CONTENTS

STATEMENTS OF FINANCIAL POSITION

AS OF JUNE 30, 2020 AND DECEMBER 31, 2019

ASSETS

(In thousands of Brazilian Reais)

	Note	Jun. 30, 2020	Dec. 31, 2019
CURRENT			
Cash and cash equivalents	4	408,447	234,346
Marketable securities	5	1,375,146	109,960
Customers and traders	6	2,881,133	3,021,551
Concession holders - Transport of energy	6	240,549	242,229
Recoverable taxes	7	1,706,207	29,101
Income tax and social contribution tax recoverable	8a	72,500	235,745
Inventories		27,874	31,408
Public Lighting Contribution		175,526	164,971
Reimbursement of tariff subsidy payments	10	85,543	93,673
Low-income subsidy		37,915	29,582
Concession financial and sector assets	11	686,442	640,161
Others credits		123,306	174,431
TOTAL CURRENT		**7,820,588**	**5,007,158**
NON-CURRENT			
Marketable Securities	5	105,372	305
Deferred Income tax and social contribution tax	8b	1,784,819	1,741,544
Recoverable taxes	7	3,463,795	5,141,553
Escrow deposits	9	567,607	1,766,042
Customers and traders	6	711	711
Concession holders - Transport of energy	6	70,398	70,412
Others credits		35,480	37,562
Concession financial and sector assets	11	721,112	701,164
Contractual assets	12	819,767	740,044
Intangible assets	13	9,117,300	8,938,620
Leasing - rights of use	14	187,418	212,948
TOTAL NON-CURRENT		**16,873,779**	**19,350,905**
TOTAL ASSETS		**24,694,367**	**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 JUNE 30, 2020 AND DECEMBER 31, 2019

LIABILITIES

(In thousands of Brazilian Reais)

	Note	Jun. 30, 2020	Dec. 31, 2019
CURRENT			
Loans and financings	17	8,885	16,548
Debentures	17	1,114,023	886,401
Suppliers	15	1,401,163	1,534,689
Taxes payable	16	461,802	192,731
Payroll and related charges		160,233	130,861
Regulatory charges	18	207,825	283,361
Employees' and managers' profit shares		134,991	150,970
Post-employment obligations	19	217,996	201,241
Public Lighting Contribution		238,296	251,809
Interest on Capital, and dividends, payable	21	352,287	822,183
PIS/Pasep and Cofins taxes to be reimbursed to customers	16	714,339	-
Leasing - obligations	14	58,814	64,034
Others		330,929	176,492
TOTAL CURRENT		**5,401,583**	**4,711,320**
NON-CURRENT			
Loans and financings	17	17,948	27,353
Debentures	17	4,069,931	4,864,620
Provisions	20	1,220,392	1,221,151
Post-employment obligations	19	4,416,742	4,359,058
Taxes payable	16	436	436
Regulatory charges	18	231,857	101,968
Pasep and Cofins taxes to be reimbursed to customers	16	3,522,442	4,193,329
Leasing - obligations	14	139,088	157,160
Others		16,454	13,460
TOTAL NON-CURRENT		**13,635,290**	**14,938,535**
TOTAL LIABILITIES		**19,036,873**	**19,649,855**
EQUITY	21		
Share capital		5,371,998	5,371,998
Profit reserves		1,799,685	1,329,789
Equity valuation adjustments		(1,993,579)	(1,993,579)
Retained earnings		479,390	-
TOTAL EQUITY		**5,657,494**	**4,708,208**
TOTAL LIABILITIES AND EQUITY		**24,694,367**	**24,358,063**

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STATEMENTS OF INCOME

FOR THE SIX-MONTH PERIODS ENDED JUNE 30, 2020 AND 2019

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

	Note	Jan to Jun 2020	Jan to Jun 2019
NET REVENUE	22	**7,555,731**	**7,785,779**
OPERATING COSTS	23		
COST OF ENERGY			
Energy purchased for resale		(3,822,279)	(3,455,727)
Charges for use of the national grid		(638,051)	(713,263)
		(4,460,330)	(4,168,990)
OTHER COSTS			
Personnel and managers		(358,862)	(365,975)
Materials		(22,231)	(24,144)
Outsourced services		(467,665)	(445,199)
Depreciation and amortization		(276,031)	(266,304)
Operating provisions, net	23d	(52,029)	(85,392)
Infrastructure construction cost		(581,744)	(363,167)
Others		(24,258)	(29,266)
		(1,782,820)	(1,579,447)
TOTAL COST		**(6,243,150)**	**(5,748,437)**
GROSS PROFIT		**1,312,581**	**2,037,342**
OPERATING EXPENSES	23		
Selling expenses		(198,649)	(107,851)
General and administrative expenses		(185,188)	(192,166)
Other operating expenses, net		(232,465)	(319,333)
		(616,302)	**(619,350)**
Income before finance income (expenses) and taxes		**696,279**	**1,417,992**
Finance income	24	251,681	1,250,669
Finance expenses	24	(227,026)	(329,796)
Income before income tax and social contribution tax		**720,934**	**2,338,865**
Current income tax and social contribution tax	8c	(284,819)	(553,047)
Deferred income tax and social contribution tax	8c	43,275	(218,651)
NET INCOME FOR THE PERIOD		**479,390**	**1,567,167**
Basic and diluted earnings per shares, R$	21	0.20	0.66

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STATEMENTS OF INCOME

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

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

	Note	Apr to Jun 2020	Apr to Jun 2019
NET REVENUE	22	**3,778,352**	**4,235,357**
OPERATING COSTS	23		
COST OF ENERGY			
Energy purchased for resale		(1,903,100)	(1,627,426)
Charges for use of the national grid		(265,470)	(374,321)
		(2,168,570)	**(2,001,747)**
OTHER COSTS			
Personnel and managers		(198,674)	(184,783)
Materials		(13,833)	(16,276)
Outsourced services		(259,021)	(248,685)
Depreciation and amortization		(139,851)	(133,486)
Operating provisions, net	23d	(22,426)	(88,898)
Infrastructure construction cost		(333,337)	(202,966)
Others		(15,877)	(28,424)
		(983,019)	**(903,518)**
TOTAL COST		**(3,151,589)**	**(2,905,265)**
GROSS PROFIT		**626,763**	**1,330,092**
OPERATING EXPENSES	23		
Selling expenses		(102,504)	(45,209)
General and administrative expenses		(49,872)	(38,658)
Other operating expenses, net		(109,742)	(172,160)
		(262,118)	**(256,027)**
Income before finance income (expenses) and taxes		**364,645**	**1,074,065**
Finance income	24	156,874	1,135,170
Finance expenses	24	(97,803)	(159,723)
Income before income tax and social contribution tax		**423,716**	**2,049,512**
Current income tax and social contribution tax	8c	(167,861)	(475,630)
Deferred income tax and social contribution tax	8c	26,946	(195,069)
NET INCOME FOR THE PERIOD		**282,801**	**1,378,813**
Basic and diluted earnings per shares, R$	21	0.12	0.58

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STATEMENTS OF COMPREHENSIVE INCOME

FOR THE SIX-MONTH PERIODS ENDED JUNE 30, 2020 AND 2019

(In thousands of Brazilian Reais)

	Jan to Jun 2020	Jan to Jun 2019
Net income for the period	479,390	1,567,167
Comprehensive income for the period	**479,390**	**1,567,167**

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

STATEMENTS OF COMPREHENSIVE INCOME

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

(In thousands of Brazilian Reais)

	Apr to Jun 2020	Apr to Jun 2019
Net income for the period	282,801	1,378,813
Comprehensive income for the period	**282,801**	**1,378,813**

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STATEMENTS OF CHANGES IN EQUITY

FOR THE SIX-MONTH PERIODS ENDED JUNE 30, 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	-	-	-	-	1,567,167	1,567,167
Comprehensive income for the period	**-**	**-**	**-**	**-**	**1,567,167**	**1,567,167**
BALANCES ON JUNE 30, 2019	**2,771,998**	**2,600,000**	**545,856**	**(1,275,496)**	**1,567,167**	**6,209,525**
BALANCES ON DECEMBER 31, 2019	**5,371,998**	**-**	**1,329,789**	**(1,993,579)**	**-**	**4,708,208**
Net income for the period	-	-	-	-	479,390	479,390
Comprehensive income for the period	**-**	**-**	**-**	**-**	**479,390**	**479,390**
Reversal of dividends proposed (note 21)	**-**	**-**	**469,896**	**-**	**-**	**469,896**
BALANCES ON JUNE 30, 2020	**5,371,998**	**-**	**1,799,685**	**(1,993,579)**	**479,390**	**5,657,494**

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STATEMENTS OF CASH FLOWS

FOR THE SIX-MONTH PERIODS ENDED JUNE 30, 2020 AND 2019

(In thousands of Brazilian Reais)

	Note	Jan to Jun 2020	Jan to Jun 2019
CASH FLOW FROM OPERATIONS			
Net income for the period		479,390	1,567,167
Expenses (revenues) not affecting cash and cash equivalents:			
Post-employment obligations	19	167,520	158,650
Depreciation and amortization	13b and 14	329,133	325,019
Operating provisions	23d	250,678	194,748
Impairment of contract assets	12	(7,942)	(26,016)
Write-off of net residual value of unrecoverable Concession financial assets and Intangible assets	11a and 13b	3,831	5,114
Financial interest and inflation adjustment		154,346	222,030
Adjustment to expectation of contractual cash flow from the concession	11a	955	(8,967)
Amortization of transaction cost of loans and financings	17	1,014	8,083
Recovery of PIS/Pasep and Cofins tax credits	9	-	(1,821,143)
CVA (Parcel A Compensation) Account and Other Financial Components in tariff adjustment	22	(81,652)	(80,241)
Deferred income and social contribution taxes	8c	(43,275)	218,651
		1,253,998	**763,095**
(Increase) / decrease in assets			
Customers and traders		(58,231)	(99,415)
Concession holders - Transport of energy		1,694	(52,516)
CVA (Parcel A Compensation) Account and Other Financial Components in tariff adjustment	11b	62,771	83,115
Recoverable taxes		44,104	(31,501)
Income tax and social contribution tax recoverable		(83,575)	(8,737)
Escrow deposits		1,211,892	(17,423)
Public lighting tax		(10,555)	(10,928)
Reimbursement of tariff subsidies		8,130	(11,203)
Low-income subsidy		(8,333)	2,536
Others		56,741	79,899
		1,224,638	**(66,173)**
Increase / (decrease) in liabilities			
Suppliers		(199,992)	99,977
Taxes		270,423	(45,893)
Income tax and social contribution tax payable		284,819	553,047
Payroll and related charges		29,372	(18,777)
Public lighting tax		(13,513)	(51,246)
Regulatory charges		54,353	(42,169)
Post-employment obligations	19	(93,081)	(117,119)
Provisions	20	(52,788)	(57,836)
Employees’ and managers’ profit sharing		(15,979)	43,142
Others		151,493	(80,080)
		415,107	**283,046**
Cash from operating activities		**2,893,743**	**979,968**
Interest paid on loans, financings and debentures	17	(180,142)	(265,162)
Interest paid in leasing contracts	14	(816)	(14,304)
Income tax and social contribution tax payable		(37,999)	(96,089)
NET CASH FROM OPERATING ACTIVITIES		**2,674,786**	**604,413**
CASH FLOW IN INVESTMENT ACTIVITIES			
Marketable securities - cash investments		(1,370,253)	246,989
Intangible assets	13	(12,438)	(14,283)
Contract assets	12	(547,922)	(326,928)
NET CASH FLOW USED IN INVESTMENT ACTIVITIES		**(1,930,613)**	**(94,222)**
CASH FLOW IN FINANCING ACTIVITIES			
Leasing liabilities paid	14b	(33,205)	(22,059)
Loans, financings and debentures, paid	17	(536,867)	(514,582)
Interest on capital, and dividends, paid		-	(85,000)
NET USED IN FINANCIAL ACTIVITIES		**(570,072)**	**(621,641)**
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS FOR THE PERIOD		**174,101**	**(111,450)**
Cash and cash equivalents at start of period	4	234,346	451,304
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	4	**408,447**	**339,854**

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STATEMENTS OF ADDED VALUE

FOR THE SIX-MONTH PERIODS ENDED JUNE 30, 2020 AND 2019

(In thousands of Brazilian Reais)

	Jan to Jun 2020		Jan to Jun 2019	
REVENUES				
Sales of energy and services	11,667,604		11,534,879	
Distribution construction revenue	581,744		363,167	
Adjustment to expectation of reimbursement of distribution concession financial assets	(955)		8,967	
Recovery of PIS/Pasep and Cofins tax credits	-		830,333	
Other revenues	-		8,004	
Provision for doubtful receivables	(198,649)		(107,851)	
	12,049,744		**12,637,499**	
INPUTS ACQUIRED FROM THIRD PARTIES				
Energy bought for resale	(4,153,068)		(3,784,272)	
Charges for use of national grid	(703,087)		(785,965)	
Outsourced services	(727,632)		(611,292)	
Materials	(313,553)		(209,789)	
Other operating costs	(141,302)		(173,715)	
	(6,038,642)		**(5,565,033)**	
GROSS VALUE ADDED	**6,011,102**		**7,072,466**	
RETENTIONS				
Depreciation and amortization	(329,133)		(325,019)	
NET ADDED VALUE PRODUCED BY THE COMPANY	**5,681,969**		**6,747,447**	
ADDED VALUE RECEIVED BY TRANSFER				
Financial revenues	251,681		1,250,669	
ADDED VALUE TO BE DISTRIBUTED	**5,933,650**		**7,998,116**	
DISTRIBUTION OF ADDED VALUE				
		%		%
Employees	**601,145**	**10.13**	**684,396**	**8.56**
Direct remuneration	376,273	6.34	448,549	5.61
Post-employment obligations and Other benefits	203,249	3.43	192,595	2.41
FGTS fund	21,623	0.36	28,524	0.36
Voluntary retirement program	-	-	14,728	0.18
Taxes	**4,600,088**	**77.52**	**5,388,924**	**67.38**
Federal	1,974,991	33.28	2,778,178	34.73
State	2,620,767	44.17	2,606,343	32.59
Municipal	4,330	0.07	4,403	0.06
Remuneration of external capital	**253,027**	**4.27**	**357,629**	**4.47**
Interest	248,409	4.19	351,751	4.40
Rentals	4,618	0.08	5,878	0.07
Remuneration of own capital	**479,390**	**8.08**	**1,567,167**	**19.59**
Retained earnings	479,390	8.08	1,567,167	19.59
	5,933,650	**100.00**	**7,998,116**	**100.00**

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NOTES TO THE INTERIM FINANCIAL INFORMATION

FOR THE SIX-MONTH PERIOD ENDED AS OF JUNE 30, 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 8,589,721 customers, on June 30, 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 authorized 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 n. 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, extended to July 31, 2020, 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. Under Resolution 879/2020, issued in July 21, 2020, the regulator changed the Resolution 878/2020, as of august, 2020, maintaining the prohibition of energy supply suspension only to low income residential subclass, revoking the provisions applied to the other residential subclasses and related to services and activities regarded as essential; and
- authorization to create the "Covid-account", under the Decree 10,350/2020, issued on May 18, 2020, as detailed in the following topic;

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“Covid-account” (‘Conta-covid’)

On May 18, 2020, in order to cope with the public calamity caused by the Covid-19 pandemic, the Decree n. 10,350/20 authorized the creation of “covid Account, to support the energy distribution sector, which is the basis of the energy sector financial flow, aimed to either cover the distribution agents revenue/cash flow deficit or to anticipate their revenues, related to (i) over-contracted purchases due to market retraction, (ii) “CVA” sector assets (iii) maintaining the neutrality of regulatory charges, (iv) compensation for the delay in applying tariff adjustments until June 30, 2020 and (v) anticipation of “parcel B” revenues as determined by Aneel regulation.

On June 23, 2020, the regulator issued the Normative Resolution n. 885/2020, which set out the criteria and procedures to manage the “Covid-account”, as well as regulated the use of the CDE regulatory charge. Under this Resolution, the amount transferred to each distribution agent will be converted as a tariff negative financial component until the tariff processes of 2020, updated by Selic rate, ensuring the neutrality.

The Company joined the financial compensation mechanism under the Covid-account (‘conta-covid’), in order to boost its cash flow enabling it to meet its financial obligations, in spite of the collection reduction resulting of the economic crises. On July 9, 2020, the regulator informed the total amount from the “Covid-account” to be received by the Company, in installments, which is $1,404,175. The first installment, in the amount of R$1,186,389 was received on July 31, 2020 and the remaining, in the amount of R$217,786, will be received in 6 installments, from August of 2020 to January, 2021.

There are some rules applied to distribution agents entitled to the Covid-account resources, such as (i) relinquishing any intention to reduce or end the purchase of energy from generators because of a reduction in the sales caused by the pandemic crises, until December 2020; (ii) in the event of default on payments, limiting their dividend payments to the legal minimum of 25% of net income and (iii) renounce the right to complain in court or arbitral tribunals on the conditions, procedures or obligations determined in legal and regulatory provisions on Covid-account. Notwithstanding, the right to request an extraordinary tariff review is fully preserved.

Due to the statements of renunciations established in the Acceptance Document under the Normative Resolution n. 885/2020, on July 3, 2020 Cemig D Shareholders Extraordinary General Meeting approved alteration to its by-laws, to include §4 on Clause 33 limiting the distribution of mandatory dividend or interest on equity to the legal minimum, exceptionally for the cases and conditions that the regulator may demand, by rule or by contract, in order to mitigate a situation of financial imbalance caused by any fact or event attributable to a third party, or overriding government rulings, or expressly recognized force majeure.

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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, 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.

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;
- 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.

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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.

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

- the Company is assessing the circumstances arising from Covid-19 pandemic and associated measures aimed at reducing the impact of the economic contraction on customer delinquency when measuring expected credit losses. The Company has intensified measures to mitigate the risks of delinquency, such as a campaign of negotiation with clients in arrears whose energy supply the Company is currently temporarily prohibited from suspending as well as intensifying the usual collection measures;
- 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; and
- despite the uncertainties related to the crisis unfolding and its potential long-term effects, the Company does not expect that the negative impact on its projections of likely future taxable profits might compromise the recoverability of its deferred tax assets;

The 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 the first half of 2020:

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- the Company expects that the return of economic activities after the peak of the coronavirus outbreak, as well as the authorization of the energy supply suspension, except for customers classified as low income residential subclass, as of August, 2020, provided for Normative Resolution n. 891/2020, 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, may mitigate the negative effects of the economic crisis on collection;
- the energy demand (load) measured by the Brazilian Interconnected Power Grid (SIN) has decreased in March and April 2020. Measured up to the initial days of May 2020 at June 30, 2020, the reduction in the market of the Company's captive customers was approximately 6.1%. Further, the Company expects that the market will recover as the requirements for social distancing are made more flexible; and
- 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) ('CPC 21'), which applies to interim financial information, and the rules issued by the Brazilian Securities Commission (Comissão de Valores Mobiliários, or CVM), applicable to preparation of Quarterly Information (Informações Trimestrais, or ITR).

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

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

The Company's Board of Directors authorized the issuance of this Interim financial information on August 14, 2020.

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

Number of the note		Title of the note
Dec. 31, 2019	Jun. 30, 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
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
31	11.b.	The Annual Tariff Adjustment
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
9	PIS/Pasep and Cofins taxes credits over ICMS - Final Court Judgment
29	Insurance
30	Contractual obligations

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

	Jun. 30, 2020	Dec. 31, 2019
Bank accounts	104,667	192,772
Cash investments		
Bank certificates of deposit (1)	32,500	36,198
Overnight (2)	271,280	5,376
	303,780	**41,574**
	408,447	**234,346**

(1) *Bank Certificates of Deposit* (*Certificados de Depósito Bancário*, or CBDs), accrued interest at 55% to 104.2% 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 June 30, 2020 (70% to 104% on December 31, 2019). For these CDBs, the Company has repo transactions which state, on their trading notes, the bank's commitment to repurchase the security, on demand, on the maturity date of the transaction, or earlier.

(2) *Overnight* transactions are repos available for redemption on the following day. They are usually backed by Treasury Bills, Notes or Bonds and referenced to a pre-fixed rate of 2.15% p.a. on June 30, 2020 (4.39% p.a. on December 31, 2019). Their purpose is to settle the short-term obligations of the Company, or to be used in the acquisition of other assets with better return to replenish the portfolio.

Note 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

	Jun. 30, 2020	Dec. 31, 2019
Bank certificates of deposit	-	221
Financial Notes (LFs) - banks (1)	1,118,550	95,204
Treasury Financial Notes (LFTs) (2)	346,001	13,900
Debentures (3)	11,417	732
Others	4,550	208
	1,480,518	**110,265**
Current asset	**1,375,146**	**109,960**
Non-current asset	**105,372**	**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 127% of the CDI rate on June 30, 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 109% of the CDI Rate on June 30, 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	Jun. 30, 2020	Dec. 31, 2019
Residential	625,779	257,252	470,827	170,854	78,389	1,603,101	1,628,954
Industrial	52,027	46,131	35,823	23,872	140,711	298,564	307,379
Commercial, services and others	282,100	109,002	120,456	69,827	113,337	694,722	816,583
Rural	162,327	69,112	77,417	58,976	19,959	387,791	356,303
Public authorities	41,659	20,180	29,965	95,151	244,608	431,563	422,034
Public lighting	6,468	25,255	-	969	197	32,889	34,662
Public services	71,190	26,163	26,962	9,827	22,480	156,622	133,077
Subtotal - customers	**1,241,550**	**553,095**	**761,450**	**429,476**	**619,681**	**3,605,252**	**3,698,992**
Concession holders - Transport of energy	81,148	172,240	26,652	9,119	76,576	365,735	367,429
Energy in spot market - supply	16,414	-	-	-	-	16,414	-
Provision for doubtful receivables	(143,649)	(8,576)	(13,593)	(7,883)	(620,909)	(794,610)	(731,518)
	1,195,463	**716,759**	**774,509**	**430,712**	**75,348**	**3,192,791**	**3,334,903**
Current							
Customers and traders						**2,881,133**	**3,021,551**
Concession holders - Transport of energy						**240,549**	**242,229**
Non-current asset							
Customers and traders						**711**	**711**
Concession holders - Transport of energy						**70,398**	**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:

	Jun. 30, 2020	Dec. 31, 2019
Residential	111,521	127,747
Industrial	140,727	132,663
Commercial, services and others	168,593	153,819
Rural	28,354	30,248
Public authorities	256,718	200,302
Public lighting	1,240	1,123
Public services	32,670	30,829
Concession holders - Transport of energy	54,787	54,787
	794,610	**731,518**

Changes in the provision for doubtful receivables on June 30, 2020 and 2019 are as follows:

Balance at December 31, 2018	**697,089**
Additions, net	107,851
Disposals	(76,422)
Balance at June 30, 2019	**728,518**
Balance at December 31, 2019	**731,518**
Additions, net	198,649
Disposals	(135,557)
Balance at June 30, 2020	**794,610**

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7. RECOVERABLE TAXES

	Jun. 30, 2020	Dec. 31, 2019
Current		
ICMS tax recoverable	40,745	25,743
COFINS tax (a) (b)	1,367,324	1,713
PIS-PASEP taxes (a) (b)	297,797	1,301
Others	341	344
	1,706,207	**29,101**
Non-current		
ICMS tax recoverable (b)	217,376	215,189
COFINS tax (a)	2,667,328	4,047,607
PIS-PASP taxes (a)	579,091	878,757
	3,463,795	**5,141,553**
	5,170,002	**5,170,654**

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 credit recorded corresponds the amount of these taxes over ICMS paid in the period of July 2003 to May 2019.

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

The Company is recovering tax credits by offsetting the amount receivable against amounts federal taxes payable on a monthly basis, starting on May, 2020, within the five-year period specified by the relevant law of limitation. In this context, the Company transferred to current assets the credits for which the expectation of offsetting does not exceed a period of 12 months: R$296,475 for the PIS/Pasep taxes, and R$1,365,582 for the Cofins tax.

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 have constituted a liability corresponding to the total amount of the tax credits comprising the period of the last 10 years, from June 2009 to May 2019, net of PIS/Pasep and Cofins taxes over monetary updating, presented in Note 16. The Company awaits the regulator'a conclusion about the mechanisms and criteria for the reimbursement to its customers.

The accounting effects relating to the recognition of the PIS/Pasep and Cofins taxes credits, including their monetary updating by the Selic rate, were recognized in the income statement in 2019, at net amount, updated to December 31, 2019, of R$1,216,915. Of this amount, R$830,343 and R$1,013,468 were recognized as operational revenue and financial revenue (net of PIS/Pasep and Cofins taxes), respectively. In addition, the amount of R$626,896 was recorded as IRPJ and CSLL.

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These credits and the amounts to be reimbursed to customers are updated by the Selic rate until offsetting of the amount receivable against amounts payable or reimburse to customers. On June 30, 2020, the net effect is R$15,741, more details in note 24.

a) Other recoverable taxes

The ICMS (VAT) credits that are reported in non-current assets arise mainly from acquisitions of property, plant and equipment, and can be offset against taxes payable in the next 48 months. The transfer to non-current is made in accordance with management's best estimate of the amounts which will likely be realized after December 2020.

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

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.

	Jun. 30, 2020	Dec. 31, 2019
Current		
Income tax	45,564	163,015
Social contribution tax	26,936	72,730
	72,500	**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	Jun. 30, 2020	Dec. 31, 2019
Deferred tax assets		
Post-employment obligations	1,440,301	1,411,395
Doubtful receivables	291,557	270,605
Impairment	15,599	18,299
Provisions for contingencies	350,717	351,827
Administrative tax	5,438	5,625
Provision for profit shares	45,897	51,330
Others	5,766	5,003
	2,155,275	**2,114,084**
Deferred tax liabilities	(197,654)	(202,548)
Adjustment to expectation of cash flow - Concession assets	(169,644)	(166,478)
Borrowing costs capitalized	(3,158)	(3,514)
Funding cost	**(370,456)**	**(372,540)**
Total, net assets	**1,784,819**	**1,741,544**

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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	(218,651)
Balances at June 30, 2019	**1,115,770**
Balances at December 31, 2019	**1,741,544**
Effects allocated to income statements	43,275
Balances at June 30, 2020	**1,784,819**

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

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 Jun 2020	Jan to Jun 2019
Profit before income tax and social contribution tax	720,934	2,338,865
Nominal rate	34%	34%
Income tax and social contribution tax - nominal expense	(245,118)	(795,214)
Tax effects applicable to:		
Tax incentives	16,463	36,940
Non-deductible contributions and donations	(960)	(774)
Non-deductible penalties	(11,477)	(12,469)
Others	(452)	(181)
Income tax and Social Contribution - effective gain (expense)	**(241,544)**	**(771,698)**
Effective rate	33.50%	32.99%
Current tax	**(284,819)**	**(553,047)**
Deferred tax	**43,275**	**(218,651)**

	Apr to Jun 2020	Apr to Jun 2019
Profit before income tax and social contribution tax	423,716	2,049,512
Nominal rate	34%	34%
Income tax and social contribution tax - nominal expense	(144,064)	(696,834)
Tax effects applicable to:		
Tax incentives	8,641	31,012
Non-deductible contributions and donations	(538)	(324)
Non-deductible penalties	(4,912)	(4,536)
Others	(42)	(17)
Income tax and Social Contribution - effective gain (expense)	**(140,915)**	**(670,699)**
Effective rate	33.26%	32.72%
Current tax	**(167,861)**	**(475,630)**
Deferred tax	**26,946**	**(195,069)**

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9. ESCROW DEPOSITS

	Jun. 30, 2020	Dec. 31, 2019
Labor Claims	259,962	280,542
Tax contingencies		
Income tax on Interest on Equity	11,214	11,105
PIS/Pasep and Cofins taxes (1)	-	1,181,808
Income tax and Social Security contribution on 'Anuênio' employee indemnity (2)	203,700	202,042
Others	36,184	34,113
	251,098	**1,429,068**
Others		
Regulatory	20,490	20,326
Third party	7,040	6,725
Customer relations	5,202	4,412
Court embargo	5,986	6,502
Others	17,829	18,467
	56,547	**56,432**
	567,607	**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) 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.

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 June 30, 2020, the amount recognized as subsidies revenues was R$545,778 (R$517,225 on June 30, 2019). Of such amounts, the Company has a receivable of R$85,543, on June 30, 2020 (R$93,673 on December 31, 2019) in current assets.

11. CONCESSION FINANCIAL AND SECTOR ASSETS AND LIABILITIES

	Jun. 30, 2020	Dec. 31, 2019
Financial assets related to infrastructure (a)	481,371	459,711
CVA (Parcel A Compensation) Account and Other Financial Components in tariff-setting (b)	926,183	881,614
	1,407,554	**1,341,325**
Current asset	**686,442**	**640,161**
Non-current asset	**721,112**	**701,164**

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a) 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)	17,260
Transfers of intangible assets (note 13)	102
Disposals	(168)
Adjustment of expectation of cash flow from the Concession financial assets	8,967
Balances at June 30, 2019	**421,904**
Balances at December 31, 2019	**459,711**
Transfers of contract assets (note 12)	23,252
Transfers to intangible assets (note 13)	(524)
Disposals	(113)
Adjustment of expectation of cash flow from the Concession financial assets	(955)
Balances at June 30, 2020	**481,371**

b) 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:

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Balance sheet	Jun. 30, 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	**2,584,672**	**1,274,326**	**3,858,998**	**1,286,413**	**2,144,280**	**3,430,693**
Current assets	2,584,672	424,819	3,009,491	1,286,413	1,269,049	2,555,462
Non-current assets	-	849,507	849,507	-	875,231	875,231
Liabilities	**(2,194,477)**	**(738,338)**	**(2,932,815)**	**(882,425)**	**(1,666,654)**	**(2,549,079)**
Current liabilities	(2,194,477)	(128,572)	(2,323,049)	(882,425)	(1,032,876)	(1,915,301)
Non-current liabilities	-	(609,766)	(609,766)	-	(633,778)	(633,778)
Total current, net	**390,195**	**296,247**	**686,442**	**403,988**	**236,173**	**640,161**
Total non-current, net	**-**	**239,741**	**239,741**	**-**	**241,453**	**241,453**
Total, net	**390,195**	**535,988**	**926,183**	**403,988**	**477,626**	**881,614**

Financial components	Jun. 30, 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	165,747	(3,138)	162,609	118,775	29,398	148,173
Tariff for use of transmission facilities of grid participants	179,527	2,001	181,528	(18,157)	113,801	95,644
Tariff for transport of Itaipu supply	21,151	5,397	26,548	8,691	16,069	24,760
Alternative power source program (Proinfa)	(28,891)	-	(28,891)	10,542	(5,859)	4,683
ESS (System Service Charge) and EER (Reserve Energy Charge)	(314,817)	(39,835)	(354,652)	(161,253)	(135,703)	(296,956)
Energy bought for resale	846,509	38,412	884,921	661,108	631,920	1,293,028
'Other financial components'						
Over contracting of supply (1)	(122,822)	439,564	316,742	(83,718)	215,508	131,790
Neutrality of Parcel A	(5,952)	126,415	120,463	(29,697)	(11,915)	(41,612)
Other financial items	(267,248)	(18,064)	(285,312)	(70,219)	(206,481)	(276,700)
Tariff Flag balances	-	-	-	-	(102,976)	(102,976)
Excess demand and reactive power	(83,009)	(14,764)	(97,773)	(32,084)	(66,136)	(98,220)
TOTAL	**390,195**	**535,988**	**926,183**	**403,988**	**477,626**	**881,614**

(1) In 2017 and 2018 the Company 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$220,657, as 'Other financial components', to be approved by Aneel in the next forthcoming tariff adjustments.

Changes in balances of financial assets and liabilities:

Balance at December 31, 2018	**1,080,693**
Net constitution of financial assets	254,930
Assets realized	(174,689)
Payments from the Flag Tariff Centralizing Account	(83,115)
Updating - Selic rate	53,046
Balance at June 30, 2019	**1,130,865**
Balance at December 31, 2019	**881,614**
Net constitution of financial assets	444,532
Assets realized	(362,880)
Payments from the Flag Tariff Centralizing Account	(62,771)
Updating - Selic rate	25,688
Balance at June 30, 2020	**926,183**

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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 June, 2020, funds passed through by the Flag Account totaled R$62,771 (R$83,115 from January to June, 2019), and were recognized as a partial realization of CVA receivables constituted.

Cemig D tariff adjustment

On June 25, 2020, the regulator (Aneel) approved the Annual Adjustment for the Company, effective as of May 28, 2020, providing an average increase for customers of 4.27%, whereas 0.84% corresponded to the Company's manageable costs (Portion B) and the remaining portion, of 3.43%, has zero economic effect, not affecting profitability, since it represents direct pass-through, within the tariff, relating to the following itens: (i) increase of 5.30% in non-manageable ('Parcel A') costs - mainly purchase of energy supply, regulatory charges and transmission charges; (ii)) increase of 6.71% in the financial components of the current process, led by the CVA currently being processed, which had an effect of 5.47%; and (iii) 8.58% was withdrawn from the financial components of the prior process.

Although the adjustment is effective from May 28, 2020 to May 27 2021, its application was suspended until June 30, 2020, maintaining the previous tariffs during the suspension period. Additionally, the Company's right to receive R$63,147, for non-collection of additional tariff revenue in the period, was recognized. This amount was part of the total limit set for the Covid-account funding established for the Company, as presented Note 1.1.

Administrative appeals were filed with Aneel, contesting the ratification of the annual tariff increase of 4.27% to the Company, and requesting its annulment, with the restitution to the Company's customers of the amounts of the escrow deposits released as a result of the Supreme Court judgment, in the form that creates overall precedent, which determined the exclusion of ICMS tax amounts from the basis for calculation of PIS/ Pasep and Cofins taxes payable. The current administrative appeals request a creation of a negative financial component in the calculation of the Company's annual tariff adjustment.

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Aneel has given the Company the right of reply, and, based on internal assessments and those of its legal advisers, as well as the exceptional economic scenario caused by the Covid-19 pandemic, the Company, on August 5, 2020, has submitted to Aneel a proposal for a restitution to its customers of a total amount of R$714 million - corresponding to part of the escrow deposits released by the court due to Cemig's success in the Claim.

Company's decision represents an anticipation of the effects, and treatment in terms of regulations of the Supreme Court's decision that determined the exclusion of ICMS tax amounts from the basis for calculation of PIS/ Pasep and Cofins taxes. These regulations will be applied equally to all energy distribution concessions through an Aneel normative ruling, which will be issued after conclusion of Public Consultation n. 005/2020 - during which there will be discussion on the merits, and in which the Company will be able to take part in a wide-ranging discussion on the subject. The portion of the credits that the Compant proposes to refund to its customers are recorded as a liability, as presented in note 16.

Company's proposal will also be subjected to ANEEL's analysis and deliberation.

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.

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Changes in concession contract assets are as follows:

Balances at December 31, 2018	**518,162**
Additions	347,052
Transfers to financial assets (note 11)	(17,260)
Transfers to intangible assets (note 13)	(270,000)
Provision made for impairment	26,016
Balances at June 30, 2019	**603,970**
Balances at December 31, 2019	**740,044**
Additions	569,417
Transfers to financial assets (note 11)	(23,252)
Tranfers to intangible assets (note 13)	(474,384)
Provision made for impairment	7,942
Balances at June 30, 2020	**819,767**

The amount of additions in the six-month periods ended June 30, 2020 were R$569,417 and includes R$21,495 (R$20,124 in the six-month periods ended June 30, 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

	Jun. 30, 2020			Dec. 31, 2019		
	Historic cost	Accumulated amortization	Amount, net	Historic cost	Accumulated amortization	Amount, net
Assets of concession	**21,434,986**	**(9,491,536)**	**11,943,450**	**20,901,165**	**(9,128,241)**	**11,772,924**
(-) 'Special obligations'	(4,260,821)	1,355,705	(2,905,116)	(4,184,097)	1,275,409	(2,908,688)
Net concession assets	**17,174,165**	**(8,135,831)**	**9,038,334**	**16,717,068**	**(7,852,832)**	**8,864,236**
Intangible assets in progress	78,966	-	78,966	74,384	-	74,384
Total intangible assets	**17,253,131**	**(8,135,831)**	**9,117,300**	**16,791,452**	**(7,852,832)**	**8,938,620**

b) Changes in intangible assets

Balances at December 31, 2018	**8,890,070**
Additions	16,115
Transfers to financial assets (note 11)	(102)
Settled	(4,946)
Transfers of contract assets (note 12)	270,000
Depreciation and Amortization	(298,144)
Balances at June 30, 2019	**8,872,993**
Balances at December 31, 2019	**8,938,620**
Additions	12,327
Settled	(3,718)
Transfers of contract assets (note 12)	474,384
Transfers of financial assets (note 11)	524
Depreciation and Amortization	(304,837)
Balances at June 30, 2020	**9,117,300**

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The amount of additions in the six-month periods ended June 30, 2020 were R$12,327 and includes an reversal of R$111 (constitution of R$1,832 in the six-month periods ended June 30, 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.

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 June 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, adjusted for its remeasurements, 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
Addition	2,823	-	-	2,823
Amortization	(10,814)	(15,907)	(154)	(26,875)
Balances at June 30, 2019	**165,837**	**71,186**	**257**	**237,280**
Balances at December 31, 2019	**155,218**	**57,627**	**103**	**212,948**
Settled (closed contracts)	(546)	-	-	(546)
Amortization (1)	(8,307)	(16,574)	(103)	(24,984)
Balances at June 30, 2020	**146,365**	**41,053**	**-**	**187,418**

(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$688.

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b) Lease liabilities

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

Changes in the lease liabilities are as follows:

Balances at December 31, 2018	-
First adoption on January 1, 2019 (1)	261,332
Addition	2,823
Interest incurred	14,304
Payment of lease liability	(36,363)
Balances on June 30, 2019	**242,096**
Balances on December 31, 2019	**221,194**
Settled (closed contracts)	(552)
Interest incurred (2)	11,281
Payment of principal portion of lease liability	(33,205)
Payments of interest	(816)
Balances on June 30, 2020	**197,902**
Current liabilities	**58,814**
Non-current liabilities	**139,088**

(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$664.

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	516,520	197,902
Potential PIS/Pasep and Cofins	41,884	12,285

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:

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Maturity of installments	
2020	32,850
2021	47,589
2022	20,312
2023	20,263
2024	20,175
2025 to 2045	375,331
Undiscounted values	**516,520**
Embedded interest	(318,618)
Leasing liabilities	**197,902**

15. SUPPLIERS

	Jun. 30, 2020	Dec. 31, 2019
Energy on spot market - CCEE	179,020	389,220
Charges for use of energy network (1)	131,750	149,887
Energy purchased for resale	650,187	447,313
Itaipu Binacional	173,973	242,766
Materials and services	266,233	305,503
	1,401,163	**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

	Jun. 30, 2020	Dec. 31, 2019
Taxes and contributions		
Current		
ICMS	130,683	77,390
COFINS	216,373	68,171
PIS-PASEP	46,524	14,647
INSS	44,403	17,426
ISSQN	6,774	6,078
Others	17,045	9,019
	461,802	**192,731**
Non-current		
COFINS	375	375
PIS/PASEP	61	61
	436	**436**
	462,238	**193,167**
Amounts to be restituted to customers		
Current		
PIS/Pasep and Cofins (1)	714,339	-
Non-current		
PIS/Pasep and Cofins (1)	3,522,442	4,193,329
	4,236,781	**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.

Due to Covid-19 pandemic, the Company joined the government programs that granted deferral of taxes payments, substantially related to the last quarter, which will be made by the end of the year.

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.

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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.

As stated in Note 11b, on August 5, 2020, The Company has submitted to Aneel a proposal for bringing forward the already-planned restitution to its customers of a total amount of R$714,339 - corresponding to part of the funds released by the courts due to the Company’s success in the claim. The Company’s decision represents an anticipation of the effects, and treatment in terms of regulations of the Supreme Court’s decision that determined the exclusion of ICMS tax amounts from the basis for calculation of PIS/ Pasep and Cofins taxes. These regulations will be applied equally to all energy distribution concessions through an Aneel normative ruling, which will be issued after conclusion of Public Consultation 005/2020 - during which there will be discussion on the merits, and in which Cemig will be able to take part in a wide-ranging discussion on the subject.

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17. LOANS, FINANCING AND DEBENTURES

Financing source	Jun. 30, 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$	2,312	10,622	12,934	18,051
Debt in foreign currency				**2,312**	**10,622**	**12,934**	**18,051**
Brazilian currency							
Eletrobrás	2023	UFIR + 6.00% to 8.00%	R$	6,573	7,326	13,899	20,268
Large customers (2)	2024	IGP-DI + 6.00%	R$	-	-	-	5,582
Debt in Brazilian currency				**6,573**	**7,326**	**13,899**	**25,850**
Total of loans and financings				**8,885**	**17,948**	**26,833**	**43,901**
Debentures - 3rd Issue, 2nd Series (3)	2021	IPCA + 4.70%	R$	552,463	-	552,463	1,108,945
Debentures - 3rd Issue, 3nd Series (3)	2025	IPCA + 5.10%	R$	17,095	953,777	970,872	990,893
Debentures - 7th Issue, 1th Series (3)	2024	CDI + 0.454%	R$	542,623	1,620,000	2,162,623	2,164,083
Debentures - 7th Issue, 2th Series (3)	2026	IPCA + 4.10%	R$	2,676	1,524,604	1,527,280	1,519,042
(-) Discount on the issuance of debentures (4)				-	(19,962)	(19,962)	(21,606)
(-) Transaction costs				(834)	(8,488)	(9,322)	(10,336)
Total, debentures				**1,114,023**	**4,069,931**	**5,183,954**	**5,751,021**
Overall total				**1,122,908**	**4,087,879**	**5,210,787**	**5,794,922**

(1) Net balance of the Restructured Debt comprising bonds at par and discounted, with balance of R$246,683, less the amounts given as Deposits in guarantee, with balance of R$233,749. 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	2,312	-	-	-	10,622	-	-	12,934
Total, currency-denominated	**2,312**	**-**	**-**	**-**	**10,622**	**-**	**-**	**12,934**
Indexers								
IPCA (1)	28,759	543,475	238,444	238,444	238,444	1,000,747	762,302	3,050,615
UFIR/RGR (2)	4,847	3,410	3,265	2,377	-	-	-	13,899
CDI (3)	272,623	540,000	540,000	540,000	270,000	-	-	2,162,623
Total, governed by indexers	**306,229**	**1,086,885**	**781,709**	**780,821**	**508,444**	**1,000,747**	**762,302**	**5,227,137**
(-) Transaction costs	(656)	(2,146)	(130)	(130)	(130)	(3,131)	(2,999)	(9,322)
(-) Discount	-	-	-	-	-	(9,981)	(9,981)	(19,962)
Overall total	**307,885**	**1,084,739**	**781,579**	**780,691**	**518,936**	**987,635**	**749,322**	**5,210,787**

(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:

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Currency	Accumulated change in first half of 2020, %	Accumulated change in first half of 2019, %	Indexer	Accumulated change in first half of 2020, %	Accumulated change in first half of 2019, %
US dollar	35.86	(1.10)	IPCA	0.10	2.22
			CDI	1.76	3.10

Currency	Accumulated change in second quarter of 2020, %	Accumulated change in second quarter of 2019, %	Indexer	Accumulated change in second quarter of 2020, %	Accumulated change in second quarter of 2019, %
US dollar	5.33	(1.66)	IPCA	(0.43)	1.46
			CDI	0.74	1.54

Changes in loans, financing and debentures are as follows:

Balances at December 31, 2018	**6,263,408**
Monetary variation	52,358
Exchange rate variation	(6,566)
Financial charges provisioned	217,902
Amortization of transaction cost	8,083
Financial charges paid	(265,162)
Amortization of financing	(514,582)
Subtotal	5,755,441
(-) FIC Pampulha - issued securities of own company	9,198
Balances at June 30, 2019	**5,764,639**
Balances at December 31, 2019	**5,794,922**
Monetary variation	21,711
Exchange rate variation	(5,586)
Financial charges provisioned	121,673
Amortization of transaction cost	1,014
Financial charges paid	(180,142)
Amortization of financing	(536,867)
Reclassification to “Other obligations” (1)	(5,938)
Balances at June 30, 2020	**5,210,787**

(1) Financings under the heading of reimbursable injections of funds for execution of works at two companies: CMM (IGP-DI Index + 6%); and Mineradora Serra da Fortaleza (IGP-DI + 6%). In 2020, this amounts were Reclassificated to the Company’s customers (CMM and Serra da Fortaleza).

Borrowing costs, capitalized

Costs of loans directly related to acquisition, construction or production of an asset which necessarily requires a significant time to be concluded for the purpose of use or sale are capitalized as part of the cost of the corresponding asset. All other costs of loans are recorded as finance costs in the period in which they are incurred. Costs of loans include interest and other costs incurred by the Company 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 Jun 2020	Jan to Jun 2019
Costs of loans, financings and debentures	121,673	217,902
Financing costs on intangible assets and contractual assets (1) (Notes 12 and 13)	(21,384)	(21,956)
Net effect in Profit or loss	**100,289**	**195,946**

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

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Guarantees

The guarantees of the debt balance on loans and financing, on June 30, 2020, were as follows:

Promissory notes and Sureties	3,661,317
Receivables	1,522,637
Shares	25,925
Unsecured	908
TOTAL	**5,210,787**

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	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 June 30, 2020.

18. REGULATORY CHARGES

	Jun. 30, 2020	Dec. 31, 2019
Liabilities		
Energy Efficiency	272,926	254,595
Research and development	76,048	71,137
Energy System Expansion Research	2,099	2,269
National Scientific and Technological Development Fund	4,482	4,821
Energy Development Account (CDE)	31,574	-
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	62	16
	439,682	**385,329**
Current liabilities	**207,825**	**283,361**
Non-current liabilities	**231,857**	**101,968**

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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	61,356	80,540	1,627	15,127	158,650
Contributions paid	(70,002)	(42,360)	(935)	(3,822)	(117,119)
Net liabilities at June 30, 2019	**1,347,399**	**1,733,901**	**34,671**	**327,604**	**3,443,575**
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	63,835	85,515	1,673	16,497	167,520
Contributions paid	(41,832)	(46,744)	(3,508)	(997)	(93,081)
Net liabilities at June 30, 2020	**1,867,108**	**2,284,171**	**40,982**	**442,477**	**4,634,738**
				Jun. 30, 2020	**Dec. 31, 2019**
Current liabilities				**217,996**	**201,241**
Non-current liabilities				**4,416,742**	**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$151,763 (R$134,323 in the first half of 2019), plus the finance expenses and monetary updating on the debt with Forluz, in the amounts of R$15,757 (R$24,327 in the first half of 2019).

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$399,764 on June 30, 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.

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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 June 30, 2020 the total amount payable by the Company as a result of this deficits is R$388,950 (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$260,993 and up to 2033 for the 2017 deficit, in the amount of R$127,957. 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:

	Dec. 31, 2019	Additions	Reversals	Settled	Jun. 30, 2020
Labor	382,915	40,161	(24,104)	(40,027)	358,945
Civil					
	17,767	9,166	(861)	(8,923)	17,149
Customer relations					
Ot	16,329	12,376	-	(2,838)	25,867

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hercivil actions					
	34,096	21,542	(861)	(11,761)	43,016
Tax	774,348	13,224	-	(39)	787,533
Environmental	2	65	-	-	67
Regulatory	16,575	175	(398)	(8)	16,344
Others	13,215	2,225	-	(953)	14,487
Total	**1,221,151**	**77,392**	**(25,363)**	**(52,788)**	**1,220,392**

	Dec. 31, 2018	Additions	Reversals	Settled	Jun. 30, 2019
Labor	366,951	112,781	(34,722)	(40,990)	404,020
Civil					
Customer relations	17,945	7,409	(1,990)	(7,333)	16,031
Other civil actions	28,084	8,882	(12,797)	(8,882)	15,287
	46,029	16,291	(14,787)	(16,215)	31,318
Tax	2,111	4	(246)	(4)	1,865
Environmental	1,209	106	-	-	1,315
Regulatory	16,990	110	(989)	(110)	16,001
Others	6,599	6,844	-	(517)	12,926
Total	**439,889**	**136,136**	**(50,744)**	**(57,836)**	**467,445**

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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'.

<u>Labor claims</u>

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$1,431,982 (R$1,434,014 on December 31, 2019), of which R$349,863 (R$373,754 on December 31, 2019) has been recorded - the amount estimated as probably necessary for settlement of these disputes.

Alteration of the monetary updating index of employment-law cases

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

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In a joint judgment published on November 1, 2018, the TST decided that the IPCA-E should be adopted as the index for inflation adjustment of employment-law debts for cases filed from March 25, 2015 to November 10, 2017, and the TR would continue to be used for the other periods. The estimated amount of the contingency is R$97,894 (R$97,487 at December 31, 2019), of which R$9,082 (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$105,426 (R$56,211 on December 31, 2019), of which R$17,149 (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$239,647 (R$228,500 on December 31, 2019), of which R$25,867 (R$16,329 on December 31, 2019) has been recorded - the amount estimated as probably necessary for settlement of these disputes.

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.

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The amount of the contingencies is approximately R$967,064 (R$950,209 on December 31, 2019), of which R$786,658 (R$772,684 on December 31, 2019) has been provisioned, this being the estimate of the probable, on June 30, 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$61,043 (R$54,579 on December 31, 2019), of which R$875 (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$219,015 (R$208,537 on December 31, 2019), of which R$16,344 (R$16,575 on December 31, 2019) has been recorded as provision - the amount estimated as probably necessary for settlement of these disputes.

'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$336,482 (R$321,567 on December 31, 2019). Of this total, R$4,184 (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$397,434 (R$381,826 on December, 31, 2019), of which R$10,370 (R$9,215 on December, 31, 2019), the amount estimated as probably necessary for settlement of these disputes.

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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$203,700 (R$202,042 on December 31, 2019). The updated amount of the contingency is R$209,636 (R$207,067 on December 31, 2019) and, based on the arguments above, management has classified the chance of loss as ‘possible’.
Social security contributions

The Brazilian federal tax authority (Secretaria da Receita Federal) has filed administrative proceedings related to various matters: 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$95,019 (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$42,722 (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.

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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$317,979 (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.

Regulatory matters

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).

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$31,790 (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$339,275 (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.

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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$155,451 (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 June 30, 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.

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 Jun 2020	Jan to Jun 2019	Apr to Jun 2020	Apr to Jun 2019
Total number of shares	2,359,113,452	2,359,113,452	2,359,113,452	2,359,113,452
Net income for the period	479,390	1,567,167	282,801	1,378,813
Basic and diluted earnings per common share (R$)	**0.20**	**0.66**	**0.12**	**0.58**

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, was approved.

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On June 18, 2020, the Board of Directors submitted a new proposal for allocation of the net income for 2019 to the AGM held on July 31, 2020, due to the requirement, allowed under Aneel regulations. The dividends declared corresponds to 25% of the net income, adjusted by the legal and contingency reserves, and are in accordance with regulations from Aneel, which limit dividends declaration by energy distribution concession holders in certain circumstances of non-compliance with effiency criteria. More details in Note 26b.

As a result, the allocation of the net income for 2019, in the amount of R$1,644,366, approved by the AGM held on July 31, 2020, was:

- R$82,218 related to 5% of net income to be allocated to the Legal Reserve;
- R$255,000 for payment of the mandatory minimum dividends as of Interest on Equity, declared on December 16, 2019;
- R$135,537 for payment of the mandatory minimum dividends;
- R$19,422 to be recorded as Incentives Tax reserve, in reference to the tax incentive amounts obtained in 2019 in relation to the investments made in the region of Sudene;
- R$1,152,189 to be held in Shareholders' Equity in the Retained earnings reserve, to guarantee execution of the Company's Investment Program for 2020.

Alteration of the by laws

On July 3, 2020, due to the statements of renunciations established in the Covid-Account Acceptance Document, the Company approved alteration to its by-laws, to include a clause limiting the distribution of mandatory dividend or interest on equity to the legal minimum, exceptionally for the cases and conditions that the regulator may demand, by rule or by contract, in order to mitigate a situation of financial imbalance caused by any fact or event attributable to a third party, or overriding government rulings, or expressly recognized force majeure.

22. REVENUE

The revenue of the Company is as follows:

	Jan to Jun 2020	Jan to Jun 2019
Revenue from supply of energy - captive customers, in Cemig's concession area (a)	9,286,600	9,542,996
Revenue from use of the energy distribution systems (TUSD) - free customers (b)	1,410,801	1,276,741
CVA, and Other financial components in tariff increases (c)	81,652	80,241
Distribution construction revenue (d)	581,744	363,167
Adjustment to expectation from reimbursement of distribution concession financial assets (e)	(955)	8,967
Fine for violation of continuity indicator	(29,117)	(35,510)
Recovery of PIS/Pasep and Cofins taxes credits over ICMS (Note 7)	-	830,333
Other operating revenues (f)	917,668	670,411
Taxes and charges reported as deductions from revenue (g)	(4,692,662)	(4,951,567)
	7,555,731	**7,785,779**

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	Apr to Jun 2020	Apr to Jun 2019
Revenue from supply of energy - captive customers, in Cemig's concession area (a)	4,391,540	4,653,304
Revenue from use of the energy distribution systems (TUSD) - free customers (b)	680,582	640,504
CVA, and Other financial components in tariff increases (c)	136,254	(40,109)
Distribution construction revenue (d)	333,337	202,966
Adjustment to expectation from reimbursement of distribution concession financial assets (e)	(1,679)	2,927
Fine for violation of continuity indicator	(11,918)	(12,685)
Recovery of PIS/Pasep and Cofins taxes credits over ICMS (Note 7)	-	830,333
Other operating revenues (f)	477,137	351,785
Taxes and charges reported as deductions from revenue (g)	(2,226,901)	(2,393,668)
	3,778,352	**4,235,357**

a) Revenue from energy supply

This table shows supply of energy by type of customer:

	MWh (*)		R$	
	Jan to Jun 2020	Jan to Jun 2019	Jan to Jun 2020	Jan to Jun 2019
Residential	5,442,910	5,291,676	4,866,635	4,665,231
Industrial	879,316	1,261,584	615,285	803,098
Commercial, services and others	2,312,782	2,652,164	2,099,432	2,196,184
Rural	1,663,627	1,774,673	982,503	917,364
Public authorities	386,015	455,643	279,249	311,737
Public lighting	664,656	685,933	295,455	291,353
Public services	675,124	679,065	356,523	333,397
Subtotal	12,024,430	12,800,738	9,495,082	9,518,364
Own consumption	17,376	17,230	-	-
Unbilled revenue	-	-	(208,482)	24,632
Total	**12,041,806**	**12,817,968**	**9,286,600**	**9,542,996**

	MWh (*)		R$	
	Apr to Jun 2020	Apr to Jun 2019	Apr to Jun 2020	Apr to Jun 2019
Residential	2,657,910	2,547,878	2,307,579	2,206,792
Industrial	406,876	620,928	287,200	386,944
Commercial, services and others	989,135	1,292,021	903,816	1,059,525
Rural	892,061	914,554	510,628	460,611
Public authorities	169,009	231,943	121,381	158,145
Public lighting	325,162	333,969	142,679	140,508
Public services	339,650	339,954	177,860	165,901
Subtotal	5,779,803	6,281,247	4,451,143	4,578,426
Own consumption	7,970	7,247	-	-
Unbilled revenue	-	-	(59,603)	74,878
Total	**5,787,773**	**6,288,494**	**4,391,540**	**4,653,304**

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

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'.

The total amount of energy transported, in MWh, by type of customers, is as follows:

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	MWh (*)	
	Jan to Jun 2020	Jan to Jun 2019
Industrial	8,750,291	8,844,838
Commercial	608,096	646,291
Rural	14,274	5,682
Concessionaires	144,465	165,230
Total	**9,517,126**	**9,662,041**

	MWh (*)	
	Apr to Jun 2020	Apr to Jun 2019
Industrial	4,247,588	4,455,679
Commercial	259,661	315,065
Rural	7,045	2,670
Concessionaires	72,652	86,206
Total	**4,586,946**	**4,859,620**

(*) Data not reviewed by external auditors.

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.

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f) Other operating revenues

	Jan to Jun 2020	Jan to Jun 2019
Charged service	5,221	8,382
Other services	6,910	1,735
Subsidies low-income	160,042	81,457
Other subsidies (1)	560,739	517,225
Rental and leasing	80,036	67,930
CCEE energy transactions (reversal)	-	(6,600)
Mechanism for the sale of surplus (2)	104,814	-
Others	(94)	282
	917,668	**670,411**

	Apr to Jun 2020	Apr to Jun 2019
Charged service	1,466	4,026
Other services	3,555	(2,488)
Subsidies low-income	115,860	41,590
Other subsidies (1)	274,346	269,815
Rental and leasing	40,596	38,601
Mechanism for the sale of surplus (2)	41,514	-
Others	(200)	241
	477,137	**351,785**

(1) These comprise: (i) revenues from subsidies applied to tariffs charged to electricity distribution clients, totaling R$545,778 in 1H20, and R$264,759 in 2Q20; and (ii) revenue from the 'Flag' tariffs, of R$14,961 in 1H20, and R$9,587 in 2Q20, as a result of the creditor position acquired by the Company in the Flag Tariff Centralizing Account (*Conta Centralizadora de Recursos de Bandeiras Tarifárias - CCRBT*).

(2) The revenue from the mechanism for the sale of energy surplus refers to the sale of power surpluses by distributor agents. In the case of sale of the amount of energy related to the regulatory limit or involuntary exposure, a portion of the gain may be passed through to the customer tariffs in the tariff adjustments.

g) Deductions on revenue

	Jan to Jun 2020	Jan to Jun 2019
Taxes on revenue		
ICMS	2,620,234	2,604,831
PIS-PASEP	148,337	185,012
COFINS	683,252	852,179
ISSQN	330	320
	3,452,153	**3,642,342**
Charges to the customer		
Engergy Efficiency Program (PEE)	33,443	32,590
Energy Development Account (CDE)	1,104,278	1,215,064
Research and Development (R&D)	13,377	13,036
National Scientific and Technological Development Fund (FNDCT)	13,377	13,036
Energy System Expansion Research (EPE of MME)	6,689	6,518
Customer charges - the 'Flag Tariff' system	59,656	19,868
Energy Services Inspection Charge	9,689	9,113
	1,240,509	**1,309,225**
	4,692,662	**4,951,567**

	Apr to Jun 2020	Apr to Jun 2019
Taxes on revenue		
ICMS	1,230,199	1,250,883
PIS-PASEP	72,495	86,208
COFINS	333,916	397,082
ISSQN	158	174
	1,636,768	**1,734,347**
Charges to the customer		
Engergy Efficiency Program (PEE)	16,538	15,707
Energy Development Account (CDE)	552,139	614,495
Research and Development (R&D)	6,615	6,283
National Scientific and Technological Development Fund (FNDCT)	6,615	6,283
Energy System Expansion Research (EPE of MME)	3,308	3,141
Customer charges - the 'Flag Tariff' system	73	8,712
Energy Services Inspection Charge	4,845	4,700
	590,133	**659,321**
	2,226,901	**2,393,668**

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23. OPERATING COSTS AND EXPENSES

	Jan to Jun 2020	Jan to Jun 2019
Personnel (a)	451,411	463,651
Employees' and managers' profit shares	19,211	120,976
Post-employment obligations	151,763	134,323
Materials	27,904	29,102
Outsourced services (b)	506,300	486,762
Energy purchased for resale (c)	3,822,279	3,455,727
Amortization (note 13b)	304,837	298,144
Amortization of Right of Use - Leasing (note 14)	24,296	26,875
Operating provisions (d)	250,678	194,748
Charges for use of the national grid	638,051	713,263
Infrastructure construction cost (e)	581,744	363,167
Other operating expenses, net (f)	80,978	81,049
	6,859,452	**6,367,787**

	Apr to Jun 2020	Apr to Jun 2019
Personnel	235,732	215,992
Employees' and managers' profit shares	2,810	74,715
Post-employment obligations	80,561	66,032
Materials	12,727	14,517
Outsourced services (b)	254,119	247,300
Energy purchased for resale (c)	1,903,100	1,627,426
Amortization	153,903	149,295
Amortization of Right of Use - Leasing	12,148	13,759
Operating provisions (d)	124,930	135,612
Charges for use of the national grid	265,470	374,321
Infrastructure construction cost (e)	333,337	202,966
Other operating expenses, net (f)	34,870	39,357
	3,413,707	**3,161,292**

a) Personnel

2020 Programmed Voluntary Retirement Plan ('PDVP')

On April 2020, the Company approved the Programmed Voluntary Retirement Plan for 2020 ('the 2020 PDVP'). Those eligible - any employees who had worked with the Company for 25 years or more by December 31, 2020 - are able to join from May 4 to 22, 2020. The program will pay the standard legal payments for severance, 50% of the period of notice, an amount equal to 20% of the Base Value of the employee's FGTS fund, an additional premium equal to 50% of the period of notice plus 20% of the Base Value of the employee's FGTS fund, as well as the other payments under the legislation. A total of R$45,584 has been appropriated as expense on the 2020 PDVP, including severance payments, corresponding to acceptance by 329 employees.

2019 Programmed Voluntary Retirement Plan ('PDVP')

A total of R$14,728 has been appropriated as expense related to the relaunch of 2019 PDVP in the first half of 2019, corresponding to acceptance by 108 employees.

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b) Outsourced services

	Jan to Jun 2020	Jan to Jun 2019
Meter reading and bill delivery	65,168	64,335
Maintenance and conservation of electrical facilities and equipment	211,740	179,506
Communication	31,436	30,999
Building conservation and cleaning	39,874	40,088
Cleaning of power line pathways	32,161	26,753
Disconnection and reconnection	15,278	34,542
Tree pruning	24,336	21,331
Costs (recovery of costs) of proceedings	8,419	7,916
Maintenance and conservation of furniture and utensils	2,304	1,864
Information technology	17,198	18,490
Contracted labor	3,380	3,949
Accommodation and meals	3,488	4,744
Security services	5,224	4,325
Maintenance and conservation of vehicles	1,093	1,052
(Recovery of) costs of printing and legal publications	8,561	8,568
Consultancy	3,402	1,184
Transport expenses - legal entities	2,189	2,641
Inspection of customer units	12,618	5,223
Logistic services	4,678	-
Freight and airfares	627	1,435
Other expenses	13,126	27,817
	506,300	**486,762**

	Apr to Jun 2020	Apr to Jun 2019
Meter reading and bill delivery	33,118	32,292
Maintenance and conservation of electrical facilities and equipment	104,012	85,425
Communication	12,134	13,136
Building conservation and cleaning	19,142	20,714
Cleaning of power line pathways	17,940	14,139
Disconnection and reconnection	4,049	16,996
Tree pruning	15,308	13,079
Costs (recovery of costs) of proceedings	4,932	4,446
Maintenance and conservation of furniture and utensils	1,286	1,195
Information technology	8,183	11,941
Contracted labor	1,827	2,032
Accommodation and meals	1,224	2,569
Security services	2,588	2,173
Maintenance and conservation of vehicles	526	574
(Recovery of) costs of printing and legal publications	4,276	4,353
Consultancy	2,443	805
Transport expenses - legal entities	1,782	1,749
Inspection of customer units	8,829	3,134
Logistic services	3,698	-
Freight and airfares	133	942
Other expenses	6,689	15,606
	254,119	**247,300**

c) Energy purchased for resale

	Jan to Jun 2020	Jan to Jun 2019
Supply from Itaipu Binacional	952,413	694,177
Physical guarantee quota contracts	400,204	364,358
Quotas for Angra I and II nuclear plants	151,484	134,586
Spot market	417,023	735,943
‘Bilateral’ contracts	163,392	151,479
Energy acquired in Regulated Market auctions	1,584,890	1,430,254
Proinfa Program	155,866	190,617
Distributed generation (‘Geração distribuída’)	327,796	82,858
PIS/Pasep and Cofins credits	(330,789)	(328,545)
	3,822,279	**3,455,727**

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	Apr to Jun 2020	Apr to Jun 2019
Supply from Itaipu Binacional	524,601	361,021
Physical guarantee quota contracts	199,970	185,427
Quotas for Angra I and II nuclear plants	75,742	67,293
Spot market	195,334	246,418
‘Bilateral’ contracts	84,216	78,883
Energy acquired in Regulated Market auctions	757,419	702,423
Proinfa Program	77,933	95,308
Distributed generation (‘Geração distribuída’)	154,314	44,892
PIS/Pasep and Cofins credits	(166,429)	(154,239)
	1,903,100	**1,627,426**

d) Operating provision (reversals)

	Jan to Jun 2020	Jan to Jun 2019
Estimated losses on doubtful accounts receivables (note 6) (1)	198,649	107,851
Estimated losses on other accounts receivable (1)	-	1,505
Contingency provisions (reversals) (note 20)		
Employment-law cases	16,057	78,059
Civil cases	20,681	1,504
Tax	13,224	(242)
Environmental	65	106
Regulatory	(223)	(879)
Others	2,225	6,844
	52,029	85,392
	250,678	**194,748**

	Apr to Jun 2020	Apr to Jun 2019
Estimated losses on doubtful accounts receivables (1)	102,504	45,209
Estimated losses on other accounts receivable (1)	-	1,505
Contingency provisions (reversals)		
Employment-law cases	9,577	82,237
Civil cases	5,142	3,556
Tax	5,793	(64)
Environmental	62	60
Regulatory	266	172
Others	1,586	2,937
	22,426	88,898
	124,930	**135,612**

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

d) Infrastructure construction cost

	Jan to Jun 2020	Jan to Jun 2019
Personnel	37,179	26,340
Materials	285,649	180,687
Outsourced services	220,878	124,525
Financial charges	21,384	21,956
Acquisition of buildings	117	179
Taxes and charges	650	617
Other	15,887	8,863
	581,744	**363,167**

	Apr to Jun 2020	Apr to Jun 2019
Personnel	21,459	14,890
Materials	161,267	111,150
Outsourced services	134,325	59,969
Financial charges	5,137	11,341
Taxes and charges	338	389
Other	10,811	5,227
	333,337	**202,966**

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e) Other operating expenses (revenues), net

	Jan to Jun 2020	Jan to Jun 2019
Leasing and rental costs (1)	2,720	3,624
Advertising	2,231	1,462
Own consumption of energy	10,750	8,105
Subsidies and donations	3,205	3,618
CCEE anual charge	1,603	1,621
Forluz - Administrative running cost	10,840	10,232
Net loss (gain) on deactivation and disposal of assets	11,734	9,616
Collection agentes	42,393	42,356
Other expenses (reversals) (2)	(4,498)	415
	80,978	**81,049**

	Apr to Jun 2020	Apr to Jun 2019
Leasing and rental costs (1)	1,939	3,624
Advertising	1,203	90
Own consumption of energy	5,539	1,816
Subsidies and donations	1,645	1,627
CCEE anual charge	802	755
Forluz - Administrative running cost	5,514	5,338
Net loss (gain) on deactivation and disposal of assets	5,241	4,016
Collection agentes	20,395	21,398
Other expenses (reversals) (2)	(7,408)	693
	34,870	**39,357**

(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.

(2) This includes a total amount of R$7,942 related to the reversal of provisions recognized in prior years for losse in assets in progress (canceled works).

24. FINANCE INCOME AND EXPENSES

	Jan to Jun 2020	Jan to Jun 2019
FINANCE INCOME		
Income from cash investments	18,212	21,643
Arrears fees on sale of energy	171,983	170,898
Foreign exchange variations - loans and financings (note 17)	5,586	6,566
Monetary variations	1,882	4,151
Monetary updating on escrow deposits	13,457	7,649
Monetary variations - CVA (note 11b)	25,688	53,046
PIS/Pasep and Cofins taxes charged on financial revenues	(13,826)	(35,189)
Monetary updating on PIS/Pasep and Cofins taxes credits over ICMS	15,741	1,010,590
Others	12,958	11,315
	251,681	**1,250,669**
FINANCE EXPENSES		
Charges on loans, financings and debentures (note 17)	(100,289)	(195,946)
Amortization of transaction cost (note 17)	(1,014)	(8,083)
Forluz - monetary adjustments charges	(15,757)	(24,327)
Foreign exchange variations - Itaipu	(66,466)	(3,132)
Debentures and financings - monetary adjustments (note 17)	(21,711)	(52,358)
R&D and PEE - monetary adjustments	(5,222)	(9,037)
Leasing - monetary adjustment (note 14)	(10,617)	(14,304)
Monetary adjustment - Others	(1,317)	(809)
Others	(4,633)	(21,800)
	(227,026)	**(329,796)**
NET FINANCE INCOME (EXPENSES)	**24,655**	**920,873**

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	Apr to Jun 2020	Apr to Jun 2019
FINANCE INCOME		
Income from cash investments	10,567	9,789
Arrears fees on sale of energy	81,957	90,078
Foreign exchange variations - loans and financings	10,122	6,699
Monetary variations	841	2,719
Monetary updating on escrow deposits	4,305	4,524
Monetary variations - financings and debentures	28,681	-
Monetary variations - CVA (b)	14,045	32,140
PIS/Pasep and Cofins taxes charged on financial revenues	(6,659)	(27,978)
Monetary updating on PIS/Pasep and Cofins taxes credits over ICMS	7,105	1,010,590
Others	5,910	6,609
	156,874	**1,135,170**
FINANCE EXPENSES		
Charges on loans, financings and debentures	(50,682)	(96,722)
Amortization of transaction cost	(507)	(4,066)
Forluz - monetary adjustments charges	(3,199)	(13,293)
Foreign exchange variations - Itaipu	(32,457)	(6,782)
Debentures and financings - monetary adjustments	-	(25,803)
R&D and PEE - monetary adjustments	(2,270)	(4,528)
Leasing - monetary adjustment	(5,213)	(7,074)
Monetary adjustment - Others	(620)	(577)
Others	(2,855)	(878)
	(97,803)	**(159,723)**
NET FINANCE INCOME (EXPENSES)	**59,071**	**975,447**

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25. RELATED PARTY TRANSACTIONS

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

COMPANY	ASSETS		LIABILITIES		REVENUE		EXPENSES	
	Jun. 30, 2020	Dec. 31, 2019	Jun. 30, 2020	Dec. 31, 2019	Jan to Jun 2020	Jan to Jun 2019	Jan to Jun 2020	Jan to Jun 2019
Controlling shareholder								
Minas Gerais State Government								
Current								
Customers and Traders (1)	379,027	345,929	-	-	70,851	80,131	-	-
Cemig								
Current								
Cooperation Working Agreement (2)	-	-	7,815	7,234	-	-	(12,208)	(17,624)
Provision of services	-	-	-	-	-	4,082	-	-
Transactions in energy (3)	-	-	-	-	-	1,010	-	-
Interest on Equity and dividends	-	-	352,287	822,183	-	-	-	-
Outras partes relacionadas								
Cemig Geração e Transmissão								
Current								
Cooperation Working Agreement (2)	-	-	791	1,669	-	-	(791)	(4,058)
Transactions in energy (3)	1,351	972	25,537	30,618	13,357	12,683	(139,475)	(128,005)
Aliança Geração								
Current								
Transactions in energy (3)	-	-	7,778	7,620	19,606	19,320	(42,851)	(40,093)
Madeira Energia								
Current								
Transactions in energy (3)	-	-	22,063	-	-	-	(98,440)	-
Reimbursement for decontracted supply (4)	-	3,504	-	-	-	1,806	-	-
Norte Energia								
Current								
Transactions in energy (3)	-	-	24,352	24,459	-	-	(108,885)	(103,837)
Baguari Energia								
Current								
Transactions in energy (3)	-	-	893	924	-	-	(4,172)	(3,773)
TAESA								
Current								
Transactions in energy (3)	-	-	4,893	7,268	-	-	(39,085)	(42,087)
Axxiom								
Current								
Provision of services (5)	-	-	1,337	3,177	-	-	-	-
Retiro Bairo								
Current								
Transactions in energy (3)	-	-	142	567	2,519	2,932	(2,103)	(2,556)
FIC Pampulha								
Current								
Cash and cash equivalents	271,281	5,376	-	-	-	-	-	-
Securities	1,374,936	109,567	-	-	5,366	1,770	-	-
Non-current								
Securities	105,372	269	-	-	-	-	-	-
FORLUZ								
Current								
Post-employment obligations (6)	-	-	121,041	104,928	-	-	(63,835)	(61,356)
Supplementary pension contributions - Defined contribution plan (7)	-	-	-	-	-	-	(25,105)	(26,411)
Administrative running costs (8)	-	-	-	-	-	-	(10,840)	(10,232)
Operational leasing (9)	128,356	135,147	19,846	24,396	-	-	(15,175)	(18,570)
Non-current								
Post-employment obligations (6)	-	-	1,746,067	1,740,177	-	-	-	-
Operational leasing (9)	-	-	115,147	115,498	-	-	-	-
Cemig Saúde								
Current								
Health Plan and Dental Plan (10)	-	-	99,696	95,231	-	-	(87,188)	(82,167)
Non-current								
Health Plan and Dental Plan (10)	-	-	2,225,457	2,192,986	-	-	-	-

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

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(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$113,032 up to November 2019. Twenty installments were unpaid on June 30, 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 is R$246,104 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 ended 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 (more details in 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. Cemig is still negotiating with Forluz the returning of the remaining leased floors of Aureliano Chaves building, aiming at balancing the headquarters leasing costs to Cemig's budgeting.

(10) Post-employment obligations relating to the employees' health and dental plan (more details in 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 June 30, 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:

Issuer of security	Type	Annual contractual conditions	Maturity	Jun. 30, 2020	Dec. 31, 2019
				Cemig D 42.04% (1)	Cemig D 4.42% (1)
Gasmig	Promissory note	107.00% of CDI	Sep. 25, 2020	4,341	447
				4,341	**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 June 30, 2020 and June 30, 2019, are as follows:

	Jan to Jun 2020	Jan to Jun 2019
Remuneration	3,877	4,516
Profit shares	990	1,502
Assistance benefits	274	506
Total	**5,141**	**6,524**

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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	Jun. 30, 2020		Dec. 31, 2019	
		Balance	Fair value	Balance	Fair value
Financial assets					
Amortized cost (1)					
Marketable securities - Cash investments	2	325,566	325,566	14,147	14,147
Customers and Traders; Concession holders - Transport of energy	2	2,813,764	2,813,764	2,912,869	2,912,869
Customers - Accounts receivable from Minas Gerais State	2	379,027	379,027	422,034	422,034
Restricted cash	2	854	854	1,196	1,196
Concession financial assets - CVA (Parcel 'A' Costs Variation Compensation) Account, and Other financial components	3	926,183	926,183	881,614	881,614
Reimbursement of tariff subsidies	2	85,543	85,543	93,673	93,673
Low-income subsidy	2	37,915	37,915	29,582	29,582
Escrow deposits	2	567,607	567,607	1,766,042	1,766,042
Receivable amount of related party transactions - Reimbursement of decontracting of supply	2	-	-	3,504	3,504
		5,136,459	**5,136,459**	**6,124,661**	**6,124,661**
Fair value through profit or loss					
Cash equivalents - cash investments	2	303,780	303,780	41,574	41,574
Marketable securities					
Treasury Financial Notes (LFTs)	1	346,001	346,001	13,900	13,900
Financial Notes - Banks	2	808,951	808,951	82,203	82,203
Debentures	2	-	-	15	15
		1,154,952	1,154,952	96,118	96,118
Concession financial assets - Distribution infrastructure	3	481,371	481,371	459,711	459,711
		1,940,103	**1,940,103**	**597,403**	**597,403**
		7,076,562	**7,076,562**	**6,722,064**	**6,722,064**
Financial liabilities					
Amortized cost (1)					
Loans, financings and debentures	2	(5,210,787)	(5,210,787)	(5,794,922)	(5,794,922)
Debt with pension fund (Forluz)	2	(399,764)	(399,764)	(410,343)	(410,343)
Deficit of pension fund (Forluz)	2	(388,950)	(388,950)	(398,584)	(398,584)
Suppliers	2	(1,401,163)	(1,401,163)	(1,534,689)	(1,534,689)
Leasing transactions	2	(197,902)	(197,902)	(221,194)	(221,194)
		(7,598,566)	**(7,598,566)**	**(8,359,732)**	**(8,359,732)**

(1) On June 30, 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

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

<u>Marketable securities:</u> 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.

<u>Other financial liabilities:</u> fair value of its loans, financing and debentures were determined using 130.40% 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 + 0.19% to 1.10%, 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	Jun. 30, 2020		Dec. 31, 2019	
	Foreign currency	R$	Foreign currency	R$
US dollar				
Loans and financings (note 17)	(2,362)	(12,934)	(4,478)	(18,051)
Suppliers (Itaipu binacional) (note 15)	(31,770)	(173,973)	(60,229)	(242,766)
Net liabilities exposed		**(186,907)**		**(260,817)**

Sensitivity analysis

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 June 30, 2021 will be an depreciation of the dollar by 8.69%, to R$5.00. 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	Jun. 30, 2020	Jun. 30, 2021		
	Book value	'Probable' scenario: R$5.00	'Possible' scenario R$6.25	'Remote' scenario R$7.50
US dollar				
Loans and financings (note 17)	(12,934)	(11,810)	(14,762)	(17,715)
Suppliers (Itaipu binacional) (note 15)	(173,973)	(158,850)	(198,563)	(238,276)
Net liabilities exposed	**(186,907)**	**(170,660)**	**(213,325)**	**(255,991)**
Net effect of exchange rate variation		**16,247**	**(26,418)**	**(69,084)**

Interest rate risk

The Company is exposed to the risk of decrease in Brazilian domestic interest rates, on June 30, 2020. This exposure occurs as a result of net assets indexed to variation in interest rates, as follows:

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Risk: exposure to domestic interest rate changes	Jun. 30, 2020	Dec. 31, 2019
Assets		
Cash equivalents - cash investments (note 4)	303,780	41,574
Marketable securities (note 5)	1,480,518	110,265
CVA and Other financial components in tariffs (note 11)	926,183	881,614
Receivable amount of related party transactions - Reimbursement of decontracting of supply (note 25)	-	3,504
	2,710,481	**1,036,957**
Liabilities		
Loans, financings and debentures - CDI rate (note 17)	(2,162,623)	(2,164,083)
	(2,162,623)	**(2,164,083)**
Net assets (liabilities) exposed	**547,858**	**(1,127,126)**

Sensitivity analysis

In relation to the most significant interest rate risk, Company estimates that, in a probable scenario, on June 30, 2021 Selic rate will be 2.00%. The Company has made a sensitivity analysis of the effects on its net income arising from reduction in rates of 25% and 50% in relation to the 'probable' scenario. Fluctuation in the CDI rate accompanies the fluctuation of Selic rate.

Risk: decrease in Brazilian interest rates	Jun. 30, 2020	Jun. 30, 2021		
	Book value	'Probable' scenario: Selic 2.00%	'Possible scenario': Selic 1.50%	'Remote' scenario: Selic 1.00%
Assets				
Cash equivalents - cash investments (note 4)	303,780	309,856	308,337	306,818
Marketable securities (note 5)	1,480,518	1,510,128	1,502,726	1,495,323
CVA and Other financial components in tariffs - Selic rate (note 11)	926,183	944,707	940,076	935,445
	2,710,481	**2,764,691**	**2,751,139**	**2,737,586**
Liabilities				
Loans, financings and debentures - CDI rate (note 17)	(2,162,623)	(2,205,875)	(2,195,062)	(2,184,249)
	(2,162,623)	**(2,205,875)**	**(2,195,062)**	**(2,184,249)**
Net assets exposed	**547,858**	**558,816**	**556,077**	**553,337**
Net effect of variation in interest rates		**10,958**	**8,219**	**5,479**

Increase in inflation risk

The Company is exposed to risk of increase in inflation, on June 30, 2020, as follows:

Company's exposure to arising in inflation	Jun. 30, 2020	Dec. 31, 2019
Assets		
Concession financial assets related to infrastructure - IPCA index (*)	481,371	459,711
Receivable from Minas Gerais state government - IGPM index	379,027	422,034
	860,398	**881,745**
Liabilities		
Loans, financings and debentures - IPCA index (note 17)	(3,050,615)	(3,618,880)
Debt agreed with pension fund (Forluz) - IPCA index (note 19)	(399,764)	(410,343)
Forluz deficit solution plan - IPCA index (note 19)	(388,950)	(398,584)
	(3,839,329)	**(4,427,807)**
Net liabilities exposed	**(2,978,931)**	**(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 June 30, 2021 the IPCA inflation index will be 3.00% and the IGPM inflation index will be 3.91%. The Company has prepared a sensitivity analysis of the effects on its net income arising from an increase in inflation of 25% and 50% in relation to the 'probable' scenario.

Risk: increase in inflation	Jun. 30, 2020	Ju. 30, 2021		
	Book value	'Probable' scenario: IPCA 3.00% IGPM 3.91%	'Possible' scenario: IPCA 3.75% IGPM 4.89%	'Remote' scenario: IPCA 4.50% IGPM 5.87%
Assets				
Concession financial assets related to infrastructure - IPCA index (*)	481,371	495,812	499,422	503,033
Receivable from Minas Gerais state government - IGPM index (note 25)	379,027	393,847	397,561	401,276
	860,398	**889,659**	**896,983**	**904,309**
Liabilities				
Loans, financings and debentures - IPCA index (note 17)	(3,050,615)	(3,142,133)	(3,165,013)	(3,187,893)
Debt agreed with pension fund (Forluz) - IPCA index (note 19)	(399,764)	(411,757)	(414,755)	(417,753)
Forluz deficit solution plan - IPCA index (note 19)	(388,950)	(400,619)	(403,536)	(406,453)
	(3,839,329)	**(3,954,509)**	**(3,983,304)**	**(4,012,099)**
Net liabilities exposed	**(2,978,931)**	**(3,064,850)**	**(3,086,321)**	**(3,107,790)**
Net effect of variation in IPCA and IGPM indexes		**(85,919)**	**(107,390)**	**(128,859)**

(*) 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.

The Company 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	52,337	104,149	1,159,586	4,285,191	794,630	6,395,893
Debt with pension plan (Forluz)	8,702	17,431	79,707	338,831	-	444,671
Deficit of the pension plan (Forluz)	3,882	7,782	90,217	152,145	418,925	672,951
	64,921	**129,362**	**1,329,510**	**4,776,167**	**1,213,555**	**7,513,515**
- Fixed rate						
Suppliers	1,395,879	4,411	873	-	-	1,401,163
	1,460,800	**133,773**	**1,330,383**	**4,776,167**	**1,213,555**	**8,914,678**

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 June 30, 2020, considered to be adequate in relation to the credits in arrears receivable by the Company, was R$794,610.

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

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

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

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

Group	Equity	Limit per bank (% of equity) (1)
Federal Risk	-	10%
A1	Over R$3.5 billion	Between 6.0% and 9.0%
A2	R$1 billion to R$3.5 billion	Between 5.0% and 8.0%
A3	R$400 million to R$1 billion	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.

The Company also sets two concentration limits:

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

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

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

On May 18, 2020, the Decree n. 10,350/2020 authorized the creation and management of the “*Covid Account”* by the CCEE (Power Trading Exchange), one of its purposes being coverage of the financial effects of over contracting caused by the pandemic. The funds for this coverage will be transferred to the distributors between August and December 2020. The Decree also added a sub-item to Article 3 of Decree 5,163/2004, reducing the charge arising from the effects of the pandemic, calculated in accordance with an Aneel regulation, as one of the possible items to be treated as involuntary over contracting, and as a result passed through to customers. More details in Note 1.1..

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.

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

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Thus, 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 June 30, 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 June 30, 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 June 30, 2020 and December 31, 2019:

	Jun. 30, 2020	Dec. 31, 2019
Total liabilities	19,036,873	19,649,855
Cash and cash equivalents	(408,447)	(234,346)
Marketable securities	(1,375,146)	(109,960)
Net liabilities	**17,253,280**	**19,305,549**
Total equity	**5,657,494**	**4,708,208**
Net liabilities / equity	3.05	4.12

27. NON-CASH TRANSACTIONS

The Company capitalized financial costs of R$21,384 on June 30, 2020 (R$21,956 on June 30, 2019). These transactions are not reflected in the Cash flow statements.

28. SUBSEQUENT EVENTS

Offsetting of receivables from the State of Minas Gerais against ICMS tax payable

On July 31, 2020, Cemig D filed an application to the tax authority of State of Minas Gerais to offset debts for energy consumption and service owed by the Direct and indirect administrations of Minas Gerais State, using amounts of ICMS tax payable, under Article 3 of State of Minas Gerais Decree 47,908/2020, which regulated State Law 47,891/2020.

The main criteria applying to offsetting of these debts, under that Decree, are:

- offsetting in at least 12 installments. The maximum value of installments is limited to the number of months counted from the month following the request granting, until December, 2022;

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- relinquishing by the creditor of the financial updating (arreas interest, fines, updating of the amounts of the installments, and legal fees, if any); and
- offsetting starts from the first month after acceptance of the request.

Debts from the State of Minas Gerais that qualify for offsetting are those past due at June 30, 2019, which amount approximately R$240 million. The Company's expects to begin the offsetting in the third quarter of 2020 after acceptance of its request.

FINANCIAL RESULTS

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

Net income for the period

The Company reports a net income of R$479,390 for the first half of 2020, which compares with its net income of R$1,567,167 in the same period of 2019.

The net income for 2019 was impacted due the recognition, as operational revenue and financial revenue, of the PIS/Pasep and Cofins taxes credits (including their monetary updating), arising from the Company's success in its legal action challenging the inclusion of ICMS amounts in the calculation basis of PIS/Pasep and Cofins taxes, in the amount of R$1,840,923 (prior to tax effects).

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 Ebtida, measured according to CVM Instruction 527, decreased 41.17% in 1H20 compared to the same period in 2019, whereas the Ebtida margin decreased from 22.39% in 1H19 to 13.57% in 1H20.

The adjusted Ebtida, with the removal of non-recurrent items, increased 12.35% in 1H20 compared to the same period in 2019, whereas the adjusted Ebtida margin increased from 11.73% in 1H19 to 13.57% in 1H20.

Ebitda - R$ '000	Jan to Jun 2020	Jan to Jun 2019	Change, %
Net income for the period	479,390	1,567,167	(69.41)
+ Income tax and Social Contribution tax	241,544	771,698	(68.70)
+ Net financial revenue (expenses)	(24,655)	(920,873)	(97.32)
+ Depreciation and amortization	329,133	325,019	1.27
= Ebitda according to "CVM Instruction 527" (1)	**1,025,412**	**1,743,011**	**(41.17)**
- PIS/Pasep and Cofins over ICMS	-	(830,333)	-
= Ebitda Adjusted (2)	**1,025,412**	**912,678**	**12.35**

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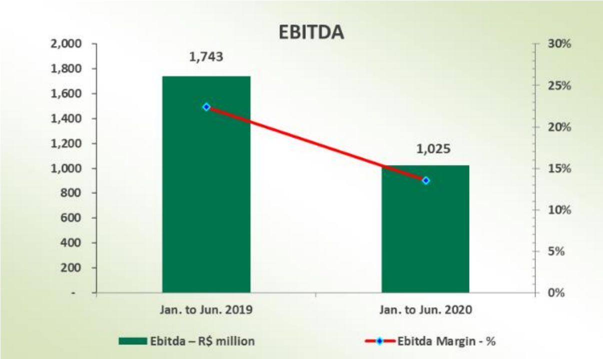

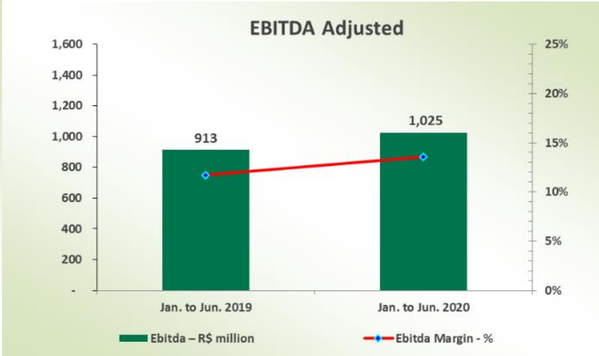

(1) Ebitda is a non-accounting measure prepared by the Company, reconciled with the Interim financial information in accordance with CVM Circular SNC/SEP 1/2007 and CVM Instruction 527 of October 4, 2012. It comprises Net income adjusted by the effects of net financial revenue (expenses), Depreciation 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.
(2) The Company adjusts the EBTIDA measured according to CVM Instruction 527 removing non-current items, which, because of their nature, do not contribute towards information on the potential of future cash generation, since they are extraordinary items.

The lower in Ebtida in the first half of 2020, than in the same period of 2019, mainly due from the recognition, in the second quarter of 2019, of PIS/Pasep and Cofins taxes credits over ICMS, in the amount of R$830,333 and reduction of 2.95% in the Company's revenue, in addition to the increase of 8.07% in operating costs and expenses (excluding the depreciation and amortization effects).

The higher in adjusted Ebtida in the first half of 2020, than in the same period of 2019, mainly reflects the increase of 8.63% in the Company's revenue. This variation is mainly due to the increase of the revenue from use of the energy distribution (TUSD) - free customers and from the mechanism fot the sale energy surplus (MVE).

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

Total revenue from energy sold to final customers in 1H20 was R$9,286,600, compared to a R$9,542,996 in the same period in 2019.The main factors in this revenue, in 1H20, 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); and
- reduction of 6.06% in the energy sold to final customers.

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

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Customer type	MWh*		
	Jan to Jun 2020	Jan to Jun 2019	Change %
Residential	5,442,910	5,291,676	2.86
Industrial	879,316	1,261,584	(30.30)
Commercial, services and others	2,312,782	2,652,164	(12.80)
Rural	1,663,627	1,774,673	(6.26)
Public authorities	386,015	455,643	(15.28)
Public lighting	664,656	685,933	(3.10)
Public services	675,124	679,065	(0.58)
Total	**12,024,430**	**12,800,738**	**(6.06)**

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

The main factors that explain the reduction of 6.06% in the energy sold to final customers, were:

- reduction of 30.30% in volume of supply sold to industrial customers, due to (i) the effects of the pandemic, which reduced industrial activity; (ii) reclassification of customers to other categories, due to the process of updating of customer registry data; and (iii) migration of these customers to the Free Market;
- reduction of 15.28% in revenue from public authorities, due to the effects of the pandemic, which included suspension of in-person lessons in schools and colleges, and reduction or paralyzed of in-person activity in public agencies;
- reduction in the volume of energy sold to the commercial and services customers, 12.80% lower, mainly due to effects of the pandemic: non-essential commercial establishments and services were totally or partially closed, or their in-person activity was reduced; and
- increase of 2.86% in the volume sold to residential users, mainly mainly reflecting the addition of 122,322 customers in the last 12 months until June 2020 - an increase of 1.8%.

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 1H20, this was R$1,410,801, compared to R$1,276,741 in the same period in 2019, an increase of 10.50%. This difference mainly arises from the Company's annual tariff adjustment, in effect from May 28, 2019 (full effect in 2020), which was an increase of 15.47% for free clients, partially offset by volume of energy transported in 1H20, 1.50% lower than in 1H19.

	MWh		
	Jan to Jun 2020	Jan to Jun 2019	Change %
Industrial	8,750,291	8,844,838	(1.07)
Commercial	608,096	646,291	(5.91)
Rural	14,274	5,682	151.21
Concessionaires	144,465	165,230	(12.57)
Total	**9,517,126**	**9,662,041**	**(1.50)**

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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$81,652 in 1H20, whereas in the same period in 2019 it produced a gain of R$80,241. Additions to the CVA account were higher in 1H20 compared to 1H19, mainly due to (i) higher costs of energy from Itaipu, as a result of the increase in the dollar exchange rate, and (ii) the effects of overcontracting, resulting from the reduction of consumption in the context of the Covid-19 pandemic. These effects on revenue were offset by the passthrough of excess funds in the Energy Reserve Account (CONER) in 1H20 and by the tariff adjustment of 2019, which was significantly higher than the amount awarded in the previous year. More details in Note 11

Construction revenue

Infrastructure construction revenue in 1H20 was R$581,744, compared to R$363,167 in the same period in 2019, an increase of 60.19%. 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.

Revenue from the mechanism for the sale of energy surplus (MVE)

The revenue from the mechanism for the sale of energy surplus (MVE) were R$104,814 in 1H20, relating to offers of supply made at the end of 2019 by the Company. The MVE enables distributors to sell excesses of supply and, for sales related to amounts of the regulatory limit or involuntary exposure, enables part of the benefit gained to be passed through to the customers tariffs in the tariff adjustments.

PIS/Pasep and Cofins taxes credits over ICMS

In the second quarter of 2019, were recognized PIS/Pasep and Cofins taxes credits over ICMS, totaling R$830,333, resulted from the success in the Company's legal action questioning the inclusion of ICMS tax in these amounts, and is backdated to July 2003. More details in Note 7a.

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Taxes and regulatory charges reported as Deductions from revenue

The taxes and charges that are recorded as deductions from operating revenue totaled R$4,692,662 in 1H20, or 5.23% lower than 1H19 (R$4,951,567).

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 1H20 were R$1,104,278, compared to R$1,215,064 in 1H19, an reduction of 9.12%. 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$59,656 in 1H20, compared to R$19,868 in the same period of 2019.

The difference reflects the application of the 'yellow' tariff flag in December 2019 (affecting the billing of January 2020), and January 2020. There were no flag tariffs activated in the other months of 1H20. For comparison, in 1H19 the yellow flag was activated only in May (influencing billing in June 2019) and there was no activation of flags in the other months. Additionally, the increase also reflects re-invoicing in 2020 of invoices from previous periods.

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Other taxes and charges on revenue

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

Operating costs and expenses (excluding financial income/expenses)

Operating costs and expenses totaled R$6,859,452 in 1H20, or 7.72% more than 1H19 (R$6,367,787). Mode details in Note 23.

The following paragraphs comment on the main variations:

Employee profit sharing

The expense on employees' and managers' profit sharing was R$19,211 in 1H20, compared to R$120,976 in 1H19, an reduction of 84.12%. The higher figure arises from the higher profit of Cemig D's parent company - Cemig - the basis of calculation for profit shares (the collective agreements of Cemig D, Cemig Geração e Transmissão and Cemig are unified).

Energy bought for resale

The expense on energy purchased for resale in 1H20 was R$3,822,279, or 10.61% more than in 1H19 (R$3,455,727). The main impacts result from the following factors:

- expense on supply from Itaipu was 37.20% higher, at R$952,413 in 1H20, compared to R$694,177 in the same period of 2019. The difference is mainly due to the increase of 29.79% in the average dollar quotation in the first half of 2020 compared to the same period of 2019 (R$5.01 and R$3.86, respectively), which has contributed to the rise in dollar energy price per KW (US$28.41/KW for 2020 and US$27.71/KW for 2019);
- expenses on supply acquired at auction 10.81% higher: R$1,584,890 in 1H20, compared to R$1,430,254 in the same period of 2019, mainly due to the increase in the volume of energy purchased;
- expenses on supply acquired through physical guarantee quota contracts 9.84% higher, at R$400,204 in 1H20, compared to R$364,358 in the same period of 2019. This is mainly due to the average price per MWh being 6.52% higher in 1H20, at R$108.62, compared to R$101.97 in the same period of 2019; and also to the quantity of energy delivered in the period being higher;
- higher expenses on distributed generation ('geração distribuída'): R$327,796 in 1H20, compared to R$82,858 in 1H19. This reflects the higher number of generation units installed (49,339 in June 2020, compared to 17,906 in June 2019); and the higher volume of energy injected into the grid (426,761 MWh in 1H20, compared to 179,833 MWh in 1H19); and

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- reduction of 43.33% on the expenses on purchase of supply in the spot market: R$417,023 in 1H20, compared to R$735,943 in the same period of 2019. 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 37.51% lower in 1H20, at R$131.68 MWh, compared to R$210.73/MWh in the same period in 2019, and to the creditor position assumed by the Company in 1H20, in contrast to the deficit positions assumed in the same periods of 2019 - mainly reflecting the lower consumption caused by the Covid-19 pandemic.

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 23c.

Charges for use of the transmission network

Charges for use of the transmission network in 1H20 totaled R$638,051, compared with R$713,263 in the same period of 2019, a reduction of 10.54%.

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).

The lower figure is due to the adjustment for the national grid - which was negative - being brought forward from July to April 2020, to financially support distributors agents during the Covid-19 pandemic, generating discounts in April, May and June 2020.

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 1H20 totaled R$250,678, or 28.72% more than 1H19 (R$194,748). This arises mainly from the following factors:

- net additional provisions for third-party liability legal actions were higher - at R$20,681, in 1H20, compared to R$1,504 in 1H19. 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;
- variation of provisions for taxes, which represented the recognition of R$13,224 in 1H20, compared to the reversion of R$242 in 1H19, mainly due to the monetary updating of the provision that discusses the incidence of social security contributions on profit sharing payments. More details in Note 20;

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- variation of provisions for employment-law legal actions: new provisions of R$16,057 in 1H20, compared to R$78,059 in 1H19. The lower figure mainly reflects the suspension of claims for additional salary for hazardous work, due to the Supreme Federal Court recognizing the judgment in Ruling 1,046 as a General Precedent. More details in Note 20; and
- provision made for estimated losses for doubtful receivables in 1H20 was R$198,649, compared to R$107,851 in the same period of 2019, an increase of 84.19%. This mainly reflects the increse in default in 2020 due to the economic effects of the Covid-19 pandemic on society.

Net financial revenue (expenses)

The Company reports net financial revenue in 1H20 of R$24,655, compared to net financial revenue of R$920,873 in 1H19. The main factors were:

- income from cash investments 15.85% lower in 1H20, at R$18,212, than in 1H19 (R$21,643). 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 1H20 was 46.09% lower than in 1H19, according to detailed data from the Cetip securities clearing house;
- reduction of 51.57% in CVA monetary updating, at R$25,688 in 1H20, compared to R$53,046 in 1H19, mainly due to the lower Selic interest rate in 2020, in addition to the lower anual tariff adjustment compared to prior year;
- reduction of 98.44% on financial revenue of monetary updating of the PIS/Pasep and Cofins taxes credits over ICMS, at R$15,741 in 1H20, compared to R$1,010,590 in 1H19. This variation is mainly due to the recognition of financial updating of PIS/Pasep and Cofins taxes credits in the second quarter of 2019. More details in Note 7a;
- increase of net foreign exchange variation expenses for Itaipu, of R$66,466 in 1H20, compared to R$3,132 in 1H19. This variation is mainly due to the increase of 29.79% in the average dollar in the compared periods (R$5.01 in 1H20, compared to R$3.86 in the same period of 2019); and
- borrowing expenses on loans, financings and debentures were 48.82% lower in 1H20, at R$100,289, than in 1H19 (R$195,946). This variation is mainly due to the IPCA index variation in the first half of 2020, at 0.10%, compared to 2.22% in the same period in 2019.

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

Income tax and social contribution taxes

In 1H20, the expense on income and the Social Contribution taxes totaled R$241,544, on pre-tax profit of R$720,934. In 1H19, the expense on income and the Social Contribution taxes was R$771,698, on pre-tax profit of R$2,338,865.

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

Net income for the second quarter 2020

The Company reports a net income of R$282,801 for 2Q20, which compares with its net income of R$1,378,813 in 2Q19.

The net income for 2019 was impacted due the recognition, as operational revenue and financial revenue, of the PIS/Pasep and Cofins taxes credits (including their monetary updating), arising from the Company's success in its legal action challenging the inclusion of ICMS amounts in the calculation basis of PIS/Pasep and Cofins taxes, in the amount of R$1,840,923 (prior to tax effects).

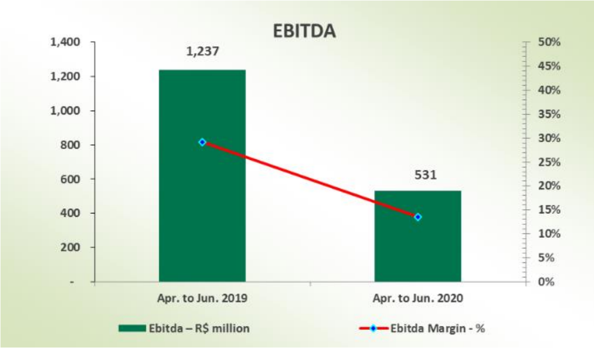
The following items describe the main variations between the two periods in revenues, costs, expenses and financial.

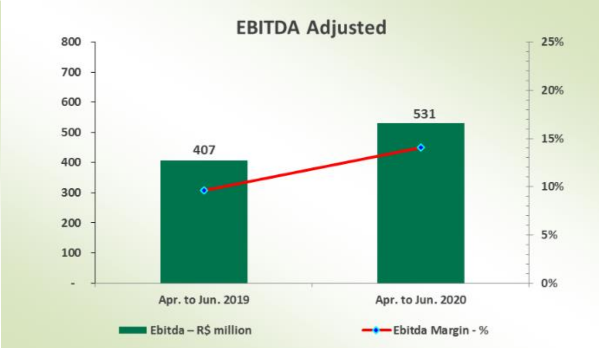
Ebitda (Earnings before interest, tax, depreciation and amortization)

Cemig D's Ebtida, measured according to CVM Instruction 527, decreased 57.10% in 2Q20 compared to the same period in 2019, whereas the Ebtida margin decreased from 29.21% in 2Q19 to 14.12% in 2Q20.

The adjusted Ebtida, with the removal of non-recurrent items, increased 30.46% in 2Q20 compared to the same period in 2019, whereas the adjusted Ebtida margin increased from 9.61% in 2Q19 to 14.12% in 2Q20.

Ebitda - R$ '000	Apr to Jun 2020	Apr to Jun 2019	Change, %
Net income for the period	282,801	1,378,813	(79.49)
+ Income tax and Social Contribution tax	140,915	670,699	(78.99)
+ Net financial revenue (expenses)	(59,071)	(975,447)	(93.94)
+ Depreciation and amortization	166,051	163,054	1.84
= Ebitda according to "CVM Instruction 527" (1)	**530,696**	**1,237,119**	**(57.10)**
- PIS/Pasep and Cofins over ICMS	-	(830,333)	-
= Ebitda Adjusted (2)	**530,696**	**406,786**	**30.46**





(1) 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.

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(2) The Company adjusts the EBTIDA measured according to CVM Instruction 527 removing non-current items, which, because of their nature, do not contribute towards information on the potential of future cash generation, since they are extraordinary items.

The lower in Ebtida in 2Q20, than in the same period of 2019, mainly due from the recognition, in the second quarter of 2019, of PIS/Pasep and Cofins taxes credits over ICMS, in the amount of R$830,333 and reduction of 10.79% in the Company's revenue, in addition to the increased of 8.32% in operating costs and expenses (excluding the depreciation and amortization effects).

The higher in adjusted Ebtida in the 2Q20, than in the same period of 2019, mainly reflects the increase of 10.96% in the Company's revenue. This variation is mainly due to the increase of the revenue from use of the energy distribution (TUSD) - free customers and from the mechanism fot the sale energy surplus (MVE).

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

Total revenue from energy sold to final customers in 2Q20 was R$4,391,540, compared to a R$4,653,304 in the same period in 2019. The main factors in this revenue, in 2Q20, 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); and
- Reduction of 7.98% in the energy sold to final customers.

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

Customer type	MWh*		
	Apr to Jun 2020	Apr to Jun 2019	Change %
Residential	2,657,910	2,547,878	4.32
Industrial	406,876	620,928	(34.47)
Commercial, services and others	989,135	1,292,021	(23.44)
Rural	892,061	914,554	(2.46)
Public authorities	169,009	231,943	(27.13)
Public lighting	325,162	333,969	(2.64)
Public services	339,650	339,954	(0.09)
Total	**5,779,803**	**6,281,247**	**(7.98)**

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

The main factors that explain the reduction of 7.98% in the energy sold to final customers, were:

- reduction of 34.47% in volume of supply sold to industrial customers, due to (i) the effects of the pandemic, which reduced industrial activity; (ii) reclassification of customers to other categories, due to the process of updating of customer registry data; and (iii) migration of these customers to the free market;
- reduction of 27.13% in revenue from public authorities, due to the effects of the pandemic, which included suspension of in-person lessons in schools and colleges, and reduction or paralyzed of in-person activity in public agencies;
- reduction in the volume of energy sold to the commercial and services customers, 23.44% lower, mainly due to effects of the pandemic: non-essential commercial establishments and services were totally or partially closed, or their in-person activity was reduced; and

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- increase of 4.32% in the volume sold to residential users, mainly due to the addition of new customers units to the distribution network;

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 2Q20, this was R$680,582, compared to R$640,504 in the same period in 2019, an increase of 6.26%. This difference mainly arises from the Company's annual tariff adjustment, in effect from May 28, 2019 (full effect in 2020), which was an increase of 15.47% for free clients, partially offset by volume of energy transported in 2Q20 5.61% lower than in 2Q19.

	MWh		
	Apr to Jun 2020	Apr to Jun 2019	Change %
Industrial	4,247,588	4,455,679	(4.67)
Commercial	259,661	315,065	(17.58)
Rural	7,045	2,670	163.86
Concessionaires	72,652	86,206	(15.72)
Total	**4,586,946**	**4,859,620**	**(5.61)**

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 revenue of R$136,254 in 2Q20, whereas in the same period in 2019 it produced a expense of R$40,109. This variation results essentially from the graphical status of the CVA account, which may assume an expense or revenue position, depending on the fluctuation of the non-controllable costs incurred in the period in relation to those approved by the regulator for tariff composition.

This variation is due, primarily, to the high amount of revenue recognized in 2Q20 mainly because of the increase in the Itaipu energy cost, caused by the rise in the dollar exchange rate compared to 2Q19, and due to the overcontracting effects resulting from the energy consuption reduction, leading to a increment in the Company net financial asset. These effects on revenue were offset by the passthrough of excess funds in the Energy Reserve Account (CONER), determined by the Aneel Order ('*Despacho*') n. 986/2020. More details in Note 11b.

Construction revenue

Infrastructure construction revenue in 2Q20 was R$333,337, compared to R$202,966 in the same period in 2019, an increase of 64.23%. The changes mainly reflects to the higher volume of investments in 2020.

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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.

Revenue from the mechanism for the sale of energy surplus (MVE)

The revenue from the mechanism for the sale of energy surplus (MVE) were R$41,514 in 2Q20, relating to offers of supply made at the end of 2019 by the Company. The MVE enables distributors to sell excesses of supply and, for sales related to amounts of the regulatory limit or involuntary exposure, enables part of the benefit gained to be passed through to the customers tariffs in the tariff adjustments.

PIS/Pasep and Cofins taxes credits over ICMS

In the second quarter of 2019, were recognized PIS/Pasep and Cofins taxes credits over ICMS, totaling R$830,333, resulted from the success in the Company's legal action questioning the inclusion of ICMS tax in these amounts, and is backdated to July 2003. More details in Note 7a.

Taxes and regulatory charges reported as Deductions from revenue

The taxes and charges that are recorded as deductions from operating revenue totaled R$2,226,901 in 2Q20, or 6.97% lower than 2Q19 (R$2,393,668).

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 2Q20 were R$552,139, compared to R$614,495 in 2Q19, an reduction of 10.15%. 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.

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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$73 in 2Q20, or 99.16% lower than the same period of 2019 (R$8,712).

The variation is mostly because there were no flag tariffs activated in the 2Q20. In comparison, in the 2Q19, the yellow flag was activated in May (influencing billing in June 2019).

Other taxes and charges on revenue

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

Operating costs and expenses (excluding financial income/expenses)

Operating costs and expenses totaled R$3,413,707 in 2Q20, or 7.98% more than 2Q19 (R$3,161,292). Mode details in Note 23.

The following paragraphs comment on the main variations:

Personnel expenses

Personnel expenses were R$235,732 in 2Q20 compared to R$215,992 in 2Q19 - increase of 9.14%, mainly due to the recognition, in 2Q20, of expenses on voluntary retirement plans (2020 PDVP), which was not provided for the 2019 PDVP.

Employee profit sharing

The expense on employees' and managers' profit sharing was R$2,801 in 2Q20, compared to R$74,715 in 2Q19, an reduction of 96.24%. The higher figure arises from the higher profit of Cemig D's parent company - Cemig - the basis of calculation for profit shares (the collective agreements of Cemig D, Cemig Geração e Transmissão and Cemig are unified).

Post-employment obligations

The impact of the Company's post-employment obligation on operating profit was an expense of R$80,561 in 2Q20 - which compares with an expense of R$66,032 in the same period of 2019, an increase of 22.00%. This is mainly the result of reduction in the discount rate used in the actuarial calculation - which increased the amount of the actuarial liabilities, and consequently the scale of the expense reported.

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Energy bought for resale

The expense on energy purchased for resale in 2Q20 was R$1,903,100, or 16.94% more than in 2Q19 (R$1,627,426). The main impacts result from the following factors:

- expense on supply from Itaipu was 45.31% higher, at R$524,601 in the second quarter of 2020, compared to R$361,021 in the same period of 2019. The difference is mainly due to the increase of 37.76% in the average dollar quotation in the second quarter of 2020 compared to the same period of 2019 (R$3.92 and R$5.40, respectively), which has contributed to the rise in dollar energy price per KW (US$28.41/KW for 2020 and US$27.71/KW for 2019);
- higher expenses on distributed generation (‘geração distribuída’): R$154,314 in 2Q20, compared to R$44,892 in 2Q19. This reflects the higher number of generation units installed and the higher volume of energy injected into the grid (232,076 MWh in 2Q20, compared to 95,965 MWh in 2Q19);
- expenses on supply acquired at auction 7.83% higher: R$757,419 in 2Q20, compared to R$702,423 in the same period of 2019. This increase reflects volume of energy acquired higher year-on-year;
- expenses on supply acquired through physical guarantee quota contracts 7.84% higher, at R$199,970 in the second quarter of 2020, compared to R$185,427 in the same period of 2019. This is mainly due to the average price per MWh being 7.29% higher year-on-year in the second quarter of 2020 (at R$109.36, compared to R$101.93 in the second quarter of 2019); and also to the quantity of energy delivered in the period being higher; and
- reduction of 20.73% on the expenses on purchase of supply in the spot market: R$195,334 in 2Q20, compared to R$246,418 in the same period of 2019. 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 42.55% lower from April to June 2020, at R$75.47/MWh, compared to R$131.37/MWh in the same period in 2019, and to the creditor position assumed by the Company in the second quarter of 2020, which was a creditor due to the lower consumption caused by the pandemic, contrasting with the position assumed in 2Q19.

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 23c.

Charges for use of the transmission network

Charges for use of the transmission network in 2Q20 totaled R$265,470, compared with 2Q19 (R$374,321), an reduction of 29.08%.

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).

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The lower figure is due to the adjustment for the national grid - which was negative - being brought forward from July to April 2020, to financially support distributors agents during the Covid-19 pandemic, generating discounts in April, May and June 2020.

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 2Q20 totaled R$124,930, or 7.88% more than 2Q19 (R$135,612). This arises mainly from the following factors:

- variation of provisions for taxes, which represented the recognition of R$5,793 in 2Q20, compared to the reversion of R$64 in 2Q19. This variation results, mainly due to the monetary updating of the provision that discusses the incidence of social security contributions on profit sharing payments. More details in Note 20;
- variation of provisions for employment-law legal actions: new provisions of R$9,577 in 2Q20, compared to a R$82,237 in 2Q19. This arises mainly from the 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$5,142, in 2Q20, compared to 2Q19, of R$3,556. 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; and
- provision made for estimated losses for doubtful receivables in 2Q20 was R$102,504, compared to R$45,209 in the same period of 2019, an increase of 126.73%. This mainly reflects the increse in default in 2020 due to the economic effects of the Covid-19 pandemic on society.

Net financial revenue (expenses)

The Company reports net financial revenue in 2Q20 of R$59,071, compared to net financial revenue of R$975,447 in 2Q19. The main factors were:

- reduction of 56.30% in CVA monetary updating, at R$14,045 in 2Q20, compared to R$32,140 in 2Q19, mainly due to the lower Selic interest rate in 2020;

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- reduction of 99.30% on financial revenue of monetary updating of the PIS/Pasep and Cofins taxes credits over ICMS, at R$7,105 in 2Q20, compared to R$1,010,590 in 2Q19. This variation is mainly due to the recognition of financial updating of PIS/Pasep and Cofins taxes credits in the second quarter of 2019. More details in Note 7a;
- increase of net foreign exchange variation expenses for Itaipu, of R$32,457 in 2Q20, compared to R$6,782 in 2Q19. This variation is mainly due to the increase of 37.70% in the average dollar in the compared periods (R$5.40 in the second quarter of 2020, compared to R$3.92 in the same period of 2019); and
- increase in the monetary variation revenues os loans and financing, at R$28,681 in 2Q20, compared to expenses of R$25,803 in the same period of 2019. This variation is mainly due to the negative IPCA index variation in the second quarter of 2020, at 0.43%, compared to a positive variation in the same period in 2019, at 1.46%.

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

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Income tax and social contribution taxes

In 2Q20, the expense on income and the Social Contribution taxes totaled R$140,915, on pre-tax profit of R$423,716. In 2Q19, the expense on income and the Social Contribution taxes was R$670,699, on pre-tax profit of R$2,049,512.

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 June 30, 2020, comprising the statement of financial position as at June 30, 2020, and the related statements of profit or loss, of comprehensive income for the three and six month periods then ended, and of changes in equity and cash flows for the six-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 above mentioned quarterly information include the statement of value added (SVA) for the six-month period ended June 30, 2020, prepared under Company's Management responsibility and presented as supplementary information by IAS 34. This statement has been subjected 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), August 14, 2020.

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

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