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REPORT OF MANAGEMENT FOR 2019

Dear Shareholders,

Cemig Geração e Transmissão ('Cemig GT' or 'the Company') submits for your consideration the Report of Management, the Financial Statements, the Opinion of the Audit Board, the report of the Audit Committee and the Report of the Company's external auditors on the business year ended December 31, 2019, together with the statements of the executive officers who have reviewed the financial statements and the related report of the external auditors.

MESSAGE FROM MANAGEMENT

Looking back on 2019 we see with great satisfaction the very significant progress we have made in the various dimensions of the business.

In the renewed environment, we have reviewed and revised Company's strategic planning, with participation by senior management and the whole management body, analyzing the main global trends in the energy sector, and Company's strategic positioning in this environment, with its challenges and opportunities.

Among the strategic directives established, we highlight the commitment to significant investment in our core business, appropriate financial leverage, and our improvements in operational efficiency, guaranteeing excellence in the service to our clients and regulatory requirements.

The involvement, commitment and talent of our employees is a fundamental contribution for our success, and we have established specific targets and indicators so that all can accompany the strategic map and perceive their individual contribution in the execution of the strategy.

Cemig GT's results increased significantly in 2019. The Company reports net income of R$835 million for 2019 – a significant increase of 41% over the 2018 profit of R$591 million.

Another important achievement is the significant reduction of our indebtedness. The reduction with the payment of R$610 million in our debt, associated with the lengthening of our debt profile, converges to our objective of having the highest credit quality, reflected in the best ratings, and consequently, reduction of Cemig GT's cost of capital.

Cemig GT continues to invest in greater operational efficiency. Noteworthy is the organizational restructuring that took place in 2019, with a 25% reduction in managerial positions and the implementation of the Programmed Voluntary Retirement Plan, which had the participation of 120 employees.

One of the main developments in 2019 was our return to the public auctions for new investments in transmission. Although we did not win any of the lots offered, this represents a new reality for the Company, now with financial and competitive conditions to expand its

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program of investments in transmission in the coming years, either through strengthening within its concession area, approved by the regulator, or through success in forthcoming auctions.

Another significant event for the consolidated result in 2019 was our success in the final judgment on the lawsuit in which we challenged the application of ICMS (state value-added) tax to calculation of our tax liability for the PIS/Pasep and Cofins taxes. This result represents tax credits totaling nearly R$849 million, when received, will contribute even further to the accelerated reduction of our debt ratios. One of the results of this successful lawsuit was the release, in February of 2020, of R$196 million of recorded judicial deposits, contributing to the improvement of the Company's liquidity.

We are recognized as a sustainable company, concerned with the impact of its actions on the environment and on society. Our sole generation plant burning fuel oil is being de-activated, and we will be generating power from 100% renewable sources. At the same time we are the company that most invests in culture in the state of Minas Gerais. Cemig GT’s controlling stockholder, Cemig, has been included in the ISE Corporate Sustainability Index of the São Paulo Stock Exchange since its creation in 1999, and was once again included in 2019. We are signatories of the UN Global Compact; and we have leading positions in several international and Brazilian sustainability ratings – all of these indices representing recognition of the value of our shares from the point of view of sustainability.

The Brazilian macroeconomic scenario, after a period of recession and low growth, is beginning to show signs of recovery. A higher GDP growth rate is expected in 2020 than in recent years, and we expect this certainly to have positive impacts on our results.

In conclusion, we have good reasons for being optimistic about the future. Company’s Board of Directors, Executive Board and managers, and its highly qualified group of employees, are committed and motivated to ensure progress and sustainability of our operations, providing appropriate returns to stockholders, and meeting the expectations of the other shareholders.

We wish to express our thanks for the commitment and talent of our employees, stockholders and other shareholders, in jointly sustaining the recognition of Cemig as an outstanding company and a leader in the Brazilian power industry.

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CEMIG GERAÇÃO E TRANSMISSÃO

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

The Company has too interests in 83 power plants – of these 76 are hydroelectric, six are wind power plants, and one is solar – and the associated transmission lines, mostly part of the Brazilian national generation and transmission grid system, with installed capacity for 5,553 MW (information not reviewed by external auditors).

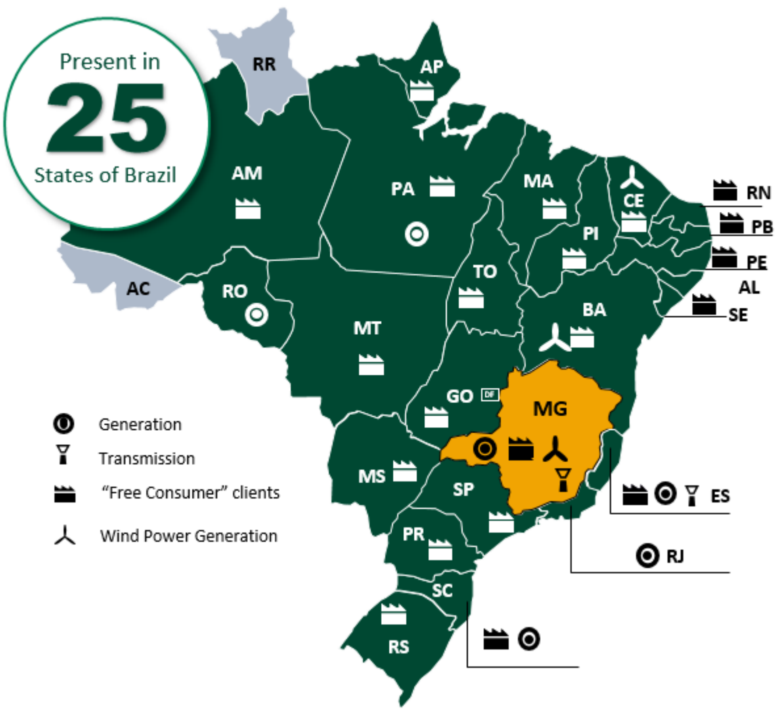
Transmission

In 2019, the Company operated and maintained 38 substations and 4,930 km of transmission lines, operating at 230kV, 345kV and 500kV, as part of Brazil’s National Grid system.

The Company operates and maintains transmission assets of 15 other companies, with whom it has operation and maintenance contracts, in 18 substations (of which four are not substations of the Company), and serving 365 km of transmission lines.

Area of operation

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



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Our mission, vision and values

Mission

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

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

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

Values

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

Ethical Principles and Code of Professional Conduct

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

REGULATORY ENVIRONMENT

Energy generation

2019 was one more year of low hydrology in the Southeastern Region of Brazil. Average Affluent Natural Energy (ANE) in the year was less than 80% of the historic average, compared to 90% in 2018. The long sequence of years with low hydrology has kept the reservoirs of the Southeast at below 60% of capacity at the end of the rainy period, which historically means low volumes – and during the dry period, there was rapid depletion, leading the reservoirs of the Southeast to levels near historic lows.

The average Spot Price (PLD) in the Southeast in 2019 was R$227.10/MWh, compared to R$288.57/MWh in 2018, a reduction of 21.30%. In spite of the worsening in hydrology and storage over the year in the Southeast, the excess levels of generation in the North in the first half of the year and the Northeast in the second half of the year helped to keep the price lower. The GSF (*Generation Scaling Factor*) performed better in 2019 when compared to 2018, with an average value of 0.91 in 2019 compared to 0.84 in 2018.

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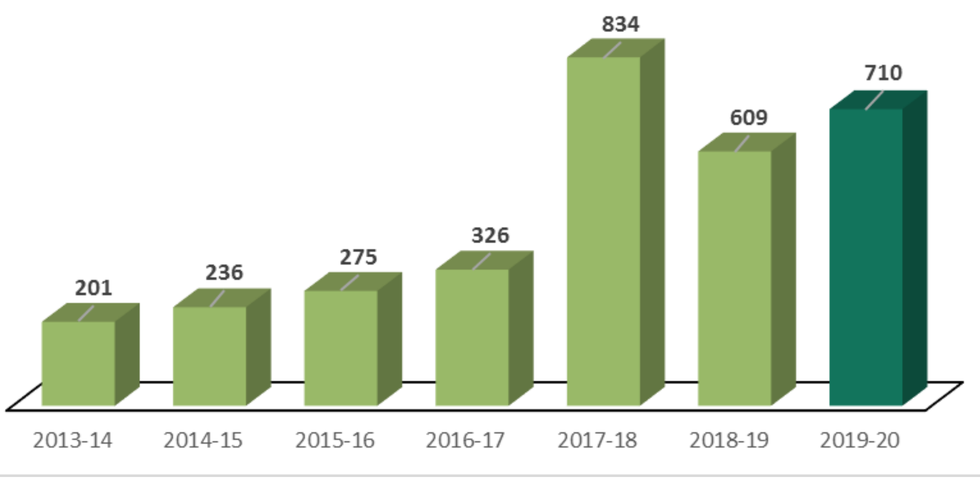
Energy transmission

Because it acts in a regulated market, the Company's revenue from the transmission assets is set by Aneel. The amount of this revenue is updated in three ways: by the *Periodic Review*, the *Annual Adjustment*, and the possibility of an *Extraordinary Review*. The Company works with the regulatory body seeking recognition of its costs, in the processes of review, adjustment and ratification of the Annual Permitted Revenues (RAPs) for new assets.

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

In July 2019 the Company's RAP (under concession contract 006/1997) was adjusted downward by 16.35%. This adjustment had two components from (i) application of the IPCA inflation index on the revenue level already previously approved, recognition of the new upgrades and improvements to the Company's assets and recognition of administrative resource items; and (ii) the portion of the cost of capital not included in the calculation after the renewal of the concession which took place at the beginning of 2013, as per MME Ministerial Order 120/2016. The RAP of Itajubá (Contract 079/2000) received a net upward adjustment of 18.16%, comprising application of the IGP-M inflation index to revenue previously approved, and recognition of new upgrades and improvements.

Transmission revenue (RAP) R$ mn



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FINANCIAL RESULTS

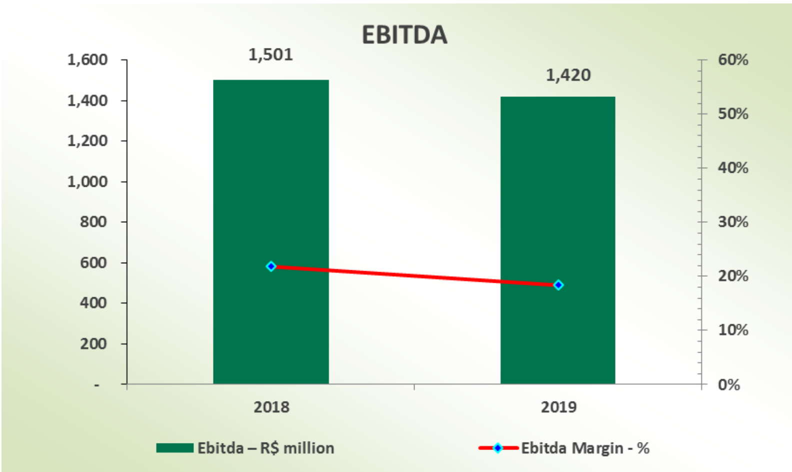
Net income for the year

The Company reports net income of R$835 million for 2019, which compares with its net income of R$591 million in 2018, an increase of 41.29%. The main variations in revenue, costs, expenses and net finance income (expenses) are noted below.

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

Cemig GT's Ebitda was 5.40% lower in 2019 than in 2018, as follows:

Ebitda - R$ million	2019	2018	Change, %
Net income for the period	835	591	41.29
+ Current and deferred income tax and social contribution tax	603	385	56.62
+ Net finance income (expenses)	(234)	376	-
+ Amortization and depreciation	216	149	44.97
= Ebitda	**1,420**	**1,501**	**(5.40)**



Ebitda is a non-accounting measure prepared by the Company, reconciled with its consolidated financial statements in accordance with the specifications in CVM Circular SNC/SEP 01/2007 and CVM Instruction 527 of October 4, 2012. It comprises: net income, adjusted for the effects of net financial revenue (expenses), depreciation, amortization, and income tax and social contribution tax. Ebitda is not a measure recognized by Brazilian GAAP nor by IFRS; it does not have a standard meaning; and it may be non-comparable with measures with similar titles provided by other companies. Cemig publishes Ebitda because it uses it to measure its own performance. Ebitda should not be considered in isolation or as a substitution for net income or operational profit, nor as an indicator of operational performance or cash flow, nor to measure liquidity nor the capacity for payment of debt.

The Ebitda in 2019 was positively impact by the recognition of revenue of R$414 million arising from the PIS/Pasep and Cofins taxes charged on amounts of ICMS tax, increase of Transactions in energy on the CCEE, and recognition of lower loss on on equity income .

A negative component in Ebitda was Operational costs and expenses, excluding depreciation and amortization, 25.09% higher. This basically reflects higher operational provisions. More details on the specific items of this Comment.

Ebtida margin, at 18.38% in 2019, compared to 21.84% in 2018.

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Revenue from supply of energy

	2019			2018		
	MWh (2)	R$ (mn)	Average price/MWh billed – R$/MWh¹	MWh (2)	R$ (mn)	Average price/MWh billed – R$/MWh
Industrial	13,641,330	3,182	233.23	15,100,812	3,245	214.91
Commercial	4,352,948	891	204.76	3,190,021	708	221.94
Rural	3,215	1	262.48	1,343	0,3	246.46
Subtotal	**17,997,493**	**4,074**	**226.34**	**18,292,176**	**3,953**	**216.13**
Net unbilled retail supply	-	16	-	-	1	-
	17,997,493	**4,090**	**-**	**18,292,176**	**3,954**	**-**
Wholesale supply to other concession holders (3)	11,578,115	3,015	260.38	12,121,762	2,908	239.88
Wholesale supply unbilled, net	-	(67)	-	-	(4)	-
	29,575,608	**7,038**	**237.95**	**30,413,938**	**6,858**	**225.50**

(1) The calculation of the average price does not include revenue from supply not yet billed.
(2) Data not audited by external auditors.
(3) Includes a CCEAR (Regulated Market Sales Contract), 'bilateral contracts' with other agents.

The Company reports a revenue from supply of energy of R$7,038 million in 2019, compared to R$6,858 million in 2018 – or 2.62% higher. This variaton is mainly due to the 5.52% increase in the average price due to the price adjustment of the energy sales contracts, partially offset by 2.76% reduction in the amount of volume billed.

Transmission concession revenue

The Company's revenue from transmission comprises the sum of the revenues from all the transmission assets. The concession contracts establish the Permitted Annual Revenue (Receita Annual Permitida or RAP) for the assets of the existing system, updated annually based on the variation in the IPCA inflation index. Whenever there is an upgrade or adaptation to an existing asset, made under specific authorization from Aneel, an addition is made to the RAP.

This revenue was R$703 million in 2019, compared to R$589 million in 2018 – or 19.35% higher. The higher figure arises, principally from the inflation adjustment of the annual RAP, applied in July 2019, increased by the new revenue related to the authorized investments. It includes an additional adjustment to expectation of contractual cash flow from the concession.

The percentages and indices applied for the price adjustment are different for different concessions: the IPCA index is applied to the contract of the Company, and the IGPM index to the contract of Cemig Itajubá. In 2019, the adjustments made to the RAP were: positive 10.53%, including the portion referring to new investments, for the Company's concession contracts; and positive 14.60% for the concession contracts of Cemig Itajubá. The adjustments comprised application of the inflation adjustment index, and recognition of works to upgrade and improve the facilities.

Additionally, the RAP (Permitted Annual Revenue) is made up of the sector charges, of which the most significant is the Energy Development Account (CDE) – this was 53.59% higher in 2019 than 2018. More details on the specific items of this Comment.

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Transmission reimbursement revenue

The revenue from reimbursements of transmission assets in 2019 was R$155 million, – or 38.00% less than in 2018 (R$250 million).

As specified in the sector regulations, the Company reports in each period the amount of the inflation/monetary adjustment applicable to the amount of indemnity receivable, based on the IPCA inflation index and the average regulatory cost of capital. The amounts of the reimbursements are being received through RAP, since July 2017, over a period of 8 years.

At the beginning of the tariff cycle, which occurs in July of each year, the amounts received, plus the adjustment made for the cycle, corresponding to the amortization of the debtor balance up to the end of the period, are excluded from the remuneration base, reducing the amounts of the monetary updating and the remuneration on the remaining balance.

In July 2019 the portion of RAP referring to the cost of capital not incorporated after the renewal of the concession (early 2013), as per MME Ministerial Order 120/2016, was adjusted upward by 14.32%. Also, Aneel accepted the appeal on its Ratifying Resolution (REH) 2,408/2018 submitted by the Company, recognizing the material error in the calculation of the annual cost of the energy assets that are part of the National Grid, resulting increasing this adjustment to 23.93%. This results in an increase in the indemnity reimbursement amount, to be received during the tariff cycle, reducing the remaining balance of indemnity reimbursement receivable, and consequently the remuneration arising on this balance.

More details in note 13 - Concession Financial Assets.

Revenue from transactions in the Wholesale Trading Chamber (CCEE)

Revenue from energy sales on the CCEE (Wholesale Energy Trading Chamber) in 2019 was R$439 million, or 137.30% higher than in 2018 (R$185 million). The difference mainly reflects Company having a higher excess of energy in 2019, also yielding higher value due to the monthly levels of the Spot Market Price (PLD). Although the average annual PLD has been reduced by 21.30%, the excess quantities of energy occurred in 2019 in months with high PLD's, increasing revenue earned on the CCEE in these months, and thus the expected revenue in the year.

Construction revenue

Construction revenues totaled R$220 million in 2019, compared with R$96 million in 2018, a reduction of 129.17%. 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 year.

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Taxes and regulatory charges reported as deductions from revenue

Taxes and charges applied to operating revenue in 2019 were R$1,809 million, or 12.36% more than in 2018 (R$1,610 million).

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, the subsidy for balanced tariff reduction, the low-income-customer subsidy, the coal consumption subsidy, and the Fuels Consumption Account.

The charges for the CDE in 2019 were R$235 million, compared to R$153 million in 2018, an increase of 53.59%. The TUST charge (component of the CDE) of the transmission companies is homologated annually, together with the approval of the budget of the CDE, for each full calendar year. The TUST-CDE charge that came into effect on January 1, 2019, was the result of an increase of 40.00%, due to the increase in the annual quota of 2019 in relation to 2018, which incorporated the 14.00% avarage increase in CDE unit cost (Annual Quota/MWh) and the transfer of the 2018 budget review.

The other significant deductions from revenue are taxes, calculated as a percentage of sales revenue. Hence, their variations are substantially proportional to the changes in revenue.

Operating costs and expenses

Operating costs and expenses in 2019 totaled R$6,437 million, 25.67% higher than in 2018 (R$5,122 million).

For more information on the components of Operating costs and expenses see Note 27.

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

Energy bought for resale

The expense on energy bought for resale in 2019 was R$3,841 million, compared to R$3,853 in 2018, representing an reduction of R$12 million. This difference is mainly due to a lower expense on purchase of energy in the spot market: R$113 million in 2019, compared to R$168 million in 2018 – a reduction of 32.74%.

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 21.04% lower in 2019, at R$227.10 MWh, compared to R$288.57/MWh in 2018.

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Personnel expenses

The expense on personnel in 2019 was R$322 million, 3.01% lower than in 2018 (R$332 million), arising mainly from the recognition of lower expense on the voluntary severance program: R$6 million in 2019, compared to R$18 million in 2018.

Employee profit shares

The expense on employees' and managers' profit sharing was R$63 million in 2019, compared to R$17 million in the same period in 2018. The higher figure arises from the higher consolidated profit of Cemig, Cemig GT's controlling stockholder – the basis of calculation for profit shares (the collective agreements are unified for Cemig Distribution, Cemig GT and Cemig GT's controlling stockholder).

Post-employment obligations

The impact of the Company's post-employment obligation on operating profit was an expense of R$88 million in 2019 – which compares with an expense of R$72 million in 2018, an increase of 22.22%. This mainly reflects a higher cost for the Health Plan in 2019, due to reduction of the discount rate used in the actuarial valuation made in December 2018 – which increases the total of post-retirement obligations.

Construction cost

Construction cost was R$220 million in 2019 – compared to R$96 million in 2018, an increase of 129.17%. This cost is offset in full by the accounting item Construction revenue, thus having no effect on net income. This mainly reflects most of the current projects in the Investment Program having started execution in 2019, compared to a lower expense in 2018, when the projects were at initial phases.

Operating provisions

Net operating provisions in 2019 total R$1,110 million, compared to R$117 million in 2018, arising mainly from the following factors:

- Provision made for estimated losses for doubtful receivables in 2019, of R$38 million, compared to the reversal of provision of R$5 million in 2018 – mainly due to the expectation of loss in the portfolio of large free customers. More details in Note 8;
- Recognition, in June 2019, of a provision for loss on amounts receivable from Renova, in the amount of R$688 million, as a result of an assessment made by the Company of the credit risk of that investee. More details in Note 29;
- Recognition, of a tax contingency provision of R$284 million resulting from reassessment of the chances of loss from 'possible' to 'probable' in the legal action related to social security contributions on payments of profit sharing (PRL) to employees in the years 1999 to 2016. More details in Note 24;

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- These increases were partially offset by the provisions for the SAAG put option being 40.74% lower: R$64 million in 2019, vs. R$108 million in 2018. There is more on the method of calculation in Note 30.

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

A net loss of R$83 million in the value of non-consolidated investees was posted by the equity method in 2019, which compares with a net loss of R$352 million in 2018, 76.42% lower. The losses recognized in 2018 were basically related to the investments in Santo Antônio Energia. The negative equity method result from the investment in Santo Antônio Energia was R$189 million in 2019, compared to R$301 million in 2018.

Note 15 gives the breakdown of equity method gains/losses, by investee.

Finance income (expenses)

The Company reports net financial income of R$324 million in 2019, compared to net financial expenses of R$376 million in 2018. The mainly from the following factors:

- Gain on the hedge transactions contracted to protect the Eurobond issue: the gain in 2019 was R$998 million, compared to a gain of R$893 million in 2018. This improvement mainly reflects lowering of the yield curve over the period of the contract, which helps reduce expectations for the amount of payments of Company's obligations, which are indexed to the CDI rate and for the present value of the mark-to-market of the financial instrument. The increase of the fair value of the option (*call spread*) also raised the gain on the hedge transactions;
- Gain of R$240 million, arising from monetary updating of the tax credits for PIS/Pasep and Cofins taxes, as a result of the final judgment in the Company's favor on its legal action questioning inclusion of ICMS tax amounts in the basis of calculation for those taxes, with effects since July, 2003. More details in Note 10;
- Lower variation on loans in foreign currency in 2019 represented a financial expenses of R$234 million, compared a financial expense of R$580 million in 2018, an reduction of 59.66%. This reduction is due to the lower exchange rate in effect in the period (4.02% in 2019, compared to 17.13% in 2018).

For a breakdown of financial income/expenses please see Note 28.

Income tax and social contribution tax

In 2019 the expense on income tax and social contribution tax was R$603 million, on pre-tax profit of R$1,438 million – an effective rate of 41.95%. In 2018, the expense on income tax and social contribution tax was R$385 million, or 39.45% of the pre-tax profit of R$976 million.

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These effective rates are reconciled with the nominal rates in Note 11d.

Liquidity and capital resources

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

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

Management monitors the Company's cash flow, and for this purpose assesses measures to adjust the present situation of its financial assets and liabilities to the levels considered appropriate to meet its needs.

Cash and cash equivalents

Cash and cash equivalents at December 31, 2019 totaled R$211 million, compared to R$302 million on December 31, 2018. No cash nor cash equivalents were held in any other currency than the Real. The main components of this variation are as follows:

Cash flow from operations

Consolidated net cash generated by operations in 2019 totaled R$743 million, which compares with consolidated net cash generated by operations in 2018 of R$1,671 million. The lower figure is mainly because the cash position in 2018 was significantly affected by receipt of indemnities totaling R$1,140 million for assets not amortized or not depreciated, for the basic plans of the São Simão and Miranda plants.

Cash flow from investment activities

Net cash generated by investment activities in 2019 was R$93 million, which compares with R$626 million used in investment activities in 2018. This change basically reflects the receipt of a loan from Cemig (Cemig GT's controlling stockholder), of R$400 million, whereas in the prior year there was an outflow of funds to Cemig totaling R$391 million. Additionally, in 2018, there was investments of R$657 million in subsidiaries, compared to R$44 million in 2019.

Cash flow in financing activities

Net cash consumed by financing activities totaled R$926 million in 2019, compared to R$1,146 million consumed on financing activities in 2018. This lower figure mainly reflects lower amortization of loans in 2019, totaling R$610 million, whereas amortization of loans net of new loans contracted in 2018 was R$932 million.

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Funding and debt management policy

Costs of refinancing of the Company's debt were higher in 2017 and 2018 than the historic levels for prior years, due to the liquidity challenges suffered in those two years. In 2019, on the other hand, the Company, benefiting from the reopening of the capital market, concentrated efforts on reduction of costs and financial leverage.

Continuing firmly with its purpose of improving credit quality, the Company amortized debt totaling R$ 610 million.

Corroborating these improvements, the principal international risk rating agencies made further upgrades in their credit risk ratings for the Company, recognizing the success in implementing measures that improve its credit quality – improvement of the liquidity profile, sale of assets, refinancing of debts and greater operational efficiency, combined with a more prudent strategy for management of liabilities.

This table shows how the Company's credit ratings have been changed, from December 2018 to December 2019:

Fitch		*Investment Grade*										*Speculative Grade*											
Brazilian	*Global*	AAA	AA+	AA	AA-	A+	A	A-	BBB+	BBB	BBB-	BB+	BB	BB-	B+	B	B-	CCC	CC	C	RD/D		
December - 2018																							
December - 2019																							

Moodys		*Investment Grade*										*Speculative Grade*											
Brazilian	*Global*	Aaa	Aa1	Aa2	Aa3	A1	A2	A3	Baa1	Baa2	Baa3	Ba1	Ba2	Ba3	B1	B2	B3	Caa1	Caa2	Caa3	Ca	C	
December - 2018																							
December - 2019																							

S&P		*Investment Grade*										*Speculative Grade*											
Brazilian	*Global*	AAA	AA+	AA	AA-	A+	A	A-	BBB+	BBB	BBB-	BB+	BB	BB-	B+	B	B-	CCC+	CCC	CCC-	CC	C	D
December - 2018																							
December - 2019																							

The details of funding raised, including costs and maturities, are given in Note 21 to the Financial Statements.

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

The Company's debt on December 31, 2019 totaled R$7,887 million, with average tenor of 4.3 years. There are more details in Note 21 to the Financial Statements.

This chart shows the present amortization timetable:

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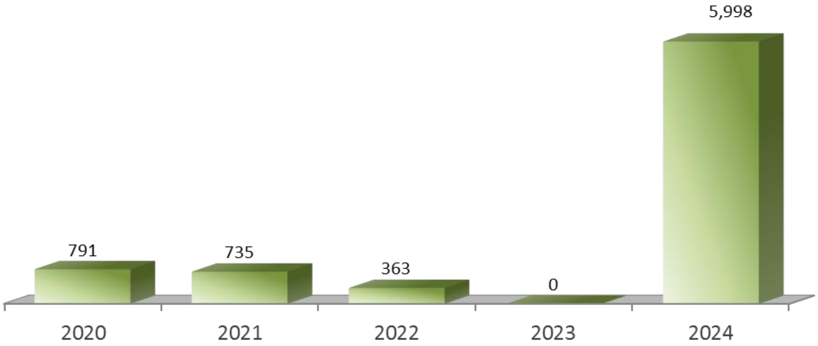
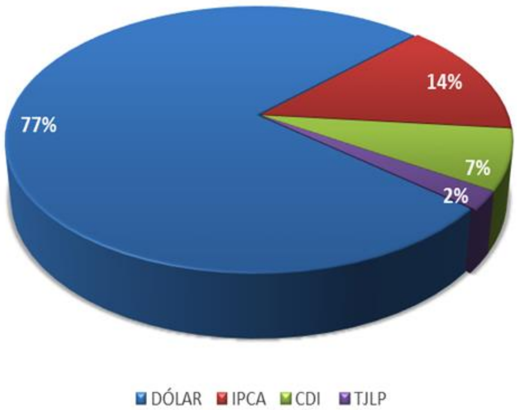
Debt amortization timetable
Position at December 2019 – R$million



The composition of the Company's debt is a reflection of the sources of funding available to it. Among these there is a significant proportion of debt in foreign currency. The latter is hedged against FX variation by an instrument which exchanges its cost in US dollars for local interest indexed to the CDI rate. The average cost of the Company's debt is 4.74% p.a. in real terms, and 9.22% p.a. nominal.

Cemig GT – Debt breakdown



PROPOSAL FOR ALLOCATION OF NET INCOME

The Board of Directors decided to propose to the Annual General Meeting to be held on April 30, 2020 that the income for 2019, of R$835 million, the balance of Reserve for Equity Valuation Adjustments, of R$18 million and the balance of Tax incentive reserve related to previous years, of R$1 million, should be allocated as follows:

- R$42 million to the legal reserve;
- R$270 million for payment of Interest on Equity;
- R$188 million for payment of the minimum mandatory dividend; and
- R$354 million to be held in Stockholders' equity in the Retained earnings reserve, to ensure the execution of the Company´s investment program.

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INVESTMENTS

Investments in generation:

In 2019, the *Belo Monte* plant began full generation of power, with all rotors operating. The Company, with an indirect equity interest of 11.69% in the project, has invested approximately R$1.61 billion.

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

The plant, on the Machado River in the municipality of Poço Fundo, Minas Gerais, is part of Company’s generation portfolio, and will be transferred to the special purpose company Cemig Geração Poço Fundo S.A..

In 2019, the SPC was at pre-operational phase, being structured to increase the installed capacity of the Poço Fundo SHP, and for operation and maintenance of the plant until the end of the concession.

The expansion works will be begun in 2020 for an approximate cost of R$140 million, with completion planned for 2022.

Investments in transmission

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

The investiments in 2019 was R$220 million.

CORPORATE GOVERNANCE

The Company’s Board of Directors comprises nine sitting members, eight nominated and elected by the shareholders, with the exception of one member who is elected by the employees, as per Law 13,303/2016. Under the by-laws, the period of office of all the members runs concurrently, for two years, and they may be re-elected a maximum of three times. In 2019, 30 meetings of the Board of Directors were held, to decide on a range of matters such as, among others, strategic and budgetary planning, investment projects and acquisitions.

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The Audit Committee, created under the change to the by-laws in June 2018 and in compliance with Law 13,303/2016, is an advisory committee linked to the Board of Directors with the functions of auditing and inspecting the quality and integrity of the financial statements, adherence to the legal and regulatory requirements; and effectiveness of the internal control systems and the internal and external auditing. It has three members, with term of office of three years, and one re-election is allowed. The Audit Committee held 47 meetings in 2019.

The *Audit Board* is established permanently, and has five members and their substitute members, elected for periods of office of two years – able to be renewed for two consecutive times. Its duties are set by the applicable Brazilian legislation and, when these do not conflict, by the laws of the countries in which Cemig has shares listed and traded. The Audit Board held 15 meetings in 2019.

RELATIONSHIP WITH EXTERNAL AUDITORS

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

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

Service	2019	As % of audit fees	2018	As % of audit fees
Auditing of Financial Statements	2,070	100.00	1,894	100.00
Auditing of the public digital bookkeeping system (SPED)	338	16.34	311	16.41
Comfort letter for issuance of debt instruments	-	-	912	48.14
Total	**2,408**	**116.34**	**3,117**	**164.55**

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

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

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INTERNAL AUDITING AND MANAGEMENT OF RISKS

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

In 2019, to give more emphasis to the questions that involve management of risks and compliance, a new joint Chief Executive's Department, of Compliance, was created in Cemig.

As part of this activity, in 2019 the Executive Board and the Board of Directors approved the Corporate Risks Matrix (Top Risks and Compliance Risks) in effect for the business years 2019 and 2020.

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

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

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

Anti-fraud Policy

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

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

TECHNOLOGICAL MANAGEMENT AND INNOVATION

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

All these transformations directly affect the power industry and represent at the same time threats and opportunities for a company like Cemig. These changes can be grouped into three trends – the "three **D's**": **1)** Digitalization; **2)** Decarbonization; and **3)** Decentralization – placing new types of demand on the energy sector, coming from: the public in general, from other sectors of the economy, and indeed from the government, through its regulators.

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

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

Six projects were contracted in 2019 resulting from a Specific Tender associated with the '3D', under the name of 'Cemig 4.0', including the following initiatives:

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

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SOCIAL RESPONSIBILITY

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

The following are some of the highlights of 2019:

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

The 2019 AI6% Campaign involved the participation of 1,546 employees, who voluntarily allocated R$1,16 million to benefit approximately 27,000 children and teenagers in vulnerable situations, served by 181 institutions. The Company also allocated part of its income tax payable to the same FIA's. The amount invested by the Company was R$4.61 million. In total, R$5.77 million was donated to entities spread out over the 95 municipalities in the Company's area of influence.

Projects in culture, sport and health

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

Culture

Cemig is the largest supporter of culture in the State of Minas Gerais, investing approximately R$14.22 million in 2019, being one of its priorities is Corporate Citizenship, contributing to the generation of leisure opportunities, critical composition and human development.

Health:

The Company invested R$2.3 million in 50 social projects, among which are the Elderly Fund and FIA's, wich includes projects for Education Institutions, Support and Treatment of Children and Elderly and Apaes.

Sport:

In 2019, Cemig invested a total of R$1.2 million in sports.

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

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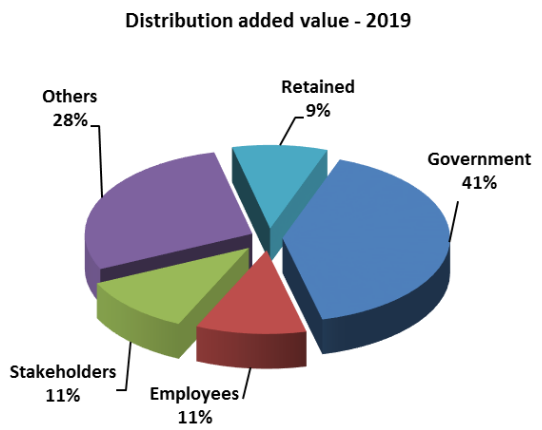
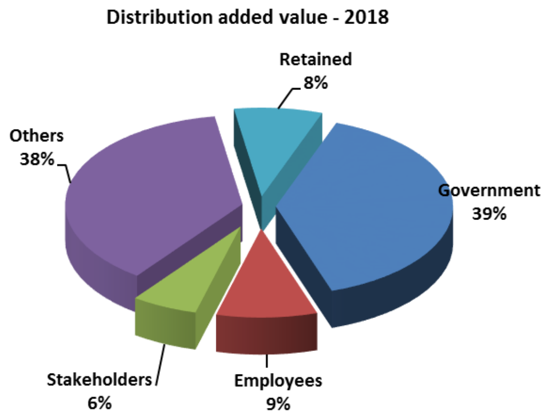
For the Company, these projects enhance its image as a company committed to the development of healthy habits, and the welfare and development of the communities.

Value added

The Value Added Statement (*Demonstração do Valor Adicionado*, or DVA) is an indicator of wealth creation and of the Company's importance for society in general: the added value created in 2019 was R$4,094 million, compared to R$4,188 million in 2018.





Human resources

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

<u>Number of employees</u>

In view of the reality imposed by the present conditions of regulation in the energy sector, the Company is working towards more efficiency and greater alignment with the sector benchmarks. In the search to include new talents, promote natural turnover of the workforce, also taking opportunities for review of processes and greater efficiency, the Company implemented voluntary dismissal programs ('PDVPs') – in recent years, which have resulted in a significant reduction of the number of employees in the last 5 years, from 1,698 in 2015 to 1,307 in 2019, as shown:

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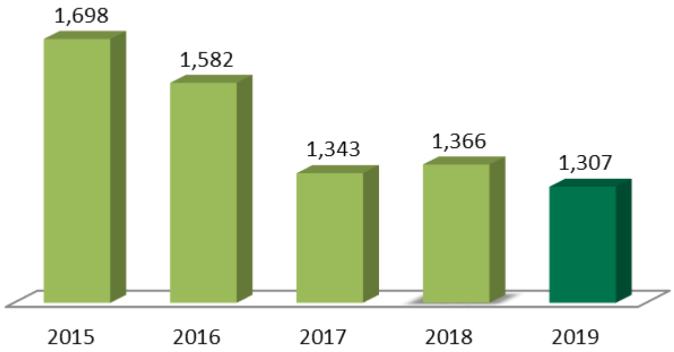
Number of employees



Covid 19 – Precautionary measures for employees

The Company has implemented a series of precautionary measures so that its employees are not exposed to risk situations. These include: restrictions on national and international travel; suspension of technical visits and events at Cemig's facilities; use of remote means of communication; home office working for certain groups of employees; etc.

The Company may adopt additional measures to reduce the exposure of its employees to the risks of infection, ensuring continuity of the provision of their services, which are essential to society.

UniverCemig

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

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

The UniverCemig began professional training of 68 new employees of its own: 11 electricians, 2 maintenance staff, 46 technicians and 9 engineers.

Professional training of new employees and training in legal requirements, mainly the bi-annual recycling of the NR10 and NR35 standards, which took place in 2019 were responsible for an increase in the average number of in-person trainings per employee of the Company, from 44.53 hours in 2018 to 52.32 hours in 2019.

In 2019 there were 2,702 participations in in-person technical training sessions for the Group's own employees. In total, there were 68,382 person-hours of training.

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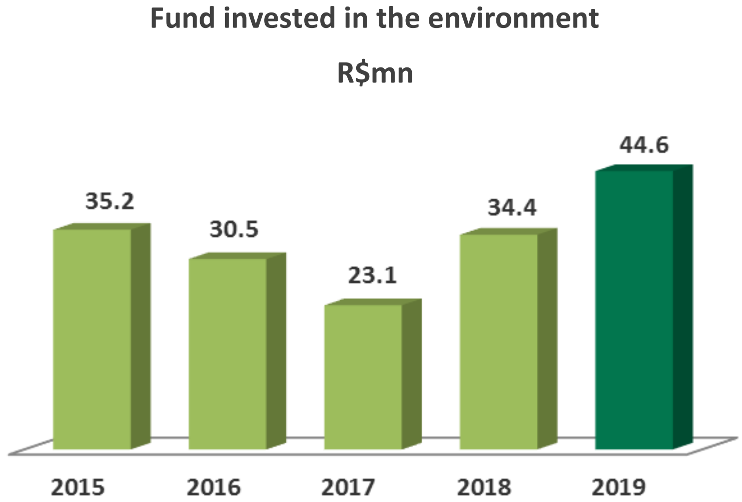
Cemig believes that the training of its workforce is fundamental for reaching the strategic objectives with sustainability.

Environment

In 2019, Cemig invested approximately R$44,6 million in the environment. Within Cemig GT's Environmental Strategy, the Environmental Adequacy Plan Monitoring Group periodically reviews the prioritization and allocation of these resources. The funds were applied in investments, R&D projects and expenses related to compliance with environmental obligations and improvements.



Water resources

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

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

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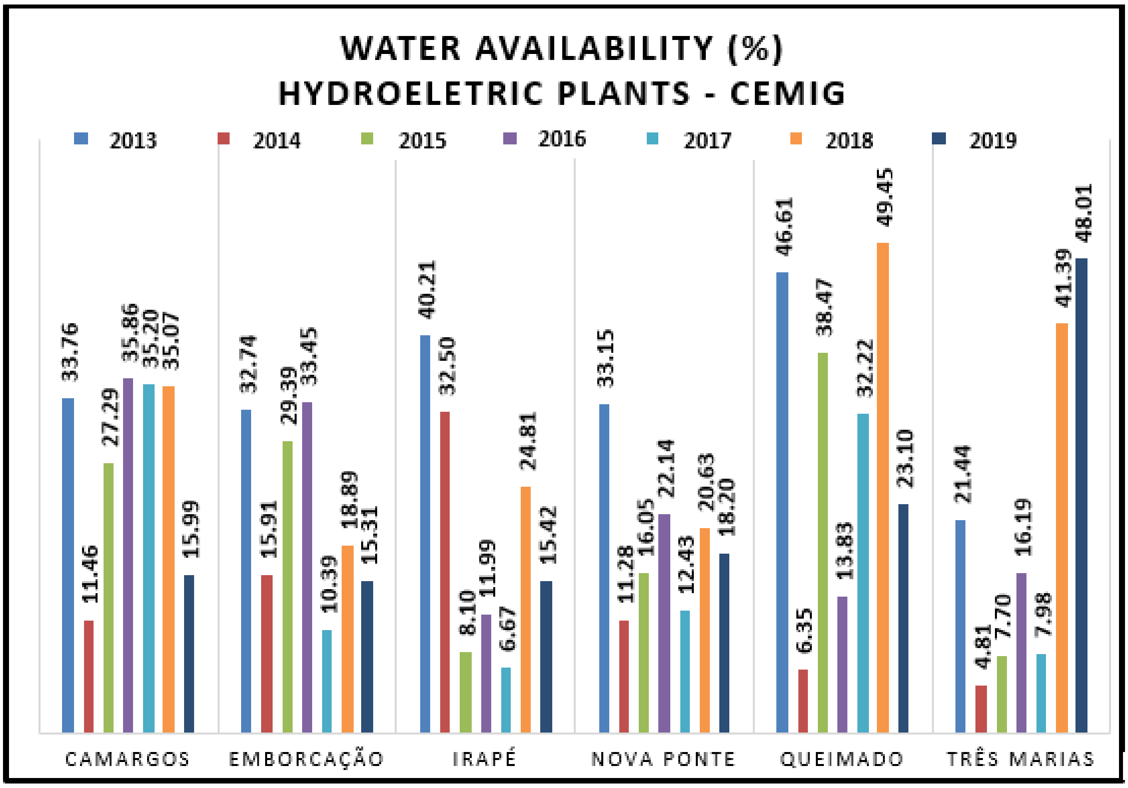
Cemig published daily figures on the levels of several of its reservoirs on its website.

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

The chart below shows the information on water storage levels in Cemig's principal reservoirs in December 2019, compared with the same time in previous years.



Dam safety

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

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

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

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

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

Periodically, are done Internal training on these Emergency Action Plans (PAE's).

In 2019 Cemig maintained its policy of increasingly close relations with the public, focused on emergency situations, through the Municipal Coordination Units for Protection and Civil Defense (COMPDEC's). Working with the theme areas referred to by Law 12,334/2010 and Aneel Normative Resolution 696/2015, it prepared the strategy for alerts and alarms, and means of communication in dam rupture emergency situations, to be put in place with communities that might potentially be affected by such situations. The document was divided into two parts, for the internal and external public:

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

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

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

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In alignment with CEDEC-MG, and in compliance with the legislation, in 2019 Cemig held meetings on 'Emergency and Readiness Culture – Preparation of External Emergency Plans (PAE's)', with the Municipal Protection and Civil Defense Councils (COMPDEC's). The last nine meetings were held for municipalities not covered in 2018, and 24 of the 33 remaining municipalities of interest invited were given detailed information, with the participation of approximately 70 Civil Defense agents.

Also in 2019, 12 meetings were held, attended by 30 of the 38 invited municipalities of interest, making official delivery of the External PAE's of 11 dams, with presentation of studies of Flood Areas Propagation for scenarios of Dam Rupture and Exceptional Floods, with indications of how to choose Meeting Points and Escape Routes. The program also developed and made available an application for smartphones, including a risk management tool, alert and warning notifications, and construction of client and user files for use by the COMPDEC's.

To improve the perception of risk and enable municipality contingency plans to be developed with the best technical content through a specialized company, carried out surveys of topography for the process of preparation of the cartographic base of the valleys upstream from 43 hydroelectric plants, also to be used in computer models of water propagation for eight flow scenarios, to support the preparation of the Emergency Action Plans to cover dam ruptures and natural floods.

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

Management of waste

Over the whole of 2019, 410.7 tons of industrial wastes were allocated for disposal: 72.20% of these wastes were sold or recycled; 0.28% regenerated, reused or decontaminated; and 27.40% co-processed, incinerated, sent for treatment (effluents and sedimentation), or disposed of in industrial landfills.

Programs for fish populations

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

In 2019 seven research projects were carried out using funding from the R&D program, and from the company itself; and 49 works were published related to the projects or actions of the *Peixe Vivo* program, presenting results for projects in progress or completed. The research project coordinated by the *Peixe Vivo* team in 2019 involved a total of 50 people from teaching and research institutions.

FINAL REMARKS – APPRECIATION

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

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SOCIAL STATEMENT

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

1 - Basis of calculations	2019 – Parent company Amount (R$ '000)			2018 – Parent company Amount (R$ '000)		
Net revenue (NR)	6,689,274			6,174,729		
Operational profit (OP)	1,050,704			1,236,306		
Gross payroll (GP)	302,199			306,221		
2) Internal social indicators	**Amount (R$ '000)**	**% of GP**	**% of NR**	**Amount (R$ '000)**	**% of GP**	**% of NR**
Food	19,041	6.30	0.28	19,163	6.26	0.31
Mandatory charges/costs on payroll	82,509	27.30	1.23	70,226	22.93	1.14
Private pension plan	23,839	7.89	0.36	20,396	6.66	0.33
Health	12,001	3.97	0.18	10,720	3.50	0.17
Safety and medicine in the workplace	5,070	1.68	0.08	5,631	1.84	0.09
Education	282	0.09	0.00	296	0.10	0.00
Training and professional development	13,098	4.33	0.20	9,302	3.04	0.15
Provision of or assistance for day-care centers	516	0.17	0.01	762	0.25	0.01
Profit sharing	26,325	8.71	0.39	999	0.33	0.02
Others	4,364	1.44	0.07	3,389	1.11	0.05
Internal social indicators – Total	**187,045**	**61.89**	**2.80**	**140,884**	**46.01**	**2.28**
3) External social indicators	**Amount (R$ '000)**	**% of OP**	**% of NR**	**Amount (R$ '000)**	**% of OP**	**% of NR**
Education	14,735	1.40	0.22	65	0.01	0.00
Culture	180	0.02	0.02	2,884	0.23	0.05
Health and water infrastructure	130	0.01	0.00	838	0.07	0.01
Sport	1,286	0.12	0.02	1,228	0.10	0.02
Other donations/subsidies / ASIN project	2,311	0.22	0.03	2,506	0.20	0.04
Total contributions to society	**18,642**	**1.77**	**0.28**	**7,521**	**0.61**	**0.12**
Taxes (excluding obligatory charges on payroll)	1,647,142	156.77	24.62	1,399,035	113.16	22.66
Internal social indicators – Total	**1,665,784**	**158.54**	**24.90**	**1,406,556**	**113.77**	**22.78**
4) Environmental indicators	**Amount (R$ '000)**	**% of OP**	**% of NR**	**Amount (R$ '000)**	**% of OP**	**% of NR**
Related to the company's operations	22,071	2.10	0.33	30,506	2.46	0.49
Total investment in the environment	**22,071**	**2.10**	**0.33**	**30,506**	**2.46**	**0.49**
As to annual targets to minimize toxic waste and consumption during operations, and increase efficacy of use of natural resources, the company:	(X) has no targets ( ) meets 0–50% of targets	( ) meets 51–75% of targets ( ) meets 76–100% of targets		(X) has no targets ( ) meets 0–50% of targets	( ) meets 51–75% of targets ( ) meets 76–100% of targets	
5) Workforce indicators						
Number of employees at end of business year	1,307			1,366		
Hirings during the business year	87			76		
Number of outsourced employees	37			127		
Number of interns	66			84		
Employees' levels of education						
- University and university extension	521			527		
- 2 Secondary	778			807		
- 1 Primary	8			10		
Number of employees over 45 years old	496			614		
Number of women employed	183			190		
% of supervisory positions held by women	9.23%			12.50%		
Number of African-Brazilian employees	58			61		
% of supervisory positions held by African-Brazilians	1.54%			2.50%		
Number of employees with disabilities	32			30		

6) Corporate citizenship	2019		
Ratio between highest and lowest compensation in the Company	30.52		
Total number of work accidents	16		
Who selects the company's social and environmental projects?	( ) senior management	(x) senior management and line managers	( ) all the employees
Who decides the company's work-environment health and safety standards?	( ) senior management and line managers	(x) all employees	( ) All + Accident Prevention Ctee.
In relation to labor union freedom, the right to collective bargaining, and/or internal employee representation, the company:	( ) does not get involved	(x) follows the ILO guidelines	( ) encourages and follows the ILO
The company pension plan covers	( ) senior management and line managers	( ) senior management and line managers	(x) all employees
The profit-sharing program covers:	( ) senior management and line managers	( ) senior management and line managers	(x) all employees
In selecting suppliers, the Company's own standards of ethics and social and environmental responsibility:	( ) are not considered	( ) are suggested	(x) are required
In relation to employee participation in volunteer work programs, the company:	( ) don't get involved	( ) supports	(x) organizes and encourages
Total number of customer complaints and criticisms:	Via Procon N.A.	Via Procon N.A.	In the courts N.A.
% of complaints and criticisms met or solved:	Via Procon N.A.	Via Procon N.A.	In the courts N.A.
Total added value distributable (R$ '000)	In 2019: 4,094,490		
Distribution of added value (DVA)	40.62% government 11.19% stockholders 10.68% employees	28.30% others 9.21% retained	

7) Other information	2019
Investments in environmental issues	R$22,070,641
Monitoring of reservoir water quality	43 reservoirs and 236 collection stations
Non-reusable wastes and materials	296 tons
Revenue from sales of waste	R$532,494.28

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CEMIG GT IN NUMBERS

Item	2019 Parent company	2018 Parent company
Service		
Number of customers	1,601	1,306
Number of employees	1,307	1,366
Energy sold per employee – MWh	21,116	20,804
Market		
Own generation – GWh	5,533	4,953
Average sale price (excluding ICMS tax), R$/MWh – Industrial	210.85	197.50
Expenses		
Number of plants in operation	51	53
Installed capacity (MW)	3,235	3,675
Financial		
Net operational revenue, R$ mn	6,689	6,175
Operational margin, %	15.71	20.02
Ebitda, R$ mn	1,420	1,501
Profit, R$ mn	835	591
Earnings per share	0.2883	0.2039
Stockholders' equity – R$ mn	5,136	4,980
Book value per share	1.77	1.72
Return on equity, %	16.26	11.86
Debt / Stockholder's equity, %	235.64	232.76
Current liquidity ratio	1.06	0.90
General liquidity ratio	0.66	1.43

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COMPOSITION OF BOARD OF DIRECTORS, AUDIT COMMITTEE AND EXECUTIVE BOARD

BOARD OF DIRECTORS
NAMES
Márcio Luiz Simões Utsch
Antônio Rodrigues dos Santos e Junqueira
Cledorvino Belini
José Reinaldo Magalhães
Romeu Donizete Rufino
José João Abdalla Filho
Marcelo Gasparino da Silva
Vacant
Marco Aurélio Dumont Porto

AUDIT BOARD	
SITTING MEMBERS	**SUBSTITUTE MEMBERS**
Gustavo de Oliveira Barbosa	Germano Luiz Gomes Vieira
Marco Aurélio de Barcelos Silva	Carlos Eduardo Amaral Pereira da Silva
Elizabeth Jucá e Mello Jacomet	Vacant
Rodrigo de Mesquita Pereira	Ronaldo Dias
Cláudio Morais Machado	Carlos Roberto de Albuquerque Sá

THE AUDIT COMMITTEE
NAMES
Pedro Carlos de Mello
Márcio de Lima Leite
Roberto Tommasetti

THE EXECUTIVE BOARD	
NAME	**POSITION**
Reynaldo Passanezi Filho	Diretor Presidente
Dimas Costa	Diretor Cemig Comercialização
Maurício Fernandes Leonardo Júnior	Diretor de Finanças e Relações com Investidores
Paulo Mota Henriques	Diretor Cemig Geração e Transmissão
Daniel Faria Costa	Diretor Cemigpar
Ronaldo Gomes de Abreu	Diretor sem denominação específica
Luciano de Araújo Ferraz	Diretor de Regulação e Jurídico

INVESTOR RELATIONS

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

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

STATEMENTS OF FINANCIAL POSITION

AS OF DECEMBER 31, 2019 AND 2018

ASSETS

(Thousands of Brazilian Reais)

	Note	Consolidated		Parent Company	
		2019	2018	2019	2018
CURRENT					
Cash and cash equivalents	6	211,608	301,696	136,208	226,830
Marketable securities	7	372,678	161,848	128,175	12,922
Customers and traders	8	1,033,281	879,875	912,315	730,991
Concession holders – transmission service	8	95,815	71,164	95,898	71,236
Recoverable taxes	9	51,182	48,505	43,700	41,166
Income tax and social contribution tax recoverable	11a	364,562	159,160	363,049	156,738
Dividends receivable	15	112,043	98,842	112,337	98,842
Concession financial assets	13	439,582	423,511	189,017	180,995
Contract assets	14	171,849	130,951	171,849	130,951
Advances to suppliers		40,081	6,785	40,081	2,036
Hydrological risk renegotiation premium		17,203	17,159	17,203	17,159
Derivative financial instruments	30	234,766	69,643	234,766	69,643
Others		93,903	168,167	99,838	154,619
TOTAL CURRENT		**3,238,553**	**2,537,306**	**2,544,436**	**1,894,128**
NON-CURRENT					
Marketable securities	7	916	21,498	315	1,709
Customers and traders	8	5,942	5,020	573	5,020
Deferred income tax and social contribution tax	11c	5,100	-	-	-
Recoverable taxes	9	676,051	17,825	647,934	17,068
Income tax and social contribution tax recoverable	11a	3,067	3,115	-	-
Escrow deposits	12	364,277	374,374	350,051	338,779
Receivable from related parties		1,573	921,288	6,171	927,913
Hydrological risk renegotiation premium		9,338	22,981	9,338	22,981
Advances to suppliers		-	87,285	-	87,285
Derivative financial instruments	30	1,456,178	743,692	1,456,178	743,692
Others		53,561	59,290	48,552	58,945
Concession financial assets	13	4,125,488	4,097,935	1,907,837	1,931,521
Contract assets	14	1,024,385	998,359	1,024,385	998,359
Investments	15	4,041,565	4,205,308	7,341,485	7,488,441
Property, plant and equipment	16	2,448,487	2,659,221	1,822,191	2,025,205
Intangible assets	17	155,587	197,583	28,260	30,715
Leasing – rights of use	18	52,984	-	51,581	-
TOTAL NON-CURRENT		**14,424,499**	**14,414,774**	**14,694,851**	**14,677,633**
TOTAL ASSETS		**17,663,052**	**16,952,080**	**17,239,287**	**16,571,761**

The Notes are an integral part of these financial statements.

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STATEMENTS OF FINANCIAL POSITION

AS OF DECEMBER 31, 2019 AND 2018

LIABILITIES

(Thousands of Brazilian Reais)

	Note	Consolidated		Parent Company	
		2019	2018	2019	2018
CURRENT					
Loans and financings	21	224,102	44,338	45,876	44,338
Debentures	21	693,996	559,873	693,996	559,873
Suppliers	19	422,312	484,726	396,317	436,114
Income tax and social contribution tax	11b	133,868	112,057	-	-
Taxes payable	20	51,248	57,664	39,008	46,453
Regulatory charges	22	168,785	139,457	157,638	131,615
Post-employment obligations	23	62,550	57,052	62,550	57,052
Interest on equity, and dividends, payable	25	781,769	660,068	781,769	659,622
Payroll and related charges		51,020	62,724	50,048	61,743
Advances from customers	8	-	40,267	-	40,267
Leasing – obligations	18	16,724	-	16,097	-
Others		169,138	74,191	155,490	72,900
TOTAL CURRENT		**2,775,512**	**2,292,417**	**2,398,789**	**2,109,977**
NON-CURRENT					
Loans and financings	21	5,997,355	5,919,979	5,997,355	5,756,612
Debentures	21	971,330	1,674,722	971,330	1,674,722
Deferred income tax and social contribution tax	11c	403,108	461,731	382,560	436,071
Taxes payable	20	352	4,445	72	4,124
Regulatory charges	22	45,298	59,349	39,983	54,048
Post-employment obligations	23	1,372,337	1,019,794	1,372,337	1,019,794
Provisions	24	400,457	98,708	400,205	97,793
Derivative financial instruments - options	30	482,841	419,148	482,841	419,148
Leasing – obligations	18	38,335	-	37,502	-
Others		39,926	21,651	20,112	19,336
TOTAL NON-CURRENT LIABILITIES		**9,751,339**	**9,679,527**	**9,704,297**	**9,481,648**
TOTAL LIABILITIES		**12,526,851**	**11,971,944**	**12,103,086**	**11,591,625**
SHAREHOLDERS' EQUITY	25				
Share capital		2,600,000	2,600,000	2,600,000	2,600,000
Profit reserves		2,757,210	2,362,614	2,757,210	2,362,614
Equity valuation adjustments		(221,009)	17,522	(221,009)	17,522
TOTAL SHAREHOLDERS' EQUITY		**5,136,201**	**4,980,136**	**5,136,201**	**4,980,136**
TOTAL LIABILITIES AND EQUITY		**17,663,052**	**16,952,080**	**17,239,287**	**16,571,761**

The Notes are an integral part of these financial statements.

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STATEMENTS OF INCOME

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

(Thousands of Brazilian Reais, except Net profit per share)

	Note	Consolidated		Parent Company	
		2019	2018	2019	2018
REVENUE	26	**7,723,720**	**6,874,237**	**6,689,274**	**6,174,729**
OPERATING COSTS					
COST OF ENERGY	27				
Charges for use of the national grid		(189,901)	(213,698)	(137,186)	(176,403)
Energy bought for resale		(3,841,262)	(3,853,066)	(3,780,346)	(3,764,279)
		(4,031,163)	**(4,066,764)**	**(3,917,532)**	**(3,940,682)**
COST					
Personnel and managers		(274,004)	(277,183)	(254,458)	(251,397)
Materials		(20,640)	(42,021)	(13,399)	(38,990)
Outsourced services		(124,494)	(117,081)	(83,899)	(94,707)
Depreciation and amortization		(195,969)	(143,242)	(137,987)	(140,680)
Operating provisions, net	27c	(317,406)	(14,062)	(318,067)	(14,049)
Transmission infrastructure construction cost	27e	(220,390)	(95,712)	(220,390)	(95,712)
Other operating costs		(46,174)	(23,524)	(20,379)	(21,847)
		(1,199,077)	**(712,825)**	**(1,048,579)**	**(657,382)**
TOTAL COST		**(5,230,240)**	**(4,779,589)**	**(4,966,111)**	**(4,598,064)**
GROSS PROFIT		**2,493,480**	**2,094,648**	**1,723,163**	**1,576,665**
OPERATING EXPENSES					
Selling expenses	27c	(38,407)	4,628	(7,576)	(2,863)
General and administrative expenses		(121,683)	(109,480)	(121,683)	(109,480)
Operating provisions	27c	(690,690)	(453)	(690,690)	(453)
Other operating expenses		(355,530)	(236,926)	(333,834)	(235,219)
		(1,206,310)	**(342,231)**	**(1,153,783)**	**(348,015)**
Share of profit (loss) of associates and joint ventures, net	15	(82,668)	(352,389)	503,008	55,390
Restatement of prior holding in acquirees	15	-	79,693	-	79,693
Adjustment for impairment of Investments	15	-	(127,427)	(21,684)	(127,427)
Operating profit before financial revenue (expenses) and taxes		**1,204,502**	**1,352,294**	**1,050,704**	**1,236,306**
Finance income	28	1,383,270	1,163,788	1,336,943	1,145,218
Finance expenses	28	(1,149,320)	(1,540,234)	(1,130,003)	(1,538,366)
Income before finance income (expenses) and taxes		**1,438,452**	**975,848**	**1,257,644**	**843,158**
Current income tax and social contribution tax	11d	(549,733)	(313,003)	(362,241)	(180,278)
Deferred income tax and social contribution tax	11d	(53,641)	(72,062)	(60,325)	(72,097)
NET INCOME FOR THE PERIOD		**835,078**	**590,783**	**835,078**	**590,783**
Basic and diluted net income common share – R$	**25**	**0.2883**	**0.2039**	**0.2883**	**0.2039**

The Notes are an integral part of these financial statements.

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STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

(Thousands of Brazilian Reais)

	Consolidated		Parent Company	
	2019	2018	2019	2018
NET INCOME FOR THE YEAR	**835,078**	**590,783**	**835,078**	**590,783**
Items not to be reclassified to profit or loss in subsequent periods				
Re-measurement of defined-benefit plan obligations (note 23)	(334,810)	(153,918)	(334,810)	(153,918)
Income tax and social contribution tax on restatement of defined benefit plans (note 11c)	113,836	52,331	113,836	52,331
	(220,974)	**(101,587)**	**(220,974)**	**(101,587)**
COMPREHENSIVE INCOME FOR THE PERIOD	**614,104**	**489,196**	**614,104**	**489,196**

The Notes are an integral part of these financial statements.

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STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

(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, 2017	**1,837,710**	**100,000**	**2,702,600**	**153,522**	**-**	**4,793,832**
Net income for the year	-	-	-	-	590,783	590,783
Other comprehensive income						
Adjustment of actuarial liabilities – restatement of obligations of the defined benefit plans, net of taxes	-	-	-	(101,587)	-	(101,587)
Comprehensive income for the period	**-**	**-**	**-**	**(101,587)**	**590,783**	**489,196**
Capital increase	762,290	(100,000)	(662,290)	-	-	-
Realization of reserves						
Realization of PP&E deemed cost	-	-	-	(34,413)	34,413	-
Legal reserve	-	-	29,539	-	(29,539)	-
Interest on Equity (R$ 0.0173 p/share)	-	-	-	-	(50,000)	(50,000)
Dividends under the by-laws (R$ 0.0873 per share)	-	-	-	-	(252,892)	(252,892)
Retained earnings reserve	-	-	292,765	-	(292,765)	-
Balances on December 31, 2018	**2,600,000**	**-**	**2,362,614**	**17,522**	**-**	**4,980,136**
Net income for the year	-	-	-	-	835,078	835,078
Other comprehensive income						
Adjustment of actuarial liabilities – restatement of obligations of the defined benefit plans, net of taxes	-	-	-	(220,974)	-	(220,974)
Comprehensive income for the period	**-**	**-**	**-**	**(220,974)**	**835,078**	**614,104**
Realization of reserves						
Tax incentive reserves (Note 25)	-	-	(1,166)	-	1,166	-
Realization of PP&E deemed cost	-	-	-	(17,557)	17,557	-
Legal reserve	-	-	41,754	-	(41,754)	-
Interest on Equity (R$ 0.0932 p/share)	-	-	-	-	(270,000)	(270,000)
Dividends under the by-laws (R$ 0.0649 per share)	-	-	-	-	(188,039)	(188,039)
Retained earnings reserve	-	-	354,008	-	(354,008)	-
Balances on December 31, 2019	**2,600,000**	**-**	**2,757,210**	**(221,009)**	**-**	**5,136,201**

The Notes are an integral part of these financial statements.

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STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

(Thousands of Brazilian Reais)

	Note	Consolidated		Parent Company	
		2019	2018	2019	2018
CASH FLOW FROM OPERATIONS					
Net income for the period		835,078	590,783	835,078	590,783
Adjustments for:					
Expenses (revenues) not affecting cash and cash equivalents:					
Depreciation and amortization	27	215,522	148,756	157,541	146,194
Write-down of net residual value of PP&E, Intangible assets, Concession financial and Contract assets		106,893	29,443	90,371	29,404
Updating of concession financial and contract assets	13 and 14	(473,280)	(627,132)	(155,013)	(305,707)
Adjustment to expectation of contractual cash flow from the concession	14	(14,389)	(12,934)	(14,389)	(12,934)
Gain (loss) by equity method	15	82,668	352,389	(503,008)	(55,390)
Adjustment for impairment of Investments		-	127,427	21,684	127,427
Provision for impairment of intangible assets		21,684		-	
Financial interest and inflation adjustment		801,096	730,830	785,521	734,531
Foreign exchange variations – loans and financings	21	233,846	579,609	233,846	579,609
Amortization of transaction cost of loans and financings	21	11,706	19,718	11,706	19,718
Deferred income tax and social contribution tax	11c	53,641	72,062	60,325	72,097
Recovery of PIS/Pasep and Cofins taxes credits over ICMS, including updating	10	(651,355)	-	(622,866)	-
Provisions for operating losses, net	27c	1,046,503	9,887	1,016,333	17,365
Variation in fair value of derivative financial instruments – Swaps	30	(997,858)	(892,643)	(997,858)	(892,643)
Variation in fair value of derivative financial instruments (Put options)	30	63,693	107,555	63,693	107,555
Post-employment obligations	23	100,458	87,747	100,458	87,747
Restatement of prior holding in subsidiaries acquired	15	-	(79,693)	-	(79,693)
Others		(30,487)	(65,561)	(30,487)	(65,561)
		1,405,419	**1,178,243**	**1,052,935**	**1,100,502**
(Increase) / decrease in assets					
Customers and traders		(192,735)	14,097	(184,453)	24,313
Recoverable taxes		(7,539)	(22,332)	(7,381)	(19,898)
Income tax and social contribution tax recoverable		(12,222)	(22,922)	(5,763)	(19,999)
Power transport concession holders		(24,651)	17,989	(24,662)	18,013
Escrow deposits		22,323	(17,606)	372	(17,589)
Dividends received		133,617	107,917	665,028	469,148
Concession financial assets	15	440,140	1,638,192	181,159	1,388,562
Contract assets	13	(66,807)	65,815	(66,807)	65,815
Advances to suppliers	14	(33,296)	(30,263)	(38,045)	(61,110)
Others		95,495	(71,995)	82,703	(78,756)
		354,325	**1,678,892**	**602,151**	**1,768,499**
(Increase) reduction in liabilities					
Suppliers		(62,414)	(26,446)	(39,797)	(18,398)
Taxes		(49,190)	(59,578)	(50,178)	(59,206)
Income tax and social contribution tax		549,733	313,003	362,241	180,278
Payroll and related charges		(11,704)	13,131	(11,695)	13,196
Regulatory charges		15,277	(42,312)	11,958	(44,772)
Post-employment obligations	23	(77,227)	(69,350)	(77,227)	(69,350)
Advances from customers		(40,894)	(158,893)	(40,894)	(158,893)
Others		40,139	(16,199)	13,813	(12,203)
		363,720	**(46,644)**	**168,221**	**(169,348)**
Cash from operations activities		**2,123,464**	**2,810,491**	**1,823,307**	**2,699,653**
Income tax and social contribution tax paid		(700,911)	(320,731)	(542,646)	(193,909)
Interest paid on loans, financings and debentures	21	(803,307)	(856,547)	(803,307)	(856,547)
Interest received		24,578	-	24,578	-
Settlement of derivative financial instruments (swap)		100,106	37,330	100,106	37,330
Interest paid on leasing transactions	18	(1,087)	-	(1,054)	-
CASH FROM OPERATING ACTIVITIES		**742,843**	**1,670,543**	**600,984**	**1,686,527**

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	Note	Consolidated		Parent Company	
		2019	2018	2019	2018
CASH FLOW IN INVESTMENT ACTIVITIES					
Funding of investments	15b	(43,933)	(234,161)	(43,933)	(234,201)
Acquisition of subsidiaries in shareholding reorganization	15	-	(423,163)	-	(423,163)
Cash arising from shareholding reorganization	15	-	119,847	-	-
Acquisition of subsidiaries in business combination	15	-	(5,218)	-	(5,218)
Cash arising from business combination	15	-	4,144	-	-
Reduction of share capital in investee	15	-	-	15,500	-
Loan with related parties	29	400,000	(390,737)	400,000	(390,737)
Investment in fixed assets	16	(70,344)	(59,038)	(22,286)	(41,344)
Investment in Intangible assets	17	(2,103)	(2,654)	(1,776)	(2,654)
Investment in Securities	7	(190,248)	364,681	(113,859)	403,764
NET CASH FROM (USED IN) INVESTMENT ACTIVITIES		**93,372**	**(626,299)**	**233,646**	**(693,553)**
CASH FLOW IN FINANCING ACTIVITIES					
Loans, financings and debentures net		-	1,948,018	-	1,948,018
Interest on equity, and dividends		(295,838)	(213,574)	(295,392)	(200,000)
Payments of loans, financings and debentures	21	(610,064)	(2,880,331)	(610,064)	(2,880,331)
Leasing payments	18	(20,401)	-	(19,796)	-
NET (USED IN) FINANCIAL ACTIVITIES		**(926,303)**	**(1,145,887)**	**(925,252)**	**(1,132,313)**
NET CHANGE IN CASH AND CASH EQUIVALENTS		**(90,088)**	**(101,643)**	**(90,622)**	**(139,339)**
Cash and cash equivalents at start of period	6	**301,696**	**403,339**	**226,830**	**366,169**
CASH AND CASH EQUIVALENTS AT END OF PERIOD	6	**211,608**	**301,696**	**136,208**	**226,830**

The Notes are an integral part of these financial statements.

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STATEMENTS OF ADDED VALUE

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(Thousands of Brazilian Reais)

	Consolidated				Parent Company			
	2019		2018		2019		2018	
REVENUES								
Sales of energy and services	8,011,831		7,761,383		7,149,504		7,258,852	
Construction revenue	220,390		95,712		220,390		95,712	
Gain on financial updating of the Concession grant fee	318,267		321,425		-		-	
Investments in property, plant and equipment	25,012		42,767		25,012		42,767	
Transmission indemnity revenue	155,013		250,375		155,013		250,375	
Reimbursement revenue – generation	-		55,332		-		55,332	
Recovery of PIS/Pasep and Cofins taxes credits over ICMS	413,616		-		397,301		-	
Provision for doubtful receivables	(38,407)		4,628		(7,576)		(2,863)	
Other revenues, net	23,932		117		23,932		117	
	9,129,654		**8,531,739**		**7,963,576**		**7,700,292**	
INPUTS ACQUIRED FROM THIRD PARTIES								
Energy bought for resale	(4,210,530)		(4,223,835)		(4,145,837)		(4,128,863)	
Charges for use of national grid	(207,094)		(234,297)		(151,123)		(193,946)	
Outsourced services	(261,114)		(197,208)		**(220,501)**		(174,819)	
Materials	(158,615)		(126,711)		**(151,375)**		(123,679)	
Paid concession	(2,958)		(2,681)		**(2,948)**		(2,681)	
Other operating costs	(1,279,933)		(174,124)		(1,235,910)		(171,756)	
	(6,120,244)		**(4,958,856)**		**(5,907,694)**		**(4,795,744)**	
GROSS VALUE ADDED	**3,009,410**		**3,572,883**		**2,055,882**		**2,904,548**	
RETENTIONS								
Depreciation and amortization	(215,522)		(148,756)		(157,541)		(146,194)	
NET VALUE ADDED	**2,793,888**		**3,424,127**		**1,898,341**		**2,758,354**	
ADDED VALUE RECEIVED BY TRANSFER								
Share of (loss) profit, net, of associates and joint ventures	(82,668)		(352,389)		503,008		55,390	
Finance income	1,383,270		1,163,788		1,336,943		1,145,218	
Restatement of the prior holding in subsidiaries acquired	-		79,693		-		79,693	
Adjustment for impairment of Investments	-		(127,427)		(21,684)		(127,427)	
	1,300,602		**763,665**		**1,818,267**		**1,152,874**	
ADDED VALUE TO BE DISTRIBUTED	**4,094,490**		**4,187,792**		**3,716,608**		**3,911,228**	
DISTRIBUTION OF ADDED VALUE								
		%		%		%		%
Employees	**437,328**	**10.68**	**385,237**	**9.20**	**418,106**	**11.25**	**359,316**	**9.19**
Direct remuneration	289,554	7.07	245,702	5.87	270,969	7.29	219,754	5.62
Current Benefits and post-employment	126,425	3.09	105,971	2.53	125,941	3.39	105,981	2.71
FGTS fund	15,495	0.38	15,185	0.36	15,342	0.41	15,202	0.39
Programmed voluntary retirement plan	5,854	0.14	18,379	0.44	5,854	0.16	18,379	0.47
Taxes	**1,663,335**	**40.62**	**1,647,142**	**39.33**	**1,325,493**	**35.67**	**1,399,035**	**35.77**
Federal	1,013,774	24.76	1,085,962	25.93	751,099	20.21	883,496	22.59
State	641,622	15.67	557,776	13.32	570,745	15.36	512,484	13.10
Municipal	7,939	0.19	3,404	0.08	3,649	0.10	3,055	0.08
Remuneration of external capital	**1,158,749**	**28.30**	**1,564,630**	**37.36**	**1,137,931**	**30.61**	**1,562,094**	**39.94**
Interest	1,149,320	28.07	1,540,234	36.78	1,130,003	30.40	1,538,366	39.33
Rentals	9,429	0.23	24,396	0.58	7,928	0.21	23,728	0.61
Remuneration of own capital	**835,078**	**20.39**	**590,783**	**14.11**	**835,078**	**22.46**	**590,783**	**15.11**
Retained earnings	270,000	6.59	50,000	1.19	270,000	7.26	50,000	1.28
Dividends	188,039	4.59	252,892	6.04	188,039	5.06	252,892	6.47
Retained earnings	377,039	9.22	287,891	6.87	377,039	10.14	287,891	7.36
	4,094,490	**100**	**4,187,792**	**100**	**3,716,608**	**100**	**3,911,228**	**100**

The Notes are an integral part of these financial statements.

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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

(In thousands of Brazilian Reais – R$ ’000 – except where otherwise indicated)

1. OPERATING CONTEXT

Cemig Geração e Transmissão S.A. (‘Cemig GT’, ‘the Company’ or ‘Cemig Geração e Transmissão’) is a listed corporation registred in the Brazilian Registry of Corporate Taxpayers (CNPJ) under number 06.981.176/0001-58 and a wholly-owned subsidiary of Companhia Energética de Minas Gerais (‘Cemig’). It was incorporated on September 8, 2004, and began operating on January 1, 2005, pursuant to the process of separation of activities (‘unbundling’) of Cemig. Its shares are not traded on any exchange. It is domiciled in Brazil, with head office in Belo Horizonte, Minas Gerais.

The objects of the Company are: (i) to study, plan, design, build and commercially operate systems of generation, transmission and sale of energy and related services for which concessions are granted, under any form of law, to it or to subsidiaries; (ii) to operate in the various fields of energy, from any source, for the purpose of economic and commercial operation; (iii) to provide consultancy services within its field of operation to companies in Brazil and abroad; and (iv) to carry out activities directly or indirectly related to its objects.

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

Investments	Classification	Description
JOINTLY CONTROLLED		
Hidrelétrica Cachoeirão S.A. (‘Cachoeirão’)	Jointly controlled	Production and sale of energy as an independent power producer, through the Cachoeirão hydroelectric power plant located at Pocrane, in the State of Minas Gerais.
Baguari Energia S.A. (‘Baguari Energia’)	Jointly controlled	Construction, operation, maintenance and commercial operation of the Baguari Hydroelectric Plant, through participation in the UHE Baguari Consortium (Baguari Energia 49.00%, Neoenergia 51.00%), located on the Doce River in Governador Valadares, Minas Gerais State.
Hidrelétrica Pipoca S.A. (‘Pipoca’)	Jointly controlled	Independent production of energy, through construction and commercial operation of the Pipoca Small Hydro Plant (SHP, or Pequena Central Hidrelétrica – PCH), on the Manhuaçu River, in the municipalities of Caratinga and Ipanema, in the State of Minas Gerais.
LightGer S.A. (‘LightGer’)	Jointly controlled	Independent power production through building and commercial operation of the hydroelectric potential referred to as the Paracambi Small Hydro Plant (or PCH) on the Ribeirão das Lages river in the county of Paracambi, in the State of Rio de Janeiro.
Renova Energia S.A. (‘Renova Energia’)	Jointly controlled	Listed company operating in development, construction and operation of plants generating power from renewable sources – wind power, small hydro plants (SHPs), solar energy, trading of energy, and related activities.
Retiro Baixo Energética S.A. (‘RBE’)	Jointly controlled	RBE holds the concession to operate the Retiro Baixo hydroelectric plant, on the Paraopeba River, in the São Francisco river basin, in the municipalities of Curvelo and Pompeu, in Minas Gerais State.

Investiments	Classification	Description
Aliança Norte Energia Participações S.A. ('Aliança Norte')	Jointly controlled	This is a special-purpose company (SPC) created by Cemig GT (49.00% ownership) and Vale S.A. (51.00%), for acquisition of an interest of 9.00% in Norte Energia S.A. ('Nesa'), the company holding the concession for the Belo Monte Hydroelectric Plant, on the Xingu River, in the State of Pará.
Amazônia Energia Participações S.A ('Amazônia Energia')	Jointly controlled	This is a special-purpose company created by Cemig GT (74.50% ownership) and Light (25.50%), for acquisition of an interest of 9.77% in Norte Energia S.A. ('Nesa'), the company holding the concession for the Belo Monte Hydroelectric Plant, on the Xingu River, in the Brazilian State of Pará.
Aliança Geração de Energia S.A. ('Aliança')	Jointly controlled	Unlisted corporation created by the Company and Vale S.A. to become a platform for consolidation of generation assets held by the two parties in generation consortia, and investments in future generation projects. The two parties subscribed their shares in the company by transfer of their interests in the following generation assets: Porto Estrela, Igarapava, Funil, Capim Branco I, Capim Branco II, Aimorés, and Candonga. Subsequently, Santo Inácio Wind farm was added to the portfolio, which went in operation in December, 2017. With these assets Aliança has total installed generation capacity, in operation, of 1,257 MW (physical offtake guarantee 698 MW average). Vale holds 55.00% of the total capital, and Cemig GT 45.00%.
Usina Hidrelétrica Itaocara S.A. ('UHE Itaocara')	Jointly controlled	The UHE Itaocara consortium is a jointly-controlled corporation – formed by the Company and Itaocara Energia (of the Light group). It is responsible for construction of the Itaocara I Hydroelectric Plant.
Guanhães Energia S.A. ('Guanhães Energia')	Jointly controlled	Production and sale of energy through building and commercial operation of the following Small Hydro Plants: Dores de Guanhães, Senhora do Porto and Jacaré, in the county of Dores de Guanhães; and Fortuna II, in the county of Virginópolis, in Minas Gerais.
AFFILIATED COMPANY		
Madeira Energia S.A. ('Madeira')	Affiliated Company	Construction and commercial operation of the Santo Antônio hydroelectric plant, through its subsidiary Santo Antônio Energia S.A., in the basin of the Madeira river, in the State of Rondônia.
SUBSIDIARIES		
Cemig Geração Três Marias S.A	Subsidiary	A corporation wholly owned by the Company. Objects are production and sale of energy as public service concession holder, by commercial operation of the Três Marias Hydroelectric Plant, and sale and trading of energy in the Free Market. This subsidiary has installed capacity of 396 MW, and guaranteed offtake level of 239 MW average.
Cemig Geração Salto Grande S.A	Subsidiary	A corporation wholly owned by the Company. Objects are production and sale of energy as public service concession holder, by commercial operation of the Salto Grande Hydroelectric Plant, and sale and trading of energy in the Free Market. Installed capacity 102 MW, guaranteed offtake 75 MW average.
Cemig Geração Camargos S.A	Subsidiary	A corporation wholly owned by the Company. Objects are production and sale of energy as public service concession holder, by commercial operation of the Camargos Hydroelectric Plant, and sale and trading of energy in the Free Market. Installed capacity 46 MW, guaranteed offtake 21 MW average.
Cemig Geração Itutinga S.A	Subsidiary	A corporation wholly owned by the Company. Objects are production and sale of energy as public service concession holder, by commercial operation of the Itutinga Hydroelectric Plant, and sale and trading of energy in the Free Market. Installed capacity 52 MW, guaranteed offtake 28 MW average.
Cemig Geração Leste S.A	Subsidiary	Corporation wholly owned by the Company. Its objects are production and sale of energy as public concession holder, by operation of the Dona Rita, Sinceridade, Neblina, Ervália, Tronqueiras and Peti Small Hydroelectric Plants, and trading in energy in the Free Market. Aggregate installed generation capacity of these plants is 35.16 MW; average offtake guarantee is 18.64 MW
Cemig Geração Oeste S.A	Subsidiary	Corporation wholly owned by the Company. Objects are production and sale of energy as public service concession holder, by commercial operation of the Gafanhoto, Cajuru and Martins Small Hydroelectric Plants, and sale and trading of energy in the Free Market. It has aggregate installed capacity of 28.90 MW, and aggregate offtake guarantee of 11.21 MW average.
Cemig Geração Sul S.A	Subsidiary	Corporation wholly owned by the Company. Its objects are production and sale of energy as public concession holder, by commercial operation of the Coronel Domiciano, Marmelos, Joasal, Paciência and Piau Small Hydroelectric Plants, and trading in energy in the Free Market. Aggregate installed generation capacity of these plants is 39.53 MW; average offtake guarantee is 27.42 MW.
Central Eólica Praias de Parajuru S.A. ('Central Eólica Praias de Parajuru')	Subsidiary	Production and sale of energy through a wind farm in the county of Beberibe in the State of Ceará, Northern Brazil.

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Investiments	Classification	Description
Central Eólica Volta do Rio S.A. ('Central Eólica Volta do Rio')	Subsidiary	Production and sale of energy from a wind farm in Acaraú, in the State of Ceará, Northern Brazil.
Sá Carvalho S.A. ('Sá Carvalho')	Subsidiary	Production and sale of energy, as a public energy service concession holder, through the Sá Carvalho hydroelectric power plant.
Horizontes Energia S.A. ('Horizontes')	Subsidiary	Independent power producer operating the Machado Mineiro and Salto do Paraopeba Hydroelectric Plants in Minas Gerais; and the Salto do Voltão and Salto do Passo Velho Hydroelectric Plants, in the state of Santa Catarina.
Rosal Energia S.A. ('Rosal')	Subsidiary	Production and sale of energy, as a public energy service concession holder, through the Rosal hydroelectric power plant located on the border between the States of Rio de Janeiro and Espírito Santo.
Cemig PCH S.A. ('PCH')	Subsidiary	Production and sale of energy as an independent power producer, through the Pai Joaquim hydroelectric power plant.
Empresa de Serviços e Comercialização de Energia Elétrica S.A.	Subsidiary	Production and sale of energy as an independent power producer, in future projects.
Cemig Geração Poço Fundo S.A. ('Poço Fundo')	Subsidiary	Production and sale of thermally generated energy, as an independent producer, through construction and operation of the UTE Barreiro thermal generation plant, located on the premises of Vallourec Tubos do Brasil S.A., in the State of Minas Gerais.
Cemig Comercializadora de Energia Incentivada S.A.	Subsidiary	Production and sale of energy as an independent thermal generation power producer, in future projects.
Cemig Trading S.A. ('Cemig Trading')	Subsidiary	Trading and intermediation in supply of energy.
Cemig Baguari Energia S.A. ('Cemig Baguari')	Subsidiary	Production and sale of energy as an independent and participation in other companies or consortia the objectives of which are production and commercial operation of electricity, in future projects.

In the year ended December 31, 2019 the Company generated positive consolidated operational cash flow of R$742,843 (R$1,670,543 positive as of December 31, 2018) and of R$600,984 for the parent company (R$1,686,527 positive as of December 31, 2018).

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

2. BASIS OF PREPARATION

2.1 Statement of compliance

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

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

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

On March 19, 2020, the Company's management authorized the issuance of the financial statements for the year ended December 31, 2019.

2.2 Basis of measurement

These financial statements were prepared on a historical cost basis, except in the case of certain financial instruments which are measured at fair value, as detailed in Note 30.

2.3 Functional currency and presentation currency

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

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

2.4 Use of estimates and judgments

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

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

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

- Adjustments for loss on doubtful accounts – Note 8.

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- Deferred income tax and social contribution tax – Note 11.
- Concession financial assets – Note 13.
- Concession contract assets – Note 14.
- Investments – Note 15.
- Property, plant and equipment ('PP&E') and useful life of assets – Note 16.
- Intangible assets and useful life of assets – Note 17.
- Leasing transactions – Note 18.
- Employee post-employment obligations – Note 23.
- Provisions – Note 24.
- Unbilled revenue – Note 26.
- Financial instruments measurement and fair value measurement – Note 30.

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

2.5 Regulatory accounting statements

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

2.6 New accouting standards, interpretation or revisions of accounting standards, applied for the first time in 2019

The Company and its subsidiaries have applied, for the first time, new accounting standards that became effective for annual periods beginning January 1, 2019 or later, as described below:

IFRS 16/ CPC 06 (R2) – *Leases*

This establishes principles for recognition, measurement, presentation and disclosure of leasing transactions, and requires that lessees account all the leasing transactions in accordance with a single balance sheet model, similar to the accounting of financial leasing. At the date of start of the leasing operation, the lessee recognizes a liability to make the payments (a leasing liability) and an asset, representing the right to use the subject asset during the period of the leasing (an asset of right to use). Lessees are required to recognize separately: the expenses of interest on the leasing liability and the expense of depreciation of the asset of the right to use.

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Lessees are also required to revalue the leasing liability when certain events occur, for example, change in the period of leasing, a change in the future payments of the leasing as a result of a change in an index, or a rate used to determine such payments. In general, the lessee will recognize the amount of the revaluation of the leasing liability as an adjustment to the asset of right to use.

The Company and its subsidiaries have made an analysis of the initial application of IFRS 16/CPC 06 (R2) in their financial statements as from January 1, 2019, and have adopted the exemption specified in the rule for short-term leasing operations (that is to say, leasing transactions with a period of 12 months or less) without the option to purchase, and for low-value items. The Company and its subsidiaries have opted to adopt the modified retrospective method, and thus, in accordance with the requirements of IFRS 16/CPC 06 (R2), will not re-present the information and balances on a comparative basis.

The Company and its subsidiaries carried out a detailed evaluation of the impacts of adoption of IFRS 16/CPC 06 (R2) based on the following contracts affected:

- Leasing of buildings used as administrative headquarters;
- Leasing of commercial vehicles used in operations.

The Company and its subsidiaries have considered the asset of right to use at the same value as the liability for leasing, on the initial adoption date. The impacts of adoption of IFRS 16/CPC 06 (R2) on January 1, 2019 are as follows:

Jan. 1, 2019	Consolidated	Parent Company
Assets – right of use	61,202	59,545
Liabilities – Obligations referring to operating leasing agreements	(61,202)	(59,545)

IFRIC 23 / ICPC 22 – Uncertainty on treatment of taxes on profit

This relates to accounting of taxes on profits in the cases where the tax treatments involve uncertainty affecting application of IAS 12 (CPC 32) – *Income taxes* – and does not apply to taxes outside the scope of IAS 12, nor specifically include the requirements relating to interest and penalty payments associated with uncertain tax treatments. The Interpretation deals specifically with the following:

- Whether the entity considers uncertain tax treatments separately.
- The assumptions that the entity makes in relation to examination of the tax treatments by the tax authorities.
- How the entity determines real profit (or tax losses), the bases of calculation, unused tax losses, intertemporal tax credits and tax rates.
- How the entity considers changes of facts and circumstances.

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The entity is required to decide whether it treats each uncertain tax treatment separately, or as a group with one or more uncertain tax treatments. It is required to follow the approach that better provides for resolution of the uncertainty. The interpretation is in effect for annual periods starting on or after January 1, 2019.

The Company and its subsidiaries have adopted the interpretation as from the date of coming into effect and have analyzed the tax treatments adopted which could generate uncertainties in the calculation of income taxes and which might potentially expose the Company and its subsidiaries to materially probable risks of loss. The conclusion of these analyses is that none of the significant positions adopted by the Company and its subsidiaries have been altered in relation to expectation of losses due to any questioning or challenge by the tax authorities.

Adoption of new standards effective as from January 1, 2019:

- IAS 28/CPC 18: Application of IFRS 9/CPC 48 to measurement of other financial instruments in an affiliated company, subsidiary or a jointly controlled undertaking, for which the equity method of reporting is not applicable; also states the rules for transition related to initial adoption;
- IAS 12/CPC 32: Sets rules for recognizing tax effects on the yield of dividends distributable. This alteration does not affect the Company's financial statements, due to the Brazilian tax legislation applicable to its transactions;
- IAS 19/CPC 33: Changes the moment of measuring of net liability (asset) value of a defined benefit to the time when the cost of past service, or the gain or loss on liquidation, is determined, using the fair value of the plan assets and actuarial assumptions that reflect the benefits offered in conformity with the plan and the plan's assets, before and after the alteration, reduction or liquidation of the plan, and also the use of the discount rate and the value of the liability (net asset) after the alteration, reduction or liquidation of the plan in the determination of the net interest for the rest of the period of the annual report.

The Company and its subsidiaries have not identified significant impacts arising from the changes in the other standards in 2019.

2.7 Standards issued but not yet effective

The principal changes in rules and interpretations were reflected in the CPCs through CPC Revision 14/2019 and are described below:

CPC 15 (R1): The alterations help entities to determine whether an acquired group of activities and assets does or does not constitute a business. They eliminate the evaluation on whether the market participants are capable of substituting any absent element, include orientations to help entities to assess whether a process acquired is substantial, give a better delimitation of the definitions of business and of products, and introduce an optional test of concentration of fair value. The alterations apply prospectively to transactions or other events that occur on or after the date of first application, and hence the Company will not be affected by these alterations on the transition date.

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CPC 26 (R1) and IAS 8: These align the definition of 'material omission' and 'material distortion' and clarify some aspects of that definition. It is not expected that these alterations will have a significant impact on the individual and consolidated financial statements of the Company.

As well as the alteration specified in Review CPC 14/2019, the IASB issued, in 2017, IFRS 17 – Insurance contracts, a rule that has not yet been issued in Brazil, which has the general aim of supplying an accounting model for insurance contracts that is more useful and consistent for insurance companies; it is not applicable to the Company and its subsidiaries.

2.7 Significant accounting policies

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

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

a) Financial instruments

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

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

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

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

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

Derivative financial instruments (Put options) – The options to sell units of FIP Melbourne and FIP Malbec funds ('the SAAG PUT') were measured at fair value using the Black-Scholes-Merton (BSM) method, using as reference the related put options obtained by the BSM model

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valued on the closing date of the financial statements, for the year ended December 31, 2019.

Amortized cost – In this category are: Receivables from customers, traders, and energy transport concession holders; Advances to suppliers; Restricted cash; Court escrow deposits; Securities for which there is a positive intention to hold them to maturity or the terms of their contracts originate known cashflows that constitute exclusively payments of principal and interest; Concession financial assets related to the concession grant fee; Reimbursements receivable for transmission assets; Receivables from related parties; Suppliers; Loans, financings and debentures; Debt agreed with the pension fund (Forluz); Concessions payable; Advances to customers; and Other credits.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate (EIR).

b) Customers, traders and power transport concession holders

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

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

c) Investments

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

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

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

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The goodwill premium arising from the acquisition is tested annually for impairment. Subsequently, impairments losses are recognized in the Income statement, through an indication that the recovery value of the investment is lower than its book value. The participations in consortia are accounted in accordance with CPC 19 (R2) – Joint ventures, and these investments are recognized in accordance with the Company's participation in any assets and/or liabilities held or assumed jointly. The result of these investments is recognized in proportion to the Company's participation in the revenues and expenses of the joint operation.

d) Business combination

A business combination occurs when the Company or its subsidiaries acquire control of a business, whatever its legal form. Business combinations are accounted for using the acquisition method of accounting. At the acquisition date the acquirer Company recognizes and measures the identifiable assets acquired, the liabilities assumed, and any non-controlling interest in the acquire. Goodwill is initially measured at cost, which being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed.

It is the Company's understanding, in line with ICPC 09 (R2), that the amount specifically referring to the right of concession, including when acquired in a business combination in which the acquired entity is a concession holder, whose right to the concession has a known and defined period, is recognized in intangible assets.

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

e) Concession assets

Transmission segment: The assets related to the transmission infrastructure are classified as contract asset, considering the dependence on the satisfaction of a performance obligations during the concession period, represented by the network availability the contractual asset is reclassified as a financial asset only after satisfaction of the performance obligation to operate and maintain infrastructure, since from that point nothing more than the passage of time is necessary for the consideration to be received. The costs related to the infrastructure construction are recognized as incurred in the statements of income. The construction revenues are recognized in accordance with the stage of completion of the service (obligation performance satisfied) at the end of the reporting period, including sales tax.

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

Thus, based on the contractual characteristics, the subsidiaries have classified the asset as contractual since, for its realization, the financial flows are influenced by the operational performance factor, these assets not being receivable due only to passage of time, which is a condition precedent for classification of the said financial assets in accordance with CPC 48/IFRS 09.

Due to the acceptance of the terms of renewal of the old transmission concessions, part of the transmission assets of the concessions terminated on December 31, 2012, is subject of reimbursement by the granting authority, and an accounts receivable was recognized corresponding to the estimated indemnity to be received over a period of eight years.

Nevertheless, due to the application of CPC 47/IFRS 15, the portion of the RAP relating to the facilities of the National Grid arising from the regulatory reintegration quota incorporated into the Remuneration Base, under Mining and Energy Ministry Order 120/2016 and Aneel Resolution 762/2017, is classified as a contractual asset, since satisfaction of the performance obligation linked to their construction occurs during their useful life (availability of the network).

On the other hand, the portion not yet paid, since the extension of the concessions, for the period January 1, 2013 to June 30, 2017, to be received over a period of eight years, considered as a Financial Component, is classified as a Financial asset measured at amortized cost, since it no longer involves the construction of infrastructure assets, and represents exclusively the portions not received in the period 2013 to 2017, updated by the regulatory cost of capital of the transmission sector.

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

f) <u>Intangible assets</u>

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

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

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g) Property, plant and equipment

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

Depreciation is calculated on the balance of property, plant and equipment in service and investments in consortia, by the straight-line method, using the rates that reflect the estimated useful life of the assets, for assets related to the energy activities, limited in certain circumstances to the periods of the related concession contracts. The main rates are shown in Note 16.

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

h) Impairment

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

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

i) Employee benefits

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

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

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

j) Income tax and social contribution tax

Current

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

Deferred

Deferred tax liabilities are recognized for all the inter-temporal tax differences. Deferred tax assets are recognized for all the temporary differences deductible, to the extent that it is probable that future taxable profit will be available for the temporary differences to be offset. These taxes are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

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

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

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

k) Subsidies government

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

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

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In addition, the Company receives amounts from the Energy Development Account (EDA) as reimbursement for subsidies on tariffs granted to users of the public energy distribution service – TUSD and EUST (charges for use of the transmission system). These amounts are recognized as it is received in the income statement.

l) Operational revenue

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

Revenues from the sale of energy are recorded based on the energy supplied and the tariffs specified in the terms of the contract or in effect in the market. Revenues from retail supply of energy to final customers are recorded monthly basis, when the energy is supplied, based on measured and billed. In addition, the Company recognizes the unbilled retail supply of energy, from the period between the last billing and the end of each month, is estimated based on the supply contracted.

Revenue from the supply of energy to the Brazilian grid system is recorded when the delivery has taken place and is invoiced to customers on a monthly basis, in accordance with the payment schedules specified in the concession agreement.

Revenues from transmission concession services are recognized in the Statements of income monthly and represent, basically:

- Construction revenue - This corresponds to the performance obligation to build the infrastructure, by the investments in concession assets made by the Company in the reporting period. Recognition of this revenue is directly related to the construction of the infrastructure of the concession. Considering that the regulatory model currently in effect does not provide for specific remuneration for construction or upgrading of the infrastructure of the concession; that constructions and improvements are substantially executed through specialized services of outsourced parties; and that all construction revenue is related to construction of infrastructure, the Company's management has decided to record construction contract revenue with a zero profit margin.

- Operation and maintenance revenue arising from costs incurred and necessary to comply with performance obligations of operation and maintenance specified in a concession contract, after termination of the construction phase;

- Revenue from remuneration on the contractual asset recognized, arising from the variation in the fair value of the remuneration base of assets posted under Transmission Concession Revenue in Gross Revenue.

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

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m) Sales tax

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

n) Finance income and expenses

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

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

o) Cash dividends

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

p) Segment reporting

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

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

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

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3. PRINCIPLES OF CONSOLIDATION

The dates of financial statements of the subsidiaries, used for consolidation, and of the jointly-controlled entities and affiliates, used for calculation of their equity method contribution, coincide with those of the Company. The following subsidiaries are included in the consolidated interim financial information.

The Company uses the criteria of full consolidation. Its directly owned equity interests are as follows:

Subsidiary	Valuation method	2019 and 2018
		Direct stake, %
Cemig Baguari Energia S.A.	Consolidation	100.00
Cemig Geração Três Marias S.A.	Consolidation	100.00
Cemig Geração Salto Grande S.A.	Consolidation	100.00
Cemig Geração Itutinga S.A.	Consolidation	100.00
Cemig Geração Camargos S.A.	Consolidation	100.00
Cemig Geração Sul S.A.	Consolidation	100.00
Cemig Geração Leste S.A.	Consolidation	100.00
Cemig Geração Oeste S.A.	Consolidation	100.00
Sá Carvalho S.A.	Consolidation	100.00
Horizontes Energia S.A.	Consolidation	100.00
Rosal Energia S.A.	Consolidation	100.00
Cemig PCH S.A.	Consolidation	100.00
Empresa de Serviços de Comercialização de Energia Elétrica S.A.	Consolidation	100.00
Cemig Geração Poço Fundo S.A. (1)	Consolidation	100.00
Cemig Comercializadora de Energia Incentivada S.A.	Consolidation	100.00
Cemig Trading S.A.	Consolidation	100.00
Central Eólica Praias de Parajuru S.A.	Consolidation	100.00
Central Eólica Volta do Rio S.A.	Consolidation	100.00

(1) The Extraordinary General Meeting of Stockholders held on August 29, 2019 approved changes to the bylaws of the subsidiary, changing its name and its corporate objects. With the alteration, the name of Usina Termelétrica Barreiro S.A. was changed to Cemig Geração Poço Fundo S.A.

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4. CONCESSIONS AND AUTHORIZATIONS

The Company, including its consortium interests and subsidiaries, holds the following concessions or authorizations, from Aneel:

	Company holding concession	Concession contract	Expiration date
GENERATION			
Hydroelectric plants			
Emborcação (1)	Cemig GT	7/1997	Jul. 2025
Nova Ponte (1)	Cemig GT	7/1997	Jul. 2025
Santa Luzia (1)	Cemig GT	7/1997	Feb. 2026
Irapé (1)	Cemig GT	14/2000	Feb. 2035
Queimado (Consortium) (1)	Cemig GT	06/1997	Jan. 2033
Salto Morais (1)	Cemig GT	02/2013	Jul. 2020
Rio de Pedras (1)	Cemig GT	02/2013	Sep. 2024
Luiz Dias (1)	Cemig GT	02/2013	Aug. 2025
Poço Fundo (1)	Cemig GT	02/2013	Aug. 2025
São Bernardo (1)	Cemig GT	02/2013	Aug. 2025
Xicão (1)	Cemig GT	02/2013	Aug. 2025
Rosal (1)	Rosal Energia	01/1997	May 2032
Machado Mineiro (1)	Horizontes Energia	Resolution 331/2002	Jul. 2025
Salto Voltão (1)	Horizontes Energia	Resolution 331/2002	Oct. 2030
Salto Paraopeba (1)	Horizontes Energia	Resolution 331/2002	Oct. 2030
Salto do Passo Velho (1)	Horizontes Energia	Resolution 331/2002	Oct. 2030
PCH Pai Joaquim (1)	Cemig PCH	Authorizing Resolution 377/2005	Apr. 2032
Sá Carvalho (1)	Sá Carvalho	01/2004	Dec. 2024
Três Marias (2)	Cemig Geração Três Marias S.A.	08/2016	Jan. 2046
Salto Grande (2)	Cemig Geração Salto Grande	09/2016	Jan. 2046
Itutinga (2)	Cemig Geração Itutinga	10/2016	Jan. 2046
Camargos (2)	Cemig Geração Camargos	11/2016	Jan. 2046
Coronel Domiciano, Joasal, Marmelos, Paciência and Piau (2)	Cemig Geração Sul	12/2016 and 13/2016	Jan. 2046
Dona Rita, Ervália, Neblina, Peti, Sinceridade and Tronqueiras (2)	Cemig Geração Leste	14/2016 and 15/2016	Jan. 2046
Cajurú, Gafanhoto and Martins (2)	Cemig Geração Oeste	16/2016	Jan. 2046
Thermal plants			
Igarapé (1) (5)	Cemig GT	7/1997	Aug. 2024
Wind farms			
Central Geradora Eólica Praias de Parajuru (3)	Parajuru	Resolution 526/2002	Sep. 2032
Central Geradora Eólica Volta do Rio (3)	Volta do Rio	Resolution 660/2001	Jan. 2031
TRANSMISSION			
National grid (4)	Cemig GT	006/1997	Jan. 2043
Itajubá Substation (4)	Cemig GT	79/2000	Oct. 2030

(1) Refers to generation concession contracts that are not within the scope of IFRIC 12, whose infrastructure assets are recorded as PP&E since the concession grantor does not have control over whom the service is provided to as the output is being sold mainly in the Free Market ('ACL').

(2) Refers to generation concession contracts of which the revenue relating to the concession grant fee is within the scope of scope of IFRIC 12, this revenue being recognized as a concession financial asset.

(3) These refers to concessions, given by the process of authorization, for generation of wind power as an independent power producer, to be sold under *Proinfa* (the program to encourage alternative energy sources). Assets tied to the right of commercial operation are recorded in PP&E. The rights of authorization of commercial operation that are considered as Investments in the financial statement of the parent company are classified in the statements of financial position under Intangible.

(4) These refer to transmission concession contracts, which, in accordance with IFRS 15, are recognized as contract asset for being subject to satisfaction of performance obligations.

(5) On December 6, 2019, Aneel suspended Igarapé Plant commercial operation upon the Company claim for early termination of its concession contract.

Generation concessions

In the generation business, the Company and its subsidiaries sell energy: (1) through auctions, to distributors to meet the demands of their captive markets; and (2) to Free Customers in the free market (*Ambiente de Contratação Livre*, or ACL). In the free market, energy is traded by the generation concession holders, small hydro plants (SHP's), self-producers, traders, and importers of energy.

Transmission concessions

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

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

Onerous concessions

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

Project	Nominal value in 2019	Present value in 2019	Period of the concession	Updating indexor
Irapé	33,183	15,436	Mar. 2006 to Feb. 2035	IGPM
Queimado (Consortium)	8,190	4,192	Jan. 2004 to Dec. 2032	IGPM
Salto Morais Small Hydro Plant (1)	-	-	Jun. 2013 to Jul. 2020	IPCA
Rio de Pedras Small Hydro Plant (1)	-	-	Jun. 2013 to Sep. 2024	IPCA
Various Small Hydro Plants (*) (1)	-	-	Jun. 2013 to Aug. 2025	IPCA

(*) SHP's with installed capacity less than 50 MW: *Luiz Dias, Poço Fundo, São Bernardo* and *Xicão*

(1) Under Aneel Resolution 467/2011 the power plants with total installed generation capacity of 1 to 50 MW must pay Aneel for five years, starting on the date that the concession contract is signed. The power plants contracts of Salto Morais, Rio de Pedras, Luis Dias, Poço Fundo, São Bernardo and Xicão were signed in 06/2013, completing five years in 2018, therefore, they didn't make any payments in 2019.

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

The amounts paid to the grantor in 2019, the nominal value and the present value of the amounts to be paid in the next 12 months, are as follows:

Project	Stake, %	Amounts paid in 2019	Nominal value of amounts to be paid in 12 months	Present value of amounts to be paid in 12 months
Irapé	100.00	2,034	2,168	2,042
Queimado (Consortium)	82.50	588	630	594

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

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5. OPERATING SEGMENTS

The operating segments of the Company and its subsidiares reflect their management and their organizational structure, used to monitor its results. They are aligned with the regulatory framework of the Brazilian energy industry.

The Company operates in the segments of generation and transmission; its subsidiaries operate only in the generation segment, and trading.

These tables show information by segment for the periods ended December 31, 2019 and 2018:

	2019			
	Generation	Transmission	Trading	Total
ASSETS	**14,721,374**	**2,875,681**	**65,997**	**17,663,052**
INVESTMENTS IN AFFILIATES AND JOINTLY-CONTROLLED ENTITIES	**4,041,565**	**-**	**-**	**4,041,565**
ADDITIONS TO THE SEGMENT	**121,380**	**220,390**	**-**	**341,770**
NET REVENUE	**6,881,167**	**713,931**	**128,622**	**7,723,720**
ENERGY COSTS				
Charges for use of the national grid	(189,901)	-	-	(189,901)
Energy bought for resale	(3,841,262)	-	-	(3,841,262)
	(4,031,163)	**-**	**-**	**(4,031,163)**
OPERATING COSTS AND EXPENSES				
Personnel	(206,663)	(114,837)	(245)	(321,745)
Employee profit shares	(35,818)	(26,908)	-	(62,726)
Post-employment liabilities	(49,627)	(38,138)	-	(87,765)
Materials	(16,877)	(6,059)	(8)	(22,944)
Outsourced services	(124,135)	(44,922)	(466)	(169,523)
Depreciation and amortization	(209,959)	(5,563)	-	(215,522)
Provisions	(975,353)	(134,843)	-	(1,110,196)
Transmission infrastructure construction cost	-	(220,390)	-	(220,390)
Other operating costs and expenses, net	(174,547)	(20,116)	87	(194,576)
	(1,792,979)	**(611,776)**	**(632)**	**(2,405,387)**
TOTAL COSTS AND EXPENSES	**(5,824,142)**	**(611,776)**	**(632)**	**(6,436,550)**
Share of profit (loss) of associates and joint ventures, net	(82,668)	-	-	(82,668)
Operating profit before Finance income (expenses)	**974,357**	**102,155**	**127,990**	**1,204,502**
Finance income	1,281,195	97,905	4,170	1,383,270
Finance expenses	(1,034,521)	(114,784)	(15)	(1,149,320)
Profit before income tax and social contribution tax	**1,221,031**	**85,276**	**132,145**	**1,438,452**
Income tax and social contribution tax	(550,999)	(36,042)	(16,333)	(603,374)
NET INCOME FOR THE PERIOD	**670,032**	**49,234**	**115,812**	**835,078**

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	2018			
	Generation	Transmission	Trading	Total
ASSETS	**14,191,814**	**2,699,359**	**60,907**	**16,952,080**
INVESTMENTS IN AFFILIATES AND JOINTLY-CONTROLLED ENTITIES	**4,205,308**	**-**	**-**	**4,205,308**
ADDITIONS TO THE SEGMENT	**542,243**	**95,712**	**-**	**637,955**
NET REVENUE	**6,188,724**	**675,656**	**9,857**	**6,874,237**
ENERGY COSTS				
Charges for use of the national grid	(213,698)	-	-	(213,698)
Energy bought for resale	(3,853,066)	-	-	(3,853,066)
	(4,066,764)	**-**	**-**	**(4,066,764)**
OPERATING COSTS AND EXPENSES				
Personnel	(223,908)	(108,125)	(86)	(332,119)
Employee profit shares	(10,166)	(6,651)	-	(16,817)
Post-employment liabilities (expense recovery)	(45,619)	(26,716)	-	(72,335)
Materials	(38,043)	(5,059)	-	(43,102)
Outsourced services	(107,753)	(40,338)	(17)	(148,108)
Depreciation and amortization	(148,756)	-	-	(148,756)
Provisions	(105,916)	(11,526)	-	(117,442)
Transmission infrastructure construction cost	-	(95,712)	-	(95,712)
Other operating costs and expenses, net	(63,755)	(16,906)	(4)	(80,665)
	(743,916)	**(311,033)**	**(107)**	**(1,055,056)**
TOTAL COSTS AND EXPENSES	**(4,810,680)**	**(311,033)**	**(107)**	**(5,121,820)**
Share of profit (loss) of associates and joint ventures, net	(352,389)	-	-	(352,389)
Result of business combinations	79,693	-	-	79,693
Adjustment for impairment of investments	(127,427)	-	-	(127,427)
Operating profit before Finance income (expenses)	**977,921**	**364,623**	**9,750**	**1,352,294**
Finance income	1,102,622	60,959	207	1,163,788
Finance expenses	(1,535,727)	(4,507)	-	(1,540,234)
Profit before income tax and social contribution tax	**544,816**	**421,075**	**9,957**	**975,848**
Income tax and social contribution tax	(261,780)	(122,073)	(1,212)	(385,065)
NET INCOME FOR THE PERIOD	**283,036**	**299,002**	**8,745**	**590,783**

The revenue of the Company and its subsidiaries for the years ended December 31, 2019 and 2018 breaks down by segment as follows:

	2019			
	Generation	Transmission	Trading	Total
Total revenue from supply of energy – with taxes	7,037,448	-	-	7,037,448
Transmission revenue – with taxes	-	702,766	-	702,766
Revenue from updating of the concession grant fee	318,267	-	-	318,267
Construction revenue	-	220,390	-	220,390
Transactions in energy on the CCEE	438,555	-	-	438,555
Transmission indemnity revenue	-	155,013	-	155,013
Contractual reimbursements	64,640	-	-	64,640
Recovery of PIS/Pasep and Cofins taxes credits over ICMS	413,616	-	-	413,616
Other operating revenues	16,501	27,786	137,751	182,038
Sector / regulatory charges – Deductions from revenue	(1,407,860)	(392,024)	(9,129)	(1,809,013)
Net operating revenue	**6,881,167**	**713,931**	**128,622**	**7,723,720**

	2018			
	Generation	Transmission	Trading	Total
Total revenue from supply of energy – with taxes	6,858,482	-	-	6,858,482
Transmission revenue – with taxes	-	589,055	-	589,055
Revenue from updating of the concession grant fee	321,425	-	-	321,425
Construction revenue	-	95,712	-	95,712
Transactions in energy on the CCEE	185,469	-	-	185,469
Transmission indemnity revenue	-	250,375	-	250,375
Generation indemnity revenue	55,332	-	-	55,332
Contractual reimbursements	60,341	-	-	60,341
Other operating revenues	29,213	28,275	10,548	68,036
Sector / regulatory charges – Deductions from revenue	(1,321,538)	(287,761)	(691)	(1,609,990)
Net operating revenue	**6,188,724**	**675,656**	**9,857**	**6,874,237**

Details of operating revenue are in Note 26.

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6. CASH AND CASH EQUIVALENTS

	Consolidated		Parent Company	
	2019	2018	2019	2018
Bank accounts	8,644	4,135	2,503	3,583
Cash equivalents:				
Bank certificates of deposit (1)	184,682	246,691	127,419	219,204
Overnight (2)	18,282	50,870	6,286	4,043
	202,964	**297,561**	**133,705**	**223,247**
	211,608	**301,696**	**136,208**	**226,830**

1) *Bank Certificates of Deposit* (*Certificados de Depósito Bancário* or CDB's), accrued interest at between 65% and 103% of the CDI Rate (Interbank Rate for Interbank Certificates of Deposit (*CDIs*) published by the Custody and Settlement Chamber (*Câmara de Custódia e Liquidação*, or Cetip) (75% to 106% in 2018).
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. This rate averaged 4.39% (6.39% in 2018). Their purpose is to settle the short-term obligations of the Company and its subsidiaries, or be used in the purchase of other assets with better remuneration to replenish the portfolio.

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

7. MARKETABLE SECURITIES

	Consolidated		Parent Company	
	2019	2018	2019	2018
Current assets				
Financial Notes (LFs) – Banks (1)	323,761	96,876	111,308	7,700
Treasury Financial Notes (LFTs)	47,268	56,572	16,250	4,496
Debentures (2)	1,573	8,338	541	663
Others	76	62	76	63
	372,678	**161,848**	**128,175**	**12,922**
Non-current assets				
Financial Notes (LFs) – Banks (1)	-	21,498	-	1,709
Debentures (2)	916	-	315	-
	916	**21,498**	**315**	**1,709**
	373,594	**183,346**	**128,490**	**14,631**

1) *Bank Financial Notes* (*Letras Financeiras*, or LFs) are fixed-rate fixed-income securities, issued by banks and remunerated at a percentage of the CDI rate published by Cetip. In 2019 the LFs in Cemig GT's portfolio were remunerated at rates varying from 101.95% to 113.00% of the CDI (102.00% to 111.25% in 2018).
2) Treasury Financial Notes (LFTs) are fixed-rate fixed-income securities, their yield follows the daily changes in the Selic rate between the date of purchase and the date of 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 108.25% to 113.00% of the CDI Rate (104.25% to 151.00% of the CDI in 2018).

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

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8. CUSTOMERS, TRADERS AND POWER TRANSPORT CONCESSION HOLDERS

	Balances not yet due		Past due			Consolidated	
	Billed	Unbilled	Up to 90 days	91 to 360 days	More than 360 days	2019	2018
Industrial	9,338	240,848	14,679	28,463	39,954	333,282	341,012
Commercial, services and others	34,138	75,376	832	725	20	111,091	67,675
Farmers	-	-	-	-	-	-	45
Wholesale supply to other concession holders	53	209,406	32,874	14,902	489	257,724	334,929
Concession holders – transmission service	9,814	77,198	3,902	307	4,594	95,815	71,164
CCEE (Wholesale Trading Exchange)	-	9,806	-	375,752	-	385,558	165,720
Provision for doubtful receivables	-	-	(201)	(25,521)	(22,710)	(48,432)	(24,486)
	53,343	**612,634**	**52,086**	**394,628**	**22,347**	**1,135,038**	**956,059**
Current assets						**1,129,096**	**951,039**
Customers and traders						1,033,281	879,875
Concession holders – transmission service						95,815	71,164
Non-current assets						**5,942**	**5,020**
Customers and traders						5,942	5,020

	Balances not yet due		Past due			Parent Company	
	Billed	Unbilled	Up to 90 days	91 to 360 days	More than 360 days	2019	2018
Industrial	4,914	218,624	5,409	4,394	14,682	248,023	251,621
Commercial, services and others	34,138	75,376	833	725	20	111,092	67,675
Farmers	-	-	-	-	-	-	45
Wholesale supply to other concession holders	53	174,300	21,240	-	30	195,623	284,935
Concession holders – transmission service	9,841	77,254	3,902	307	4,594	95,898	71,236
CCEE (Wholesale Trading Exchange)	-	-	-	375,751	-	375,751	156,221
Provision for doubtful receivables	-	-	(202)	(4,392)	(13,007)	(17,601)	(24,486)
	48,946	**545,554**	**31,182**	**376,785**	**6,319**	**1,008,786**	**807,247**
Current assets						**1,008,213**	**802,227**
Customers and traders						912,315	730,991
Concession holders – transmission service						95,898	71,236
Non-current assets						**573**	**5,020**
Customers and traders						573	5,020

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

The allowance for doubtful accounts is considered to be sufficient to cover any potential losses in the realization of these assets. The changes in its total have been as follows:

	Consolidated	Parent Company
Balance at December 31, 2017	21,623	21,623
Balance arising from stockholding reorganization	17,570	-
Settled	(10,079)	-
Provision made, net (Note 27c)	(4,628)	2,863
Balance at December 31, 2018	**24,486**	**24,486**
Provision made, net (Note 27c)	38,407	7,576
Settled	(14,461)	(14,461)
Balance at December 31, 2019	**48,432**	**17,601**

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Advances from customers

The Company receives advance payments for the sale of energy from certain customers. Advance payments related to services not yet provided are as follows:

Consolidated and Parent company	
Balance at December 31, 2017	**190,758**
Inflation adjustment	8,402
Settled	(158,893)
Balance at December 31, 2018	**40,267**
Inflation adjustment	627
Settled	(40,894)
Balance at December 31, 2019	-

Advance payments have been adjusted until the actual delivery of the power supply under the following terms:

2019				Balance on Dec. 30, 2019	Balance on Dec. 31, 2018
Counterparty	Specified period for billing	Index for updating of pre-paid amounts	MWh delivered (1)		
White Martins Gases Industriais LTDA	**Until June 2019**	**124.00% of CDI rate**	**323,057,344**	**-**	**40,267**

1) Total volume delivered in the period of validity of the contract.

Revenue from advanced on sales of energy was recognized in the Statements of income as the the energy supply occurred, when the performance obligation was satisfied.

9. RECOVERABLE TAXES

	Consolidated		Parent Company	
	2019	2018	2019	2018
Current				
ICMS tax recoverable	21,792	24,300	17,294	18,385
Cofins tax	5,560	5,316	3,196	4,161
Pasep tax	1,612	1,018	867	773
Social security contributions	15,041	14,662	15,041	14,662
Others	7,177	3,209	7,302	3,185
	51,182	**48,505**	**43,700**	**41,166**
Non-current				
ICMS tax recoverable (1)	21,914	17,068	21,914	17,068
Cofins tax (2)	537,040	-	514,351	-
Pasep tax (2)	116,666	-	111,669	-
Others	431	757	-	-
	676,051	**17,825**	**647,934**	**17,068**
	727,233	**66,330**	**691,634**	**58,234**

(1) The ICMS (VAT) credits that are reported in non-current assets, arise mainly from acquisitions of property, plant and equipment, and intangible assets, and can be offset against taxes payable in the next 48 months.
(2) PIS/Pasep and Cofins taxes credits over ICMS. More details in Note 10.

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10. PIS/PASEP AND COFINS TAXES CREDITS OVER ICMS – FINAL COURT JUDGMENT

On July 16, 2008, the Company filed an Ordinary Action for a declaration that it was unconstitutional to include the ICMS value added tax within the taxable amount for calculation of PIS/Pasep and Cofins, and for recognition of the Company's right to offsetting of amounts unduly paid for the 10 years prior to the action being filed, with monetary adjustment by the Selic rate.

In July 2008 the Company obtained an interim injunction, and from that time, made escrow deposits into court relating to the inclusion of ICMS tax amounts in the basis for calculation of PIS/Pasep and Cofins taxes. The Company maintained this procedure from August 2008 to August 2011, and from then on, although its continued to challenge the basis of calculation in the courts, opted to pay the taxes monthly.

In October 2017, the Federal Supreme Court (STF) published its Joint Judgment on the Extraordinary Appeal, in the form that creates overall precedent, in favor of the Company's argument. In 2017, based on the opinion of its legal advisers, the Company reversed the provision related to the escrow deposits made from 2008 to 2011.

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

On June 11, 2019, following judgment against which there is no further appeal, the Company applied for release of the escrow deposits, in the amount of R$194,409 on December 31, 2019. On February 13, 2020, as a result of the decision of the judge og the 7th Federal Court of Justice in Belo Horizonte/Minas Gerais, the Company received this deposits in the updated amount of R$196,169.

Final court judgment has also been given, against which there is no further appeal, in favor of the similar actions filed by the Company's wholly-owned subsidiaries Sá Carvalho, Cemig Geração Poço Fundo S.A. (previously denominated Usina Termelétrica Barreiro S.A.) and Horizontes Energia S.A..

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

Shown below are the accounting effects relating to the recognition of the PIS/Pasep and Cofins taxes credits, including their monetary updating by the Selic rate at December 31, 2019:

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PIS/Pasep and Cofins credits	Cemig GT	Sá Carvalho	Cemig Geração Poço Fundo	Horizontes Energia	Total
Effects on the statement of financial position					
Recoverable taxes (July/2003 to May/2019)	626,019	24,445	1,663	1,237	653,364
Taxes payable (1)	(6,063)	(228)	(19)	-	(6,310)
Current income tax and social contribution tax	(210,785)	(8,234)	(559)	(421)	(219,999)
Equity	**409,171**	**15,983**	**1,085**	**816**	**427,055**
Effects on net income					
Recovery of PIS/Pasep and Cofins taxes credits over ICMS	397,301	14,797	994	524	413,616
Finance income (2)	228,718	9,648	669	713	239,748
PIS/Pasep and Cofins taxes charged on financial revenues (2)	(6,063)	(228)	(19)	-	(6,310)
Current income tax and social contribution tax	(210,785)	(8,234)	(559)	(421)	(219,999)
Impact on net income of period	**409,171**	**15,983**	**1,085**	**816**	**427,055**

(1) PIS/Pasep and Cofins taxes on the financial revenues comprising the monetary updating of the tax credits that have been recognized.
(2) It includes financial updating from the date of credits recognition until December 31, 2019, net of PIS/Pasep and Cofins taxes on finance income, in the amounts of R$2,009, in the consolidated, and R$3,153 in the parent.

11. INCOME AND SOCIAL CONTRIBUTION TAXES

a) Income tax and social contribution tax recoverable

The balances of income tax and social contribution tax refer to tax credits in the corporate income tax returns of previous years and to advance payments which will be offset against federal taxes eventually payable.

	Consolidated		Parent Company	
	2019	2018	2019	2018
Current				
Income tax	239,443	90,679	238,261	88,599
Social contribution tax	125,119	68,481	124,788	68,139
	364,562	**159,160**	**363,049**	**156,738**
Non-current				
Income tax	2,461	2,499	-	-
Social contribution tax	606	616	-	-
	3,067	**3,115**	**-**	**-**

The balances of Income tax and social contribution tax posted in non-current assets arise from retentions at source of tax relating to energy supply sold under the *Proinfa* program by companies opting to use the presumed profit method of tax reporting, where the expectation of offsetting is greater than 12 months.

b) Income tax and social contribution tax

The balances of Income tax and social contribution tax recorded in Current liabilities refer mainly to the taxes owed by the Company and its subsidiaries that report by the Real Profit method, which have to pay the tax monthly on a estimated basis, and by the subsidiaries that have opted for the Presumed Profit method, in which payments are made quarterly.

	Consolidated	
	2019	2018
Current		
Income tax	98,712	83,207
Social contribution tax	35,156	28,850
	133,868	**112,057**

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c) Deferred income tax and social contribution tax

The Company and its subsidiaries have income tax credits, constituted at the rate of 25%, and social contribution tax credits, at the rate of 9%, on tax losses/carryforwards and temporary differences, as follows:

	Consolidated		Parent Company	
	2019	2018	2019	2018
Deferred tax assets				
Post-employment obligations	444,411	316,092	444,411	316,092
Estimated losses on doubtful receivables	11,075	8,326	5,984	8,326
Provisions for contingencies	110,374	33,532	110,319	33,250
Provision for SAAG put option	164,166	142,510	164,166	142,510
Provisions for losses on investments	277,300	273,558	277,300	273,558
Other provisions	46,080	23,130	46,080	23,130
Paid concession	8,194	7,683	8,194	7,683
Others	21,210	6,534	21,176	6,262
	1,082,810	**811,365**	**1,077,630**	**810,811**
Deferred tax liabilities				
Fair Value as cost attributed on IFRS adoption	(231,833)	(239,092)	(212,319)	(218,534)
Adjustment of expected cash flow from reimbursements of concession assets	(514,801)	(552,327)	(514,801)	(552,327)
Fair value of equity holdings	(146,852)	(155,457)	(146,852)	(155,457)
Updating on escrow deposits	(385)	(29,708)	-	(28,752)
Derivative financial instruments (Swaps)	(574,921)	(276,534)	(574,921)	(276,534)
Others	(12,026)	(19,978)	(11,297)	(15,278)
	(1,480,818)	**(1,273,096)**	**(1,460,190)**	**(1,246,882)**
Net total	**(398,008)**	**(461,731)**	**(382,560)**	**(436,071)**
Total assets	**5,100**	**-**	**-**	**-**
Total liabilities	**(403,108)**	**(461,731)**	**(382,560)**	**(436,071)**

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

	Consolidated	Parent Company
Balance at December 31, 2017	**(416,446)**	**(416,305)**
Effects allocated to Income statement	(72,062)	(72,097)
Effects allocated to comprehensive income statement	52,331	52,331
Balance of deferred taxes arising from business combination (Nota 15)	(3,300)	-
Balance of deferred taxes arising from stockholding reorganization (Nota 15)	(22,254)	-
Balance at December 31, 2018	**(461,731)**	**(436,071)**
Effects allocated to income statement	(53,641)	(60,325)
Effects allocated to comprehensive income statement	113,836	113,836
Others	3,528	-
Balance at December 31, 2019	**(398,008)**	**(382,560)**

On March 19, 2020, the Board of Directors meeting approved the Company's estimated future taxable profits forecast. This forecast was also submitted for examination by the Fiscal Council in the same date.

The Company and its subsidiaries estimated that the balance of deferred tax asset as of December 31, 2019 will be realized, as follows:

	Consolidated	Parent Company
2020	184,933	183,870
2021	167,739	166,710
2022	167,739	166,710
2023	167,739	166,710
2024 to 2026	258,508	257,478
2027 to 2029	136,152	136,152
	1,082,810	**1,077,630**

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d) Reconciliation of the income tax and social contribution tax

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

	Consolidated		Parent Company	
	2019	2018	2019	2018
Pretax profit	**1,438,452**	**975,848**	**1,257,644**	**843,158**
Income tax and social contribution tax – nominal expense (34%)	(489,074)	(331,788)	(427,599)	(286,674)
Tax effects applicable to:				
Interest on equity	91,800	17,000	91,800	17,000
Tax incentives	12,958	7,070	10,025	5,826
Share of profit (loss) of associates and joint ventures, net	(44,965)	(125,748)	165,087	12,897
Non-deductible penalties	(26,260)	(641)	(26,260)	(641)
Non-deductible contributions and donations	(3,763)	(1,797)	(2,642)	(1,447)
Difference between presumed profit and real profit methods	88,506	49,995	-	-
Provision for losses on investiments	-	(4,238)	-	(4,238)
Estimated losses on doubtful accounts receivable from related parties	(233,931)	-	(233,931)	-
Others	1,355	5,082	954	4,902
Income tax and social contribution tax – effective expense	**(603,374)**	**(385,065)**	**(422,566)**	**(252,375)**
Current tax	(549,733)	(313,003)	(362,241)	(180,278)
Deferred tax	(53,641)	(72,062)	(60,325)	(72,097)
	(603,374)	**(385,065)**	**(422,566)**	**(252,375)**
Effective rate	**41.95%**	**39.46%**	**33.60%**	**29.93%**

12. ESCROW DEPOSITS

	Consolidated		Parent Company	
	2019	2018	2019	2018
Employment-law cases	**32,100**	**30,183**	**31,477**	**29,649**
Tax issues				
Income tax on interest on equity	17,226	16,791	15,910	15,475
Pasep and cofins taxes (1)	207,469	201,211	195,409	189,922
Income tax and social security contribution on indemnity for employees' 'Anuênio' benefit (2)	66,483	64,786	66,483	64,786
Urban property tax (IPTU)	11,423	10,364	11,421	10,364
Social contribution tax (3)	18,062	18,062	18,062	18,062
Others	2,513	1,496	2,357	1,496
	323,176	**312,710**	**309,642**	**300,105**
Others				
Court embargo	974	763	942	731
Regulatory	3,002	3,537	3,002	3,537
Others	5,025	27,181	4,988	4,757
	9,001	**31,481**	**8,932**	**9,025**
	364,277	**374,374**	**350,051**	**338,779**

(1) This refers to the escrow deposits into court made in the action challenging the constitutionality of inclusion of ICMS (VAT), already charged, within the taxable amount for calculation of these two contributions. On February 13, 2020 the Company received these amounts, totaling R$196,169. See more details in Note 10 – PIS/Pasep and Cofins Taxes Credits over ICMS – Final Court Judgment.
(2) See more details in Note 24 – Provisions (*Indemnity of employees' future benefit – the 'Anuênio'*).
(3) Escrow deposit in the legal action challenging an infringement claim relating to application of Social contribution tax to amounts of cultural and artistic donations and sponsorship, expenses on punitive fines, and taxes with liability suspended.

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13. CONCESSION FINANCIAL ASSETS

	Consolidated		Parent Company	
	2019	2018	2019	2018
Transmission – Indemnity receivable (1) (13.1)	1,280,652	1,296,314	1,280,652	1,296,314
Generation – Indemnity receivable (13.2)	816,202	816,202	816,202	816,202
Generation – Concession grant fee (13.3)	2,468,216	2,408,930	-	-
	4,565,070	**4,521,446**	**2,096,854**	**2,112,516**
Current	**439,582**	**423,511**	**189,017**	**180,995**
Non-current	**4,125,488**	**4,097,935**	**1,907,837**	**1,931,521**

(1) Part of the assets linked to transmission infrastructure began to be recognized, as from 2018, as contract assets, as required by IFRS 15. For more details see Note 14 – *Contract assets*.

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

	Consolidated			Parent Company		
	Generation	Transmission	Total	Generation	Transmission	Total
Balance at December 31, 2017	**4,237,892**	**2,475,838**	**6,713,730**	**1,900,757**	**2,475,838**	**4,376,595**
Effects of initial adoption of CPC 47/IFRS 15	-	(1,092,271)	(1,092,271)	-	(1,092,271)	(1,092,271)
Inflation adjustment (a)	376,757	161,954	538,711	55,332	161,954	217,286
Amounts received	(1,388,985)	(249,207)	(1,638,192)	(1,139,355)	(249,207)	(1,388,562)
Transfers – PP&E	(532)	-	(532)	(532)	-	(532)
Balance at December 31, 2018	**3,225,132**	**1,296,314**	**4,521,446**	**816,202**	**1,296,314**	**2,112,516**
Inflation adjustment	318,267	121,415	439,682	-	121,415	121,415
Amounts received	(258,981)	(181,159)	(440,140)	-	(181,159)	(181,159)
Transfers – Contract assets (note 14)	-	44,082	44,082	-	44,082	44,082
Balance at December 31, 2019	**3,284,418**	**1,280,652**	**4,565,070**	**816,202**	**1,280,652**	**2,096,854**

13.1 Transmission - Indemnifiable receivable

On April 20, 2016, the Mining and Energy Ministry (MME) issued its Ministerial Order 120, which set the amounts ratified by Aneel through its Dispatches, relating to the facilities of the National Grid not yet amortized nor depreciated nor yet reimbursed by the concession-granting power, related to the concession contracts renewed under Law 12,783/2013. These became a component of the Regulatory Remuneration Base of the energy transmission concession holders, as from the 2017 tariff-setting process. These regulations determined the amounts receivable as Permitted Annual Revenue (*Receita Anual Permitida - RAP*) of the amounts relating to the National Grid.

Based on the regulations of Aneel and the Mining and Energy Ministry, in particular MME Ministerial Order 120/2016 and Aneel Resolution 762/2017, the portion of the Company's receivable rights for which passage of time is required for their payment is governed by CPC 48 (financial asset).

Thus, the portion not yet paid, since the extension of the concessions, for the period January 1, 2013 to June 30, 2017, to be received over a period of eight years, considered as a Financial Component, is classified as a Financial asset, since it no longer involves the construction of infrastructure assets, and represents exclusively the portions not paid in the period 2013 to 2017, updated by the regulatory cost of capital of the transmission sector.

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The classification of this portion as a financial asset is based on the non-existence of assets linked to the financial component of the National Grid, for which a performance obligation is required for its receipt. In this context, the Company has the unconditional right to the receivable, specified in Article 15 of Law 12,783/2013 and also in the regulations of Aneel, requiring, basically, only the passage of time for receipt of the amounts payable. Considering that the regulatory cost of capital, previously set by Aneel through its Resolution 762/2017, is used for remuneration of the financial asset recognized, this is classified as measured at amortized cost, in the terms of IFRS 09/CPC 48, because it is maintained in a business model whose objective is the receipt of contractual cash flows, constituting payment of principal and interest on the principal yet unpaid.

In relation to the facilities of the National Grid linked to the Company's concession contract, Aneel ratified, through its Dispatch 2,181, on august, 16, 2016, homologated the amount of R$892,050, in December, 2012, for the portion of the residual value of assets to be paid to the Company. This amount was recorded as a financial asset, with specific maturity and interest rate, in accordance with its characteristics.

The amount of the indemnity receivable, updated to December 31, 2019, of R$1,280,652 (R$1,296,314 on December, 31, 2018) is classified as a financial asset, at amortized cost, in accordance with IFRS 9, as follows:

Portions of remuneration and depreciation not paid since the extensions of concessions

The portions of remuneration and depreciation not paid since the extensions of the concessions, up to the tariff process of 2017, in the amount of R$832,915 at December 31, 2019 (R$936,945 on December 31, 2018) are updated by the IPCA index (*Expanded National Consumer Price Index*) and remunerated at the weighted average cost of capital of the transmission industry as defined by Aneel in the methodologies for concession holders' Periodic Tariff Reviews, to be paid over a period of eight years, in the form of reimbursement through the RAP, from July 2017.

Residual Value of transmission assets – injunction awarded to industrial customers

On April 10, 2017, a preliminary injunction was granted to the Brazilian Large Free Customers' Association (*Associação Brasileira de Grandes Consumidores Livres*), the Brazilian Auto Glass Industry Technical Association (*Associação Técnica Brasileira das Indústrias Automáticas de Vidro*) and the Brazilian Ferro-alloys and Silicon Metal Producers' Association (*Associação Brasileira dos Produtores de Ferroligas e de Silicio Metálico*) in their legal action against the regulator (Aneel) and the Federal Government requesting suspension of the effects on their tariffs of payment of the residual value of the Existing Basic Network System.

The preliminary injunction was partial, with effects related to suspension of the inclusion in the customer tariffs paid by these associations of the portion of the indemnity corresponding to the remuneration at cost of capital included since the date of extension of the concessions – amounting to R$447,737 at December 31, 2019 (R$359,369 at December 31, 2018), inflation-adjusted by the IPCA index.

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In compliance with the court decision, the regulator, presented a new calculation, excluding the amounts that refer to the cost of own capital. The Compay believes that this is a provisional decision, and that its right to receive the amount referring to the assets of RBSE is guaranteed by law, so that no adjustment to the amount recorded at December 31, 2019 is necessary.

13.2 Generation – Indemnity receivable

As from August 2013, with the extinction of the concession for various plants operated under Concession Contract 007/1997, the Company has a right to receive an amount corresponding to the residual value of the infrastructure assets as specified in the concession contract. These balances are recognized in financial assets, at fair value through profit or loss, and totaled R$816,202 on December 31, 2019 and December 31, 2018.

Generating plant	Concession expiration date	Installed capacity (MW)	Net balance of assets based on historic cost	Net balance of assets based on deemed cost
Lot D				
Três Marias Hydroelectric Plant	July 2015	396	71,694	413,450
Salto Grande Hydroelectric Plant	July 2015	102	10,835	39,379
Itutinga Hydroelectric Plant	July 2015	52	3,671	6,589
Camargos Hydroelectric Plant	July 2015	46	7,818	23,095
Piau Small Hydroelectric Plant	July 2015	18.01	1,531	9,005
Gafanhoto Small Hydroelectric Plant	July 2015	14	1,232	10,262
Peti Small Hydroelectric Plant	July 2015	9.4	1,346	7,871
Dona Rita Small Hydroelectric Plant	Sep. 2013	2.41	534	534
Tronqueiras Small Hydroelectric Plant	July 2015	8.5	1,908	12,323
Joasal Small Hydroelectric Plant	July 2015	8.4	1,379	7,622
Martins Small Hydroelectric Plant	July 2015	7.7	2,132	4,041
Cajuru Small Hydroelectric Plant	July 2015	7.2	3,576	4,252
Paciência Small Hydroelectric Plant	July 2015	4.08	728	3,936
Marmelos Small Hydroelectric Plant	July 2015	4	616	4,265
Others				
Volta Grande Hydroelectric Plant	Feb. 2017	380	25,621	70,118
Miranda Hydroelectric Plant (1)	Dec. 2016	408	26,710	22,546
Jaguara Hydroelectric Plant (1)	Aug. 2013	424	40,452	174,203
São Simão Hydroelectric Plant (1)	Jan. 2015	1,710	1,762	2,711
		3,601.70	**203,545**	**816,202**

(1) Investments made after the Jaguara, São Simão and Miranda plants came into operation, in the amounts of R$174,203 , R$2,711 and R$22,546, respectively, are recorded as concession financial assets, and the determination of the final amounts to be paid to the Company is in a process of discussion with Aneel (the regulator). Management of the subsidiary Cemig GT does not expect losses in realization of these amounts.

As specified by the regulator (Aneel), the valuation reports that support the amounts to be received by the Company in relation to the residual value of (a) the plants previously operated by Company that were included in Lot D, and (b) the *Volta Grande* plant have been submitted to the regulator. The Company does not expect any losses in the realization of these amounts.

In 2019, Public Hearing 003/2019 was opened to obtain inputs on improvement of the regulation of criteria and procedures for calculation of investments in revertible assets, not yet amortized or not depreciated, of generation concessions (whether extended or not), under Law 12,783/2013. Technical Note 096/2019 was published on September 30, 2019. However, the Normative Resolution has not yet been voted on by the Council of Aneel; the Company's management does not expect losses in realization of these amounts.

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Miranda and São Simão plants – Basic plans

On August, 31, 2018 the Company received the indemnity of funds representing the expense on execution of the basic plans of the São Simão and Miranda hydroelectric plants – this was a total of R$1,139,355, as specified in Mining and Energy Ministry Order 291/17. The amounts of these reimbursements were subjected to monetary updating by the variation resulting from the Selic interest rate, up to the date of receipt.

13.3 Concession grant fee – Generation concessions

The concession grant fee paid by the Company for a 30 year concession contracts No. 08 to 16/2016,related to 18 hydroelectric plants of Auction 12/2015, won by the Company, was an amount of R$2,216,353. The amount of the concession fee was recognized as a financial asset measured at amortized cost, as the Company has an unconditional right to receive the amount paid, updated by the IPCA Index and remuneratory interest (the total amount of which is equal to the internal rate of return on the project), during the period of the concession.

The changes in concession financial assets are as follows:

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

SPC	Plant	Balance at Dec. 31, 2017	Monetary updating	Amounts received	Balance at Dec. 31, 2018
Cemig Geração Três Marias S.A.	Três Marias	1,330,134	173,892	(134,126)	1,369,900
Cemig Geração Salto Grande S.A.	Salto Grande	417,393	54,816	(42,299)	429,910
Cemig Geração Itutinga S.A.	Itutinga	155,594	22,990	(17,983)	160,601
Cemig Geração Camargos S.A.	Camargos	116,710	17,129	(13,387)	120,452
Cemig Geração Sul S.A.	Coronel Domiciano, Joasal, Marmelos, Paciência and Piau	152,170	23,884	(18,837)	157,217
Cemig Geração Leste S.A.	Dona Rita, Ervália, Neblina, Peti, Sinceridade and Tronqueiras	103,133	17,867	(14,303)	106,697
Cemig Geração Oeste S.A.	Cajurú, Gafanhoto and Martins	62,001	10,847	(8,695)	64,153
Total		**2,337,135**	**321,425**	**(249,630)**	**2,408,930**

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

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14. CONCESSION CONTRACT ASSETS

Under IFRS 15 / CPC 47 – *Revenue from contracts with customers*, concession infrastructure assets during the period of construction for which the right to consideration depends on satisfaction of a performance obligations are classified as Contract assets. The balances of these on December, 31, 2019 were as follows:

	Consolidated		Parent Company	
	2019	2018	2019	2018
Transmission – Reimbursement assets incorporated into the assets remuneration Base	347,691	492,405	347,691	492,405
Transmission – Assets remunerated by tariff	848,543	636,905	848,543	636,905
	1,196,234	**1,129,310**	**1,196,234**	**1,129,310**
Current	**171,849**	**130,951**	**171,849**	**130,951**
Non-current	**1,024,385**	**998,359**	**1,024,385**	**998,359**

The changes in contract assets are as follows:

Balance at December 31, 2017	-
Effects of initial adoption of CPC 47/IFRS 15	1,092,271
Additions	95,712
Inflation adjustment	88,421
Adjustment to expectation of contractual cash flow from the concession	12,934
Amounts received	(161,527)
Transfers to property, plant and equipment (note 16)	1,499
Balance at December 31, 2018	**1,129,310**
Additions	220,390
Inflation adjustment	33,598
Adjustment to expectation of contractual cash flow from the concession	14,389
Amounts received	(153,583)
Settled	(3,794)
Transfers to PP&E (note 16)	6
Transfer to financial assets (note 13)	(44,082)
Balance at December 31, 2019	**1,196,234**

(3) More details in Note 13.

The assets linked to the infrastructure of the transmission concession are now classified as contract assets, considering the performance obligations during the period of the concession, namely the obligations to build, operate and maintain transmission lines and keep them available. The assets posted in this line are:

Remaining balance to be received through RAP

The portion of the RAP relating to the facilities of the National Grid arising from the regulatory reintegration quota incorporated into the Remuneration Base, under Mining and Energy Ministry Order 120/2016 and Aneel Resolution 762/2017, is classified as a contractual asset, since satisfaction of the performance obligation linked to their construction occurs during their useful life (availability of the network).

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The right to the consideration linked to these assets depends on the availability of the network, since they were reincorporated into the Remuneration Base by the renewal of the concession contract, under Law 12,783/2013, and will be received for the remaining period of their useful life, as and when the services of operation and maintenance are rendered. Thus, the asset is recognized, under IFRS 15/CPC 47, as a contract asset, representing the performance concluded prior to the right to receipt of the consideration, which will take place during the utilization of the infrastructure built, for the period of its useful life, in accordance with Aneel Resolution 762/2017, concomitantly with the provision of services of operation and maintenance, which are necessary for availability of the network.

The remaining balance of the indemnity for transmission, due to acceptance of the terms of Law 12,783/13, of R$347,691, at December 31, 2019 (R$492,405 at December 31, 2018) was incorporated into the Assets Remuneration Base and is being recovered through the Annual Permitted Revenue (RAP).

Assets remunerated by tariff

For new assets related to improvements and upgrades of facilities constructed by transmission concession holders, the regulator (Aneel) calculates an additional portion of Permitted Annual Revenue (RAP) from the date that the new facilities enter commercial operation.

Under the *Proret*, the revenue established in the Resolutions is payable to the transmission concession holders as from the date of start of commercial operation of the facilities. In the periods between tariff reviews, the revenues associated with the improvements and upgrades of facilities are provisional. They are then finally determined in the review immediately subsequent to the start of commercial operation of the facilities; this review then has effect starting on the date when commercial operations begin. The balance receivable on December 31, 2019 was R$848,543 (R$636,905 on December, 31, 2018).

A counterpart entry is posted for the activity of implementation of infrastructure (during the phase of works), linked to completion of performance, and of the performance obligations to operate and maintain, and not only to the passage of time. Revenue and costs related to formation of these assets are recognized as costs incurred.

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15. INVESTMENTS

	Consolidated		Parent Company	
	2019	2018	2019	2018
Affiliated companies				
Madeira Energia (*Santo Antônio* Plant)	166,617	270,090	166,617	270,090
FIP Melbourne (*Santo Antônio* Plant)	384,809	470,022	384,809	470,022
Jointly-controlled entities				
Hidrelétrica Cachoeirão	53,728	49,213	53,728	49,213
Guanhães Energia	131,076	111,838	131,076	111,838
Hidrelétrica Pipoca	30,730	30,629	30,730	30,629
LightGer	46,487	42,191	46,487	42,191
Baguari Energia	157,499	162,224	157,499	162,224
Aliança Norte (*Belo Monte* plant)	671,166	663,755	671,166	663,755
Amazônia Energia (*Belo Monte* plant)	1,027,860	1,012,636	1,027,860	1,012,636
Aliança Geração	1,191,550	1,216,860	1,191,550	1,216,860
Retiro Baixo	180,043	170,720	180,043	170,720
Usina Hidrelétrica Itaocara S.A.	-	5,130	-	5,130
Subsidiaries				
Cemig Baguari	-	-	19	36
Cemig Geração Três Marias S.A.	-	-	1,407,996	1,395,614
Cemig Geração Salto Grande S.A.	-	-	446,318	440,083
Cemig Geração Itutinga S.A.	-	-	183,617	178,545
Cemig Geração Camargos S.A.	-	-	136,140	131,570
Cemig Geração Sul S.A.	-	-	179,275	176,424
Cemig Geração Leste S.A.	-	-	126,802	120,686
Cemig Geração Oeste S.A.	-	-	72,648	69,898
Rosal Energia S.A.	-	-	127,994	124,897
Sá Carvalho S.A.	-	-	123,929	94,447
Horizontes Energia S.A.	-	-	57,397	54,953
Cemig PCH S.A.	-	-	97,731	92,987
Cemig Geração Poço Fundo S.A. (1)	-	-	3,638	18,406
Empresa de Serviços de Comercialização de Energia Elétrica S.A.	-	-	28,263	26,755
Cemig Comercializadora de Energia Incentivada S.A.	-	-	3,359	2,841
Cemig Trading S.A.	-	-	31,027	28,135
Central Eólica Praias de Parajuru S.A.	-	-	149,260	145,880
Central Eólica Volta do Rio S.A.	-	-	124,507	180,976
Total of investments	**4,041,565**	**4,205,308**	**7,341,485**	**7,488,441**
Itaocara – Provision for losses	(21,810)	-	(21,810)	-
Total	**4,019,755**	**4,205,308**	**7,319,675**	**7,488,441**

(1) The Extraordinary General Meeting of Stockholders held on August 29, 2019 approved changes to the bylaws of the subsidiary, changing its name and its corporate objects. With the alteration, the name of Usina Termelétrica Barreiro S.A. was changed to Cemig Geração Poço Fundo S.A..

(2) On December 31, 2019, the investee had negative stockholders' equity. Thus, after reducing the accounting value of its interest to zero, the Company recognized the provision for losses on investments, in the amount of R$21,810, resulting from contractual obligations assumed with the subsidiary and the other shareholders.

a) Right to commercial operation of the regulated activity

In the process of allocate the purchase price for of the acquisition of the subsidiaries and affiliates, a valuation was made for the intangible assets relating to the right to operate the infrastructure. This asset is presented together with the acquisition cost of the investments in the previous table. These assets will be amortized over the remaining period of the concessions on a straight-line basis.

Changes in these assets are as follows:

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

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Parent Company	Balance at Dec. 31,2018	Amortization	Impairment	Balance at Dec 31, 2019
Retiro Baixo	31,966	(1,390)	-	30,576
Central Eólica Praias de Parajuru	66,286	(6,214)	-	60,072
Central Eólica Volta do Rio (1)	95,819	(7,529)	(21,684)	66,606
Madeira Energia (*Santo Antônio* plant)	18,000	(737)	-	17,263
Aliança Geração	377,534	(25,309)	-	352,225
Aliança Norte (*Belo Monte* plant)	52,575	(1,972)	-	50,603
	642,180	**(43,151)**	**(21,684)**	**577,345**

(1) Due to the result of the analysis of, and realization of the test for, impairment, the Company recognized the provision for loss of part of the residual value of goodwill on the investment in Central Eólica Volta do Rio, to limit its balance to the minimum value of the excess of the future economic benefits arising from the use of the net fixed assets of this investee at December 31, 2019.

Consolidated	Dec. 31,2017	Addition	Amortization	Settled	Others	Dec. 31,2018
Retiro Baixo	28,344	5,691	(2,069)	-	-	31,966
Central Eólica Praias de Parajuru (1)	16,503	51,198	(1,415)	-	(66,286)	-
Central Eólica Volta do Rio (1)	11,035	85,655	(871)	-	(95,819)	-
Central Eólica Praias de Morgado (1)	23,956	-	(1,943)	(22,013)	-	-
Madeira Energia (*Santo Antônio* plant) (2)	151,384	-	(5,957)	(127,427)	-	18,000
Aliança Geração	402,844	-	(25,310)	-	-	377,534
Aliança Norte (*Belo Monte* plant)	54,546	-	(1,971)	-	-	52,575
	688,612	**142,544**	**(39,536)**	**(149,440)**	**(162,105)**	**480,075**

Parent Company	Dec. 31,2017	Addition	Amortization	Settled	Dec. 31,2018
Retiro Baixo	28,344	5,691	(2,069)	-	31,966
Central Eólica Praias de Parajuru (1)	16,503	51,198	(1,415)	-	66,286
Central Eólica Volta do Rio (1)	11,035	85,655	(871)	-	95,819
Central Eólica Praias de Morgado (1)	23,956	-	(1,943)	(22,013)	-
Madeira Energia (*Santo Antônio* plant) (2)	151,384	-	(5,957)	(127,427)	18,000
Aliança Geração	402,844	-	(25,310)	-	377,534
Aliança Norte (*Belo Monte* plant)	54,546	-	(1,971)	-	52,575
	688,612	**142,544**	**(39,536)**	**(149,440)**	**642,180**

(1) Changes arising from elimination of crossover holdings between the Company and Energimp. The rights of authorization of commercial operation that are considered as Investments in the financial statements of the parent company are classified in the statement of financial position under Intangible, in accordance with Technical Interpretation ICPC 09. Details of the transaction are in the topic *Elimination of crossover holdings of assets between Cemig GT and Energimp – Acquisition of control* in this note.

(2) Due to the result of the analysis of, and realization of the test for, impairment, the Company recognized a provision for loss of part of the residual value of the goodwill on the investment in Madeira Energia (*Santo Antônio* Plant) to limit its balance to the minimum value of the excess of the future economic benefits arising from the use of the net fixed assets of this investee at December 31, 2018.

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

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

(1) On December 31, 2019, the investee had negative stockholders' equity. Thus, after reducing the accounting value of its interest to zero, the Company recognized the provision for losses on investments, in the amount of R$21,810, resulting from contractual obligations assumed with the subsidiary and the other stockholders.

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

(1) The items in the column 'Others' refer to the reduction of share capital in the investee, approved by the Extraordinary General Meeting of Stockholders of February 11, 2019, in effect from April 20, 2019, as established by Law 6,404/1976. The Extraordinary General Meeting of Stockholders held on August 29, 2019 approved changes to the bylaws of the subsidiary, changing its name and its corporate objects. With the alteration, the name of Usina Termelétrica Barreiro S.A. was changed to Cemig Geração Poço Fundo S.A..

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(2) Due to the result of the analysis of, and realization of the test for, impairment, the Company recognized the provision for loss of part of the residual value of goodwill on the investment in Central Eólica Volta do Rio, to limit its balance to the minimum value of the excess of the future economic benefits arising from the use of the net fixed assets of this investee at December 31, 2019.
(3) On December 31, 2019, the investee had negative stockholders' equity. Thus, after reducing the accounting value of its interest to zero, the Company recognized the provision for losses on investments, in the amount of R$21,810, resulting from contractual obligations assumed with the subsidiary and the other stockholders.

Consolidated	Balance at Dec. 31, 2017	Gain (loss) by equity method	Capital contributions	Dividends	Settled	Other	Balance at Dec. 31, 2018
Hidrelétrica Cachoeirão	57,957	10,065	-	(18,809)	-	-	49,213
Guanhães Energia	25,018	26,968	59,852	-	-	-	111,838
Hidrelétrica Pipoca	26,023	6,886	-	(2,280)	-	-	30,629
Madeira Energia (*Santo Antônio* plant)	534,761	(162,564)	25,320	-	-	(127,427)	270,090
FIP Melbourne (*Santo Antônio* plant)	582,504	(138,634)	26,152	-	-	-	470,022
Baguari Energia	148,422	28,411	-	(14,609)	-	-	162,224
Central Eólica Praias Parajuru	60,101	(6,011)	95,228	-	(3,438)	(145,880)	-
Central Eólica Volta do Rio	67,725	(15,835)	151,162	-	(22,076)	(180,976)	-
Central Eólica Praias de Morgado	50,569	(15,455)	-	-	(11,822)	(23,292)	-
Lightger	40,832	3,138	-	(1,779)	-	-	42,191
Amazônia Energia (*Belo Monte* plant)	866,554	76,925	69,157	-	-	-	1,012,636
Aliança Norte (*Belo Monte* plant)	576,704	44,483	42,568	-	-	-	663,755
Aliança Geração	1,242,170	65,354	-	(90,664)	-	-	1,216,860
Retiro Baixo	157,773	10,394	5,691	(3,138)	-	-	170,720
Renova	282,524	(282,524)	-	-	-	-	-
Usina Hidrelétrica Itaocara S.A.	3,699	(3,990)	5,421	-	-	-	5,130
Total of investments	**4,723,336**	**(352,389)**	**480,551**	**(131,279)**	**(37,336)**	**(477,575)**	**4,205,308**

(1) Due to the result of the analysis of, and realization of the test for, impairment, the Company recognized a provision for loss of part of the residual value of the goodwill on the investment in Madeira Energia (Santo Antônio Plant) to limit its balance to the minimum value of the excess of the future economic benefits arising from the use of the net fixed assets of this investee at December 31, 2018.
(2) Changes arising from elimination of crossover holdings between the Company and Energimp. Details of the transaction are in the topic *Elimination of crossover holdings of assets between Cemig GT and Energimp – Acquisition of control* in this note.

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Parent Company	Balance at Dec. 31, 2017	Gain (loss) by equity method	Capital contributions	Acquisitions	Settled	Dividends	Others	Balance at Dec. 31, 2018
Hidrelétrica Cachoeirão	57,957	10,065	-	-	-	(18,809)	-	49,213
Guanhães Energia	25,018	26,968	59,852	-	-	-	-	111,838
Hidrelétrica Pipoca	26,023	6,886	-	-	-	(2,280)	-	30,629
Madeira Energia (*Santo Antônio* Plant)	534,761	(162,564)	25,320	-	-	-	(127,427)	270,090
FIP Melbourne (*Santo Antônio* Plant)	582,504	(138,634)	26,152	-	-	-	-	470,022
Baguari Energia	148,422	28,411	-	-	-	(14,609)	-	162,224
Central Eólica Praias Parajuru	60,101	(6,011)	-	95,228	(3,438)	-	-	145,880
Central Eólica Volta do Rio	67,725	(15,835)	-	151,162	(22,076)	-	-	180,976
Central Eólica Praias de Morgado	50,569	(15,455)	-	-	(11,822)	-	(23,292)	-
Lightger	40,832	3,138	-	-	-	(1,779)	-	42,191
Amazônia Energia (*Belo Monte* Plant)	866,554	76,925	69,157	-	-	-	-	1,012,636
Aliança Norte (*Belo Monte* Plant)	576,704	44,483	42,568	-	-	-	-	663,755
Aliança Geração	1,242,170	65,354	-	-	-	(90,664)	-	1,216,860
Retiro Baixo	157,773	10,394	5,691	-	-	(3,138)	-	170,720
Renova	282,524	(282,524)	-	-	-	-	-	-
Usina Hidrelétrica Itaocara S.A.	3,699	(3,990)	5,421	-	-	-	-	5,130
Cemig Baguari	23	(27)	40	-	-	-	-	36
Cemig Ger.Três Marias S.A.	1,391,822	173,993	-	-	-	(170,201)	-	1,395,614
Cemig Ger.Salto Grande S.A.	440,122	61,166	-	-	-	(61,205)	-	440,083
Cemig Ger. Itutinga S.A.	171,279	36,464	-	-	-	(29,198)	-	178,545
Cemig Geração Camargos S.A.	130,426	30,830	-	-	-	(29,686)	-	131,570
Cemig Geração Sul S.A.	167,571	37,399	-	-	-	(28,546)	-	176,424
Cemig Geração Leste S.A.	115,885	30,945	-	-	-	(26,144)	-	120,686
Cemig Geração Oeste S.A.	69,398	16,751	-	-	-	(16,251)	-	69,898
Rosal Energia S.A. (3)	-	1,407	-	123,490	-	-	-	124,897
Sá Carvalho S.A. (2)	-	3,930	-	90,517	-	-	-	94,447
Horizontes Energia S.A. (3)	-	8,471	-	46,482	-	-	-	54,953
Cemig PCH S.A. (3)	-	(2,343)	-	95,330	-	-	-	92,987
Usina Termelétrica do Barreiro S.A. (3)	-	48	-	18,358	-	-	-	18,406
Empresa de Serviços de Comercialização de Energia Elétrica S.A. (3)	-	4,197	-	22,558	-	-	-	26,755
Cemig Comercializadora de Energia Incentivada S.A. (3)	-	67	-	2,774	-	-	-	2,841
Cemig Trading S.A. (3)	-	4,481	-	23,654	-	-	-	28,135
Total of investments	**7,209,862**	**55,390**	**234,201**	**669,553**	**(37,336)**	**(492,510)**	**(150,719)**	**7,488,441**

(1) Due to the result of the analysis of, and realization of the test for, impairment, the Company recognized a provision for loss of part of the residual value of the goodwill on the investment in Madeira Energia (Santo Antônio Plant) to limit its balance to the minimum value of the excess of the future economic benefits arising from the use of the net fixed assets of this investee at December 31, 2018.

(2) Changes arising from elimination of crossover holdings between the Company and Energimp.

(3) On November 30, 2018, Cemig, the Company's parent company, completed the stockholding restructuring which transferred to the Company all ownership in Cemig's wholly-owned subsidiaries *Rosal Energia, Sá Carvalho, Horizontes Energia, Cemig PCH, UTE Barreiro, Empresa de Comercialização de Energia Elétrica, Cemig Comercializadora de Energia Incentivada* and *Cemig Trading*. This transfer was made for consideration of R$423,165, based on an Opinion valuing the equity at book value, on the base date of November 30, 2018.

Changes in dividends receivable are as follows:

	Consolidated		Parent Company	
	2019	2018	2019	2018
Opening balances	**98,842**	**75,480**	**98,842**	**75,480**
Investees' dividends proposed	146,818	131,279	678,523	492,510
Amounts received	(133,617)	(107,917)	(665,028)	(469,148)
Ending balances	**112,043**	**98,842**	**112,337**	**98,842**

c) Information on the subsidiaries, affiliates and and jointly-controlled entities, not adjusted for the Company's percentage ownership interest:

Company	Number of shares	2019			2018		
		Equity interest (%)	Share capital	Equity	Equity interest (%)	Share capital	Equity
Affiliated companies							
Madeira Energia (*Santo Antônio* plant)	12,034,025,147	15.51	10,619,786	3,704,760	15.51	10,619,786	4,656,593
Jointly-controlled entities							
Hidrelétrica Cachoeirão	35,000,000	49.00	35,000	109,649	49.00	35,000	100,434
Guanhães Energia	548,626,000	49.00	548,626	267,503	49.00	396,402	228,242
Hidrelétrica Pipoca	41,360,000	49.00	41,360	62,715	49.00	41,360	62,509
Baguari Energia (1)	26,157,300,278	69.39	186,573	226,984	69.39	186,573	233,793
Lightger	79,078,937	49.00	79,232	94,871	49.00	79,232	86,105
Aliança Norte (*Belo Monte* plant)	41,893,675,837	49.00	1,208,071	1,266,453	49.00	1,206,127	1,247,307
Amazônia Energia (*Belo Monte* plant) (1)	1,322,597,723	74.50	1,322,598	1,379,678	74.50	1,322,428	1,359,243
Aliança Geração	1,291,582	45.00	1,291,488	1,857,905	45.00	1,291,488	1,857,905
Retiro Baixo	225,350,000	49.90	225,350	299,532	49.90	222,850	278,065
Renova (2)	41,719,724	36.23	N/D	N/D	36.23	2,919,019	(76,489)
Usina Hidrelétrica Itaocara S.A. (3)	69,282,514	49.00	69,283	(44,510)	49.00	22,165	10,470
Subsidiaries							
Cemig Baguari	306,000	100.00	306	19	100.00	306	36
Cemig Ger.Três Marias S.A.	1,291,423,369	100.00	1,291,423	1,407,996	100.00	1,291,423	1,395,614
Cemig Ger.Salto Grande S.A.	405,267,607	100.00	405,268	446,318	100.00	405,268	440,083
Cemig Ger. Itutinga S.A.	151,309,332	100.00	151,309	183,617	100.00	151,309	178,545
Cemig Geração Camargos S.A.	113,499,102	100.00	113,499	136,140	100.00	113,499	131,570
Cemig Geração Sul S.A.	148,146,505	100.00	148,147	179,275	100.00	148,147	176,424
Cemig Geração Leste S.A.	100,568,929	100.00	100,569	126,802	100.00	100,569	120,686
Cemig Geração Oeste S.A.	60,595,484	100.00	60,595	72,648	100.00	60,595	69,898
Rosal Energia S.A.	46,944,467	100.00	46,944	127,994	100.00	46,944	124,897
Sá Carvalho S.A.	361,200,000	100.00	36,833	123,929	100.00	36,833	94,447
Horizontes Energia S.A.	39,257,563	100.00	39,258	57,397	100.00	39,258	54,953
Cemig PCH S.A.	45,952,000	100.00	45,952	97,731	100.00	45,952	92,987
Cemig Geração Poço Fundo S.A. (4)	1,402,000	100.00	1,402	3,638	100.00	16,902	18,406
Empresa de Serviços de Comercialização de Energia Elétrica S.A.	486,000	100.00	486	28,263	100.00	486	26,755
Cemig Comercializadora de Energia Incentivada S.A.	1,000,000	100.00	1,000	3,359	100.00	1,000	2,841
Cemig Trading S.A.	1,000,000	100.00	1,000	31,027	100.00	1,000	28,135
Central Eólica Praias de Parajuru S.A.	71,834,843	100.00	71,835	89,188	100.00	71,835	79,594
Central Eólica Volta do Rio S.A.	138,867,440	100.00	138,867	57,901	100.00	138,867	85,157

(1) Control shared under a shareholders' agreement.

(2) In view of Renova's negative net equity, the Company reduced to zero the carrying value of its equity interests in this investee, at December 31, 2018. In addition, due to the issues described further in this note, relating to Renova, this investee has not conclued its financial statements for the period ended in December 31, 2019, and thus their account information is not disclosed.

(3) Due to the stockholders' equity of Usina Hidrelétrica Itaocara S.A. having become negative, the Company reduced the accounting balance for its interest in the investee to zero on December 31, 2019, and constituted a provision for losses on investments, in the amount of R$ 21,810, resulting from contractual obligations assumed with the subsidiary and other stockholders.

(4) The Extraordinary General Meeting of Stockholders held on August 29, 2019 approved changes to the bylaws of the subsidiary, changing its name and its corporate objects. With the alteration, the name of Usina Termelétrica Barreiro S.A. was changed to Cemig Geração Poço Fundo S.A.

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The main balances for the affiliated companies and jointly-controlled entities, at December 31, 2019 and 2018, are as follows:

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

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

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2018	Hidrelétrica Cachoeirão	Baguari Energia	Guanhães Energia	Madeira Energia	Hidrelétrica Pipoca	LightGer
Assets						
Current	22,771	44,420	1,965	618,230	11,994	69,868
Cash and cash equivalents	17,792	8,161	1,127	68,645	3,721	58,418
Non-current	84,902	201,025	226,796	22,453,401	94,867	131,640
Total assets	**107,673**	**245,445**	**228,761**	**23,071,631**	**106,861**	**201,508**
Liabilities						
Current	7,239	6,795	488	1,281,333	11,521	44,205
Loans and financings	-	-	-	53,259	6,578	8,614
Non-current	-	4,857	31	17,133,705	32,831	71,198
Loans and financings	-	-	-	10,219,548	32,831	71,198
Stockholders' equity	100,434	233,793	228,242	4,656,593	62,509	86,105
Total liabilities and equity	**107,673**	**245,445**	**228,761**	**23,071,631**	**106,861**	**201,508**
Statement of income						
Net sales revenue	50,188	73,856	-	3,005,553	29,270	45,178
Operating costs	(29,315)	(30,753)	-	(2,689,459)	(12,161)	(31,977)
Depreciation	(2,763)	(8,844)	-	-	(3,095)	(10,602)
Gross profit	**20,873**	**43,103**	**-**	316,094	**17,109**	**13,201**
General and administrative expenses	-	-	(1,882)	(194,849)	(324)	-
Finance income	1,593	3,038	478	127,777	596	3,479
Finance expenses	(169)	(950)	(66)	(1,880,828)	(4,033)	(7,658)
Operational profit	**22,297**	**45,191**	**(1,470)**	**(1,631,806)**	**13,348**	**9,022**
Income tax and social contribution tax	(2,218)	(4,041)	(5,495)	(111,830)	(1,203)	(2,616)
Reversal of impairment	-	-	62,000	-	-	-
Net profit (loss) for the period	**20,079**	**41,150**	**55,035**	**(1,743,636)**	**12,145**	**6,406**
Comprehensive income for the period						
Net profit (loss) for the period	20,079	41,150	55,035	(1,743,636)	12,145	6,406
Comprehensive income for the period	**20,079**	**41,150**	**55,035**	**(1,743,636)**	**12,145**	**6,406**

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2018	Amazônia Energy consumption	Renova	Retiro Baixo	Aliança Geração	Aliança Norte	Itaocara
Assets						
Current	111	294,783	46,994	711,921	478	4,802
Cash and cash equivalents	97	69	35,582	344,155	453	453
Non-current	1,359,670	1,228,919	354,135	2,277,501	1,247,161	14,534
Total assets	**1,359,781**	**1,523,702**	**401,129**	**2,989,422**	**1,247,639**	**19,336**
Liabilities						
Current	538	441,524	32,174	534,585	332	204
Loans and financings	-	341,568	13,660	149,120	-	-
Non-current	-	1,158,667	90,890	596,932	-	8,662
Loans and financings	-	-	81,905	140,000	-	-
Stockholders' equity	1,359,243	(76,489)	278,065	1,857,905	1,247,307	10,470
Total liabilities and equity	**1,359,781**	**1,523,702**	**401,129**	**2,989,422**	**1,247,639**	**19,336**
Statement of income						
Net sales revenue	-	-	71,137	906,852	-	-
Operating costs	-	(3,969)	(29,327)	(555,446)	-	(8,470)
Depreciation	-	(3,969)	(10,084)	(125,325)	-	-
Gross profit	**-**	**(3,969)**	**41,810**	**351,406**	**-**	**(8,470)**
General and administrative expenses	(1,278)	(93,123)	(3,945)	(31,091)	(2,481)	-
Finance income	2,213	1,045	1,953	30,345	995	338
Finance expenses	(2,076)	(84,317)	(10,511)	(67,013)	(1,093)	(10)
Operational profit	**(1,141)**	**(180,364)**	**29,307**	**283,647**	**(2,579)**	**(8,142)**
Share of (loss) profit, net, of associates and joint ventures	104,936	(675,933)	-	10,714	96,665	-
Income tax and social contribution tax	(684)	-	(2,835)	(96,042)	-	-
Net profit (loss) for the period	**103,111**	**(856,297)**	**26,472**	**198,319**	**94,086**	**(8,142)**
Comprehensive income for the period						
Net profit (loss) for the period	103,111	(856,297)	26,472	198,319	94,086	(8,142)
Comprehensive income for the period	**103,111**	**(856,297)**	**26,472**	**198,319**	**94,086**	**(8,142)**

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Madeira Energia S.A. ('MESA') and FIP Melbourne

MESA is the parent company of Santo Antônio Energia S.A ('SAESA'), whose objects are operation and maintenance of the *Santo Antônio* Hydroelectric Plant and its transmission system, on the Madeira River, and all activities necessary for operation of the plant and its transmission system. Between the shareholders include Furnas, Odebrecht Energia, SAAG and the Company.

On December, 31, 2019 the investee MESA reported a loss of R$951,833 (R$1,743,636 on December, 31, 2018) and current liabilities in excess of current assets by R$427,060 (R$663,103 on December, 31, 2018). It should be noted that hydroelectric projects constituted using project finance structurally present negative net working capital in the first years of operation, because they are built using high levels of financial leverage. On the other hand, they have firm contracts for sales of energy supply over the long term as support and guarantee of payment of their debts. To balance the situation of negative working capital, in addition to its long-term sale contracts that ensure regularity in its operational cash flow, MESA count with the benefits of its debt reprofiling, that adjusted the flow of payments of the debt to its cash generation capacity, so that the investee does not depend on additional injections of capital by the shareholders.

Arbitration proceedings

In 2014, the Company and SAAG Investimentos S.A. (SAAG), a vehicle through which the Company holds an indirect equity interest in MESA, opened arbitration proceedings, in the Market Arbitration Chamber, challenging the following: (a) the adjustment for impairment carried out by the Executive Board of MESA, in the amount of R$678,551, relating to certain credits owed to Mesa by CCSA, based on absence of quantification of the amounts supposedly owed, and absence of prior approval by the Board of Directors, as required by the by-laws and Shareholders' Agreement of MESA; and also on the existence of credits owed to MESA by CCSA, for an amount greater than the claims; and (b) against the adjustment for impairment, carried out by the Executive Board of MESA, in the amount of R$678,551, relating to certain credits owed to Mesa by CCSA, on the grounds that those credits are owed in their totality by express provision of contract.

The arbitration judgment recognized the right of the Company and SAAG in full, and ordered the annulment of the acts being impugned. As a consequence of this decision, MESA reversed the impairment, and posted a provision for receivables in the amount of R$678,551 in its financial statements as of December 31, 2017.

To resolve the question of the liability of the CCSA consortium to reimburse the costs of re-establishment of the collateral and use of the contractual limiting factor, the affiliated company opened arbitration proceedings with the International Chamber of Commerce (ICC) against CCSA, which are in progress. This process is confidential under the Arbitration Regulations of the ICC.

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Additionally, the Company and SAAG Investimentos S.A applied to the judiciary for provisional remedy prior to the arbitration proceeding, to suspend the effects of the capital increase approved by an Extraordinary General Meeting of Shareholders of MESA held on August 28, 2018. This application was refused at the first and second instances, but the decision is being challenged in an arbitration proceeding before the Market Arbitration Chamber, for which the Term of Arbitration was signed on June 10, 2019. This process is confidential under the Arbitration Regulations of the Market Arbitration Chamber.

Renova Energia S.A. ('Renova')

The investee Renova, currently in-court reorganization, has been reporting recurring losses and presenting negative net working capital, net equity (uncovered liabilities), and negative gross margin throughout the year ended in December 31, 2019.

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

Additionally, considering the worsening Renova's financial conditions and a potencial application for in-court reorganization, the Company recognized, since June, 30 2019, an estimated loss on realization of the credits owned by that jointly-controlled entity at the total amount of the balances receivable, in the amount of R$688 million, on December 31, 2019.

Change in control of Renova

On October 15, 2019, Light sold for R$1.00, the totality of its shares in the jointly-controlled entity Renova, equivalent in total to 17.17% of the share capital of the company to CG I Fundo de Investimento em Participações Multiestratégia, namely 7,163,074 shares and 98 preferred shares. Additionally, Lightcom Comercializadora de Energia S.A. signed an Assignment Agreement through which it assigned all the credits held against Renova to CG I. With the expiry of the period specified in the Shareholders' Agreement of Renova, the Company did not exercise its right of first refusal nor its right of joint sale, and thus there has been no change in its direct equity interest in Renova.

Application by Renova for in-court reorganization

On October 16, 2019, the second State of São Paulo Bankruptcy and In-Court Reorganization Court granted the application for in-court reorganization applied for by Renova, and by the other companies of the group ('the Renova Group'), and determined, among other measures, the following: (i) Appointment of an independent company to act as judicial administrator; (ii) Suspension of actions and executions against the companies of the Renova Group for 180 days, under Article 6 of Law 11,101/2005; (iii) Presentation of accounts by the 30th of each month, while the in-court reorganization proceedings continue, on penalty of the controlling shareholders of the companies of the Renova Group being removed, and replaced by administrators, under Article 52, IV, of Law 11,101/2005; (iv) Dispensation of presentation of certificates of absence of debt so that the companies of the Renova Group can exercise their

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activities; and (v) Order to publish a tender, in the terms of §1 of Article 52 of Law 11,101/2005, with 15 days for presentation of qualifications and/or divergences of credits in relation to the in-court reorganization.

On December 17, 2019, Renova filed its in-court reorganization plan, which has to be approved by the General Meeting of Creditors according with the terms and conditions established by Law 11,101/2005. The jointly-controlled entity is in the process of discussing such plan and up to the present date has not measured the possible effects on its accounting balances.

In this context, Renova signed with the Cemig (Cemig GT's controlling stockholder) Debtor in Possession (DIP) loan agreements, granting the Cemig priority over the other creditors, in the total amount of R$36,500, comprising R$10,000, R$6,500 and R$20,000 on November 25, 2019, December 27, 2019 and January 28, 2020, respectively. The funds of these loans, made under specific rules of in-court reorganization proceedings, are necessary to support the expenses of maintaining the activities of Renova, and were authorized by the second State of São Paulo Bankruptcy and In-Court Reorganization Court. They are guaranteed by a fiduciary assignment of shares in a company owning assets of a wind power project owned by Renova, and they also have priority of receipt in the in-court reorganization. Additionally, on October 25, 2019, the Company made an Advance against Future Capital Increase to Renova of R$5,000.

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

Amazônia Energia S.A. and Aliança Norte Energia S.A.

Amazônia Energia and Aliança Norte are shareholders of Norte Energia S.A. ('NESA'), which holds the concession to operate the *Belo Monte* Hydroelectric Plant. Through the jointly-controlled entities referred to above, the Company owns an indirect equity interest in NESA of 11.69%.

On December 31, 2019 NESA had negative net working capital of R$ 3,309,499, and will spend further amounts on projects specified in its concession contract, even after conclusion of the construction and full operation of the Belo Monte Hydroelectric Plant. According to the estimates and projections, the situation of negative net working capital, and the future demands for investments in the hydroelectric plant, will be supported by revenues from future operations and/or raising of bank financings.

On September, 2015, NESA was awarded a preliminary injunction ordering the regulator to 'abstain, until hearing of the application for an injunction made in the original case, from applying to Appellant any penalties or sanctions in relation to the Belo Monte Hydroelectric Plant not starting operations on the date established in the original timetable for the project, including those specified in an the regulator (Aneel) Normative Resolution 595/2013 and in the Concession Contract for the Belo Monte Hydroelectric Plant'. The legal advisers of NESA

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have classified the probability of loss as 'possible' and estimated the potential loss on December 31, 2019 to approximately R$1,962,000 (R$1,643,000 on December 31, 2018).

Risks related to compliance with law and regulations

Jointly-controlled entities:

Norte Energia S.A. ('Nesa') – through Amazônia Energia and Aliança Norte

Investigations and other legal measures are in progress since 2015, conducted by the Federal Public Attorneys' Office, which involve other shareholders of NESA and certain executives of those other shareholders. In this context, the Federal Public Attorneys have started investigations on irregularities involving contractors and suppliers of NESA and of its other shareholders, which are still in progress. At present, it is not possible to determine the outcome of these investigations, and their possible consequences. These might at some time in the future affect the investee. In addition, based on the results of the independent internal investigation conducted by NESA and its other shareholders, an infrastructure write-down of the R$183,000 was already recorded at NESA, and reflected in the Company's financial statements through the equity pick effect in 2015.

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

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

Madeira Energia S.A. ('MESA')

Investigations and other legal measures are in progress since 2015, conducted by the Federal Public Attorneys' Office, which involve other indirect shareholders of MESA and certain executives of those other indirect shareholders. In this context, the Federal Public Attorneys have started investigations searching for irregularities involving contractors and suppliers of MESA and of its other shareholders. In response to allegations of possible illegal activities, the investee and its other shareholders started an independent internal investigation.

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

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

Renova Energia S.A. ('Renova')

Since 2017 Renova is part of a formal investigation by the Civil Police of Minas Gerais State and other public authorities related to certain capital injections made by some of its controlling shareholders, including the Company and capital injections made by Renova in certain projects under development in previous years.

On April 11, 2019, the Brazilian Federal Police commenced the "Operation E o Vento Levou" as part of the Lava Jato Investigation, and executed a search and seizure warrant issued by a Federal Court of São Paulo at Renova's head office in São Paulo, based on allegations and indications of misappropriation of funds harmful to the interests of Cemig. Based on the allegations being investigated, these events are alleged to have taken place before 2015. In July 25, 2019, the second phase of the operation occurred. The investigations of 'Operation Gone with the Wind' are still in progress, and according to a Market Notice published on April 11, 2019, Renova is collaborating fully with the authorities in relation to these investigations.

Renova has information that the Police investigations known as '*Operation Gone With the Wind*' and of the Minas Gerais State Civil Police have not yet been concluded; and that the governmental authorities may take additional time to complete all the proceedings of investigation of the facts. Thus there is a possibility that material information may be revealed in the future. If a criminal action is filed against agents who damaged Renova, Renova intends to act as auxiliary to the prosecution in any criminal proceedings, and subsequently sue for civil reparation for the damages suffered.

In 2019 the tax authority had previously issued an infringement notice against the indirectly controlled company *Espra*, questioning the calculation of income tax and social contribution tax, and payment of income tax withheld at source, relating to contracts signed for provision of services which allegedly did not have the due consideration, in the estimated amount of R$89,318 and R$1,788, respectively.

Due to these investigations, concomitantly, the governance bodies of Renova have requested opening of an internal investigation, conducted by an independent company with the support of an external law firm, the scope of which comprises assessment of any existence of irregularities, including noncompliance with: the Brazilian legislation related to acts of corruption and money laundering; Renova's Code of Ethics; and its integrity policies. Additionally, a monitoring committee was established in Renova which, jointly with the Audit Committee, accompanied this investigation. The internal investigation was concluded on February 20, 2020, and no concrete proofs of acts of corruption or diversion of funds to political campaigns were identified.

However, the independent investigators identified irregularities in the conduct of business and agreement of contracts by Renova, over the period 2014-18, including: (i) payments without evidence of the consideration of services, in the total amount of approximately R$40 million; (ii) payments not in accordance with the company's internal policies and good governance practices, in the total amount of approximately R$137 million; and (iii) failings in the internal controls of the investee.

In response to the irregularities found, and based on the recommendations of the Committee and legal advisers, the Board of Directors of Renova decided to take all the steps necessary to preserve the rights of the investee, continue with the measures to obtain reimbursement of the losses caused, and strengthen the Company's internal controls.

Since the balance of investment maintained in Renova is zero at December 31, 2019, and since no contractual or constructive obligations in relation to the investee have been assumed by the company or its subsidiaries, it is not expected that any effects resulting from the in-court reorganization process, or the investigations, or the operational activities of this investee can significantly impact the Company's financial statements.

Other investigations

In addition to the cases above, there are investigations being conducted by the Public Attorneys' Office of the State of Minas Gerais ('MPMG') and by the Civil Police of the State of Minas Gerais ('PCMG'), which aim to investigate possible irregularities in the investments made by the Company at Guanhães Energia and also at MESA. Additionally, on April 11, 2019 agents of the Brazilian Federal Police were in the Company's head office in Belo Horizonte to execute a search and seizure warrant issued by a São Paulo Federal Court in connection with the operation entitled "Gone with the Wind", as described above.

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

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

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Taking into account the investigations that are being conducted at the Company and at certain investees, as described above, the governance bodies of the Company have authorized contracting a specialized company to analyze the internal procedures related to these investments. This independent investigation is subject to oversight of an independent committee whose creation was approved by our Board of Directors.

The first phase of Company's internal investigation was completed and the report was delivered on May 13, 2019. The second phase of the investigation was substantially concluded, and its preliminary report was delivered, on February 20, 2020. Considering the current status and preliminary results of the internal investigations, no effect was recorded in the financial statements as of December 31, 2019. The second phase of the investigation continues to be in effect, and it is planned to be concluded within the first half of 2020.

The Company will evaluate any changes in the future scenario and eventual impacts that could affect the Financial Statements, when applicable. The Company will collaborate with the relevant authorities and their analysis related to the investigations in progress.

16. PROPERTY, PLANT AND EQUIPMENT

Consolidated	2019			2018		
	Historic cost	Accumulated depreciation	Net value	Historic cost	Accumulated depreciation	Net value
In service	**7,244,763**	**(4,929,379)**	**2,315,384**	**7,439,599**	**(4,899,564)**	**2,540,035**
Land	247,453	(19,178)	228,275	231,141	(16,174)	214,967
Reservoirs, dams, watercourses	3,279,784	(2,199,659)	1,080,125	3,282,178	(2,131,683)	1,150,495
Buildings, works and improvements	1,091,605	(818,120)	273,485	1,113,821	(800,133)	313,688
Machinery and equipment	2,592,087	(1,864,599)	727,488	2,766,671	(1,913,617)	853,054
Vehicles	20,616	(17,687)	2,929	31,747	(27,222)	4,525
Furniture and utensils	13,218	(10,136)	3,082	14,041	(10,735)	3,306
Under construction	**133,103**	**-**	**133,103**	**119,186**	**-**	**119,186**
Assets in progress	133,103	-	133,103	119,186	-	119,186
Net PP&E	**7,377,866**	**(4,929,379)**	**2,448,487**	**7,558,785**	**(4,899,564)**	**2,659,221**

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Parent Company	2019			2018		
	Historic cost	Accumulated depreciation	Net value	Historic cost	Accumulated depreciation	Net value
In service	**6,153,927**	**(4,404,015)**	**1,749,912**	**6,354,911**	**(4,415,024)**	**1,939,887**
Land	243,194	(18,867)	224,327	226,882	(15,919)	210,963
Reservoirs, dams, watercourses	3,003,075	(2,069,552)	933,523	3,006,652	(2,010,201)	996,451
Buildings, works and improvements	1,013,385	(782,773)	230,612	1,036,543	(767,280)	269,263
Machinery and equipment	1,860,907	(1,505,381)	355,526	2,039,652	(1,584,089)	455,563
Vehicles	20,401	(17,473)	2,928	31,532	(27,027)	4,505
Furniture and utensils	12,965	(9,969)	2,996	13,650	(10,508)	3,142
Under construction	**72,279**	**-**	**72,279**	**85,318**	**-**	**85,318**
Assets in progress	72,279	-	72,279	85,318	-	85,318
Net PP&E	**6,226,206**	**(4,404,015)**	**1,822,191**	**6,440,229**	**(4,415,024)**	**2,025,205**

Changes in Property, plant and equipment were as follows:

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

(1) Certain land sites linked to concession contracts and without provision for reimbursement are amortized in accordance with the period of the concession.
(2) Balance relating to transfers from Assets in progress to Assets in service, Contract assets (see Note 14) and Intangible assets (see Note 17).

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

(1) Certain land sites linked to concession contracts and not having provision for reimbursement are amortized in accordance with the period of the concession.
(2) Balance relating to transfers from Assets in progress to Assets in service, and to Contract assets (see Note 14).

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Consolidated	Balance at Dec. 31, 2017	Addition	Transfer	Assets arising from business combination and stockholding restructuring	Settled	Depreciation	Balance at Dec. 31, 2018
In service	**2,074,200**	**-**	**21,981**	**594,932**	**(6,786)**	**(144,292)**	**2,540,035**
Land	207,132	-	6,303	4,027	(3)	(2,492)	214,967
Reservoirs, dams, watercourses	1,071,105	-	186	155,298	(2,042)	(74,052)	1,150,495
Buildings, works and improvements	284,619	-	1,460	44,524	(263)	(16,652)	313,688
Machinery and equipment	505,323	-	10,706	390,896	(4,475)	(49,396)	853,054
Vehicles	3,101	-	2,829	20	-	(1,425)	4,525
Furniture and utensils	2,920	-	497	167	(3)	(275)	3,306
Under construction	**88,690**	**59,038**	**(22,948)**	**16,947**	**(22,541)**	**-**	**119,186**
Net PP&E	**2,162,890**	**59,038**	**(967)**	**611,879**	**(29,327)**	**(144,292)**	**2,659,221**

(1) Certain land sites linked to concession contracts and not having provision for reimbursement are amortized in accordance with the period of the concession.

Parent Company	Balance at Dec. 31, 2017	Addition	Transfer	Settled	Depreciation	Balance at Dec. 31, 2018
In service	**2,070,862**	**-**	**17,503**	**(6,748)**	**(141,730)**	**1,939,887**
Land	207,132	-	6,303	(3)	(2,469)	210,963
Reservoirs, dams, watercourses	1,071,105	-	78	(2,043)	(72,689)	996,451
Buildings, works and improvements	284,619	-	1,199	(267)	(16,288)	269,263
Machinery and equipment	501,985	-	6,597	(4,435)	(48,584)	455,563
Vehicles	3,101	-	2,829	-	(1,425)	4,505
Furniture and utensils	2,920	-	497	-	(275)	3,142
Under construction	**84,985**	**41,344**	**(18,470)**	**(22,541)**	**-**	**85,318**
Net PP&E	**2,155,847**	**41,344**	**(967)**	**(29,289)**	**(141,730)**	**2,025,205**

The average annual depreciation rate for the Company and its subsidiaries is 2.90% p.a. Depreciation rates, which take into consideration the expected useful life of the assets, are revised annually by Management, as follows:

Geração	(%)	Administração	(%)
Reservoirs, dams and watercourses	2	Vehicles	14.29
Buildings – Machine room	2	IT equipment in general	16.67
Buildings – Other	3.33	General equipment	6.25
Generator	3.33	Buildings – Other	3.33
Water turbine	2.5		
Pressure tunnel	3.13		
Command station, panel and cubicle	3.57		
Town planning and improvements	3.33		

The Company and its subsidiaries have not identified any evidence of impairment of its Property, plant and equipment assets. The generation concession contracts provide that at the end of each concession the grantor must determine the amount to be reimbursed to the Company – with the exception of the concession contracts related to Lot D of Auction 12/2015. Management believes that the indemnity of these assets will be greater than the amount of their historic cost, after depreciation over their useful lives.

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

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Consortium

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

Consolidated and Parent Company	Stake in power output, %	Average annual depreciation rate %	2019	2018
In service				
Queimado plant	82.50	3.73	217,210	217,210
Accumulated depreciation			(109,012)	(99,287)
Total in operation			**108,198**	**117,923**
Under construction				
Queimado plant	82.50	-	980	603
Total under construction			**980**	**603**
Total			**109,178**	**118,526**

17. INTANGIBLE ASSETS

Consolidated	2019			2018		
	Historic cost	Accumulated amortization	Residual value	Historic cost	Accumulated amortization	Residual value
In service	**296,397**	**(148,179)**	**148,218**	**262,559**	**(71,424)**	**191,135**
Temporary easements	11,749	(3,292)	8,457	11,749	(2,664)	9,085
Paid concession	19,169	(12,609)	6,560	19,169	(11,930)	7,239
Assets of the concession (1)	202,337	(75,659)	126,678	162,106	-	162,106
Others	63,142	(56,619)	6,523	69,535	(56,830)	12,705
Under construction	**7,369**	**-**	**7,369**	**6,448**	**-**	**6,448**
Assets in progress	7,369	-	7,369	6,448	-	6,448
Net intangible assets	**303,766**	**(148,179)**	**155,587**	**269,007**	**(71,424)**	**197,583**

(1) The rights of authorization to generate wind power granted to the investees, which are considered as investments in the financial statements of the parent company, are classified under Intangible assets in the statement of financial position, as per Technical Interpretation ICPC 09.

Parent Company	2019			2018		
	Historic cost	Accumulated amortization	Residual value	Historic cost	Accumulated amortization	Residual value
In service	**93,366**	**(72,448)**	**20,918**	**94,147**	**(69,880)**	**24,267**
Temporary easements	11,451	(3,292)	8,159	11,451	(2,664)	8,787
Paid concession	19,169	(12,609)	6,560	19,169	(11,930)	7,239
Others	62,746	(56,547)	6,199	63,527	(55,286)	8,241
Under construction	**7,342**	**-**	**7,342**	**6,448**	**-**	**6,448**
Assets in progress	7,342	-	7,342	6,448	-	6,448
Net intangible assets	**100,708**	**(72,448)**	**28,260**	**100,595**	**(69,880)**	**30,715**

This table shows the changes in intangible assets:

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

(1) Balance relating to transfer from Assets in progress to Assets in service and to PP&E.
(2) This includes the impairment, in the amount of R$21,684 recognized in the Income Statement under "Other expenses". The test of impairment of intangible assets, relating to the authorization for wind generation granted to Volta do Rio, recognized in 2018 as part of the business combination, arises from non-

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achievement of the operational performance expected in 2019 for the wind generation assets of the subsidiary. The Value in Use of the assets was calculated based on the projection of future expected cash flows for the operation of the assets of the subsidiary, brought to present value by the weighted average cost of capital defined for the Company's activity, using the Firm Cash Flow (FCFF) methodology.

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

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

Consolidated	Balance at Dec. 31, 2017	Addition	Assets arising from business combination and stockholding restructuring	Capitalization / Transfer	Settled	Amortization	Balance at Dec. 31, 2018
In service	**23,922**	**-**	**166,869**	**4,924**	**(116)**	**(4,464)**	**191,135**
Temporary easements	9,461	-	298	-	-	(674)	9,085
Paid concessions	7,918	-	-	-	-	(679)	7,239
Right to commercial operation	-	-	162,106	-	-	-	162,106
Others	6,543	-	4,465	4,924	(116)	(3,111)	12,705
Under construction	**8,718**	**2,654**	**-**	**(4,924)**	**-**	**-**	**6,448**
Assets in progress	8,718	2,654	-	(4,924)	-	-	6,448
Total	**32,640**	**2,654**	**166,869**	**-**	**(116)**	**(4,464)**	**197,583**

Parent Company	Balance at Dec. 31, 2017	Addition	Capitalization / Transfer	Settled	Amortization	Balance at Dec. 31, 2018
In service	**23,922**	**-**	**4,924**	**(115)**	**(4,464)**	**24,267**
Temporary easements	9,461	-	-	-	(674)	8,787
Paid concessions	7,918	-	-	-	(679)	7,239
Others	6,543	-	4,924	(115)	(3,111)	8,241
Under construction	**8,718**	**2,654**	**(4,924)**	**-**	**-**	**6,448**
Assets in progress	8,718	2,654	(4,924)	-	-	6,448
Total	**32,640**	**2,654**	**-**	**(115)**	**(4,464)**	**30,715**

Taking into account the useful life of the related assets, the average annual of the Company and its subsidiares amortization rate is 19.91%.

Items in intangible assets, rights of commercial operation, paid concessions, and others are amortized by the straight-line method; the rates used are based on the consumption pattern of these rights. The Company and its subsidiaries have not identified any evidence of impairment of its intangible assets. The Company and its subsidiaries have no intangible assets with non-defined useful life.

18. LEASING TRANSACTIONS

As mentioned in Note 2.6, as from January 1, 2019 the standard IFRS 16/CPC 06 (R2) – *Leases* came into effect.

The Company and its subsidiaries have valued their contracts and recognized right to use and a liability for leasing, for the following contracts which contain leasing:

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- Leasing of buildings used as administrative headquarters;
- Leasing of commercial vehicles used in operations.

The Company and its subsidiaries have opted to use the exemptions specified in the rule for short-term leasing operations (leasing transactions with a period of 12 months or less) without the option to purchase, and for low-value items. Thus, these leasing agreements are recognized as an expense in the income statement on the straight-line basis, over the period of the leasing. Their effects on net income from January to December 2019 were immaterial.

The discount rates were obtained by reference to the debts contracted by the Company and through quotations with potential investors in the Company's securities.

a) Right to use

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

The breakdown of the balance for each type of asset identified is as follows:

	Consolidated		Parent Company	
	31/12/2019	01/01/2019	31/12/2019	01/01/2019
Real estate property	42,260	44,823	41,903	44,735
Vehicles	10,724	16,379	9,678	14,810
	52,984	**61,202**	**51,581**	**59,545**

Changes in the asset Right to Use are as follows:

Consolidated	Real estate property	Vehicles	Total
Balances on December 31, 2018	-	-	-
Initial adoption on January 1, 2019	44,823	16,379	61,202
Adittion	11,396	114	11,510
Amortization (1)	(10,402)	(5,993)	(16,395)
Restatement (2)	(3,557)	224	(3,333)
Balances on December 31, 2019	**42,260**	**10,724**	**52,984**

Parent Company	Real estate property	Vehicles	Total
Balances on December 31, 2018	-	-	-
Initial adoption on January 1, 2019	44,735	14,810	59,545
Adittion	11,109	114	11,223
Amortization	(10,384)	(5,470)	(15,854)
Restatement (2)	(3,557)	224	(3,333)
Balances on December 31, 2019	**41,903**	**9,678**	**51,581**

(1) Amortization of the Right of Use recognized in the Income Statement is net of use of the credits of PIS/Pasep and Cofins taxes on payments of rentals, a total of R$1,261.
(2) The Company and its subsidiaries have identified events giving rise to revaluation and modifications of their principal contracts. The leasing liabilities are restated with adjustment to the asset of Right of Use.

b) Leasing liabilities

The liability for leasing agreements was measured at the present value of the minimum payments required by the contracts, discounted at the Company's and its subsidiares marginal interest rate for borrowing.

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The changes in the liabilities for leasing transactions have been as follows:

	Consolidated	Parent Company
Balances on December 31, 2018	-	-
Initial adoption on January 1, 2019 (1)	61,202	59,545
Adittion	11,510	11,223
Interest incurred (2)	7,168	7,014
Leasing paid	(20,401)	(19,796)
Interest in leasing contracts	(1,087)	(1,054)
Restatement (3)	(3,333)	(3,333)
Balances on December 31, 2019	**55,059**	**53,599**
Current liabilities	**16,724**	**16,097**
Non-current liabilities	**38,335**	**37,502**

(1) The Company's marginal borrowing rate applied to the liability for leasing recognized in the Statement of financial position on the date of the initial application were 7.96% p.a., 10.64% p.a., and 13.17% p.a., depending on the leasing contract period, 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 quotations 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 Statement are net of incorporation of the credits for PIS, Pasep and Cofins taxes on payments of rentals, in the amounts of R$558.

(3) The Company and its subsidiaries identified events that give rise to restatement and modifications of their principal contracts; the leasing liability was remeasured with an adjustment to the asset of Right of Use.

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

Cash flow	Consolidated		Parent Company	
	Nominal	Adjustments to present value	Nominal	Adjustments to present value
Consideration for the leasing	143,940	55,059	142,144	53,599
Potential PIS/Pasep and Cofins	12,061	3,969	12,012	3,940

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

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

	Consolidated (Nominal)	Parent Company (Nominal)
2020	17,482	16,821
2021	10,174	9,513
2022	5,060	5,009
2023	5,048	5,000
2024	5,044	4,998
2025 a 2045	101,132	100,803
Undisconted amounts	**143,940**	**142,144**
Built-in interest	(88,881)	(88,545)
Leasing liabilities	**55,059**	**53,599**

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19. SUPPLIERS

	Consolidated		Parent Company	
	2019	2018	2019	2018
Wholesale supply, and transport of supply	354,570	394,684	344,248	369,797
Materials and services	67,742	90,042	52,069	66,317
	422,312	**484,726**	**396,317**	**436,114**

20. TAXES

	Consolidated		Parent Company	
	2019	2018	2019	2018
Current				
ICMS (value added) tax	15,410	18,348	11,723	13,387
Pasep tax	4,371	4,884	2,973	3,885
Cofins tax	18,945	22,149	13,630	18,742
Social security contributions	5,340	4,895	4,378	4,046
ISS tax on services	1,893	1,752	1,430	1,369
Others	5,289	5,636	4,874	5,024
	51,248	**57,664**	**39,008**	**46,453**
Non-current				
Pasep tax	52	628	10	576
Cofins tax	300	3,817	62	3,548
	352	**4,445**	**72**	**4,124**
	51,600	**62,109**	**39,080**	**50,577**

21. LOANS, FINANCINGS AND DEBENTURES

Financing source	Principal maturity	Annual financing cost	Currency	Consolidated – 2019			Consolidated – 2018
				Current	Non-current	Total	
FOREIGN CURRENCY							
KFW	2019	1.78%	EUR	-	-	-	229
Eurobonds	2024	9.25%	USD	45,691	6,046,051	6,091,742	5,856,124
(–) Transaction costs				-	(18,656)	(18,656)	(21,319)
(+/–) Funds advanced (1)				-	(30,040)	(30,040)	(34,269)
Debt in foreign currency				**45,691**	**5,997,355**	**6,043,046**	**5,800,765**
BRAZILIAN CURRENCY							
Pipoca Consortium	2020	IPCA	R$	185	-	185	185
Caixa Econômica Federal (2)	2021	TJLP + 2.50%	R$	60,516	-	60,516	55,576
Caixa Econômica Federal (3)	2022	TJLP + 2.50%	R$	117,710	-	117,710	107,791
Debt in Brazilian currency				**178,411**	**-**	**178,411**	**163,552**
Total of loans and financings				**224,102**	**5,997,355**	**6,221,457**	**5,964,317**
Debentures – 3rd Issue, 2nd Series	2019	IPCA + 6.00%	R$	-	-	-	156,361
Debentures – 3rd Issue, 3rd Series	2022	IPCA + 6.20%	R$	396,330	691,659	1,087,989	1,049,331
Debentures – 6th Issue, 2nd series	2020	IPCA + 8.07%	R$	17,292	-	17,292	33,322
Debentures – 7th Issue, Single series (4)	2021	140.00% of CDI	R$	289,381	288,686	578,067	1,022,646
(–) Transaction costs				(9,007)	(9,015)	(18,022)	(27,065)
Total, debentures				**693,996**	**971,330**	**1,665,326**	**2,234,595**
Overall total				**918,098**	**6,968,685**	**7,886,783**	**8,198,912**

(1) Advance of funds to achieve the yield to maturity agreed in the Eurobonds contract.
(2) Central Eólica Praias de Parajuru
(3) Central Eólica Volta do Rio
(4) On July 24, 2019 the Company made extraordinary amortization of its Seventh Issue of Non-convertible ventures, in the amount of R$125 million, with final maturity in December 2021.

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Financing source	Principal maturity	Annual financing cost	Currency	Parent Company – December 31,2019			Parent Company – December 31, 2018
				Current	Non-current	Total	
FOREIGN CURRENCY							
KFW	2019	1.78%	EUR	-	-	-	229
Eurobonds	2024	9.25%	USD	45,691	6,046,051	6,091,742	5,856,124
(–) Transaction costs				-	(18,656)	(18,656)	(21,319)
(+/–) Funds advanced (1)				-	(30,040)	(30,040)	(34,269)
Debt in foreign currency				**45,691**	**5,997,355**	**6,043,046**	**5,800,765**
BRAZILIAN CURRENCY							
Pipoca Consortium	2020	IPCA	R$	185	-	185	185
Debt in Brazilian currency				**185**	**-**	**185**	185
Total of loans and financings				**45,876**	**5,997,355**	**6,043,231**	**5,800,950**
Debentures – 3rd Issue, 2nd Series	2019	IPCA + 6.00%	R$	-	-	-	156,361
Debentures – 3rd Issue, 3rd Series	2022	IPCA + 6.20%	R$	396,330	691,659	1,087,989	1,049,331
Debentures – 6th Issue, 2nd series	2020	IPCA + 8.07%	R$	17,292	-	17,292	33,322
Debentures – 7th Issue, Single series (2)	2021	140.00% of CDI	R$	289,381	288,686	578,067	1,022,646
(–) Transaction costs				(9,007)	(9,015)	(18,022)	(27,065)
Total, debentures				**693,996**	**971,330**	**1,665,326**	**2,234,595**
Overall total				**739,872**	**6,968,685**	**7,708,557**	**8,035,545**

(1) Advance of funds to achieve the yield to maturity agreed in the Eurobonds contract.
(2) On July 24, 2019 the Company made extraordinary amortization of its Seventh Issue of Non-convertible ventures, in the amount of R$125 million, with final maturity in December 2021.

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

There is an early maturity clause for cross-default in the event of non-compliance, by the Company or by its parent company Cemig, on any pecuniary obligation with individual or aggregate value greater than R$50 million.

The consolidated composition of loans, financings and debentures, by currency and indexer, with the respective amortization, is as follows:

Consolidated	2020	2021	2022	2023	2024	Total
Currency						
US dollar	45,691	-	-	-	6,046,051	6,091,742
Total, currency-denominated	**45,691**	**-**	**-**	**-**	**6,046,051**	**6,091,742**
Indexers						
IPCA (1)	413,807	340,668	350,991	-	-	1,105,466
CDI (2)	289,381	288,686	-	-	-	578,067
TJLP (3)	178,226	-	-	-	-	178,226
Total, governed by indexers	**881,414**	**629,354**	**350,991**	**-**	**-**	**1,861,759**
(–) Transaction costs	(9,007)	(8,991)	(24)	-	(18,656)	(36,678)
(+/-) Funds advanced	-	-	-	-	(30,040)	(30,040)
Overall total	**918,098**	**620,363**	**350,967**	**-**	**5,997,355**	**7,886,783**

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

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Parent Company	2020	2021	2022	2023	2024	Total
Currency						
US dollar	45,691	-	-	-	6,046,051	6,091,742
Total, currency-denominated	**45,691**	**-**	**-**	**-**	**6,046,051**	**6,091,742**
Indexers						
IPCA (1)	413,807	340,668	350,991	-	-	1,105,466
CDI (2)	289,381	288,686	-	-	-	578,067
Total, governed by indexers	**703,188**	**629,354**	**350,991**	**-**	**-**	**1,683,533**
(–) Transaction costs	(9,007)	(8,991)	(24)	-	(18,656)	(36,678)
(+/-) Funds advanced	-	-	-	-	(30,040)	(30,040)
Overall total	**739,872**	**620,363**	**350,967**	**-**	**5,997,355**	**7,708,557**

(1) IPCA ('Expanded Consumer Price') Inflation Index.
(2) CDI: Interbank Certificates of Deposit

This table shows the variations in the principal currencies and indexers used for monetary updating of loans, financings and debentures:

Currency	Accumulated change 2019, %	Accumulated change 2018, %	Indexer	Accumulated change 2019, %	Accumulated change 2018, %
US dollar	4.02	17.13	IPCA	4.31	3.75
			CDI	5.97	6.40
			TJLP	(20.20)	(0.29)

The changes in loans, financings and debentures were as follows:

	Consolidated	Parent Company
Balances on December 31, 2018	**8,198,912**	**8,035,545**
Monetary updating	50,969	38,289
Foreign exchange variations	233,846	233,846
Financial costs recorded	804,721	802,542
Amortization of transaction costs	11,706	11,706
Financial charges paid	(803,307)	(803,307)
Amortization of financings	(610,064)	(610,064)
Balances on December 31, 2019	**7,886,783**	**7,708,557**

	Consolidated	Parent Company
Balances on December 31, 2017	**8,320,163**	**8,323,098**
Liabilities arising from business combination (1)	163,367	-
Loans and financings obtained	1,946,269	1,946,269
Transaction costs	(7,876)	(7,876)
Funds advanced	9,625	9,625
Financing obtained, net	**1,948,018**	**1,948,018**
Monetary updating	43,924	43,924
Foreign exchange variations	579,609	579,609
Financial costs recorded	848,586	848,586
Amortization of transaction cost	19,718	19,718
Financial charges paid	(856,547)	(856,547)
Amortization of financings	(2,880,331)	(2,880,331)
Subtotal	**8,186,507**	**8,026,075**
(+) FIC Pampulha – Securities issued by the Company	12,405	9,470
Balances on December 31, 2018	**8,198,912**	**8,035,545**

(1) Refers to the balance of loans of the *Volta do Rio* and *Praias de Parajuru* wind farms, arising from the transaction to eliminate crossover holdings between the Company and Energimp.

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Guarantees

The Company's debtor balances on loans and financings guaranteed by the parent company, Cemig on December 31, 2019 were as follows:

	2019
Surety guarantees	7,148,424
Receivables	178,226
Shares	560,133
TOTAL	**7,886,783**

a) Restrictive covenants

The Company and its subisidiares has contracts financial covenants as follows:

Security	Covenant	Ratio required – Cemig GT	Ratio required --- Cemig (guarantor)	Ratio required – Parajuru and Volta do Rio	Compliance required
7th debenture issue (1)	Net debt / (Ebitda + Dividends received)	The following, or less: 4.5 in 2019 3.0 in 2020 2.5 in 2021	Ratio to be the following, or less: 3.5 in 2019 3.0 in 2020 2.5 in 2021	-	Half-yearly and annual
Eurobonds (2)	Net debt / (Ebitda adjusted for the Covenant)	The following, or less: 4.5 on Dec. 31, 2019 4.5 on Jun. 30, 2020 3.0 on Dec. 31, 2020 3.0 on Jun. 30, 2021 2.5 on/after Dec. 31, 2021	Ratio to be the following, or less: 3.5 on Dec. 31, 2019 3.5 on Jun. 30, 2020 3.0 on Dec. 31, 2020 3.0 on Jun. 30, 2021 3.0 on/after December 31, 2021	-	Half-yearly and annual
Financing Caixa Econômica Federal Parajuru and Volta do Rio (3)	Debt servicing coverage index	-	-	1.20 or more	Annual (during amortization)
	Equity / Total liabilities	-	-	20.61% (Parajuru); 20.63% (Volta do Rio)	Aways
	Share capital subscribed in investee / Total investments made in the project financed	-	-	20.61% (Parajuru); 20.63% (Volta do Rio)	Aways

(1) 7th Issue of Debentures by the Company, in December 2016, of R$2,240 million.
(2) In the event of overrun of the financial maintenance covenants, interest will automatically be increased by 2.00% p.a. during the period in which they remain exceeded. There is also an obligation to comply with a 'debt maintenance covenant', involving asset collateral of 2.0x Cemig's consolidated Ebitda (1.75x at Dec. 2017); and an 'incurrence' covenant comprising an asset guarantee in the Company of 1.5x Ebitda
(3) The financing contracts with Caixa Econômica Federal for the *Praias de Parajuru* and *Volta do Rio* wind power plants have financial covenants with compliance relating to early maturity of the remaining balance of the debt. Compliance with the debt servicing coverage index is considered to be demandable only annually and during the period of amortization, which begins in August 2020.

The covenants remain in compliance as of December 31, 2019, with the exception non-compliance with the non-financial covenant of the loan contracts with the CEF of the subsidiaries Central Eólica Praias de Parajuru and Central Eólica Volta do Rio. Thus, exclusively to comply with the requirement of item 69 of CPC 26 (R1), the Company reclassified R$178,226 to current liabilities, referring to the loans of those subsidiaries, which were originally classified in non-current liabilities. Additionally, the Company assessed the possible consequences arising from this matter in their other contracts for loans, financings and debentures, and concluded that no further adjustments were necessary.

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The information on the derivative financial instruments (swaps) contracted to hedge the debt servicing of the Eurobonds (principal, in foreign currency, plus interest), and the Company's exposure to interest rate risks, are disclosed in Note 30.

22. REGULATORY CHARGES

	Consolidated		Parent Company	
	2019	2018	2019	2018
Liabilities				
Global reversion reserve (RGR)	5,949	4,523	3,100	1,996
Royalties for use of water resources ('CFURH')	9,767	5,804	6,951	3,737
Energy development account (CDE)	58,327	38,346	58,327	38,346
Electricity services inspection charge (TFSEE)	999	851	809	686
Proinfa – alternative energy program	8,353	6,631	8,353	6,631
National scientific and technological development fund (FNDCT)	1,503	1,668	1,106	1,187
Research and development	128,248	139,986	118,283	132,348
Energy system expansion research	937	997	692	732
	214,083	**198,806**	**197,621**	**185,663**
Current liabilities	**168,785**	**139,457**	**157,638**	**131,615**
Non-current liabilities	**45,298**	**59,349**	**39,983**	**54,048**

23. POST-EMPLOYMENT OBLIGATIONS

The Forluz Pension plan (a supplementary retirement pension plan)

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

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

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

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

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

Actuarial obligations and recognition in the financial statements

On this Note the Company discloses its obligations and expenses incurred for purposes of the Retirement Plan, Health Plan, Dental Plan and the Life Insurance Plan in accordance with terms of IAS 19 – *Employee Benefits* (*Benefícios a Empregados*), and the independent actuarial opinion issued as of December 31, 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$128,172 on December 31, 2019 (R$147,540 on December 31, 2018). This amount has been recognized as an obligation payable, and is being amortized up to June 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. Because the Company is required to pay this debt even if Forluz has a surplus, the Company maintains the record of the debt in full, and records the effects of monetary updating and interest in the Profit and loss account.

Contract for solution to the deficit on Forluz Pension Plan 'A'

Forluz and the sponsors Cemig, Cemig GT and Cemig D have signed Debt Assumption Instruments to cover the deficit of Plan A for the years 2015, 2016 and 2017. On December 31, 2019 the total amount payable by the Company as a result of the Plan A deficits of 2015, 2016 and 2017 was R$124,499 (R$85,417 on December 31, 2018 referring to the Plan A deficits of 2015 and 2016). 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, and up to 2033 for the 2017 deficit. Remuneratory interest applicable to the outstanding balance is 6% p.a., plus the effect of the IPCA. If the plan reaches actuarial balance surplus before the full period of amortization of the debt, also Company will not be required to pay the remaining installments and the contract will be extinguished.

Actuarial information

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

2018	Pension plans and retirement supplement plans	Health Plan	Dental Plan	Life insurance	Total (consolidated)
Present value of the obligations	2,483,291	515,889	10,374	94,372	3,103,926
Fair value of plan assets	(2,071,598)	-	-	-	(2,071,598)
Initial net liabilities	**411,693**	**515,889**	**10,374**	**94,372**	**1,032,328**
Adjustment to asset ceiling	44,518	-	-	-	44,518
Net liabilities in the statement of financial position	**456,211**	**515,889**	**10,374**	**94,372**	**1,076,846**

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

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

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

Consolidated and Parent Company	Pension plans and retirement supplement plans	Health Plan	Dental Plan	Life insurance	Total
Defined-benefit obligation at December 31, 2017	**2,362,784**	**398,630**	**8,441**	**61,558**	**2,831,413**
Cost of current service	1,009	2,259	56	335	3,659
Interest on the actuarial obligation	215,130	37,916	784	5,799	259,629
Actuarial losses (gains):					
Due to changes in financial assumptions	106,575	87,318	1,759	5,806	201,458
Due to adjustments based on experience	(9,038)	16,154	(115)	23,110	30,111
	97,537	**103,472**	**1,644**	**28,916**	**231,569**
Benefits paid	(193,169)	(26,388)	(551)	(2,236)	(222,344)
Defined-benefit obligation at December 31, 2018 (Consolidated and Parent company)	**2,483,291**	**515,889**	**10,374**	**94,372**	**3,103,926**
Cost of current service	231	3,196	76	582	4,085
Interest on the actuarial obligation	216,300	45,814	921	8,475	271,510
Actuarial losses (gains):					
Due to changes in demographic assumptions	1,581	58	3	32	1674
Due to changes in financial assumptions	470,267	123,699	2,390	28,000	624,356
Due to adjustments based on experience	(328)	13,410	(322)	(3,227)	9,533
	471,520	**137,167**	**2,071**	**24,805**	**635,563**
Benefits paid	(195,337)	(29,070)	(592)	(2,433)	(227,432)
Defined-benefit obligation at December 31, 2019 (Consolidated and Parent company)	**2,976,005**	**672,996**	**12,850**	**125,801**	**3,787,652**

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

Consolidated and Parent Company	Pension plans and retirement supplement plans
Fair value of the plan assets at December 31, 2017	**1,946,151**
Real return on the investments	278,441
Contributions from the employer	40,175
Benefits paid	(193,169)
Fair value of the plan assets at December 31, 2017	**2,071,598**
Real return on the investments	445,920
Contributions from the employer	45,132
Benefits paid	(195,337)
Fair value of the plan assets at December 31, 2019	**2,367,313**

The amounts recognized in the 2019 and 2018 Statement of income are as follows:

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

Consolidated and Holding Company	Pension plans and retirement supplement plans	Health Plan	Dental Plan	Life insurance	Total
Cost of current service	1,009	2,259	56	335	3,659
Interest on the actuarial obligation	215,130	37,916	784	5,799	259,629
Return on the assets of the plan	(175,541)	-	-	-	(175,541)
Total expense in 2018 according to actuarial calculation	**40,598**	**40,175**	**840**	**6,134**	**87,747**

Changes in net liabilities were as follows:

Consolidated and Parent Company	Pension plans and retirement supplement plans	Health Plan	Dental Plan	Life insurance	Total
Net liabilities at December 31, 2017	**435,902**	**398,630**	**8,441**	**61,558**	**904,531**
Expense recognized in Statement of income	40,598	40,175	840	6,134	87,747
Contributions paid	(40,175)	(26,388)	(551)	(2,236)	(69,350)
Actuarial losses (1)	19,886	103,472	1,644	28,916	153,918
Net liabilities at December 31, 2018	**456,211**	**515,889**	**10,374**	**94,372**	**1,076,846**
Expense recognized in Statement of income	41,394	49,010	997	9,057	100,458
Contributions paid	(45,132)	(29,070)	(592)	(2,433)	(77,227)
Actuarial losses (1)	170,767	137,167	2,071	24,805	334,810
Net liabilities at December 31, 2019	**623,240**	**672,996**	**12,850**	**125,801**	**1,434,887**
				2019	**2018**
Current liabilities				**62,550**	**57,052**
Non-current liabilities				**1,372,337**	**1,019,794**

(1) Recognized directly in Comprehensive income.

Amounts recorded in 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 Statements of income' refer to the costs of post-employment obligations, totaling R$87,765 in 2019 (R$72,335 in 2017), plus the financial expenses and monetary updating on the debt agreed with Forluz, in the amounts of R$12,693 in 2019 (R$15,412 in 2018).

The independent actuary's estimation for the expense to be recognized for 2020 is as follows:

Consolidated	Pension plans and retirement supplement plans	Health Plan	Dental Plan	Life insurance	Total
Cost of current service	481	5,010	121	897	6,509
Interest on the actuarial obligation	199,016	46,644	895	8,916	255,471
Expected return on the assets of the Plan	(156,177)	-	-	-	(156,177)
Estimate of total expense in 2020 as per actuarial calculation report	**43,320**	**51,654**	**1,016**	**9,813**	**105,803**

The expectation for payment of benefits for 2020 is as follows:

Consolidated	Pension plans and retirement supplement plans	Health Plan	Dental Plan	Life insurance	Total
Estimate of payment of benefits	**194,913**	**30,994**	**574**	**3,835**	**230,316**

The Company has expectation of contribution to the pension fund in 2020 of R$64,626 for amortization of the deficit in Plan A, and of R$21,257 to the Defined Contribution plan (recorded directly in the Statements of income for the year).

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

Pension plans and retirement supplement plans		Health Plan	Dental Plan	Life insurance
Plan A	Plan B			
9.54	11.55	12.82	13.17	16.93

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

	2019 Consolidated	2018 Consolidated
Shares	9.51%	7.11%
Fixed income securities	72.28%	71.92%
Real estate property	3.79%	4.69%
Others	14.42%	16.28%
Total	**100.00%**	**100.00%**

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

	2019 Consolidated	2018 Consolidated
Non-convertible debentures issued by the Company	203,313	192,335
Real estate properties of Forluz, occupied by the Company	135,935	192,101
	339,248	**384,436**

This table provides the main actuarial assumptions:

	2019			2018		
	Pension plans and retirement supplement plans	Health Plan and Dental Plan	Life insurance	Pension plans and retirement supplement plans	Health Plan and Dental Plan	Life insurance
Annual discount rate for present value of the actuarial obligation	6.87%	7.09%	7.19%	9.02%	9.13%	9.16%
Annual expected return on plan assets	6.87%	Not applicable	Not applicable	9.02%	Not applicable	Not applicable
Long-term annual inflation rate	3.61%	3.61%	3.61%	4.01%	4.01%	4.01%
Estimated future annual salary increases	3.61%	Not applicable.	4.85%	4.01%	Not applicable	5.26%
General mortality rate table	AT-2000 M S10% D10%	AT-2000 M S10% D20%	AT-2000 M S10% D20%	AT-2000 M S10% D10%	AT-2000 M S10% D20%	AT-2000 M S10% D20%
Disability rate	Not applicable	Álvaro Vindas D30%	Álvaro Vindas D30%	Not applicable	Álvaro Vindas D30%	Álvaro Vindas D30%
Disabled mortality rate	AT-49 M	MI-85 F	MI-85 F	AT 49	Winklevoss D30%	Winklevoss D30%
Real growth of contributions above inflation (1)	-	1.00%	-	-	1.00%	-

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

Sensitivity of changes in main actuarial assumptions used to determine the defined-benefit obligation, on December 31, 2019:

Effects on the defined-benefit obligation	Pension plans and retirement supplement plans	Health Plan	Dental Plan	Life insurance	Total (Consolidated)
Reduction of one year in the mortality table	72,518	18,415	287	(3,378)	**87,842**
Increase of one year in the mortality table	(72,896)	(13,243)	(289)	3,601	**(82,827)**
Reduction of 1.00% in the discount rate	363,460	106,511	2,109	26,108	**498,188**

In the presentation of the sensitivity analysis, the present value of the defined-benefit obligation was calculated using the Unit Projected Credit method, the same method used to calculate the defined-benefit obligation recognized in the Statements of financial position. The Company has not made changes in the methods used to calculate its post-retirement obligations for the business years ending December 31, 2019 and 2018.

24. PROVISIONS

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

Consolidated	2018	Additions	Reversals	Settled	2019
Employment-law cases	54,901	29,965	(2,537)	(13,286)	69,043
Civil cases	168	144	-	(130)	182
Tax	2,874	284,290	(724)	(500)	285,940
Regulatory	2,521	1,781	-	(1,298)	3,004
Environmental	48	6	-	-	54
Others	38,196	5,146	(665)	(443)	42,234
Total	**98,708**	**321,332**	**(3,926)**	**(15,657)**	**400,457**

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

Consolidated	2017	Liabilities arising from stockholding reorganization (1)	Additions	Reversals	Settled	2018
Employment-law cases	48,964	842	17,016	(15)	(11,906)	54,901
Civil cases	251	-	44	(83)	(44)	168
Tax	9,046	-	71	(6,179)	(64)	2,874
Regulatory	2,206	-	330	-	(15)	2,521
Environmental	-	47	28	-	(27)	48
Others	35,843	-	4,725	(1,875)	(497)	38,196
Total	**96,310**	**889**	**22,214**	**(8,152)**	**(12,553)**	**98,708**

(1) This refers to the balances transferred in consideration of the transfer from the parent company, Cemig, to Cemig GT, of ownership in generation and trading subsidiaries.

Parent Company	2017	Additions	Reversals	Settled	2018
Employment-law cases	48,948	16,993	-	(11,906)	54,035
Civil cases	251	44	(83)	(44)	168
Tax	9,046	71	(6,179)	(64)	2,874
Regulatory	2,206	330	-	(15)	2,521
Environmental	-	27	-	(27)	-
Others	35,843	4,721	(1,875)	(494)	38,195
Total	**96,294**	**22,186**	**(8,137)**	**(12,550)**	**97,793**

The management of the Company and its subisidiaries, in view of the extended periods and the Brazilian judiciary tax and regulatory systems, believes that it is not practical to provide information that would be useful to the users of this financiancial statements in relation to the possible timing of any cash outflows, or any possibility of reimbursements, might occur.

The Company and its subsidiares believes that any disbursements in excess of the amounts recorded, when the respective cases are completed, will not significantly affect the Company's profit or financial position.

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

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

Labor claims

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

The aggregate amount of the contingency is approximately R$163,224 (R$164,362 on December 31, 2018), of which R$68,007 has been recorded (R$54,901 on December 31, 2018) – 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 September 30, 2009 should be updated based on the variation of the IPCA-E (Expanded National Consumer Price Index), rather than of the TR reference interest rate. On October 16, 2015 the STF gave an interim injunction suspending the effects of the TST decision, on the grounds that general repercussion of constitutional matters should be adjudicated exclusively by the STF.

In a joint judgment published on November 1, 2018, the TST decided that the IPCA-E should be adopted as the index for inflation adjustment of employment-law debts for cases filed from March 25, 2015 to November 10, 2017, and the TR would continue to be used for the other periods. The estimated amount of the contingency is R$7,163 (R$5,072 at December 31, 2018), of which R$1,036 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

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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.

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.

The amount of the contingencies is approximately R$341,988 (R$298,602 on December 31, 2018), of which R$283,861 has been provisioned in 2019, this being the estimate of the probable amount of funds to settle these disputes.

Other tax actions

The Company are involved in numerous administrative and judicial claims relating to taxes, including, among other matters, subjects relating to the Social Integration Program (*Programa de Integração Social*, or PIS), the Contribution to Finance Social Security (*Contribuição para o Financiamento da Seguridade Social*, or Cofins), Corporate Income tax (*Imposto de Renda Pessoa Jurídica*, or IRPJ), the Social contribution tax on Net income (*Contribuição Social sobre o Lucro Líquido*, or CSLL), and motions to stay tax enforcement. The aggregate amount of these contingencies is approximately R$61,482 (R$36,391 on December 31, 2018), of which R$2,079 (R$2,874 on December 31, 2018) has been recorded – the amount estimated as probably necessary for settlement of these disputes.

Regulatory

The Company is defendant in court and administrative proceedings challenging, especially: reduction of an energy supply contract, limitation on a procedure for operation of the sluice dam of a hydroelectric plant, a claim of infringement arising from an inspection by the regulator, and other matters. The amount of the contingency is approximately R$31,302 (R$21,146 on December 31, 2018), of which R$3,004 (R$2,251 on December 31, 2018) has been recorded – the amount estimated as probably necessary for settlement of these disputes.

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Other legal actions in the normal course of business

The Company is involved, as plaintiff or defendant, in other lesser claims, related to the normal course of its operations, with an estimated total amount of R$148,475 (R$139,844 on December 31, 2018), of which R$42,470 has been recorded (R$38,412 on December 31, 2018). Management believes that it has appropriate defense for these actions, and does not expect these issues to give rise to significant losses that could have an adverse effect on the Company's financial position or profit. The main subjects related to these contingencies concern: (i) services of cleaning of power line pathways and fire breaks; and (ii) customer relations.

Contingent liabilities – for cases in which the chances of loss are assessed as 'possible', and the Company believes it has arguments of merit for legal defense

Taxes

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$41,860, in exchange for rights to future payments (referred to as the *Anuênio*) for time of service, which would otherwise be incorporated, in the future, into salaries. The Company did not pay income tax nor Social Security contributions in relation to these amounts because it considered that those obligations are not applicable to amounts paid as an indemnity. However, to avoid the risk of a future fine, the Company decided to apply for an order of *mandamus*, which permitted payment into Court of R$28,716. Updated, this amount is R$66,483 (R$64,786 at December 31, 2018). This was posted in Escrow deposits in litigation. The updated amount of the contingency is R$68,137 (R$71,554 on December 31, 2018) 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 against the Company related to various matters: the Workers' Food Program (*Programa de Alimentação do Trabalhador*, or PAT); the education assistance payment; the food assistance payment; Special Additional Retirement Pensions; 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 the defenses and awaits judgment. The amount of the contingency is approximately R$17,747 (R$31,788 on December 31, 2018). Management has classified the chances of loss as 'possible', also taking into account assessment of the chance of loss in the judicial sphere, (the cases mentioned are in the administrative sphere), based on the analysis of the claims and the related case law.

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Non-homologation of offsetting of tax credits

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 – Corporate income tax, the social contribution Tax, PIS 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$80,249 (R$76,209 on December 31, 2018). The Company has assessed the chance of loss as 'possible', since the relevant requirements of the National Tax Code (CTN) have been complied with.

The social contribution tax on net profit (CSLL)

The federal tax authority issued tax assessments against the Company for the years of 2012 and 2013, alleging undue non-addition, or deduction, of amounts relating to the following items in calculating the CSLL: (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$83,344 (R$74,572 on December 31, 2018). The Company has classified the chances of loss as 'possible', in accordance with the analysis of the case law on the subject.

Regulatory matters

Accounting of energy sale transactions on the Electricity Trading Chamber (CCEE)

In n claim dating from August 2002, AES Sul Distribuidora challenged in the court the criteria for accounting of energy sale transactions in the wholesale energy market (*Mercado Atacadista de Energia*, or MAE), predecessor of the present Wholesale Electricity Exchange (Chamber - *Câmara de Comercialização de Energia Elétrica*, or CCEE), during the period of rationing. It obtained a favorable interim judgment on February 2006, which ordered the regulator (Aneel), working with the CCEE, to comply with the claim by AES Sul and recalculate the settlement of the transactions during the rationing period, not considering the regulator (Aneel) Dispatch 288 of 2002.

This would take effect in the CCEE as from November 2008, resulting in an additional disbursement for the Company, related to the expense on purchase of energy in the spot market on the CCEE, in the approximate amount of R$343,469 (R$317,460 on December 31, 2018). On November 9, 2008 the Company obtained an interim decision in the Regional Federal Appeal Court (*Tribunal Regional Federal*, or TRF), suspending the obligatory nature of the requirement to pay into court the amount that would have been owed under the Special Financial Settlement made by the CCEE and has classified the chance of loss as 'possible', since this action deals with the General Agreement for the Electricity Sector, in which the Company has the full documentation to support its arguments.

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System Service Charges (ESS) – Resolution of the National Energy Policy Council

Resolution 3 of the National Energy Policy Council (*Conselho Nacional de Política Energética*, or CNPE) of March 6, 2013 established new criteria for the prorating of the cost of additional dispatch of thermal plants. Under the new criteria, the costs of the System Service Charges for Electricity Security (*Encargos do Serviço do Sistema*, or ESS), which were previously prorated in full between free customers and distributors, was now to be prorated between all the agents participating in the National Grid System, including generators and traders.

In May 2013, the Brazilian Independent Electricity Producers' Association (*Associação Brasileira dos Produtores Independentes de Energia Elétrica*, or Apine), of which the Company is a member, obtained an interim court decision suspending the effects of Articles 2 and 3 of CNPE Resolution 3, exempting generators from payment of the ESS under that Resolution.

As a result of the interim decision, the CCEE carried out the financial settlement for transactions from April through December 2013 using the criteria prior to the said Resolution. As a result, the Company recorded the costs of the ESS in accordance with the criteria for financial settlement published by the CCEE, without the effects of CNPE Resolution 3.

In June 2019 the case was set aside, since the action for annulment brought by APINE reached final judgment against which there was no further appeal. This made final and irreversible the court judgment that declared nullity of CNPE Resolution 3/2013 as to the part in which generation agents were included in the proportional sharing of the cost of the additional dispatch of plant to guarantee supply of energy. This results in the systemic structure of CNPE Resolution 8/2007 remaining definitively intact.

<u>Environmental issues</u>

Impacts arising from construction of power plants

The Public Attorneys of Minas Gerais State, together with an association and individuals, have brought class actions requiring the Company to invest, since 1997, at least 0.5% of the annual gross operating revenue of the *Emborcação, Pissarrão, Funil, Volta Grande, Poquim, Paraúna, Miranda, Nova Ponte, Rio de Pedras* and *Peti* plants in environmental protection and preservation of the water tables of the counties where those power plants are located, and proportional indemnity for allegedly irrecoverable environmental damage caused, arising from omission to comply with Minas Gerais State Law 12,503/1997. The Company has filed appeals to the Higher Appeal Court (STJ) and the Federal Supreme Court (STF). Based on the opinions of its legal advisers, it believes that this is a matter involving legislation at infra-constitutional level (there is a Federal Law with an analogous object) and thus a constitutional matter, on the issue of whether the state law is constitutional or not, so that the final decision is one for the national Higher Appeal Court (STJ) and the Federal Supreme Court (STF). No provision has been made, since based on the opinion of its legal advisers management has classified the chance of loss as 'possible'. The amount of the contingency is R$165,299 (R$147,636 on December 31, 2018).

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The Public Attorneys' Office of Minas Gerais State has filed class actions requiring the formation of a Permanent Preservation Area (APP) around the reservoir of the *Capim Branco* hydroelectric plant, suspension of the effects of the environmental licenses, and recovery of alleged environmental damage. Based on the opinion of its legal advisers in relation to the changes that have been made in the new Forest Code and in the case law on this subject, the Company has classified the chance of loss in this dispute as 'possible'. The estimated value of the contingency is R$95,215 (R$87,159 at December 31, 2018).

Other environmental claims

The Company is involved in environmental matters, relating to protected areas, environmental licenses, recovery of environmental damage, and other matters, in the amount of R$42,799 (R$10,738 at December 31, 2018). No provision has been made, since based on the opinion of its legal advisers management has classified the chance of loss as 'possible'.

25. EQUITY AND REMUNERATION TO SHAREHOLDERS

Share capital

On December 31, 2019 and 2018 the Company's issued and outstanding share capital is R$2,600,000, represented by 2,896,785,358 nominal common shares, fully subscribed, without nominal value, wholly owned by Cemig (Companhia Energética de Minas Gerais).

Advance against future capital increase

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 statements of opinion by the Audit Board.

Considering that on December 31, 2019 the profit reserves, with the exclusion of the Tax Incentive reserves, exceed the registered share capital by R$113,360, the Board of Directors will submit to the Annual General Meeting a proposal for increase of the registered share capital of R$1,400,000, as per Article 199 of the Corporate Law of 1976 (Law 6,404/76).

Profit reserves

	2019	2018
Profit reserves		
Legal reserve	212,023	170,269
Tax Incentives reserve – Sudene	43,850	45,016
Appropriation of retained earnings to profit reserves to guarantee execution of the Company's Investment Program	2,501,337	2,147,329
	2,757,210	**2,362,614**

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Legal reserve

Constitution of the Legal reserve is mandatory, up to the limits established by law. The purpose of the reserve is to ensure security of the share capital, its use being allowed only for offsetting of losses or increase in the share capital.

	2019	2018
Net profit for the period	835,078	590,783
Legal reserve – 5.00%	5.00%	5.00%
Legal reserve constituted	**41,754**	**29,539**

Appropriation of retained earnings to profit reserves

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

Incentives tax reserve

The Company's right to reduction of 75% in income tax, including the tax paid at the additional rate, calculated on the basis of the operating profit, when earned in the region of Sudene (the Development Agency for the Northeast), for 10 years starting in 2014. The Company did not report profit from commercial operation in the business year ended December 31, 2019.

Dividends

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

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

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

On December 16, 2019 the Executive Board decided to pay Interest on Equity in the amount of R$270,000 for 2019. The tax benefit arising from the payments was R$91,800. This is recognized in the Statements of income for 2018.

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

	2019	2018
Mandatory dividend		
Net income for the year	835,078	590,783
Mandatory dividend – 50% of Net income	417,539	295,392
Income tax withheld at source on Interest on Equity	40,500	7,500
	458,039	**302,892**
Dividends declared		
Interest on capital	270,000	50,000
Dividends under the by-laws	188,039	252,892
	458,039	**302,892**
Dividends per share		
Mandatory minimum dividend (in R$)	**0.1581**	**0.1046**

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

	Consolidated	Parent company
Balance at December 31, 2018	**660,068**	**659,622**
Dividends proposed	188,039	188,039
Interest on Equity declared	270,000	270,000
Income tax on Interest on Equity	(40,500)	(40,500)
Payment	(295,838)	(295,392)
Balance of dividends arising from business combination	**781,769**	**781,769**

	Consolidated	Parent Company
Balance at December 31, 2017	**564,230**	**564,230**
Dividends proposed	252,892	252,892
Interest on Equity declared	50,000	50,000
Income tax on Interest on Equity	(7,500)	(7,500)
Payment	(213,574)	(200,000)
Balance of dividends arising from business combination	446	-
Balance of dividends arising from stockholding reorganization	13,574	-
Balance at Dec. 31, 2018	**660,068**	**659,622**

Allocation of net income for 2019 – Management's proposal

The Board of Directors decided to propose to the Annual General Meeting to be held on April 30, 2020 that the profit for 2019, in the amount of R$835,078, the balance of Reserve for Equity Valuation Adjustments, of R$17,557 and the balance of Tax incentive reserve related to previous years, of R$1,166, should be allocated as follows:

- R$41,754 to be allocated to the Legal Reserve; and
- R$270,000 for payment of Interest on Equity;
- R$188,039 to payment of dividends; and
- R$354,008 to be held in Shareholders' Equity in the Retained earnings reserve, to guarantee execution of the Company's Investment Program.

Profit per share – Basic and diluted

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

	2019	2018
Number of shares	2,896,785,358	2,896,785,358
Net income for the period, R$'000	835,078	590,783
Profit per share – Basic and diluted – in R$	**0.2883**	**0.2039**

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The put option of investments described in Note 30 could potentially dilute basic profit per share in the future; however, they have not caused dilution of profit per share in the business year presented here.

Equity valuation adjustments

The composition of the equity valuation adjustments is as follows:

	2019	2018
Adjustments to actuarial liabilities – Employee benefits	(627,666)	(406,692)
Deemed cost of PP&E	406,657	424,214
Equity valuation adjustment	**(221,009)**	**17,522**

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

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

26. REVENUES

Revenues are measured at the fair value of the consideration received or to be received and are recognized on a monthly basis as and when: (i) Rights and obligations of the contract with the customer are identified; (ii) the performance obligation of the contract is identified; (iii) the price for each transaction has been determined; (iv) the transaction price has been allocated to the performance obligations defined in the contract; and (v) the performance obligations have been complied.

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

	Consolidated		Parent Company	
	2019	2018	2019	2018
Total revenue from supply of energy – with taxes (a)	7,037,448	6,858,482	6,301,190	6,378,659
Transmission revenue – with taxes (b)	702,766	589,055	706,998	592,859
Revenue from updating of the concession grant fee (c)	318,267	321,425	-	-
Construction revenue (d)	220,390	95,712	220,390	95,712
Transactions on CCEE (e)	438,555	185,469	393,667	147,106
Transmission indemnity revenue (f)	155,013	250,375	155,013	250,375
Generation indemnity revenue	-	55,332	-	55,332
Contractual reimbursements	64,640	60,341	64,640	60,341
Recovery of PIS/Pasep and Cofins taxes credits over ICMS (note 10)	413,616	-	397,301	-
Other operating revenues (g)	182,038	68,036	80,310	79,887
Sector / regulatory charges – Deductions from revenue (4)	(1,809,013)	(1,609,990)	(1,630,235)	(1,485,542)
	7,723,720	**6,874,237**	**6,689,274**	**6,174,729**

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(a) Revenue from energy supply

This table shows energy supply by type of customer:

	Consolidated				Parent Company			
	2019		2018		2019		2018	
	MWh (1)	R$	MWh (1)	R$	MWh (1)	R$	MWh (1)	R$
Industrial	13,641,330	3,181,501	15,100,812	3,245,245	12,114,558	2,928,232	13,399,018	3,004,036
Commercial	4,352,948	891,284	3,190,021	707,999	4,321,651	879,067	3,158,567	706,940
Rural	3,215	844	1,343	331	3,215	844	1,343	331
Subtotal	**17,997,493**	**4,073,629**	**18,292,176**	**3,953,575**	**16,439,424**	**3,808,143**	**16,558,928**	**3,711,307**
Net unbilled retail supply	-	16,058	-	1,160	-	20,000	-	2,500
	17,997,493	**4,089,687**	**18,292,176**	**3,954,735**	**16,439,424**	**3,828,143**	**16,558,928**	**3,713,807**
Wholesale supply to other concession holders (2)	11,578,115	3,014,654	12,121,762	2,907,757	11,158,662	2,546,543	11,858,718	2,670,074
Wholesale supply unbilled, net	-	(66,893)	-	(4,010)	-	(73,496)	-	(5,222)
	29,575,608	**7,037,448**	**30,413,938**	**6,858,482**	**27,598,086**	**6,301,190**	**28,417,646**	**6,378,659**

(1) Information in MWh has not been audited by external auditors.

(2) Includes sales contracts in the Regulated Market to distribution companies, sales on the Free Market to traders and generation companies, 'bilateral contracts' with other agents, and the revenues from management of generation assets (GAG) for the 18 hydroelectric plants of Lot D of Auction no 12/2015.

(b) Transmission concession revenue

Transmission revenue comprises: the sum of (a) the amount received from agents of the energy sector in relation to the performance obligations complied with by operating and maintaining transmission lines and networks of the national grid - this is called the Permitted Annual Revenue (*Receita Anual Permitida*, or RAP); plus (b) the adjustment to expectation of cash flow from the assets of the concession, arising from variation in the fair value of the Remuneration Assets Base, which was R$14,389 in 2019 (R$12,934 in 2018).
The Company is subject to the pecuniary penalty named Variable Portion (Parcela Variável, or PV) which is applied by the Concession-granting Power as a result of any unavailabilities or operational restrictions on facilities that are part of the National Grid. This penalty is recognized as a reduction of revenue from operation and maintenance of the transmission network in the period in which it occurs. The effects of the Variable Portion in transmission revenue were R$ 8,842 in 2019 (R$ 11,497 in 2018).

(c) Gain on financial updating of Concession Grant Fee

Represents the inflation adjustment using the IPCA inflation index, plus interest, on the Concession Grant Fee for the concession awarded as Lot D of Auction 12/2015. For more details see Note 14.

(d) Construction revenue

Corresponds to the performance obligation that is complied with by the building of infrastructure, taking the form of the investment in concession transmission assets made by the Company in the period. Recognition of this revenue is directly related to the expenditure incurred on the addition of contract assets. Considering that the regulatory model currently in effect does not provide for specific remuneration for construction or upgrading of the infrastructure of the concession, that constructions and improvements are substantially executed through specialized services of outsourced parties, and that all construction revenue

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is related to construction of infrastructure, the Company's management has decided to record construction contract revenue with a zero profit margin.

(e) Revenue from power supply transactions on the CCEE (Wholesale Trading Exchange)

Corresponds to the monthly calculation of the positive net balance of settlements of transactions for purchase and sale of energy in the Spot Market, through the CCEE, for which the consideration corresponds to the product of (i) the volume of energy sold, and (ii) the Spot Price.

(f) Transmission indemnity revenue

In 2019 the Company recognized revenue in the total amount of R$155,013 (R$250,375 on December 31, 2018), corresponding to updating, by the IPCA index, of the balance of indemnty receivable.

For more details see Notes 13 and 14 to this financial statements.

(g) Other operating revenues

	Consolidated		Parent Company	
	2019	2018	2019	2018
Charged service	160,623	43,057	58,896	54,908
Subsidies	17,563	18,888	17,563	18,888
Rental and leasing	2,196	-	2,196	-
Others	1,656	6,091	1,655	6,091
	182,038	**68,036**	**80,310**	**79,887**

(h) Deductions on revenue

	Consolidated		Parent Company	
	2019	2018	2019	2018
Taxes on revenue				
ICMS tax	640,278	556,966	570,238	511,805
Cofins tax	633,384	623,766	568,481	571,536
PIS and Pasep taxes	138,665	135,415	123,420	124,082
ISS tax on services	6,768	2,786	2,660	2,484
	1,419,095	**1,318,933**	**1,264,799**	**1,209,907**
Charges to the customer				
Global Reversion Reserve (RGR)	16,007	17,238	13,840	17,064
Energy Development Account (CDE)	235,037	153,006	235,037	153,006
Proinfa Program	52,042	39,971	52,042	39,971
Research and Development (P&D)	13,228	12,057	10,267	9,506
National Scientific and Technological Development Fund (FNDCT)	13,228	12,057	10,267	9,506
Energy System Expansion Research (EPE)	6,614	6,028	5,133	4,753
Electricity Services Inspection Charge (TFSEE)	10,753	8,587	8,501	6,885
Royalties for use of water resources (CFURH)	43,009	42,113	30,349	34,944
	389,918	**291,057**	**365,436**	**275,635**
	1,809,013	**1,609,990**	**1,630,235**	**1,485,542**

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27. OPERATING COSTS AND EXPENSES

	Consolidated		Parent Company	
	2019	2018	2019	2018
Personnel (a)	321,745	332,119	302,199	306,221
Employee profit shares	62,726	16,817	62,528	16,794
Post-employment obligation (recovery of expense)	87,765	72,335	87,765	72,335
Materials	22,944	43,102	15,704	40,070
Outsourced services (b)	169,523	148,108	128,928	125,734
Depreciation and amortization	215,522	148,756	157,541	146,194
Provisions (c)	1,110,196	117,442	1,080,026	124,920
Charges for use of the national grid	189,901	213,698	137,186	176,403
Energy bought for resale (d)	3,841,262	3,853,066	3,780,346	3,764,279
Transmission infrastructure construction cost (e)	220,390	95,712	220,390	95,712
Other operating expenses, net (f)	194,576	80,665	147,281	77,417
	6,436,550	**5,121,820**	**6,119,894**	**4,946,079**

a) Personnel expenses

2019 Programmed Voluntary Retirement Plan (‘PDVP’)

In December 2018, the Company launched the Programmed Voluntary Retirement Plan for 2019 (‘the 2019 PDVP’). Those eligible – any employees who had worked with the Company for 25 years or more by December 31, 2018 – were able to join from January 7 to 31, 2019. The program paid the standard legal severance payments – including: payment for the period of notice, an amount equal to the ‘penalty’ payment of 40% of the Base Value of the employee’s FGTS fund, and the other payments specified by the legislation, but with no extra premium.

On March 2019 the Company reopened the 2019 PDVP program, with a joining period from April 1 to 10, 2019, with some changes in the requirements for joining, but with the same financial conditions.

A total of R$17,502 has been appropriated as expense on the 2019 PDVP, including severance payments, corresponding to acceptance by 120 employees, R$11,648 (78 employees) has been posted in the income statements for 2018 and R$5,854 (42 employees) posted in 2019.

b) Outsourced services

	Consolidated		Parent Company	
	2019	2018	2019	2018
Communication	3,845	3,235	3,169	3,093
Maintenance and conservation of electrical facilities and equipment	41,954	25,836	23,028	18,891
Building conservation and cleaning	27,142	28,921	21,136	23,231
Contracted labor	1,875	7,948	1,815	7,936
Freight and airfares	2,464	2,379	2,461	2,374
Accommodation and meals	3,587	3,036	3,565	3,006
Security services	8,234	10,049	5,345	7,882
Consultancy	5,462	1,829	4,998	1,825
Maintenance and conservation of furniture and utensils	1,036	988	857	908
Information technology	12,416	12,726	10,595	10,436
Maintenance and conservation of vehicles	455	387	389	342
Energy	3,918	4,680	3,289	4,238
Environment services	12,397	10,141	8,740	8,050
Cleaning of power line pathways	3,858	4,040	3,829	4,025
Printing and images	2,512	1,305	1,646	1,230
Legal services and procedural costs	7,853	3,636	7,395	3,634
Others	30,515	26,972	26,671	24,633
	169,523	**148,108**	**128,928**	**125,734**

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c) Operating provisions (reversals)

	Consolidated		Parent Company	
	2019	2018	2019	2018
Provision for doubtful receivables (Note 8)	38,407	(4,628)	7,576	2,863
Estimated losses on other accounts receivable	2,659	453	2,659	453
Estimated losses on doubtful accounts receivable from related parties – Renova (Note 29)	688,031	-	688,031	-
Contingency provisions (reversals) (Note 24)				
Employment-law cases	27,428	17,001	28,295	16,993
Civil cases	144	(39)	144	(39)
Tax	283,566	(6,108)	283,529	(6,108)
Regulatory	1,781	330	1,781	330
Environmental	6	28	-	27
Others	4,481	2,850	4,318	2,846
	317,406	**14,062**	**318,067**	**14,049**
	1,046,503	**9,887**	**1,016,333**	**17,365**
Change in fair value of derivative instruments				
Put option – SAAG (Note 30)	63,693	107,555	63,693	107,555
	1,110,196	**117,442**	**1,080,026**	**124,920**

d) Energy bought for resale

	Consolidated		Parent Company	
	2019	2018	2019	2018
Spot market – CCEE	112,934	168,413	78,335	132,218
Acquired in free market	4,097,596	4,055,423	4,067,503	3,996,645
Pasep and Cofins credits	(369,268)	(370,770)	(365,492)	(364,584)
	3,841,262	**3,853,066**	**3,780,346**	**3,764,279**

e) Transmission infrastructure Construction cost

	Consolidated		Parent Company	
	2019	2018	2019	2018
Personnel	9,229	6,542	9,229	6,542
Materials	130,369	65,669	130,369	65,669
Outsourced services	80,304	24,195	80,304	24,195
Other (recovery of expenses)	488	(694)	488	(694)
	220,390	**95,712**	**220,390**	**95,712**

f) Other operating costs and expenses

	Consolidated		Parent Company	
	2019	2018	2019	2018
Leasing and rentals	7,561	22,842	6,047	22,175
Advertising	3,166	3,097	3,166	3,077
Subsidies and donations	11,071	6,023	7,772	4,613
Paid concessions	2,958	2,681	2,948	2,681
Taxes (IPTU, IPVA and others)	2,626	1,521	1,548	1,294
CCEE annual charge	2,986	3,446	2,985	3,446
Insurance	6,222	2,905	4,696	2,887
Loss (gain) on desactivation and disposal of assets	71,764	21,768	71,502	21,768
Forluz – Administrative running cost	6,844	6,436	6,843	6,436
Obligations deriving from investment contracts (1)	32,088	-	32,088	-
Losses on other credits	-	12,466	-	12,466
Provision for losses on investiments (nota 15)	21,684	-	-	-
Other	25,606	(2,520)	7,686	(3,426)
	194,576	**80,665**	**147,281**	**77,417**

(1) This refers to the group of amounts of cases realized and cases provisioned arising from the agreement made between Aliança Geração, Vale S.A. and Cemig. The action is provisioned at the cost of R$98, of which Cemig is responsible for R$32.

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28. FINANCE INCOME AND EXPENSES

	Consolidated		Parent Company	
	2019	2018	2019	2018
FINANCE INCOME				
Income from cash investments	42,491	67,033	22,124	56,667
Arrears fees on sale of energy	19,204	10,710	5,795	5,908
Monetary updating	12,876	12,482	12,470	12,292
Monetary updating on escrow deposits	12,226	11,324	11,644	11,196
Revenue from advance payments	340	22,590	243	18,997
Gains on Swap Instruments (Note 30)	997,858	892,643	997,858	892,643
Inflation adjustment in arbitration case (1)	-	76,896	-	76,896
Borrowing costs payable by related parties	47,596	56,320	47,596	56,320
Monetary updating on PIS/Pasep and Cofins taxes credits (Note 10)	239,748	-	228,718	-
Others	23,497	26,717	22,236	26,616
Pasep and Cofins taxes on financial revenues	(12,566)	(12,927)	(11,741)	(12,317)
	1,383,270	**1,163,788**	**1,336,943**	**1,145,218**
DESPESAS FINANCEIRAS				
Costs of loans, financings and debentures (Note 21)	(804,721)	(848,586)	(802,542)	(848,586)
Amortization of transaction cost (Note 21)	(11,706)	(19,718)	(11,706)	(19,718)
Monetary updating – Forluz	(12,693)	(15,412)	(12,693)	(15,412)
Inflation adjustment – Loans, financings and debentures (Note 21)	(50,969)	(43,924)	(38,289)	(43,924)
Monetary updating	(11,589)	(11,455)	(9,575)	(11,159)
FX variation from loans and financings (Note 21)	(233,846)	(579,609)	(233,846)	(579,609)
Inflation adjustment – advance from customers (Note 8)	(627)	(8,402)	(627)	(8,402)
Leasing – Inflation adjustment (Note 18)	(6,610)	-	(6,456)	-
Others	(16,559)	(13,128)	(14,269)	(11,556)
	(1,149,320)	**(1,540,234)**	**(1,130,003)**	**(1,538,366)**
NET FINANCE INCOME (EXPENSES)	**233,950**	**(376,446)**	**206,940**	**(393,148)**

(1) Inflation and other adjustments on the debt assumed by Energimp arising from the decision in favor of the Company in arbitration, originating from non-compliance with the deadline for wind farms to start operation, agreed in the acquisition of a 49% interest in them, in 2009.

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29. RELATED PARTY TRANSACTIONS

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

COMPANY	ASSETS		LIABILITIES		REVENUE		EXPENSES	
	2019	2018	2019	2018	2019	2018	2019	2018
Controlling shareholder								
Minas Gerais State Government								
Current								
ICMS – Advances (1)	-	-	-	-	-	901	-	-
CEMIG								
Current								
Cooperation Working Agreement (2)	-	-	-	536	-	-	-	(1,335)
Provision of services (3)	-	948	-	1,376	-	-	-	-
Interest on Equity, and dividends	-	-	781,769	659,622	-	-	-	-
Amount receivable (4)	-	6,243	-	-	-	-	-	-
Non-current								
Loans with related parties (5)	-	408,114	-	-	16,464	8,114	-	-
Jointly-controlled entity								
Madeira Energia								
Current								
Transactions in energy (6)	5,745	5,669	57,860	64,111	67,648	70,491	(729,290)	(778,456)
Advance for future power supply (7)	-	6,785	-	-	-	8,767	-	-
Aliança Geração								
Current								
Transactions in energy (6)	-	-	6,002	5,785	-	-	(83,146)	(86,409)
Provision of service (8)	626	1,792	-	-	6,762	11,492	-	-
Interest on Equity, and dividends	103,033	90,664	-	-	-	-	-	-
contingencies (9)	-	-	32,088	-	-	-	32,088	-
Norte Energia								
Current								
Transactions in energy (6)	-	130	-	-	21,566	15,913	(10,267)	-
Advance for future power supply (10)	40,081	-	-	-	-	-	-	-
Baguari Energia								
Current								
Provision of service (8)	-	211	-	-	1,021	898	-	-
Lightger								
Circulante								
Transactions in energy (6)	-	-	1,541	1,424	-	-	(21,011)	(21,132)
Retiro Baixo								
Current								
Interest on Equity, and dividends	6,474	5,718	-	-	-	-	-	-
Hidrelétrica Pipoca								
Current								
Transactions in energy (6)	-	-	1,387	1,303	-	-	(18,698)	(19,154)
Hidrelétrica Cachoeirão								
Current								
Interest on Equity, and dividends	2,536	2,460	-	-	-	-	-	-
Renova								
Current								
Transactions in energy (6)	-	-	-	515	4,447	-	-	(81,453)
Non-current								
Accounts receivable (10)	-	594,323	-	-	93,708	106,078	(688,031)	-
Light								
Current								
Transactions in energy (6)	312	374	1,206	403	97,560	60,364	(7,940)	(29)
Taesa								
Current								
Transactions in energy (6)	-	-	1,255	1,460	-	-	(12,752)	(18,075)
Provision of service (8)	170	130	-	-	640	566	-	-
Hidrelétrica Itaocara								
Current								
Ajuste para perdas (12)	-	-	21,810	-	-	-	-	-
Other related parties								
Cemig Distribuição								
Current								
Cooperation Working Agreement (3)	1,669	-	-	-	7,479	-	-	(663)
Transactions in energy (6)	29,655	22,303	507	792	270,418	248,199	(27,538)	(25,984)
Non-current								
Loan with related parties	-	-	-	-	-	9,263	-	-

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COMPANY	ASSETS		LIABILITIES		REVENUE		EXPENSES	
	2019	2018	2019	2018	2019	2018	2019	2018
FIC Pampulha								
Current								
Cash and cash equivalents	18,282	53,038	-	-	-	-	-	-
Marketable securities	372,601	159,616	-	-	2,872	3,150	-	-
Non-current								
Marketable Securities	916	21,498	-	-	-	-	-	-
Forluz								
Current								
Post-employment obligations (11)	-	-	32,775	27,876	-	-	(41,394)	(40,598)
Supplementary pension contributions – Defined contribution plan (12)	-	-	-	-	-	-	(20,730)	(20,396)
Administrative running costs (13)		-	-	-	-	-	(6,843)	(6,436)
Operating leasing (14)	40,125	-	9,479	382	-	-	(15,331)	(13,089)
Non-current								
Post-employment obligations (11)	-	-	590,465	428,335	-	-	-	-
Operating leasing (14)	-	-	32,124	-	-	-	-	-
Cemig Saúde								
Current								
Health Plan and Dental Plan (15)	-	-	29,422	26,940	-	-	(50,007)	(41,015)
Non-current								
Health Plan and Dental Plan (15)	-	-	656,424	499,323	-	-	-	-

The main conditions with reference to the related party transactions are:

(1) ICMS tax anticipation, as per Minas Gerais State Decree 47,488, made in 2018.
(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) This refers to a service agreement between Cemig Telecomunicações (merged into Cemig on March 31, 2018), Cemig D and the Company, instituted by Dispatch 2,735/2016.
(4) This refers to the amount repaid by the parent company, Cemig, as a result of adjustment in the valuation opinion at book value of the stockholding restructuring of wholly-owned generation and trading subsidiaries.
(5) Refers to a loan contract in the amount of R$ 400,000 between the Company and its parent company Cemig. The balance of the loan is augmented by interest at 125.52% of the CDI rate. As a guarantee, Cemig (the parent company) signed a promissory note in the global amount of R$442,258, corresponding to the amount of the debt plus the estimated interest for the 15-month period of the agreement. On March 13, 2019, the sum of R$46,598 was amortized, and on July 19, 2019 there was full settlement of the loan, in the amount of R$ 377,980.
(6) Transactions in energy between generators and distributors are made in auctions in the Regulated Market (ACR) organized by the federal government. The transactions in sale and purchase of electricity between generators and distributors are made through auctions in the Regulated Market, organized by the federal government. In the Free Market they are carried out through auctions or by direct contracting, in accordance with Article 28, §3, I of Law 13,303 of June 30, 2016. The transactions for transport of energy, are by transmission companies, arise from the centralized operation of the National Grid carried out by the National System Operator (ONS).
(7) Refers to advance payments for supply of power made in 2017 to Santo Antônio Energia, subsidiary of Madeira Energia, by the Company. The final installment was paid in January 2019.
(8) Refers to a contract to provide plant operation and maintenance services.
(9) This refers to the aggregate amounts of legal actions realized and legal actions provisioned arising from the agreement made between Aliança Geração, Vale S.A. and Cemig. The total amount of the actions is R$ 98 million, of which Cemig's portion is R$ 32 million;
(10) Refers to advance payments for energy supply made in 2019 to Norte Energia, established by auction and by contract registered with the CCEE. In full-year 2020 it will deliver contracted supply in the amount of R$40,081. There is no financial updating of the contract;
(11) As mentioned in Note 15(c), in June 2019, due to the uncertainties related to continuity of Renova, an estimated loss on realization of the receivables was recorded for the full value of the balance, R$688 million.
(12) A liability was recognized corresponding to the Company's interest in the share capital of Hidrelétrica Itaocara, due to its negative equity (see Note 15).
(13) The contracts of Forluz are updated by the Expanded Consumer Price Index (*Índice Nacional de Preços ao Consumidor Amplo*, or IPCA) calculated by the Brazilian Geography and Statistics Institute (IBGE) plus interest of 6.00% p.a. and will be amortized up to the business year of 2031 (see Note 23).
(14) 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.
(15) 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.
(16) Rental of the Company's administrative head offices, in effect up to November 2020 (able to be extended every five years, up to 2035) and august 2024 (able to be extended every five years, up to 2034, currently in final phase of renewal), with annual inflation adjustment by the IPCA index and price reviewed every 60 months in line with market prices. Aiming at costs reduction, in november, 2019, Cemig performed the devolution of Aureliano Chaves to Forluz.
(17) Post-employment obligations relating to the employees' health and dental plan (see Note 23).

Dividends receivable

Dividends receivable	Consolidated		Parent Company	
	2019	2018	2019	2018
Cemig Geração Poço Fundo (1)	-	-	294	-
Aliança Geração	103,033	90,664	103,033	90,664
Others	9,010	8,178	9,010	8,178
	112,043	**98,842**	**112,337**	**98,842**

(1) The Extraordinary General Meeting of Stockholders held on August 29, 2019 approved changes to the bylaws of the subsidiary, changing its name and its corporate objects. With the alteration, the name of Usina Termelétrica Barreiro S.A. was changed to Cemig Geração Poço Fundo S.A.

Cash investments in the *FIC Pampulha* investment fund

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The invests part of its cash balance in a reserved (group) investment fund, which has the characteristics of fixed income and obeys the Company's cash investment policy. The amounts invested by the fund at December 31, 2019 are reported in Marketable Securities in Current or Non-current assets, in proportion to the interests held by the Company in the fund.

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

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

Issuer of security	Type	Annual contractual conditions	Maturity	2019			2018		
				Cemig GT 5.16%	Other subsidiaries 9.86% (1)	Total (consolidated) 15.02%	Cemig GT 0.74%	Other subsidiaries 8.65% (1)	Total (consolidated 9.39%
ETAU (2)	Debentures	108.00% of CDI	Dec. 1, 2019	-	-	-	75	870	945
LIGHT	Promissory note	CDI + 3.50%	Jan. 22, 2019	-	-	-	54	620	674
CEMIG D	Promissory note	151.00% of CDI	Oct. 24, 2019	-	-	-	397	4,599	4,996
GASMIG	Promissory note	107.00% of CDI	Sep. 25, 2020	523	998	1,521			
				523	**998**	**1,521**	**526**	**6,089**	**6,615**

(1) Refers to the other companies consolidated by the Company, which also have participation in the investment funds.
(2) ETAU – Empresa de Transmissão do Alto Uruguai S.A.

Remuneration of key management personnel

The total costs of key personnel comprising the Executive Board, Audit Board, Fiscal Concil and Board of Directors – are within the limits approved by a General Meeting of Shareholders, and their effects in the Income statements in the nine-month periods December 31, 2019 and 2018, are as follows:

	2019	2018
Remuneration	3,095	4,965
Profit shares	742	736
Assistance benefits	287	526
	4,124	**6,227**

30. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

a) Financial instruments classification and fair value

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

	Level	2019		2018	
		Balance	Fair value	Balance	Fair value
Assets					
Amortized cost (1)					
Marketable securities	2	46,727	46,727	28,312	28,312
Customers and traders concession holders (transmission service)	2	1,135,038	1,135,038	956,059	956,059
Restricted cash	2	11,059	11,059	90,710	90,710
Receivable from related parties	2	1,573	1,573	921,288	921,288
Escrow deposits	2	364,277	364,277	374,374	374,374
Concession grant fee – Generation concessions	3	2,468,216	2,468,216	2,408,930	2,408,930
Reimbursements receivable – Transmission	3	1,280,652	1,280,652	1,296,314	1,296,314
		5,307,542	**5,307,542**	**6,075,987**	**6,075,987**
Fair value through profit or loss					
Cash equivalents – Investments	2	202,964	202,964	297,561	297,561
Marketable securities					
Financial notes (LFs) – Banks	2	279,547	279,547	96,876	96,876
Treasury financial notes (LFTs)	1	47,268	47,268	56,572	56,572
Debentures	2	52	52	1,586	1,586
		529,831	**529,831**	**452,595**	**452,595**
Derivative financial instruments (swaps)	3	1,690,944	1,690,944	813,335	813,335
Reimbursements receivable – Generation	3	816,202	816,202	816,202	816,202
		2,507,146	**2,507,146**	**1,629,537**	**1,629,537**
		8,344,519	**8,344,519**	**8,158,119**	**8,158,119**
Liabilities					
Amortized cost (1)					
Loans, financings and debentures	2	(7,886,783)	(7,886,783)	(8,198,912)	(8,198,912)
Debt with pension fund (Forluz)	2	(128,172)	(128,172)	(147,540)	(147,540)
Deficit of pension fund (Forluz)	2	(124,499)	(124,499)	(85,417)	(85,417)
Concessions payable	3	(19,692)	(19,692)	(18,747)	(18,747)
Suppliers	2	(422,312)	(422,312)	(484,726)	(484,726)
Leasing transactions (2)	2	(55,059)	(55,059)	-	-
		(8,636,517)	**(8,636,517)**	**(8,935,342)**	**(8,935,342)**
Fair value through profit or loss					
Derivative financial instruments – Put options	3	(482,841)	(482,841)	(419,148)	(419,148)
		(9,119,358)	**(9,119,358)**	**(9,354,490)**	**(9,354,490)**

(1) The book values of the financial instruments on December 31, 2019 and December 31, 2018 reflect their fair values.
(2) Leasing transactions have been recognized in accordance with initial adoption of IFRS 16/ CPC 06 (R2). For more information see Note 18.

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. 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. The fair value is determined based on generally accepted valuation techniques, such as on discounted cash flow analysis or other valuation techniques such as, for example, New Replacement Value (*Valor novo de reposição*, or VNR).

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

Fair value calculation of financial positions

Transmission concession financial assets remunerated by Tariff: These are measured at New Replacement Value (*Valor novo de reposição*, VNR), according to criteria established in regulations by the Concession-granting power ('the Grantor'), based on fair value of the assets in service belonging to the concession and which will be revertible at the end of the concession, and on the Weighted average cost of capital (WACC) used 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 the Company. More details see note 13.

Indemnifiable receivable – Generation: Measured at New Replacement Value (VNR), as per criteria set by regulations of the grantor power, based on the fair value of the assets to be indemnify ant the end of the concession.

Cash investments: The fair value of cash investments is calculated taking into consideration the market prices of the security, or market information that makes such calculation possible, and future rates in the fixed income and FX markets applicable to similar securities. The market value of the security is deemed to be its maturity value discounted to present value by the discount factor obtained from the market yield curve in Reais.

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

Swap transactions: Fair value was calculated based on the market value of the security at its maturity adjusted to present value by the discount rate obtained from the market yield curve.

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Put options: The put options for units of FIP Melbourne and FIP Malbec ('the SAAG Put') were measured at fair value using the Black-Scholes-Merton (BSM) method. The fair value of these options has been calculated on the basis of the estimated exercise price on the day of exercise of the option, less the fair value of the shares that are the subject of the put option, also estimated for the date of exercise, brought to present value at the reporting date.

The movement in relation to the put options, and other information on the derivative instruments, is given in the item "b) Financial instruments – Derivatives", in this Note.

Other financial liabilities: Fair value of its Loans, financings and debentures were determined using 140.97% of the CDI rate – based on its most recent funding. For the following, the Company considered fair value to be substantially equal to book value: Loans, financings and debentures, and debt agreed with Forluz, with annual rates between IPCA + 6.00% to 8.07% and CDI + 1.12% to 2.22%.

b) Derivative financial instruments

Put Option - SAAG

Option contracts were signed between Company and the private pension entities that participate in the investment structure of SAAG (comprising FIP Melbourne, Parma Participações S.A. and FIP Malbec – jointly, 'the Investment Structure'), giving those entities the right to sell units in the Funds that comprise the Investment Structure, at the option of the Funds, in the 84th (eighty-fourth) month from June 2014. The exercise price of the Put Options will correspond to the amount invested by each of the private pension plan in the Investment Structure, updated *pro rata temporis* by the Expanded National Customer Price (IPCA) index published by the IBGE, plus interest at 7.00% per year, less such dividends and Interest on Equity as shall have been paid by SAAG to the pension plan entities. This option was considered to be a derivative instrument, accounted at fair value through profit and loss.

The Company uses the Black-Scholes-Merton ('BSM') model for measurement of the fair value of the SAAG put option. The assumption was made that the future expenditures of FIP Malbec and FIP Melbourne are insignificant, so that the options are valued as if they hold direct equity interests at Mesa. However, neither SAAG nor Mesa are traded on a securities exchange, so that some assumptions are necessary for calculation of the price of the asset and its volatility for application of the BSM model. The closing price of the shares of Mesa on December, 31, 2019, is ascertained from free cash flow to equity, in proportion to the indirect interests held by the FIPs. Volatility is measured as an average of historic volatility of comparable generation companies listed on the B3 (assuming that the data series for the difference of capitalized returns, over time, follows a normal distribution).

Based on the studies made, a liability of R$482,841 (R$419,148 on December 31, 2018) is recorded in the Company's financial statements, for the difference between the exercise price and the estimated fair value of the assets.

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Changes in the values of the options are as follows:

	Consolidated and Parent
Balance at December 31, 2017	**311,593**
Change in fair value	107,555
Balance at December 31, 2018	**419,148**
Change in fair value	63,693
Balance at December 31, 2019	**482,841**

The Company performed the sensitivity analysis of the exercise price of the option, varying the risk-free interest rate and the volatility, keeping the other variables of the model unchanged. In this context, scenarios for the risk-free interest rate at 2.29% p.a. to 6.29% p.a., and for volatility between 13.00% and 73.00% p.a., were used, resulting in estimates of minimum and maximum price for the put option of R$467,156 and R$499,151, respectively.

This option to sell investments could potentially dilute basic profit per share in the future; however, it has not caused dilution of profit per share in the business years presented here, as shown in Note 25.

Swap transactions

Considering that part of the loans and financings of the Company is denominated in foreign currency, the Company uses derivative financial instruments (swap transactions) to protect the servicing associated with these debts (principal plus interest).

The derivative instruments contracted by the Company have the purpose of protecting operations against the risks arising from foreign exchange variation, and are not used for speculative purposes.

The amounts of the principal of derivative transactions are not presented in the statements of financial position, since they refer to transactions that do not require cash principal payments to be made: only the gains or losses that actually occur are recorded. The net result of those transactions on December 31, 2019 was a positive adjustment of R$997,858 (Positive adjustment of R$892,643 on December 31, 2018), which was posted in Finance income (expenses).

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

This table shows the derivative instruments contracted by the Company at December 31, 2019 and December 31, 2018:

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Receivable by Cemig GT (1)	Payable by Cemig GT (1)	Maturity period	Trading market	Value of principal contracted (2)	Unrealized gain (loss), According to contract 2019	Unrealized gain (loss), Fair value 2019	Unrealized gain (loss), According to contract 2018	Unrealized gain (loss), Fair value 2018
In US$ 9.25% p.a.	R$ 150.49% of CDI	Interest: Half-yearly Principal: Dec. 2024	Over-the-counter	US$1,000,000	813,535	1,235,102	679,530	626,888
In US$ 9.25% p.a.	R$ 125.52% of CDI	Interest: Half-yearly Principal: Dec. 2024	Over-the-counter	US$500,000	108,532	455,842	32,781	186,447
					922,067	**1,690,944**	**712,311**	**813,335**
Current assets						**234,766**		**69,643**
Non-current assets						**1,456,178**		**743,692**

(1) For the initial Eurobond issue of US$1 billion, placed in December 2017: (1) for the principal, a call spread was contracted, with floor at R$3.25/US$ and ceiling at R$5.00/US$, and (2) a swap was contracted for the total of the interest, for a coupon of 9.25% p.a., in Reais, at an average rate equivalent to 150.49% of the CDI. For the additional US$500 million issuance of the same Eurobond issue, in July 2018 (1) a call spread was contracted for the principal, with floor at R$ 3.85/US$ and ceiling at R$ 5.00/US$; and (2) a swap was contracted for the whole of the interest, resulting in a coupon in Reais of 9.25% p.a., with an average rate equivalent to 125.52% of the CDI rate.

(2) In thousands of US dollars.

In accordance with market practice, the Company uses a mark-to-market method to measure the hedge derivatives for its Eurobonds. The principal indicators for measuring the fair value of the swap are the B3 futures market curves for the DI rate and the dollar. To price the call spread, the Black & Scholes one of the parameters of which is the volatility of the dollar, measured on the basis of its history over 2 years.

The fair value found on December 31, 2019 was R$1,690,944 (R$813,335 on December 31, 2018), which would be a reference point if the Company were to liquidate the hedges on December 31, 2019, but the swap contracts protect the Company's cash flow up to the maturity of the bonds in 2024. They have accrual value of R$922,067 on December 31, 2019 (R$712,311 on December 31, 2018).

The Company is exposed to market risk as a function of having contracted this hedge, the principal potential impact being an alteration in futures of Brazilian interest rates or exchange rates. Based on the futures curves for interest rates and the dollar, the Company estimates that in a probable scenario, at the end of the accounting period its net income would suffer a negative impact of R$1,044,833 for the option (call spread), and R$266,137 for the swap – an aggregate R$1,310,970.

The Company has measured the effects on its net income of reduction of the estimated fair value for the 'probable' scenario by 25% and 50%, respectively, as follows:

Parent Company and Consolidated	Base scenario 2019	'Probable' scenario	'Possible' scenario: FX depreciation and interest rate increase 25%	'Remote' scenario: FX depreciation and interest rate increase 50%
Swap, asset side	6,427,369	6,004,214	5,175,929	4,404,928
Swap, liability side	(5,774,089)	(5,738,077)	(5,855,347)	(5,965,126)
Option / Call spread	1,037,664	1,044,833	433,862	100,005
Derivative hedge instrument	**1,690,944**	**1,310,970**	**(245,556)**	**(1,460,193)**

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The same methods of measuring used in marking to market of the derivative instruments described above were applied to the calculation of estimated fair value.

c) Risk management

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

The Company monitor the financial risk of transactions that could negatively affect the Company's liquidity or profitability, recommending hedge protection strategies to control the Company's exposure to foreign exchange rate risk, interest rate risk, and inflation risks.

The main risks to which the Company and its subsidiaries are exposed are as follows:

Interest rate risk

On December 31, 2019 the Company and its subsidiaries were exposed to the risk of increase in Brazilian interest rates, since it has more liabilities than assets indexed to variation in interest rates:

Exposure to Brazilian domestic interest rates	Consolidated		Parent Company	
	2019	2018	2019	2018
Assets				
Cash equivalents (Note 6) – CDI rate	202,964	297,561	133,705	223,247
Securities (Note 7) – CDI and Selic rates	373,594	183,346	128,490	14,631
Accounts receivable – Renova - CDI	-	507,038	-	507,038
Loan with related parties (Note 29) – CDI	-	408,114	-	408,114
Restricted cash – CDI	11,059	90,710	11,019	90,656
	587,617	**1,486,769**	**273,214**	**1,243,686**
Liabilities				
Loans, financings and debentures – CDI rate (Note 21)	(578,067)	(1,022,646)	578,067	(1,022,646)
Loans, financings and debentures – TJLP Rate (Note 21)	(178,226)	(163,367)	-	-
	(756,293)	**(1,186,013)**	**578,067**	**(1,022,646)**
Net assets (liabilities) exposed	**(168,676)**	**300,756**	**851,281**	**221,040**

Sensitivity analysis

The Company and its subsidiaries estimate that in a probable scenario, the Selic rate on December 31, 2020 will be 4.25% and the TJLP rate will be 5.03%. They have made a sensitivity analysis of the effects on profit arising from increases of 25% and 50% in this rate in relation to the 'probable' scenario. Variation in the CDI rate accompanies the variation in the Selic rate.

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Risk: Reduction in Brazilian interest rates – Consolidated	2019		2020	
	Amount Book value	'Probable' scenario: Selic 4.2500% TJLP 5.1285%	'Possible' scenario +25% Selic 5.3125% TJLP 6.2856%	Remote' scenario +50% Selic 6.3750% TJLP 7.5428%
Assets				
Cash equivalents – Cash investments (Note 6)	202,964	211,590	213,746	215,903
Marketable securities (Note 7)	373,594	389,472	393,441	397,411
Restricted cash	11,059	11,529	11,647	11,764
	587,617	**612,591**	**618,834**	**625,078**
Liabilities				
Loans, financings and debentures – CDI rate (Note 21)	(578,067)	(602,635)	(608,777)	(614,919)
Loans, financings and debentures – TJLP Rate (Note 21)	(178,226)	(187,188)	(189,429)	(191,669)
	(756,293)	**(789,823)**	**(798,206)**	**(806,588)**
Net (liabilities)	**(168,676)**	**(177,232)**	**(179,372)**	**(181,510)**
Net effect of variation in interest rates		**(8,556)**	**(10,696)**	**(12,834)**

Inflation risk

The Company and its subsidiaries are exposed to risk of reduction of inflation, due to their having more assets than liabilities indexed to the variation of inflation indicators, as follows:

Exposure to inflation	Consolidated		Parent Company	
	2019	2018	2019	2018
Assets				
Generation – Concession grant fee – IPCA (Note 13)	2,468,216	2,408,930	-	-
Transmission – Reimbursement receivable – IPCA index (Note 13)	1,280,652	1,296,314	1,280,652	1,296,314
	3,748,868	**3,705,244**	**1,280,652**	**1,296,314**
Liabilities				
Loans, financings and debentures – IPCA (Note 21)	(1,105,466)	(1,239,199)	(1,105,466)	(1,239,199)
Debt agreed with pension fund (Forluz) – (Note 23)	(128,172)	(147,540)	(128,172)	(147,540)
Solution for Forluz pension fund deficit (Note 23)	(124,499)	(85,417)	(124,499)	(85,417)
	(1,358,137)	**(1,472,156)**	**(1,358,137)**	**(1,472,156)**
Net assets (liabilities) exposed	**2,390,731**	**2,233,088**	**(77,485)**	**(175,842)**

Sensitivity analysis

The Company and its subsidiaries estimate that in a probable scenario, the IPCA inflation index on December 31, 2020 will be 3.43%. For the risk of reduction in inflation they have made a sensitivity analysis of the effects on profit arising from reductions in rates of 25% and 50% in relation to the 'probable' scenario.

Risk: reduction in inflation Consolidated	2019		2020	
	Book value	'Probable' scenario: IPCA 3.4293%	'Possible' scenario - 25% IPCA 2.5720%	Remote' scenario - 50% IPCA 1.7147%
Assets				
Generation – Concession Grant Fee – IPCA (Note 13)	2,468,216	2,552,859	2,531,699	2,510,538
Transmission – Reimbursement receivable – IPCA index (Note 13)	1,280,652	1,324,569	1,313,590	1,302,611
	3,748,868	**3,877,428**	**3,845,289**	**3,813,149**
Liabilities				
Loans, financings and debentures – IPCA (Note 21)	(1,105,466)	(1,143,376)	(1,133,899)	(1,124,421)
Debt agreed with pension fund (Forluz) (Note 23)	(128,172)	(132,567)	(131,469)	(130,370)
Solution for Forluz pension fund deficit (Note 23)	(124,499)	(128,768)	(127,701)	(126,634)
	(1,358,137)	**(1,404,711)**	**(1,393,069)**	**(1,381,425)**
Net assets exposed	**2,390,731**	**2,472,717**	**2,452,220**	**2,431,724**
Net effect of variation in inflation		**81,986**	**61,489**	**40,993**

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Exchange rate risk

The Company is exposed to risk of increase in exchange rates, with effect on Loans and financings, and cash flow.

The net exposure to exchange rates is as follows:

Exposure to exchange rates	Consolidated and Parent Company			
	2019		2018	
	Foreign currency	R$	Foreign currency	R$
US dólar				
Loans and financings (Note 21)	(1,511,336)	(6,091,742)	(1,511,336)	(5,856,124)
Euro				
Loans and financings (Note 21)	-	-	(52)	(229)
Net assets (liabilities) exposed		**(6,091,742)**		**(5,856,353)**

<u>Sensitivity analysis</u>

The Company estimates that in a probable scenario, at December 31, 2020 the exchange rates of foreign currencies in relation to the Real will be as follows: depreciation in the dollar exchange rate by 0.76%, to R$4.00/US$. The Company has made a sensitivity analysis of the effects on profit arising from depreciation of the Real exchange rate by 25%, and by 50%, in relation to this 'probable' scenario.

Risk: Exposure to exchange rates	2019		2020	
	Book value	'Probable' scenario Dólar 4.00	Scenario +25% Dólar 5.00	Scenario +50% Dólar 6.00
US dólar				
Loans and financings (Note 21)	(6,091,742)	(6,045,344)	(7,556,680)	(9,068,016)
Net liabilities exposed	**(6,091,742)**	**(6,045,344)**	**(7,556,680)**	**(9,068,016)**
Net effect of exchange rate variation		**46,398**	**(1,464,938)**	**(2,976,274)**

Note that the Company has contracted a swap transaction to replace the exposure to the US dollar with exposure to variation in the CDI Rate, as described in more detail in the item *Swap Transactions* in this Note.

Liquidity risk

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

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

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

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Cash investments obey rigid principles for monitoring of operational, credit and liquidity risks, established in an Investment Policy, in accordance with the cash flow needs of the companies. These financial investments are made in exclusive investment funds of the Cemig economic group, or directly in CDB's (bank CD's) and/or repo transactions remunerated by the CDI rate.

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

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

This table shows the flow of payments of the Company's obligation to suppliers, for debts agreed with the pension fund, loans, financing and debentures, at floating and fixed rates, including future interest up to contractual maturity dates:

Consolidated	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
Financial instruments at (interest rates):						
Floating rates						
Loans, financings and debentures	27,012	465,303	910,944	10,020,989	-	11,424,248
Paid concessions	223	452	1,983	8,858	12,655	24,171
Debt agreed with pension fund (Forluz)	2,721	5,486	25,019	126,021	-	159,247
Solution for deficit of pension fund (Forluz)	1,203	2,424	27,773	47,961	142,710	222,071
	31,159	**473,665**	**965,719**	**10,203,829**	**155,365**	**11,829,737**
Fixed rate						
Suppliers	65,643	342,280	14,210	179	-	422,312
	96,802	**815,945**	**979,929**	**10,204,008**	**155,365**	**12,252,049**

Parent Company	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
Financial instruments at (interest rates):						
Floating rates						
Loans, financings and debentures	27,012	465,303	910,944	9,842,764	-	11,246,023
Paid concessions	223	452	1,983	8,858	12,655	24,171
Debt agreed with pension fund (Forluz)	2,721	5,486	25,019	126,021	-	159,247
Solution for deficit of pension fund (Forluz)	1,203	2,424	27,773	47,961	142,710	222,071
	31,159	**473,665**	**965,719**	**10,025,604**	**155,365**	**11,651,512**
Fixed rate						
Suppliers	55,291	327,838	13,188	-	-	396,317
	86,450	**801,503**	**978,907**	**10,025,604**	**155,365**	**12,047,829**

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Credit Risk

The Company's risk of losses due to difficulty in receipt of amounts invoiced to customers is considered to be low. The Company carries out monitoring for the purpose of reducing default, on an individual basis, with its customers. Negotiations are also entered into for receipt of any receivables in arrears.

The provision for doubtful debtors constituted on December 31, 2019, considered to be adequate in relation to the credits receivable and in arrears, was R$48,432.

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

All investments are made in financial securities that have fixed-income characteristics, the majority of them indexed to the CDI rate. The Company does not make any transactions that would incorporate volatility risk into its financial statements.

As a management instrument, the Company divides the investment of its cash holdings between direct purchases of securities, forming its own portfolio, and investment funds. The investment funds invest the funds exclusively in fixed income products, and companies of the Group are the only unit holders. They obey the same policy adopted in the investments for the Company's directly-held own portfolio.

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

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

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

Group	Equity	Concentration	Limit per bank (% of equity) (1)
A1	Over R$ 3.5 billion	Minimum 50%	Between 6% and 9%
A2	R$ 1.0 billion to R$ 3.5 billion	Maximum 30%	Between 5% and 8%
A3	R$ 400 million to R$ 1.0 billion	Maximum 30%	Between 5% and 7%

(1) The percentage assigned to each bank depends on an individual assessment of indicators such as liquidity and quality of the credit portfolio.

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

1. No bank may have more than 30% of the Group's portfolio.
2. At least a total of 50% of the available funds must be placed with the A1 banks.

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Hydrological risk

The greater part of the energy sold by the Company is generated by hydroelectric plants. A prolonged period of scarce rainfall can result in lower water volumes in the reservoirs of these plants, which can lead to an increase in the cost of acquisition of energy, due to replacement by thermoelectric sources, or to reduction of revenues due to reduction in consumption caused by implementation of wide-ranging programs for saving of energy.

Risk of debt early maturity

The Company has loans, financings and debentures contracts with covenants relating to financial index of the Company and its parent company, and cross-default clauses.

On December 31, 2019 the Company and its subsidiaries were compliant with all the covenants for financial index requiring half-yearly, annual and permanent compliance, except for non-compliance with the non-financial covenant of the loan contracts with the CEF of the subsidiaries Central Eólica Praias de Parajuru and Central Eólica Volta do Rio. More details in Note 21.

d) Capital management

The comparisons of the Company's consolidated net liabilities and its Equity are as follows:

	Consolidated		Parent Company	
	2019	2018	2019	2018
Total liabilities	12,526,851	11,971,944	12,103,086	11,591,625
Cash and cash equivalents (Note 6)	(211,608)	(301,696)	(136,208)	(226,830)
Net liabilities	**12,315,243**	**11,670,248**	**11,966,878**	**11,364,795**
Total equity	**5,136,201**	**4,980,136**	**5,136,201**	**4,980,136**
Net liabilities / equity	**2.40**	**2.34**	**2.33**	**2.28**

31. INSURANCE

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

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Assets	Cover	Dates of cover	Amount insured (1)	Annual premium (1)
Air transport – Aircraft / Guimbal helicopter	Fuselage	April 29, 2019 to April 29, 2020	US$4,385	
	Third party	April 29, 2019 to April 29, 2020	US$14,000	US$49
Warehouse stores	Fire	Nov. 2, 2019 to Nov. 2, 2020	R$20,771	R$20
Facilities in buildings	Fire	Jan. 8 2020 to Jan. 8, 2021	R$275,773	R$75
Telecoms equipment	Fire	July 8 2019 to July 8, 2020	R$2,650	R$2
Operational risk – generators, rotors, and power equipment above R$1 million	(2)	Dec, 7, 2019 to Dec. 7, 2020	R$959,243	R$1,262

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

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

32. CONTRACTUAL COMMITMENTS

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

	2020	2021	2022	2023	2024	After 2024	Total
Purchase of energy	3,618,849	3,347,187	3,808,010	3,679,343	3,912,612	35,082,452	53,448,453

33. SUBSEQUENT EVENTS

Covid 19 and the Coronavirus – Impacts for the Company

The Company is closely monitoring the possible impacts of Covid-19 on its business and the market in which it operates. It is not yet possible to estimate possible effects on its equity situation and results arising from the pandemic, and from the retraction of economic activity. It can only be highlighted that there is likely to be a reduction in energy consumption and consequently in revenue from sale of energy, and also an increase in default, as well as an alteration of assumptions used for calculation of fair value and recoverable amount of certain financial and non-financial assets.

The Company has implemented a series of precautionary measures so that its employees are not exposed to risk situations. These include: restrictions on national and international travel; suspension of technical visits and events at Cemig's facilities; use of remote means of communication; home office working for certain groups of employees; etc.

The Company may adopt additional measures to reduce the exposure of its employees to the risks of infection, ensuring continuity of the provision of their services, which are essential to society.

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****

(The original is signed by the following signatories:)

Reynaldo Passanezi Filho
Chief Executive Officer

Dimas Costa
Chief Trading Officer

Maurício Fernandes Leonardo Júnior
Chief Finance and Investor Relations Officer

Paulo Mota Henriques
Chief Generation and Transmission Officer

Daniel Faria Costa
Chief Officer for Management of Holdings

Ronaldo Gomes de Abreu
Interim Director without portfolio

Luciano de Araújo Ferraz
Chief Regulation and Legal

Leonardo George de Magalhães
Controller
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Carolina Luiza F. A. C. de Senna
Accounting Manager
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A free translation from Portuguese into English of Independent Auditor's Report on Financial Statements prepared in Brazilian currency in accordance with accounting practices adopted in Brazil and International Financial Reporting Standards (IFRS), issued by International Accounting Standards Board – IASB

Independent auditor's report on individual and consolidated financial statements

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

Opinion

We have audited the individual and consolidated financial statements of Cemig Geração e Transmissão S.A. (the "Company"), identified as Parent company and Consolidated, respectively, which comprise the statements of financial position as at December 31, 2019, and the statements of profit or loss, of comprehensive income, of changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the individual and consolidated financial position of Cemig Geração e Transmissão S.A. as at December 31, 2019, and its individual and consolidated financial performance and cash flows for the year then ended in accordance with the accounting practices adopted in Brazil and with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB).

Basis for opinion

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

Emphasis of matter

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

As disclosed in Note 15 to the individual and consolidated financial statements, on December 17, 2019, under the terms of Law No. 11101/05, the in-court reorganization plan of jointly-controlled entity Renova Energia S.A. and some of its subsidiaries was filed with the second State of São Paulo Bankruptcy and In-Court Reorganization Court. The jointly-controlled entity shall submit the in-court reorganization plan to the General Meeting of Creditors approval in accordance with the terms and conditions established by the referred Law. The jointly-controlled entity is in the process of discussing such plan and up to the present date has not measured the possible effects on its accounting balances. In addition, the jointly-controlled entity has incurred recurring losses and, as at December 31, 2019, has negative net working capital, equity deficit and negative gross margin. These events or conditions indicate the existence of relevant uncertainty that may raise significant doubt about the ability of this jointly-controlled entity to continue as a going concern. Our opinion is not modified in respect of this matter.

Key audit matters

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

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

Risks related to compliance with laws and regulations

As mentioned in Note 15 to the individual and consolidated financial statements, investigations and other legal measures are currently being conducted by public authorities in connection with the Company, its parent company and certain investees regarding certain expenditures and their allocations, which involve and also include some of the investees’ other shareholders and certain executives of the Company, its parent Company, of the investees and of these other shareholders. The governance bodies of the parent company have authorized the engagement of a specialized company to analyze the internal procedures related to these certain investments and to ascertain such claims.

This matter was considered significant for our audit, as it involves significant judgment and due to the inherent complexity of the investigation processes.

How our audit addressed this matter

Our audit procedures involved, but were not limited to (i) evaluating process and controls implemented by management over identification, risk assessment, measurement, accounting recognition and disclosure of information related to ongoing investigations, including an analysis of the reporting channel, handling of complaints and communicating the results to the Company’s governance bodies; (ii) evaluating the report issued on February 20, 2020 by the specialized company engaged by Company to investigate such allegations; (iii) understanding and monitoring the main actions taken by management and governance bodies in relation to such allegations. Interactions occurred with the Audit Board, Audit Committee, members of the Special Investigation Committee and management, as well as the Company's Compliance department (iv) following up investigation updates since the issuance of the specialized company’s report, as mentioned in item (ii); (v) performing procedures to identify and test unusual transactions; (vi) involving our investigations professionals to perform shadow investigation procedures and assess if the Company’s investigation process was conducted in accordance with the applicable practices; and (vii) involving experienced audit professionals to define the testing strategy, review the audit supporting documentation, and oversee the audit procedures performed. In addition, we assessed the adequacy of the Company's disclosures on this matter.

Based on the results of the audit procedures performed on the internal investigation processes, which are consistent with management's assessment, we considered that the procedures adopted by management, as well as the related disclosures in Note 15, are acceptable in the context of the financial statements taken as a whole.

Impairment of certain investments in affiliates and jointly-controlled entities

As disclosed in Note 15 to the financial statements, the Company and its subsidiaries have investments in affiliates and jointly-controlled entities carried under the equity method in the amount R$4,041,565 thousand and assesses annually, or whenever applicable, the need to recognize any additional impairment loss on the Company’s and its subsidiaries’ total net investment in these investees. In 2019, as a result of this analysis, the Company and its subsidiaries concluded that there was indication of impairment of their direct and indirect investments in Madeira Energia S.A., Norte Energia S.A., Renova Energia S.A. and Guanhães Energia S.A. and consequently, conducted the analysis, determined their recoverable amounts, and recognized losses where applicable.

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

How our audit addressed this matter

Our audit procedures included, but were not limited to (i) evaluating process and controls implemented by management to identify impairment indications on investments and to estimate their net recoverable amount, as applicable; including controls over management's review of the significant assumptions underlying the fair value determination; (ii) evaluating the significant assumptions used to estimate fair value; comparing the significant assumptions used to estimate cash flows to current industry and economic trends; comparing relevant inputs to Company´s operating data and performing sensitivity analysis to evaluate the fair value; (iii) involving our valuation specialists to assist in evaluating the discount rate used in the fair value calculation; and (iv) involving experienced audit professionals to define the testing strategy, to review the audit supporting documentation, and to oversee the audit procedures performed. In addition, we assessed the adequacy of the Company's disclosures on this matter.

Based on the results of the audit procedures performed on the investments in affiliates and jointly-controlled entities account balances, which are consistent with management's assessment, we considered that the criteria and assumptions relating to the impairment of investments adopted by management, as well as the related disclosures in Note 15, are acceptable in the context of the financial statements taken as a whole.

<u>PIS/Pasep and COFINS tax credits</u>

As disclosed in Note 10 to the individual and consolidated financial statements in 2019 the Company and its subsidiaries recognized PIS/Pasep and COFINS tax credits of R$ 653,364 thousand arising from an Ordinary Action decided in favor of the Company and its subsidiaries, against which there is no appeal, 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.

This matter was considered significant for our audit due to its complexity, necessary judgment of management, high volume of documentation analyzed and the existence of divergences on the calculation methodology interpretation between some court decisions and the Brazilian tax authorities' position.

How our audit addressed this matter

Our audit procedures included, but were not limited to (i) evaluating process and controls implemented by management to determine the amounts and recoverability of tax credits to be recognized, including controls over management's projections used in its recoverability assessment and the underlying significant assumptions used to determine the amounts to be reimbursed to the costumers; (ii) testing the completeness and accuracy of the underlying data used by the Company and its subsidiaries; (iii) reconciling the reports used to calculate the tax credits amounts with the general ledger and appropriate tax documentation; (iv) reprocessing the financial income calculation; (v) involving our tax professionals to evaluate the court dispute decision in favor of the Company and its subsidiaries, conclusions and legal basis presented on its legal advisor's opinions, and to assist in evaluating the calculation basis, the support documentation, recoverability assessment and financial income calculation over tax credits recognized; and (vi) involving experienced audit professionals to define the testing strategy, review the audit supporting documentation, and oversee the audit procedures performed. In addition, we assessed the adequacy of the Company's disclosures on this matter.

Based on the results of the audit procedures performed on the PIS/Pasep and COFINS tax credits recognized, which are consistent with management's assessment, we considered that the assumptions adopted by management to determine the tax credits amounts, as well as the related disclosures in Note 10, are acceptable in the context of the financial statements taken as a whole.

Other matters

Statements of value added

The individual and consolidated statements of value added (SVA) for year ended December 31, 2019, prepared under the responsibility of Company management, and presented as supplementary information for purposes of IFRS, were submitted to audit procedures conducted together with the audit of the Company's financial statements. To form our opinion, we evaluated if these statements are reconciled to the financial statements and accounting records, as applicable, and if their form and content comply with the criteria defined by NBC TG 09 – Statement of Value Added. In our opinion, these statements of value added were prepared fairly, in all material respects, in accordance with the criteria defined in abovementioned accounting pronouncement and are consistent in relation to the overall individual and consolidated financial statements.

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

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

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

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

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

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

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

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

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

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

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

- Identified and assessed the risks of material misstatement of the individual and consolidated financial statements, whether due to fraud or error, designed and performed audit procedures responsive to those risks, and obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's and its subsidiaries' internal control.

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

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

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

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

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

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

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

Belo Horizonte, March 19, 2020.

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

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

OPINION OF THE AUDIT BOARD

The members of the Audit Board of Cemig Geração e Transmissão S.A., undersigned, in performance of their function under the law and the Company's by-laws, have examined the financial statements for the business year ended December 31, 2019 and the related complementary documents, approved by the Company's Board of Directors, on March 19, 2020. After verifying these documents, and considering the examinations carried out by this Board and the explanations provided by the Company's Management in relation to acts of management and the related records in the 2019 financial year, and also based on the unqualified Opinion of Ernst & Young Auditores Independentes (EY) issued on March 19, 2020, hereby express the following favorable opinion, namely that these statements are adequately presented in all material aspects, and thus merit approval by the stockholders in the Annual General Meeting to be held in 2020.

Belo Horizonte, March 19, 2020.

(Signed by:)

Gustavo de Oliveira Barbosa

Cláudio Morais Machado

Elizabeth Jucá e Mello Jacometti

Marco Aurélio de Barcelos Silva

Rodrigo de Mesquita Pereira

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DIRECTORS' STATEMENT OF REVIEW OF THE FINANCIAL STATEMENTS

STATEMENT

We hereby state, for the due purposes, under the responsibility of our positions, that in the 914th meeting of the Executive Board of Cemig Geração e Transmissão S.A. (Cemig GT), held on March 09, 2019, we approved the conclusion, on that date, of the Company's financial statements for the business year 2019; and also submission to the Board of Directors, for decision and submission to the Annual General Meeting, of the Report of Management, the Financial Statements for 2019 and the related complementary documents. In relation to those documents, we declare that we have reviewed, discussed and agree with the said Financial Statements.

Belo Horizonte, March 19, 2019.

(Signed by:)

aa.) Reynaldo Passanezi Filho – Chief Executive Officer
Daniel Faria Costa – Chief Officer for Management of Holdings
Dimas Costa – Chief Trading Officer
Luciano de Araújo Ferraz - Chief Regulation and Legal1
Maurício Fernandes Leonardo Júnior – Chief Finance and Investor Relations Officer
Paulo Mota Henriques – Chief Generation and Transmission Officer
Ronaldo Gomes de Abreu – Chief Distribution Officer

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

STATEMENT

We hereby state, for the due purposes, under the responsibility of our positions, that at the 914th meeting of the Executive Board of Cemig Geração e Transmissão S.A. (Cemig GT), held on March 09, 2020, we approved the conclusion, on that date, of the Company's financial statements for the business year 2019; and also submission to the Board of Directors, for decision and submission to the Annual General Meeting, of the Report of Management, the Financial Statements for 2019 and the related complementary documents. In relation to those documents, we declare that we have reviewed, discussed and agree with the opinions expressed by the representatives of the Independent External Auditors.

Belo Horizonte, March 19, 2019.

(Signed by:)

aa.) Reynaldo Passanezi Filho – Chief Executive Officer
Daniel Faria Costa – Chief Officer for Management of Holdings
Dimas Costa – Chief Trading Officer
Luciano de Araújo Ferraz - Chief Regulation and Legal1
Maurício Fernandes Leonardo Júnior – Chief Finance and Investor Relations Officer
Paulo Mota Henriques – Chief Generation and Transmission Officer
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REPORT OF THE AUDIT COMMITTEE

SUMMARY OF THE REPORT OF THE AUDIT COMMITTEE – March 19, 2020

INTRODUCTION

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

COMPOSITION OF THE AUDIT COMMITTEE

The Audit Committee comprises: Mr. Pedro Carlos de Mello, Coordinator of the Committee and elected on June 06, 2018; and the committee members Mr. Márcio de Lima Leite elected on April 24, 2019 and Mr. Roberto Tommasetti elected on May 15, 2019.

ACTIVITIES CARRIED OUT IN THE SCOPE OF ITS DUTIES IN YEAR OF 2019

In 2019 the Committee met 47 times. At the beginning of the first half of 2020 it has met 9 times. It has taken part in meetings of the Board of Directors four times. Six meetings were held jointly with the Audit Board in 2019, and one so far in the first half of 2020. The Committee has maintained permanent contact with the managers of the various areas of the Company, aiming to accompany the work carried out, and obtain input information on which to base its assessments. Eleven meetings were held with participation by the external auditors, Ernst and Young Auditores Independentes, to become aware of methodology, planning and results of the work, with a view to preparation of the Financial Statements at December, 31, 2018. The Committee met with members of the Executive Board of the Company to deal with subjects related to general aspects of the management of the institution, in particular those relating to accounting, internal controls, internal auditing, management of capital, financial management and management of risks. The Committee has presented recommendations for enhancement of processes, and accompanied the implementations of improvements that it has recommended, and also recommendations in relation to internal and external audits, indicated in the course of its work. The Committee has maintained regular contacts with the Company's Board of Directors, and has also issued opinions of aspects related to its duties under regulations, and provided information to that Board on its activities.

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THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS

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

INTERNAL AUDITING

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

EXTERNAL AUDITING

The Committee met with the external auditors, Ernst and Young Auditores Independentes S.S., to ascertain the principal events in the works carried out in the preparation of the financial statements for 2019, and in their assessment of the Company's present internal controls. The Committee considers the work carried out to be satisfactory, and has not identified any situations that could affect the objectivity and independence of the external auditors.

THE FINANCIAL STATEMENTS

The Committee has accompanied the process of preparation of the financial statements for 2019, examining trial balances, balance sheets and explanatory notes, and has considered the financial statements, the Report of Management, the Report of the External Auditors and other documents destined for publication. It has taken cognizance of the accounting practices used in the preparation of the financial statements, which are aligned with the fundamental principles of accounting and with Brazilian corporate legislation, and which adequately portray the institution's equity situation.

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CONCLUSION

By the closing date of this report the Audit Committee had not received any reports of any accusation of non-compliance with rules, or absence of controls, or any act or omission by the Company's Management, that might indicate the existence of fraud, failings or errors that might put at risk the continuity of the institution or the fidelity of its accounting statements. Based on the considerations above, the Audit Committee, having duly weighed and considered its responsibilities and the natural limitations arising from the scope of its activity, recommends to the Board of Directors that the Financial Statements of Cemig, Cemig D and Cemig GT for 2019 should be approved.

Belo Horizonte, March 19, 2020.

The Audit Committee

PEDRO CARLOS DE MELLO – Coordinator

MÁRCIO DE LIMA LEITE – Member

ROBERTO TOMMASETTI – Member

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CAPITAL BUDGET

In accordance with Clause 196 of the Corporate Law and Article 25, § 1, Sub-item IV of CVM ('Comissão de Valores Mobiliários') Instruction 480, we present for analysis and subsequent approval of submission to the Ordinary General Meeting of Shareholders to be held by April 30, 2020, the proposal for the consolidated Capital Budget for the 2020 business year in thousands of Reais. The planned amount of capital budget will be achieved exclusively by allocating resources from Company's operations, including the amount of R$354,008 from retained earnings for the period of 2019

Investments planned for 2020	
Energy generation system	91,705
Energy transmission system	244,285
Contributions to subsidiaries and associates	127,449
Infrastructure and others	10,995
Total	**474,433**

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