

CEMIG

1H19

RESULTS



Disclaimer

Certain statements and estimates in this material may represent expectations about future events or results, which are subject to risks and uncertainties that may be known or unknown. There is no guarantee that the events or results will take place as referred to in these expectations.

These expectations are based on the present assumptions and analyses from the point of view of our management, in accordance with their experience and other factors such as the macroeconomic environment, and market conditions in the electricity sector; and on our expectations for future results, many of which are not under our control.

Important factors that could lead to significant differences between actual results and the projections about future events or results include our business strategy, Brazilian and international economic conditions, technology, our financial strategy, changes in the electricity sector, hydrological conditions, conditions in the financial and energy markets, uncertainty on our results from future operations, plans and objectives, and other factors. Because of these and other factors, our real results may differ significantly from those indicated in or implied by such statements.

The information and opinions herein should not be understood as a recommendation to potential investors, and no investment decision should be based on the veracity, currentness or completeness of this information or these opinions. None of our professionals nor any of their related parties or representatives shall have any liability for any losses that may result from the use of the content of this presentation.

To evaluate the risks and uncertainties as they relate to Cemig, and to obtain additional information about factors that could give rise to different results from those estimated by Cemig, please consult the section on *Risk Factors* included in the Reference Form filed with the Brazilian Securities Commission (CVM) – and in the 20-F form filed with the U.S. Securities and Exchange Commission (SEC).

In this material, financial amounts are in **R\$ million (R\$ mn)** unless otherwise stated.

Financial data reflect the adoption of IFRS.



HIGHLIGHTS



ICMS case:
Court confirms
tax credits



Structural
reorganization and
operational efficiency
initiatives



Management of
debt portfolio



Strong growth in
operational cash flow
(measured as Ebitda)



Cemig GT –
Auction to purchase
renewable supply



Execution of
Disinvestment
Program

Court confirms tax credits

- On May 8, 2019 the Regional Federal Appeal Court of the First Region gave final judgment – against which there is no appeal – recognizing Cemig’s right to exclude amounts of ICMS (value-added) tax from the calculation base for Pasep and Cofins taxes, as from to 5 years prior to filing the case – i.e. backdated to July 2003.

| Pasep and Cofins credits | Cemig H | Cemig D | Cemig GT | Other investees | Total |
|---|------------|--------------|------------|-----------------|--------------|
| Escrow deposits | – | 1,138 | 204 | – | 1,342 |
| Taxes paid | 484 | 4,833 | 640 | 26 | 5,983 |
| Total | 484 | 5,971 | 844 | 26 | 7,325 |
| Maximum possible value of reimbursement to clients* | | 4,130 | | | 4,130 |
| Effects on statement of income | | | | | |
| Recovery of credits of PIS, Pasep and Cofins taxes charged on amounts of ICMS tax | 183 | 830 | 409 | 16 | 1,439 |
| Net financial income | 297 | 991 | 226 | 10 | 1,524 |
| Income tax and Social Contribution tax | –163 | –594 | –212 | –9 | –978 |
| | 317 | 1,227 | 423 | 17 | 1,984 |

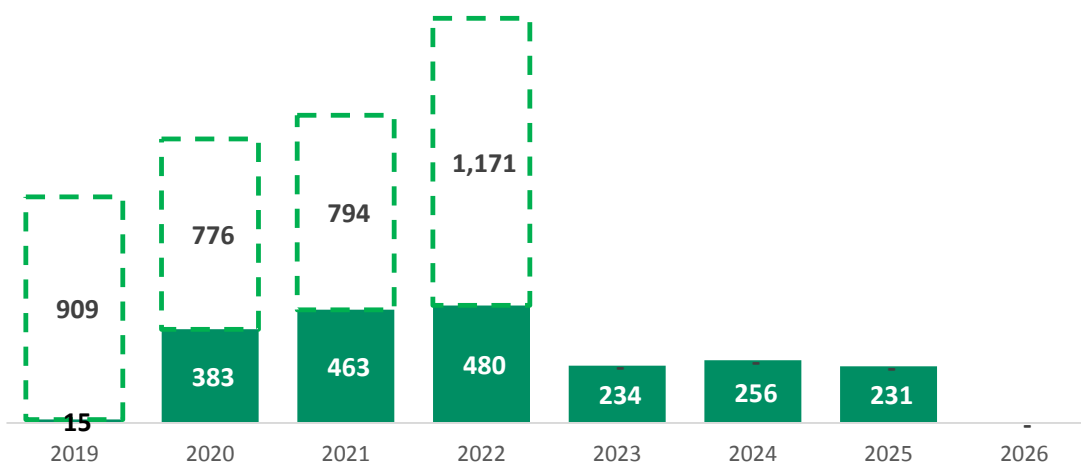
(*) From the amount to be reimbursed to consumers, R\$20 million will be deducted related to Pasep and Cofins.

Cemig D- 7th debenture issue

- R\$ 3.66 billion, in two series
 - ✓ 1st Series: maturity 5 years; total R\$ 2.16 billion – pays interest at 0.454% p.a. above CDI Rate.
 - ✓ 2nd Series: maturity 7 years; total R\$ 1.5 billion – pays 4.10% p.a. plus inflation correction by IPCA index.
- **Replaces** more expensive debt
 - ✓ Estimated average **cost: reduced** from 144.13% to **108.61% of CDI rate**
 - ✓ **Increases** average **tenor** of total debt of Cemig D – from 2.9 years to **5.1 years**.

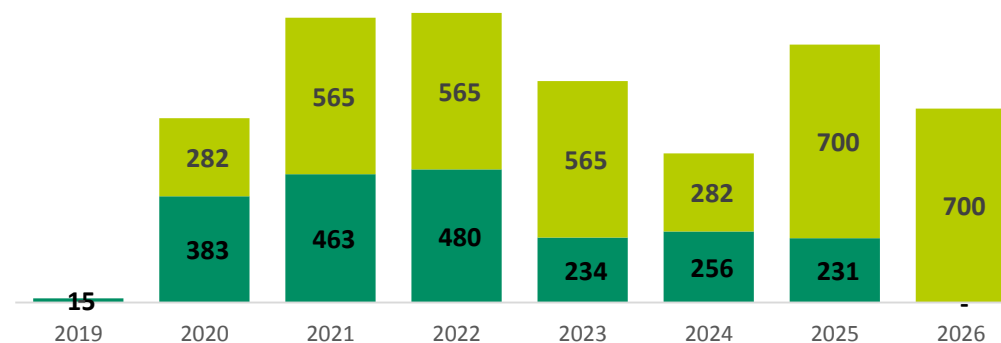
Position on March 31, 2019

Average tenor: 2.9 years



After re-profiling – July 2019

Average tenor: 5.1 years



Auction to buy renewable supply



Cemig offering to buy supply for delivery from year 2023 - Sep/19

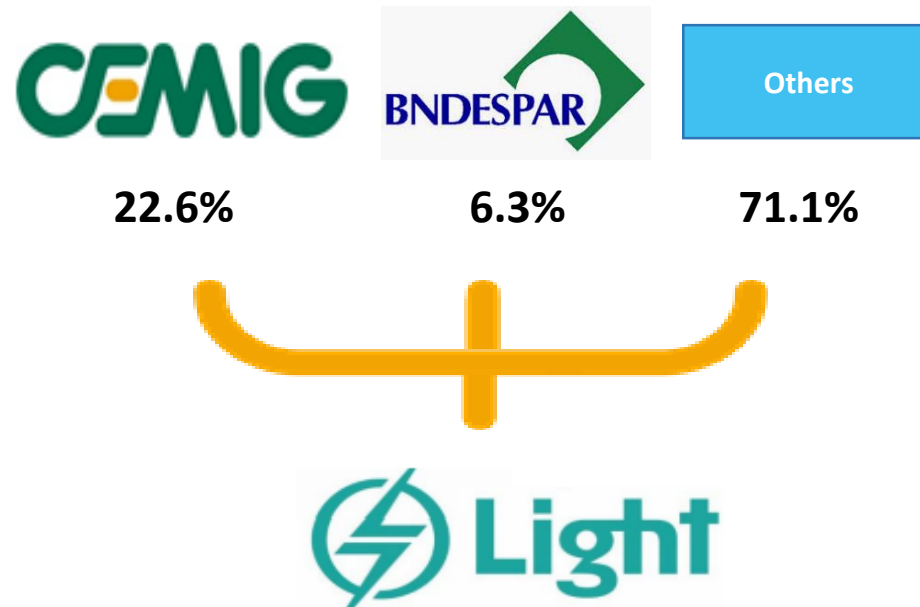
- Cemig GT will hold Free Market auction to buy incentive-bearing solar or wind supply
 - ✓ Contracts for delivery from 2023 for 19 years.
- Bids accepted from companies:
 - ✓ technically qualified by EPE* for any Aneel New Supply auction in 2018 or 2019,
 - ✓ with share capital above R\$ 500 million or installed capacity above 1GW.
- The auctions of June and October 2018 were successful.
 - ✓ In June, contracts for 431.5 MW average were acquired, and in October a total of 152.5 MW average
 - ✓ – for delivery over 20 years, starting in 2022

* EPE – Brazilian government's Energy Research Company (*Empresa de Pesquisa Energética*).



Sale of shares in Light

- Cemig maintains commitment to execute Disinvestment Program
 - ✓ R\$625 mm
 - ✓ Total of sale: **33,333,333 shares**
 - ✓ For price per share: R\$ 18.75
- Stockholding structure after settlement of Restricted Offering – **July 17, 2019:**



Capex



Board has approved **increase in Investment Plan of Cemig D**

- Additional execution of **R\$ 1.2 billion** for the period 2020–22.
- Purposes:
 - ✓ accelerate modernization of Cemig D’s assets base,
 - ✓ reduce costs of operation and maintenance,
 - ✓ improve the company’s quality indicators,
 - ✓ increase client satisfaction.

| Investment Plan | Components | June 2019 R\$ mn | | | | | |
|---------------------------------------|--|------------------|--------------|--------------|--------------|--------------|--------------|
| | | 2019 | 2020 | 2021 | 2022 | 2023 | TOTAL |
| | Cemig D funding (increased) | 1,078 | 1,632 | 1,573 | 1,632 | 1,386 | 7,301 |
| Cemig D | Funding from clients | 178 | 179 | 158 | 114 | 170 | 799 |
| | Total, Cemig D | 1,257 | 1,811 | 1,730 | 1,746 | 1,556 | 8,100 |
| | | | | | | | |
| Cemig GT | Transmission (upgrades and improvements) | 263 | 281 | 261 | 276 | 207 | 1,289 |
| | Generation (operation and maintenance) | 30 | 96 | 183 | 117 | 23 | 450 |
| | Cash injections | 46 | 89 | | | | 135 |
| | Total, Cemig GT | 340 | 466 | 444 | 393 | 230 | 1,873 |
| | | | | | | | |
| Cemig investment, consolidated | | 1,596 | 2,277 | 2,174 | 2,139 | 1,786 | 9,973 |

Cemig’s other Investment Plans are unchanged.

Results – Highlights



- Revenue from sales on CCEE exchange (Cemig GT): **up 148.5% in 1H19**
 - ✓ In 1H19: – **up R\$ 237 mn** from 1H18;
 - ✓ In 2Q19: – **up R\$ 119 mn** from 2Q18.
 - ✓ CCEE credit – **R\$469 mn**
- Exclusion of ICMS tax from taxable base for PIS, Pasep and Cofins taxes
 - ✓ Award in legal action: **Tax credits** totaling **R\$ 1,439 mn**
 - ✓ **Financial income** gain: **R\$ 1,524 mn**
- **Provision** for accounts receivable from Renova: **R\$ 688 mn**
- **Equity income** positive from non-consolidated investees
 - In 1H19: – **up R\$ 130 mn** from 1H18;
 - In 2Q19: – **up R\$ 119 mn** from 2Q18.

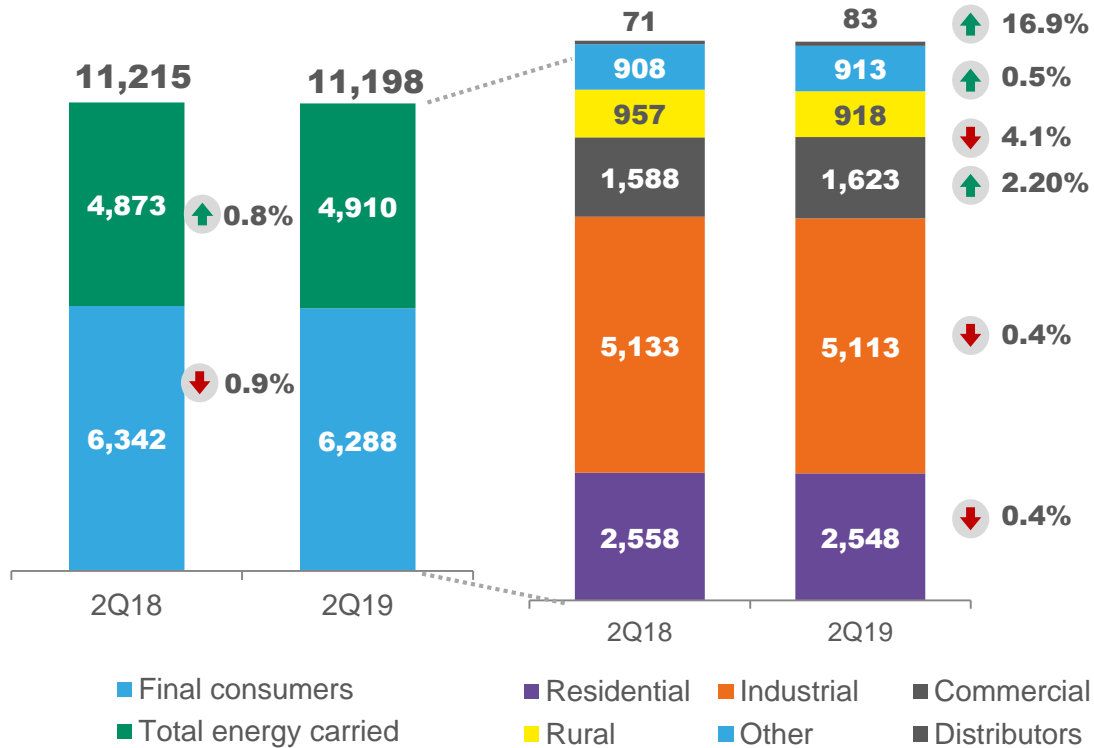
The electricity market of Cemig D



In 2Q19 – GWh

Cemig D: billed market + transmission

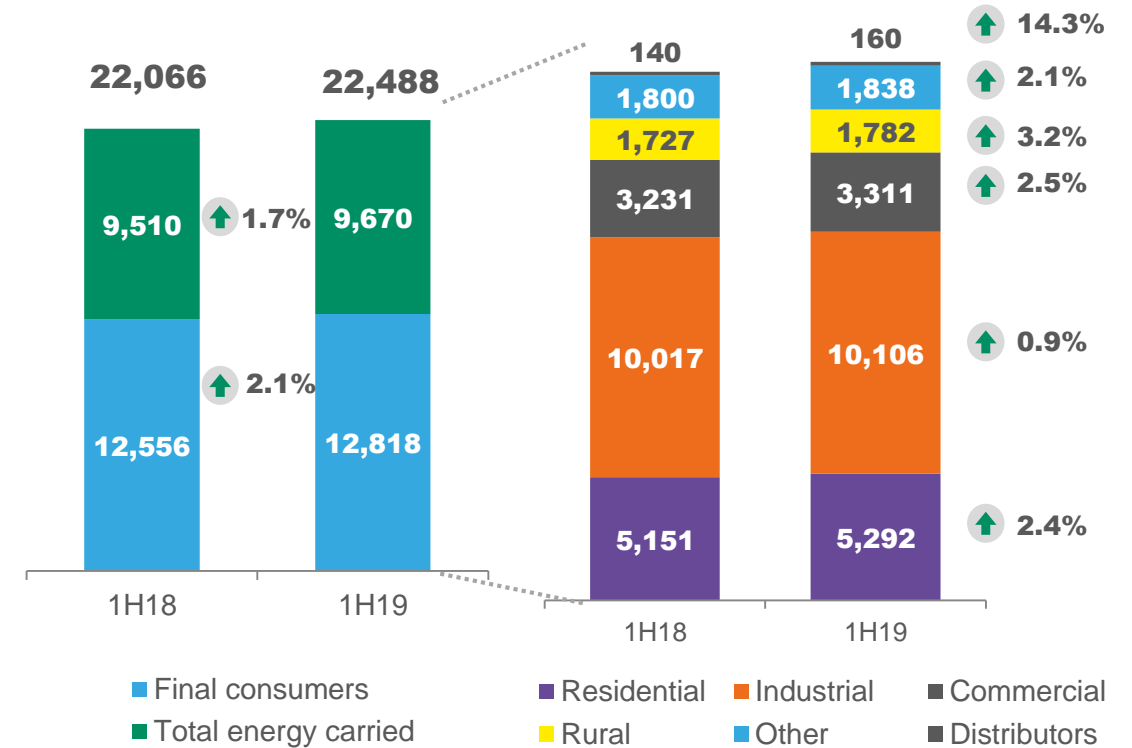
↓ 0.2%



In 1H19 – GWh

Cemig D: billed market + transmission

↑ 1.9%

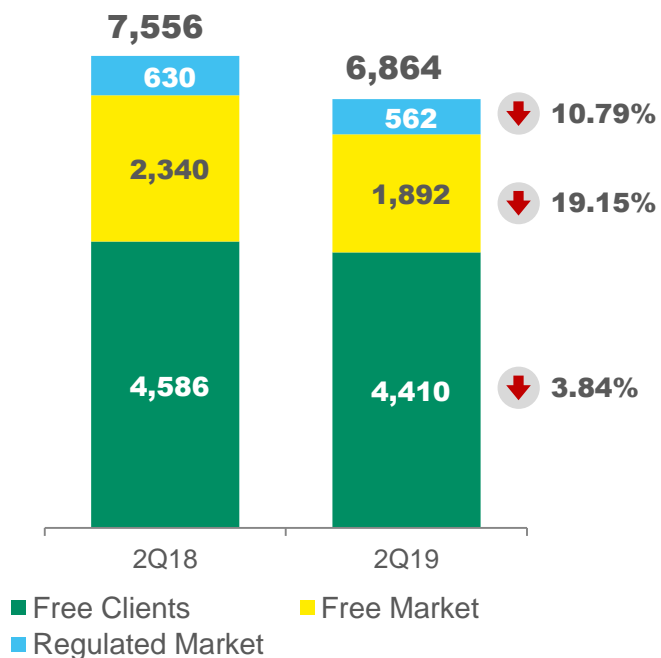


The electricity market of Cemig GT



In 2Q19 – GWh

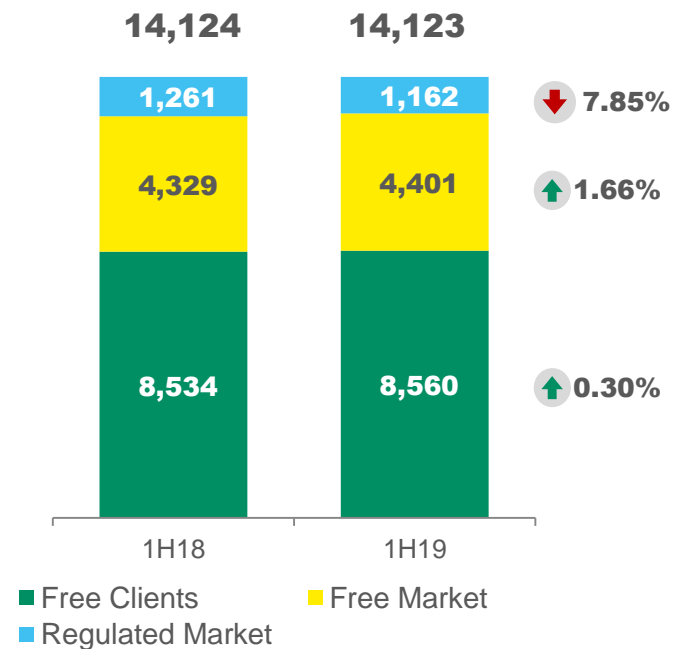
Market of Cemig GT ↓ **9.2%**



Free Market: Sales to traders and generators, and 'bilateral' contracts with other agents

In 1H19 – GWh

Market of Cemig GT ↓ **0.01%**



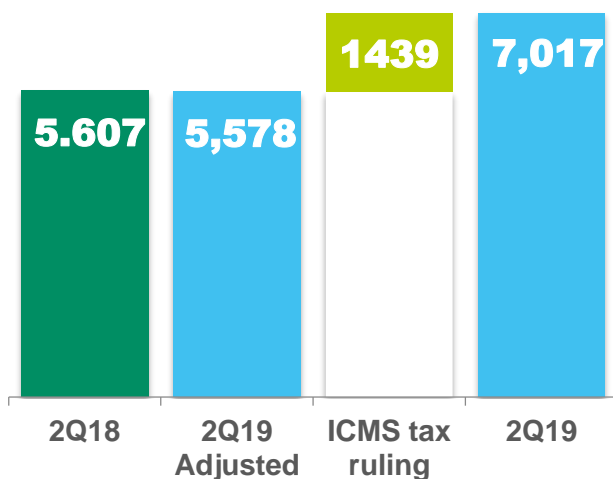
Free Market: Sales to traders and generators, and 'bilateral' contracts with other agents

Net revenue - 2Q19

R\$ mn

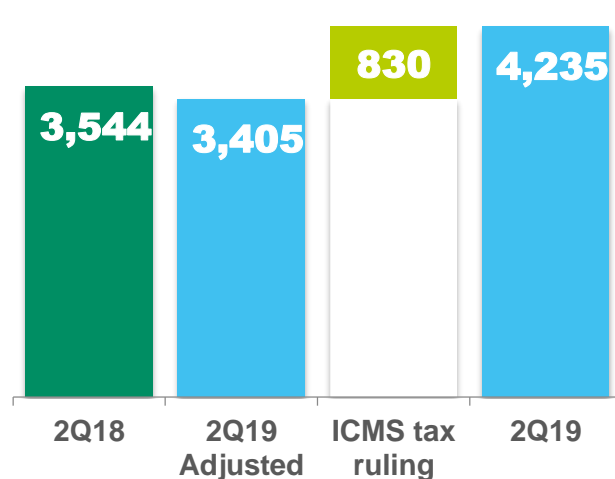
Cemig Consolidated

2Q19/2Q18  25.15%
 2Q19 AJ/2Q18  0.52%



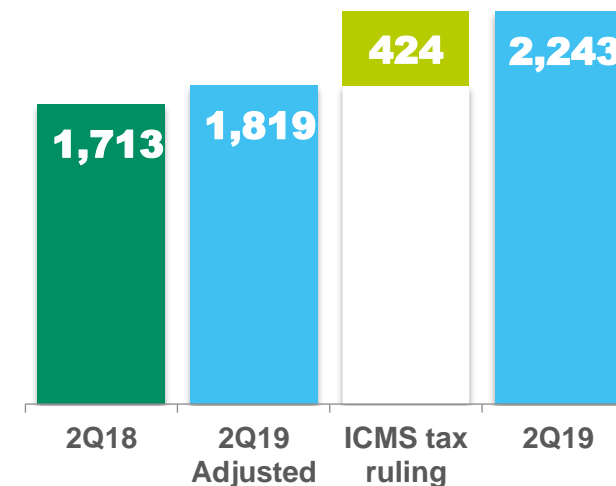
Cemig D

2Q19/2Q18  19.50%
 2Q19 AJ/2Q18  3.92%



Cemig GT

2Q19/2Q18  30.94%
 2Q19 AJ/2Q18  6.19%





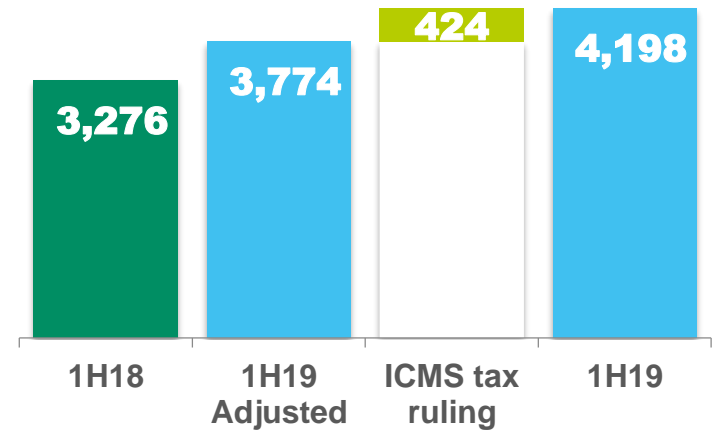
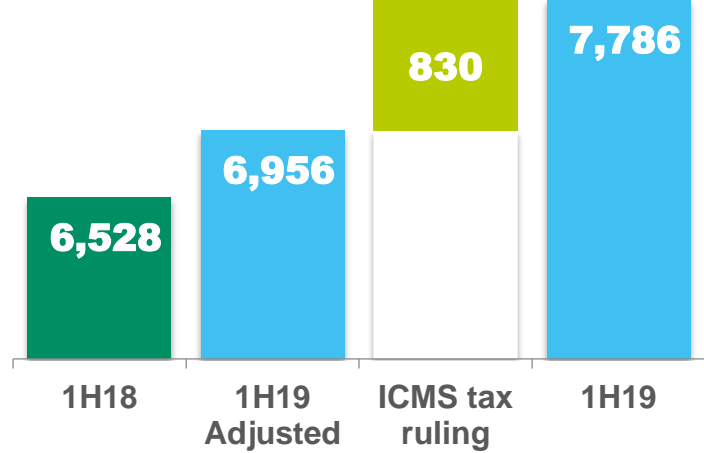
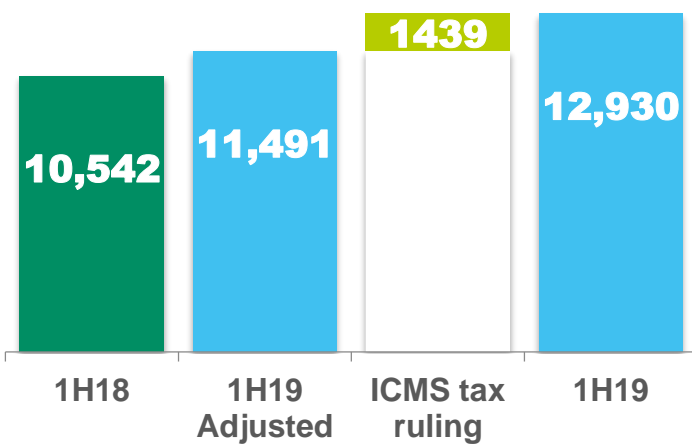
Net revenue – 1H19

R\$ mn

Cemig Consolidated
1H19/1H18 22.65%
1H19 AJ/1H18 9.00%

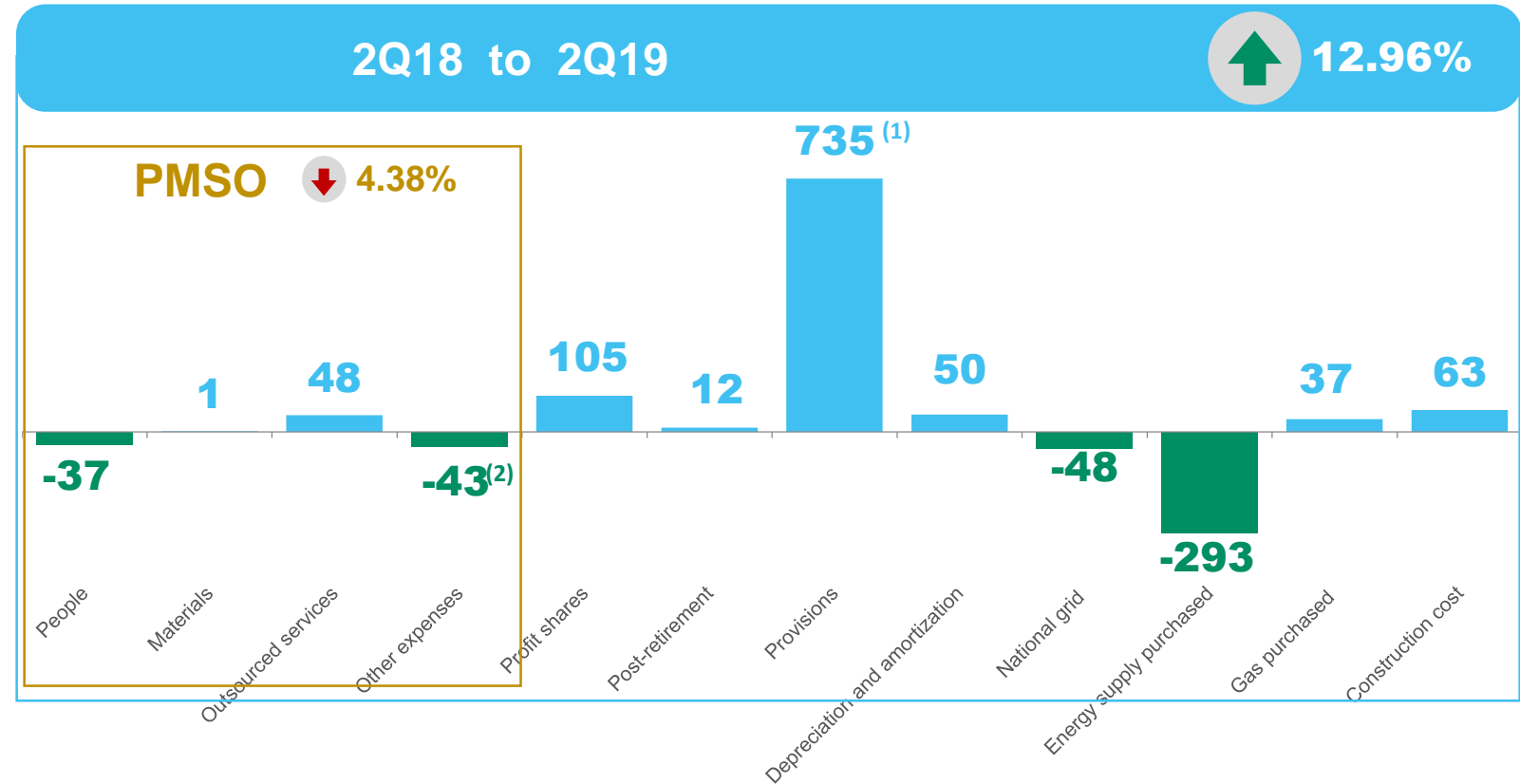
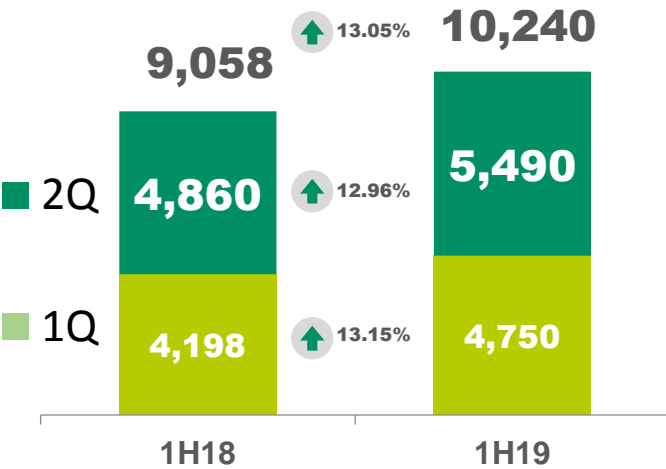
Cemig D
1H19/1H18 19.27%
1H19 AJ/1H18 6.56%

Cemig GT
1H19/1H18 28.14%
1H19 AJ/1H18 15.20%



Operating costs and expenses

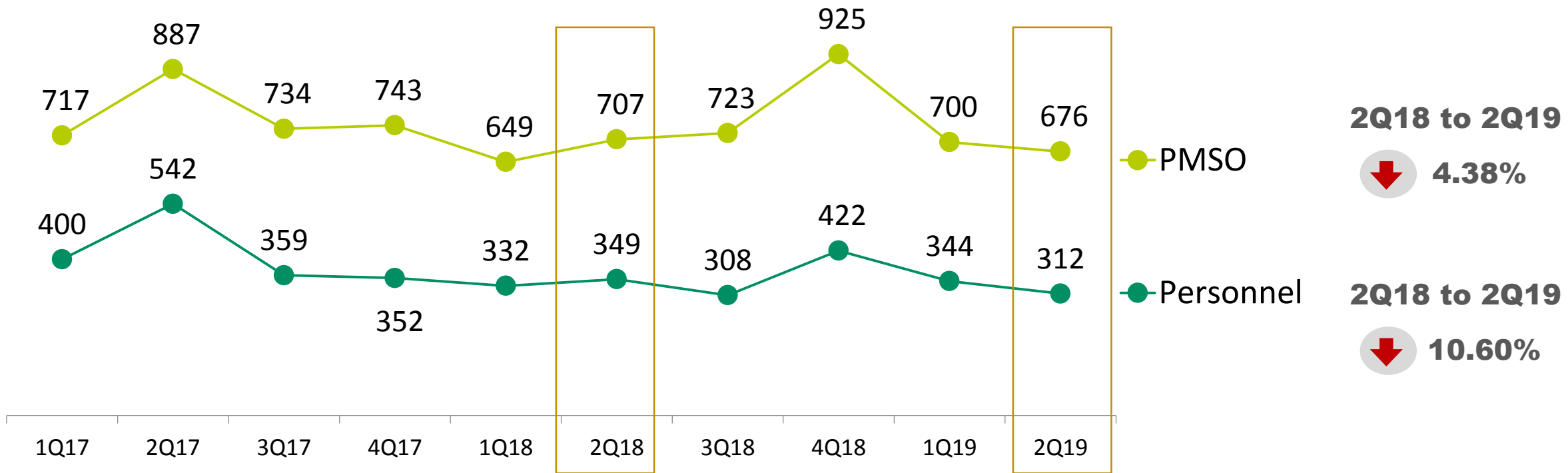
R\$ mn



1 - After making a credit risk assessment, Cemig recognized a loss of R\$ 688 mn on accounts receivable from Renova. Provisions for employment-law legal actions were R\$ 125 mn higher than in the same period of 2018.

2 - The difference mainly reflects the change in accounting for leasing and rentals – now under IFRS16 / CPC 06 (R2).

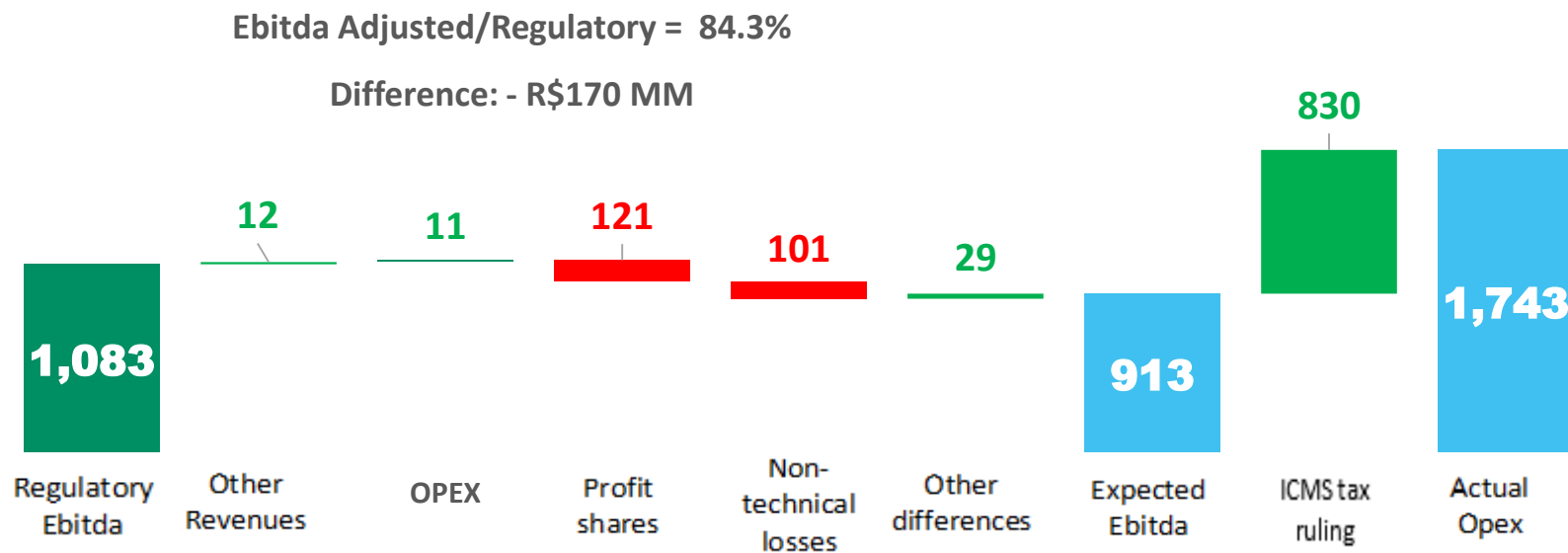
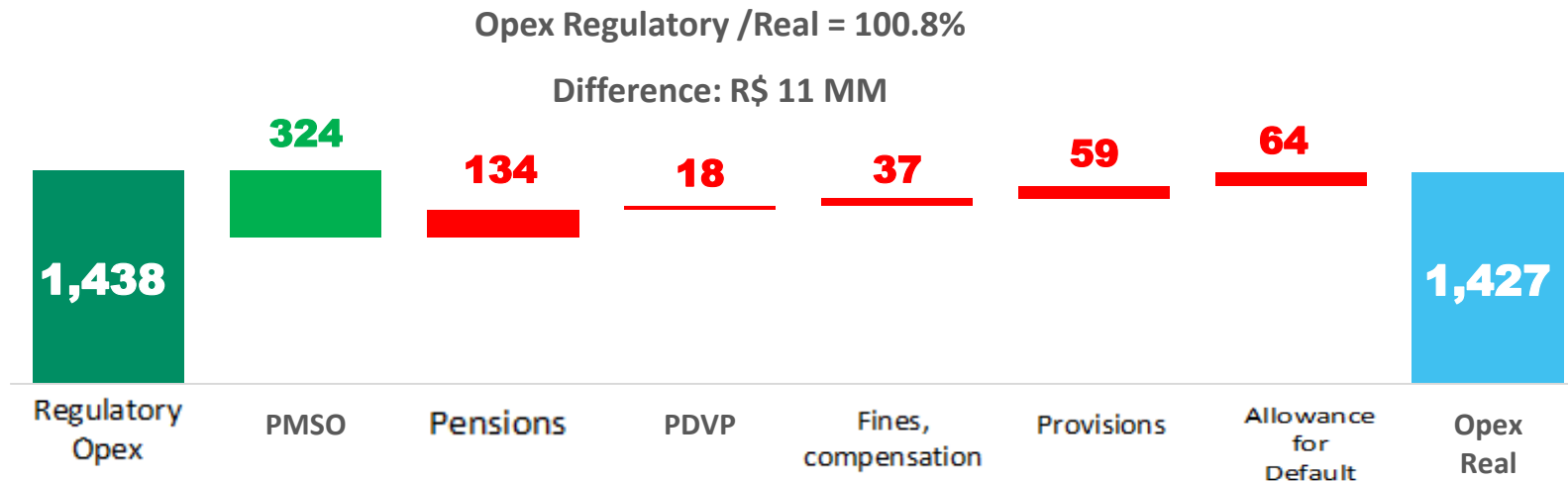
R\$ mn



Cemig D: 1H19 Ebitda, Opex – Regulatory vs. Real



R\$ mn





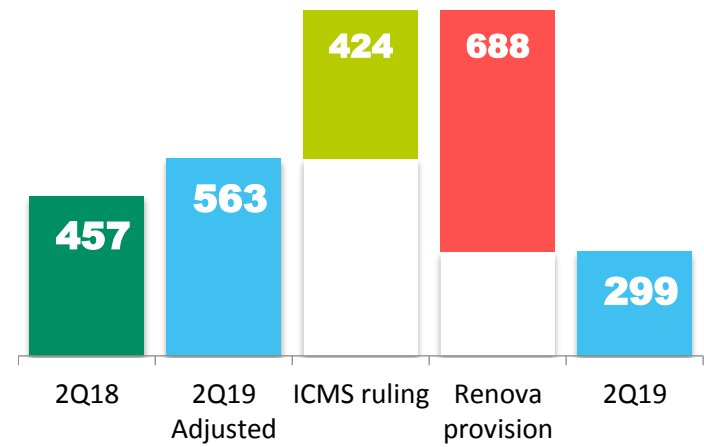
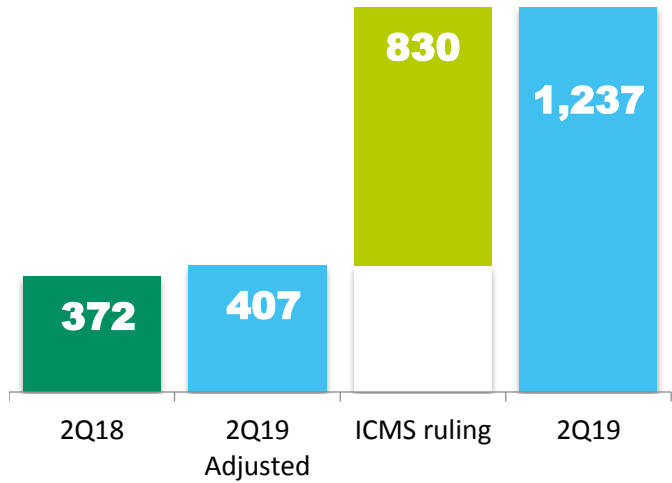
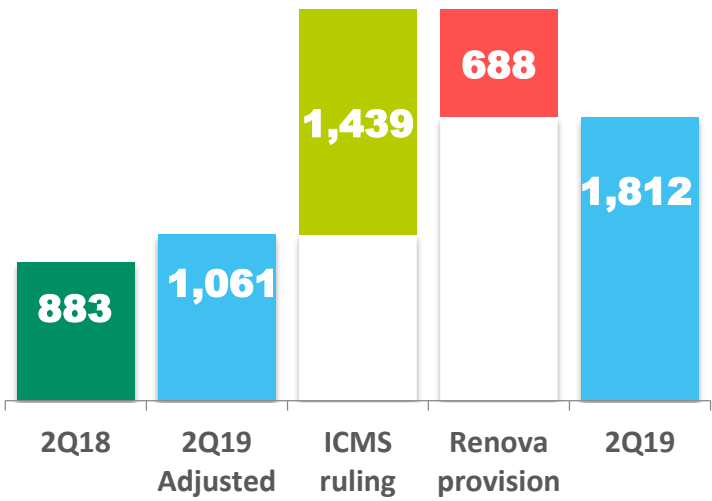
Ebitda – 2Q19

R\$ mn

Cemig Consolidated
 2Q19/2Q18 105.21%
 2Q19 AJ/2Q18 20.16%

Cemig D
 1H19/2Q18 232.53%
 2Q19 AJ/2Q18 9.41%

Cemig GT
 2Q19/2Q18 34.57%
 2Q19 AJ/2Q18 23.19%



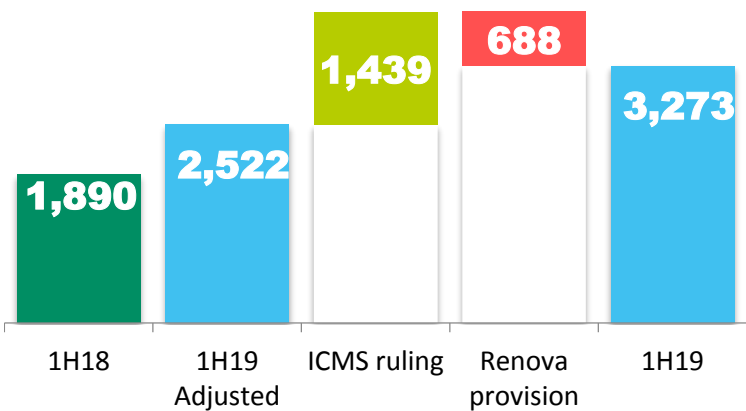
Ebitda – 1H19



R\$ mn

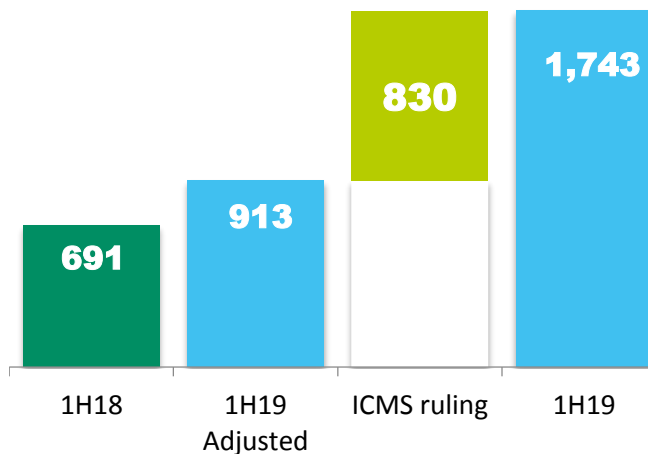
Ebitda Consolidated

1H19/1H18 ↑ 73.17%
 1H19 AJ/1H18 ↑ 33.44%



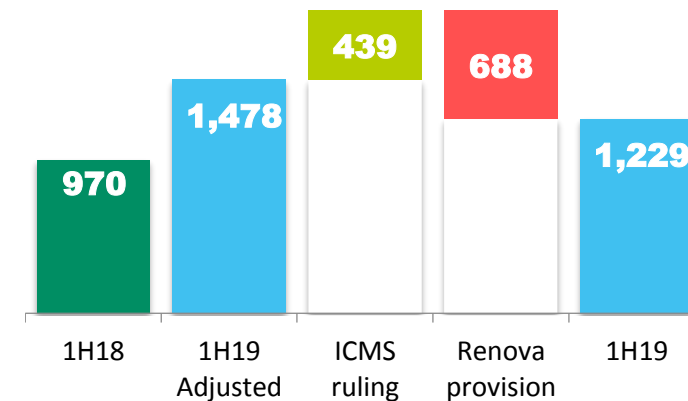
Ebitda Cemig D

1H19/1H18 ↑ 152.24%
 1H19 AJ/1H18 ↑ 32.13%



Ebitda Cemig GT

1H19/1H18 ↑ 26.70%
 1H19 AJ/1H18 ↑ 53.92%

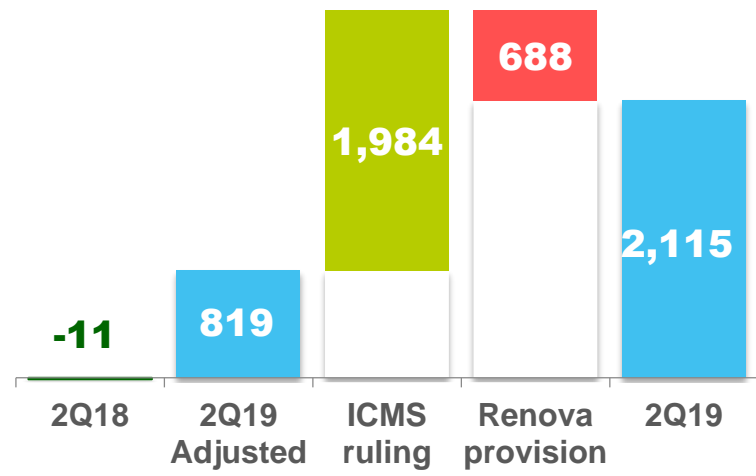




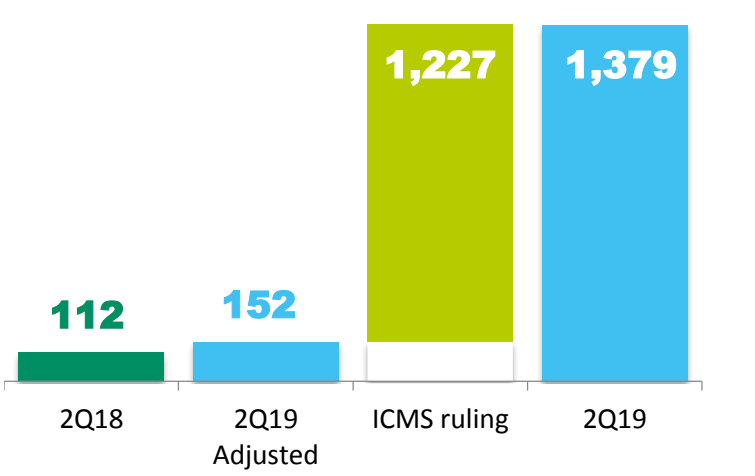
Net profit (loss) – 2Q19

R\$ mn

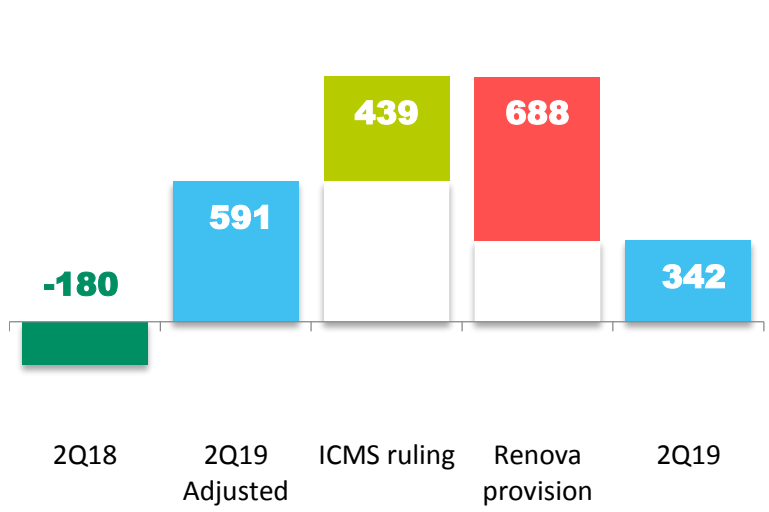
Cemig Consolidated
 2Q19/2Q18
 2Q19 AJ/2Q18



Cemig D
 2Q19/2Q18 1,131.25%
 2Q19 AJ/2Q18 35.71%



Cemig GT
 2Q19/2Q18
 2Q19 AJ/2Q18



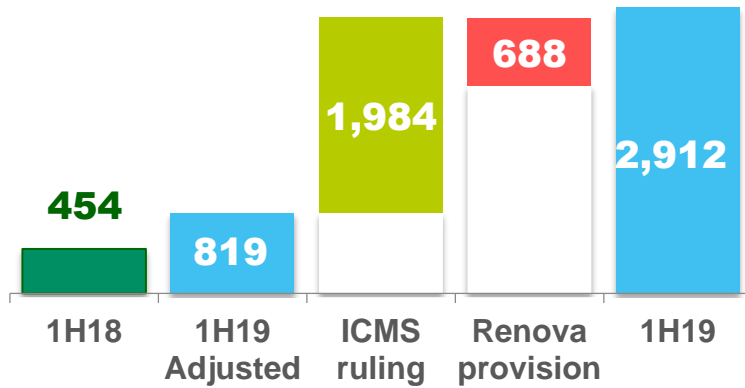
Net profit – 1H19



R\$ mn

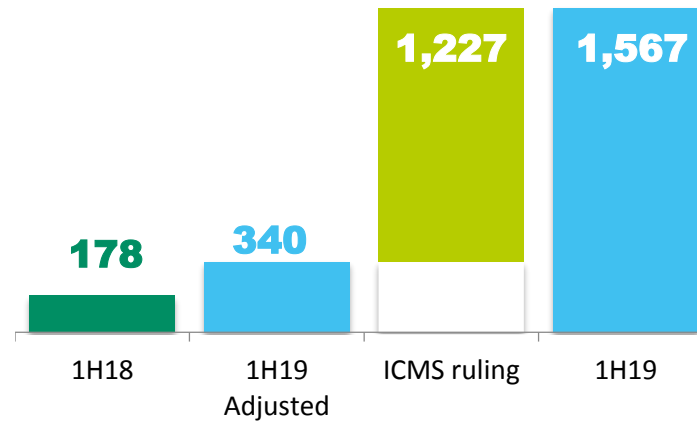
Cemig Consolidated

1H19/1H18 ↑ 541.41%
 1H19 AJ/1H18 ↑ 255.95%



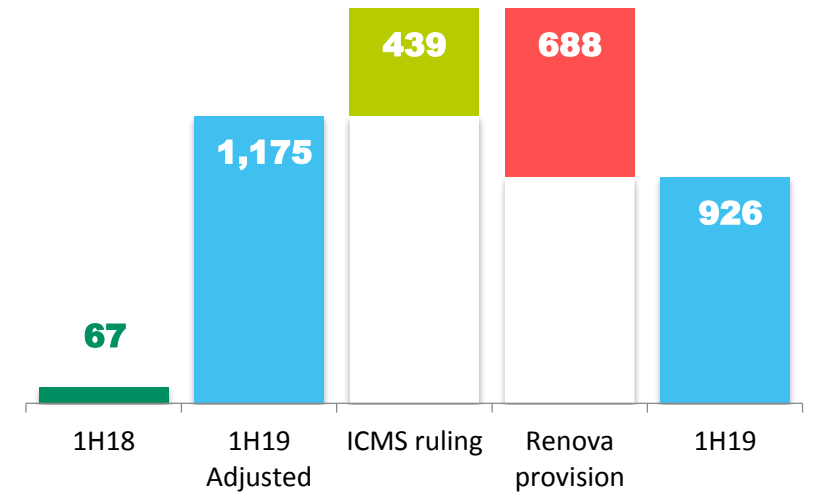
Cemig D

1H19/1H18 ↑ 780.34%
 1H19 AJ/1H18 ↑ 91.01%



Cemig GT

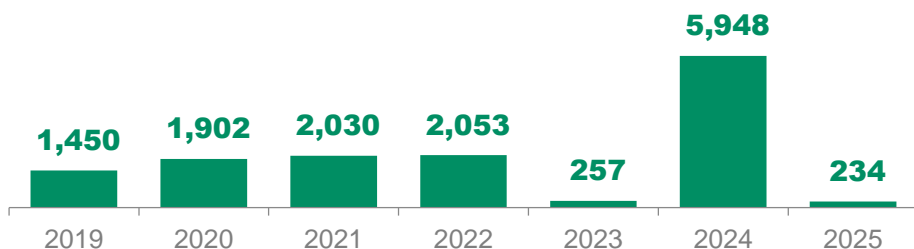
1H19/1H18 ↑ 1,282.09%
 1H19 AJ/1H18 ↑ 1,653.73%



Cemig, consolidated: debt profile

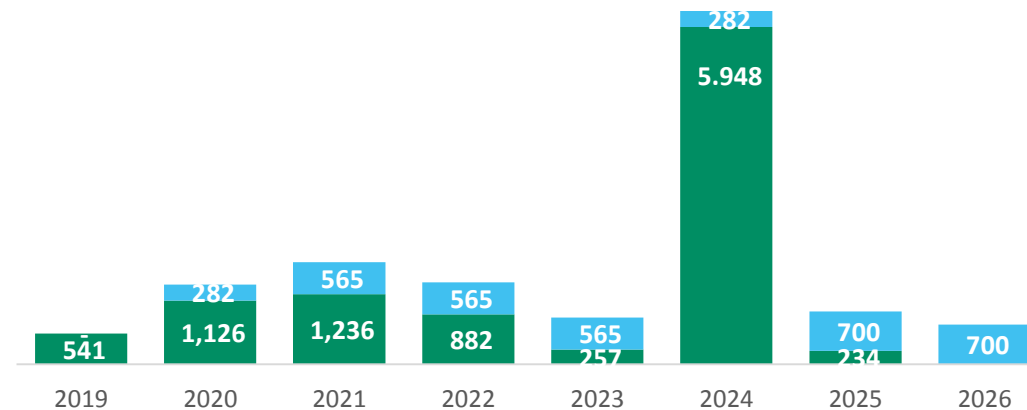
Maturities timetable – Average tenor: 3.8 years

Total net debt: **R\$ 12.4 billion**

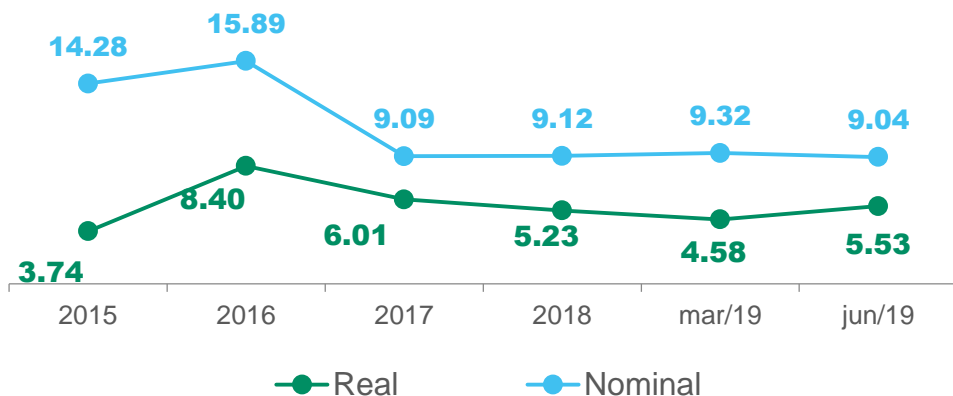


Maturities timetable – July 2019

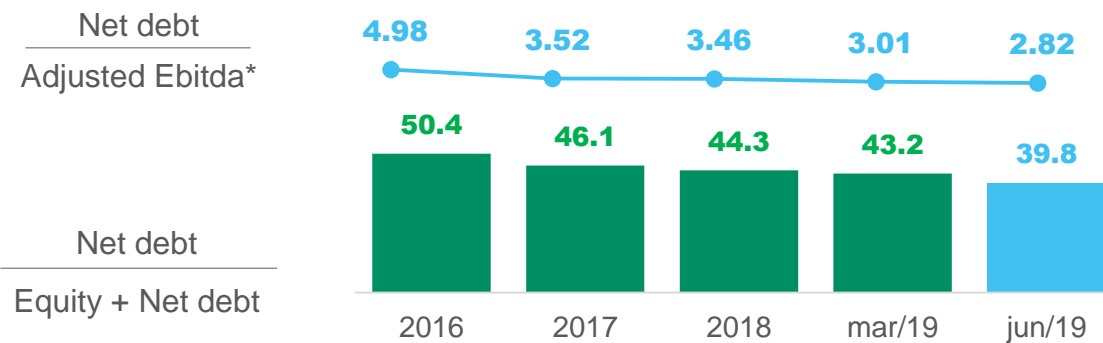
Average tenor: **4.5 years**



Cost of debt – %



Main indexes

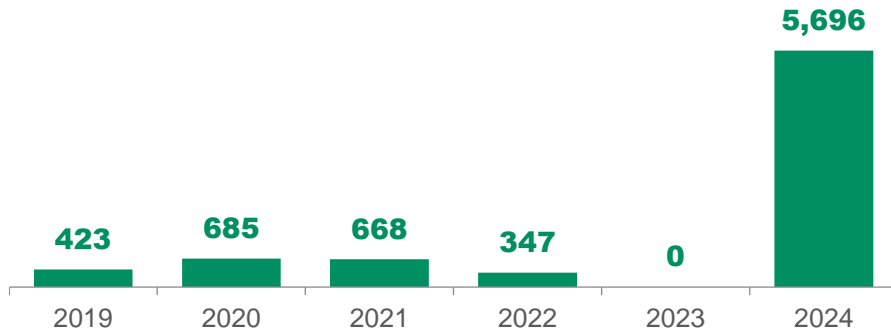


* Adjustments for ICMS tax ruling, and Renova provision.

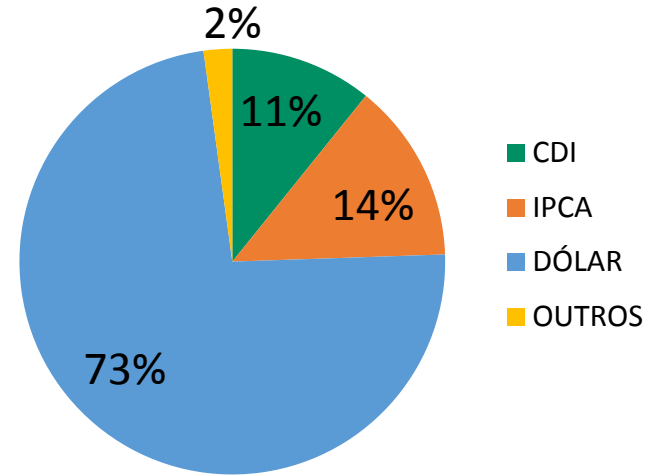
Cemig GT – debt profile

Maturities timetable – Average tenor: 4.6 years

Total net debt: **R\$ 7.2 billion**

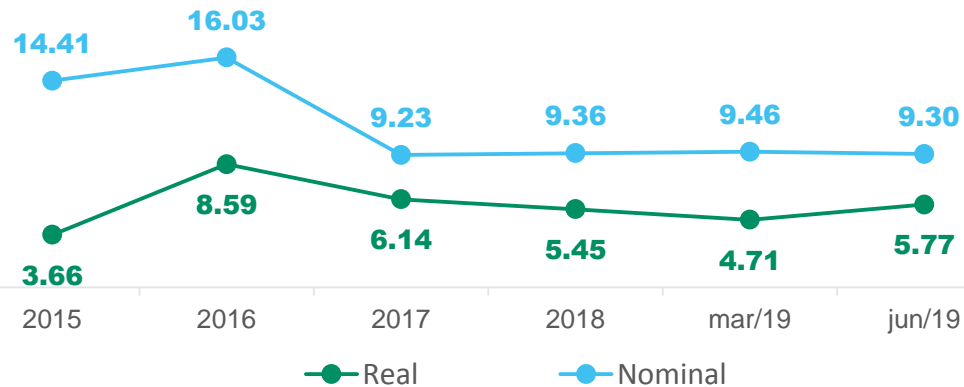


Main indexes

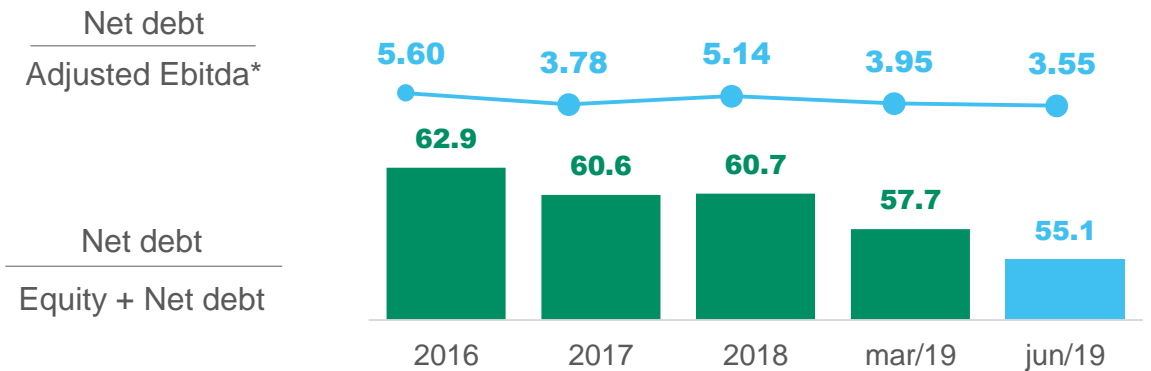


Hedge instrument transformed debt in US dollars into debt costing a fixed percentage of the CDI rate, within an FX variation band.

Cost of debt – %



Leverage – %



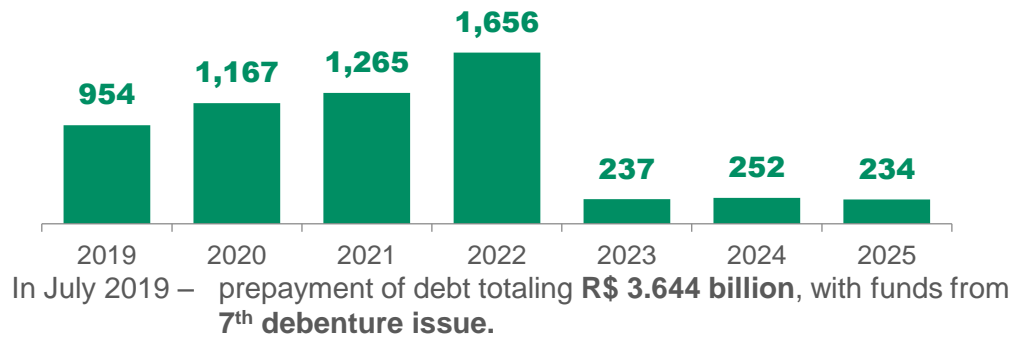
* Adjustments for ICMS tax ruling, and Renova provision.

Cemig D – Debt profile



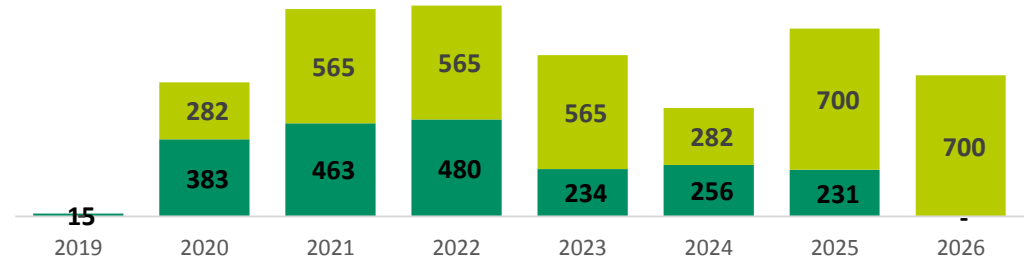
Maturities timetable – Average tenor: 2.7 years

Total net debt: **R\$ 5.3 billion**

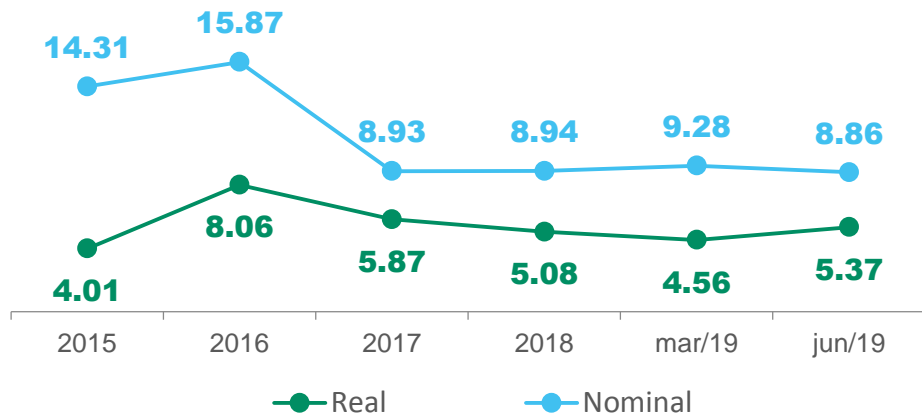


Maturities timetable – July 2019

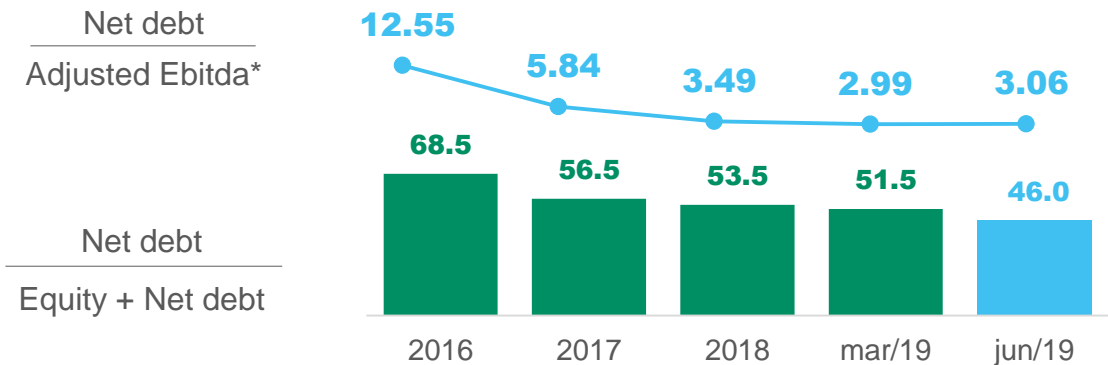
After re-profiling – July 2019
Average tenor: **5.1 years**



Cost of debt – %



Leverage – %



* Adjustment for ICMS tax ruling..

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