



# 2Q21 RESULTS

OUR ENERGY – YOUR STRENGTH



**CEMIG**



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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, market conditions in the electricity sector, and expected future results, many of which are not under our control.

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In this material, financial amounts are in **R\$ million** (R\$ mn) unless otherwise stated. Financial data reflect the adoption of IFRS.

## Ebitda and Net profit

Robust results in 2Q21: **Ebitda** R\$ 2,590 million – up 38.8% YoY  
**Net profit** R\$ 1,946 million – up 79.9% YoY

## Distribution: Opex and Ebitda

Cemig D's Opex and Ebitda **within regulatory limits** for the first time:  
Opex at **R\$ 128 mn** – below the regulatory level,  
Ebitda at **R\$ 119 mn** – above the regulatory level.

## Quality indicators

**Service quality** continues to improve:  
DEC outage indicator at lowest ever: **9.46 hours / 12-month**

## Tariff adjustment

Tariff adjustment of **1.28%** – zero for residential consumers  
(lowest increase in the sector, for second consecutive year)

## Investment

**R\$ 822 mn** capex in 1H21; principal contracting in progress for the largest **investment program** in Cemig's history (**R\$ 22.5 billion in 5 years**)

# Cemig highlights

## Eurobond buyback

**US\$500 million** repurchase of **Eurobond** completed  
– in line with Cemig's published strategy

## GSF effects: recognition

**R\$ 910 million** addition to Intangible assets for rights to extend generating plant concessions.

## Revaluation: national grid assets

Revaluation with updating of assets using own **Ke** as cost of capital generates gain adding **R\$ 211 mn** to net profit.

## Acquisition

Acquisition of *Sete Lagoas Transmissora de Energia*, in July, for **R\$ 41 mn**,  
– adds annual RAP of **R\$ 8 mn**.

## Liquidity, leverage

Solid **cash position: R\$ 6,998 mn**  
– ensures execution of investment plan, and management of debt  
**Low leverage:** Ebitda/Net debt = **0.91**

## Renegotiation of hydrological risk (GSF)

GSF (Generation Scaling Factor) agreement created a gain of **R\$ 910 mn** in Intangible assets from rights to extend concessions

Item	Intangible assets: Right to extend concession	Estimated extension of concession	Offtake guarantee	New date for end of concession
	R\$ mn	Months	(MW <sub>average</sub> )	
Emborcação	426	22	500	May 26, 2027
Nova Ponte	255	25	270	August 11, 2027
Sá Carvalho	40	20	56	August 27, 2026
Rosal	9	43	29	December 13, 2035
<b>Lot D *</b>				
Três Marias	116	84	239	January 3, 2053
Salto Grande	40	84	75	January 03, 2053
Camargos	9	84	21	January 3, 2053
Itutinga	8	84	28	January 3, 2053
Other Lot D	3	–	57	
Others	5	–	399	–
<b>Total</b>	<b>910</b>		<b>1,674</b>	

\* Lot D = Plants awarded at Auction 12 of 2015, with 30-year concessions from 2016.

# Eurobond buyback

## Cemig GT repurchased U\$500mn – Strategy of improving debt profile

### Cost of the buyback

	%	(US\$ '000)	(R\$ '000)*
Principal	100.00%	-500,000	-2,568,500
Premium (market + tender)	16.25%	-81,250	-417,381
Interest provisioned	1.54%	-7,708	-39,598
		-588,958	-3,025,479
IOF tax on premiums	0.38%	-309	-1,586
Corporation tax on premiums	17.65%	-14,338	-73,655
Income tax on interest provisioned	17.65%	-1,360	-6,988
		-16,007	-82,229
Subtotal – Payments		-604,966	-3,107,708
* USD exchange rate used for remittance – R\$ 5,137.			
Dismantling of call spread			774,409
Positive adjustment of NDF			23,699
FINANCIAL EFFECT – CASH NET OF HEDGE			-2,309,600
ECONOMIC EFFECT – ACCOUNTING RESULT			-325,131

The accounting effect took place in August 2020.

### NDF (Non-deliverable forward)

Nominal (US\$ '000)	USD: Locked-in exchange rate	USD exchange rate (Aug. 2)*	Adjustment (unit)	Adjustment R\$ '000
600,000	R\$ 5.0984	R\$ 5.1379	R\$ 0.0395	23,700
Income tax	0.005%			1.1850
Total, net				23,699

**Demand  
US\$ 774 million**

# Marking to market of Eurobond – and its hedge

FX gain in 2Q on low exchange rate at end of period (US\$1=R\$ 5.0022)

Effect on Financial revenue (expenses) – R\$ mn

Item	Mar. 2021	Jun. 2021	Change,
Hedge – Swap (interest)	1,175	419	-756
Hedge – Call spread (principal)	1,586	930	-656
NDF	–	-59	-59
<b>Balance of hedge – MtM</b>	<b>2,761</b>	<b>1,290</b>	<b>-1,471</b>
Amount received under swap (settlement: June)		271	271
Dismantling of call spread		774	774
<b>Effect of hedge in the quarter</b>			<b>-426</b>
Debt (principal)	8,546	7,503	1,043
<b>Impact on 2Q21 Financial revenue (expenses)</b>			<b>617</b>

Hedge transactions contracted to protect against foreign currency variation risk:

- **Full swap** for interest – US\$ coupon replaced by (average for main issue and retap): **142% of CDI rate**
- **Call spread** for principal: protection for range **US\$1 = R\$ 3.45 to R\$ 5.00**

## Cemig D: Revenue

For the second year running,  
Cemig D **did not increase residential users'** electricity bills

May 25: **Aneel** approved tariff adjustment of Cemig D tariffs (for **May 28, 2021** to May 27, 2022).

Average increase of **1.28%** across all consumer types  
– well below increases in other Brazilian distributors (of up to **15.29%**).

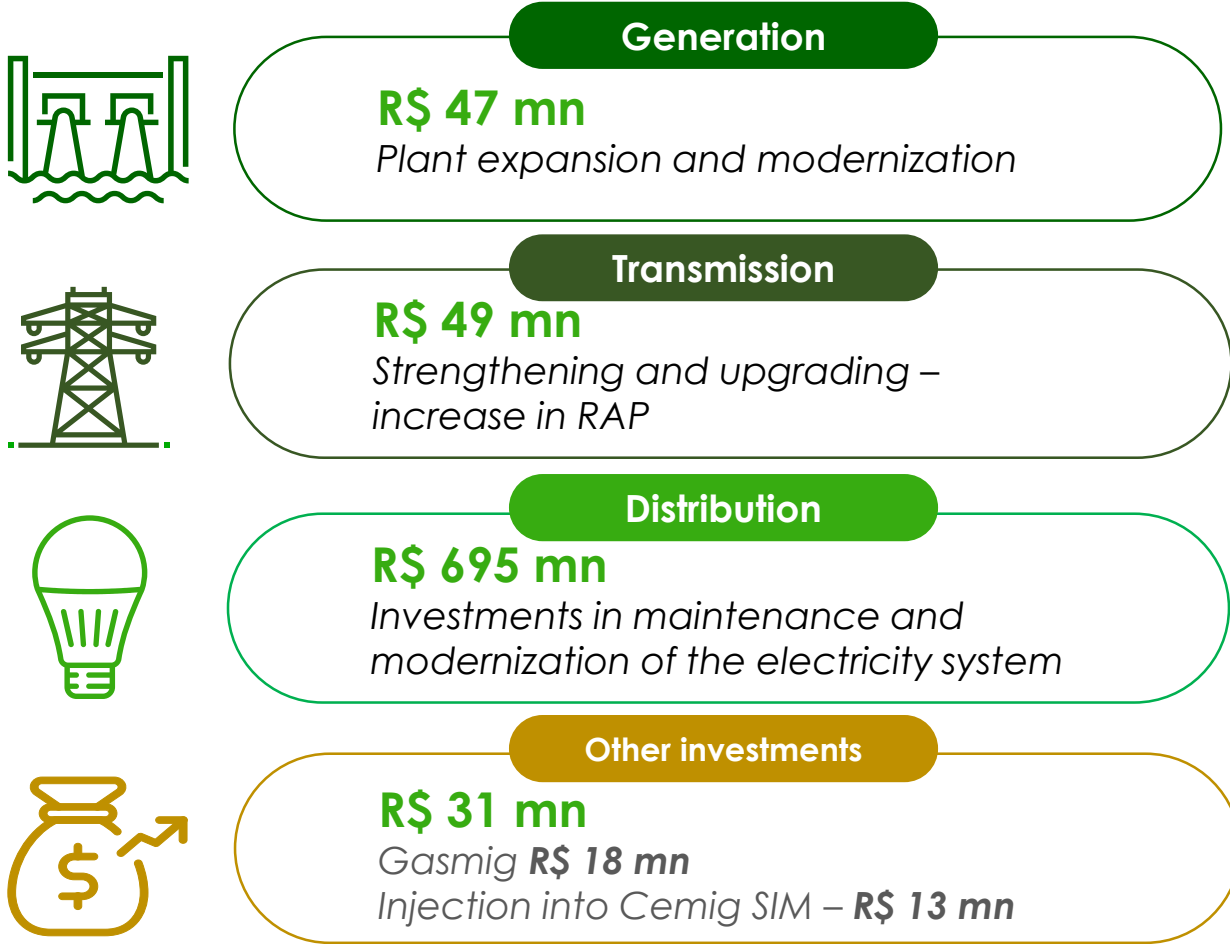
IPCA **inflation** in the related period from 06/2019 to 05/2021 was **10,09%**.

The lower price increase is due to Cemig D **reimbursing** to consumers a total of **R\$ 1.573 billion** in **tax credits** (PIS, Pasep and Cofins) resulting from the successful legal action on ICMS tax. (There is no effect on profit).



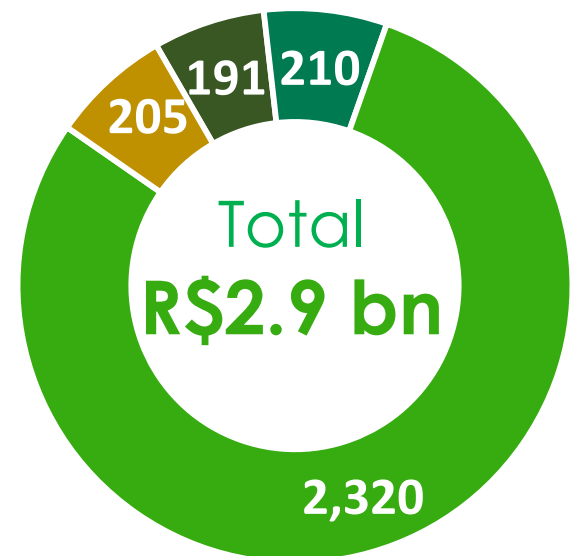
# Investment program – execution

Investment of **R\$ 822 mn** up to June 2021:

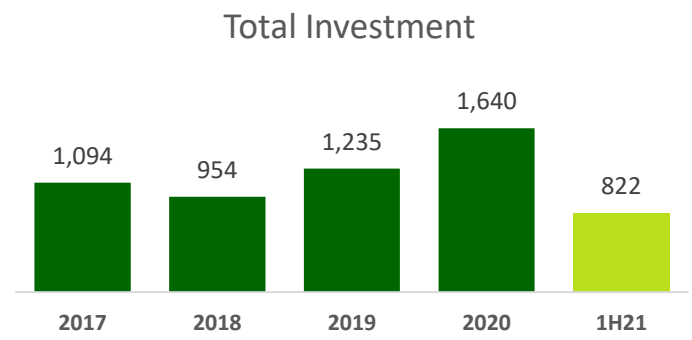


Subsequent event: acquisition, in July, for **R\$ 41mn**, of *Sete Lagoas Transmissora de Energia*: Adds RAP of **R\$ 8 mn**

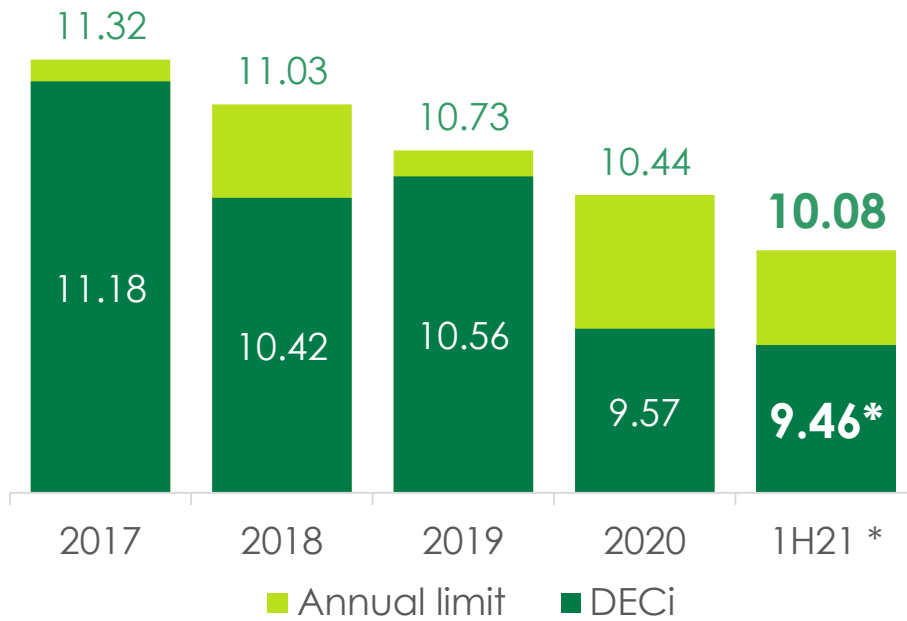
Planned for 2021



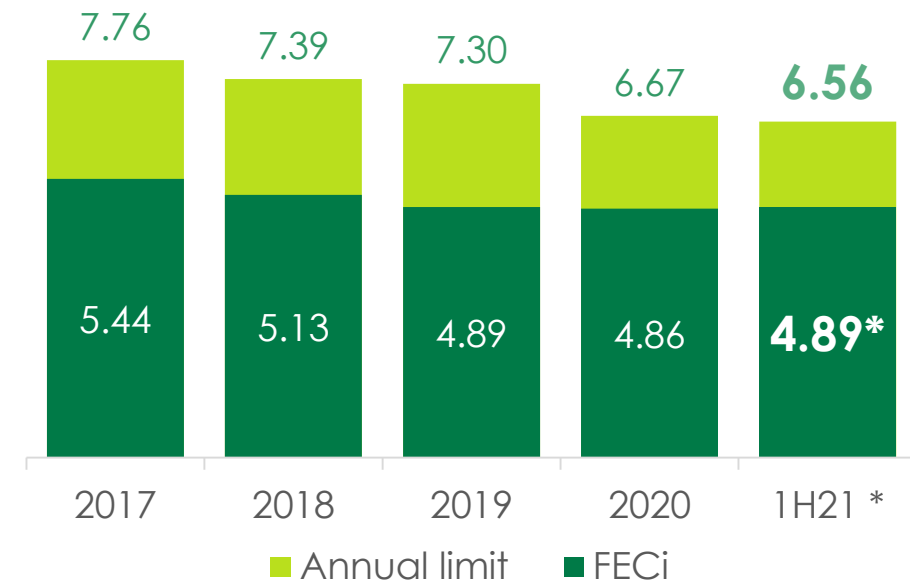
- Generation
- Transmission
- Distribution
- Other investments



Continuous improvement in indicators:  
underlines Cemig's commitment to excellent service quality



**DECI** – Average outage **duration** over all customers



**FECi** – Average outage **frequency** – all customers

(\*) 12-month moving window (July 2020 – June 2021).

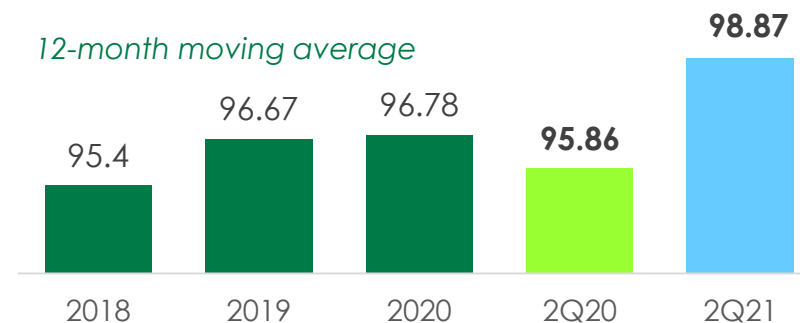
# CEMIG D: Combating default

## Customer **default provision improved** – factors:

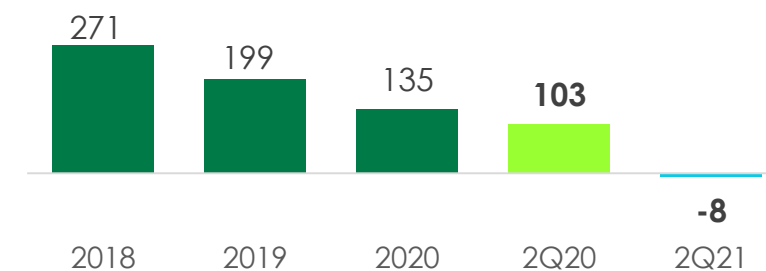
- more intense collection activity
- greater efficiency in combating default

- **Collection index 98.8%** in 2Q21 – highest in years.
- **Volume** of collection activities – number of letters, notary protests, use of public credit registers, texts and email – **increased** by **49.4%**.
- **Protests** at public notaries **automated** ( **172,000** filed in May–July 2021).
- **Past due** bills – payment in **installments by credit card** enabled.
- **Campaign** to negotiate installments via **WhatsApp**
- **Disconnections:** total of **662,000** in 1H21 – **201%** more than in 1H20.
- **New payment channels** and digital negotiation made available.
  - ✓ Electricians and branches equipped with **card payment machines**.
  - ✓ Bill payments by card and Pix <sup>1</sup>, using **QR codes** printed on bills.

### Receivables Collection Index (ARFA<sup>2</sup>): Collection/Billing, %



### Provision for default (R\$ mn)



**Rules on provisioning improved – aligned to good practices adopted by market**

(1) **Pix** = Brazil's new instant, free national payments system. (2) **ARFA** = Arrecadação / Faturamento.





# RESULTS

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# Main factors in 2Q21

## Cemig H

Operational **efficiency**: 2021 Voluntary Retirement Program

- Joined by **324** employees
- Cost: **R\$ 35 mn**

## Cemig D

**Volume** of electricity distributed **12.4% higher** YoY:

- Captive market: **5.3%** higher
- Transport for clients: **21.4%** higher

Default provision – *reversal*: **R\$ 8 mn** (improved accuracy in provisioning criteria)

**Opex** within regulatory target

## Cemig GT

Renegotiation of **GSF** hydrological risk: **R\$ 910 mn**

Gain from Periodic Tariff Review: **R\$ 211 mn**

Marking to market of Eurobond:

Positive effect in 2021: **R\$ 617 mn**

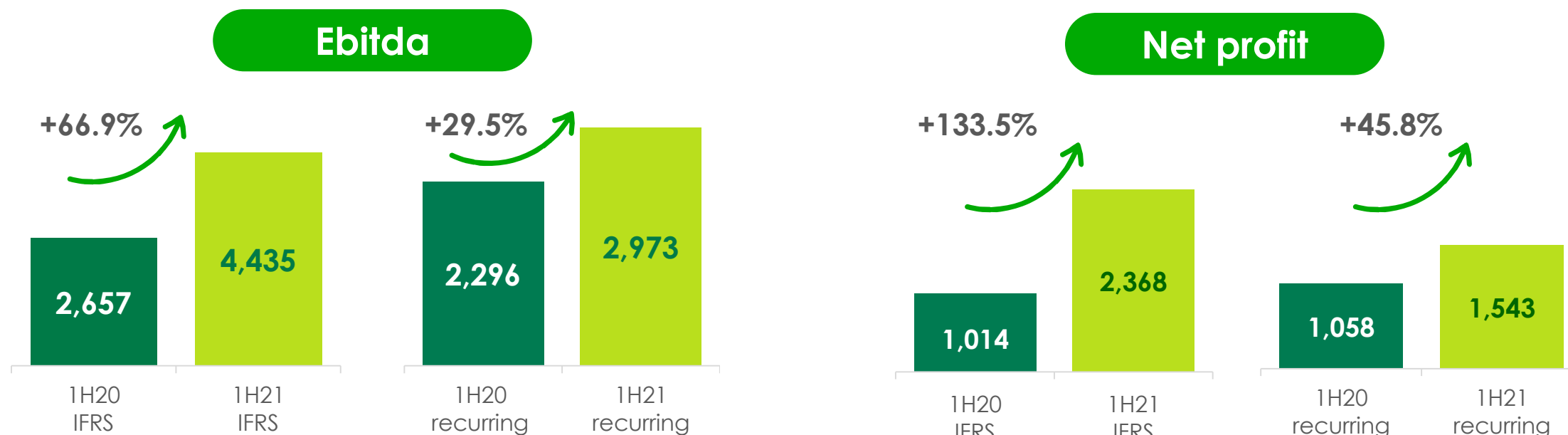
Positive effect in 2020: **R\$ 71 mn**

Equity income: negative effect

**R\$ 119 mn** in 2Q21 vs. **R\$ 8 mn** in 2Q20

# Cemig's net profit in 1H21

Recovery of economy in Cemig's concession area boosts results



Adjustments	Ebitda		Profit	
	1H20	1H21	1H20	1H21
<b>IFRS</b>	<b>2,657</b>	<b>4,435</b>	<b>1,014</b>	<b>2,368</b>
Default provision – Renova	37		37	
Remeasurement – Light	134		134	
Result of Periodic tariff review	-480	-217	-317	-143
Tax provision – reversal		-78		-51
GSF		-910		-601
Disposal of Light		-109		-109
Advance on revenue		-148		-133
Centroeste	-52		-52	
Eurobond			242	212
<b>Recurring</b>	<b>2,296</b>	<b>2,973</b>	<b>1,058</b>	<b>1,543</b>

# Cemig: 2Q21 Net profit

Result boosted by recovery of economy in concession area

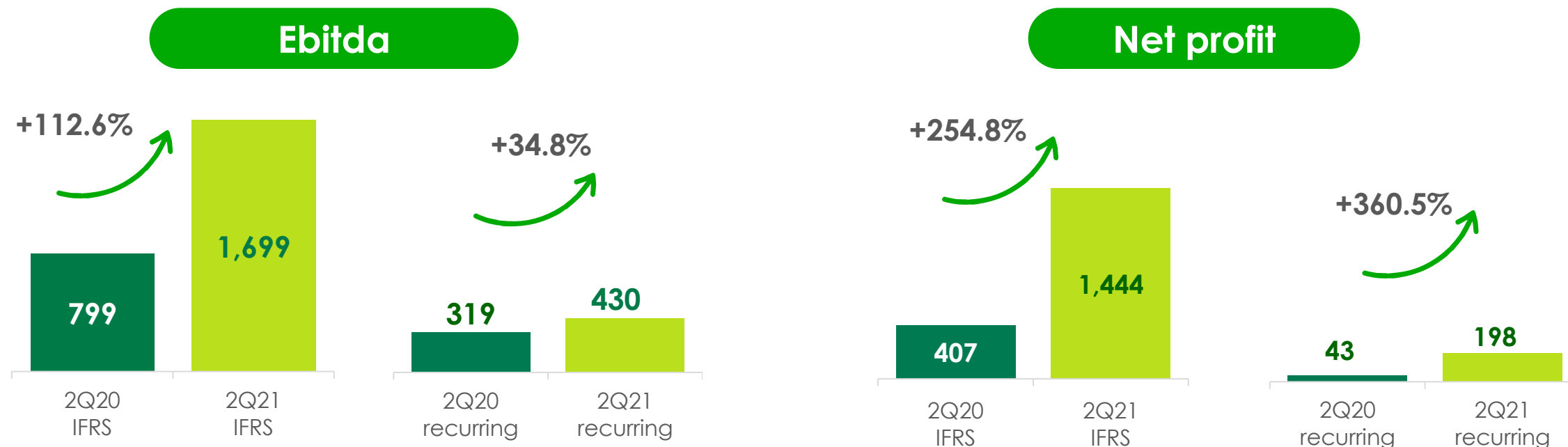
- **Higher electricity consumption**, especially by Free Clients.
- **Gas volume** sold by Gasmig up **85.7%** YoY, contributing to Ebitda **R\$ 94 million** higher.



Adjustments	Ebitda		Profit	
	2Q20	2Q21	2Q20	2Q21
<b>IFRS</b>	<b>1,866</b>	<b>2,590</b>	<b>1,082</b>	<b>1,946</b>
Remeasurement – Light	-475	-	-314	-
Tariff reviews	-480	-211	-317	-139
Offsetting of hydrological risk costs (Law 14052/20), net	-	-910	-	-601
Advance revenue from Trading services	-	-148	-	-98
Provision for doubtful receivables – Renova	37	-	37	-
FX exposure – Eurobond hedge	-	-	-47	-408
<b>Adjusted</b>	<b>948</b>	<b>1,321</b>	<b>441</b>	<b>700</b>

# Cemig GT – 2Q21 results

Average selling price 13.1% higher YoY: **R\$ 248.34** in 2Q21 vs. **R\$ 219.53** in 2Q20



Adjustments	Ebitda		Profit	
	2T20	2Q21	2Q20	2Q21
<b>IFRS</b>	<b>799</b>	<b>1,699</b>	<b>407</b>	<b>1,444</b>
Offsetting of hydrological risk costs	0	-910	0	-601
Advance revenue from Trading services	0	-148	0	-98
Tariff reviews	-480	-211	-317	-139
FX exposure – Eurobond	-	-	-47	-408
<b>Adjusted</b>	<b>319</b>	<b>430</b>	<b>43</b>	<b>198</b>



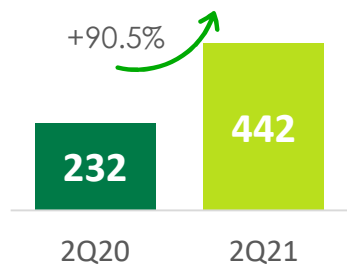
# Market of Cemig D, 2Q21 – GWh

## Higher consumption by **industrial** users in Minas Gerais in 2021

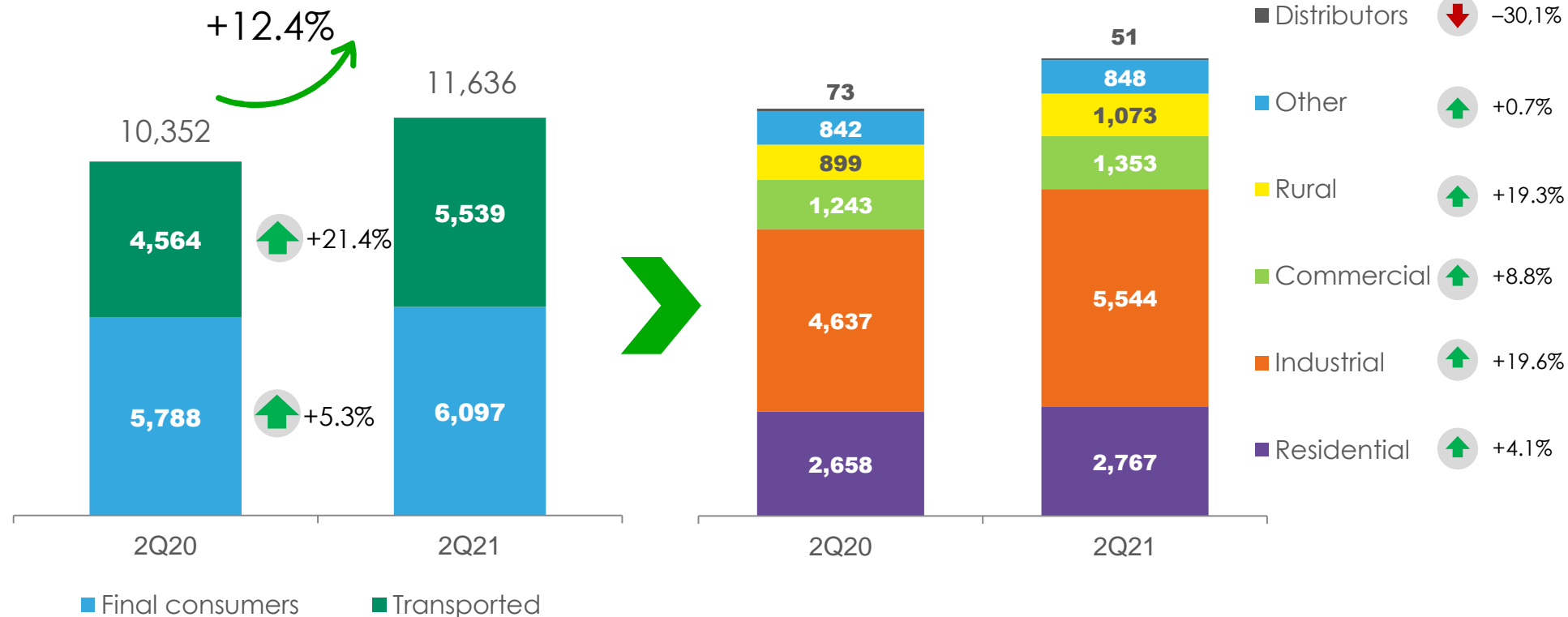
Energy injected by Distributed Generation grew **90.5%** which corresponds to **210 GWh** compared to 2Q20.

- Considering injected energy from Distributed Generation, consumption in Cemig's concession area grew **14.1%**

Distributed Generation Injected energy



Cemig D: billed market + Transport



- Consumption by clients migrating from captive to Free market in 2Q21: **153 GWh**
- In a two-year comparison: Cemig D's market was **3.8%** larger in 2Q21 than in 2Q19.

# Cemig D – Results

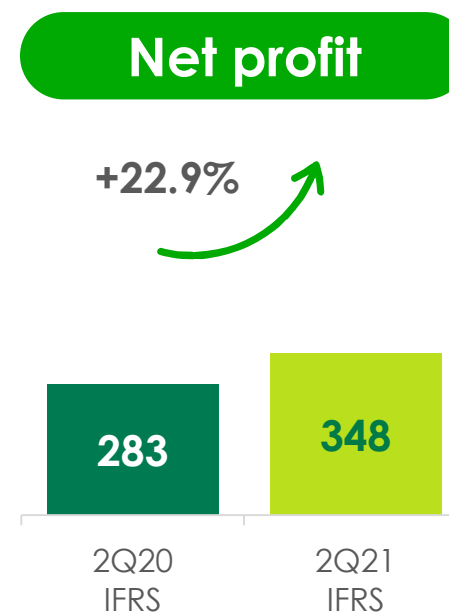
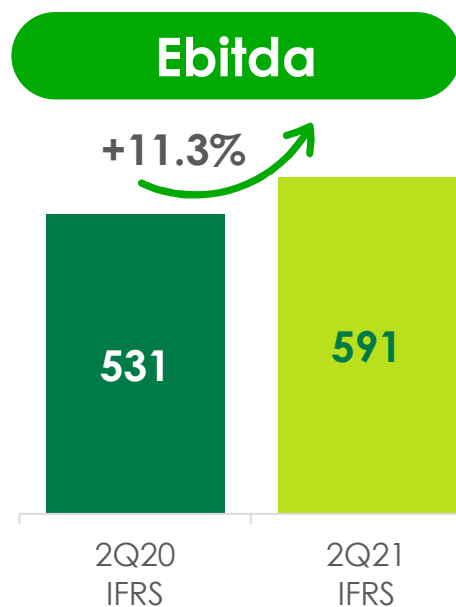
Continued earnings growth – on:

- Increase in total energy distributed
- Reduction of default provision

**Sales volume increase** led by: **volume** sold to **industrial** sector up **19.6%** ( = expansion of **907 GWh** )

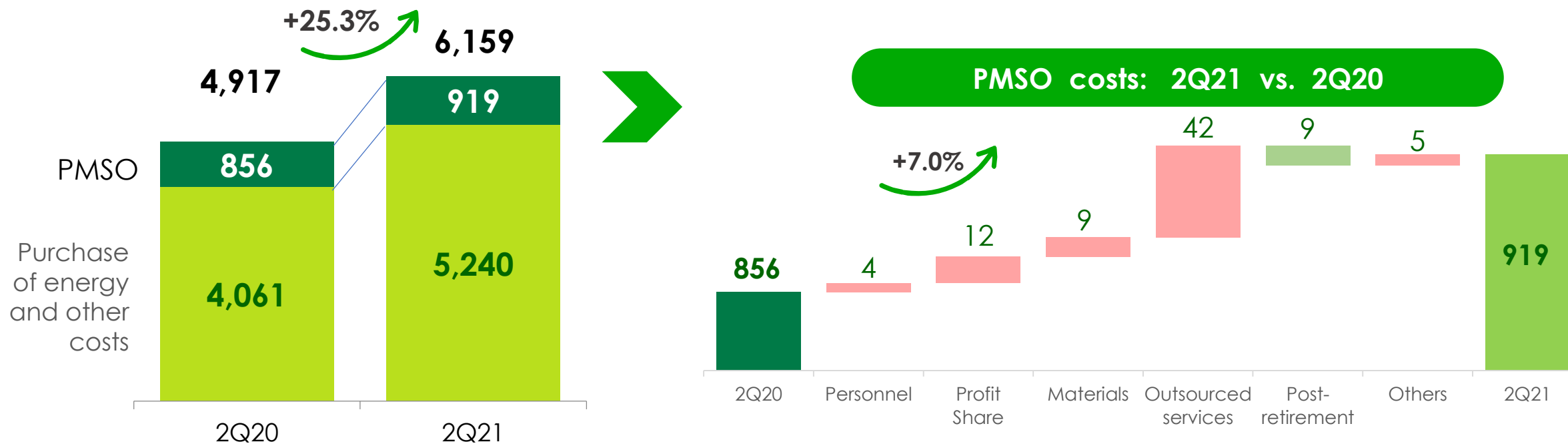
Default provision in 2Q21: *reversal* of **R\$ 8 mn**, vs. provision of **R\$ 103 million** in 2Q20.

- Increased efficacy of default mitigation plan – more intense use of collection tools
- Negotiation channels expanded; means of payment diversified
- Provisioning rules improved for more accuracy – in line with good practices adopted by the market



## 2Q21: Consolidated operational costs and expenses

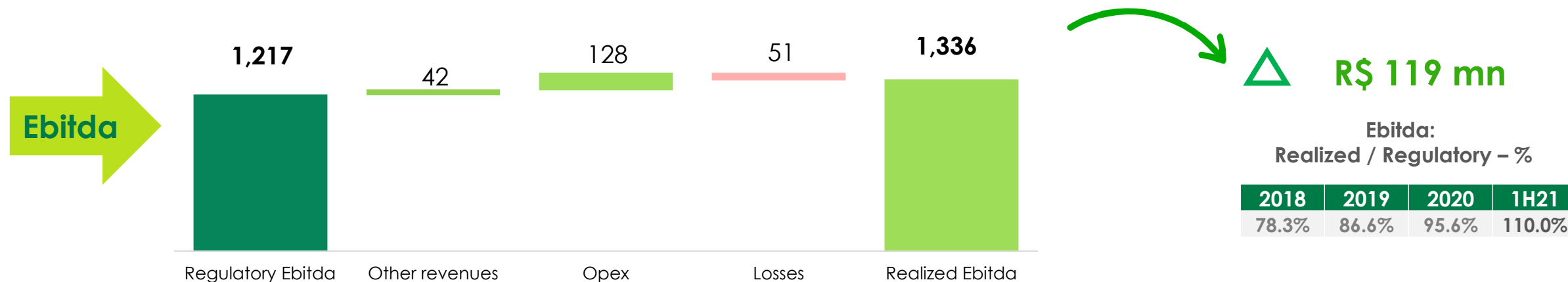
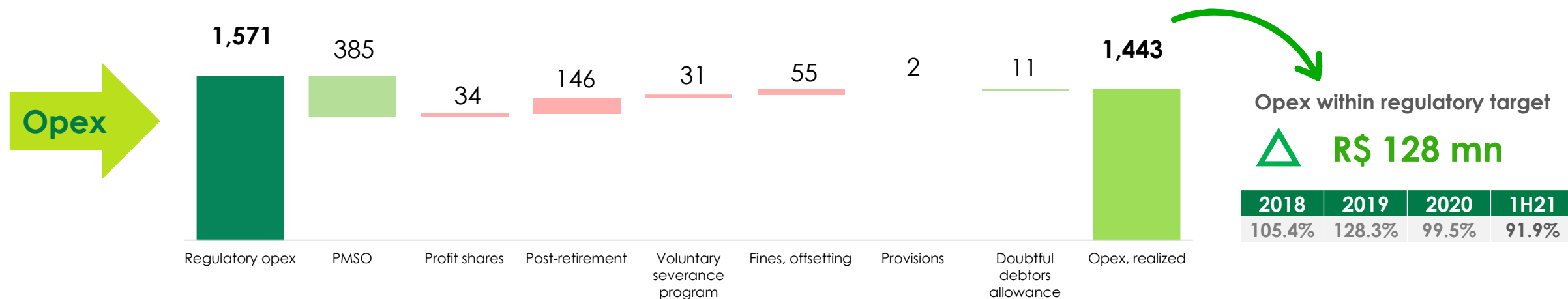
Operational expenses below regulatory benchmark



- **33,1% increase** in cost of **energy purchased for resale** and Charges for use of national grid in 2Q21
- Expense on **gas bought for resale** more than doubled YoY: up **107.7%** from 2Q20.
- Expense on **outsourced services** 13.9% higher, led by:
  - ✓ Non-recurring expenses on IT, with migration of data center in 1H21, and also: lower expenses in 2Q20, due to pandemic
  - ✓ Total of 332,000 disconnections in 2Q21 – much reduced in 2Q20

# Cemig D: Regulatory opex and Ebitda – 1H21

## Ebitda and Opex within regulatory target

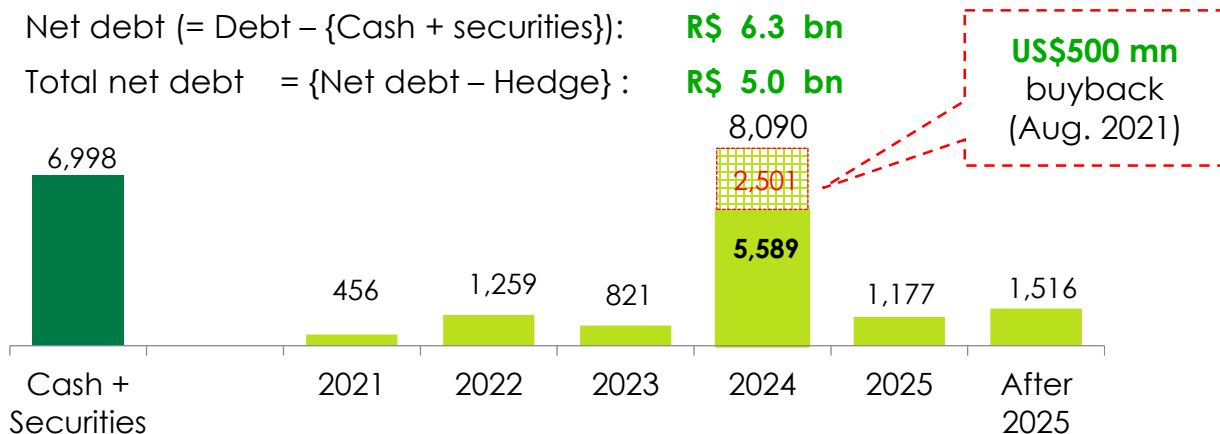




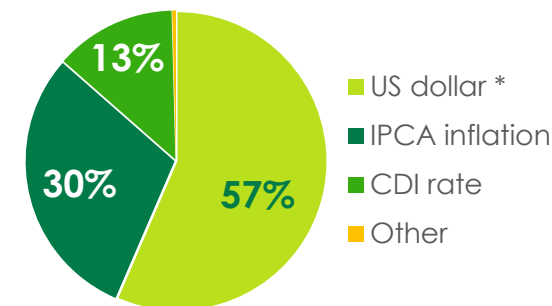
# Debt profile – consolidated

Effective strategy has reduced costs and leverage

## Maturities timetable – Average tenor 3.4 years

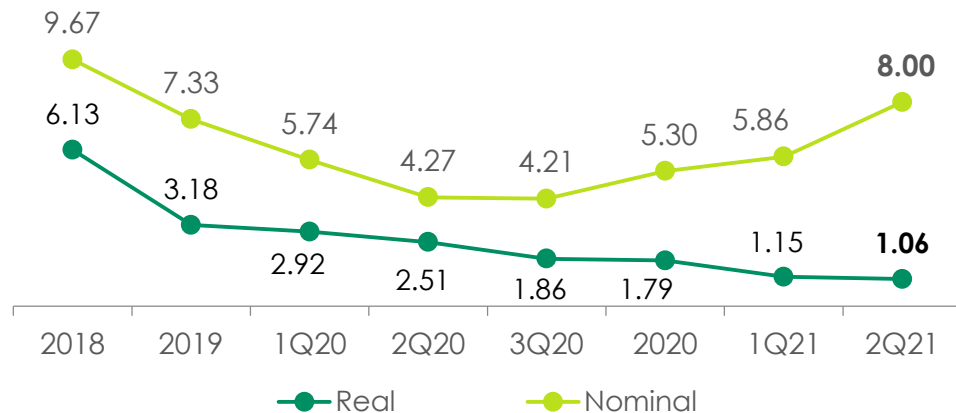


## Main indexes

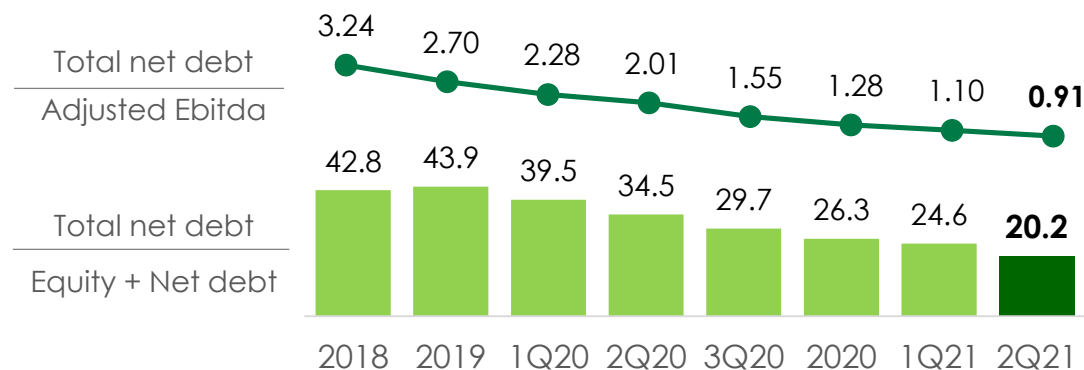


(\*) Debt in USD: principal protected by hedge within an FX band; coupon converted into % of Brazilian CDI rate.

## Cost of debt – %

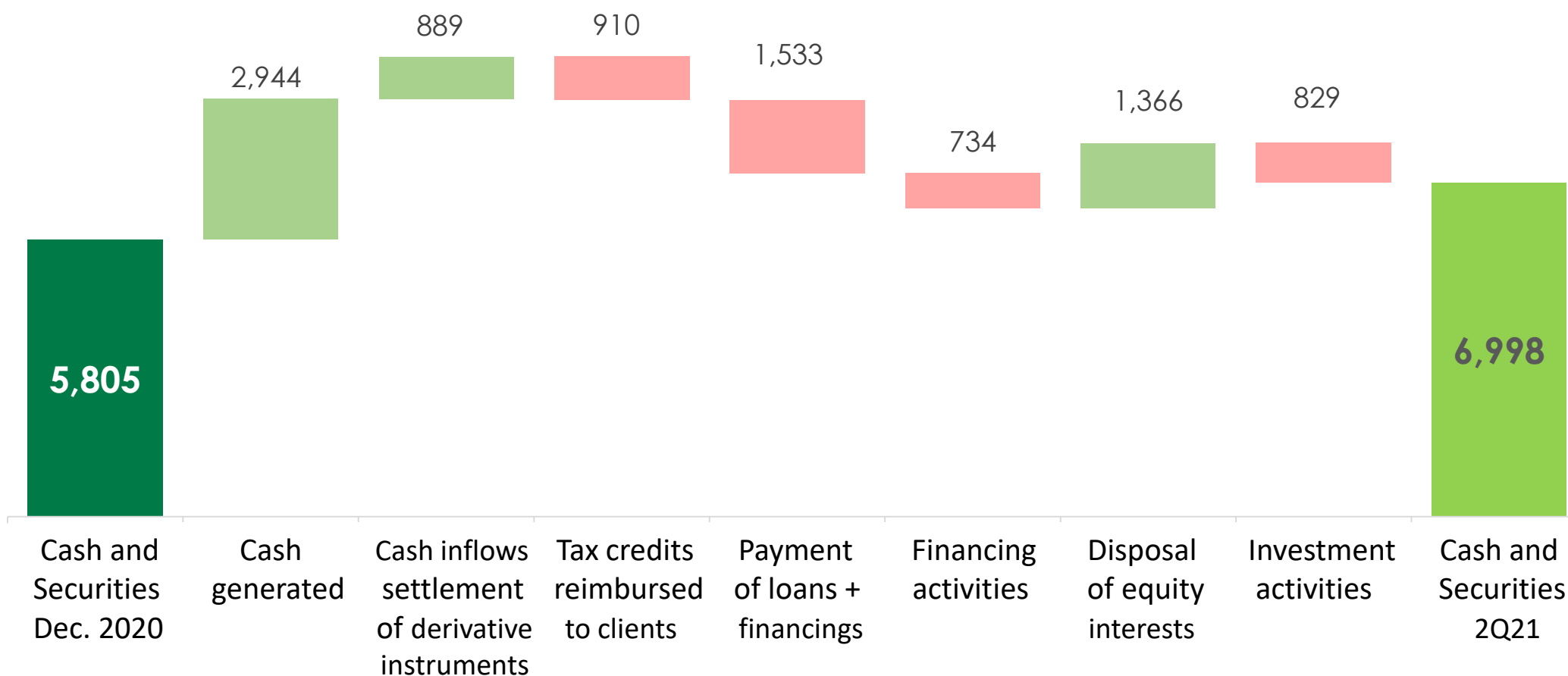


## Leverage – %



# Consolidated cash flow

Cash robust at end of quarter – enables compliance with targets of investment plan, plus management of debt



# Management's priorities

Opex within regulatory limit	✓ Achieved
Strengthen Cemig D's investment program	✓ Achieved
DEC within regulatory limit	✓ Achieved
Bonds – liability management	✓ Achieved
Optimize capital allocation	✓ ⌚ Partially achieved
Definitive solution for Renova	✓ ⌚ Partially achieved
Renew concessions	⌚ In progress
Invest in renewable generation (wind and solar)	⌚ In progress
Non-technical losses – reduce to regulatory level	⌚ In progress
Restructure retirement benefit plans	⌚ In progress
Digital transformation	⌚ In progress
Growth in retail electricity sales	⌚ In progress





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