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CREDIT OPINION
10 September 2025

Update

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RATINGS

Cemig Distribuicao S.A.

Domicile	Minas Gerais, Brazil
Long Term Rating	Ba1
Type	LT Issuer Rating - Dom Curr
Outlook	Stable

Please see the ratings section at the end of this report for more information. The ratings and outlook shown reflect information as of the publication date.

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Cemig Distribuicao S.A.

Update to credit analysis

Summary

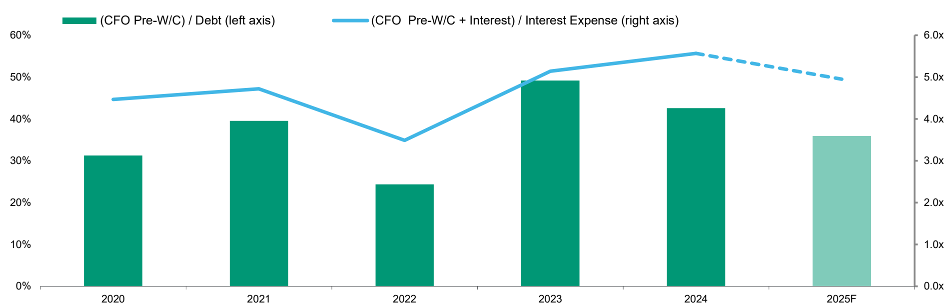
CEMIG Distribuição SA's (CEMIG D, Ba1 stable) credit profile reflects that of the consolidated profile of its parent company, Companhia Energetica de Minas Gerais - CEMIG (CEMIG, Ba1 stable), given the corporate guarantees and cross-default clauses embedded in the various debt instruments across the corporate family.

CEMIG's group credit rating is based on its extensive and diverse electricity operations in Brazil and its strong credit metrics despite the country's high interest rates and inflationary pressures in recent years. Our expectation is that its consolidated leverage metrics will remain solid, with a projected 3-year average cash flow from operations pre-working capital/ debt and the interest coverage ratio of 30% and 3.8x, respectively. These figures compare favorably with regional peers.

CEMIG's rating is constrained by the sovereign (Government of Brazil [Ba1 stable]), given its local revenue base and regulated business profile, among other considerations. Nonetheless, an upgrade of Brazil's rating would not immediately reflect in an upgrade of CEMIG, given its governance structure that cannot be completely de-linked from the current stresses facing its controlling shareholder, the State of Minas Gerais (B1 positive). Although the company's credit quality is much stronger than that of its controlling shareholder, its rating is limited to three notches above the shareholder's B1 issuer rating.

Exhibit 1

Besides remaining strong, some deterioration is expected on CEMIG's interest coverage and cash flow to debt metrics



All data based on adjusted financial data, which follow our Financial Statement Adjustments in the Analysis of Nonfinancial Corporations methodology.
The forecasts are Moody's opinion and do not represent the views of the issuer.
Source: Moody's Financial Metrics™ and Moody's Ratings forecasts

Credit strengths

» Strong internal cash position

» Diversified operations in the energy generation, transmission and distribution segments, as well as natural gas distribution

» Large scale

Credit challenges

» Growing energy trading business, with volumes that exceed its generation capacity

» Expiration of key hydro concessions in 2026 and 2027, which will dent cash generation

» High capital spending program in the next four years

Rating outlook

The stable outlook is aligned with that of Brazil, Government of and also takes into consideration that CEMIG will maintain a strong credit profile and adequate liquidity over the next 12-18 months, addressing its refinancing needs in advance of their maturities.

Factors that could lead to an upgrade

A ratings upgrade would be considered upon an upgrade of both the State of Minas Gerais' issuer rating and that of the Government of Brazil. A ratings upgrade would be contingent on CEMIG maintaining strong credit metrics and an adequate debt maturity profile.

Factors that could lead to a downgrade

A downgrade of the ratings could result from increased liquidity risks or refinancing delays. A downgrade would be considered if the company's credit metrics deteriorate such that the consolidated CFO pre-WC/debt falls below 16% or interest coverage falls below 3.0x for a sustainable period. In addition, adverse changes in the operating environment for Brazilian electricity companies, due to higher political interference or unfavorable regulatory changes, could prompt a downgrade.

Key indicators

Exhibit 2

Cemig Distribuicao S.A.

	2020	2021	2022	2023	2024	LTM Jun-25
CFO Pre-W/C + Interest / Interest	10.3x	6.9x	2.2x	4.0x	5.2x	4.0x
CFO Pre-W/C / Debt	45.5%	30.6%	8.7%	24.8%	29.3%	23.3%
RCF / Debt	40.7%	26.6%	5.1%	21.9%	24.3%	17.1%
Debt / Capitalization	54.1%	46.6%	46.8%	46.1%	50.2%	52.9%

All ratios are based on adjusted financial data and incorporate Moody's Global Standard Adjustments for Non-Financial Corporations.
Periods are financial year-end unless indicated.
LTM = Last 12 months
Source: Moody's Financial Metrics™

Exhibit 3

Companhia Energetica de Minas Gerais - CEMIG

	2020	2021	2022	2023	2024	LTM Jun-25
CFO Pre-W/C + Interest / Interest	4.5x	4.7x	3.5x	5.1x	5.6x	4.6x
CFO Pre-W/C / Debt	31.3%	39.5%	24.3%	49.2%	42.6%	31.8%
CFO Pre-W/C – Dividends / Debt	27.5%	28.7%	7.8%	34.3%	12.8%	5.1%
Debt / Capitalization	46.0%	38.7%	35.4%	32.0%	33.0%	36.4%

All data based on adjusted financial data, which follow our Financial Statement Adjustments in the Analysis of Nonfinancial Corporations methodology. LTM = Last 12 months.
Source: Moody's Financial Metrics™

Profile

Headquartered in Belo Horizonte, the capital city of the State of Minas Gerais, CEMIG Distribuicao S.A. is an electricity distribution company, covering 774 municipalities in its concession area, comprising approximately 97% of the State of Minas Gerais. It is the largest distribution company in Latin America, with 574,606 km of distribution networks (mostly rural area), and over 9.4 million customers. Its concession expires in December 2046. In the last twelve months ended June 2025, CEMIG D reported net revenue of BRL28.1 billion and EBITDA of BRL4.5 billion according to Moody's standard adjustments. The company is fully owned by Companhia Energetica de Minas Gerais – CEMIG (CEMIG).

CEMIG is a leading Brazilian utility company with operations in electricity distribution, generation and transmission. It has a 4.5 gigawatt (GW) installed capacity, 5,060 kilometers (km) of transmission lines and 41 substations nationwide. This does not include its share of around 15,000 kilometers of transmissionlines from its subsidiary, Taesa. As of June 2025, the State of Minas Gerais holds a controlling stake with 51.0% of the voting capital, followed by FIA Dinâmica (32.8%) and BNDESPAR (11.1%), with other minority shareholders owning the remaining 5.1%. As of the 12 months that ended June 2025, CEMIG reported Moody's-adjusted net revenue of BRL42.0 billion and adjusted EBITDA of BRL9.6 billion.

Detailed credit considerations

CEMIG D's credit quality is limited at three notches above its parent

Due to the State of Minas Gerais holding a controlling shareholder position, CEMIG's subsidiaries—CEMIG D and CEMIG GT—are classified as government-related issuers (GRIs), in accordance with our Government-related issuers methodology published in January 2024.

CEMIG D's Ba1 Corporate Family Rating results from the application of our Joint Default Analysis (JDA) framework for government-related issuers, which considers the following input factors: a BCA of ba1 as measure of CEMIG D standalone credit worthiness; the B1 rating of the State of Minas Gerais as CEMIG D's controlling shareholder and support provider; our estimate of moderate implied government support in the case of financial distress; and a high default dependence between CEMIG D and the State of Minas Gerais. We acknowledge that the much weaker credit quality of the State of Minas Gerais constrains the company's ability to receive timely financial support, if needed. Nonetheless, we assume that some form of extraordinary support from the state or indirectly from the central government would be forthcoming in a stress scenario given the essential nature of its regulated services.

We consider that the governance structure cannot be completely de-linked from the current stresses facing by its parent the State of Minas Gerais. Although the company's credit profile is much stronger than that of its controlling shareholder, we view CEMIG D's credit quality is limited at three notches above the State of Minas Gerais' B1 issuer rating.

Revenue volatility is reduced by CEMIG's portfolio diversification

CEMIG's credit quality reflects its large scale and leading position as one of the largest integrated power utilities in Brazil. It holds an installed generation capacity of around 4.5 GW, more than 95% of which is hydro, and 5,060 km of transmission lines, as well as distributes electricity to 9.5 million consumers located in the State of Minas Gerais. The company's credit strength benefits from its relevant share of the more predictable regulated electricity distribution business, because of the expiration of power generation concessions and the company's continued investment in its distribution network.

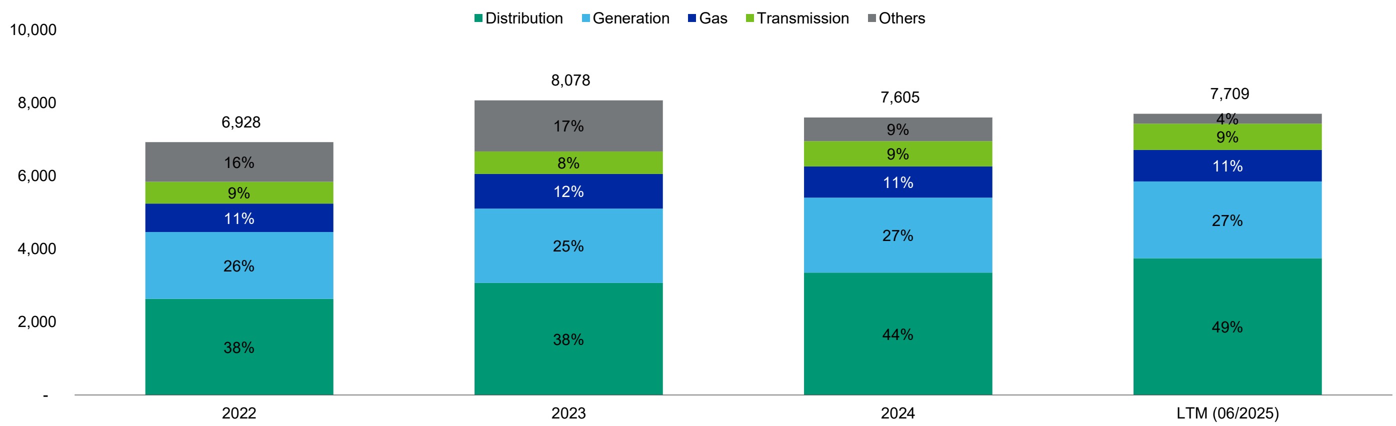
The diversified portfolio helps mitigate the cash flow volatility arising from hydrological risks. As of the second quarter of 2025, its distribution segment accounted for 54.9% of the company's EBITDA, followed by generation (24.6%), gas (11.0%), transmission (7.5%), and Trading, Holding Co and Equity Sales (2.0%) (see Exhibit 3).

Nonetheless, the company's consolidated credit quality incorporates the higher volatility of the power generation business than the distribution and transmission businesses. Currently, the upcoming expiration of the hydroelectric plant concessions of Sá Carvalho, Emborcação and Nova Ponte in 2026 and 2027 are credit weaknesses because they represent roughly 36.3% of the company's physical guarantees for power generation. Although the company plans to renew those concessions, the extension is not incorporated in our base case forecast, because of the uncertainty of the terms and conditions.

We continue to see the commercialization business as having higher risk, despite the company's successful track record. The company segregated most of its volatile commercialization business from Cemig Geracao e Transmissao S.A. (CEMIG GT, Ba1 stable) to Cemig

Holding S.A. This move has set the stage for an enhancement in terms of the transparency of operations and an improvement in the predictability of cash flow in the generation business.

Exhibit 4
CEMIG's EBITDA is diversified across the distribution, generation and transmission segments
EBITDA breakdown (BRL million)



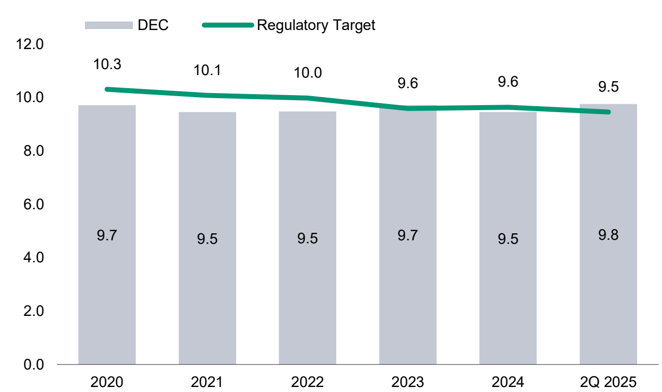
Source: Company filings

The business turnaround drove an improvement in credit metrics and operational performance

CEMIG has been implementing a strategic portfolio management approach since 2019, divesting from nonessential assets that are not aligned with the company's current strategy to enhance operational efficiency. Furthermore, the company is actively engaged in liability management, aimed at lengthening the amortization schedule and improving the costs of its obligations.

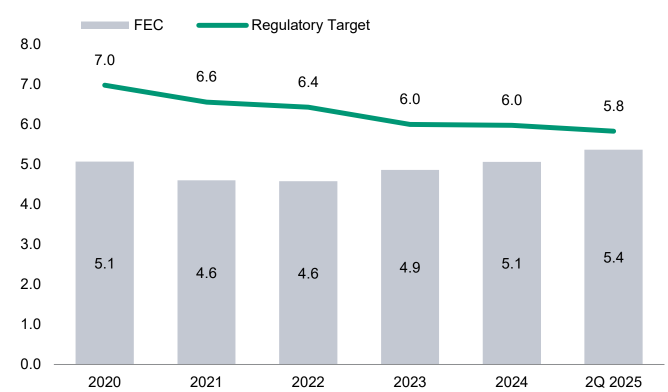
In its distribution business, since 2020, the company has enhanced and complied with regulatory limits for Equivalent Duration (DEC) and Frequency (FEC) of Interruptions per Consumer, except in 2023 due to storm-related setbacks and in the twelve months ending June 2025 regarding DEC, when it reached 9.8 hours, slightly above the regulatory target. As for the FEC, the indicator reached 5.4 hours, remaining within the regulatory target of 5.8 hours. We expect DEC and FEC to remain within regulatory targets in the next three years, as Cemig continues its large investment plan.

Exhibit 5
DEC slightly above regulatory target
Equivalent Duration of Interruptions per Consumer(DEC)



Source: Company filings

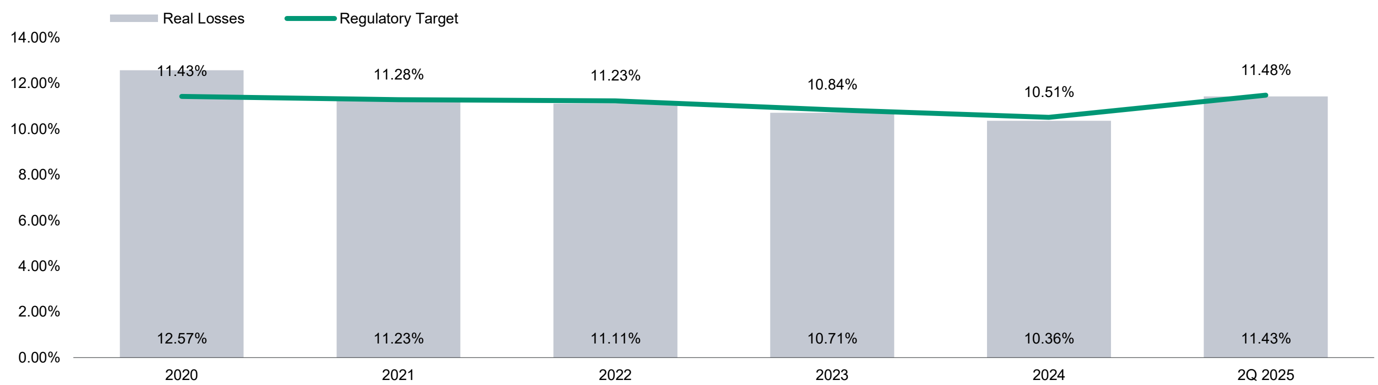
Exhibit 6
While FEC continues to comply with regulatory target
Frequency (FEC) of Interruptions per Consumer



Source: Company filings

As of June 2025, CEMIG's subsidiary Cemig Distribuicao S.A. (CEMIG D, Ba1 stable) reported a continuous high collection index of 99.0%. This surge primarily resulted from the amplified use of collection tools like e-mails, collection letters, legal protests and disconnections. These methods improved the likelihood of collecting from accounts previously deemed as loss or impaired. The company is also working on initiatives to combat energy losses, including a record number of inspections to detect irregularities. This enabled the company to maintain reported total losses below the regulatory limits since 2021. In June 2025, the company reported total energy losses for the previous 12 months at 11.43%, within the regulatory limit of 11.48%. We expect that significant investment plan will lead the Company to continue to operate within the regulatory standards.

Exhibit 7
Cemig continues compliant with energy losses regulatory target
Energy Losses



Source: Company filings

As anticipated, leverage increased in 2025, primarily due to the need to finance the substantial capital expenditures plans, with total debt reaching BRL 17.4 billion, incorporating Moody's standard adjustments, as of June 2025. We expect leverage metrics to remain strong over the next three years, although interest coverage and cash flow generation are likely to experience some deterioration. We project the three-year average CFO pre-working capital to debt and interest coverage ratio to remain around 30% and 3.8x, respectively.

Strategic divestments have boosted liquidity and allowed the company to focus on strategic assets

CEMIG's divestiture plan has boosted its cash position, and allowed the company to focus on its operations in the State of Minas Gerais. In 2025, CEMIG continued to advance its strategic portfolio optimization through a series of targeted transactions. The company completed the sale of 15 small hydroelectric plants (PCH/CGH), a move that generated over BRL100 million. This strategy has been more evident in its past divestments, including its stakes in Light, Renova, Santo Antonio, and, more recently, Aliança. The sale of Aliança, in particular, has significantly bolstered the liquidity of Cemig GT, aiding the subsidiary to settle the Eurobond in 2024.

CEMIG is undergoing a concession renewal process for critical assets that are nearing expiration. Currently, the upcoming expiration of the hydroelectric plant concessions for Sá Carvalho, Emborcação, and Nova Ponte in 2026 and 2027 poses credit challenges. These concessions are significant, representing approximately 36.3% of CEMIG's physical guarantees for power generation. Currently, there are three primary strategies for the renewal of the power plants: 1) renewing under a quota regime without grant payments; 2) selling a 51% stake in the assets and renewing with grant payments, which would necessitate approval from the State Assembly; and 3) negotiate a compromise with the federal government that allows Cemig to retain 100% ownership of the assets while paying a grant, a path that would require a modification in federal policy regarding concession renewals.

In addition, Cemig GT, Cemig PCH S.A., and the Queimado Consortium won GSF credits in the August 2025 auction held by CCEE. As a result, concessions for Queimado and Pai Joaquim will be extended by seven years, and Irapé by three years, enhancing portfolio quality, in exchange for approximately BRL 199.4 million. To support the transaction, Cemig secured a USD 40 million one-year loan.

Adequate tariff periodic adjustment

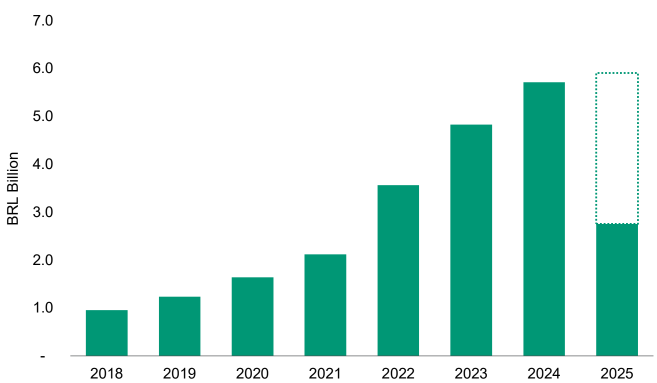
In May 2025, Brazil's electricity regulator ANEEL approved an average tariff increase of 7.78% for CEMIG D as part of its annual tariff review. The adjustment included a 1.36% increase in operational expenses (Portion B), a 6.12% escalation in uncontrollable costs (Portion A), and a 0.30% rise in financial components. In comparison, the IPCA inflation index rose by 5.53% since the last adjustment in May 2024. Tariffs for low-voltage clients and residential consumers increased by 7.03% and 6.86%, respectively, while high-voltage clients experienced an average adjustment of 9.45%.

In May 2023, CEMIG D had their last periodic tariff review (PTR) process, which occurs every five years, and saw ANEEL approve an average tariff increase of 13.27%. Moreover, the Net Regulatory Remuneration Base of Assets, as recognized by ANEEL, was BRL15.2 billion, marking an increase of 71% from the previous PTR. This remarkable increase aligns with the historical capital expenditure from 2018 to 2022.

Increase in capital spending to modernize and expand the distribution network

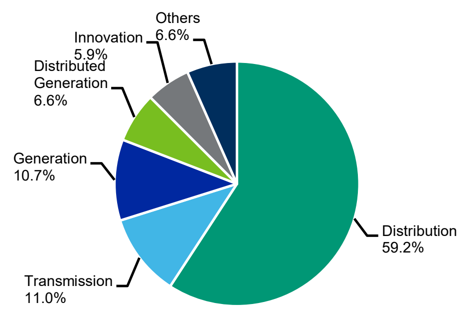
CEMIG has progressively increased its capital spending in recent years, with its Moody's-adjusted capital spending reaching BRL 5.8 billion in the twelve months ending June 2025, up from BRL 2.1 billion in 2021. The company plans to invest BRL 32.7 billion from 2025 to 2029, about two-thirds of which is already contracted. According to CEMIG, approximately 78% of the 2025 investment plan is in the distribution segment, focused on system expansion, maintenance and modernization.

Exhibit 8
Cemig`s investment plan has been increasing significantly



Source: Company filings

Exhibit 9
Planned capital spending for 2025-29, mainly concentrated in the distribution business
Capex breakdown



Source: Company filings

Key investment initiatives include transitioning rural areas from a monophasic to a triphasic grid system, thereby enabling rural customers to consume more energy, and the deployment of approximately 49 thousand smart meters in the 1H25 in the distribution segment. The smart meters aim to remotely monitor captive customers' consumption, and is expected to improve efficiency levels and quality indicators.

These substantial capital expenditures are vital for sustaining the company's operations, reducing operational costs, and enhancing its regulatory base by 2028, which will likely be recognized by the regulator, in tariff revisions. Although this strategy will pressure the company's credit metrics over the next three years, we don't anticipate a significant impact on the credit profile.

Remaining debt maturities in 2025 have manageable refinancing pressure

In June 2025, the company reported net debt/Adjusted EBITDA of 1.6x on a consolidated basis. These indicators lie comfortably within the 3.0x covenants limits for CEMIG and CEMIG GT, respectively. The company has been able to meet its financial obligations with a comfortable buffer, which we expect to continue.

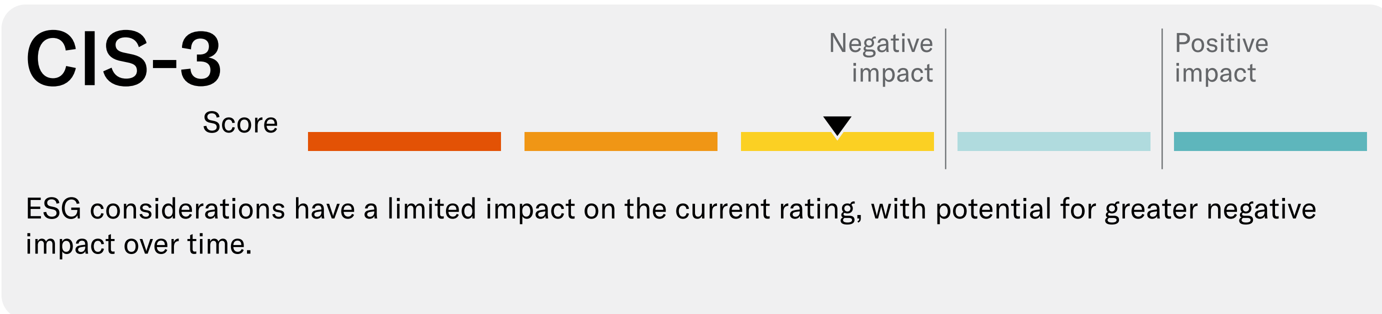
As part of its liability management plan, the Generation and Transmission segment fully repaid its Eurobond exposure in December 2024, following the sale of Aliança Energia to Vale S.A. (Baa2, stable) in August 2024. The transaction added BRL 2.7 billion to the company's cash reserves, which we view as credit positive.

The rating reflects our assumption that the company will successfully keep extending its debt maturity profile, mainly due to the access to diverse funding sources in both local and international debt markets.

ESG considerations

Cemig Distribuicao S.A.'s ESG credit impact score is CIS-3

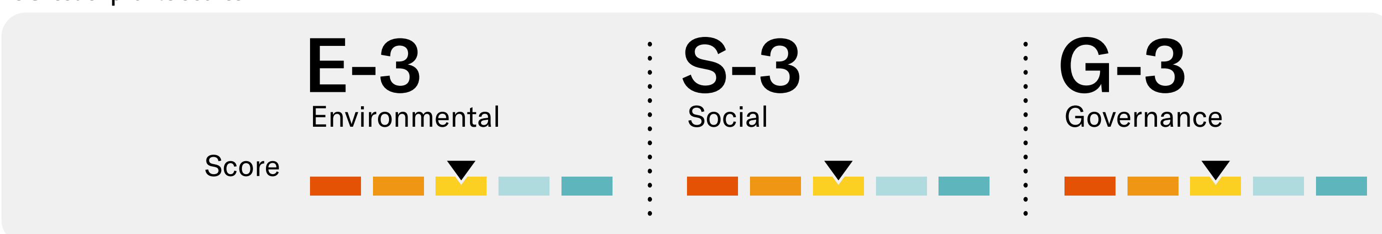
Exhibit 10
ESG credit impact score



Source: Moody's Ratings

ESG scores are aligned with those of Companhia Energetica de Minas Gerais - CEMIG. CEMIG D's **CIS-3** indicates that ESG considerations have a limited impact on the current credit rating with potential for greater negative impact over time. This is due to factors such as concentrated ownership risk, extreme weather exposure, and the societal repercussions concerning the affordability of tariffs.

Exhibit 11
ESG issuer profile scores



Source: Moody's Ratings

Environmental

The ESG scores are aligned with those of Companhia Energetica de Minas Gerais - CEMIG. As a major player in the energy sector, CEMIG D is vulnerable to physical climate risks. These are predominantly manifested as extreme weather patterns, which have the potential increase outage duration (DEC) and frequency (FEC) per consumer.

Social

The ESG scores correspond with those of Companhia Energetica de Minas Gerais - CEMIG. CEMIG D faces social risks, which mirror the societal and demographic trends raising public concern over energy affordability. This could potentially result in unfavorable regulatory or political interventions, a situation not uncommon among utilities in the Latin American region. Also, there is only a relatively moderate exposure to health and safety concerns, human capital management and customer relationship dynamics.

Governance

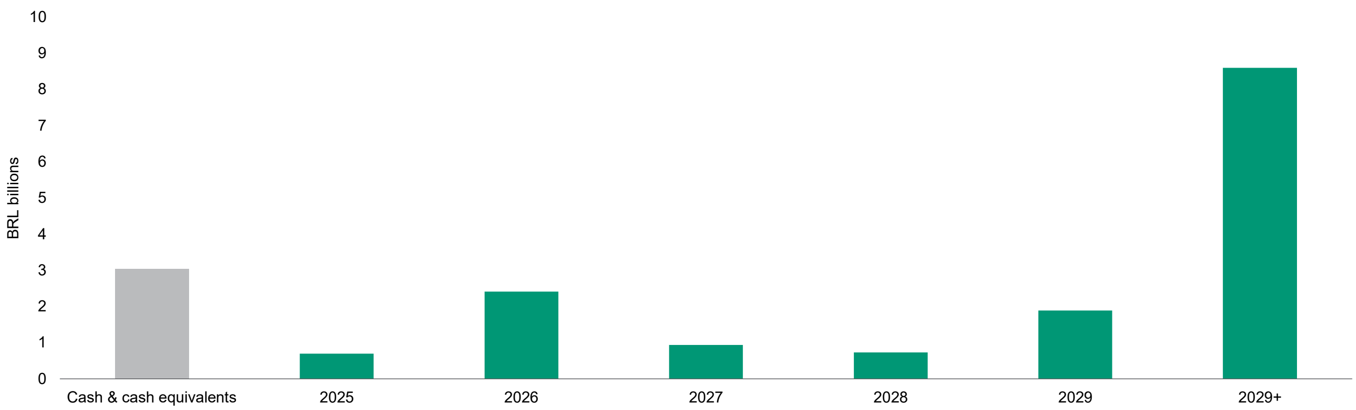
The ESG scores mirror those of Companhia Energetica de Minas Gerais - CEMIG. CEMIG D is subject to ownership concentration, and its financial strategy and risk management leave it exposed to significant refinancing needs and substantial capital investments in the forthcoming years.

ESG Issuer Profile Scores and Credit Impact Scores for the rated entity/transaction are available on Moodys.com. In order to view the latest scores, please click here to go to the landing page for the entity/transaction on MDC and view the ESG Scores section.

Liquidity analysis

CEMIG's liquidity has been improving since the end of 2024, as they issued over BRL 4 billion in debt in 2025 already. As of June 2025, the company reported cash and equivalents of BRL 3.0 billion, which is sufficient to face the BRL 2.8 billion in short-term debt. Additionally, the large investment plans and dividend policy will lead to a negative free cashflow of BRL 2.9 billion for in Moody's base case, exacerbating the company's funding needs. Nonetheless, we believe the risk is manageable given the company's plan to access the banking and debt markets to finance the bulk of its capital expenditures.

Exhibit 12
CEMIG's consolidated debt schedule
June 2025



Source: Company filings

Structural considerations

The senior unsecured ratings of CEMIG's subsidiaries, CEMIG GT and CEMIG D, are at the same level as CEMIG's CFR. This reflects the high degree of financial links among CEMIG GT, CEMIG D and other subsidiaries within the CEMIG corporate family because of cross-default provisions embedded in the company's debt documents, as well as the guarantees provided by the holding company on the debt issued by its subsidiaries.

Rating methodology and scorecard factors

The principal methodology used in CEMIG D's rating is the Regulated Electric and Gas Utilities rating methodology published in August 2024. Under this methodology, CEMIG D's scorecard-indicated outcome is Baa3 as of June 2025 and Ba1 in our 12-18-month forward-looking view.

The scorecard-indicated outcome of Baa2 is two notches above the assigned rating, given the credit links to the Government of Brazil because of the highly regulated nature of its business and the exposure to local revenue. The rating is also constrained by its governance ties with the State of Minas Gerais, which is currently facing stress. Therefore, CEMIG's credit quality is limited at three notches above the State of Minas Gerais' B1 issuer rating.

Exhibit 13

Rating factors

Cemig Distribuicao S.A.

Regulated Electric and Gas Utilities Industry Scorecard	Current LTM Jun-25		Moody's 12-18 month forward view	
Factor 1 : Regulatory Framework (25%)	**Measure**	**Score**	**Measure**	**Score**
a) Legislative and Judicial Underpinnings of the Regulatory Framework	Ba	Ba	Ba	Ba
b) Consistency and Predictability of Regulation	Ba	Ba	Ba	Ba
Factor 2 : Ability to Recover Costs and Earn Returns (25%)				
a) Timeliness of Recovery of Operating and Capital Costs	Ba	Ba	Ba	Ba
b) Sufficiency of Rates and Returns	Ba	Ba	Ba	Ba
Factor 3 : Diversification (10%)				
a) Market Position	Ba	Ba	Baa	Baa
b) Generation and Fuel Diversity	Baa	Baa	Baa	Baa
Factor 4 : Financial Strength (40%)				
a) CFO pre-WC + Interest / Interest (3 Year Avg)	4.0x	Baa	2.9x - 3.0x	Baa
b) CFO pre-WC / Debt (3 Year Avg)	21.7%	Baa	21.4% - 21.2%	Baa
c) CFO pre-WC – Dividends / Debt (3 Year Avg)	18.0%	A	16.5% - 16.5%	Baa
d) Debt / Capitalization (3 Year Avg)	48.2%	Baa	51.3% - 54.7%	Baa
Rating:				
Scorecard-Indicated Outcome Before Notching Adjustment		Baa3		Ba1
HoldCo Structural Subordination Notching		0		0
a) Scorecard-Indicated Outcome		Baa3		Ba1
b) Actual Rating Assigned				
Government-Related Issuer	**Factor**		**Factor**	
a) Baseline Credit Assessment	ba1		ba1	
b) Government Local Currency Rating	B1		B1	
c) Default Dependence	High		High	
d) Support	Moderate		Moderate	
e) Actual Rating Assigned	Ba1		Ba1	

All figures and ratios are based on adjusted financial data and incorporate Moody's Global Standard Adjustments for Non-Financial Corporations.
LTM = Last 12 months.
Moody's forecasts are Moody's opinion and do not represent the views of the issuer.
Source: Moody's Ratings and Moody's Ratings forecasts

Ratings

Exhibit 14

Category	Moody's Rating
CEMIG DISTRIBUICAO S.A.	
Outlook	Stable
Issuer Rating -Dom Curr	Ba1
ULT PARENT: MINAS GERAIS, STATE OF	
Outlook	Positive
Issuer Rating	B1
PARENT: COMPANHIA ENERGETICA DE MINAS GERAIS - CEMIG	
Outlook	Stable
Corporate Family Rating	Ba1

Source: Moody's Ratings

REPORT NUMBER 1459597

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