



CEMIG – 25TH ANNUAL MEETING WITH THE CAPITAL MARKETS

SEPTEMBER 15, 2020

CEMIG
NOSSA ENERGIA, SUA FORÇA

COVID-19 – Respect for life



EMPLOYEES

- **Home office** working for administrative teams
- Facilities adapted for O&M teams; protocols adjusted; Covid-19 training; new IPE and hygiene materials distributed
- Employees with symptoms: **preventive** absence and medical monitoring
- Use of mobile **apps**



COMPANY

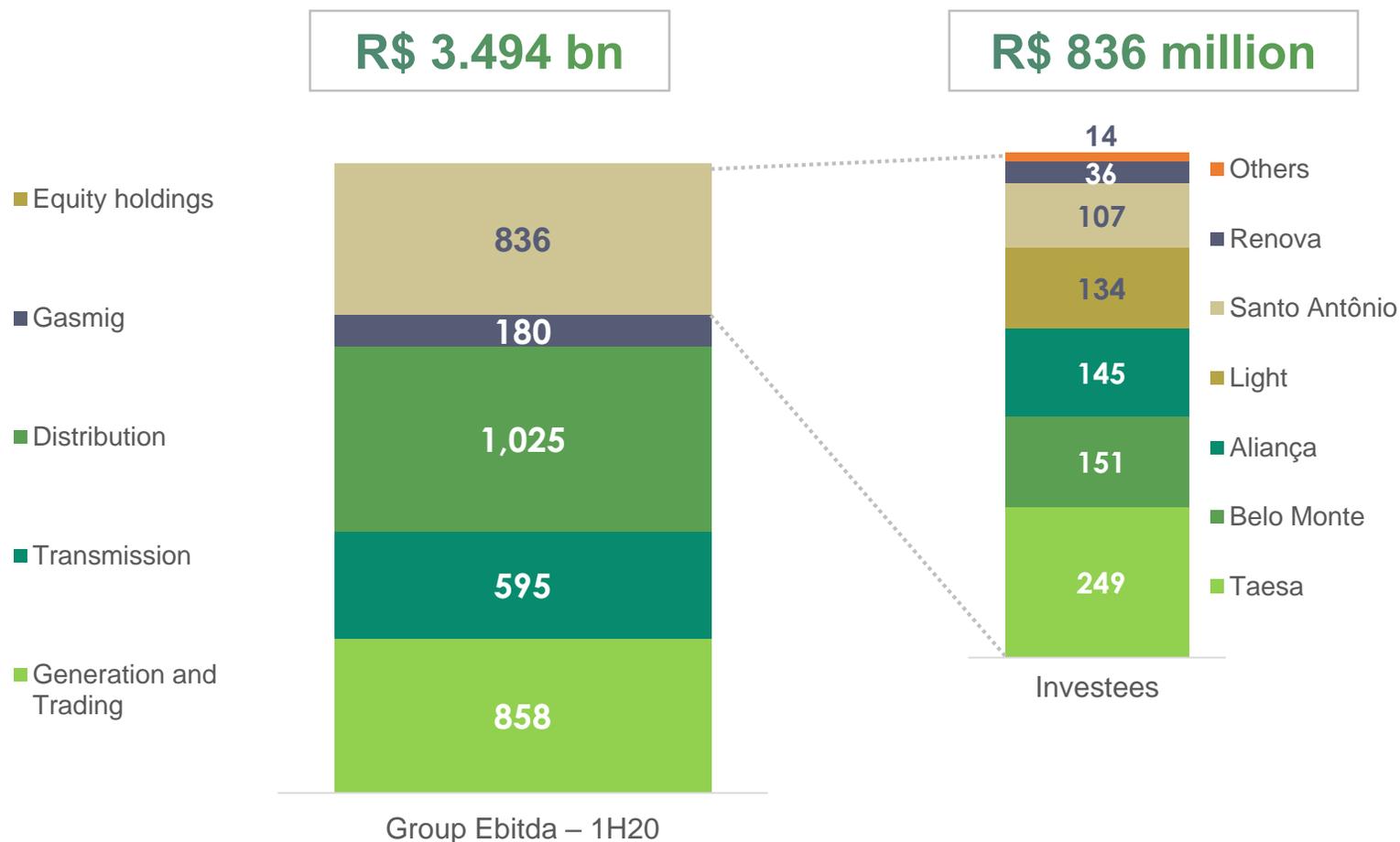
- Maximum efforts to maintain public service – highlight for special scheme for hospitals
- **Safety** protocols for critical sites, with creation of redundant structures for operational and control centers
- Customer disconnections **temporarily suspended**
- Funds **donated** to hospitals to buy ventilators



CLIENTS

- Accelerated development of digital **communication channels** (social media, WhatsApp, website, video calls)
- Negotiation with **Free Clients** to reduce impacts of the crisis (installment agreements for receivables, deferment of commitments)

CEMIG: BRAZIL'S LARGEST INTEGRATED ELECTRICITY GROUP



- 1H20 Reported Ebitda:
R\$ 2.6 billion
- 1H20 Operational Ebitda:
R\$ 3.5 billion
 - Ebitda of 100% controlled businesses:
R\$ 2,658 million
 - Equity-proportional Ebitda of non-consolidated investees:
R\$ 836 million

CEMIG: SUSTAINABILITY

How our practices distinguish us from the pack



Cemig: recognized in the world's leading sustainability ratings



ROBECOSAM SUSTAINABILITY YEARBOOK 2020



ISEB3 – B3 CORPORATE SUSTAINABILITY INDEX



TOP 100 GREEN UTILITIES



MANAGEMENT PRINCIPLES

Transformation of culture



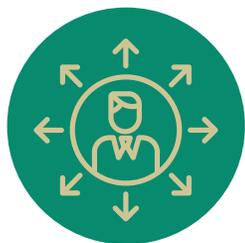
Private sector decision-making logic



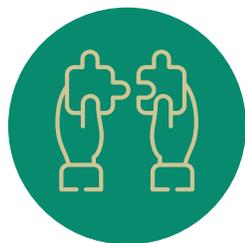
Focus on **results**



Client's point of view



Integrity



Integration



MANAGEMENT PRIORITIES

Revision of Strategic Plan

Operational efficiency



Management of liabilities



Digital transformation



Growth



Management of assets
(regulatory remuneration base)



Innovation



Prepare the Company for privatization

CEMIG DISTRIBUTION

R\$ 20 million

Population served:
10% of Brazil

R\$ 8.6 million

Clients in
774 municipalities

Concession

26 years
remaining

44,950 GWh

Energy carried and
distributed in 2019

539,000 km

Distribution
network

413 substations

10,742 MVA

**Brazil's biggest
distribution concession**



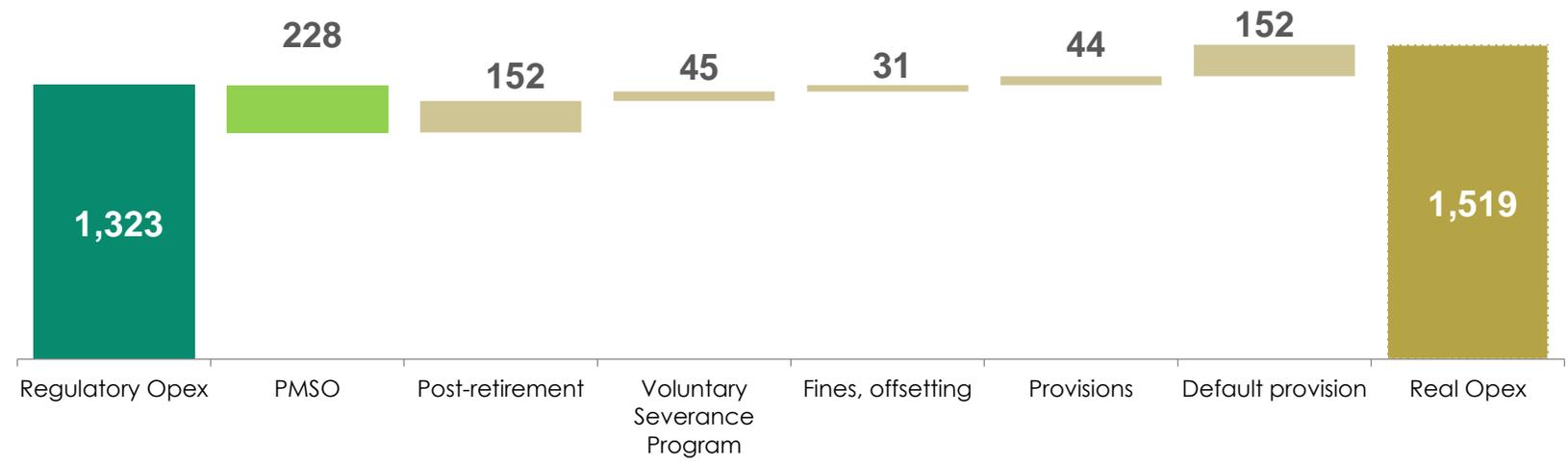
Turnaround strategy

- Exceed regulatory Ebitda
- Leading position in client satisfaction
- Robust investment and digitalization program

CEMIG D: 1H20 REGULATORY OPEX AND EBITDA

Opex: Regulatory vs. Real

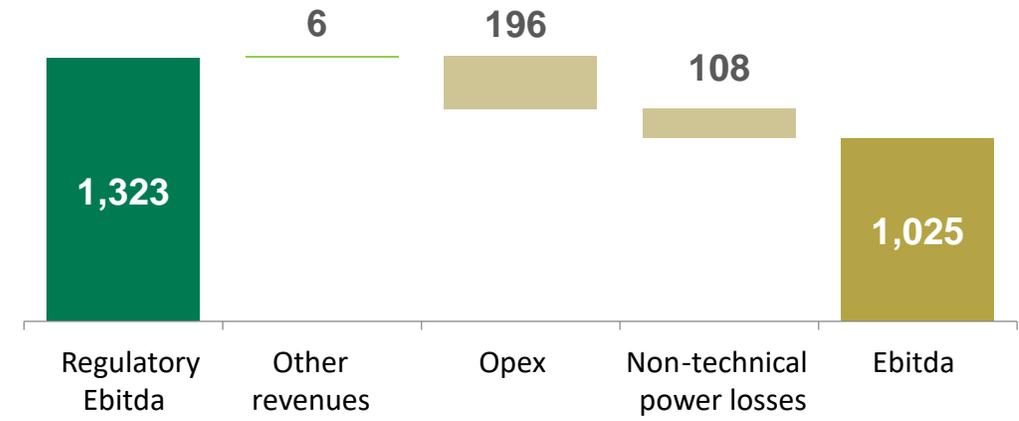
Target:
regulatory Opex
compliant by end-2020



△ R\$196 mn

Ebitda: Regulatory vs. Real

Target:
energy losses at
regulatory target by
end-2021

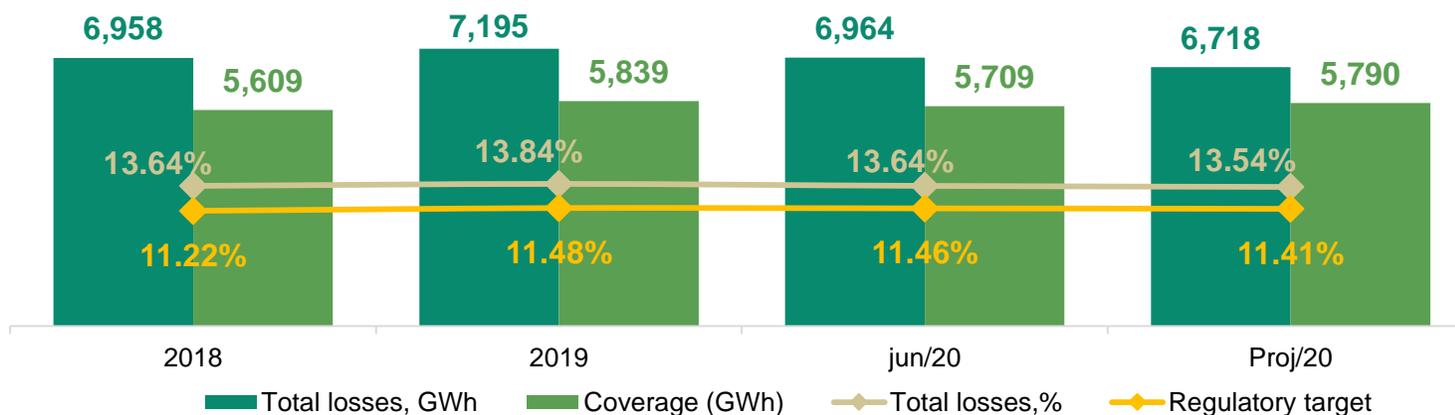


△ -R\$298 mn

CEMIG D – ENERGY LOSSES

Losses in distribution

12-month moving average



Of the total losses, approximately **65%** originate from technical losses and **35%** from commercial losses.

CEMIG D: ROBUST PLAN TO COMBAT ENERGY LOSSES

Energy losses recovery plan: in progress – 2019-21

- **1.6 million** inspections
- Regularization of **120,000** unauthorized connections
- Public lighting: Inspection of **2.2 million** public illumination points
- Remote and automated metering: Installation of **345,000** points with advanced metering infrastructure



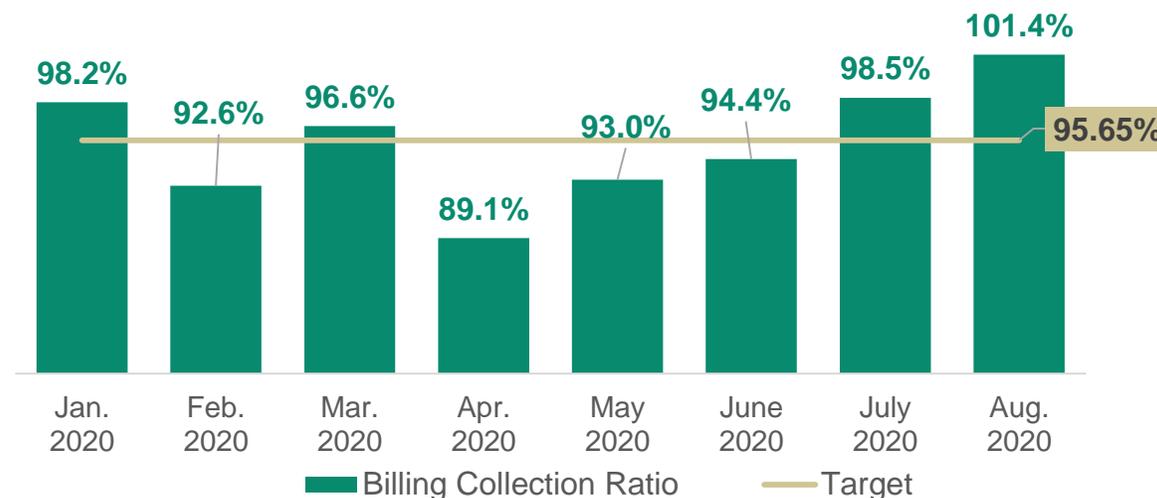
Actions
comprising
94%
of the Plan's
solutions

The donut chart is divided into two segments: a large dark green segment representing 94% and a smaller tan segment representing 6%. A vertical line extends from the left side of the chart towards the list of actions.

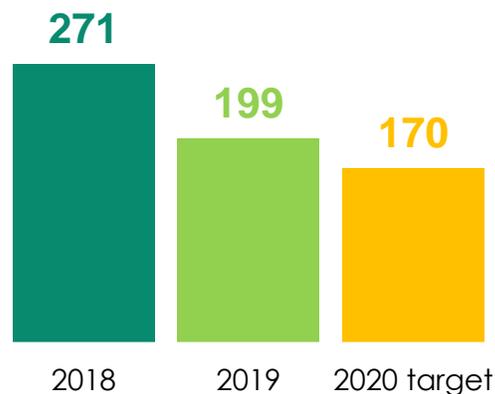
CEMIG D: COMBATING DEFAULT

- New collection and negotiation tools implemented:
 - Protest of debt (local notaries)
 - Collection letters delivered at time of meter reading
 - Via specialized collection company
 - Negotiation of past due receivables via WhatsApp
 - New system implemented: payment at time of disconnection, debit/credit card
 - Disconnections were resumed in August – expected to total **800,000** in 2020
- Accreditation of collection agents – including Fintechs
- Negotiation of **R\$ 240 million** receivable for service from Minas Gerais State
- **R\$ 140 million** in settlements with largest defaulters and retail clients
- Deployment of optimal billing target selection software.
- Negotiation campaign via WhatsApp (**11,049** installments, **R\$ 15.4 million** under negotiation and **R\$ 2.3 million** received as input) since August 18
- Outstanding Debt - **R\$ 2.5 billion**

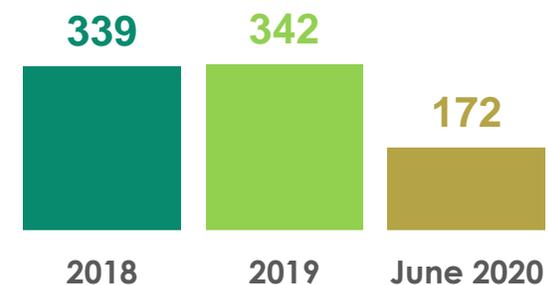
Billing Collection Ratio (Actual revenue/Billing) – %



Default provision (R\$ mn)



Late charges on past due bills (R\$ mn)



CEMIG D: NEW CLIENT SERVICE MODEL

Review of processes focused on client's experience

Low complexity services

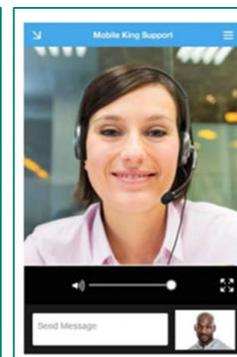
100% digital

Copy of bill, outage, balance check, reconnection



Low /medium complexity services

'Totem' kiosk or video



High complexity services

New street branch model centered on self-service



Annual gain R\$ 14 to R\$ 28 mn

CEMIG D: DISTRIBUTION DEVELOPMENT PLAN:

BRR*: R\$13 BILLION IN 2023

2018-2022 regulatory cycle



R\$ 6.2 bn

total investment
in 2018-2022

R\$13 bn

Expected net BRR* in 2023,
assuming all improvements accepted



34% of capex
will be in East
and North

Main benefits of the 2018-2022 plan

- **400 municipalities** in Minas Gerais directly benefit from these investments – **52%** of Cemig D's concession area
- Improvement in quality of power supply to all clients, with more substations and new lines
- Action against energy theft through intelligent metering – installation of **465,000** remote metering points
- **Priority for investments** in historically less favored regions



CONSUMERS:
Urban and rural
connections

1.14 million
units



2,958 km
High voltage lines
+17%



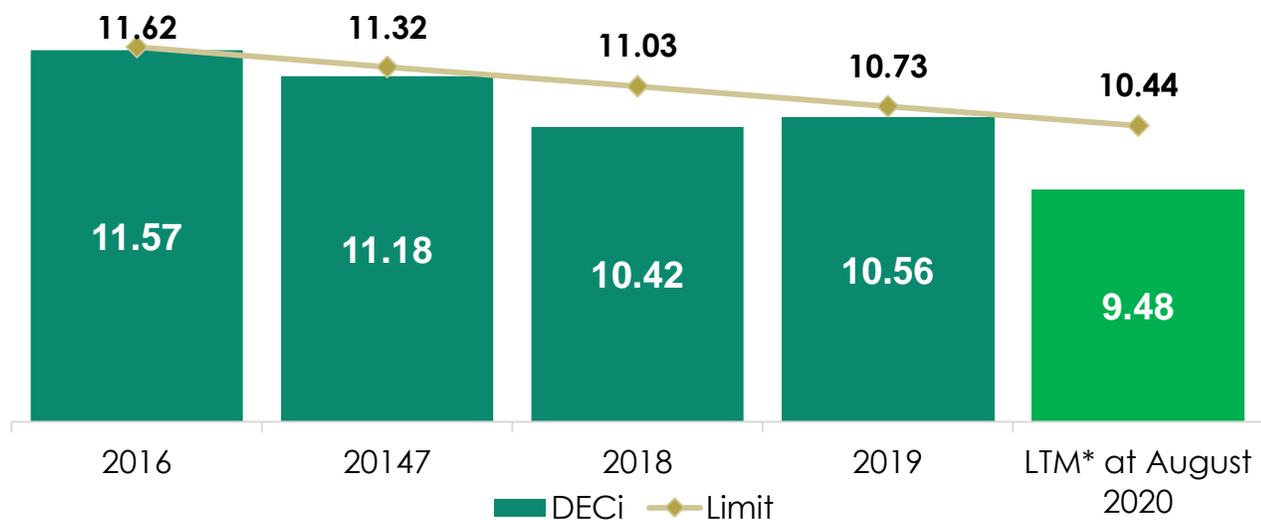
80 units
New substations
+19%



2,150 MVA
Transformation
capacity
+20%

* BRR = Regulatory Asset Base.

CEMIG D: 2020 DEC OUTAGE INDEX IS BEST EVER



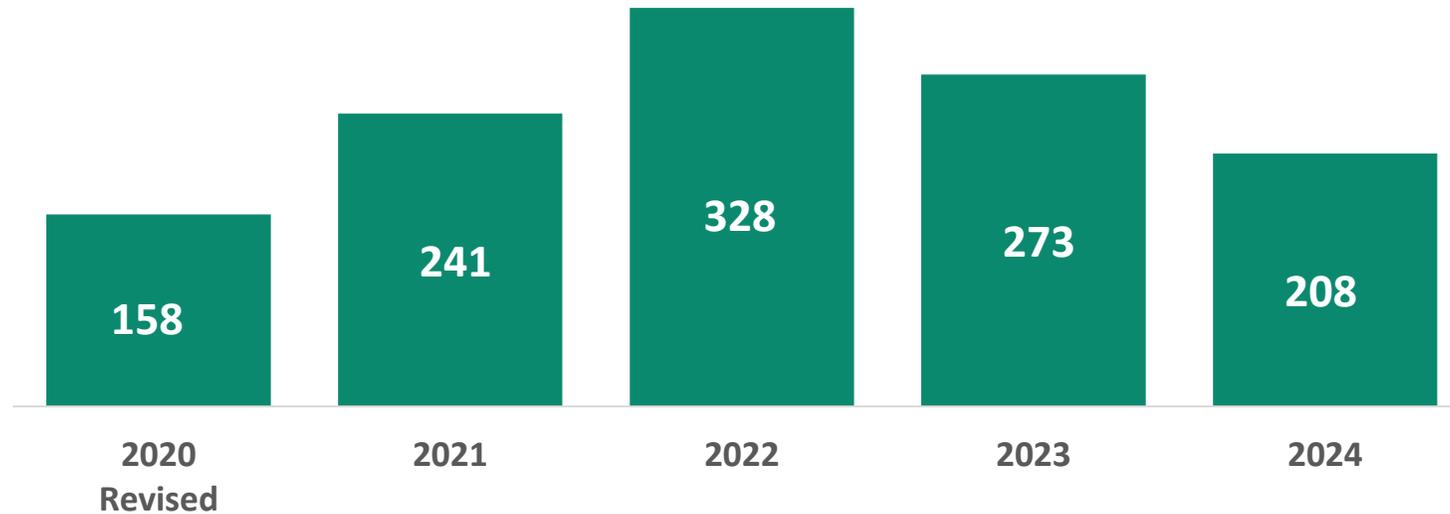
- Commitment to quality of service provided
- Investments will improve technical performance indicators and reliability of the system

* LTM: Last twelve months.



Cemig T: Focus on updating and improvements

Investment of **R\$ 1.2 billion** in updating and improvements in 2020–24



● RAP estimated to grow by **R\$ 120 to R\$150 million**

- 2020 Aneel regulatory WACC: **6.98%**



Benefits:

- Improvement in service quality
- National grid more secure

CEMIG GENERATION

53 power plants

- 11 hydroelectric plants
- 39 Small Hydro plants
- 2 wind plants
- 1 photovoltaic plant

3.3 GW

Installed capacity

1.68 GW average

Physical guarantee

- **State-of-art engineering** recognized by market
- **94.9% availability** for large hydro plants (vs. 89.5% for ONS*)
- **Integration with Trading**



Growth strategy:

- Renewal of concessions
- Integration with Trading
- Development of projects focused on renewables

Renewables:

100% of our generation is renewable



CEMIG G: RENEWAL OF CONCESSIONS

Preservation of existing generation plants:

- These assets have 53% of Cemig GT's total offtake guarantees
- Cemig has formally advised the Energy Ministry of its interest in extension
- Actions in progress:
 - Interactions with MME
 - Authorizations for creation of SPCs;
 - Request for statement by Attorney General's Office, and competent bodies of Minas Gerais State, to authorize privatization
- In parallel, we are evaluating other options that may materialize arising from the “Power Sector Modernization” Draft Law.



Emborcação

- **Physical guarantee:** 499.7 MW_{average}
- **Concession expires:** July 23, 2025*



Nova Ponte

- **Installed capacity:** 510 MW
- **Concession expires:** July 23, 2025*



Sá Carvalho

- **Installed capacity:** 78 MW
- **Concession expires:** Nov. 30, 2024*

* Law 14052 ('GSF') will extend expiry date – actual date to be set by Aneel.

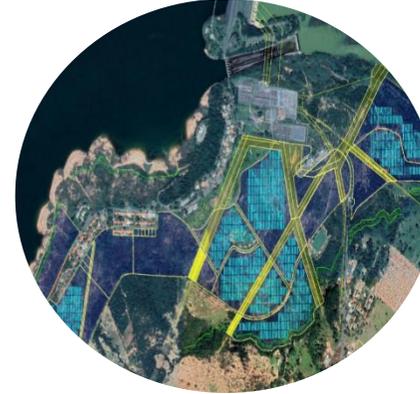
Generation: Investments, expansion and diversification

Portfolio of Cemig projects under development



Hydroelectric plants

Expansion of capacity of SHPs*: **50MW**
 Under construction:
 Poço Fundo SHP*



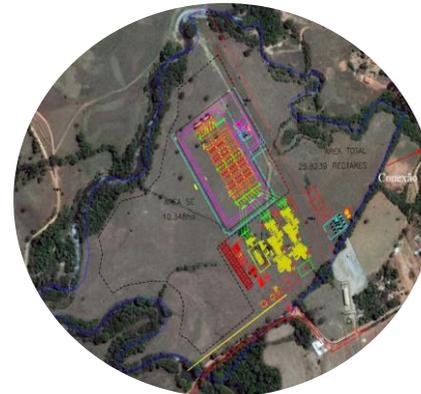
Photovoltaic plants

Centralized generation (GC)
1,400 MWp
 Floating photovoltaic plants
350 MWp
 Distributed generation (GD)



Wind plants

Public tender for development / acquisition of wind projects



Thermal generation

Gas-fired thermoelectric plants
500 MW

* SHPs = Small Hydroelectric Plants.

CEMIG TRADING

Market share

18%*

Foreseeing

Market movements

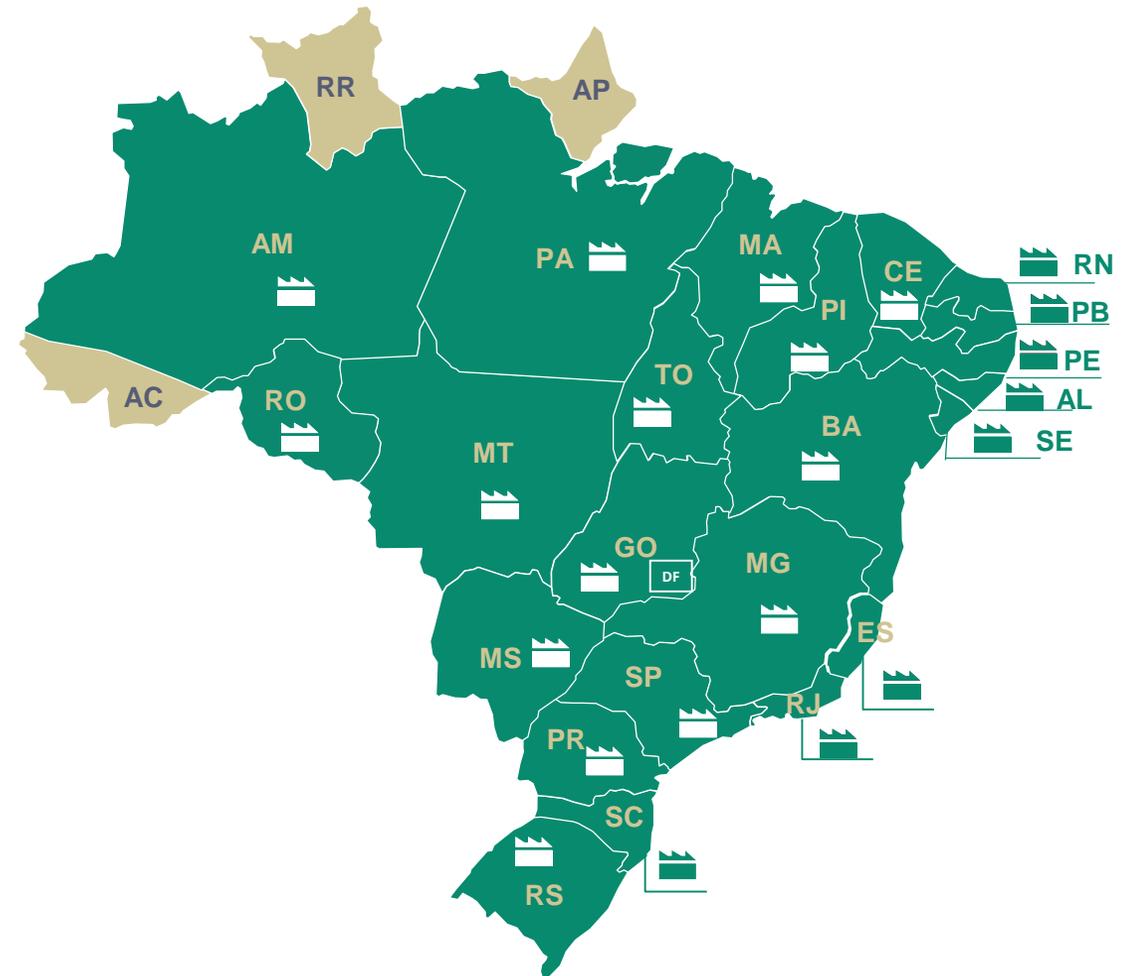
Performance

Long-standing relationship with clients
 Excellence in management of hydrological risk

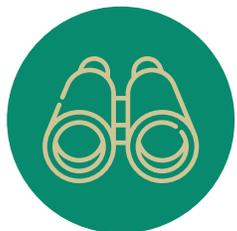
Strategy:

- Keep market leadership position
- Grow in retail market
- Integrate with Generation
- Large presence in the Free Market will boost Cemig's own investments in alternative sources

Brazil's largest power trader



Trading: Why Cemig stands out



Long-term view of relations with clients; focus on sustainability in commercial relationship:

- Average duration of contracts longer than market average
 - 57% of Cemig's sale contracts are over 4 years
 - in CCEE this percentage is 39%*
- Trading margins higher than market average
- Default at normal levels even with Covid-19 pressure



Adaptability, speed, market expertise :

- Leadership maintained even with major changes in the sources portfolio and competitive environment
- Rapid decision-making
- Anticipation of market movements
 - Focus on Free Market since 2005 (since it was created, greater part of sales have been directed to Free Market – a trend followed only later by other generators)
 - Internal limits for management of GSF risk since 2008 (long before it became a headline issue)
 - More flexible products for the incentive-bearing market since 2010 (followed later by the competition)
 - Purchase auctions for long-term supply since 2018 (followed by other generators, from 2019)



Diversified portfolio of sources

- Balance between own hydroelectric sources and purchases from various incentive-bearing sources – notably solar and wind

Preparation for potential changes by Draft Law 232

Purchase auctions for incentive-bearing supply, since 2018

- Guarantee of incentive-bearing supply for opening of market

Preparation for retail market

- Registration of Cemig GT and Cemig Trading as retail traders
- Modernization of internal processes; acquisition of new CRM and integration of systems, for greater automation and greater capacity, to serve a larger client base



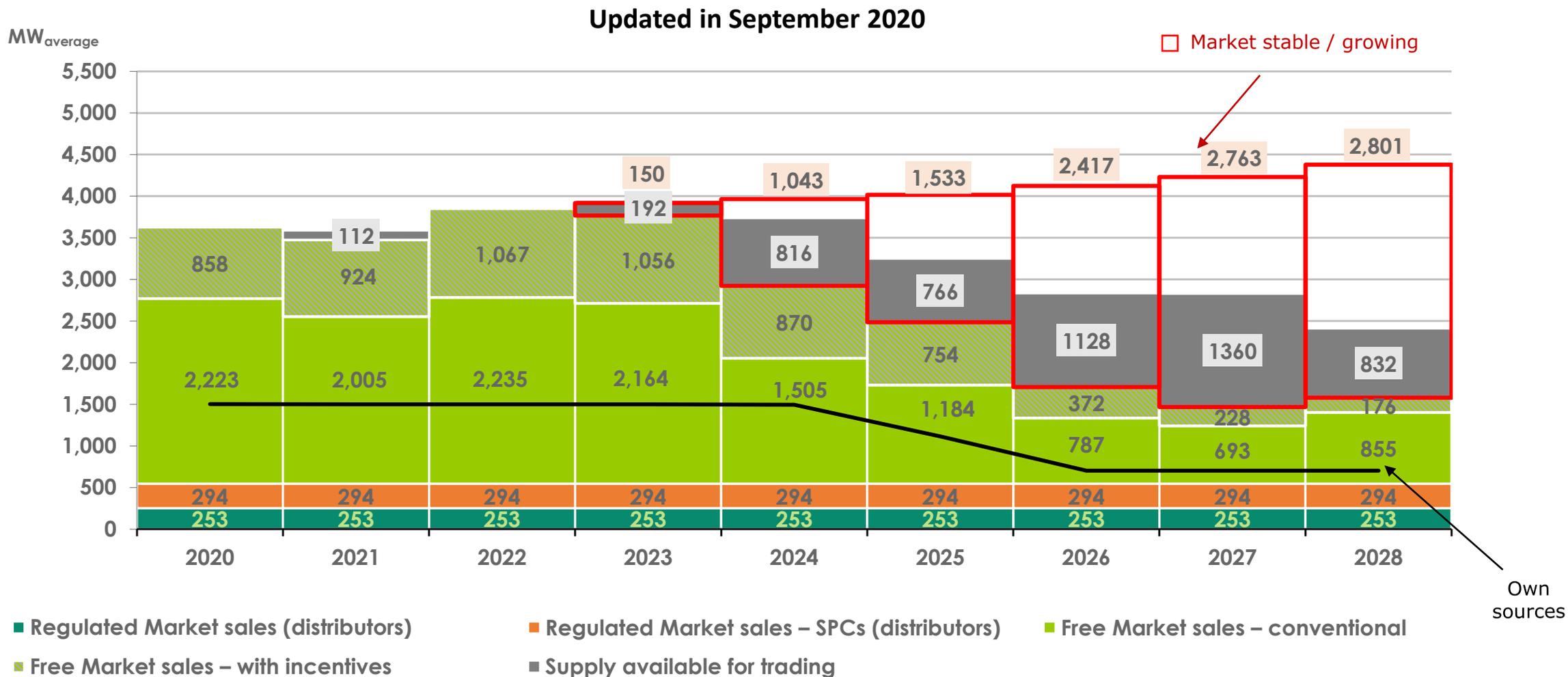
Trading: highlights and strategy

- Low exposure to price variations: open positions up to 2023 are marginal
- Growth in ‘special clients’ segment: contracts signed for more than 1GW average
- Established presence in Free Market will boost Cemig’s own investments in alternative sources
- Gross margin of 10%
- Average price billed – R\$/MWh:

2020	2021	2022	2023
224.39	212.99	207.33	198.93

(*) Source: Cemig, based on CCEE reports, and income statements. Reference: July 2019 – June 2020.

Cemig group*: Supply and demand



(*) Considers the total availability of the Cemig group's generation companies (Cemig GT, Sá Carvalho, Horizontes, Cemig PCH, Rosal, Cemig Geração Três Marias, Cemig Geração Salto Grande, Cemig Geração Itutinga, Cemig Geração Camargos, Cemig Geração Leste, Cemig Geração Oeste, Cemig Geração Sul), plus purchases from outside sources.

CemigPar: Main businesses

R\$ mn

Market segment	Company	Physical scale 100% of Assets	Proportional net revenue 2019	Proportional Ebitda 2019	Proportional profit 2019	Proportional net debt 2019
D / G	Light (22.58%)	28,000 GWh/year Installed capacity 1,188 MW	2,859	442.9	299.8	1.5 bn
D	Gasmig (99.57%)	2.3 mn m ³ /day supply capacity	1,850	292.2	163.9	1.0 bn
G	Aliança (45%)	1,257 MW Installed capacity	496	244	103	(146)
G	Renova (36.23%)	628 MW Installed capacity	36	(185)	(367)	564
G	Norte Energia (11.69%)	11,233 MW Installed capacity	492	347	24	3,259
G	Madeira Energia (15.51%)	3,568 MW Installed capacity	495	226	(144)	2,424
T	Taesa (21.68%)	13,576 km Transmission lines (km)	1,807 (Regulatory)	328 (Regulatory)	217 (IFRS)	715
G/S/GD	Other minority holdings*		219	107	54	67
	TOTAL		8,254	1,802	351	9,383

G=Baguari, Cachoeirão, Guanhões, Lightger, Retiro Baixo e Pipoca

S=Axxiom, Ativas e Cemig S!M

GD= Cemig S!M.

Strategy for CemigPar: Maximization of value

1 Disinvestments

Non-strategic or with limited synergy:



Opportunities:



2 Growth

Through investees:



New businesses:



Renew generation concessions



3 Management

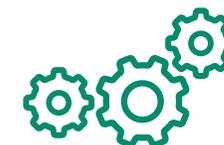
Make use of synergies:



Capital structure and distribution policy:



Improve governance



GASMIG

Natural gas distributor – Concession for whole of Minas Gerais state – Asset base approx. R\$ 2.5 bn

55,700

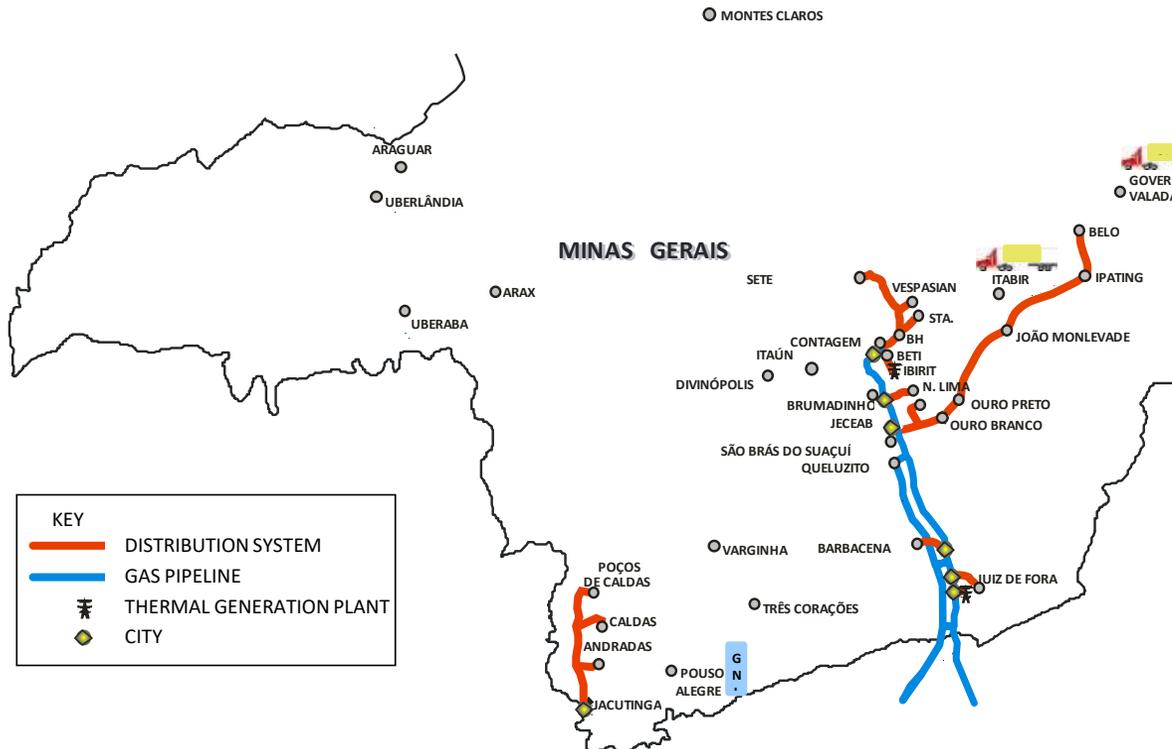
Clients

1,300 km

Length
of network

2,325,000

Supply capacity
(m³/day)



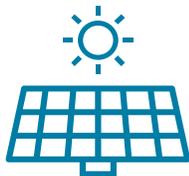
- Proposed draft law to open the gas market may potentially create competitive environment and reduction of gas prices
- Concession extended until 2053
- Registry for category B listing in progress
- 8th debenture issue: R\$ 850 mn



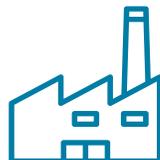
Strategy for the asset:

- Is part of Cemig's disinvestment program
- Preparation for listing Structure under study

Distributed generation



Co-generation



Energy Efficiency



Billing services



Storage



Utility management



2

Solar plants in operation

8

Cogeneration units
33 MW

22 MW

Purchase options



Janaúba photovoltaic plant

- Solar unit (49% Cemig SIM)
- Inverter capacity: 5 MW
- Start of operation: 2019



Corinto photovoltaic plant

- Solar unit (49% Cemig SIM)
- Inverter capacity: 5 MW
- Start of operation: 2019



Strategy for the asset:

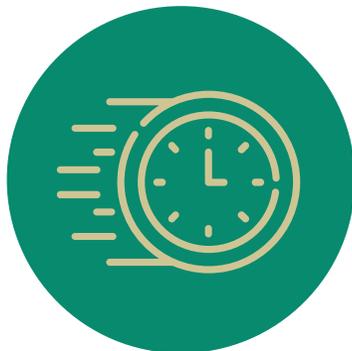
- Investment in Distributed Generation
- Innovation
- Non-regulated services

Financial strategy



● Management of debt

- Preserve liquidity in long term
- Optimize capital structure



● Focus on operational efficiency

- Reduce costs without compromising on quality
- Adoption of **ZBB** (Zero-based budgeting) in 2021



● Investments

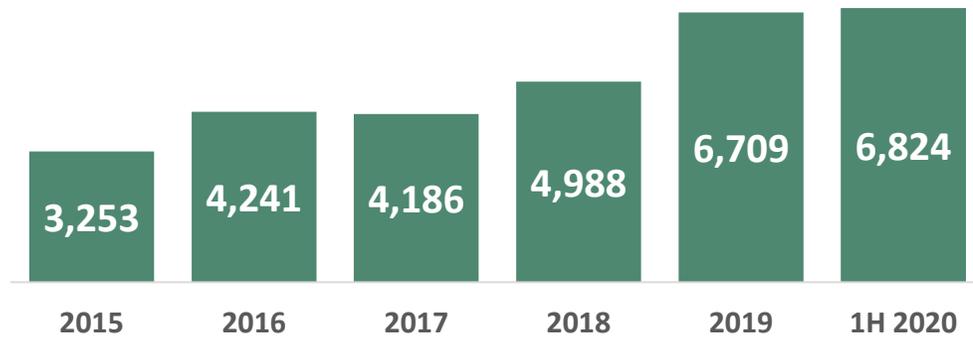
- Growth with adequate return
- Obtain specific financings to reduce borrowing costs



● Equilibrated remuneration to stockholder

POST-RETIREMENT

Post- retirement liability



Post-retirement expenses



Studies for adaptation of the private pension and health plans, with a reduction in actuarial risk and obligations

(*) Changes in the life insurance policy in 2017, which reduced the actuarial obligation, with gains of R\$ 620 million.

MANAGEMENT OF DEBT

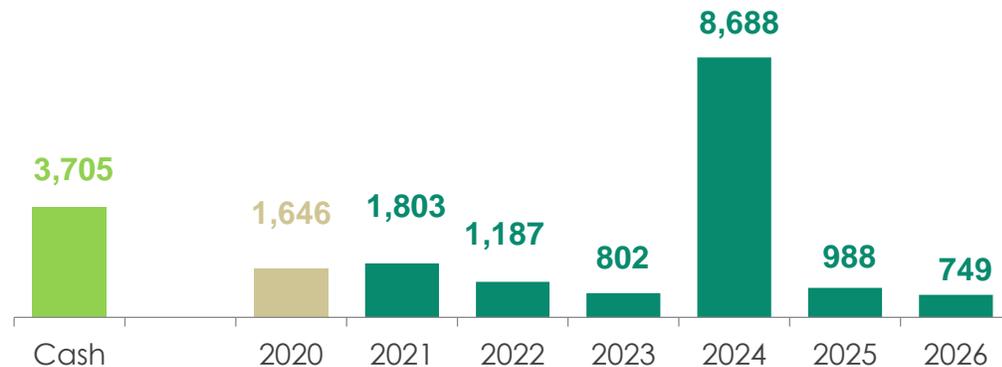
(Figures in R\$ mn, with interest accumulated to June 2020)

Cemig, Consolidated

Maturities timetable – Average tenor: 3.8 years

Net debt (Debt – Cash and securities): **R\$ 12.2 bn**

Total net debt (Net debt – Hedge): **R\$ 8.9 bn**

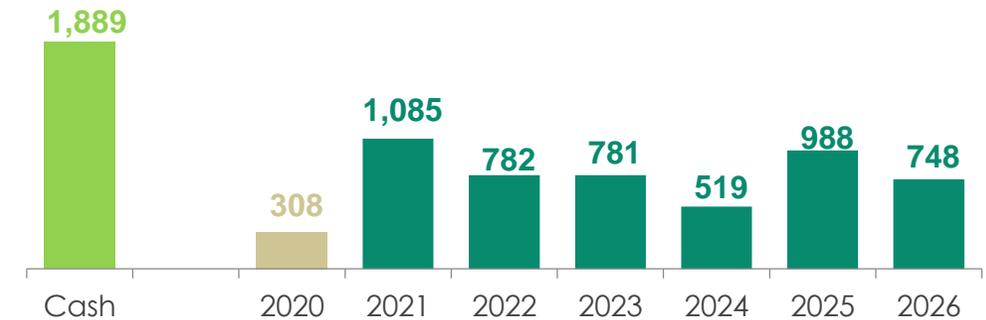


- Liquidity ensures servicing of debt in medium term
- Balanced profile of debt of Cemig D, with no restructuring challenges
- Focus on liability management of Cemig GT bonds, at the opportune moment, to reduce FX exposure and undo concentration of debt servicing in 2024

Cemig D

Maturities timetable – Average tenor: 3.7 years

Net debt (Debt – Cash and securities): **R\$ 5.2 bn**

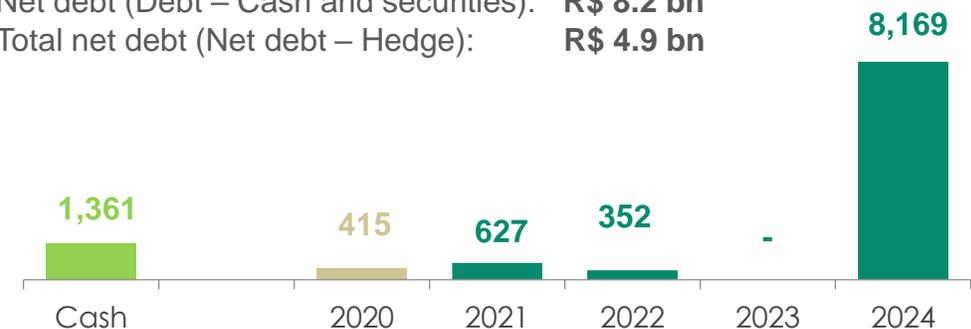


Cemig GT

Maturities timetable – Average tenor: 4.1 years

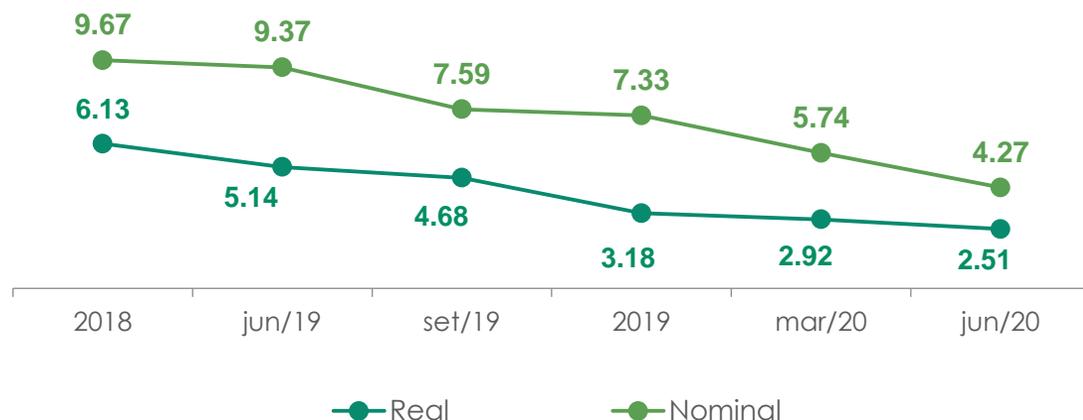
Net debt (Debt – Cash and securities): **R\$ 8.2 bn**

Total net debt (Net debt – Hedge): **R\$ 4.9 bn**

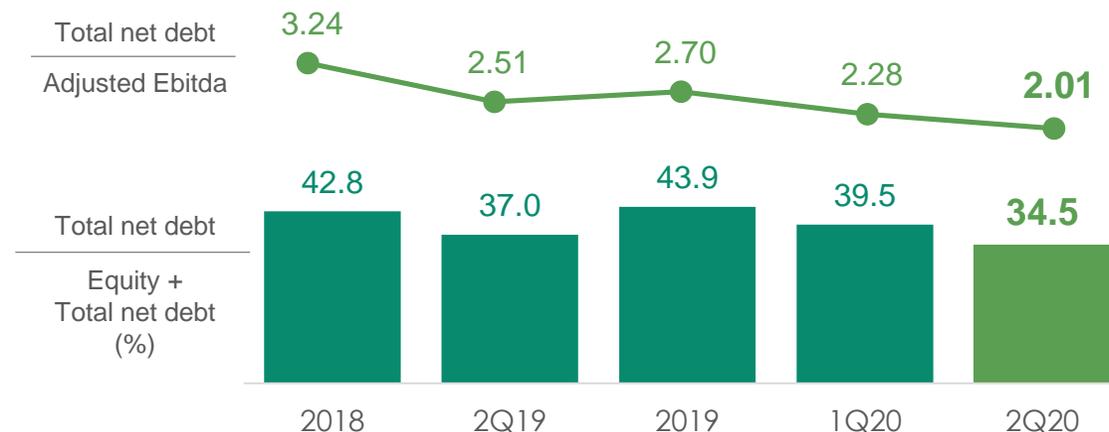


MANAGEMENT OF DEBT

Cost of debt – % p.a.



Leverage



- Principal debt of the company (Bonds of Cemig GT) costing 142% of CDI, benefiting from reduction of Selic rate
- Debt becoming due in coming years will be amortized with the Company's own funds, maintaining leverage around 2.0 x Ebitda
- We see leverage at 2.5 x Ebitda as acceptable in a scenario of arranging funding to enable renewal of Cemig GT's concessions

DIVIDENDS POLICY

Aim: **BALANCE** between remuneration to stockholders and financing of new projects

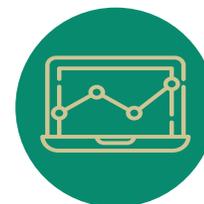


50% payout



Minimum guaranteed dividend

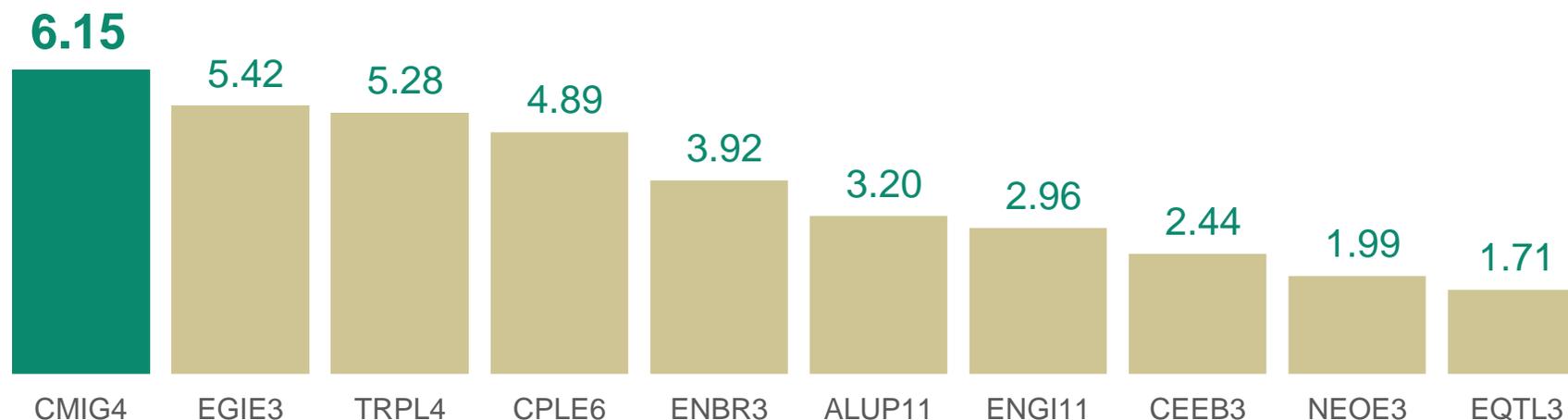
R\$ 505 million for preferred (PN) shares, as required in by-laws



Dividend yield 4.6%

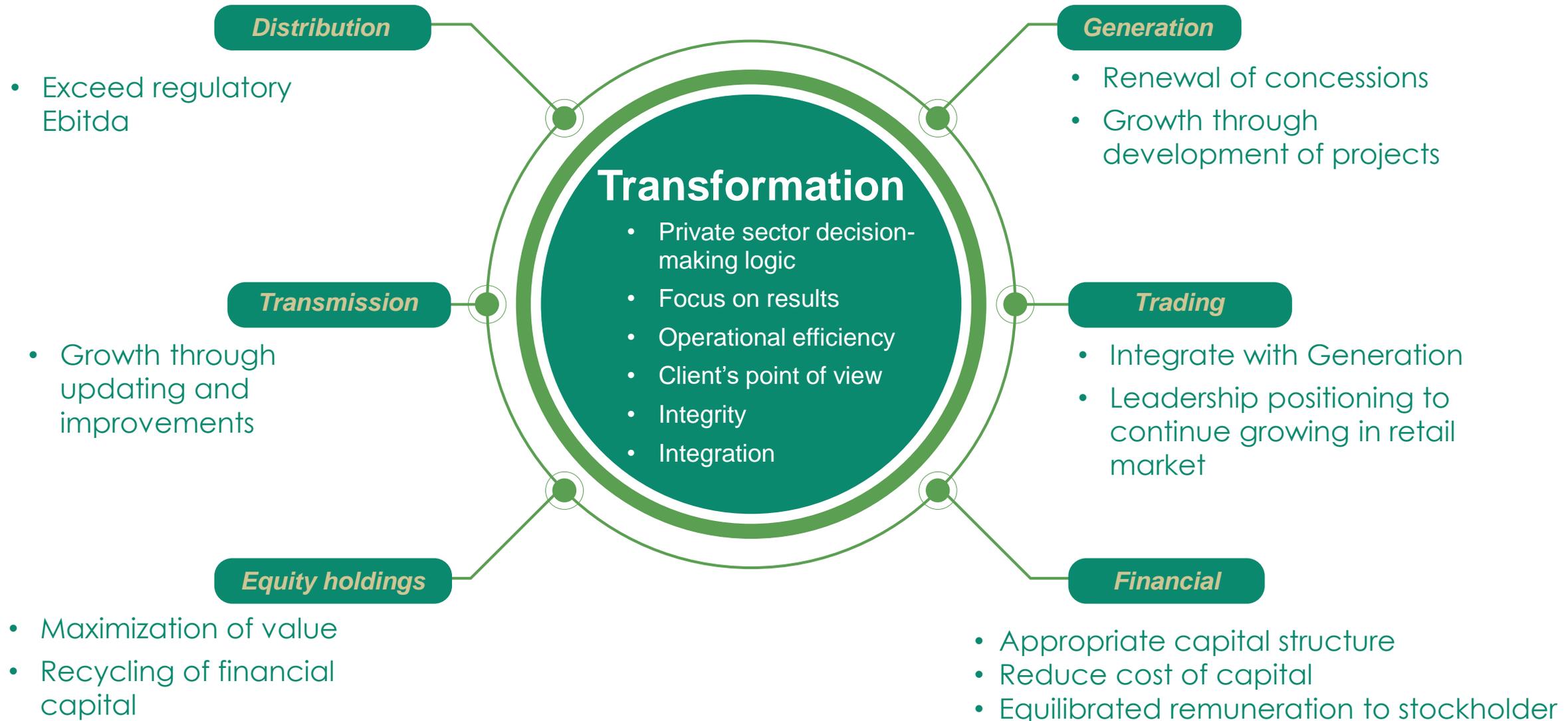
Dividends declared

Median,
last 5 years, %



Source: Economática, Ebitda>R\$2 bi

THE NEW CEMIG: RESUMING POLE POSITION





THANK YOU!

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