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## STATEMENTS OF FINANCIAL POSITION

AS OF JUNE 30, 2020 AND DECEMBER 31, 2019

### ASSETS

(In thousands of Brazilian Reais)

	Note	Consolidated		Parent Company	
		Jun. 30, 2020	Dec. 31, 2019	Jun. 30, 2020	Dec. 31, 2019
<b>CURRENT</b>					
Cash and cash equivalents	5	248,567	211,608	160,665	136,208
Marketable securities	6	1,033,279	372,678	647,784	128,175
Customers and traders	7	840,000	1,033,281	724,067	912,315
Concession holders – transmission service	7	92,393	95,815	92,477	95,898
Recoverable taxes	8	396,758	51,182	385,448	43,700
Income tax and social contribution tax recoverable	9a	406,004	364,562	403,455	363,049
Dividends receivable	27	26,192	112,043	92,782	112,337
Concession financial assets	11	582,067	439,582	327,898	189,017
Contract assets	12	159,016	171,849	159,016	171,849
Derivative financial instruments	28	589,555	234,766	589,555	234,766
Others		130,219	151,187	122,007	157,122
<b>TOTAL CURRENT</b>		<b>4,504,050</b>	<b>3,238,553</b>	<b>3,705,154</b>	<b>2,544,436</b>
<b>NON-CURRENT</b>					
Marketable securities	6	79,182	916	49,639	315
Customers and traders	7	2,973	5,942	229	573
Deferred income tax and social contribution tax	9c	7,102	5,100	-	-
Recoverable taxes	8	276,853	676,051	248,426	647,934
Income tax and social contribution tax recoverable	9a	3,067	3,067	-	-
Escrow deposits	10	168,755	364,277	159,155	350,051
Derivative financial instruments	28	2,691,936	1,456,178	2,691,936	1,456,178
Others		57,422	64,472	56,665	64,061
Concession financial assets	11	3,982,574	4,125,488	1,753,749	1,907,837
Contract assets	12	1,442,480	1,024,385	1,442,480	1,024,385
Investments	13	4,020,667	4,041,565	7,477,290	7,341,485
Property, plant and equipment	14	2,420,425	2,448,487	1,783,268	1,822,191
Intangible	15	139,913	155,587	27,282	28,260
Leasing – rights of use	16	46,171	52,984	45,213	51,581
<b>TOTAL NON-CURRENT</b>		<b>15,339,520</b>	<b>14,424,499</b>	<b>15,735,332</b>	<b>14,694,851</b>
<b>TOTAL ASSETS</b>		<b>19,843,570</b>	<b>17,663,052</b>	<b>19,440,486</b>	<b>17,239,287</b>

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

## STATEMENTS OF FINANCIAL POSITION

AS OF JUNE 30, 2020 AND DECEMBER 31, 2019

### LIABILITIES

(In thousands of Brazilian Reais)

	Note	Consolidated		Parent Company	
		Jun. 30, 2020	Dec. 31, 2019	Jun. 30, 2020	Dec. 31, 2019
<b>CURRENT</b>					
Loans and financings	19	246,985	224,102	62,075	45,876
Debentures	19	655,573	693,996	655,573	693,996
Suppliers	17	377,972	422,312	358,459	396,317
Income tax and social contribution tax	9b	65,566	133,868	-	-
Taxes payable	18	137,428	51,248	113,531	39,008
Regulatory charges	20	164,231	168,785	153,895	157,638
Post-employment obligations	21	67,850	62,550	67,850	62,550
Interest on equity, and dividends, payable	27	781,769	781,769	781,769	781,769
Payroll and related charges		54,799	51,020	53,886	50,048
Leasing – obligations	16	13,769	16,724	13,163	16,097
Others		185,238	169,138	149,096	155,490
<b>TOTAL CURRENT</b>		<b>2,751,180</b>	<b>2,775,512</b>	<b>2,409,297</b>	<b>2,398,789</b>
<b>NON-CURRENT</b>					
Loans and financings	19	8,169,057	5,997,355	8,169,057	5,997,355
Debentures	19	492,673	971,330	492,673	971,330
Deferred income tax and social contribution tax	9c	478,530	403,108	457,837	382,560
Taxes payable	18	144	352	72	72
Regulatory charges	20	55,043	45,298	47,078	39,983
Post-employment obligations	21	1,390,903	1,372,337	1,390,903	1,372,337
Provisions	22	411,641	400,457	411,398	400,205
Derivative financial instruments - options	28	505,641	482,841	505,641	482,841
Leasing – obligations	16	34,960	38,335	34,541	37,502
Others		52,623	39,926	20,814	20,112
<b>TOTAL NON-CURRENT</b>		<b>11,591,215</b>	<b>9,751,339</b>	<b>11,530,014</b>	<b>9,704,297</b>
<b>TOTAL LIABILITIES</b>		<b>14,342,395</b>	<b>12,526,851</b>	<b>13,939,311</b>	<b>12,103,086</b>
<b>SHAREHOLDERS' EQUITY</b>	23				
Share capital		2,600,000	2,600,000	2,600,000	2,600,000
Profit reserves		2,758,087	2,757,210	2,758,087	2,757,210
Equity valuation adjustments		(225,436)	(221,009)	(225,436)	(221,009)
Retained earnings		368,524	-	368,524	-
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>5,501,175</b>	<b>5,136,201</b>	<b>5,501,175</b>	<b>5,136,201</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>19,843,570</b>	<b>17,663,052</b>	<b>19,440,486</b>	<b>17,239,287</b>

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

## STATEMENTS OF INCOME

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

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

	Note	Consolidated		Parent Company	
		Jan to Jun 2020	Jan to Jun 2019	Jan to Jun 2020	Jan to Jun 2019
<b>NET REVENUE</b>	24	<b>3,789,694</b>	<b>4,197,573</b>	<b>3,377,207</b>	<b>3,678,080</b>
<b>OPERATING COSTS</b>					
<b>COST OF ENERGY</b>	25				
Charges for use of the national grid		(98,288)	(92,253)	(72,320)	(67,052)
Energy bought for resale		(1,785,145)	(1,699,161)	(1,780,952)	(1,696,797)
		<b>(1,883,433)</b>	<b>(1,791,414)</b>	<b>(1,853,272)</b>	<b>(1,763,849)</b>
<b>OTHER COSTS</b>	25				
Personnel and managers		(129,182)	(141,518)	(123,186)	(130,944)
Materials		(4,785)	(9,028)	(2,646)	(6,556)
Outsourced services		(57,307)	(58,277)	(37,601)	(38,703)
Depreciation and amortization		(95,866)	(103,487)	(66,308)	(68,862)
Operating provisions, net	25c	(16,175)	(13,954)	(16,172)	(14,649)
Transmission infrastructure construction cost	25e	(74,044)	(82,989)	(74,044)	(82,989)
Other operating costs		(12,840)	(9,245)	(7,618)	(8,418)
		<b>(390,199)</b>	<b>(418,498)</b>	<b>(327,575)</b>	<b>(351,121)</b>
<b>TOTAL COSTS</b>		<b>(2,273,632)</b>	<b>(2,209,912)</b>	<b>(2,180,847)</b>	<b>(2,114,970)</b>
<b>GROSS PROFIT</b>		<b>1,516,062</b>	<b>1,987,661</b>	<b>1,196,360</b>	<b>1,563,110</b>
<b>OPERATING EXPENSES</b>					
Selling expenses	25b	(16,297)	(19,077)	(4,021)	(10,453)
General and administrative expenses		(49,345)	(56,986)	(49,345)	(56,986)
Other operating expenses		(105,125)	(805,576)	(95,944)	(805,067)
		<b>(170,767)</b>	<b>(881,639)</b>	<b>(149,310)</b>	<b>(872,506)</b>
Share of profit (loss) of associates and joint ventures, net	13	(2,395)	8,753	229,063	340,720
Adjustment for impairment of investments	13	-	-	(8,459)	-
<b>Operating profit before financial revenue (expenses) and taxes</b>		<b>1,342,900</b>	<b>1,114,775</b>	<b>1,267,654</b>	<b>1,031,324</b>
Finance income	26	1,855,143	1,014,197	1,838,800	982,802
Finance expenses	26	(2,678,518)	(455,351)	(2,666,203)	(445,307)
<b>Profit before income tax and social contribution tax</b>		<b>519,525</b>	<b>1,673,621</b>	<b>440,251</b>	<b>1,568,819</b>
Current income tax and social contribution tax	9d	(81,131)	(583,680)	-	(477,828)
Deferred income tax and social contribution tax	9d	(73,420)	(164,228)	(75,277)	(165,278)
<b>NET INCOME FOR THE PERIOD</b>		<b>364,974</b>	<b>925,713</b>	<b>364,974</b>	<b>925,713</b>
Earnings per share – R\$	23	0.13	0.32	0.13	0.32

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

## STATEMENTS OF INCOME

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

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

	Note	Consolidated		Parent Company	
		Apr to Jun 2020	Apr to Jun 2019	Apr to Jun 2020	Apr to Jun 2019
<b>NET REVENUE</b>	24	<b>1,898,028</b>	<b>2,242,697</b>	<b>1,732,907</b>	<b>1,978,481</b>
<b>OPERATING COSTS</b>					
<b>COST OF ENERGY</b>	25				
Charges for use of the national grid		(48,854)	(46,168)	(35,775)	(33,806)
Energy bought for resale		(871,396)	(916,241)	(867,560)	(920,250)
		<b>(920,250)</b>	<b>(962,409)</b>	<b>(903,335)</b>	<b>(954,056)</b>
<b>OTHER COSTS</b>	25				
Personnel and managers		(71,415)	(72,787)	(67,163)	(66,787)
Materials		(3,080)	(4,814)	(1,863)	(2,935)
Outsourced services		(39,114)	(39,515)	(28,831)	(28,460)
Depreciation and amortization		(47,605)	(60,264)	(33,076)	(33,885)
Operating provisions, net	25c	(9,250)	(11,549)	(9,295)	(11,392)
Transmission infrastructure construction cost	25e	(26,846)	(54,902)	(26,846)	(54,902)
Other operating costs		(10,974)	(10,020)	(6,070)	(8,451)
		<b>(208,284)</b>	<b>(253,851)</b>	<b>(173,144)</b>	<b>(206,812)</b>
<b>TOTAL COSTS</b>		<b>(1,128,534)</b>	<b>(1,216,260)</b>	<b>(1,076,479)</b>	<b>(1,160,868)</b>
<b>GROSS PROFIT</b>		<b>769,494</b>	<b>1,026,437</b>	<b>656,428</b>	<b>817,613</b>
<b>OPERATING EXPENSES</b>					
Selling expenses	25b	(12,754)	(2,379)	(478)	(1,686)
General and administrative expenses		(6,986)	(9,652)	(6,986)	(9,652)
Other operating expenses		(51,751)	(754,241)	(43,698)	(754,004)
		<b>(71,491)</b>	<b>(766,272)</b>	<b>(51,162)</b>	<b>(765,342)</b>
Share of profit (loss) of associates and joint ventures, net	13	(7,852)	(27,926)	67,930	137,848
Adjustment for impairment of Investments	13	-	-	(8,459)	-
<b>Operating profit before financial revenue (expenses) and taxes</b>		<b>690,151</b>	<b>232,239</b>	<b>664,737</b>	<b>190,119</b>
Finance income	26	517,292	850,301	509,323	828,244
Finance expenses	26	(650,994)	(226,095)	(647,403)	(221,704)
<b>Profit before income tax and social contribution tax</b>		<b>556,449</b>	<b>856,445</b>	<b>526,657</b>	<b>796,659</b>
Current income tax and social contribution tax	9d	(31,482)	(376,971)	-	(317,324)
Deferred income tax and social contribution tax	9d	(155,956)	(136,977)	(157,646)	(136,838)
<b>NET INCOME FOR THE PERIOD</b>		<b>369,011</b>	<b>342,497</b>	<b>369,011</b>	<b>342,497</b>
Earnings per share – R\$	23	<b>0.13</b>	<b>0.12</b>	<b>0.13</b>	<b>0.12</b>

## STATEMENTS OF COMPREHENSIVE INCOME

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

(In thousands of Brazilian Reais)

	Consolidated		Parent Company	
	Jan to Jun 2020	Jan to Jun 2019	Jan to Jun 2020	Jan to Jun 2019
NET INCOME FOR THE PERIOD	364,974	925,713	364,974	925,713
COMPREHENSIVE INCOME FOR THE PERIOD	364,974	925,713	364,974	925,713

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

## STATEMENTS OF COMPREHENSIVE INCOME

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

(In thousands of Brazilian Reais)

	Consolidated		Parent Company	
	Apr to Jun 2020	Apr to Jun 2019	Apr to Jun 2020	Apr to Jun 2019
NET INCOME FOR THE PERIOD	369,011	342,497	369,011	342,497
COMPREHENSIVE INCOME FOR THE PERIOD	369,011	342,497	369,011	342,497

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

## STATEMENTS OF CHANGES IN EQUITY

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

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

	Share capital	Profit reserves	Equity valuation adjustments	Retained earnings	Total equity
<b>Balances on December 31, 2018</b>	<b>2,600,000</b>	<b>2,362,614</b>	<b>17,522</b>	-	<b>4,980,136</b>
Reversal of reserve for tax incentives	-	(1,166)	-	1,166	-
Net income for the period	-	-	-	925,713	925,713
Realization of PP&E deemed cost	-	-	(7,525)	7,525	-
<b>Balances on June 30, 2019</b>	<b>2,600,000</b>	<b>2,361,448</b>	<b>9,997</b>	<b>934,404</b>	<b>5,905,849</b>
<b>Balances on December 31, 2019</b>	<b>2,600,000</b>	<b>2,757,210</b>	<b>(221,009)</b>	-	<b>5,136,201</b>
Reversal of reserve for tax incentives (1)	-	877	-	(877)	-
Net income for the period	-	-	-	364,974	364,974
Realization of PP&E deemed cost	-	-	(4,427)	4,427	-
<b>Balances on June 30, 2020</b>	<b>2,600,000</b>	<b>2,758,087</b>	<b>(225,436)</b>	<b>368,524</b>	<b>5,501,175</b>

(1) to be determined in the Annual General Meeting that decide on the allocation of net income for 2020.

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

## STATEMENTS OF CASH FLOWS

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

(In thousands of Brazilian Reais)

	Note	Consolidated		Parent Company	
		Jan to Jun 2020	Jan to Jun 2019	Jan to Jun 2020	Jan to Jun 2019
<b>CASH FLOW FROM OPERATIONS</b>					
Net income for the period		364,974	925,713	364,974	925,713
Adjustments for:					
<b>Expenses (revenues) not affecting cash and cash equivalents:</b>					
Depreciation and amortization	25	104,175	113,935	74,617	79,310
Write-down of net residual value of PP&E, intangible assets, concession financial and contract assets		2,317	2,516	1,324	1,874
Impairment of contract assets	12	11,175	-	11,175	-
Adjustment to expectation of cash flow from the concession financial and contract assets	11 and 12	(228,351)	(274,405)	(81,939)	(98,254)
Gain (loss) by equity method	13	2,395	(8,753)	(229,063)	(340,720)
Adjustment for impairment of Investments	13	-	-	8,459	-
Provision for impairment of intangible assets	15	8,459	-	-	-
Interest and monetary variation		484,156	377,121	480,190	369,581
Foreign exchange variations – loans and financings	19	2,167,950	(63,904)	2,167,950	(63,904)
Periodic Tariff Reset adjustments	11 and 12	(429,840)	-	(429,840)	-
Amortization of transaction cost of loans and financings	19	5,982	5,784	5,982	5,784
Deferred income tax and social contribution tax	9c	73,420	164,228	75,277	165,278
Recovery of PIS/Pasep and Cofins taxes credits over ICMS, including updating	8a	(7,859)	(665,818)	(7,549)	(640,163)
Provisions for operating losses, net	25c	32,472	721,062	20,193	713,133
Variation in fair value of derivative financial instruments – Swaps	28	(1,800,960)	(613,394)	(1,800,960)	(613,394)
Variation in fair value of derivative financial instruments (Put options)	28	22,800	21,946	22,800	21,946
Reimbursement for suspension of supply of power (Renova)		-	(62,575)	-	(62,575)
Post-employment obligations	21	52,901	50,230	52,901	50,230
		<b>866,166</b>	<b>693,686</b>	<b>736,491</b>	<b>513,839</b>
<b>(Increase) / decrease in assets</b>					
Customers and traders		179,953	(314,498)	184,571	(315,354)
Recoverable taxes		(4,717)	4,412	(889)	7,781
Income tax and social contribution tax recoverable		(13,154)	(16,856)	(7,079)	(7,355)
Power transport concession holders		3,422	(8,619)	3,421	(8,624)
Escrow deposits		198,063	25,387	193,342	2,895
Dividends received		104,856	96,419	104,856	273,637
Concession financial assets	11	224,276	215,866	92,642	88,518
Contract assets		17,305	(19,914)	17,305	(19,914)
Others		30,614	38,739	42,511	26,943
		<b>740,618</b>	<b>20,936</b>	<b>630,680</b>	<b>48,527</b>
<b>(Increase) / reduction in liabilities</b>					
Suppliers		(44,340)	(49,701)	(37,858)	(19,375)
Taxes		87,012	(808)	75,561	(3,838)
Income tax and social contribution tax		81,131	588,740	-	480,617
Payroll and related charges		3,779	(454)	3,838	(421)
Regulatory charges		5,191	13,855	3,352	13,681
Post-employment obligations	21	(29,035)	(36,648)	(29,035)	(36,648)
Advances from customers		-	(40,894)	-	(40,894)
Others		23,463	2,115	(11,098)	(3,005)
		<b>127,201</b>	<b>476,205</b>	<b>4,760</b>	<b>390,117</b>
<b>Cash from operations activities</b>		<b>1,733,985</b>	<b>1,190,827</b>	<b>1,371,931</b>	<b>952,483</b>
Income tax and social contribution tax paid		(144,394)	(319,436)	-	(187,385)
Interest paid on loans, financings and debentures	19	(428,540)	(430,614)	(428,540)	(430,614)
Settlement of derivative financial instruments (swap)		177,086	42,459	177,086	34,653
Interest paid on leasing transactions	16	(213)	(3,740)	(208)	(3,660)
<b>CASH FROM OPERATING ACTIVITIES</b>		<b>1,337,924</b>	<b>479,496</b>	<b>1,120,269</b>	<b>365,477</b>



	Note	Consolidated		Parent Company	
		Jan to Jun 2020	Jan to Jun 2019	Jan to Jun 2020	Jan to Jun 2019
<b>CASH FLOW IN INVESTMENT ACTIVITIES</b>					
Funding of investments	13b	(75)	(20,794)	(75)	(20,794)
Reduction of share capital in investee		-	-	-	15,500
Loan with related parties	27	-	46,599	-	46,599
Property, plant and equipment	14	(63,225)	(34,413)	(28,321)	(18,021)
Intangible assets	15	(1,072)	(932)	(1,072)	(924)
Marketable securities		(738,867)	(90,898)	(568,933)	(78,913)
<b>NET CASH USED IN INVESTMENT ACTIVITIES</b>		<b>(803,239)</b>	<b>(100,438)</b>	<b>(598,401)</b>	<b>(56,553)</b>
<b>CASH FLOW IN FINANCING ACTIVITIES</b>					
Interest on equity, and dividends		-	(42,947)	-	(42,500)
Payments of loans, financings and debentures	19	(488,920)	(319,927)	(488,920)	(319,927)
Leasing payments	16	(8,806)	(7,686)	(8,491)	(7,452)
<b>NET CASH USED IN FINANCIAL ACTIVITIES</b>		<b>(497,726)</b>	<b>(370,560)</b>	<b>(497,411)</b>	<b>(369,879)</b>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>		<b>36,959</b>	<b>8,498</b>	<b>24,457</b>	<b>(60,955)</b>
Cash and cash equivalents at start of period		<b>211,608</b>	<b>301,696</b>	<b>136,208</b>	<b>226,830</b>
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>		<b>248,567</b>	<b>310,194</b>	<b>160,665</b>	<b>165,875</b>

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

## STATEMENTS OF ADDED VALUE

### FOR THE SIX-MONTH PERIODS ENDED JUNE 30, 2020 AND 2019 (In thousands of Brazilian Reais)

	Consolidated		Parent Company					
	Jan to Jun 2020	Jan to Jun 2019	Jan to Jun 2020	Jan to Jun 2019				
<b>REVENUES</b>								
Sales of energy and services	4,066,895	4,320,195	3,721,202	3,902,972				
Construction revenue	74,044	82,989	74,044	82,989				
Gain on financial updating of the concession grant fee	146,412	176,151	-	-				
Investments in property, plant and equipment	29,645	17,763	29,645	17,763				
Transmission indemnity revenue	316,218	90,420	316,218	90,420				
PIS/Pasep and Cofins taxes credits	-	424,403	-	408,612				
Provision for doubtful receivables	(16,297)	(19,077)	(4,021)	(10,453)				
Other revenues, net	-	1,324	-	1,324				
	<b>4,616,917</b>	<b>5,094,168</b>	<b>4,137,088</b>	<b>4,493,627</b>				
<b>INPUTS ACQUIRED FROM THIRD PARTIES</b>								
Energy bought for resale	(1,959,789)	(1,864,493)	(1,955,140)	(1,861,441)				
Charges for use of national grid	(107,304)	(100,634)	(79,667)	(73,868)				
Outsourced services	(112,800)	(122,250)	(93,083)	(102,669)				
Materials	(62,207)	(57,905)	(60,067)	(55,433)				
Paid concession	(1,387)	(1,287)	(1,382)	(1,287)				
Other operating costs	(73,836)	(740,029)	(60,546)	(740,107)				
	<b>(2,317,323)</b>	<b>(2,886,598)</b>	<b>(2,249,885)</b>	<b>(2,834,805)</b>				
<b>GROSS VALUE ADDED</b>	<b>2,299,594</b>	<b>2,207,570</b>	<b>1,887,203</b>	<b>1,658,822</b>				
<b>RETENTIONS</b>								
Depreciation and amortization	(104,175)	(113,935)	(74,617)	(79,310)				
<b>NET VALUE ADDED</b>	<b>2,195,419</b>	<b>2,093,635</b>	<b>1,812,586</b>	<b>1,579,512</b>				
<b>ADDED VALUE RECEIVED BY TRANSFER</b>								
Share of (loss) profit, net, of associates and joint ventures	(2,395)	8,753	229,063	340,720				
Finance income	1,855,143	1,014,197	1,838,800	982,802				
Adjustment for impairment of investments	-	-	(8,459)	-				
	<b>1,852,748</b>	<b>1,022,950</b>	<b>2,059,404</b>	<b>1,323,522</b>				
<b>ADDED VALUE TO BE DISTRIBUTED</b>	<b>4,048,167</b>	<b>3,116,585</b>	<b>3,871,990</b>	<b>2,903,034</b>				
<b>DISTRIBUTION OF ADDED VALUE</b>								
		%		%		%		%
<b>Employees</b>	<b>195,298</b>	<b>4.82</b>	<b>234,675</b>	<b>7.53</b>	<b>189,473</b>	<b>4.89</b>	<b>224,295</b>	<b>7.73</b>
Direct remuneration	111,025	2.74	157,583	5.06	105,527	2.73	147,497	5.08
Current Benefits and post-employment	65,420	1.62	63,007	2.02	65,161	1.68	62,786	2.16
FGTS fund	7,505	0.19	8,231	0.26	7,437	0.19	8,158	0.28
Programmed voluntary retirement plan	11,348	0.27	5,854	0.19	11,348	0.29	5,854	0.21
<b>Taxes</b>	<b>806,626</b>	<b>19.92</b>	<b>1,497,993</b>	<b>48.07</b>	<b>649,499</b>	<b>16.77</b>	<b>1,305,255</b>	<b>44.96</b>
Federal	530,467	13.10	1,198,728	38.46	402,738	10.40	1,043,678	35.95
State	272,611	6.73	294,974	9.46	244,885	6.32	259,348	8.93
Municipal	3,548	0.09	4,291	0.15	1,876	0.05	2,229	0.08
<b>Remuneration of external capital</b>	<b>2,681,269</b>	<b>66.24</b>	<b>458,204</b>	<b>14.70</b>	<b>2,668,044</b>	<b>68.91</b>	<b>447,771</b>	<b>15.42</b>
Interest	2,678,518	66.17	455,351	14.61	2,666,203	68.86	445,307	15.34
Rentals	2,751	0.07	2,853	0.09	1,841	0.05	2,464	0.08
<b>Remuneration of own capital</b>	<b>364,974</b>	<b>9.02</b>	<b>925,713</b>	<b>29.70</b>	<b>364,974</b>	<b>9.43</b>	<b>925,713</b>	<b>31.89</b>
Retained earnings	364,974	9.02	925,713	29.70	364,974	9.43	925,713	31.89
	<b>4,048,167</b>	<b>100.00</b>	<b>3,116,585</b>	<b>100.00</b>	<b>3,871,990</b>	<b>100.00</b>	<b>2,903,034</b>	<b>100.00</b>

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

## NOTES TO THE INTERIM FINANCIAL INFORMATION

### FOR THE SIX-MONTH PERIOD ENDED AS OF JUNE 30, 2020

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

#### 1. OPERATING CONTEXT

##### a) The Company

Cemig Geração e Transmissão S.A. ('Cemig GT', 'the Company' or 'Cemig Geração e Transmissão') is a listed corporation registered 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 too interests in 82 power plants – of these 75 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 5,786 MW (information not reviewed by external auditors).

The Company has stockholding interests in subsidiaries, jointly-controlled entities and affiliated companies, the principal objects of which are construction and operation of systems for production and sale of energy.

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

## a) Covid-19

### General Context

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

### Company's initiatives

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

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

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

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

- reviewing its program of investments and expenses;
- negotiating with its customers on the free market their contracts;
- deferral payment of taxes and social charges, as authorized by legislation.

## Impact of Covid-19 on Financial Statements

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

In such a scenario, the significant intervention in the local market policies and the initiatives to reduce the transmission of Covid-19 are likely to cause a reduction in energy consumption and consequently in revenue from sale of energy, as well as an increase in expected credit losses.

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

- The Company assessed whether the greater pressure on the exchange rate, combined with a lack of financial market liquidity, will have a negative impact on derivative financial instruments hired to protect its operations against the risks arising from foreign exchange rate changes. At this point, given the current market conditions, the change in derivative instrument's fair value, based on the forecasts of future interest and exchanges rates, cannot offset the Company's total exposure to foreign exchange rate variability, resulting in a net loss of R\$367 million in the first semester of 2020. The long-term projections carried out for the foreign exchange rate are lower than the current dollar quotation, which may represent a decrease in Company's foreign exchange variation expense, if the projected scenario occurs.
- The Company is assessing the circumstances arising from Covid-19 pandemic and associated measures aimed at reducing the impact of the economic contraction on customer delinquency when measuring expected credit losses.
- The Company estimates that the assumptions applied to determine the recoverable amount of the relevant investments in subsidiaries, joint-controlled entities and associates were not influenced significantly by the Covid-19 situation, since these investees' cash flows are mainly related to long-term rights to commercial operation of the regulated activity. Therefore, no additional impairment losses was recognize to its investments in subsidiaries, joint-controlled entities and associates, due to the economic crisis.
- The Company has also made an assessment attempting to identify the behavior of the interest rates and discount rates that are the basis for the calculation of post-employment obligations, and believes that at this moment, due to the high volatility of the market, it is not possible to conclude whether the present rates reflect an alteration in the macroeconomic fundamentals that would indicate a need for recalculation of the actuarial liabilities.
- Despite the uncertainties related to the crisis unfolding and its potential long-term effects, the Company does not expect that the negative impact on its projections of likely future taxable profits might compromise the recoverability of its deferred tax assets.

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

- The Company is starting negotiations with its customers and energy suppliers, in order to maintain its liquidity during the economic crisis;
- The Company also reviewed the financial assets and liabilities measured at fair value to reflect the conditions and current rates projected, which impacts are presented in Note 28.

## 2. BASIS OF PREPARATION

### 2.1 Statement of compliance

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

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

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

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

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

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

Number of the note		Title of the note
Dec. 31, 2019	Jun. 30, 2020	
1	1	Operational context
2	2	Basis of preparation
3	3	Consolidation principles
4	4	Concessions and authorizations
5	29	Operational segments
6	5	Cash and cash equivalents
7	6	Marketable securities
8	7	Customers and traders
9	8	Recoverable taxes
10	-	PIS/Pasep and Cofins taxes credits over ICMS – Final Court Judgment
11	9	Income tax and social contribution tax
12	10	Escrow deposits
13	11	Concession financial assets
14	12	Contract assets
15	13	Investments
16	14	Property, plant and equipment
17	15	Intangible assets
18	16	Leasing transactions
19	17	Suppliers
20	18	Taxes
21	19	Loans, financings and debentures
22	20	Regulatory charges
23	21	Post-employment obligations
24	22	Provisions
25	23	Equity and remuneration to shareholders
26	24	Revenues
27	25	Operating costs and expenses
28	26	Financial revenue and expenses
29	27	Related party transactions
30	28	Financial instruments and risk management
33	30	Subsequent events

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

Number of the note	Title of the note
31	Insurance
32	Commitments

### 3. PRINCIPLES OF CONSOLIDATION

The dates of Interim financial information 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. Accounting practices are applied uniformly and are the same as those used by the parent company.

The Company uses the criteria of full consolidation. The direct equity investments are as follows:

Subsidiary	Valuation method	Jun. 30, 2020 and Dec. 31, 2019
		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.	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



## 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
<b>GENERATION</b>			
<b>Hydroelectric plants</b>			
Emborcação (1) (2)	Cemig GT	7/1997	Jul. 2025
Nova Ponte (1) (2)	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)			Jul. 2025
Salto Voltão (1)	Horizontes Energia	Resolution 331/2002	Oct. 2030
Salto Paraopeba (1)			Oct. 2030
Salto do Passo Velho (1)			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 (3)	Cemig Geração Três Marias S.A.	08/2016	Jan. 2046
Salto Grande (3)	Cemig Geração Salto Grande	09/2016	Jan. 2046
Itutinga (3)	Cemig Geração Itutinga	10/2016	Jan. 2046
Camargos (3)	Cemig Geração Camargos	11/2016	Jan. 2046
Coronel Domiciano, Joasal, Marmelos, Paciência and Piauí (3)	Cemig Geração Sul	12/2016 and 13/2016	Jan. 2046
Dona Rita, Ervália, Neblina, Peti, Sinceridade and Tronqueiras (3)	Cemig Geração Leste	14/2016 and 15/2016	Jan. 2046
Cajurú, Gafanhoto and Martins (3)	Cemig Geração Oeste	16/2016	Jan. 2046
<b>Thermal plants</b>			
Igarapé (1) (6)	Cemig GT	7/1997	Aug. 2024
<b>Wind farms</b>			
Central Geradora Eólica Praias de Parajuru (4)	Parajuru	Resolution 526/2002	Sep. 2032
Central Geradora Eólica Volta do Rio (4)	Volta do Rio	Resolution 660/2001	Jan. 2031
<b>TRANSMISSION</b>			
National grid (5)	Cemig GT	006/1997	Jan. 2043
Itajubá Substation (5)	Cemig GT	79/2000	Oct. 2030

\* The Company generate energy from hydroelectric plants that have the capacity of 5MW or less, and thus under Law 9,074/95, these are dispensed from concession, permission or authorization, and do not have a final concession date.

- (1) Refers to generation concession contracts that are not within the scope of ICPC 01/ IFRIC 12, whose infrastructure assets are recorded as PP&E since the concession grantor does not have control over whom the service is provided to as the output is being sold mainly in the Free Market ('ACL').
- (2) On July 17, 2020, the Company filed a statement of its interest in extending these plants concession, under the independent producer regime, outside the regime of quotas, to ensure its right of option under the legislative changes currently under discussion, relating to the group of measures to modernize the electricity sector. Any actual decision will only be made after publication by the Brazilian Mining and Energy Ministry and by the regulator, Aneel, of the conditions for extension, which will be submitted to decision by the Company's governance bodies at the due time.
- (3) Refers to generation concession contracts of which the revenue relating to the concession grant fee is being recognized as a concession financial asset.
- (4) 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 interim financial information of the parent company are classified in the statements of financial position under Intangible.
- (5) These refer to transmission concession contracts, which, in accordance with CPC 47/ IFRS 15, are recognized as contract asset for being subject to satisfaction of performance obligations.
- (6) On December 6, 2019, Aneel suspended Igarapé Plant commercial operation upon the Company claim for early termination of its concession contract.

## 5. CASH AND CASH EQUIVALENTS

	Consolidated		Parent Company	
	Jun. 30, 2020	Dec. 31, 2019	Jun. 30, 2020	Dec. 31, 2019
Bank accounts	4,133	8,644	1,021	2,503
Cash equivalents:				
Bank certificates of deposit (CDB's) (1)	40,578	184,682	31,849	127,419
Overnight (2)	203,856	18,282	127,795	6,286
	<b>244,434</b>	<b>202,964</b>	<b>159,644</b>	<b>133,705</b>
	<b>248,567</b>	<b>211,608</b>	<b>160,665</b>	<b>136,208</b>

- (1) Bank Certificates of Deposit (Certificados de Depósito Bancário or CDB's), accrued interest at between 90.00% and 103.00% of the CDI Rate on June 30, 2020 (Interbank Rate for Interbank Certificates of Deposit (or Certificados de Depósito Inter-bancário - CDIs) published by the Custody and Settlement Chamber (Câmara de Custódia e Liquidação, or Cetip) (65.00% to 103.00% in 2019). For these CDBs, the Company and its subsidiaries have repo transactions which state, on their trading notes, the bank's commitment to repurchase the security, on demand, on the maturity date of the transaction, or earlier.
- (2) Overnight transactions are repos available for redemption on the following day. They are usually backed by Treasury Bills, Notes or Bonds and referenced to a pre-fixed rate of 2.15% p.a. on June 30, 2020 (4.39% p.a. on December 31, 2019). Their purpose is to settle the short-term obligations of the Company, or to be used in the acquisition of other assets with better return to replenish the portfolio.

Note 28 gives the exposure of the Company and its subsidiaries to interest rate risks and a sensitivity analysis of their effects on financial assets and liabilities.

## 6. MARKETABLE SECURITIES

	Consolidated		Parent Company	
	Jun. 30, 2020	Dec. 31, 2019	Jun. 30, 2020	Dec. 31, 2019
<b>Current</b>				
Financial Notes (LFs) – Banks (1)	769,937	323,761	482,668	111,308
Treasury Financial Notes (LFTs) (2)	260,004	47,268	162,995	16,250
Debentures (3)	-	1,573	-	541
Others	3,338	76	2,121	76
	<b>1,033,279</b>	<b>372,678</b>	<b>647,784</b>	<b>128,175</b>
<b>Non-current</b>				
Financial Notes (LFs) – Banks (1)	70,603	-	44,261	-
Debentures (3)	8,579	916	5,378	315
	<b>79,182</b>	<b>916</b>	<b>49,639</b>	<b>315</b>
	<b>1,112,461</b>	<b>373,594</b>	<b>697,423</b>	<b>128,490</b>

- 1) *Bank Financial Notes (Letras Financeiras, or LFs)* are fixed-rate fixed-income securities, issued by banks and that accrued interest a percentage of the CDI rate published by Cetip. The LFs had remuneration at rates between 102.00% and 127.00% of the CDI rate on June 30, 2020 (101.95% to 113.00% on December 31, 2019).
- 2) *Treasury Financial Notes (LFT's)* are fixed-rate 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 106.75% to 109.00% of the CDI rate on June 30, 2020 (108.25% to 113.00% of the CDI on December 31, 2019).

The classification of these securities and the investments of related parties are shown in notes 28 and 27, respectively.

## 7. 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	Jun. 30, 2020	Dec. 31, 2019
Industrial	37,243	188,482	35,010	32,652	42,893	336,280	333,282
Commercial, services and others	21,311	67,967	15,136	417	-	104,831	111,091
Farmers	-	-	45	-	-	45	-
Wholesale supply to other concession holders	2,053	237,497	22,871	6,176	8,871	277,468	257,724
Concession holders – transmission service	9,408	71,320	4,543	2,456	4,666	92,393	95,815
CCEE (Power Trading Exchange)	15,111	6,011	-	166,710	-	187,832	385,558
Provision for doubtful receivables	-	-	(3,199)	(20,310)	(39,974)	(63,483)	(48,432)
	<b>85,126</b>	<b>571,277</b>	<b>74,406</b>	<b>188,101</b>	<b>16,456</b>	<b>935,366</b>	<b>1,135,038</b>
<b>Current assets</b>						<b>932,393</b>	<b>1,129,096</b>
Customers and traders						840,000	1,033,281
Concession holders – transmission service						92,393	95,815
<b>Non-current assets</b>						<b>2,973</b>	<b>5,942</b>
Customers and traders						2,973	5,942

	Balances not yet due		Past due			Parent Company	
	Billed	Unbilled	Up to 90 days	91 to 360 days	More than 360 days	Jun. 30, 2020	Dec. 31, 2019
Industrial	22,490	167,879	26,954	3,309	18,548	239,180	248,023
Commercial, services and others	21,311	67,967	15,136	417	-	104,831	111,092
Farmers	-	-	45	-	-	45	-
Wholesale supply to other concession holders	2,053	200,143	16,631	670	30	219,527	195,623
Concession holders – transmission service	9,436	71,376	4,543	2,456	4,666	92,477	95,898
CCEE (Power Trading Exchange)	15,111	-	-	166,710	-	181,821	375,752
Provision for doubtful receivables	-	-	(959)	(1,500)	(18,649)	(21,108)	(17,602)
	<b>70,401</b>	<b>507,365</b>	<b>62,350</b>	<b>172,062</b>	<b>4,595</b>	<b>816,773</b>	<b>1,008,786</b>
<b>Current assets</b>						<b>816,544</b>	<b>1,008,213</b>
Customers and traders						724,067	912,315
Concession holders – transmission service						92,477	95,898
<b>Non-current assets</b>						<b>229</b>	<b>573</b>
Customers and traders						229	573

The exposure of the Company and its subsidiaries to credit risk related to Customers and traders is given in Note 28.

The provision for doubtful receivables is considered sufficient to cover any potential losses in the realization of accounts receivables as follows:

	Consolidated	Parent Company
<b>Balance at December 31, 2018</b>	<b>24,486</b>	<b>24,486</b>
Provision made, net (note 25c)	19,077	10,453
Settled	(14,461)	(14,461)
<b>Balance at June 30, 2019</b>	<b>29,102</b>	<b>20,478</b>
<b>Balance at December 31, 2019</b>	<b>48,432</b>	<b>17,602</b>
Provision made, net (note 25c)	16,297	4,021
Settled	(1,246)	(515)
<b>Balance at June 30, 2020</b>	<b>63,483</b>	<b>21,108</b>

## 8. RECOVERABLE TAXES

	Consolidated		Parent Company	
	Jun. 30, 2020	Dec. 31, 2019	Jun. 30, 2020	Dec. 31, 2019
<b>Current</b>				
ICMS tax recoverable	23,213	21,792	17,862	17,294
Cofins	288,422	5,560	283,615	3,196
PIS/Pasep	63,028	1,612	61,751	867
Social security contributions	14,991	15,041	14,991	15,041
Others	7,104	7,177	7,229	7,302
	<b>396,758</b>	<b>51,182</b>	<b>385,448</b>	<b>43,700</b>
<b>Non-current</b>				
ICMS tax recoverable (1)	22,236	21,914	22,236	21,914
Cofins	208,786	537,040	185,843	514,351
PIS/Pasep	45,401	116,666	40,347	111,669
Others	430	431	-	-
	<b>276,853</b>	<b>676,051</b>	<b>248,426</b>	<b>647,934</b>
	<b>673,611</b>	<b>727,233</b>	<b>633,874</b>	<b>691,634</b>

(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.

### a) PIS/Pasep and Cofins taxes credits over ICMS

On May 8, 2019 the Regional Federal Appeal Court of the First Region gave final judgment – against which there is no appeal – on the Ordinary Action, deciding in favor of the Company, and recognizing 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.

Thus, the PIS/Pasep and Cofins credits recorded correspond the amount of these taxes over ICMS paid in the period of July 2003 to May 2019.

Final court judgment has also been given, against which there is no further appeal, in favor of the similar actions filed by 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..

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

The Company is recovering the tax credits by offsetting the amount receivable against amounts of federal taxes payable on a monthly basis, starting on May, 2020, within the five-year period specified by the relevant law of limitation.

In this context, the Company transferred to current assets the credits for which the expectation of offsetting does not exceed a period of 12 months: R\$60,859 for the PIS/Pasep taxes, and R\$280,321 for the Cofins tax.

The accounting effects relating to the recognition of the PIS/Pasep and Cofins taxes credits, including their monetary updating by the Selic rate, were recognized in the income statement in 2019, at net amount, updated to December 31, 2019, of R\$427,055. Of this amount, R\$413,616 and R\$233,438 were recognized as operational revenue and financial revenue (net of PIS/Pasep and Cofins taxes), respectively. In addition, the amount of R\$219,999 was recorded as IRPJ and CSLL.

These credits are updated by the Selic rate until offsetting of the amount receivable against amounts payable. On June 30, 2020, the net effect in the consolidated and individual finance income is R\$7,859 and R\$7,549, respectively, more details in Note 26.

## 9. INCOME AND SOCIAL CONTRIBUTION TAXES

### a) Income tax and social contribution tax recoverable

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

	Consolidated		Parent Company	
	Jun. 30, 2020	Dec. 31, 2019	Jun. 30, 2020	Dec. 31, 2019
<b>Current</b>				
Income tax	284,921	239,443	282,931	238,261
Social contribution tax	121,083	125,119	120,524	124,788
	<b>406,004</b>	<b>364,562</b>	<b>403,455</b>	<b>363,049</b>
<b>Non-current</b>				
Income tax	2,461	2,461	-	-
Social contribution tax	606	606	-	-
	<b>3,067</b>	<b>3,067</b>	<b>-</b>	<b>-</b>

The balances of income tax and social contribution taxes posted in non-current assets arise from retentions at source of tax relating to energy supply sold under the *Proinfra* 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 payable

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 which report by the Real Profit method, and have opted to make monthly payments based on estimated revenue, and also by the subsidiaries that have opted for the Presumed Profit method, in which payments are made quarterly.

	Consolidated	
	Jun. 30, 2020	Dec. 31, 2019
<b>Current</b>		
Income tax	48,725	98,712
Social contribution tax	16,841	35,156
	<b>65,566</b>	<b>133,868</b>

### c) Deferred income tax and social contribution tax

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

	Consolidated		Parent Company	
	Jun. 30, 2020	Dec. 31, 2019	Jun. 30, 2020	Dec. 31, 2019
<b>Deferred tax assets</b>				
Tax loss carryforwards	556,754	-	556,754	-
Post-employment obligations	453,649	444,411	453,649	444,411
Estimated losses on doubtful receivables	14,208	11,075	7,177	5,984
Provisions for contingencies	113,811	110,374	113,760	110,319
Provision for SAAG put option	171,918	164,166	171,918	164,166
Provisions for losses on investments	272,905	277,300	272,905	277,300
Other provisions	49,880	46,080	49,880	46,080
Paid concession	8,479	8,194	8,479	8,194
Others	20,340	21,210	20,317	21,176
	<b>1,661,944</b>	<b>1,082,810</b>	<b>1,654,839</b>	<b>1,077,630</b>
<b>Deferred tax liabilities</b>				
Fair Value as cost attributed on IFRS adoption	(228,293)	(231,833)	(209,300)	(212,319)
Adjustment of expected cash flow from reimbursements of concession assets	(635,854)	(514,801)	(635,854)	(514,801)
Fair value of equity holdings	(142,549)	(146,852)	(142,549)	(146,852)
Updating on escrow deposits	(391)	(385)	-	-
Derivative financial instruments (Swap)	(1,115,707)	(574,921)	(1,115,707)	(574,921)
Others	(10,578)	(12,026)	(9,266)	(11,297)
	<b>(2,133,372)</b>	<b>(1,480,818)</b>	<b>(2,112,676)</b>	<b>(1,460,190)</b>
<b>Net total</b>	<b>(471,428)</b>	<b>(398,008)</b>	<b>(457,837)</b>	<b>(382,560)</b>
<b>Total assets</b>	<b>7,102</b>	<b>5,100</b>	<b>-</b>	<b>-</b>
<b>Total liabilities</b>	<b>(478,530)</b>	<b>(403,108)</b>	<b>(457,837)</b>	<b>(382,560)</b>

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

	Consolidated	Parent Company
<b>Balance at December 31, 2018</b>	<b>(461,731)</b>	<b>(436,071)</b>
Effects allocated to income statement	(164,228)	(165,278)
Others	349	-
<b>Balance at June 30, 2019</b>	<b>(625,610)</b>	<b>(601,349)</b>
<b>Balance at December 31, 2019</b>	<b>(398,008)</b>	<b>(382,560)</b>
Effects allocated to income statement	(73,420)	(75,277)
<b>Balance at June 30, 2020</b>	<b>(471,428)</b>	<b>(457,837)</b>

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

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

	Consolidated		Parent Company	
	Jan to Jun 2020	Jan to Jun 2019	Jan to Jun 2020	Jan to Jun 2019
<b>Profit before income tax and social contribution tax</b>	<b>519,525</b>	<b>1,673,621</b>	<b>440,251</b>	<b>1,568,819</b>
Income tax and social contribution tax – nominal expense (34%)	(176,639)	(569,031)	(149,685)	(533,398)
<b>Tax effects applicable to:</b>				
Tax incentives	7	8,986	-	8,933
Share of profit (loss) of associates and joint ventures, net	(6,952)	(2,237)	74,914	112,877
Non-deductible penalties	(386)	(4)	(386)	(4)
Non-deductible contributions and donations	(38)	(329)	(38)	(313)
Difference between presumed profit and real profit methods	29,336	45,709	-	-
Estimated losses on doubtful accounts receivable from related parties	-	(233,931)	-	(233,931)
Others	121	2,929	(82)	2,730
<b>Income tax and social contribution tax – effective expense</b>	<b>(154,551)</b>	<b>(747,908)</b>	<b>(75,277)</b>	<b>(643,106)</b>
Current tax	(81,131)	(583,680)	-	(477,828)
Deferred tax	(73,420)	(164,228)	(75,277)	(165,278)
	<b>(154,551)</b>	<b>(747,908)</b>	<b>(75,277)</b>	<b>(643,106)</b>
<b>Effective rate</b>	<b>29.75%</b>	<b>44.69%</b>	<b>17.10%</b>	<b>40.99%</b>

	Consolidated		Parent Company	
	Apr to Jun 2020	Apr to Jun 2019	Apr to Jun 2020	Apr to Jun 2019
<b>Profit before income tax and social contribution tax</b>	<b>556,449</b>	<b>856,445</b>	<b>526,657</b>	<b>796,659</b>
Income tax and social contribution tax – nominal expense (34%)	(189,193)	(291,191)	(179,063)	(270,864)
<b>Tax effects applicable to:</b>				
Tax incentives	3	2,354	-	2,304
Share of profit (loss) of associates and joint ventures, net	(6,343)	(13,698)	21,613	45,384
Non-deductible penalties	(226)	(2)	(226)	(2)
Non-deductible contributions and donations	-	(16)	-	-
Difference between presumed profit and real profit methods	8,184	19,489	-	-
Estimated losses on doubtful accounts receivable from related parties	-	(233,931)	-	(233,931)
Others	137	3,047	30	2,947
<b>Income tax and social contribution tax – effective expense</b>	<b>(187,438)</b>	<b>(513,948)</b>	<b>(157,646)</b>	<b>(454,162)</b>
Current tax	(31,482)	(376,971)	-	(317,324)
Deferred tax	(155,956)	(136,977)	(157,646)	(136,838)
	<b>(187,438)</b>	<b>(513,948)</b>	<b>(157,646)</b>	<b>(454,162)</b>
<b>Effective rate</b>	<b>33.68%</b>	<b>60.01%</b>	<b>29.93%</b>	<b>57.01%</b>

## 10. ESCROW DEPOSITS

	Consolidated		Parent Company	
	Jun. 30, 2020	Dec. 31, 2019	Jun. 30, 2020	Dec. 31, 2019
<b>Employment-law cases</b>	<b>32,934</b>	<b>32,100</b>	<b>32,306</b>	<b>31,477</b>
Tax issues				
Income tax on interest on equity	17,378	17,226	16,062	15,910
Pasep and Cofins taxes (1)	7,341	207,469	-	195,409
Income tax and social security contribution on indemnity for employees' 'Anuênio' benefit (2)	67,029	66,483	67,029	66,483
Urban property tax (IPTU)	11,742	11,423	11,740	11,421
Social contribution tax (3)	19,839	18,062	19,839	18,062
Others	1,184	2,513	940	2,357
	<b>124,513</b>	<b>323,176</b>	<b>115,610</b>	<b>309,642</b>
Others				
Court embargo	3,434	974	3,402	942
Regulatory	3,080	3,002	3,080	3,002
Others	4,794	5,025	4,757	4,988
	<b>11,308</b>	<b>9,001</b>	<b>11,239</b>	<b>8,932</b>
	<b>168,755</b>	<b>364,277</b>	<b>159,155</b>	<b>350,051</b>

(1) This refers to deposits in the action challenging the constitutionality of inclusion of ICMS tax within the amount to which PIS/Pasep and Cofins taxes are applied. More details below.

(2) More details in Note 22 – 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.

### Release of escrow deposits

On February 13, 2020, the escrow deposits in the action challenging the constitutionality of inclusion of ICMS value added tax within the taxable amount for calculation of PIS/Pasep and Cofins taxes were released for an amount of R\$196,169. The escrow deposits from the others wholly owned subsidiaries will be claimed in their judicial action challenging the matter as they reach the final judgement.

## 11. CONCESSION FINANCIAL ASSETS

	Consolidated		Parent Company	
	Jun. 30, 2020	Dec. 31, 2019	Jun. 30, 2020	Dec. 31, 2019
Transmission – Indemnity receivable (11.1)	1,265,445	1,280,652	1,265,445	1,280,652
Generation – Indemnity receivable (11.2)	816,202	816,202	816,202	816,202
Generation – Concession grant fee (11.3)	2,482,994	2,468,216	-	-
	<b>4,564,641</b>	<b>4,565,070</b>	<b>2,081,647</b>	<b>2,096,854</b>
<b>Current</b>	<b>582,067</b>	<b>439,582</b>	<b>327,898</b>	<b>189,017</b>
<b>Non-current</b>	<b>3,982,574</b>	<b>4,125,488</b>	<b>1,753,749</b>	<b>1,907,837</b>

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

	Consolidated			Parent Company		
	Generation	Transmission	Total	Generation	Transmission	Total
<b>Balance at December 31, 2018</b>	<b>3,225,132</b>	<b>1,296,314</b>	<b>4,521,446</b>	<b>816,202</b>	<b>1,296,314</b>	<b>2,112,516</b>
Inflation adjustment	176,151	71,164	247,315	-	71,164	71,164
Amounts received	(127,348)	(88,518)	(215,866)	-	(88,518)	(88,518)
Transfers – Contract assets (note 12)	-	44,082	44,082	-	44,082	44,082
<b>Balance at June 30, 2019</b>	<b>3,273,935</b>	<b>1,323,042</b>	<b>4,596,977</b>	<b>816,202</b>	<b>1,323,042</b>	<b>2,139,244</b>
<b>Balance at December 31, 2019</b>	<b>3,284,418</b>	<b>1,280,652</b>	<b>4,565,070</b>	<b>816,202</b>	<b>1,280,652</b>	<b>2,096,854</b>
Inflation adjustment	146,412	67,252	213,664	-	67,252	67,252
Amounts received	(131,634)	(92,642)	(224,276)	-	(92,642)	(92,642)
Periodic Tariff Reset adjustments	-	10,183	10,183	-	10,183	10,183
<b>Balance at June 30, 2020</b>	<b>3,299,196</b>	<b>1,265,445</b>	<b>4,564,641</b>	<b>816,202</b>	<b>1,265,445</b>	<b>2,081,647</b>



### 11.1 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 only the passage of time is required before their payment is governed by IFRS 09 / 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.

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. The financial asset is classified as measured at amortized cost, in the terms of IFRS 09/ CPC 48, considering that its remuneration is based on the regulatory cost of capital, previously set by Aneel through its Resolution 762/2017 and 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 June 30, 2020, of R\$1,265,445 (R\$1,280,652 on December 31, 2019) is classified as a financial asset, at amortized cost, in accordance with IFRS 9, as follows:

### *Portion of remuneration and depreciation not paid since the extensions of concessions*

An amount of R\$794,648 (R\$832,915 on December 31, 2019), corresponding to remuneration and depreciation not paid since the extension of the concessions, until the tariff adjustment of 2017, which will be inflation adjusted using the IPCA (Expanded National Customer Price) index and remunerated at the weighted average cost of capital of the transmission segment as defined by the regulator for the periodic tariff review, to be paid over a period of eight years through the RAP, since July of 2017.

On June 30, 2020 Aneel approved the periodic reset of Permitted Annual Revenue by Ratification Resolution n. 2,712/2020, resulting in an adjustment of R\$10,183 in the financial component of RAP, mainly arising from the retrospective alteration as from July 1, 2018, of the transmission sector Weighted Average Cost of Capital. More information on the RAP periodic reset in Note 12.

### *Residual Value of transmission assets – the regulatory cost of capital updating*

On April 10, 2017, a preliminary injunction was granted to the Brazilian Large Free Customers' Association (*Associação Brasileira de Grandes Consumidores Livres*), the Brazilian Auto Glass Industry Technical Association (*Associação Técnica Brasileira das Indústrias Automáticas de Vidro*) and the Brazilian Ferro-alloys and Silicon Metal Producers' Association (*Associação Brasileira dos Produtores de Ferroligas e de Silício Metálico*) in their legal action against the regulator and the Federal Government requesting suspension of the effects on their tariffs of remuneration at cost of equity of portions of 'National Grid' assets not yet paid from 2013 to 2017 owned to the agents that accepted the terms of Law 12,783/13.

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 equity included since the date of extension of the concessions – amounting to R\$470,797 at June 30, 2020 (R\$447,737 at December 31, 2019), adjusted by the IPCA index and by the regulatory weighted average cost of capital (regulatory wacc).

In June 2020, due to revocation of the majority of the injunctions, and in compliance with the Execution Opinions issued by the Federal Public Attorneys' Office to Aneel, the effects caused by the reversal of these injunctions were calculated, for inclusion of the cost of equity in the transmission revenue starting with the 2020-21 cycle, considering all retrospective effects, including those arising from the assumptions adopted in 2018 RAP reset. At this moment Aneel provisionally ratified only the inclusion of the cost of equity updated by IPCA index of the period between the 2017-18 and 2019-20 tariff cycles, considering the need for deeper examination of the legal conditions for analysis of the Company's appeal, which require the inclusion of the wacc remuneration for the periods in which it was suspended, in the average amount of R\$86,042.

The Company believes that the treatment given to this component, which includes updating by the IPCA inflation index, plus the regulatory weighted average cost of capital, of the period from June 2017 to June 2020, appropriately reflects the regulations issued by the grantor authority. Company has no expectation of loss in relation to realization of these amounts.

The difference due the incorporation of the cost of equity remuneration, arising from the amounts actually paid and the amounts due between the 2017-18 and 2019-20 cycles, will be incorporated into the RAP through Adjustment Parcels, over three cycles. The total value for this parameter to be received in the 2020-21 cycle, which includes accrual in the current cycle, in the amount of R\$65,945, totals approximately R\$131,075.

## 11.2 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 June 30, 2020 and December 31, 2019.

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

As specified by the regulator (Aneel) in Normative Resolution 615/2014, the valuation reports that support the amounts in relation to the residual value of the plants previously operated by Company that were included in Lot D, and for the *Volta Grande* plant have been submitted to the regulator. The Company does not expect any losses in the realization of these amounts.

On June 30, 2020, investments made after the Jaguará, São Simão and Miranda plants came into operation, in the amounts of R\$174,203, R\$2,711 and R\$22,546, respectively, are recorded as concession financial assets, and the determination of the final amounts to be paid to the Company is in a process of discussion with Aneel (the regulator). The Company's management does not expect losses in realization of these amounts.

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

### 11.3 Generation - Concession grant fee

The concession grant fee paid by the Company for a 30 year concession contracts n. 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.

Changes in concession financial assets are as follows:

SPC	Plants	Balance at Dec. 31, 2019	Monetary updating	Amounts received	Balance at Jun. 30, 2020
Cemig Geração Três Marias S.A.	Três Marias	1,402,425	78,463	(70,727)	1,410,161
Cemig Geração Salto Grande S.A.	Salto Grande	440,158	24,755	(22,305)	442,608
Cemig Geração Itutinga S.A.	Itutinga	164,799	10,604	(9,483)	165,920
Cemig Geração Camargos S.A.	Camargos	123,585	7,892	(7,059)	124,418
Cemig Geração Sul S.A.	Coronel Domiciano, Joasal, Marmelos, Paciência and Piau	161,490	11,123	(9,933)	162,680
Cemig Geração Leste S.A.	Dona Rita, Ervália, Neblina, Peti, Sinceridade and Tronqueiras	109,757	8,443	(7,542)	110,658
Cemig Geração Oeste S.A.	Cajurú, Gafanhoto and Martins	66,002	5,132	(4,585)	66,549
<b>Total</b>		<b>2,468,216</b>	<b>146,412</b>	<b>(131,634)</b>	<b>2,482,994</b>

SPC	Plants	Balance at Dec. 31, 2018	Monetary updating	Amounts received	Balance at Jun. 30, 2019
Cemig Geração Três Marias S.A.	Três Marias	1,369,900	95,560	(68,423)	1,397,037
Cemig Geração Salto Grande S.A.	Salto Grande	429,910	30,116	(21,578)	438,448
Cemig Geração Itutinga S.A.	Itutinga	160,601	12,554	(9,174)	163,981
Cemig Geração Camargos S.A.	Camargos	120,452	9,357	(6,830)	122,979
Cemig Geração Sul S.A.	Coronel Domiciano, Joasal, Marmelos, Paciência and Piau	157,217	13,003	(9,609)	160,611
Cemig Geração Leste S.A.	Dona Rita, Ervália, Neblina, Peti, Sinceridade and Tronqueiras	106,697	9,685	(7,297)	109,085
Cemig Geração Oeste S.A.	Cajurú, Gafanhoto and Martins	64,153	5,876	(4,437)	65,592
<b>Total</b>		<b>2,408,930</b>	<b>176,151</b>	<b>(127,348)</b>	<b>2,457,733</b>

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

## 12. CONCESSION CONTRACT ASSETS

Under IFRS 15 / CPC 47 – *Revenue from contracts with customers*, the infrastructure of construction revenue for which the right to consideration depends on satisfaction of performance obligations related to the completion of its construction, or its future operation and maintenance are classified as Contract assets on June 30, 2020 as follows:

	Consolidated		Parent Company	
	Jun. 30, 2020	Dec. 31, 2019	Jun. 30, 2020	Dec. 31, 2019
Transmission – Reimbursement assets incorporated into the assets remuneration Base	505,564	347,691	505,564	347,691
Transmission – Assets remunerated by tariff	1,095,932	848,543	1,095,932	848,543
	<b>1,601,496</b>	<b>1,196,234</b>	<b>1,601,496</b>	<b>1,196,234</b>
<b>Current</b>	<b>159,016</b>	<b>171,849</b>	<b>159,016</b>	<b>171,849</b>
<b>Non-current</b>	<b>1,442,480</b>	<b>1,024,385</b>	<b>1,442,480</b>	<b>1,024,385</b>

The changes in contract assets are as follows:

<b>Balance at December 31, 2018</b>	<b>1,129,310</b>
Additions	82,989
Inflation adjustment	19,256
Adjustment to expectation of contractual cash flow from the concession	7,834
Amounts received	(63,075)
Settled	(1,824)
Transfers to PP&E (note 14)	(22)
Transfer to financial assets (note 11)	(44,082)
<b>Balance at June 30, 2019</b>	<b>1,130,386</b>
<b>Balance at December 31, 2019</b>	<b>1,196,234</b>
Additions	74,044
Adjustment to expected contract cash flow from the concession – Periodic Tariff Reset adjustments	419,657
Adjustment to expected contract cash flow from the concession	14,687
Amounts received	(91,349)
Settled	(602)
Impairment (1)	(11,175)
<b>Balance at June 30, 2020</b>	<b>1,601,496</b>

(1) The impairment of transmission contract asset, recorded in others expenses, refers to costs of assets not incorporated into the remuneration base and that are not expected to be recovered, in the amount of R\$11,175.

### *Periodic Reset of Permitted Annual Revenue – RAP*

On June 30, 2020, Aneel ratified the results of the Periodic Tariff Reset through Ratifying Resolution 2,712/2020, setting the revaluation of the Permitted Annual Revenue (RAP) to be applied from July 1, 2018. The result of the RAP Periodic Reset was a net increase of 9.13%, comprising: (i) –10.25%, arising from revaluation of the assets created by reinforcements and improvements (incremental basis); (ii) 0.51% for the assets reincorporated into the Remuneration Base; and (iii) 37.89% for the review of the financial component of RAP and change of the weighted average Regulatory Cost of Capital (WACC).

The assets posted in this line are:

### *Remaining National Grid 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).

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, whilst 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.

As a result of the Tariff Periodic Reset, the economic portion of RAP was remeasured in accordance with the applicable regulatory rules, resulting in an addition of R\$220,943 to the Company's income for the period ended June 30, 2020.

The remaining balance of the indemnity for transmission, due to acceptance of the terms of Law 12,783/13 and the adjustments arising from periodic reset of RAP, of R\$505,564, at June 30, 2020 (R\$347,691 at December 31, 2019) 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. At June 30, 2020 was R\$1,095,932 (R\$848,543 on December 31, 2019).

The assets arising from reinforcements and improvements related to the period from January 2013 to January 2018 were remeasured using the Aneel Reference Price Bank, in accordance with the regulatory requirement due to the Periodic Reset of RAP ratified by Aneel on June 30, 2020. The remeasurement of this Remuneration Base resulted in an increase of R\$198,714 in the Company's income.

The construction of infrastructure grants to the operator a right to receive consideration due to performance obligations represented by the construction, which is not unconditional until the satisfaction of performance obligations related to the operation and maintenance of the transmission lines. The revenue and costs related to construction of these assets are recognized in the statement of income as expenditures incurred.

### 13. INVESTMENTS

	Consolidated		Parent Company	
	Jun. 30, 2020	Dec. 31, 2019	Jun. 30, 2020	Dec. 31, 2019
<b>Affiliated companies</b>				
Madeira Energia ( <i>Santo Antônio</i> Plant)	141,675	166,617	141,675	166,617
FIP Melbourne ( <i>Santo Antônio</i> Plant)	364,679	384,809	364,679	384,809
<b>Jointly controlled entities</b>				
Hidrelétrica Cachoeirão	52,665	53,728	52,665	53,728
Guanhães Energia	130,723	131,076	130,723	131,076
Hidrelétrica Pipoca	32,771	30,730	32,771	30,730
LightGer	48,580	46,487	48,580	46,487
Baguari Energia	158,341	157,499	158,341	157,499
Aliança Norte ( <i>Belo Monte</i> plant)	655,246	671,166	655,246	671,166
Amazônia Energia ( <i>Belo Monte</i> plant)	1,003,569	1,027,860	1,003,569	1,027,860
Aliança Geração	1,244,066	1,191,550	1,244,066	1,191,550
Retiro Baixo	188,352	180,043	188,352	180,043
<b>Subsidiaries</b>				
Cemig Baguari	-	-	17	19
Cemig Geração Três Marias S.A.	-	-	1,484,512	1,407,996
Cemig Geração Salto Grande S.A.	-	-	472,415	446,318
Cemig Geração Itutinga S.A.	-	-	186,968	183,617
Cemig Geração Camargos S.A.	-	-	148,760	136,140
Cemig Geração Sul S.A.	-	-	182,623	179,275
Cemig Geração Leste S.A.	-	-	134,918	126,802
Cemig Geração Oeste S.A.	-	-	80,903	72,648
Rosal Energia S.A.	-	-	130,463	127,994
Sá Carvalho S.A.	-	-	126,535	123,929
Horizontes Energia S.A.	-	-	63,750	57,397
Cemig PCH S.A.	-	-	103,095	97,731
Cemig Geração Poço Fundo S.A.	-	-	3,869	3,638
Empresa de Serviços de Comercialização de Energia Elétrica S.A.	-	-	56,091	28,263
Cemig Comercializadora de Energia Incentivada S.A.	-	-	3,326	3,359
Cemig Trading S.A.	-	-	45,370	31,027
Central Eólica Praias de Parajuru S.A.	-	-	144,322	149,260
Central Eólica Volta do Rio S.A.	-	-	88,686	124,507
<b>Total of investments</b>	<b>4,020,667</b>	<b>4,041,565</b>	<b>7,477,290</b>	<b>7,341,485</b>
Usina Hidrelétrica Itaocara – equity deficit	(22,153)	(21,810)	(22,153)	(21,810)
<b>Total</b>	<b>3,998,514</b>	<b>4,019,755</b>	<b>7,455,137</b>	<b>7,319,675</b>

On December 31, 2019, the investee Usina Hidrelétrica Itaocara had negative shareholders' equity. Thus, after reducing the accounting value of its interest to zero, the Company recognized the loss to the extent that it assumed contractual obligations with the subsidiary and the other shareholders, which on June 30, 2020 is R\$22,153 (R\$21,810 on December 31, 2019).

For the second quarter of 2020, the Company's management considered that there was some indication, due to the economic shock of the Covid-19 pandemic (Note 1c), of potential decline in value of assets, as referred to in IAS 36 / CPC 01 – *Impairments*. Considering, however, the pandemic's effects on the economic context, and the fact that the long-term expectation of realization of the assets underwent no change, management of the Company and its subsidiaries concluded that the reported assets net carrying amount is recoverable, and, therefore, until now, there was no need to recognize any impairment loss in the Company nor its subsidiaries, as a result of the current economic scenario.

Additionally, in relation to the above, the Company's management has assessed the risk threatening all its investments ability to continue as a going concern, taking substantially into consideration: the guarantee of revenues of the transmission companies; the protection against *force majeure* reduction in regulated generation contracts; and all the legal measures that have been applied by the federal government and by Aneel – and has concluded that the Company and its subsidiaries' ability to continue as going concern is secure.

## a) Right to exploitation of the regulated activity

In the process of 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.

The rights of authorization to generate wind energy granted to Parajuru and Volta do Rio, valued at R\$56,965 (R\$60,072 on December 31, 2019) and R\$55,050 (R\$66,606 on December 31, 2019), respectively, are included in the financial statements of Company in accordance with Technical Interpretation ICPC 09, the investments and are classified in the consolidated balance sheet under Intangibles. These concession assets are amortized by the straight-line method, during the period of the concession. More details in Note 15.

Changes in these assets are as follows:

Consolidated	Balance at Dec. 31, 2018	Amortization	Balance at Jun. 30, 2019	Balance at Dec. 31, 2019	Amortization	Balance at Jun. 30, 2020
Retiro Baixo	31,966	(695)	31,271	30,576	(694)	29,882
Madeira Energia (Santo Antônio plant)	18,000	(368)	17,632	17,263	(368)	16,895
Aliança Geração	377,534	(12,655)	364,879	352,225	(12,655)	339,570
Aliança Norte (Belo Monte plant)	52,575	(986)	51,589	50,603	(986)	49,617
	<b>480,075</b>	<b>(14,704)</b>	<b>465,371</b>	<b>450,667</b>	<b>(14,703)</b>	<b>435,964</b>

Parent Company	Balance at Dec. 31, 2018	Amortization	Balance at Jun. 30, 2019	Balance at Dec. 31, 2019	Amortization	Impairment	Balance at Jun. 30, 2020
Retiro Baixo	31,966	(695)	31,271	30,576	(694)	-	29,882
Central Eólica Praias de Parajuru	66,286	(3,107)	63,179	60,072	(3,107)	-	56,965
Central Eólica Volta do Rio	95,819	(4,107)	91,712	66,606	(3,097)	(8,459)	55,050
Madeira Energia (Santo Antônio plant)	18,000	(368)	17,632	17,263	(368)	-	16,895
Aliança Geração	377,534	(12,655)	364,879	352,225	(12,655)	-	339,570
Aliança Norte (Belo Monte plant)	52,575	(986)	51,589	50,603	(986)	-	49,617
	<b>642,180</b>	<b>(21,918)</b>	<b>620,262</b>	<b>577,345</b>	<b>(20,907)</b>	<b>(8,459)</b>	<b>547,979</b>

(1) Due to the result of the analysis of, and realization of the test for, impairment, the Company recognized the provision for impairment of the rights of authorization to generate wind energy of Volta do Rio, on June 30, 2020. More details in Note 15.

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

Consolidated	Balance at Dec. 31, 2019	Gain (loss) by equity method	Additions	Dividends	Others	Balance at Jun. 30, 2020
Hidrelétrica Cachoeirão	53,728	3,750	-	(4,813)	-	52,665
Guanhães Energia	131,076	(353)	-	-	-	130,723
Hidrelétrica Pipoca	30,730	3,864	-	(1,823)	-	32,771
Madeira Energia (Santo Antônio Plant)	166,617	(25,026)	-	-	84	141,675
FIP Melbourne (Santo Antônio Plant)	384,809	(20,130)	-	-	-	364,679
Baguari Energia	157,499	11,482	-	(10,640)	-	158,341
Lightger	46,487	3,822	-	(1,729)	-	48,580
Amazônia Energia (Belo Monte Plant)	1,027,860	(24,366)	75	-	-	1,003,569
Aliança Norte (Belo Monte Plant)	671,166	(15,920)	-	-	-	655,246
Aliança Geração	1,191,550	52,516	-	-	-	1,244,066
Retiro Baixo	180,043	8,309	-	-	-	188,352
<b>Total of investments</b>	<b>4,041,565</b>	<b>(2,052)</b>	<b>75</b>	<b>(19,005)</b>	<b>84</b>	<b>4,020,667</b>
Itaocara – equity deficit	(21,810)	(343)	-	-	-	(22,153)
<b>Total</b>	<b>4,019,755</b>	<b>(2,395)</b>	<b>75</b>	<b>(19,005)</b>	<b>84</b>	<b>3,998,514</b>



Consolidated	Balance at Dec. 31, 2018	Gain (loss) by equity method	Capital contributions	Dividends	Balance at Jun. 30, 2019
Hidrelétrica Cachoeirão	49,213	5,310	-	(3,421)	51,102
Guanhães Energia	111,838	(343)	19,766	-	131,261
Hidrelétrica Pipoca	30,629	818	-	(2,220)	29,227
Madeira Energia (Santo Antônio plant)	270,090	(38,820)	-	-	231,270
FIP Melbourne (Santo Antônio plant)	470,022	(32,062)	-	-	437,960
Baguari Energia	162,224	9,953	-	(13,563)	158,614
Lightger	42,191	6,030	-	(2,991)	45,230
Amazônia Energia (Belo Monte plant)	1,012,636	(3,798)	75	-	1,008,913
Aliança Norte (Belo Monte plant)	663,755	(3,587)	953	-	661,121
Aliança Geração	1,216,860	60,904	-	-	1,277,764
Retiro Baixo	170,720	4,666	-	-	175,386
Usina Hidrelétrica Itaocara S.A.	5,130	(318)	-	-	4,812
<b>Total of investments</b>	<b>4,205,308</b>	<b>8,753</b>	<b>20,794</b>	<b>(22,195)</b>	<b>4,212,660</b>

Parent Company	Balance at Dec. 31, 2019	Gain (loss) by equity method	Additions	Dividends	Others	Balance at Jun. 30, 2020
Hidrelétrica Cachoeirão	53,728	3,750	-	(4,813)	-	52,665
Guanhães Energia	131,076	(353)	-	-	-	130,723
Hidrelétrica Pipoca	30,730	3,864	-	(1,823)	-	32,771
Madeira Energia (Santo Antônio Plant)	166,617	(25,026)	-	-	84	141,675
FIP Melbourne (Santo Antônio Plant)	384,809	(20,130)	-	-	-	364,679
Baguari Energia	157,499	11,482	-	(10,640)	-	158,341
Central Eólica Praias Parajuru	149,260	(4,938)	-	-	-	144,322
Central Eólica Volta do Rio	124,507	(27,362)	-	-	(8,459)	88,686
Lightger	46,487	3,822	-	(1,729)	-	48,580
Amazônia Energia (Belo Monte Plant)	1,027,860	(24,366)	75	-	-	1,003,569
Aliança Norte (Belo Monte Plant)	671,166	(15,920)	-	-	-	655,246
Aliança Geração	1,191,550	52,516	-	-	-	1,244,066
Retiro Baixo	180,043	8,309	-	-	-	188,352
Cemig Baguari	19	(2)	-	-	-	17
Cemig Ger. Três Marias S.A.	1,407,996	79,139	-	(2,623)	-	1,484,512
Cemig Ger. Salto Grande S.A.	446,318	26,097	-	-	-	472,415
Cemig Ger. Itutinga S.A.	183,617	11,174	-	(7,823)	-	186,968
Cemig Geração Camargos S.A.	136,140	14,699	-	(2,079)	-	148,760
Cemig Geração Sul S.A.	179,275	10,595	-	(7,247)	-	182,623
Cemig Geração Leste S.A.	126,802	15,044	-	(6,928)	-	134,918
Cemig Geração Oeste S.A.	72,648	9,158	-	(903)	-	80,903
Rosal Energia S.A.	127,994	14,504	-	(12,035)	-	130,463
Sá Carvalho S.A.	123,929	20,030	-	(17,424)	-	126,535
Horizontes Energia S.A.	57,397	8,206	-	(1,853)	-	63,750
Cemig PCH S.A.	97,731	11,561	-	(6,197)	-	103,095
Cemig Geração Poço Fundo S.A.	3,638	231	-	-	-	3,869
Empresa de Serviços de Comercialização de Energia Elétrica S.A.	28,263	27,966	-	(138)	-	56,091
Cemig Comercializadora de Energia Incentivada S.A.	3,359	758	-	(791)	-	3,326
Cemig Trading S.A.	31,027	14,598	-	(255)	-	45,370
<b>Total of investments</b>	<b>7,341,485</b>	<b>229,406</b>	<b>75</b>	<b>(85,301)</b>	<b>(8,375)</b>	<b>7,477,290</b>
Itaocara – equity deficit	(21,810)	(343)	-	-	-	(22,153)
<b>Total</b>	<b>7,319,675</b>	<b>229,063</b>	<b>75</b>	<b>(85,301)</b>	<b>(8,375)</b>	<b>7,455,137</b>

- (1) Due to the result of the analysis of, and realization of the test for, impairment, the Company recognized the provision for impairment of the rights of authorization to generate wind energy of Volta do Rio, on June 30, 2020. More details in Note 15.

Parent Company	Balance at Dec. 31, 2018	Gain (loss) by equity method	Capital contributions	Dividends	Others (1)	Balance at Jun. 30, 2019
Hidrelétrica Cachoeirão	49,213	5,310	-	(3,421)	-	51,102
Guanhães Energia	111,838	(343)	19,766	-	-	131,261
Hidrelétrica Pipoca	30,629	818	-	(2,220)	-	29,227
Madeira Energia ( <i>Santo Antônio</i> Plant)	270,090	(38,820)	-	-	-	231,270
FIP Melbourne ( <i>Santo Antônio</i> Plant)	470,022	(32,062)	-	-	-	437,960
Baguari Energia	162,224	9,953	-	(13,563)	-	158,614
Central Eólica Praias Parajuru	145,880	(1,251)	-	(12)	-	144,617
Central Eólica Volta do Rio	180,976	(7,900)	-	-	-	173,076
Lightger	42,191	6,030	-	(2,991)	-	45,230
Amazônia Energia ( <i>Belo Monte</i> Plant)	1,012,636	(3,798)	75	-	-	1,008,913
Aliança Norte ( <i>Belo Monte</i> Plant)	663,755	(3,587)	953	-	-	661,121
Aliança Geração	1,216,860	60,904	-	-	-	1,277,764
Retiro Baixo	170,720	4,666	-	-	-	175,386
Usina Hidrelétrica Itaocara S.A.	5,130	(318)	-	-	-	4,812
Cemig Baguari	36	(14)	-	-	-	22
Cemig Ger.Três Marias S.A.	1,395,614	94,725	-	(79,434)	-	1,410,905
Cemig Ger.Salto Grande S.A.	440,083	34,510	-	(26,358)	-	448,235
Cemig Ger. Itutinga S.A.	178,545	24,797	-	(22,450)	-	180,892
Cemig Geração Camargos S.A.	131,570	16,984	-	(14,157)	-	134,397
Cemig Geração Sul S.A.	176,424	24,655	-	(23,460)	-	177,619
Cemig Geração Leste S.A.	120,686	16,345	-	(16,205)	-	120,826
Cemig Geração Oeste S.A.	69,898	9,624	-	(7,039)	-	72,483
Rosal Energia S.A.	124,897	12,660	-	(9,447)	-	128,110
Sá Carvalho S.A.	94,447	38,721	-	-	-	133,168
Horizontes Energia S.A.	54,953	7,698	-	-	-	62,651
Cemig PCH S.A.	92,987	1,800	-	-	-	94,787
Cemig Geração Poço Fundo S.A.	18,406	1,295	-	(728)	(15,500)	3,473
Empresa de Serviços de Comercialização de Energia Elétrica S.A.	26,755	27,404	-	-	-	54,159
Cemig Comercializadora de Energia Incentivada S.A.	2,841	597	-	(532)	-	2,906
Cemig Trading S.A.	28,135	29,317	-	(176)	-	57,276
<b>Total of investments</b>	<b>7,488,441</b>	<b>340,720</b>	<b>20,794</b>	<b>(222,193)</b>	<b>(15,500)</b>	<b>7,612,262</b>

(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.

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

Company	Number of shares	June 30, 2020			December 31, 2019		
		Equity interest (%)	Share capital	Equity	Equity interest (%)	Share capital	Equity
<b>Affiliated companies</b>							
Madeira Energia ( <i>Santo Antônio</i> plant)	12,034,025,147	15.51	10,619,786	3,156,678	15.51	10,619,786	3,704,760
<b>Jointly controlled entities</b>							
Hidrelétrica Cachoeirão	35,000,000	49.00	35,000	107,480	49.00	35,000	109,649
Guanhães Energia	548,626,000	49.00	548,626	266,782	49.00	548,626	267,503
Hidrelétrica Pipoca	41,360,000	49.00	41,360	66,880	49.00	41,360	62,715
Baguari Energia (1)	26,157,300,278	69.39	186,573	228,197	69.39	186,573	226,984
Lightger	79,078,937	49.00	79,232	99,143	49.00	79,232	94,871
Aliança Norte ( <i>Belo Monte</i> plant)	41,893,675,837	49.00	1,208,071	1,235,977	49.00	1,208,071	1,266,453
Amazônia Energia ( <i>Belo Monte</i> plant) (1)	1,322,597,723	74.50	1,322,698	1,347,072	74.50	1,322,598	1,379,678
Aliança Geração	1,291,582	45.00	1,291,488	2,002,729	45.00	1,291,488	1,857,905
Retiro Baixo	225,350,000	49.90	225,350	317,576	49.90	225,350	299,532
Renova (1) (2)	41,719,724	36.23	N/D	N/D	36.23	2,919,019	(1,090,547)
Usina Hidrelétrica Itaocara S.A.	69,282,514	49.00	69,283	(45,211)	49.00	69,283	(44,510)
<b>Subsidiaries</b>							
Cemig Baguari	306,000	100.00	306	17	100.00	306	19
Cemig Ger.Três Marias S.A.	1,291,423,369	100.00	1,291,423	1,484,512	100.00	1,291,423	1,407,996
Cemig Ger.Salto Grande S.A.	405,267,607	100.00	405,268	472,415	100.00	405,268	446,318
Cemig Ger. Itutinga S.A.	151,309,332	100.00	151,309	186,968	100.00	151,309	183,617
Cemig Geração Camargos S.A.	113,499,102	100.00	113,499	148,760	100.00	113,499	136,140
Cemig Geração Sul S.A.	148,146,505	100.00	148,147	182,623	100.00	148,147	179,275
Cemig Geração Leste S.A.	100,568,929	100.00	100,569	134,918	100.00	100,569	126,802
Cemig Geração Oeste S.A.	60,595,484	100.00	60,595	80,902	100.00	60,595	72,648
Rosal Energia S.A.	46,944,467	100.00	46,944	130,463	100.00	46,944	127,994
Sá Carvalho S.A.	361,200,000	100.00	36,833	126,535	100.00	36,833	123,929
Horizontes Energia S.A.	39,257,563	100.00	39,258	63,750	100.00	39,258	57,397
Cemig PCH S.A.	45,952,000	100.00	45,952	103,095	100.00	45,952	97,731
Cemig Geração Poço Fundo S.A.	1,402,000	100.00	1,402	3,869	100.00	1,402	3,638
Empresa de Serviços de Comercialização de Energia Elétrica S.A.	486,000	100.00	486	56,091	100.00	486	28,263
Cemig Comercializadora de Energia Incentivada S.A.	1,000,000	100.00	1,000	3,326	100.00	1,000	3,359
Cemig Trading S.A.	1,000,000	100.00	1,000	45,370	100.00	1,000	31,027
Central Eólica Praias de Parajuru S.A.	70,560,000	100.00	70,560	87,357	100.00	71,835	89,188
Central Eólica Volta do Rio S.A.	117,230,000	100.00	117,230	33,637	100.00	138,867	57,901

(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, until the date of issuance of this interim financial information, the investee has not concluded its interim financial information for the period ended on June 30, 2020, and thus their account information is not being disclosed.

## 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 June 30, 2020 the investee MESA reported a loss of R\$548,082 (R\$454,708 on June 30, 2019) and current liabilities in excess of current assets by R\$187,926 (R\$427,060 on December, 31, 2019). Hydroelectric plants project finances structurally present negative net working capital in the first years of operation, because they are built using high levels of financial leverage. On the other hand, they have firm long term contracts for energy supply as support and guarantee of payment of their debts. To balance the situation of negative working capital, in addition to its long-term sale contracts that ensure regularity in its operational cash flow, MESA benefits from its debt reprofiling, which adjusted its debt repayments flow to its cash generation capacity, so that the investee does not depend on additional investment from 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 million, relating to certain credits owed to Mesa by CCSA, based on absence of quantification of the amounts supposedly owed, and absence of prior approval by the Board of Directors, as required by the 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. On June 30, 2020, the investee confirmed its assets recoverability expectation and maintained the provision for receivables in the amount of R\$678,551.

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.

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 process is confidential under the Arbitration Regulations of the Market Arbitration Chamber.

### **Renova Energia S.A. ('Renova') - court-supervised reorganization ('Renova')**

The investee Renova, currently in court-supervised reorganization, has been reporting recurring losses and presenting negative net working capital, net equity (uncovered liabilities), and negative gross margin throughout the period ended on June 30, 2020.

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

Additionally, the Company recorded, in June 30, 2019, an impairment of the receivables with the jointly-controlled entity related to energy purchase and sale agreements and terms of debt recognition for total outstanding balance, in the amount of R\$688 million.

#### *Application to the court by Renova for court-supervised reorganization*

On October 16, 2019, the second State of São Paulo Bankruptcy and I Court-Supervised Reorganization Court granted court-supervised reorganization petition applied 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 court-supervised reorganization proceedings continue, on penalty of the controlling shareholders of the companies of the Renova Group being removed, and replaced by administrator, 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 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 court-supervised reorganization.

On December 17, 2019, Renova filed its court-supervised reorganization plan and on July 7, 2020, in order to set a court-supervised reorganization structure that best meets the interests of creditors and companies in reorganization, Renova filed two new court supervised reorganization plans. The first plan relates exclusively to the companies of Phase A of the Alto Sertão III Project, bound to the loan originally obtained from the BNDES, and the second plan relates to the investee and the other companies in court-supervised reorganization of the Renova Group, both of them are in progress in the second Bankruptcy and Court-supervised reorganization Court of the legal district of São Paulo State. The court-supervised reorganization plan is in discussion, which is subjected to enhancements and changes until the General Meeting of Creditors, scheduled to be held in September 2020. Up to the date, the possible effects of this jointly controlled subsidiary court-supervised reorganization plan on its accounting balances have not been measured.

In this context, Renova signed with the Cemig (Parent's Company) Debtor in Possession (DIP) loan agreements in the total amount of R\$36,500. The funds of these loans were authorized by the second State of São Paulo Bankruptcy and Court-supervised Reorganization Court. They are guaranteed by a fiduciary assignment of shares in a company owning assets of a wind power project owned by Renova, and they also have priority of receipt in the court-supervised reorganization process. Additionally, Cemig GT made an Advance for Future Capital Increase to Renova, of R\$5,000, on October 25, 2019.

On May 2, 2020, the Bankruptcy and Court-supervised Reorganization Court issued a decision ordering that the DIP loan, in the total amount of R\$36,500 million, with asset guarantee, already constituted and registered, would be subscribed as a capital increase in Renova. Cemig has filed a Motion for Clarification, which was denied by the judge. A procedural appeal is now in progress against the first instance judge's decision, which was suspended by the Appeal Court on receiving this appeal. The Company's legal advisors have classified the chances of loss as 'possible'. Due to the uncertainties on the financial situation of the investee, Cemig recognized impairment loss for the total of its credits against Renova, of R\$37,361, in the second quarter of 2020.

On March 20, 2020, the Board of Directors of Renova approved acceptance of a binding offer made by ARC Capital Ltda. ('ARC'), jointly with G5 Administradora de Recursos Ltda. ('G5'), and XP Vista Asset Management Ltda. ('XP') for financing to conclude the works of Phase A of the *Alto Sertão III* Wind Farm Complex, and to fund the current operational expenses of Renova. The offer final conditions for agreement are still under negotiation.

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

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

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

On June 30, 2020 NESA had negative net working capital of R\$1,763,409 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 21, 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 have classified the probability of loss as 'possible' and estimated the potential loss on June 30, 2020 to approximately R\$2,047,000 (R\$1,962,000 on December 31, 2019).

### **Risks related to compliance with law and regulations**

#### *Jointly-controlled entities and affiliates:*

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

#### *Madeira Energia S.A. ('MESA')*

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

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

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

#### *Renova Energia S.A. ('Renova')*

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

On April 11, 2019, within the 'Operação Descarte' scope, the Brazilian Federal Police commenced the 'Operação E o Vento Levou' as part of the 'Lava Jato' Investigation, and executed a search and seizure warrant issued by a Federal Court of São Paulo at Renova's head office in São Paulo, based on allegations and indications of misappropriation of funds harmful to the interests of Cemig. Based on the allegations being investigated, these events are alleged to have taken place before 2015. On July 25, 2019, the second phase of the operation occurred.



The ‘Operation E o Vento Levou’ and the police investigation of the Minas Gerais State Civil Police have not yet been concluded. Thus, there is a possibility that material information may be revealed in the future. If a criminal action is filed against agents who could have damaged Renova, Renova intends to act as auxiliary to the prosecution in any criminal proceedings, and subsequently sue for civil reparation of the damages suffered.

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

However, the independent investigators identified irregularities in the conducting of business and agreement of contracts by Renova, including: (i) payments without evidence of the consideration of services, in the total amount of approximately R\$40 million; (ii) payments not in accordance with the company’s internal policies and best governance practices, in the total amount of approximately R\$137 million; and (iii) deficiencies in the internal controls of the investee.

As a result of the analysis of the above mentioned values, Renova concluded that R\$35 million relates to effective assets and therefore no impairment is necessary. The remaining amount of R\$142 million was already impaired in previous years, producing no impact on the financial statements for the year ended December 31, 2019 and on the interim financial information for the period ended June 30, 2020.

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

Since the investment at Renova is fully impaired at June 30, 2020, and since no contractual or constructive obligations in relation to the investee have been assumed by the Company, it is not expected that effects resulting from the court-supervised reorganization process, or the investigations, or the operational activities of this investee can significantly impact the Company’s interim financial information, even if eventually not yet recorded by Renova.

### *Other investigations*

In addition to the cases above, there are investigations being conducted by the Public Attorneys' Office of the State of Minas Gerais ('MPMG') and by the Civil Police of the State of Minas Gerais ('PCMG'), which aim to investigate possible irregularities in the investments made by the Company in Guanhães Energia and also in 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 E o Vento Levou', as described above.

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

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

Taking into account the investigations, that are being conducted 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 was subject to oversight of an independent investigation committee whose creation was approved by our Board of Directors.

On second half of 2019, Cemig (parent's Company) signed a tooling agreement with the Securities and Exchange Commission (SEC) and US Department of Justice (DOJ). Cemig has complied with the requests and intends to continue contributing to the SEC and the DOJ.

The Company's internal investigation was completed and the corresponding report was issued on May 8, 2020. Considering the results of the internal investigations, no objective evidence was identified to affirm that there were illegal acts on the investments made by Company that were subject to the investigation, therefore, there was no impact in the interim financial information ended June 30, 2020 nor in its prior years financial statements.

Due to the completion of the investigations for which the Special Investigating Committee was constituted, from the delivery of the final report by the specialized company, the governance bodies of the Company decided to extinguish that Committee. If there are any future needs resulting from developments in this matter, the Committee can be reinstated.

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.

## 14. PROPERTY, PLANT AND EQUIPMENT

Consolidated	June 30, 2020			December 31, 2019		
	Historic cost	Accumulated depreciation	Net value	Historic cost	Accumulated depreciation	Net value
<b>In service</b>	<b>7,275,159</b>	<b>(5,006,674)</b>	<b>2,268,485</b>	<b>7,244,763</b>	<b>(4,929,379)</b>	<b>2,315,384</b>
Land	247,453	(21,085)	226,368	247,453	(19,178)	228,275
Reservoirs, dams and watercourses	3,294,978	(2,239,375)	1,055,603	3,279,784	(2,199,659)	1,080,125
Buildings, works and improvements	1,091,486	(826,893)	264,593	1,091,605	(818,120)	273,485
Machinery and equipment	2,607,664	(1,890,839)	716,825	2,592,087	(1,864,599)	727,488
Vehicles	20,616	(18,442)	2,174	20,616	(17,687)	2,929
Furniture and utensils	12,962	(10,040)	2,922	13,218	(10,136)	3,082
<b>Under construction</b>	<b>151,940</b>	<b>-</b>	<b>151,940</b>	<b>133,103</b>	<b>-</b>	<b>133,103</b>
Assets in progress	151,940	-	151,940	133,103	-	133,103
<b>Net PP&amp;E</b>	<b>7,427,099</b>	<b>(5,006,674)</b>	<b>2,420,425</b>	<b>7,377,866</b>	<b>(4,929,379)</b>	<b>2,448,487</b>

Parent Company	June 30, 2020			December 31, 2019		
	Historic cost	Accumulated depreciation	Net value	Historic cost	Accumulated depreciation	Net value
<b>In service</b>	<b>6,164,226</b>	<b>(4,458,261)</b>	<b>1,705,965</b>	<b>6,153,927</b>	<b>(4,404,015)</b>	<b>1,749,912</b>
Land	243,194	(20,749)	222,445	243,194	(18,867)	224,327
Reservoirs, dams, watercourses	3,017,821	(2,104,938)	912,883	3,003,075	(2,069,552)	933,523
Buildings, works and improvements	1,013,073	(790,292)	222,781	1,013,385	(782,773)	230,612
Machinery and equipment	1,857,028	(1,514,192)	342,836	1,860,907	(1,505,381)	355,526
Vehicles	20,401	(18,227)	2,174	20,401	(17,473)	2,928
Furniture and utensils	12,709	(9,863)	2,846	12,965	(9,969)	2,996
<b>Under construction</b>	<b>77,303</b>	<b>-</b>	<b>77,303</b>	<b>72,279</b>	<b>-</b>	<b>72,279</b>
Assets in progress	77,303	-	77,303	72,279	-	72,279
<b>Net PP&amp;E</b>	<b>6,241,529</b>	<b>(4,458,261)</b>	<b>1,783,268</b>	<b>6,226,206</b>	<b>(4,404,015)</b>	<b>1,822,191</b>

Changes in Property, plant and equipment were as follows:

Consolidated	Balance at Dec. 31, 2019	Addition	Transfer (2)	Settled	Depreciation	Balance at Jun. 30, 2020
<b>In service</b>	<b>2,315,384</b>	<b>13,381</b>	<b>30,032</b>	<b>(740)</b>	<b>(89,572)</b>	<b>2,268,485</b>
Land (1)	228,275	-	-	-	(1,907)	226,368
Reservoirs, dams, watercourses	1,080,125	-	15,194	-	(39,716)	1,055,603
Buildings, works and improvements	273,485	-	193	(56)	(9,029)	264,593
Machinery and equipment	727,488	13,381	14,644	(679)	(38,009)	716,825
Vehicles	2,929	-	-	-	(755)	2,174
Furniture and utensils	3,082	-	1	(5)	(156)	2,922
<b>Under construction</b>	<b>133,103</b>	<b>49,844</b>	<b>(30,032)</b>	<b>(975)</b>	<b>-</b>	<b>151,940</b>
<b>Net PP&amp;E</b>	<b>2,448,487</b>	<b>63,225</b>	<b>-</b>	<b>(1,715)</b>	<b>(89,572)</b>	<b>2,420,425</b>

- (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.

Consolidated	Balance at Dec. 31, 2018	Addition	Transfer (2)	Settled	Depreciation	Balance at Jun. 30, 2019
<b>In service</b>	<b>2,540,035</b>	<b>-</b>	<b>28,639</b>	<b>(609)</b>	<b>(96,419)</b>	<b>2,471,646</b>
Land (1)	214,967	-	16,939	-	(1,388)	230,518
Reservoirs, dams, watercourses	1,150,495	-	8,450	-	(40,479)	1,118,466
Buildings, works and improvements	313,688	-	(16,379)	-	(9,341)	287,968
Machinery and equipment	853,054	-	19,608	(606)	(44,289)	827,767
Vehicles	4,525	-	(59)	-	(773)	3,693
Furniture and utensils	3,306	-	80	(3)	(149)	3,234
<b>Under construction</b>	<b>119,186</b>	<b>34,413</b>	<b>(24,288)</b>	<b>-</b>	<b>-</b>	<b>129,311</b>
<b>Net PP&amp;E</b>	<b>2,659,221</b>	<b>34,413</b>	<b>4,351</b>	<b>(609)</b>	<b>(96,419)</b>	<b>2,600,957</b>

- (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 financial assets.

Parent Company	Balance at Dec. 31, 2019	Addition	Transfer (2)	Settled	Depreciation	Balance at Jun. 30, 2020
<b>In service</b>	<b>1,749,912</b>	-	23,297	(722)	(66,522)	1,705,965
Land (1)	224,327	-	-	-	(1,882)	222,445
Reservoirs, dams, watercourses	933,523	-	14,746	-	(35,386)	912,883
Buildings, works and improvements	230,612	-	-	(56)	(7,775)	222,781
Machinery and equipment	355,526	-	8,551	(661)	(20,580)	342,836
Vehicles	2,928	-	-	-	(754)	2,174
Furniture and utensils	2,996	-	-	(5)	(145)	2,846
<b>Under construction</b>	<b>72,279</b>	<b>28,321</b>	<b>(23,297)</b>	-	-	<b>77,303</b>
<b>Net PP&amp;E</b>	<b>1,822,191</b>	<b>28,321</b>	<b>-</b>	<b>(722)</b>	<b>(66,522)</b>	<b>1,783,268</b>

- (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.

Parent Company	Balance at Dec. 31, 2018	Addition	Transfer (2)	Settled	Depreciation	Balance at Jun. 30, 2019
<b>In service</b>	<b>1,939,887</b>	-	18,210	(50)	(69,280)	1,888,767
Land (1)	210,963	-	16,939	-	(1,361)	226,541
Reservoirs, dams, watercourses	996,451	-	8,327	-	(36,173)	968,605
Buildings, works and improvements	269,263	-	(17,185)	-	(8,102)	243,976
Machinery and equipment	455,563	-	10,045	(50)	(22,738)	442,820
Vehicles	4,505	-	(59)	-	(762)	3,684
Furniture and utensils	3,142	-	143	-	(144)	3,141
<b>Under construction</b>	<b>85,318</b>	<b>18,021</b>	<b>(18,188)</b>	-	-	<b>85,151</b>
<b>Net PP&amp;E</b>	<b>2,025,205</b>	<b>18,021</b>	<b>22</b>	<b>(50)</b>	<b>(69,280)</b>	<b>1,973,918</b>

- (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 financial assets.

The average annual depreciation rate for the Company and its subsidiaries is 3.08%.

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.

## 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 %	June 30, 2020	December 31, 2019
<b>In service</b>				
Queimado Power Plant	82.50	3.73	217,210	217,210
Depreciation			(111,569)	(109,012)
<b>Total in service</b>			<b>105,641</b>	<b>108,198</b>
<b>In progress</b>				
Queimado Power Plant	82.50	-	1,396	980
<b>Total in progress</b>			<b>1,396</b>	<b>980</b>
<b>Total</b>			<b>107,037</b>	<b>109,178</b>

## 15. INTANGIBLE ASSETS

Consolidated	June 30 2019			December 31, 2019		
	Historic cost	Accumulated amortization	Residual value	Historic cost	Accumulated amortization	Residual value
<b>In service</b>	<b>297,214</b>	<b>(164,049)</b>	<b>133,165</b>	<b>296,397</b>	<b>(148,179)</b>	<b>148,218</b>
Temporary easements	11,749	(3,608)	8,141	11,749	(3,292)	8,457
Paid concession	19,169	(12,949)	6,220	19,169	(12,609)	6,560
Assets of the concession (1)	202,337	(90,323)	112,014	202,337	(75,659)	126,678
Others	63,959	(57,169)	6,790	63,142	(56,619)	6,523
<b>Under construction</b>	<b>6,748</b>	<b>-</b>	<b>6,748</b>	<b>7,369</b>	<b>-</b>	<b>7,369</b>
Assets in progress	6,748	-	6,748	7,369	-	7,369
<b>Net intangible assets</b>	<b>303,962</b>	<b>(164,049)</b>	<b>139,913</b>	<b>303,766</b>	<b>(148,179)</b>	<b>155,587</b>

(1) The rights of authorization to generate wind energy granted to the Parajuru and Volta do Rio, in the amount of R\$112,015, are considered as investments in the interim financial information of the parent company and are classified under Intangible assets in the statement of financial position, as per Technical Interpretation ICPC 09. These concession assets are amortized by the straight-line method, during the period of the concession.

Parent Company	June 30, 2020			December 31, 2019		
	Historic cost	Accumulated amortization	Residual value	Historic cost	Accumulated amortization	Residual value
<b>In service</b>	<b>94,171</b>	<b>(73,621)</b>	<b>20,550</b>	<b>93,366</b>	<b>(72,448)</b>	<b>20,918</b>
Temporary easements	11,451	(3,608)	7,843	11,451	(3,292)	8,159
Paid concession	19,169	(12,949)	6,220	19,169	(12,609)	6,560
Others	63,551	(57,064)	6,487	62,746	(56,547)	6,199
<b>Under construction</b>	<b>6,732</b>	<b>-</b>	<b>6,732</b>	<b>7,342</b>	<b>-</b>	<b>7,342</b>
Assets in progress	6,732	-	6,732	7,342	-	7,342
<b>Net intangible assets</b>	<b>100,903</b>	<b>(73,621)</b>	<b>27,282</b>	<b>100,708</b>	<b>(72,448)</b>	<b>28,260</b>

Changes in intangible assets are as follow:

Consolidated	Balance at Dec. 31, 2019	Addition	Impairment (1)	Capitalization / Transfer	Amortization	Balance at June 30, 2020
<b>In service</b>	<b>148,218</b>	<b>-</b>	<b>(8,459)</b>	<b>1,693</b>	<b>(8,287)</b>	<b>133,165</b>
Temporary easements	8,457	-	-	-	(316)	8,141
Paid concessions	6,560	-	-	-	(340)	6,220
Assets of the concession	126,678	-	(8,459)	-	(6,205)	112,014
Others	6,523	-	-	1,693	(1,426)	6,790
<b>Under construction</b>	<b>7,369</b>	<b>1,072</b>	<b>-</b>	<b>(1,693)</b>	<b>-</b>	<b>6,748</b>
Assets in progress	7,369	1,072	-	(1,693)	-	6,748
<b>Total</b>	<b>155,587</b>	<b>1,072</b>	<b>(8,459)</b>	<b>-</b>	<b>(8,287)</b>	<b>139,913</b>

(1) Includes the impairment, in the amount of R\$8,459 recognized in the Income Statement under "Other expenses", as a result of the test of impairment of intangible assets, relating to the authorization for wind power generation granted to Volta do Rio, on June 30, 2020. There is more information below in this note.

Consolidated	Balance at Dec. 31, 2018	Addition	Capitalization / Transfer	Settled	Amortization	Balance at June 30, 2019
<b>In service</b>	<b>191,135</b>	-	<b>(3,717)</b>	<b>(83)</b>	<b>(9,384)</b>	<b>177,951</b>
Temporary easements	9,085	-	-	-	(337)	8,748
Paid concessions	7,239	-	-	-	(340)	6,899
Right to commercial operation	162,106	-	83	(83)	(7,213)	154,893
Others	12,705	-	(3,800)	-	(1,494)	7,411
<b>Under construction</b>	<b>6,448</b>	<b>932</b>	<b>(612)</b>	-	-	<b>6,768</b>
Assets in progress	6,448	932	(612)	-	-	6,768
<b>Total</b>	<b>197,583</b>	<b>932</b>	<b>(4,329)</b>	<b>(83)</b>	<b>(9,384)</b>	<b>184,719</b>

Parent Company	Balance at Dec. 31, 2019	Addition	Capitalization / Transfer	Amortization	Balance at June 30, 2020
<b>In service</b>	<b>20,918</b>	-	<b>1,682</b>	<b>(2,050)</b>	<b>20,550</b>
Temporary easements	8,159	-	-	(316)	7,843
Paid concessions	6,560	-	-	(340)	6,220
Others	6,199	-	1,682	(1,394)	6,487
<b>Under construction</b>	<b>7,342</b>	<b>1,072</b>	<b>(1,682)</b>	-	<b>6,732</b>
Assets in progress	7,342	1,072	(1,682)	-	6,732
<b>Total</b>	<b>28,260</b>	<b>1,072</b>	-	<b>(2,050)</b>	<b>27,282</b>

Parent Company	Balance at Dec. 31, 2018	Addition	Capitalization / Transfer	Amortization	Balance at June 30, 2019
<b>In service</b>	<b>24,267</b>	-	<b>612</b>	<b>(2,166)</b>	<b>22,713</b>
Temporary easements	8,787	-	-	(337)	8,450
Paid concessions	7,239	-	-	(340)	6,899
Others	8,241	-	612	(1,489)	7,364
<b>Under construction</b>	<b>6,448</b>	<b>924</b>	<b>(612)</b>	-	<b>6,760</b>
Assets in progress	6,448	924	(612)	-	6,760
<b>Total</b>	<b>30,715</b>	<b>924</b>	-	<b>(2,166)</b>	<b>29,473</b>

Taking into account the useful life of the related assets, the average annual of the Company and its subsidiaries amortization rate is 19.96%.

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.

On December 31, 2019, the Company recognized an impairment loss for the intangible asset related to the right of authorization for wind power generation granted to the subsidiary Volta do Rio, in the amount of R\$21,684, recorded in "Other expenses" in the income statement. The test of impairment of intangible assets, relating to the authorization for wind power generation granted to Volta do Rio, arises from non-achievement of the operational performance expected in 2019 for the wind generation assets of the subsidiary.

On June 30, 2020, due to continuing operational performance lower than expectations, an impairment test was carried out on the intangible assets related to the authorization for wind generation of the Volta do Rio plant, resulting in the recognition of an impairment of R\$8,459, recognized in 'Other expenses' in the statement of income.

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.

## 16. LEASING TRANSACTIONS

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

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

The Company and its subsidiaries have elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option (short-term leases), and lease contracts for which the underlying asset is of low value (low-value assets). Thus, these leasing agreements are recognized as an expense in the income statement on the straight-line basis, over the period of the leasing. Their effects on net income from January to June 2020 were immaterial.

The discount rates were obtained by reference to the Company's incremental borrowing rate, based on the debts contracted by the Company and through quotations with potential financial institutions.

### a) Right of use assets

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

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

Consolidated	Real estate property	Vehicles	Total
<b>Balances on December 31, 2018</b>	-	-	-
Initial adoption on January 1, 2019	44,823	16,379	61,202
Addition	10,348	-	10,348
Amortization	(5,149)	(2,983)	(8,132)
<b>Balances on June 30, 2019</b>	<b>50,022</b>	<b>13,396</b>	<b>63,418</b>
<b>Balances on December 31, 2019</b>	<b>42,260</b>	<b>10,724</b>	<b>52,984</b>
Settled (closed contracts)	(173)	-	(173)
Amortization (1)	(3,572)	(3,068)	(6,640)
<b>Balances on June 30, 2020</b>	<b>38,515</b>	<b>7,656</b>	<b>46,171</b>

Parent Company	Real estate property	Vehicles	Total
<b>Balances on December 31, 2018</b>	-	-	-
Initial adoption on January 1, 2019	44,735	14,810	59,545
Addition	10,348	-	10,348
Amortization	(5,142)	(2,722)	(7,864)
<b>Balances on June 30, 2019</b>	<b>49,941</b>	<b>12,088</b>	<b>62,029</b>
<b>Balances on December 31, 2019</b>	<b>41,903</b>	<b>9,678</b>	<b>51,581</b>
Amortization (1)	(3,561)	(2,807)	(6,368)
<b>Balances on June 30, 2020</b>	<b>38,342</b>	<b>6,871</b>	<b>45,213</b>

(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, in the amounts of R\$324 and R\$323, for the consolidated and individual financial statements, respectively.

## b) Lease liabilities

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

The changes in the lease liabilities are as follows:

	Consolidated	Parent Company
<b>Balances at December 31, 2018</b>	-	-
First adoption on January 1, 2019 (1)	61,202	59,545
Addition	10,348	10,348
Interest incurred	3,740	3,660
Payment of lease liability	(11,426)	(11,112)
<b>Balances at June 30, 2019</b>	<b>63,864</b>	<b>62,441</b>
<b>Balances at December 31, 2019</b>	<b>55,059</b>	<b>53,599</b>
Settled (closed contracts)	(174)	-
Accrued interest (2)	2,863	2,804
Payment of principal portion of lease liability	(8,806)	(8,491)
Payment of interest	(213)	(208)
<b>Balances at June 30, 2020</b>	<b>48,729</b>	<b>47,704</b>
<b>Current liabilities</b>	<b>13,769</b>	<b>13,163</b>
<b>Non-current liabilities</b>	<b>34,960</b>	<b>34,541</b>

(1) The Company's marginal borrowing rate applied to the lease liability recognized in the Statement of financial position on the date of the initial application varied between 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 quotation obtained from financial institutions, these being a function of the Company's credit risk, and market conditions on the date of contracting.

(2) Financial revenues recognized in the Interim Financial Information are net of incorporation of the credits for PIS, Pasep and Cofins taxes on payments of rentals, in the amounts of R\$186 and R\$185, for the consolidated and individual financial statements, respectively

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	134,646	48,729	133,446	47,704
Potential PIS/Pasep and Cofins the rate of 9.25%	11,526	3,671	11,504	3,658



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

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

	Consolidated (Nominal)	Parent Company (Nominal)
2020	8,442	8,121
2021	10,152	9,513
2022	5,039	5,009
2023	5,027	5,000
2024	5,022	4,998
2025 a 2045	100,964	100,805
<b>Undiscounted values</b>	<b>134,646</b>	<b>133,446</b>
Embedded interest	(85,917)	(85,742)
<b>Lease liabilities</b>	<b>48,729</b>	<b>47,704</b>

## 17. SUPPLIERS

	Consolidated		Parent Company	
	Jun. 30, 2020	Dec. 31, 2019	Jun. 30, 2020	Dec. 31, 2019
Wholesale supply, and transport of supply	335,986	354,570	329,785	344,248
Materials and services	41,986	67,742	28,674	52,069
	<b>377,972</b>	<b>422,312</b>	<b>358,459</b>	<b>396,317</b>

## 18. TAXES

	Consolidated		Parent Company	
	Jun. 30, 2020	Dec. 31, 2019	Jun. 30, 2020	Dec. 31, 2019
<b>Current</b>				
ICMS (value added) tax	15,060	15,410	11,705	11,723
Pasep tax	17,598	4,371	14,092	2,973
Cofins tax	80,025	18,945	64,988	13,630
Social security contributions	15,400	5,340	14,091	4,378
ISS tax on services	1,245	1,893	976	1,430
Others	8,100	5,289	7,679	4,874
	<b>137,428</b>	<b>51,248</b>	<b>113,531</b>	<b>39,008</b>
<b>Non-current</b>				
Pasep tax	23	52	10	10
Cofins tax	121	300	62	62
	<b>144</b>	<b>352</b>	<b>72</b>	<b>72</b>
	<b>137,572</b>	<b>51,600</b>	<b>113,603</b>	<b>39,080</b>

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

## 19. LOANS, FINANCING AND DEBENTURES

Financing source	Principal maturity	Annual financing cost	Currency	Consolidated – June 30, 2020			Consolidated – December 31, 2019
				Current	Non-current	Total	
<b>FOREIGN CURRENCY</b>							
Eurobonds	2024	9.25%	USD	62,075	8,214,000	8,276,075	6,091,742
(-) Transaction costs				-	(17,201)	(17,201)	(18,656)
(+/-) Funds advanced (1)				-	(27,742)	(27,742)	(30,040)
<b>Debt in foreign currency</b>				<b>62,075</b>	<b>8,169,057</b>	<b>8,231,132</b>	<b>6,043,046</b>
<b>BRAZILIAN CURRENCY</b>							
Pipoca Consortium	2020	IPCA	R\$	-	-	-	185
Caixa Econômica Federal (2)	2021	TJLP + 2.50%	R\$	62,785	-	62,785	60,516
Caixa Econômica Federal (3)	2022	TJLP + 2.50%	R\$	122,125	-	122,125	117,710
<b>Debt in Brazilian currency</b>				<b>184,910</b>	<b>-</b>	<b>184,910</b>	<b>178,411</b>
<b>Total of loans and financings</b>				<b>246,985</b>	<b>8,169,057</b>	<b>8,416,042</b>	<b>6,221,457</b>
Debtentures – 3rd Issue, 3rd Series	2022	IPCA + 6.20%	R\$	357,560	352,839	710,399	1,087,989
Debtentures – 6th Issue, 2nd series	2020	IPCA + 8.07%	R\$	18,054	-	18,054	17,292
Debtentures – 7th Issue, Single series (4)	2021	140.00% of CDI	R\$	288,947	144,342	433,289	578,067
(-) Transaction costs				(8,988)	(4,508)	(13,496)	(18,022)
<b>Total, debtentures</b>				<b>655,573</b>	<b>492,673</b>	<b>1,148,246</b>	<b>1,665,326</b>
<b>Overall total</b>				<b>902,558</b>	<b>8,661,730</b>	<b>9,564,288</b>	<b>7,886,783</b>

- (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.

Financing source	Principal maturity	Annual financing cost	Currency	Parent Company – June 30, 2020			Parent Company – December 31, 2019
				Current	Non-current	Total	
<b>FOREIGN CURRENCY</b>							
Eurobonds	2024	9.25%	USD	62,075	8,214,000	8,276,075	6,091,742
(-) Transaction costs				-	(17,201)	(17,201)	(18,656)
(+/-) Funds advanced (1)				-	(27,742)	(27,742)	(30,040)
<b>Debt in foreign currency</b>				<b>62,075</b>	<b>8,169,057</b>	<b>8,231,132</b>	<b>6,043,046</b>
<b>BRAZILIAN CURRENCY</b>							
Pipoca Consortium	2020	IPCA	R\$	-	-	-	185
<b>Debt in Brazilian currency</b>				<b>-</b>	<b>-</b>	<b>-</b>	<b>185</b>
<b>Total of loans and financings</b>				<b>62,075</b>	<b>8,169,057</b>	<b>8,231,132</b>	<b>6,043,231</b>
Debtentures – 3rd Issue, 3rd Series	2022	IPCA + 6.20%	R\$	357,560	352,839	710,399	1,087,989
Debtentures – 6th Issue, 2nd series	2020	IPCA + 8.07%	R\$	18,054	-	18,054	17,292
Debtentures – 7th Issue, Single series (2)	2021	140.00% of CDI	R\$	288,947	144,342	433,289	578,067
(-) Transaction costs				(8,988)	(4,508)	(13,496)	(18,022)
<b>Total, debtentures</b>				<b>655,573</b>	<b>492,673</b>	<b>1,148,246</b>	<b>1,665,326</b>
<b>Overall total</b>				<b>717,648</b>	<b>8,661,730</b>	<b>9,379,378</b>	<b>7,708,557</b>

- (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 on December 2021.

The debtentures issued by the Company are non-convertible, there are no agreements for renegotiation, nor debtentures 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 composition of loans, financing and debentures, by currency and index, with the respective amortization, is as follows:

Consolidated	2020	2021	2022	2023	2024	Total
<b>Currency</b>						
US dollar	62,075	-	-	-	8,214,000	8,276,075
<b>Total, currency-denominated</b>	<b>62,075</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>8,214,000</b>	<b>8,276,075</b>
<b>Indexers</b>						
IPCA (1)	33,153	342,461	352,839	-	-	728,453
CDI (2)	144,602	288,687	-	-	-	433,289
TJLP (3)	184,910	-	-	-	-	184,910
<b>Total, governed by indexers</b>	<b>362,665</b>	<b>631,148</b>	<b>352,839</b>	<b>-</b>	<b>-</b>	<b>1,346,652</b>
(-) Transaction costs	(8,961)	(4,507)	(28)	-	(17,201)	(30,697)
(+/-) Funds advanced	-	-	-	-	(27,742)	(27,742)
<b>Overall total</b>	<b>415,779</b>	<b>626,641</b>	<b>352,811</b>	<b>-</b>	<b>8,169,057</b>	<b>9,564,288</b>

(1) IPCA ('Expanded Consumer Price') Inflation Index.

(2) CDI: Interbank Certificates of Deposit.

(3) Long-Term Interest Rate – TJLP.

Parent Company	2020	2021	2022	2023	2024	Total
<b>Currency</b>						
US dollar	62,075	-	-	-	8,214,000	8,276,075
<b>Total, currency-denominated</b>	<b>62,075</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>8,214,000</b>	<b>8,276,075</b>
<b>Indexers</b>						
IPCA (1)	33,153	342,461	352,839	-	-	728,453
CDI (2)	144,602	288,687	-	-	-	433,289
<b>Total, governed by indexers</b>	<b>177,755</b>	<b>631,148</b>	<b>352,839</b>	<b>-</b>	<b>-</b>	<b>1,161,742</b>
(-) Transaction costs	(8,961)	(4,507)	(28)	-	(17,201)	(30,697)
(+/-) Funds advanced	-	-	-	-	(27,742)	(27,742)
<b>Overall total</b>	<b>230,869</b>	<b>626,641</b>	<b>352,811</b>	<b>-</b>	<b>8,169,057</b>	<b>9,379,378</b>

(1) IPCA ('Expanded Consumer Price') Inflation Index.

(2) CDI: Interbank Certificates of Deposit

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

Currency	Accumulated change in the first half of 2020, %	Accumulated change in the first half of 2019, %	Indexer	Accumulated change in the first half of 2020, %	Accumulated change in the first half of 2019, %
Dólar Norte-Americano	35.86	(1.10)	IPCA	0.10	2.22
			CDI	1.76	3.10
			TJLP	(11.31)	(10.32)

Currency	Accumulated change in 2Q20, %	Accumulated change in 2Q19, %	Indexer	Accumulated change in 2Q20, %	Accumulated change in 2Q19, %
Dólar Norte-Americano	5.33	(1.66)	IPCA	(0.43)	1.46
			CDI	0.74	1.54
			TJLP	(2.95)	(10.95)

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

	Consolidated	Parent Company
<b>Balances on December 31, 2018</b>	<b>8,198,912</b>	<b>8,035,545</b>
Monetary updating	30,353	26,960
Foreign exchange variations	(63,904)	(63,904)
Financial costs recorded	398,641	394,309
Amortization of transaction cost	5,784	5,784
Financial charges paid	(430,614)	(430,614)
Amortization of financings	(319,927)	(319,927)
<b>Balances on June 30, 2019</b>	<b>7,819,245</b>	<b>7,648,153</b>
<b>Balances on December 31, 2019</b>	<b>7,886,783</b>	<b>7,708,557</b>
Monetary updating	13,000	7,452
Foreign exchange variations	2,167,950	2,167,950
Financial costs recorded	473,701	472,565
Amortization of transaction costs (1)	5,982	5,982
Financial charges paid	(494,208)	(494,208)
Amortization of financings	(488,920)	(488,920)
<b>Balances on June 30, 2020</b>	<b>9,564,288</b>	<b>9,379,378</b>

(1) Withholding income tax on remittance of interest on Eurobonds, in the amount of R\$65,668, was offset against PIS/Pasep and Cofins credits.

## Guarantees

The Company's debtor balances on loans and financings guaranteed by the parent company, Cemig on June 30, 2020 were as follows:

	June 30, 2020
Surety guarantees	8,959,529
Receivables	184,910
Shares	419,849
<b>TOTAL</b>	<b>9,564,288</b>

### a) Restrictive covenants

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

Security	Covenant	Ratio required – Cemig GT	Ratio required --- Cemig (guarantor)	Compliance required
7th debenture issue (1)	Net debt / (Ebitda + Dividends received)	The following, or less: 3.0 in 2020 2.5 in 2021	Ratio to be the following, or less: 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 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 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	Debt servicing coverage index	1.20 or more	-	Annual (during amortization)
	Equity / Total liabilities	20.61% (Parajuru); 20.63% (Volta do Rio)	-	Always
Parajuru and Volta do Rio (3)	Share capital subscribed in investee / Total investments made in the project financed	20.61% (Parajuru); 20.63% (Volta do Rio)	-	Always

(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 July 2020.

The covenants remain in compliance as of June 30, 2020, 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\$57,550 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.

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 28.

## 20. REGULATORY CHARGES

	Consolidated		Parent Company	
	Jun. 30, 2020	Dec. 31, 2019	Jun. 30, 2020	Dec. 31, 2019
<b>Liabilities</b>				
Global reversion reserve (RGR)	12,055	5,949	9,098	3,100
Royalties for use of water resources ('CFURH')	7,394	9,767	3,972	6,951
Energy development account (CDE)	55,147	58,327	55,147	58,327
Electricity services inspection charge (TFSEE)	998	999	808	809
Proinfra – alternative energy program	6,434	8,353	6,434	8,353
National scientific and technological development fund (FNDCT)	953	1,503	598	1,106
Research and development	135,648	128,248	124,478	118,283
Energy system expansion research	645	937	438	692
	<b>219,274</b>	<b>214,083</b>	<b>200,973</b>	<b>197,621</b>
<b>Current liabilities</b>	<b>164,231</b>	<b>168,785</b>	<b>153,895</b>	<b>157,638</b>
<b>Non-current liabilities</b>	<b>55,043</b>	<b>45,298</b>	<b>47,078</b>	<b>39,983</b>

## 21. POST-EMPLOYMENT OBLIGATIONS

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, 2018	456,211	515,889	10,374	94,372	1,076,846
Expense recognized in Statement of income	20,697	24,505	499	4,529	50,230
Contributions paid	(21,866)	(13,208)	(294)	(1,280)	(36,648)
Net liabilities at June 30, 2019	455,042	527,186	10,579	97,621	1,090,428
Net liabilities at December 31, 2019	623,240	672,996	12,850	125,801	1,434,887
Expense recognized in Statement of income	21,660	25,827	509	4,905	52,901
Contributions paid	(13,066)	(14,491)	(311)	(1,167)	(29,035)
Net liabilities at June 30, 2020	631,834	684,332	13,048	129,539	1,458,753
				Jun. 30, 2020	Dec. 31, 2019
Current liabilities				67,850	62,550
Non-current liabilities				1,390,903	1,372,337

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

The amounts reported as 'Expense recognized in the Statement of income' refer to the costs of post-employment obligations, totaling R\$47,979 for the six-month periods ended June 30, 2020 (R\$42,631 for the six-month periods ended June 30, 2019), plus the finance expenses and monetary updating on the debt with Forluz, in the amounts of R\$4,922 for the six-month periods ended June 30, 2020 (R\$7,599 for the six-month period ended June 30, 2019).

### Debt with the pension fund (Forluz)

On June 30, 2020 the Company has recognized an obligation for past actuarial deficits relating to the pension fund in the amount of R\$124,867 (R\$128,172 on December 31, 2019). This amount has been recognized as an obligation payable, and will be amortized until June of 2024, through monthly installments calculated by the system of constant installments (known as the 'Price' table), and adjusted by the IPCA (Expanded National Customer Price) inflation index (published by the Brazilian Geography and Statistics Institute – IBGE) plus 6% per year. The Company is required to pay this debt even if Forluz has a surplus, thus, the Company maintain recorded the debt in full and record the effects of monetary updating and interest in finance income (expenses) in the Statement of income.

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

Forluz and the sponsors Cemig, Cemig GT and Cemig D have signed a Debt Assumption Instrument to cover the deficit of Plan A for the years of 2015, 2016 and 2017. On June 30, 2020 the total amount payable by the Company was R\$121,490 (R\$124,499 on December 31, 2019 referring to the Plan A deficits of 2015, 2016 and 2017). The contracts were entered into in May 2017, March 2018 and April 2019, for the deficits, respectively, of 2015, 2016 and 2017. The monthly amortizations, calculated by the constant installments system (Price Table), will be paid up to 2031 for the 2015 and 2016 deficits, in the amount of R\$81,522, and up to 2033 for the 2017 deficit, in the amount of R\$39,968. Remuneratory interest applicable to the outstanding balance is 6% p.a., plus the effect of the IPCA. If the plan reaches actuarial surplus before the full period of amortization of the debt, also Company will not be required to pay the remaining installments and the contract will be extinguished.

## 22. PROVISIONS

Company and its subsidiaries are involved in certain legal and administrative proceedings at various courts and government bodies, arising in the normal course of business, regarding employment-law, civil, tax, environmental and regulatory matters, and other issues.

### Actions in which the Company and its subsidiaries are defendant

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	Dec. 31, 2019	Additions	Settled	Jun. 30, 2020
Employment-law cases	69,043	8,409	(4,783)	72,669
Civil cases	182	6	-	188
Tax	285,940	5,053	(40)	290,953
Regulatory	3,004	167	-	3,171
Environmental	54	2	-	56
Others	42,234	2,538	(168)	44,604
<b>Total</b>	<b>400,457</b>	<b>16,175</b>	<b>(4,991)</b>	<b>411,641</b>

Consolidated	Dec. 31, 2018	Additions	Reversals	Settled	Jun. 30, 2019
Employment-law cases	54,901	12,631	(1,450)	(4,536)	61,546
Civil cases	168	81	-	(73)	176
Tax	2,874	29	(749)	(30)	2,124
Regulatory	2,521	1,224	-	(919)	2,826
Environmental	48	3	-	-	51
Others	38,196	2,882	(697)	(113)	40,268
<b>Total</b>	<b>98,708</b>	<b>16,850</b>	<b>(2,896)</b>	<b>(5,671)</b>	<b>106,991</b>

Parent Company	Dec. 31, 2019	Additions	Settled	Jun. 30, 2020
Employment-law cases	69,044	8,409	(4,784)	72,669
Civil cases	182	6	-	188
Tax	285,903	5,053	(28)	290,928
Regulatory	3,004	167	-	3,171
Others	42,072	2,537	(167)	44,442
<b>Total</b>	<b>400,205</b>	<b>16,172</b>	<b>(4,979)</b>	<b>411,398</b>

Parent Company	Dec. 31, 2018	Additions	Reversals	Settled	Jun. 30, 2019
Employment-law cases	54,035	12,631	(589)	(4,537)	61,540
Civil cases	168	81	-	(73)	176
Tax	2,874	29	(749)	(30)	2,124
Regulatory	2,521	1,224	-	(919)	2,826
Others	38,195	2,719	(697)	(112)	40,105
<b>Total</b>	<b>97,793</b>	<b>16,684</b>	<b>(2,035)</b>	<b>(5,671)</b>	<b>106,771</b>

The Company and its subsidiaries', 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 these interim financial information in relation to the timing of any cash outflows, or any possibility of reimbursements.

The Company and its subsidiaries' believes that any disbursements in excess of the amounts provisioned, when the respective claims are completed, will not significantly affect the Company and its subsidiaries' result of operations or financial position.

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

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

#### Labor claims

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\$163,886 (R\$163,224 on December 31, 2019), of which R\$71,366 (R\$68,007 on December 31, 2019) has been recorded – the amount estimated as probably necessary for settlement of these disputes.

#### *Alteration of the monetary updating index of employment-law cases*

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



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\$7,317 (R\$7,163 at December 31, 2019), of which R\$1,303 (R\$1,036 on December 31, 2019) has been provisioned upon assessment by the Company of the effects of the decision of the Regional Employment-Law Appeal Court of the third region (TRT3) in May 2019, on the subject of the joint judgment published by the TST, in the cases for which the chances of loss have been classified as 'probable' and which are at execution phase. No additional provision has been made, since the Company, based on the assessment by its legal advisers, has assessed the chances of loss in the action as 'possible', as a result of the decision by the Federal Supreme Court, and of there being no established case law, nor analysis by legal writers, on the subject, after the injunction given by the Federal Supreme Court.

## Tax

### *Social Security contributions on profit sharing payments*

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

The amount of the contingencies is approximately R\$348,104 (R\$341,988 on December 31, 2019), of which R\$288,885 (R\$283,861 on December 31, 2019) has been provisioned, this being the estimate of the probable amount of funds, on June 30, 2020, 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\$66,608 (R\$61,482 on December 31, 2019), of which R\$2,068 (R\$2,079 on December 31, 2019) 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\$40,738 (R\$31,302 on December 31, 2019), of which R\$3,171 (R\$3,004 on December 31, 2019) has been recorded – the amount estimated as probably necessary for settlement of these disputes.

## 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\$130,264 (R\$148,475 on December 31, 2019), of which R\$44,848 (R\$42,470 on December 31, 2019) has been recorded. 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 and Social Security contributions on this 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 obtained an injection, which permitted to make an escrow deposit of R\$28,716 which updated now represents the amount of R\$67,029 (R\$66,483 on December 31, 2019). The updated amount of the contingency is R\$68,982 (R\$68,137 on December 31, 2019) and, based on the arguments above, management has classified the chance of loss as 'possible'.

### *Social Security contributions*

The Brazilian federal tax authority (*Secretaria da Receita Federal*) has filed administrative proceedings related to various matters: the Workers' Food Program (*Programa de Alimentação do Trabalhador*, or PAT); education benefit; food benefit; Special Additional Retirement payment; overtime payments; hazardous occupation payments; matters related to Sest/Senat (transport workers' support programs); and fines for non-compliance with accessory obligations. The Company has presented defenses and await judgment. The amount of the contingency is approximately R\$18,005 (R\$17,747 on December 31, 2019). Management has classified the chance of loss as 'possible', also taking into account assessment of the chance of loss in the judicial sphere, (the claims mentioned are in the administrative sphere), based on the evaluation of the claims and the related case law.

### *Non-homologation of offsetting of tax credit*

The federal tax authority did not ratify the Company declared offsetting, in Corporate income tax returns, of carry-forwards and undue or excess payment of federal taxes – IRPJ, CSLL, PIS/Pasep and Cofins – identified by official tax deposit receipts ('DARFs' and 'DCTFs'). The Company is contesting the non-homologation of the amounts offset. The amount of the contingency is R\$78,499 (R\$80,249 on December 31, 2019) and the chance of loss was classified as 'possible', since the relevant requirements of the National Tax Code (CTN) have been complied with.

### *The social contribution tax on net 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\$84,795 (R\$83,344 on December 31, 2019). The Company has classified the chances of loss as 'possible', in accordance with the analysis of the case law on the subject.

### Regulatory matters

#### *Accounting of energy sale transactions on the Power Trading Chamber (CCEE)*

In a claim dating from August 2002, AES Sul Distribuidora challenged in the court the criteria for accounting of energy sale transactions in the wholesale energy market (*Mercado Atacadista de Energia*, or MAE), predecessor of the present Power 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\$357,167 (R\$343,469 on December 31, 2019). 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 Energy Sector, in which the Company has the full documentation to support its arguments.

## Environmental issues

### *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. In May 2020, the Federal Supreme Court decided that the State Rule that requires electricity concession holders to invest a portion of their revenue in protection and preservation of water resources is unconstitutional, because it is an undue intervention by the State in the concession contract for generating water from water courses, which is an activity for which the Federal Government has the competency. As a result of this decision, the Company has classified the chance of loss as ‘remote’. The amount involved in the dispute on June 30, 2020, is R\$173,020 (R\$165,299 on December 31, 2019).

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\$99,027 (R\$95,215 on December 31, 2019).

### *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\$46,869 (R\$42,799 on December 31, 2019). No provision has been made, since based on the opinion of its legal advisers management has classified the chance of loss as ‘possible’.

## 23. EQUITY AND REMUNERATION TO SHAREHOLDERS

### a) Share capital

On June 30, 2020 and December 31, 2019 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).

### b) 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:

	Jan to Jun 2020	Jan to Jun 2019	Apr to Jun 2020	Apr to Jun 2019
Number of shares	2,896,785,358	2,896,785,358	2,896,785,358	2,896,785,358
Net income for the period, R\$'000	364,974	925,713	369,011	342,497
Profit per share – Basic and diluted – in R\$	<u>0.13</u>	<u>0.32</u>	<u>0.13</u>	<u>0.12</u>

The put option of investments described in Note 28 could potentially dilute basic profit per share in the future; however, they have not caused dilution of profit per share in the periods presented here.

### Share capital increase

The Annual General Meeting, held on July 31, 2020, approved the proposal for allocation of net income for 2019, as presented in the Company's financial statements for 2019, which included the increase of the registered share capital from R\$2,600,000 to R\$4,000,000, as per Article 199 of the Brazilian Corporate Law of 1976 (Law 6,404/1976), as the profit reserves, with the exclusion of the Tax Incentive reserves, exceed the registered share capital by R\$113,360.

## 24. 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	
	Jan to Jun 2020	Jan to Jun 2019	Jan to Jun 2020	Jan to Jun 2019
Total revenue from supply of energy – with taxes (a)	3,440,383	3,423,710	3,126,255	3,067,168
Transmission revenue – with taxes (b)	524,649	336,060	526,952	337,976
Revenue from updating of the concession grant fee (c)	146,412	176,151	-	-
Construction revenue (d)	74,044	82,989	74,044	82,989
Transactions on CCEE (e)	31,598	404,037	29,362	392,118
Transmission indemnity revenue (f)	316,218	90,420	316,218	90,420
Contractual reimbursements	-	64,640	-	64,640
Recovery of PIS/Pasep and Cofins taxes credits over ICMS (note 8a)	-	424,403	-	408,612
Other operating revenues (g)	70,265	91,748	38,633	41,070
Sector / regulatory charges – Deductions from revenue (h)	(813,875)	(896,585)	(734,257)	(806,913)
	<b>3,789,694</b>	<b>4,197,573</b>	<b>3,377,207</b>	<b>3,678,080</b>

	Consolidated		Parent Company	
	Apr to Jun 2020	Apr to Jun 2019	Apr to Jun 2020	Apr to Jun 2019
Total revenue from supply of energy – with taxes (a)	1,548,549	1,693,260	1,395,771	1,514,141
Transmission revenue – with taxes (b)	353,035	172,904	354,186	173,861
Revenue from updating of the concession grant fee (c)	46,520	95,363	-	-
Construction revenue (d)	26,846	54,902	26,846	54,902
Transactions on CCEE (e)	7,074	144,821	20,257	150,229
Transmission indemnity revenue (f)	259,680	57,921	259,680	57,921
Contractual reimbursements	-	2,064	-	2,064
Recovery of PIS/Pasep and Cofins taxes credits over ICMS (note 8a)	-	424,403	-	408,612
Other operating revenues (g)	35,821	44,355	19,394	18,182
Sector / regulatory charges – Deductions from revenue (h)	(379,497)	(447,296)	(343,227)	(401,431)
	<b>1,898,028</b>	<b>2,242,697</b>	<b>1,732,907</b>	<b>1,978,481</b>

### (a) Revenue from energy supply

This table shows energy supply by type of customer:

	Consolidated				Parent Company			
	Jan to Jun 2020		Jan to Jun 2019		Jan to Jun 2020		Jan to Jun 2019	
	MWh (1)	R\$	MWh (1)	R\$	MWh (1)	R\$	MWh (1)	R\$
Industrial	5,704,120	1,367,439	6,557,653	1,493,622	5,106,620	1,280,495	5,793,177	1,366,804
Commercial	2,281,528	478,277	2,001,876	425,165	2,272,966	474,007	1,985,884	418,896
Rural	8,238	2,126	1,029	261	8,238	2,126	1,029	261
<b>Subtotal</b>	<b>7,993,886</b>	<b>1,847,842</b>	<b>8,560,558</b>	<b>1,919,048</b>	<b>7,387,824</b>	<b>1,756,628</b>	<b>7,780,090</b>	<b>1,785,961</b>
Net unbilled retail supply	-	(49,144)	-	30,274	-	(58,154)	-	25,200
	<b>7,993,886</b>	<b>1,798,698</b>	<b>8,560,558</b>	<b>1,949,322</b>	<b>7,387,824</b>	<b>1,698,474</b>	<b>7,780,090</b>	<b>1,811,161</b>
Wholesale supply to other concession holders (2)	6,690,190	1,626,054	5,563,323	1,493,358	6,421,175	1,401,938	5,391,263	1,278,004
Wholesale supply unbilled, net	-	15,631	-	(18,970)	-	25,843	-	(21,997)
	<b>14,684,076</b>	<b>3,440,383</b>	<b>14,123,881</b>	<b>3,423,710</b>	<b>13,808,999</b>	<b>3,126,255</b>	<b>13,171,353</b>	<b>3,067,168</b>

	Consolidated				Parent Company			
	Apr to Jun 2020		Apr to Jun 2019		Apr to Jun 2020		Apr to Jun 2019	
	MWh (1)	R\$	MWh (1)	R\$	MWh (1)	R\$	MWh (1)	R\$
Industrial	2,698,768	647,609	3,326,304	768,521	2,407,221	605,899	2,920,604	699,481
Commercial	1,095,954	233,236	1,082,661	221,814	1,093,930	231,573	1,074,733	218,619
Rural	4,590	1,183	525	135	4,590	1,183	525	135
<b>Subtotal</b>	<b>3,799,312</b>	<b>882,028</b>	<b>4,409,490</b>	<b>990,470</b>	<b>3,505,741</b>	<b>838,655</b>	<b>3,995,862</b>	<b>918,235</b>
Net unbilled retail supply	-	(45,190)	-	5,842	-	(43,458)	-	1,500
	<b>3,799,312</b>	<b>836,838</b>	<b>4,409,490</b>	<b>996,312</b>	<b>3,505,741</b>	<b>795,197</b>	<b>3,995,862</b>	<b>919,735</b>
Wholesale supply to other concession holders (2)	3,433,905	745,261	2,454,621	659,182	3,265,576	634,442	2,384,281	555,706
Wholesale supply unbilled, net	-	(33,550)	-	37,766	-	(33,868)	-	38,700
	<b>7,233,217</b>	<b>1,548,549</b>	<b>6,864,111</b>	<b>1,693,260</b>	<b>6,771,317</b>	<b>1,395,771</b>	<b>6,380,143</b>	<b>1,514,141</b>

(1) Information in MWh has not been reviewed 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 amount received from agents of the energy sector for operation and maintenance of transmission lines of the national grid, in the form of the Permitted Annual Revenue (Receita Anual Permitida, or RAP), plus an adjustment for expectation of cash flow arising from the variation in the fair value of the Remuneration Assets Base, in the amount of (R\$3,153) for the six-month periods ended June 30, 2020 (R\$7,834 for the six-month periods ended June 30, 2019).

In addition, as a consequence of the Tariff Periodic Reset, the Remuneration Base was remeasured resulting in an increase of R\$198,714 in the Company's income. More details in Note 12.

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\$5,537 on June 30, 2020 (R\$5,254 on June 30, 2019).

### **(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. More details in Note 11.

### **(d) Construction revenue**

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

### **(e) Revenue from power supply transactions on the CCEE (Power 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**

Corresponded to updating, by the IPCA index, of the balance of transmission indemnity receivable. More details in Notes 11 and 12.

As a result of the Tariff Periodic Reset, the Company recognized a positive adjustment of R\$231,126 in its income statement, of which R\$10,183 corresponds to the portion classified as a financial asset, and R\$220,943 corresponds to the assets reincorporated into the assets remuneration base. More details in Note 12.

### (g) Deductions on revenue

	Consolidated		Parent Company	
	Jan to Jun 2020	Jan to Jun 2019	Jan to Jun 2020	Jan to Jun 2019
<b>Taxes on revenue</b>				
ICMS tax	272,317	294,464	244,692	259,078
Cofins tax	290,880	333,256	263,211	300,686
PIS and Pasep taxes	63,377	73,511	57,144	65,280
ISS tax on services	2,917	3,409	1,294	1,386
	<b>629,491</b>	<b>704,640</b>	<b>566,341</b>	<b>626,430</b>
<b>Charges to the customer</b>				
Global Reversion Reserve (RGR)	7,651	8,737	6,581	7,670
Energy Development Account (CDE)	113,587	116,301	113,587	116,301
Proinfra Program	17,739	26,329	17,739	26,329
Research and Development (P&D)	6,867	7,603	5,525	6,161
National Scientific and Technological Development Fund (FNDCT)	6,867	7,603	5,525	6,161
Energy System Expansion Research (EPE)	3,433	3,801	2,763	3,079
Electricity Services Inspection Charge (TFSEE)	5,689	5,059	4,549	3,948
Royalties for use of water resources (CFURH)	22,551	16,512	11,647	10,834
	<b>184,384</b>	<b>191,945</b>	<b>167,916</b>	<b>180,483</b>
	<b>813,875</b>	<b>896,585</b>	<b>734,257</b>	<b>806,913</b>

	Consolidated		Parent Company	
	Apr to Jun 2020	Apr to Jun 2019	Apr to Jun 2020	Apr to Jun 2019
<b>Taxes on revenue</b>				
ICMS tax	129,389	153,722	115,795	134,225
Cofins tax	130,741	158,620	119,357	141,803
PIS and Pasep taxes	28,383	34,438	25,913	30,786
ISS tax on services	1,390	1,631	619	592
	<b>289,903</b>	<b>348,411</b>	<b>261,684</b>	<b>307,406</b>
<b>Charges to the customer</b>				
Global Reversion Reserve (RGR)	3,877	4,185	3,347	3,746
Energy Development Account (CDE)	56,016	64,520	56,016	64,520
Proinfra Program	10,023	13,024	10,023	13,024
Research and Development (P&D)	2,369	3,246	1,733	2,547
National Scientific and Technological Development Fund (FNDCT)	2,369	3,246	1,733	2,547
Energy System Expansion Research (EPE)	1,184	1,622	868	1,272
Electricity Services Inspection Charge (TFSEE)	2,843	2,529	2,272	1,974
Royalties for use of water resources (CFURH)	10,913	6,513	5,551	4,395
	<b>89,594</b>	<b>98,885</b>	<b>81,543</b>	<b>94,025</b>
	<b>379,497</b>	<b>447,296</b>	<b>343,227</b>	<b>401,431</b>



## 25. OPERATING COSTS AND EXPENSES

	Consolidated		Parent Company	
	Jan to Jun 2020	Jan to Jun 2019	Jan to Jun 2020	Jan to Jun 2019
Personnel (1) (a)	155,531	168,274	149,536	157,700
Employee profit shares	8,037	42,331	7,990	42,282
Post-employment obligation (recovery of expense) (note 21)	47,979	42,631	47,979	42,631
Materials	6,166	10,155	4,026	7,683
Outsourced services (b)	69,754	78,649	50,048	59,075
Depreciation and amortization (1)	104,175	113,935	74,617	79,310
Provisions (c)	55,272	743,008	42,993	735,079
Charges for use of the national grid	98,288	92,253	72,320	67,052
Energy bought for resale (d)	1,785,145	1,699,161	1,780,952	1,696,797
Transmission infrastructure construction cost (e)	74,044	82,989	74,044	82,989
Other operating expenses, net (f)	40,008	18,165	25,652	16,878
	<b>2,444,399</b>	<b>3,091,551</b>	<b>2,330,157</b>	<b>2,987,476</b>

(1) Net of PIS/Pasep and Cofins taxes applicable to amortization of the Right of Use, in the amount of R\$324 in the consolidated statements and R\$323 in the Parent company statements.

	Consolidated		Parent Company	
	Apr to Jun 2020	Apr to Jun 2019	Apr to Jun 2020	Apr to Jun 2019
Personnel (1)	80,483	77,669	76,232	71,669
Employee profit shares	1,838	27,042	1,815	27,053
Post-employment obligation (recovery of expense)	25,452	20,963	25,452	20,963
Materials	3,017	4,646	1,800	2,767
Outsourced services (b)	34,852	44,171	24,569	33,116
Depreciation and amortization	51,736	66,813	37,206	40,434
Provisions (c)	23,992	712,897	11,761	712,047
Charges for use of the national grid	48,854	46,168	35,775	33,806
Energy bought for resale (d)	871,396	916,241	867,560	920,250
Transmission infrastructure construction cost (e)	26,846	54,902	26,846	54,902
Other operating expenses, net (f)	31,559	11,020	18,625	9,203
	<b>1,200,025</b>	<b>1,982,532</b>	<b>1,127,641</b>	<b>1,926,210</b>

(1) Net of PIS/Pasep and Cofins taxes applicable to amortization of the Right of Use, in the amount of R\$160 in the consolidated statements and the Parent company statements.

### a) Personnel

#### 2020 Programmed Voluntary Retirement Plan ('PDVP')

On April 2020, the Company approved the Programmed Voluntary Retirement Plan for 2020 ('the 2020 PDVP'). Those eligible – any employees who had worked with the Company for 25 years or more by December 31, 2020 – are able to join from May 4 to 22, 2020. The program will pay the standard legal payments for severance, 50% of the period of notice, an amount equal to 20% of the Base Value of the employee's FGTS fund, an additional premium equal to 50% of the period of notice plus 20% of the Base Value of the employee's FGTS fund, as well as the other payments under the legislation. The total costs on voluntary retirement plans were R\$11,348, corresponding to acceptance by 61 employees.

In March, 2019, has been appropriated as expense, including severance payments, a total of R\$5,854 (42 employees).

## b) Outsourced services

	Consolidated		Parent Company	
	Jan to Jun 2020	Jan to Jun 2019	Jan to Jun 2020	Jan to Jun 2019
Communication	1,343	1,745	1,094	1,471
Maintenance and conservation of electrical facilities and equipment	19,137	18,900	8,442	10,877
Building conservation and cleaning	12,278	13,606	9,852	10,315
Contracted labor	1,525	2,291	1,512	671
Freight and airfares	487	1,223	486	1,221
Accommodation and meals	1,051	1,703	1,028	1,692
Security services	3,530	3,877	2,270	2,660
Consultancy	2,249	2,463	1,959	2,270
Maintenance and conservation of furniture and utensils	381	446	288	364
Information technology	6,708	4,774	5,577	4,113
Maintenance and conservation of vehicles	172	181	149	148
Energy	2,166	1,893	1,825	1,615
Environment services	3,733	5,980	2,877	4,204
Cleaning of power line pathways	1,772	2,048	1,772	2,036
Printing and images	1,270	596	731	498
Legal services and procedural costs	1,736	2,473	1,555	2,366
Others	10,216	14,450	8,631	12,554
	<b>69,754</b>	<b>78,649</b>	<b>50,048</b>	<b>59,075</b>

	Consolidated		Parent Company	
	Apr to Jun 2020	Apr to Jun 2019	Apr to Jun 2020	Apr to Jun 2019
Communication	439	801	344	644
Maintenance and conservation of electrical facilities and equipment	10,293	12,450	4,440	6,772
Building conservation and cleaning	6,185	6,576	4,994	4,985
Contracted labor	860	535	854	305
Freight and airfares	83	627	83	625
Accommodation and meals	319	937	307	931
Security services	1,733	2,021	1,169	1,381
Consultancy	1,208	1,548	1,047	1,447
Maintenance and conservation of furniture and utensils	184	201	139	163
Information technology	2,785	4,244	2,340	3,661
Maintenance and conservation of vehicles	82	118	76	96
Energy	951	896	791	746
Environment services	1,768	2,695	1,286	1,780
Cleaning of power line pathways	1,220	949	1,220	938
Printing and images	964	352	487	297
Legal services and procedural costs	1,219	886	1,082	814
Others	4,559	8,335	3,910	7,531
	<b>34,852</b>	<b>44,171</b>	<b>24,569</b>	<b>33,116</b>

## c) Operating provisions (reversals)

	Consolidated		Parent Company	
	Jan to Jun 2020	Jan to Jun 2019	Jan to Jun 2020	Jan to Jun 2019
Provision for doubtful receivables (note 7)	16,297	19,077	4,021	10,453
Estimated losses on doubtful accounts receivable from related parties (note 27) (1)	-	688,031	-	688,031
Contingency provisions (reversals) (note 27)				
Employment-law cases	8,409	11,181	8,409	12,042
Civil cases	6	81	6	81
Tax	5,053	(720)	5,053	(720)
Regulatory	167	1,224	167	1,224
Environmental	2	3	-	-
Others	2,538	2,185	2,537	2,022
	16,175	13,954	16,172	14,649
	<b>32,472</b>	<b>721,062</b>	<b>20,193</b>	<b>713,133</b>
Change in fair value of derivative instruments				
Put option – SAAG (note 28)	22,800	21,946	22,800	21,946
	<b>55,272</b>	<b>743,008</b>	<b>42,993</b>	<b>735,079</b>

(1) Estimated losses on amounts receivable from Renova, as a result of the assessment of credit risk.

	Consolidated		Parent Company	
	Apr to Jun 2020	Apr to Jun 2019	Apr to Jun 2020	Apr to Jun 2019
Provision for doubtful receivables (note 7)	12,754	2,379	478	1,686
Estimated losses on doubtful accounts receivable from related parties (note 27) (1)	-	688,031	-	688,031
Contingency provisions (reversals) (note 27)				
Employment-law cases	5,763	10,014	5,808	10,022
Civil cases	1	77	1	77
Tax	2,463	(384)	2,464	(384)
Regulatory	62	213	62	213
Environmental	-	2	-	-
Others	961	1,627	960	1,464
	9,250	11,549	9,295	11,392
	<b>22,004</b>	<b>701,959</b>	<b>9,773</b>	<b>701,109</b>
Change in fair value of derivative instruments				
Put option – SAAG (note 28)	1,988	10,938	1,988	10,938
	<b>23,992</b>	<b>712,897</b>	<b>11,761</b>	<b>712,047</b>

(1) Estimated losses on amounts receivable from Renova, as a result of the assessment of credit risk.

#### d) Energy bought for resale

	Consolidated		Parent Company	
	Jan to Jun 2020	Jan to Jun 2019	Jan to Jun 2020	Jan to Jun 2019
Spot market – CCEE	215,980	26,324	212,995	21,794
Acquired in free market	1,743,809	1,838,169	1,742,145	1,839,648
PIS/Pasep and Cofins credits	(174,644)	(165,332)	(174,188)	(164,645)
	<b>1,785,145</b>	<b>1,699,161</b>	<b>1,780,952</b>	<b>1,696,797</b>

	Consolidated		Parent Company	
	Apr to Jun 2020	Apr to Jun 2019	Apr to Jun 2020	Apr to Jun 2019
Spot market – CCEE	55,732	31,637	52,464	28,404
Acquired in free market	900,703	1,006,355	899,845	1,007,834
PIS/Pasep and Cofins credits	(85,039)	(121,751)	(84,749)	(115,988)
	<b>871,396</b>	<b>916,241</b>	<b>867,560</b>	<b>920,250</b>

#### e) Transmission infrastructure construction cost

	Consolidated		Parent Company	
	Jan to Jun 2020	Jan to Jun 2019	Jan to Jun 2020	Jan to Jun 2019
Personnel	3,266	4,058	3,266	4,058
Materials	51,649	48,076	51,649	48,076
Outsourced services	19,084	30,840	19,084	30,840
Other	45	15	45	15
	<b>74,044</b>	<b>82,989</b>	<b>74,044</b>	<b>82,989</b>

	Consolidated		Parent Company	
	Apr to Jun 2020	Apr to Jun 2019	Apr to Jun 2020	Apr to Jun 2019
Personnel	2,063	2,259	2,063	2,259
Materials	19,081	31,392	19,081	31,392
Outsourced services	5,653	21,248	5,653	21,248
Other	49	3	49	3
	<b>26,846</b>	<b>54,902</b>	<b>26,846</b>	<b>54,902</b>

## f) Other operating costs and expenses

	Consolidated		Parent Company	
	Jan to Jun 2020	Jan to Jun 2019	Jan to Jun 2020	Jan to Jun 2019
Leasing and rentals (1)	2,085	1,936	1,177	1,547
Advertising	467	432	467	432
Subsidies and donations	112	966	112	920
Paid concessions	1,387	1,287	1,382	1,287
Taxes (IPTU, IPVA and others)	941	1,393	790	1,114
CCEE annual charge	1,371	1,457	1,349	1,456
Insurance	6,071	2,444	5,049	1,728
Loss (gain) on deactivation and disposal of assets	79	2,770	79	2,770
Impairment of transmission contract asset (note 12)	11,175	-	11,175	-
Forluz – Administrative running cost	3,285	3,104	3,284	3,104
Adjustment for impairment of Investments (note 13)	8,459	-	-	-
Other (recovery of expenses)	4,576	2,376	788	2,520
	<b>40,008</b>	<b>18,165</b>	<b>25,652</b>	<b>16,878</b>

	Consolidated		Parent Company	
	Apr to Jun 2020	Apr to Jun 2019	Apr to Jun 2020	Apr to Jun 2019
Leasing and rentals (1)	976	87	515	(167)
Advertising	305	107	306	107
Paid concessions	707	659	704	659
Taxes (IPTU, IPVA and others)	616	870	551	843
CCEE annual charge	699	686	677	686
Insurance	2,935	1,228	2,430	776
Loss (gain) on deactivation and disposal of assets	140	871	140	871
Impairment of transmission contract asset (note 12)	11,175	-	11,175	-
Forluz – Administrative running cost	1,667	1,614	1,666	1,615
Adjustment for impairment of Investments (note 13)	8,459	-	-	-
Other (recovery of expenses)	3,880	4,898	461	3,813
	<b>31,559</b>	<b>11,020</b>	<b>18,625</b>	<b>9,203</b>

- (1) The amounts related to leasing and rentals are recognized in accordance with CPC 06 (R2) /IFRS 16, as well as short-term leases and leases for which the underlying asset is of low value.

## 26. FINANCE INCOME AND EXPENSES

	Consolidated		Parent Company	
	Jan to Jun 2020	Jan to Jun 2019	Jan to Jun 2020	Jan to Jun 2019
<b>FINANCE INCOME</b>				
Income from cash investments	15,375	21,165	8,991	8,814
Arrears fees on sale of energy	4,840	11,553	1,742	3,016
Monetary updating	4,984	8,680	3,038	8,464
Monetary updating on escrow deposits	2,541	5,761	2,446	5,503
Foreign exchange variations – loans and financings (note 19)	-	63,904	-	63,904
Gains on financial instruments – swap (note 28)	1,800,960	613,394	1,800,960	613,394
Borrowing costs paid by related parties	2,680	45,979	-	45,979
Monetary updating on PIS/Pasep and Cofins taxes credits over ICMS (note 8a)	7,859	241,415	7,549	231,551
Others	16,334	12,517	15,919	11,806
Pasep and Cofins taxes on financial revenues	(430)	(10,171)	(1,845)	(9,629)
	<b>1,855,143</b>	<b>1,014,197</b>	<b>1,838,800</b>	<b>982,802</b>
<b>DESPESAS FINANCEIRAS</b>				
Costs of loans, financings and debentures (note 19)	(473,701)	(398,641)	(472,565)	(394,309)
Amortization of transaction cost (note 19)	(5,982)	(5,784)	(5,982)	(5,784)
Monetary updating – Forluz	(4,922)	(7,599)	(4,922)	(7,599)
Inflation adjustment – Loans, financings and debentures (note 19)	(13,000)	(30,353)	(7,452)	(26,960)
Monetary updating	(4,585)	(5,472)	(3,868)	(5,270)
FX variation from loans and financings (note 19)	(2,167,950)	-	(2,167,950)	-
Leasing – Inflation adjustment (note 16)	(2,677)	(3,740)	(2,619)	(3,660)
Others	(5,701)	(3,762)	(845)	(1,725)
	<b>(2,678,518)</b>	<b>(455,351)</b>	<b>(2,666,203)</b>	<b>(445,307)</b>
<b>NET FINANCE INCOME (EXPENSES)</b>	<b>(823,375)</b>	<b>558,846</b>	<b>(827,403)</b>	<b>537,495</b>

	Consolidated		Parent Company	
	Apr to Jun 2020	Apr to Jun 2019	Apr to Jun 2020	Apr to Jun 2019
<b>FINANCE INCOME</b>				
Income from cash investments	8,095	12,393	5,448	4,792
Arrears fees on sale of energy	2,794	5,855	1,012	1,472
Monetary updating	2,860	5,127	914	4,918
Inflation adjustment – Loans, financings and debentures	4,018	-	6,779	-
Monetary updating on escrow deposits	1,029	2,740	1,004	2,605
Foreign exchange variations – loans and financings	-	96,751	-	96,751
Gains on financial instruments – swap	486,720	461,083	486,720	461,083
Borrowing costs paid by related parties	2,680	23,315	-	23,315
Monetary updating on PIS/Pasep and Cofins taxes credits over ICMS	3,557	241,415	3,417	231,551
Others	4,806	9,891	4,800	9,675
Pasep and Cofins taxes on financial revenues	733	(8,269)	(771)	(7,918)
	<b>517,292</b>	<b>850,301</b>	<b>509,323</b>	<b>828,244</b>
<b>DESPESAS FINANCEIRAS</b>				
Costs of loans, financings and debentures	(224,291)	(200,177)	(223,711)	(195,845)
Amortization of transaction cost	(2,995)	(2,907)	(2,995)	(2,907)
Monetary updating – Forluz	(999)	(4,153)	(999)	(4,153)
Inflation adjustment – Loans, financings and debentures	-	(12,899)	-	(13,612)
Monetary updating	(2,212)	(2,729)	(2,020)	(2,626)
FX variation from loans and financings	(415,950)	-	(415,950)	-
Leasing – Inflation adjustment	(1,313)	(2,023)	(1,286)	(1,984)
Others	(3,234)	(1,207)	(442)	(577)
	<b>(650,994)</b>	<b>(226,095)</b>	<b>(647,403)</b>	<b>(221,704)</b>
<b>NET FINANCE INCOME (EXPENSES)</b>	<b>(133,702)</b>	<b>624,206</b>	<b>(138,080)</b>	<b>606,540</b>

## 27. RELATED PARTY TRANSACTIONS

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

COMPANY	ASSETS		LIABILITIES		REVENUE		EXPENSES	
	Jun. 30, 2020	Dec. 31, 2019	Jun. 30, 2020	Dec. 31, 2019	Jan to Jun 2020	Jan to Jun 2019	Jan to Jun 2020	Jan to Jun 2019
<b>CEMIG</b>								
<b>Current</b>								
Provision of service	-	-	-	-	-	936	-	-
Interest on Equity, and dividends	-	-	781,769	781,769	-	-	-	-
<b>Non-current</b>								
Loans with related parties (1)	-	-	-	-	-	14,847	-	-
<b>Jointly-controlled entity</b>								
<b>Madeira Energia</b>								
<b>Current</b>								
Transactions in energy (2)	2,174	5,745	90,277	57,860	13,014	33,087	(450,420)	(331,154)
<b>Aliança Geração</b>								
<b>Current</b>								
Transactions in energy (2)	-	-	7,270	6,002	266	249	(39,782)	(38,016)
Provision of service	314	626	-	-	2,198	4,728	-	-
Interest on Equity, and dividends	-	103,033	-	-	-	-	-	-
Contingencies (3)	-	-	32,088	32,088	-	-	-	-
<b>Norte Energia</b>								
<b>Current</b>								
Transactions in energy (2)	2,445	-	-	-	13,859	9,199	-	-
Advance for future power supply (4)	20,150	40,081	-	-	-	-	(19,931)	-
<b>Baguari Energia</b>								
<b>Current</b>								
Provision of service (5)	211	-	-	-	559	466	-	-
Interest on Equity, and dividends	10,640	-	-	-	-	-	-	-
<b>Lightger</b>								
<b>Current</b>								
Transactions in energy (2)	-	-	2,154	1,541	-	-	(11,599)	(9,178)
Interest on Equity, and dividends	1,729	-	-	-	-	-	-	-
<b>Retiro Baixo</b>								
<b>Current</b>								
Interest on Equity, and dividends	6,474	6,474	-	-	-	-	-	-
<b>Hidrelétrica Pipoca</b>								
<b>Current</b>								
Transactions in energy (2)	-	-	1,816	1,387	-	-	(9,582)	(8,047)
<b>Hidrelétrica Cachoeirão</b>								
<b>Current</b>								
Interest on Equity, and dividends	7,349	2,536	-	-	-	-	-	-
<b>Renova</b>								
<b>Non-current</b>								
Accounts receivable (6)	-	-	-	-	-	93,708	-	688,031
<b>Light</b>								
<b>Current</b>								
Transactions in energy (2)	336	312	-	1,206	31,425	30,860	-	(2,394)
<b>Taesa</b>								
<b>Current</b>								
Transactions in energy (2)	-	-	1,137	1,255	-	-	(6,238)	(6,781)
Provision of service (5)	174	170	-	-	295	299	-	-
<b>Hidrelétrica Itaocara</b>								
<b>Current</b>								
Adjustment for losses (7)	-	-	22,153	21,809	-	-	-	-
<b>Other related parties</b>								
<b>Cemig Distribuição</b>								
<b>Current</b>								
Cooperation Working Agreement (8)	791	1,669	-	-	791	4,058	-	-
Transactions in energy (2)	25,941	29,655	931	507	139,475	128,005	(13,357)	(12,683)
<b>FIC Pampulha</b>								
<b>Current</b>								
Cash and cash equivalents	203,855	18,282	-	-	-	-	-	-
Marketable securities	1,033,203	372,601	-	-	8,680	5,201	-	-
<b>Non-current</b>								
Marketable Securities	79,182	916	-	-	-	-	-	-
<b>Forluz</b>								
<b>Current</b>								
Post-employment obligations (9)	-	-	37,807	32,775	-	-	(21,660)	(20,697)
Supplementary pension contributions – Defined contribution plan (10)	-	-	-	-	-	-	(9,524)	(10,240)

COMPANY	ASSETS		LIABILITIES		REVENUE		EXPENSES	
	Jun. 30, 2020	Dec. 31, 2019	Jun. 30, 2020	Dec. 31, 2019	Jan to Jun 2020	Jan to Jun 2019	Jan to Jun 2020	Jan to Jun 2019
Administrative running costs (11)	-	-	-	-	-	-	(3,284)	(3,104)
Operating leasing (12)	36,853	40,125	6,764	9,479	-	-	(5,674)	(7,686)
<b>Non-current</b>								
Post-employment obligations (9)	-	-	594,027	590,465	-	-	-	-
Operating leasing (12)	-	-	32,027	32,124	-	-	-	-
<b>Cemig Saúde</b>								
<b>Current</b>								
Health Plan and Dental Plan (13)	-	-	30,969	29,422	-	-	(26,336)	(25,004)
<b>Non-current</b>								
Health Plan and Dental Plan (13)	-	-	666,411	656,424	-	510,018	-	-

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

- 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 was augmented by interest at 125.52% of the CDI rate. On July, 2019 there was full settlement of the loan.
- 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).
- 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;
- 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. Until June 30, 2020, the amount of energy delivered represents R\$19,931. On June 30, 2020, the advance remaining amount is R\$20,150. There is no financial updating of the contract.
- Refers to a contract to provide plant operation and maintenance services.
- As mentioned in Note 13(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\$688,031.
- A liability was recognized corresponding to the Company's interest in the share capital of Hidrelétrica Itaocara, due to its negative equity (more details in Note 13).
- 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.
- 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 (more details in Note 21).
- The Company's contributions to the pension fund for the employees participating in the Mixed Plan, and calculated on the monthly remuneration, in accordance with the regulations of the Fund.
- Funds for annual current administrative costs of the Pension Fund in accordance with the specific legislation of the sector. The amounts are estimated as a percentage of the Company's payroll.
- Rental of the Company's administrative head offices, in effect 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. Cemig is still negotiating with Forluz the returning of the remaining leased floors of Aureliano Chaves building, aiming at balancing the headquarters leasing costs to Cemig's budgeting.
- Post-employment obligations relating to the employees' health and dental plan (more details in Note 21).

## Dividends receivable

Dividends receivable	Consolidated		Parent Company	
	Jun. 30, 2020	Dec. 31, 2019	Jun. 30, 2020	Dec. 31, 2019
Sá Carvalho S.A.	-	-	17,424	-
Cemig Geração Três Marias S.A.	-	-	2,624	-
Cemig Geração Itutinga S.A.	-	-	7,823	-
Cemig Geração Camargos S.A.	-	-	2,078	-
Cemig Geração Sul S.A.	-	-	7,248	-
Cemig Geração Leste S.A.	-	-	6,927	-
Cemig Geração Oeste S.A.	-	-	903	-
Horizontes Energia S.A.	-	-	1,853	-
Rosal Energia S.A.	-	-	12,035	-
Cemig PCH S.A.	-	-	6,197	-
Empresa de Serviços de Comercialização de Energia Elétrica S.A.	-	-	138	-
Cemig Geração Poço Fundo S.A. (1)	-	-	294	294
Cemig Comercializadora de Energia Incentivada S.A.	-	-	791	-
Cemig Trading S.A.	-	-	255	-
Aliança Geração de Energia S.A.	-	103,033	-	103,033
Others	26,192	9,010	26,192	9,010
	<b>26,192</b>	<b>112,043</b>	<b>92,782</b>	<b>112,337</b>

(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

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 on June 30, 2020 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	June 30, 2020			December 31, 2019		
				Cemig GT 19.81%	Other subsidiaries 11.79%	Total (consolidated) 31.59%	Cemig GT 5.16%	Other subsidiaries 9.86%	Total (consolidated) 15.02%
Gasmig	Promissory note	107.00% of CDI	25/09/2020	2,045	1,217	3,262	523	998	1,521
				<u>2,045</u>	<u>1,217</u>	<u>3,262</u>	<u>523</u>	<u>998</u>	<u>1,521</u>

## Remuneration of key management personnel

The total costs of key personnel comprising the Executive Board, the Fiscal Council, the Audit Committee and the Board of Directors are within the limits approved at a General Shareholders' Meeting, and the effects on the interim financial information of the six-month periods ended June 30, 2020 and June 30, 2019, are as follows:

	Jan to Jun 2020	Jan to Jun 2019
Remuneration	1,373	1,577
Profit shares	351	542
Assistance benefits	96	177
	<u>1,820</u>	<u>2,296</u>



## 28. 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	June 30, 2020		December 31, 2019	
		Balance	Fair value	Balance	Fair value
<b>Assets</b>					
<b>Amortized cost (1)</b>					
Marketable securities	2	244,567	244,567	46,727	46,727
Customers and traders concession holders (transmission service)	2	935,366	935,366	1,135,038	1,135,038
Restricted cash	2	14,866	14,866	11,059	11,059
Escrow deposits	2	168,755	168,755	364,277	364,277
Concession grant fee – Generation concessions	3	2,482,994	2,482,994	2,468,216	2,468,216
Reimbursements receivable – Transmission	3	1,265,445	1,265,445	1,280,652	1,280,652
		<b>5,111,993</b>	<b>5,111,993</b>	<b>5,305,969</b>	<b>5,305,969</b>
<b>Fair value through profit or loss</b>					
Cash equivalents – Investments	2	244,434	244,434	202,964	202,964
<b>Marketable securities</b>					
Financial notes (LF's) – Banks	2	607,890	607,890	279,547	279,547
Treasury financial notes (LFT's)	1	260,004	260,004	47,268	47,268
Debentures	2	-	-	52	52
		<b>1,112,328</b>	<b>1,112,328</b>	<b>529,831</b>	<b>529,831</b>
Derivative financial instruments (swaps)	3	3,281,491	3,281,491	1,690,944	1,690,944
Reimbursements receivable – Generation	3	816,202	816,202	816,202	816,202
		<b>4,097,693</b>	<b>4,097,693</b>	<b>2,507,146</b>	<b>2,507,146</b>
		<b>10,322,014</b>	<b>10,322,014</b>	<b>8,342,946</b>	<b>8,342,946</b>
<b>Liabilities</b>					
<b>Amortized cost (1)</b>					
Loans, financing and debentures	2	(9,564,288)	(9,564,288)	(7,886,783)	(7,886,783)
Debt with pension fund (Forluz)	2	(124,867)	(124,867)	(128,172)	(128,172)
Deficit of pension fund (Forluz)	2	(121,490)	(121,490)	(124,499)	(124,499)
Concessions payable	3	(20,205)	(20,205)	(19,692)	(19,692)
Suppliers	2	(377,972)	(377,972)	(422,312)	(422,312)
Leasing transactions	2	(48,729)	(48,729)	(55,059)	(55,059)
		<b>(10,257,551)</b>	<b>(10,257,551)</b>	<b>(8,636,517)</b>	<b>(8,636,517)</b>
<b>Fair value through profit or loss</b>					
Derivative financial instruments – SAAG Put options	3	(505,641)	(505,641)	(482,841)	(482,841)
		<b>(10,763,192)</b>	<b>(10,763,192)</b>	<b>(9,119,358)</b>	<b>(9,119,358)</b>

(1) On June 30, 2020 and December 31, 2019, the book values of financial instruments reflect their fair values.

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

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

- Level 2. No active market – Valuation technique: For an instrument that does not have an active market, fair value should be found by using a method of valuation/pricing. Criteria such as data on the current fair value of another instrument that is substantially similar, or discounted cash flow analysis or option pricing models, may be used provided that all the material variables are based on observable market data. The objective of the valuation technique is to establish what would be the transaction price on the measurement date in an arm's-length transaction motivated by business model.
- Level 3. No active market – No observable inputs: The fair value of investments in securities for which there are no prices quoted on an active market, and/or of derivatives linked to them which are to be settled by delivery of unquoted securities. Fair value is determined based on generally accepted valuation techniques, such as on discounted cash flow analysis or other valuation techniques such as, for example, New Replacement Value (*Valor novo de reposição*, or VNR).

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*, or VNR), according to criteria established by the Concession-granting power ('Grantor'), based on fair value of the concession assets in service and which will be revertible at the end of the concession, and on the weighted average cost of capital (WACC) defined by the Grantor, which reflects the concession holder's return on the operations of the concession. The VNR and the WACC are public information disclosed by the Grantor and by the Company. Changes in concession financial assets are disclosed in Note 11.

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

Cash investments: Fair value of cash investments is determined taking into consideration the market prices of the investment, or market information that makes such calculation possible, considering future interest 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 rate 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 from the market yield curve.

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, financing 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 renegotiated with Forluz, with annual rates between IPCA + 6.00% to 8.07% and CDI + 0.55% to 1.09%.

## **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 private pension plan in the Investment Structure, updated *pro rata temporis* by the Expanded National Customer Price (IPCA) index published by the IBGE, plus interest at 7% per year, less such dividends and Interest on Equity as shall have been paid by SAAG to the pension plan entities. This option was considered to be a derivative instrument, accounted at fair value through profit and loss.

The Company uses for measurement of the fair value of the SAAG put option the Black-Scholes-Merton ('BSM') model. 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 have its share 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 share of Mesa on June 30, 2020, is ascertained based on free cash flow (FCFE), expressed by equity, in pick-up of to the indirect interests held by the FIPs. Volatility, in turn, is measured as an average of historic volatility (based on the hypothesis that the series of the difference of continuously capitalized returns follows a normal distribution) of comparable companies in the energy generation sector that are traded at Bovespa.

Based on the analysis performed, a liability of R\$505,641 (R\$482,841 on December 31, 2019) was recorded in the Company's interim financial information, for the difference between the exercise price and the estimated fair value of the assets.

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

	Consolidated and Parent
Balance at December 31, 2018	419,148
Adjustment to fair value	21,946
Balance at June 30, 2019	441,094
Balance at December 31, 2019	482,841
Adjustment to fair value	22,800
Balance at June 30, 2020	505,641

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 -0.89% to 3.11% p.a., and for volatility between 0.08 and 0.68 p.a., were used, resulting in estimates of minimum and maximum price for the put option of R\$494,765 and R\$516,740, respectively.

This option can potentially dilute basic earnings per share in the future; however, they have not caused dilution of earnings per share in the years presented here, as shown in Note 23.

### Swap transactions

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

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

The notional amount of derivative transactions is not presented in the statement of financial position, since they refer to transactions that do not require cash as only the gains or losses actually incurred are recorded. The net result of those transactions on June 30, 2020 was a positive adjustment of R\$1,800,960 (positive adjustment of R\$613,394 on June 30, 2019), 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 financial instruments contracted by the Company.

This table presents the derivative instruments contracted by the Company as of June 30, 2020 and December 31, 2019:

Assets (1)	Liability (1)	Maturity period	Trade market	Notional amount (2)	Unrealized gain (loss)		Unrealized gain (loss)	
					Carrying amount Jun. 30, 2020	Fair value Jun. 30, 2020	Carrying amount Dec. 31, 2019	Fair value Dec. 31, 2019
US\$ exchange variation + Rate (9.25% p.y.)	Local currency + R\$ 150.49% of CDI	Interest: Half-yearly Principal: Dec. 2024	Over the counter	US\$1,000,000	1,774,001	2,330,216	813,535	1,235,102
US\$ exchange variation + Rate (9.25% p.y.)	Local currency + R\$ 125.52% of CDI	Interest: Half-yearly Principal: Dec. 2024	Over the counter	US\$500,000	588,717	951,275	108,532	455,842
					<b>2,362,718</b>	<b>3,281,491</b>	<b>922,067</b>	<b>1,690,944</b>
<b>Current</b>						<b>589,555</b>		<b>234,766</b>
<b>Non-current</b>						<b>2,691,936</b>		<b>1,456,178</b>

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

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

The fair value at June 30, 2020 was R\$3,281,491 (R\$1,690,944 on December 31, 2019), which would be the reference if the Company would liquidate the financial instrument on that date, but the swap contracts protect the Company's cash flow up to the maturity of the bonds in 2024 and they have carrying value of R\$2,362,718 at June 30, 2020 (R\$922,067 on December 31, 2019).

The Company is exposed to market risk due to having contracted this hedge, the principal potential impact being a change in future interest rates and/or the future exchange rates. Based on the futures curves for interest rates and dollar, the Company prepare a sensitivity analyses and estimates that in a probable scenario, its results would be affected by the swap and call spread at the end of the period in the amount of R\$1,736,780 for the option (call spread), partially compensated by R\$1,375,980 for the swap – comprising a total of R\$3,112,759.

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

Parent Company and Consolidated	Base scenario June 30, 2020	'Probable' scenario	'Possible' scenario: exchange rate depreciation and interest rate increase 25%	'Remote' scenario: exchange rate depreciation and interest rate increase 50%
Swap, asset	7,356,512	6,942,340	6,044,964	5,188,489
Swap, liability	(5,658,748)	(5,566,361)	(5,652,379)	(5,734,539)
Option / Call spread	1,583,727	1,736,780	1,098,137	396,154
<b>Derivative hedge instrument</b>	<b>3,281,491</b>	<b>3,112,759</b>	<b>1,490,722</b>	<b>(149,896)</b>

The same methods of measuring marked to market of the derivative financial instruments described above were applied to the estimation of fair value.

### c) Financial risk management

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

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

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

#### Interest rate risk

The Company and its subsidiaries were exposed to the risk of reduction in Brazilian interest rates, since it has more assets than liabilities indexed to variation in interest rates:

Exposure to Brazilian domestic interest rates	Consolidated		Parent Company	
	Jun. 30, 2020	Dec. 31, 2019	Jun. 30, 2020	Dec. 31, 2019
<b>Assets</b>				
Cash equivalents (note 5) – CDI rate	244,434	202,964	159,644	133,705
Securities (note 6) – CDI and Selic rates	1,112,461	373,594	697,423	128,490
Restricted cash – CDI	14,866	11,059	13,952	11,019
	<b>1,371,761</b>	<b>587,617</b>	<b>871,019</b>	<b>273,214</b>
<b>Liabilities</b>				
Loans, financings and debentures – CDI rate (note 19)	(433,289)	(578,067)	433,289	578,067
Loans, financings and debentures – TJLP Rate (note 19)	(184,910)	(178,226)	-	-
	<b>(618,199)</b>	<b>(756,293)</b>	<b>433,289</b>	<b>578,067</b>
<b>Net assets (liabilities) exposed</b>	<b>753,562</b>	<b>(168,676)</b>	<b>1,304,308</b>	<b>851,281</b>

#### Sensitivity analysis

The Company and its subsidiaries estimate that in a probable scenario, the Selic rate on June 30, 2021 will be 2.00% and the TJLP rate will be 4.61%. They have made a sensitivity analysis of the effects on profit arising from reductions 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.

Risk: Reduction in Brazilian interest rates – Consolidated	Jun. 30, 2020	Jun. 30, 2021		
	Amount Book value	'Probable' scenario: Selic 2.00% TJLP 4.61%	'Possible' scenario -25% Selic 1.50% TJLP 3.46%	Remote' scenario -50% Selic 1.00% TJLP 2.31%
<b>Assets</b>				
Cash equivalents – Cash investments (note 5)	244,434	249,323	248,101	246,878
Marketable securities (note 6)	1,112,461	1,134,710	1,129,148	1,123,586
Restricted cash	14,866	15,163	15,089	15,015
	<b>1,371,761</b>	<b>1,399,196</b>	<b>1,392,338</b>	<b>1,385,479</b>
<b>Liabilities</b>				
Loans, financings and debentures – CDI rate (note 19)	(433,289)	(441,955)	(439,788)	(437,622)
Loans, financings and debentures – TJLP Rate (note 19)	(184,910)	(193,434)	(191,308)	(189,181)
	<b>(618,199)</b>	<b>(635,389)</b>	<b>(631,096)</b>	<b>(626,803)</b>
<b>Net assets</b>	<b>753,562</b>	<b>763,807</b>	<b>761,242</b>	<b>758,676</b>
<b>Net effect of variation in interest rates</b>		<b>10,245</b>	<b>7,680</b>	<b>5,114</b>

## 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	
	Jun. 30, 2020	Dec. 31, 2019	Jun. 30, 2020	Dec. 31, 2019
<b>Assets</b>				
Generation – Concession grant fee – IPCA (note 11)	2,482,994	2,468,216	-	-
Transmission – Reimbursement receivable – IPCA index (note 11)	1,265,445	1,280,652	1,265,445	1,280,652
	<b>3,748,439</b>	<b>3,748,868</b>	<b>1,265,445</b>	<b>1,280,652</b>
<b>Liabilities</b>				
Loans, financings and debentures – IPCA (note 19)	(728,453)	(1,105,466)	(728,453)	(1,105,466)
Debt agreed with pension fund (Forluz) – (note 21)	(124,867)	(128,172)	(124,867)	(128,172)
Solution for Forluz pension fund deficit (note 21)	(121,490)	(124,499)	(121,490)	(124,499)
	<b>(974,810)</b>	<b>(1,358,137)</b>	<b>(974,810)</b>	<b>(1,358,137)</b>
<b>Net assets (liabilities) exposed</b>	<b>2,773,629</b>	<b>2,390,731</b>	<b>290,635</b>	<b>(77,485)</b>

## Sensitivity analysis

The Company and its subsidiaries estimate that in a probable scenario, the IPCA inflation index on June 30, 2021 will be 3.00%. 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	Jun. 30, 2020	Jun. 30, 2021		
	Book value	'Probable' scenario: IPCA 3.00%	'Possible' scenario - 25% IPCA 2.25%	Remote' scenario - 50% IPCA 1.50%
<b>Assets</b>				
Generation – Concession Grant Fee – IPCA (note 11)	2,482,994	2,557,484	2,538,861	2,520,239
Transmission – Reimbursement receivable – IPCA index (note 11)	1,265,445	1,303,408	1,293,918	1,284,427
	<b>3,748,439</b>	<b>3,860,892</b>	<b>3,832,779</b>	<b>3,804,666</b>
<b>Liabilities</b>				
Loans, financings and debentures – IPCA (note 19)	(728,453)	(750,307)	(744,843)	(739,380)
Debt agreed with pension fund (Forluz) (note 21)	(124,867)	(128,613)	(127,677)	(126,740)
Solution for Forluz pension fund deficit (note 21)	(121,490)	(125,135)	(124,224)	(123,312)
	<b>(974,810)</b>	<b>(1,004,055)</b>	<b>(996,744)</b>	<b>(989,432)</b>
<b>Net assets exposed</b>	<b>2,773,629</b>	<b>2,856,837</b>	<b>2,836,035</b>	<b>2,815,234</b>
<b>Net effect of variation in inflation</b>		<b>83,208</b>	<b>62,406</b>	<b>41,605</b>

## 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			
	Jun. 30, 2020		Dec. 31, 2019	
	Foreign currency	R\$	Foreign currency	R\$
<b>US dollar</b>				
Loans and financings (note 19)	(1,511,336)	(8,276,075)	(1,511,336)	(6,091,742)
<b>Net (liabilities) exposed</b>		<b>(8,276,075)</b>		<b>(6,091,742)</b>

### Sensitivity analysis

The Company estimates that in a probable scenario, on June 30, 2021 the exchange rates of foreign currencies in relation to the Real will be as follows: depreciation in the dollar exchange rate by 8.69%, to R\$5.00/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	Jun. 30, 2020	Jun. 30, 2021		
	Book value	'Probable' scenario Dólar 5.00	'Possible' scenario + 25% Dólar 6.25	Remote' scenario + 25% Dólar 7.50
<b>US dollar</b>				
Loans and financings (note 19)	(8,276,075)	(7,556,679)	(9,445,849)	(11,335,019)
<b>Net liabilities exposed</b>	<b>(8,276,075)</b>	<b>(7,556,679)</b>	<b>(9,445,849)</b>	<b>(11,335,019)</b>
<b>Net effect of exchange rate variation</b>		<b>719,396</b>	<b>(1,169,774)</b>	<b>(3,058,944)</b>

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.

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 risk, applying operational limits for each bank, based on assessments that take into account their ratings, exposures and balance sheet. It also seeks greater returns on investments by strategically investing in securities with longer investment maturities, while bearing in mind the Company's minimum liquidity control requirements.

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

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

Consolidated	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
Financial instruments at (interest rates):						
<b>Floating rates</b>						
Loans, financings and debentures	53,926	70,908	1,543,222	8,784,832	-	10,452,888
Onerous concessions	234	462	2,021	9,060	12,515	24,292
Debt agreed with pension fund (Forluz)	2,718	5,445	24,897	105,835	-	138,895
Solution for deficit of pension fund (Forluz)	1,212	2,431	28,180	47,523	130,853	210,199
	<b>58,090</b>	<b>79,246</b>	<b>1,598,320</b>	<b>8,947,250</b>	<b>143,368</b>	<b>10,826,274</b>
<b>Fixed rate</b>						
Suppliers	374,298	3,621	53	-	-	377,972
	<b>432,388</b>	<b>82,867</b>	<b>1,598,373</b>	<b>8,947,250</b>	<b>143,368</b>	<b>11,204,246</b>

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):						
<b>Floating rates</b>						
Loans, financings and debentures	43,425	49,820	1,447,632	8,721,963	-	10,262,840
Onerous concessions	234	462	2,021	9,060	12,515	24,292
Debt agreed with pension fund (Forluz)	2,718	5,445	24,897	105,835	-	138,895
Solution for deficit of pension fund (Forluz)	1,212	2,431	28,180	47,523	130,853	210,199
	<b>47,589</b>	<b>58,158</b>	<b>1,502,730</b>	<b>8,884,381</b>	<b>143,368</b>	<b>10,636,226</b>
<b>Fixed rate</b>						
Suppliers	357,708	743	8	-	-	358,459
	<b>405,297</b>	<b>58,901</b>	<b>1,502,738</b>	<b>8,884,381</b>	<b>143,368</b>	<b>10,994,685</b>

## 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 June 30, 2020, considered to be adequate in relation to the credits receivable and in arrears, was R\$63,484.

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

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

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

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

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

Group	Equity	Limit per bank (% of equity) (1)
Federal Risk (FR)	-	10%
A1	Over R\$3.5 billion	Between 6% and 9%
A2	R\$1.0 billion to R\$3.5 billion	Between 5% and 8%
A3	R\$400 million to R\$1.0 billion	Between 0% 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.

The Company also sets two concentration limits:

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

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

The Company's assessment concerning the risks and potential impacts of Covid-19 are disclosed in Note 1.1..

## 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. Non-compliance with these covenants could result in earlier maturity of debts.

On June 30, 2020 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 19.

## d) Capital management

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

	Consolidated		Parent Company	
	Jun. 30, 2020	Dec. 31, 2019	Jun. 30, 2020	Dec. 31, 2019
Total liabilities	14,342,395	12,526,851	13,939,311	12,103,086
Cash and cash equivalents (note 5)	(248,567)	(211,608)	(160,665)	(136,208)
Market securities (note 6)	(1,033,279)	(372,678)	(647,784)	(128,175)
<b>Net liabilities</b>	<b>13,060,549</b>	<b>11,942,565</b>	<b>13,130,862</b>	<b>11,838,703</b>
<b>Total equity</b>	<b>5,501,175</b>	<b>5,136,201</b>	<b>5,501,175</b>	<b>5,136,201</b>
<b>Net liabilities / equity</b>	<b>2.37</b>	<b>2.40</b>	<b>2.39</b>	<b>2.33</b>

## 29. OPERATING SEGMENTS

The operating segments of the Company and its subsidiaries 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 six-month periods ended June 30, 2020 and June 30, 2019:

	Jan to Jun 2020			
	Generation	Transmission	Trading	Total
<b>ASSETS</b>	<b>16,393,583</b>	<b>3,341,214</b>	<b>108,773</b>	<b>19,843,570</b>
<b>INVESTMENTS IN AFFILIATES AND JOINTLY-CONTROLLED ENTITIES</b>	<b>4,020,667</b>	<b>-</b>	<b>-</b>	<b>4,020,667</b>
<b>ADDITIONS TO THE SEGMENT</b>	<b>64,372</b>	<b>74,044</b>	<b>-</b>	<b>138,416</b>
<b>NET REVENUE</b>	<b>2,994,897</b>	<b>747,481</b>	<b>47,316</b>	<b>3,789,694</b>
<b>ENERGY COSTS</b>				
Charges for use of the national grid	(98,288)	-	-	(98,288)
Energy bought for resale	(1,785,145)	-	-	(1,785,145)
	<b>(1,883,433)</b>	<b>-</b>	<b>-</b>	<b>(1,883,433)</b>
<b>OPERATING COSTS AND EXPENSES</b>				
Personnel	(96,634)	(58,803)	(94)	(155,531)
Employee profit shares	(5,048)	(2,989)	-	(8,037)
Post-employment liabilities	(25,746)	(22,233)	-	(47,979)
Materials	(4,296)	(1,870)	-	(6,166)
Outsourced services	(50,225)	(19,408)	(121)	(69,754)
Depreciation and amortization	(101,627)	(2,548)	-	(104,175)
Provisions	(37,305)	(17,967)	-	(55,272)
Transmission infrastructure construction cost	-	(74,044)	-	(74,044)
Other operating costs and expenses, net	(33,877)	(6,122)	(9)	(40,008)
	<b>(354,758)</b>	<b>(205,984)</b>	<b>(224)</b>	<b>(560,966)</b>
<b>TOTAL COSTS AND EXPENSES</b>	<b>(2,238,191)</b>	<b>(205,984)</b>	<b>(224)</b>	<b>(2,444,399)</b>
Share of profit (loss) of associates and joint ventures, net	(2,395)	-	-	(2,395)
<b>Operating profit before Finance income (expenses)</b>	<b>754,311</b>	<b>541,497</b>	<b>47,092</b>	<b>1,342,900</b>
Finance income	1,676,616	176,178	2,349	1,855,143
Finance expenses	(2,418,034)	(260,481)	(3)	(2,678,518)
<b>Profit before income tax and social contribution tax</b>	<b>12,893</b>	<b>457,194</b>	<b>49,438</b>	<b>519,525</b>
Income tax and social contribution tax	(4,803)	(143,632)	(6,116)	(154,551)
<b>NET INCOME FOR THE PERIOD</b>	<b>8,090</b>	<b>313,562</b>	<b>43,322</b>	<b>364,974</b>

	Jan to Jun 2019			
	Generation	Transmission	Trading	Total
<b>ASSETS (1)</b>	<b>14,721,374</b>	<b>2,875,681</b>	<b>65,997</b>	<b>17,663,052</b>
<b>INVESTMENTS IN AFFILIATES AND JOINTLY-CONTROLLED ENTITIES (1)</b>	<b>4,041,565</b>	<b>-</b>	<b>-</b>	<b>4,041,565</b>
<b>ADDITIONS TO THE SEGMENT</b>	<b>56,139</b>	<b>82,989</b>	<b>-</b>	<b>139,128</b>
<b>NET REVENUE</b>	<b>3,804,656</b>	<b>329,457</b>	<b>63,460</b>	<b>4,197,573</b>
<b>ENERGY COSTS</b>				
Charges for use of the national grid	(92,253)	-	-	(92,253)
Energy bought for resale	(1,699,161)	-	-	(1,699,161)
	<b>(1,791,414)</b>	<b>-</b>	<b>-</b>	<b>(1,791,414)</b>
<b>OPERATING COSTS AND EXPENSES</b>				
Personnel	(108,064)	(60,092)	(118)	(168,274)
Employee profit shares	(24,743)	(17,588)	-	(42,331)
Post-employment liabilities	(24,447)	(18,184)	-	(42,631)
Materials	(8,020)	(2,135)	-	(10,155)
Outsourced services	(58,087)	(20,422)	(140)	(78,649)
Depreciation and amortization	(111,236)	(2,699)	-	(113,935)
Provisions	(733,227)	(9,781)	-	(743,008)
Transmission infrastructure construction cost	-	(82,989)	-	(82,989)
Other operating costs and expenses, net	(10,605)	(7,550)	(10)	(18,165)
	<b>(1,078,429)</b>	<b>(221,440)</b>	<b>(268)</b>	<b>(1,300,137)</b>
<b>TOTAL COSTS AND EXPENSES</b>	<b>(2,869,843)</b>	<b>(221,440)</b>	<b>(268)</b>	<b>(3,091,551)</b>
Share of profit (loss) of associates and joint ventures, net	8,753	-	-	8,753
<b>Operating profit before Finance income (expenses)</b>	<b>943,566</b>	<b>108,017</b>	<b>63,192</b>	<b>1,114,775</b>
Finance income	946,388	65,550	2,259	1,014,197
Finance expenses	(409,415)	(45,928)	(8)	(455,351)
<b>Profit before income tax and social contribution tax</b>	<b>1,480,539</b>	<b>127,639</b>	<b>65,443</b>	<b>1,673,621</b>
Income tax and social contribution tax	(680,745)	(59,037)	(8,126)	(747,908)
<b>NET INCOME FOR THE PERIOD</b>	<b>799,794</b>	<b>68,602</b>	<b>57,317</b>	<b>925,713</b>

(1) Balances at December 31, 2019.

The revenue of the Company and its subsidiaries for the six-month periods ended June 30, 2020 and June 30, 2019 breaks down by segment as follows:

	Jan to Jun 2020			
	Generation	Transmission	Trading	Total
Total revenue from supply of energy – with taxes	3,440,383	-	-	3,440,383
Transmission revenue – with taxes	-	524,649	-	524,649
Revenue from updating of the concession grant fee	146,412	-	-	146,412
Construction revenue	-	74,044	-	74,044
Transactions in energy on the CCEE	31,598	-	-	31,598
Transmission indemnity revenue	-	316,218	-	316,218
Other operating revenues	3,471	16,001	50,793	70,265
Sector / regulatory charges – Deductions from revenue	(626,967)	(183,431)	(3,477)	(813,875)
<b>Net operating revenue</b>	<b>2,994,897</b>	<b>747,481</b>	<b>47,316</b>	<b>3,789,694</b>

	Jan to Jun 2019			
	Generation	Transmission	Trading	Total
Total revenue from supply of energy – with taxes	3,423,710	-	-	3,423,710
Transmission revenue – with taxes	-	336,060	-	336,060
Revenue from updating of the concession grant fee	176,151	-	-	176,151
Construction revenue	-	82,989	-	82,989
Transactions in energy on the CCEE	404,037	-	-	404,037
Transmission indemnity revenue	-	90,420	-	90,420
Contractual reimbursements	64,640	-	-	64,640
PIS/Pasep and Cofins credits	424,403	-	-	424,403
Other operating revenues	10,795	12,998	67,955	91,748
Sector / regulatory charges – Deductions from revenue	(699,080)	(193,010)	(4,495)	(896,585)
<b>Net operating revenue</b>	<b>3,804,656</b>	<b>329,457</b>	<b>63,460</b>	<b>4,197,573</b>

Details of operating revenue are in Note 24.

## CONSOLIDATED RESULTS

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

### Net income for the period

The Company reports a net income of R\$364,974 in first half of 2020, which compares with its net income of R\$925,713 in the same period of 2019.

This variation in Company's income was due, mainly, to the recognition, in the first half of 2019, of PIS/Pasep and Cofins taxes credits over ICMS, in the amount of R\$424,403 (see note n. 8), and the negative result arising from the debt in foreign currency (Eurobonds) and its corresponding hedge instrument, which was R\$447,017 (net of taxes), which was partially offset by the recognition of an impairment loss for receivables from Renova, in the amount of R\$688,031 (see note n. 27).

For the first half of 2020, we highlight the recognition of the positive adjustments of Periodic Reset of Permitted Annual Revenue in the amount of R\$283,694 (net of taxes), which was partially offset by the negative result arising from the debt in foreign currency (Eurobonds) and its corresponding hedge instrument, which was R\$242,213 (net of taxes).

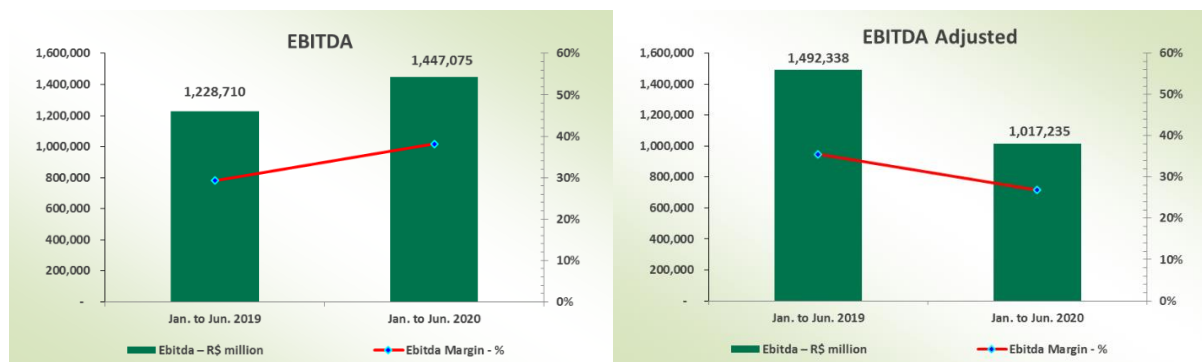
The main variations in revenue, costs, expenses and net finance income (expenses) are noted below.

### Ebitda (earnings before interest, tax, depreciation and amortization)

The Company's Ebtida, adjusted including the removal of non-recurrent items, reduced in 31.84% in the first half of 2020 compared to the same period in 2019, whereas the adjusted Ebtida margin decreased from 35.55% to 26.84%.

The Ebtida, measured according to CVM Instruction 527, increased in 17.77% in the first half of 2020, compared to the same period in 2019, whereas the Ebtida margin increased from 29.27% to 38.18%.

Ebitda - R\$ million	Jan to Jun 2020	Jan to Jun 2019	Change, %
Net income for the period	364,974	925,713	(60.57)
+ Current and deferred income tax and social contribution tax	154,551	747,908	(79.34)
+ Net financial revenue (expenses)	823,375	(558,846)	-
+ Depreciation and amortization	104,175	113,935	(8.57)
<b>= Ebitda according to "CVM Instruction 527" (1)</b>	<b>1,447,075</b>	<b>1,228,710</b>	<b>17.77</b>
Non-recurrent items			
+ PIS/Pasep and Cofins over ICMS (note 8a)	-	(424,403)	-
+ Impairment loss – Receivables from Renova (note 27)	-	688,031	-
- RTP adjustments	(429,840)	-	-
<b>= Ebitda Adjusted (2)</b>	<b>1,017,235</b>	<b>1,492,338</b>	<b>(31.84)</b>



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

The lower in adjusted Ebitda in the first half of 2020, than in the same period of 2019, mainly reflects the reduction of 92.18% in transactions in energy on the CCEE, R\$31,598 in the first half of 2020 compared to R\$404,037 in the same period of 2019.

The higher in Ebitda in the first half of 2020, than in the same period of 2019, is mainly due to the recognition of the positive adjustments of Periodic Reset of Permitted Annual Revenue in the amount of R\$429,840, in addition to a reduction of 20.93% in operating costs and expenses, partially offset by a reduction of 9.72% in the Company's revenues.

More details on the specific items of this Comment.

### Revenue from supply of energy

	January to June, 2020			January to June, 2019		
	MWh <sup>2</sup>	R\$ (mn)	Average price/MWh billed – R\$/MWh <sup>1</sup>	MWh <sup>2</sup>	R\$ (mn)	Average price/MWh billed – R\$/MWh
Industrial	5,704,120	1,367,439	239.73	6,557,653	1,493,622	227.77
Commercial	2,281,528	478,277	209.63	2,001,876	425,165	212.38
Rural	8,238	2,126	258.06	1,029	261	253.64
<b>Subtotal</b>	<b>7,993,886</b>	<b>1,847,842</b>	<b>231.16</b>	<b>8,560,558</b>	<b>1,919,048</b>	<b>224.17</b>
Net unbilled retail supply	-	(49,144)	-	-	30,274	-
	<b>7,993,886</b>	<b>1,798,698</b>	<b>225.01</b>	<b>8,560,558</b>	<b>1,949,322</b>	<b>227.71</b>
Wholesale supply to other concession holders	6,690,190	1,626,054	243.05	5,563,323	1,493,358	268.43
Wholesale supply unbilled, net	-	15,631	-	-	(18,970)	-
	<b>14,684,076</b>	<b>3,440,383</b>	<b>234.29</b>	<b>14,123,881</b>	<b>3,423,710</b>	<b>242.41</b>

- (1) The calculation of the average price does not include revenue from supply not yet billed.
- (2) Data not audited by external auditors.

The Company reports a revenue from supply of energy of R\$3,440,383 in the first half of 2020, compared to R\$3,423,710 in the same period of 2019 – or 0.49% lower.



### ***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 Anual Permitida, or RAP) for the assets of the existing system, being 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.

On June 30, 2020, Aneel ratified the results of the Periodic Tariff Reset through Ratifying Resolution n. 2,712/2020, setting the revaluation of the Permitted Annual Revenue (RAP) of the Company.

This revenue was R\$524,649 in the first half of 2020, compared to R\$336,060 in the same period of 2019 – or 56.12% higher. The higher figure arises, mainly, from the periodic reset of RAP, ratified by Aneel in June 30, 2020, resulting in an adjustment of R\$198,714. More details in Note 12.

Additionally, these revenues were impacted by the increase in annual RAP, in July 2019 – this includes the effects of inflation and also new revenues resulting from investments authorized. They also include an adjustment to expectation of cash flow from financial assets, arising from change in the fair value of the Regulatory Remuneration Base of Assets.

### ***Transmission reimbursement revenue***

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 revenue from reimbursements of transmission assets in the first half of 2020 was R\$316,218 – or 249.72% higher than in the same period of 2019 (R\$90,420). This higher figure mainly reflects the upward adjustment to the economic portion of the indemnity base, as a result of the Periodic Reset of RAP, which was remeasured in accordance with the applicable regulatory rules, resulting in an increase of R\$231,126 in the Company's income at June 30, 2020.

Additionally, these revenues were impacted by the variation of the IPCA index in the analyzed periods. 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.

More details in Notes 11 and 12.

### ***Revenue from transactions in the Power Trading Chamber (CCEE)***

Revenue from energy sales on the CCEE (Power Energy Trading Chamber) in the first half of 2020 was R\$31,598, or 92.18% lower than in the same period in 2019 (R\$404,037). This reduction is principally due to the deficit position on the CCEE assumed by the Company in some months of the first half of 2020, when compared to the same period 2019, due to: (i) lower allocation of its own generation; (ii) lower GSFs; and (iii) higher sales through spot-market bilateral contracts. On the other hand, in first half of 2019 the Company had a high excess of supply to be sold on the CCEE, arising from higher allocation of its own output, associated with higher GSFs and a lower volume of bilateral sales.

Additionally, there was a reduction of 37.51% in the average spot price (PLD), which was R\$131.68/MWh in the first half of 2020, compared to R\$210.73/MWh in the same period of 2019.

### **Construction revenue**

Construction revenues totaled R\$74,044 in the first half of 2020, compared with R\$82,989 in the first half of 2019, a reduction of 10.78%. This revenue is fully offset by Construction costs, of the same amount, and corresponds to the Company's investments in assets of the concession.

### **PIS/Pasep and Cofins taxes credits over ICMS**

In the second quarter of 2019, were recognized PIS/Pasep and Cofins taxes credits over ICMS, totaling R\$424,403, resulted from the success in the Company's legal action questioning the inclusion of ICMS tax in these amounts, and is backdated to July 2003. More details in Note 8.

### ***Taxes and regulatory charges reported as deductions from revenue***

Taxes and charges applied to operating revenue in the first half of 2020 were R\$813,875, or 9.23% lower than in the same period of 2019 (R\$896,585).

### **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 the first half of 2020 were R\$113,587 compared to R\$116,301 in the same period of 2019, a reduction of 2.33%.

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 the first half of 2020 totaled R\$2,444,399, 20.93% lower than in the same period of 2019 (R\$3,091,551).

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

#### Energy purchased for resale

The expense on energy bought for resale in the first half of 2020 was R\$1,785,145, compared to R\$1,699,161 in the same period of 2019, representing an increase of 5.06%.

This difference is mainly due to a higher expense on purchase of energy in the spot market: R\$215,980 in the first half of 2020, compared to R\$26,324 in the same period of 2019. This variation is principally due to the deficit position on the CCEE assumed by the Company in some months of the first half of 2020, when compared to the same period 2019, due to: (i) lower allocation of its own generation; (ii) lower GSFs; and (iii) higher sales through spot-market bilateral contracts. On the other hand, in first half of 2019 the Company had a high excess of supply to be sold on the CCEE, arising from higher allocation of its own output, associated with higher GSFs and a lower volume of bilateral sales.

#### Personnel expenses

The expense on personnel in the first half of 2020 was R\$155,531, 7.57% lower than in the same period of 2019 (R\$168,274), arising mainly from the following factors:

- the average number of employees was 5.31% lower in the first half of 2020, at 1,301, compared to 1,374 in the same period of 2019;
- recognition, in the first half of 2020, of a cost of R\$11,348 on voluntary retirement plans, compared to R\$5,854 in the same period of 2019; and
- salary increase of 2.55% under the Collective Work Agreement, as from November 2019.

#### Post-employment obligations

The impact of the Company's post-employment obligation on operating profit was an expense of R\$47,979 in 1H20 – which compares with an expense of R\$42,631 in the same period of 2019, an increase of 12.54%. This is mainly the result of reduction in the discount rate used in the actuarial calculation – which increased the amount of the actuarial liabilities, and consequently the scale of the expense reported.

### Construction cost

Construction cost was R\$74,044 in the first half of 2020 – compared to R\$82,989 in the same period of 2019, a reduction of 10.78%. This cost is offset in full by the accounting item Construction revenue, thus having no effect on net income. The difference mainly arises from the suspension of three implementation contracts, halting their financial realization – they will be re-tendered – and also the reductions resulting from the Covid-19 pandemic.

### Operating provisions

Net operating provisions in the first half of 2020 was R\$55,272, compared to R\$743,008 in the same period of 2019, representing a reduction of 92.56%, arising mainly from the following factors:

- the main effects arises from recognition, in June 2019, of a provision for loss on amounts receivable from Renova, in the amount of R\$688,031, as a result of an assessment made by the Company of the credit risk of that investee. More details in Note 13; and
- provisions for the SAAG put option being 3.89% lower: R\$22,800 in the first half of 2020, vs. R\$21,946 in the same period of 2019. More details in Note 28.

More details on the components of Operating costs and expenses in Note 25.

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

A net loss of R\$2,395 in the value of non-consolidated investees was posted by the equity method in the first half of 2020, which compares with a net gain of R\$8,753 in the same period of 2019, arising mainly from the following factors:

- higher losses in the investees Amazônia Energia and Aliança Norte (shareholders of Norte Energia S.A. – ‘NESA’), which reported a negative equity method of R\$40,286 in the first half of 2020, compared to R\$7,385 in the same period of 2019;
- lower gains in the investee Aliança Geração, which reported a positive equity method of R\$52,516 in the first half of 2020, 13.77% lower than the same period in 2019 (R\$60,904); and
- lower losses in the investee Santo Antônio Energia, which reported a negative equity method of R\$45,156 in the first half of 2020, 36.29% higher than the same period in 2019 (R\$70,882).

Note 13 gives the breakdown of equity method gains/losses, by investee.

### ***Finance income (expenses)***

The Company reports net financial expenses of R\$823,375 in the first half of 2020, compared to net financial revenue of R\$558,846 in the same period of 2019. This mainly reflects a net negative effect in the Eurobonds transaction and its corresponding hedge instrument, of R\$366,990 in the first half of 2020, which compares to a net gain of R\$677,298 in the same period of 2019. The main factors are:

- The dollar appreciated by 35.86% against the Real in the first half of 2020, compared to appreciation of (1.10%) in the same period of 2019. This resulted in a negative effect on the principal of the Eurobond debt in the first half of 2020, of R\$2,167,950, compared to a positive effect in the same period in 2019, of R\$63,904;
- Variation in the fair value of the financial instrument contracted to hedge the risks of the Eurobond lower than the depreciation of the exchange rate, at June 30, 2020, in contrast to the positive effect at June 30, 2019. In the first half of 2020, the increase in the fair value of the hedge instrument was R\$1,800,960, and there was a negative effect on the principal of the Eurobond debt, of R\$2,167,950, resulting in a loss of R\$366,990. The higher figure was the result of the dollar future curve moving upward, resulting in both the call spread and the asset becoming more valuable; and also due to the curve for the future DI interest rate (the liability side of the transaction) moving downward, and contributing to an increase in fair value; and
- Additionally, the net financial result was impacted by the recognition of financial updating of PIS/Pasep and Cofins taxes credits in the first half of 2019, in the amount of R\$241,415.

For a breakdown of financial income/expenses see Note 26.

#### ***Income tax and social contribution tax***

In the first half of 2020 the expense on income tax and social contribution tax was R\$154,551, on pre-tax loss of R\$519,525 – an effective rate of 29.75%. In the same period of 2019, the expense on income tax and social contribution tax was R\$747,908, or 44.69% of the pre-tax profit of R\$1,673,621.

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

#### ***Net income (loss) for the second quarter 2020***

The Company reports a net income of R\$369,011 for the second quarter of 2020, which compares with its net income of R\$342,497 in the same period of 2019.

This variation in Company's income was due, mainly, to the recognition, in the second quarter of 2019, of PIS/Pasep and Cofins taxes credits over ICMS, in the amount of R\$424,403 (see note n. 8), and the positive result arising from the debt in foreign currency (Eurobonds) and its corresponding hedge instrument, which was R\$368,170 (net of taxes), which was partially offset by the recognition of an impairment loss for receivables from Renova, in the amount of R\$688,031 (see note n. 27).

For the second quarter of 2020, we highlight the recognition of the positive adjustments of Periodic Reset of Permitted Annual Revenue in the amount of R\$283,694 (net of taxes). Additionally, the net financial result was impacted by the positive result arising from the debt in foreign currency (Eurobonds) and its corresponding hedge instrument, which was R\$46,708 (net of taxes).

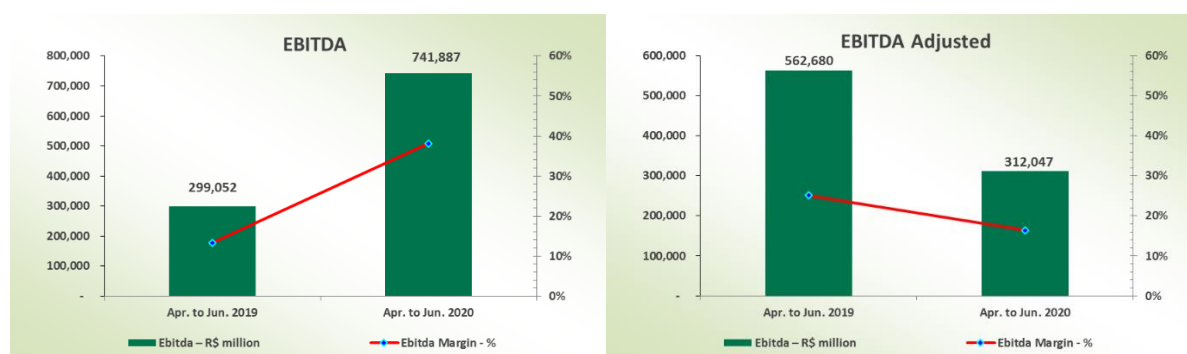
The main variations in revenue, costs, expenses and net finance income (expenses) are noted below.

### Ebitda (earnings before interest, tax, depreciation and amortization)

The Company's Ebitda, adjusted including the removal of non-recurrent items, reduced in 44.54% in the second quarter of 2020 compared to the same period in 2019, whereas the adjusted Ebitda margin decreased from 25.09% to 16.44%.

The Ebitda, measured according to CVM Instruction 527, increased 148.08% in the second quarter of 2020, compared to the same period in 2019, whereas the Ebitda margin increased from 13.33% to 39.09%.

Ebitda - R\$ million	Apr to Jun 2020	Apr to Jun 2019	Change, %
Net income for the period	369,011	342,497	7.74
+ Current and deferred income tax and social contribution tax	187,438	513,948	(63.53)
+ Net financial revenue (expenses)	133,702	(624,206)	-
+ Depreciation and amortization	51,736	66,813	(22.57)
<b>= Ebitda according to "CVM Instruction 527" (1)</b>	<b>741,887</b>	<b>299,052</b>	<b>148.08</b>
Non-recurrent items			
+ PIS/Pasep and Cofins over ICMS (note 8a)	-	(424,403)	-
+ Impairment loss – Receivables from Renova (note 27)	-	688,031	-
- RTP adjustments	(429,840)	-	-
<b>= Ebitda Adjusted (2)</b>	<b>312,047</b>	<b>562,680</b>	<b>(44.54)</b>



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

The lower adjusted Ebitda in the second quarter of 2020, than in the same period of 2019 mainly reflects the reduction of 95.12% in transactions in energy on the CCEE, at R\$7,074 in 2Q20 compared to R\$144,821 in 2Q19.

The higher in Ebitda in the second quarter of 2020, than in the same period of 2019, is mainly due to the recognition of the positive adjustments of Periodic Reset of Permitted Annual Revenue in the amount of R\$429,840, in addition to a reduction of 39.47% in operating costs and expenses, partially offset by a reduction of 15.37% in the Company's revenues.

## Revenue from supply of energy

	April to June, 2020			April to June, 2019		
	MWh <sup>2</sup>	R\$ (mn)	Average price/MWh billed – R\$/MWh <sup>1</sup>	MWh <sup>2</sup>	R\$ (mn)	Average price/MWh billed – R\$/MWh
Industrial	2,698,768	647,609	239.96	3,326,304	768,521	231.04
Commercial	1,095,954	233,236	212.82	1,082,661	221,814	204.88
Rural	4,590	1,183	257.72	525	135	257.14
<b>Subtotal</b>	<b>3,799,312</b>	<b>882,028</b>	<b>232.15</b>	<b>4,409,490</b>	<b>990,470</b>	<b>224.62</b>
Net unbilled retail supply	-	(45,190)	-	-	5,842	-
	<b>3,799,312</b>	<b>836,838</b>	<b>220.26</b>	<b>4,409,490</b>	<b>996,312</b>	<b>225.95</b>
Wholesale supply to other concession holders	3,433,905	745,261	217.03	2,454,621	659,182	268.55
Wholesale supply unbilled, net	-	(33,550)	-	-	37,766	-
	<b>7,233,217</b>	<b>1,548,549</b>	<b>214.09</b>	<b>6,864,111</b>	<b>1,693,260</b>	<b>246.68</b>

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

(2) Data not audited by external auditors.

The Company reports a revenue from supply of energy of R\$1,548,549 in 2Q20, compared to R\$1,693,260 in 2Q19 – or 8.55% lower. This variation is mainly due to the 13.21% reduction in the average price.

## 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 Anual Permitida, or RAP) for the assets of the existing system, being 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

On June 30, 2020, Aneel ratified the results of the Periodic Tariff Reset through Ratifying Resolution 2,712/2020, setting the revaluation of the Permitted Annual Revenue (RAP) of the Company.

This revenue was R\$353,035 in 2Q20, compared to R\$172,904 in 2Q19 – or 104.18% higher. The higher figure arises, mainly, from the periodic reset of RAP, ratified by Aneel in June 30, 2020, resulting in an adjustment of R\$198,714. More details in Note 12.

Additionally, these revenues were impacted by the increase in annual RAP, in July 2019 – this includes the effects of inflation and also new revenues resulting from investments authorized. They also include an adjustment to expectation of cash flow from financial assets, arising from change in the fair value of the Regulatory Remuneration Base of Assets.

## Transmission reimbursement revenue

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 revenue from reimbursements of transmission assets in 2Q20 was R\$259,680 – or 348.33% higher than in 2Q19 (R\$57,921). This higher figure mainly reflects the upward adjustment to the economic portion of the indemnity base, as a result of the Periodic Reset of RAP, which was remeasured in accordance with the applicable regulatory rules, resulting in an increase of R\$231,126 in the Company's income at June 30, 2020.

Additionally, these revenues were impacted by the variation of the IPCA index in the analyzed periods. 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.

More details in Note 11 and 12.

### ***Revenue from transactions in the Power Trading Chamber (CCEE)***

Revenue from energy sales on the CCEE (Power Energy Trading Chamber) in 2Q20 was R\$7,074, or 95.12% lower than in 2Q19 (R\$144,821). This reduction is principally due to the deficit position on the CCEE assumed by the Company in some months of the second quarter of 2020, when compared to the same period 2019, due to: (i) lower allocation of its own generation; (ii) lower GSFs; and (iii) higher sales through spot-market bilateral contracts. On the other hand, in second quarter of 2019 the Company had a high excess of supply to be sold on the CCEE, arising from higher allocation of its own output, associated with higher GSFs and PLDs.

Additionally, there was a reduction of 42.55% in the average spot price (PLD), which was R\$75.47/MWh in the second quarter of 2020, compared to R\$131.37/MWh in the same period of 2019.

### **Construction revenue**

Construction revenues totaled R\$26,846 in 2Q20, compared with R\$54,902 in 2Q19, a reduction of 51.10%. This revenue is fully offset by Construction costs, of the same amount, and corresponds to the Company's investments in assets of the concession.

### **PIS/Pasep and Cofins taxes credits over ICMS**

In the second quarter of 2019, were recognized PIS/Pasep and Cofins taxes credits over ICMS, totaling R\$424,403, resulted from the success in the Company's legal action questioning the inclusion of ICMS tax in these amounts, and is backdated to July 2003. More details in Note 8.

### ***Taxes and regulatory charges reported as deductions from revenue***

Taxes and charges applied to operating revenue in 2Q20 were R\$379,497, or 15.16% lower than in 2Q19 (R\$447,296).



## 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 2Q20 were R\$56,016 compared to R\$64,520 in 2Q19, a reduction of 13.18%.

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 2Q20 totaled R\$1,200,025, 39.47% lower than in 2Q19 (R\$1,982,532).

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

#### Energy purchased for resale

The expense on energy bought for resale in 2Q20 was R\$871,396, compared to R\$916,241 in 2Q19, representing a reduction of 4.89%. This difference is mainly from the following factors:

- reduction of 10.50% on expense of energy acquired in free market and bilateral contracts: R\$900,703 in 2Q20, compared to R\$1,006,355 in 2Q19. This difference mainly reflects the lower volume of energy purchased in 2Q20, compared to the same period of 2019;
- higher expense on purchase of energy in the spot market: R\$55,732 in 2Q20, compared to R\$31,637 in 2Q19, an increase of 76.16%. This higher is mainly due to the result of the deficit position on the CCEE assumed by the Company in some months of the second quarter of 2020. On the other hand, in 2Q19, the greater part of the Company's expenses on the CCEE were limited to offsetting of generation in the Energy Reallocation Mechanism.

#### Personnel expenses

The expense on personnel in 2Q20 was R\$80,483, 3.62% higher than in 2Q19 (R\$77,669), arising mainly from the following factors:

- recognition, in the second quarter of 2020, of a cost of R\$11,348 on voluntary retirement plans, compared to R\$5,854 in the same period of 2019, an increase of 93.85%;

- salary increase of 2.55% under the Collective Work Agreement, as from November 2019;
- the average number of employees was 5.14% lower in 2Q20, at 1,297, compared to 1,368 in 2Q19.

#### Post-employment obligations

The impact of the Company's post-employment obligation on operating profit was an expense of R\$25,452 in 2Q20 – which compares with an expense of R\$20,963 in 2Q19, an increase of 21.41%. This is mainly the result of reduction in the discount rate used in the actuarial calculation – which increased the amount of the actuarial liabilities, and consequently the scale of the expense reported.

#### Construction cost

Construction cost was R\$26,846 in 2Q20 – compared to R\$54,902 in 2Q19, and reduction of 51.10%. This cost is offset in full by the accounting item Construction revenue, thus having no effect on net income. The difference mainly arises from the suspension of three implementation contracts, halting their financial realization – they will be re-tendered – and also the reductions resulting from the Covid-19 pandemic.

#### Operating provisions

Net operating provisions in 2Q20 total R\$23,992, compared to R\$712,897 in 2Q19, representing a reduction of 96.63%, arising mainly from the following factors:

- provisions for the SAAG put option being 81.82% lower: R\$1,988 in 2Q20, vs. R\$10,938 in 2Q19. There is more on the method of calculation in Note 28;
- recognition, in June 2019, of a provision for loss on amounts receivable from Renova, in the amount of R\$688,031, as a result of an assessment made by the company of the credit risk of that investee. More details in Note 13; and
- higher provision for estimated losses for doubtful receivables in 2Q20, of R\$12,754, compared to R\$2,379 in 2Q19 – mainly due to the impact of the pandemic on the credit status of the Company's clients.

More details on the components of Operating costs and expenses in Note 25.

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

A net loss of R\$7,852 in the value of non-consolidated investees was posted by the equity method in 2Q20, which compares with a net loss of R\$27,926 in 2Q19. This variation arising mainly from lower losses in the investee Santo Antônio Energia, which reported a negative equity method of R\$18,528 in 2Q20, 68.14% lower than the same period in 2019 (R\$58,154).

Note 13 gives the breakdown of equity method gains/losses, by investee.

### ***Finance income (expenses)***

The Company reports net financial expenses of R\$133,702 in 2Q20, compared to net financial revenue of R\$624,206 in 2Q19. This mainly reflects a net positive effect in the Eurobonds transaction and its corresponding hedge instrument, of R\$70,770 in the second quarter of 2020, which compares to a net gain of R\$557,834 in the same period of 2019. The main factors are:

- the dollar appreciated by 5.33% against the Real in the second quarter of 2020, compared to appreciation of (1.66%) in the same period of 2019. This resulted in a negative effect on the principal of the Eurobond debt in the second quarter of 2020, of R\$415,950, compared to a positive effect in the same period in 2019, of R\$96,751; and
- in the second quarter of 2020 the variation in the fair value of the hedge instrument resulted in a gain of R\$486,720, which was partially offset by the negative effect on the principal of the Eurobonds debt, of R\$415,950, resulting in a gain of R\$70,770. In the second quarter of 2019, the increase in the fair value of the hedge instrument was R\$461,073, and there was a negative effect on the principal of the Eurobond debt, of R\$76,751, resulting in a gain of R\$557,834. The higher figure was the result of the dollar future curve moving upward, resulting in both the call spread and the asset becoming more valuable; and also due to the curve for the future DI interest rate (the liability side of the transaction) moving downward, and contributing to an increase in fair value.

For a breakdown of financial income/expenses see Note 26.

### ***Income tax and social contribution tax***

In 2Q20 the expenses on income tax and social contribution tax was R\$187,438, on pre-tax loss of R\$556,449 – an effective rate of 33.68%. In the same period of 2019, the expense on income tax and social contribution tax was R\$513,948, or 60.01% of the pre-tax profit of R\$856,445.

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

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(The original is signed by the following signatories:)

**Reynaldo Passanezi Filho**  
Chief Executive Officer

**Dimas Costa**  
Chief Trading Officer

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

**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

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



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

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## **Independent Auditor's Review Report on Quarterly Information - ITR**

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

### **Introduction**

We have reviewed the accompanying individual and consolidated interim financial information, contained in the Quarterly Information Form (ITR) of Cemig Geração e Transmissão S.A. ("Company"), for the quarter ended June 30, 2020, comprising the statements of financial position as at June 30, 2020, and the related statements of profit or loss, of comprehensive income for the three and six month periods then ended, and of changes in equity and cash flows for the six-month period then ended, including the explanatory notes.

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

### **Scope of review**

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

## **Conclusion on the individual and consolidated interim financial information**

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

## **Emphasis of matters**

### **Risks related to compliance with laws and regulations**

As mentioned in Note 13 to the individual and consolidated interim financial information, currently investigations and other legal measures are 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 its other shareholders and certain executives of the Company, of its parent company and of these other shareholders. The governance bodies of the parent company have authorized engaging a specialized company to analyze the internal procedures related to these certain investments and to ascertain such claims. The internal and independent investigation was completed, and the corresponding report was delivered on May 8, 2020, with the conclusion that no evidence has been identified to support the preliminarily investigated allegations. Thus far, it is not possible to predict future developments arising from investigations conducted by public authorities, or their possible impact on the interim financial information of the Company and its subsidiaries. Our conclusion is not modified in respect of this matter.

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

As disclosed in Note 13 to the individual and consolidated interim financial information, on December 17, 2019, under the terms of Law No. 11101/05, the jointly-controlled entity Renova Energia S.A. and some of its subsidiaries filed its first court-supervised reorganization plan, and on July 7, 2020 two others reorganization plans were filed. The reorganization plan of the jointly-controlled entity is still in progress on the second State of São Paulo Bankruptcy and Court-Supervised Reorganization Court. The jointly-controlled entity shall submit the court-supervised 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 June 30, 2020, 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 conclusion is not modified in respect of this matter.



## **Other matters**

### **Statements of value added**

The above mentioned quarterly information include the individual and consolidated statements of value added (SVA) for the six-month period ended June 30, 2020, prepared under Company's Management responsibility and presented as supplementary information by IAS 34. These statements have been subjected to review procedures performed together with the review of the quarterly information with the objective to conclude whether they are reconciled to the interim financial information and the accounting records, as applicable, and if its format and content are in accordance with the criteria set forth by NBC TG 09 – Statement of Value Added. Based on our review, nothing has come to our attention that causes us to believe that they were not prepared, in all material respects, consistently with the overall individual and consolidated interim financial information.

Belo Horizonte (MG), August 14, 2020.

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

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