution infrastructure	3	471,675	471,675	459,711	459,711
		1,390,271	**1,390,271**	**597,403**	**597,403**
		6,423,828	**6,423,828**	**6,722,064**	**6,722,064**
Financial liabilities					
Amortized cost (1)					
Loans, financings and debentures	2	(5,253,208)	(5,253,208)	(5,794,922)	(5,794,922)
Debt with pension fund (Forluz)	2	(396,564)	(396,564)	(410,343)	(410,343)
Deficit of pension fund (Forluz)	2	(398,083)	(398,083)	(398,584)	(398,584)
Suppliers	2	(1,298,051)	(1,298,051)	(1,534,689)	(1,534,689)
Leasing transactions	2	(209,342)	(209,342)	(221,194)	(221,194)
		(7,555,248)	**(7,555,248)**	**(8,359,732)**	**(8,359,732)**

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

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

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

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

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

Fair value calculation of financial positions

Distribution infrastructure concession financial assets, and transmission concession financial assets - Assets remunerated by tariff: these are measured at New Replacement Value (Valor novo de reposição, or VNR), according to criteria established by the Concession-granting power ('Grantor'), based on fair value of the concession assets in service and which will be revertible at the end of the concession, and on the weighted average cost of capital (WACC) defined by the Grantor, which reflects the concession holder's return on the operations of the concession. The VNR and the WACC are public information disclosed by the Grantor and by Cemig respectively. Changes in concession financial assets are disclosed in Note 11.

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.

Other financial liabilities: fair value of its loans, financing and debentures were determined using 127.89% 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 6.00% and CDI + 0.31% to 1.86%, Company believes that their carrying amount is approximated to their fair value.

b) Financial risk management

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

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

The main risks to which the Company is exposed are as follows:

Exchange rate risk

The Company is exposed to the risk of appreciation in exchange rates, with effect on loans and financing, suppliers, and cash flow.

The net exposure to exchange rates is as follows:

Exposição às taxas de câmbio	Mar. 31, 2020		Dec. 31, 2019	
	Foreign currency	R$	Foreign currency	R$
US dollar				
Loans and financings (note 17)	(4,994)	(25,961)	(4,478)	(18,051)
Suppliers (Itaipu binacional) (note 15)	(26,282)	(136,632)	(60,229)	(242,766)
Net liabilities exposed	**(31,276)**	**(162,593)**	**(64,707)**	**(260,817)**

<u>Sensitivity analysis</u>

Based on information from its financial consultants, the Company estimates that in a probable scenario the variation of the exchange rates of foreign currencies in relation to the Real on March 31, 2021 will be an depreciation of the dollar by 0.94%, to R$5.15. The Company has prepared a sensitivity analysis of the effects on the Company's net income arising from depreciation of the Real exchange rate by 25%, and by 50%, in relation to this 'probable' scenario.

Risco - Exposições cambiais	Mar. 31, 2020	Mar. 31, 2021		
	Book value	'Probable' scenario: R$5.15	'Possible' scenario R$6.44	'Remote' scenario R$7.73
US dollar				
Loans and financings (note 17)	(25,961)	(25,718)	(32,160)	(38,602)
Suppliers (Itaipu binacional) (note 15)	(136,632)	(135,352)	(169,256)	(203,160)
Net liabilities exposed	**(162,593)**	**(161,070)**	**(201,416)**	**(241,762)**
Net effect of exchange rate variation		**1,523**	**(38,823)**	**(79,169)**

Interest rate risk

The Company is exposed to the risk of increase in Brazilian domestic interest rates, on March 31, 2020. This exposure occurs as a result of net liabilities indexed to variation in interest rates, as follows:

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Risk: exposure to domestic interest rate changes	Mar. 31, 2020	Dec. 31, 2019
Assets		
Cash equivalents - cash investments (note 4)	242,728	41,574
Marketable securities (note 5)	926,978	110,265
CVA and Other financial components in tariffs (note 11)	775,884	881,614
Receivable amount of related party transactions - Reimbursement of decontracting of supply (note 25)	-	3,504
	1,945,590	**1,036,957**
Liabilities		
Loans, financings and debentures - CDI rate (note 17)	(2,163,935)	(2,164,083)
	(2,163,935)	**(2,164,083)**
Net liabilities exposed	**(218,345)**	**(1,127,126)**

Sensitivity analysis

In relation to the most significant interest rate risk, Company estimates that, in a probable scenario, on March 31, 2021 Selic rate will be 1.50%. The Company has made a sensitivity analysis of the effects on its net income arising from increases in rates of 25% and 50% in relation to the 'probable' scenario. Fluctuation in the CDI rate accompanies the fluctuation of Selic rate.

Risk: increase in Brazilian interest rates	Mar. 31, 2020	Mar. 31, 2021		
	Book value	'Probable' scenario: Selic 1.50%	'Possible scenario': Selic 1.88%	'Remote' scenario: Selic 2.25%
Assets				
Cash equivalents - cash investments (note 4)	242,728	246,369	247,291	248,189
Marketable securities (note 5)	926,978	940,883	944,405	947,835
CVA and Other financial components in tariffs - Selic rate (note 11)	775,884	787,522	790,471	793,341
	1,945,590	**1,974,774**	**1,982,167**	**1,989,365**
Liabilities				
Loans, financings and debentures - CDI rate (note 17)	(2,163,935)	(2,196,394)	(2,204,617)	(2,212,624)
	(2,163,935)	**(2,196,394)**	**(2,204,617)**	**(2,212,624)**
Net liabilities exposed	**(218,345)**	**(221,620)**	**(222,450)**	**(223,259)**
Net effect of variation in interest rates		**(3,275)**	**(4,105)**	**(4,914)**

Increase in inflation risk

The Company is exposed to risk of increase in inflation, on March 31, 2020, as follows:

Company's exposure to arising in inflation	Mar. 31, 2020	Dec. 31, 2019
Assets		
Concession financial assets related to infrastructure - IPCA index (*)	471,675	459,711
Receivable from Minas Gerais state government - IGPM index	364,704	422,034
	836,379	**881,745**
Liabilities		
Loans, financings and debentures - IPCA index (note 17)	(3,076,839)	(3,618,880)
Debt agreed with pension fund (Forluz) - IPCA index (note 19)	(396,564)	(410,343)
Forluz deficit solution plan - IPCA index (note 19)	(398,083)	(398,584)
	(3,871,486)	**(4,427,807)**
Net liabilities exposed	**(3,035,107)**	**(3,546,062)**

(*) Portion of the concession financial assets relating to the Regulatory Remuneration Base of Assets ratified by the regulator (Aneel).

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Sensitivity analysis

In relation to the most significant risk of rise in inflation index the Company estimates that, in a probable scenario, on March 31, 2020 the IPCA inflation index will be 1.70% and the IGPM inflation index will be 3.09%. The Company has prepared a sensitivity analysis of the effects on its net income arising from a rise in inflation of 25% and 50% in relation to the 'probable' scenario.

Risk: increase in inflation	Mar. 31, 2020	Mar. 31, 2021		
	Book value	'Probable' scenario: IPCA 1.70% IGPM 3.09%	'Possible' scenario: IPCA 2.13% IGPM 3.86%	'Remote' scenario: IPCA 2.55% IGPM 4.64%
Assets				
Concession financial assets related to infrastructure - IPCA index (*)	471,675	479,693	481,722	483,703
Receivable from Minas Gerais state government - IGPM index (note 25)	364,704	375,973	378,782	381,626
	836,379	**855,666**	**860,504**	**865,329**
Liabilities				
Loans, financings and debentures - IPCA index (note 17)	(3,076,839)	(3,129,145)	(3,142,376)	(3,155,298)
Debt agreed with pension fund (Forluz) - IPCA index (note 19)	(396,564)	(403,306)	(405,011)	(406,676)
Forluz deficit solution plan - IPCA index (note 19)	(398,083)	(404,850)	(406,562)	(408,234)
	(3,871,486)	**(3,937,301)**	**(3,953,949)**	**(3,970,208)**
Net liabilities exposed	**(3,035,107)**	**(3,081,635)**	**(3,093,445)**	**(3,104,879)**
Net effect of variation in IPCA and IGPM indexes		**(46,528)**	**(58,338)**	**(69,772)**

(*) Portion of the concession financial assets relating to the Regulatory Remuneration Base of Assets ratified by the regulator (Aneel).

Liquidity risk

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.

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The greater part of the electricity sold by the Company is generated by hydroelectric plants. A prolonged period of scarce rainfall can result in lower water volumes in the plants' reservoirs, possibly causing increased costs of acquisition of electricity, or reduction of revenues due to implementation of wide-ranging programs for saving of electricity. Prolonged generation of electricity using the thermal plants potentially leads to cost increases for the electricity distributors, causing a greater need for cash, and could result in future increases in tariffs.

The Company estimates that the cash balances, cash flow from operations, and raising of new funding and financings are sufficient to meet the need for working capital, investments, debt servicing, and other cash needs in the next 12 months.

The flow of payments of the Company's obligation to suppliers, including future interest up to contractual maturity dates, is as follows:

	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
Financial instruments at (interest rates):						
- Floating rates						
Loans, financings and debentures	14,029	46,345	1,150,188	3,726,512	1,595,916	6,532,990
Debt with pension plan (Forluz)	8,779	17,638	80,392	374,762	-	481,571
Deficit of the pension plan (Forluz)	3,891	7,823	89,699	154,398	444,174	699,985
	26,699	**71,806**	**1,320,279**	**4,255,672**	**2,040,090**	**7,714,546**
- Fixed rate						
Suppliers	1,250,707	46,276	1,068	-	-	1,298,051
	1,277,406	**118,082**	**1,321,347**	**4,255,672**	**2,040,090**	**9,012,597**

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 allowance for doubtful accounts receivable recorded on March 31, 2020, considered to be adequate in relation to the credits in arrears receivable by the Company, was R$779,099.

In relation to the risk of losses resulting from insolvency of the financial institutions at which the Company has deposits, a Cash Investment Policy was approved and has been in effect since 2004.

The Company manage the counterparty risk of financial institutions based on an internal policy. This Policy assesses and scales the credit risks of the institutions, the liquidity risk, the market risk of the investment portfolio and the Treasury operational risk.

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

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

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

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

Banks that exceed these thresholds are classified in three groups, by the value of their equity; and within this classification, limits of concentration by group and by institution are set:

Group	Equity	Concentration	Limit per bank (% of equity) (1)
A1	Over R$3.5 billion	Minimum 50%	Between 6.0% and 9.0%
A2	R$1 billion to R$3.5 billion	Maximum 30%	Between 5.0% and 8.0%
A3	R$400 million to R$1 billion	Maximum 30%	Between 5.0% and 7.0%

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

Further to these points, the Company also sets two concentration limits:

1. No bank may have more than 30% of the Group's portfolio.
2. The A1 banks should have at least the amount of 50% of the available resources.

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 1.1.

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 the Company, 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 is 105% of the distributor's contracted supply. Any exposure that can be proved to have arisen from factors outside the distributor's control ('involuntary exposure') may also be passed through in full to customers. Company's management is continually monitories its contracts for purchase of energy supply to mitigate the risk of exposure to the spot market.

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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 surplus sales mechanism ('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.

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 (the Fifth Amendment, signed with the Mining and Energy Ministry) for 30 years from January 1, 2016. The extension introduced changes to the present contract, conditional upon compliance by the distributor with new criteria for quality, and for economic and financial sustainability.

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

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

The efficiency criteria for continuity of supply and for economic and for financial management, required to maintain the distribution concession, were met in the period ended on March 31, 2020.

Risk of debt early maturity

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

On March 31, 2020, the Company was compliant with all the covenants for financial index requiring half-yearly and annual compliance. More details in Note 17.

c) Capital management

This table shows comparisons of the Company's net liabilities and its Equity on March 31, 2020 and December 31, 2019:

	Mar. 31, 2020	Dec. 31, 2019
Total liabilities	18,964,978	19,649,855
Cash and cash equivalents	(292,589)	(234,346)
Marketable securities	(858,177)	(109,960)
Net liabilities	**17,814,212**	**19,305,549**
Total equity	**4,904,797**	**4,708,208**
Net liabilities / equity	**3.63**	**4.12**

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27. NON-CASH TRANSACTIONS

The Company capitalized financial costs of R$16,247 on March 31, 2020 (R$10,615 on March 31, 2019). These transactions are not reflected in the Cash flow statements.

28. SUBSEQUENT EVENTS

2020 Programmed Voluntary Retirement Plan (‘PDVP’)

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

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

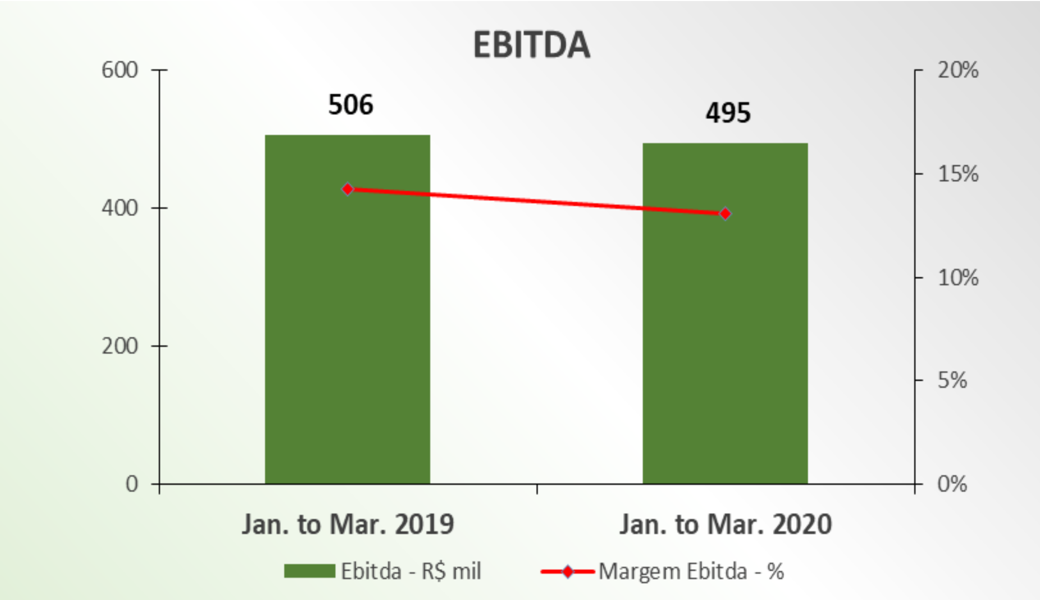
Net income for the period

The Company reports a net income of R$196,589 for 1Q20, which compares with its net income of R$188,354 in 1Q19. The following items describe the main variations between the two periods in revenues, costs, expenses and financial.

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

Cemig D's Ebitda was 2.21% lower in 1Q20 than in 1Q19, as follows

Ebitda - R$ '000	Jan. to Mar. 2020	Jan. to Mar. 2019	Change, %
Net income for the period	196,589	188,354	4.37
+ Income tax and Social Contribution tax	100,629	100,999	(0.37)
+ Net financial revenue (expenses)	34,416	54,574	(36.94)
+ Depreciation and amortization	163,082	161,965	0.69
= Ebitda	**494,716**	**505,892**	**(2.21)**



Ebitda is a non-accounting measure prepared by the Company, reconciled with the Interim financial information in accordance with CVM Circular SNC/SEP 1/2007 and CVM Instruction 527 of October 4, 2012. It comprises Net income adjusted by the effects of net financial revenue (expenses), Depreciation and amortization, and Income and Social Contribution taxes. Ebitda is not a measure recognized by Brazilian GAAP nor by IFRS; it does not have a standard meaning; and it may be non-comparable with measures with similar titles provided by other companies. 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.

The lower Ebitda from January to March 2020 than in the same period in 2019 mainly reflects the increase of 7.82% in Operating costs and expenses partially offset by an increase of 6.39% increase in net revenue.

In line with the lower Ebitda, Ebitda's margin was 13.10% in 1Q20 compared to 14.25% in the same period in 2019.

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

Total revenue from energy sold to final customers in 1Q20 was R$4,895,060, compared to a R$4,889,692 in the same period in 2019.The main factors in this revenue, in 1Q20, were:

- The annual tariff adjustment for the Company, effective May 28, 2019 resulting in an average increase in customer tariffs of 8.73% (full effect in 2020).
- Reduction of 4.22% in the energy sold to final customers.

The changes in energy sold by customers class are as follows:

Customer type	MWh*		
	Jan. to Mar. 2020	Jan. to Mar. 2019	Change %
Residential	2,785,000	2,743,798	1.50
Industrial	472,440	640,656	(26.26)
Commercial, services and others	1,323,647	1,360,143	(2.68)
Rural	771,566	860,119	(10.30)
Public authorities	217,006	223,700	(2.99)
Public lighting	339,494	351,964	(3.54)
Public services	335,474	339,111	(1.07)
Total	**6,244,627**	**6,519,491**	**(4.22)**

* Information in MWh has not been reviewed by independent auditors.

The main factors that explain the reduction of 4.22% in the energy sold to final customers, were:

- reduction in the volume of energy sold to the commercial and services costumers, 2.68 lower, mainly due to (i) migration of clientes from the captive market to the free market; (ii) the billing calendar of customers in the low-voltage networks was lower than in 2019; and (iii) lower average temperatures in 1Q20 than in the same period of 2019, causing lower use of air conditioning

- Reduction of 10.30% in volume of supply sold to rural costumers, basically due to (i) re-registration of 15,309 consumer units, in accordance with Aneel Resolution 800/2017; and (ii) lower consumption for irrigation and farming, due to higher rainfall in 1Q20 than 1Q19.

- Reduction of 26.26% in volume of supply sold to industrial costumers, due to migration of these costumers to other categories, and to the free market;

- increase of 1.50% in the volume sold to residential users, mainly due to the addition of new consumer units to the distribution network;

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Revenue from Use of Distribution Systems (the TUSD charge)

This is revenue from charging Free Customers the Tariff for Use of the Distribution System (TUSD), on the volume of energy distributed. In 1Q20, this was R$730,219, compared to R$636,237 in the same period in 2019, an increase of 14.77%. The higher figure reflected the the annual tariff adjustment of the Company in effect from May 28, 2019 (full effect in 2020), which resulted an average increase of 17.28% for free customers.

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 the Company represented a gain of R$54,602 from January to March, 2020, whereas in the same period in 2019 it produced a revenue gain of R$120,350. This variation is mainly due to the amount approved for *CVA* and *Other financial components* in the annual tariff adjustment of 2019 being higher than the amounts actually spent by the Company. This generates a financial liability for the Company, which is passed through to customers in the next annual tariff adjustment. The lower amounts spent by the Company reflect lower costs of energy in the first quarter of 2020, with a lower average spot price, and also the creditor position assumed by the Company on the CCEE, compared to the same period of 2019. More details in Note 11.

Construction revenue

Infrastructure construction revenue in 1Q20 was R$248,407, compared to R$160,201 in the same period in 2019. The changes mainly reflects execution of a larger portion of the Company's Investment Plan budget. The most significant investments in this period were in assets related to distribution concession infrastructure. The highest volume of funds was invested in the medium- and low- voltage and sub-transmission networks.

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

Taxes and regulatory charges reported as Deductions from revenue

The taxes and charges that are recorded as deductions from operating revenue totaled R$2,465,761 in 1Q20, or 3.60% less than 1Q19 (R$2,557,899).

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The Energy Development Account - CDE

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

Charges for the CDE in 1Q20 were R$552,139, compared to R$600,569 in 1Q19. The lower figure reflects the ending of payment of Regulated Market (ACR) Account in August 2019.

The ACR account was created by the federal government by its Decree 8,221/2014, regulated by Aneel Normative Resolution 612/2014, for the purpose of totally or partially covering electricity distributors' expenses on involuntary exposure to the spot market, and the dispatching of thermal plants, linked to Availability CCEARs (Regulated Market Power Purchasing Agreements).

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.

Customer charges - the 'Flag' Tariff system

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

Income from charges to the customer related to the 'Flag' Tariff bands was R$59,583 in 1Q20, or 434.09% higuer than the same perio in 2019 (R$11,156).

The difference reflects the application of the 'yellow' tariff flag in December 2019 (affecting the billing of January 2020), and January 2020; the 'green' flag was in force only as from February 2020 (with effect on the billing in the month of March 2020). For comparison, in the same period of 2019 only the 'green' flag was in effect – indicating the reason for the higher figure in 2020.

In spite of the good hydrological situation at the end of 2019 and in early 2020, the yellow flag was in effect in that period due to the intense period of drought which preceded those rains – requiring considerable time for the reservoir levels to recover.

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.

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Operating costs and expenses (excluding financial income/expenses)

Operating costs and expenses totaled R$3,445,745 in 1Q20, or 7.46% more than 1Q19 (R$3,206,495). Mode details in Note 23.

The following paragraphs comment on the main variations:

<u>Personnel expenses</u>

Personnel expenses were R$215,679 in 1Q20 compared to R$247,659 in 1Q19 - reduction of 12.91%. This variation is mainly due to the reduction of the expenses with the programmed voluntary retirement plan (PDVP 2019), and reduction of 6.53% in the average number of employees, 4,205 in 1Q20 compared to 4,499 in the same period in 2019.

<u>Employee profit sharing</u>

The expense on employees' and managers' profit sharing was R$16,401 in 1Q20, compared to R$46,261 in 1Q19. This reflects changes approved at the end of 2019 in a specific profit-sharing agreement ('the 2020 PLR') of Cemig (Cemig D's parent company). The new structure in the 2020 PLR involves bold targets, which are not necessarily directly linked to performance of the Company's results.

<u>Energy bought for resale</u>

The expense on energy purchased for resale in 1Q20 was R$1,919,179, or 4.97% more than in 1Q19 (R$1,828,301). The main impacts result from the following factors:

- expense on supply from Itaipu was 28.41% higher, at R$427,812 in the first quarter of 2020, compared to R$333,156 in the same period of 2019. The difference is mainly due to the increase of 22% in the average dollar quotation in the first quarter of 2020 compared to the same period last year (R$4.63 and R$3.80, respectively), which has contributed to the rise in dollar energy price per KW (US$28.41/KW in the first quarter of 2020 and US$27.71/KW in the same period of 2019);
- expenses on supply acquired at auction 13.69% higher: R$827,471 in the first quarter of 2020, compared to R$727,831 in the same period of 2019. This increase reflects volume of energy acquired approximately 11% higher year-on-year, added to the effect of upward adjustment in power purchasing agreements in the Regulated Market (CCEARs) taking place at the moment of the distributors' tariff adjustment;
- expenses on supply acquired through physical guarantee quota contracts 11.91% higher, at R$200,234 in the first quarter of 2020, compared to R$178,931 in the same period of 2019. This is mainly due to the average price per MWh being 5.76% higher year-on-year in the first quarter of 2020 (at R$107.88, compared to R$102.00 in the first quarter of 2019); and also to the quantity of energy delivered in the period being 2% higher;

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- reduction of 54.71% on the expenses on purchase of supply in the spot market: R$221,689 in 1Q20, compared to R$489,525 in 1Q19. This net result for spot-price supply is the net balance of revenues and expenses of transactions on the Power Trading Exchange (CCEE). The difference is mainly due to the spot price being 34.98% lower from January to March 2020, at R$188.61 MWh, compared to R$290.08/MWh in the same period in 2019, and to the creditor position assumed by the Company in the first quarter of 2020, in contrast to the deficit positions assumed in the same periods of 2019 – mainly reflecting different levels of loads: 3.6% higher on average in the early months of 2019 than in the same period of 2020.

This is a non-manageable cost: the difference between the amounts used as a reference for calculation of tariffs and the costs actually incurred is compensated for in the subsequent tariff adjustment. More details in Note 23b.

Charges for use of the transmission network

Charges for use of the transmission network in 1Q20 totaled R$372,581, compared with 1Q19 (R$338,942).

The chanfes mainly reflects the increase in the Tariff for Use of the National Grid (TUST-RB), which applies to Load, and the Tariff for Use of the Frontier Grid (TUST-FR), which applies to the distributors – these amounts were 8.93% and 17% higher, respectively, after the increase for the 2019–20 period, approved by Ratifying Resolution 2,562/2019. The increase in the TUSTs arises from: (i) the effect of start-up of commercial operation of facilities remunerated with the RBL/RPNI (new facilities) portion of Permitted Annual Revenue (RAP) during the 2018–19 cycle; plus (ii) inflation in the period, plus (iii) limited increases in Transmission System Use Volume (MUST) of the load segment on the National Grid.

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 Regulator (Aneel).

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.

Operating provisions

Operating provisions in 1Q20 totaled R$125,748, or 112.64% more than 1Q19 (R$59,136). This arises mainly from the following factors:

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- variation of provisions for taxes, which represented the recognition of R$7,431 in 1Q20, compared to the reversion of R$178 in 1Q19. This variation results, mainly, of the Company's recognition, in the 3rd quarter of 2019, of a provision related to administrative and court proceedings opened against the Company, in the amount of R$763,728, relating to social security contributions on the payment of profit shares to its employees, alleging that Company did not previously establish clear and objective rules for the distribution of these amounts. More details in Note 20;
- variation of provisions for employment-law legal actions: new provisions of R$6,480 in 1Q20, compared to a reversal of provisions of R$ 4,178 in 1Q19. This arises mainly from new actions, or from reassessment of the chances of loss in existing actions, based mainly on recent court decisions that have been adverse for the Company. Also, a difference was recognized for application of the IPCA inflation index instead of the TR reference rate in monetary adjustment for employment-law legal actions dealing with debts arising from March 25, 2015 to November 10, 2017. These actions are at the advanced execution stage, and their chances of loss have now been assessed as 'probable', due to the recent decision by the Employment-law Appeal Court of the Third Region (Minas Gerais) to apply the decision by the Higher Employment-law Appeal Court ordering use of the IPCA-E inflation index. More details in Note 20;
- net additional provisions for third-party liability legal actions were higher – at R$15,539, in the first quarter of 2020, compared to a net reversal in the first quarter of 2019, of R$2,052. The difference mainly arises from provisions made for legal actions for third party liability, claiming payment of indemnity for pain and suffering, and material and aesthetic damage, caused by accidents involving the electricity network;
- provision made for estimated losses for doubtful receivables in 1Q20 was R$96,145, compared to R$62,642 in the same period of 2019, an increase of 53.48%. This mainly reflects default by the State Government of Minas Gerais, in an amount of approximately R$10 million per month, and also a lower number of electricity supply disconnections in 1Q20, due to the significant rainfall in the period, which increased the basis for the percentage calculation of the provision.

Considering that it is still too early to assess the effects of the Covid-19 crisis on the Company's customers' delinquency rate, and that there are uncertainties related to the crisis unfolding as well as to the effectiveness of Company's measures to enhance the prevention of customers' delinquency, the Company believes that it is necessary to await the effects of the possible short-term measures from the regulator and federal and local governments on economic and financial conditions, as well as on the Company's collection behavior, before the simulation of scenarios, which will enable the review of the Company's assumptions for measuring expected credit losses. Therefore, the Company believes that the current assumptions used in measuring expected losses are the best estimates for the first quarter of 2020.

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Net financial revenue (expenses)

The Company reports net financial expense in 1Q20 of R$34,416, compared to net financial expenses of R$54,574 in 1Q19. The main factors were:

- revenue from late charges on customer electricity bills 11.39% higher, at R$90,026 in 1Q20, compared to R$80,820 in 1Q19. The difference basically reflects: (i) higher default in 1Q20; (ii) Cemig D's annual tariff adjustment that took effect on May 28, 2019 (full effect in 2020), with an impact of an average increase of 8.73% for customers; and (iii) the re-classification of Rural customers, in accordance with Aneel Resolution 800/2017 (this is currently suspended – but contributed to loss of tax exemption on customers' electricity bills, thus increasing their cost of supply);
- income from cash investments 35.51% lower in 1Q20, at R$7,645, than in 1Q19 (R$11,854). The difference mainly reflects the lower Selic interest rate, which resulted in a lower DI (interbank deposit) rate, affecting the profitability of cash investments. The average DI rate in 1Q20 was 42.97% lower than in 1Q19, according to detailed data from the Cetip securities clearing house. Borrowing expenses on loans, financings and debentures were 50.01% lower in 1Q20, at R$49,607, than in 2019 (R$99,224). This mainly reflects the Company's active management of its debt, in which it reduced its cost of third-party capital through its Seventh Debenture Issue, in July 2019;
- borrowing expenses on loans, financings and debentures were 50.01% lower in 1Q20, at R$49,607, than in 2019 (R$99,224). This mainly reflects the Company's active management of its debt, in which it reduced its cost of third-party capital through its Seventh Debenture Issue, in July 2019.

For a breakdown of financial revenues and expenses see Note 24.

Income tax and social contribution taxes

In 1Q20, the expense on income and the Social Contribution taxes totaled R$100,629, on pre-tax profit of R$297,218. In 1Q19, the expense on income and the Social Contribution taxes was R$100,999, on pre-tax profit of R$289,353.

These effective rates are reconciled with the nominal tax rates in Note 8c.

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(The original is signed by the following signatories)

Reynaldo Passanezi Filho
Chief Executive Officer

Dimas Costa
Chief Trading Officer

Leonardo George de Magalhães
Chief Finance and Investor Relations Officer cumulatively with charge of Controller
CRC-MG 53,140

Ronaldo Gomes de Abreu
Chief Distribution Officer

Daniel Faria Costa
Chief Officer for Management of Holdings

Paulo Mota Henriques
Chief without portfolio

Luciano de Araújo Ferraz
Chief Regulation and Legal

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

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

Independent auditor's review report on quarterly information - ITR

To the Shareholders and Management of
Cemig Distribuição S.A.
Belo Horizonte - MG

Introduction

We have reviewed the accompanying interim financial information, contained in the Quarterly Information Form (ITR) of Cemig Distribuição S.A. ("Company"), for the quarter ended March 31, 2020, comprising the statement of financial position as at March 31, 2020, and the related statements of profit or loss, of comprehensive income, of changes in equity and cash flows for the three-month period then ended, including the explanatory notes.

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

Scope of review

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

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Conclusion

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

Other matters

Statement of value added

The abovementioned quarterly information include the statement of value added (SVA) for the three-month period ended March 31, 2020, prepared under Company's Management responsibility and presented as supplementary information by IAS 34. This statement has been subject to review procedures performed together with the review of the quarterly information with the objective to conclude whether it is reconciled to the interim financial information and the accounting records, as applicable, and if its format and content are in accordance with the criteria set forth by NBC TG 09 – Statement of Value Added. Based on our review, nothing has come to our attention that causes us to believe that it was not prepared, in all material respects, consistently with the overall interim financial information.

Belo Horizonte (MG), May 15, 2020.

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

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